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***Country Program Evaluation:  
Barbados 1989-2004***

***Office of Evaluation and Oversight, OVE***

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## REFERENCES

## ANNEXES

- Annex A: Implementation and Delivery of the Bank’s Program (IDB DOC # 690485)  
<http://idbdocs.iadb.org/Wsdocs/Getdocument.aspx?docnum=690485>
- Annex B: Reform and Competitiveness (IDB DOC # 604708)  
<http://idbdocs.iadb.org/Wsdocs/Getdocument.aspx?docnum=604708>
- Annex C: The Education Sector (IDB DOC # 604713)  
<http://idbdocs.iadb.org/Wsdocs/Getdocument.aspx?docnum=604713>
- Annex D: Environment, Natural Resources and Vulnerability (IDB DOC # 604714)  
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## ACRONYMS

BDB	Barbados Development Bank
BLP	Barbados Labour Party
BNB	Barbados National Bank
BOP	Balance of Payments
BPA	Barbados Port Authority
BSSEE	Barbados Secondary School Entrance Examination
BWA	Barbados Water Authority
CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CGCED	Caribbean Group for Cooperation in Economic Development
CP	Country Paper
CPE	Country Program Evaluation
CPP	Country Programming Paper
CZM	Coastal Zone Management
DLP	Democratic Labour Party
ECLAC	Economic Commission for Latin America and the Caribbean
EIB	European Investment Bank
ERR	Economic Rate of Return
FIA	Financial Institutions Act (1996)
FSAP	Financial System Stability Assessment (IMF)
FTAA	Free Trade Agreement of the Americas
FTC	Fair Trading Commission
GOB	Government of Barbados
HDI	Human Development Index (UNDP)
IIC	Inter-American Investment Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
MDG	Millennium Development Goals
MIF	Multilateral Investment Fund
NIS	National Insurance Scheme
OECS	Organization of Eastern Caribbean States
PAHO	Pan American Health Organization
PAIS	Project Alert Information System
PCR	Project Completion Report
PEMG	Emergency Sector Loan
PMP	Program Mission Paper
PMR	Program Mission Report
PPMR	Project Portfolio Monitoring Report
PPR	Project Performance Review
REER	Real Effective Exchange Rate
SIDS	Small Island Developing States
TC	Technical Cooperation
VAT	Value-Added Tax
WID	Women in Development

## EXECUTIVE SUMMARY

Amongst the Bank's borrowing members, Barbados has one of the highest GDP per capita, is consistently ranked amongst the top countries in governance and social development indicators, and amongst the countries with lowest corruption indexes. Barbados is one of only six borrowing countries with an investment grade for its sovereign debt.

During the period evaluated, 1989 to 2004, the country has experienced two recessions. In-between the two recessions the country's average annual growth was 3.1%, compared to 2.6% average for the other Eastern Caribbean countries. The first recession lasted three years. The economy rebounded quickly from the second recession thanks to a counter-cyclical fiscal policy, with a prospect of sustained growth in the medium-term. Throughout the period the country has faced and attempted to tackle the challenge of competitiveness in its own way. Consistently the country has eschewed quick fixes through a devaluation of the exchange rate with its high associated lateral costs. Instead it has maintained a fixed exchange rate pegged to the US dollar. Under an effective social partnership agreement, five social protocols have been agreed between the main actors of Barbados. The first social protocol was signed in 1993 and it adopted an incomes policy, while limiting real wage increases to productivity growth has been a recurrent issue. The incomes policy has been supplemented with targeted fiscal incentives and import and export licenses. The country has also adopted an innovative institutional mechanism to ensure consistent monetary and fiscal policy to underpin its competitiveness strategy.

During this period there have been four country strategy papers. Country strategy papers are consensual documents that set out strategic goals agreed to by the country and the Bank. All four strategy documents consistently emphasize the same strategic areas for the Bank's involvement: reform and competitiveness, social sectors and environmental management.

An evaluation of the program reveals the following. First, the Bank is a small actor in the country. The country's characteristics combined with its debt management policy has implied that the Bank gross disbursements have been small relative to domestic aggregate variables; gross disbursements, of an average of \$12.6 million a year, account for an average of 0.6% of GDP and only 1.8% of government expenditures. In the rest of the Eastern Caribbean, the disbursement to GDP ratio is also under 1% (except for Guyana). Net cash flows to Barbados were negative most years and averaged about \$1 million per year as net outflows. Both loan approvals and disbursements are independent of the country's economic cycle, with \$145 million approved during the high growth period.

Second, equal importance was given to the three strategic areas. The total loan amount of US\$256 million was distributed almost equally between the three strategic areas. Approvals of TCs, including five MIF operations, were mainly in the reform and competitiveness strategic area. However, large TCs of over \$1 million were approved in the social area, particularly in health and sanitation.

Third, programming, execution, and evaluability performance indicators are at or below Bank average, with no marked difference between the three areas. Projects take above average time for approval, have greater than average extensions, execution performance is below Bank average performance, and the portfolio has a larger than average number of projects on alert.

Fourth, the program and the projects that comprise it have a low level of evaluability. Country programs, as was the norm until recently, do not have rolling target-performance analysis. Projects rarely have information on baselines and current status of their expected outcomes; a characteristic shared by all three areas.

Fifth, information in the two strategic areas of competitiveness and social areas is inadequate. Barbados is not included in either in the countries of the World Economic Forum or the countries in the International Institute for Management Development. The country has carried out only one household survey.

Other than the fact that the Bank is a small actor in the country, the portfolio performance features are at odds with the country's high governance and administrative capacity classifications and the continuity of the areas of intervention by the Bank.

The lack of outcome data limits an evaluation of the development effectiveness of the program. Nonetheless, drawing on a variety of existing sources, a partial evaluation of the development effectiveness of the program was made. However attribution could not be assessed.

In the reform and competitiveness effort the following loans were approved: Multi Sector Pre Investment, Public Expenditure and Tax Administration, Investment Sector Reform, Bridgetown Roads and Safety, and Administration of Justice. The general development objectives for the reform and competitiveness goal dealt with reviving exports, increasing employment and economic growth and increasing foreign-exchange earnings. An analysis of the evolution of these indicators shows positive behavior after the recession of the early nineties and up until the crisis that followed 9/11. After falling 6.4% from 1989 to 1993, employment grew steadily until 2000, and it has not fallen since. Real GDP also increased steadily between 1993 and 2000, while exports soared in the mid 1990s. The goal of increasing international reserves was also achieved.

Corresponding to the social sector's strategic development goal, two loans were approved, the Primary Education and the Education Enhancement. The strategic goals were to increase the efficiency of public spending in the sector, and in education to support a major pedagogical reform. The goal of increasing efficiency was partially achieved, as spending per pupil was reduced 20% in the schools where the IDB supported an amalgamation process. The second goal, as measured by test scores, was not achieved in the first education loan, while the second loan is still executing.

In the environmental management strategic goal four loans were approved: South Coast Sewerage, Coastal Conservation Program, Solid Waste Management and Coastal Infrastructure. Of these only the first two have disbursed, and the development objectives have been partially

met: although acceptable near-shore marine water quality levels on the south coast have not been achieved, the quality has improved considerably. The consolidation of the relevant institutions is still pending.

The Bank's program can be considered **relevant** to the country's needs over the period. The four country papers and two socio-economic reports identified many of the development difficulties facing Barbados and were consistent over time in recommending where the Bank should address its efforts. The Bank's program was also **coherent**, as the subsequent lending program was consistent with the three strategic outcome objectives listed above, and individual projects within each of the strategic areas of intervention were adequately articulated among them. In contrast, the high level complexity and interdependence of many subcomponents was a problem in some projects

The Bank has not been **efficient** in the preparation and implementation of the program. The performance in these dimensions is below the Bank's average, and this is disappointing in light of the institutional capacity of Barbados. The program is not **evaluable** given the lack of information provided for indicators, baselines and targets. At the project level indicators are usually defined, but without baseline, milestone, targets or means of status verification. The lack of results attributable to the Bank's interventions does not allow to measure the **efficacy** of the program.

## **Recommendations**

The findings of the evaluation of the country program suggest four recommendations:

First, the Bank needs to address the low implementation and execution performance of its projects. Armed with a full diagnosis of why previous actions have failed, the Bank should design new measures and explore with the authorities of Barbados a new program that exploits the Bank's new lending framework's instruments and processes, with the possibility of reforming the existing portfolio's instrument mix to the one allowed under the new lending framework.

Second, the Bank should address the low evaluability of the program's projects. The Bank should retrofit the open projects to collect baseline and current evidence of the projects' expected outcomes, and ensure that projects proposed in its new program have adequate information gathering systems, especially regarding outcomes.

