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CARIBBEAN DEVELOPMENT BANK



**UNITED KINGDOM CARIBBEAN INFRASTRUCTURE PARTNERSHIP FUND:
RATIFICATION OF CONTRIBUTION BY THE GOVERNMENT OF THE UNITED
KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND, THROUGH THE
DEPARTMENT FOR INTERNATIONAL DEVELOPMENT**

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CARIBBEAN DEVELOPMENT BANK

TWO HUNDRED AND SEVENTIETH MEETING OF THE BOARD OF DIRECTORS

TO BE HELD IN ST. VINCENT AND THE GRENADINES

MARCH 9, 2016

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**UNITED KINGDOM CARIBBEAN INFRASTRUCTURE PARTNERSHIP FUND:
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1. BACKGROUND

1.01 The links between the United Kingdom (UK) and the Caribbean are longstanding spanning several hundred years. As part of its continued engagement with the Caribbean, the UK Government signalled its intention, during the second half of 2015, to quadruple the size of its current aid programme to the Region with a particular focus on infrastructure support and enhancement. The UK identified the Caribbean Development Bank (CDB) as its preferred choice as the vehicle for delivering this aid programme to the Caribbean.

1.02 Caribbean countries, in general, have been trapped in a cycle of: low and variable economic growth; unsustainable debt levels; high unemployment; environmental degradation; threats to citizen security; and slow progress towards permanent improvements in the living conditions of the general population. The prevailing economic conditions have been exacerbated by the prolonged global economic and financial crisis.

1.03 Climate change and the increasing incidences and severity of natural hazards affecting the Region have exacerbated the problems even further. Indeed, the Caribbean is widely known as one of the most disaster-prone regions on the globe. Vulnerability to frequent natural hazard events has resulted in affected Borrowing Member Countries incurring very high economic costs to replace damaged or ruined infrastructure. Losses from natural hazards have reached at least 1.3% of gross domestic product (GDP) since the beginning of this century compared with 0.9% of GDP per year in the 1980s and 1990s. A 2008 preliminary examination of the potential costs¹ to the island nations of the Caribbean if greenhouse gas emissions continue unchecked, based largely on the 2007 Report of the Intergovernmental Panel on Climate Change shows that for 3 categories of loss i.e. increased hurricane damage, loss of tourism revenue, and infrastructure damage, the total cost to the Caribbean of global inaction is projected at USD22 billion (bn) annually by 2050 and USD46 bn by 2100.

¹ The Caribbean and Climate Change - The Costs of Inaction: Ramón Bueno, Cornelia Hersfeld Elisabeth, A. Stanton Frank Ackerman, Stockholm Environment Institute - United States Center Global Development and Environment Institute, Tufts University, May 2008.

1.04 Ongoing efforts to respond to unplanned natural hazard events have strained public financial resources, diverting attention away from strategic infrastructure investments to increase the prospects for economic growth, job creation, especially among the youth; and permanent improvements in living conditions. In addition, fiscal challenges have also limited the capacity of Caribbean countries to undertake appropriate maintenance programmes that could prolong the useful life of critical infrastructure related assets.

2. PROPOSAL/DESCRIPTION

2.01 The United Kingdom Caribbean Infrastructure Partnership Fund (UKCIF) has been set up to “provide critical infrastructure which will lay the foundation for growth and prosperity, poverty reduction and increased resilience to climate change in the Caribbean”. UKCIF will channel financial resources into eight Official Development Assistance (ODA) eligible beneficiary countries and one overseas territory - Antigua and Barbuda, Belize, the Commonwealth of Dominica, Grenada, Guyana, Jamaica, Saint Lucia, Saint Vincent and the Grenadines and Montserrat. UKCIF will be used to fund discrete or visible component parts of larger projects and, while co-financing may be used, UKCIF will always constitute the majority financing and must be the only donor alongside CDB to ensure UK visibility. In addition to the financing of capital projects, resources may be used to finance Technical Assistance (TA) interventions from the feasibility stage, through to preparation, implementation and evaluation.

3. PROJECT OBJECTIVES

3.01 The overall objective of UKCIF is to provide critical economic infrastructure in the eight ODA-eligible countries and one UK Overseas Territory in the Caribbean, to set the foundations for growth and prosperity, reducing poverty and increasing resilience to climate change. This will be achieved by the delivery of at least one high priority infrastructure project in each of the eligible countries and territory.

3.02 A detailed logical framework for the Programme will be prepared and agreed to by CDB and Department for International Development (DFID) within the first three months of implementation. This logical framework will form the basis for reporting. The expected impact and outcomes envisaged at this stage² are:

- (a) laying the foundation for enhanced and sustained economic growth; and
- (b) improved critical infrastructure which spurs increased trade, tourism and private investment.

3.03 The outputs³ to be delivered include:

- (a) key critical infrastructure built in the eligible countries and territory; and
- (b) best practice models of infrastructure developed and replicated across the region.

4. STRUCTURE AND OPERATIONS OF UKCIF

4.01 The beneficiary countries and overseas territory will each benefit from an allocation of grant resources which will be determined through the utilisation of the formula used to distribute CDB’s Special

² Extracted from UKCIF Memorandum of Understanding (see Appendix 1).

³ Extracted from UKCIF Memorandum of Understanding (see Appendix 1).

Development Fund resources. CDB shall have the option of increasing both the number and size of operations through co-financing utilising its loan resources. Table 1 shows the percentage allocation of UKCIF for each country/territory.

