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CARIBBEAN DEVELOPMENT BANK

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STRATEGIC PLAN UPDATE 2022-2024
"REPOSITIONING FOR RESILIENCE"

DECEMBER 2021

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ABBREVIATIONS

[Dollars throughout refer to United States dollars (USD) or otherwise indicated]

BMCs	-	Borrowing Member Countries
bn	-	billion
BOD	-	Board of Directors
CARICOM	-	Caribbean Community
CARPHA	-	Caribbean Public Health Agency
CC	-	Climate Change
CDB	-	Caribbean Development Bank/the Bank
COVID-19	-	Novel Coronavirus
DGRA	-	Digital Government Readiness Assessment
DRM	-	Disaster Risk Management
EE	-	energy efficiency
EGDI	-	e-Government Development Index
GBV	-	gender-based violence
GCI	-	General Capital Increase
GDP	-	Gross Domestic Product
GEAP	-	Gender Equality Action Plan
GEPOS 2019	-	Gender Equality Policy and Operational Strategy 2019
GPs	-	Guiding Principles
ICTs	-	information and communications technologies
IDB	-	Inter-American Development Bank
IFIs	-	International Financial Institutions
IMF	-	International Monetary Fund
KIDS	-	Knowledge, Innovation Diagnostics, and Strategies
KOIP	-	knowledge-oriented industrial policy
MDB	-	Multilateral Development Bank
mn	-	million
MSMEs	-	Micro, Small and Medium-sized Enterprises
NDCs	-	Nationally Determined Contributions
NSOs	-	National Statistical Offices
OCR	-	Ordinary Capital Resources
ODRA	-	Open Data Readiness Assessment
OECS	-	Organisation of Eastern Caribbean States
PBLs	-	Policy-Based Loans
PBO	-	Policy-Based Operation
PFM	-	public financial management
PSIP	-	Public Sector Investment Programme
PWDs	-	Persons with Disabilities
RAC	-	Risk Adjusted Capital
RE	-	renewable energy
RIO	-	Resident Implementation Officer
RMF	-	Results Monitoring Framework
SDF	-	Special Development Fund
SDGs	-	Sustainable Development Goals
SO	-	Strategic Objective
SPU	-	Strategic Plan Update 2022-24
TA	-	technical assistance
UI	-	unemployment insurance
WB	-	World Bank
WBG	-	World Bank Group
WHO	-	World Health Organisation
XCD	-	Eastern Caribbean dollars

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EXECUTIVE SUMMARY

1. The Borrowing Member Countries (BMCs) of the Caribbean Development Bank (CDB/the Bank) are being challenged like never before. The advent of a one-in-one-hundred-year pandemic layered on existing economic and environmental vulnerabilities has undoubtedly eroded some of the socio-economic gains made in past years. Indeed, the current state of affairs has served to further imperil the Region's already-slow progress towards attainment of the Sustainable Development Goals (SDGs). Within the Bank's borrowing membership, over 6,000 persons have succumbed to the Novel Coronavirus 2019 (COVID-19), and economic output has been curtailed significantly through lockdowns and restrictions on travel. Real economic activity is estimated to have contracted to levels not witnessed since the mid-2000s.

2. Against this backdrop, it is necessary to rethink the status quo of regional development. The current model of economic advancement which focusses on developing one or two sectors based on tourism assets and natural endowments has left the Region severely exposed to natural hazard and man-made shocks. A new vision, which places innovation and knowledge creation at the heart of regional development, has been articulated as the principal way through which the Region can strengthen resilience and in so doing, build on past gains to eliminate poverty, advance standards of living, and deliver equitable prosperity. The new vision purports that BMCs must apply new ideas/technologies to development hurdles and challenge current practices to ensure that once impacted by a shock, the system, sector or economy can quickly resume operations. Additionally, these and other critical decisions about the Region's development future must be underpinned by a solid evidence base if actions are to achieve intended outcomes.

3. Within the context of a challenging socio-economic situation, and a new regional vision, the Bank has looked inward and determined that it must pivot in the regional development space in order to remain responsive to the needs of its BMCs. This pivot is embodied in the Strategic Plan Update 2022-24 (SPU) which identifies strategic and operational priorities that the Bank will pursue in order to help the Region attain its development outcomes. Similar to the original strategy, resilience remains at the core of the Bank's development thrust. However, the new strategic framework envisions five key pillars – social, environmental, production (formerly economic), financial and institutional. These will be underpinned by evidence-based decision-creation and innovation as key facilitators along with governance, gender equality and regional cooperation and integration as cross cutting themes. Within this framework, the Bank proposes to refine its engagement in education, social protection, digitalisation, economic diversification and private sector development as key areas in which BMCs will need to reform for sustained growth. The Bank also recognises that it will need to enhance its own financial and implementing capacities, as well as those of BMCs, if the Region is to meet its development milestones. Importantly, the priorities identified over the three-year horizon represent CDB's initial advances towards helping the Region realise the vision, and a sustained effort by the Bank, development partners and BMCs working in concert, beyond 2024 will be required to transform economies.

4. As the Bank implements SPU, it will leverage its comparative advantage and hold fast to its guiding principles (GPs) in order to help the Region maximise development outcomes. Those elements of comparative advantage which the Bank will seek to leverage include:

(a) BMCs' view of the Bank as a trusted partner given the cultural/historic links between BMCs and CDB, and that CDB is the only development bank with a principal focus on the Caribbean;

(b) country and local knowledge given that the majority of employees are from the Region and in conjunction with technical expertise and the trust that BMCs have placed in the institution, are able to access information (formal and informal) that is relevant to advance project outcomes;

(c) accessibility of staff and management to BMCs to address critical concerns;

(d) the package of finance, which refers not only to cost of funds, but also advice and technical assistance (TA) provided as part of a comprehensive programme of support, which not easily priced, are valued by BMCs; and

(e) responsiveness, where even as the Bank strives to improve its overall responsiveness, clients have noted the speed with which the Bank is able to mobilise teams following a natural hazard event.

5. The GPs remain unchanged from the original Strategic Plan 2020-24, and represent the fundamental tenets which will help the Bank to navigate the complex needs of project beneficiaries, competing demands of country authorities, and fiscal sustainability concerns. These GPs are: (a) pursuing value-for-money through additionality, impact and digital transformation; (b) selectivity and focus while ensuring alignment; (c) deepening country focus and stakeholder engagement; and (d) delivering integrated comprehensive development solutions.

6. The Region's investment needs are enormous. Preliminary CDB estimates indicate that countries would need to invest about $10 billion (bn) annually to halve regional poverty by 2030 – approximately triple current investment levels. This estimate suggests that a more robust effort will be needed by BMCs, as well as bilateral and multilateral development partners to help bridge the financing gap. Additionally, the vision articulated for the Bank and the Region against the backdrop of COVID-19, implies that the institution will require more human and financial resources if it is to achieve its mandate and remain relevant in a dynamic and increasingly competitive environment.

7. Responding to the expanding needs of BMCs, while optimising the portfolio and maintaining strong financial and capital positions, will require that the Bank continue to pursue several strategies in combination. This includes more aggressively exploring options to crowd-in resources; actively seeking out collaborations and co-financing opportunities; forming strategic partnerships; continuing to pursue membership and growing capital organically. With respect to Human Resource requirements, the institution will seek to have "the right people in the right roles with the right skills at the right time and costs, to deliver the right results". Driving the updated Strategy will require additional staffing to support new and strengthened capabilities, particularly in the areas of growth.

1. INTRODUCTION

1.01 Over the past 30 years, the Region has had to grapple with the impact of myriad exogenous shocks, both natural and man-made. From the erosion of trade preferences to the impact of 9/11, the Great Recession and frequent occurrence of natural hazards, the Region has been constantly challenged. Imbued with an indomitable spirit of perseverance, a strong value system that has created stable democracies and served as an anchor during times of upheaval, the Region has faced these obstacles head on. Additionally, sizeable investments in social and economic infrastructure alongside unparalleled creativity, have resulted in Caribbean countries making significant advances in the level of human development.

1.02 Within the last decade however, anecdotal evidence suggests that the Region's march towards improving human and social development has slowed. The constant battering of natural hazards which contributed in part to rising debt levels and the erosion of fiscal space, alongside widening policy and project implementation deficits that create a suboptimal environment for private sector led growth, have served to undermine progress. Against this backdrop, the Region also now has to grapple with the effects of COVID-19. Within the Bank's borrowing membership, over 6,000 persons have succumbed to the illness, and economic output has been curtailed significantly through lockdowns and restrictions on travel. Real economic activity is estimated to have contracted by 7.1% in 2020, returning some countries to real gross domestic product (GDP) levels not seen since the mid-2000s. On the social front, multi-dimensional poverty, health, education, and social safety protection systems have all been adversely impacted. Governments have responded primarily by enhancing social safety net provisions and offering economic stimulus packages. However, the effectiveness of these programmes has been limited by liquidity shortfalls as reduced revenue flows occurred concomitantly with heightened demand for government resources.

1.03 At the same time and influenced in part by the social and economic fall out of the pandemic, a new vision for the Region and the Bank has been advanced. The new vision focusses on developing a comparative advantage based on driving innovation and knowledge creation as the primary means through which the Region can eliminate poverty, advance standards of living, and deliver equitable prosperity. The vision was prompted by the desire to stimulate a paradigm shift in economies that is needed to break the stranglehold of chronic low growth that has stymied human development. It recognises that while resilience is key to attaining sustainable economic growth and development, the Region must now approach resilience through a lens of innovation. BMCs must apply new ideas/technologies to development hurdles and challenge current practices to ensure that once impacted by a shock, the system, sector, or economy can quickly resume operations. These and other critical decisions about the region's development future must be underpinned by a solid evidence base if actions are to achieve intended outcomes. Closing the data gaps is also critical in ensuring that the Region can appropriately set targets and track progress on key development objectives such as the SDGs, and on issues of national importance such as vulnerability and resilience.

1.04 This drastic turn of events alongside the articulation of a new vision for the Region and the institution[1/] based on knowledge creation and innovation has required that the Bank pause and reflect on its operations and the appropriateness of its Strategic Plan 2020-24, which was formulated prior to the pandemic. This reflection has led the Bank to determine that it must reposition in the development space in order to enhance its relevance to clients and meaningfully advance its poverty reduction mandate. The repositioning is embodied in the SPU which identifies strategic and operational priorities that the Bank will pursue in order to help the Region attain its development outcomes. Importantly, the priorities identified over the three-year horizon represent CDB's initial advances towards helping the Region realise the vision.

[1/] https://www.caribank.org/newsroom/news-and-events/speeches/statement-opening-ceremony-51st-annual-meeting-board-governors

However, a sustained effort by the Bank, development partners and BMCs working in concert, beyond 2024, will be required to achieve the vision.

1.05 The SPU focusses on the areas in which the institution is adjusting its strategic posture and will not restate Bank commitments in all areas of engagement. Those sectors in which it intends to pivot include education, social protection, digitalisation, economic diversification and private sector development. It also recognises the calls greater attention to the need for both the Bank and BMCs to strengthen implementation and financial capacities in order to better withstand the vagaries of a dynamic global environment.

1.06 The Bank recognises that the needs of BMCs have been exacerbated by COVID-19, and that the institution will need to step up its work in countries to lay the foundation for accelerated and sustained growth beyond the medium term. Given that the benefits of such investments will likely be realised post-2024, the Bank will be more aggressive in responding to not only the obvious, but latent needs of its membership by: (i) proactively utilising its human resources at all levels to more boldly and systematically engage BMCs; (ii) more diligently seeking out partnerships to leverage additional concessional resources and expertise as feasible; and (iii) more rigorously exploring new products to better address country needs. This will be supplemented by its ongoing work to improve internal operational processes by leveraging the appropriate technologies to enhance operational efficiency, responsiveness and portfolio management.

1.07 The remainder of the paper is organised as follows: Section 2 provides the prevailing macroeconomic context and economic outlook for implementation of the Strategy, while Section 3 details the new or worsening challenges confronting the Region as a result of the pandemic. This is followed by Section 4 which calls attention to the comparative advantage of the Bank and GPs of the strategy. Section 5 discusses the updated Strategic Framework for the period 2022-24, highlighting areas of departure from the existing framework. Section 6 identifies the implications for resource requirements and Section 7 proposes the revised framework for tracking development effectiveness. Finally, Section 8 provides an updated risk assessment of the Strategy.

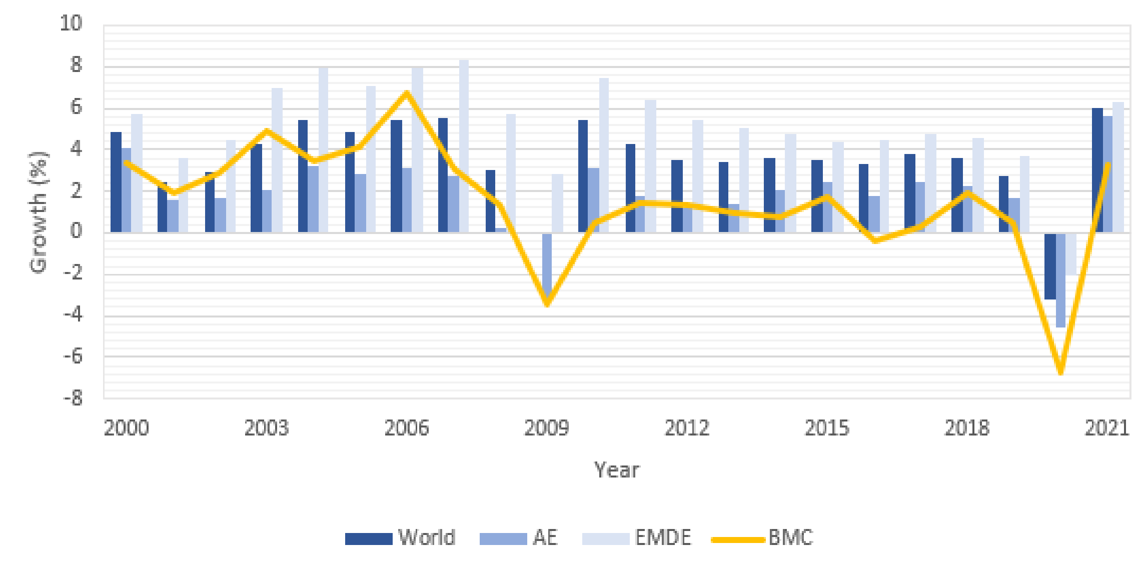
2. MACROECONOMIC CONTEXT AND OUTLOOK

Macroeconomic Context

2.01 Following a COVID-19 pandemic induced contraction of 3.2% in global GDP in 2020[2/], global economic activity has gradually regained some momentum and is expected to rebound in 2021. In July 2021, the International Monetary Fund (IMF) estimated an expansion in global output of 6% for 2021 (Figure 2.1). The recovery, however, remains fragile, as several downside risks continue to overshadow prospects for a strong rebound, given the fluidity of the current crisis. Key risks include the ongoing emergence of new and more virulent vaccine-resistant strains, coupled with sporadic resurgences in infections, as countries try to ease restrictions and jumpstart economies. The development and distribution of vaccines and the acceleration of robust inoculation campaigns across the globe are expected to support a durable return to pre-pandemic growth levels if sustained.

[2/] Advanced Economies contracted by 4.6% in 2020, Emerging Market Developing Economies declined by 2.6%, while Latin America and the Caribbean bloc recorded the steepest decline of -7.0%.

Figure 2.1: Global Growth Rates (%)

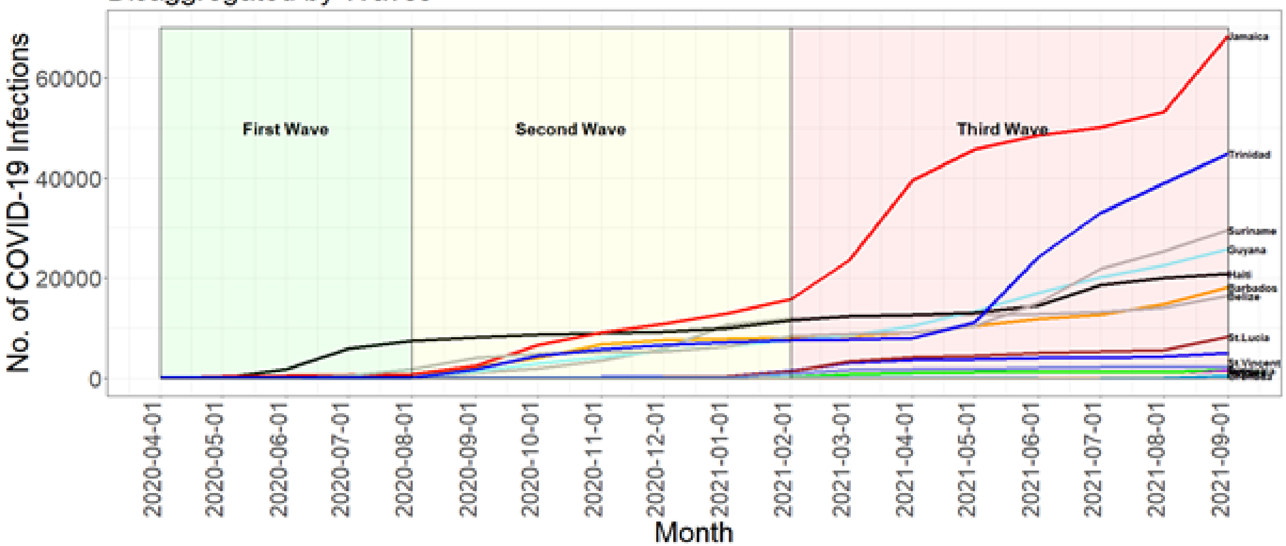


Source: IMF WEO July 2021, CDB Staff Estimates, BMC Statistics Offices

2.02 Seventeen months after the World Health Organisation's (WHO) declaration of the SARS-CoV-2 COVID-19 as a pandemic, a total of 223.0 million individuals, have been infected, with 4.6 million succumbing to the virus as of September 10, 2021. Vaccination has been skewed to the more developed countries, with most of the 5.8 billion doses administered thus far allocated to advanced economies. The pandemic has upended virtually every segment of the global community and has resulted in massive job losses, widespread border closures, and supply chain and learning disruptions. To mitigate the ripple effects of the fallout of the crisis on lives and livelihoods, Governments implemented fiscal stimulus packages with support from the International Financial Institutions (IFIs) [CDB, IMF, Inter-American Development Bank (IDB), and World Bank (WB)]. Support ranged from moratoriums on loan interest and principal repayment, liquidity support to Micro, Small and Medium-Sized Enterprises (MSMEs), vertical and horizontal expansions of social protection services, provision of income and unemployment support, and increased expenditure outlay to strengthen the capacity of public health systems to respond to the virus adequately. On the monetary side, Governments moved swiftly to avert the possibility of a tightening of credit conditions.

2.03 Following moderate success in flattening the epidemiological curves of the first and second waves, the Caribbean is now confronted with a third wave which coincides with efforts to minimise the impact of the pandemic on economies by gradually reopening and easing mobility restrictions. This surge in cases is compounded further by the confirmation of the presence of the more transmissible Delta Variant. To date, CDB's BMCs have recorded a total of 269,474 infections and 6,189 COVID-19 related deaths. Infection rates have been higher for females than males, though more males have died because of the virus. Although experiencing some challenges in accessing vaccines at the initial stages of vaccines becoming available, most BMCs have managed to secure supplies through bilateral donations and the COVID-19 Vaccine Global Access Facility. Notwithstanding the availability of vaccines, the Region faces significant vaccine mistrust and hesitancy, which is stymieing the rate of inoculation and threatens the pace at which herd immunity will be attained. Recent data indicates that 29% of the total BMCs population are presently fully immunised, with rates highest among the Cayman Islands (76%), Anguilla (59.8%), and the British Virgin Islands (45.7%). See Figure 2.2 below.

