

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"> • 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>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>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>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>



Mid-Term Review

Special Development Fund

SDF-8

Submitted to:

Caribbean Development Bank

By:

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June 2015

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As well we would like to thank the representatives of the SDF donors for their generous inputs to this Mid-Term Review. They helped formulate the Terms of Reference for the Review, provided information early in the Review and made comments on the draft report later in the Review.

Disclaimer

The opinions reported herein are those of the authors. They do not necessarily represent the opinions or positions of the Caribbean Development Bank or of any member government of the Bank.

Abbreviations

AMT	Advisory Management Team (CDB Senior Management Group)
BMCs	Borrowing Member Countries
BNTF	Basic Needs Trust Fund
BSIF	Belize Social Investment Fund
CARTAC	Caribbean Regional Technical Assistance Centre
CARTFUND	Caribbean Aid for Trade and Regional Integration Trust Fund
CCCCC	Caribbean Community Climate Change Centre
CCRIF	Caribbean Catastrophic Risk Insurance Facility
CDM	Comprehensive Disaster Management
CMDG	Caribbean Millennium Development Goal
CPA	Country Poverty Assessment(s)
CPIA	Country Policy and Institutional Assessment
CRNM	Caribbean Regional Negotiating Machinery
CSP	Country Strategy Paper
CTCS	Caribbean Technological Consultancy Services
DER	Development Effectiveness Review
DiMSOG	Disaster Management Strategy and Operational Guidelines
DRM	Disaster Risk Management
DSIF	Dominica Social Investment Fund
EGRIP	E-Government for Regional Integration Project
ENAF	National School of Financial Administration
ERSWP	Environment and Social Review Procedures
GAD	Gender and Development
GEPOS	Gender Equality Policy and Operational Strategy
HDI	Human Development Index
JSIF	Jamaica Social Investment Fund
MDG(s)	Millennium Development Goal(s)
MfDR	Managing for Development Results
MSMEs	Micro, Small and Medium-Size Enterprises
NPRS	National Poverty Reduction Strategy
OCR	Ordinary Capital Resources
OIE	Office of Independent Evaluation (CDB)
PBA	Performance-based Allocation System
PBL	Policy-based Loan
PCR	Project Completion Report
PPES	Project Performance Evaluation System
PPMS	Project Performance Monitoring System
PRS	Poverty Reduction Strategy
PSIP	Public Sector Investment Programme
RAS	Resource Allocation System/Resource Allocation Strategy
RBM	Results-Based Management
RMF	Results Monitoring Framework
RPG(s)	Regional public good(s)
SDF (U)	Special Development Fund (Unified)
SIDS	Small Island Developing States
TA	Technical Assistance

Executive Summary

This is the report of a mid-term review of the Special Development Fund, Cycle 8 (SDF-8), of the Caribbean Development Bank.

The focus of the report is on the implementation in 2013 and 2014 of the operational programme agreed between CDB and Contributors to the SDF-8. The report is not an impact evaluation of the Special Development Fund. At the same time as this Review CDB had underway a comprehensive multi-cycle evaluation of the Special Development Fund.

Special Development Fund Resources

SDF-8 resources totalled \$230.7 million, including the Caribbean Development Bank (CDB)'s transfer of \$18 million of ordinary capital resources (OCR) net income. Borrowing members pledged \$53.5 million (23.2%) and non-borrowing members \$159.2 million (69%). An additional \$10 million was conditionally pledged by the United Kingdom.¹

Status at Mid-Point

At the mid-point of SDF-8 (December 31, 2014) the value of resources pledged in SDF-8 plus all previous replenishments was \$1.245 billion.² Cumulative loan commitments were \$687.6 million. Cumulative net grant approvals amounted to \$364.8 million. The portfolio of 53 SDF loans being actively implemented at December 31, 2014, amounted to \$355.7 million.

During the first half of SDF-8 (2013 and 2014) \$98.2 million in loans was approved and \$37.1 million in grants approved including grants supported by the Basic Needs Trust Fund (BNTF).

There was a lot of variability in the utilization of SDF resources. Loan commitments to Group 2 countries were on track for full utilization but some other categories were not.

Table ExSm 1: Allocations and Commitments, at SDF-8 Mid-term (Other than BNTF.)

Category	SDF-8 Allocation	Committed in 2013 and 2014	Uncommitted from SDF-8 Allocation at Dec. 31, 2014	% Committed
Loans				
Group 2 BMCs	172.7	98.2	74.5	57%
Disaster Mitigation & Rehabilitation	33.0	7.3	22.7	22%
Grants				
Haiti	46	16.2	29.8	35%
Technical Cooperation	20	7.9	12.1	36%
Regional Integration and RPGs	10	2.0	8.5	20%
Environment and Climate Change	5	0.43	4.6	9%
Immediate Disaster Response	5	1.1	3.9	22%
Citizen Security	4	0.25	3.75	6%

Source: CDB April 2015

Approvals of thematic grants (other than Haiti and BNTF) in the first half of the SDF-8 period were strongest in agriculture and weakest in citizen security.

Thematic Grants (Other than BNTF)

In addition to country allocations CDB dedicated SDF-8 resources to various thematic areas. The utilization of these funds by mid-term varied significantly. (See Table ExSm 2.) With the

¹ Conditional on the achievement of certain milestones.

² The financial status of the SDF is described in detail in Appendix 2 Summary Data Sheet.

Mid-Term Review of SDF-8

exception of Agriculture TA, which was 61% approved by SDF-8 mid-term, thematic grants were less than 50% of the allocation for the full cycle. On average approvals were about one fifth of the funds available for the full SDF-8 period. This was true of grants in support of regional public goods, for instance, where CDB has been more strategic than in the past but less active.³

Table ExSm 2: Thematic Grants Other than BNTF Grants, 2013 and 2014

	SDF-8 Allocation	Approved in 2013 and 2014	%
Immediate Disaster Response	5,000	1,100	22%
Regional Solutions and RPGs	10,000	2,009	20%
Citizen Security	4,000	246	6%
Environmental Sustainability and Climate Change	5,000	426	9%
Caribbean Technical Consulting Service	5,000	1,517	30%
TA Capacity Building	12,000	3,791	32%
TA Agriculture	3,000	1,835	61%
Totals	44,000	9,090	21%

Source: CDB Corporate Planning, April, 2015

In addition there was an allocation of \$30 million for loans for Natural Disaster Mitigation and Rehabilitation of which \$7,267,000 (24%) was approved in 2013 and 2014.

At the start of SDF-8 there was \$88,000,000 of SDF funds available to the Basic Needs Trust Fund (funds from BNTF 6-8). Of this \$26,738,824 was disbursed in 2013 and 2014. At December 31, 2014, the undisbursed amount was \$61,264,176.

Overview of Performance in 2013 and 2014

The first half of SDF-8 was a period of renewal for the Bank. There was a slow start to SDF-8 in 2013 followed by a much busier 2014.⁴ A number of professional staff were hired to respond to chronic under-manning of the Bank. There were several innovations including hiring 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 gender equality, environment/climate change (although as shown in the table ExSum 2 above, very little of the grant funds for environmental sustainability and climate change was in fact committed by mid-term SDF-8). New initiatives in renewable energy/energy efficiency were undertaken but results up to mid-term did not significantly contribute to the quantitative targets for the whole of SDF-8. The focus on results is evidenced by the publication of an annual development effectiveness review in (2011, 2012, 2013 and 2014).

These changes position CDB to perform well in the second half of SDF-8. It is not unusual that that the first half of the SDF cycle is slow. However it is inefficient. CDB needs to accelerate its activities in the second half of SDF-8 and keep its momentum in the first half of SDF-9.

³ Mid-term reviews in the past have consistently recommended that CDB use its regional grants more strategically, with fewer small ad hoc grants and more larger efforts that target important regional public goods. On the one hand CDB has moved in this direction, in its work on regional transportation for example. On the other hand its outturn of regional projects has fallen. We have recommended that CDB be more innovative in SDF-9 in regard to regional public goods. Among the other topics discussed above, the topic of regional projects/regional public goods is one where the donors could ask for a working paper as part of the SDF-9 replenishment negotiations, if they wished to do so.

⁴ Only four SDF loans were made in 2013 for a total of \$30 million. Loan momentum built in 2014 with commitment amounts more than doubling to \$68.1 million (19 loans). See Appendix 2 "Summary Data Sheet, 2010-2014".

Lessons Learned and Main Messages

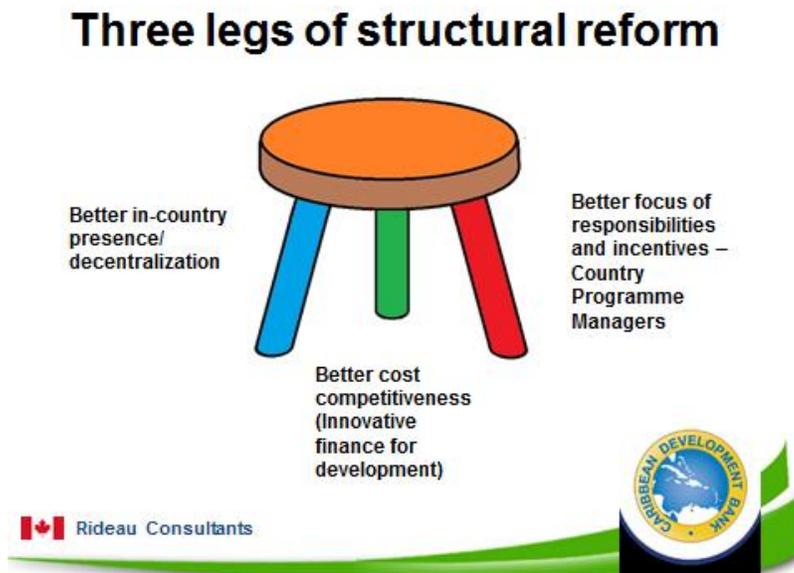
The lessons learned and our main messages are as follows:

1. **Poverty and indigence rates have not improved significantly** in the past five years, with the possible exception of Haiti. This appears to be a secular trend not primarily a result of short term economic difficulties. In our view it is unacceptable to have poverty rates above 20% and indigence rates above 11% in the BMCs, not to speak of Haiti where rates are more than twice those levels. Two important factors appear to be (1) poor government policies in some countries including unfocused subsidies that do not specifically benefit the poor; and (2) BMC tax revenues around 20% of GDP on average which are insufficient to mount anti-poverty programs like the conditional cash transfer programs that have been important in other countries including Brazil. CDB can provide leadership by undertaking a study of the factors underlying stubborn poverty in the Caribbean and identifying a better joint strategy, in part building upon and synthesizing its work on country poverty assessments.
2. **BMCs are losing their SDF allocation by moving to Group 1 while they still have substantial populations of poor people**. CDB is losing access to many poor people that it is mandated to help. This is a problem that other multilateral development banks are facing as well. Their partial solution has been to utilize multiple special purpose granting Funds that are less restrictive than the main concessional Fund in regards to the countries that can participate,
3. The **BNTF has clarified its business model but not really simplified it**. We suggest that CDB explore a new business model for the BNTF. A new model should rely more on accountable advance payments, payment for results, and accountability through selective audits rather than control in detail exercised from CDB CDB headquarters. Also, if implementing agencies do not perform adequately then other avenues for grant implementation should be sought.
4. The **Haiti programme has matured** to the point where CDB should consider some autonomous programming. This will require strengthened capacity in CDB HQ to work in French, as well as an office in Haiti.
5. **CDB has mainstreamed gender equality and met its commitment to complete 10 country gender assessments**. It needs to strengthen the gender marker, complete country gender assessments for all remaining BMCs, focus its grants on selected priorities and be more visible publically as a GE advocate.
6. CDB has been **much more active in the first half of SDF-8 than it was in the first half of SDF-7 in environment, climate change, energy security and disaster mitigation and resilience**. CDB has established a Renewable Energy/Energy Efficiency Unit. It has also established an Environmental Sustainability Unit which has a number of **partnership initiatives** underway including seeking accreditation by the Green Climate Fund and the Adaptation Fund
7. **Three structural changes would improve CDB's performance**. Action is needed on the following:
 - a. **Improved presence in the BMCs** achieved as much as possible through in-country offices.

- b. Stronger country portfolio management, preferably through country programme managers who can be the focus of performance management in each country and can be given incentives to achieve CDB's strategic objectives.⁵
- c. Improved loan competitiveness. (a) Better price competitiveness. Lower SDF interest rates harmonized as much as possible with concessionary rates offered by other MDBs in the Caribbean and coupled with risk-based customization of the rates, terms and conditions for OCR loans. (b) More flexibility and diversity in CDB's lending and granting instruments. The concept of having a single "unified" development fund has many advantages, including the advantage of simplicity but other MDBs typically have large numbers of topical trust funds that improve their ability to target and customize loans and grants and that give visibility to donors as well as to the Bank.

In a presentation to CDB's Annual Meeting in May 2015 we argued that these three structural reforms would be mutually supporting. Each would be more likely to succeed if the other two were in place. Metaphorically they are like a three-legged stool.

Figure ES-1 Three Legs of CDB structural reform



Recommendations

In summary, our recommendations are as follows.

(See Section 5.2 for the rationale for each recommendation.)

1. **Formulate a new anti-poverty strategy for the Caribbean that promises to be more successful in reducing poverty rates more quickly. New thinking is needed on poverty.** CDB should make it a high priority to help a wide range of policy makers

⁵ In comparison the International Fund for Agricultural Development (IFAD), which makes about 30 loans each year, although larger loans than CDB generally makes, has approximately 70 country program managers, 40 based at its headquarters and 30 resident in country.

formulate a new joint anti-poverty strategy for the Caribbean to reduce poverty and indigence quickly.

2. **CDB needs to reach poor people in middle-income countries.** CDB should lend to MICs for targeted poverty reduction programmes. MICs in the Caribbean, in part because of low government revenues as a percent of GDP, do not have the necessary resources to fund significant anti-poverty programs without assistance. We recommend that 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 gender equality. Other conditions might also apply such as leverage of government funding.

Second Half of SDF-8, 2015 and 2016

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.

During SDF-9

In SDF-9 we recommend that new modes of CDB activity in MICs be implemented.

3. **CDB should undertake a feasibility study(s) of the three legs of our proposed strategic/operational stance (country offices, country programme managers and improved price competitiveness). CDB needs to think creatively about innovative finance for development.**⁶ We suggest a single feasibility study since we see the three as mutually supportive; but perhaps that would be covering too much ground in one study.
4. **BNTF needs a new “business model”.** Reposition the BNTF, with a new governance and operational model that will ensure timely disbursement of funds while maintaining effectiveness and controlling risk in a different way.
5. **Start to normalize the Haiti Programme.**
6. **Organize around country program managers.** Consider having country programme managers responsible for the whole CDB portfolio in each BMC.
7. **Establish country offices.** Consider a partly decentralized mode of operations with some country offices.
8. **Harmonize SDF lending rates with other MDB concessionary Funds operating in the Caribbean and adopt customized risk-based pricing for OCR loan funds.**
9. **Continue and extend the promotion of social and economic inclusiveness. Consolidate good work in Gender Equality mainstreaming, raise CDB’s public profiling on the issue and focus programming attention on a limited number of key gender equality issues in the Caribbean.** Be more demanding with the gender marker in GE mainstreaming; raise CDB’s public profile on the issue and focus GE programming on a manageable number of key gender equality issues. Consider the interactions of other dimensions of prejudice with gender, including ethnic and class dimensions.

⁶ Innovative financing for development is currently a major topic among MDBs. The restructuring of the Asian Development Fund planned for January 1 2017 is a case in point. That restructuring s, largely, aimed at leveraging the concessionary loan portfolio,

10. **After many years of important work related to resilience we suggest that some stocktaking is in order. Assess how much BMCs have in fact improved their resilience**, where the main risks remain, what options there are for collective action to improve resilience and where CDB can add the most value.
11. **Develop innovative approaches to Regional Cooperation and Integration and Regional Public Goods**, for implementation in SDF-9.
12. **Maintain momentum in the transition from SDF-8 to SDF-9** by accelerating technical cooperation and training; and planning and developing a pipeline of proposed activities.

Fine tune the Performance-Based Resource Allocation System probably by increasing the weight of the POOR variable and by finding innovative ways to give incentives for improved country performance. The SDF8 Contributors approved two reforms of CDB's resource allocation system (RAS). These were, first, a revision to the country classification groups and a reordering of countries within those groups⁷ and, second, a revision of the allocation formula to align the needs component with a more direct measure of poverty. (See Appendix 7)⁸

- Harmonize SDF lending rates with concessionary rates of other MDBs operating in the Caribbean and customize OCR rates for blended loans according to assessed risk.
- Review the experience with revised country groups before the end of SDF-8 as agreed in the Resolution and Report of Contributors for SDF-8.
- Reconsider the appropriate weight for the POOR variable.
- CDB Corporate Planning Division might wish to consider whether the "performance:" side of the equation, which was unchanged in the SDF8 reforms, might also be improved to provide a more direct incentive for countries to improve their policy and institutional performance.
- 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.

13. In an effort to reach the poor in lower-middle-income countries CDB management

⁷ See SDF-8/1-PM-4: Implementation of the Revised Country Classification System and Terms of Lending for Country Groups of the SDF(U).

⁸ In past replenishment negotiations donors have asked for a working paper on the RAS. If such a working paper were produced again it should include a reconsideration of the weight of the POOR variable. The first thing that should be done is an analysis of what difference the POOR variable has made so far. It should be possible to run PBA simulations with and without POOR. Some analysis of the vulnerability variable (VUL) is also in order. Lastly an analysis of per-capita allocations and their relationship to country performance would be instructive.

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1. Introduction

1.1 The Special Development Fund

The Special Development Fund, SDF, was established in 1970. In 1983, the Unified Special Development Fund, SDF(U), was created. The SDF(U) is a multi-donor Fund with a governance structure that includes an Annual Meeting of Contributors. Contributors also meet every four years to replenish the Fund. During replenishment discussions the Contributors and the CDB consider the needs of member countries and agree on an agenda and targets for SDF support in the following period. These are set out in a Resolution and Report of Contributors.

CDB is responsible for the implementation of the SDF Agreement. There is an Implementation Plan against which progress is monitored. Each year, at the time of CDB's Annual Meetings, a meeting of Contributors is held during which a report on the performance of the SDF(U) is presented and discussed. Mid-term reviews of the implementation performance and of progress against the agreed programme are also requirements of SDF(U) Agreements.

1.2 Objectives of the Mid-Term Review

The goal of the Mid-Term Review of SDF(U) Cycle 8 is to assess its achievements at its mid-point and to analyse opportunities and constraints faced by CDB in the second half of the Cycle. The consultant team was asked to make recommendations to facilitate successful implementation of SDF(U) 8 in the remainder of the Cycle and suggest how it can be fully efficient and effective during that period and going into SDF 9.

The Terms of Reference of the Review stated that "The overall objective of the Mid-term Review will be to assess progress on the implementation of SDF-8 and the results as reported by CDB's Results Monitoring Framework." (Para 2.01)

The Scope of Work was described as follows: (Para 3.01)

- a) The consultancy is expected to determine the progress towards the achievement of the agreed targets for SDF-8 and in particular to:
- b) Review the policies, procedures and systems currently in place for the administration, operation and monitoring of the SDF-8.
- c) Analyse the degree of efficiency with which the operations of the Eighth Cycle are being undertaken.
- d) Assess the level of funding and the adequacy of financing available for the various aspects of the SDF-8.
- e) Assess progress on implementation of the operational strategy outlined in the Resolution and Report of Contributors on SDF-8.
- f) Assess progress on the SDF-9 implementation plans outlined in the Resolution and Report of Contributors to SDF-8.
- g) Make recommendations on any operational adjustments that may be required to ensure the achievement of the objectives of the SDF-8.

The Review includes an assessment of CDB's achievement of targets to which it is committed, a review of the results anticipated by the Results Monitoring Framework (RMF), and an analysis of the contribution of the SDF to member countries' achievement of the Millennium Development Goals and, specifically the CMDG targets for 2015

1.3 Methodology

The Review collected information from several sources and relied upon **triangulation** (drawing upon more than one independent source) to be able to address the issues in the Terms of Reference and to answer the questions posed.

Triangulation included document review, observations and interviews at CDB headquarters and drawing upon the extensive surveys of stakeholders that immediately preceded this Review (as part of CDB's preparation for its Strategic Plan 2015-2019.)

1.3. CDB's Vision in the Strategic Plan 2015-2019

In its Strategic Plan for 2015-2019 CDB states its mandate and mission, and says that it will assist the Region to identify and exploit opportunities for achieving inclusive and sustainable growth and development, strengthening BMCs resilience to external economic shocks and natural hazard events and reducing poverty and inequality. The Plan also states that the Bank will build on its comparative strengths, enhance its role and relevance to its stakeholders, build its portfolio, improve its efficiency and effectiveness, and strengthen its results focus.

The Strategic Plan takes into account the Caribbean-specific millennium development goals (MDGs) and Post-2015 Agenda, which identifies five transformational shifts that are important to poverty reduction and "for building integrated sustainable development agenda that will overcome the obstacles to prosperity for all". The five areas are: leave no one behind; put sustainable development at the core; transform economies for jobs and inclusive growth; build effective, open and accountable public institutions; and forge a new global partnership.

CDB's proposed Strategic Plan is also aligned with the six focal areas set out in the CARICOM Plan: building economic resilience; sustainable economic growth and development; building social resilience; equitable human and social development; building environmental resilience; and building technological resilience.

2.0 SPECIAL DEVELOPMENT FUND

2.1 Special Development Fund

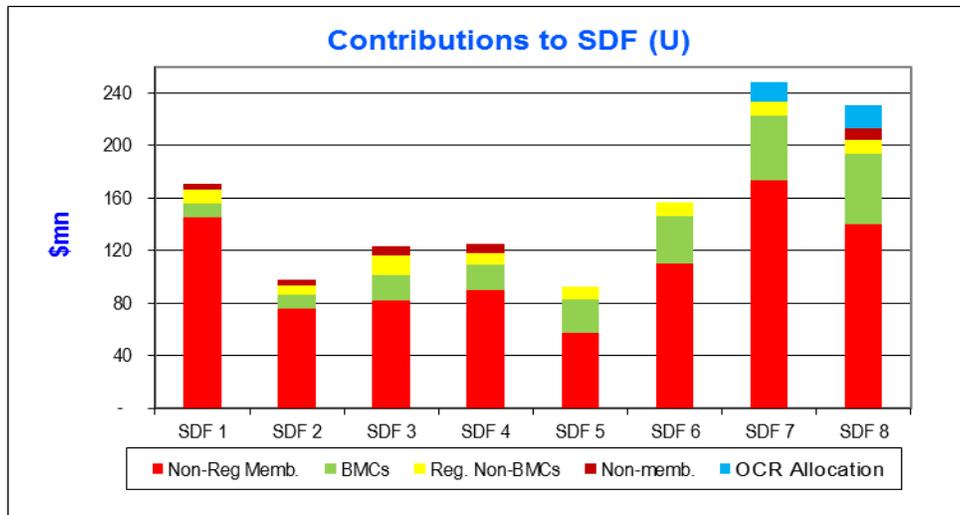
Contributors to the Special Development Fund (SDF) have provided cash and pledges totalling \$1.245 billion.⁹ (See Appendix 2: Summary Data Sheet.) In addition, over time, CDB has transferred to the SDF net income from loans of Ordinary Capital Resources (OCR). In 2014 the cumulative size of the SDF was \$1.2493 billion. The cumulative allocation for grants was \$405.6 million (31%).¹⁰ Loan commitments at the end of 2014 stood at \$687.6 million.

At December 31 2014 there were a total of 53 projects under active implementation, with a value of \$355.7 million.

2.2 SDF-8 Contributions

Contributors pledged \$230.7 million to the SDF-8 replenishment, including CDB's transfer of \$18 million of OCR net income. (See Appendix 3 for a list of contributors and contributions.) Borrowing members pledged \$53.5 million (23.2%) and non-borrowing members \$159.2 million (69%). An additional \$10 million was conditionally pledged by the United Kingdom.¹¹ Contributions to each cycle by category of membership are shown in the chart below.

Table 2.2-1 SDF Contributions, by Phase and Category of Contributor



Source: CDB SDF Annual Report, 2014

2.3 SDF Portfolio in the First Half of SDF-8

The financial status of the SDF is described in detail in Appendix 2 Summary Data Sheet. At the mid-point of SDF-8 (December 31, 2014) the historical value of resources pledged was \$1.2455 billion; and the size of the Fund was \$1.2493 billion. Cumulative loan commitments were \$687.6 million at the end of 2014. During the first half of SDF-8 (2013 and 2014) \$98.2 million in loans had been approved. During 2013 and 2014 \$37.1 million in grants were approved. Grants were approximately 27% of total approvals during this period.

⁹ Of this amount, 18% was contributed by borrowing members (\$224 million). Non-borrowing members contributed 76.8% (\$956 million) and non-members contributed 2.6% (\$32 million).

¹⁰ At the end of 2014 CDB had approved grants to member countries totalling \$364.8 million

¹¹ Conditional on the achievement of certain milestones.

2.4 Resource Availability and Commitment Authority

At mid-term (December 31, 2014) there was a lot of variability in the utilization of SDF resources. Loan commitments to Group 2 countries were on track for full utilization but some other categories were not. (See Appendix 4 for more detail)

Table 2.4-1: Allocations and Commitments, at SDF-8 Mid-term (Other than BNTF.)

Category	SDF-8 Allocation	Committed in 2013 and 2014	Uncommitted from SDF-8 Allocation at Dec. 31, 2014	% Committed
Loans				
Group 2 BMCs	172.7	98.2	74.5	57%
Disaster Mitigation & Rehabilitation	33.0	7.3	22.7	22%
Grants				
Haiti	46	16.2	29.8	35%
Technical Cooperation	20	7.9	12.1	36%
Regional Integration and RPGs	10	2.0	8.5	20%
Environment and Climate Change	5	0.43	4.6	9%
Immediate Disaster Response	5	1.1	3.9	22%
Citizen Security	4	0.25	3.75	6%

Source: CDB April 2015

Approvals of thematic grants (other than Haiti and BNTF) in the first half of the SDF-8 period were strongest in agriculture and weakest in citizen security.