TABLE 1: INDICATIVE ALLOCATION BY COUNTRY OF FUND

| Country | Percentage Allocation | Indicative Allocation (£) mn | Indicative USD Equivalent⁴ |
|----------------------------------|------------------------------|-------------------------------------|--|
| Belize | 15.0 | 42.4 | 59.8 |
| Dominica | 9.1 | 25.7 | 36.3 |
| Grenada | 8.2 | 23.2 | 32.7 |
| Guyana | 18.8 | 53.2 | 75.0 |
| Jamaica | 18.8 | 53.2 | 75.0 |
| Montserrat | 5.1 | 14.4 | 20.3 |
| Antigua and Barbuda | 4.9 | 13.9 | 19.6 |
| Saint Lucia | 10.1 | 28.6 | 40.4 |
| Saint Vincent and the Grenadines | 9.9 | 28.0 | 39.5 |
| Total | 100.0 | 282.7 | 398.3 |

4.02 CDB will enter into grant agreements in the currency of UKCIF while the loan agreements will be in United States dollars. The grant resources will also cover CDB costs associated with administering the Programme over its four-year life. These costs include project execution expenses, monitoring and evaluation (M&E) and visibility costs, and management fees related to incremental costs to CDB. The Indicative Financing Plan is included at Table 2.

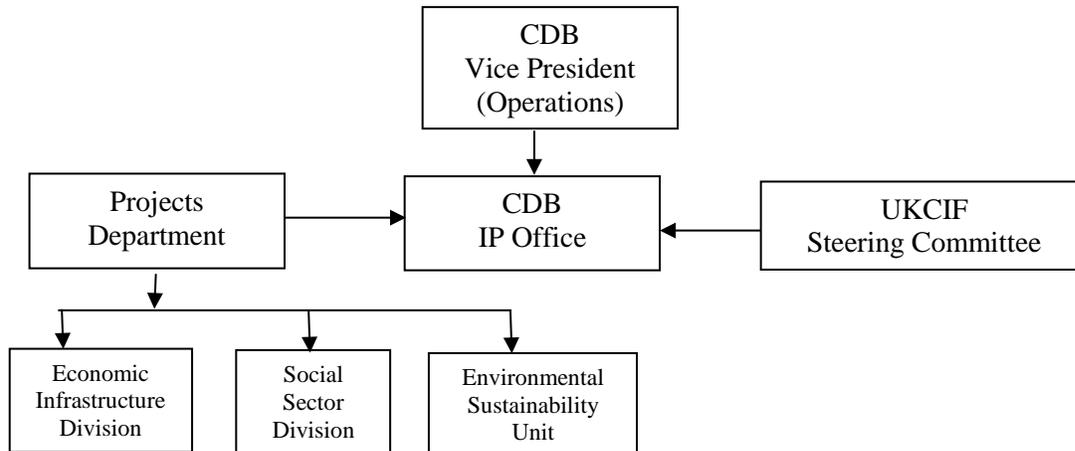
TABLE 2: UKCIF INDICATIVE FINANCING PLAN

| | Description | | Indicative Amount (£) mn |
|----|--|------|---------------------------------|
| 1. | Country Infrastructure | - | 282.75 |
| 2. | Administration and Management Costs: | - | 11.25 |
| | Administrative cost | 7.55 | - |
| | Additional Staff costs | 2.0 | - |
| | Travel and Miscellaneous Expenses | 1.2 | - |
| | Financial Audit Expenses | 0.2 | - |
| | Visibility and Branding Expenses | 0.3 | - |
| 3. | DIFID Staffing Costs (managed directly by DIFID) | - | 2.0 |
| 4. | (a) TA on M&E and wider Economic Development | - | 4.0 |
| | (b) Evaluation and Impact Assessments | - | |
| | Total | - | 300.0 |

4.03 As co-financier and executing agency of the Programme, CDB will be responsible for supervising the UKCIF Programme. The proposed governance structure of the UKCIF Programme is illustrated in Figure 1.

⁴ Exchange rate as at February 23, 2016.

FIGURE 1: UKCIF PROGRAMME GOVERNANCE STRUCTURE



4.04 CDB will appoint a “Head” within the CDB Infrastructure Partnerships (IP) Office who will also be supported by an enhanced Operations Area in the execution of UKCIF. The Operations Area will undertake the appraisal and implementation/supervision of UKCIF-financed projects, with the usual support of other CDB resources, (e.g. Legal, Finance, and Economics Departments). The Head, IP Office will be responsible for the day-to-day operations of UKCIF, including coordinating with DFID, Country Channels and the Project Coordinators assigned to each project.

4.05 The UKCIF Steering Committee, comprising senior representatives from both CDB and DFID, will provide overall strategic guidance for UKCIF. The “Steering Committee” will meet each quarter to review progress (physical and financial) and provide advice on future direction but will not be responsible for the approval of individual interventions.

5. APPROVAL AUTHORITY

5.01 Final authority for approval of interventions will vary depending on level and type of financing. It is proposed that the following approval authority be granted:

- (a) Financed solely from proceeds of UKCIF – Approval by the President.
- (b) Co-financing (CDB/UKCIF Resources) – Approval by Board of Directors (BOD) through a Round Robin procedure in the event that a BOD Meeting is not imminent.

6. JUSTIFICATION /BENEFITS

6.01 There are serious deficiencies in the infrastructure architecture, often defined by aging, non-climate resilient, inefficient, inadequate or missing infrastructure, in many of our Caribbean countries. Huge infrastructure deficits remain a major impediment to economic growth, a situation further exacerbated by the 2008 global recession, from which no Caribbean country has convincingly recovered. The existence of several barriers to the development of modern, efficient infrastructure (discussed in paragraphs 1.02 to 1.04) presents the rationale for a programme like UKCIF which intends to address each of these barriers, in whole or in part.