Figure.2.2: COVID-19 Infections in the Caribbean
Disaggregated by Waves



Source: https://ourworldindata.org/coronavirus

2.04 BMCs are expected to register modest rates of economic growth in 2021, albeit lower than initially projected at the start of the year, due to the resurgence of cases in the summer precipitated by the presence of the Delta and other variants in several countries. In light of the above, the Caribbean is predicted to grow by 3.2% for the 12 months ending December 2021, a downward revision of 0.2% compared to CDB's earlier forecast. Tourist-dependent economies continue to be disproportionately impacted by the pandemic, with all BMCs ranked as either Level 4 (COVID-19 Very High) or Level 3 (COVID-19 High) by the most recent travel advisory by the Centre for Disease Prevention and Control. Notwithstanding, BMCs have made progress towards returning visitors to their shores by crafting country-specific extended stay programmes to accommodate the digital nomad market segment while tailoring entry protocols to facilitate the safe reopening of the tourism industry. Conversely, cruise arrivals which form a significant share of several BMC's total visitor arrivals are yet to return in many countries and are not likely to normalise in the near term.

2.05 Commodity export-dependent BMCs have fared in the main better economically but face the dual shock of softer demand and lower prices driven by changing consumer preferences in response to restriction measures and remote work modalities. The confluence of this negative demand, coupled with a positive supply shock emanating from the cessation of the production agreement between the Organisation of Petroleum Exporting Countries and its partners in March 2020, led to the collapse of the price of international crude oil from $57.1 in 2019 to $39.3 in 2020. Despite mechanical challenges which hampered production in the second half of 2020, Guyana registered robust growth in real GDP on account of its first full year of oil production. A total of 27.2 million barrels were produced in 2020 when juxtaposed with 427,282 barrels for the year before. On the other hand, Trinidad faced production challenges in 2020, which are expected to persist in 2021 with severe implications for tax revenues and economic performance.

2.06 The pandemic has also triggered regionwide setbacks in the fiscal consolidation efforts of BMCs. This was evident by the temporary relaxation of fiscal rules and the pursuit of expansionary fiscal policies to secure sufficient fiscal headspace to defray growing public expenditure outlays induced by the pandemic and to stimulate an early recovery. However, this is expected to place many BMCs on an unsustainable debt path in the near term and will further slow growth and progress on achieving the 2030 SDGs.

2.07 The Region continues to be buffeted by the ever-present reality of meteorological and geological hazards, occasioned by three significant events in 2021: the La Soufriere Volcanic eruption, Hurricane Elsa, which adversely impacted Barbados and Saint Lucia and a 7.2 magnitude earthquake in Haiti, which claimed 2,200 lives. As the duration of the pandemic lengthens, Governments will be expected to craft second rounds of policy support packages to assist the MSMEs and to extend lifelines to vulnerable households and marginalised groups[3/]. BMCs will likely rely heavily on shovel-ready public construction activity to keep economies afloat and create jobs in the short term.

Medium-term Outlook

2.08 The prospects for global growth are favourable over 2022-2024 largely on the basis of more robust growth by advanced economies, which portends well for BMCs. (The IMF is projecting global growth in the vicinity of 4.9% in 2022). Notwithstanding, global economic performance is likely to be bifurcated, with advanced economies outpacing emerging market developing economies, differentiated by the pace of vaccine rollout and the scope of policy support.

2.09 The forecast for the Region over the period 2022-24 is for positive growth, likely between 2% and 5%, but downside risks weigh very heavily on the outlook. In particular, concerns around "vaccine hesitancy" and the likelihood of additional resurgences in illness on account of new variants cast an ominous spectre over the forecast. Additionally, the Region will now have to forge ahead with a greater drag on growth on account of additional debt incurred to mitigate the social and economic fallout.

2.10 Importantly, even as some growth in GDP is expected over the medium term, the social implications are likely to be longer lasting on account of disparities in access to employment and education opportunities. Poor and vulnerable persons are typically employed in lower-skilled jobs, and are not only likely to be displaced first, but they are also unlikely to utilise the technology to work from at home and are therefore expected to be out of work for longer periods of time. Within the education system, learning loss has been significant and even more profound for students from disadvantaged socio-economic circumstances, persons with disabilities (PWDs) and those who were already experiencing learning deficits before the onset of the pandemic. Across the Bank's membership, countries have reported learning loss ranging from six to 16 months. Unless arrested and reversed, this deficit could result in incremental underachievement in learning as students transition from level to level and later, a generation of learners failing to realise their earning potential.

3. <u>NEW AND WORSENING CHALLENGES IN THE REGION</u>

3.01 The onset of the pandemic has exacerbated many of the Region's underlying challenges, as well as introduced new obstacles. Existing concerns such as high indebtedness and weaknesses in the equitable provision of education and social services, have all come to the fore even more poignantly in the face of public finance and human resource constraints. Similarly, rising climate change (CC) impacts, the suboptimal environment for doing business and infrastructure and implementation deficits will be amplified in the post-covid environment. However, arguably, the most significant new challenge has been the pace of vaccine administration, which is critical for the safe return to sustained economic activity.

3.02 At the same time, the pandemic has also underscored the need for the Region and development partners to assess policy and project solutions through a sharper focus on resilience. This is particularly

[3/]Grenada announced a COVID-19 Economic Stimulus 2.0 estimated at Eastern Caribbean dollars (XCD)36 mn on September 1, 2021, which includes assistance for the transport sector, additional support for MSMEs, unemployment benefits, and emergency response income through cash transfers for vulnerable groups. This programme will be supported by the IDB-CDB Social Protection Global Line of Credit (XCD24.6 mn).

relevant for Small Island Developing States like the Bank's BMCs, which can be affected by multiple shocks simultaneously. As BMCs tackled the fall-out from the pandemic, they also had to deal with the effects of the eruption of the La Soufriere volcano in St. Vincent and the Grenadines, and the relatively early arrival of Hurricane Elsa in June, which affected Barbados, Saint Lucia and Haiti. Additionally, on August 14, 2021, Haiti was devastated by a 7.2 magnitude earthquake, and three days later by Tropical Storm Grace. Notably, these vulnerabilities also co-exist with those arising from export concentration, as a result of heavy dependence on tourism assets and natural resource endowments.

Slow Vaccine Administration

3.03 One of the principal avenues through which the Region can save lives and restore livelihoods is by enhancing the roll out of vaccines. The Caribbean Public Health Agency (CARPHA)[4/] notes that at July 11, 2021, the share of persons fully vaccinated against COVID-19 in CDB's BMCs ranged from 3.8% to 69%, with most countries reporting less than 30% of the population fully vaccinated. Given the relatively low levels of coverage, especially amid the spread of variants which are more contagious and virulent than the original virus, the need to improve vaccine administration takes on even greater priority.

3.04 WHO has identified several factors that are critical to an effective vaccine supply chain, which may serve as a useful guide for BMCs, given increased uncertainty around the duration of the pandemic on account of mutations. These include:

(a) ensuring the availability of appropriately trained human resources to effectively manage the vaccine supply and cold storage chain;

(b) ensuring that the appropriate cold chain capacity exists given differences in temperature requirements for various vaccines. This may require compiling information on available cold storage capacity within the public and private sector with a strategy to mobilise capacity to fill identified gaps;

(c) establishing protocols to ensure the quality and integrity of vaccines and associated products through the process;

(d) implementing adequate safety measures to ensure the integrity of vaccines and ancillary product; and

(e) implementing robust sensitisation campaigns to address vaccine hesitancy and counteract misinformation.

Worsening Debt Dynamics

3.05 The high level of borrowing by BMCs in 2020 will undoubtedly place a further drag on growth. Indeed at 79.5% of GDP at end-2020, public debt-to-GDP was approximately 12.3 percentage points higher than anticipated before COVID-19. Several of the Bank's BMCs have been assessed to be at elevated levels of debt distress. Efforts to address debt sustainability concerns over the medium term, will need to be supported by enhanced public debt management and transparency, and the adoption of revised fiscal frameworks to help make the public budget more resilient and fiscally sustainable. Going forward,

[4/] https://carpha.org/Portals/0/Documents/COVID-19%20Vaccine%20Updates/CARPHA%20COVID-19%20Vaccine% 20Update %20027%20July%2012,%202021.pdf

Governments will also need to rationalise their borrowing, focussing on projects with high development impact and securing more concessional debt, particularly with a grant element of 35% or greater to support a faster return to more favourable debt dynamics.

Poverty and Gender Implications of the Pandemic

3.06 The pandemic continues to disproportionately impact the most vulnerable groups including older persons (ages 65+). More recently however, persons in their 20s are also being affected for example, males and females with underlying medical conditions (moderate to severe asthma, heart conditions, severe obesity, hypertension, diabetes, chronic kidney disease undergoing dialysis, and liver disease). Additionally, the pandemic's impacts have increased the psychosocial stress on the population, particularly vulnerable groups, caregivers in the private/domestic sphere, as well as workers on the front lines providing a range of health and other essential services.

3.07 The vulnerable populations of single male- and female-headed households, children, unemployed youth, older persons and PWDs, are also at higher risk of both social and economic impacts. The effects of COVID-19 are transmitted through reduced remittance flows, loss of income and livelihoods due to increasing unemployment, as well as reduced income for workers across the formal and informal sectors. As a result, there continues to be significant pressure on already overburdened social services, and in particular, the delivery of social assistance programmes which have been scaled-up horizontally and vertically in response to increased need.

3.08 In addition to the working poor, the pandemic has precipitated a category of the new poor and exacerbated existing sub-standard socio-economic conditions for the most vulnerable in society, particularly single parent and low-income matrifocal households with high dependency burdens, as well as young men and women. The pandemic has exacerbated *inter alia*, deprivation/multidimensional poverty, inequality, education, housing conditions, sanitation, food production and supply chains, health and medical care, domestic, and gender-based violence (GBV), which disproportionately impacts women and girls.

3.09 The resurgence of poverty due to the pandemic threatens to deepen gender poverty gaps, especially for people aged 25 to 34. According to United Nations' Women, in 2021, it is expected that there will be 118 women in poverty for every 100 poor men globally, and this ratio could rise to 121 poor women for every 100 poor men by 2030. Women are losing their livelihoods faster because they are more exposed to hard-hit economic sectors. Additionally, women typically earn less and also hold less secure jobs than men. Indeed, some of the sectors hardest hit by the pandemic are feminised sectors characterised by low pay and poor working conditions, including lack of basic worker protections like paid sick and family leave. Incomes of women working in the informal sector have declined dramatically. According to a 2020 report commissioned by United Nations' Women and the United Nations Development Programme, by 2021 around 435 million women and girls will be living on less than $1.90 a day including 47 million pushed into poverty because of COVID-19.

3.10 One of the most severe and hidden impact of the pandemic has been the increase in violence against women reported around the world. Jaramillo (2020)[5/] notes that while quarantines and closures of schools and offices have been necessary to contain the spread of the virus, it has left many women more isolated, financially dependent and vulnerable and have been forced to shelter-in-places with their abusers, often with tragic consequences. At the same time, the shift of funds to pandemic response is hampering women's access to sexual and reproductive health.

[5/] https://blogs.worldbank.org/latinamerica/gender-violence-other-pandemic-we-must-combat-latin-america-and-caribbean

3.11 Beyond lost jobs and reduced incomes, for many women the pandemic has also increased 'time poverty'. Before COVID-19, women provided nearly three times as much unpaid care and domestic work as men globally. As schools, nurseries and daycare facilities shut down, families, particularly women's unpaid care and domestic burden have increased. Cross-country data from United Nations' Women's rapid assessment surveys reveal that both women and men report a significant increase in unpaid care and domestic work because of the pandemic.

Compromised Education Outcomes

3.12 The Region has made notable strides in the provision of education services over the years particularly as it relates to performance in the Caribbean Examination Council examinations and National Assessments and in the provision of tertiary education. However, the advent of the pandemic and the sudden shift to the online platform threaten to erode some of those gains on account of the disparities in access to education. Notably at the tertiary level, it was revealed that across all five University of the West Indies Campuses, the transition to a remote learning environment left vulnerable students, who previously accessed online tuition from computer labs, unable to participate in virtual classes or access learning materials. The deployment and mass use of information and communications technologies (ICTs) for teaching/learning are constrained by institutional deficits in the ICT infrastructure and human resource capacity. Not only is access to ICT devices and the internet a necessity, there must also be adequate bandwidth and a learning platform used by competent teachers, who are adept at maximising the technology to support inclusive, differentiated learning.

3.13 Within this environment, families need support, especially female students who are expected to perform the roles of family care work during online learning. This can adversely affect learning as household members are confined to the same living and learning environment, where female students are assigned the gendered roles of care for siblings, sick, older persons, PWDs, while attempting to pursue online learning. Additionally, females as parents or guardians are expected to facilitate distance and e-learning activities with which their children/wards are engaged. The issue is more pronounced as women constitute the majority of teachers, in some cases 90%, who are themselves simultaneously delivering instruction at home[6/]. There is also the ongoing challenge associated with boys who typically outnumber girls among students who underperform in basic education across the BMCs. This pattern remains unchanged during the pandemic with boys disproportionately represented among those learners falling further behind and at risk of education failure.

3.14 The challenges confronting the education system provide an opportunity to critically examine the current teaching and learning processes and determine whether the system is fit-for-purpose. The purpose of education is to create an ever-expanding pool of productive Caribbean citizens with the knowledge, skills, attitudes and values necessary to lead purposeful and productive lives in internationally-competitive environments. However, challenges in access, equity, participation, effectiveness and relevance undermine education outcomes. One concern in the area of relevance and effectiveness is the prevalence of teaching by rote, which does not facilitate the linkages between subject matter, or foster problem-solving and discovery skills needed in a dynamic environment. Looking ahead, the Region will need to accelerate the shift to more student-centred forms of learning to provide the appropriate foundation for a skilled and productive workforce.

[6/] https://www.worldbank.org/en/topic/gender/brief/gender-and-covid-19-coronavirus; https://www.mckinsey.com/featured-insights/future-of-work/covid-19-and-gender-equality-countering-the-regressive-effects

Export Concentration

3.15 The Region's small size and openness to trade make it inherently vulnerable to macroeconomic shocks. However, the high level of export concentration significantly reduces its ability to recover from these shocks. CDB's analysis of trade statistics suggests that the Region has three broad export patterns namely: countries with high export concentrations in traditional crops that add very limited processing; those which focus on resource extraction upstream industries; and those with concentration in the services industry. The impact of the pandemic on all economies has been unprecedented. The effect on services-oriented economies was particularly devastating, with most of these countries experiencing declines in the range of 10.2% in Jamaica to 18.8% in Saint Lucia. While commodity-based economies fared somewhat better, with Suriname registering the most significant contraction at 13.5%, the pandemic revealed weaknesses in the supply chain and reinforced the need to strengthen regional linkages.

3.16 The impact on MSMEs was particularly severe. Already facing myriad challenges such as inadequate access to appropriately priced financing, limited collateral, high levels of informality, poor data infrastructure and weak legislative, regulatory and incentive frameworks, the pandemic dealt a major blow to MSMEs. These firms were further challenged by the slump in demand given imposed curfews; weakened cashflow; and output shortages due to the disruption in the supply chain. Policy imperatives therefore focused on protecting employment by providing liquidity support and facilitating business continuity and operations.

3.17 The current context suggests that economic diversification should be an absolute policy imperative for regional economies. Buttressed by a spirit of innovation, the Region needs to focus on the creation of an enabling environment for the private sector and especially for entrepreneurs, to achieve a fair return on their investment by:

(a) Developing an appropriate incentive framework based on reforms to the business and investment climate, reviewing trade and investment policies to facilitate exports and ensuring effective functioning in product and factor markets and in key backbone services such as transportation, finance, energy and communications.

(b) Promoting investments and policy reforms that reduce trade costs. The single most important determinant of long-run trade growth is reducing the cost of getting goods to market and securing inputs for local producers at lowest cost. Greater focus needs to be placed on ensuring that basic port, border and connecting transport infrastructure is in place; implementing measures to simplify border procedures and improve the quality of service of traders and officials, including through training and other capacity building support; and addressing institutional weaknesses and governance failures.

(c) Promoting intraregional trade. Regional integration and deepened South-South trade increase new market opportunities for exporting firms. At the same time, diversifying exports to higher-income markets is often more difficult than diversifying exports to regional markets as standards are often higher, requiring larger investments to raise quality and meet higher health and safety requirements (ITC, 2016). Expansion into regional markets can then provide the springboard for enlarged access to the global market once experience with exporting has increased and awareness or product requirements in other markets has been accumulated.

(d) Strengthening the lead agency responsible for stimulating private sector activity. This agency should be viewed as a provider of a critical service needed to catalyse expansion. This points to the need to rebuild capacity in the public sector to play a more active role in co-creating or co-shaping markets rather than one focused on addressing market failures or redistributing wealth. [Mazzucato (2021), William G. Demas Lecture].

Worsening Impacts of Climate Change

3.18 With an estimated 14.5 million persons affected by 190 disaster events over the period 2000-2019, and direct physical damage from 2009 to 2019 approaching $30 bn, the Caribbean region is one of the most vulnerable in the world. The high vulnerability to natural hazards has resulted in the loss of homes, destruction of livelihoods, and decimation of social and economic infrastructure in both rural and urban areas. CC impacts have also led to reductions in water quality and quantity, and agricultural yields, damage to coastal areas, and marine and terrestrial biodiversity loss and associated ecosystem services.

3.19 While most persons are either directly or indirectly impacted by natural hazards, there is a disproportionate impact on poor and vulnerable persons including the elderly, youth, PWDs, indigenous persons who are less able to protect themselves and to adapt or recover from the resulting damage and loss. There is also increasing concern with gender specific climate impacts. The gender dimensions and differential impacts of CC on the lives and livelihoods of women men and their families influence the vulnerability of households and the likelihood of rising poverty.

3.20 COVID-19 restrictions on travel are deemed to have played a part in reducing carbon emissions. However, in the absence of fundamental global policy change to lock in emission reductions, this benefit will not be lasting. Within the Region, however, there is a risk of deceleration in the pace of policy formulation and reform implementation to enhance resilience as BMCs direct focus towards addressing COVID-19 impacts. The Region needs to continue to pursue a low-carbon climate resilient development pathway to enhance regional resilience to natural hazards and CC impacts.

Inadequate Uptake of Digital Solutions

3.21 BMCs face multiple digital gaps. With an average of 63% of the regional population using the internet in 2017[7/], the COVID-19 pandemic has revealed inequalities in the uptake of digital technology. Many people still lack access to basic digital infrastructure, compounded by issues of quality and affordability. Despite a swift transition to an online environment and digital solutions for remote work, online education, e-commerce, digital health, to name a few, many persons remained unconnected. In terms of Government services, the performance is mixed with many BMCs at the early stages of providing government services online relative to other countries. Using the United Nations' e-Government Development Index (EGDI)[8/], most countries rankings have since fallen in 2020, despite an improvement in scores (see Table 3.1 below).

[7/]Source: International Telecommunications Union

[8/]The EGDI measures the willingness and capacity of governments to use ICTs to deliver public services by assessing national websites and how e-government policies and strategies are applied in general and in specific sectors for the delivery of essential services. The ratings are based on three indices: Online Service Index; Telecommunications Infrastructure Index; and Human Capital Index.

TABLE 3.1: EGDI RANK AND SCORE 2020 AND 2018

	EGDI Index 2020	EGDI Rank 2020		EGDI Index 2018	EGDI Rank 2018
BAR	0.7279	62		0.7229	46
BAH	0.7017	73		0.6554	71
TT	0.6785	81		0.6552	72
SKB	0.6352	95		0.5930	89
ANT	0.6055	98		0.5906	90
DOM	0.6013	99		0.5794	93
GRE	0.5812	102		0.5726	95
SVG	0.5605	109		0.5306	104
SLU	0.5444	112		0.4773	116
JAM	0.5392	114		0.4697	118
SUR	0.5154	122		0.4660	119
GUY	0.4909	129		0.4316	124
BEL	0.4548	136		0.4115	132
HAI	0.2723	180		0.3047	163

3.22 The dividends that can accrue from the application of digital technologies have the potential to transform the Region. If the Region is to achieve the SDGs, digitalisation must play a critical role. Digitalisation can lower information costs, thus reducing the cost of economic and social transactions for firms, individuals and the public sector. Digital technologies increase efficiency and access to services. Such technologies have the potential to raise productivity and lower costs significantly in the Region, thereby enhancing competitiveness and leading to sustained export-led growth. There is also the potential to spur inclusion. These digital dividends require that digital gaps be addressed as a cross-cutting issue, including the application of digital solutions across sectors to improve efficiency, the creation of the appropriate policy frameworks, upgrade of information technology infrastructure and the wider access of broad-band services.