Table 2.4-2 Thematic Grants (Other than Haiti and BNTF), 2013 and 2014

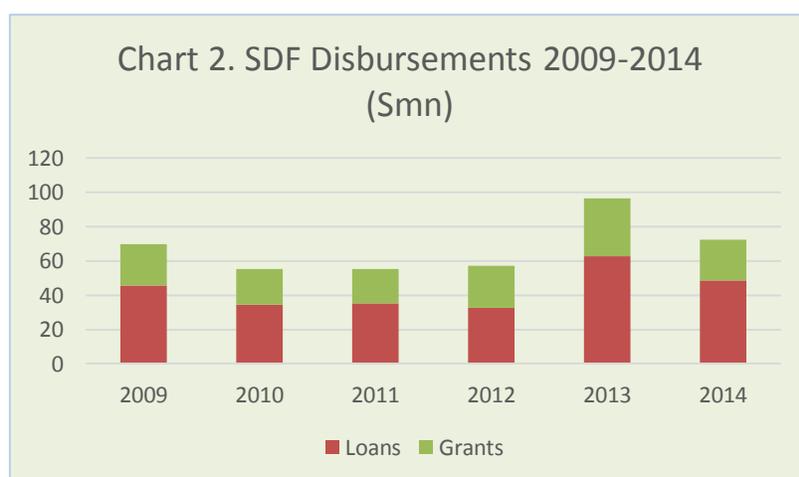
	SDF-8 Allocation	Approved in 2013 and 2014	%
Immediate Disaster Response	5,000	1,100	22%
Regional Integration and RPGs	10,000	2,009	20%
Citizen Security	4,000	246	6%
Environmental Sustainability and Climate Change	5,000	426	9%
Caribbean Technical Consulting Service	5,000	1,517	30%
TA Capacity Building	12,000	3,791	32%
TA Agriculture	3,000	1,835	61%
Totals	44,000	9,090	21%

Source: CDB April 2015

2.5 Timely Disbursements

In 2013 new SDF loans were relatively few but disbursements against existing loans and grants were high (\$96.6 million). In 2014 disbursements were lower (\$72.3 million) but still higher than any year in SDF-7.¹² Grants to Haiti were lower than 2013 due to the completion of CDB's collaborative community-based projects, but continued to represent the bulk of the grant disbursements (42.4%) while TA and BNTF constituted 19.2% and 38.4%, respectively. Similar to loan disbursements, the 2014 performance for grants was better (by 6.8%) than the annual average under the SDF 7 cycle.

Table 2.5-1 SDF Disbursements, 2009 to 2014



Source: SDF Annual Report, 2014, Para 2.05

Table 2.5-2 Annual Disbursements, 2009-2014 (\$million)

TABLE 2: ANNUAL DISBURSEMENTS 2009-2014 (\$mn)

Item	SDF 7						SDF 8	
	2009	2010	2011	2012	Total	Annual Average	2013	2014
Loan Disbursements	45.6	34.6	35.3	32.8	148.3	37.1	62.5	48.7
Grant Disbursements								
TA	6.2	5.4	6.4	6.6	24.6	6.2	5.6	4.5
Haiti	14.1	6.3	7.9	9.6	37.9	9.5	20.1	10.1
BNTF	4	8.9	5.6	8.3	26.8	6.7	8.2	9.0
Total Grant Disbursements	24.3	20.6	19.9	24.5	88.2	22.1	33.9	23.6
Total Disbursements	69.9	55.2	55.2	57.3	236.8	59.2	96.6	72.3

Source: SDF Annual Report, 2014, Para 2.06

¹² The high level of disbursements in 2013 reflects disbursement of the exceptional financial assistance to St. Kitts and Nevis approved in 2012.

2.6 SDF Interest Rates and Demand for Investment Loans

One of the questions posed by Contributors was whether approvals and disbursements have been made in a timely fashion.¹³ There are many factors that have influenced the status of SDF financial implementation at mid-term. The main factors are, first, the capacity of BMCs to design and implement projects, particularly projects likely to attract SDF financing; second, CDB's enterprise in implementing the work plan, and third, market conditions including CDB's cost competitiveness. The latter is influenced by the availability and cost of concessional funding from other suppliers, both bilateral and multilateral.

If its CDB's loans are relatively costly, as indeed they are, or if CDB's loan requirements are relatively burdensome, then the Bank will have difficulty meeting its loan approval and disbursement targets. Countries will borrow more cheaply elsewhere if they have credit. CDB's loan portfolio will naturally shift towards more risky borrowers.

In an exploratory way we have compared the cost of CDB loans with loans from the Inter-American Development Bank (IDB) concessionary funds and ordinary capital resources. We found that loans from the CDB are more expensive than loans from the IDB; and IDB terms and conditions are more generous. (See Appendix 6)

CDB's cost disadvantages are not compatible with it being a leading development institution in the Caribbean and not compatible with the Paris Declaration and Accra Accords that envisage the devolution of development resources and decision making to more local levels.

CDB should consider harmonizing its concessionary (SDF) lending rates, and terms and conditions, with those of the Inter-American Development Bank and the World Bank, and customizing its OCR rates on the basis of risk. However such a move would have implications for CDB's entire business model, including its coverage of administrative costs and its credit rating. Therefore an in-depth study of its feasibility is needed.

If donors agree that development resources and decision making should shift from Washington-based institutions to Caribbean-based institutions then they should consider alternative ways of funding CDB's administrative costs other than high lending rates, including the quasi-endowment enjoyed by larger MDBs that have a substantial float invested in private capital markets¹⁴ and/or stronger guarantees by donors to reduce CDB's cost of borrowing.

2.7 Policy-Based Lending

During the first half of SDF-8 CDB made two policy based loans with SDF funds. The first was to Jamaica for \$25 million (out of \$35 million total) to support fiscal consolidation, growth and social stability. A component of the project under the pillar of Enhancing Poverty Reduction, Equality and Protection of Vulnerable Groups aimed to promote effective social protection programmes.

The second PBL was to Grenada for \$4 million (out of \$10) in support of growth and resilience building. Among other things, the PBL supported improved social sector outcomes through the adoption of a policy framework that strengthens and streamlines government's social safety net programmes as well as boosts the efficiency and effectiveness of public sector investment programming.

¹³ Assess progress on the SDF Implementation Plan as outlined in the Resolution and Report of Contributors to SDF-8 – Scope of Work, Section 3, point (e)

¹⁴ In the present low-yield environment, of course, it takes much larger investment holdings to generate the required sums.

2.8 Country Eligibility and Resource Allocation

The Bank's Borrowing Member Countries (BMCs) have been assigned to three country groups¹⁵ based on their per-capita incomes. The country groups determine the eligibility, interest rate and terms and conditions for SDF loans. All BMCs are technically eligible for SDF resources but countries in Group 1 do not receive an allocation. They may borrow up to the limit of funds that they have themselves contributed to the SDF and may participate in grant-based technical assistance for some purposes including regional public goods (RPGs) and assistance in the event of a natural disaster.

Since 2001, a Resource Allocation Strategy (RAS) has been used to allocate both SDF loan resources to eligible countries and BNTF resources to participating BMCs. The resource allocation formula includes a country performance or effectiveness component and a needs component. The country performance element of the formula recognises that countries which have better policy and institutional frameworks are likely to make more effective use of concessionary resources, especially with regard to poverty reduction and broad-based sustainable growth. It therefore acts as an incentive for improved policy and institutional performance. The needs component of the formula includes a CDB-developed measure of vulnerability and, starting in SDF-8, a variable representing the number of poor people in a country as indicators of country needs.

The SDF8 Contributors approved two reforms of CDB's resource allocation system (RAS). These were, first, a revision to the country classification groups and a reordering of countries within those groups¹⁶ and, second, a revision of the allocation formula to align the needs component with a more direct measure of poverty. (See Appendix 7)¹⁷

Forward Looking Actions

- Undertake a feasibility study of harmonizing SDF lending rates with concessionary rates of other MDBs operating in the Caribbean and customize OCR rates for blended loans according to assessed risk.
- Review the experience with revised country groups before the end of SDF-8 as agreed in the Resolution and Report of Contributors for SDF-8.
- Reconsider the appropriate weight for the POOR variable.
- CDB Corporate Planning Division might wish to consider whether the "performance:" side of the equation, which was unchanged in the SDF8 reforms, might also be improved to provide a more direct incentive for countries to improve their policy and institutional performance.
- 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.

¹⁵ There were four country groups during SDF 1-SDF 7

¹⁶ See SDF-8/1-PM-4: Implementation of the Revised Country Classification System and Terms of Lending for Country Groups of the SDF(U).

¹⁷ In past replenishment negotiations donors have asked for a working paper on the RAS. If such a working paper were produced again it should include a reconsideration of the weight of the POOR variable. The first thing that should be done is an analysis of what difference the POOR variable has made so far. It should be possible to run PBA simulations with and without POOR. Some analysis of the vulnerability variable (VUL) is also in order. Lastly an analysis of per-capita allocations and their relationship to country performance would be instructive.

- In an effort to reach the poor in lower-middle-income countries CDB management proposed that a small allocation be made to a pool of funds from which direct anti-poverty loans could be made at concessional terms if a number of conditions were met. The proposed conditions included a large number of beneficiaries who were very poor, significant government counterpart funding and a very direct anti-poverty focus. Given the importance of reaching the poor in MICs this proposal should be revisited in SDF-9.

3.0 THEMES AND PRIORITIES

3.1 The Basic Needs Trust Fund

Poverty reduction and human development through inclusive and sustainable economic growth is a fundamental priority of the SDF. The Basic Needs Trust Fund is CDB's main instrument for initiatives targeted directly to poor communities. The 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 decade and the C-MDG target for income poverty reduction by 2015 will not be met. Nevertheless, the 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.

Like the SDF, BNTF funds are allocated to eligible countries using the Contributor-approved performance-based allocation formula. Ten countries receive a BNTF allocation¹⁸. BNTF is targeted at poor communities, both rural and urban, to improve basic infrastructure and services and to provide skills training and capacity building. There is a regional component that supports coordination and administration. \$88 million was available to the BNTF for the SDF-8 period (resources from BNTF 6-8). Of that amount 30% was disbursed by December 31, 2014 and \$61,261,176 remained undisbursed.

Table 3.1-1 BNTF Portfolio Summary – Approved and Disbursed Amounts, by Country and Regionally to December 31 2014.

Country	Allocated	Country %	Disbursed	% Disbursed
Belize	10,710,918	14.4%	2,553,259	24%
Dominica	7,293,860	9.8%	1,691,546	23%
Grenada	5,069,244	6.8%	1,520,117	30%
Guyana	14,561,706	19.5%	6,215,439	43%
Jamaica	13,492,570	18.1%	4,610,017	34%
St. Kitts and Nevis	2,970,993	4.0%	541,496	18%
St. Lucia	9,084,656	12.2%	2,369,380	26%
Montserrat	3,329,358	4.5%	892,982	27%
Turks and Caicos Islands	1,102,266	1.5%	226,099	21%
St. Vincent and the Grenadines	6,957,160	9.3%	1,676,489	24%
Country Totals	74,572,731	100%	22,296,824	30%
Regional	13,427,269		4,442,000	33%
TOTALS	88,000,000		26,738,824	30%

Source: CDB Corporate Planning, April 2015

One third of BNTF expenditures was on schools, 20% was on water supply systems. Smaller amounts, from 6% to 11%, were spent on other poverty reduction priorities.

¹⁸ These include Belize, Dominica, Grenada, Guyana, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Jamaica and the Turks and Caicos Islands (eligible under BNTF although an SDF Group 1 country). Haiti, the lowest income country, and the only member of Group 3, is not in BNTF because it has its own special programs.

Table 3.1-2: BNTF Resource Distribution by Poverty Reduction Priority

Capability Enhancement	
• Education facilities	34%
• Water supply systems	20%
• Skills training and upgrading	6%
• Production-related infrastructure	6%
Reducing Vulnerability	
• Health facilities	9%
• Helping vulnerable groups	8%
Governance	
• Local institutional strengthening	6%
Regional	
	11%

Source: Caribbean Development Bank, Annual Report, 2013.

Response to BNTF-6 evaluation

There was a mid-term evaluation¹⁹ of BNTF-6 in 2012. Since they are being implemented simultaneously a mid-term evaluation of BNTF-7 and BNTF-8 is planned for 2015.

The BNTF-6 mid-term evaluation, which, along with the BNTF-6 Completion Report, is the latest available, reported the following findings.

- BNTF was very relevant, in particular after the global financial crisis, which constrained spending on infrastructure in poor communities and led to cuts in social programmes.
- BNTF reached the most vulnerable groups and poorest communities.
- Outcomes data had not been collected systematically.
- BNTF had been slow to implement the RBM system that it began in 2010.
- Poor maintenance of some BNTF-financed infrastructure had limited its sustainability.
- Some BNTF processes were inefficient, especially the lengthy approval process.

Responding to this evaluation, the Contributors to the BNTF noted. “... *the importance of strengthening the results focus of the programme and addressing the efficiency issues.*” The report also states: “*In going forward, the Bank proposed to limit the areas of intervention and to work primarily in three sectors rather than nine. The three priority areas are education and human resource development, water and sanitation systems development, and community access and drainage systems enhancement. In each area, there will be targeted expected outcomes.*”

In response to the BNTF-6 mid-term evaluation (MTE) a number of changes were made.²⁰ In summary they were:

- Refocused the scope of the BNTF to the three core priority sectors and on vulnerable

¹⁹ Caribbean Development Bank, 2012, “Basic Needs Trust Fund—Sixth Programme: Mid-Term Evaluation Final Report and Management Response”.

²⁰ Limits on the size of projects were increased. Steps to improve efficiency would include measures to reduce approval waiting time and to implement a BNTF Action Plan covering strategic management, the approval process, supervision, quality control and capacity building. Steps to improve effectiveness would include a focus on quality at entry for sub-projects, use of specialist staff or consultants to support sector work, introduction of a results monitoring system, and installation of a new BNTF management information system to support the results focus. Steps to improve sustainability would include strengthened community and stakeholder participation and institutional development, mainstreaming of cross-cutting issues with attention to monitoring indicators, and a comprehensive approach to maintenance, including upgrading of quality standards for construction. Contributors and the Bank agreed that BNTF-7 and BNTF-8 would be consolidated and implemented concurrently with SDF-8.

youth and marginalized communities.

- Reduced the counterpart funding requirement from 20% to 5% and invested more in local project management activities.
- Delegated authority to Programme Coordinators for project cycle management after an assessment of institutional capacity and strengthening capacity prior to delegation.
- Increased the upper limit for large sub-projects from \$500,000 to \$600,000 and for small sub-projects from \$50,000 to \$100,000.
- Moved to a portfolio approach to sub-project preparation and appraisal. This was the most significant change in programme operations.
- Developed a new BNTF information system called the BIS to pursue the objectives laid out in the MTE of using current technology to standardize BNTF procedures and increase collaboration and information-sharing.
- Web based data gathering, mainstreaming crosscutting issues, improved maintenance provisions and a data base for knowledge sharing.

A new BNTF Process Flow was put in place with the stated objective of shortening approval times while ensuring a rigorous appraisal process. This new approach ‘frontloads’ the appraisal of BNTF sub-projects, as opposed to submitting sub-projects to CDB for approval on an *ad-hoc* basis during the Programme life cycle. The key steps included the preparation by countries of the Poverty Reduction Action Plan (PRAP), the development of the Country Project Portfolio (CPP), which listed, and described the priority sectors and the indicative sub-projects, and the preparation of Sector Portfolios (SP) that include details of the specific sub-projects falling under each sector. At each of these steps CDB approval is sought. This is a slow process. CDB produced an “Operations Manual” to support the new system. The Manual is well designed for an educated audience, but perhaps excessive for community groups that comprise less educated people. It is long (165 pages) and the process it describes is highly complex.²¹ Stakeholders with low educational attainment may not find it useful.

Quantitative indicators of performance include funds allocated and disbursed and the number of people who have benefitted, disaggregated by sex and, in some instances, age. The 2013 Annual Report, for example, notes that during BNTF-6 28,000 people benefitted from education and skill development programs; 59,000 from water and sanitation system improvements; and, 96,000 from enhanced community social and economic infrastructure.

The CDB staff prepares “expected programme performance ratings” to provide their assessment of the likelihood of the BNTF cycle being a success. The expected composite score of the performance rating of the Programme is based on the current six standard criteria of CDB's Project Performance Evaluation System. The composite rating was 7.1 on a scale of 1-10 for BNTF-8 as shown in Table 3.1-4. The staff concluded that the rating “implies that there is a high probability that BNTF-8 will achieve its development objectives, and that Programme implementation performance will be of a high standard”.

In 2014, BNTF linked poverty reduction and resilience including the promotion of disaster risk management and environmental sustainability²². Its purpose is to establish requirements for environmental and social due diligence by stakeholders.

²¹ CDB states that the BNTF Operations Manual is a marked improvement over the previously bulkier document. It's done in a user-friendly flip book format which allows users to download sections, carry out searches, source additional material through hyperlinks, and integrates checklists and box examples for more effective communication. There are also some stand-alone online extracts from the manual for easy use in the field.

²² See Caribbean Development Bank, Annual Report, 2014, para 2.37.

Looking Ahead – A New BNTF

At mid-term of SDF-8 approximately \$61.3 million remained undisbursed in the BNTF. CDB's undertaking to have BNTF funds fully committed by the end of 2016 will likely be met but it is unlikely at present rates of disbursement that funds will be fully disbursed in a timely manner. The annual disbursement rate in 2015 and 2016 would need to increase substantially

In part that this has been because BNTF's control and accountability systems have been highly detailed and centralized. In the current cycle procedures have been clarified although not necessarily simplified. The BNTF programme structure and systems are still cumbersome.²³

Only a major simplification and decentralization (grants to community organizations, accountable advances and payment for results, and risk-based audits) is likely to greatly improve the rate of commitment and disbursement of funds. Alternatively an innovative use for the funds for anti-poverty work might be devised such as collaboration with a government that wanted to pilot a conditional cash transfer programme.

In addition to changing the BNTF business model it may be necessary to change some of the implementing agencies. Recent Institutional and Organizational Assessments found major deficiencies in personal and leadership (six of the 10 implementing agencies rated weak) and weaknesses in systems and practices (three of 10 implementing agencies rated very weak in decision making, quality control, and strategy and planning).

CDB should also consider reinstating incentives for countries that perform well on BNTF projects by setting aside a proportion of BNTF funds to be allocated based on performance. BNTF-5 included such an incentive.²⁴ It did not work at that time because promising more funds is pointless when existing funds are not fully utilized. Therefore an incentive scheme should be reinstated only in BNTF-9 when the BNTF is likely to be fully utilized. In the expected redesign of the BNTF governance and operational structure other incentives might be designed.

Finally, there are some modest actions that may help speed up the BNTF processes.²⁵ These include reducing the information required for approval and reducing the reporting and information burden, and the detailed expense documentation burden.

23 An 11-step project lifecycle and a 165-page operations manual are not examples of a simplified system. Inadvertently, the modifications recently introduced may have added more layers of process with the strengthened roles for countries and their committees, without a reduction of oversight at the CDB.

24 BNTF-5 had an "incentive performance fund" of \$5 million of a total allocation of \$32 million. The Performance Incentive was discontinued.

25 See, for example, Government of Canada, Department of Indian and Northern Affairs, 2012, "Reducing the Administrative Burden on First Nations", Ottawa, available at URL: <https://www.aadnc-aandc.gc.ca/eng/1354134199379/1354134226245>

3.2 Haiti

Contributors to SDF-8 asked what progress CDB has made in strengthening and scaling up its operational programme in Haiti with its special needs as a fragile state. We conclude that CDB has worked effectively with the World Bank and the Inter-American development Bank to deliver \$70 million SDF funding to Haiti over the past seven years. Over that period CDB has gained experience on which it can build and should consider moving in part towards a direct programming model, a strategy that would require CDB to increase its internal capability to work in Haiti.

3.2.1. Haiti Background and Context

Haiti's application for membership in the Caribbean Development Bank was accepted by Governors at their Annual Meeting in May 2003. Preparations for membership continued over the next three years, and Haiti formally joined the Bank on January 19, 2007. It completed the requirements for accession in 2012.

With a population estimated at about 11 million, Haiti is the Bank's largest BMC. Its development needs are significant, with a long time horizon. Haiti is the poorest of the Bank's borrowing member countries. It is also the most unequal country in the Americas, with a Gini coefficient in 2013 of 59.2, and an income equality rank of 168 out of 187 countries. Its gender equality rank at 132nd in the world is similarly poor.

Haiti has large development deficits, very high levels of poverty; lack of basic infrastructure, significant security problems and weak institutions. It also has a history of devastating natural disasters, and still is recovering from the catastrophic 2010 earthquake. Reducing poverty in Haiti will require large resources and a long term commitment.

Haiti is culturally and linguistically different from the Bank's other borrowing member countries. The common language is Creole and French is the official language. Its legal system derives from the civil code. This is a challenge for CDB. It needs language capability both in the field and in its operations internally to be able to support Haiti programming effectively.

From the outset, Haiti's membership in the CDB has had some special conditions attached to it. The programme is described as "ring fenced". In each cycle, including SDF8, Haiti has received a fixed amount of grant financing from the Special Development Fund. Resources earmarked for Haiti are not included in the SDF country allocation pool. It is not eligible for loans and does not have access to the Basic Needs Trust Fund.

3.2.2 Haiti Programme Resources

The 6th replenishment (January 2005 – 2008) set aside \$27 million for Haiti. Grant financing for Haiti was increased to \$46 million in each of SDF-7 and SDF-8. Therefore the total grant set-aside from SDF funds for Haiti over three cycles has been \$119 million.

In SDF-6 \$4 million was set aside to cover the Bank's administrative and operational costs in managing its Haiti programme; and \$2 million set aside for lending to Development Finance Institutions (DFIs). From 2007 to December 2014 CDB committed \$83.195 million in grants to Haiti and disbursed \$70.387 million.

Table 3.2.2-1 Haiti Programme Commitments and Disbursements, SDF-6 to Mid-SDF-8

(US\$ millions, at December 31, 2014)

Phase	Uncommitted	Committed	Disbursed	Undisbursed
SDF-6		21,055	20,384	671
SDF-7		46,000	43,933	2,445
SDF-8		16,140	6,070	10,070
Sub-totals		83,195	70,387	13,186
DFI Set-Aside	2,000			
Uncommitted	29,860			
Total Resources	31,860			

Source: CDB, March 2015

3.2.3 Haiti Strategy and Programme

CDB's country strategy for Haiti is described in the Bank's "Country Strategy Paper 2013-16 – Haiti"²⁶. CDB's Haiti programme has focused on three sectors: Education and Training; and Community-Driven Development and Agriculture, and Disaster Mitigation and Resilience. There have been much smaller interventions in Capacity Building and Governance. (Table 5.2.3-1)

CDB's Haiti programme is well aligned with Haiti's needs and the Bank's expertise. About 60% of Haitians lives in small rural communities with high levels of poverty, poor infrastructure and little or no access to public services. Agriculture is the principal economic activity. Haiti's educational system is both limited and of poor quality. Educational services are provided largely by small, untrained private operators and the State has little capacity for oversight.

*"Haiti has one of the lowest enrollment rates in the world - 76 percent at the primary level and only 22 percent at the secondary level. Moreover, 85 percent of the teachers are not qualified to teach at the primary school level...Approximately 500,000 children were not enrolled in school before the earthquake. Income inequalities have led to sharp disparities in access to education among the regions and social classes."*²⁷

Therefore CDB's interventions at the grass-roots level have been appropriately targeted. The Haitian representative to the SDF-8 Replenishment discussions²⁸ suggested that CDB do more programming on its own in areas where it has a comparative advantage, such as rural community development; and the Bank has done so.²⁹

²⁶ CDB Paper BD/36-13, May 20, 2013.

²⁷ World Bank November 2012.

²⁸ Resolution of Contributors to SDF-8

²⁹ In both EFA and community driven development interventions (Urban Community Driven Development Project - PRODEPUR and Rural Community Driven Development Project –PRODEP), CDB has been assuming increasing responsibility in the area of programme design and implementation supervision. The CDB has also funded small technical assistance projects in areas such as hospitality services through the Caribbean Technological Consultancy Service, and training for public officials with L'Ecole Nationale d'Administration Financière (ENAF).

Table 3.2.3.-1: Haiti Programme - Percentage Disbursements by Sector

(To December 31, 2014)

Sector	%
Education and Training (Basic, Technical and Vocational)	44%
Community Driven Development and Agriculture	27%
Capacity Building and Governance	3%
Disaster Mitigation and Resilience	26%
Total	100%

Source: CDB, April 2015

The CDB was on new terrain in its engagement with Haiti. In a challenging and unfamiliar development context, the Bank recognized that meeting Haiti's development needs and integrating it fully into its operations would require new approaches and different operational arrangements from those that CDB had traditionally employed. This was first considered by SDF Contributors in 2005³⁰ in the context of the SDF-6 Negotiations. At that time the pros and cons of several options were discussed, including:

“a separate specialised unit with dedicate staff who have special skills and experience working in Haiti...the unit should be separately funded through a dedicated SDF set aside which will finance Haiti's operations and administrative expenses for a defined period. This would serve to insulate the Bank from any adverse situations... and also avoid dispersion of SDF resources from the existing BMCs. The Haiti operations can be merged into the normal bank operations at a later stage.

...with respect to a specific intervention strategy, the Bank can either partner with other agencies in the delivery of programmes to Haiti or go it alone. Establishing a country office has cost and logistical implications, especially given that CDB has not pursued this model before. However, Haiti will require hands-on attention which would be difficult to provide from a distance.

...Security will be a problem for the foreseeable future...This makes the environment for development very difficult. ...Haiti, although designated a French-speaking country (French is spoken at the official levels) is actually a Creole-speaking country...The fact that CDB staff is currently learning French narrows the gap at the official level, but there is still a substantial gap...in relation to understanding and Speaking Creole. At the official and technical level, English is widely spoken.”³¹

In the end, the CDB adopted an approach of incremental, “experience based” engagement to minimize risks while the Bank built its capacity (linguistic and operational) and experience to support full integration of Haiti into normal operations. French language training was offered to staff initially but has not been continued.

The CDB was prudent to focus its interventions in areas of its technical expertise while it built knowledge and capability in Haiti. The Bank's early interventions were in collaboration with partner institutions, the World Bank and Inter-American Development Bank, which have long experience and an established presence in the country. While partnering with other development agencies, the Bank has built up its own capacity for working in Haiti and has brought CDB expertise to the collaboration. An example is the inclusion of multi-grade

³⁰ “Planning for Haiti's Accession to Membership of the Caribbean Development Bank” CDB paper SDF 6/1 RRN-2, January 2005

³¹ Ibid. p 15

classrooms and early childhood education in Phase II of Education for All (EFA) at CDB's initiative. As part of the multi-grade classroom component, the Bank is organizing a study tour for Haitian officials to Jamaica to observe similar programmes in rural areas.

Yet, there are limits to what the CDB can accomplish in Haiti under the current model of selective collaborative engagement. Now, almost eight years on, the Bank needs to reconsider whether its current strategy and arrangements for Haiti are still optimal for the CDB as well as for Haiti. In conjunction with partners CDB-funded projects have been reasonably successful, despite significant challenges; and the faster rates of implementation/disbursement over the last two years are a positive indicator.

Looking Ahead

As it prepares for SDF-9, the Bank needs to consider how best to integrate Haiti more fully into the normal operations of the CDB as a borrowing member state. While Haiti continues to recover from the devastating effects of the 2010 earthquake, it remains a fragile state, with the limitations and challenges this implies. Two recent reports by the Inter-American Development Bank³² have pointed to deficits in economic and political governance, institutional weaknesses, limited capacity and endemic corruption in the public and private sectors.

Haiti's integration and effective programming will require new approaches and new ways of working. Three areas in particular need to be considered

1. **Programming in Haiti:** In SDF-9 the CDB should do more programming in Haiti on its own. This will require additional staff resources and skills. The logical next steps could include some autonomous interventions in education, community driven development, agriculture, and selected infrastructure projects where the Bank has some experience in Haiti. The modalities could include BNTF-like investment grants, technical assistance grants or resident advisors in a CDB office. Smaller community-based projects that help build the capacity and public consensus are a good focus for the CDB. This is important but difficult in Haiti, where lack of inclusion and difficulties achieving consensus have been significant impediments to achieving lasting results.