6.02 The eligible countries/territory have limited scope to increase borrowing due to existing debt burdens. Provision of financing at grant or very concessional terms will allow countries to increase the stock of modern, efficient, and resilient infrastructure in key sub-sectors.

6.03 Investment in infrastructure is seen as a means to improve access to services, markets and economic opportunities for both men and women. Indirect benefits include: improved incomes; better health; and improved safety. Promoting gender equality will be actively pursued under the Programme.

6.04 UKCIF is also designed to improve the capacity within eligible governments for the management of operations and maintenance of their infrastructure stock. Indirectly, UKCIF will also deliver jobs and improvements in livelihoods and help incentivise positive policy action in the region.

6.05 The UKCIF Programme is designed to deliver the expected outcomes and results as presented at Sections 3.02 to 3.03.

6.06 Negotiations were concluded with Government of the UK, through DFID, on a Memorandum of Understanding (MOU) (Appendix 1) for the purpose of establishing UKCIF through a contribution of £300 mn. The MOU was signed by both parties at the Bank's Headquarters on February 8, 2016.

7. PROCUREMENT

7.01 Procurement undertaken by CDB will be in accordance with CDB's procedures for Use of Funds. In the case of grants or loans to eligible countries, CDB's Guidelines for Procurement (January 2006) and Guidelines for the Selection and Engagement of Consultants (October 2011) shall apply. In order to facilitate expeditious and cost-effective project implementation, it is proposed that BOD authorise the President to approve procurement procedural waivers for projects, financed by way of grant or loan within the President's approval authority.

8. RECOMMENDATION

8.01 It is recommended that the BOD:

- (a) ratify the execution by CDB of the "Memorandum of Understanding" dated February 8, 2016, entered into between the Government of the UK, acting through DFID, and CDB for the purpose of financing the UKCIF Programme up to three hundred million pounds sterling (£300 m), a copy of which is attached hereto as Appendix 1; and
- (b) delegate to the President the authority to approve:
 - (i) all grants financed solely from proceeds of UKCIF; and
 - (ii) procurement procedural waivers as required for projects approved under (i) above.

8.02 It is further recommended that all decisions by delegated authority be notified to the BOD at the next conveniently scheduled Board Meeting.

| | |
|---|--------------------------|
| <i>Head, United Kingdom/Caribbean Infrastructure Partnership Fund</i> dupigna@caribank.org (246) 431 1600 | <i>Andrew F. Dupigny</i> |
| <i>Vice President (Operations)</i> mckenzp@caribank.org (246) 431 1605 | <i>Patricia McKenzie</i> |

SUPPORTING DOCUMENTATION:

- Appendix 1 - Memorandum of Understanding - The Government of the United Kingdom of Great Britain and Northern Ireland acting through the Department for International Development and the Caribbean Development Bank

MEMORANDUM OF UNDERSTANDING

Between

**The Government of the United Kingdom of Great Britain and Northern Ireland acting
through the Department for International Development (“DFID”)**

and

**The Caribbean Development Bank (“CDB”)
together called “the Participants”**

The UK Caribbean Infrastructure Partnership Fund (“the UKCIF”)

DFID Project Number: 205157

1. DFID will make available to CDB a sum not exceeding **£300 m, (three hundred million pounds sterling)** for the UKCIF, by way of a grant (the Grant). This will include the payment of a “management fee” to CDB of 3.75% of the UKCIF to cover the costs of delivery. An initial contribution of £200,000 towards the “management fee” will be made upon the signing of this Memorandum of Understanding (MoU). Thereafter, further contributions from DFID will be made on the basis of a request for funds from CDB. The governance arrangements and the basis upon which CDB will make requests for funds are shown in detail at Annex 1.
2. The arrangements and the purpose for which the Grant will be used are set out in this MoU and its Annexes collectively referred to as “this Arrangement”. The purpose of the UK-Caribbean Infrastructure Partnership Fund is summarised in Annex 2
3. The funding amount is subject to revision and will depend on the fulfilment of the provisions of this MoU, any revisions to budgets, actual expenditure and need and the continuing availability of resources to DFID.
4. The UKCIF will start on **February 8, 2016** and is expected to deliver planned activities and end on **March 31, 2020**.

Disbursement and Reporting

5. When requesting payment CDB should complete **and submit to DFID** Annex 3, the Payment Request Form, by following the procedures and practices in Annex 4. Payment will be made to the bank account indicated on the DFID supplier portal. Participants should confirm the appropriate bank details on the portal and the Payment Request Form.
6. In line with UK Government financial regulations and subject to Annex 1, paragraph 7, DFID will not pay in advance of operational need, unless this has been justified and approved in writing by both Participants. Where the Partner is holding DFID funds, prior to disbursement, funds may be invested prudently and in low risk investments. Any interest accruing from these investments will be re-invested within programme activities and expenses in accordance with CDB’s rules and regulations.
7. CDB will provide DFID with 6-monthly progress reports on the execution of the sub-projects and activities that describe performance of the programme against performance indicators contained in the



DFID log-frame and on the associated receipt and utilisation of the resources used to deliver these. The first report will be due six months after the signing of this MoU. The structure of the progress report is shown at Annex 5.

8. CDB will also submit to DFID **yearly** financial reports that set out the actual expenditure against the approved programme budget and forecast. These reports will be submitted within two months of the end of each financial year of CDB.

Due Diligence

9. In utilising the funding CDB will exercise the same care in the discharge of its functions under this Arrangement as it exercises with respect to the administration and management of its own resources and affairs. CDB shall co-operate fully with any due diligence assessment by DFID or its agents, of CDB's own internal controls and systems. These assessments should be completed prior to programme implementation and will last for 3 years, unless there is a significant change to CDB's procedures and controls or operating environment.