Third, the Bank should fill the information gap regarding competitiveness and opportunities and capabilities of the poor. Specifically the Bank and Barbados should generate the primary data required both for diagnosis and for benchmarking to judge progress in the strategic areas jointly agreed upon. With respect to competitiveness the Bank should assist Barbados to put into place a system that gathers information to obtain indicators compatible with the World Economic Forum, thereby allowing both ranking of the country and temporal progress in this area to be judged. With respect to social sectors the Bank should explore with the government of Barbados the possibility of annual household surveys, including modules to generate information of its own project outcomes.

Fourth, due to the lack of data, the institutional weaknesses, the small size and the vulnerability of Barbados and the other English-speaking Caribbean countries, the Bank should provide more technical assistance, through financial and non-financial instruments. Regional technical cooperation and additional resources specifically dedicated to non-financial services to these countries could provide an appropriate mechanism of support for addressing these challenges and taking advantages of the commonalities and opportunities for exchange of experiences across countries of the region..

## I. COUNTRY CONTEXT AND DEVELOPMENTAL CHALLENGES

- 1.1 Barbados is a small island economy of about 270 thousand people, which gained independence in 1966. Since then the country has enjoyed stable democratic government with two major political parties - Barbados Labor Party (BLP) and Democratic Labor Party (DLP). Each party has held office twice since independence, and all four transitions have been successful. The BLP has been in power since 1994 and it enjoys a comfortable majority in parliament; general elections are constitutionally due by May 2008.
- 1.2 Amongst the Bank's borrowers the country has one of the highest GDP per capita, of \$15,000 (in PPP terms), and is one of only six countries with an investment grade for its sovereign debt.<sup>1</sup> It is also ranked highly in governance indicators<sup>2</sup> and UN's Human Development Index. Like most of the English-speaking Caribbean, Barbados is an open economy vulnerable to external economic shocks.<sup>3</sup> Unlike the rest of the region Barbados' level of remittances is insignificant.
- 1.3 During the period under review the country has had two economic recessions: 1990-92, and 2001-02. Underlying the economic deterioration of the early 1990s was the steady erosion of Barbados' competitiveness, as measured by the real effective exchange rate. Sugar production, which accounted for most of the agriculture sector and merchandise exports declined steadily since 1980 falling by more than one-half. Both public and private sector investment also declined and manufacturing output growth tapered off. Only tourism, and increasingly financial services, prospered. But weaknesses in the tourism industry began to emerge in the late 1980s as more competitors entered the market and competition intensified.
- 1.4 The economic recession of the early 1990s manifested itself in different ways. Unemployment reached a high of 27% (more than 40% in the 15-25 age bracket), which led to increased poverty and pressure on the social safety net. The wage cuts (agreed as part of an incomes policy to address the crisis) also contributed to aggravate the social situation. International reserves fell to levels of 1.33 weeks of imports, while and the external balance on goods and services weakened to a deficit of 2.5% of GDP in 1990-1.

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<sup>1</sup> As of 2002, Bahamas was the richest country with a per capita GDP (measured in constant 2000 international \$\$, reported by the World Development Indicators) of \$16,793, followed by Barbados with \$15,323, Argentina (\$12,185), Chile (\$9,197) and Mexico (9,059).

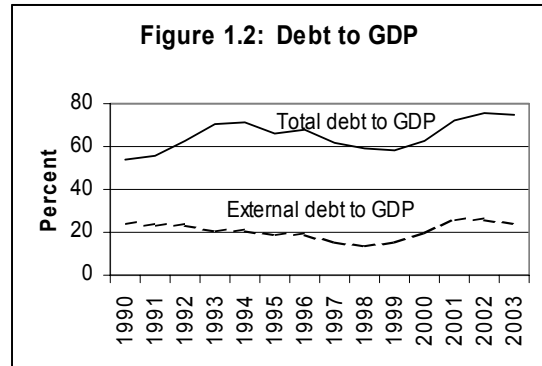
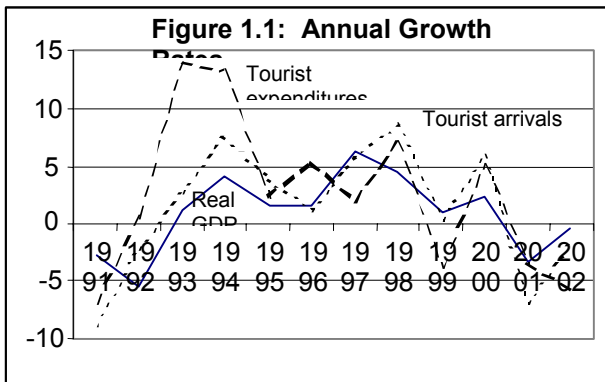
<sup>2</sup> The available data for Barbados suggests that corruption is not a major issue, Transparency International reports that Barbados has a very low corruption index (second to Chile in Latin America) while the governance indicators reported by the World Bank show that Barbados has high rankings for all of them.

<sup>3</sup> The economic and environmental vulnerability facing Barbados become increasingly evident during the 1990s as a development challenge. This issue was raised during the Small Island Developing States (SIDS) Conference held in 1994 and reported on in recent studies on the issue (Crowards 2000, World Bank 2000). Economic growth in Barbados is increasingly dependent on tourism which remains susceptible to hurricanes, climatic change, oil spills, terrorist attacks and security concerns, oil price increases, exchange rates, world economic downturn and other factors.



External debt obligations rose markedly to almost 45% of GDP. Inflation rose from 3% to over 6% in 1991 and 1992.

- 1.5 The Government of Barbados decided to implement adjustment and reform measures under an IMF Stand-by program.<sup>4</sup> Adjustment began before the agreement when in April 1991 the authorities introduced revenue measures to reduce the fiscal deficit. By fiscal year 1992/93 both tax increases and spending cuts were introduced, including reductions of public sector employment and wages and large cuts in public investment. Wage restraints in the private sector combined with tight monetary policies were aimed at reducing domestic demand. Adjustments cum reform measures were also aimed at improving the competitiveness but without having to devalue the Barbados currency, a stance supported by the IMF.<sup>5</sup> The fixed nominal exchange rate pegged to the US dollar provided an anchor for price stability and investor confidence.
  
- 1.6 The stabilization phase was successfully implemented as the fiscal deficit was reduced to close to zero and international reserves restored to manageable levels. By May 1993 the IMF stand-by was allowed to lapse as it did not meet the IMF's qualitative targets for economic performance<sup>6</sup>, and Barbados no longer needed the resources. Conventional structural reforms aimed at increasing competitiveness proved more difficult to implement.



Source: IMF and Central Bank of Barbados

- 1.7 The country has followed its own path to obtain competitiveness. A fixed exchange rate implies that the burden of obtaining competitiveness falls on fiscal policy and labor markets. In August 1993, the GOB, labor unions and employers agreed on prices, exchange, and income policy framework, referred to as the Social Contract. The protocol

<sup>4</sup> These policies were incorporated into an IMF stand-by arrangement signed in February 1992

<sup>5</sup> Barbados was under pressure to devalue by the IFIs. However, the country took a firm position not to devalue the Barbados dollar pegged at \$2 to US\$1 and to address competitiveness through fiscal and adjustment measures.

<sup>6</sup> According to the US Department of State as described in the 1993 Country Report on Economic Policy and Trade Practices for Barbados.

was adjusted and renewed in 1995, 1998, 2001 and 2005.<sup>7</sup> The incomes policy was complemented by a number of fiscal incentives to the private sector (both to foreign and domestic firms). Although the country is WTO compliant it maintains surcharges on non-CARICOM imports and has export and import licenses. Also of note is the country's institutional framework for obtaining consistent fiscal and monetary policy to underpin the competitiveness with fixed exchange rate agenda. Since 1989, a Joint Economic Group makes recommendations to Central Bank's Board of directors regarding monetary policy and to the Minister of Finance regarding fiscal policy, based on a common economic forecast. It also contributes to public debate as its economic forecasts are published in quarterly press releases.

