

Project Completion Report

**PCR**

|  |
| --- |
| ***Project Name: CDB Global Credit Facility for Small OECS Countries*** |
| ***Country: Regional*** |
| ***Sector/Subsector: Multi-Sectoral*** |
| ***Original Project Team: Frank Nieder, Project Team Leader; Sonia Decambre (CBA); Badrul Haque (OD6); Kevin McTigue (LEG); Kim Staking (FI3) and Rosario Gaggero (FI3).*** |
| ***Project Number: RG0056*** |
| ***Loan Number: 1108/SF-RG*** |
| ***QRR Date: October 7, 2011*** |
| ***Final Approval Date of PCR: February 29, 2012*** |

|  |
| --- |
| ***PCR Team: Principal Author and Members: Frank Nieder (IFD/CMF); Janette Archer Headley (CCB/CBA); Roger Pipe (Consultant); and Valeria Farinaro (IFD/CMF).*** |

**Acronyms and Abbreviations**

|  |  |
| --- | --- |
| APR | Annual Progress Report |
| BEP | Basic Education Project |
| CDB | Caribbean Development Bank |
| CEE | Common Entrance Examination |
| CXC | Caribbean Examinations Council |
| EA | Executing Agency |
| ERP | Economic Reconstruction Program |
| FSO | Fund for Special Operations |
| GDP | Gross Domestic Product |
| GOCD | The Government of the Commonwealth of Dominica |
| GOGR | The Government of Grenada |
| GOSL | The Government of St. Lucia |
| IDB | Inter-American Development Bank |
| IP | Implementation Progress |
| MOH | Ministry of Health |
| MPWPU | Ministry of Public Works and Public Utilities (EA in Grenada) |
| MCWT | Ministry of Communications, Works and Transport (EA in Grenada) |
| MCWT&PU | Ministry of Communication, Works, Transport and Public Utilities (EA in St. Lucia) |
| MEYS | Ministry of Education, Youth, and Sports (St. Vincent and the Grenadines) |
| NA | Not available |
| OCR | Ordinary Capital Resources |
| OECS | Organization of Eastern Caribbean States |
| OP | Operations Policy |
| PCR | Project Completion Report |
| PPR | Project Performance Rating |
| PSR | Project Supervision Report |
| RIMP | Road Improvement and Maintenance Project |
| SMART | Specific, Measurable, Achievable, Relevant and Time-bound |
| VOC | Vehicle Operating Costs |

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# **Basic Information**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **BASIC DATA (Amounts in US$)** | | | | |
| **PROJECT NO: RG0056** | **TITLE: CDB Global Credit Facility for Small Caribbean States** | | | |
|  | |  | | |
| **Borrower: CARIBBEAN DEVELOPMENT BANK** | | **Date of Board Approval: Jun-26-2002** | | |
| **Executing Agency (EA):** | | **Date of Loan Contract Effectiveness: Sep-27-2002** | | |
|  | | **Date of Eligibility for First Disbursement: Mar-26-2003** | | |
| **Loan(s):** | |  | | |
| **Sector:** | | Months in Execution | | |
|  | | **\* from Approval: 100** | | |
| **Lending Instrument: Investment Loan** | | **\* from Contract Effectiveness: 97** | | |
|  | |  | | |
|  | | **Disbursement Periods** | | |
|  | | **Original Date of Final Disbursement:Sep-27-2009** | | |
|  | | **Current Date of Final Disbursement: Dec-27 2011** | | |
|  | | **Cumulative Extension (Months): 27** | | |
|  | | **Special Extensions (Months):** | | |
|  | |  | | |
|  | | **Loan Amount(s)** | | |
|  | | **\* Original Amount: US$20 million** | | |
|  | | **\* Current Amount: US$20 million** | | |
|  | | **\* Pari Passu (if applicable): 10%** | | |
|  | |  | | |
| **Poverty Targeted Investment (PTI): Yes/No** | | **Disbursements** | | |
| **Social Equity (SEQ): Yes/No** | | **\* Amount to date: US$20 million (100%)**  **Amount remaining in Revolving Fund: US$1.6 million (8%)** | | |
| **Environmental Classification: A, B, or C** | |  | | |
|  | | **Total Project Cost (Original Estimate): US$22.22 million** | | |
|  | |  | | |
|  | | **Redirectioning**  **Has this Project?**  **Received funds from another Project [ ]**  **Sent funds to another Project [ ]**  **N/A [ X ]** | | |
|  | | **To/From**  **Project Number** | **From**  **Sub-Loan Number** | **Amount** |
|  | |  |  |  |
|  | |  |  |  |
|  | | \* Current amount (adjusted for redirectioning): | | |
|  | |  | | |
|  | | **On Alert Status** | | |
|  | | **Is project currently designated "on alert" by PAIS: Yes/No** | | |
|  | | **If yes then why is the project on alert (DO , IP Ratings and/or relevant PAIS indicators):** | | |
|  | | **Comments on relevance of “on alert” status for this project**  **(if applicable):** | | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Summary Performance Classifications** | | | | |
| DO | [ ] Highly Probable (HP) | [x] Probable (P) | [ ] Low Probability (LP) | [ ] Improbable (I) |
| IP | [ ] Highly Satisfactory (HS) | [x] Satisfactory (S) | [ ] Unsatisfactory (US) | [ ] Very Unsatisfactory (VU) |
| SU | [ ] Highly Probable (HP) | [X ] Probable (P) | [ ] Low Probability (LP) | [ ] Improbable (I) |