10. Additionally CDB shall take the necessary steps at the commencement of the programme and at regular intervals throughout the implementation to assess the internal controls and systems of all recipients of UKCIF financing prior to any disbursement of funds to them. These assessments, which will be undertaken as part of project appraisal and supervision activities, will be shared with DFID, upon request and should determine, relative to programme risk:

- government procurement systems as allowed under CDB's procurement guidelines
- reliability and integrity of government financial controls, systems and processes;
- effectiveness and efficiency of government project operations; and
- procedures for safeguarding project assets.

On-going Audit and Assurance

11. CDB will within 6 months of the end of each financial year provide DFID with independent assurance that DFID funds have been used for the intended purposes. CDB will provide DFID with a copy of the annual CDB financial report (showing UK funds separately) audited by an independent and appropriately qualified auditor.

12. Receipt of the appropriate audit documentation above will generally be accepted as suitable audit discharge. However, DFID or its agents do reserve the ability to request additional audits and information from CDB during the course of the programme. The reason for any request for additional audits and information, will be justified by DFID. CDB will give due consideration to such requests and provide DFID with a timely and substantive response, in line with their information disclosure policies. The costs of providing such information will be agreed upfront between both Participants.

Accountability and Indemnity

13. DFID will not be responsible for the activities of any person, organisation or company engaged by CDB or its agencies as a result of this MoU, nor will DFID be responsible for any costs incurred by CDB or its agencies in terminating the engagement of the aforementioned persons, organisations or companies.



14. Although accountable to DFID for the appropriate use of funding and delivery of programme objectives, CDB will retain ultimate responsibility for the use of funding and will work with the recipients of the financing to resolve any effects of aid expenditure that have an adverse environmental or social impact upon recipients.

Communication and Branding

15. CDB will collaborate with DFID and proactively look for ways to build support for development and raise awareness of DFID's funding. CDB will explicitly acknowledge DFID's funding, in written and verbal communications about activities related to the funding, to the public or third parties, including in announcements, and through use, where appropriate, of DFID's "UKaid – from the British people" logo ('UKaid logo') in accordance with DFID standards for use of the UKaid logo, unless otherwise agreed in advance by DFID and in all cases subject to CDB's security and safety considerations. CDB will refer to this fund as the "UK Caribbean Infrastructure Partnership Fund" or UKCIF.

16. CDB and DFID will agree the content of a visibility statement detailing how and when UKCIF will be acknowledged and where the UKaid logo will be used. CDB will include reference to this in its progress reports and annual reviews. An initial visibility statement to be signed as part of this MoU is shown at Annex 6.

Intellectual Property

17. Intellectual property developed in all material (including, but not limited to, reports, data and designs, whether or not electronically stored) produced by CDB or its personnel, members or representatives in the course of this programme ("the Material") will be the property of CDB.

18. In signing this Arrangement CDB hereby grants to DFID a worldwide, non-exclusive irrevocable and royalty-free licence to use all commercially non-sensitive Material, where "use" shall mean, without limitation, the reproduction, publication and sub-licence of all commercially non-sensitive Material and the intellectual property therein, including the reproduction and sale of such commercially non-sensitive Material and products incorporating the same, for use by any person or for sale or other dealing anywhere in the world.

Fraud and Corruption

19. DFID and CDB will immediately and without undue delay inform each other of any event which interferes or threatens to materially interfere with the successful implementation of the programme, whether financed in full or in part by DFID, including credible suspicion of or actual fraud, corruption or any other financial irregularity or impropriety.

20. DFID has an expert fraud investigation unit, that should be contacted in the first instance at fraud@dfid.gov.uk or +44 (0)1355 84 3747. For CDB, the Office of Integrity, Compliance and Accountability (ICA) should be contacted at ica@caribank.org or by telephone at +1 (246) 431 1777. All complaints and information received by either participant which alleges wrongdoing in relation to the UKCIF will be handled securely, treated as strictly confidential by both Participants and promptly shared with each other.

21. DFID and CDB have a zero tolerance approach to fraud, corruption and other wrongdoing that may lead to the misuse of funds and each Participant agrees to work to prevent, detect and investigate such abuse in principle, to recover such funds if misappropriated; and where possible to sanction wrongdoers. CDB will take timely and appropriate action to investigate credible allegations of wrongdoing, however both



Participants will collaborate with each other and fully co-operate with investigations into such wrongdoing, whether led by CDB or DFID.

22. In the event of any credible indications that UKCIF resources may have been fraudulently misappropriated, DFID may, at any time during the period of this Arrangement and up to five years after the end of the programme, arrange for additional fraud investigations, on-the spot checks and / or inspections to be carried out. These may be carried out by DFID, or any of its duly authorised representatives. Any costs associated with the provisions of Sections 20 to 22 have not been included as part of the management and administration costs and will be met separately from the resources of UKCIF.

23. DFID reserves the right to recover funds that have been misappropriated due to a proven fraud and will work with CDB to do so. Where fraudulent or unethical activity or other wrongdoing is determined to have occurred, DFID reserves the right to terminate funding with immediate effect, in preference to the standard notice period and irrespective of any contractual requirements. DFID reserves the right immediately to suspend its UKCIF funding whenever an allegation of fraudulent or unethical activity or other wrongdoing is received and such suspension may be done by DFID irrespective of any contractual requirements. Before any suspension, termination or other sanction is imposed by DFID against a wrongdoer, DFID will notify CDB with sufficient time to enable ICA to make appropriate arrangements to assist any investigation being undertaken into the matter for which the sanction is imposed.