- 1.8 Through the rest of the 1990s Barbados was able to maintain economic stability with a relatively high growth rate (APR of 3.4% for real GDP between 1994 and 2000). Growth rates of real GDP, investment, tourist arrivals and expenditures turned positive, international reserve levels rose substantially, unemployment and inflation declined, the fiscal deficit remained manageable and external debt was gradually reduced by 1998 to about 57% of the 1990 level. However, economic growth started to decelerate from about 1997 onwards, and economy entered into a recession during 2001-2.
- 1.9 In 2001, partly due to a decline in tourism, economic growth turned negative. The GOB, adopted an anti-cyclical policy stance by raising the fiscal deficit, mainly through capital spending. Thanks to that policy stance, plus a revival of the tourism sector, the economy quickly recovered and achieved a strong economic growth by 2004. However, public debt rose to 86% of GDP (with almost 68% of this debt held domestically) by 2004, and the external account deteriorated both the current account and the level of foreign reserves. Thus the country faces the medium term challenge of reducing the high external imbalances, and large public debt. The imbalances also accentuate the vulnerability of the economy to shocks like a rise in oil prices, and in international interest rates.
- 1.10 Vulnerability in Barbados (as in other small states) stems from three causes: i) openness to world market price fluctuation; ii) undiversified economy; and iii) proneness to natural disasters and external shocks (such as 9/11). Barbados has been ranked in a number of studies (Atkins et al, Auffret, Briguglio, Crowards, Easter, EM-DAT, Guillaumont, OAS, SIDS, SOPAC) showing relatively high levels of both economic and environmental vulnerability. It is ranked as of higher medium vulnerability in the Commonwealth index of exposure and resilience to external shocks (Atkins), sixth in the Caribbean in terms of

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<sup>7</sup> It also provided "the safeguarding of the existing parity of the rate of exchange, recognizing that any deterioration in this rate, will lead to a significant reduction in the living standards of the vast majority of Barbadians" (*Protocol for the Implementation of a Prices and Incomes Policy*, 1993, P.2. The objectives of these were to safeguard the fixed exchange rate, improve competitiveness, productivity and efficiency, increase employment, enable workers to contribute to planning and policy-making and maintain a stable industrial relations climate. There is fairly broad agreement that cooperation between these groups led to achievement of the goals and the economic recovery of Barbados. Codrington (2003) concluded that, "There is general agreement that the new spirit of cooperation between the social groups helped in the achievement of most of the goals and the economic recovery of Barbados." The ILO in Fashoyin (2001) in a study of the reasons for success of the social relationship noted that "the resulting social partnership in the country made significant strides, particularly in sensitizing the stakeholders and, indeed, the public to the critical value of productivity in restoring the country's competitiveness."

risk of natural hazards (EM-DAT), and more recently sixth of 235 countries in terms of environmental vulnerability (SOPAC). In this study, most of the measured vulnerability was derived from high levels of past environmental damage found in biological factors and human impact on nature. In seven areas Barbados reached the highest vulnerability score possible. Barbados was also ranked at a medium high level in terms of consumption volatility to natural disasters (Auffret) and due to its relatively largely populated coastline it is highly prone to rising sea levels, coastal erosion and pollution (SIDS) which could have a significant impact on economic activity and tourism in particular

- 1.11 There appears to be congruence between the authorities and the IDB regarding the development challenges faced by the country. The development challenges emphasized by the Bank throughout the period under review can be grouped into three strategic areas: reform and competitiveness; natural resources and the environment; and social sectors.
- 1.12 The need to improve competitiveness while maintaining the pegged nominal exchange rate requires an increase in productivity over and above the appreciated real exchange rate.<sup>8</sup> Raising productivity and obtaining a positive supply response from the economy remain challenges. Recently, labor productivity has fallen which combined with an increase in real wages has implied a rise in real unit labor costs,<sup>9</sup> and competition from low cost neighbors intensified. Thus Barbados's share of both tourism arrivals and expenditures in the Caribbean has fallen, and growth in industry and agriculture remained sluggish. In agriculture the country continues to provide heavy subsidies to the sugar industry aimed at improving yields (but with lower acreage) and promoting diversification of the industry into activities using raw sugar as an input. However, this strategy can only survive with large and increasing levels of government resources, given the forthcoming change in the European sugar regime by 2005 end, and the fact that Barbados is one of the world's highest cost producers of sugar. Restructuring of the industry will imply high upfront social costs and require appropriate social safety net measures to be simultaneously implemented. Further, the country faces reform and competitiveness policy challenges in the context of the Caribbean Single Market initiative and the envisaged Free Trade Area of the Americas.
- 1.13 Natural resources had been exploited on the island with little attention paid to sustainability. Evidence of degradation of marine ecosystems resulting from soil erosion, sewage effluent, liquid and solid wastes, oil spills and boat wastes was found on reefs, near-shore fisheries, beaches and the coast. The 1988 GOB Development Plan called for measures to control pollution resulting from the discharge of wastes but the economic difficulties of the early 1990s resulted in a slow start. Indicators of the environmental challenges were coral disappearance which over a 10-year span had decreased by an estimated 34%, deteriorating water quality with high levels of bacteria contaminants, beach variation where different locations were eroding while others were increasing in size, solid wastes and sewerage levels both reporting significant increases, and water

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<sup>8</sup> Since 2001, the real effective exchange rate has declined due to the peg to the US dollar and the weakening of the US dollar, which in turn has partially shielded the country's external sector.

<sup>9</sup> As reported by Downes (2004), between 1995 and 2003 the real wage increased by 13.9%, while labor productivity fell by 11.6%. This report

consumption which was rising considerably. There were also concerns being voiced for the possibility of rising ocean levels due to global warming.

- 1.14 The social sector, traditionally considered as a model for developing countries, has also come under pressure in the early 1990s. With a self-financing National Insurance Scheme (NIS), free education and universal health care services, the challenge was to maintain quality and efficiency at a time of increasing fiscal deficits and higher unemployment. The NIS came under pressure due to the rise in unemployment compensation and severance payments to displaced workers. Education and health budgets were cut as the country wrestled with its deficit.
- 1.15 The NIS provides a number of social benefits including pensions, invalidity, death, sickness, maternity and work injuries. While the participation rate in the NIS is high,<sup>10</sup> the coverage rate of pensions for the elderly in Barbados is amongst the lowest in the Caribbean.<sup>11</sup> Although changes in the NIS in 2003 extended exhaustion of funds date to 2060 thus ensuring financial sustainability, the contribution rate to the NIS is the largest in the sub-region, 14.3% of wages, a level that may have an impact on employer compliance and thus coverage rates. A separate scheme covers unemployment insurance and there are other social assistance programs, however, little data is available publicly with respect to coverage and benefits.<sup>12</sup>
- 1.16 While Barbados met the Alma Ata primary health care goals set for 2000 and standard health indicators have improved dramatically since independence, important challenges remain.<sup>13</sup> Health outcomes may be inequitably distributed; in the 2000 World Health Report, the World Health Organization estimates that Barbados ranks 36<sup>th</sup> in terms of its equality in the distribution of child mortality, behind developed countries, Chile and Dominica.<sup>14</sup> In terms of fairness of financial contributions to the sector, Barbados is ranked 107<sup>th</sup>. Further, HIV/AIDS prevalence affects 1.5% of total population aged 15-49 and poses an important threat to the productive age population, as well as to continued fiscal discipline. If HIV/AIDS rates were to continue to increase at current rates, Government estimates that costs of care might amount to approximately half of current public expenditure on health as a percentage of GDP. The GOB has prepared a comprehensive National Strategic Plan for Health covering 2002-2012 and priority

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<sup>10</sup> In its 2002 Annual Report, the NIS reports 123,100 active contributors (i.e. individuals having paid at least one contribution during the year), while the Barbados Labor Market Information System reports that 128,900 people were employed in 2002.

<sup>11</sup> ILO: World Labor Report 2000 (Geneva, 2000) and WB report on social protection in the Caribbean (World Bank, 2005 p. 61, "Throughout the region, very few of those presently retired receive national insurance pensions—with the elderly poor particularly at risk. Coverage rates range from lows of less than 5 percent in the Dominican Republic and Barbados to 15 to 20 percent in Grenada and St. Vincent and the Grenadines, and approximately 30 percent in Dominica, Jamaica and St. Kitts and Nevis."

<sup>12</sup> From the World Bank's report (2005) it is evident that Barbados lacks critical information on the coverage, efficiency and efficacy of its social protection programs and institutions.

<sup>13</sup> Barbados health system provides ample coverage to the population, and the basic health needs of the population are satisfied. In this sense, Barbados faces challenges associated to developed countries, for all of the Millenniums Development Goals in the health sector have been met.

<sup>14</sup> See Annex Table 1, that reports various health system attainment and performance indicators, with data for 1997. Note that caution should be taken in interpreting child mortality figures. In the presence of small absolute figures (such as the number of births in Barbados every year) percentages are highly sensitive to small number changes.

projects to 2007, which includes ten overall goals and many indicators, that do not reflect the relative importance and priority of each area of potential intervention. Government has indicated that considerable financing will be required to upgrade the physical infrastructure of the sector (hospitals and clinics), with resources to be possibly provided by the IDB, European Union, PAHO and the CDB.

## II. THE IDB'S STRATEGIC ENGAGEMENT WITH BARBADOS

2.1 This chapter identifies the Bank's programming intent in terms of strategic goals and programming outputs and delivery on that intent in terms of programming outputs for the period 1990 to 2004.