# **The Project**

## Project Context

The Inter-American Development Bank’s (IDB) Charter gives the Bank the facility to foster economic and social development in non-member Caribbean states through the provision of loans and technical cooperations to all of the members of the Caribbean Development Bank. These resources can then be lent or allocated to CDB borrowing countries which are not members of the IDB. This loan was the 6th global credit operation provided by the Bank to be able to support the non-member Caribbean countries. This type of operations has proven to be an efficient way for the Bank to support these countries. As these operations can provide many of the benefits of bank membership, they reduce the incentives for these countries to seek Bank membership.

This operation was limited to FSO resources, as opposed to previous operations that also included OC resources, because the CDB, with an AAA rating, could access private financial markets for resources at similar terms as those offered by Bank OC resources. As an FSO operation, only the four IDA-blend Organization of Eastern Caribbean States countries were eligible to receive resources. These are Dominica, Grenada, St. Lucia and St. Vincent and the Grenadines.

At the time of the approval of this operation, the beneficiary countries were being affected by the aftermath of the events of September 11, which had a profound negative impact on these economies. Fears about travel lead to a sharp decline in tourism, the largest economic sector in most of these countries. This resulted in the halting of a period of steady economic growth and lead to a widening of fiscal and external imbalances. This strong impact of the aftermath of September 11 illustrated these countries’ vulnerability to external events.

Motivated in part by the effects of September 11, the CDB developed with its member countries an Economic Reconstruction Program designed to accelerate measures to improve their competitiveness and reduce their vulnerability to both external economic shocks as well as natural disasters. It was expected that a significant proportion of the proposed IDB loan would be used to finance fiscal policy reform loans included in Economic Reconstruction Program.

Project Description

### **Development Objective**

The objective of the Program is to provide an effective mechanism to finance sub-projects that effectively address the development priorities of the FSO (Fund for Special Operations) eligible members of the CDB that are not members of the Inter-American Development Bank (IDB).

The goal of the Project is to foster and accelerate the social and economic development of these countries. The purpose is to assist countries in the design and implementation of effective structural adjustment programs and to finance improvements in borrowing countries’ social services and infrastructure.

### **Description and Components**

The Program consisted of a loan of US$20 million of FSO resources as well as counterpart, sub-borrower contribution of US$2.2 million (Table 1). Although not formally part of the program, the IDB agreed to provide US$1.5 million of non-reimbursable technical assistance resources in three phases to support the design and implementation of economic policy and institutional reforms. The third phase of this program is still in implementation.

**Table 1**

**Original Program Costs**

|  |  |  |  |
| --- | --- | --- | --- |
|  | IDB Contribution | Counterpart (sub-borrower contribution) | TOTAL |
| FSO loan | 20.0 | 2.22 | 22.22 |
| Inspection and Supervision Services | 0 | 0 | 0 |
| TOTAL | 20.0 | 2.22 | 22.22 |

A total of six projects were financed with Program resources, with loan resources being allocated equally amongst the four beneficiary countries. Equitability was one of the main criteria applied by CDB for allocating the IDB funds under this Program. All of these projects were in the social and infrastructure sectors.