Weak Implementation Capacity

3.23 Even prior to the pandemic, one of the greatest challenges constraining BMCs' ability to meet the SDGs and other development objectives, was the relatively poor track record on implementation. The pandemic has further stretched already limited institutional capacity, as BMCs try to manage competing concerns in health, education, social services, and the economy within the context of extremely limited fiscal space and information asymmetries that contribute to fragmentation in the public sector. Such trade-offs, if not managed appropriately lead to suboptimal policy choices, exacerbate inequalities and hinder countries' recovery efforts.

3.24 The Region's execution deficiencies are pervasive across sectors, impacting both project and policy implementation and are also evident in sub-optimal performance of Multilateral Development Bank (MDB) interventions and portfolios within the Region[9/]. At the CDB, implementation challenges are manifested in the relatively long average time for project implementation of seven years, the low disbursement ratio and large undisbursed balances. More specifically, after declining to 11% in 2018, the disbursement ratio

[9/]CDB (2017).Implementation: Delivering results to Transform Caribbean Society.

on the Investment Loans Portfolio,[10/] increased to 14% in 2020. Indications are, however, that this metric deteriorated to just 5% at August 2021 on account of the severe implementation challenges occasioned by the pandemic. Undisbursed balances on the Investment Loans and Grants and Policy-based Loans (PBLs) portfolio amounted to $1.03 bn[11/], representing an increase from $851 mn at December 2020. Analysis of the Bank's portfolio has identified several implementation bottlenecks. Apart from delays due to COVID-19-related restrictions/measures, other factors impeding implementation in 2020 included inadequate institutional capacity of Executing Agencies/Project Implementation Units, lack of proper skills in team, and unsatisfactory contractor/consultant performance, and Acts of God such as natural disasters.

Inadequate Provision of Resilient Infrastructure

3.25 The provision of resilient infrastructure that supports the social and economic needs of Caribbean people has been a long-standing development priority. This policy imperative took on greater importance as the Region sought to take advantage of opportunities in blue and green spaces as avenues through which economies could be diversified and strengthened. However, the advent of the pandemic has severely curtailed progress in this area, not only through the diversion of resources to other priority sectors, but also through border closures, lockdowns and other restrictions in movement. As countries inch closer towards full reopening of the economies, authorities will seek to refocus attention on the closing critical infrastructure gaps which include, but are not limited to, urban development, water supply and transportation infrastructure. This is likely to be pursued not only as a means of promoting long-term development but also as a means of supporting economic activity in the medium term depending on the stage in the project cycle. Table 3.2 below identifies some of the key issues that will need to be addressed over the medium to long term.

TABLE 3.2: KEY INFRASTRUCTURAL ISSUES AND CHALLENGES

Sector	**Issues and Challenges**
Urban Development	• Poor urban governance, management and finance. • Inadequate infrastructure and supporting services. • Absence of adequate social inclusion, security and welfare. • Vulnerability to climate variability and change. • Inadequate measures to protect the natural environment.
Water Supply	• Negative impacts of CC and variability on water resource availability (reduced rainfall, sea-level rise, droughts, etc.). • Inadequate governance and management framework for integrated water resource management (lack of data collection and management, lack of governance framework, lack of climate informed decision-making). • Inefficient water utilities (aging infrastructure, high levels of non-revenue water, weak management and technical capacity).
Transportation	• Roads: car-centric transport modes; safety; asset management and maintenance; and financing. • Sea Ports: capacity constraints; efficiency and productivity; conflicting uses (cargo vs cruise); and lack of ferry inter-connectivity. • Airports: limited regional hubs; lack of inter-regional flights; high dependency on international seasonal tourism.

[10/]The disbursement ratio is measured by disbursements as a percentage of the undisbursed balance at the beginning of the year plus new loans entering the portfolio during the year.

[11/]$1.03mn in undisbursed balances comprises Loans - $775.1 mn and Grants - $258.1 mn.

Sector	Issues and Challenges
	• Crosscutting: resilience, climate vulnerability and disaster preparedness of infrastructure; environmental pollution; inadequate incorporation of accessibility, security and safety considerations for vulnerable users; and gender imbalance in the workforce.
Energy Efficiency (EE)/ Renewable Energy (RE)	• Inadequate regulatory framework to facilitate and incentivise investment. • insufficient appropriate funding instruments to advance EE/RE agenda.

4. COMPARATIVE ADVANTAGE AND GUIDING PRINCIPLES

4.01 Consistent with its development mandate, as the Bank looks to support BMCs in the attainment of the SDGs and other national objectives, it will need to leverage its comparative advantage and hold fast to its GPs to ensure that assistance is focused in the areas of greatest need and provided with maximum efficiency and development impact. Ultimately, every intervention or activity in which the Bank is involved must be client-centric and results-focused and seek to transform the lives of persons in BMCs in a manner that is inclusive, resilient and sustainable.

4.02 Based primarily on discussions with the internal focus groups, and findings from Perceptions Surveys, five key areas of comparative advantage emerge for the institution:

- ***Trusted partner*** – This is in light of the cultural/historic links between BMCs and CDB, and that CDB is the only development bank with a principal focus on the Caribbean. In this vein, CDB is perceived to have more of a vested interest in the success of the Region and is therefore a highly valued development partner. The trust also reflects decades of successful service delivery and open and honest communication.

- ***Country and local knowledge*** – The majority of employees are from the Region and in conjunction with technical expertise and the trust that BMCs have placed in the institution, the Bank is able to access information (formal and informal) that is relevant to advance project outcomes and BMC development.

- ***Accessibility*** of staff and management to BMCs to address critical concerns including the provision of additional handholding during key stages of the project cycle process.

- ***Responsiveness*** – While the Bank continually strives to improve its overall responsiveness, clients have noted the speed with which the Bank is able to mobilise teams following a natural hazard event to assess immediate needs and provide the appropriate support.

- ***The package of finance*** – This refers not only to cost of funds, but also advice and TA provided as part of a comprehensive programme of support, which not easily priced, are valued by BMCs. This is particularly evident in sectors such as education and infrastructure and increasingly, energy, where the Bank's sector expertise is highly valued.

4.03 The GPs remain unchanged from the original Strategic Plan 2020-24 and represent the fundamental tenets which will help the Bank to navigate the complex needs of project beneficiaries, competing demands of country authorities, and fiscal sustainability concerns. GP (1) is ***'Pursuing value-for-money through additionality, impact and digital transformation'.*** This reflects the appreciation that the success of the Bank's interventions in BMCs will critically depend on the Bank's ability to increase its level of efficiency and effectiveness, and takes into consideration, the importance of both back and front-office considerations.

All client-focused operations must ensure that the Bank brings additionality and strengthens project outcomes and impacts leading to superior development results. GP (2) is ***'Selectivity and Focus while ensuring alignment'.*** The Bank, as it supports BMCs in the attainment of national development objectives and the SDGs will ensure that the programmes and projects considered, reflect its capabilities and core mandate. It will also endeavour to align with global development frameworks such the Paris Agreement on Climate Change, the Forum for Financing for Development, and SAMOA Pathways. GP (3) is ***'Deepening Country Focus and Stakeholder Engagement'***. This principle calls to the fore, the importance of crafting development solutions that take into consideration the unique needs of individual BMCs. This will be pursued by strengthening the relationship between the institution and its clients. The fourth and final GP (4) is ***'Delivering integrated comprehensive development solutions'.*** This principle emphasises the importance of providing holistic development support given that much of the Bank's work cuts across several areas. For instance, SDG 7 on energy can influence how we choose to provide access to quality education services (SDG 4); clean water and sanitation (SDG 6) has significant impacts on the ability of countries to pursue decent work and economic growth (SDG 8). This inter-relatedness not only requires that the Bank utilise the relevant sector expertise in various sections of the Bank, but also leverages partnerships with other donors [such as WB, IDB, Pan American Health Organisation (PAHO), Caribbean Disaster Emergency Management Agency, and the University of the West Indies] with whom it has worked in the past to help optimise resource utilisation and minimise duplication.

5. PROPOSED STRATEGIC DIRECTION AND OPERATIONAL PRIORITIES 2022-24

Introduction

5.01 The process of updating the Strategic Plan is one that is iterative and inclusive. The conduct of an independent survey with key stakeholders, including BMCs, and the BOD, as well as through internal focus groups, has allowed for the early crystallisation of views. This section presents an updated strategic framework and identifies priorities informed by: the devastating impact of the COVID-19 pandemic; a refreshed vision of development for the Bank and its BMCs; the Resolution and Report of Contributors on the Special Development Fund (SDF) Tenth Cycle; and lessons learnt from implementation of the first year of the original Strategy.

5.02 The events over the past 18 months have made it clear that it cannot be business as usual for the Bank, as the Region's already-slow progress towards the attainment of SDGs has been partially reversed by the impact of the pandemic. This latest shock, layered on existing natural hazard, economic and social vulnerabilities, implies that enhancing resilience is a critical development imperative for BMCs if they are to effectively build on past socio-economic gains and achieve development objectives. It also means that if CDB is to satisfy its poverty reduction mandate and contribute to "*the harmonious economic growth and development of the Bank's BMCs*", which is currently anchored in helping BMCs achieve the SDGs, it will need to intensify efforts to support BMCs' resilience.

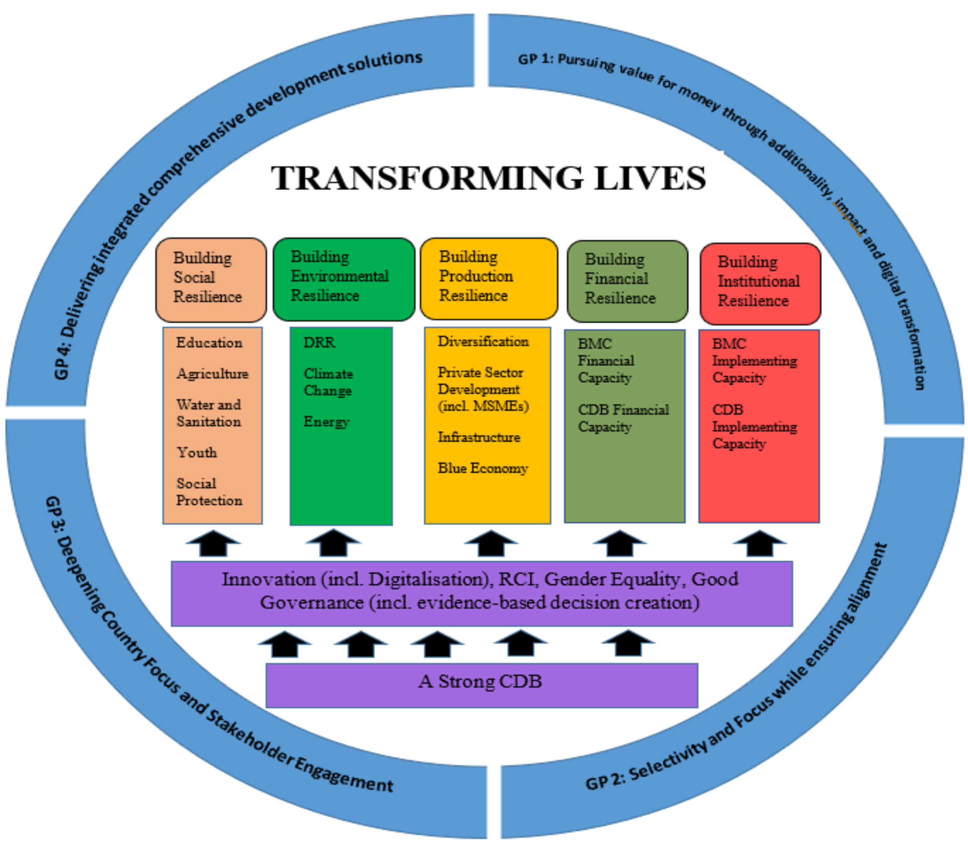
5.03 The Bank intends to work with the Region to lay the foundation for the paradigm shift that needs to take place if the Region is to eliminate poverty, advance standards of living, and deliver equitable prosperity by ensuring no one is left behind. Effecting this shift will require a solid evidence base upon which decisions and policies can be created and will also require that the Region be bold in seeking out new ideas and technologies to its development challenges. Consequently, knowledge creation and innovation will be key facilitators underpinning the Strategy.

5.04 Importantly, the institution in keeping with its overall poverty reduction mandate and in support of BMCs' attainment of the SDGs, views development as an inter-related ecosystem. This recognition was explicitly taken into consideration in the formulation of the Bank's resilience framework where it acknowledges that for example, measures to strengthen social resilience can simultaneously be dependent on, and impact actions taken to enhance production resilience (formerly economic resilience). Appreciation of this interconnectedness has also been an important aspect of the Bank's success in the Region as it expanded operations to better address issues such as gender equality, regional cooperation and integration, and RE/EE. As the institution lays the foundation for sustained BMC development over the next three years, it will do so in a manner consistent with its holistic view of development but also dimensioned by country priorities, its comparative advantage and GPs.

Strategic Framework and Operational Priorities

5.05 The strategic direction and operational priorities of the Bank for 2022-24 will be anchored in a theme of building resilience, as the primary avenue through which the Bank can support BMCs in realising sustainable and inclusive economic growth. The updated framework encompasses many aspects of the existing one, however, the Bank has determined there are some areas in which it will need to pivot or sharpen its focus in order to remain relevant and in support of the attainment of the new regional vision (see Figure 5.1). For example, within the social resilience pillar, the unprecedented impact of COVID-19 on the education sector and the significantly increased demands on social protection systems, warrant greater focus by the Bank in these areas. Similarly, in keeping with the need to increase resilience in BMCs' capacity to produce goods and services as a basis for sustained growth and development, the Bank will intensify its focus on measures to support economic diversification.

FIGURE 5.1: <u>INDICATIVE STRATEGIC FRAMEWORK 2022-24</u>



5.06 The Bank will also give greater prominence to financial resilience. Encompassing both CDB and BMC concerns, the financial pillar recognises that strong public financial management (PFM) frameworks alongside the provision of, and access to sustainable low-cost financing, are critical to the Region's long-term development needs. Under this rubric, the Bank will assess its financial capacity against the needs, the absorptive capacity, and the debt situation of the Region. This will be critical as it assesses the modalities through which it can provide appropriate funding including: (i) crowding-in additional concessional, non-concessional and other resources; (ii) strengthening its ability to generate capital internally [including the determination of the need for a general capital increase (GCI)]; and (iii) engaging in co-financing arrangements.

5.07 Closing the Region's implementation gap warrants urgent attention by BMCs and the Bank. The expansion of the institutional resilience pillar to encompass both BMC and CDB implementing capacity recognises that as the Bank explores new ways in which it can improve its operations and accelerate delivery of resources to its clients, the implementation machinery in BMCs must also be strengthened. The new representation recognises that both parties must work together to ensure that project and policy outcomes are realised in a timely manner.

5.08 Facilitators are essential in ensuring that growth is balanced and inclusive. In the current framework, greater attention will be given to evidence-based decision creation, innovation and the maintenance of a strong CDB that is appropriately outfitted to move the needle on regional development. The strategic objectives (SOs) and associated corporate priorities are located at Appendix 1.

Social Resilience

Transformational Education

5.09 Looking ahead, it is apparent that there is a need to fundamentally revisit the offerings of the regional educational system. The pandemic has once again provided the Bank with an opportunity to reset and rethink how we engage and prepare students for a life of work. More specifically, there is an opportunity to rethink the learning process and pivot towards one that better supports innovation and knowledge creation, i.e., processes based more on inquiry, discovery, and problem solving. These student-centred or active forms of learning have been linked to improvements in critical thinking skills, greater engagement in the learning process, and increased retention. Ultimately, the nature of the teaching and learning process must also be transformed to:

(a) emphasise knowledge that adds value to quality of life and not just fact gathering;

(b) promote 21st century skills and competences as the explicit focus of curricula, syllabi and courses throughout the education system, particularly tertiary institutions; and

(c) stress applied learning as the ultimate objective of education and training.

5.10 Over the medium term, the Bank proposes to more aggressively support interventions that embrace student-centred forms of learning. In this regard, the Bank is willing to provide further thought leadership, financial and TA and policy advice to facilitate outcomes. To address the learning loss from unprecedented disruptions in education, CDB, the Caribbean Community (CARICOM) and the Organisation of Eastern Caribbean States (OECS) developed and are coordinating the implementation of a Regional Model Learning Recovery and Enhancement Programme for Caribbean Schools and Ministries of Education which seeks to recover, improve and transform education in the Caribbean. Additionally, the Bank is currently collaborating with regional partners in the preparation of a gender-responsive and socially-inclusive model regional Inclusive Education Policy and Strategy, which will provide the best options for educating children with special needs, in the most appropriate and least restrictive environments.

5.11 The importance of ICTs as a critical enabler in the provision of education services has long been established. While the events of the past 18 months have also brought to the fore, the significance of technology in embedding resilience in the education sector, this reality is important beyond the pandemic context and relates to learning continuity in the aftermath of catastrophic natural hazard events such as hurricanes, volcanoes and earthquakes. It has also highlighted the fact that instruction is not limited to the physical school plant. The home or community must also be viewed as an environment for learning and appropriately capacitated to support instruction when face-to-face/site-based instruction is not possible or limited.

5.12 Looking ahead, the Bank proposes to focus on a model of resilience-building in the education sector that recognises the intersectionality between the home, community and the school. It is proposed that this includes *inter alia:*

(a) the development/adoption of accessible and appropriate learning portals/management systems/ICT platforms for ubiquitous access to education content and engagement;

(b) policy reforms to support increased digital access for schools and subsidised ICT access for homes for the purpose of learning, development of model/pilot schools as centres of excellence (Basic Education; Technical and Vocational Education and Training; and Tertiary Education) for sustainable education;

(c) support for BMCs' work with internet service providers to expand ICT coverage to hard-to-reach areas;

(d) continue/scale-up support for device availability and connectivity initiatives for schools, indigenous communities and families with support targeted as the most vulnerable; and

(e) support the training and certification of teachers and principals to effectively function in a student-centred distributed/on-line/blended teaching-learning environment.

Social Protection

5.13 CDB (2020) notes that within the Region, the major providers of social protection services are the state (leading provider), the private sector, and non-governmental organisations. These entities provide a range of social protection services including cash and in-kind transfers (usually targeted to the poor and vulnerable), public works programmes, social security schemes that provide protection in old age, and active labour market programmes, including skills training, and entrepreneurship programmes. However, provision of these services has been hindered by, among other things, errors of inclusion and exclusion, fragmentation, limited coverage, insufficient funding and inadequate governance arrangements. The pandemic has further exacerbated these inadequacies, and in so doing, placed an inordinate strain on public finances.

5.14 Guided by its Adaptive Social Protection Framework (2020), the Bank will step up its engagement over the medium term and will be focused in the following areas:

(a) expanding and harmonising protective and promotional social protection, including measures such as horizontal and vertical scaling-up of cash transfers to poor and vulnerable population;

(b) strengthening preventive social protection through *inter alia* strengthening social care services and access to quality Early Childhood Development services, addressing women's unpaid family care services and community management functions (care for older persons, PWDs, sick, children and other vulnerable groups);

(c) advance transformative social protection inclusive of unemployment insurance (UI) and universal and comprehensive health insurance mechanisms that provide affordable, equitable and quality coverage, prioritising vulnerable populations; and

(d) mainstreaming socially-inclusive and gender-responsive social protection by incorporating among other things, assessment and equity-specific programming to undercut intersecting vulnerabilities associated with age (children, youth, working age and elderly), life cycle stage, disability, indigeneity, urban/rural location, immigrant (non-belonger) status, class, race, sexual orientation, social, educational and socio-economic standing and other factors.