24. CDB will, as far as possible, assure itself that UK funding, including financial assets or economic resources is not made available, either directly or indirectly to, or for the benefit of persons, groups or entities listed in accordance with European Council Regulation EC/2580/2001 (as amended) and/or the Terrorism (United Nations Measures) Orders 2009 of the United Kingdom, or contravene the provisions of those and that of any subsequent applicable terrorism legislation. DFID will advise CDB of any changes to these regulations.

25. Recognising the obligations of CDB's member countries under various United Nations Security Council Resolutions to take measures to prevent the financing of terrorism, CDB undertakes to use reasonable efforts, consistent with CDB's Charter and policies, including those pertaining to combating the financing of terrorism, to ensure that funds provided under this Arrangement are used for their intended purposes and are not diverted to financing of terrorism; nor are they used to provide support to individuals or entities associated with terrorism. CDB must inform DFID in a timely manner if, during the course of this Arrangement, CDB becomes aware that funds provided under this Arrangement are being used for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

General Termination

26. If DFID becomes concerned that the provisions of this MoU have not been fulfilled by CDB, or if any activities occur which in DFID's opinion will significantly impair the development value of the programme, DFID will discuss with CDB and form an assessment. DFID may then take any of the following actions:

- Signal a possible future response
- Delay or reduce the applicable funding
- Stop aid under the termination provisions set out within this Arrangement



27. Both Participants will at first negotiate in an attempt to resolve any issues that might arise throughout the programme. However, this Arrangement can be terminated, at any time, by three months' written notice by either participant. All remaining funds, other than those irrevocably committed in good faith before the date of termination, in line with programme objectives and approved between the two Participants as being required to finalise activities, will be returned to the DFID.

28. Additionally any unspent funds remaining at the scheduled end of a programme, must be returned to DFID unless specifically decided between both Participants, in writing. The template in Annex 7 should be used when returning funds.

Additional Provisions

29. A proportion of the funding may be used to cover administration and management costs associated with the programme. Administration and management costs should not exceed **£11,250,000 (3.75%)**. This will include provision for all management and administration costs associated with the delivery of the "UKCIF". Increases to this need to be evidenced and approved by both Participants in advance and in writing.

30. CDB will conduct a post-evaluation of the activities financed from the Grant that will focus on the results achieved, efficiency, effectiveness of implementation and quality of administration. This will be provided to DFID within 6 months of the agreed programme end date. This will draw on the monitoring and evaluation reports, including impact evaluations, undertaken for the programme's projects.

31. The Grant will not, unless approved by DFID in writing, be used to meet the cost of any import, customs duties or any other taxes or similar charges, applied directly or indirectly, by local Governments or by any local public authority on the goods / services provided.

32. Under this Arrangement CDB will submit all payment requests and invoices electronically. The form of notification of payment by DFID is provide at Annex 8.

33. It is understood that the bank account into which the DFID funds shall be paid may be an already-existing account maintained by CDB. CDB will maintain records that are sufficiently detailed to ensure that it will be able to account for and monitor the proceeds of the DFID funds separately from any other funds deposited to that bank account.

34. CDB will work towards applying transparency standards in line with the UK Aid Transparency Guarantee and the International Aid Transparency Initiative (IATI), to the funds received from DFID. In line with this guarantee and DFID's transparency commitment, CDB will make substantive efforts to publish information about the UKCIF's projects, in line with relevant categories of the IATI standard, on its website. In line with DFID's Transparency commitments, CDB gives consent for this MoU (and any subsequent amendments) and associated funding to be published on DFID's website.

35. If this Arrangement is acceptable to CDB it will place on record the understanding of the Participants and will come into operation on the date of signature below.

36. In the event of translation the English text of this document will prevail. Any amendments to the provisions contained within this Memorandum will be set out in writing and approved by the authorised personnel from each participant through DFID's standard amendment letter or, where significant, a revised MoU.



37. This MoU may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same Agreement.

Signed on behalf of DFID:

Name: *Colleen Wainwright*
Position: Head of DFID Caribbean
Address: DFID, British High Commission, Lower Collymore Rock,
St. Michael, Barbados
Date: February 8, 2016

Signed on behalf of CDB:

Name: *Patricia McKenzie*
Position: Vice President (Operations)
Address/Contact Details: Caribbean Development Bank, Wildey,
St. Michael, Barbados
Date: February 8, 2016



ANNEX 1: GOVERNANCE ARRANGEMENTS AND HOW FUNDS WILL BE DISBURSED

Governance Arrangements

DFID oversight

1. DFID's oversight of the "UKCIF" will be provided by DFID Caribbean's Senior Responsible Owner, supported by a Senior Programme Manager. DFID may choose to supplement oversight with additional specialist technical advisory support as and when required, including deploying staff to work alongside CDB staff. DFID may, in consultation with CDB, also designate staff to work in CDB to support implementation.

CDB management and oversight

2. The "UKCIF" will be managed under standard CDB systems and procedures and guidelines and coordinated by a designated senior projects expert in CDB. Opportunities to streamline systems and procedures without compromising on quality should be actively pursued and implemented on agreement of both parties.
3. Approval authority for interventions under this programme will be agreed by the Participants and included in CDB's Paper to be presented to its Board of Directors.
4. The management fee for the "UKCIF" can be used by CDB to resource additional short-term or long-term capacity to support the implementation of the "UKCIF". Details of the indicative staff requirements are outlined at Annex 9, and will be reviewed periodically.
5. DFID and CDB will establish a "Steering Committee", comprised of senior representatives from both institutions, that will provide overall strategic guidance for the "UKCIF". The "Steering Committee" will meet each quarter to review progress (Physical and financial) and provide advice on future direction but will not be responsible for the approval of individual interventions.