**Table 2.1: Program Outcome Objectives and Possible Indicators**

Strategy	Program Priorities and Objectives	Possible Indicators
<b>1989 CPP</b> Period 1990-93  anticipated \$200 M program	Sector Approach to examining needs and priorities: a. strengthen policy and planning frameworks; b. link natural resource management and economic development; c. revive export earnings through higher value exports; d. assist in design and implementation of strategies to lower costs to improve competitiveness.	Improvement in sector performance; a. government efficiency estimates, fiscal balance; b. natural resource indicators; c. export levels, BOP, terms of trade; d. REER, wages, inflation, prices
<b>1993 CPP</b> Period 1993-1995 no estimate provided	a. increase employment and growth through restoration of external competitiveness; b. improve efficiency and delivery of social services; c. reversing and avoiding potential environmental degradation.	a. REER, GDP growth, retail and relative prices, employment; b. social expenditures, NIS balance, quality indicators c. coral reefs, water resources, solid wastes.
<b>1996 CP</b> Period 1996-1998 anticipated \$166 M program	Assist to restore sustained growth through: a. improve competitiveness of foreign-exchange earning sectors; b. conserve natural resources and reverse environmental degradation; c. improve efficiency of education and health services.	a. REER, productivity, prices; b. pollution, beach erosion, reefs; c. social sector cost-effectiveness; quality indicators for education and health.
<b>1999 CP</b> Period 1999-2003 anticipated \$108 M program	Maintain support for a competitive export-led development: a. strengthen human resource development; b. enhance environmental infrastructure and natural resource management; c. strengthen environment for private sector development; d. strengthen economic management capacity and administration of justice	50 indicators provided in CP* including: a. increased skill levels, reduced unemployment, labor productivity, higher skilled employment, health delivery; b. solid waste collection, water quality, supply, management & policies, beach erosion; c. port operation improvement, traffic time, SEC operational, traded securities, credit unions.

\* There were no baselines or targets provided for these indicators.

2.2 The Bank's intent (strategic development goals and programming outputs) can be understood from the country strategy documents.<sup>15</sup> For Barbados for the period under study there were four country strategies. They are summarized in Table 2.1. The

<sup>15</sup> The summary of the Bank's intent is from a reading of the following documents: (i) four country strategy documents since 1989 – Country Programming Papers (CPPs) in 1989 and 1993, Country Papers (CPs) in 1996 and 1999; (ii) Socio-Economic Reports (SERs) in 1989 and 1994; and (iii) numerous Programming Mission Papers (PMPs) and Programming Mission Reports (PMRs).

summary reveals continuity over time of the Bank’s strategic development goals. Overall Bank program development outcome goals over the period may be grouped as follows: (i) **reform and competitiveness** whereby the Bank attempted to assist Barbados in its adjustment efforts in the early 1990s, to increase employment and growth through enhancing competitiveness and improving infrastructure, evolving to improving competitiveness of foreign-exchange earning sectors; (ii) **natural resources and the environment** whereby the Bank’s concern was linking natural resources to economic development, then reversing and avoiding environmental degradation through improved legal and regulatory framework and infrastructure; and (iii) **social sectors** whereby the Bank sought to improve the efficiency and delivery of education and health services and later to address low-income housing, although this intervention has yet to be approved.

2.3 The 1989 CPP was a review of sector needs based on a range of problems from deterioration of natural resources, loss of competitiveness, weakening fiscal situation and growing dependency of foreign borrowing. The 1993 CPP reflected the recession that the country went through in the early 1990s and identified three similar outcome objectives. The 1996 CP was prepared at a time when Barbados, after a period of adjustment, was emerging from the recession and tourism was leading growth. Maintaining competitiveness, environment and social sectors were again identified as major objectives. The 1999 CP again focused on competitiveness through strengthening human resource development and enhancing environment and natural resource management but also added strengthening the environment for private sector development and strengthening economic management capacity and administration of justice as an outcome objective. It was only the 1999 CP that provided some 50 indicators for outcomes, but with no baselines, targets or other means to measure progress. The possible indicators listed in Table 2.1 are illustrative to show how these outcomes could be evaluated.

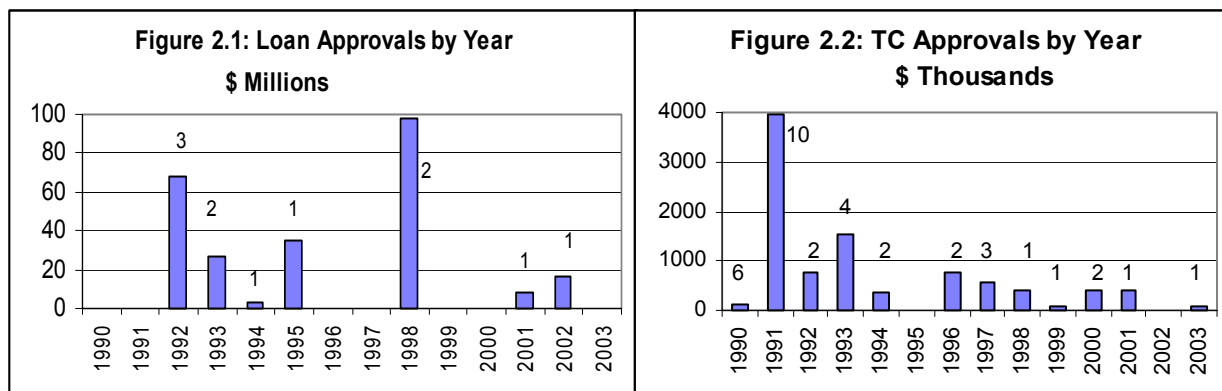
2.4 In terms of program outputs the Bank programmed the following outputs:

<b>Table 2.2 Program Priorities, Anticipated Actions and Outputs</b>			
<b>Principal Objectives</b>	<b>Bank Sector Priorities and Sub-Objectives</b>	<b>Anticipated Actions</b>	<b>Product Outputs</b>
<b>1989 CPP</b> a. policy and planning frameworks; b. natural resource management c. export earnings; d. improve competitiveness	a. long term planning, public sector management, pre investment; b. sewerage disposal, coastal conservation, institutional strengthening, pollution; education; c. tourism, manufacturing, agriculture; transportation, energy; d. education, health, WID	a. TCs to assist in improving planning frameworks; b. south & west coast sewerage, coastal conservation, solid waste management, c. Bridgetown traffic plan and road rehabilitation, tourism sector loan, manufacturing sector loan, agriculture sector loan; d. man-power planning, education and training program, health sector rationalization	a. TCs b. BA0036 BA0014 BA0025 c. ATN3922 BA0047 d. ATN3612

Continuation of Table 2.2.			
<p><b>1993 CPP</b> a. increase employment and growth; b. improve efficiency &amp; delivery of social service c. reversing and avoiding potential environmental degradation</p>	<p>a. comprehensive adjustment program, enhance competitive-ness through infra-structure and TC; b. structural weaknesses of education, increase efficiency &amp; delivery of health care; c. environmental regulatory framework, sewerage, waste treatment, beach erosion, ground water.</p>	<p>a. financial and agriculture sector adjustment, tax reform, labor adjustment, implementation, tourism, export promotion, transport; b. improve quality, standards, efficiency &amp; cost savings in education, health sector efficiency &amp; alternative financing; c. water &amp; sanitation regulation, west coast sewerage, solid waste treatment, coastal conservation, water management study</p>	<p>a.BA0012 BA0035 ATN4137 ATN4144 BA0047 b. ATN5634 BA0009 c.BA0025 BA0014</p>
<p><b>1996 CP</b> a. improve competitive-ness of foreign-exchange sectors; b. conserve natural resources and reverse environment degradation; c. improve efficiency of education and health services.</p>	<p>a. sector adjustment, financial sector, land-use reform, investor enabling environment, tourism development, off-shore business service, port facilities, road transport. b. solid waste management, sewerage, beach degradation, potable water, environment legal &amp; regulatory framework. c. health delivery efficiency &amp; efficacy, education costs &amp; efficiency, poverty assessment.</p>	<p>a. Investment sector loan-financial sector, land reform and investment sector, tourism master plan and program, off-shore business strategy, increasing port efficiency and reducing costs, road infrastructure improvement. b. solid waste management loan, west coast sewerage, beach erosion and coastal degradation works, potable water supply &amp; quality, legal and regulatory framework for environment. c. increasing health delivery efficiency and financing alternatives, education cost reduction &amp; efficiency improvement, poverty assessment &amp; service delivery to the poor</p>	<p>a.BA0012 ATN6411 MIF-115 ATN5378 ATN3922 b.BA0025 pipeline BA0019 pipeline c.ATN3612 pipeline ATN5634 BA0009 poverty study</p>
<p><b>1999 CP</b> a. human resource development b. environmental infrastructure and management c. private sector development d. economic management and justice</p>	<p>a. education reform, improved housing, health care efficiency; b. solid waste disposal systems, potable water supply, liquid waste disposal, coastal conservation; c. sea-port capacity, auto traffic, capital market development, micro-enterprise &amp; credit unions; tourism products d. economic planning-management, pensions, penal reform</p>	<p>a. education sector enhancement, low-income housing, rationalize health care system; b. solid waste management, water &amp; sanitation sector strengthening, west coast sewerage, coastal area erosion and control structures; c. port facilities and port authority strengthening, Bridgetown road &amp; safety, strengthening of securities market, micro enterprise development, credit union regulation &amp; supervision; tourism development d. multi-sector preinvestment loan, pension fund restructuring, penal system reform</p>	<p>a.BA0009 pipeline pipeline b.BA0025 pipeline pipeline BA0019 c.MIF-115 BA0047 MIF-349 AT-6411 d.BA0028</p>



2.5 Since 1990, the IDB has approved 11 loan operations for \$256.1 million<sup>16</sup>, 35 non-reimbursable TCs for \$8.4 million and two small projects for \$175 thousand. The number of economic and sector studies total 23.<sup>17</sup> Under the private sector there were five MIF operations totaling nearly \$1.15 million but no PRI projects.<sup>18</sup> The IIC has not approved any direct operations for Barbados. There was only one sector adjustment loan in 1995. Loans and TCs approvals are given in Figure 2.1 and 2.2. No loans were approved in the years 1990-01, 1996-97, 1999-00, 2003-4. The concentration of TCs' approvals took place in the early 1990s as Figure 2.2 shows.