Environmental Resilience

5.15 The Bank has long recognised the importance of mainstreaming environmental sustainability/CC and has systematically been embedding these considerations in its operations. Since December 2020, the Bank has reinforced its commitment to amplify proactive measures in the Disaster Risk Management (DRM)/CC space with the approval of the revised Disaster Management Strategy and Operational Guidelines. Additionally, the Bank has stepped up its level of ambition and adopted a climate finance target of 25-30% of own resources towards CC adaptation and mitigation by 2024, up from an average of 15% over the period 2017 to 2020. These measures are particularly timely as mitigating the impact of COVID-19 has resulted in some BMCs diverting focus away from DRM/CC issues. The provision of technical and financial resources, particularly concessional funds, will be critical in providing the support BMCs need to continue addressing DRM issues, as well as building the necessary adaptive capacities.

5.16 Under the resilience pillar, the Bank will focus on:

- integrating DRM and CC into development plans, sectoral strategies policies, public sector investment programmes (PSIPs);
- improving climate resilience in vulnerable sectors;
- increasing partnerships to mobilise concessional resources and expertise for DRM and CC;
- increasing community resilience to natural hazards; and
- developing and/or promoting relevant DRM and CC tools and instruments.

5.17 The increasing incidence of natural hazards has brought to the fore, the need for BMCs to explore innovative disaster risk financing options to strengthen financial preparedness. BMCs need to determine the optimal mix of *ex-ante* instruments (such as disaster reserves, contingency budgets, bonds, contingent credit, and insurance) and *ex-post* operations (post-disaster budget reallocations, catastrophe bonds, insurance and re-insurance, borrowing, and international assistance) that would provide the appropriate coverage. The Bank is committed to supporting BMCs in the determination of this optimal mix and will also facilitate implementation of the appropriate instruments.

5.18 CARICOM countries have agreed to an ambitious target of a 47% renewable energy contribution to total electricity generation by 2027. At the end 2019 the level of RE penetration was approximately 12% reflecting very slow progress towards the achievement of this target. This has been linked to several factors including: (i) the inadequacy of the sector's regulatory framework to facilitate and incentivise private investment at various levels; and (ii) the insufficiency of appropriate funding instruments to address specific issues, especially in the private sector. Guided by its refreshed energy sector policy and strategy targeted for completion in 2022 and in collaboration with other development partners, the Bank will: (i) build BMC capacity for energy sector governance frameworks and advance the development and implementation of instruments to promote RE/EE investments; and (ii) actively support the development of capital investments that target wind, solar and geothermal energy.

5.19 Consistent with the goals of Paris Alignment, the Bank has made tremendous strides in building out its own capacity to support BMCs' adaptive and mitigation strategies, and also implemented several initiatives to reduce the carbon footprint of its internal operation. However, the Bank recognises more must be done. Over the next three years, the Bank will continue to reinforce existing partnerships and develop new ones, scale-up its climate finance to pursue transformational investments and further increase its capacities to enhance the effectiveness of its climate action. Additionally, the Bank's updated Energy Sector Policy and Strategy will further strengthen alignment in the area of energy with respect to the application of EE standards across the portfolio, and in relation to the non-funding of fossil fuel projects.

5.20 The lending and other operations of the Bank are consistent with the goals of the Paris Agreement. The Bank has made tremendous strides in strengthening its capacity to support BMCs' adaptation and mitigation strategies and implemented several initiatives to reduce the carbon footprint of its internal operations. The Bank also recognises that more can be done. Guided by its environmental, climate and disaster policies and strategies, the Bank will continue to screen and, if necessary, conduct in-depth assessments of climate risks and vulnerabilities for all CDB-financed projects to mainstream climate resilience measures into its work and across priority sectors such as water, transportation, energy and agriculture. The Bank will also continue to integrate CC considerations in policy development support and Country Engagement Strategies (CES) including assisting BMCs to develop long-term strategies.

5.21 CDB will also continue to assist BMCs to strengthen the enabling environment to achieve the resilience outcomes expressed in their CC related policies and strategies including their Nationally Determined Contributions (NDCs), national adaptation strategies and biodiversity strategies. Over the next three years, the Bank will continue to reinforce existing partnerships and develop new ones, scale- up its climate finance to pursue transformational investments and further increase its capacities to enhance the effectiveness of its climate action.

5.22 The Bank acknowledges that the poor, particularly women, children, the elderly, PWDs and vulnerable populations are impacted disproportionately from natural hazards, disasters, and emergencies. CDB is committed to further mainstreaming gender and climate into its development activities and increase gender-responsive climate finance for mitigation and adaptation. All the Bank's CC adaptation and mitigation actions will be informed through a gender lens in line with the Paris Agreement, Green Climate Fund Gender Policy and CDB's Gender Equality Policy and Operational Strategy 2019 (GEPOS 2019). Over the medium-term, the Bank will therefore focus on the following actions:

- promote social and gender-inclusive assistance through the Bank's emergency financial instruments and the implementation of the Bank's Disaster Management Strategy and Operational Guidelines including prevention and response to threats of GBV, increased unpaid care work and psychosocial needs;

- support gender equality in EE/RE by utilising gender differentials and impact assessments to guide the Bank's interventions. The Bank will also promote employment opportunities through TA to increase training and capacity-building for women, youth, and PWDs to benefit from new and emerging job opportunities, in non-traditional and higher paying fields including green jobs and improve women's decision-making; and

- strengthen gender mainstreaming across CC operations through guidance and screening tools, policy analysis, and programming to support BMCs, including in determining their NDCs with a gender lens, portfolio monitoring, TA, knowledge products, improving women's participation, and through global dialogue and partnerships.

Production Resilience

Promoting Economic Diversification

5.23 Innovation and economic diversification are inextricably linked. By increasing productivity and reducing costs or introducing new products or product varieties, innovation can promote export diversification. Export diversification in turn, generates resilience by reducing the susceptibility of national output to the fortunes of one or two industries. In order for products to make it into global markets, they must be delivered at a price, quality and reliability that meets market standards. This will require the creation of an environment that has innovation at its core in order to increase productivity, support the creation of new products and services, and implement new ways of conducting business. At a very basic level, there must be an environment that promotes the establishment of high growth firms that create decent jobs, have a high level of internationalisation and a strong export orientation. Such an environment will promote actions that drive productivity and innovation. This "ecosystem" is comprised of a network that includes entrepreneurial actors, entrepreneurial organisations such as angel investors and venture capitalists; institutions such as universities and business support agencies; appropriate policy frameworks; supportive culture; and infrastructure. Figure 5.2 illustrates the six pillars of this ecosystem, as identified by Daniel Isenberg (2011).[12/]

5.24 Within the Caribbean however, deficiencies in this ecosystem have been identified. Those of particular note include:

- weak legal and institutional conditions for businesses;

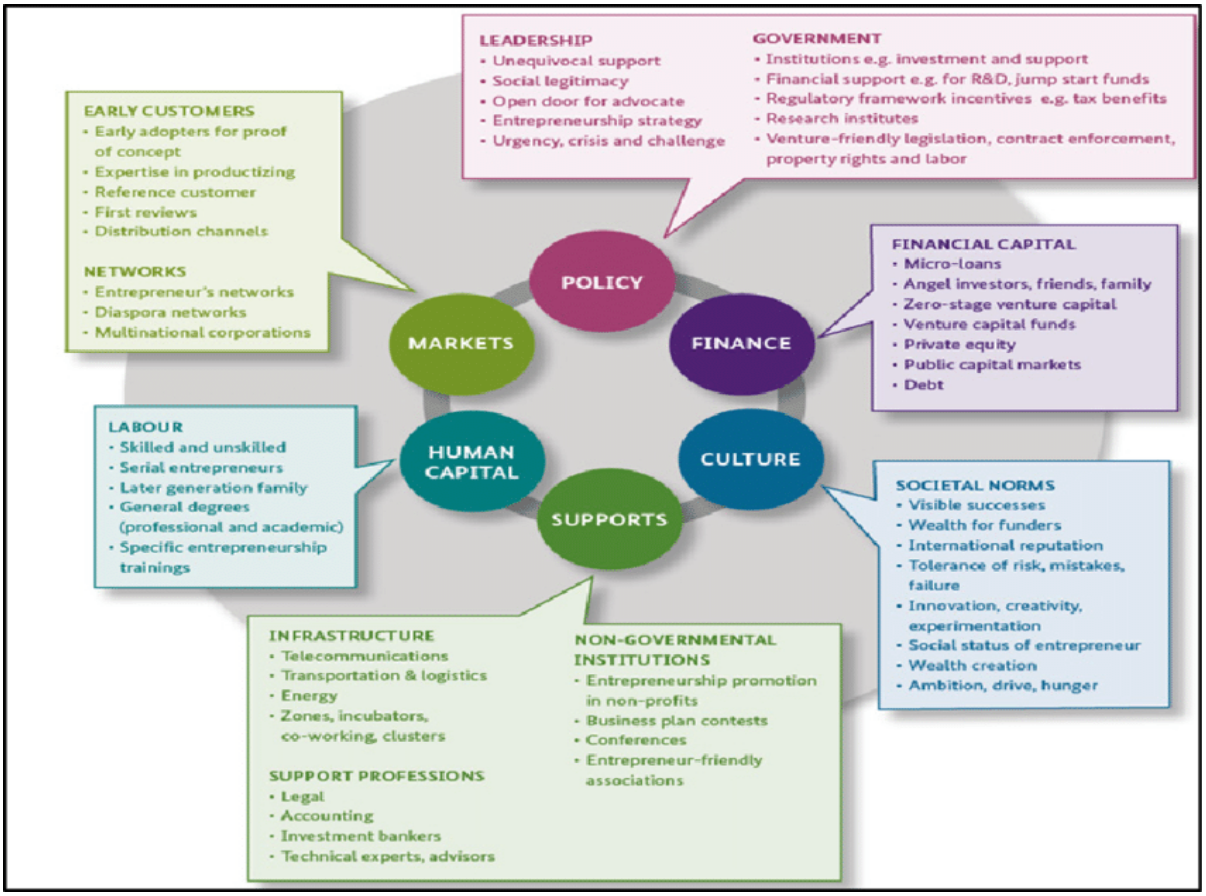
- limited access to finance (both for working capital and investment) mainly due to lack of collateral and informality;

- gaps in productive infrastructure; and

- suboptimal utilisation of digital payment and marketing solutions.

[12/]Isenberg, D.J. The Entrepreneurship Ecosystem Strategy as a New Paradigm for Economic Policy: Principles for Cultivating Entrepreneurship, the Babson Entrepreneurship Ecosystem Project; Babson College: Wellesley, MA, USA, 2011.

FIGURE 5.2 – PILLARS OF THE PRIVATE SECTOR ECOSYSTEM



Source: Daniel Isenberg (2011)

5.25 The Bank will therefore leverage its comparative advantages, apply lessons learned from past experience and enhance the efficiency of its private sector processes to enhance the competitiveness of the private sector. Over the strategic planning horizon, the Bank will intensify its private sector operations in phases, based on actions that can make the greatest impact on CDB's drive to promote private sector development:

(a) **Ongoing**

- ***Enabling environments***: Promoting country-led reforms (legal, institutional, regulatory, infrastructure) to improve business environments in general and overall country competitiveness.

- ***MSME advancement***: Addressing constraints to MSME development and competitiveness, including ease of doing business access to finance, financial inclusion, and transition to formality for female and male entrepreneurs.

- ***International trade and economic integration support***: Tackling hurdles to trade, market access, and promoting regional integration.

- ***Development Finance Institution (DFI) operations****:* Enhancing operations with DFIs aimed at facilitating access to finance for the private sector, particularly MSMEs.

(b) **Short Term**

- ***Increased direct lending*** by leveraging non-Ordinary Capital Resources (OCR) resources to facilitate and expand direct long-term lending to private enterprises in BMCs, including private infrastructure providers, within our risk appetite.

- ***Catalyse private investment*** by prompting the involvement of other financial institutions and private sector players through intermediary and direct lending, credit enhancements, risk mitigation/de-risking measures, loan syndication, and TA, among other instruments.

- ***Partnership building***: CDB's relatively small resource base and prudential exposure limits highlight the need to intensively pursue partnerships with other multilateral financial institutions, international cooperation agencies, private foundations, DFIs, commercial intermediaries, and other relevant actors, to attract and leverage resources, and maximise operation effectiveness.

5.26 Over the medium term, the Bank will explore the development of flexible financing solutions that cater to the needs of the private sector, while addressing the challenges that they routinely face, primarily in terms of access to working capital finance and collateral. By working with governments and other private sector actors, the Bank will aggressively seek out modalities through which it can enhance the use of digital payment solutions in the private sector, particularly among MSMEs and promote the development of resilient infrastructure through public-private partnerships.

5.27 While the Bank will seek to ensure that all interventions under this pillar take account of the gendered impacts of productive activity, the institution has identified key activities that will support outcomes in the area. These include: the development of gender-responsive criteria for on-lending and enhancement of access to financial intermediaries; and gender-responsiveness and diversity training for staff in business support organisations, financial intermediaries and other private sector activities. The Bank will also provide knowledge products on gender inequality in the labour market and on access to finance.

Industrial Policy and Innovation Diagnostics

5.28 As the Bank promotes innovation as the fundamental principle upon which the Region can begin to effect a paradigm shift towards higher more resilient growth, there is also the recognition that there must be a more structured approach to how the region identifies and subsequently encourages the development of ideas from concept to the marketplace. During its engagement with countries at the level of policy-formulation, it will advance the use of Knowledge-oriented Industrial Policy (KOIP) which targets the various structural aspects of the economy through transmission channels and mechanisms that hinge on the driving forces of knowledge flows and stocks.

5.29 While innovation is the cornerstone of KOIP, it is more than just the commercialisation of technological invention as is the case with traditional industrial policy. Rather, innovation includes other forms of new (or tacit) knowledge with commercial significance such as organisational and managerial novelties (new "social technologies"). Innovation requires interaction and technological cooperation among firms and access to new knowledge through collaborative networks. Further, innovation is the result of simultaneous interactions (interactive model), the outcomes of the innovation process are highly uncertain but provide the basis on which more flexible and agile approaches are taken to infuse a measure of dynamism and diversification in an economy. In practice KOIP should aim to facilitate the generation, accumulation, flow and dissemination of knowledge (however characterised), promote connectivity among stakeholders and in so doing facilitate and encourage risk-sharing. Operationally there should be a systemic coordination of the innovation process – from coordination of policy design and implementation to supporting linkages among innovation stakeholders, to facilitating beneficial spill-over and the development of policies to bridge sources and users of innovation.

5.30 The Bank will also seek to advance the KIDS approach to help build innovation within the entrepreneurial ecosystem. First, is the application of **K**nowledge accumulation, which is the gathering, organising, refining and disseminating of information. Second, **I**nnovation **D**iagnostics seek to transform the information garnered from the knowledge accumulation phase into a value-added product, by utilising the resources of tertiary institutions. Third, is **S**trategies, which can further transform the synthesised knowledge or value-added product into a viable business proposition that can be implemented locally, regionally, or globally. The institution proposes to work with BMCs to help infuse innovation in policies and strategies. The Bank will provide thought leadership and advocacy to sensitise and build awareness, or other forms of support as required to stimulate innovation in BMCs.

5.31 The needs of the private sector are great and as the Bank seeks to strengthen its engagement in this space, it is mindful that it must do so in a manner that is: (i) targeted; (ii) aggressive in seeking to crowd in resources; (iii) focused on leveraging partnerships; and (iv) consistent with the risk appetite of the institution. The Bank will therefore deploy a range of products to advance private sector development. In addition to PBLs, TA and intermediary lending this will include the provision of knowledge products to provide the basis for decision-making, as well as advocacy and policy advice, supplemented by the development of new products that respond to gaps in the ecosystem.

Promoting Effective Vaccine Delivery

5.32 An efficient, effective and equitable vaccine delivery system is critical for the safe and sustainable reopening of economies and restoration of livelihoods, particularly for persons in low-skilled jobs. However, with most BMCs reporting less than 30% of the population vaccinated, there is a risk that economies could enter a cycle of reopening and closing in tandem with the surge and abatement of the virus. The cost to BMCs to procure and administer vaccines in a fiscally constrained environment, especially given limited ability to benefit from economies of scale on account of small populations, requires that the Bank explore opportunities to support BMCs' inoculation efforts. Going forward, leveraging partnerships with agencies such as PAHO and CARPHA, the Bank will consider providing assistance for, among other things, supply chain management and warehousing, vaccination campaigns, and the acquisition of consumables such as needles and syringes needed for the rollout.

Financial Resilience

Building BMC Financial Capacity

5.33 Financial resilience has been given greater prominence in the framework to highlight the importance of strong financial management on both the part of the Bank and BMCs working in partnership to achieve sustainable and inclusive economic growth in the Region. With adverse fiscal and debt dynamics constraining growth in many BMCs, the Region is not well prepared to respond to exogenous shocks. The recovery from the impact of such events tends to be more protracted due to insufficient resources and can slow down growth over the medium to long term. Given that BMCs are located in one of the most vulnerable Regions in the world, their finances need to be strengthened to provide more timely and substantive solutions when shocks occur. Utilising diagnostics undertaken with own-resources, in conjunction with other development partners, the Bank will determine those areas of greatest need and leverage its partnerships to provide innovative PFM solutions. This will also include the exploration of approaches that: (i) better incorporate risk into budgetary processes; (ii) encourage the building of buffers; (iii) support measures that promote the optimal usage of SDRs and innovative financing instruments such as contingent bonds; and (iv) advance the development of the multidimensional vulnerability framework. This will be achieved primarily through the provision of policy advice, TA and refinements to its Policy-Based Operation (PBO) Framework to enhance the effectiveness of the instrument.

Building CDB Financial Capacity

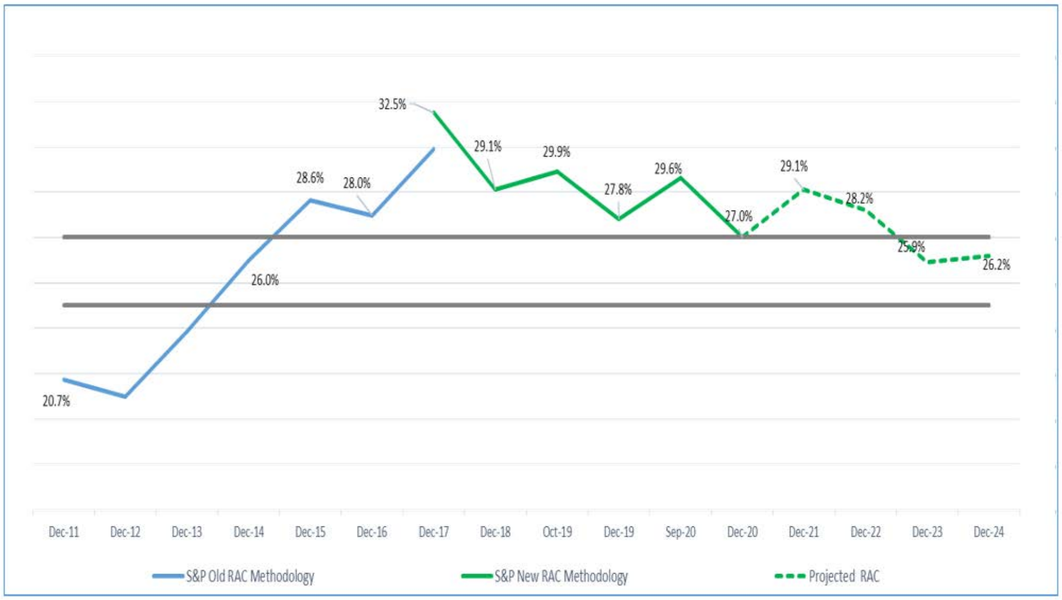
5.34 The crisis has further served to highlight that the performance of the Bank and BMCs are inextricably linked, as a downturn in economic activity and changes in BMC creditworthiness could have implications for the Bank's risk profile. Consistent with its developmental mandate, the Bank will provide counter cyclical funding to support its BMCs in times of need, taking into account capital adequacy and balance sheet considerations. This will include maintaining its Risk Adjusted Capital (RAC) minimum internal and policy thresholds via: (i) the active management of portfolio concentration including through portfolio diversification; (ii) monitoring of and maintenance of portfolio credit quality; (iii) ensuring the status of the Bank as a Preferred Creditor is respected; (iv) monitoring operational risks; and (v) tracking market risk trends. On the capital side, the Bank will continue to strive to maintain consistent profitability.

