

## Multilateral Aid Review: Assessment of Caribbean Development Bank

<b>Summary</b>	
Organisation: <b>Caribbean Development Bank</b>	Date: February 2011
<b>Description of Organisation</b>	
<p>The Caribbean Development Bank's (CDB) is a small regional bank targeted at the Caribbean millennium development goals (MDGs) and poverty across the Caribbean. The bank has 18 borrowing members, all members of the Commonwealth. Excluding Haiti (which has a separate fund and only receives grants) its average lending and grants between 2004 and 2008 was \$175m per year. Comparable figures for the same countries were IADB \$173m pa, World Bank \$54m pa and EIB \$45m pa.</p> <p>CDB has two arms, the Ordinary Capital Resources (OCR) and the Special Development Fund (SDF). OCR lending is at near market interest rates, whereas SDF provides concessional loans and grants. The SDF commits around \$60m pa, mainly for small community infrastructure projects, education and human resource development. The UK provides about a quarter of the SDF and, with Canada, is joint largest contributor. CDB's OCR and SDF management is largely the same, so this assessment covers both together.</p> <p>The UK with just less than 10% of shares of CDB is, with Canada, joint largest non-Caribbean member. Jamaica and Trinidad and Tobago are the largest regional members with 17% each, and regional members together have 65% of the voting power.</p> <p>CDB serves some small island states and UK overseas territories which do not have access to finance from other development banks. It is one of the more effective multilateral organisations in the Caribbean and is critical to the development of the smaller countries and territories.</p>	

<b>Contribution to UK Development Objectives</b>	<b>Score (1-4)</b>
<p><b>1a. Critical Role in Meeting International Objectives</b></p> <ul style="list-style-type: none"> <li>+ Providing poverty focused finance for countries and territories with limited access to other funding institutions.</li> <li>- Most CDB loans are under \$10m. This is significant for the smaller members but only covers specialised projects in larger countries like Jamaica.</li> <li>- Limited expertise in areas like climate change, hence has to draw on expertise from other institutions.</li> <li>= Important impact on a number of smaller countries, but too small to play a major role across the Caribbean.</li> </ul>	<p><b>Weak (2)</b></p>
<p><b>1b. Critical Role in Meeting UK Aid Objectives</b></p> <ul style="list-style-type: none"> <li>+ Providing development finance for Commonwealth countries and UK Overseas Territories with limited access to other funding institutions.</li> </ul>	<p><b>Strong (4)</b></p>

<ul style="list-style-type: none"> <li>+ Draws on expertise from other institutions (IBRD, IADB)</li> <li>+ Good linkage with DFID activities for instance on trade and business promotion.</li> <li>– Limited expertise in areas like climate change.</li> <li>= Very important for DFID and HMG objectives in the English speaking Caribbean, particularly the smaller states and overseas territories.</li> </ul>	
<p><b>2. Attention to Cross-cutting Issues</b></p> <p><b>2a. Fragile Contexts</b></p> <ul style="list-style-type: none"> <li>+ Good work with civil society in Haiti.</li> <li>– However no permanent office in Haiti which limits opportunities for dialogue and rapid response.</li> <li>+ Supports post-hurricane recovery and disaster risk reduction.</li> <li>– However limited evidence of effective action in politically fragile or conflict areas.</li> <li>= Effective in disaster work and Haiti, but overall limited focus and operations.</li> </ul> <p><b>2b. Gender Equality</b></p> <ul style="list-style-type: none"> <li>+ Good policy.</li> <li>– Limited evidence of impact through projects.</li> <li>– Insufficient expertise limits impact in practice.</li> <li>= Performance needs to be improved.</li> </ul> <p><b>2c. Climate Change and Environmental Sustainability</b></p> <ul style="list-style-type: none"> <li>+ Good work on disaster risk reduction for hurricanes and attempts to make projects climate proof.</li> <li>– Limited expertise on wider climate change issues.</li> <li>= Good disaster risk reduction and adaptation work.</li> </ul>	<p style="text-align: center;"><b>Weak (2)</b></p> <p style="text-align: center;"><b>Weak (2)</b></p> <p style="text-align: center;"><b>Satisfactory (3)</b></p>
<p><b>3. Focus on Poor Countries</b></p> <ul style="list-style-type: none"> <li>– None of the countries in the CDB's region are poor enough to be in the top quartile of an index that scores countries based on their poverty need and effectiveness (the strength of the country's institutions).</li> <li>– Most of its money goes to developing countries in the second quartile of the index (Haiti) and the fourth quartile of the index (Guyana and Jamaica).</li> <li>– Furthermore, more than half of its non-concessional lending resources spent in upper middle income countries.</li> <li>= Allocates resources across members rather than focusing on the poorest countries.</li> </ul>	<p style="text-align: center;"><b>Unsatisfactory (1)</b></p>
<p><b>4. Contribution to Results</b></p> <ul style="list-style-type: none"> <li>+ Demonstrates outputs from development projects.</li> <li>– However unable to demonstrate outcomes or development</li> </ul>	<p style="text-align: center;"><b>Weak (2)</b></p>