**Table 2**

**Projects Financed (**See Annex 1 for details on the financed projects)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Country | Project Name | Loan Number | LOAN AMOUNT  (US$ millions) | | | | Counter-part | Project Total  (US$ millions) |
| **IDB** | **CDB** | | **TOTAL Loan** |
| **SFR** | **OCR** |
| Dominica | (i)Road Improvement & Maintenance (RIMP) | 65/SFR-DMI (Original Loan) | 5.0 | 0.55 |  | 5.55 | 0.604 | 6.154 |
| 65/SFR-DMI (1st Add. Loan) | 0.0 | 3.1 |  | 3.1 | 2.248 | 5.348 |
| 65/SFR-DMI (2nd Add. Loan) | 0.0 | 1.715 | 2.176 | 3.891 | 0.0 | 3.891 |
| **Project Total** | **5.0** | **5.365** | **2.176** | **12.541** | **2.852** | 15.393 |
| St. Vincent | (ii) Basic Education | 13/SFR-OR-STV | 5.0 | 4.405 | 8.179 | 17.584 | 4.508 | 22.092 |
| Grenada | (iii) ERP - Rehabilitation of Schools | 12/SFR-OR-GRN | 2.213 | 2.209 | 0.0 | 4.422 | 0.821 | 5.243 |
| (iv) Disaster Mitigation  & Restoration –  Rockfall and Landslip | 43/SFR-GRN | 2.7 | 2.5 | 0.0 | 5.2 | 0.627 | 5.827 |
| 43/SFR-GRN (Add. Loan) | 0.0 | 3.7 | 0.0 | 3.7 | 0.608 | 4.308 |
| **Project Total** | **4.913** | **8.409** | **0.0** | **13.322** | **2.056** | 15.378 |
| St. Lucia | (v) ERP - Schools and Health Centers | 28/SFR-OR-STL | 3.505 | 0.0 | 2.543 | 6.048 | 1.021 | 7.069 |
| (vi) Flood Mitigation | 29/SFR-OR-STL | 1.495 | 0.236 | 3.722 | 5.453 | 1.551 | 7.004 |
| TOTAL PROJECT PORTFOLIO | |  | **19.913** | **18.415** | **16.62** | **54.948** | **11.988** | **66.936** |

Two projects (the Dominica Road Improvement and Maintenance Project and the Grenada Disaster Mitigation & Restoration Project) received additional loan financing from CDB, subsequent to the initial loans that had been provided with IDB financing. In the case of the Dominica project, the additional financing was required to expand the roads due to a significant increase in traffic volume in project area. In the case of the Grenada project, the additional financing was required to finance work at an additional site that had started to show signs of slope failure (after appraisal of the Original Project); also the lowest evaluated contractor’s bid for the rockfall component of the works was significantly higher than the initial cost estimate.

Only two of the funded projects (Grenada: Disaster Mitigation; and St. Vincent; Basic Education) were included in the indicative pipeline presented at the time of the loan approval. This pipeline included 9 operations that had already reached the appraisal stage. The amount of this pipeline totaled US$34 million and was viewed as evidence of the strong demand for the IDB Loan resources. As noted previously, four of the operations were for fiscal reform projects designed to help address needed structural and macroeconomic adjustments. However, the economies rebounded more quickly than expected. As a result, the need for fast-disbursing funds was deemed no longer necessary and these loans were never approved. Moreover, in some cases countries received support for fiscal reforms from the International Monetary Fund. For the other three projects in the original pipeline that were not financed by the Bank loan, one was converted into a regional program; another was found not to meet the IDB loan selection criteria; and the third, a higher education program was eventually dropped from the CDB pipeline.

**Table 3**

**Loans, Disbursements and Balances**

(As of December, 31, 2010)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Country | Loan Number | LOAN AMOUNT | | | | AMOUNT DISBURSED | | | | BALANCE | | | |
| **IDB** | **CDB** | | **TOTAL** | **IDB** | **CDB** | | **TOTAL** | **IDB** | **CDB** | | **TOTAL** |
| **SFR** | **OCR** | **SFR** | **OCR** | **SFR** | **OCR** |  |
| Dominica | 65/SFR-DMI **\*** | 5.0 | 0.55 |  | **5.55** | 5.0 \* | 0.546 |  | **5.546** |  | 0.004 |  | **0.004** |
| 65/SFR-DMI (Add. Loan) | 0.0 | 3.1 |  | **3.1** |  | 1.517 |  | **1.517** |  | 1.583 |  | **1.583** |
| 65/SFR-DMI (2nd Add. Loan) | 0.0 | 1.7 | 2.2 | **3.9** |  |  |  | **-** |  | 1.7 | 2.2 | **3.9** |
| TOTAL 65/SFR-DMI | **5.0** | **5.35** | **2.2** | **12.55** | **5.0** | **2.063** |  | **7.063** |  | **3.287** | **2.2** | **5.463** |
| St. Vincent | 13/SFR-OR-STV \* | 5.0 | 4.40 | 8.18 | 17.58 | 5.0\* | 1.64 | 6.94 | 13.58 |  | 2.76 | 1.24 | 4.0 |
| Grenada | 12/SFR-OR-GRN\* | 2.213 | 2.209 | 0.0 | **4.422** | 2.213\* | 2.089 |  | **4.302** |  | 0.12 |  | **0.12** |
| 43/SFR-GRN **\*** | 2.7 | 2.5 | 0.0 | **5.2** | 2.7 \* | 2.5 |  | **5.2** |  |  |  |  |
| 43/SFR-GRN (Add. Loan) | 0.0 | 3.7 | 0.0 | **3.7** | 0.0 | 3.096 |  | **3.096** |  | 0.604 |  | **0.604** |
| **Total** | **4.913** | **8.409** | **0.0** | **13.322** | **4.913** | **7.685** |  | **12.598** |  | **0.724** |  | **0.724** |
| St. Lucia | 28/SFR-OR-STL | 3.5 | 0.0 | 2.543 | **6.043** | 2.281 | 0.0 | 2.049 | **4.33** | 1.219 | 0.0 | 0.494 | **1.713** |
| 29/SFR-OR-STL | 1.5 | 0.236 | 3.722 | **5.458** | 1.441 | 0.176 | 3.722 | **5.339** | 0.059 | 0.06 | 0.0 | **0.119** |
| **Total** | **5.0** | **0.236** | **6.265** | **11.501** | **3.722** | **0.176** | **5.771** | **9.669** | **1.278** | **0.06** | **0.494** | **1.832** |
| TOTAL |  | **19.913** | **18.395** | **16.645** | **54.953** | **18.635** | **11.564** | **12.711** | **42.91** | **1.278** | **6.831** | **3.934** | **12.043** |