2.6 Loans were approved for the three strategic areas defined above, as shown in Table 2.3. The total loan amount was distributed almost evenly between Reform and Competitiveness (30%), the Social Sector (37%) and Environment and Natural Resources (33%). Approvals of TCs were mainly in the reform and competitiveness strategic area. However, large TCs of over \$1 million were approved in the social area (particularly in health and sanitation). The five MIF TCs were approved in the reform and competitiveness area (particularly in transportation (2) and reform (3)).

2.7 Some projects are not considered during the original programming period, which reflects continuity and a long-term orientation of development planning in Barbados while actual implementation is subject to short-run macroeconomic realities, resource constraints and bottlenecks. A number of projects were conceived in the early 1990s just as the country entered a recession which contributed to delays in approval. This occurred with BA0014 (1989 CP, approved in 1994); BA0025 (which appeared in CP's of 1989, 1993, 1996 and was eventually approved in 1998); and BA0047 (1989 CP, approved in 1993). The West Coast Sewerage project, housing, health, and water projects which were first

<sup>16</sup> In late 1989 two loans were approved, BA0048 Coastal Conservation Project and BA0050 Student Revolving Loan Fund III, each for \$4.7 million. OVE did not analyze these projects as the cutoff was projects approved in or after 1990. Also, these two projects were not part of the 1989 Country Paper, the starting point of this evaluation.

<sup>17</sup> These data are presented in Annex A.

<sup>18</sup> Barbados was graduated from borrowing from the World Bank in 1993, but still receives small amounts of assistance from the CDB and EIB and TC assistance from the UN and EU

contemplated in the 1990s are still in the pipeline.<sup>19</sup> This indicates an area for improvement in the programming and prioritization of Bank-supported projects.<sup>20</sup>

2.8 The Bank's programs can be considered relevant to the country's needs over the period. The four country papers and two socio-economic reports identified many of the development difficulties facing Barbados and were consistent over time in recommending where the Bank should address its efforts. The diagnosis of issues was broadly consistent with local authorities, the IMF and current economic thought. The subsequent lending program was consistent with the three outcome objectives listed above. There was a concentration on infrastructure but outputs cover social as well as environmental infrastructure. The Bank was able to provide a sector adjustment loan, somewhat late after the recession, but still providing needed financial support during a recovery. The Bank's economic and sector studies were few but in the areas of finance, labor, education and poverty where work was needed.

<b>Table 2.3: Loans Approved, Disbursements and Extensions</b>						
Project	Year	Name	Amount	Amount Disbursed	Percent Disbursed	Months Extended
<b>REFORM AND COMPETITIVENESS</b>						
BA0028	1992	Multisector Pre-investment	7.0	7.0	100	69
BA0035	1993	Public Expenditure & Tax	7.9	7.9	100	22
BA0012	1995	Investment Sector Loan	35.0	35.0	100	36
BA0047	1993	Bridgetown Roads and Safety	18.5	17.2	93	95
BA0055	2001	Administration of Justice	8.7	0.5	6	0
<b>SOCIAL SECTOR</b>						
BA0017	1992	Primary Education	9.5	9.5	100	45
BA0009	1998	Education Enhancement	85.0	28.2	31	0
<b>ENVIRONMENT AND NATURAL RESOURCES</b>						
BA0036	1992	South Coast Sewerage	51.2	51.2	100	90
BA0014	1994	Coastal Conservation Program	3.3	3.3	100	18
BA0025	1998	Solid Waste Management	13.0	0	0	60
BA0019	2002	Coastal Infrastructure Program	17.0	0.01	0.1	0

<sup>19</sup> There is no evident pattern for the postponing of some projects. Some additional information is provided in Annex A.

<sup>20</sup> This issue is independent from delays in implementation, which will be analyzed in the next two chapters. Here we point at delays in materializing the programmatic strategies, beyond implementation delays.

### III. PROGRAM IMPLEMENTATION

- 3.1 The Bank is a small actor in Barbados. Bank disbursements over 1989-2004 have been small relative to domestic aggregates. Gross disbursements of about \$12.6 million a year account for an average of 0.6% of GDP and only 1.8% of government expenditures.<sup>21</sup> Net cash flows to Barbados were negative most years and averaged about \$1 million per year as net outflows.
- 3.2 Execution and efficiency indicators of the Bank's projects in Barbados are below the Bank averages. This is a puzzle, as a priori expectations are that execution efficiency indicators would be better than the Bank average due to the country's high governance and administrative capacity. Instead IDB projects show:
- *More preparation time.* The preparation time of projects, from profile 1 to approval, takes considerably longer than the Bank average: 34.2 months compared to Bank average of 20.9 months. However, the time elapsed from approval to signature is within the normal ranges, and such is the case of the time for first eligibility.<sup>22</sup>
  - *Low disbursement efficiency.* With some exceptions, projects in Barbados take above average time for disbursement. OVE's Efficiency of Delivery curve in Figure 3.2 below demonstrates how a few loans have disbursed much more slowly than the Bank average.<sup>23</sup> A corollary is that average extension months are greater for Barbados than the Bank average, as shown in Table 2.3.<sup>24</sup> Also, the slow pattern of disbursements after the start of projects results in projects being shown in alert in the PAIS system. In turn, persistently slow disbursements suggest unrealistic design of implementation schedules, an issue that needs to be seriously considered in IDB-funded operations in Barbados, particularly in complex operations that involve many actors, agencies and works activities.
- 3.3 An important caveat should be made when analyzing Bank recorded disbursements, as in Barbados actual project spending may be ahead of the reimbursements solicited to the Bank. This may be due to delays in compliance with eligibility conditions related specifically to Bank disbursements or to delays from the government in processing reimbursements. On this point, it is important to note that Barbados' budgetary process is

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<sup>21</sup> The disbursements/GDP ratio was similar for the Dominican Republic, 0.65%, while for Jamaica it was 0.9% and for Trinidad it was 0.8%. The disbursements-government expenditures ratio was 3.7% in the Dominican Republic, and 2.5% for Bahamas.

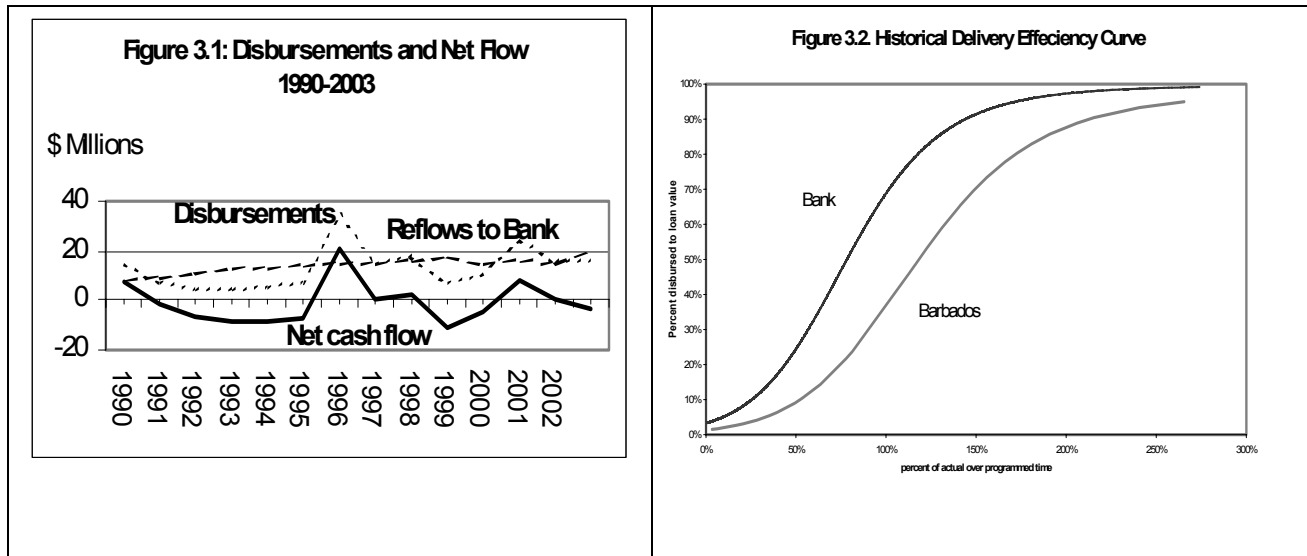
<sup>22</sup> Except for two operations, one that took two months more than the 12-month milestone (BA0036) and BA0025 that, as shown in chapter IV and in Appendix D, has more fundamental difficulties.