The Haiti Country Strategy paper states³³ that the Bank will evaluate the implementation of its Haiti programme from initiation to the current date at the end of the SDF-8 cycle in 2016. The evaluation by OIE should be brought forward so that it can inform discussions in preparation for SDF-9.

CDB's human resources and Haiti programme machinery: Independent programming in Haiti, in our opinion, will require staff in Haiti and trilingual English/Creole/French capability at the Bank in Barbados. Staff should include administration and operations officers and resident advisors (technical assistance). This would logically entail hiring Haitian nationals with local knowledge and language skills.³⁴ A local presence will be a catalyst in encouraging the flow of ideas, knowledge and informal communications between CDB staff and government officials. As well a local presence will bring the CDB more visibility.³⁵

³² "Haiti Country Programme Evaluation 2007-2011", September 2011, and "Evaluation of IDB-9 Commitments for Haiti – Background Paper", March 2013, Office of Oversight and Evaluation, Inter-American Development Bank.

³³ Op. cit. BD 36/13, p.20

³⁴ An office in Haiti of two professional staff and an office administrator might be the minimum size for a viable unit. Co-locating it with a partner institution, such as the IDB or the World Bank, might be a cost-effective way for the CDB to have a local presence.

³⁵ It is instructive that CDB is not represented in meetings of the Education Donors Group in Haiti despite being a major contributor to the EFA programme.

- i. Appointing Haitian specialist project staff in a bilingual focal unit (trilingual speakers of Creole/French/English) at the Bank in Barbados to guide and facilitate programming seems to us necessary.³⁶ In our opinion a unit of two professionals is the minimum size for a credible, sustainable unit. Costs for an office in Haiti and for a Haiti unit at CDB Headquarters would be significant and perhaps a set-aside to cover them would be needed, similar to the set-aside in SDF-6.
- ii. Providing key policy and programme documents for CDB interventions in Haiti in French. Currently all the Bank's written communications with Haiti are in English, and those of the Government of Haiti to the CDB, in French. Time and resources are spent in translation at each end, with associated delays between the initial communication and response(s). The Bank needs to have the capability to communicate in French with the government on its Haiti programming and interventions.
- iii. In this context it is worth considering whether integrating Haiti fully into the CDB could also open the door to discussions with France in regard to rejoining the Bank, with the additional financial resources and French language support that the membership of France would bring.
- iv. Setting up appropriate arrangements for staff welfare on the ground in Haiti – medical including medical emergency arrangements, secure accommodation, transportation and security against crime. In this regard, it should be possible to come to an arrangement with development partners such as the IDB or World Bank to provide services for CDB staff.

An Ordinary Allocation for Haiti?

To this point the amount of funding for Haiti is determined in discussions between the Bank and SDF Contributors. It is not based on the SDF Allocation Formula and uncommitted resources for Haiti are not included in the SDF mid-term reallocation pool. If necessary they are carried over from one SDF phase to another.

In SDF-9, it is worth considering how Haiti could be more integrated into the SDF as an ordinary beneficiary country, albeit one that would be eligible only for SDF resources. There are at least two options in this regard. The first would be to determine the allocation for Haiti based on the normal allocation formula. However this would probably result in too much displacement of resources from Group 2 countries and might strain Haiti's absorptive capacity. Haiti's allocation could be capped. This would be a variant that initially would have the same effect as a lump-sum set-aside. CDB could adjust the weights in the allocation formula in light of the inclusion of Haiti. Alternatively CDB could combine a fixed set-aside at a lower level with a performance-based allocation up to a cap.

The key thing is to try to provide an incentive to the Government of Haiti to improve its policies and institutions. This is plausible only if all the major donors to Haiti agree to institute some form of performance-based allocation system. CDB funds alone are too small to provide a sufficient incentive for reform.

Another aspect of integrating Haiti in the SDF is access to loans. Looking ahead to SDF-9 the Bank and Contributors should consider whether some amount of the set aside for Haiti might be used for SDF loans. In SDF-6 when the CDB and SDF Contributors were readying for Haiti's membership, \$2 million of the \$27 million set aside for Haiti was earmarked for loans. This

³⁶ The CDB has some professional staff who speak Creole. However, the dialects are different from that spoken in Haiti, and while it is possible to communicate in a simple, one-on-one conversation, it is not adequate for operations in the field and in meetings involving several people. Similarly, the Bank has very limited French language capacity.

amount should be converted to grant funds if there are no DFI loan prospects. As its situation improves, it will be important for Haiti to take incremental steps to move past its history of debt and debt forgiveness and establish a record of fiscal responsibility to gain market credibility and investor confidence.

Summary of Recommendations

We recommend that the evaluation of CDB's Haiti programme scheduled for 2016 should be brought forward to 2015 so that the results can be contribute to 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. As well we suggest that the evaluation should consider whether the modalities of CDB's financing of Haiti projects in future could include some concessionary loans and under what conditions and with what guarantees that might be possible.

3.3 Technical Cooperation

The SDF-8 set aside for Technical Cooperation grants was \$20 million. At mid-term \$7.9 million had been committed and \$12.1 million remained uncommitted.

Table 3.3-1: SDF-8 Allocations and Commitments – Technical Cooperation

(\$million, status at December 31, 2014)

Item	Indicative Allocations at January 2013	Commitments			Balance Available
		2013	2014	Total	
Capacity Building	12	1.9	2.6	4.5	7.5
Agriculture	3	0.6	1.2	1.8	1.2
CTCS	5	1.1	0.5	1.6	3.4
Totals	20	3.6	4.3	7.9	12.1

Contributors to the SDF8 asked that the Mid-Term Review report on progress in operationalizing a more strategic approach to TA operations, including in support of good governance and institutional strengthening.

Operationalizing the TA Policy and Operational Strategy

In 2014 CDB is operationalizing the Technical Assistance Policy and Operational Strategy (TAPOS), approved in 2012. This will include clarifying TA selection criteria, revising templates for appraisal, supervision, and completion, quality at entry/supervision standards, TA processing procedures, revision of the TA Manual, and development and conducting of staff training.

Initiatives in Statistics and Data

One part of CDB’s technical cooperation work has supported the improvement of statistical capacity in its BMCs.³⁷ In December 2014 CDB reported³⁸ the following statistical and data initiatives were underway.

- **Enhanced Country Poverty Assessment and Multi-dimensional Poverty Measurement:** CDB is exploring methodologies and survey instruments for Multi-Dimensional Poverty Measurement (MPM) for use in the next round of CDB’s (Enhanced) Country Poverty Assessments (ECPAs), now being referred to as the ECPA. The move toward a multi-dimensional approach to poverty measurement supports findings of a recent (2014) CDB-commissioned review of the 2005-13 CPAs. Partners in this initiative include the

³⁷ A CDB representative said: “The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda set up by the UN Secretary General, calls for “...a data revolution for sustainable development, with a new international initiative to improve the quality of statistics and information available to citizens...” For countries in the Region, this data revolution will require among other things, intensified efforts to address some of the critical deficiencies that still exist in the various National Statistical Systems. While the processes supporting the collection and analysis of basic, economic statistics have improved over the years, many countries, despite substantial investments in the last two decades by the Bank and other development organisations, the monitoring of the MDG indicators and evidence-based policy formulation continue to be impeded by significant challenges related to the collection, analysis and dissemination of economic, social, environmental and human development data. Lessons from both the regional and national levels indicate that poor monitoring and reporting of development performance will not improve without specific and targeted intervention at the level of data gathering, analysis and warehousing.”, Remarks by Mr. McDonald Thomas, Operations Officer Caribbean Development Bank at the High-Level Advocacy Forum on Statistics “Strategising for the Development of Statistics in the Caribbean Community (CARICOM) in the Post-2015 Development Agenda” Radisson Grenada Beach Resort St. George’s, Grenada May 26, 2014

³⁸ BD 106/14 Technical Assistance, Public Policy Analysis and Management and Project Cycle Management Training Programme 2015-18

Organisation of Eastern Caribbean States (OECS) through the OECS Living Standards Measurement Committee, UK DFID, the World Bank, the United Nations Development Programme (UNDP) and the United Nations International Children's Emergency Fund (UNICEF). The goal is to build national and regional capacity for more frequent collection and analysis of multi-dimensional poverty data.

- **Census Analysis** In 2014 CDB held a seminar on the use of census data. The goal was to build member countries' understanding of the use of Census data, including construction of a multidimensional poverty index.
- **DevInfo** database system was developed under the auspices of the United Nations and is used to compile and disseminate data on human development. The software package has evolved during a decade of innovations in database systems that support informed decision making and promote the use of data by advocates of human development. CDB is updating and re-launching the strategy and will present the revised strategy to the meeting of the CDB Board in May 2015.
- **Gender-Responsive Data Analysis and Policy Development:** This project builds on CDB's efforts to gather data that is adequate for gender-responsive policy development within the Bank and in its operations in BMCs. Emerging areas include data on interventions that promote women's labour force participation and data on gender disparities in access to finance for business development in Development Finance Institutions.
- There has been discussion of a regional statistical institution in the Eastern Caribbean, which, in our opinion, is worth careful examination.

Training in Public Policy Analysis and Management and in Project Cycle Management

In December 2014 CDB proposed to the Board a new programme of courses in Public Policy Analysis and Management (PPAM) and Project Cycle Management (PCM). The Board approved a budget of approximately \$6 million for the new programme of training.³⁹ This proposal was based on a training needs assessment in 17 member countries between October and November 2013. The needs assessment had been recommended by the evaluation of CDB's courses on Project Cycle Management held during 2006-09. The new Programme of training will be implemented during 2015 to 2018.

Caribbean Technical Consulting Services (CTCS)

The Caribbean Technical Consulting Services (CTCS) is CDB's main instrument for technical assistance to micro, small and medium sized enterprises.

In SDF-8 CDB has attempted to improve the strategic role of the CTCS by relating it more closely to country strategies and programming. The changed operational stance has meant that traditional single person training attachments are fewer and greater use is being made of information technology to deliver training. CDB has engaged more local trainers to be economical and to build local expert capacity.

In 2014 CDB spent \$400,000 on ten CTCS activities. A large part of CTCS activity was targeted to Haiti (53%). Total CTCS activity was considerably less in 2014 than in 2013 (\$1.2 million) and 2012 (\$1.1 million). Two regional and four national workshops were hosted in 2014 compared with three regional and 25 national workshops in 2013. The number of beneficiaries

³⁹ BD 106/14 Technical Assistance, Public Policy Analysis and Management and Project Cycle Management Training Programme 2015-18

fell from 609 in 2013 to 236 in 2014. The reason for the decline was essentially internal reorganization and repositioning of the CTCS.

Box 3.3-1: The CTCS Network

The CTCS Network promotes the Bank's inclusive growth and sustainable development strategic objective by providing support to private sector development. CTCS delivers managerial, technical and operational training and related capacity building. Examples of some of CTCS areas of activity include agro-processing and fisheries; food processing; wood and metal fabrication; garment design and construction; packaging and labeling standard, EE and RE; tourism-related activities; management techniques and computerised accounting systems; and pottery, ceramics and craft manufacturing. Over many years, the CTCS Network has helped to develop and enhance the technical and managerial skills of small entrepreneurs

Source: SDF Annual Report, 2014

Forward-

looking actions

- The last independent evaluation of CDB's technical assistance was carried out in 2006 so an update or another full evaluation would be timely soon.
- CDB should consider developing the capacity to undertake governance assessments. Such an instrument would build on the "pre-learning" surveys that CDB already conducts. More formal Governance Assessments might serve several purposes. They could identify training needs, could be inputs to training curricula and could in some instances contribute to country strategy papers and project designs. CDB is at present revising its Governance and Institutional Development Strategy.⁴⁰ Work on the Strategy will continue until September 2015. A key premise is that good governance is a necessary condition for promoting the systematic reduction of poverty.
- Earlier mid-term reviews of the SDF recommended that the Bank make more use of its country performance assessments (PRES) in policy dialogue. This is still a good idea.
- CDB should consider including state-owned enterprises (SOEs) and Public-Private Partnerships (PPPs) within the scope of its activities in Public Policy Analysis and Management (PPAM) and Project Cycle Management (PCM)

3.4 Regional Cooperation and Integration, and Regional Public Goods

With the deepening of globalization and regional integration, the Caribbean faces new challenges that require joint actions. Notable among these are natural disaster warning and response, air and water pollution, watershed management on shared islands, knowledge goods and regional transportation of goods and people.

There was an SDF-8 allocation of \$10 million for grants related to regional integration and regional public goods, of which \$2 million had been committed by mid-term.

⁴⁰ The existing Governance Strategy was approved by the Board of Directors in November 2003. The Strategy elaborated the Bank's policy on governance in its borrowing member countries and built on its corporate and poverty reduction strategies, respectively. The decision to revise the existing Strategy is based on lessons learnt during its operationalisation process, as well as the renewed focus in SDF 8 on good governance as the underlying foundation for its operational strategy.

Table 3.4-1 SDF-8 Allocation for Regional Integration and RPGs

(\$millions, status at 31 December 2014)

Item	Indicative Allocations at January 2013	Commitments		Balance Uncommitted
		2013	2014	
Regional Integration and RPGs	10	0.5	1.5	8.0

In the first half of SDF-8 CDB funded several studies and workshops that contributed to knowledge as a regional public good. These included:

- Study of regional transportation: *Making Regional Air Transport Work Better for the Caribbean*.
- Study of youth unemployment: *Youth Are the Future: The Imperative of Youth Employment for Sustainable Development in the Caribbean*.
- Workshop on the State of the Regional Water Sector.⁴¹ This was based on the earlier study supported by CDB entitled “Assessment of the Water Sector in the Caribbean”, 2011.

CDB has implemented several initiatives on public-private partnerships including the creation of a PPP Regional Support Mechanism (RSM) to be hosted within the Bank for eighteen months; and a study of Early Lessons in Public/Private Partnerships in the Caribbean (2013).

Waste management capacity building

As a contribution to both environment and governance CDB funded a workshop for sanitation professionals in conjunction with the Global Environmental Facility and the Caribbean Water and Sewerage Association. It trained 30 people to improve capacity and policy formulation in BMCs. The training programme enhanced capacity to review the sector’s institutional and financial challenges, plan projects and make good investment decisions. Considerations of gender equality and environment/climate change/resilience were mainstreamed in the training.

Statistical Capacity Building

In light of the importance of improved statistics for development in the Caribbean CDB supported, the Thirty-Eighth Meeting of the Standing Committee of Caribbean Statisticians held in St. Kitts and Nevis in 2013. The theme of the meeting was “*The Millennium Development Goals and the Post-2015 Development Agenda – The Implications for Statistics*”. Particular emphasis was placed on “... social, gender, environment, national accounts and related economic statistics”.

SDF also funded representatives from 15 BMCs to attend the “*Second High Level Advocacy Forum on Statistics: Strategising for the Development of Statistics in CARICOM in the Post-2015 Development Agenda*”

⁴¹ The workshop was held on July 7-8, 2014. The meeting reflected on the findings of a Caribbean water sector study including (a) water sector profiles and initial assessments in individual BMCs; (b) the identification of the principal challenges facing the water sector in the Region; (c) an evaluation of the role of regional institutions and active funding agencies in the water sector in the Caribbean; and (d) a preliminary assessment of CDB’s policies and involvement in the water sector in its BMCs.

3.5 Resilience, Environmental Sustainability, Climate Change and Disaster Response and Mitigation

Contributors to SDF-8 stated that it was a high priority to build BMCs' resilience through action on environmental sustainability, mitigation of the effects of climate change and disaster risk minimization and response.

3.5.1 Resilience Objectives and Activities

Caribbean countries are highly vulnerable to external shocks such as natural disasters and climate change. These shocks include hurricanes, floods, landslides, volcanic activity, earthquakes and the prospect of rising sea levels. As an example of their impact, a single hurricane can result in massive damage to a country's economic and social infrastructure and the repercussions can last for many years. In the past quarter century twenty BMCs have experienced a natural disaster, in some cases several times. The CDB estimates the total cost to have been in excess of \$18 billion.⁴² The ability of governments to cope with these shocks is limited because of their small economies, constrained institutional capability and high costs of goods and services.

Economic losses from natural disasters in 2013 and 2014 were similar to annual costs in the past.⁴³ This indicates that the costs of natural disasters remain high and investment in prevention, mitigation and resilience remains important. The relevant objectives stated in the Resolution and Report of Contributors to SDF8 were as follows.

- **Disaster risk reduction and management (DRR and DRM):** the emphasis would be on reduced risk and improved resilience focusing primarily on poor and vulnerable communities as a result of strengthened regional, national and community capacity for mitigation, management and response to hazards;
- **Climate change mitigation and adaptation;** it includes a focus on improved climate risk management in BMCs and enhanced community resilience to climate change in part through energy efficiency interventions and the development of renewable energy resources.
- **Renewable energy and energy efficiency⁴⁴:** it includes a focus on Increased use of energy efficiency and renewable energy technologies in key sectors such as agriculture, water, education and housing, by micro, small and medium enterprises (MSMEs). CDB's Energy Sector Policy and Strategy elaborated these objectives further. It received approval by the Board in December 2014. Energy security is a cross-cutting theme in CDB's Strategic Plan 2015-2019.

Environmental sustainability and climate change are cross-cutting themes to be mainstreamed in the work of the Bank as well as areas for direct programming⁴⁵. CDB provides technical assistance as well.⁴⁶ According to CDB's Strategic Plan⁴⁷, 2015-2019, its Climate Resilience Strategy aims to:

- "Develop and operationalise a robust environmental sustainability risk framework, which explicitly includes climate resilience, for CDB's operations; and

⁴² See Caribbean Development Bank, "Resolution and Report of Contributors on SDF-8", 2013, para 2.13 and Appendix D.

⁴³ See Caribbean Development Bank, Development Effectiveness Review, 2013, para 2.11.

⁴⁴ See CBD, *op.cit.* Table 1.

⁴⁵ Some related sectors, such as forestry, are priorities of member governments but not areas of direct programming by the CDB. However CDB does support watershed management including reforestation.

⁴⁶ Caribbean Development Bank, Development Effectiveness Review 2014, para 2.43.

⁴⁷ Caribbean Development Bank, December 2014, Strategic Plan 2015-2019, page 21.

- Assist BMCs and regional institutions to mobilise financing, design, and implement policies, strategies and investment programmes to address climate resilience and deliver on their sustainable development objectives”.

Under this strategy, CDB’s priority areas include:

- (a) Improving the resilience of the Bank’s investment portfolio in core climate sensitive sectors of water, agriculture, physical infrastructure (transportation, coastal and river defences);
- (b) Financing investments and initiatives that will allow the capturing of benefits such as improved energy security, through improved EE and exploitation of indigenous renewable energy sources such as geothermal energy production, which may also reduce greenhouse gas emissions;
- (c) Knowledge building and capacity development for integrating climate resilience in the design of CDB’s own work programme and investment projects, providing support at the regional and national levels to design and mainstream climate risk management strategies in regional, national and sectoral policies, share knowledge and skills and facilitate the design of appropriate legal, administrative and governance arrangements that will provide the enabling environment for the successful implementation of climate resilient programs;
- (d) Mobilise and facilitate access to concessionary resources from global and bilateral sources to support BMCs to implement effective climate resilience strategies and investments as part of their long-term development programs; and
- (e) Design and implement gender-sensitive community-based climate adaptation programs and projects.

3.5.2 Commitments to SDF Contributors in regard to Resilience

SDF-8 Contributors⁴⁸ asked for a number of actions to build resilience that are summarized below, followed by CDB’s response:

- a. Development of an action plan to build capacity for monitoring and assessment of environment, DRM and climate change and additional training for CDB staff on natural hazard and climate change risk assessment;

Response: CDB established a community disaster risk reduction fund in 2013 (US\$ 26 million) to improve community resilience and climate related risks. This fund approved two sub- projects in Jamaica⁴⁹.

- b. An additional DRM specialist on CDB staff.

Response: An Environmental Sustainability Unit was established in 2012 with its core staff complement increased from two to four.

⁴⁸ Both SDF 6 and 7 also had environment and disaster risk management as key themes. For example, according to the Mid-Term Review of the Seventh Cycle of the Special Development Fund, April 2011 (page 31), “One of the four strategic themes for SDF 7 is supporting environmental sustainability and advancing the climate change agenda, and a substantial increase in the share of SDF financing to support environmental sustainability and climate change was set as an objective for SDF 7”. According to the Mid-Term Report of SDF 6, December 14, 2007 (page 47), “The SDF 6 Contributors’ Report and CDB’s 2005-2009 Strategic Plan treat environmental sustainability and disaster risk management reduction in the Caribbean as closely related. Specifically, the Report notes under the topic “reducing vulnerability” the objective of mainstreaming natural hazard risk management at regional, national and community levels.”

⁴⁹ This information was provided to the consultants by CDB staff.

- c. The use of strategic environmental assessments and country environmental assessments to support the policy dialogue with BMCs and the development of CDB's country strategy papers.

Response: The European Investment Bank (EIB) and the Department of International Development (UK) have helped CDB build technical capacity for the incorporation of climate considerations in project assessments, policy dialogue work with BMCs and climate vulnerability assessments of investment projects. Loans are supported by a \$65 million line of credit from the EIB on Climate Action that offers interest rate discounts to borrowers. DFID provided two long term consultants to work on climate finance and climate adaptation mainstreaming.

The European Union (EU)/European Commission (EC) has recently provided assistance of Euros 13 million to CDB under the Natural Disaster risk Reduction Project to undertake vulnerability assessments in BMCs for climate-sensitive water and transport sectors; for strengthening of national and regional early warning systems; and for improving technical capacity of regional agencies that are mandated to support technical work on climate change and disaster risk reduction.

- d. Inclusion of DRM and climate change parameters in the new portfolio performance management information system currently under development.

Response: The redesigned PPMS will include appropriate indicators.

3.5.3 Resilience Funding by Type of Activity

At the start of SDF-8 CDB expected to commit approximately \$87 million for these sectors. Of this amount, \$5 million was for grants for climate change and environment, \$5 million for grants for disaster response and \$77 million for loans, with a distribution of \$27 million for water and sanitation, \$20 million for climate change and environment, and \$30 million for natural disaster mitigation and rehabilitation⁵⁰. Approvals during 2013 and 2014 were as shown in Table 3.5.3-1

At mid-term CDB loan commitments in this sector were on track to meet the indicative target for the whole SDF-8 period. Grants were well head of target, with almost 80% of the indicative budget approved.

In 2013 and 2014, CDB approved \$40.6 million in loans and \$7.6 million in grants in the area of environmental stability and climate change for total assistance of \$48 million. Compared with the previous two years (2011 and 2012) loans were down by about one third (\$40.6 million compared with \$65.1 million) and grants were substantially increased (\$7.6 million compared with \$2.2 million). See Table 3.5-2.

BMCs that benefitted in particular include Guyana (\$22 million for the sea and river defence resilience project), Grenada (\$10.7 million for developing an integrated solid waste management project), Haiti (\$5.2 million in grants for paying its insurance premiums) and Dominica (\$2 million largely for emergency relief in response to torrential rainfall and flood events⁵¹). Other BMCs that received assistance included Jamaica, St. Lucia, Grenada, St. Vincent and the Grenadines and Belize.

⁵⁰ See CDB, *op.cit.* Box 4. Renewable energy and energy efficiency is subsumed under the heading climate change and the environment. Note there is a difference in the headings used by contributors for their objectives, as summarized above in the text, and budget allocation and disbursement, as summarized in Table 3.5-1.

⁵¹ In Dominica, as an example, 2,600 persons are now protected from the impact of storm surges usually associated with adverse weather events. The successful completion of CDB-financed sea defence structures and roads project has led to reduced risk and improved resilience of vulnerable communities to storm and hurricane conditions in the south-western section.

Table 3.5.3-1 Loans and Grants in Environmental Sustainability and Climate Change, Disaster Response and Disaster Mitigation and Rehabilitation (SDF8 Indicative Figures and Approvals in 2013 and 2014)

Sector	Grants		Loans	
	Indicative SDF-8	Amount approved in 2013 and 2014	Indicative SDF-8	Amount approved in 2013 and 2014
Water and sanitation	0	650,000	27,000,000	10,700,000
Climate change and environment	5,000,000	5,832,865*	20,000,000	2,000,000
Disaster response	5,000,000	900,000	0	0
Natural disaster mitigation and rehabilitation	0	221,000	30,000,000	27,867,000
Total	10,000,000	7,603,865	77,000,000	40,567,000

- This amount includes grants to Haiti for CRIF premium payments in 2013 and 2014 of \$2.57 million in each year

Source: Caribbean Development Bank, Replenishment of the Resources of the Special Development Fund, Resolution and Report of Contributors on SDF-8; and data provided by the staff of CDB.

Renewable Energy and Energy Efficiency

Renewable energy and energy efficiency is one of the themes for this sector. The Renewable Energy and Energy Efficiency Unit⁵² was established in January 2014. The unit is examining resource efficiency issues in all projects funded by CDB to infuse the energy efficiency objective in all investment operations. Dominica⁵³ was granted a line of credit of \$500,000 for an energy efficiency and renewable energy pilot project. In September 2012 CDB signed a MOU with Germany on climate change and energy efficiency and the GTZ agreed to provide technical support to strengthen capacity. A consultancy was provided in conjunction with the Caribbean Renewable Energy Development Programme. In November 2014 CDB hosted the fourth Caribbean Sustainable Energy Forum.

CDB has developed a granting and blended loan facility called Sustainable Energy for the Eastern Caribbean that will be a vehicle for grant support from the EU-CIF and UK DFID. As well, CDB signed a MOU in July 2014 with IDB and JICA to facilitate energy efficiency and renewable energy in the Eastern Caribbean. Grants approved for climate change and environment were more than their indicative allocation for SDF-8. In contrast only 18% of the monies allocated for disaster response were utilized in the first two years of SDF-8.

Table 3.5.3-2: Environmental Sustainability. Climate Change and Disaster Response and Disaster Mitigation and Rehabilitation: SDF Loan and Grant Commitments, 2009-2014. (\$millions)

	Loans	Grants
2009	4.2	0.2
2010	8.6	1.9
2011	24.9	1.3
2012	40.2	0.9
Sub-totals	77.9	4.3
2013	23.6	3.4
2014	17.0	4.2
Sub-total	40.6	7.6
TOTAL	118.5	11.9

Source: Data provided by the staff of the Caribbean Development Bank.

⁵² See Caribbean Development Bank, 2013, Development Effectiveness Review, para 2.46.

⁵³ Dominica Agriculture and Industrial Development Bank and Development Finance Corporation

In 2014 energy efficiency and renewable energy considerations were addressed in several projects approved in the education (school infrastructure), water, and agriculture sectors. It was also a consideration in CDB's policy-based lending. BNTF continued to incorporate solar PV as a preferred energy source in its hinterland social infrastructure projects.

CDB helped BMCs to improve their protection against and resilience to natural hazards. Some initiatives included support to the development of national strategies, to improve capacities, and to build an evidence-based approach to future natural hazard risk mitigation and climate change adaptation. Actions include an increased availability of concessionary resources for climate adaptation projects and technical assistance (TA) support for design and implementation activities.