(**\***) IDB financing fully disbursed

# **Results**

## Outcomes

|  |  |
| --- | --- |
| **ACHIEVEMENT OF DEVELOPMENT OBJECTIVES (DO)** | |
| **Development Objective(Purpose)** | **Key Outcome Indicators** |
| 1. Quality of and access to social sector and infrastructure services improved, and economic policy and institutional measures implemented in FSO eligible OECS countries. | According to the Project Logical Framework, the key outcome indicators were:  Projects financed by the Program in eligible countries by the time projects are completed (no later than seven years after project initiation) have either:  (i) positive economic rates of return;  (ii) improved the quality and access to social or infrastructure services; or  (iii) improved countries' economic policy or institutional framework.  Projects supported by the Program were designed to improve social sector and infrastructure services access and quality. Economic policy program were not included. All projects included measureable performance indictors with regard to both the quality and access to these services. As only two sub-projects are fully completed, and only recently. (Grenada, Disaster Reconstruction, 6/30/2010 and St. Lucia Flood Mitigation and restoration, 12/31/2010), it has not yet been possible for the CDB to evaluate and measure whether these the development impacts of the financed projects. Never the less, based on the monitoring of the physical works and institutional aspects of the projects and institutions, it appears that both access and quality of these services are being improved, but this cannot yet be quantified or confirmed. |

|  |  |  |
| --- | --- | --- |
| PLANNED OUTCOMES | | |
| Baseline | (i) By year 3, 100% of IDB Loan funds are committed  to projects that; (a) are designed to improve social or infrastructure services, or support economic policy and institutional measures; and (b) the definition of measurable performance indicators with baseline data and project implementation and completion targets.  (ii) By year end of year 4, projects representing half of loan fund resources reached their mid-term execution point and are meeting project implementation benchmarks, or agreements have been reached between the CDB and sub-borrower to ensure completion through remedial measures. | End of Project(i) 100% of IDB funds are disbursed to projects with the aforementioned characteristics. (ii) All projects fully implemented. |

|  |  |  |
| --- | --- | --- |
| ACHIVED OUTCOMES | | |
| Baseline 0% of loan fund resources have committed. (27 Sep 2002) | Intermediate (i) By end of year 3**,** loan resources were committed to sub-projects with the aforementioned characteristics.  (ii) By year end of year 6, projects representing half of IDB loan resources reached their mid-term execution point and are meeting project implementation benchmarks, or agreements have been reached between the CDB and sub-borrower to ensure completion through remedial measures | End of Project (Current)93% of IDB funds have been disbursed to projects with the aforementioned characteristics. The undisbursed funds are attributable to only one project, S. Lucia ERP –Schools and Health Centers.Two of the sub- projects, representing 38% of IDB loan resources, have been fully implemented by year 8. (Grenada Disaster Restoration and Mitigation, and St. Lucia Flood Mitigation).The IDB funded sub-loans for three of the remaining projects have been disbursed. (Dominica RIMP, ST. Vincent Basic Education, and Grenada Education- ERP). These projects represent about 50% of the IDB loan resources. |

## Bank Regional Strategy

The CDB is an important partner for the Bank’s Caribbean regional strategy, which focuses on regional integration. While this program does not focus specifically on integration issues, it allows the Bank to provide support to countries in the region that are not members of the Bank. Similarly, the project by boosting financial resources of the CDB the program enhances the CDBs capacities to promote integration via its programs at the regional level and through operations in all of its member countries.