<sup>23</sup> The efficiency of delivery curve shown in figure 3.2 is based on the disbursement-to-loan and programming-to-actual ratios over the life of the projects, as opposed to a static curve that shows the information for a given moment in time.

<sup>24</sup> Note that the causes for the extensions are not homogenous: in some cases it was due to problems with large contractors (such as the South Coast Sewerage Project), while in other case it is in part due to the complexity of managing many of individual contracts (such as in EduTech).

based on a cash system that does not recognize resources until they are received. Barbados uses its own money to finance expenditures of bank-financed projects once Bank procedures are followed after which it seeks reimbursements. However executing agencies are often slow in following the procedures and submitting the forms for reimbursement by the Bank. The process also involves a warrant system whereby all of the tendering and approval process for a contract has to be completed and the contract signed before it can be submitted for budgetary approval before the start of the budget year. Even though this process may have been completed, the full amount of the contract may not be allocated in a given budget year depending on other budgetary needs.

3.4 Some additional general issues affecting implementation are the following. First, centralized decision-making in Barbados requires considerable time and effort to obtain all of the information and agreement of different ministries, agencies and companies involved before decisions are taken. There is detailed examination of many projects by the Ministry of Finance and Economic Affairs and its Planning and Priorities Committee chaired by the Prime Minister, and all contracts need to be approved by the Solicitor General’s Office. The system seems to have overburdened the SG office, a problem that is common to other countries in the region and that needs to be addressed. However, these checks and balances undoubtedly contribute to transparency and efficiency, and they should be realistically considered at the time of project design and scheduling of the disbursements. Moreover, as the Bank moves towards the implementation of the New Lending Framework, and as Barbados increases the operational efficiency of both the executing agencies and the SG office, the efficiency of IDB projects in Barbados should rely on the effectiveness of the country’s procedures.



3.5 Second, executing units are for the most part staffed by ministry employees who usually earn less than the private sector. This contributes to significant turnover of key staff and poor morale in the unit.

- 3.6 Third, there are often difficulties in coordination among departments, agencies and private companies. There is little sharing of information among ministries and agencies on how to do business with the Bank and institutional memory is often lost as employees leave.
- 3.7 The Bank's semi annual monitoring system (PPMR) measures several implementation problems, which may be grouped into three categories: commitment, institutional capacity and bank-related problems. As shown in Table 3.1, commitment difficulties affected 20% of the projects in Barbados over 1997-2004. This is about the average for the Bank, and similar to other comparable countries (except for Trinidad). Institutional capacity and bank-related problems are both well above the Bank average. In all three dimensions there is a noticeable recent deterioration.
- 3.8 Implementation issues should also be examined on a case-by-case basis. Five out of eleven projects did not present any implementation problem in the PPMR system (BA0012, BA0014, BA0017, BA0019, BA0035), and one (BA0028) had only one problem during implementation. Hence, implementation difficulties are not general to all IDB projects in Barbados, but are concentrated in those with larger works and procurement components, those that have an intrinsically complex design. The PAIS system also shows that those projects that did not show PPMR problems were not on alert.
- 3.9 A closer look to the individual problems for the five projects with more difficulties (table 3.2) shows that the Bank considered institutional capacity of the executing unit as a problem for all of them. While the PPMR system documents the specific difficulties that occurred, a review of how the loan documents addressed the issue shows that even though few projects identified it as a risk, most of them considered that the executing unit was strong enough to implement the project (in some cases due to prior experiences) while also including financial resources and/or technical assistance to strengthen the institutional capacity of executing agencies.<sup>25</sup> Why the original assessments and the strengthening components failed or were insufficient is something that needs to be further analyzed.<sup>26</sup> Also, given the country's high governance indicators, it is paradoxical and a matter of thorough consideration why some projects face these problems.

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<sup>25</sup> For further details, see paragraphs 19-24 in Annex A.

<sup>26</sup> Some of the issues discussed above such as inter-agency coordination and high turnover could be contributory factors in these complications.

**Table 3.1 Performance Issues as Reported in the PPMR**  
**(Percentage of Projects affected by Specific Issues)**

	<b>COMMITMENTS PROBLEMS*</b>	<b>INSTITUTIONAL CAPACITY**</b>	<b>BANK RELATED***</b>
1997	28.6%	28.6%	14.3%
1998	12.5%	25.0%	25.0%
1999	22.2%	22.2%	22.2%
2000	5.6%	22.2%	11.1%
2001	0.0%	25.0%	12.5%
2002	7.7%	46.2%	38.5%
2003	50.0%	66.7%	33.3%
2004	50.0%	66.7%	33.3%
<b>BARBADOS</b>	<b>19.6%</b>	<b>35.7%</b>	<b>23.2%</b>
Bahama	25.0%	35.0%	26.3%
Guyana	16.8%	21.6%	17.8%
Jamaic	17.2%	17.2%	8.8%
Surinam	20.7%	13.8%	22.4%
Trinidad	47.0%	49.7%	34.9%
<b>IDB Total</b>	<b>19.9%</b>	<b>21.4%</b>	<b>12.1%</b>

**Source: OVEDA**

\* Legislative approvals, Borrower/ EU commitment, Counterpart funding shortfall, Community/political opposition, and National Policy change

\*\* EU institutional capacity, Consultant performance, Inter-agency coordination, Supplier/ contractor performance, Procurement difficulties, Cost overrun, Qualified external audit, EU Policy changes, and Lack of monitoring evaluation system

\*\*\* Project/component design, Contract condition compliance delays, Bank efficiency (response delays), Environmental issues, and Bank Policy Change

3.10 Procurement difficulties, contract condition compliance and inter-agency coordination are the main issues in the Solid Waste Management program, while EduTech reported problems with counterpart funding<sup>27</sup>, and the South Coast Sewerage experienced problems with suppliers, cost overruns and inter-agency coordination. Finally, the Bridgetown Roads and Safety project had faults due to project component design as well as with respect to the commitment of the executing agency. On this project, it is important to note that delays were associated with the decision of the government not to start the project in the midst of a recession, and also resulted from a tough stand of authorities in order to avoid cost overruns. All of these projects share a complex design and the involvement of numerous actors in the implementation, which seems to create difficulties in the execution of IDB projects in Barbados.

<sup>27</sup> These difficulties, however, seem to have had a cyclical feature, for they occurred after the recession of 2001, when the government had to adjust capital spending in order to meet budget deficit concerns.

- 3.11 Complex, highly integrated operations, often in built-up coastal areas where disruption is likely (sewerage, roads, coastal infrastructure) and many stakeholders are affected have often been delayed. The Bank and/or the country paid insufficient attention in planning some projects to the possible social disruption and reaction.

**Table 3.2 Specific Performance Issues reported in PPMR for selected projects**

Project Number	BA009	BA0025	BA0036	BA0047	BA0055
Legislative Approvals	0	0	0	0	0
Borrower Executing Agency Commitment	0	4	1	5	4
Counterpart Funding Shortfall	5	0	3	0	0
Exec. Agency Inst. Capacity	5	6	15	4	4
Community Political Opposition	0	0	0	0	0
Consultant Performance	2	0	0	0	0
Inter-Agency Coordination	0	6	14	3	4
Project Component Design	0	0	0	5	0
Supplier Contractor Performance	2	0	14	1	0
Contract Condition Compliance	0	6	14	1	0
Bank Efficiency Response Delays	0	0	0	0	0
Procurement Difficulties	3	10	6	0	4
Environmental Issue	0	0	0	0	0
Cost Overrun	0	0	12	0	0
Qualified External Audit	0	0	0	0	0
National Policy Changes	0	0	0	0	1
Executing Agency Policy Changes	0	0	0	0	0
Bank Policy Changes	0	0	0	0	0
Lack of monitoring Evaluation System	0	0	0	0	1
Other problem	2	0	0	0	2
Commitment Problems (Group)	5	4	4	5	4
Institutional Capacity (Group)	5	10	15	6	4
Bank Related Problems (Group)	0	6	14	5	0
# PPMRS	13	13	15	15	7

Source: OVEDA

- 3.12 The problems reported in the PPMR and PAIS systems should be the starting point of a thorough analysis on the implementation difficulties for the IDB program in Barbados. Delays and cost overruns are a serious concern because they postpone the accomplishment of the development objectives and have a direct impact on the economic rate of return of the projects.
- 3.13 Armed with a full diagnosis of why previous actions have failed, the Bank should design new measures and explore with the authorities of Barbados a new program that exploits the Bank's new lending framework's instruments and processes, with the possibility of reforming the existing portfolio's instrument mix to the one allowed under the new lending framework.