Financing was provided for improved land use plans in Jamaica and Dominica. A project is in the pipeline for St. Lucia. TA has been provided to Anguilla for effective governance for land use planning, to BVI to strengthen land use planning regulations and to St. Lucia Development Bank to strengthen environmental due diligence in its credit risk assessment. The TA was focused on measuring vulnerabilities, building future resilience in areas such as flood and landslide risk reduction, emergency shelter and early warning systems and developing vulnerability assessment tools for transport and water sectors. CDB supported several regional training workshops⁵⁴ in business continuity planning as well as using a business continuity toolkit for micro, small and medium enterprises.⁵⁵

In 2014, CDB strengthened the link in BNTF activities between poverty reduction and strengthening resilience, disaster risk management and environmental sustainability at the community level.

CDB provided technical assistance to the Caribbean Institute for Meteorology and Hydrology and the Caribbean Community Climate Change Centre (CCCCC) and the Caribbean Institute for Meteorology and Hydrology (CIMH) to support BMCs in implementing their climate change agenda.

3.5.4 Performance and Results in Environment, Climate and Disaster Risk⁵⁶

CDB rates its own performance in environment and climate change as "mixed." It has indicators on: the performance and quality of its projects using the Portfolio Performance Index (PPI)⁵⁷, with a scale of 0 to 10; environmental sustainability outcomes; and indicators on progress towards meeting MDG goals.

Using the PPI Environmental sustainability and climate change were rated a 5.5 for 2012 and a lower 5.3 in 2013.⁵⁸ These are modest ratings and they indicate that improvements are needed. On environmental sustainability outcomes, there are four indicators: the number of communities with increased capacity for disaster risk management; country capacity development; energy efficiency; and renewable energy capacity. Of these four indicators, the first shows an improvement, the second shows modest progress and the last shows deterioration. CDB concludes: "Over the period 2010-2014, the Bank's performance for this category of indicators was mixed."⁵⁹

⁵⁴ Workshops topics included climate finance readiness; green economy; green climate fund; and sustainability energy.

⁵⁵ The toolkit is available from the Caribbean Community Climate Change Centre at: <http://www.caribbeanclimate.bz/general/ccoral-risk-management-tool.html>.

⁵⁶ The mid-term evaluation of SDF 7, op.cit. noted that the pace of meeting environment targets was slow (para 0.20) and that it would be better to treat disaster-related challenges different from environmental issues (para 0.21).

⁵⁷ See Caribbean Development Bank, *Development Effectiveness Review, 2013*, Appendix 3, Table 1.

⁵⁸ The overall ratings for all programs together were modestly higher at 5.7 in both years.

⁵⁹ See Caribbean Development Bank, *Development Effectiveness Review, 2014*, para 2.43.

The target for energy efficiency and conservation (a saving of 5 megawatt hours) was not met during the first half of SDF-8. The target for renewable energy generation (2 megawatts) was partly met, to the extent of about 10% of the target. However CDB reports that the prospects are good for CDB meeting these targets although probably only the lines of credit will use SDF Resources. To date CDB has approved two lines of credit utilising USD 1 million for Belize and Dominica for financing EE/RE investment for MSMEs.

An OCR/CALC financed 1MW solar PV Plant for Anguilla will be presented to the May 2015 meeting of the Board of Directors for approval. This project is at an advanced stage of procurement and will be installed by mid-2016. As well, with the approval of the SEEC donor funds CDB will be developing in 2015 EE/RE projects for the six beneficiary countries including, inter alia, EE in Government buildings (no SDF likely to be used)/ Results should be apparent by the end of 2016. Projects in other sectors with RE/EE components and approved in 2014 could also contribute to the targets and will be monitored by REEEU. However, as components within investments such as school buildings these will probably be outside of the 2016 completion target date. In any case CDB is pursuing other utility-scale PV projects with short implementation periods.

There are three MDG-related development indicators related to this theme: GDP losses from disasters and climate change, biological diversity and forestation. For the most recent years for which these indicators can be calculated (2005-2009), the outcomes are mixed.⁶⁰

In the consultations prior to the adoption of CDB’s new strategic plan for 2015-2019 BMCs expressed a strong desire for more CDB activity in the sectors shown in Table 3.5-3.

Table 3.5.4-1 Percentage of CDB Clients who want certain areas emphasized more

	Clients	
	%	Number
Enhancing disaster risk management and resilience	42%	22
Promoting environmental sustainability including climate change	31%	16

Source: Survey of CDB Stakeholders, April 2014 - Question 6. Consultations Report, Table 2.7-1

CDB Board members and staff gave high ratings to the importance of CDB’s promotion of environmental sustainability including climate change (6.4 and 6.1 on a 1 to 7 importance scale). They both gave lower ratings to CDB’s performance. However the importance/performance gap was not as wide as it was for other sectors.

Table 3.5.4-2: Promoting environmental sustainability including climate change

(Perceptions of Board members and Staff) Promoting environmental sustainability including climate change	Average ratings of importance and performance (scale 1 to 7)					
	Staff		Board members		All	
	Av. Rating	Number	Av. Rating	Number	Av. Rating	Number
Importance	6.3	62	6.4	16	6.2	78
CDB performance to date	4.7	50	5.1	14	4.8	64

Source: Survey of CDB Stakeholders, April 2014, Consultations Report Table 4.6-1

Clients placed this theme fourth out of five possible themes that CDB should emphasize more in the future. A recent report on CDB’s Management for Development Results⁶¹ rated CDB’s

⁶⁰ See Caribbean Development Bank, Annual Report, 2014, Table “RMF LEVEL 1”, page 26.

⁶¹ See Universalia, March 2015, “Assessing the CDB’s performance in Managing Development Results”, Final Report.

performance in environment as “very strong”. It noted the emphasis CDB puts on the environment in its country strategy papers and “the Strategic Plan 2015-2019 includes a related cross-cutting priority – environmental sustainability, climate change resilience and disaster risk management strategies”.

3.5.6 Disaster Risk Management and Response

CDB Board members and staff rated the importance of enhancing disaster risk management and response systems as high (6.0 and 6.4 on a 1 to 7 scale). Staff gave more modest ratings on performance,

Table 3.5.6-1: Enhancing disaster risk management and response systems

(Perceptions of Board members and Staff) Enhancing disaster risk management and response systems Q 29 B & Q 30 S	Average ratings of importance and performance (scale 1 to 7)					
	Staff		Board members		All	
	Av. Rating	Number	Av. Rating	Number	Av. Rating	Number
Importance	6.4	63	6.0	17	6.3	80
CDB performance to date	4.9	49	5.3	16	5.0	67

Source: Survey of CDB Stakeholders, April 2014, Consultations Report, Table 4.6-1

Summary

- At mid-term, CDB loans in this sector (resilience) were on track to meet the indicative target for the SDF-8. Grants were well head of target, with almost 80% of the indicative budget approved (See Section 3.5.3 and Table 3.5-1).
- CDB has considerably strengthened its capabilities in part by increasing the staff of the Environmental Sustainability Unit from two to four (See section 3.5.2).
- CDB has partnered with the European Investment Bank (EIB) and the UK Department of International Development (DFID) to strengthen capacity and offer subsidized loans (See Section 3.5.2)
- CDB has established a community disaster risk reduction fund with assistance from Canada. Subsequently DFID contributed \$3,155,999 to the Fund. The EU has also provided funding of \$2.179 million through its Contribution Agreement with CDB. (See Section 3.5.2).
- CDB gets performance ratings in the modest to good range for its work in environmental sustainability, climate change and disaster risk management. (See Sections 3.5.4)

3.5.7 Recommendations in regard to climate change, resilience and renewable energy

- 1 On the basis of its preparatory work in the first half of SDF-8 CDB needs to focus on achieving its targets in renewable energy and energy efficiency in the remainder of SDF-8. 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 renewable energy 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.
- 2 In the remainder of SDF-8 CDB should complete its analysis of whether resilience in BMCs

has in fact improved. Knowing the baseline situation and identifying the highest risks are essential to good strategy. The ACP-EU project provides resources for KAP studies (knowledge, attitude, practices) for all the BMCs. This will provide baseline information and identify risks. CDB intends to begin these studies in 2015.

- 3 Given the great needs we recommend that resources for loan and grants in this sector be increased in SDF-9. We further suggest that the link between BNTF and environmental sustainability be strengthened since environmental disasters have strongly negative implications for poverty reduction and because the resilience of poor communities to climate change and natural disasters is important.⁶²

3.6 Gender Equality

Over several cycles of the Special Development Fund the CDB and Contributors have emphasized that gender equality (GE) is a vital cross-cutting issue affecting all aspects of the Bank's operations. Gender equality is an important Millennium Development Goal (MDG 3 and has corresponding CMDG Targets)⁶³. The CDB's Strategic Plans, 2010-2014 and 2015-2019, made a strong commitment to inclusive growth, driven in part by mainstreaming gender equality in all aspects of the Bank's operations.⁶⁴

CDB Gender Equality Policy and Operational Strategy

The Caribbean Development Bank's "Gender Equality Policy and Operational Strategy" (GEPOS) was approved in December 2008. Its objectives are to

- Reduce economic and social vulnerability by empowering women and men to build and protect their assets.
- Strengthen the capacity of all women and men, girls and boys, to acquire education, skills, and self-confidence in order to access economic opportunities, increase livelihood options and improve their quality of life in the changing global economy; and
- Support governance processes in which women and men have equal access to power and authority in society, and that enable them to influence policies and when necessary advocate their rights⁶⁵.

The overarching messages from Contributors on Gender Equality in SDF-8 was for the CDB to

⁶² CDB's Environmental Unit has tried to strengthen management of environment/DRR/CC in the BNTF programme by training staff, helping them to identify appropriate indicators to track, sensitizing contractors and other stakeholders. The current stage focuses on targeted training for various BNTF stakeholders including contractors as well as application of the environmental safeguard tools, preparation of annual environmental reports etc. by BNTF BMC staff. Additional resources would be useful for, among other things, expanding the reach of targeted stakeholders; repackage information; and implement an effective training programme

⁶³ 4 MDG 3 is: Promote GE and empower women, and the CMDG Targets are: Target 6: Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015; Target 7: Eliminate gender disparities in income and occupational opportunities at all levels and sectors, no later than 2015; Target 8: Reduce by 60%, the incidence of physical acts of gender-based violence; and Target 9: Reduce, by 2015, all forms of gender-based violence. Although this is a focus of the Bank's GE strategy, gender concerns are not solely related to women. For example, young Caribbean males have a high and increasing dropout rate and decreasing representation (presently about 30%) in Caribbean university enrolment. The growing differential in male/female educational attainment seems to some extent to be class-based and not endemic to all young males. Nevertheless the number of male dropouts from the education system is growing, with adverse consequences for education outcomes, human capital development and social stability. Gender (male roles) appears to be a factor but other factors (drugs, crime, economic dislocations) also appear to be influential.

⁶⁴ See CDB Strategic Plan, 2015-2019, Executive Summary, para. 20

⁶⁵ BD 72/08 Add. 1, and BOD's Decision, December 10, 2008, item 234.12.

- Address gender equality at a strategic level in the Bank; and
- Step up its efforts to mainstream GE at all stages and in all components of the Bank's policies, programming and operations⁶⁶.

Stakeholder Ratings of CDB's Gender Equality Performance

In the consultations conducted in preparation for CDB's Strategic Plan 2015-2019, stakeholders gave the Bank mixed ratings on Gender Equality performance.⁶⁷ CDB Board members and staff rated the importance of promoting gender equality high (5.8 on a 1 to 7 scale) but not as high as several other strategic matters. Board members rated the Bank's GE performance as good (5.0 out of 7.0). CDB staff gave lower ratings to CDB's performance to date on gender equality (3.9 out of 7.0). However there was a wide range of opinion.⁶⁸

The Gender Context

Gender equality (GE) is an essential enabler of poverty reduction and economic growth. It is difficult to generalize because conditions vary greatly from country to country in the Caribbean. Nevertheless the region ranks poorly on many measures of gender-related development. Women in the labour force earn about 60% of the average male wage. (See Table 3.5-2) Domestic violence, sexual abuse, HIV/AIDS and high rates of adolescent births are common and create a risky environment for women and girls.

At the same time educational, labour market and employment outcomes for boys and men have deteriorated, in part because of pernicious ideas about gender (manliness). Male participation rates in tertiary education on average have become significantly lower than females. (See Table 3.5-2)

These factors show themselves in country rankings internationally. In 2013 no BMC ranked better than 53rd.out of 187 countries in the UNDP gender equality rankings⁶⁹. As Table 3.5-2 shows, of the eight BMCs for which data were available, five ranked worse than 80th. Three aspects are striking:

- There are significant data gaps on many measures of human development and gender equality for many BMCs. Much of the available data is outdated. Where gender-disaggregated data is missing or outdated public policy and programming are more difficult.
- In several BMCs females are disadvantaged by incomplete education and early motherhood leading to low labour force participation. As well, women have markedly lower earnings than men in several member countries even where, on average, they have more years of schooling.

⁶⁶ Report of Contributors, pp 18-19

⁶⁷ Rideau Strategy Consultants Ltd. (October 2014). Stakeholder Perceptions of the Caribbean Development Bank and its Strategic Issues." Ottawa, Canada. Section 4.3 "Gender Equality".

⁶⁸ Board members and staff think gender is intrinsically important but not relatively among the most important issues for the CDB – they rated "promoting gender equality" the third least important out among 17 possible choices. As well, they judged CDB's record on gender as second worst among the 17 items. It is necessary to emphasize, however, that the absolute (rather than relative) rating indicated mid-range performance. Some comments from survey respondents included: "The Gender Equality policy speaks to having an incentivized approach. This is a lesson learned from other MDBs. Yet this has been not been done. Staff has been quite interested in moving this agenda, but the corporate response in supporting staff through this mechanism has not been addressed." (Staff member 57) "Gender equality is not a significant issue for the Caribbean Region. Both males and females are given equal opportunities for education, jobs, loans, health care, sports etc. in most regions. Female graduates at High schools and Universities across the region surpass those of males in many fields of study." (Client 201) "CDB has not had a female President." (Director 131)

⁶⁹ UNDP Gender Inequality Index, Table 4, 2014.

- At current levels of participation and achievement, many young people, but especially young men will barely finish high school, with lower prospects for employment than they should have. As the CDB notes⁷⁰ fewer than 15% of the Caribbean's secondary school graduates go on to tertiary studies. Moreover, secondary education in some BMCs tends to be of poor quality and relevance. This is not just an economic issue; it affects all aspects of social and economic development and citizen security.
- Gender discrimination tends to be combined with other dimensions of prejudice including ethnic and class dimensions.

GE Resources, Activities and Grants

Commitments by the CDB to Gender Equality in SDF8 include

- Allocating staff resources to implement GEPOS;
- Implementing a communications strategy that includes gender equality advocacy;
- Championing and ownership of gender equality mainstreaming by senior management; and
- Developing guidelines to ensure that gender equality is mainstreamed in the internal operations of the Bank and in its activities in borrowing member countries.

The Bank has appointed an Advisor, Gender Equality, who reports to the Vice-President Operations. She sits on the Bank's Operations Management Committee. In addition there are two Operations Officers, Gender and Development, one responsible for gender equality in the activities supported by the Basic Needs Trust Fund (BNTF) and the other in the Social Sector Division of CDB's Projects Department. Three social analysts "provide peer support to project teams on gender equality issues".

Aside from dedicated human resources for gender equality CDB has set up a "Community of Practice on Gender" with representatives from several areas of the Bank's operations. Its role is to guide and advise on the implementation of the Gender Equality Action Plan (GEAP), and to monitor the Bank's GE targets.

The Operations Management Committee, chaired by the VP Operations, is the Bank's point of internal coordination for gender equality. Gender analysis informs Country Strategy Papers (CSPs), Policy Based Loans (PBLs), as well as the design and implementation of investment projects. In general there is evidence that CDB staff is increasingly knowledgeable about the economic and social aspects of gender.

In SDF-7 Contributors allocated \$3 million for the implementation of GEPOS. A substantial portion (\$2,290,000) of this set aside was carried over to the SDF-8 period. Table 3.5.1 lists the grants made from the GE set aside from 2010 through 2014.

⁷⁰ CDB Strategic Plan 2015-19, December 2014, p.20

Table 3.6-1 Gender Equality Initiatives in SDF7 and the first two years of SDF8 (2013 and 2014)

Year	Purpose	Grant
SDF7		
2010	Regional Workshop: Gender Differentials in Education	\$100,000
2010	Gender Assessments of BMCs	\$585,000
2011	Caribbean Institute in Gender and Development: Training	\$24,600
Total (SDF 7)		\$709,600
SDF8		
2013	Caribbean Institute in Gender and Development: Training	\$49,000
2013	(TA) Community Development Project, Anguilla USDF	\$40,000
2014	(TA) Fifth Road Project, Belize	\$111,000
2014	CARICOM Meetings: Gender, Labour and Economic Security	\$49,800
2014	Baseline study: CDB GE Policy, Strategy and Action Plan	\$46,200
2014	GE Mainstreaming: Trade Policies and Programmes	\$149,800
2014	GE in the OECS Education Sector Strategy	\$49,660
2014	Mainstreaming GE in St. Lucia's Nat. Sustainable Dev. Plan	\$149,050
2014	Gender Analysis of CDB's Loans Portfolio	\$135,500
Total (2013 and 2014)		\$780,010

At January 1, 2015 \$1,170,374 million remained available for programming. It is worth emphasizing that CDB's gender-related interventions are funded from several sources, not the GEPOS set aside alone. They include other set-asides of SDF funds, for technical assistance for example, ordinary capital and administrative budgets, other special and thematic funds, and loan or grant funds when a gender-related intervention is part of a particular project or programme.

GE Commitments and CDB Actions 2013-2014

Commitment to Contributors: Enhance gender mainstreaming throughout the Bank's operations and in all its interactions with BMCs

Most of the Bank's GE efforts during 2013 and 2014 have focused on gender mainstreaming in the Bank's operations and on developing systems to facilitate mainstreaming. This is no small task. Mainstreaming integrates gender considerations in all aspects of the Bank's internal operations, in Country Poverty Assessments, Country Strategy Papers, and in the design and implementation of strategies, policies and projects across all sectors. The objective is to:

- build the knowledge base on gender in the Region through research and analysis;
- develop guidelines, assessment frameworks and other gender analysis tools to apply a "gender lens" to the design of Bank policies, programs and processes; and
- Provide staff training for building knowledge, as well as for acculturation.

The examples that follow are illustrative of the gender mainstreaming tools and applications developed and applied during 2013 and 2014.

(Mainstreaming) Gender Equality Marker: The Bank has developed "gender markers" that are ratings of projects that show the degree to which gender equality is mainstreamed. The "gender marker" was piloted on projects and technical assistance activities starting in 2013, and was applied to all loans and country strategy papers (CSPs) in 2014.

At a certain level there has been rapid progress. In 2014 (to October 24) 61% of loans at approval were rated as “gender mainstreamed” compared with only 12% in the previous year. However progress has not been uniform. For example, in 2013 and 2014, projects in the Energy, Regional Air Transport and Disaster Risk Management sectors were rated as “low” on the GE scale; that is, they had not adequately considered gender integration across the project cycle⁷¹. This is important information. It is particularly relevant given the weight of these sectors in the Bank’s portfolio, the fact that gender equality and energy efficiency are cross-cutting priorities for CDB, and that the impact of natural disasters is felt equally, and often more, by women. The Bank is refining the marker and plans to include it in the Operations Policies and Procedures Manual (OPPM) and the Project Portfolio Management System (PPMS).

Commitment to Contributors: Complete Ten Country Gender Assessments

The Bank has completed the Country Gender Assessments⁷² (CGAs) planned for 10 member countries; and has posted four on its web site. Updates are planned for the three earliest CGAs to extend them to economic sectors. However there are no CGAs yet planned for the BMCs that have not yet been addressed. We believe that gender equality assessments should be completed for all borrowing member countries as soon as possible.

The CGAs are a valuable tool in strategic communications with policy-makers in member countries because they are evidence-based. Equally, they give the Bank important insights on policy and programming needs in the country to help it target and design interventions. The CGAs also expose the data gaps that constrain member governments’ policy-making and delivery of public services.

However, if CGAs are to help shape policy and programming they need to be fully integrated in the cycle for the preparation of CDB’s Country Strategy Papers. The Country Gender Assessments should be an essential component of Country Strategy Papers and Country Poverty Assessments. We believe that the CGAs should be updated before each CSP is re-done. They should be scheduled so that findings from the assessments can give shape to a country gender strategy that is fully integrated in the Country Strategy Papers’ planning and programming cycle.

The Country Strategy Paper 2013-16 for Haiti⁷³ is illustrative in this regard. There is no Country Gender Assessment on Haiti, and none is planned. Nevertheless the CSP provides a good overview and analysis of the economic and social context in Haiti in the CSP. There is a discussion on gender inequality and its impacts on women and girls in several places in the text. Results will be reported on a gender-disaggregated basis on almost all CDB’s planned interventions in Haiti in education and community driven development, with some indicators reporting against baselines and targets. However, while this is useful information, it does not constitute a gender assessment nor lead to a strategy or road map for gender equality in Haiti.

Commitment to SDF Contributors: Implement a Gender Equality Communications Strategy

Among its undertakings in SDF-8, CDB Management committed itself to the “implementation of a Communications Strategy” on gender equality. The Bank can be an influential advocate for gender equality in the Caribbean.

⁷¹ Op. cit. CDB Paper BD34/12 Add2. P. 8, December 2014.

⁷² St. Lucia, Belize, & Anguilla In 2011-12. Dominica, Antigua & Barbuda, St. Kitts & Nevis, Grenada, Barbados, Montserrat and St. Vincent in 2013-14.

⁷³ Country Strategy Paper 2013-16 – Haiti, Paper BD 36/13.

Communication on gender is inherently multi-faceted – its purpose is to shine the light on gender-based inequality and its associated social and economic costs; to use the best evidence to educate and inform in order to overcome deeply held cultural and institutional biases; and above all, to give voice and visibility to the issues. Changing cultural and institutional biases is a challenging task.

At end-March 2015 we were not able to find a CDB Communications Strategy or a Gender Equality Communications Strategy on the Bank’s external web site. The CDB home page makes no mention of gender equality. There are few reports and materials on gender and they are difficult to find unless one knows exactly what to look for and where. There is a video that shows a discussion of gender equality (May 2014). In general, although there are some good materials, the Bank does not communicate its strong stance on gender equality well.

The Status Report on the Implementation of GEPOS⁷⁴ and Gender Equality Action Plan for 2013-15 also does not address a “Communications Strategy” on gender. Rather, communications on gender have been mainly inward looking, focused on “improving and leveraging information, specifically to enhance gender capabilities, and strengthen knowledge sharing and management systems” within the Bank. Products and tools on the Intranet (not the external website) include video case studies of women’s experiences in accessing services in three sectors; an on-line video on “Gender Mainstreaming in Caribbean Trade Policies”; a gender checklist for “oversight” bodies; project review and appraisal guidelines, a “Community Needs and Assets Assessments” template; and Guidelines for Gender mainstreaming in the BNTF project cycle.

Having information and knowledge products and training tools on gender equality on the Bank’s intranet is essential to build staff knowledge and capability. They are a fundamental component to mainstream gender equality. But they are not of themselves enough, and they do not constitute an adequate communications strategy on gender equality.

CDB needs to communicate more forcefully publicly with an evidence-based and equity-based advocacy of gender equality. A strategic communications plan would include frequent messaging, both in the Bank and to policy decision-makers in member countries, and to the public, on the causes and consequences of gender inequality in the Caribbean. The advocacy of gender equality needs to be more comprehensive.

Gender Equality Technical Assistance

Technical assistance grants (TA) for gender mainstreaming and for activities specific to gender equality are essential to building GE capability in borrowing member countries. The Bank’s efforts during 2013 and 2014 included both stand-alone gender TA and technical assistance for gender components of investment projects and policy-based loans.

In some cases CDB participated in a partnership to deliver GE TA. In 2014, for instance, the *Caribbean Aid for Trade and Regional Integration Trust Fund* (CARTFund), in partnership with the CDB and the International Trade Centre sponsored a seminar for senior public servants and private sector executives on “Gender Mainstreaming in Caribbean Trade Policies and Programmes”. Another CARTFund initiative, in Jamaica, “The Jamaica Girls Coding Programme”, brought together female students with women professionals in Science, Technology, Engineering and Mathematics in informal settings to encourage young Jamaican women to consider the Information and Communications Technology sector in exploring their options for higher education and later employment.

⁷⁴ Status Report on the Implementation of the Gender Equality Policy and Operational Strategy of the Caribbean Development Bank, Paper BD 34/12 Add 2, December 11, 2014.

In Belize CDB's 5th Road project included an \$111,000 TA grant from SDF funds with a \$232,000 loan to Belize, from CDB Special Fund Resources, for capacity building for women in the construction industry. This is the first time a CDB borrowing member country has borrowed for gender equality capacity-building in private industry.

GE Training

Staff training and technical support were a major component of CDB's capacity-building efforts in the Bank, also in selected interventions in borrowing member countries. Capacity building TA included Gender Training Workshops (1.5 days) for about 45 staff members. There were two gender learning events, as well as regional training workshops on gender mainstreaming in the water sector. Both workshops had almost equal participation by men and women. In addition to formal training, Bank gender specialists and the social sector analysts provided direct support to staff in GE aspects of the design and preparation of projects and technical assistance grants.

GE Networks

CDB networks on GE with regional and multilateral development organizations and research institutions. Such partnerships offer opportunities for joint research and information sharing. For example CDB is an observer to the *Multilateral Development Bank Working Group on Gender* (MDBWGG). In 2015 it is exploring a joint research project with the World Bank on the determinants of women's labour market participation. "Regionally, CDB is working closely with CARICOM Secretariat, United Nations Agencies, and other development partners to support...regional coordination mechanisms on GE."⁷⁵ This improves GE visibility in CDB's professional networks although not significantly with the public.

Mainstreaming means doing many things across all aspects of CDB's work. In this sense mainstreaming is a "bottom-up" effort. It is both knowledge and acculturation. This is not a one-time exercise. Gender mainstreaming needs champions in executive management to give it voice and visibility in the Bank, among BMC governments and in public across the Caribbean.

Given resource constraints and the scale of the task, the Bank needs to be strategic in picking its gender interventions. For maximum impact, effectiveness and visibility, CDB should target its GE interventions to the highest priority areas of the Bank's Strategic Plan 2015-2019. Specifically we recommend that CDB have a particular focus in its gender equality work on reducing the influence of gender stereotypes in the labour force with two main aims – first, to achieve equal compensation for women and second to achieve equal participation and completion by boys and men in secondary and tertiary education.

Summary – Gender Equality

In summary, our main conclusions on CDB's work in gender equality during 2013 and 2014, as discussed in more detail below, are as follows:

1. 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,⁷⁶ but, in our

⁷⁵ Op.cit. CDB Paper BD 34/12 Add 2, p. 17

⁷⁶ One respondent noted that the Bank's significant external visibility on gender equality has been among its national and regional development partners -- in strengthening partnerships and supporting coordination with and among national and regional institutional mechanisms for gender equality. The Bank has asked its regional partners to reactivate regional coordination mechanisms on gender equality. The Bank provided both technical and financial support to meetings of the national gender bureaux for reporting on progress on the Beijing platform for action and the preparatory processes for the SIDS and post 2015 agendas. It was said that the strategic thrust towards building partnerships with the CARICOM Secretariat and the UN System agencies in 2013 and 2014 is facilitating institutional reform, policy development and programming for gender equality regionally, and nationally and sectorally within BMCs. It was also said that CDB has been able to articulate clearly its

opinion, it has not been as visible a public advocate of gender equality in the Caribbean as it could have been.⁷⁷ For example there should be a prominent Gender Equality logo and link on the CDB website home page that leads directly to materials on CDB's work in gender equality with a single click.