## Outputs

|  |  |
| --- | --- |
| **IMPLEMENTATION PROGRESS (IP)** | |
| **Components (Outputs):** | |
| **1. Component Title: FSO Loan Social / Economic and Environmental Projects**  Total cost of Component 1: US$20 million  IDB Disbursement: 100%  Classification**:** **Satisfactory** | |
| **Key Output Indicators:** | |
| **Planned Outputs**  (i) Commitment. All Loan resources committed to eligible borrowing countries by end of year 3 of Project Execution.  (ii) Disbursement. At least 50% of resources disbursed in eligible borrowing countries by the end of year 4. | **Outputs Achieved**  (i) 100% of Loan Funds committed by year 3.  (ii) 50% of loan funds disbursed by end of year   * 92% of IDB loan funds disbursed in eligible borrowing countries by year 8. |
| Program goals were met in terms of the commitment of Bank funds, but implementation of the sub-projects financed by the Program were significantly slower than originally planned. Only two of the six projects receiving financing from the project were completed by 2010. (See Figure 1 below.) The slower than expected implementation rates is due to a number of factors, including (i) overly optimistic planning timelines; (ii) a lower than expected approval rate of projects in the project pipeline (only 2 of 9); (iii) a decision to equitably allocate the IDB loan resources amongst the legible countries, which limited the CDB’s ability to finance the most advanced projects in terms of preparation or in terms of expected speed of execution, and (iv) a longer than anticipated time for fulfillment of prior conditions; and (v) significant changes in the expansion of the scope of two projects, Dominica RIMP and Grenada Disaster Reconstruction and Mitigation. | |
| **Restructuring.**    [ ] N/A | |
| **Summary Implementation Progress Classification:**   |  |  |  |  | | --- | --- | --- | --- | | [ ] Highly Satisfactory (HS) | [ x] Satisfactory (S) | [ ] Unsatisfactory (U) | [ ] Very Unsatisfactory (VU) | | |

# **Program Implementation**

## Analysis of Critical Factors

The principal factors that positively affected the Program implementation were:

1. Sound project design process as reflected in the high quality of CDB project appraisal documents;
2. Solid project supervision processes including annual or semi-annual field visits by CDB operations officers; contracting of Engineering Consultants for the supervision of works and the submission of monthly progress reports for works projects; a Project Portfolio Management System that is used to provide semi-annual or annual progress reports on project objectives, funding, disbursements, milestones, costs, performance rating, timing performance, supervision management, implementation status, problem areas/issues and recommendations for improvement;
3. High professional caliber of CDB Operations Officers;
4. CDB’s responsive approach to Client’s, as reflected by flexibility in the use of sub-loans to address changing priorities in the Borrowing Countries, while respecting the goals and objectives of sub-loans.

The principal factors that negatively affected Program implementation were:

1. Limited project management capacity within some eligible Borrowing Countries, leading to delays in meeting conditions prior as well as delays in finding replacements when key personnel change positions;
2. Difficulty to obtain qualified contractors for relatively small projects and lack of large number of qualified contractors in these smaller economies;
3. Competing demand for the services of construction firms: major works projects in the region related to the 2007 World Cricket Cup resulted in a reduced supply of bids on the Program's sub-loan works during the period of 2005 to 2007;
4. Overly optimistic planning timeframes;
5. Lower than expected rate of approval of pipeline projects: only 2 out of 9 (22%) of projects that were in the tentative pipeline of projects were financed under the Program;
6. Acts of God: As a results of Hurricane Ivan in 2004, the Grenada ERP - Rehabilitation of Schools was redesigned and the scope changed to include construction rather than rehabilitation; as a result of an unforeseeable landslip, the scope of the Grenada Disaster Mitigation and Restoration project was altered to include a new site;
7. Changes in scope: Two of the six projects underwent changes in scope: the Dominica Road Improvement and Maintenance Project (RIMP) and the Grenada Disaster Mitigation and Restoration Project. Originally planned as a three-year, US$5.6 million project, the RIMP grew into a six-year, US$16.2 million project. This change was in response to an unexpected increase in traffic volumes, which needed the widening of the road, landslip infrastructure and guardrails. In the case of the Grenada Disaster Mitigation project, a landslip led to the inclusion of an additional site and the cost of the project was significantly higher than estimated. The combination of these factors required an additional loan to complete the project.

