

CARIBBEAN DEVELOPMENT BANK



THE STRATEGIC FOCUS OF SDF 8: BUILDING OUR RESILIENCE - REVISED

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CURRENCY EQUIVALENT

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

ABBREVIATIONS

BMCs	-	Borrowing Member Countries
BNTF	-	Basis Needs Trust Fund
CANTA	-	Caribbean Association of National Training Agencies
CARDI	-	Caribbean Agricultural Research and Development Institute
CARICOM	-	Caribbean Community
CARILEC	-	Caribbean Electric Utility Services Corporation
CARTAC	-	Caribbean Regional Technical Assistance Centre
CARTFund	-	Caribbean Aid for Trade and Regional Integration Trust Fund
CCCCC	-	Caribbean Community Climate Change Centre
CCRIF	-	Caribbean Catastrophe Risk Insurance Facility
CDB	-	Caribbean Development Bank
CDEMA	-	Caribbean Disaster Emergency Management Agency
CEIS	-	Caribbean Energy Information System
CIDA	-	Canadian International Development Agency
CPA	-	Country Poverty Assessment
CSP	-	Country Strategy Paper
CTCS	-	Caribbean Technological Consultancy Services
CXC	-	Caribbean Examinations Council
DFID	-	Department for International Development
DRM	-	Disaster Risk Management
ECCB	-	Eastern Caribbean Central Bank
ECCU	-	Eastern Caribbean Currency Union
EIB	-	European Investment Bank
EU	-	European Union
FAO	-	Food and Agriculture Organisation of the United Nations
GE	-	Gender Equity
ICTs	-	Information and Communication Technologies
IDB	-	Inter-American Development Bank
IFAD	-	International Fund for Agricultural Development
IFI	-	International Finance Institution
IICA	-	Inter-American Institute for Cooperation on Agriculture
IMF	-	International Monetary Fund
MDBs	-	Multilateral Development Banks
MDGs	-	Millennium Development Goals
MSMEs	-	Micro, Small and Medium-sized Enterprises
MTR	-	Mid-Term Review
OCR	-	Ordinary Capital Resources
OECS	-	Organisation of Eastern Caribbean States
OOCUR	-	Organisation of Caribbean Utility Regulators
PSDU	-	Private Sector Development Unit
RMF	-	Results Monitoring Framework
RPG	-	Regional Public Good
SDF	-	Special Development Fund
SDF 7	-	Special Development Fund (Seventh Cycle)
SDF 8	-	Special Development Fund (Eighth Cycle)

ABBREVIATIONS CONT'D

SFR	-	Special Funds Resources
SMEs	-	Small and Medium-sized Enterprises
SSD	-	Social Sector Division
TA	-	Technical Assistance
TVET	-	Technical and Vocational Education and Training
UN	-	United Nations
UNDP	-	United Nations Development Programme
UNECLAC	-	United Nations Economic Commission for Latin America and the Caribbean
UWI	-	University of the West Indies
WB	-	World Bank

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THE STRATEGIC FOCUS OF SDF 8: BUILDING OUR RESILIENCE

EXECUTIVE SUMMARY

1. The Special Development Fund¹ (SDF) is a unique partnership among **Caribbean Development Bank** (CDB) members, both borrowing and non-borrowing, all of which contribute to the resources of the Fund. The SDF is a major component of the resources of the CDB and allows for a range of operations that would not otherwise be possible, including operations in the poorest, most vulnerable and most highly indebted countries among the Bank's **Borrowing Member Countries** (BMCs).

2. The strategic context of the Special Development Fund (Eighth Cycle) (SDF 8) is defined by the results of the Special Development Fund (Seventh Cycle) (SDF 7) Mid-Term Review (MTR), unfinished business of SDF 7 and the Region's development challenges. These challenges include slow and variable economic growth, unsustainable levels of public debt which results in limited fiscal space to implement growth-enhancing economic and social programmes, the persistence of unacceptable levels of poverty and inequality, and a high degree of vulnerability to external economic shocks and natural hazard events. To these must be added the issue of citizen security which has emerged as a major challenge in the Region. Increasing crime and violence in the Caribbean imposes high social, economic and cultural costs. These challenges also have to be addressed in SDF 8 but with even greater urgency, than in SDF 7, given the impact of the global crisis on the Region and the implications of a second recession should the European fiscal crisis remain unresolved.

3. CDB's Strategic Plan 2010-2014 addressed the concerns about selectivity and focus and the strategic framework for SDF 7 placed special emphasis on these issues. As a result, SDF 7 identified core sectors, collaborative sectors and exit sectors. The SDF 7 MTR examined CDB's sector concentration and found that its holistic mission to address poverty reduction in its BMCs may not be well served by a greater degree of concentration. At the core of this issue is the need to balance the requirement for specialisation in the interest of efficiency with the need to ensure it is able to respond comprehensively to development needs of its members.

4. It is proposed that the SDF 8 strategy be based on two pillars, (a) inclusive economic growth, and (b) vulnerability and resilience, a foundation of governance and capacity development and cross cutting issues of gender equality and environmental sustainability. This framework is consistent with the objectives outlined in the CDB's Strategic Plan 2010-2014. It also reflects the themes that Contributors have agreed should determine the strategic direction of SDF 8, namely:

- Inclusive Growth
- Environmental Sustainability and Climate Change
- Crime and Citizen Security; and
- Regional Cooperation and Integration

5. Pillar 1, inclusive economic growth, will focus on sustainable growth to create and expand economic opportunities and facilitate broad access to these opportunities to optimise the number of persons benefitting. Measures to accelerate economic adjustment and relieve fiscal and financial sector distress will also be supported. The key sectors to be addressed include: Education and Training; Agriculture and Rural Development; Economic and Social Infrastructure; Private Sector Development; and Financial Sector Development.

¹ All references to the Special Development Fund are to the Unified Special Development Fund [SDF(U)] established in 1983.

6. Under Pillar 2, vulnerability reduction and resilience, the strategy will support mechanisms for promoting environmental sustainability and preventing or mitigating the economic, environmental and climate change risks to which the BMCs are exposed. These resilience mechanisms need to be tailored to the nature of the shock, if they are to be effective and sustainable.

7. Strengthening governance and building capacity are the foundations of the strategy. Underlying the many development challenges facing the Region is the issue of the quality of governance and the efficiency and effectiveness in the delivery of public services. The foundation will also include interventions in regional cooperation integration including a focus on strengthening support for regional solutions to economic adjustment and fiscal management and financial sector restructuring. Information and Communication Technologies (ICTs) will be addressed as a cross-cutting issue in SDF 8.

8. Gender equality (GE) and environmental sustainability are a cross-cutting issue and stands on their own merits as a development objective. GE is also an important ingredient of inclusive growth and poverty reduction, in light of the strong link between gender inequality and poverty in the Region. ICTs will be addressed as a cross-cutting issue in SDF 8.

9. Other strategic issues to be addressed in SDF 8 include CDB's role and significance in Haiti and the design of the Basic Needs Trust Fund (BNTF).

10. In the implementation of SDF 7 it was recognised that the Bank's interventions needed to become more finely focused so that there was consistency between the type of intervention and the Bank's capabilities. It was also recognised that different BMCs required adjustments to the Bank's methods depending on country conditions and capabilities and that the modalities of intervention needed to evolve over time as countries develop greater institutional capacity. The Bank will continue to adopt this approach in SDF 8.

11. The Bank will implement the strategy using two instruments: finance and partnerships. Collaborating with other development partners (DPs) and BMCs will be a central component in SDF 8 implementation. An intensified approach to donor coordination will also be required. The traditional instruments of financing, using loans, grants and technical assistance (TA), will remain the core of the Bank's interventions. The Bank will also continue to provide advice using its own staff. The Bank will also try to find innovative solutions to BMC challenges. In this context, the Bank is in the process of reviewing its range of products and will present a separate paper to Contributors and the Board on this subject.

12. Effective implementation requires effective monitoring. The Bank will continue to strengthen its use of a Results Monitoring Framework (RMF), to monitor the progress of implementation of SDF 8. The RMF is part of a broader Results Agenda, an assessment of which has been undertaken by consultants. The Consultant's report will include recommendations for strengthening the Bank's programme on Managing for Development Results as well as enhancements to the Bank's RMF.

THE STRATEGIC FOCUS OF SDF 8: BUILDING OUR RESILIENCE

1. INTRODUCTION

1.01 The Special Development Fund (SDF) is a unique partnership among CDB members, both borrowing and non-borrowing, all of which contribute to the resources of the Fund. SDF is a major component of the resources of CDB and allows for a range of operations that would not otherwise be possible, including operations in the poorest, most vulnerable and most highly indebted countries among the Bank's membership. SDF plays a critical role in the international effort to reduce poverty, achieve the Millennium Development Goals (MDGs), and implement major economic adjustment in the Caribbean.

1.02 The resources available for the current cycle of SDF (SDF 7), covering the period 2009 to 2012, are expected to be largely committed by the end of 2012. Expanded commitment authority will be required for the continuation of SDF operations in current borrowing member countries (BMCs) as well as in prospective new member, Suriname. The next cycle (SDF 8) covers the period 2013 to 2016 and will provide for initiatives to be undertaken during the last two-year period leading to the target date for the achievement of the MDGs in 2015.

1.03 Like SDF 7, the strategy for SDF 8 will be anchored in the themes and objectives of the Bank's Strategic Plan 2010-2014 (the Strategic Plan). It **is** developed within the context of the regional economic and social environment, the impact of global developments on this environment and the lessons learned from the Bank's experiences in previous SDF cycles. The SDF 8 strategy must, therefore, take into account the major development challenges facing BMCs, the issues that have emerged during SDF 7, including the unfinished business relating to that cycle, and the role of SDF in the regional aid architecture. The SDF 8 strategy will also be factored in when the Bank's new strategic planning cycle – 2015-2019- is being considered.