Capital Adequacy

5.35 CDB has transitioned to a RAC Framework for managing capital adequacy. The RAC is aligned to the capital adequacy assessment methodology of the ratings agencies (particularly Standard and Poor's) and is also consistent with Basel minimum capital requirement directives. The RAC is influenced by a number of factors including balance sheet risk weighted assets on the one hand, and profitability (comprehensive income) as well as capitalisation on the other. The recent crisis has therefore adversely impacted the RAC given the effect on BMC sovereign risk profiles, economic activity, and demand. Recognising those trends, the Bank will provide counter cyclical funding to support its BMCs in need but within the constraints of its balance sheet and capital adequacy constraints. Consequently, the Bank assessed the impact of the revised Strategic Plan projections and assumptions on its balance sheet and capital adequacy position to ensure its minimum policy and internal thresholds are not breached in the delivery of its developmental mandate. The Bank currently has an extremely strong level of capitalisation which anchors its AA+ credit rating.

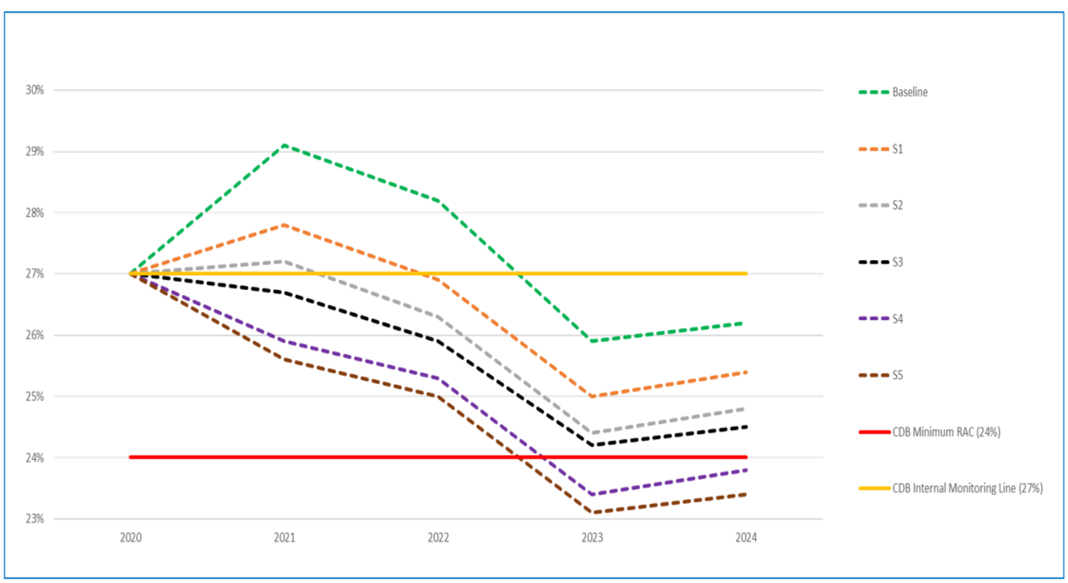
5.36 The impact of the baseline Strategic Plan projections on the performance on the Bank's capital adequacy against the minimum policy and internal monitoring guidelines are represented in Figure 5.3 below. Key assumptions of the capital adequacy projections include: (i) no credit downgrades or upgrades over the forecast horizon; (ii) no cancellations of aged-undisbursed balances; (iii) the single largest borrower remains unchanged; (iv) no PCT breaches; (v) no GCI over the near term, (vi) PnL based on projected Strategic Plan trends; and (vii) no transfers to SDF. The results suggest that the minimum policy threshold of 24% will be met throughout the strategic cycle, but the minimum internal monitoring threshold of 27% would be breached based on current trends.

FIGURE 5.3: ANNUAL TRENDS IN RAC (%)



5.37 To test the robustness of the projected capital adequacy, the annual trends were stressed taking into consideration the indirect impact of external threats on BMCs and CDB, including but not limited to climate vulnerability and rising interest rates. There were five distinct stresses targeted at potential incremental downgrades of the Bank's largest BMC exposures or those with the highest sovereign risk profile. The results of the stress covering encapsulating the strategic period cycle are represented in Figure 5.4.

FIGURE 5.4: ANNUAL TRENDS IN RAC (%) BASED ON STRESS TESTS



S1 – Largest concentration exposure (Barbados) downgrade
S2 – Two BMC downgrades inclusive of Barbados
S3– Three BMC downgrades inclusive of Barbados
S4 – Four BMC downgrades inclusive of Barbados
S5 – Five BMC downgrades inclusive of Barbados

5.38 The results of the stress tests indicate that the internal monitoring threshold of 27% and minimum policy floor of 24% could be breached throughout the strategic cycle, should the stresses materialise. It may also be noted that the results could worsen in the event of any sudden decline in capital due to unrealised losses arising from adverse interest rate and exchange rate movements. These impact the Bank's derivative and investments valuations, are outside the Bank's control and fluctuate significantly to the extent that a comprehensive loss, which directly affects the Bank's equity, could arise if they exceed the operating income for the period. Recognising the threat, the Bank will continue to proactively undertake a combination of mitigation actions to ensure its minimum thresholds are not breached. (See Appendix 2 – Mitigating Actions to Support Capital Adequacy).

Building Institutional Resilience

5.39 The implementation capacity challenges within the Region warrant urgent attention by the Bank if it is to appropriately support the transformation of BMCs to more resilient economies. The institutional resilience pillar acknowledges that both parties must work together to ensure that development solutions are delivered efficiently and effectively. This imperative of building implementation capacity will supplement the other corporate priorities required to build the Bank's institutional resilience such as a focus results and development outcomes, enhancing disclosure and transparency, improving value for money and enhancing the quality of operations (see Box 1 below for refreshed thinking about how the Bank will approach future reforms).

BOX 1 - BEYOND THE TRANSFORMATION PROGRAMME

Over the past few years, the Bank has intensified its focus on strengthening client engagement, creating a more supportive culture, and improving its efficiency through technology optimisation and process improvements. This introspection continues as the Bank supports a new vision and refocused priorities in the Strategic Plan Update 2022-24.

Looking ahead, achieving a more fit-for-purpose 'One CDB' requires building on the gains of the transformation programme to create new capabilities that enhance the value proposition for all stakeholders. CDB fully understands that for transformation to have a meaningful impact, the Bank must systematically improve all areas of its operations; to do otherwise, would result in inefficient silos. Therefore, the Bank has refocused the approach to transformation.

More specifically, the Bank will transition away from a finite or discrete programme to a process of continuous improvement. This will witness the Bank institutionalising the capacity to change and undertaking reforms at appropriate times to enhance key aspects of its operations in support of the updated strategy. This approach is consistent with the cross-cutting theme of innovation which encourages the Bank to apply new ideas, technologies and methodologies to its external as well as its internal operations.

Building BMC Implementation Capacity

5.40 With CDB estimates suggesting that 70% of implementation occurs in BMCs, strengthening in-country systems must be given the highest priority as the Bank and other development partners try to deliver resources more efficiently and help BMCs to realise project and development outcomes sooner. Over the medium-term, the Bank's support to strengthen countries' implementation capacity will rest on three interconnected pillars, namely governance, digitalisation, and partnerships.

5.41 Good governance is critical to smooth project and policy implementation and is a necessary condition for improved development effectiveness. Yet, it is an area in which the region has consistently struggled. Over the medium term therefore, and building on the Public Policy Analysis and Management/Project Cycle Management (PCM) project, the Bank proposes to focus on improving public policies and planning processes; strengthening delivery mechanisms; working with BMCs to improve accountability and integrity. This includes procurement and other legislation; prevention of corruption and enhancing the capacity of senior officials to promote policy/strategy/project/PSIP implementation and enact reforms. These and other areas will be critical in helping to enhance the capacity of regional agencies to more effectively execute projects and policies. Further support will be informed by the Governance Conceptual Framework and Strategy, alongside the development of comprehensive diagnostics of key line agencies/ministries to determine those critical resource and governance gaps with a view to implementing solutions that are tailored to the country circumstance. As the Bank looks to strengthen implementation capacity in countries, it will, as feasible, utilise digitalisation as a key facilitator in its operations to better engrain efficiency and transparency in PCM.

5.42 The challenge of building implementing capacity in BMCs does not only reside with CDB but is also highlighted among other development agencies. As a result, the Bank will seek to leverage partnerships to help remove bottlenecks and deliver resources more efficiently to its clients. Importantly, building country capacity is a potential area in which CDB can show leadership. The Bank can leverage its knowledge of country and local systems, its position as trusted advisor and relationship with other development partners operating in the Region, to explore the feasibility of a joint operation to identify and remove obstacles to implementation.

Building CDB Implementation Capacity

5.43 The Bank has been taking concrete steps to improve the pace at which it can deliver project results through its Transformation Programme. This has witnessed the Bank commence implementation of the client relationship management system and reorganise critical aspects of its operations. However, more still needs to be done. Over the medium-term, the Bank intends to:

(a) Enhance staff capacity. This includes rethinking the way new staff are on-boarded to allow for more mentoring and training between the start date and assignment of key deliverables; ramping up training of existing staff to develop expertise in monitoring and evaluation; and improving staff's ability to undertake organisational assessments.

(b) Strengthen its client engagement model through earlier escalation of issues when challenges arise. In this way, senior personnel on both sides can take prompt and decisive corrective action to facilitate implementation. This approach will also encourage greater country ownership.

(c) Add staffing in critical areas. This will help the Bank to increase its footprint in potential growth areas such as digitalisation and the private sector, as well as accelerate implementation in the Bank's traditional sectors of engagement such as the social sector and economic infrastructure. (While the Bank's operations have grown over time, there has not been a commensurate increase in the level of staffing required to support not only the volume but also the complexity of projects. This has given rise to the situation where one officer is required to supervise an average of 94 contracts).

(d) Revisit the Resident Implementation Officer (RIO) Programme. The RIOs have been engaged for approximately eight months with varying levels of success noted at this early stage. Given the important in-country role of the RIO, which includes serving as a key operational interface between CDB and BMCs, the Bank is distilling the successful practices observed thus far and will be incorporating these into the revised roll out of this particular supervision modality. The initial intended outcome of improved responsiveness, country engagement and implementation capacity through a more client-centric model remains unchanged. However, based on the experience of the pilots, the Bank's approach will need to be more contextual and BMC-specific and less modular. We expect that this focused reset will not only enhance the Bank's in-country presence but will provide further support to BMCs during this uniquely challenging period for project implementation.

(e) Implement a More Robust Pipeline Management System. Pursuant to the achievement of greater institutional and financial resilience, and cognisant of the desire to incorporate greater evidence-based decision-making through the tracking of progress on key resilience indicators, the Bank proposes to establish a pipeline management programme. The programme will promote a more sales-oriented operations structure, consistent with goals established under the Bank's transformation programme. See Box 2 below for further details.

BOX 2 - A MORE ROBUST PIPELINE MANAGEMENT SYSTEM

Building on earlier work to initiate a more rigorous pipeline and sales funnel, this programme, aided by a full Client Relations Management framework, will change the approach, the mindset and fully automate the sales and client engagement process. This will radically shift the current pipeline management strategy to facilitate systemising prospecting and lead generation and enabling greater transparency of leads and opportunities as they progress through the project management cycle. The following GPs are fundamental to managing the Bank's pipeline for ongoing success in delivering on its mandate:

- Optimising the project cycle and capturing opportunities for greater efficiencies, including the minimisation of inactive items in the pipeline.
- Maximising revenue and development impact through the optimal timing of disbursements.
- Minimising the occurrence of cancellations such that the client engagement is not impaired.
- Having a healthier pipeline manifested by a positive growth trajectory.

Some of the main outcomes which are anticipated from the improved pipeline management include:

- Focus: Providing management with enhanced diagnostic capabilities and the ability to implement corrective actions in a timely manner, utilising the established escalation protocols.
- Clarity: Setting the expectations of stage outcomes and having a better grasp of the bottlenecks and project pain points at each phase of the cycle to allow for optimal solutions.
- Control: Streamlining the flow of leads, opportunities and projects through the pipeline end to end by implementing and adhering to set protocols.
- Rebalance: Reducing time and efforts devoted to ramping up disbursements at measurement periods; diverting resources away from non-strategic opportunities.
- Accountability: Establishing key performance metrics around conversion rates, cycle length etc., and the implementation of routines at all levels, including contact management disciplines.
- Alignment: Better alignment of capacity to plan and deliver, with opportunities and strategic direction.
- Digital enablement: Utilising the existing technology to develop appropriate pipeline management tools.

The development of internal capacity to continuously build the pipeline, carry out pipeline analysis and forecast more accurately is a major priority as part of the ongoing improvement efforts. Equally important is the increased emphasis that will be placed on nurturing leadership in prospecting for leads to be converted into opportunities (investments and grants, funding partners, and other collaboration). The implementation of a pipeline management strategy will enable the Bank to manage its pipeline more effectively, and also promote much stronger relationships with the private sector an area of key strategic importance for the Bank. The strategy will include: (i) use of technology systems and infrastructure that supports Client Relations Management practices; (ii) data required to run the pipeline and carry out more data analysis and visualisation; (iii) assessment of roles and skills requirements; and (iv) building staff capacity.

Crosscutting Themes

Evidence-based decision making – "*Measuring better to target better*"

5.44 The Bank's ambition to become a regional knowledge hub is a direct response to the paucity and fragmented provision of data and information on the region. This inadequacy spans the social, economic and environmental sectors and impedes the ability of country authorities and development partners to: (i) thoroughly analyse development challenges and make informed decisions, and (ii) engage in appropriate target setting and track progress towards the attainment of those targets.

5.45 Several factors have been cited for the inadequate collection and dissemination of regional information. High on the list is inadequate human and institutional capacity in the Region's National Statistical Offices (NSOs), which limits the scope, depth and frequency of data collection and undermines the provision of value-added services such as thorough analysis and forecasting. The under-utilisation of digital tools in data collection due to high cost and the extensive training requirement has also constrained data production and dissemination particularly when conducting national surveys and censuses. Other factors contributing to sub-optimal utilisation are the politicisation of data, the need to strengthen the legislative framework to support the formation of independent NSOs, and the fragmented provision of regional data across ministries, central banks, NSOs and international agencies.

5.46 Within the past few years, there has been a notable attempt by IFIs such as the WB and the IMF to include information on BMCs in their publications and databases, however two challenges are evident. First, the data provided is highly aggregated, allowing for at best generalised analysis of regional phenomenon. Researchers and policy-makers seeking more disaggregated regional information have to utilise various NSOs, central banks and ministries of government. Additionally, with respect to knowledge products, analysis relevant to BMCs is oftentimes lost in generalised discussion in country-groupings such as Latin America and the Caribbean and middle-income countries. Secondly, there are issues related to coverage of BMCs by IFIs, as not all of the Bank's borrowing membership, e.g some countries within the OECS as well as the Overseas Territories, are captured consistently.

5.47 There is therefore a dire need for information specific to the region that thoroughly captures the situational context and provides customised analysis and solutions for BMCs. Consequently, an immediate endeavour of the Bank is to become a *"knowledge hub"* for the Region. The Bank proposes to create a digital, searchable repository of externally sourced comparable statistics, and internally produced data, reports, and knowledge products, on key aspects of Caribbean economic, environmental, and social development. Some knowledge and information products that will be available in the Hub include research reports, thematic papers, sector profiles, evaluation reports, policy briefs and statistical data including geo-referenced data.

5.48 The knowledge hub is a vital foundation for building an evidence-based culture within the Bank that will drive the internal policy research agenda and help the institution provide leadership to clients. By becoming more data centric, consolidating and storing locally data from various external sources, and leveraging advances in artificial intelligence and analytics, the Bank intends to provide ready access to analytical tools and models to track performance across BMCs, as well as generate comparative information and knowledge for dissemination to clients.

5.49 The Bank will also work with BMCs to: (i) support the building of data architectures and databases by *inter alia* exploring the provision of online and computer-assisted data collection and dissemination systems; (ii) improve country capacity in data analytics by advancing training activities and providing TA for NSOs and the regional statistics programme; and (iii) deepen collaboration with countries to increase the access to and use of administrative or internal data. Given that the availability of regional information impacts all development partners working in the regional the Bank will leverage existing information partnerships as feasible to advance the production and dissemination of regional information.

Digital Economy

5.50 A collaborative approach that includes the public and private sectors along with multilateral investments will help to advance the pace of digital transformation in BMCs. CDB should seek to support policy that would advance digital transformation, including the foundational elements of infrastructure, innovation hubs, education and training and digital platforms for government services, education, health and financial services. CDB can also partner with others working in the sector to improve the policy and regulatory environment to keep pace with developments in ICT. This includes legislation around data protection, cyber-security and the enabling environment that would promote innovation and tech entrepreneurship.

5.51 CDB also needs to ensure that digital solutions are employed to the extent possible across all its corporate priority areas to ensure optimal efficiency and improve outcomes and development impacts. Digital applications have introduced efficiencies in agriculture, education, logistics and commerce, and DRM. These applications must be introduced into project design for CDB-financed projects. MSME operations, in particular, have the potential to benefit from payment technology. To achieve this objective, CDB needs to have this competency as part of the resources in the Operations Area to subject all initiatives to a digital lens. Some possible areas for the use of digital platforms are included in Table 5.1 below, but this list is not exhaustive.

5.52 Digital transformation of the public sector is important to the achievement of efficiencies in the delivery of social and other services and the execution of its regulatory responsibilities. Such efficiencies can include better targeting and faster access in the delivery of social services. Efficiencies also include the reduction in the time and cost of navigating public sector regulatory agencies. These accumulated time and cost savings have the potential to improve the competitiveness of BMC economies and facilitate the achievement of export diversification and economic resilience. CDB will strengthen its use of TA and PBOs to advance digital transformation in the public sector, inclusive of the reconfiguration of business processes to accommodate and exploit the optimal use of digital solutions.

TABLE 5.1: POSSIBLE AREAS FOR THE USE OF DIGITAL PLATFORMS

Opportunity in the FOCUS Area	**Desired Outcome**
Improve electronic payment systems.	• Enable small businesses to accept electronic transactions. • Enable the growth of services and financial technology (fintech) in the area of electronic payments. • Bring small business to formality. • Improve tax collection.
Facilitate access to digital bank accounts/financial services.	• Reduce the leaks on money transfer from social projects to the population. • Enable the receipt of money. • Reduce the time wasted in queues to perform payments that can be done electronically.
Encourage the public sector to digitise its operations.	• Streamline the public sector. • Reduce unnecessary bureaucracy. • Create demand for technology professionals.
Enhance education and training.	To develop the skills and knowledge set required for the Fourth Industrial Revolution. It should include a combination of education reform, as well as training of the wider population to enable improved usage of technology and competence in a digital world. Focus should also be moving away from consumption to content creation.

Promoting Gender Equality

5.53 The Bank has well accepted the positive correlation between gender equality and the achievement of sustainable socio-economic development. Consequently, the Bank has sought to mainstream gender considerations in both its client-facing engagements as well as its internal operations. Additionally, the Bank actively seeks out opportunities to engage in gender-specific activities to address the root causes and manifestations of gender inequalities through all of its policy dialogue and operations.