#### IV. EVALUATING EFFECTIVENESS, IMPACT AND SUSTAINABILITY OF THE PROGRAM

- 4.1 An evaluation of the development effectiveness of the Bank's program requires outcome data. Outcome data can be at the aggregate program level and at the individual project level. The former facilitates a top down evaluation while the latter facilitates a bottom-up evaluation.
- 4.2 However, neither type of indicators is generally available. Further, programming documents placed considerable emphasis on broad poorly defined issues such as improving competitiveness to increase exports and foreign exchange earnings, efficiency and delivery of social services, natural resources and environmental degradation. These broad objectives were well beyond the possible reach of individual Bank interventions and with no specific indicators or targets it is not possible to provide a quantitative evaluation of program. Additionally, individual projects' outcome metrics and their baselines, targets and current status are largely absent in the Bank's project Monitoring and Evaluation system. Thus not even a naïve process evaluation, i.e. which does not attempt attribution, can generally be carried out using Bank information. For project outcomes, the evaluability index as defined by OVE's Demonstrability Index Summary, is low, with a value of 0.22.<sup>28</sup>

##### A. Reform and Competitiveness<sup>29</sup>

- 4.3 Competitiveness is defined in IDB (2001) as "the quality of the environment for investment and for increasing productivity in a climate of macroeconomic stability and integration into the international economy." Although emphasizing this issue in all four-country strategies the Bank has not attempted to generate the information required to rate the country's competitiveness over time or compare the country's competitiveness with other countries. Outcome objectives (shown in Table 2.1) dealt with reviving export earnings, lowering costs, increasing employment and growth and increasing foreign-exchange earnings. The performance of these indicators<sup>30</sup> is shown in figure 4.1, which shows the evolution of employment, real GDP and exports. After the recession of the early 1990s, employment and GDP grew until 2000. Employment has remained constant since 2000, while GDP fell in 2001 and 2002 and it began to recover in 2003. After falling continuously from 1989 to 1994, exports soared in 1995-1996; their growth petered off during 1997-2001 and plunged in 2002, but exports have began a slow

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<sup>28</sup> The demonstrability index summary works as follows: Ideally, for each outcome an indicator, baseline, milestone, target and status of the indicator should be defined. The index measures how many of those elements actually exist. So, if an outcome only has an indicator but no baseline, milestone, target or status are reported, then the index takes a value of 1/5=0.2. We report the index for outcomes, and find that there is little variation in the index: the range goes from 0.2 to 0.32 at the project level, and for the strategic goals the values are 0.2 for Reform and competitiveness, 0.26 for the Social Sector and 0.24 for Environment and Natural Resources.

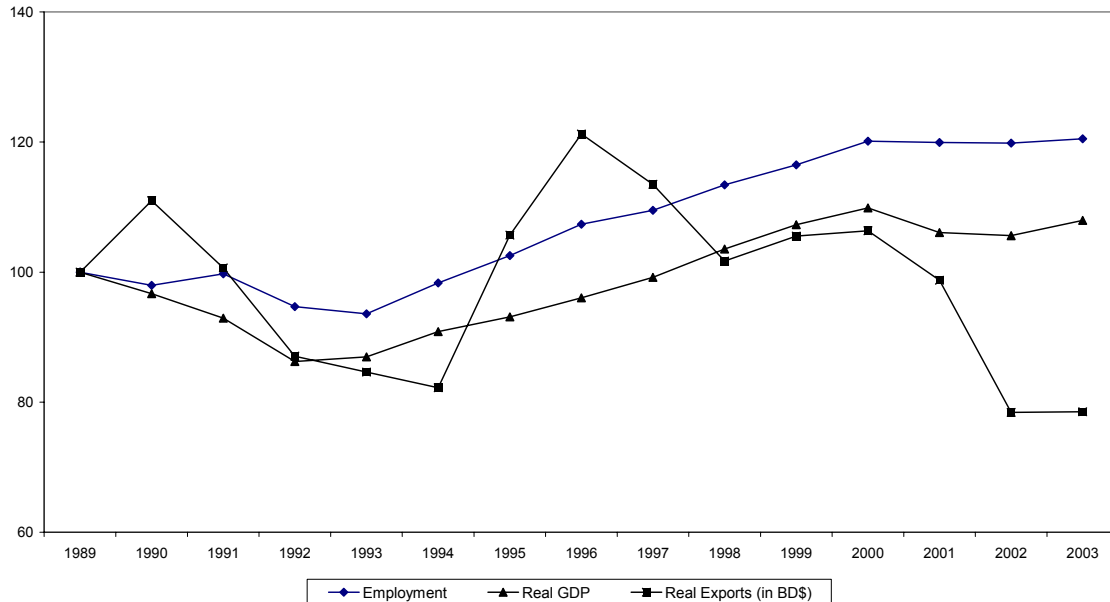
<sup>29</sup> See Annex B

<sup>30</sup> As reported by IFS.



recovery since then.<sup>31</sup> As for international reserves, they doubled during 1989-1995 (from US\$109 million to US\$219 million), and again during 1995-2000 (to US\$472 million); in 2003 they reached US\$737 million. In summary, all of these indicators performed positively until the 2001 crisis, and they show signals of recovery from it since.

Figure 4.1 Outcome Objectives of the Reform and Competitiveness Strategic Goal (Index, 1989=100)



4.4 **Bank involvement** with reform and competitiveness was evidenced by statements in all four strategy documents. Loan activities centered around a Multisector Preinvestment Program, a Tax Administration and Public Expenditure Management Program, Investment Sector Reform Program (all of which were completed) and an Administration of Justice Program (still early in disbursement). A Bridgetown Roads and Safety project, (almost complete) also addressed road efficiency in terms of cost and time. There were eight TCs approved for \$1.5 million under tax policy, capital markets, productivity and tourism.

4.5 In 1992 the IDB financed the **Multisector Preinvestment Project** (BA0028, \$7 million), which aimed at strengthening the Project Cycle Management System and that financed pre investment studies of projects likely to be funded by the IDB. Although the Project Cycle Management System was introduced into public service in 1996, the system is not regularly used as the equipment was not Y2K compliant. As for the feasibility studies (five pre-investment studies were financed – three in water and sewerage, one tourism and one ports) the complexity of some of them was such that both the Bank and the GOB considered that the common alternative of TCs would have probably been a better option. As stated in the PCR, “the expectation of developing projects for which Barbados would apply for loans from the Bank, was not fully achieved”.

<sup>31</sup> Given that the purpose was to increase total exports, we report the figure for total exports, which includes tourism. The boom in exports in the mid 1990s is largely due to tourism, for both agricultural and manufacturing exports were stagnant during that period.

- 4.6 As a complement to the public expenditure management provided by BA0028, in 1993 the IDB financed the **Tax Administration and Public Expenditure Management Program** (BA0035, \$7.9 million), with the objective of improving the efficiency of these two areas. The loan was completed in 1998. Despite a number of self-evaluations outcome information is relatively scarce.<sup>32</sup> Such scarcities did not prevent the Bank from claiming, “Having achieved most of its major objectives it is expected to maintain its upward trend to complete the proposed reform.”(P.22), and that the major accomplishment was the effective implementation of the VAT which “has clearly simplified the tax system, improved efficiency of collection and reduced the chances of tax evasion.”(P.15). The conclusion on the expenditure side in 1998 was that the reform was only partially achieved.
- 4.7 An evaluation of the revenue side of the operation would require a decomposition of tax revenue into that due to reform (rates, bases, new taxes) and tax evasion rates (as an indicator of successful tax administration). Such an exercise was not carried out by the Bank in its various evaluations. As for the ultimate goal of increasing revenues, data from the IFS show that revenues as a share of GDP increased from an average of 29.8% in 1990-1996 to 32.4% in 1997-2002.
- 4.8 Consultations about an Investment Sector Loan initiated in the early 1990s when GOB agreed to the stand-by with the IMF, and in 1995 an **Investment Sector Reform Program** (ISRP, BA0012, \$35 million) was approved. The ISRP intended outcome was “to increase the competitiveness and to improve the climate for private sector investment.” It did not define metric measures that could be used to judge success. With components addressing macroeconomic policy (tax and trade reform and incomes policy), the financial sector, land use and the private sector enabling environment (through reducing administrative barriers to new investment, local enterprise development and intellectual property rights), it was to provide three tranches over three years. Macroeconomic stability was to be addressed through tax reform (VAT), trade reform (CARICOM tariffs) and adherence to an incomes policy and measured through progress in the macro-environment. Macro-performance was achieved until the downturn in 2001. Revenues from the VAT were so buoyant that income taxes were reduced. The GOB was able to fulfill its CARICOM tariff obligations.
- 4.9 Financial sector focus was important because Barbados was not capable in the early 1990s of providing the range of services demanded by private investors. Furthermore, state-owned banks were in weak financial positions and thus a drain to the GOB. The capitalization and subsequent privatization of the Barbados National Bank (BNB) was a major component of the ISRP.<sup>33</sup> BNB was fully recapitalized in 1998 and its