1.04 This paper proposes a strategic framework for SDF 8 that is consistent with the views expressed by SDF Contributors on the role and priorities of SDF 8. It **is** complemented by more detailed strategy and/or policy papers on specific topics including, *inter alia*, Climate Change, Water Resource Management, Regional Cooperation Integration, BNTF, Gender Equality, Citizen Security, Technical Assistance and Private Sector Development.

SDF's Role and Relevance

1.05 Over the past four decades, SDF has permitted a unique collaboration among non-regional and regional non-borrowing members and the Bank's BMCs, as well as, with non-members for contributing to the development of the Caribbean region. The concessional resources of the SDF have become an essential complement to CDB's equity and market resources (i.e. ordinary capital resources (OCR)) and make it possible for the Bank and BMCs to address persistent development challenges of poverty and vulnerability. In fact, the ability of CDB to blend SDF and OCR resources thereby substantially reducing lending cost is a major component of CDB's comparative advantage.

1.06 In order for CDB to remain relevant, it must maintain an adequate level of concessionary financial and technical assistance to BMCs. The risks of falling short of this goal may arise from (a) changes in the international aid architecture (proliferation of multilateral and bilateral agencies causing more competition and specialisation, and making aid management more complex and costly); and (b) the need to continue internal reforms within the Bank to increase the focus on results and value for money, and further strengthen CDB's development effectiveness. The ongoing SDF 7 programme targets these issues and the SDF 8 programme will continue to address them.

2. DEVELOPMENT CONTEXT

2.01 The development challenges facing the Bank's BMCs include slow and variable economic growth and unsustainable levels of public debt resulting in limited fiscal space to implement growth-enhancing economic and social programmes; persistent poverty and inequality; and a high degree of vulnerability to external economic shocks and natural hazard events. Citizen security has also emerged as a major challenge, with increasing crime and violence imposing high social and economic costs.

Economic Growth Performance

2.02 The rate of economic growth is a major factor impacting on the level of poverty and the ability of countries to achieve the MDGs. Real income growth for CDB's BMCs averaged around 2.45% during the last two decades but with considerable volatility over time and significant variability among the countries. In particular, growth in the countries of the Eastern Caribbean Currency Union (ECCU) has been on a declining trend since the 1990s largely as a result of the removal of trade preferences for sugar and bananas (Appendix 3).

2.03 Growth in most of the Caribbean countries is also more negatively impacted by external economic shocks and natural disasters than many other economies, as a result of small size, structural rigidities and geographic location. This partly explains the severe impact of the global crisis on the regional economies which are significantly challenged to achieve their pre-crisis growth levels². The reduced growth rate is putting increased pressure on fiscal resources and, in the context of already weak social institutions, has contributed to increases in poverty.

2.04 The recession has been protracted, resulting from weak external demand, high public debt levels and the impact of natural disasters. Sovereign debt problems in Europe are likely to further dampen growth prospects in 2012. Indeed, there are indications that Europe is already in recession and growth forecasts have been revised downwards (See Box 1).

Fiscal and Debt Sustainability

2.05 In many of the BMCs, public debt has increased sharply since the crisis³, reflecting the depth and length of the recession (Appendix 4). While most governments sought to reduce expenditure, primary balances still deteriorated as revenue losses offset expenditure cuts. Also, expenditure reductions were concentrated in the capital budget as governments sought to protect public sector employment, wages and

BOX 1: Global Economic Prospects January 2012: Uncertainties and Vulnerabilities

The world economy has entered a very difficult phase characterised by significant downside risk and fragility. The financial turmoil generated by the intensification of the fiscal crisis in Europe has spread to both developing and high-income countries and is generating significant headwinds. Capital flows to developing countries have declined by almost half as compared with last year, Europe appears to have entered recession, and growth in several major developing countries has slowed.

- The global economy is now expected to expand 2.5% and 3.1% in 2012 and 2013.
- High-income country growth is projected at 1.4% in 2012 and 2.0% in 2013.
- Developing country growth has been revised down to 5.4% in 2012 and 6.0% in 2013.

However, even achieving these much weaker outturns is very uncertain. The downturn in Europe and weaker growth in developing countries raises the risk that the two developments reinforce one another, resulting in an even weaker outcome.

Source: The World Bank (2012) "Global Economic Prospects: Uncertainties and Vulnerabilities", Washington, DC

² Birchwood, A (2011) "Pace of Recovery of CARICOM Economies", Caribbean Centre for Money and Finance, Newsletter: Volume 4, No. 12, December 2011.

³ High public debt has been a feature of the economic landscape in many Caribbean countries for a long time. The crisis exacerbated the problem as governments adopted counter-fiscal policies in response.

social programmes. This was reflected, for example, in declining approvals for capital investment projects by multilateral development banks (MDBs) operating in the Caribbean. CDB was particularly impacted by this decline as its portfolio is concentrated in the Region⁴. When debt levels became unsustainable, some countries, for example, Antigua and Barbuda, Jamaica and St. Kitts and Nevis, undertook debt restructuring **exercises**. Greater efforts are necessary to consolidate fiscal gains, reduce public debt and promote economic growth over the medium term.

2.06 The crisis has also exposed financial sector fragilities, particularly in the ECCU, where the collapse of the CL Financial (CLF) conglomerate based in Trinidad and Tobago and its life insurance subsidiaries is a threat to financial stability in the ECCU.

Persistent Poverty

2.07 Despite significant progress in the past two decades, poverty, inequality and social exclusion remain defining features of the economic and social reality of the Region. As shown at Appendix 3, the percentage of the population classified as poor averages⁵ around 26% for the Region as a whole and there is high variability among the countries – Haiti at the high end at 76% and the Cayman Islands at the low end at 1.9%. Poverty in the Region has also taken new forms and dimensions such as the growth of urban poverty, new types of rural poverty and poverty arising from the impact of the human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) and the ageing of the population. As indicated in the SDF 7 mid-term review, while the countries are making progress towards the millennium development goals (MDGs), particularly the poverty-related targets, the impact of the global financial crisis has made the task much harder.

2.08 The SDF 7 strategy document noted that several complex, interrelated factors have contributed to the poverty landscape in the Caribbean and these factors are still relevant in the context of SDF 8. The critical factors include the slowing down of economic growth, the worsening terms of trade for some of the Region's major exports⁶, impact of natural disasters, and diminishing real public expenditures essential for access to vital social services such as education, health and sanitation. It is likely that the global crisis has exacerbated some of these factors such that in some countries the poverty situation has worsened. Appendix 3 shows that four countries – Barbados, Belize, Grenada and St. Lucia – experienced increases in poverty between the first period of poverty data (Period 1) and the second (Period 2).

Vulnerability

2.09 The Strategic Plan 2010-2014 identified vulnerability⁷ as the most significant characteristic shared by all BMCs and the one which could threaten the ability of the Region to achieve sustainable growth and development. Small states such as CDB's BMCs bring to the development process inherent weaknesses that make them highly vulnerable to external shocks. These include a combination of small population and a small resource base in terms of skills and natural resources, limited institutional capacity and costly public administration and infrastructure, small domestic markets leading to diseconomies of scale, high transportation and communications costs, excessive dependence on international trade – particularly dependence on a small number of exports, a limited number of markets and heavy reliance on imports, including energy and limited access to capital markets. The countries also have limited experience in accessing new markets or exploiting new opportunities offered by bilateral and multilateral trade

⁴ The larger MDBs were able to partly mitigate the decline by investment lending among other members.

⁵ This is a simple average. The picture **worsens significantly** if weighted by population.

⁶ Mainly as a result of the loss of trade preferences. This has greatly affected the Organisation of Eastern Caribbean States countries.

⁷ Vulnerability could be defined as an inherent attribute(s) that makes a country susceptible to being affected by external events. In the Caribbean, inherent attributes include small size and geographic location.

agreements. In the current globalised environment, new vulnerabilities have emerged, particularly the risk of financial contagion with greater integration into the global financial markets.

2.10 Vulnerability of BMCs is also evident in the physical environment. This is manifested, for example, in environmental degradation arising from the implementation of investment activities (such as in tourism) because of a seeming disconnect between environmental management concerns and investment objectives. Also, the inter-linkage between poverty and environmental degradation results in the loss of resources to the poor or the exploitation and unsustainable use by those better off. High rates of soil erosion, degradation of watersheds and loss of habitats are significant environmental and natural resource management issues.

2.11 BMCs also face persistent exposure to natural hazards, such as hurricanes, flooding, earthquakes

and volcanoes. The occurrence of these events in the Region is quite frequent and often devastating. They clearly exacerbate the difficulties of environmental sustainability. In addition, climate change (CC) is impacting all BMCs and they are in the front line for impacts associated with CC including the incidence of extreme weather events. There is urgent need for the implementation of mitigation and adaptation measures.

2.12 The vulnerability of Caribbean economies to economic shocks and natural disasters has particular implications for the poor and vulnerable. The conditions of the already poor are made worse, and large numbers of non-poor but vulnerable populations can be pushed into poverty. This is a very important characteristic of the poverty landscape in the Caribbean and needs to be considered in designing poverty reduction interventions in BMCs.

Box 2: Managing Water Resources in a Changing Climate

In the face of more variable and turbulent weather patterns including more frequent droughts and flooding due to climate change, attention is being increasingly focused on water resource management. The WB's Intergovernmental Panel on Climate Change Fourth Assessment Report (2007) concluded that "there is abundant evidence that freshwater resources are vulnerable and have the potential to be strongly impacted by climate change, with wide-ranging consequences on human society and ecosystems. Each Bank region is likely to face a unique set of water-related climate change challenges, deriving from such impacts as accelerated glacier melt; altered precipitation, run-off and recharge patterns and rates; extreme floods and droughts; water quality changes; salt water intrusion in coastal aquifers; and changes in water uses."