5.54 This approach is clearly articulated in its GEPOS 2019 which provides the overarching programmatic framework for advancing and monitoring the Bank's contribution and commitments to gender equality. It is buttressed by nine Strategic Pillars: Equitable Access to Infrastructure Services for All; Economic Empowerment of All; Education and Training for All; Combatting GBV for All; and Resilience for All; (all externally focused) while the inward-looking pillars are: Work-life Balance for All; CDB's Core Values for the Benefit of All; Equitable Treatment and Empowerment of All; and Safety and Security for All.

5.55 More recently, in 2020, the Bank approved its Gender Equality Action Plan (GEAP) which outlines how it will implement GEPOS 2019 as it seeks to deepen its gender equality work both in BMCs and the institution. Within BMCs, in addition to intervention areas previously identified in the pillars, the Bank also proposes to: (i) strengthen policy responses, research and innovative approaches to address GBV; and (ii) leverage infrastructure projects to increase women's access to markets and opportunities for non-traditional jobs in transitioning and emergencies industries with skills building and capacity support.

5.56 Actions which will be pursued within the organisation include the preparation of policy guidelines, training and the dissemination of gender tools and knowledge products. Additionally, the Bank will strengthen the gender networks and Community of Practice within the institution and ensure that all levels of management are responsible for achieving key performance indicators.

A Strong CDB

5.57 Underpinning the entire Strategic Plan, is a strong CDB. It speaks to the ability of the Bank to generate meaningful change in the Region through the utilisation of its technical and financial resources and its policy advice. The Bank will need to ensure that its size is fit-for-purpose and that resources are optimally deployed and that it deepens collaboration with partners.

5.58 Also important in building a strong CDB, is ensuring that the institution provides a working environment that maximises the talents of Staff in a way that encourages: dissemination or communication of information both within the Bank and to clients about key topics of interest; the conducting of research for evidence-based decision making; passion or emotion as Staff go about their work; accountability for work programme deliverables; and materiality such that bold ideas are encouraged.

6. RESOURCING THE STRATEGIC PLAN 2022-24

6.01 The Region's investment needs are enormous. Preliminary CDB estimates indicate that countries would need to invest about $10 bn annually to halve regional poverty by 2030 – approximately triple current investment levels. This estimate suggests that a more robust effort will be needed by BMCs, as well as bilateral and multilateral development partners to help bridge the financing gap. Additionally, the vision articulated for the Bank and the Region against the backdrop of COVID-19, implies that the institution will require more human and financial resources if it is to achieve its mandate and remain relevant in a dynamic and increasingly competitive environment. In responding to the growing needs of BMCs, the Bank will be purposeful in its ambitions, consistent with its GPs of: pursuing value-for-money; selectivity and focus while ensuring alignment; deepening country focus and stakeholder engagement; and delivering integrated comprehensive development solutions, while also adhering to its financial and prudential requirements.

6.02 Looking ahead, responding to the expanding needs of BMCs, while optimising the Bank's portfolio and maintaining strong financial and capital positions will require that the institution continue to pursue several strategies in combination. This will be done to ensure that countries can access sufficient levels of funding and at the appropriate cost. The Bank will, therefore, be more aggressive in crowding in non-OCR resources to respond to key challenges confronting BMCs such as DRM/CC impacts and EE/RE initiatives, private sector development, and gender inequality. Enhanced mobilisation efforts will also witness the Bank seeking out collaborations and co-financing opportunities, pursuing strategic partnerships and advancing membership discussions to better address BMC needs. The Bank will also be robust in its efforts to generate capital organically through retained earnings, and assess the need for a capital injection against the background of: (i) the investment needs of BMCs to attain key poverty reduction targets; (ii) expectations of the demand for CDB resources along with the implications for CDB portfolio growth and profitability; (iii) changing and more stringent capital adequacy regulatory/best practice standards; and (iv) the Bank's approved financial policies and risk tolerance.

6.03 The Bank needs to be agile and evolve its capabilities and value proposition to be fit to compete and demonstrate stronger relevance to its stakeholders. This change will require the Bank to increase its responsiveness and get closer to its clients. In addition, as the Bank moves forward with its programme to transform lives, it must also ensure that the skills of its workforce are in alignment with the strategic direction and operational priorities. The institution will seek to have "the right people in the right roles with the right skills at the right time and costs, to deliver the right results". Driving the updated Strategy will require additional staffing to support new and strengthened capabilities, particularly in the areas of growth. Over the medium-term, the Bank will strengthen its commitment to increasing efficiency and effectiveness through better workforce deployment and flexibility, while at the same time, addressing skills gaps in priority areas identified by the institution to ensure that it is fit-for-purpose.

Projected Financial Analysis

6.04 The fundamental principle underlying the financial projections is that there is a need for CDB resources to help BMCs address the deep-seated structural issues that have hindered progress towards achieving the SDGs, and that have also now been exacerbated by the pandemic. The forecast presents annual approval and disbursement targets for the OCR that have been informed by BMCs' investment spend, the Bank's historical commitment and disbursement performance, and current and future expectations of implementation capacity. The projected financial results of the Bank under three scenarios, a Base, an Optimistic and a Pessimistic, are provided in Appendix 3. In each of these scenarios, the financial position of the Bank is assessed, including the ability of the institution to be compliant with key policy ratios, including liquidity, lending, and borrowing.

6.05 Key operational assumptions are that CDB must step-up the level of engagement with BMCs if it is to satisfy its developmental mandate and reposition BMCs to greater resilience based on fostering innovation and evidence-based decision creation. This deeper interaction is needed urgently as BMCs grapple with myriad competing demands. To facilitate this enhanced engagement, the Bank re-examined its operations and determined that it needed to more aggressively seek out opportunities to assist BMCs both within the public and private sectors while at the same time working with BMCs and development partners to remove country implementation bottlenecks and strengthen its back-office functions. Another important general assumption underpinning the analysis is that the Bank is able to generate business in the more developed BMCs in its portfolio and those with relatively more favourable credit quality.

6.06 The baseline scenario reflects the most likely demand function given past Bank performance and taking into account, projects identified in current planning documents, including CES and medium-term investment plans. It also assumes that the appropriate skills mix is available in the areas in which the Bank has identified as strategic priorities. In this scenario, loan approvals increase from $130 mn in 2022 to $215 mn in 2024 as the Bank builds out its capacity in key strategic areas. Under the optimistic scenario, the Bank assumes a stronger macroeconomic performance, and that the enhanced engagement results in greater lead generation. The pessimistic scenario assumes a weaker macroeconomic outturn with lower business opportunities and execution capacity.

6.07 In terms of the financial assumptions, borrowing costs are projected to rise by approximately 100 basis points to 3.1% as tighter monetary policy by international authorities may be deployed to keep inflation in check amid the global economic recovery. (See Table 6.1). While this is anticipated to translate to an increase in OCR rate over the forecast horizon to 4.1%, the rise in the OCR rate is projected to be around 50 bp mindful of BMCs' fiscal and debt positions and the need to ensure that the Bank remains competitive. Similarly, yields on investment are expected to increase gradually, by 10 basis points annually in tandem with the rising interest rate environment. With respect to administrative expenses, after a notable rise in 2022 to ensure appropriate levels of staffing in the key areas, further increases in the administrative budget are expected to be minimal.

TABLE 6.1: ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS 2022-24

Item	**Expected**	**Projected**		
	2021	**2022**	**2023**	**2024**
Operational Assumptions ($'mn)				
Approvals (Base)	69.3	130	200	215
Approvals (Optimistic)	69.3	145	220	235
Approvals (Pessimistic)	69.3	120	180	195
Disbursements (Base)	109	150	210	225
Disbursements (Optimistic)	109	165	230	245
Disbursements (Pessimistic)	109	135	190	205
SFR Disbursements	90	115	135	140
- of which SDF disbursements	50	50	55	60
Financial Assumptions				
Average Lending Rate (%)	3.3	3.6	3.7	4.1
Average borrowing Rate (%)	1.8	2.1	2.5	3.1
Spread on lending (Basis points)	153	145	120	100
Average annual yield on investments	1.5	1.6	1.7	1.8
Administrative Expenses (OCR)	13.4	14.7	15.2	15.6
Administrative Expenses (Bank as a whole)	31.1	34.3	35.4	36.3
Borrowings	150.0	0	0	170.0
Available Capital (Base)	963,798	988,366	1,012,713	1,039,780
Available Capital (Optimistic)	963,798	988,544	1,013,466	1,041,642
Available Capital (Pessimistic)	963,798	988,109	1,011,575	1,036,913

6.08 Table 6.2 shows the operational performance and changes in borrowing and lending ratios, as well as the Bank's liquidity needs under the Base Scenario. Net income increases from $24.6 mn to $27.1 mn and is broadly on track with historical levels. Key metrics such as % of utilised lending limit and the % of borrowing limit utilised are also at acceptable levels. However, the occurrence of declining liquidity to levels approaching the required minimum will require that the Bank undertake additional borrowing of $170 mn in 2024. After an initial pick-up in 2021, administrative expenses relative to disbursements, as an efficiency measure, are projected to show steady improvement over the period from $98.0 thousand per $1 mn of disbursements in 2022 down to $69.3 thousand per $1 mn of disbursements by end 2024 as disbursements increase in tandem a stronger regional economy. Similarly, the ratio of administrative expenses to gross income is expected to show consistent improvement to 2024.

TABLE 6.2: SELECTED KEY INDICATORS – BASE SCENARIO

Item	2021	2022	2023	2024
Net Income ($'mn)	24.2	24.6	24.3	26.0
Gross Loans ($'mn)	1326.3	1355.4	1435.8	1522.5
Borrowing Limit ($'mn)	1512.4	1537.0	1561.3	1587.3
Amount of Borrowing ($'mn)	150.0	0.0	0.0	170.0
% of Utilised Borrowing Limit	80.2	71.3	65.3	70.4
Debt/Equity Ratio	1.2	1.3	1.2	1.1
Total Lending Limit ($'mn)	2372.7	2397.2	2421.6	2447.5
Total Exposure ($'mn)	1338.3	1367.4	1447.8	1534.5
Percentage of Lending Limit Utilised	56.4	62.7	59.8	62.7
Return on Average Assets (%)	0.53	1.12	1.15	1.20
Minimum year-end liquidity Required ($'mn)	564.2	516.5	497.7	501.2
Liquidity at Year-end ($'mn)	794.4	670.8	536.9	571.0
Admin Exp/Disbursements ($000s)	122.9	98.0	72.4	69.3
Admin Exp/Gross Income (%)	24.0	23.7	23.7	21.4
Memo Item:				
Admin Exp/Disbursements 3 yr mov. Avg. ($000s)	80.0	96.9	97.2	80.0

6.09 In the optimistic scenario (see Table 6.3), commitments are driven mainly by increased business activity on account of improving macroeconomic conditions and that measures to strengthen implementation capacity yield better results. Under this scenario, net income grows slightly higher than the Base to reach $28.2 mn by 2024. Liquidity pressures again lead to borrowing during the forecast horizon.

TABLE 6.3: SELECTED KEY INDICATORS – OPTIMISTIC SCENARIO

Item	2021	2022	2023	2024
Net Income ($'mn)	24.2	24.7	24.8	27.0
Gross Loans[31/] (($'mn)	1326.3	1370.4	1470.8	1577.5
Borrowing Limit ($'mn)	1512.4	1537.1	1562.0	1589.0
Amount of Borrowing ($'mn)	150.0	0.0	0.0	170.0
% of Utilised Borrowing Limit	80.2	71.3	65.3	70.3
Debt/Equity Ratio	1.2	1.3	1.2	1.1
Total Lending Limit ($'mn)	2372.7	2397.4	2422.2	2449.2
Total Exposure ($'mn)	1338.3	1382.4	1482.8	1589.5
Percentage of Lending Limit Utilised	56.4	57.7	61.2	64.9
Return on Average Assets (%)	0.53	1.13	1.17	1.25

Item	2021	2022	2023	2024
Minimum year-end liquidity Required ($'mn)	564.2	516.5	497.7	501.2
Liquidity at Year-end ($'mn)	794.4	656.0	502.6	517.8
Admin Exp/Disbursements ($000s)	122.9	89.1	66.1	63.7
Admin Exp/Gross Income (%)	24.0	23.7	23.5	21.1
Memo Item				
Admin Exp/Disbursements 3 yr mov. Avg. ($000s)	80.0	93.9	90.5	73.1

6.10 Regarding the Pessimistic Scenario (see Table 6.4), net income increases more gradually from $24.3 mn in 2022 to $25.3 mn in 2024. Key policy ratios remain within acceptable limits. The Bank is also required to shore up liquidity in this scenario.

TABLE 6.4: SELECTED KEY INDICATORS – PESSIMISTIC SCENARIO

Item	2021	2022	2023	2024
Net Income ($'mn)	24.2	24.3	23.5	24.2
Gross Loans ($'mn)	1,326.3	1,340.4	1,400.8	1,467.5
Borrowing Limit ($'mn)	1,512.4	1,536.7	1,560.2	1,584.4
Amount of Borrowing ($'mn)	150.0	0.0	0.0	170.0
% of Utilised Borrowing Limit	80.2	71.3	65.4	70.5
Debt/Equity Ratio	1.2	1.3	1.2	1.1
Total Lending Limit ($'mn)	2372.7	2397.0	2420.5	2444.7
Total Exposure ($'mn)	1338.3	1352.4	1412.8	1479.5
Percentage of Limit Utilised	0.6	0.6	0.6	0.6
Return on Average Assets (%)	0.53	1.11	1.10	1.12
Minimum year-end liquidity Required ($'mn)	564.2	516.5	497.7	501.2
Liquidity at Year-end ($'mn)	794.4	685.6	570.8	623.2
Admin Exp/Disbursements ($000s)	122.9	108.9	80.0	76.1
Admin Exp/Gross Income (%)	24.2	23.8	24.0	21.9
Memo Item				
Admin Exp/Disbursements 3 yr mov. Avg. ($000s)	80.0	100.3	105.1	88.3

7. TRACKING DEVELOPMENT EFFECTIVENESS

7.01 The Corporate Results Monitoring Framework (RMF) is the central performance tool that allows CDB to translate its mandate and the Strategic Plan into actions and targets linked to tangible development outputs and outcomes. It covers a wide-range of Bank-assisted interventions which are funded through three main sources of funds, namely, OCR, SDF Unified, and Other Special Funds including the United Kingdom Caribbean Infrastructure Partnership Fund. The RMF is supported by data and information from various PCM tools, resource documents and information systems.

7.02 The RMF has been updated to reflect the areas of focus and refined priorities, as outlined in the SPU. The framework will be used to monitor progress of the SPU using a four-level structure with 75 indicators. The SPU allowed for a revision in targets to better reflect country and CDB realities in a post-pandemic environment. A summary of the number of indicators in the RMF 2020-24 is provided in Table 7.1. The proposed RMF, through the Development Effectiveness Review, will allow CDB to report on successes and achievements, course correct, and enhance its decision-making process with data, evidence, and lessons learnt. The framework continues to be aligned with BMCs' national, regional, and global development goals including SDGs. Details on the RMF are provided in Appendix 4.

TABLE 7.1: SUMMARY OF INDICATORS FOR THE UPDATED RMF 2022-24

	Current RMF (2020-24)	Subtract	Add	Updated RMF (2022-24)
No. of Indicators	71	1	5	**75**
Level 1: Progress towards SDGs and regional development outcomes	13	1	1	13
Level 2: CDB's contribution to SDGs, country and regional development outcomes	30	-	4	34
Level 3: How well CDB manages its operations	20	-	-	20
Level 4: How efficient CDB is as an organisation	8	-	-	8

Level 1

7.03 One indicator was removed from Level 1 of the RMF, namely the Doing business score. In September 2021, a decision was made by the WB Group (WBG) to discontinue the Doing Business Report. As a result, the data source for the doing business indicator will not be available.

7.04 Overall, Level 1 indicators will provide the Bank with the necessary background on BMCs' economic, social, financial, environmental, and governance challenges, which have been further exacerbated by the pandemic. Additionally, information at Level 1 will help to determine CDB's interventions as well as BMCs' development needs and priorities.

7.05 An area of concern is debt accumulation and fiscal performance in BMCs in the aftermath of the crisis. Improving debt management and the provision debt data is therefore a high priority for BMCs as it is key to their development and growth trajectory. For that reason, a new indicator (Public debt index) was added at Level 1 to track trends in BMCs' public debt levels, among other things (see Table 7.2 below). This information will be used to support further interventions by CDB aimed at addressing the fallout from COVID-19 and other exogenous shocks, improving debt sustainability and resilience, as well as budget/liquidity support, and helping to maintain economic and fiscal stability within the BMCs.

TABLE 7.2: LEVEL 1: PROGRESS TOWARDS SUSTAINABLE DEVELOPMENT GOALS AND REGIONAL DEVELOPMENT OUTCOMES

Indicator	Amendments and Rationale
Strong and efficient public institutions	
12. Public Debt Index (PDI)	NEW: The PDI is expected to provide information on BMCs' outstanding liabilities (domestic and external) as a ratio of domestic production. This is a key variable in assessing the space available to the government to undertake additional expenditures without compromising debt sustainability.

Level 2

7.06 Most of Level 2 indicators will remain. This is in keeping with CDB's continued focus on its core areas of strength. Targets at this level were adjusted to reflect BMCs' realities and CDB's portfolio projections over the 3-year period. The 2024 targets for nine indicators were adjusted downward as they were deemed unattainable due to project implementation challenges associated with the pandemic. On the upside, the 2024 targets for 13 indicators remained the same, while eight were adjusted upward due to project entries for economic infrastructure and private sector development initiatives linked to, among other things, resources mobilised for COVID-19-related support. Furthermore, four new indicators and targets were added to the RMF in the following areas:

(a) *Building social resilience* - the new indicators (2) will enhance the Bank's ability to track progress on its response to the COVID-19 crisis in BMCs, with emphasis on meeting the needs of the poor and vulnerable segments of the population as well as reducing/preventing GBV. Various initiatives will be designed to improve access to socially inclusive and gender-responsive social protection programmes and services.

(b) *Building institutional resilience* - one indicator was added to RMF to monitor the results of the TA and other initiatives for institutional development and implementation support to public sector officials within ministries, agencies, and departments. A key expected outcome is strengthened portfolio management and implementation capacity in BMCs for better development outcomes.

(c) *Good governance* - although governance and digitalisation are cross-cutting areas and expected to be incorporated in several activities related to the five SOs, three sub-indicators have been selected to highlight their importance. Digital technology is changing the way business is conducted and how public and private sectors interact and make decisions. It is also key to improving data collection and management systems. With nine years remaining to achieve the 2030 Agenda, there is need to enhance CDB's and BMCs' monitoring and evaluation capacities and systems by leveraging information technology solutions and platforms to provide reliable data and strengthen analytical capacity. Investments in governance and digitalisation are expected to facilitate better service delivery, decision-making, targeting of resources, as well as tracking and monitoring of institutional, national, and global development goals.

7.07 See Tables 7.3-7.6 for suggested changes and rationale for the relevant level 2 indicators.

TABLE 7.3: LEVEL 2: CDB'S CONTRIBUTION TO DEVELOPMENTOUTCOMES IN BUILDING SOCIAL RESILIENCE

Indicator	Amendments and Rationale
Social protection and inclusion	
13. No of persons benefitting from social protection initiatives.	NEW: this indicator is consistent with the new areas outlined in the SPU.
- of whom female	
14. Direct beneficiaries of gender/GBV/social inclusion initiatives.	

TABLE 7.4: LEVEL 2: CDB'S CONTRIBUTION TO BUILDING FINANCIAL RESILIENCE

Indicator	Amendments and Rationale
Financial resilience	
30. No. of BMCs with improved PFM systems and PSIPs.	RETAIN: removed from Governance and Accountability and placed under SO 4- Building Financial Resilience.