Selection of Projects

6. Concepts will be developed by beneficiary governments with support from CDB, using funds from UKCIF if necessary. Early stage concepts will be reviewed by DFID and CDB to ensure that they meet the eligibility criteria for the UKCIF. Following detailed appraisal, projects will also be reviewed by DFID before going to the requisite approval authority.

Disbursement of Funds

7. An initial contribution of £200,000 towards the "management fee" will be made upon the signing of this MoU. Thereafter, further contributions will be made by DFID on the basis of periodic requests for funds from CDB. The requests for funds will include:
 - (a) funding requests for projects that have been approved by CDB, sufficient to allow CDB to then commit funding to beneficiary governments; and
 - (b) payment of "management fee" associated with the operations of the "UKCIF".
8. An Indicative Financing Plan is included at Annex 10.



ANNEX 2: THE PURPOSE OF THE UK-CARIBBEAN INFRASTRUCTURE PARTNERSHIP FUND

1. DFID will provide up to £300m grant financing from January 2016 to March 2020 to establish a UK Caribbean Infrastructure Partnership Fund with the Caribbean Development Bank. The UKCIF will support 8 ODA-eligible Commonwealth Countries and 1 ODA-eligible Overseas Territory to create critical economic infrastructure in the Caribbean to set the foundations for growth and prosperity, reducing poverty and increasing resilience to climate change.
2. The programme's main activity will be the establishment of a fund that will provide grants to build economic infrastructure in DFID's focus ODA-eligible countries in the Caribbean. These countries are: Antigua and Barbuda, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Lucia, Saint Vincent and the Grenadines and the UK Overseas Territory – Montserrat. CDB's allocation formula for its Special Development Fund will form the basis of the allocation of funds between beneficiaries. The UKCIF will be used to fund discrete or visible component parts of larger projects and, while co-financing may be used on larger projects for other components, the UKCIF will always constitute the majority financing and must be the only donor alongside CDB to ensure UK visibility. CDB and DFID will determine whether a contingency allocation should be made as part of the initial allocation process to allow UKCIF to respond to emergencies and natural disasters that may occur during the programme. At the beginning of year 3 of the programme an assessment of the progress of implementation will be jointly undertaken by CDB and DFID following which a reallocation of uncommitted resources may be undertaken. At any time, countries that cease to be ODA-eligible will no longer be beneficiaries of UKCIF as it is an ODA-financed fund.
3. The eligibility criteria for projects supported under the "UKCIF" are as follows:
 - (a) Projects of both a Technical Assistance (TA) nature as well as capital projects will be eligible for financing from the UKCIF. TA interventions from feasibility, through to preparation, implementation and evaluation of infrastructure projects will be eligible.
 - (b) Projects should be designed that they will provide critical infrastructure which lay the foundations for growth and prosperity, poverty reduction and increased resilience to climate change in the Caribbean.
 - (c) Project must be located within one of the 8 ODA-eligible counties or the 1 ODA-eligible overseas territory.
 - (d) For projects to be eligible for funding under the UKCIF, they must be submitted by their national governments to CDB for consideration.
 - (e) Projects must be of an infrastructure nature. Examples of eligible infrastructure projects include roads; bridges; sea defences; seaports; airports; water/sanitation/wastewater; and irrigation. Renewable energy and energy efficiency projects are also eligible for financing from the UKCIF.
 - (f) All interventions must be anchored within CDB's strategic objectives to support inclusive and sustainable growth and development; and promote good governance.
 - (g) Only projects that are assessed to be critical drivers of economic growth and be able to deliver an Economic Rate of Return of at least 12% or similar qualitative benefits will be approved for financing. Project proposals will also be assessed to ensure that adequate environmental, social and gender safeguards, in accordance with the appropriate CDB polices/guidelines, are incorporated into project design. Provision of local jobs in implementation will also be considered.



IMPACT AND OUTCOME

4. For this programme, the impact and outcome we expect to achieve are:

| | |
|----------------|---|
| Impact | Laying the foundations for enhanced and sustained economic growth. |
| Outcome | Improved critical infrastructure spurs increased trade, tourism and private investment. |

Outputs

5. The outputs to be delivered under the programme would be:

| | |
|-----------------|--|
| Output 1 | Key critical infrastructure built in DFID focus countries. |
| Output 2 | Best practice models of infrastructure developed (e.g. climate resilient and/or social impact) and replicated across the region. |

Results

6. **The headline direct results** up to May 2020 would be:

- (a) at least two major, or possibly one larger infrastructure project, delivered in each of the focus countries and territories in the following sectors (roads, bridges, renewable energy, water, sea defences and ports, sanitation/wastewater management);
- (b) projects that deliver at least a 12% economic return on investments; and
- (c) flagship projects that demonstrate resilience in design and are capable of withstanding extreme weather events.

7. Other tangible benefits would be:

- (a) operation and maintenance plans for the UKCIF's projects in place; and
- (b) improved capacity in governments for the management of operation and maintenance of their infrastructure stock.

8. **Indirectly** the UKCIF will also deliver jobs and improvements in livelihoods and help incentivise positive policy action in the region.

Jobs and improvements in livelihoods

9. Whilst not directly measured by this programme, wider benefits will be delivered to the poor. The poor can benefit directly by using the infrastructure services generated by the built assets. The assets also allow them to access markets, health and education facilities, while lower prices for energy would increase overall disposable income and reduce business costs. They can also benefit directly through employment in the construction, maintenance and operations of the built assets.



10. The poor can also benefit indirectly as a result of the spill-over effects from the economic growth generated by the infrastructure services. New, cheaper and reliable infrastructure services allow businesses to grow through lower production and transaction costs leading to an increase in trade. The poor can benefit from the jobs created by these businesses, self-employment opportunities and from governments investing the additional tax revenue generated by the economic growth in public services.