In many BMCs, freshwater resources are scarce and the high dependence of the economies on tourism and agriculture gives added importance to the provision of a safe water supply and the management of water resources. Decisions about water resource management are complicated by the lack of information about water availability, the quantity being used, and the impact of current developments on future water resources. Going forward, greater attention will be placed on identifying and determining the impact of climate change on freshwater availability and the future ability of water utility companies to provide adequate and reliable water supply (potable and agricultural). Emphasis will be placed on developing a more complete understanding of regional vulnerability and the development and promotion of adaptation strategies.

Citizen Security

2.13 Crime and violence are on the rise in many BMCs representing significant threats to economic and social development, hampering efforts to reduce poverty and the achievement of the MDGs. According to the United Nations Development Programme (UNDP), murder rates in the Caribbean – at an average rate of 30 per 100,000 of population annually – are higher than for any other region in the world. Assault rates, based on assaults reported to the police, are also significantly above the world average. Drug trafficking throughout the Caribbean, as a transshipment route from South to North America, is also a serious threat. High rates of youth violence and gender-based violence are also significant concerns.

2.14 A United Nations (UN)/World Bank (WB) report⁸ has suggested that Haiti and Jamaica could boost annual economic growth per capita by 5.4% if they were to bring their homicide rate down to the level of Costa Rica. Guyana and Dominican Republic would also benefit substantially with potential growth rate increases of 1.7% and 1.4%, respectively.

2.15 The impact of crime on countries' governance arrangements also constitutes a drag on the development process. It destroys confidence in society's institutions, subverts the rule of law and reduces policy effectiveness. It has been observed that in some BMCs, armed violence is concentrated amongst the poorest in society and especially among young males. In the UNDP (2012) Caribbean Human Development report,⁹ it is suggested that "Caribbean countries need to focus on a model of security based on the human development approach, where citizen security is paramount, rather than on the traditional state security model, whereby the protection of the state is the chief aim." CDB subscribes to this approach and will incorporate it in its citizen security policy development.

3. STRATEGIC CONTEXT

3.01 The Region's development challenges establish the broad context for development of the SDF 8 Strategy. The depth of the growth, fiscal and debt issues facing the Region mean that for a considerable period BMCs will be undergoing significant economic adjustment, albeit with varying degrees of intensity. They also will require significant support for social protection programmes in the context of fiscal consolidation. The logical extension of this is that most of the countries will be out of the capital market for some time and will need to rely on multilateral and donor financing if they are to access resources at reasonable costs.

3.02 CDB's current Strategic Plan indicates that the goal of the Bank is "to assist BMCs to reduce poverty through sustainable economic growth and strengthening the resilience of BMCs to external shocks". The Plan recognises the importance of a balanced approach to the growth agenda which ensures that growth is inclusive and explicitly focused on income and gender disparities and environmental sustainability. To achieve the overarching goal of poverty reduction, the Plan focuses on the following strategic objectives, with gender equality being a cross-cutting theme:

- Promoting broad-based economic growth and inclusive social development;
- Supporting environmental sustainability and disaster risk management;
- Promoting good governance;
- Fostering regional cooperation and integration; and
- Enhancing organisational efficiency and effectiveness

3.03 The strategic context of SDF 8 is also defined by the findings of the SDF 7 Mid-Term Review (MTR), including the unfinished business of SDF 7:

- the need for greater focus on debt and fiscal management;
- the need for more strategic coherence in the Bank's interventions in the environment and climate change agenda, governance and Regional Cooperation and Integration;
- the importance of a clear strategic context for the Bank's technical assistance (TA) interventions;

⁸ United Nations and World Bank (2007) "Crime, Violence, and Development: Trends, Cost and Policy Options in the Caribbean.

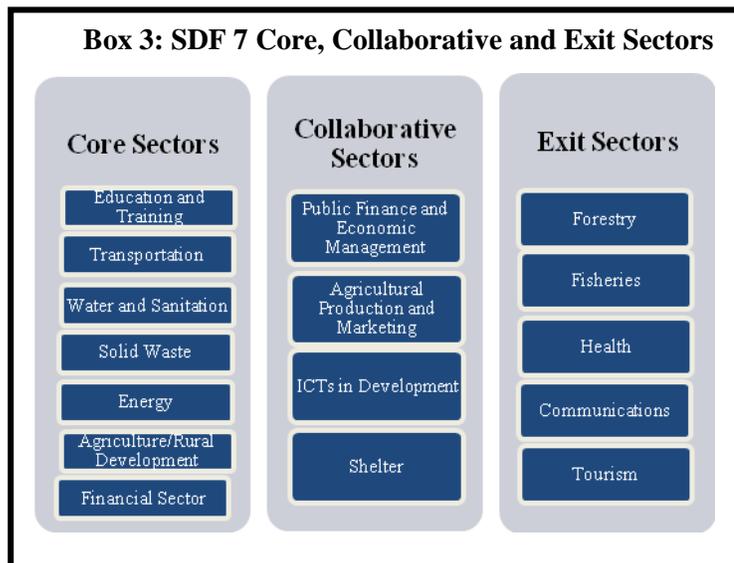
⁹ UNDP (2012) "Caribbean Human Development Report: Human Development and the Shift to Better Citizen Security" (UNDP, New York), v

- the need to establish a rational operational approach to the mainstreaming of gender equality issues in the Bank’s programming;
- the critical need to tell the BNTF story in a way that clearly establishes its importance and relevance in SDF programming;
- the importance of significantly improving results monitoring and reporting so that stakeholders could clearly understand the role and significance of SDF in the Region’s aid architecture;
- The need to establish the Bank’s comparative advantage in Haiti and the most appropriate way to operationalise that advantage.

3.04 Contributors stressed that in the context of the worsened fiscal environment in the donor countries, it was imperative that SDF clearly demonstrated its comparative advantage and the value-added it brought to the aid delivery mechanism in the Region. The importance of a strong results focus was emphasised, as was the need to effectively monitor and report on results. Contributors also indicated that it was not sufficient to outline what the Bank was going to do but, just as importantly, how it proposes to operationalise the strategy. It was also emphasised that “solid analytical work” was required to support the strategy, if Contributors are to be convinced about the effectiveness of SDF and hence on the nature of the replenishment. The preparation of analytical policy papers on the thematic areas of the Bank’s interventions is, therefore, a key component of the SDF 8 Strategy.

Selectivity and Focus

3.05 CDB, like the wider development community, is concerned that aid effectiveness is impaired by excessive fragmentation¹⁰ at the global, country and sector level¹¹. CDB’s Strategic Plan 2010-2014 addressed the concerns about selectivity and focus and the strategic framework for SDF 7 placed special emphasis on these issues. As a result, SDF 7 identified core sectors, collaborative sectors and exit sectors as set out in Box 3.



3.06 SDF 7 sought to increase focus and selectivity by seeking to ensure that the Bank’s interventions were aimed at achieving greater consistency between the types of interventions and the Bank’s capabilities. It also recognised that there were differences among BMCs which required tailoring of the Bank’s interventions to country conditions (such as the country groupings); and allowing modalities of intervention to evolve along with BMCs’ institutional capacity. In the case of the latter, countries with more developed BNTF management systems, such as Jamaica and Belize, were able to exercise a greater degree of operational autonomy.

¹⁰ Knack, S, Rogers, F H, Eubank, N (2010) “Aid Quality and Donor Rankings”, Policy Research Working Paper 5290, The World Bank

¹¹ With respect to CDB/SDF the concern would be with the degree of sector specialisation, since country specialisation is mandated by the membership.

3.07 The SDF 7 MTR, examined CDB's sector concentration and found that the analysis did not support the conclusion that "CDB has too little sector specialisation and should concentrate on fewer sectors". Rather, the MTR suggested that CDB is one of the most specialised development agencies¹² and its holistic mission to address poverty reduction in its BMCs may not be well served by a greater degree of concentration.

3.08 At the core of this issue is the need for CDB to balance the need for specialisation in the interest of efficiency with the need to ensure it is able to respond comprehensively to development needs of its members. Given the multi-faceted nature of poverty – both in its cause and effect – this is a very difficult path to walk. Greater selectivity does not necessarily mean additional exit sectors, but it does mean: focusing on a limited number of high level results in each thematic area; greater consistency between the types of interventions and the capabilities of the Bank; strengthening partnerships for better coverage of BMC development issues; and a preference for Regional approaches in the interest of greater efficiency and sharing of lessons learned.

Box 4: Measuring Aid Quality

Aid quality is measured in four dimensions:

1. **aid selectivity** - policy and poverty selectivity for which CDB has developed a relatively sophisticated set of tools including approaches to country classification;
2. **aid alignment** - measures the extent to which a donor bases support on partner countries' national development strategies, institutions and procedures;
3. **harmonisation** - among donors to reduce recipient transaction costs; and
4. **specialisation** - which speaks to the degree of fragmentation that may arise with too many countries, sectors and projects.

3.09 The Bank has adopted a holistic approach to development and has sought to base its interventions in BMCs on comprehensive country strategies which seek to align the Bank's own competencies and resources with the national development priorities of BMCs. This is the context within which the thematic areas which are identified in the Bank's Strategic Plan and in the SDF 7 Strategy and those which are proposed for SDF 8 are selected.