2. The commitment to complete 10 Country Gender Assessments (CGAs) has been met.⁷⁸ The Bank should undertake CGAs for all its borrowing member countries, preferably by the end of SDF-8 but at the latest by mid-SDF-9.⁷⁹ A synthesis of the CGAs will be useful with a strong focus on elucidating strategy. We understand that a synthesis report is in draft.⁸⁰
3. CDB needs to find a clearer and more strategic focus for its GE work in the Caribbean. At present its gender equality interventions are few relative to many sectors. One possible strategic focus could be labour force participation and equal salaries for women; and combatting gender-based biases against higher education among young men. Potential GE interventions should be prioritized by the Bank's Strategic Plan and by where potential leverage for improvements in gender attitudes and relationships is greatest. A review of the GPOS is proposed for 2015 or the first quarter of 2016.⁸¹
4. Gender tends to interact with other dimensions of prejudice, including ethnic and class dimensions.
5. CDB has been much more proactive on GE in SDF-8 than in SDF-7. Resources will need to be allocated in SDF-9 to enable this good trend to continue.

3.7 Citizen Security

In 2014, CDB made a grant of \$130,000 to the Improved Citizen Security in the Eastern Caribbean for consultancy services to assist selected "at-risk communities" in Barbados, the Commonwealth of Dominica, St. Kitts and Nevis, and St. Lucia. Each community developed a culturally-appropriate and gender-responsive *Community Safety Strategy* and provided training to Crime Stoppers personnel, civil society organisations, community-based organisations, community leaders and other key stakeholders in crime reduction measures.

The Bank also provided \$100,000 to a youth and road safety project in Belize. In Belize, approximately 30% of all road traffic fatalities are young people aged between 16 and 29. This age group is a large part of the population but the statistics also reflect reckless behaviour by young males. About 90% of these young casualties are males. The objective of the intervention therefore is to increase understanding of road safety, and address youth-related issues surrounding safe driving. It is anticipated that 2,000 young people (minimum of 60% young men) are expected to participate.

mainstreaming mandate on gender equality and engage and support gender integration in policies and planning with CARICOM Ministers of Human and Social development, Labour and in Education.

⁷⁷ The CDB's website, press releases and publications show very modest attention to gender equality.

⁷⁸ In 2011 and 2012 three Country Gender Assessments were completed: St. Lucia, Belize and Anguilla. These are due for an update in 2015 to incorporate analysis of gender in the economic sectors. In 2014 and the early months of 2015 seven additional CGEs were completed for Barbados, Montserrat, St. Vincent and the Grenadines, Grenada, Dominica, Antigua and Barbuda and St. Kitts and Nevis. The latter four are available on the Bank's website.

⁷⁹ The CGAs completed to date show an appropriate focus on the country in question but little or no reference to lessons that might be learned from other countries' CGAs.

⁸⁰ CDB is undertaking a review of its CGA initiative to improve its alignment with the Country Strategy Papers (CSPs), and to strengthen its effectiveness as a gender mainstreaming tool. The proposed review considers best practice in other MDBs.

⁸¹ See Paper BD 34/12 Add 2 Status Report on the Implementation of the Gender Equality Policy and Operational Strategy of the CDB. Sections 2.33 and 2.34- This review will be informed by a synthesis of current regional reports and data to identify key gender disparities linked to the programming focus of the Bank's Strategic priorities -and areas in which the Bank will invest

4.0 CDB/SDF Performance Judged According to Four Results Frameworks

This chapter describes several sources of evidence about the effectiveness of the Caribbean Development Bank and the Special Development Fund. None of them are exclusive to the Special Development Fund. However the SDF is so thoroughly integrated with the overall operations of the Bank that the evidence can reasonably be taken to apply to it as well. Four sources of evidence are presented:

- **The Annual Review of Development Effectiveness, which reports achievements organized by the Results Monitoring Framework.**
- **CDB's performance ratings on the Managing for Development Results (MfDR) framework.**
- **CDB's performance ratings during consultations for the new strategic plan (2014)**
- **CDB's ratings on its Portfolio Performance Index.**

4.1 Results Monitoring Framework – Development Effectiveness

In SDF-7 and SDF-8 CDB has substantially improved its definition of results, clarified its targets and put in place a system for monitoring and reporting results. In 2008 CDB adopted a Results Monitoring Framework (RMF) that is aligned with similar frameworks used by other multilateral development banks. The RMF contains four levels of results indicators. Progress against them has been reported in four "Development Effectiveness Reviews", including two within our review period (2013 and 2014). The results reported are not to be exclusively attributed to CDB or to SDF-8 but, nevertheless, they provide some measures of what the Bank has achieved and what remains to be done.

Performance Measured against the RMF

Level 1 addresses regional progress towards CMDG targets and high priority development outcomes. Level 2 addresses the Bank's contribution to outcomes through outputs delivered in various sectors. At Level 3, institutional and operational indicators measure improvements to the Bank's efficiency and effectiveness and progress in relation to the Paris Declaration and the Accra Agenda for Action is covered at Level 4. Data on targets and current status, for each indicator, are shown in Appendix 5.

Level 1: Regional Progress towards Selected CMDG Targets and Development Outcomes

Level 1 measures regional progress in relation to poverty and human development, environmental sustainability and climate change, per capita GDP growth and RCI efforts.

Since poverty reduction is the core of CDB's mandate and mission we will address that topic first and then consider the four levels of the Results Monitoring Framework (RMF).

Poverty Reduction

Poverty in CDB's borrowing member countries, excluding Haiti, remained largely unchanged over the past decade at about one in five persons (21.1% in 2014, See Appendix 1). The published indigence rate declined slightly from 12% in 2006 to 11.1% in 2014; but it is impossible to say whether this is a secular trend or only measurement variability. The variability

in poverty rates from one country to the next and, indeed, from one island to the next within countries, is large. As well, the fact that the indigent population is such a substantial part of the poor population indicates that a significant number of people live outside the formal cash economy making statistical measurement difficult.

The picture is more positive for “non-income poverty indicators”. For example CMDG targets have been exceeded for net enrollment in secondary school and access to an improved water supply.

In 2014, a new poverty baseline was published for Haiti, based on a survey of consumption. This showed that the national poverty rate was 58.6% in 2012 and the extreme poverty rate (indigence) was 24.7%. Comparisons with earlier years are difficult because measurement methods have changed and earlier data reliability was uncertain. If the earlier data are taken to be reliable then, despite the earthquake catastrophe, Haiti has made remarkable progress over the past 15 years, reducing its poverty rate from about three quarters of the population to about half, and the indigence rate from about half the population to a quarter.⁸² Haiti is, of course, still very poor

The lack of progress on poverty reduction is primarily the responsibility of member governments. Nevertheless, as a Caribbean institution CDB has the credibility to be an opinion leader on this issue because poverty reduction is its core mandate and mission. Existing studies by CDB are an excellent base that needs to be updated along with a synthesis of the Country Poverty Assessments.⁸³ Therefore it would be useful if CDB commissioned a study or an evaluation of poverty reduction in the Caribbean 2005-2015 with the aim of identifying the causes of the lack of progress over the past decade and developing a new and more effective collective⁸⁴ strategy.

We expect that some key factors will be amenable to CDB intervention – for instance, CDB could, with donor support, find a way to reach poor people in poor communities within its middle-income member countries. Earlier mid-term reviews of the SDF showed that (excluding Haiti) about half of the poor people in BMCs are now in lower-middle-income countries that are no longer eligible for traditional SDF support.

However we also expect that some of the key factors may be outside CDB’s mandate and resources. For instance tax revenues as a percentage of GDP in the Caribbean are very low and the adoption of a VAT by several countries does not appear to have changed this picture. The International Monetary Fund (IMF/CARTAC) has set itself the goal of increasing the average tax revenue/GDP ratio with little effect so far.⁸⁵ Allowing for cyclical variations resulting

⁸² See CDB *Development Effectiveness Review* (2014, Section 2.02): In 2014, a new poverty baseline was published for Haiti, based on consumption. This showed that the national poverty rate was 58.6% in 2012 compared with 76.0% in 2001, and the extreme poverty rate (indigence) was 24.7% in 2012, a decline from 54.0% in 2001. Large volumes of development resources to Haiti following the earthquake of 2010, as well as improved development strategies and policies including extensive interventions by NGOs, appear to have had a positive impact on poverty in Haiti.

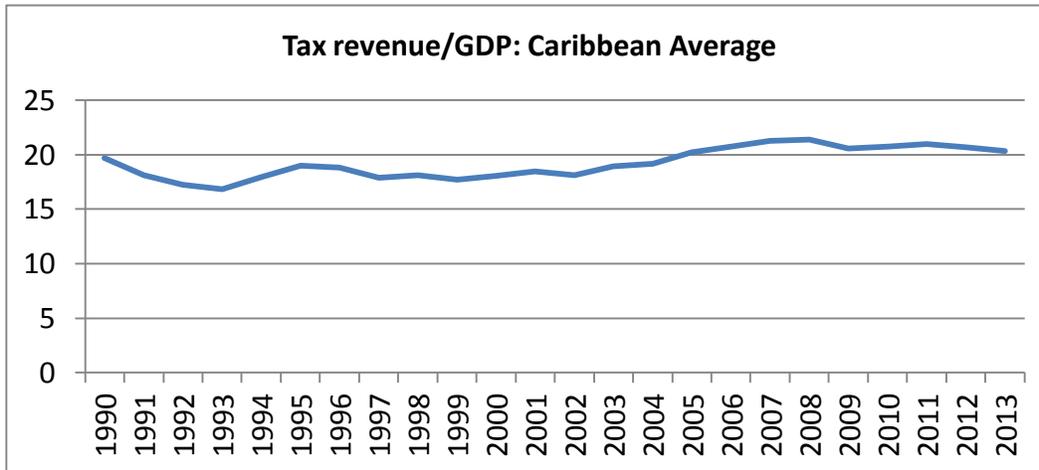
⁸³ See for example, Caribbean Development Bank Social and Economic Research Unit Research Study on **Social Protection and Poverty Reduction in the Caribbean: Examining Policy and Practice** Grenada Country Report July 2004 in collaboration with The Department for International Development for the Caribbean and The European Commission Delegation for Barbados and the Eastern Caribbean. Also, Baker, Judy L. 1997. **Poverty reduction and human development in the Caribbean: a cross-country study**. World Bank discussion paper; no. WDP 366. Washington, D.C.: The World Bank.
<http://documents.worldbank.org/curated/en/1997/07/694700/poverty-reduction-human-development-caribbean-cross-country-study>

⁸⁴ For ideas on how important it is to address this core issue collectively, see John Kania and Mark Kramer (2011). **Collective Impact**. Stanford Social Innovation Review (www.ssriview.org).

⁸⁵ See Mid-Term Evaluation of CARTAC, IMF, 2015

from general economic conditions⁸⁶, tax receipts as a percentage of GDP are essentially unchanged on average across member countries since 1990. There is modest variation over time of about 2% around an average of about 20%. The variation appears to be driven by the economic cycle. The average tax revenue/GDP ratio varies from about 17% of GDP at the bottom of recessions to about 21% of GDP in better times. These levels of revenue may not be sufficient to enable governments to operate programs to help persons and families in the bottom fifth of incomes, such as, for example, the bolsa familia⁸⁷ and related conditional cash transfers that have had considerable success in reducing family poverty in Brazil and in Mexico.

Figure 4.1-1 Caribbean Average “Tax Revenues as a % of GDP”, 1990 to 2013



Source: CARTAC, December 2014

CDB should 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 new collective strategy.

Poverty in the Caribbean remains Stubbornly High

As shown in the CPAs that CDB has funded⁸⁸ over the past 19 years poverty remains very high. During SDF8, (2013 and 2014), no new or revised poverty assessments were prepared by CDB.⁸⁹

From 2009 to 2013 income per capita, expressed in constant after-inflation dollars, declined in

⁸⁶ We consulted various sources of data including the IMF RA-FIT, World Economic Outlook, the World Bank, CARICOM, and CIA data, and found that the average is stable within a couple of percentage points up or down from the mean.

⁸⁷ Bolsa Familia provides financial aid to poor Brazilian families; if they have children, families must ensure that the children attend school and are vaccinated. The programme attempts to both reduce short-term poverty by direct cash transfers and fight long-term poverty by increasing human capital among the poor through conditional cash transfers. It also works to give free education to children who cannot afford to go to school to show the importance of education. The Bolsa Familia programme may have been a significant factor contributing to the reduction of poverty in Brazil, which fell 27.7% during the first term in the Lula administration. The Center of Political Studies of the Getulio Vargas Foundation has published a study showing that there was a sharp reduction in the number of people in poverty in Brazil between 2003 and 2005. Other factors include an improvement in the job market and increases in the minimum wage.

⁸⁸ These reports include surveys of living conditions and household expenditures. See, for example, Kairi Consultants Limited, “Final Report: Country Poverty Assessment, Anguilla, 2007/2009.

⁸⁹ See Caribbean Development Bank, Country Poverty Assessment Reports, available at: <http://www.caribank.org/countries/country-poverty-assessment-reports>

Group 1 Countries and was stagnant in Group 3 countries. Only in Group 2 countries (where the BNTF works) was there a substantial increase in per capita income in the order of 13%.⁹⁰ Another optimistic note is that some non-income poverty indicators have improved over the decade. Net enrollment of the age group in secondary school has greatly improved for both boys and girls from about 70%⁹¹ to about 85%.⁹² Access to an improved water supply in rural areas, a sector in which the BNTF works, improved from 87% in 2009 to 91% in 2013, which reflects rapid gains for such a short period of time. About a third of rural people without access to an improved water supply in 2009 had gained it by 2013.

Causality and attribution are complex. Nevertheless it is encouraging to find those countries and sectors where the BNTF works doing better than where it does not. BNTF addresses the three core elements of CDB's poverty reduction strategy (PRS): *capability enhancement*, *reduction of vulnerability* and *good governance*. Previous evaluations of the BNTF indicate that the programme makes a significant contribution to MDG targets.⁹³

In summary, including Haiti, the CMDG targets of 27% and 17.5% for the proportion of the population living below the poverty and indigent lines, respectively, will not be achieved in 2015. Even excluding Haiti, although the indigent rate is better than the CMDG target levels and has been for many years, the general poverty rates remain high and have not improved significantly for a decade.

Non-income human development and poverty reduction achievements are a brighter picture. Enrolment and retention rates at the primary school level continue to improve although they are still below target values⁹⁴. The indicators for enrolment in secondary school are currently above the targets set for both male and female enrolment. The quality of education however remains to be measured rigorously,

With respect to access to basic services, in particular water and improved sanitation, relatively modest gains have been made. Approximately 96.2% of the urban population and 92.1% of the rural population had access to potable water in 2014. A significant part of the population remains unserved. As well, sustainability of existing water supplies is uncertain in light of climate change and increasing urban demand. In 2014, CDB convened a workshop to discuss the state of the water sector in the Caribbean with a review of developing appropriate strategies to ensure sustainability.

Data on targets and current status is shown in Appendix 4. In summary the status of Level 1 indicators at the end of 2014 was as follows.

On-track for 2015 targets (Level 1)

- Net enrolment in secondary education
- Proportion of population with water source
- Proportion of population with improved sanitation
- Proportion of land covered by forest (counting fallow sugar lands as "forest")
- Environmental damage and loss from natural disasters
- Protected areas for biological diversity

⁹⁰ Ibid. Group 2 (2009) \$5554 and (2013) \$6262.

⁹¹ Ibid. 73% for girls and 68% for boys (2006)

⁹² Ibid. 87% for girls and 83% for boys.

⁹³ See Caribbean Development Bank, 2012, "Basic Needs Trust Fund—Sixth Programme: Mid-Term Evaluation Final Report and Management Response". BNTF is directly relevant for MDG1, "eradicate extreme poverty", and also helps on MDG3, "promote gender equality and empower women", and DMG7, "ensure environmental sustainability".

⁹⁴ This reflects the inclusion of Haiti post the base year calculation in addition to a steady inflow of migrants into Belize from neighbouring countries.

- GDP per capita Group 2 countries

Not on track for 2015 targets:

- Population below the poverty line
- Indigent population (%)
- GDP per capita (Group 1 and Group 3 countries)
- Net enrolment in primary school
- Intra-regional trade (%)
- Direct investment of MDCs in LDCs

Level 2: CDB/SDF Contributions to Outcomes

The indicators of results that are attributable more directly to CDB (Level 2 indicators) shows the Bank on track to meet its targets on about half of the indicators. (See Appendix 5, Level 2).

On track to meet or exceed targets (Level 2, attributable to CDB):

- Education and training (with two exceptions – the number of teachers trained and the percentage of male secondary school graduates achieving 5 CXC General Proficiency passes including mathematics and English)
- Kilometres of roads built (likely to be well above target)
- Number of community infrastructure facilities built or upgraded (likely to be well above target)
- Number of beneficiaries of community infrastructure facilities built or upgraded. (likely to be well above target)
- Water supply lines installed or upgraded.
- Number of households provided with water supply and sanitation.
- Number of public financial management reforms adopted

Not on track to meet or exceed targets (Level 2, attributable to CDB):

- Three indicators of agriculture and rural development
- Sea defences
- Energy generation and renewable energy
- Business climate and competitiveness enhancement
- MSME beneficiaries
- Legal, regulatory and policy reforms (RPGs)
- Citizen security interventions

CDB's approach to education and training reflects a greater awareness of the need to focus on both increased access and improved quality of education. Targets for school infrastructure investment and number of beneficiaries are on track to achieve the SDF-8 targets. The numbers of teachers trained is below target.⁹⁵

In agriculture most outputs were by the Community Development Project in Haiti and rural credit in Jamaica. Approximately 992 hectares of land was improved through drainage, flood and

⁹⁵ CDB has financed school infrastructure to meet social demands and to improve coverage. In 2014, 134 classrooms have been built or upgraded and added to the 149 built or upgraded in 2013. This puts the total for the two years of the SDF-8 cycle at around 37% of CDB's target. With respect to teacher training, some 524 teachers were either trained or certified at either the primary or secondary education level in 2014 bringing the total 1672 or approximately 20% of CDB's target for the cycle. The number of students benefitting directly from CDB-supported outputs continue to be significant, at over 106,000 for the 2013 and 2014 combined period. This represents close to 45% of the target level of beneficiaries for the cycle.

irrigation works, well below target (21% of SDF-8 target) and 2,530 stakeholders were trained in improved production technology, roughly on target (43% of the SDF-8 target).

In 2013 and 2014 CDB funded the building or upgrading of 327.8 kilometres of primary, secondary and other roads. This figure exceeds the target for the entire SDF-8 cycle of 196.2 km. So far, there have been some 340,021 beneficiaries representing 171,796 males and 170,225 females. A large contribution to this target was made by projects in Haiti in partnership with the World Bank and the Inter-American Development Bank and infrastructure development in Jamaica.

BNTF and the community-driven project in Haiti contributed to better local infrastructure (improved community buildings, including health and community centres, libraries, schools and public toilets). In 2013 and 2014, 140 community infrastructure-related projects were built or upgraded. A large number of people benefited albeit to a small extent each. The affected populations are estimated to be approximately 233,494 males and 230,604 females.

The original targets for support to the private sector have not been met. The indicators relating to private sector development have been revised to better reflect the kind of support CDB has been able to provide, which is mainly enhancing the policy framework to facilitate private business activity. The revised focus is on policies to help improve business competitiveness. In 2014, for example, CDB collaborated with the World Bank in a policy-based operation in Grenada, the First Growth and Resilience Building project that addresses tourism, agribusiness and trade logistics.

Level 3: Operational/Organisational Effectiveness

CDB's operational/organizational performance is monitored against six sets of indicators. These include operational quality and portfolio performance, resource allocation and mobilisation, strategic focus, capacity utilisation, use of administrative budget resources, and business processes and practices.

The portfolio performance rating as captured in the *Annual Review of the Portfolio Performance* stood at 100% in 2014. This is well above the self-scored ratings recorded by other MDBs; but the criteria are different. It is worth noting the volatility in one metric – that is, the percentage of projects completed in the previous two years that had completion reports on file. In 2013 the percentage of Completion Reports was very high (93%) but in 2014 it fell to 53% indicating that fewer completion reports had been filed in the interim.

The percentage of concessional resources allocated according to the performance-based system was essentially on target (58% in 2014 compared with a target of 61%). The disbursement efficiency rate was 76%, lower than the target of 89%. Deterioration in disbursement efficiency in 2014 reflects slow implementation of projects. It is hoped that CDB's re-launched project cycle management training programme will help member governments implement projects more efficiently.

The proportion of financing directed to less developed countries declined from 57% in 2013 to 48% in 2014, below the 51% target, reflecting new lending to non-LDC BMCs, such as Suriname.

Thirteen Country Strategy Papers (CSPs) contained results frameworks.

The ratio of professional staff to support staff increased in 2014 to about 1.5 professionals per support staff person, compared with a little more than 1.25 professionals per person of support in 2013. Recruitment reduced the vacancy rate at management and professional levels, which fell from 25% in 2013 to 5% in 2014. The gender equality indicator fell below the threshold of

45% after extensive recruitment. Some volatility in the indicator is to be expected because of the small number of CDB staff.

Level 4: Partnership, Harmonisation and Alignment

Level 4 indicators reflect the principles of ownership, harmonisation, alignment and partnerships. They are based on CDB's commitments to the Paris Declaration and Accra Agenda for Action for promoting development effectiveness. CDB policy strongly favours country ownership but use of member government systems is not yet routine for CDB.

CDB's systems and practices are substantially harmonized with development partners and joint projects have become common. Resource allocation, for example, is harmonized through CDB's participation in the Inter-MDB Technical Group and evaluation through participation in the OECD/DAC evaluation group. CDB's process of developing country strategies includes consultations with partners. However the lack of CDB staff resident in BMCs limits participation in donor coordination efforts to some extent.

4.2 Managing for Development Results

In 2012 and 2015 CDB commissioned an independent review of its performance in managing for development results.⁹⁶ CDB's management for development results (MfDR) was assessed in five countries in 2012 and in three in 2015.⁹⁷ Performance was rated⁹⁸ in four performance areas, against 16 key performance indicators. The four performance areas were: strategic management;⁹⁹ operational management;¹⁰⁰ partnerships with governments and donors,¹⁰¹ and knowledge management.¹⁰² Ratings for each of those years are shown in Figure 4.2.

CDB was rated either strong or adequate on 12 of 16 key performance indicators. It was rated as needing improvement on the following indicators: internal incentives, use of BMC systems (accounting and audit) by the Bank, monitoring of results, and disseminating lessons learned.

Strong performance ratings

In 2015 CDB was rated strong on about one-third of the key performance indicators. This was a major improvement from 2012. Three areas were strong in 2012 and remained strong in 2015. These were: (1) corporate focus on results, (2) focus on thematic priorities, and (3) supporting national plans. Two areas improved to "strong" from 2012 to 2015. These were presenting performance information, which moved from inadequate to strong; and financial accountability, which moved from adequate to strong.

Adequate performance ratings

In 2015 CDB's performance was rated adequate on seven of 16 key criteria, approximately one half. All of the criteria in "strategic management" and "operational management" were either strong or adequate with one exception noted below. Performance in four areas moved from

⁹⁶ See Universalia (2015). Assessing the CDB's Performance in Managing for Development Results, Volumes 1 and 2, Montreal, Canada.

⁹⁷ In 2012 the sample consisted of five Borrowing Member Countries (BMCs) – Anguilla, Belize, Grenada, Jamaica, and St. Lucia; the 2015 sample included three borrowing member countries – Barbados, Grenada and Jamaica.

⁹⁸ Ratings were on the following scale: 6 or 5 (strong), 4 (adequate) and 3, 2, or 1 (inadequate)

⁹⁹ Developing strategies and plans that reflect good practices in managing for development results

¹⁰⁰ Managing operations by results to support accountability for results and the use of information on performance

¹⁰¹ Engaging in relationships with direct partners and donors at the country level in ways that contribute to aid effectiveness and that are aligned with the principles of the Paris Declaration

¹⁰² Developing reporting mechanisms and learning strategies that facilitate the sharing of knowledge and information inside the organisation and with the development community.

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inadequate in 2012 to adequate in 2015. These were: (1) providing direction for results, (2) country focus on results, (3) harmonizing procedures, and (4) managing human resources

Inadequate performance ratings

In 2012 performance on eight of sixteen criteria was judged inadequate. In 2015 performance on only four of 16 criteria was judged inadequate. Performance was judged inadequate in both 2012 and in 2015 on the following criteria: (1) linking aid management to performance, (2) using country systems, and (3) monitoring external results. Performance ratings fell for disseminating lessons learned.

Table 4.2-1 CDB Performance Ratings, MfDR, 2012 and 2015

Overall Ratings on Key Performance Indicators (mean scores of document review ratings)

Strong or above (5, 6)
 Adequate (4)
 Inadequate or below (1, 2, 3)

Average Score of Key Performance Indicators	MfDR Assessment 2012							MfDR Update 2015					
	1	2	3	4	5	6		1	2	3	4	5	6
Strategic Management													
1. Providing direction for results							↗						
2. Corporate focus on results							→						
3. Focus on thematic priorities							↗						
4. Country focus on results							↗						
Operational Management													
5. Aid allocation decisions							→						
6. Linking aid management to performance							→						
7. Financial accountability							↗						
8. Using performance information							↘						
9. Managing human resources							↗						
10. Performance-oriented programming							→						
Relationship Management													
11. Supporting national plans							→						
12. Using country systems							→						
13. Harmonising procedures							↗						
Knowledge Management													
14. Monitoring external results							→						
15. Presenting performance information							↗						

Source: Universalialia, Assessing CDB's Performance on MfDR, March 2015

Overview of CDB's MfDR Performance

With some exceptions, we agree with the MfDR performance assessments stated above. We note that the strongest areas of performance were:

- ✓ Corporate focus on results
- ✓ Focus on thematic priorities

The weakest areas of performance in 2015 were:

- ✓ Linking aid management to performance
- ✓ Using country systems

Our main disagreement with the ratings is that we would not rate CDB's performance on "linking aid management to performance" as inadequate - quite the opposite in some respects. CDB has successfully operated a performance-based allocation system for concessional funds (Special Development Fund) for the past decade and, among multilateral development banks, has led in some aspects of that methodology.

Nevertheless we do see some weakness in performance incentives at the level of the country portfolios. Unlike other multilateral development banks, CDB does not have Country Programme Managers responsible for each portfolio. This makes it difficult to provide incentives for performance at the right point in the organization to achieve optimal results with its BMCs.

The second dimension on which CDB was ranked as inadequate was "using country systems". We agree that CDB does not use country systems as much as it could, especially accounting and auditing systems. Its accountability model (disbursement only against detailed claims, with receipts rather than by milestone results) has been effective but has become somewhat out-dated as client government systems have become more reliable. On balance we believe that CDB's administrative overhead would be less and disbursements quicker if it used client government systems more. Nevertheless it is a complex issue and there might be some risks.

There are some areas in which improvements are already apparent and will probably lead to better MfDR ratings in the next round. For example, the "inadequate" rating for monitoring external results may be improved by the recent strengthening of CDB's Independent Evaluation Division (IED). Similarly the inadequate rating for the dissemination of lessons learned may be improved by both the strengthening of the evaluation division and by a better website – although, at present, evaluation is invisible on CDB's website.