Incentivising positive action

11. The UKCIF offers the UK the opportunity to promote a world-class approach to delivering infrastructure that is fully transparent, free from corruption and consistent with good governance and wider economic reforms that promote growth.

Reducing gender inequality

12. Promoting gender equality will be actively pursued in this programme. Investment in infrastructure is seen as an important means to improve the access to services, markets and economic opportunities for both men and women. Possible benefits include improved incomes, better health and improved safety. Gender targets and approaches to increase community participation in projects will be trialled under the programme.

Miscellaneous

13. A logical framework for the programme will be prepared and agreed by CDB and DFID within the first three months of implementation and will then form the basis for reporting.



ANNEX 3: PARTNER PAYMENT REQUEST FORM

| | |
|------------|--|
| To: | Accounts Payable, DFID, Abercrombie House, East Kilbride, Scotland <i>(NB. Where payment request is not electronic and originates from overseas, request should be sent via the local DFID Country Office)</i> |
| cc: | Terry Brathwaite, DFID Caribbean |

Title and Details of Funding

Organisation

Title of Grant / Programme name

Programme Location

Details of Expenditure

DFID Component Code / Purchase Order No.

Date of Claim

Period of Funding Request [dd/mm/yyyy] to [dd/mm/yyyy]

Payment Request Amount

Bank Details

| | |
|--|--|
| Bank Name: | |
| Bank Postal Address: | |
| Name of Account: | |
| Bank Account Number: | |
| Sort Code: | |
| Currency of Bank Account: | |
| IBAN number: [required for bank accounts within Europe] | |
| SWIFT number: | |
| ABA or BIC Number: [BIC required for bank accounts within Europe] | |
| Intermediary bank details: | |
| Bank Email Address: | |



Department
for International
Development



Audit Discharge

Specify details of audit discharge through annual audited statements / continuous audit / agency audit

Certification

I certify that this claim is correct and that the sum requested is properly due on the basis of the information provided, programme objectives and on the work carried out or future work plans. I have the authority to sign this on behalf of the **Caribbean Development Bank**.

Authorised Signatory:

Date:

Name:

Position:

Address/Contact Details:



ANNEX 4: PROCEDURES AND PRACTICES FOR UNITED KINGDOM SUPPORT

Introduction

1. This document sets out the procedures and practices applicable to multilateral support provided by the United Kingdom, including payment, procurement and audit arrangements.

Disbursement of the Grant

2. In line with UK financial rules and regulations, disbursements, in advance of operational need should only be made when they have been properly justified. This justification will need to be set out in writing as part of this Arrangement. All payments will be made on submission of an appropriate claim from CDB.
3. All claims should be accompanied by any relevant supporting documents and should include the necessary information to allow DFID to make payments to the bank details provided on the DFID supplier portal. The **Request for Payment template in Annex 5** sets out the recommended format for this information which must include the following information:
 - (a) Title of Grant
 - (b) Programme location/official address
 - (c) Amount of claim
 - (d) Details of expenditure
 - (e) Bank account details (*To corroborate with the Bank details provided on DFID's Supplier Portal*)
 - (f) Details of audit discharge being applied to the project (*See audit discharge options below*)
 - (g) All claims must also include the following certification statements:

"I certify that this claim is correct and that the sum requested is properly due on the basis of the information provided, programme objectives and on the work carried out or future work plans. I have the authority to sign this on behalf of..."
4. All outstanding claims must be submitted within six months of the programme end date.
5. DFID's funding amount is agreed as per the Great British Pound (GBP) value, as at the date of agreement. DFID's preferred currency for disbursements is in GBP, however where it is more efficient to pay in foreign currency, DFID is prepared to do so.

Supplier Portal

6. If you are an existing DFID partner, payments will be made into the bank account as detailed on the DFID portal. Please ensure your details are accurate and up to date. If the payment is to go to



a different account from the one already registered, you must set up an additional entry on the portal. If your organisation has more than one account registered with us, please confirm within the payment request form, the details of the account entry to be used.

7. If you are a new supplier/recipient you must register with us on the DFID portal: <https://supplierportal.dfid.gov.uk/selfservice/>. In the event of any changes being required you should update your details immediately on the portal, failure to do so could lead to delays in payment.

Audit discharge of aid funds

8. In line with UK financial management requirements DFID must obtain independent audit assurance that funds have been used appropriately. Audit Arrangements should be tailored to programmes to ensure that it provides effective assurance but is also efficient.
9. Although audit assurance is often provided through independently audited programme specific statements, programmes are not restricted to this and may obtain assurance through, for example, an independent internal audit function integrated to the programme or independent audit assurance of payment requests. Programme audit arrangements must be recorded within the audit section of this Arrangement.

Procurement of Goods and Services by CDB

10. Procurement of goods and services may be carried out by CDB throughout this funding. CDB will manage such procurement in accordance with its own regulations, rules, policies, procedures and directives. All procurement should take regard of international best practice, applicable regulations and be designed to achieve maximum value for money.
11. Records of all procurement activity must be kept by CDB and made available to DFID, upon request. DFID reserves the ability to assess the procurement capacity and capability of CDB at any time.



ANNEX 5: CONTENT OF PROGRESS REPORTS

1. CDB will submit a progress report to DFID with the following information:

Physical Progress

- Short summary of progress
- Description of activities undertaken
- Progress with projects including details on:
 - Pipeline projects under development
 - Projects approved
 - Projects under procurement
 - Projects under implementation
 - Projects completed
- Progress against log frame indicators
- Assessment of programme risks
- Brief outline of monitoring activities undertaken
- Brief outline of evaluation/impact analysis undertaken

Financial Progress

- Funds received from DFID
- Funds Committed by CDB
- Funds Disbursed by CDB
- Projected Funding required over coming 6 months (which will form the basis of the request for funding from DFID).
- Progress against any audit or due diligence action plans.