4. THE SDF 8 STRATEGIC FRAMEWORK

4.01 It is proposed that the SDF 8 Strategy be based on two pillars: (a) *inclusive economic growth* and (b) *vulnerability reduction and resilience*, on a foundation of *governance and capacity development and Regional Cooperation and Integration* (see Figure 1). Gender Equality and environmental sustainability and ICT for Development are cross-cutting concerns. These pillars, foundation and cross cutting concerns are consistent with the objectives of the Strategic Plan 2010-2014 and also reflect the themes that Contributors have agreed should determine the strategic direction of SDF 8, namely:

- Inclusive growth
- Environmental sustainability and climate change
- Crime and citizen security; and
- Regional cooperation and integration

4.02 In implementation, it is expected that projects in a thematic area will incorporate elements from other areas, given the nature of projects and the development process itself. The bank recognises that achieving goals in one sector requires achievements in other sectors. Thus, for example, an intervention in education and training may contribute to social protection and citizen security outcomes. Similarly,

¹² The analysis used the Hirschmann-Herfindahl Index estimated by the formula $\sum(n/p)^2$ where n is the number of loans and p is the total number of loans. To obtain a measure of sector concentration the sum of squares of n/p for all sectors is estimated. The closer the result is to 1, the higher the degree of sector concentration.

agriculture interventions may incorporate components of climate change mitigation and adaptation. The essential notion is that there are linkages both within and across the pillars that will be reflected in the design of interventions.

4.03 An added advantage of this approach is the flexibility it affords in operationalisation at the individual country level. The strategy will serve as a filter for the development of individual country strategies. The **strategy** thus serves as a framework in which to embed country strategies, based on country circumstances. Selectivity that is consistent with resource availability will be critical to effectiveness of this strategy.

4.04 The country group classification system, as shown in Box 4, serves as an additional filter for SDF 8 resources. In this system, which ensures that SDF resources are allocated on the basis of need, the country groups are designated as follows:

- Group 3 - BMCs which are eligible mainly for SDF (U) with an interest rate of 2%;
- Group 2 – BMCs which are eligible for both SDF (U) and OCR with an interest rate of 2.5%; and
- Group 1 – BMCs which are eligible mainly for OCR and with limited access to SDF (U).

Box 4: Country Group Classification

Group 1: The Bahamas, British Virgin Islands, Cayman Islands, Anguilla, Antigua & Barbuda, Barbados, Trinidad & Tobago, Turks & Caicos Islands.

Group 2: Montserrat, St. Kitts & Nevis, Belize, Dominica, Grenada, Guyana, Jamaica, St. Lucia, St. Vincent & The Grenadines.

Group 3: Haiti [Grant only status].

Pillar 1: Inclusive Economic Growth

4.05 Pillar 1 will focus on achieving sustainable growth to create and expand economic opportunities and facilitating broad access to these opportunities to maximise the number and range of persons benefitting from growth. Inclusive economic growth will be promoted through interventions in thematic areas that reflect those in which CDB has developed substantial experience and capacity including:

- Education and Training
- Agriculture and Rural Development
- Economic and Social Infrastructure
- Private Sector Development

Pillar 2: Vulnerability Reduction and Resilience

4.06 Under Pillar 2, the SDF 8 strategy will support mechanisms for promoting environmental sustainability and preventing or mitigating the economic, environmental and climate change risks to which BMCs are exposed. But resilience is more than prevention and mitigation since it also involves the capacity to absorb stress through resistance or adaptation; manage or maintain basic functions; and recover after an event.

4.07 The strategic framework for SDF 8 will seek to support BMCs **in minimising** economic risks by pursuing prudent fiscal policies and promoting environmental sustainability by investing in economic and social infrastructure to support sustainable management of their natural resources and improve the living conditions of the poor. The Bank is of the view that the most appropriate way to assist the BMCs in reducing vulnerability and improving resilience, in the context of its own capabilities, is by focusing on the following:

- Disaster Risk Reduction and Management;

- Renewable Energy and Energy Efficiency; Climate Change Mitigation and Adaptation;
- Citizen Security.

Foundation: Governance and Capacity Development

4.08 Governance and capacity development are the foundations of the strategy. There is a strong correlation between governance and institutional quality and economic growth. Good governance and a sound policy and institutional environment are also critical for achievement of the MDGs. In promoting good governance, the Bank will focus its attention on:

- Regional Cooperation and Integration;
- Economic Stabilisation and Fiscal Adjustment; and
- Social Protection.

4.09 As noted in the SDF 7 MTR, the Bank was an early adopter of a strategy on good governance with its Strategy on Governance and Institutional Development that was approved in 2003. Since adoption of this strategy, the annual volume of approvals of grant financing for good governance has been around \$1.5 million. This is in addition to elements of governance incorporated in the BNTF community based approach. The SDF 7 MTR noted that the Bank's interventions which focused on good governance has tended to be responsive and random and, therefore, lacked strategic coherence.

4.10 The Bank's approach in SDF 8 will seek to achieve greater strategic coherence in its approach to governance and institutional development by:

- ensuring that Country Strategy Papers (CSPs) specifically identify critical capacity and governance weaknesses across all sectors. In this context, the Bank will re-institute a training programme for staff to strengthen the operationalisation of the Governance Strategy and the application of the governance toolkits. The Bank is also reviewing its Governance Strategy to ensure consistency with the Strategic Plan;
- strengthening civil society participation in BMCs by building capacity in non-governmental organisations/civil society organisations at the national and regional levels and, where feasible, expanding stakeholder participation in CDB-financed projects in all sectors;
- supporting interventions that take a regional approach to addressing common development and/or that seek to remove constraints to effective regional integration;
- integrating appropriate ICT into the design and implementation of interventions especially where such integration will improve service delivery to beneficiaries, and
- developing tools to measure the effectiveness of its support to good governance. In this context, the Bank will draw on the actionable governance indicators developed by the World Bank.

Regional Cooperation Integration

4.11 Support for regional cooperation integration is a principal strategic theme for SDF 7 and one of the objectives in the Bank's Strategic Plan. It was recognised that BMCs had entered a critical phase of the integration process and support for regional integration, particularly interventions to remove constraints to regional integration, was seen as a key priority for the Bank. This includes a focus on regional solutions to economic management challenges including fiscal adjustment and financial sector reform. It will seek to develop common structures and processes in BMCs, based on best practice. Support for regional public

goods, including trans-national public goods, will also be a core priority for CDB's support for regional cooperation integration.

CROSS-CUTTING ISSUES

Gender Equality

4.12 Gender equality (GE) is a cross-cutting issue in the Strategic Plan and in the SDF 7 Strategic Framework. Gender is incorporated as a key driver of change and a critical consideration in reducing poverty and improving living standards. Particular concerns in the Caribbean include the large number of households headed by single women, worsening education achievement rates and marginalisation of young men in some communities, and the extreme disadvantages that can arise from a confluence of factors including gender, race and ethnicity and age. An indication of the relative position of selected CARICOM countries on gender inequality is shown at Box 5. Haiti ranks the lowest at 123 and Trinidad and Tobago the highest at 53, out of 187 countries.

Box 5: Gender Inequality Index for Selected CARICOM Countries [Rank is based on 187 Countries]

Country	Gender Inequality Index	
	Value 2011	Rank 2011
Bahamas	0.332	54
Barbados	0.364	65
Belize	0.493	97
Guyana	0.511	106
Jamaica	0.450	81
Haiti	0.599	123
Trinidad & Tobago	0.331	53

Source: UNDP Caribbean Human Development Report 2012: Human Development and the Shift to Better Citizen Security

4.13 CDB will continue to emphasise GE as a fundamental element of its approach to inclusive growth. While some initiatives were accomplished in SDF 7, there is a need for continued support in SDF 8 in areas such as: strengthening the analysis and integration of gender issues in CSPs; development of a monitoring system to measure and record the extent to which gender concerns are mainstreamed in each CDB/SDF project; and relatedly, development of a GE results framework to define and track results. The Bank also proposes to effect independent evaluation of its Gender Equality Policy and Strategy at regular intervals.

Environmental Sustainability

4.14 Environmental sustainability could also be considered a cross-cutting issue since it is relevant in most of the Bank's interventions. The physical environment in the Caribbean is complex and challenging. Much of the Region is subject to natural hazards such as hurricanes, earthquakes and volcanic activity. Almost every sector is likely to be adversely impacted by climate change including tourism, economic infrastructure (particularly in coastal areas), agriculture, forestry, fisheries, and energy. The natural environment in the Region has also suffered from man-made environmental problems arising partly from poverty and partly from policy failures. These include coastal habitat degradation, inadequate water supply and waste management, deforestation, soil erosion and over-use of marginal lands, and problems of urban sprawl with increasing traffic and energy costs and adverse impacts on natural areas.

4.15 The Bank has long recognised that sustainable development can only be achieved with environmental sustainability being a critical component of its interventions. It has adopted environmental strategies designed to ensure that appropriate consideration is given to managing environmental risks in project/programme design. Environmental screening is a standard component of the Bank's appraisal process. Recently, it has introduced a new *Environmental Sustainability Policy* and new *Environmental and Social Review Procedures* with a view to enhancing its ability to impact on sustainable development. CSPs now ensure that environmental issues are explicitly addressed and incorporated into the Bank's interventions. The Bank has also approved a Climate Resilience Strategy.

ICTs for Development

4.16 ICTs are relevant to all the key thematic areas of the pillars and in some respects could be considered a cross-cutting activity set. It is perhaps axiomatic to suggest that ICTs play a central role in the economic development process. As the ICT sector goes through a period of rapid transformation, in the context of converging networks and services and powerful new applications, it is intended that the Bank, in collaboration with its DPs assist at the regional and national levels in the design and implementation of ICT development policies. The Bank will continue to ensure that ICT considerations are taken into account in the design of its interventions especially in areas of e-government solutions and the application of ICTs in education and training.

ADDITIONAL STRATEGIC ISSUES

CDB's Role and Strategy in Haiti

4.17 Haiti has posed special challenges for CDB. As a fragile state, Haiti has to deal with particularly demanding development issues and has much greater needs than the other BMCs. Haiti accounts for almost 60 percent of the population of the BMCs and, since the devastating earthquake, around 76% of Haitians are living in poverty. As with other fragile states, governance and institutional capacity is weak and there is very limited institutional capacity so that basic social and infrastructural services are very limited. The country has unique development needs that must be addressed by using a flexible approach built on partnerships with development partners on the ground in Haiti.