Reaching the Poor

We believe that CDB's results-based management system is on track, although, like other MDBs, the graduation of several countries that were previously eligible for SDF funding poses a difficult dilemma. CDB needs to find ways to work with member governments to help poor communities in middle-income countries.

Internally CDB needs to find ways to link lending and granting with staff performance incentives. We think that this will be difficult to do in the absence of Country Programme Managers.

Using country accounting and auditing systems

CDB should make greater use of the accounting and auditing systems of BMC governments in managing loans, grants and the BNTF, although we see some risk trade-offs and it would likely

require considerable adjustment to its present systems and practices in legal, accounting and auditing.¹⁰³

However having CDB country programme managers (for all programs not only BNTF) in-country frequently or in residence would reduce the risks. The first step would be a feasibility study that, if successful, would result in a systems transition plan.

¹⁰³ CDB staff noted that the BNTF has implementing agencies in each of its 10 participating countries and project managers and this arrangement has not necessarily reduced risks if leadership is weak or there is political interference.

4.3 Strategic Issues and CDB Performance

While developing its Strategic Plan 2015-2019 CDB commissioned consultations¹⁰⁴ with stakeholders on CDB's performance and strategic issues. The consultations included interviews, visits to eleven borrowing member countries,¹⁰⁵ and a survey of stakeholders.¹⁰⁶ The Consultations Report noted the importance of the Special Development Fund (SDF) but also its declining reach as countries graduate. It observed that other multilateral development banks, offer packages of concessionary funds, grants from various Topical Trust Funds and expert assistance from staff.¹⁰⁷

Stakeholders praised the professional competence, regional knowledge, credibility and empathy of the staff. They noted other strengths, such as experience in small island development, skills in project appraisal, financial strength and conservatism, and expertise in small infrastructure and in education.

However stakeholders suggested that CDB needs to be strengthened in three main ways. 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. The Bank needs to do more research, and to manage and disseminate its knowledge better. Third it needs to grow because it is too small to do all its tasks well.

Board members and CDB staff both thought CDB could improve its performance as an investment lender. About half the staff thought that CDB needs to offer lower interest rates, including SDF rates, to be competitive. More than two thirds of both groups thought that CDB needed more flexibility in what it will finance. Some saw a need for a new business model for investment lending more aligned with that of other multilateral development banks. This might involve country programme managers responsible for building and managing the portfolio of loans and technical assistance (TA) projects and country offices.

Board members and staff both rated TA as intrinsically important and important as a window on lending opportunities and policy advice. Stakeholders thought the quality of CDB's TA was average. Some linked CDB's limited TA to two factors: (1) a lack of topical trust funds (TTFs) or other donor arrangements to fund TA in special areas; and (2) few and stretched expert staff whose time is paid from the CDB administrative budget rather than more directly by donors through TTFs.¹⁰⁸

Board members and staff rate the importance of "professional advice by staff on socioeconomic matters" as very high (6.3 on a 1 to 7 scale). However they rate CDB's performance as medium. A stronger technical assistance capability and stronger knowledge management would underpin stronger policy advisory capabilities. However gaps in the available statistical

¹⁰⁴ See Rideau Strategy Consultants (June 2014). Stakeholder Perceptions of the Caribbean Development Bank and its Strategic Issues Independent Consultations Preparatory to the Strategic Plan 2015-2019. Ottawa, Canada.

¹⁰⁵ Antigua, Bahamas, Barbados, Belize, Granada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago

¹⁰⁶ Eighteen members of the Board of Directors responded. Seventy-two staff completed a questionnaire (about 90% of the qualified professional staff). Fifty-seven clients completed a questionnaire and 67 persons were interviewed in BMCs.

¹⁰⁷ For example the World Bank hosts more than 120 separate Funds and these multi-donor Funds play an important role in supporting the development work of these Banks.

¹⁰⁸ In contrast with, say, the International Monetary Fund, which has a substantial technical assistance programme in the Caribbean financed directly by donors, and to a smaller extent by the recipient countries themselves, who pay directly for resident advisors, short-term experts and for the time of IMF staff.

data are a problem for policy and programming. Some stakeholders said that CDB's role as a thought leader in the Caribbean is limited by its relatively modest output of original research.

About three-quarters of clients rated the service from CDB as good, very good or excellent. The rest rated CDB's service as acceptable. Almost no one rated it as poor. This is very positive. However few rated CDB's client service as excellent and excellence is, of course, what CDB aspires to in client service.

Clients in borrowing member countries indicated that CDB has low visibility compared with other multilateral development banks and related institutions (for instance the World Bank, the IMF/CARTAC and the Inter-American Development Bank). Existing clients are reasonably pleased with their access to Bank staff but two main constraints on accessibility were mentioned by respondents: (1) CDB officers are difficult to reach when travelling; and (2) CDB has very limited presence in its borrowing member countries.

Board members and CDB staff rated "increasing CDB's presence in borrowing member countries" as the second most important strategic challenge for 2015-2019 after the related issue of building the loan portfolio. Other recommendations included frequent visits, seminars and conferences, policy dialogue and knowledge products, active follow-up to projects and using new-media tools such as an interactive website and social media initiatives.

There was a consensus that new members would be good for the Bank. Those who see CDB as a future pan-Caribbean institution thought that new members are particularly important. Several regional and non-regional countries were mentioned as potentially valuable members. However some members of the Board were concerned that new borrowing countries might dilute the influence of CDB's smaller members.

Board members, CDB staff and clients gave CDB positive but modest ratings on CDB's openness to partnerships. Some suggested that CDB should be more open to non-traditional partners.

In summary, stakeholders were positive and complimentary about the CDB. They see it as an important institution in the Caribbean that has the potential to be the focus of increasing ownership by the region of its development institutions. They think greater clarity of vision is needed because CDB cannot at the same time pursue a strategy to be a small niche institution and to be the leading development institution in the Caribbean. They see the need for a new business model for investment lending and in particular a need for greater on-the-ground presence in BMCs, which implies larger administrative investment in the short term to achieve greater impact. Stakeholders believe staff are professionally capable and responsive but need more direct incentives to achieve impact and growth. They believe that CDB needs to invest more in its role as an intellectual leader in the Caribbean. They are positive and optimistic about the future of the CDB but think that it has difficult challenges to surmount.

4.4 SDF Portfolio Performance

The quality and performance of the SDF portfolio is measured by a Project Performance Index (PPI), using a composite score derived from the Project Performance Evaluation System (PPES). This composite score is the sum of the weighted scores of six criteria: *strategic relevance, poverty relevance, efficacy, cost efficiency, institutional development impact and sustainability*.

During 2014, the performance ratings for the projects under implementation which had an SDF component were good. All projects in the portfolio were ranked as either satisfactory (57%) or highly satisfactory (43%). The portfolio continued to be substantially projects in the environment and disaster risk sector (22.6%). The education sector accounted for the second largest part of

the portfolio in 2014 (15.1%). In 2014, the overall average performance rating was 'Satisfactory', the same as the overall performance in 2013.

PPES includes criteria relating to the scoring of project performance and changes in scores to identify projects "at risk". This is not a performance measure, but a "red flag" to draw attention to projects experiencing difficulties. As at December 31, 2014, five projects were classified as 'at risk' (about 9.4% of the SDF capital portfolio under implementation). The primary issue confronting the projects at risk surround lack of technical capacity in implementation agencies. The Bank remains engaged with country authorities to resolve implementation issues. Beyond this, the soon to be re-launched CDB project cycle management training will also assist in responding to this capacity challenge.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Answers to the Review Questions

Several questions were asked by Contributors to SDF-8 and related issues were raised by CDB management in the Terms of Reference for this Mid-Term Review. Taken together there are nine main questions that we have addressed. These questions and our answers follow:

Topic 1: How effectively has CDB used the SDF, including the BNTF, to help member countries accelerate their progress towards MDG/CMDG targets particularly in the following areas?

- **Poverty Reduction and Human Development (Section 4.1)**
- **Vulnerability Reduction, Environmental Sustainability, and Climate Change (Section 3.5)**
- **Gender equality (Section 3.6)**

Answer:

Within the scope of its resources CDB, working with SDF funds, has made a positive contribution to the CMDG targets. (Section 4.1 and Appendix 5 show progress and achievements in detail.) In our opinion its most striking achievements in 2013 and 2014 were in non-income human development, mainly education, and in infrastructure (roads and water) and disaster risk mitigation

(a) Poverty Reduction and Human Development

There are several points worth emphasis. First, 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. It seems to us that 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 in the Caribbean, building on its work in poverty assessments.

As well, 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 programs without help is not well based since, on average, tax revenues are only about 20% of gross domestic product.

(b) Resilience - Vulnerability Reduction, Environmental Sustainability and Mitigation of Climate Change

At SDF mid-term, CDB was on track to meet the indicative target for the SDF-8 in resilience (Vulnerability Reduction, Environmental Sustainability and Mitigation of Climate Change). Grants were well head of target, with almost 80% of the indicative budget approved (See Section 3.5.3 and Table 3.5-1).

During SDF-8 CDB has considerably strengthened its capabilities in part by increasing the staff of the Environmental Sustainability Unit from two to four (See section 3.5.2). As well, CDB has partnered with the European Investment Bank (EIB) and the Department of International Development (UK) to strengthen capacity and offer subsidized loans (See Section 3.5.2) The Bank has established a community disaster risk reduction fund with assistance from Canada. Subsequently DFID contributed \$3,155,999 to the Fund. The EU has also provided funding of \$2.179 million through its Contribution Agreement with CDB. (See Section 3.5.2). CDB gets performance ratings in the modest to good range for its work in environmental sustainability,

climate change and disaster risk management. (See Sections 3.5.4)

(c) Gender Equality

In summary, our main conclusions on CDB's work in gender equality during 2013 and 2014, as discussed in Section 3.6, are as follows: 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 gender equality in the Caribbean as it could have been. For example there should be a prominent Gender Equality "headline" (logo and link) on the CDB website home page that leads directly to materials on CDB's work in gender equality with a single click.

The commitment to complete 10 Country Gender Assessments (CGAs) has been met. However there are currently no plans to commission CGAs for the remaining borrowing members. The Bank should undertake CGAs for all its borrowing member countries, preferably by the end of SDF-8 but at the latest by mid-SDF-9. A synthesis of all the CGAs would also be useful with a strong focus on elucidating CDB strategy. We understand that a synthesis report is in draft.

At present its gender equality interventions are spread thin - few relative to many sectors. One possible strategic focus, for example, could be labour force participation and equal salaries for women; and combatting gender-based biases against higher education among young men. Potential GE interventions should be prioritized by the key sectors of CDB operations in the Bank's Strategic Plan and by where potential leverage for improvements in gender attitudes and relationships is greatest. A review of the GPOS is proposed for 2015 or the first quarter of 2016.

Topic 2: What has been achieved in regard to (1) RMF performance measures; and (2) the related SDF-8 matrix of priorities, expected outcomes and indicators of results? (Section 5.2)

In the past four years CDB has substantially improved its definition of results, clarified its targets and put in place a system for monitoring and reporting results. In SDF-7 CDB adopted a Results Monitoring Framework (RMF) that is aligned with similar frameworks used by other multilateral development banks. The RMF contains four levels of results indicators. Progress against them has been reported in three "Development Effectiveness Reviews" (2011, 2013 and 2014). The results reported are not exclusively attributed to CDB or to SDF-8 but, nevertheless, they provide an indication of what the Bank has achieved and what remains to be done.

Poverty in CDB's borrowing member countries, excluding Haiti, remained largely unchanged over the past decade at about one in five persons (21.1% in 2014, See Appendix 1). The published indigence rate declined slightly from 12% in 2006 to 11.1% in 2014; but it is impossible to say whether this is a secular trend or only measurement variability. The variability in poverty rates from one country to the next and, indeed, from one island to the next within countries, is large. As well, the fact that the indigent population is such a substantial part of the poor population indicates that a significant number of people live outside the formal cash economy making statistical measurement difficult. The picture is more positive for "non-income poverty indicators". For example CMDG targets have been exceeded for net enrollment in secondary school and access to an improved water supply.

In 2014, a new poverty baseline was published for Haiti, based on a survey of consumption. This showed that the national poverty rate was 58.6% in 2012 and the extreme poverty rate (indigence) was 24.7%. Comparisons with earlier years are difficult because measurement methods have changed and earlier data reliability was uncertain. If the earlier data are taken to be reliable then, despite the earthquake catastrophe, Haiti has made remarkable progress over

the past 15 years, reducing its poverty rate from about three quarters of the population to about half, and the indigence rate from about half the population to a quarter.¹⁰⁹ Haiti is, of course, still very poor. Performance on other indicators is described in detail in Chapter 4 and Appendix 5.

Topic 3: Progress with respect to the Basic Needs Trust Fund 7, as the flagship programme for community-based poverty reduction and inclusive social and economic development. (Section 4.1)

The Basic Needs Trust Fund (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 decade and the C-MDG target for income poverty reduction by 2015 will not be met. Nevertheless, the 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.

However the 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 remained undisbursed in the BNTF programme. In part this has been because its control systems have been highly detailed and centralized. In the current cycle procedures have been clarified although not necessarily simplified. Only a major simplification and decentralization 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.

Topic 4: Progress in Technical Cooperation

- ***Training/CTCS***
- ***Regional cooperation and integration (OECS)***
- ***Good governance and institution building (Statistics and Legal and Regulatory support)***

The SDF-8 set aside for Technical Cooperation grants was \$20 million. At mid-term \$7.9 million had been committed and \$12.1 million remained uncommitted.

In SDF-8 CDB has attempted to improve the strategic role of the CTCS by relating it more closely to country strategies and programming. The changed operational stance has meant that traditional single person training attachments are fewer and greater use is being made of information technology to deliver training. CDB has engaged more local trainers to be economical and to build local expert capacity.

CDB has delivered innovative TAs in agriculture and the rural sector.

In 2014 CDB spent \$400,000 on ten CTCS activities. A large part of CTCS activity was targeted to Haiti (53%). Total CTCS activity in 2014 was considerably less in 2014 than in 2013 (\$1.2 million) and 2012 (\$1.1 million).

The reason for the decline was essentially internal reorganization and repositioning of the CTCS.

¹⁰⁹ See CDB *Development Effectiveness Review* (2014, Section 2.02): In 2014, a new poverty baseline was published for Haiti, based on consumption. This showed that the national poverty rate was 58.6% in 2012 compared with 76.0% in 2001, and the extreme poverty rate (indigence) was 24.7% in 2012, a decline from 54.0% in 2001. Large volumes of development resources to Haiti following the earthquake of 2010, as well as improved development strategies and policies including extensive interventions by NGOs, appear to have had a positive impact on poverty in Haiti.

Topic 5: Progress and challenges in strengthening and scaling up the operational programme for Haiti, with its special needs as a fragile state. (Section 4.2)

Haiti became a member of the CDB on January 19, 2007. Since that date Haiti has received SDF grants but has not borrowed from the CDB. The grant received in SDF 7 was \$ 46million and in SDF-8 it was \$46 million. Haiti is an opportunity and a challenge to the CDB because of its (relatively) large population, high levels of poverty, security problems and French language and culture.

CDB has collaborated successfully with the World Bank and with the Inter-American Development Bank in Haiti. However at mid-term SDF-8 those projects were coming to an end. CDB has proposals in development for Haiti and it seems reasonable to assume that most or all of the \$29 million uncommitted at mid-term will be committed by the end of SDF-8 although a large part of this grant funding may be undisbursed. In our opinion it is timely for CDB to develop some autonomous programming in Haiti.

Topic 6: Stocktaking CDB's internal reform agenda as an essential element in strengthening institutional and development effectiveness. (Section 2.5)

During 2013 and 2014 CDB underwent a restructuring and there was considerable staff turnover. By the end of 2014 most professional and management positions had been filled and vacancy levels had fallen to 5%.

Topic 7: Resource availability and commitment authority at SDF-8 mid-term.

At December 31, 2014, SDF resources still available for commitment at mid-term were as follows (See Appendix 4 for more detail) Total undisbursed SDF loan balances, at December 31, 2014, counting all funds not only those contributed in SDF-8, was \$217 million.

Table 5.1-1: Allocations and Commitments, at SDF-8 Mid-term

Category	SDF-8 Allocation	Committed in 2013 and 2014	Uncommitted from SDF-8 Allocation at Dec. 31, 2014
Loans			
Group 2 BMCs	172.7	98.2	74.5
Disaster Mitigation & Rehabilitation	33.0	7.3	22.7
Grants			
Haiti	46	16.2	29.8
BNTF-8	10	10	
Technical Assistance	20	7.9	12.1
Regional Integration and RPGs	10	1.5	8.5
Environment and Climate Change	5	0.4	4.6
Immediate Disaster Response	5	1.1	3.9
Citizen Security	4	0.1	3.9

Topic 8: Application of the revised SDF Resource Allocation System.

The SDF Resource Allocation System was used to make the initial allocations to countries in 2013. The POOR variable, with a low weight, was included in the allocation formula.

A mid-term reallocation was underway at the time of this Review (April 2015).

Topic 9: Progress on Implementation of CDB's Managing for Development Results Action Plan (Section 5.2)

In 2012 and again in 2015 CDB commissioned an independent review of its performance in managing for development results.¹¹⁰ CDB's management for development results (MfDR) was assessed in five countries in 2012 and in three in 2015.¹¹¹ CDB's performance was rated¹¹² in four performance areas, against 16 key performance indicators. The four performance areas were: strategic management;¹¹³ operational management;¹¹⁴ partnerships with governments and donors,¹¹⁵ and knowledge management.¹¹⁶

CDB was rated either strong or adequate on 12 of 16 key performance indicators. It was rated as needing improvement on the following indicators: internal incentives, external use of BMC systems, monitoring of results, and disseminating lessons learned.

Our main disagreement with the ratings is that we would not rate CDB's performance on "linking aid management to performance" as inadequate - quite the opposite in some respects. CDB has successfully operated a performance-based allocation system for concessional funds (Special Development Fund) for the past decade and, among multilateral development banks, has led in some aspects of that methodology.

Nevertheless we do see some weakness in performance incentives at the level of the country portfolios. Unlike other multilateral development banks, CDB does not have Country Programme Managers responsible for each portfolio. This makes it difficult to provide incentives for performance at the right point in the organization to achieve optimal results with its BMCs. The second dimension on which CDB was ranked as inadequate was "using country systems". We agree that CDB does not use country systems as much as it could, especially accounting and auditing systems.

Topic 10: Review the administrative, operational and budget performance of the SDF-8 to date.

The main question about operational and budget performance appears to be whether plans have been implemented in an efficient and timely fashion. The focus of these issues will be upon efficient identification, development and approval of loan and grant opportunities; and also on efficient disbursement of committed resources. The results are evidenced, in part, in the level of resources and commitment authority remaining. (Also see Level 3 Business Process Indicators, Appendix 5)

Topic 11: Review the implementation of SDF-8 and make recommendations on any operational adjustments which may be required to ensure the achievement of SDF-8 objectives.

See Section 5.2 for our recommendations on operational adjustments needed in the second half of SDF-8.

¹¹⁰ See Universalialia (2015). Assessing the CDB's Performance in Managing for Development Results, Volumes 1 and 2, Montreal, Canada.

¹¹¹ In 2012 the sample consisted of five Borrowing Member Countries (BMCs) – Anguilla, Belize, Grenada, Jamaica, and St. Lucia; the 2015 sample included three borrowing member countries – Barbados, Grenada and Jamaica.

¹¹² Ratings were on the following scale: 6 or 5 (strong), 4 (adequate) and 3, 2, or 1 (inadequate)

¹¹³ Developing strategies and plans that reflect good practices in managing for development results

¹¹⁴ Managing operations by results to support accountability for results and the use of information on performance

¹¹⁵ Engaging in relationships with direct partners and donors at the country level in ways that contribute to aid effectiveness and that are aligned with the principles of the Paris Declaration

¹¹⁶ Developing reporting mechanisms and learning strategies that facilitate the sharing of knowledge and information inside the organisation and with the development community.

5.2 Challenges and Recommendations

Our main observations and recommendations are as follows:

1. Formulating a New Anti-Poverty Strategy

Challenge 1: 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 that help policy makers understand the dimensions and causes of poverty in the Caribbean. CDB’s engagement directly with poor communities is essential but the resources that it can mobilize and utilize are tiny relative to the needs. Therefore its intellectual role and influence on policies may in the long run be its main contribution.

New thinking about poverty reduction in BMCs is particularly important at present because poverty rates and indigence rates have barely changed in the past decade, with the possible exception of Haiti during reconstruction, and they remain unacceptably high in many BMCs.

Government tax receipts as a percentage of GDP are too low, on average, to fund significant anti-poverty efforts such as the conditional cash transfers that have been effective in Brazil. Citizen security has been damaged, with poverty leading to crime. Tourism, the economic engine of many BMCs, is negatively impacted by crime, urban sprawl and pollution and communicable diseases, which are all exacerbated by poverty.

Recommendation 1: Formulate a new anti-poverty strategy for the Caribbean that promises to be more successful in reducing poverty rates more quickly.

Second Half of SDF-8, 2015 and 2016

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.

During SDF-9

In SDF-9 we recommend donors fund and CDB implement an enhanced poverty reduction strategy as identified in the earlier study.

2. Reaching the Poor in MICs

Challenge 2: As BMCs “graduate” from Group 2 to Group 1 and thereby lose their allocation of SDF funds, increasing numbers of poor people are no longer reached by CDB. This is a challenge that is being faced by all multilateral development banks. So far the response has mainly been the proliferation of special purpose funds that are not restricted or are less restricted in their choice of countries in which to work

Recommendation 2: We recommend that 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 gender equality. Other conditions might also apply such as leverage of government funding.

Second Half of SDF-8, 2015 and 2016

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.

During SDF-9

In SDF-9 we recommend that new modes of CDB activity in MICs be implemented.

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3. Consider three mutually supporting pillars of a new strategic and operational stance.

Challenge 3: CDB, including the SDF, has been subject to particular competitive pressure in the market environment during the first half of SDF-8.

Recommendation 3: CDB should undertake a feasibility study(s) of the three legs of our proposed strategic/operational stance (country offices, country programme managers and improved price competitiveness). We suggest a single feasibility study since we see the three as mutually supportive; but perhaps that would be covering too much ground in one study.

4. Re-Position the BNTF with a new business model.

Challenge 4: The Basic Needs Trust Fund has invested SDF resources in poor communities over many years. It has been highly relevant and useful and is well regarded by its stakeholders. The BNTF is CDB's poverty reduction flagship. It needs to do more of its good work.

However the BNTF has struggled to disburse its funds in a timely way. At mid-term SDF-8 the BNTF held undisbursed funds amounting to \$61.2 million. The Caribbean is not doing well, as described above and in Section 4.1 and therefore anti-poverty funds need to be well spent as expeditiously as possible.

The reasons for BNTF's slow disbursement are not entirely clear to us but contributing factors appear to be a highly centralized accountability model with multiple stages of review and approval at CDB headquarters and micro-management of project expenditures. Limited CDB presence in-country might also be a contributing factor.

BNTF staff stated to us that the Bank has commissioned a TA paper to examine root causes of deficiencies in the BNTF and that it anticipates installing a more effective governance and operating model in late 2016. Given the general lack of progress on poverty reduction in the BMCs (See Section 4.1) this timetable lacks an appropriate sense of urgency. Statements by the President indicate that this is a high priority for him and for the Bank.

Recommendation 4: 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.

Second Half of SDF-8, 2015 and 2016

The options for the BNTF in the short term are:

- Continue with the existing business model and increase the effort to approve and help implement sub-projects, perhaps by assigning more professional staff to the task, either permanent staff or special staff on contract. However we know of no reason to expect that disbursements will rise much above the historical level (\$9 million to \$10 million per year), given the existing structure of Fund operations. Accept that substantial undisbursed funds may remain at the end of 2016 and in the meantime study the feasibility of a simpler decentralized business model for the BNTF-9.

- Radically simplify the BNTF model in 2015 and implement a leaner and faster disbursing programme in 2016 as sketched out in this report. Such a model might perhaps be based on grants to local organizations 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 centralized detailed review of receipted expenditures.
- Identify a BNTF-compatible anti-poverty project that are in a different fast-disbursing mode, such as a conditional cash transfer programme by a BMC, and have it in place by 2016. This seems an interesting idea but an unrealistic timetable. There may be some potential for BNTF-9.

During SDF-9

Implement a new approach to the BNTF as designed and perhaps tested in 2015 and 2016.

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5. The Haiti Programme

Challenge 5: CDB has worked effectively with the World Bank and the Inter-American development Bank to deliver \$69 million 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 communities.

However this successful intervention may not be a good guide to the remainder of SDF-8. The collaborative projects have ended and other options need to be developed quickly. The logical next step in Haiti might include some autonomous programming by CDB.

This strategy of deeper engagement in Haiti would require CDB to increase its internal capability to work in French and would likely require an office in Haiti. Funds for that purpose have been available but are so far unused.

Recommendation 5: Start to normalize the Haiti programme.

Second Half of SDF-8, 2015 and 2016

We recommend that 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.

During SDF-9

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

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6. Growth, Country Programme Responsibilities and Incentives

Challenge 6: 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.

CDB staff received very high ratings by stakeholders in the formal consultations around the development of the Strategic Plan (2015-2019). Their local knowledge, professional expertise and accessibility received a lot of praise. As well the recruitment of many professional staff during 2013 and 2014 positions the Bank to perform well during the second half of SDF-8.

Nevertheless other themes also emerged strongly from the 2014 consultations on the Strategic Plan. One theme was the dispersed responsibilities within CDB for country strategy, client relationships and building and managing the country portfolio of loans and grants. Another theme expressed particularly strongly by staff was that performance-based incentives for staff to achieve the targets of the Strategic Plan needed to be strengthened.

CDB's organizational model is unusual among multi-lateral development banks. The MDBs generally organize 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 decentralized to country offices.

Recommendations 6: Consider the common MDB model of providing incentives to country programme managers (6) within a partly decentralized mode of operations.

Second Half of SDF-8, 2015 and 2016

CDB should investigate organization options that would focus and strengthen country portfolio management and also seek decentralization options to enhance its presence in BMCs.

During SDF-9

Assuming that feasibility studies indicate that some form of focused country portfolio management and/or decentralization are feasible and desirable, the SDF-9 period could be a period of transition to the new organizational mode.

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7. Price Competitiveness as a Development Lender

Challenge 7: SDF was designed to be a highly concessionary Fund directed at development priorities. In 2007 the 3 month US\$ LIBOR rate (the benchmark for IDB) averaged 5.3% and creditworthy BMCs were paying 6.5% per annum or more to borrow in the capital markets. There was a very large concessionary element in SDF lending. SDF funds were cheap at 2.5% or 2% per annum plus a grace period. However the capital markets crash in 2008, and adjustments made by other MDBs, turned that on its head. In the past six years CDB, including the SDF, has been the high-price lender among development institutions in the Caribbean. The Inter-American Development Bank, for example, has lent large sums of ordinary capital to some BMCs at a fraction of the cost of SDF funds.

CDB is lending at a disadvantage when other MDB's in the Caribbean offer interest rates for Ordinary Capital loans are currently well below SDF rates. (See Appendix 6) Naturally this makes some BMCs reluctant to borrow from CDB and when they do borrow it makes them slow

to draw down the funds. The lending targets in CDB's Strategic Plan 2010-2014 were not achieved.