<p>impact.</p> <ul style="list-style-type: none"> <li>+ Increasing management focus on results.</li> <li>– Still too early to identify success of recent results focus</li> <li>– Large number of small scale projects makes aggregation and reporting of impact difficult.</li> <li>= Welcome recent greater commitment to results focus but full impact yet to be seen.</li> </ul>	
<b>Organisational Strengths</b>	<b>Score (1-4)</b>
<p><b>5. Strategic and Performance Management</b></p> <ul style="list-style-type: none"> <li>+ Periodic and independent evaluations are used to improve future performance.</li> <li>+ Strategy 2010-2014 in place.</li> <li>+ Process for senior management recruitment transparent and merit based.</li> <li>– Strategy and results frameworks are weak and not yet fully integrated into planning, monitoring and management.</li> <li>– HR policies and practices need further improvement.</li> <li>– Little proactive reform – change instigated under pressure from shareholders.</li> <li>= Analysis and theoretical models good, but little evidence of practical impact, and CDB needs better leadership and ownership of change to improve performance.</li> </ul>	<p><b>Weak (2)</b></p>
<p><b>6. Financial Resources Management</b></p> <ul style="list-style-type: none"> <li>+ Rules based allocation process.</li> <li>+ Multi-year commitments possible.</li> <li>+ Provides policy based loans (budget support).</li> <li>– Little evidence of proactive long term financial planning.</li> <li>= Systems satisfactory, but no evidence of proactive management which would support strong rating.</li> </ul>	<p><b>Satisfactory (3)</b></p>
<p><b>7. Cost and Value Consciousness</b></p> <ul style="list-style-type: none"> <li>+ Administrative budgets have been controlled.</li> <li>– Procurement limited to member countries.</li> <li>– Limited evidence of focus on value for money in projects.</li> <li>= Potential for benefits to the bank and to clients by focusing more on value for money.</li> </ul>	<p><b>Weak (2)</b></p>
<p><b>8. Partnership Behaviour</b></p> <ul style="list-style-type: none"> <li>+ Strong partnerships with governments.</li> <li>+ Ability to work with other banks and donors, and willingness to draw on expertise of other international financial institutions (IBRD, IADB).</li> <li>– Some donors report need for more collaboration.</li> <li>= Supports government in an appropriate manner, and acts as leader and catalyst for support by other IFIs in the region.</li> </ul>	<p><b>Strong (4)</b></p>

<p><b>9. Transparency and Accountability</b></p> <ul style="list-style-type: none"> <li>+ Strong Caribbean voice in governance.</li> <li>+ Some high level information published on website.</li> <li>- Project information not readily accessible.</li> <li>- No policies on disclosure and transparency.</li> <li>= Improvements in accessibility of basic information needed, together with policies on disclosure.</li> </ul>	<p><b>Weak (2)</b></p>
<p><b>Likelihood of Positive Change</b></p>	<p><b>Score (1-4)</b></p>
<p><b>10. Likelihood of Positive Change</b></p> <ul style="list-style-type: none"> <li>+ Some major reform initiatives have already been undertaken and the results beginning to be achieved.</li> <li>+ There is continued evidence of management's willingness to reform especially on operational issues,</li> <li>- It may be difficult to maintain the pace of reform as key managers are due to retire during 2011, and past reforms need time to be assimilated.</li> <li>= Despite good past improvement, still some uncertainty about capacity for future reforms.</li> </ul>	<p><b>Uncertain (2)</b></p>