4.18 SDF operations in Haiti commenced in 2007, soon after Haiti became a member of the Bank. Programming has been supported by special grant allocations in both SDF 6 and 7, and has reflected both government priorities and the Bank's comparative advantage and the need to develop CDB's own capacity to apply its strengths and experience in a new environment under difficult operating conditions. Substantial efforts have been made to strengthen CDB's capacities and establish working relations with the Government and other institutions in Haiti as well as with Development Partners.

4.19 There is still some distance to go, made more difficult by the impact of the January 2010 earthquake. However, the Bank is revising its CSP and developing a strategy for reinforcing and ramping up its programming in Haiti. The strategy will take full account of CDB's strengths in education and training, community-driven developments (as supported by BNTF, for example) and agriculture and rural development. In the fragile circumstances in Haiti, it is important that the Bank sustain a long term commitment to Haiti. It is also important for the Bank to intensify strategic partnerships with civil society, the private sector and development partners. As a Caribbean institution CDB brings a unique perspective to Haiti's development and can act as a catalyst to better incorporate the country into the CARICOM system.

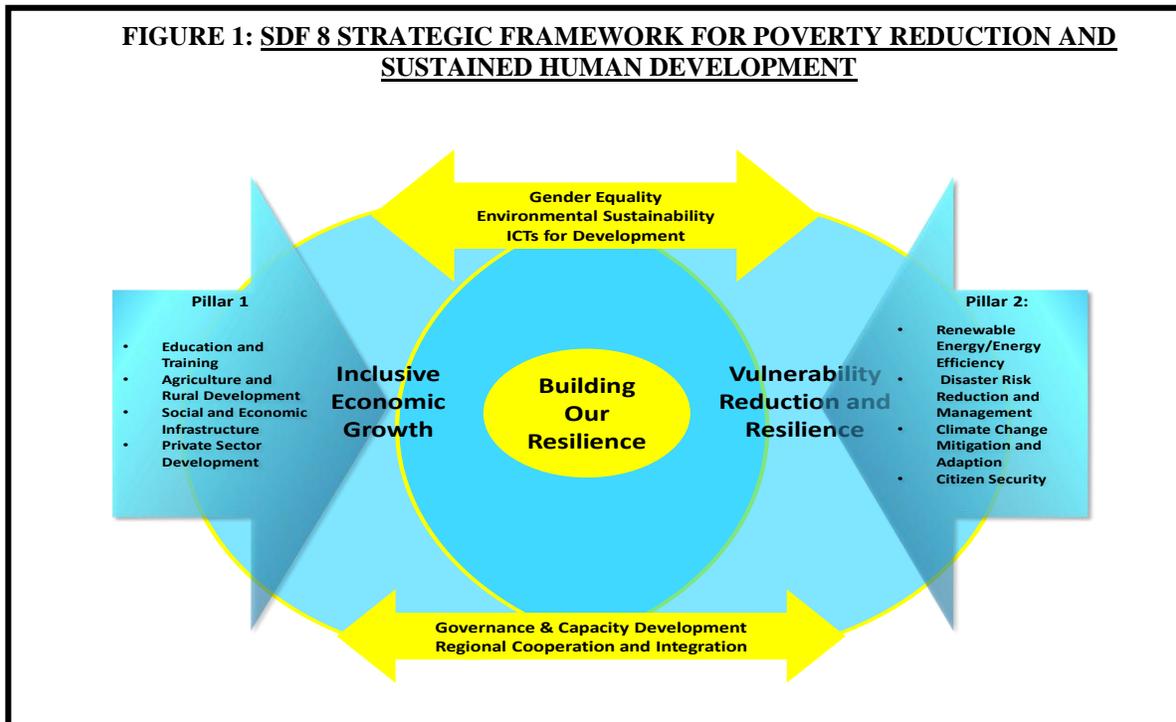
Basic Needs Trust Fund

4.20 BNTF is the Bank's principal programme for direct poverty reduction which is targeted at poor communities to improve basic infrastructure and services and increase the potential for income-earning activities, and thereby contribute to more broad-based and sustainable development. The programme is multi-sectoral and provides resources for sub-projects, project management and technical services, as well as for capacity building for community-based organisations in participatory approaches for planning and monitoring of sub-projects. There is also a regional component that provides programme support, coordination and administration. BNTF addresses the three elements of the Bank's Poverty Reduction Strategy – *capability enhancement, vulnerability reduction and good governance*. It also makes a contribution to meeting the CMDG targets, particularly for MDG 1 (Eradicate Extreme Poverty and Hunger), but also MDG 3 (Promote Gender Equality and Empower Women) and MDG 7 (Ensure Environmental Sustainability).

4.21 Implementation of BNTF 5 is currently drawing to a close, after being extended to utilise additional resources. BNTF 6 began in 2009 with a planned period for commitment of funds for sub-

project implementation up to and including 2011, and final disbursement by December 31, 2012. However, delays in the actual start of implementation, due to the extension of BNTF 5 will cause this date to be extended.

4.22 A Mid-term Evaluation of BNTF 6 has been undertaken, which will be considered, among other things, the continued relevance of the programme in its current design overall programme effectiveness and efficiency issues, including progress with respect to reducing implementation lags and shortening sub-project approval procedures. The findings of the BNTF 6 Mid-Term Evaluation have been used to inform the planning of BNTF 7.



5. KEY OBJECTIVES AND EXPECTED RESULTS FOR SDF 8

5.01 The key objectives and expected results which are being set for SDF 8 are set out in Table 1 below. As stated earlier, in pursuit of increased selectivity, the focus will be on a limited number of high level objectives in each thematic area and on interventions that build on the capabilities of the Bank. These high level objectives are set out in detail in the matrix of priorities and expected results which are included as Appendix 2A. This matrix also includes information on implementation modalities and partnerships for better coverage of BMC development issues, as well as the indicative resource allocation for each priority. The human resource consideration relating to the priorities and expected results are detailed at Appendix 2B.

TABLE 1: THEMATIC AREAS AND HIGH LEVEL OBJECTIVES OF SDF 8

Thematic Area	Objectives
Pillar 1: Inclusive Growth	
Education and Training	<ul style="list-style-type: none"> Increased and equitable access to high quality education and training Improved efficiency and effectiveness of education services
Agriculture and Rural Development	<ul style="list-style-type: none"> Improved production, distribution and risk transfer systems to reduce vulnerability of rural populations
Economic and Social Infrastructure	<ul style="list-style-type: none"> Improved water and sanitation in high poverty areas, especially rural areas Improved access and transport infrastructure, including rural roads
Private Sector Development	<ul style="list-style-type: none"> Improved business climate, including regulatory and policy environment Enhanced viability of micro, small and medium-sized enterprises (MSMEs)
Pillar 2 : Vulnerability Reduction and Resilience	
Disaster Risk Reduction and Management	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Improved climate risk management in BMCs; Enhanced community resilience to climate change
Renewable Energy and Energy Efficiency	<ul style="list-style-type: none"> Increased the use of energy efficiency and renewable energy technologies in key sectors such as agriculture, water, education and housing, especially by MSMEs.
Citizen Security	<ul style="list-style-type: none"> Enhanced community cohesiveness. Enhanced policy framework for citizen security
Foundation: Governance and Capacity Development	
Regional Cooperation and Integration	<ul style="list-style-type: none"> Strengthened statistical capabilities for improved decision-making and impact evaluation; Improved legal and regulatory systems in BMCs; Enhanced coordination and cooperation in promoting regional development
Economic Stabilisation and Fiscal Adjustment	<ul style="list-style-type: none"> Improved macroeconomic management Improved capacity for project preparation, management and implementation Improved capacity for strategic policy making and coordination including evidenced-based decision-making
Social Protection	<ul style="list-style-type: none"> Enhanced socio economic conditions Enhanced capacity and strengthened governance arrangements of social development ministries
Special Programmes	
Haiti	
Education and Training	<ul style="list-style-type: none"> Increased and equitable access to high quality education and training Improved efficiency and effectiveness of education services
Community Driven Development and	<ul style="list-style-type: none"> Increased access to public infrastructure facilities and services

Agriculture	<ul style="list-style-type: none"> Enhanced capacity of rural/urban communities to contribute to economic development
Capacity Building and Resilience	<ul style="list-style-type: none"> Enhanced effectiveness of the Public Sector Enhanced viability of small and medium-sized enterprises (SMEs) Improved capacity for disaster risk reduction
BNTF	
Education and Human Resource Development	<ul style="list-style-type: none"> Increased and equitable access to high quality education and training
Water and Sanitation	<ul style="list-style-type: none"> Improved water and sanitation in high poverty areas, especially rural areas
Community Access and Drainage Systems	<ul style="list-style-type: none"> Improved access and transport infrastructure, including rural roads Improved living conditions in low income areas

Supporting Papers for SDF 8

5.02 The thematic areas outlined under the pillars and foundation will be supported by a number of detailed technical papers and reports which have been or will be presented to Contributors for review. These papers address how the specific objectives of the SDF 8 strategy will be pursued and should set out in more precise detail: the indicators that would be used to monitor implementation and measure the results achieved; the human and financial resources required to achieve the results; the partners with whom the Bank is working or plans to work in each area and the main implementation modalities to be used. The list of technical papers is included as Appendix 1.

6. IMPLEMENTING THE STRATEGY - INTERVENTION MODALITIES AND PARTNERSHIPS

6.01 A strategy is only as good as its implementation. In the implementation of SDF 7, it was recognised that the Bank's interventions needed to become more finely focused so that there was consistency between the type of intervention and the Bank's capabilities. It was also recognised that the modalities of intervention needed to evolve over time as countries develop greater institutional capacity. The Bank will continue to adopt this approach in SDF 8.

6.02 The Bank will implement the strategy using two primary mechanisms – partnerships and finance – and make adjustments to its organisational arrangements to improve implementation efficiency and effectiveness. It should also be noted that a significant proportion of the Bank's support to its BMCs come in the form of technical advice provided by the Bank's staff.