If this situation continues it will be difficult for CDB to grow into the leading Caribbean development institution that it aspires to be. The spirit of the Paris Declaration and the Accra Accords is that development responsibilities and resources should gradually devolve towards the local level including devolving from world and hemispheric institutions to local Caribbean institutions such as the CDB. This is unlikely to happen if Washington-based MDBs enjoy a major price advantage as development lenders in the Caribbean.

Recommendation 7: Reform the SDF Price Regime

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 harmonizing its lending rates with those of the Inter-American Development Bank. An important consideration is whether the Bank could do that within its existing cost structure, especially if it were to change to a country-focus organizational model and/or expand its presence in BMCs with better prospects but also additional expense and risk. Donors should consider what resources and guarantees they would need to provide to CDB make interest rate harmonization possible.

During SDF-9

During SDF-9 CDB should institute an interest rate regime for the Special Development Fund that is more harmonized with other development lenders and more responsive to capital market conditions.

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8. Gender Equality Mainstreaming and Programming

Challenge: 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 gender equality in the Caribbean as it could have been.

The commitment to complete 10 Country Gender Assessments (CGAs) has been met. However there are currently no plans to commission CGAs for the remaining borrowing members.

Recommendation 8: Consolidate good work in Gender Equality mainstreaming, raise CDB's public profiling on the issue and focus attention on a limited number of key gender equality issues in the Caribbean

Second Half of SDF-8, 2015 and 2016

Undertake Country Gender Assessments for BMCs not recently assessed.

During SDF-9

A synthesis of all the CGAs should help elucidate CDB strategy in promoting gender equality and should suggest the few key issues on which it should focus in SDF-9.

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9. Resilience, Climate Change and Disaster Risk Management

Challenge 9: 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.

Recommendation 9: 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.

Second Half of SDF-8, 2015 and 2016

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. Knowing the baseline situation and identifying the highest risks are essential to good strategy. (See note on planned KAP studies in Section 3.5)

CDB needs to focus on achieving results in renewable energy and energy efficiency 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 renewable energy 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.

During SDF-9

Given the great needs we recommend that resources for loan and grants in this sector be increased in SDF-9.

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10. Regional Cooperation and Integration and Regional Public Goods

Challenge 10: CDB made a commitment to SDF-8 Contributors to be more strategic in its support of regional public goods, including regional cooperation and integration 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 regional public goods in diverse areas including regional transportation, potable water supply, waste management, youth employment, public-private partnerships and statistics.

Recommendation 10: CDB should accelerate its activity in RCI and RPG in 2015 and 2016, and build a pipeline to maintain momentum into SDF-9.

Second half of SDF-8, 2015 and 2016

At mid-term \$8.5 million of the \$10 million allocated to RCI and RCG was uncommitted. Activity in 2015 and 2016 needs to be much stronger if SDF-8 goals in this area are to be fully achieved.

During SDF-9

CDN needs to develop innovative approaches to RCI and RPG for implementation in SDF-9.

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11. Technical Assistance and Training

Challenge 11: 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.

Recommendation 11: CDB should accelerate its activity in TA and training in 2015 and 2016, and build a pipeline to maintain momentum into SDF-9.

Second half of SDF-8, 2015 and 2016

The second half of SDF-8 will see a major effort to implement an expanded programme of technical assistance and training. At the same time we recommend that an evaluation of CDB's TA would be timely.

During SDF-9

In 2016 CDB should build its plan and pipeline of TA and training activities so that momentum is not lost in the transition to SDF-9.

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12. Performance-Based Resource Allocation

Challenge 12: 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.

Recommendation 12.

Second half of SDF-8, 2015 and 2016

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.

During SDF-9

- 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 SDF8 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,
- CDB Corporate Planning Department might wish to consider whether the "performance:" side of the equation, which was unchanged in the SDF8 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 PFFA¹¹⁷ scores might be a useful addition.
- 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.

¹¹⁷ Public Expenditures and Financial Accountability (PEFA) scores

Appendix 1 Status of Selected Caribbean-Specific MDG Indicators – Baselines, Targets and Latest Data

Indicators	Baseline		Target (2015)	Latest		Indicator Status	Summary Rating
	Year	Value		Year	Value		
POVERTY AND HUMAN DEVELOPMENT IN CDB's BMCs							
1. Proportion of population below the poverty line (%): ¹¹⁸ - including Haiti - excluding Haiti	2006	54.0	27.0	2014	44.1		
	2006	24.0	19.0	2014	21.1		
	2006	41.0	20.5	2014	22.4		
2. Proportion of population below the indigence line (%): ² - including Haiti - excluding Haiti	2006	12.0	6.0	2014	11.1		
	2006	94.0	95.0	2013	89.1		
3. Net enrolment in primary education (%): - Female - Male	2006	94.0	95.0	2013	89.1		
	2006	94.0	95.0	2013	90.1		
4. Net enrolment in secondary education (%): - Female - Male	2006	73.0	80.0	2013	88.3		
	2006	68.0	77.0	2013	84.0		
5. Proportion of population with access to an improved water source (%): - Urban - Rural	2009	96.0	94.0	2014	96.2		
	2009	87.0	92.5	2014	92.1		
6. Proportion of population with access to improved sanitation (%): - Urban - Rural	2009	86.0	88.0	2014	86.0		
	2009	84.0	86.5	2014	84.5		
OTHER DEVELOPMENT OUTCOMES							
GDP per capita							
7. GDP per capita (constant 2005 prices, \$) Group 1 BMCs Group 2 BMCs Group 3 BMCs	2009	24,063	26,120	2014	22,804		
	2009	6,234	6,123	2014	6,304		
	2009	428	530	2014	446		
Environmental sustainability and climate change							
8. Reported economic losses resulting from natural disasters and climate variability (% of GDP)	2005-2007	9.0	n/a	2012-2014	2.6 ¹¹⁹		
9. Ratio of area protected to maintain biological diversity to surface area	2009	3.46	n/a	2012	4.4		
10. Proportion of land area covered by forest (%)	2008	36.0	n/a	2014	46.4		
Regional Cooperation and Integration							
11. Intra-regional trade as a percentage of total regional trade	2006	14.0	20.0	2013	12.0		
12. Direct Investment of MDCs in LDCs (\$ mn)	Avg 1999-2003	20.0	30.0	Avg. 2004-2008	20.8		

Source: CDB, Development Effectiveness Report, 2014.

¹¹⁸ Baselines and targets have been revised for previous errors

¹¹⁹ Provisional damage and needs assessments for losses in Dominica and St. Lucia from December 2013 flooding.

Appendix 2 Summary Data Sheet SDF 2010-2014

Item	2010	2011	2012	2013	2014
1. Resources					
No. of Contributors at Year-End	26	26	26	27	27
Historical Value of resources pledged [\$ million (mn)]	1,014.8	1,014.8	1,014.8	1,245.5	1,245.5
Amount of Resources made available (\$ mn)	868.4	916.3	963.4	1,017.7	1,065.5
Accumulated Net Income (including currency adjustments)	41.0	41.8	57.2	55.0	61.4
Amount of Resources not yet made available (\$ mn)	111.3	54.0	16.1	113.4	85.9
Contributed Resources and Reserves (\$ mn)	1,020.7	1,012.2	1,036.7	1,186.1	1,212.8
Amount of Resources approved but not yet effective (\$ mn)	20.8	16.1	4.2	55.6	36.5
Size of Fund (\$ mn)	1,041.5	1,028.3	1,041.0	1,241.7	1,249.3
of which allocation for grant programmes - Haiti, Technical Assistance (TA) and Basic Needs Trus	286.3	320.9	324.9	349.9	405.6
Operating lending limit (\$ mn)	755.2	707.4	716.1	891.8	843.7
Loan commitments (Signed agreements less repayments) (\$ mn)	577.2	601.5	623.1	673.8	687.6
Commitments as % of operating lending limit	76.4	85.0	87.0	75.6	81.5
2. Loans and Grants					
Value of loan approvals during year (\$ mn)	46.6	75.1	64.0	30.0	68.2
No. of loans approved during year incl. TA Loans	8.0	19.0	10.0	4.0	19.0
Average size of Special Development Fund (Unified) [SDF (U)] Loans (\$ mn)	5.8	4.0	6.4	7.5	3.6
Cumulative loan approvals at year-end (\$ mn)	899.2	974.3	1038.3	1068.3	1136.5
Value of loan cancellations during year (\$ mn)	0.7	1.9	3.9	2.6	1.5
Cumulative loan cancellations (\$ mn)	58.2	60.1	64.0	66.6	68.1
Cumulative net loan approvals at year-end (\$ mn)	841.0	914.2	974.3	1001.7	1068.4
Grant approvals for the year (\$ mn)	27.9	16.8	70.6	18.0	19.1
Value of Grant cancellations during year (\$ mn)	0.3	0.7	2.0	0.4	1.4
Cumulative net grant approvals at year-end (\$ mn)	244.8	260.9	329.5	347.1	364.8
Total net cumulative approvals (\$ mn)	1085.8	1175.4	1301.1	1318.7	1433.2
3. Resource Flows (\$ mn)					
Disbursements on loans during year	34.6	35.3	32.8	62.7	49.0
Disbursements on grants during year (including BNTF)	20.6	19.9	24.5	33.9	23.9
Debt service from borrowers	26.0	31.4	31.5	37.0	36.1
(of which repayments)	16.5	18.0	18.5	22.3	22.7
Net transfers during year	29.2	23.8	25.8	59.6	36.8
Cumulative net transfers	374.2	398.0	423.8	483.4	520.2
4. Financial Summary					
Administrative expenses (\$ mn)	11.6	12.3	14.0	13.7	13.6
Net income (\$ mn)	2.7	0.9	-0.1	-1.8	0.4
Gross Loans Outstanding (\$ mn)	431.0	448.5	463.5	503.5	529.9
Administrative expenses/Average loans outstanding (%)	2.7	2.8	3.1	2.8	2.6
Interest earned on average loans outstanding (%)	2.3	2.3	2.3	2.4	2.2

Source: SDF Annual Report, 2014.

APPENDIX 3

CONTRIBUTIONS TO THE UNIFIED SPECIAL DEVELOPMENT FUND

(after transfers from earlier SDF and other adjustments)

(\$ mn)

Item	SDF 1 ^{a/}	SDF 2 ^{a/}	SDF 3 ^{a/}	SDF 4 ^{a/}	SDF 5	SDF 6	SDF 7	SDF-8
Regional Members: BMCs								
Trinidad and Tobago	2.50	2.50	3.85	3.85	5.00	7.50	10.18	10.55
Jamaica	1.40	1.40	3.87	3.85	5.00	7.50	10.18	10.55
Guyana	1.40	1.40	2.16	2.16	2.81	4.22	5.67	5.88
Bahamas, The	1.40	1.40	2.16	2.16	2.81	4.21	5.67	5.88
Barbados	1.40	1.40	2.16	2.16	2.81	4.21	5.67	5.88
Suriname ^{b/}	---	---	---	---	---	---	---	2.16
Antigua and Barbuda	0.25	0.25	0.16	0.25	0.32	0.42	0.61	0.63
Belize	0.25	0.25	0.65	0.65	0.84	1.10	1.39	1.44
Dominica	0.25	0.25	0.65	0.65	0.84	0.84	1.39	1.44
Grenada	0.25	0.25	0.65	0.65	0.84	0.10	0.61	0.63
St. Kitts and Nevis	0.25	0.25	0.65	0.65	0.84	1.10	1.39	1.44
St. Lucia	0.25	0.25	0.65	0.65	0.84	1.10	1.39	1.44
St. Vincent / the Grenadines	0.25	0.26	0.65	0.65	0.84	1.10	1.39	1.44
Cayman Islands	0.10	0.10	0.15	0.25	0.32	0.42	0.61	0.63
Anguilla	0.10	0.10	0.25	0.25	0.32	0.42	0.61	0.63
Turks and Caicos Islands	0.10	0.10	0.25	0.25	0.32	0.42	0.61	0.63
British Virgin Islands	0.10	0.10	0.25	0.25	0.32	0.42	0.61	0.63
Montserrat	0.10	0.10	0.25	0.25	0.32	0.42	0.61	0.63
Haiti ^{b/}	---	---	---	---	---	0.65	0.91	0.94
Sub-total	10.35	10.36	19.41	19.58	25.39	36.15	49.48	53.46
Regional Members: non-BMCs								
Colombia	5.00	3.33	5.00	3.00	3.60	3.60	3.60	3.52
Mexico ^{c/}	---	---	5.00	3.00	3.00	3.00	3.00	3.52
Venezuela	5.00	3.34	5.00	3.00	3.00	3.60	3.60	3.52
Sub-total	10.00	6.67	15.00	9.00	9.60	10.20	10.20	10.56
Non-Regional Members								
Canada ^{d/}	60.87	15.00	20.00	16.80	25.20	44.00	69.83	66.44
United Kingdom ^{d/}	42.82	15.00	20.00	16.80	25.20	44.00	69.83	47.32
France ^{e/}	21.00	10.00	14.00	11.76	---	---	---	---
Italy	21.00	10.00	14.00	8.66	3.15	5.00	7.08	3.24
Germany	---	26.00	14.00	11.76	---	12.17	18.83	15.96
China ^{f/}	---	---	---	24.00	4.00	5.20	8.10	7.00
Sub-total	145.69	76.00	82.00	89.78	57.55	110.37	173.68	139.96
Non-Members								
Netherlands	5.00	5.00	7.00	6.30	---	---	---	---
Suriname -add. contribution ^{g/}	---	---	---	---	---	---	---	3.72
Brazil ^{h/}	---	---	---	---	---	---	---	5.00
Allocation from OCR ^{i/}	---	---	---	---	---	---	15.00	18.00
Sub-total	5.00	5.00	7.00	6.30	--	---	15.00	26.72
TOTALS	171.04^{d/}	98.03	123.41	124.66	92.54	156.72	248.35	230.70

^{a/} At exchange rates as of dates of payment.

^{b/} Suriname joined the Bank in September 2013 and Haiti in 2007.

^{c/} Mexico contributed \$5 mn and \$3.33 mn to SDF Other in 1984 (SDF 1) and 1988 (SDF 2).

^{d/} SDF 1 contributions include amounts originally contributed to earlier special funds.

^{e/} No longer a member as of October 2000.

^{f/} Joined in 1998 subsequent to the Replenishment Negotiations on SDF 4.

^{g/} Additional contribution for discussion

^{h/} Prospective Member - formalities being finalised

^{i/} Subject to the approval of Governors

Source: SDF Annual Report, 2014

Mid-Term Review of SDF-8

APPENDIX 4: SDF-8 INITIAL ALLOCATION AND UTILISATION OF RESOURCES							
Item	Indicative Allocations at January 2013		Approvals		Total Approvals		Balance Available
	\$mn	%	2013 \$mn	2014 \$mn	\$mn	%	\$'000
Country Allocations- Loan							
<i>(Group 1)</i>							
Anguilla	-	-	-	-	-	-	-
Antigua and Barbuda	-	-	-	-	-	-	-
Bahamas, The	-	-	-	-	-	-	-
Barbados	-	-	-	-	-	-	-
British Virgin Islands	-	-	-	-	-	-	-
Cayman Islands	-	-	-	-	-	-	-
Turks and Caicos Islands	-	-	-	-	-	-	-
Trinidad and Tobago	-	-	-	-	-	-	-
<i>(Groups 2)</i>							
Belize	22.6	7.2	-	6.1	6.1	4.5	16.5
Dominica	15.0	4.8	-	0.5	0.5	0.4	14.5
Grenada	14.7	4.7	-	14.7	14.7	10.8	-
Guyana	40.0	12.8	22.1	6.8	28.9	21.3	11.1
Jamaica	33.8	10.8	-	25.0	25.0	18.5	8.8
Montserrat	7.0	2.2	-	-	-	-	7.0
St. Kitts and Nevis	5.9	1.9	-	-	-	-	5.9
St. Lucia	18.0	5.8	3.3	6.0	9.3	6.8	8.7
St. Vincent and the Grenadines	15.7	5.0	3.1	-	3.1	2.3	12.6
Sub-total Country Allocations	172.7	55.2	28.5	59.1	87.6	64.6	85.1
Set-Aside Resources							
Other Lending:							
Natural Disaster Mitigation and Rehabilitation	30.0	9.6	1.5	5.8	7.3	5.4	22.7
New BMC (Suriname)	10.0	3.2	-	3.4	3.4	2.5	6.6
Total Lending	212.7	68.0	30.0	68.3	98.3	72.5	114.4
Grants:							
BNTF	10.0	3.2	-	10.0	10.0	7.4	-
Haiti	46.0	14.7	13.6	2.6	16.2	12.0	29.8
TA:							
Capacity Building	12.0	3.8	1.9	2.6	4.5	3.3	7.5
Agriculture	3.0	1.0	0.6	1.2	1.8	1.3	1.2
CTCS	5.0	1.6	1.1	0.5	1.6	1.2	3.4
Regional Integration and RPGs	10.0	3.2	-	1.5	1.5	1.1	8.5
Environmental Sustainability / Climate Change	5.0	1.6	0.2	0.2	0.4	0.3	4.6
Immediate Disaster Response	5.0	1.6	0.6	0.5	1.1	0.8	3.9
Citizen Security	4.0	1.3	-	0.1	0.1	0.1	3.9
Total Grants	100.0	32.0	18.0	19.2	37.2	27.5	62.8
Total Resources Available	312.7	100.0	48.0	87.5	135.5	100.0	177.2
Structural Gap	17.3						
OCR Allocation	18.0						
Approved Programme Level	348.0						

APPENDIX 5

SDF Results Monitoring Framework: End of 2014

RMF LEVEL 1: REGIONAL PROGRESS TOWARDS SELECTED CMDG TARGETS AND DEVELOPMENT OUTCOMES

Indicators	Baseline Year	Baseline Value	Target (2015)	Status as of December 2013	Status as of December 2014
Poverty and Human Development					
1. Proportion of population below the poverty line (%):	2006	54	27	54	44
2. Proportion of population below the indigence line (%):	2006	35.0	17.5	45.7	22.4
3. Net enrolment in primary education (%) ¹²⁰					
- Female	2006	94	95	91.0	89.1
- Male	2006	94	95	90.0	90.1
4. Net enrolment in secondary education (%)					
- Female	2006	73	80	87.0	88.3
- Male	2006	68	77	83.0	84.0
5. Proportion of population with access to a water source (%)					
- urban	2009	96.0	94.0	96.9	96.2
- rural	2009	86.0	92.5	91.0	92.1
6. Proportion of population with access to improved sanitation (%)					
- urban	2009	86.0	88.0	86.4	87.6
- rural	2009	84.0	86.5	82.4	84.5
Environmental Sustainability and Climate Change					
7. Reported environmental damage and loss from natural hazard events (% of GDP)	2005-2007	9.0	Reduction	2.8 ^r	2.6
8. Ratio of area protected to maintain biological diversity to surface area (%)	2009	3.46	Maintain or increase	4.2	4.4
9. Proportion of land area covered by forest to total land area (%)	2009	36.0	Maintain or increase	46.4	46.4
GDP per capita					
10. GDP per capita (constant prices):					
Group 1 BMCs	2009	24,307	26,120	22,450 ^r	22,804
Group 2 BMCs	2009	5,554	6,123	6,192 ^r	6,304
Group 3 BMCs	2009	423	530	434 ^r	446
RCI					

¹²⁰ Education performance data has a lag of one year and the latest data refers to 2013.

Mid-Term Review of SDF-8

Indicators	Baseline Year	Baseline Value	Target (2015)	Status as of December 2013	Status as of December 2014
11. Intra-regional trade as a percentage of total regional trade ¹²¹	2006	14	20	12.0 ^f	14.0
12. Direct Investment of MDCs in LDCs (\$mn)	Avg. 1999-2003	20	30	20.8	n.a

RMF LEVEL 2: CDB's CONTRIBUTIONS TO COUNTRY AND REGIONAL OUTCOMES THROUGH OUTPUTS

Indicators	Achievements	Programmed Achievements	Actual Achievements	
	2009 -2012	2013-2016	2013	2014
Education and Training (at all levels)				
1. Primary and secondary classrooms built or upgraded according to minimum standards (number)	730	765	149	134
2. Teachers trained/certified in primary and secondary education (number)	3,990	8,500	1,148	524
3. Students benefiting from improved physical classroom conditions, enhanced teacher competence and access to student loan financing (number)	163,600	237,635	55,932	50,985
4. Percentage of secondary school graduates achieving five CXC General Proficiency passes including Mathematics and English by sex:				
- Male	28.4	32	29.6 ^f	24.0
- Female	30.9	34	34.5 ^f	29.8
5. Proportion of students starting from Form 1 who reach Form 5 (Survival Rate) by sex:				
- Male	76.5	82	77.0 ^f	81.3
- Female	80.4	88	86.0 ^f	88.2
6. Percentage of students completing at least one Level 1 course in Technical and Vocational Education and Training by sex:				
- Male	45.3	52	59.6 ^f	70.0
- Female	40.0	48	67.2 ^f	70.1
Agriculture and Rural Development				
7. Land irrigated or improved through drainage, flood and irrigation works (hectares)	4,750	4,800	992(R)	0
8. Stakeholders trained in improved production technology (number)	702	5,390	2,300(R)	230
9. Beneficiaries of rural enterprise credit programmes (number)	500	600	79	0
- Male	n.s	420	58	0
- Female	n.s	180	21	
Social and Economic Infrastructure				
10. Primary, secondary and other roads built or upgraded (km)	2,020	196.2	233	94.8
11. Beneficiaries of road projects (number)	259,000	569,980	280,025	59996
- Male	n.s	284,990	141,892	29904

¹²¹ Lag of one year in outcome indicator.

Mid-Term Review of SDF-8

Indicators	Achievements	Programmed Achievements	Actual Achievements	
	2009 -2012	2013-2016	2013	2014
- Female	n.s	284,990	140,133	30092
12. Sea Defences/ Landslip Protection/ Urban Drainage (km)	18.1	24.6	14.7	5
13. Community infrastructure built/upgraded (number)	522	14	79	61
14. Beneficiaries of community infrastructure interventions (number)	158,000	22,550	297,590	166508
- Male	n.s	12,180	150,595	82899
- Female	n.s	10,370	146,995	83609
15. Installed energy generation capacity (megawatts)	0	3	0	0
Private Sector Development				
16. Business climate and competitiveness enhancement projects implemented (Number) ¹²²	n.a	8	3	1
17. Beneficiaries of MSME credit and mortgage programmes by sex (number) ¹²³	246	260	227	41
- Male	n.s.	203	165	25
- Female	n.s.	57	46	15
18. Beneficiaries of interventions targeted at MSMEs through CTCS and other TA modalities by sex (Number)				
- Male	3,516	3,840	230	82
- Female	4,395	4,800	379	155
Water and Sanitation				
19. Water supply lines installed or upgraded (km)				
- All	999247	89	102.51 ^r	89.03
- Urban	n.s	44	-	
- Rural	n.s	45	93.8	
20. Households with access to sanitation and water supply (number)	23,500	20,280	3,890	7,431
- Urban	n.s.	5,070		7,431
- Rural	n.s.	15,210	3,890	
Environmental Sustainability, DRM and Climate Change				
21. Communities with improved capacity to address Climate change and DRM (number)	22	25	4	1
22. National/sector policies/strategies/legal frameworks developed or implemented to improve capacity for climate resilient conservation, rehabilitation, or sustainable management (number)	n/a	5	1	2
23. Energy savings resulting from RE/EE interventions (Megawatt hours) ¹²⁴	n/a	5	0	n.a
24. Renewable energy capacity installed (Megawatt) ¹²⁵	n/a	2	0	0.016
RPGs				

¹²² Revised indicator replacing Private Sector development frameworks developed and implemented and business climate regulatory or policy reforms adopted.

¹²³ The total include beneficiaries where gender identified and cases where sex is not disaggregated

¹²⁴ Revised indicator replacing energy efficiency reforms adopted.

¹²⁵ Revised indicator replacing energy produced through renewable energy technologies.

Mid-Term Review of SDF-8

Indicators	Achievements	Programmed Achievements	Actual Achievements	
	2009 -2012	2013-2016	2013	2014
25. Legal, regulatory and policy reforms adopted to improve regional cooperation and integration (number)	n/a	3	0	0
26. Share of intra-regional sea trade from OECS and other disadvantaged countries (Belize and Guyana) of total intra-regional sea trade	n/a	Tbd	Tbd	n.a
Capacity Development				
27. Public financial management reforms adopted (Number)	Tbd*	4	3	3
28. BMCs with increased capacity to undertake public sector investment programmes (Number)	Tbd*	19	3	2
Citizen Security				
29. National security policies and strategies developed or implemented (Number)	0	2	0	0
30. Beneficiaries receiving support from citizen security interventions (number)				
- Male	..	3000	196	355
- Female	..	2400	157	234
		600	29	121
Social Protection				
31. Social assistance programmes with improved targeting developed and successfully implemented (Number)	0	4	0	0
32. Social protection policy frameworks developed and successfully implemented (Number)	0	4	0	0

RMF LEVEL 3: OPERATIONAL/ORGANISATIONAL EFFECTIVENESS

Indicators	Baseline Year	Baseline Value	Target (2016)	Status as of December 2013	Status as of December 2014
Operational Quality and Portfolio Performance					
1. Portfolio performance rating for implementation (% satisfactory)	2009	98	98	98	100
2. Percentage of projects completed in past two years with Project Completion Reports	2010	25	100	93	53
3. Percentage of projects with supervision reports on Project Portfolio Management System	2009	89	100	100	100
Resource Allocation and Utilisation					
4. Percentage of concessional resources allocated according to performance-based allocation system	2009	40	60.9	58	58
5. Disbursement efficiency rate (without PBLs) ¹²⁶	2009	89	89	79	76

¹²⁶ Disbursements for the year expressed as a percentage of planned disbursements for the year for projects under implementation.