## Borrower Performance

CDB performance, in almost most aspects of execution was of high quality. These included project design, monitoring, supervision, fiduciary control and financial management. However, in terms of project planning, it was overly optimistic, evaluations of the completed projects have not yet been conducted, and the supervision of environmental mitigation measures appeared to be somewhat deficient. More detail on monitoring, evaluation and environmental supervision is provided in Sections V and VI of the Project appraisal documents. These were well structured and informative. Supervisory mechanisms were satisfactory, including: semi-annual or annual field visits by CDB project officers; contracting of Engineering Consultants for the supervision of works and the submission of monthly progress reports for works projects; a Project Portfolio Management System that was used to produce semi-annual or annual progress reports that provided information on project objectives, funding, disbursements, milestones, costs, performance rating, timing performance, supervision management, implementation status, problem areas/issues and recommendations for improvement.

In terms of reporting performance, the CDB has not yet produced a Project Completion Report (PCR) for the two projects in the sub-loan portfolio that have been completed as of November 30, 2010: the Grenada Disaster Mitigation Project, completed on 2010-06-30; and the St. Lucia Flood Mitigation Project, completed on 2010-03-31. An explanation of why the PCRs have not been prepared for these projects is because CDB notes is currently operating at 30% staff vacancy rate. However, PCRs for these projects are included in the CDB’s Projects Department work program for 2011. CDB has expedited the preparation of PCRs to meet the commitments under its Special Development Fund 7 Resolution (February 2009) - Operational/Organizational Effectiveness – Operation Quality and Portfolio Performance – that by the target date of 2012, there would be 100% of projects completed in the last two years with PCRs. The Projects Department’s (PD) management has also committed to completing PCRs for all capital projects that used IDB financing. Although the PD does not have its full complement of staff as yet, most of the critical positions have been filled.

In terms of adequacy of project design and relevance for the Borrowing Country, the sub-loan contracts require that the Project Coordinator of the Executing Agencies produce a Project Completion Report. These have not yet been produced by the Project Coordinators of the two aforementioned projects.

CDB’s responsive approach to Member Countries’ requests to re-orient sub-loan resources to address changing priorities in the Borrowing Countries helped to ensure that the sub-loans adequately addressed the priorities of Borrowing Countries, while taking into consideration the original goals and objectives of sub-loans.

Project design and planning could be improved with more realistic time planning and project monitoring and evaluation could be strengthened with better-defined benchmarks.

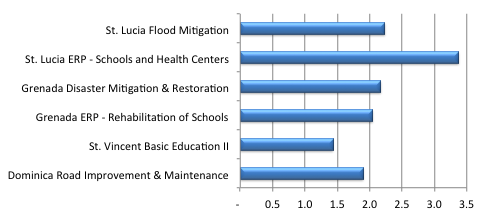
Project Planning

The Project implementation timelines in the Project Appraisal documents for the sub-loans greatly underestimated the time required for project implementation.

Figure 1 compares the estimated and actual implementation time for the six sub-loans financed under the Program. On average, project implementation took 2.2 times longer than was anticipated during appraisal of the sub-loans. The large ratio of 3.4 for St. Lucia ERP skewed the reported average and this sub-project could be regarded as an outlier. The project appraisal documents for the sub-loans anticipated an average of 41 months between project approval and the termination disbursement date. In fact, the average time between project approval and termination disbursement date is 85 months, based on the most recent estimate of termination disbursement date for the six projects.

**Figure 1**

**Ratio of Actual to Estimated Implementation Time**

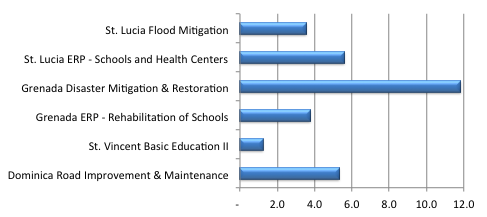
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Source: Annex 2, Table 1

In part, this gap between planned and actual timelines is a reflection of the time required to satisfy the conditions prior to the first disbursement. On average, it took 458 calendar days to satisfy the conditions prior, almost 5 times greater than what was expected. In the case of the project with the greatest delay, Grenada Disaster Mitigation (almost 12 times longer than expected), the principle cause was the difficulty in obtaining the services of an adequate Project Manager.

**Figure 2**

**Ratio of Actual to Planned Time to Fulfill Conditions Prior**



Source: Annex 2, Table 2

Another factor contributing to the length of the implementation period is that projects were approved based on preliminary design, and the preparation of final designs took longer than expected.

Finally, it should be noted that factors that could not have been foreseen also contributed to the longer than planned implementation of the projects. These included the already explained externalities, the World Cricket championship and the needed changes in scope of some projects.