Partnerships

6.03 The fiscal constraints being faced by both developed and developing countries means that there are real limits to the availability of concessionary resources. Optimising the use of available resources is, therefore, critical and a major avenue for such optimisation is through the establishment and strengthening of partnerships. Partnerships – with Caribbean society, governments, the private sector, universities, regional institutions and development partners (such as CIDA, DFID, EU, IDB and the World Bank) – will be a central component in SDF 8 implementation and an intensified approach to donor coordination will also be required.

6.04 Partnerships can take several forms. Increasingly, the Bank has been asked to play the executing agency role such as management of the CARTFund and the recently established Community Disaster Risk Reduction Fund. These activities can represent an additional administrative cost, especially where these may not be adequately covered. However, to the extent that the activities are in keeping with the Bank's

own strategic objectives, they represent a strategic way in which partnerships can contribute to its expected results. Therefore, two main principles will guide expansion of the executing agency role:

- (i) the degree of alignment with the Bank's strategic objectives; and
- (ii) the adequacy of the cost recovery mechanism.

6.05 The Bank has also increasingly shared its work programmes, as well as its analytical work such as CSPs, Country Poverty Assessments (CPAs) and research results with other development partners. This is a contribution to knowledge creation as well as a mechanism for ensuring that CDB leverages its closer knowledge of its BMCs to inform important development work in the Region. The CPAs are particularly important in this regard.

6.06 In implementing these partnerships there will be instances where the Bank will take the lead. This will occur when there is a clear indication that the Bank has real advantages and capabilities, such as in education. In other instances, a partner will take the lead and the Bank will play a supporting role, such as in statistical development in the Region. By developing these partnerships the Bank will more effectively facilitate Caribbean development by crowding in private and other resources. In this sense, the Bank will act as a development catalyst and, importantly, as an "honest broker" among stakeholders.

Finance

6.07 The traditional instruments of financing, using loans, grants and technical assistance, will remain the core of the Bank's interventions. It is important to note, however, that the effectiveness of financing depends in large measure on the Bank's success in establishing effective partnerships. Investment loans and policy-based loans will continue to be the main modalities for loans. The Bank will also continue to innovate in trying to find solutions to BMC challenges, including assessing the effectiveness of its financing instruments. In this context, the Bank is in the process of obtaining an independent review of the effectiveness of the Policy-based Loan and will present a separate paper to Contributors and the Board on this subject.

6.08 In keeping with the call for a more strategic and focused approach to the design and delivery of TA, the Bank is also preparing a revised TA Policy and Strategy for presentation to Contributors and the Board.

Organisational

6.09 The Bank has been implementing a process of restructuring its operations in order to strengthen its internal capacity to respond both strategically and operationally to the Region's needs and to achieve the objectives of the Strategic Plan. The restructuring and realignment of the Operations Area strengthens the Office of the Vice-President (Operations) and streamlines and rearranges the Projects and the Economics Departments. The structure of the Corporate Services Area is under review and it is expected that recommendations to streamline the organisational structure to increase operational efficiency will be made. Revisions to operational guidelines, procedures, processes, systems and templates will be also undertaken to support the proposed structure. It is expected that the new structure will enable the Bank to more effectively implement the SDF 8 operational programme.

7. RESULTS MONITORING

7.01 Effective implementation requires effective monitoring. The Bank has made considerable progress in the implementation of its Results Agenda since its introduction under SDF 6. It is proposed to continue the use, in SDF 8, of an RMF, which covers development outcomes in the framework of the MDGs, as well as institutional and operational performance measures and progress in relation to the Paris

Declaration and the Accra Agenda. The technical papers/reports which are informing the negotiations of SDF 8 will set out in more precise detail, the indicators that will be used to monitor implementation and measure the results achieved and the human and financial resources required to achieve the results.

7.02 Consultants have been engaged to conduct an assessment of the progress on the implementation of the Results Agenda, including the use of the RMF, which has been considered during the SDF 8 replenishment negotiations. The Consultant's report includes recommendations for strengthening the Bank's programme on Managing for Development Results as well as enhancements to the Bank's RMF.

8. CONCLUSION

8.01 Over the past four decades, SDF has permitted a unique collaboration among non-regional and regional non-borrowing members and the Bank's BMCs, as well as, with non-members of the Bank for contributing to the development of the Caribbean region. SDF resources have become an increasingly important (if not indispensable) complement to CDB's OCR resources and make it possible for the Bank and BMCs to tackle persistent development challenges of poverty and vulnerability. The ability of CDB to blend SDF and OCR resources thereby substantially reducing lending cost is a major component of CDB's comparative advantage.

8.02 The proposed SDF 8 Strategy is based on two pillars: (a) *inclusive economic growth* and (b) *vulnerability reduction and resilience*, on a foundation of *governance and capacity* development. Gender equality and environmental sustainability are cross cutting issues and will therefore be addressed in all interventions that flow from this framework. The underlying strategic hypothesis is that these pillars and foundation are the most appropriate response of the Bank to the development challenges faced by BMCs at this time. These pillars and foundation are consistent with the objectives outlined in the Strategic Plan 2010-2014. They also reflect the themes that Contributors have agreed should determine the strategic direction of SDF 8.

8.03 The technical papers/reports which are being prepared in the key thematic areas of SDF 8 will set out in more precise detail, the indicators that will be used to monitor implementation and measure the results achieved, the human and financial resources required to achieve the results

8.04 The Bank will implement the strategy using two mechanisms – partnerships and finance - and continue to make adjustments to its organisational arrangements that are necessary to improve implementation efficiency and effectiveness. There will be increased focus on building effective partnerships in support of achieving the strategic objectives of SDF 8.

TECHNICAL PAPERS AND REPORTS THAT HAVE BEEN OR ARE BEING PREPARED FOR REVIEW BY CONTRIBUTORS

- Management's Response to the Conclusions and Recommendations of the Mid-Term Review of SDF 7.
- SDF 8 Replenishment Negotiations: Themes, Issues and Timeline.
- Implementation of the Revised Country Classification System and Terms of Lending for Country Groups of the Special Development Fund (Unified).
- BNTF 6 Status Report.
- Status Report on the Implementation of SDF 7.
- Status Report on the Implementation of the Gender Equality Policy and Operational Strategy.
- The Strategic Focus of SDF 8: Building Our Resilience.
- Haiti – Charting A Way Forward.
- Action on Climate Change - Draft Climate Resilience Strategy.
- Final Report on the Assessment of the Effectiveness of the Implementation of the Poverty Reduction Strategy of the Caribbean Development Bank over the Period 2004-2009.
- BNTF 5 Programme Completion Report.
- BNTF 6 Mid-Term Evaluation Final Report and Management Response.
- Review of CDB's Technical Assistance Policy and Strategy.
- A Framework for the Continuation of Resources to Address Fiscal Distress.
- Review of CDB's Lending Products – Final Report.
- Paper: Status Report on Caribbean Development Bank's Reform Agenda 2008-2012.
- Paper: Review of the Caribbean Development Bank's Agenda for Managing for Development Results Agenda.
- Paper: Regional Cooperation and Integration – Continuing Support.
- Paper: Level of Resources and Commitment Authority.
- Paper: Assessment of CDB's Policy-Based Loans.
- Paper: Proposed Basic Needs Trust Fund Seventh Programme.
- Paper: Role of the Caribbean Development Bank in Enhancing Citizen Security in the Region.
- Paper: Revision of Selected Rules for Country Access to SDF Resources.
- Draft Report of Contributors to the Special Development Fund (SDF 8) - Building Resilience and Closing the Gap on the MDGs.
- Paper: Operation and Effectiveness of Policy-Based Loans.

SDF 8: PRIORITIES AND RESULTS FRAMEWORK WITH INTERVENTION MODALITIES, PARTNERSHIPS AND INDICATIVE ALLOCATIONS

Priorities	Expected Outcomes	Result Indicators	Modalities	Partnerships	Indicative Programming (Base Scenario) (USD million)
Inclusive Growth					
Education and Training	Increased and equitable access to high quality education and training.	Primary and secondary class-rooms built or upgraded according to minimum standards (no.).	Investment Loans, TA, partnerships	UNICEF, UWI, CXC, CANTA, OECS and CARICOM Secretariats	60
		Students benefiting from improved physical classroom conditions, enhanced teacher competence, and access to student loan financing (no.)			
	Improved efficiency and effectiveness of education services.	Teachers trained /certified in primary and secondary education (no.).		MDBs: WB and IDB	
Agriculture and Rural Development	Improved production, distribution and risk transfer systems to reduce vulnerability of rural populations.	Stakeholders trained in improved production technology (no.).	TA, Rural enterprise credit support programmes	CARDI, FAO/ IFAD/IICA, OECS Secretariat, UWI, CCCCC, WB	15
Economic and Social Infrastructure	Improved water and sanitation in high poverty areas, especially rural areas.	Water supply lines installed or upgraded (km).	TA, Investment Loans	Partners are at national level and are particular to each BMC	17
		Households with access to sanitation and water supply (no.).			
	Improved access and transport infrastructure, including rural roads.	Primary, secondary and other roads built or upgraded (km).			44.5
		Beneficiaries of road projects (no.).			