ANNEX 6: VISIBILITY STATEMENT

1. As part of your funding agreement with DFID, you are required to acknowledge funding from the UK Government throughout the life cycle of your programme, in written materials and verbal statements and through use of the UKaid logo on programme assets.
2. By completing and signing this statement you agree to fulfil this requirement, and to provide, as part of your agreed reporting to DFID, evidence of the branding in use, including photographs of the logo in the field and examples of communications materials.
 - (a) Organisation Name:
 - (b) Programme Name and brief description of what it will deliver:
 - (c) All projects developed under UKCIF will carry the UKaid logo.

Declaration

4. I understand that no UKaid funds may be used to procure any promotional communications goods or activities that do not have a direct impact on the successful delivery of this programme or serve to increase the transparency of funding.
5. By signing this statement, you agree to fulfil the commitments stated above:

Partner organisation representative:

Name:

Job title:

Signature: _____ Date: _____

Agreed by DFID programme manager:

Name:

Job title, department:

Signature: _____ Date: _____



ANNEX 7: NOTIFICATION OF RETURN OF FUNDS TO DFID

| | |
|------------|--|
| To: | Treasury and Banking, DFID, Abercrombie House, East Kilbride, Scotland, (NB. Where notification of return is not electronic and originates from overseas, request should be sent via the local DFID Country Office) |
| Cc: | Terry Brathwaite, DFID Caribbean |

Programme Details

Partner Name
Title of Grant / Programme name
Purchase Order / Component Code
Payment Date
Payment Amount to DFID

Bank Details

| | |
|----------------------|----------|
| DFID Bank: | Citibank |
| DFID Sort code: | 08-33-00 |
| DFID Account number: | 12294702 |
| DFID Account Code | |
| DFID Component Code | |

Payment Method

For UK Payments under £10,000 we recommend the use of Bankers' Automated Clearing Services (BACS). For UK Payments in excess of £10,000 we recommend the use of Clearing House Automated Payment System (CHAPS). Cheques should be made payable to 'Department for International Development' and sent to the DFID Programme Manager. All payments direct from overseas bank accounts should also quote the following:

| | |
|------------------------|--|
| <i>Pay</i> | <i>Citi London</i> |
| <i>BIC/Swift</i> | <i>CITIGB2L</i> |
| <i>IBAN</i> | <i>GB33CITI08330012294702</i> |
| <i>Posting Address</i> | <i>25 Canada Square , Canary Wharf, London , E14 5LB</i> |

Partner Contact Details

| | |
|------------------|--|
| Name: | |
| Position: | |
| Address: | |
| E-mail: | |



ANNEX 8: NOTIFICATION OF PAYMENT BY DFID

| | |
|------------|--|
| To: | {Name of Partner, (Country Office)} |
| CC: | Terry Brathwaite, DFID Caribbean |

Partner Name
 Title of Grant / Programme name
 Purchase order / Component Code
Payment Date
Payment Amount

Payment has been made to the bank account as detailed on the DFID portal, confirmed below:

Bank Name:
 Bank Postal Address:
 Name of Account:
 Bank Account Number:
 Sort Code:
 Currency of Bank
 Account:
 IBAN number:
 [required for bank
 accounts within Europe]
 SWIFT number:
 ABA or BIC Number:
 [BIC required for bank
 accounts within Europe]
 Intermediary bank details

| DFID Contact Details | |
|-----------------------------|--|
| Name: | |
| Position: | |
| Address: | |
| E-mail: | |



ANNEX 9: INDICATIVE STAFFING POSITIONS⁵

Staffing will be:

| | | |
|----|---|-------------|
| 1. | Coordinator/Lead – UKCIF (Reports to VPO) | 2016 - 2020 |
| | Administrative Assistant | 2016 – 2020 |
| | 1 Senior Programme Manager (DFID provided) | 2016 - 2020 |
| | 1 Programme Results / Reporting / Mgr (DFID provided) | 2016 – 2018 |
| 2. | Technical Officers – EID | |
| | 2 Engineers (1 DFID provided) | 2016 - 2020 |
| | 1 Financial Analyst | 2016 - 2020 |
| | 1 Secretary 3 | 2016 - 2020 |
| 3. | Technical Officers – SSD | |
| | 1 Gender Specialist | 2016 - 2020 |
| | 1 Social Analyst (1 DFID provided) | 2016 - 2020 |
| 4. | Technical Officer – ESU | |
| | 1 Environmentalist/DRR Specialist | 2016 – 2020 |

⁵ Annual work force plans and rationale will determine the actual staff mix, in conjunction with Human Resources Department.



ANNEX 10: INDICATIVE FINANCING PLAN

| Description | | Indicative Amount (£) mn |
|-------------|--|--------------------------------|
| 1. | Country Infrastructure | 282.75 |
| 2. | Administration and Management Costs: | 11.25 |
| | Administrative cost | 7.55 |
| | Additional Staff costs | 2.0 |
| | Travel & Miscellaneous Expenses | 1.2 |
| | Financial Audit Expenses | 0.2 |
| | Visibility & Branding Expenses | 0.3 |
| 3. | DIFID Staffing Costs (managed directly by DIFID) | 2.0 |
| 4. | (a) TA on M&E and wider Economic Development | 4.0 |
| | (b) Evaluation and Impact Assessments | |
| | Total | 300.0 |