Monitoring of Project Performance

The monitoring of project performance was satisfactory.

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| --- | --- | --- | --- |
| **Borrower/Executing Agency** | | | |
| [ ] Highly Satisfactory (HS) | **[** X] Satisfactory (S) | [ ] Unsatisfactory (U) | [ ] Very Unsatisfactory (VU) |

## Bank Performance

It should be noted that most of the activities that the Bank would conduct for the loans in this operation are conducted by the CDB, apart from financial management. Monitoring and supervision of the implementation of the sub-projects is primarily the responsibility of the CDB, who should inform the IDB of their execution and the key results of their monitoring and supervision.

In terms of financial management the CDB’s performance was satisfactory, but even with the circumscribed monitoring and supervision of the project execution, the IDBs performance was somewhat deficient. In this regard, based on the review of documentation available in Bank files, physical and electronic, it appears that the Bank did not ensure that it was informed on the sub-projects execution. Annual Progress Reports, the primary monitoring instrument, included only a brief one to three paragraph status update on each project, as well as key dates, and disbursement levels. The reports did fully explain the issues affecting implementation, the expected meeting of sub-project goals, and the measures that were being implemented to address shortfalls. Moreover, the Country Office did not have on file the annual or semi-annual Project Supervision Reports prepared by CDB for all sub-loans.

IDB operations officers did undertake periodic communication with the CDB portfolio managers, where some implementation issues were apparently discussed. But there is no record of these conversations or how implementation issues were being resolved by the CDB.

The limited documentation also hindered the maintenance of an institutional memory within the Bank. In this regard, project files did not contain a record of communications with the CDB in the form of letters or aide-memoires. Changes in IDB personnel responsible for Program supervision exacerbated the problems of institutional memory.

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| --- | --- | --- | --- |
| **Bank Performance** | | | |
| [ ] Highly Satisfactory (HS) | [ ] Satisfactory (S) | [ x] Unsatisfactory (U) | [ ] Very Unsatisfactory (VU) |

# **Sustainability**

## Maintenance

Given that most of the project financing was dedicated to infrastructure improvements, a critical factor for the sustainability of project benefits is the capacity and willingness of Borrowing Countries to maintain the works financed by the project. As noted, the CDB placed particular attention on maintenance issues and included contractual commitments to help to ensure adequate maintenance during and after project completion. Social sector projects contained significant policy and institutional measures that also should help to ensure the sustainability of benefits.

Moreover, the issue of sustainability is one of the performance criteria included in the CDB’s Project Performance Rating System. The CDB evaluates sustainability from a “forward looking” perspective: indicating for instance whether the Ministry responsible for a given taks plans to provide adequate maintenance in future.

## Institutional Capacity

The sub-projects have been designed to boost the capacity of the corresponding executing agencies and other responsible entities to sustain project results.

In the case of the St. Vincent Education Project, the management capacity of school principals to plan and provide timely maintenance was strengthened through the development of a maintenance manual for each new school and training for their use.

For the Dominica RIMP, institutional strengthening activities, financed in part by the European Union, included the purchase of two portable weighbridges to enhance the ability to monitor the movement of overweight vehicles and the strengthening of regulations governing axle loads of vehicles and development of an appropriate tariff system as well as institutional strengthening of the Public Works Garage to improve the overall capacity and efficiency in undertaking road maintenance.

In the case of the St. Lucia Flood Mitigation Project and the St. Vincent Education Project, the corresponding Governments are required by CDB to present annual maintenance plans on the works.

## Environmental Sustainability

In terms of the design of projects, environmental risks were adequately addressed. CDB environmental policies and procedures are similar to those of the IDB. All projects are classified according to potential environmental and social impacts, and environmental impact assessments are conducted for higher risk (A and B) projects. Four of the projects in the program had these risk classifications. The results of these assessments were incorporated into the design of the programs, and mitigation measures were included in all projects. Mitigation measures, and in the highest risk projects, environmental action plans, were specified in loan contracts.

However, as noted earlier, based on the review of CDB documentation, there was limited monitoring and supervision of the implementation of environmental mitigation measures and environmental actions plans. In this regard, this PCR cannot comment on to what degree the measures were implemented and their effectiveness in mitigating environmental risks. The CDB will evaluate these issues when they conduct the PCRs for the individual projects.

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| [ ] Highly Probable (HP) | [ X ] Probable (P) | [ ] Low Probability (LP) | [ ] Improbable (I) |

# **Monitoring and Evaluation**

1. **Monitoring**

**CDB**

As detailed in the assessment of CDB performance in Section IV, the monitoring and supervision of the project, apart from environmental measures, was comprehensive and consistently implemented.