Priorities	Expected Outcomes	Result Indicators	Modalities	Partnerships	Indicative Programming (Base Scenario) (USD million)
Private Sector Development	Improved business climate, including regulatory and policy environment.	Number of CTCS and other TA interventions.	TA, CTCS	Compete Caribbean, CART Fund, CDE, IFC	5
		Number of beneficiaries of CTCS and other TA interventions.			
Vulnerability Reduction and Resilience					1
Disaster Risk Reduction and Management	Reduced risk and improved resilience focusing primarily on poor and vulnerable communities as a result of stronger regional, national and community capacity for mitigation, management and response to hazards.	Projects with components contributing to improved environmental management (no.).	Investment Loans, CCRIF, Immediate Response Loans and IRGs, TA	CDEMA, CIDA, IDB, OECS and CARICOM Secretariats	40
Climate Change Mitigation and Adaptation	Improved climate risk management in BMCs. Enhanced community resilience to climate change.	Climate Change and DRM projects contributing to adaptation, mitigation and improved community resilience (no.).	Investment Loans, TA, partnerships	CCCCC, CARICOM, DFID, CDEMA, EU, MDBs: WB, EIB	20
Renewable Energy (RE) and Energy Efficiency (EE)	Increased use of EE and RE technologies in key sectors such as agriculture, water and education housing, especially by MSMEs.	Projects with components supporting renewable energy (no.).	TA, Investment loans, BNTF, CTCS, Credit programmes to enable SMEs to adopt EE and RE systems	GTZ, OAS, MDBs [IDB, EIB, WB], UNDP, UNECLAC, SIDS Dock, DFID, CARICOM and OECS Secretariats, CARILEC, OOCUR, UWI, CEIS	

Priorities	Expected Outcomes	Result Indicators	Modalities	Partnerships	Indicative Programming (Base Scenario) (USD million)
Citizen Security					
Citizen Security	Enhanced Community Cohesiveness.	No. of programmes for enhancing capacity of community-based organisations and non-governmental organisations.	Social Investments Funds, BNTF	UNDP, UWI, UNICEF	5
	Enhanced Policy Framework for Citizen Security.	No. of national security policies and strategies.	TA		
Regional Cooperation and Integration					
Regional Public Goods	Strengthened statistical capabilities for improved decision making and impact evaluation.	Interventions supporting regional policy development.	TA	UNECLAC, CARICOM	16
	Improved legal and regulatory systems in BMCs.	Strengthened financial sector in the ECCU.	TA, financial assistance	Task force (IMF, WB, CDB, ECCB)	
	Enhanced coordination and co-operation in promoting regional development.	Increased use of e-governance systems.	Improved efficiency of intra-regional transportation.	TA especially in relation to PPPs	

Priorities	Expected Outcomes	Result Indicators	Modalities	Partnerships	Indicative Programming (Base Scenario) (USD million)
Governance and Capacity Development					
Economic Stabilisation and Fiscal Adjustment	Improved macroeconomic management.	Public Financial Systems Upgraded and Public Sector Investment Programme supported.	TA	IFIs: IMF, WB, IDB, ECCB, CARTAC	
	Improved capacity for project preparation, management and implementation.		Policy-based Loans		
	Improved capacity for strategic policy making and coordination including evidenced-based decision-making.				
Social Protection	Enhanced socio economic conditions.	Coverage of the poor in social assistance programmes.	TA to develop Social Protection frameworks.	IFIs: IMF, WB, IDB, UNICEF, DFID	77 ¹³
		Unemployment rate.	Targeted support for social protection in economic adjustment frameworks.		
		Public spending on social services (% of total public expenditure).	Emergency Line of Credit - Provision of counter cyclical support directed at the poor.		

¹³ Includes \$17 mn for Capacity Building TA

Priorities	Expected Outcomes	Result Indicators	Modalities	Partnerships	Indicative Programming (Base Scenario) (USD million)
Special Programmes					
Haiti					
Education and Training	Increased and equitable access to high quality education and training.	Increased access to early childhood development and primary education by poor children.	Education For All Project	Haiti Education Donor Group (WB, IDB, UNICEF, etc.)	
		Number of youth accessing TVET training programmes.			
	Improved efficiency and effectiveness of education services.	Increased participation, increased number of trained teachers, higher levels of literacy.	TVET Project		
Community-Driven Development and Agriculture	Increased access to public infrastructure facilities and services.	Community infrastructure built/upgraded (no.).	Community-Driven Development Projects – Urban and Rural	 	60
		Beneficiaries of community infrastructure interventions (no.).			
	Enhanced capacity of rural/urban communities to contribute to economic development.	Stakeholders trained in improved production technology (no.).			
Capacity Building and Resilience	Enhanced effectiveness of the Public Sector.	Regional Integration and Public Sector Capacity Building.	CTCS, TA	 	
	Enhanced viability of SMEs.	Number of beneficiaries of CTCS and other TA interventions.			
	Improved capacity for disaster risk reduction.	Climate Change and DRM projects contributing to adaptation, mitigation and improved community resilience (no.).			

Priorities	Expected Outcomes	Result Indicators	Modalities	Partnerships	Indicative Programming (Base Scenario) (USD million)
BNTF					
Education and Human Resource Development	Increased and equitable access to high quality education and training.	Primary and secondary class-rooms built or upgraded according to minimum standards (no.). Students benefiting from improved physical classroom conditions, and enhanced teacher competence (no.).	BNTF Grants		10 ¹⁴
Water and Sanitation Systems Enhancement	Improved water and sanitation in high poverty areas, especially rural areas.	Households with access to sanitation and water supply (no.).			
Community Access and Drainage Systems Enhancement	Improved access and transport infrastructure, including rural roads.	Secondary and other roads built or upgraded (km).			
	Improved living conditions in low income areas.	Beneficiaries of road projects (no.).			
		Beneficiaries of community infrastructure interventions (no.).			
Provision for New Members					10

¹⁴ This is in addition to \$50 mn for the BNTF 7 Programme.

SDF8: PRIORITIES AND RESULTS FRAMEWORK WITH HUMAN RESOURCE CONSIDERATIONS

CDB delivers its overall work programme [whether through OCR or SFR funded interventions] using multi-disciplinary teams drawn from across the Bank. The Projects Department organises its project work with a staff complement of 11 Portfolio Managers(PMs)/Coordinators, Operations Officers [OOs] - 2 Education and Training Specialists, 1 Agriculture and Rural Development officer, 10 Engineers (3 dedicated to BNTF), 5 Financial Analysts, 4 Social Analysts (1 BNTF), 2 Gender Analysts (1 in BNTF), 4 Disaster Risk Management/Environmental Specialists from Projects Department. The Department is led by the Director of Projects, 3 Division Chiefs, and 2 Unit Heads – Procurement Policy and Private Sector Development.

The Economics Department organises its country surveillance, country programming, and project work into two country areas, each comprising 5 Country Economists led by a Chief Economist, and supported by a Senior Statistical Clerk.

All of the work delivered within the Operations Area is supported by the Corporate Services Area.

Priorities	Human Resource Considerations	Comments
Inclusive Growth		
Education and Training	2 Education and Training Specialists	1 PM in the Social Sector Division (SSD) coordinates this portfolio. Consultants are recruited to provide technical inputs as required. Staff also work in close collaboration with national, regional and international sector partners (including WB and IDB).
Agriculture and Rural Development	1 Agriculture and Rural Development Officer	1 PM in SSD coordinates this portfolio. Consultants are recruited to provide technical inputs as required. The Officer also works in close collaboration with national, regional and international sector partners (including the FAO, IFAD, IICA and WB).
Economic and Social Infrastructure	7 Infrastructure Specialists 5 Financial Specialists	This area of the Work Programme will be undertaken across both Economic Infrastructure Division (EID) and SSD. 4 Portfolio Managers (2 SSD and 2 EID) will support this priority area. External consultants will be recruited to supplement existing staff as required.
Private Sector Development	1 PM 4 Officers (Financial Analysts) 1 Coordinator, CTCS 2 CTCS Officers	Supporting resources may be drawn from across the Bank and through consultants as required for project cycle functions. CTCS utilises a Network of regional consultants and Cooperating Institutions in the delivery of its capacity-building support for MSMEs.

Priorities	Human Resource Considerations	Comments
Vulnerability Reduction and Resilience		
Disaster Risk Reduction and Management Climate Change Mitigation and Adaptation	1 Coordinator, 2 Environment Officers, 2 DRM Officers, 1 Consultant Adaptation Main-streaming Consultant and 1 Climate Finance Advisor in VPO's Office financed by DFID from 2013. Personnel for Project Management Unit – 1 PM, 1 Administrative Assistant, 1 Monitoring and Evaluation Specialist, 1 Knowledge Management/Public Education Specialist for Community Disaster Risk Reduction Fund being recruited.	Climate Resilience Agenda will involve close collaboration with CCCCC, DFID, EIB, UNDP, CDREP and other Partners. CDRRF is funded by CIDA and additional resources from DFID are expected.
Renewable Energy and Energy Efficiency	1 PM in EID is dedicated to Energy Matters. Work is supported by staff in Environmental Sustainability Unit/Climate Change Mitigation. UNDP SIDS DOCK EERF implemented with ESD staff, CTCS staff, PSDU staff and development finance institutions.	Infrastructure works will be supported by EID Engineers and Analysts. The Climate-proofing of the existing portfolio will be incorporated in the EID work programme. RE/EE initiatives will be addressed in all capital projects where optimal. SIDS DOCK EERF.
Citizen Security	2 OOs Education and Training	1 PM in SSD will coordinate this portfolio. Consultants will be recruited to provide technical inputs as required. Areas for proposed CDB intervention are mainly through existing sectors, such as Education and Training and Housing. The relevant Sector Officers will be assigned to these projects. The BNTF Social Analyst and Gender Officer will also be involved in BNTF-financed sub-projects addressing issues of Citizen Security. Interventions will be designed in collaboration with development partners (including UNICEF and UNDP).