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Strategic Focus					
6. Proportion of financing directed to less developed BMCs (%) 3 year average	2009-11	73	60	57	48
7. Approved country strategies in use with results framework (Number)	2009	6	18	15	13
8. New or updated NPRSs for BMCs in past five years (Number)	2009	2	13	6	6
9. Proportion of financing supporting environmental sustainability and climate change (%).	2009	1.1	10-15	19.7	9.5

Indicators	Baseline Year	Baseline Value	Target (2016)	Status as of December 2013	Status as of December 2014
10. Proportion of financing supporting regional cooperation and development (%).	2009	5.2	6-8	1.2	3
Capacity Utilisation and Gender Equality					
11. Percentage of budgeted Bank professional staff in operations departments.	2009	51.3	60	44	57
12. Ratio of professional staff to support staff	2009	1.26:1	1.35:1	1.26:1	1.49:1
13. Representation of women in management positions.	2009	45	50	53	38
14. Vacancy Rate at Management and Professional Level	2009	14	4	25	5
15. Client Satisfaction Survey Index	2009	n.a	n.a	n.a	n.a
Use of Administrative Budget Resources					
16. Administrative expenses per \$mn of project approvals (3 year average) \$000's.	2007-2009	96 ^r	Reduction	161 ^r	147
17. Administrative expenses per \$mn of project disbursements (3 year average)\$000's	2007-2009	132 ^r	Reduction	169 ^r	181
Business Processes and Practices					
18. Average time from loan approval to first disbursement in public sector operations (months).	2009	17	12	9.1	1.4
19. Average loan processing time (months from appraisal mission to project approval) in public sector operations.	2009	5	4	3.2	2.8

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RMF LEVEL 4: PARTNERSHIP, HARMONISATION AND ALIGNMENT

Indicators	Baseline Year	Baseline Value	Target (2016)	Status as of December 2013	Status as of December 2014
Ownership					
1. Number BMCs with nat. develop. strategies, PRSs and CPAs	2009	15	18	15	15
Harmonisation					
2. % of CSPs including other agencies' programming.	2009	100	100	100	100
3. % financing using common arrangements or procedures ¹²⁷ .	2009	26	35	59	33
Alignment					
4. % capacity develop. TA through coordinated programmes.	2009	32	45	n/a	32
5. % of financial support using BMC procurement systems that either adhere to broadly accepted good practices, or have a reform programme in place to achieve these.	2009	25	35	n/a	12
Partnerships					
6. % of CSPs, other development partner missions and project financing conducted jointly with at least one other development partner (% annually)	2008	14	25	100	100

¹²⁷ Indicator revised to align with Paris Declaration on Aid Effectiveness definition of harmonised approaches

APPENDIX 6

CDB and IDB Interest Rates, Terms and Conditions

In an exploratory way we compared the cost of CDB loans with loans from the Inter-American Development Bank (concessionary funds and ordinary capital resources). We found that loans from the CDB are more expensive than loans from the IDB; and IDB terms and conditions are more generous.

Table A7-1: Loan Interest Rates, Terms and Conditions

Terms and Conditions	Caribbean Development Bank		Inter-American Development Bank	
	Special Development Fund (SDF) *	Ordinary Capital	Fund for Special Operations (FSO)	Ordinary Capital Loans
Interest rate	Group 1: 2.5% Group 2: 2.5% Group 4: 2%	Jan.-June 2015: 3.90%	0.25% fixed rate	1.15% in March 2015 ¹²⁸ for current products (ordinary capital). Various fixed rates from 1.94% to 5.44% for converted ¹²⁹ loans, depending on the product.
Lending spread			N/A	In the first quarter 2015 US\$ LIBOR for 3-month money was 0.25% and IDB's funding margin was 0.05% and its lending spread was 0.85% resulting in a OC lending rate of 1.15%.
Maturity	Group 1: 20 years Group 2: 25 years Group 3: 30 years	Up to 17 years (22 years for group 3)	40 years	30 years
Grace Period	Group 1 5 years Group 2 5 years Group 3 10 years	5 years	40 years	6 years
Amortization	Equal quarterly payments	Equal quarterly payments	Single repayment at end of term	Equal semi-annual payments

Source: IDB "Concessional Financing: Terms and Conditions of Blended Loans", March 2015, www.iadb.org/rates

- SDF eligible countries include
- FSO eligible countries include Guyana, Bolivia, Honduras, Nicaragua and Haiti. The threshold is \$2579 per capita income in constant 2009 US\$. Guatemala and Paraguay continue to receive non-reimbursable technical cooperation through the Small and Vulnerable Countries Programme until the end of 2015.

The comparison is made complex by the fact that the real cost of concessional financing from various sources is not entirely transparent. For example IDB loans are cheap in their initial phase and then, after passing a certain threshold,¹³⁰ the interest rate is re-set, often at a higher figure.¹³¹ IDB calculates the concessionality of FSO in general to be

¹²⁸ In no case has the QC portion of a loan more than 4 rate fixings.

¹²⁹ The Ordinary Capital loan interest rate charged by the IDB is based on the 3-month LIBOR rate at the start of the loan period plus a funding margin and a lending spread. However when each outstanding loan balance reaches 25% of the approved financing or \$US 3 million, whichever is greater (that is, whichever arrives later), its interest rate is automatically fixed at the prevailing rate, which may be higher than the initial rate at approval.

¹³⁰ The threshold is 25% disbursed or \$3 million dollars disbursed, whichever is greater.

¹³¹ For example fixed rate ordinary capital loans made in 2009 that are now ending their six year grace period vary from 4.33% to 5.44%.

approximately 81.5%. (0.25% p.a., 40 year maturity and 40 years grace).¹³² Loans from ordinary capital are less concessional, as are blended loans. For example IDB loans to Guyana are a 50/50 FSO/OCR blend and IDB estimates that they are 47.9% concessional.

Nevertheless the overall picture is clear. At least in their initial period IDB loans appear much cheaper than CDB loans. In the first quarter of 2015, the interest rate on CDB's SDF loans was either 2% p.a. or 2.5% p.a. depending on the country group. By comparison the cost to borrowers of IDB FSO funds was much lower, a fixed rate of 0.25% p.a. Similarly IDB's interest rates for US\$ ordinary capital loans¹³³ for current products in the first quarter was 1.15% p.a.¹³⁴

Donors should consider alternative ways of funding CDB's administrative costs including the quasi-endowment enjoyed by larger MDBs that have a substantial float invested in capital markets¹³⁵ and/or stronger guarantees by donors to reduce CDB's cost of borrowing.

¹³² See IDB Conditional Financing: Terms and Conditions of Blended Loans (Supplied) for more detail on FSO and OCR terms and conditions. The degree of concessionality is calculated by country for blended loans.

¹³³ The IDB charges its borrowers the equivalent of its funding cost in order to cover its borrowing expenses (cost past-through basis). Both the Flexible Financing Facility (FFF) and Single Currency Facility (SCF) products are initially funded with debt that is ultimately swapped into 3-month LIBOR. The Bank chooses to be exposed to 3-month LIBOR in its funding for reasons related to cost, market liquidity, and asset liability management. In order to remove interest rate risk on concessional lending, the SCF product for blended loans is swapped into fixed rate once disbursements reach a \$3 million threshold or 25% of loan amount, whichever comes first.

¹³⁴ See IDB, Current Interest Rates and Loan Charges: All Financial Products, 2015 1st Quarter. www.iad.org/finance

¹³⁵ In the present low-yield environment, of course, it takes much larger investment holdings to generate the required sums.

Appendix 7

RAS Country Groups and Allocation Formula

Reordering the Country Groups

At the start of SDF-8 both the country groups and the membership of each group were revised to respond to the fact that per capita incomes in several countries has increased significantly. The number of country groups was reduced from four to three and loan terms and conditions were simplified. The per capita income bands¹³⁶ used to determine country classification were: Group 3 below \$2,000; Group 2 \$2,001 to \$10,000, and Group 1 above \$10,000 per annum.

Table APP7-1: Country Groups and Terms of Lending for SDF8

Country Group	Country	Terms of Lending
Group 1 <i>(Mainly OCR)</i>	Anguilla Antigua and Barbuda Bahamas, The Barbados British Virgin Islands Cayman Islands Trinidad and Tobago Turks and Caicos Islands	Interest rate – 2.5% Maximum Grace Period – 5 years Maximum Overall Maturity – 20 years
Group 2 <i>(Blend of SDF and OCR)</i>	Belize, Dominica Grenada, Guyana Jamaica, Montserrat St. Kitts and Nevis St. Lucia St. Vincent and the Grenadines	Interest rate – 2.5% Maximum Grace Period – 5 years Maximum Overall Maturity – 25 years
Group 3 <i>(Mainly SDF)</i>	Haiti ^a	Interest rate – 2.0% Maximum Grace Period – 10 years Maximum Overall Maturity – 30 years

^a Haiti has a fixed allocation at present and therefore is not included in the formula-based country allocation.

Antigua and Barbuda and the Turks and Caicos Islands were placed in Group 1. Barbados and Trinidad and Tobago formally became part of Group 1 but this was not a major change because they had informally been subject to Group 1 terms previously.

Guyana was classified as Group 2. Only one country, Haiti, is in Group 3. The country groups and the terms of SDF loans are shown in Table 2.3-1 above. The differences between Group 2 and Group 3 is the length of the grace period, respectively five years or ten years, the interest rate 2.5% or 2.0% and the term to maturity 25 years or 30 years.

Contributors agreed that Group 3 terms and conditions could be applied more broadly to other countries in special circumstances. They also decided that this may be approved by CDB's Board of Directors on a case-by-case basis. A case can be made for applying the same logic to Group 1 countries having access to Group 2 terms and conditions in special circumstances.

¹³⁶ UN measures of per capita GDP at constant 2005 prices was used to classify BMCs into the respective country groups for purposes of SDF-8.

The Allocation Formula

At the start of SDF-8 CDB proposed a significant change to the resource allocation formula. A new “needs” variable was suggested. The variable was POOR, the number of poor people in each country. The performance component of the formula was unchanged.

This meant that the formula now contains four needs variables: population size (LogPop), number of poor people (POOR), vulnerability VUL and per capita income (GDP/pc). The poverty relevance of the allocation formula was improved because “need” is now measured more directly. There is also an improvement in equity in the sense that a poor person is likely to receive a greater benefit from the SDF.

The variable POOR was given a small weight, lower than the weight to GDP/pc and much lower than the weight to “vulnerability”. The Contributors to SDF9 may wish to consider whether this weight should be increased. They might also wish to consider whether “vulnerability” might be linked more directly to climate change rather than fiscal vulnerability since there is an element of moral hazard in the latter.

$$\begin{aligned} \text{Allocation score} &= (\text{country need}) \times (\text{country performance}) \\ &= (\log\text{POP} \times \text{POOR}^{0.1} \times \text{GNPpc}^{-0.9} \times \text{VUL}^{2.0}) \times (0.7\text{PRES} + 0.3\text{PORT})^{2.0} \end{aligned}$$

Where:

logPOP = the logarithm of population

POOR = the number of poor people in the country

GNPpc = gross national product per capita (Current Prices)

VUL = country vulnerability (according to CDB’s index of member country vulnerability, which includes both vulnerability to natural disasters and vulnerability to external financial shocks)

PRES = country performance on policy and institutions (similar to the World Bank CPIA, with some modifications to fit the Caribbean context)

PORT = performance of the country’s portfolio of CDB loans as measured by the Project Performance Index (PPI)

The initial SDF8 allocation was completed using the new formula. A key part of the process is CDB’s calculation of country performance (using a modified World Bank instrument). CDB is careful to make these performance ratings as objectively as possible.¹³⁷

The main issue with the RAS is that moving lower-middle-income countries from Group 2 to Group 1 restricts the reach of the CDB into many very poor communities.

¹³⁷ Ratings are made by an inter-departmental committee chaired by the VP Operations, and comprising the Director Projects, the Director Economics and the Director Finance and Corporate Planning.

Appendix 8

Status of the SDF-8 Implementation Plan

OBJECTIVE/OUTCOME	PROPOSED ACTIONS
<p>1. SDF-8 operational programme aligned with strategic themes and objectives within available resources and capacity.</p>	<p>1.1 SDF-8 programme to target core operational themes of <i>inclusive and sustainable growth, environmental sustainability and climate change, citizen security, and RCI</i>. Status: The SDF-8 programme has targeted inclusive and sustainable growth. (See Chapter 4 “Development Results”). It has targeted environmental sustainability and climate change. It has not, however, in the first half of SDF-8 achieved a significant part of its targets for renewable energy generation and energy efficiency and conservation. (See Section 3.5). The Bank has been active in RCI in several fields, including energy, but has not been significantly active in promoting citizen security. (See Section 3.7)</p>
	<p>1.2 Governance Strategy to be revised in light of experience as well as the Bank’s Strategic Plan and the policy and operational framework of SDF-8. Status: Consultants have been engaged to support the revision and re-launch of CDB’s Governance Strategy. Their work will continue until September 2015. A premise is that good governance is necessary to the systematic reduction of poverty.</p> <p>1.3 Revision of the Poverty Reduction Strategy (PRS) taking into account recommendations of the assessment of the strategy. Status: Revision of the PRS is scheduled for late 2015.</p>
<p>2. Country programme planning (other than set-aside allocations) based on SDF RAS, taking into account both needs and performance, and on country partnership strategies.</p>	<p>2.1 Revised RAS to be applied at start of SDF-8, with planning allocations reviewed at mid-term. Status: The revised RAS was applied to initial SDF-8 allocation and to a Re-allocation in 2015. (See Section 2.7 of this Report)</p> <p>2.2. CSPs with enhanced results frameworks to be prepared according to timetable, with all BMCs to be covered by CSPs. Status: All CSPs completed in 2013 and 2014 contain enhanced results frameworks.</p>
<p>3. Implementation of new TA policy and strategy.</p>	<p>3.1 Full operationalisation of new TCD, including focal points for Regional Cooperation/Integration and for Governance. Status: Underway in 2015. A consultancy is supporting the implementation of CDB’s TA Policy and Strategy. (See Section 3.3 of this report, including the recommendation that CDB initiate an independent evaluation of its TA).</p> <p>3.2 Development of TA operational framework and work programme with identification of objectives and expected results and revision of the TA manual. Status: In progress and scheduled for completion in 2015.</p> <p>3.3 Increased focus on TA quality-at-entry and on supervision, monitoring and results assessment, and improved management of TA information systems. Status: Progress was slow in the first half of SDF-8. Re-staffing and</p>

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OBJECTIVE/OUTCOME	PROPOSED ACTIONS
	<p>budget approvals in 2014 set the stage for greater activity in 2015 and 2016. Included in TAPOS scheduled for implementation commencing July 2015</p> <p>3.4 Strengthen CDB and BMC capacity to design and implement TAs through provision of training for CDB staff and in-country TA management by BMCs. Status: CDB has resumed its long-time support to project cycle management training, which is applicable to TA as well as investment projects; and the Bank has added training in public policy analysis and management.</p>

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OBJECTIVE/OUTCOME	PROPOSED ACTIONS
4. Strengthening of capacity and performance on gender equality ³²	<p>4.1 Appointment of the Gender Equality Adviser. Status: The Bank has appointed an Advisor, Gender Equality, who reports to the Vice-President Operations. See Section 3.6 of this report.</p>
	<p>4.2 Implementation of staff training module to support gender equality programme. Status: Gender Training Workshops (1.5 days) were conducted for about 45 staff members. See Section 3.6 of this report.</p>
	<p>4.3 Inclusion of explicit results indicators for men, women, boys and girls for project level outputs and outcomes. Status: Mainstreaming of gender equality in project designs, including data disaggregation by sex, has been considerably improved in 2013 and 2014 although it still has a long way to go to be fully satisfactory. 25% or 9 of the 33 Level 2 RMF indicators were gender disaggregated. See Section 3.6 of this report.</p>
	<p>4.4 Increased assistance to BMCs for gender equality work, including gender analysis, capacity-building, advocacy, and the collection and dissemination of data and information on gender equality. Status: Increased assistance to BMCs in gender equity has been provided, partly through more thorough mainstreaming of GE in the work of the Bank and partly through significantly increased granting activity, See Section 3.6. However mainstreaming could be improved by a more demanding gender marker, by a higher public profile for CDB as an advocate of gender equality and by more focus on quantitative GE targets including improvement of pay equity for women and improved participation of young men in tertiary education. In its GE work the Bank should consider the interactions of other dimensions of prejudice with gender, including ethnic and class dimensions.</p>
5. Strengthening of capacity and performance on environmental sustainability	<p>5.1 Enhance institutional capacity for the mainstreaming of environment, DRM and climate change through recruitment of an additional DRM Specialist. Status: An Environmental Sustainability Unit was established in 2012 with its core staff increased from two to four. See Section 3.5 of this report.</p>
	<p>5.2 Review and update of the ESRP and make them available on CDB's website. Status: CDB has updated the ESRP to reflect new performance standards of the Green Climate Fund and the Adaptation Fund and emerging ESP requirements from the World Bank. The updates are currently being reviewed by senior management prior to formal adoption.</p>

³² Progress on these outcomes will be used as triggers for accessing the performance-related UK contribution of £6 mn. A MOPAN rating in 2014 of "adequate" is also expected for the following categories: (1) providing direction for results; (2) country focus on results; (6) linking aid management to performance; and (9) management of human resources - gender issues.

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OBJECTIVE/OUTCOME	PROPOSED ACTIONS
	<p>5.3 Training for CDB staff on ESRP requirements and on natural hazard and climate change risk assessments; and sensitisation sessions for BMC public sector officers on ESRP.</p> <p>Status: Training was held in in January 2015 for BMCs and CDB E&S staff on revised World Bank Environment Performance Standards. There were 25 participants. CDB is collaborating EIB CALC TA Programme and with the World Bank on their recently developed CCA/DRR suite of policy and project tools. CDB intends to have Operations staff take mandatory two day training with both World Bank and CDB participants.</p>
6. Implementation of BNTF-7 with additional resources provided under SDF-8.	<p>6.1 Implementation of BNTF-7.</p> <p>Status: A Completion Report and an evaluation of BNTF-6 are available. BNTF-7 is being implemented simultaneously with BNTF-8. A joint evaluation is scheduled for mid-2015. (See SDF and BNTF Annual Reports and Section 3.1 of this report)</p>
	<p>6.2 Implementation of recommendations MTEs for BNTF-5 and BNTF-6.</p> <p>Status: In response to the BNTF-6 mid-term evaluation (MTE) a number of changes were made.¹³⁸ In summary they were - refocused the scope of the BNTF to the three core priority sectors and on vulnerable youth and marginalized communities; reduced the counterpart funding requirement from 20% to 5% and invested more in local project management activities; delegated authority to Programme Coordinators for project cycle management after an assessment of institutional capacity and strengthening capacity prior to delegation; increased the upper limit for large sub-projects from \$500,000 to \$600,000 and for small sub-projects from \$50,000 to \$100,000; moved to a portfolio approach to sub-project preparation and appraisal. (This was the most significant change in programme operations.) Developed a new BNTF information system called the BIS to pursue the objectives laid out in the MTE of using current technology to standardize BNTF procedures and increase collaboration and information-sharing. Instituted web based data gathering, mainstreaming crosscutting issues, improved maintenance provisions and a data base for knowledge sharing. A new BNTF Process Flow was put in place with the stated objective of shortening approval times while ensuring a rigorous appraisal process.</p>
	<p>6.3 Strengthening focus on results and results reporting, and on addressing efficiency issues identified in BNTF-6 MTE.</p>

¹³⁸ Limits on the size of projects were increased. Steps to improve efficiency would include measures to reduce approval times and implement a BNTF Action Plan covering strategic management, the approval process, supervision, quality control and capacity building. Steps to improve effectiveness would include a focus on quality at entry for sub-projects, use of specialist staff or consultants to support sector work, introduction of a results monitoring system, and installation of a new BNTF management information system to support the results focus. Steps to improve sustainability would include strengthened community and stakeholder participation and institutional development, mainstreaming of cross-cutting issues with attention to monitoring indicators, and a comprehensive approach to maintenance, including upgrading of quality standards for construction. Contributors and the Bank agreed that BNTF-7 and BNTF-8 would be consolidated and implemented concurrently with SDF-8.

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OBJECTIVE/OUTCOME	PROPOSED ACTIONS
	<p>Status: Substantial reforms are complete in regard to both results and results reporting and in regard to efficiency. However, cumbersome accountability requirements are still an impediment to timely disbursement of BNTF funds. Some simplification and decentralization, in our opinion, is still required. See Section 3.1.</p> <p>6.4 MTE of BNTF-7. Status: Scheduled for 2015. See Section 3.1 of this report.</p>
7. Strengthened focus on results and further implementation of the MfDR Agenda. ³²	<p>7.1 Build awareness of and commitment to CDB's MfDR agenda to facilitate its implementation. Status: CBD has built awareness of and commitment to its MfDR agenda. Bank wide MfDR training conducted in 2013 for all professional staff and some administrative support staff. In 2012 and 2015 the Bank commissioned an independent review of its performance in managing for development results.¹³⁹ CDB's management for development results (MfDR) was assessed in five countries in 2012 and in three in 2015.¹⁴⁰ Performance was rated¹⁴¹ in four performance areas, against 16 key performance indicators. The four performance areas were: strategic management;¹⁴² operational management;¹⁴³ partnerships with governments and donors,¹⁴⁴ and knowledge management.¹⁴⁵ Ratings for each of those years are shown in Figure 4.2. CDB was rated either strong or adequate on 12 of 16 key performance indicators. It was rated as needing improvement on the following indicators: internal incentives, use of BMC systems (accounting and audit) by the Bank, monitoring of results, and disseminating lessons learned. See section 4.2.</p> <p>7.2 Ensure availability of evaluation reports and other key documents (e.g. CSPs, project appraisals) on website. Status: Availability on the website is good for knowledgeable users but a better user interface is needed to facilitate search and access by general stakeholders. The following documents have been posted on the website- 1. Approved Projects, 2. Country Strategy Papers, 3. Policies and Strategies, 4. Country Gender Assessments, 5. Development Effectiveness Reports, 6. Grants, 7. Loans/Grants and Project Summaries. CDB intends to post evaluation reports starting in 2015</p> <p>7.3 Development Effectiveness Review findings and recommendations reflected</p>

¹³⁹ See Universalia (2015). Assessing the CDB's Performance in Managing for Development Results, Volumes 1 and 2, Montreal, Canada.

¹⁴⁰ In 2012 the sample consisted of five Borrowing Member Countries (BMCs) – Anguilla, Belize, Grenada, Jamaica, and St. Lucia; the 2015 sample included three borrowing member countries – Barbados, Grenada and Jamaica.

¹⁴¹ Ratings were on the following scale: 6 or 5 (strong), 4 (adequate) and 3, 2, or 1 (inadequate)

¹⁴² Developing strategies and plans that reflect good practices in managing for development results

¹⁴³ Managing operations by results to support accountability for results and the use of information on performance

¹⁴⁴ Engaging in relationships with direct partners and donors at the country level in ways that contribute to aid effectiveness and that are aligned with the principles of the Paris Declaration

¹⁴⁵ Developing reporting mechanisms and learning strategies that facilitate the sharing of knowledge and information inside the organisation and with the development community.

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OBJECTIVE/OUTCOME	PROPOSED ACTIONS
	<p>in CDB's Work Programme and Budget 2014/15. Status: The link could be strengthened and CDB intends to do so over time. See section 4.1 of this report.</p>
	<p>7.4 Develop and maintain Scorecard and Results Dashboard, and accessible to management and staff. Status: A shared directory was created for RMF indicators which is accessible to all staff. The development of a formal Scorecard and Results Dashboard is scheduled for 2015</p>
	<p>7.5 Independent MOPAN assessment of CDB's Agenda for MfDR. Status: An update of the MOPAN Assessment was completed in 2015</p>
8. Development and use of RMF.	<p>8.1 Further development as appropriate of the RMF, with annual reporting of results, and preparation of an annual Development Effectiveness Report. Status: The RMF was further developed during the preparation of the Strategic plan 2015-2019. Annual DERs have been produced since 2011. See section 4.1 of this report.</p>
9. Report on progress in the Caribbean on CMDG targets.	<p>9.1 Work with BMCs and development partners to develop a stronger statistical base for assessing overall progress towards the CMDGs and to ensure that an adequate assessment of progress as of 2015 is undertaken. Status: The Country Poverty Assessments commissioned by CDB are a major contribution to assessing progress against the CMDGs. As well its TA focus on building statistical capacity in BMCs will contribute to governments' ability to track results. However statistical capacities in several BMCs remain weak. See Section 3.3 of this report.</p>
	<p>9.2 Work with development partners to assist Caribbean countries to develop an appropriate framework for development goals beyond 2015. Status: As a Caribbean institution CDB will participate in the development of a post-2015 Agenda. The Governors will be engaged in a Round Table on the topic at the 2015 Annual Meeting. A working paper to support that process in being prepared.</p>
10. Implementation of the Bank's Evaluation Policy.	<p>10.1 Incorporation of evaluation results into the Development Effectiveness Review. Status: On-going.</p>
11. Increased results orientation in project and programme design, implementation and reporting. ³²	<p>11.1 Design and implementation of staff training programmes in results framework techniques and enhancement of output and outcome indicators for CSP, project appraisals and completion reports. Status: Training was conducted in the 2nd and 3rd quarter of 201</p>
	<p>11.2 Implement a redesigned Project Performance Monitoring System by 2nd Quarter 2014. Status: Implementation of a new PPMS is in progress in 2015.</p>
12. Implementation of the Bank's Reform Agenda to further enhance capacity and development	<p>12.1 Review of the governance and oversight mechanisms of the BOD. Status: A Governance Reform Committee, a temporary advisory BOD committee, has been established to oversee the implementation of reforms</p>

Mid-Term Review of SDF-8

OBJECTIVE/OUTCOME	PROPOSED ACTIONS
effectiveness.	<p>to its governance and oversight processes.</p> <p>12.2 Development of a Risk Management Framework. Status: Complete. A Chief Risk Officer was appointed in 2013 and he has developed an Enterprise Risk Model for CDB</p> <p>12.3 Review of the Internal Audit and Compliance functions. Status: Structural changes were undertaken to the Internal Audit function including its upgrade to a Division headed by a new Deputy Director and the expansion and refinement of its Charter/mandate consistent with the objective. Additional changes are being made at the Board level to ensure adequate oversight arrangements for the expanded audit function.</p> <p>12.4 Reorganisation of the Corporate Services Area. Status: The consultants completed their review. Recommendations for the strengthening of the corporate Communications Division with a change in its reporting relationship have been implemented. Other recommendations are being implemented (a) reorganisation of IT, which includes the shift of library services to Bank Secretariat (b) a cost benefit review of the Printry (to determine the need for continued in-source vs outsourced operations). The initial scope of the reorganisation of corporate services was scaled back as it was intended to ensure alignment with the proposed business model for Operations which included the setting up of country clusters for Resident Coordinators. That component of the Operations reorganization has not been implemented.</p>
	<p>12.5A comprehensive review of the Performance Management System. Status: The review has been completed. Phased implementation has started, first with the redesign and implementation of the appraisal tool for AMT Directors. The recommendations for the redesign of the process and format for all other staff will be implemented in 2016.</p>
	<p>12.6 Re-engineering of the business processes for investment lending. Status: The first phase of a re-engineering was completed, which is the involved mapping of the current processes and determining the low-value steps. The second phase is not yet underway (due to capacity challenges). It will involve mapping the 'future state' and implementing the redesigned process.</p>
	<p>12.7 Revised strategy for private sector support. Status: In May 2014 a revision of CDB's private sector strategy is in progress.</p>
	<p>12.8 A review of policy-based lending and its relationship to the operational programme of the Bank and SDF. Status: A Revised Framework for Policy Based Operations was approved in December 2013</p>
	<p>12.9 Replacement of management information systems (PPMS, HRIS and BNTF MIS). Status: In mid-2015 the implementation of a new PPMS, HRIS and BNTF</p>

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OBJECTIVE/OUTCOME	PROPOSED ACTIONS
	MIS is in progress.
	12.10 Implementation of a Bank-wide Business Continuity Plan. Status: Consultancy on business continuity is underway in 2015. Implementation of a Bank-wide Business Continuity Plan is in progress
13. Strengthen performance in the areas of partnership, harmonisation and alignment.	13.1 Review of procedures and targets in the light of goals of the new Global Partnership established at the Busan HLM. Status: The new strategic plan reflects the ongoing discussions on the post 2015 Agenda
14. New Strategic Plan effective 2015	14.1 Preparation, consultation and approval for Strategic Plan beginning in 2015. Status: The strategic plan for 2015-2019 was approved in December 2014. See Section 4.3 of this report for a description of what was learned from the consultations in preparation for the Strategic Plan.