Semi-annual or annual supervision visits were undertaken by CDB operations officers and back-to-office reports documenting findings, recommendations and agreements arising from those visits. For all works, external consulting engineers were hired to supervise implementation and provided monthly progress reports to the corresponding Executing Agency, who forwarded them to CDB. The consultant reports included a useful section detailing issues discussed and recommendations arising from meetings with key stakeholders during monthly progress meetings. The reports, however, tended to describe the progress in the current time period without referring to the planned progress. Moreover, the documents do not provide follow-up information from one period to another to allow the CDB project officer to determine whether issues had been adequately addressed or not. It should be noted that during the supervision missions a comprehensive assessment was conducted.

An important element of the CDB’s project monitoring capacity is its Project Portfolio Management System that is used to prepare Project Supervision Reports (PSR). PSRs were prepared for all projects on an annual or – in most cases – on a semi-annual basis. Target and actual percentages of completion are shown, and the variance between targeted and actual completion was calculated. The PSR also includes a Project Performance Rating (PPR) scheme that evaluates project performance based on the following criteria: strategic relevance, poverty relevance, efficacy, cost efficiency, institutional development impact and sustainability. However, the PPR was currently used as a measure of the project’s design, since the PPR criteria rarely change during implementation, and the development impact indicators largely affect evaluation criteria. Finally, the Project Supervision Reports do not consistently and methodically report the progress of all expected outputs as defined in the respective projects logical framework model.

**IDB**

As noted in the assessment of Bank performance in Section IV, the overall monitoring of the program in terms of disbursements was satisfactory, but somewhat deficient in terms of the monitoring of sub-projects. The evidence of this conclusion is based primarily on the level and comprehensiveness of the issues covered in the documentation available in Bank files.

**Evaluation**

No PCRs have yet been completed due to the fact that only two projects have recently been completed. As a result, a comprehensive evaluation of the sub-projects of the Program is not yet possible, which limits the possibility of this PCR to evaluate whether the development effectiveness of the Program have been met. The CDB is committed to preparing PCRs for all of the sub-projects financed by the program. In this regard, the preparation of the PCRs for the completed projects are in their 2011 work program.

An ex-post evaluation of the Program is not required.

# **Lessons Learned**

1. **Level and Pace of Demand for Program Resources**

The size of the CDB’s pipeline of eligible projects is not a good predictor of final demand and use of the Program financing. This conclusion is demonstrated by the experience that only two of the 9 projects included in the tentative pipeline in the IDB Loan Proposal were eventually financed.

Recommendation:

1. In assessing demand, the IDB project team needs to look at the level of preparation of the projects, as some projects included in the pipeline are eventually not financed due to changing country needs and priorities.
2. To better ensure effective and rapid demand, the IDB and CDB should consider whether allowing already approved programs that have not yet reached the stage of contracting, to be eligible for financing.

1. **Implementation and Disbursements**

The implementation of and disbursements to sub-projects has been considerably slower than expected due to lengthy periods to meet conditions prior to first disbursement as well as a range of implementation obstacles enumerated in Section III.

Recommendation: Where possible, eligible programs that are close to meeting all conditions prior to first disbursement and fast-disbursing policy based loans should be considered priority for Program financing.

1. **Monitoring and Supervision**

The monitoring and supervision of environmental mitigation measures was not reported in CDB documentation. As a result, the Bank’s ability to monitor and assess progress in implementation was hampered.

The IDB, based on the review of documentation, did not monitor the implementation of sub-projects nor the meeting of performance indicators sub-projects.

Recommendations:

1. Annual reports from the CDB provide information on; (a) the execution of environmental mitigation measures and more complete information on non-works components of sub-projects; and (b) progress toward meeting performance indicators, (c) the issues affecting implementation performance, and how they are being addressed. Bank comments on the report and agreements reached should be documented.
2. As needed, CDB progress reports on the sub-projects should be provided to the IDB. The documentation of Bank monitoring and communications with the CDB is sketchy, which hinders effective monitoring and supervision of the Program, the maintenance of institutional memory, as well as the evaluation of the Program.
3. More complete documentation should be prepared and filed.
4. **Program Evaluation**

No PCRs have been completed for the sub-projects, which has limited the comprehensiveness of this PCR.

Recommendations:

1. Implement the aforementioned measures to increase the pace of implementation of financed projects.
2. Consider requesting a policy waiver to allow the conduct of the PCR of the Program up to a year after the final disbursement of the Program to take into account that sub-projects are likely not to be completed before the Bank loan has been disbursed, since projects are financed with CDB resources as well, and not in a “*pari-pasu”* manner.