Priorities	Human Resource Considerations	Comments
Regional Cooperation and Integration		
Regional Public Goods	1 Coordinator, Regional Cooperation Integration, 2 OOs Governance/TA 1 Consultant CARTFund 2 Consultants EPA/CSME Standby Facilities	EPA/CSME Facilities in collaboration with EU delegation, CARICOM Secretariat
Governance and Capacity Development		
Economic Stabilisation and Fiscal Adjustment	1 Director 2 Chief Economists 10 Economists 1 Senior Statistical Clerk	This work will draw on the expertise of the Economics Department and other bank staff as required. The Department will lead the preparation of the related interventions, conducting its own analytical work as well as drawing on the analytical works of other agencies like CARTAC, UNECLAC, ECCB, EU, IMF, WB and others. The team will also actively engage with the BMCs.
Social Protection		The newly created Technical Cooperation Division will be responsible for coordinating TA interventions targeted at this area. It is expected that these interventions will be at the regional and national level and will be delivered primarily via consultancy services with inputs from staff of the Operations Area and collaboration with development partners where appropriate. The Department currently has a staff complement of 12 Economists with 2 posts vacant. The intention is to fill these as soon as possible. It is not envisaged that any additional staff will be required. Where work programme commitments demand it, consultancy support will be procured.
Special Programmes		
Haiti		
Education and Training	2 Education and Training Officers also cover the sector in Haiti. 1 OO, Agriculture also covers sector work in Haiti.	1 PM in SSD coordinates the Education and Training Portfolio and another coordinates the Community-Driven Development and Agriculture portfolio. Consultants are recruited to provide technical inputs as required. Staff also work in close collaboration with national, regional and international sector partners (including WB and IDB). A partnership arrangement is also under preparation between the Ministry of Education and Professional Training and Technical and Financial Partners.

Priorities	Human Resource Considerations	Comments
Haiti		
<p data-bbox="170 435 554 493">Community-Driven Development and Agriculture</p> <p data-bbox="170 678 554 704">Capacity Building and Resilience</p>		<p data-bbox="1010 269 1881 477">All interventions within the core areas are intended to be pursued through joint financing. In that way the financing partners will collaborate or share the cost with respect to the design of each intended intervention and each partner will prepare an appraisal report for its respective boards. Joint appraisal missions will be fielded and the appraisal documents of each financing partner will be expected to be consistent with each other, especially with respect to conditions for disbursement.</p> <p data-bbox="1010 513 1881 662">It is expected that the existing CDB staff complement will be sufficient to manage the intervention programme given: (i) the narrow range of interventions being contemplated; (ii) intended collaboration with other financing partners, (iii) the proposed use of consultants when necessary; and (iv) the experience already gained by CDB staff.</p> <p data-bbox="1010 698 1881 847">Interventions will be jointly supervised by CDB and the other financing partners as has been done with previous and ongoing interventions financed by CDB. These supervision arrangements have helped CDB build its knowledge of Haiti, while allowing the Bank to contribute ideas to enhance the effectiveness of projects.</p>
BNTF		
<p data-bbox="170 914 554 972">Education and Human Resource Development</p> <p data-bbox="170 1008 554 1066">Water and Sanitation Systems Enhancement</p> <p data-bbox="170 1102 554 1161">Community Access and Drainage Systems Enhancement</p>	<p data-bbox="600 914 968 972">2 OOs, Education and Training in SSD also advise BNTF.</p> <p data-bbox="600 1008 869 1094">3 BNTF Engineers 1 BNTF Social Analyst 1 BNTF Gender Analyst</p>	<p data-bbox="1010 914 1549 940">The PM, BNTF in SSD coordinates this portfolio.</p>

CARIBBEAN COUNTRIES GDP GROWTH RATES, 1990-2011

	ANT	BAH	BAR	BZ	DOM	GRE	GUY	HAITI	JAM	SKN	SLU	SVG	T&T
1990	2.5	1.1	-4.8	10.6	5.3	5.2	-3.0	-0.1	4.2	2.3	23.5	5	1.5
1991	2.0	-2.7	-2.9	11.6	0.6	2.3	6.0	4.2	4.8	0.4	2.7	0.6	2.7
1992	0.8	-2.0	-5.0	11.9	2.0	-0.3	7.8	-13.2	2.0	3.3	7.0	7.5	-1.6
1993	5.4	1.9	1.0	6.2	1.7	-2.6	8.2	-2.4	9.4	6.7	2.6	0.2	-1.4
1994	6.3	0.3	4.0	0.3	1.4	2.8	8.5	-8.3	1.4	5.1	1.4	-3.0	3.6
1995	-4.2	0.3	1.5	0.3	2.0	2.5	5.0	-4.0	2.3	3.7	3.3	1.0	4.0
1996	6.7	4.2	1.8	1.7	2.6	4.1	7.9	4.1	-0.1	6.5	1.4	1.3	3.9
1997	4.9	3.3	6.4	3.6	1.5	4.6	6.2	2.7	-1.1	6.8	0.6	3.2	2.7
1998	4.4	3.0	4.1	3.7	5.0	6.5	-1.7	2.2	-0.2	1.1	4.7	5.2	7.8
1999	4.1	5.9	2.6	8.4	0.7	10.1	3.0	2.7	0.7	5.2	2.9	3.0	4.4
2000	3.3	5.0	2.3	12.3	0.7	7.6	-1.4	0.4	0.6	2.8	5.0	2.0	6.1
2001	0.4	0.4	-2.6	4.9	-3.8	-4.9	2.2	-1.0	1.4	2.0	-5.5	-0.1	4.1
2002	2.5	13.5	-0.5	5.1	-4.0	1.6	1.1	-0.3	1.6	0.9	2.4	1.4	7.9
2003	5.2	5.2	2.0	9.3	2.2	7.1	-1.0	0.4	2.7	0.8	3.0	1.5	13.5
2004	7.2	1.2	3.7	4.6	6.4	-5.7	3.3	-3.5	1.1	8.8	5.8	9.1	6.5
2005	5.3	2.6	4.1	3.1	3.4	11.0	-2.2	1.8	1.8	4.1	5.8	2.2	7.9
2006	12.2	3.4	3.9	5.6	4.6	-2.4	5.1	2.3	2.5	4.0	5.6	6.7	12.2
2007	6.0	3.1	4.3	2.0	1.6	3.1	5.4	3.3	1.4	3.5	3.0	6.9	5.5
2008	2.2	-1.3	-0.2	3.8	7.8	2.2	2.0	0.8	-0.9	5.7	5.8	-0.6	2.4
2009	-9.6	-5.4	-4.7	0.0	-0.7	-7.6	3.3	2.9	-3.0	-4.4	-1.3	-2.3	-3.5
2010	-4.1	1.0	0.2	2.7	0.3	-1.4	4.4	-5.4	-1.2	-1.5	4.4	-1.8	-0.6
2011	2.0	2.0	1.0	2.5	0.9	0.0	5.3	6.1	1.5	1.5	2.0	-0.4	1.1
<u>Averages</u>													
1990-2011	2.85	2.0	0.97	4.97	1.83	1.99	3.28	-0.19	1.43	3.01	3.74	2.11	3.94
													ECCU
2007-2011	-0.7	-0.6	0.12	2.2	1.98	-0.74	4.08	1.54	-0.44	0.96	2.78	0.36	0.98
													ECCU
2002-2006	6.48	5.18	2.64	5.54	2.52	2.32	1.26	0.14	1.94	2.92	4.36	4.18	9.6
													ECCU

Source: Compiled from CDB and IMF Data.

CARIBBEAN COUNTRIES PUBLIC SECTOR GROSS DEBT
(% of GDP)

	2008	2009	2010	Estimate 2011	Projected 2012
Antigua & Barbuda	62.1	81.1	69.6	68.6	66.6
The Bahamas	32.6	37.9	45.4	48.6	49.9
Barbados	99.9	114.9	117.8	116.9	115.6
Dominica	53.7	53.7	54.3	54.9	54.8
Grenada	83.5	98.2	98.6	101.9	104.3
Haiti	37.8	27.7	17.1	12.6	19.0
Jamaica	126.1	141.4	143.4	143.3	138.0
St. Kitts & Nevis	134.0	148.0	155.8	148.9	143.7
St. Lucia	58.8	63.2	65.3	71.1	77.8
St. Vincent & The Grenadines	57.0	64.9	66.8	69.5	71.2
Trinidad & Tobago	25.4	34.4	40.1	50.0	51.0
<i>Simple Average</i>	70.1	78.7	79.5	80.6	81.1
ECCU	72.3	84.8	83.5	84.3	84.9

Source: IMF.

CARIBBEAN COUNTRIES POVERTY INDICATORS – 1996-2009

Country/Years*	Period 1			Period 2		
	% Poor Population	% Indigent Population	Gini Coefficient	% Poor Population	% Indigent Population	Gini Coefficient
Anguilla/2002;2009	23.0	2.0	0.31	5.8	0.0	0.39
Antigua & Barbuda/2006				18.0	3.7	0.48
Bahamas/2001				9.3	N/A	N/A
Barbados/1997;2009	13.9	N/A	0.39	19.3	9.1	0.47
Belize/2002;2009	33.5	10.8	0.40	41.3	15.8	0.42
BVI/2002				22.0	0.5	0.23
Cayman Islands/2008				1.9	0.0	0.4
Dominica/2002;2009	39.0	15.0	0.35	28.8	3.1	0.44
Grenada/1999;2008	32.1	12.9	0.45	37.7	2.4	0.37
Guyana/1997;2006	43.0	29.0	N/A	36.1	18.6	N/A
Haiti/2001				76.0	56.0	N/A
Jamaica/2002;2009	19.7	N/A	0.4	16.5	N/A	N/A
Montserrat/2009				36.0	3.0	Na
St. Kitts/2000;2008	30.5	11.0	0.39	23.7	1.4	0.38
Nevis/2000;2008	32.0	17.0	0.37	15.9	0.0	0.38
St. Lucia/1996;2005	25.1	7.1	0.50	29.0	1.6	0.42
St. Vincent/1996;2009	37.5	25.7	0.56	30.2	2.9	0.40
Trinidad & Tobago/1997;2007	24.0	8.3	0.39	17.0	N/A	N/A
Turks & Caicos Islands/1999				26.0	3.2	0.37

*The first year mentioned relates to Period 1 and the second Period 2. When only 1 year's data is available, it is shown in Period 2.