TABLE 7.5: LEVEL 2: CDB'S CONTRIBUTION TO BUILDING INSTITUTIONAL RESILIENCE

Indicator	Amendments and Rationale
Institutional resilience	
31. No. of ministries, agencies, and departments with strengthened capacity to plan, implement and monitor development projects and programmes.	NEW: this indicator is consistent with the new SO 5 – Building Institutional Resilience, as outlined in the SPU.

TABLE 7.6: LEVEL 2: CDB'S CONTRIBUTION TO CROSS-CUTTING AREAS

Indicator	Amendments and Rationale
Good governance	
32. No. of ministries, agencies, and departments with enhanced:	NEW: this indicator is consistent with the new SO – Building Institutional Resilience outlined in the SPU.
(a) Public procurement systems including e-procurement, according to international best practices (MAPS)[13/]	
(b) Public service efficiency and delivery through modern systems and digital technologies (using various tools developed by WBG such as the Digital Government Readiness Assessment[14/] and Open Data Readiness Assessment)[15/]	
(c) Statistical and data analytics capacity	NEW: Reliable and timely data will allow CDB to gain insights that ensures interventions meet the needs of citizens/BMCs, accelerate improvements, and facilitate better design of projects, programmes, strategies, and policies toward enhanced development needs.

[13/]MAPS is a tool used to assess public procurement systems. It is organised around four pillars: Legislative, Regulatory and Policy Framework; Institutional Framework and Management Capacity; Procurement Operations and Market Practices; and Accountability, Integrity and Transparency of the Public Procurement System.

[14/] The Digital Government Readiness Assessment (DGRA) Toolkit is a knowledge product developed by WBG to help countries and leaders in the ICT sector assess their digital agenda and current status, as well as their aspirations in digital development of the country and transformation of the public sector by leveraging digital solutions.

[15/]Open Data Readiness Assessment (ODRA) is a WBG tool that can be used to conduct an action-oriented assessment of the readiness of a government or individual agency to evaluate, design and implement an Open Data initiative.

Level 3

7.08 Indicators related to Strategic focus have been modified to measure the proportion of approved financing supporting the new/updated SOs, as well as the cross-cutting areas. See Table 7.7 for details on suggested changes and rationale for Level 3 indicators.

TABLE 7.7: LEVEL 3: STRATEGIC FOCUS

Indicator	Amendments and Rationale
18. Approvals supporting (as a % of total financing): (a) Social resilience	NEW: the indicators will allow CDB to assess its financial support in relation to the five SOs and cross-cutting areas.
(b) Environmental resilience	
(c) Production resilience	
(d) Financial resilience	
(e) Institutional resilience	
(f) Cross-cutting areas	

7.09 Over the strategy period, the Bank's operations are expected to be negatively impacted by the pandemic and the associated restrictive measures established by governments. As a result, delays in construction and contract management activities, supply-chain disruptions, business and border closures and travel restrictions will continue to be major bottlenecks to satisfactory performance of the Bank's portfolio of projects/programmes under implementation. Against this backdrop, CDB expects to see a decline in its portfolio performance and resource utilisation metrics/targets such as implementation performance ratings, projects at-risk, projects with Terminal Disbursement Date extensions, disbursement ratios and disbursement (efficiency) rate. Targets for these metrics have been adjusted accordingly.

Level 4

7.10 The indicators at Level 4 will remain the same. However, the 2024 targets have been revised to reflect workforce planning and budgeting efforts by the Bank for the next three years.

7.11 Indicators related to financial performance and risk management have been excluded from the RMF as the Finance Department and Office of Risk Management will continue to prepare in-depth reports including findings and recommendations and share with Directors at every Board meeting.

Monitoring and Reporting

7.12 Tracking and reporting on progress of indicators will be carried out annually through the Development Effectiveness Review. Information will be provided on what is working and not working and making course corrections during execution towards improved results and better development outcomes. If available and relevant, results data will be disaggregated by sex, age (emphasis on youth) and disability.

7.13 During the period of lockdowns, limited mobility, and travel restrictions CDB is expected to adopt a hybrid approach to monitoring and supervision of its operations in BMCs. Traditional methods such as field visits and face-to-face meetings and interviews are expected to be blended/incorporated in supervision activities, supported by appropriate and cost-effective digital technologies. Additionally, CDB is expected to use remote data collection tools to monitor and report on progress on its interventions and targets during the strategy period.

8. ENTERPRISE RISK ASSESSMENT

8.01 Table 8.1 below presents the enterprise risk assessment of the SPU, which identifies potential threats that could undermine the achievement of the Bank's SOs and proposes mitigation actions to address them. The assessments were comprehensively undertaken with reference to the four key pillars of risk within the Bank's approved Enterprise Risk Framework namely strategic, developmental, financial, and operational risk. The process was intended to enhance the corporate governance around the SPU and provide assurance to stakeholders, including the Board, on the broad range of risks and the extent to which these are mitigated or intend to be addressed by the Bank's management. The process involved an independent enterprise risk assessment by the Office of Risk Management; evaluations by the respective Line 1 Functional areas; review by the Bank's management; and validation by the Corporate Strategy Division.

8.02 The assessment revealed some important risks to the delivery of the Bank's SOs. These included the continuing effects of the COVID-19 pandemic, natural hazards, potential rise in United States interest rates, high BMC debt levels and fiscal pressures which together have potential adverse implications for CDB's balance sheet exposures. The key actions to mitigate the risks will centre around *inter alia*: (i) deepened engagement with BMCs; (ii) the crowding-in of concessionary resources to minimise fiscal pressures while advancing a resilient and sustainable development agenda; and (iii) vigorously pursuing closer collaboration with development partners.

8.03 Overall, the Bank is satisfied the output of the exercise captures the major risks and is confident the existing and proposed mitigating measures will reduce the residual risks. The Bank will proactively utilise its enhanced technological tools such as Power BI and OP365 to ensure the effective monitoring and timely delivery of mitigating actions.

TABLE 8.1: ENTERPRISE RISK MANAGEMENT FRAMEWORK

Major Risk Category	Sub Risk Category	Risk	Detailed Explanation	Mitigation
		SO: Building Social Resilience		
Developmental	Social	BMC Social and Crime Risks	Inadequate investment in social programs due to increased government expenditure including on Covid 19, and the resulting social consequences including increased crime that could adversely impact tourism and economic growth	Provide, as well as leverage financial and technical resources and advocate with development partners to support gender-responsive and socially-inclusive interventions, including integrating protection systems in BMCs to focus on life cycle and holistic resilience-building.
Developmental	Political & Social	Haiti - Political and Social Risks	The risk to the Haiti operations due to political and social instability within the country that threatens the Bank's ability to deliver on its defined developmental initiatives for Haiti. Contextual risks cover a range of potential adverse outcomes that may arise, such as the risk of political destabilisation, violent conflict, economic deterioration, natural disaster, humanitarian crisis or cross-border tensions.	Protection of Staff and Property: The Haiti Country Office has instituted substantial security measures for staff and property in Haiti by engaging a reputable Private Security firm which provides information on, and reacts to, real-time security situations. This is in addition to United Nations Department of Safety and Security real-time security alerts and updates. Leveraging partnerships, deepening country engagement to better understand country realities. In the short-term, the Bank has limited influence over contextual risks, and therefore must accept some exposure to contextual risks when working in a fragile state. However, remaining engaged in the long-term is necessary and developing programmes that are based solely on risk avoidance is not advisable. The risks of not engaging – of avoiding government institutions, of only working in areas that are easiest to access, of only tackling issues where short-term results are guaranteed – can exacerbate fragility in the long-run.

Major Risk Category	Sub Risk Category	Risk	Detailed Explanation	Mitigation
SO: Building Production Resilience				
Strategic	Strategic	Private Sector Strategy	Delay in the completion of private sector development framework with clearly defined targets, including with respect to MSME financing, covering sector, products, markets etc.	Timely formulation of a Private Sector Development Framework aligned with CDB Strategy, with clearly defined objectives, timelines for delivery, and mechanisms to facilitate private financing. This will also include information on target sectors, products, annual revenue expectations, monitoring and reporting.
Strategic	Strategic	Private Sector Funding	Insufficient levels of OCR and non-OCR funding for significant private sector lending to augment economic growth	Mobilising appropriately priced funding for private sector from non-OCR sources.
Strategic	Strategic	Private Sector Balance sheet risks	Increased CDB balance sheet (including Risk Adjusted Capital) from increased private sector OCR lending	(a) Increased capital as cushion for private sector lending. (b) Redefine risk appetite for private sector lending based on balance sheet simulations.
Strategic	Strategic	Private Sector-Integrity (Fraud and Corruption) and AML/CFT/ sanctions Compliance	The risk that the further expansion into MSME and private sectors operations exposes CDB to increased integrity (fraud and corruption), compliance (money laundering and terrorist financing) risks with potential for financial losses and reputational damage to CDB.	(a) Delivery of staff training by ICA particularly on integrity due diligence (IDD). (b) Pro-active risk assessments of potential private sector counterparties. (c) Effective on-boarding of private sector parties by frontline staff using onboarding tools including the digital IDD Toolkit and private sector checklists; and (d) Adherence by frontline Operations staff with Integrity and Compliance policies and procedures.
SO: Building Environmental Resilience				
Strategic	Operational	Natural Hazards	The onset of natural hazards and CC impacts on BMCs and the implications for their sovereign risk positions/profile.	(a) Building buffers (b) Securing CCRIF insurance (c) Improve adaptation measures (d) Improving Regulatory and Legal framework (incl. policies and strategies)
Strategic	Operational	Climate Risk Financing	Insufficient levels of adequately priced and accessible climate financing for climate projects.	Formulate a strategy for mobilising and accessing climate finance.

Major Risk Category	Sub Risk Category	Risk	Detailed Explanation	Mitigation
Strategic	Developmental	Climate Finance Targets	The risk of not achieving the objective of reaching the 25%-30% target of own resources for financing climate adaptation and mitigation activities by 2024 (due to in-country constraints), consistent with the joint MDB methodology for climate finance commitments.	(a) Proactive engagement efforts (b) Opportunities for CC adaptation and mitigation are identified and integrated into investment projects (c) Continuous staff sensitisation in the application of MDB climate finance tracking tool systematically during project appraisal.
		SO: Financial Resilience		
Financial	Financial/Developmental	BMC Fiscal and Macroeconomic Risks	BMC Fiscal and Macroeconomic risks exacerbated by domestic constraints and exogenous shocks which reduces their demand for CDBs products with implications for the Bank's revenues.	In collaboration with IFIs and other development partners operating in the region, CDB will work with countries to address macroeconomic instability through policy dialogue, TA and policy-based lending.
Financial	Financial/Developmental	COVID-19 Risk	The impact of Covid 19 on BMC macroeconomic and social situation, further exacerbated by issues of vaccine availability, hesitancy and the continuing emergence of variants	(a) Liquidity support (b) Provision of PPEs (c) Repurposing of funds (d) Awareness building (e) Collaboration with development partners (f) Concessional financing including through the use of funding from partners.
Financial	Financial	Funding Risk	The risk of not raising appropriately priced funding consistent with strategic plan assumptions for CDB to be competitive and relevant as a major regional developmental institution.	Secure early funding commitments from shareholders, donors, development partners, other IFIs etc.
Financial	Financial	Capital Risk – Capital Injection	The risk of not raising capital in a timely manner to (a) meet business requirements in accordance with the strategic plan assumptions.	(a) Secure shareholder commitments on capital injection. (b) Continued discussions on expansion of membership to selected countries.
Financial	Financial	Capital Risk - Internal Capital Generation	Reduced levels of internal capital generation to support strategic growth due to increasing administrative costs and limited revenue growth.	(a) Increased lending and disbursement. (b) Robust cost control measures. (c) Targeted lending to regional non-BMCs to increase revenue and capital levels.

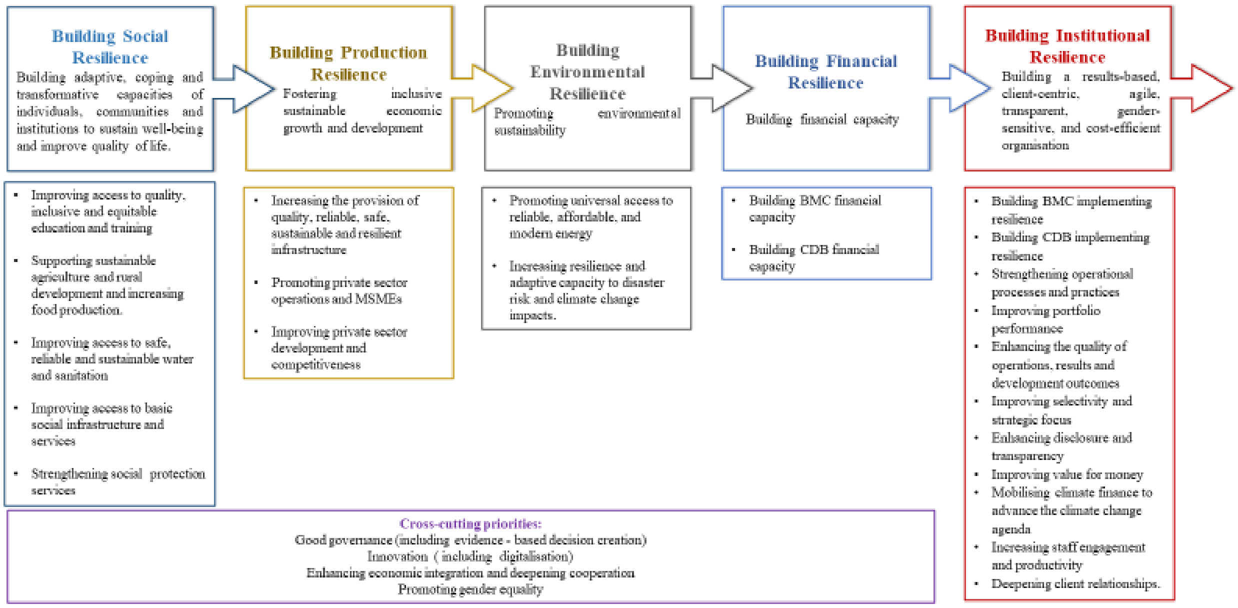
Major Risk Category	**Sub Risk Category**	**Risk**	**Detailed Explanation**	**Mitigation**
Financial	Financial	External Ratings	The risk of a downgrade due to no longer satisfying the financial and business profile metrics of the rating agencies reducing the Bank's ability to be responsive, relevant, and effective.	(a) Portfolio diversification. (b) Influence non-rated BMCs with a strong risk profile to explore opportunities for a rating. (c) Work with countries in selective default on measures to achieve an improved rating. (d) Generally, influence BMCs to improve ratings. (e) Active management of portfolio concentration. (f) Maintaining portfolio credit quality.
Financial	Funding	Recession, Market and Liquidity Risk	The risk of a recession affecting CDB's ability to access the market, or so doing at pricing premium much higher than the Strategic Plan assumptions that impacts funding and liquidity targets and limits.	Timely fund raising.
Financial	Financial	Inflation/Interest Rates	Sudden rise in USD interest rates underpinned by inflationary pressures, which affects the growth and operating assumptions of the Strategic Plan.	Secure fixed rate funding.
SO: Building Institutional Resilience				
Development/ Operational	Development/ Operational	BMC Capacity and Bureaucratic Constraints	Limited capacity and bureaucratic constraints in country that hinder the timely implementation of critical projects for development (with implications for meeting internal approval, disbursement and revenue targets)	(a) Provision of TA and advice to: • improve the formulation and implementation of public policies; • enhance planning processes; • strengthen delivery mechanisms; and • improve critical pieces of legislation including procurement and general accountability and integrity. (b) The Bank also proposes to leverage partnerships to help remove bottlenecks and deliver resources more efficiently to its clients.

Major Risk Category	Sub Risk Category	Risk	Detailed Explanation	Mitigation
Strategic	Strategic	Competition	The risk of increased competition from private sector lenders, MDBs and major international financial institutions with stronger balance sheets and a wide range of product offerings at competitive rates.	(a) Focus on value-added support - leveraging of regional knowledge to enhance competitive advantage. (b) Sourcing competitive low-cost funds/rates. (c) Blending soft and hard funding to reduce effective interest rates. (d) Embarking on joint ventures and partnership initiatives with other MDBs. (e) Creating a mechanism for development of new products. (f) Developing a pipeline of new products. (g) Reviewing and revising existing product offering to meet the needs of BMCs. (h) Regular scanning of the competitive environment. (i) Improving agility. (j) Conducting regular customer surveys for feedback.
Strategic	Product	PBL Product Risk	The risk of not having an appropriate PBL framework that allows the Bank, in demonstration of its relevance, to respond to BMC needs particularly with respect to exogenous shocks.	Revision of PBO framework.
Operational	Operational	Digital Transformation Risk	The risk that the intended strategic cost savings, commercial benefit, efficiencies and revenues expected of the digital transformation is not achieved in accordance with the Strategic Plan assumptions.	Independent review of digital transformation initiative.
Operational	Operational	Resourcing and Capacity Constraints Risk	There is a risk to the effective delivery of strategic plan initiatives, as a result of not having the required number, calibre and skills set of resources due to budget constraints; inadequate training; delays in new staff recruitment; and inadequate management of the Bank's succession plan	(a) Active management of succession planning (b) Timely and appropriate talent acquisition. (c) Automation (d) Training
CROSS-CUTTING THEME				
Strategic	Strategic	External Threats/ Geopolitical Risks	The risk of evolving geopolitical and external threats that could fundamentally derail the objectives and assumptions of the Strategic Plan.	Structured identification and assessment of geopolitical risks by the Office of Risk Management, that informs bank-wide operations.

Major Risk Category	**Sub Risk Category**	**Risk**	**Detailed Explanation**	**Mitigation**
Developmental	Developmental	Data Limitation and Policy Development	Limited data availability affecting the ability to analyse issues and implement the relevant evidenced based policy actions to achieve the necessary developmental impact.	(a) Create a knowledge hub. (b) Secure necessary resourcing and funding to support and maintain the knowledge hub on an ongoing basis. (c) Work with development partners in the sharing and accessing of data. (d) Enter into agreements and MOUs (or revisit existing ones) on data sharing with regional and international development partners. (e) Build capacity internally and in BMC statistical offices for the collection and administering of data. (f) Formally establish the processes, governance, archiving and ecosystem internally and within BMCs for the collection, sharing and administering of data.

APPENDIX 1

STRATEGIC OBJECTIVES AND CORPORATE PRIORITIES



APPENDIX 2

CAPITAL ADEQUACY – RISK MITIGATING ACTIONS

1. The following actions outline the principal risk mitigation measures that will be employed to ensure the Bank maintains adequate levels of capital.

Risk Weighted Assets

- Active diversification targeting BMCs that are highly related but to which the Bank is significantly underexposed.
- Reducing the levels of concentration particularly to its largest borrower.
- Monitoring credit trends and reducing the Bank's exposure in the event of BMC downgrades. This will be achieved via the enforcement of Bank approved credit and concentration limit controls.
- Monitoring and managing operational risks via the introduction of robust preventative controls where appropriate, to reduce the magnitude of potential losses.
- Advancing new membership to increase the opportunities for further diversification.

Preferred Creditor Treatment

- Actively monitoring debt service to minimise arrears and ensure the Bank's Preferred Creditor (PCT) status is not threatened.

Profitability and Capitalisation

- Maintaining consistent improvements in profitability in its efforts to generate capital organically through retained earnings.
- Actively managing market risk positions and taking the necessary mitigation actions to minimise unrealised losses.
- Managing and controlling costs to ensure the consistent achievement of a consistently favorable cost to income ratios.
- Advancing new membership to increase capital.

Strategic

2. Actively participating in the G20 initiative on capital relief for MDBs, in collaboration with other developmental partners and continuously exploring synthetic transfer solutions at competitive rates.

3. The Bank may however have to begin discussions with stakeholders for a GCI where appropriate, should the above actions fail to enable the Bank to meet its minimum capital requirements. Any such request will take into consideration: (a) the extent of additional BMC demands; and (b) the buffer levels needed to minimise the impact of any adverse deterioration in the credit quality of BMCs on the Bank's balance sheet.

Non-OCR funding

4. The Bank will also seek to use non-OCR funding sources to reduce the impact on its OCR balance sheet as part of its efforts to optimising the Bank's portfolio and maintaining strong financial and capital positions. Looking ahead therefore and responding to the expanding needs of BMCs, the Bank will pursue several additional strategies. This will be done to ensure that countries can access sufficient levels of funding and at the appropriate cost. The Bank will, therefore, be more aggressive in crowding in non-OCR resources to respond to key challenges confronting BMCs such as DRM/CC impacts and EE/RE initiatives, private sector development, and gender inequality. Enhanced mobilisation efforts will also witness the Bank seeking out collaborations and co-financing opportunities, pursuing strategic partnerships.

APPENDIX 3

PROJECTIONS OF CDB'S FINANCIAL PERFORMANCE 2022-24

BASE SCENARIO
BALANCE SHEET

Item	Actual	Projected	Baseline Scenario		
	2020	2021	2022	2023	2024
Investment	633.3	794.4	670.8	536.9	571.0
Gross Long-term Loans	1332.1	1326.3	1355.4	1435.8	1522.5
Receivables from members	28.1	24.7	24.7	24.7	24.7
Other investments	94.3	51.7	51.7	51.7	51.7
Other Assets	15.5	25.2	25.2	25.2	25.2
Fixed Assets	18.0	20.1	22.4	24.7	27.0
TOTAL ASSETS	**2121.3**	**2242.4**	**2150.2**	**2098.9**	**2222.1**
Current Liabilities	57.7	59.0	59.0	59.0	59.0
Long-term Borrowings	1094.1	1212.4	1095.7	1020.1	1117.3
Other Liabilities	1.2	13.5	13.5	13.5	13.5
TOTAL LIABILITIES	**1153.0**	**1284.9**	**1168.2**	**1092.6**	**1189.8**
Paid-up Capital	388.2	388.2	388.2	388.2	388.2
Retained Earnings	580.2	569.3	593.9	618.2	644.2
TOTAL EQUITY	**968.4**	**957.5**	**982.0**	**1006.4**	**1032.3**
TOTAL LIABILITIES AND CAPITAL	**2121.3**	**2242.4**	**2150.2**	**2098.9**	**2222.1**

INCOME STATEMENT

Item		Projected	Baseline Scenario		
	2020	2021	2022	2023	2024
Revenue:					
Securities	8.9	8.3	11.3	9.8	9.5
Loans – Outstanding	56.5	47.5	50.7	54.4	63.4
Total Interest Income	**65.4**	**55.8**	**62.0**	**64.2**	**72.9**
Less Borrowing Expenses	21.6	19.5	24.5	26.4	33.1
NET INTEREST INCOME	**43.8**	**36.3**	**37.5**	**37.7**	**39.8**
Other Revenues/(Expenses):					
Other Gains/(Losses)	(1.6)	(1.3)	(1.8)	(1.8)	(1.8)
Administrative Expenses	14.6	12.1	13.4	13.9	14.3
Depreciation	1.3	1.3	1.3	1.3	1.3
OPERATING INCOME	**29.5**	**24.2**	**24.6**	**24.3**	**26.0**

OPTIMISTIC SCENARIO

BALANCE SHEET

Item	Actual	Projected	Optimistic Scenario		
	2020	2021	2022	2023	2024
Investment	633.3	794.4	656.0	502.6	517.8
Gross Long-term Loans	1332.1	1326.3	1370.4	1470.8	1577.5
Receivables from members	28.1	24.7	24.7	24.7	24.7
Other investments	94.3	51.7	51.7	51.7	51.7
Other Assets	15.5	25.2	25.2	25.2	25.2
Fixed Assets	18.0	20.1	22.4	24.7	27.0
TOTAL ASSETS	**2121.3**	**2242.4**	**2150.4**	**2099.6**	**2223.8**
Current Liabilities	57.7	59.0	59.0	59.0	59.0
Long-term Borrowings	1094.1	1212.4	1095.7	1020.1	1117.3
Other Liabilities	1.2	13.5	13.5	13.5	13.5
TOTAL LIABILITIES	**1153.0**	**1284.9**	**1168.2**	**1092.6**	**1189.8**
Paid-up Capital	388.2	388.2	388.2	388.2	388.2
Retained Earnings	580.2	569.3	594.0	618.9	645.9
TOTAL EQUITY	**968.4**	**957.5**	**982.2**	**1007.0**	**1034.0**
TOTAL LIABILITIES AND CAPITAL	**2121.3**	**2242.4**	**2150.4**	**2099.6**	**2223.8**

INCOME STATEMENT

Item		Projected	Optimistic Scenario		
	2020	2021	2022	2023	2024
Revenue:					
Securities	8.9	8.3	11.1	9.4	8.7
Loans – Outstanding	56.5	47.5	51.0	55.3	65.2
Total Interest Income	**65.4**	**52.1**	**62.1**	**64.7**	**73.9**
Less Borrowing Expenses	21.6	19.5	24.5	26.4	33.1
NET INTEREST INCOME	**43.8**	**32.6**	**37.6**	**38.2**	**40.8**
Other Revenues/(Expenses):					
Other Gains/(Losses)	(1.6)	(1.3)	(1.8)	(1.8)	(1.8)
Administrative Expenses	14.6	12.1	13.4	13.9	14.3
Depreciation	1.3	1.3	1.3	1.3	1.3
OPERATING INCOME	**29.5**	**24.2**	**24.7**	**24.8**	**27.0**

PESSIMISTIC SCENARIO

BALANCE SHEET

Item	Actual	Projected	Pessimistic Scenario		
	2020	2021	2022	2023	2024
Investment	633.3	794.4	685.6	570.8	623.2
Gross Long-term Loans	1,332.1	1,326.3	1,340.4	1,400.8	1,467.5
Receivables from members	28.1	24.7	24.7	24.7	24.7
Other investments	94.3	51.7	51.7	51.7	51.7
Other Assets	15.5	25.2	25.2	25.2	25.2
Fixed Assets	18.0	20.1	22.4	24.7	27.0
TOTAL ASSETS	**2,121.3**	**2,242.4**	**2,150.0**	**2,097.8**	**2,219.2**
Current Liabilities	57.7	59.0	59.0	59.0	59.0
Long-term Borrowings	1,094.1	1,212.4	1,095.7	1,020.1	1,117.3
Other Liabilities	1.2	13.5	13.5	13.5	13.5
TOTAL LIABILITIES	**1,153.0**	**1,284.9**	**1,168.2**	**1,092.6**	**1,189.8**
Paid-up Capital	388.2	388.2	388.2	388.2	388.2
Retained Earnings	580.2	569.3	593.6	617.1	641.3
TOTAL EQUITY	**968.4**	**957.5**	**981.8**	**1,005.2**	**1,029.5**
TOTAL LIABILITIES AND CAPITAL	**2,121.3**	**2,242.4**	**2,150.0**	**2,097.8**	**2,219.2**

INCOME STATEMENT

Item		Projected	Pessimistic Scenario		
	2020	2021	2022	2023	2024
Revenue:					
Securities	8.9	8.3	11.3	9.8	9.6
Loans – Outstanding	56.5	47.5	50.5	53.5	61.6
Total Interest Income	**65.4**	**55.8**	**61.7**	**63.3**	**71.2**
Less Borrowing Expenses	21.6	19.5	24.5	26.4	33.1
NET INTEREST INCOME	**43.8**	**36.3**	**37.2**	**36.9**	**38.0**
Other Revenues/(Expenses):					
Other Gains/(Losses)	(1.6)	(1.3)	(1.8)	(1.8)	(1.8)
Administrative Expenses	14.6	12.1	13.4	13.9	14.3
Depreciation	1.3	1.3	1.3	1.3	1.3
OPERATING INCOME	**29.5**	**24.2**	**24.3**	**23.5**	**24.2**

<u>**APPENDIX 4**</u>

<u>RESULTS MONITORING FRAMEWORK FOR 2022-2024</u>

RMF LEVEL 1: Progress towards Sustainable Development Goals and Regional Development Outcomes **Grouping/indicator**	**BMCs**			**Related SDG**
	Baseline		**Latest**	
	Year	**Value**		
Economic inclusion: reducing poverty and inequality, and promoting productive employment				
1. Human Development Index (HDI)	2017	0.735	0.741 (2018)	
2. Inequality-adjusted HDI	2017	0.547	0.552 (2018)	
3. GDP per capita growth rate (%)	2019	1.3	-12.5 (2020)	
4. Secondary school graduates achieving five CXC General Proficiency or equivalent in National Assessment passes or more, including Mathematics and English (%)				
- Female	2018	31.7	36.4 (2019)	
- Male	2018	28.8	29.8 (2019)	
5. Students completing at least one Level 1 course in TVET (%)				
- Female	2018	52.0	47.9 (2019)	
- Male	2018	55.0	52.3 (2019)	
6. Unemployment rate (%)				
- Female	2019	12.7	13.5 (2020)	
- Male	2019	9.7	11.0 (2020)	
7. Youth unemployment rate (%)				
-Female	2019	29.1	29.2 (2020)	
-Male	2019	21.1	21.5 (2020)	
Sustaining growth: building competitive economies				
8. Intra-regional trade as a percentage of total regional trade (%)	2019	15.0	14.0 (2020)	
Affordable and clean energy: accelerating the CC agenda				
9. RE as a % of total energy mix produced	2019	11	11 (2020)	
10. Greenhouse gas emissions (million tonnes of CO2 per annum)	2018	55.8	56.2 (2019)	
Climate Action				
11. Reported economic losses resulting from natural disasters and climate variability (% of GDP, 3-year average)	2017-19	15.5	1.2 (2020)	
Strong and efficient public institutions				
12. Public debt index	2020	TBD	TBD	
13. Governance Index	2018	61.5	60.2 (2019)	

RMF LEVEL 2: CDB's Contribution to SDGs, Country, and Regional Development Outcomes

Grouping/indicator	Initial 2024 Target	Revised 2024 Target	Change
Building Social Resilience			
Education and training			
1. Classrooms and educational support facilities built or upgraded according to minimum standards (number), of which (a) Basic (b) Post-secondary and tertiary	2,060 1,540 80	2,060 1,540 480	No change
2. Teachers and principals trained or certified (number) -of whom female	14,120 10,500	14,120 10,500	
3. Students benefitting from improved physical classroom conditions or enhanced teacher competence, or access to loan financing (number)	215,000	215,000	
-of whom female	103,200	103,200	
Agriculture and rural development			
4. Agriculture: Stakeholders trained in improved production technology (number) - of whom female	2,500 1,000	2,500 1,000	No change
5. Land improved through irrigation, drainage and/or flood management (hectares)	2,600	2,600	
6. Beneficiaries of improved agriculture, land management and land conservation climate smart agricultural practices (number)	2,600	2,600	
Water and sanitation			
7. Water: Installed water capacity (cubic metres/day) - Urban - Rural	30,000 18,000 12,000	23,384 14,030 9,354	Decrease
8. Water: Supply lines installed or upgraded (length of network in km) - Urban - Rural	200 100 100	120 60 60	Decrease
9. Water: Households with access to improved sanitation and water supply (number) - Urban - Rural	50,000 28,000 22,000	36,567 20,477 16,090	Decrease
Community development and participation			
10. Beneficiaries of community infrastructure construction and enhancement projects (number) - of whom female beneficiaries	18,300 9,250	8,794 3,998	Decrease
Citizen security			
11. Beneficiaries of community-based citizen security interventions (number) -of whom female	3,179 1,600	3,179 1,600	No change
12.Beneficiaries of youth at risk interventions (number) -of whom female	3,900 1,934	3,900 1,934	
Social Protection and Inclusion			
13. No of persons benefitting from social protection initiatives -of whom female	- -	48,587 24,300	NEW
14. Direct beneficiaries of gender/GBV/social inclusion initiatives	-	3,000	NEW

Grouping/indicator	Initial 2024 Target	Revised 2024 Target	Change
Building Environmental Resilience			
Environmental sustainability			
15. Energy: Renewable energy and energy storage capacity installed (MW)	10	14	Increase
16. Greenhouse gas emissions reduction (t CO_2 equivalent/year)	108,186	100,000	Decrease
17. Energy savings as a result of EE interventions (GWh/year)	100	80	Decrease
18. Transmission or distribution lines installed or upgraded (length in km)	25	30	Increase
19. No of BMCs with strengthened regulatory frameworks, strategies, plans, and policies to build resilience and adaptive capacity to climate related hazards	13	15	Increase
20. Additional communities with improved capacity to address CC and DRM (number)[16]	44	44	No change
Building Production Resilience			
Economic Infrastructure			
21. Transport: Primary, secondary, and other roads built or upgraded (km)	250	366	Increase
22. Sea defences, landslip protection, and urban drainage (km)	10	42	Increase
23. Beneficiaries (direct) of resilient infrastructure construction/enhancements (number)	400,000	870,482	Increase
- of whom female	200,000	435,240	
Private sector development			
24.Value of credit made available to the private sector ($ mn) (disaggregated by sector)	34.0	54.6	Increase
25. MSMEs benefitting from credit (number)	340	638	Increase
- of which female owned	84	8	
26. Beneficiaries of mortgage programmes (number)	155	174	Increase
- of whom female borrowers	50	85	
27. Beneficiaries of TA interventions targeted at MSMEs (number)	4,500	3,742	Decrease
- of whom female beneficiaries	2,250	1,681	
28. Business climate and competitiveness enhancement projects implemented (number)	15	16	Increase
29. BMCs with increased capacity to undertake PPP arrangements (number)	16	3	Decrease
Building Financial Resilience			
Financial management			
30. Ministries, agencies, and departments with improved public financial management systems and public sector investment programmes	28	28	No change

[16] At least one agriculture climate resilience initiative financed by the Adaptation Fund is expected to be completed over the strategy period. The initiative will directly benefit 11 communities and some 78 surrounding sub-communities. CDB will continue to seek funding to respond to the DRR and climate resilience needs of communities. As a result, the target for this indicator will be reviewed and updated accordingly.

Grouping/indicator	Initial 2024 Target	Revised 2024 Target	Change
Building Institutional Resilience			
Implementation and capacity development			
31. No of ministries, agencies, and departments with enhanced technical capacity to plan, implement and monitor development projects and programmes	-	TBD	NEW
Cross-cutting areas			
Good governance			
32. No of ministries, agencies, and departments with enhanced:			
(a) public procurement systems including e-procurement, according to international best practices (MAPS)[17/].	-	TBD	NEW
(b) public service efficiency and delivery through modern systems and digital technologies (using various tools developed by WBG such as the Digital Government Readiness Assessment[18/] and Open Data Readiness Assessment[19/])	-	TBD	NEW
(c) statistical and data analytics capacity	-	TBD	NEW
RCI			
33. RPG created or strengthened with respect to quality and standards in line with international/regional market requirements (number)	8	8	No change
34. Trade facilitation measures created, strengthened, or expanded (number)	20	20	No change

[17/]MAPS is a tool used to assess public procurement systems. It is organised around four pillars: Legislative, Regulatory and Policy Framework; Institutional Framework and Management Capacity; Procurement Operations and Market Practices; and Accountability, Integrity and Transparency of the Public Procurement System.

[18/] DGRA Toolkit is a knowledge product developed by WBG to help countries and leaders in the ICT sector assess their digital agenda and current status, as well as their aspirations in digital development of the country and transformation of the public sector by leveraging digital solutions.

[19/]ODRA is a WBG tool that can be used to conduct an action-oriented assessment of the readiness of a government or individual agency to evaluate, design and implement an Open Data initiative.

RMF Level 3: How Well CDB Manages its Operations

Grouping/Indicator	Baseline		Initial 2024 Target	Revised 2024 Target	Change
	Year	Value			
Strengthening operational processes and practices, and improving portfolio performance					
1. Portfolio performance rating for implementation (% rated Highly Satisfactory to Satisfactory)	2019	97	98	90	Decrease
2. Completed projects/loans with timely PCRs (%)	2019	97	100	95	Decrease
3. Projects at risk (% of portfolio)	2019	15	6	8	Increase
4. Average time taken from appraisal mission to first disbursement (months)	2019	12	6	6	No change
5. Projects under implementation with extensions (revised final disbursement date) (%)	2019	62	50	55	Increase
6. Average length of project extension (month)	2019	36	24	25	Increase
Enhancing quality of operations and development outcomes					
7. Quality of new loans and grants appraised (Average Score [1 – 4] of 7 categories)					
(a) Investment loans	-	-	TBD	TBD	No change
(b) PBLs	-	-	TBD	TBD	
(c) TAs	-	-	TBD	TBD	
8. Quality of CSPs (Score)	-	-	TBD	TBD	No change
9. Completed operations rated Satisfactory and Highly Satisfactory					
(a) Investment/capital loans and grants (%)	-	-	TBD	TBD	No change
(b) TAs (%)	-	-	TBD	TBD	
(c) PBLs (%)	-	-	TBD	TBD	
10. Completed CSPs/CESs rated Satisfactory and Highly Satisfactory (%)	-	-	TBD	TBD	
Resource allocation and utilisation					
11. Concessional resources allocated according to performance-based allocation system (%)	2019	78	≥65	≥80	Increase
12. Disbursement ratio (%)	2019	13	15	14	Decrease
13. Disbursement (efficiency) rate (%)	2019	142	100	85	Decrease

Improving Selectivity and Strategic focus					
14. Financing directed to less developed BMCs (%, three-year average)	2017-2019	78	≥80	≥80	No change
15.Approved country strategies in use with results frameworks	2019	8	19	19	No change
16a. Approved projects rated as gender mainstreamed (as a % of total approved projects)	2019	70	90	90	No change
16b. Approved projects with a gender specific rating (as % of total approved projects)	-	-	10	10	
16c. Percentage of project within the Gender Action Plan (2020-2024) implemented within BMCs and CDB	-	-	80	80	
17. Capital projects with climate-informed design or CVRA (%)	2019	65	90	90	No change
18. Approvals supporting (as a % of total financing):					NEW
(a) Social resilience	-	-	-	≥15%	
(b) Environmental resilience	-	-	-	≥15%	
(c) Production resilience	-	-	-	≥35%	
(d) Financial resilience	-	-	-	≥20%	
(e) Institutional resilience	-	-	-	≥10%	
(f) Cross-cutting areas	-	-	-	≥5%	
Enhancing Disclosure and Transparency					
19. No of Independent Evaluation and PCR validation reports published on CDB's website per annum (number)	2019	35	42	42	No change
20. Published IATI data on capital projects approved (%)	2019	100	100	100	No change

RMF Level 4: How Efficient CDB is as an Organisation

Grouping/Indicator	Baseline		Initial 2024 Target	Revised 2024 Target	Change
	Year	Value			
Capacity utilisation					
1. Budgeted Professional Staff in OA (%)	2019	82	≥ 85	≥85	No change
2. Ratio of Professional Staff to Support Staff [20]	2019	1.98:1	2.96:1	2.61:1	Decrease
3. Vacancy rate at management and professional levels (%)	2019	5	≤ 5	≤5	No change
4. Staff in management positions who are women (%)	2019	36	45-55	45-55	No change
Use of administrative budget resources – Improving value for money					
5. Administration expenses per $1mn of project disbursements (three-year average) $'000s	2017-19	120	140	158	Increase
Resource mobilised/committed for climate action, staff engagement and client satisfaction					
6. Climate-related commitments (adaptation and mitigation finance)[21] (USD mn)	2020	13%	25%-30%	25-30%	No change
7. Staff Engagement/Pulse Survey Index	2019	71	81	81	No change
8. Client Satisfaction Survey (% of clients satisfied with CDB's services including lending and non-lending instruments)	2021	73	n.a.	75	

[20/] CDB expects to see a reduction in the number of support staff based on the implementation of the various institutional reforms and technology enhancements initiatives.

[21/] Using the Joint MDB Methodology for Tracking and Reporting on Climate Finance.