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<sup>32</sup> A Project Performance Review (PPR) was undertaken in 1998 which ultimately fed into an *Evaluation on Three Bank-Financed Operations of Tax Administration Reforms*. The program was rated as satisfactory in implementation and probable in achieving objectives. A final report of the program by the GOB was undertaken in 1999

<sup>33</sup> Two thirds of the portfolio of BNB fell into non-performing category during 1992 as a result of government guarantees for state enterprises and the national sugar processing companies which failed to generate sufficient revenue to fulfill debt obligations. As part of the ISL all delinquent loans had to be taken care of so that the Bank

transformation from an insolvent financial institution to a financially healthy bank was considered to be one of the successes of the ISRP. It has since remained profitable, and the ultimate goal of privatizing the BNB was completed in 2003.

- 4.10 Another component of the ISRP was the termination of new loan operations of and a wind-up of the other state-owned bank, the Barbados Development Bank (BDB), which traditionally provided low-cost loans to small businesses and the service sector. In 1995 the BDB had accumulated losses of at least US\$23.5 million and a negative net equity of US\$6.8 million. The non-performing assets were to be divided into two groups and transferred to specialized loan workout entities. The BDB was dissolved through the ISRP, but only by the disbursement of the third tranche in 2001. Two new institutions were put in place to replace BDB. FundAccess provides loan capital for micro enterprises (targets all sectors except tourism) while Enterprise Growth Fund is a venture capital company taking equity positions in small and medium sized firms. The PCR claims that these two entities have not functioned as expected. They continue to be publicly managed (efforts were made to privatize but the private sector showed no interest) and FundAccess continues with high delinquency rates and an interest rate structure, above the prime rate, but still concessionary in that it does not fully cover risk and operating costs
- 4.11 Additional components of the loan, which have been partially achieved, were: a) propose recommendations to strengthen the supervision and regulatory framework governing financial institutions; b) contribute towards the deepening of the securities market in order to facilitate the flow of funds to most productive uses that would facilitate private investment; and, c) study the creation of a secondary mortgages market. A recent IMF study of Financial System Stability Assessment (FSAP) for Barbados (IMF 2003) considered the sector to be quite sophisticated, given the size of the economy, although dominated by banks. The study concluded, “Supervision has improved during the 1990s, as better legislation and prudential regulation have been adopted, but additional challenges remain.” The 1996 Financial Institutions Act for domestic institutions and the 2002 International Financial Services Act for offshore banks were both approved.
- 4.12 The ISRP also proposed to reform land-use policy in Barbados to allow for the shifting of resources from agriculture -primarily sugar- into new productive sectors. However, the goal has not been achieved: about 45% of the total surface area of the country continues to be agricultural land (50% of it is reserved for sugar production<sup>34</sup>). The project completion report of the loan (PCR) concurs with these findings as it states that “*diversification of land use has not materially changed*”. Slight progress has been made however in making the granting of land-use decisions more transparent thanks to improvements in the Town and Country Planning Office.

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could improve its financial position and increase its loan-loss-reserve ratio and recapitalize in accordance to Basle capital adequacy standards

<sup>34</sup> The sugar industry, which represents the main agricultural activity in Barbados and has accounted for 50% of the agricultural area of the country (urban development in agricultural zones is prohibited), has been in chronic decline due to losses associated with high operating costs and low prices. For much of the 1990s, the government instead of looking for alternatives, continued to design restructuring plans to improve the management and technology in the industry hoping it would be a way of raising output.

- 4.13 As part of the “Enabling the Environment for New Investors” component, the ISRP aimed to centralize investment approval procedures by streamlining operations through training and capacity building programs, creating international business units within the ministry of trade and preparing legislation to correct the deficiencies of the copyright, patent and trademark law. By the second disbursement of the ISRP, improvements in copyrights had been achieved and new legislation enforced. The institutional framework in the Ministry of International Trade and Business<sup>35</sup> was put in place; however, it did not function as expected and administrative barriers to new investments still exist. Approval processes have not been consolidated despite technological improvements; and the PCR reports that all in all, “there has been little success in reducing administrative barriers for new foreign investment.”
- 4.14 The ultimate goal of the ISRP was to consolidate an efficient banking sector and to increase the participation of the private sector in the economy. Domestic credit to the private sector as a share of GDP increased from 50% in 1995 to 57% for 2000-2003. However, high spreads between deposit and borrowing rates indicate an inefficient financial sector intermediation that has a curtailing effect on private investment. In fact private investment and FDI as a share of GDP remained extremely low. Private building activity of the gross capital formation component of GDP does not show an increase in dynamism.
- 4.15 The competitiveness of an economy and its attractiveness for flows of FDI depend, among other factors, on the quality of the available infrastructure.<sup>36</sup> With the purpose of contributing to the strengthening the roads infrastructure of Barbados, in 1993 the IDB financed the **Bridgetown Roads and Safety Program** (BA0047, \$18.5 million) and four TCs for \$816 thousand dealt with roads in the country.<sup>37</sup>
- 4.16 Two TCs and BA0047 were for a Bridgetown by-pass project designed to reduce operating costs through improved traffic flows on two corridors around Bridgetown. It also had components to improve traffic management and safety in Barbados. The economic rates of return of the project were estimated at 56% for the inner corridor and 42% for the outer. An ex-post evaluation was called for at the end of the program, making use of before and after traffic counts, average travel time and the negative effects on traffic resulting from relocation and works. The project experienced delays for a number of reasons and is only now close to completion, having been extended by 95 months. Implementation was considered unsuccessful up until 2000 when it finally began to proceed.

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<sup>35</sup> The Unit was later transferred to the Ministry of Economic Development.

<sup>36</sup> See, for example, the paper by Nagesh Kumar (2001) that shows a positive relationship between the quality of infrastructure and FDI inflows, controlling for other factors that also determine capital flows.

<sup>37</sup> The Bank financed two TCs for a National Transport Plan in the early 1990s. Barbados at the time considered road improvement a priority as rapid motorization was occurring and safety was becoming an issue. A Bank mission in 1991 had identified issues of maintenance, planning, traffic management and safety. The Transport Plan was eventually cancelled even though about \$500 thousand had been spent. Also, a ports project was listed in CPs and the pipeline over much of the period but eventually was never financed by the Bank. A Profile I was prepared in the early 1990s and a number of different project proposals were prepared by the Bank in anticipation of a loan. There have been two port TC operations approved for over \$1 million to assist in improving cruise ship facilities.

## B. Social Sectors

- 4.17 Since independence Barbados has invested heavily in education, health, social security and social assistance. Barbados's social indicators are amongst the highest of the Bank's borrowing members. The 2004 UNDP Human Development Report rated Barbados as number 29 in 2002, the highest ranking of a developing country, up from 31 in 2000. Nevertheless, the effectiveness of these investments may be affected by higher unemployment, low program coverage rates, rising crime, falling savings rates and deterioration of infrastructure.
- 4.18 **Education.** Barbados allocates a high share of GDP to education, 7.9% of GDP in 2001. In terms of coverage and development goals, Barbados fits the profile of a developed country: universal primary and secondary enrollment and an illiteracy rate of 0.3%. The government provides free universal primary and secondary education, and it also covers some of the direct costs, such as transportation, textbooks and meals. (see Annex C). Such important achievements result from a continued political commitment to education, a policy of free and compulsory education between the ages of 5 and 16 and considerable sector investments. Special efforts have been undertaken to address issues related to the efficiency of resource allocation as some cost efficiencies have been attained through a number of reform measures, such as school amalgamation and partial zoning. But, a continuing challenge recognized by the GOB is the improvement in educational quality and a needed capacity to keep up with economic and technological change.
- 4.19 The Bank's analysis in its programming documents (particularly the SERs) recognized that although Barbados had one of the most advanced educational systems, some major challenges had emerged regarding cost efficiency, financial sustainability, inequity in resource allocation, attainment and adequacy to meet manpower needs. This diagnosis coincided with the educational needs identified by the GOB White Paper (1995).
- 4.20 The Bank approved two loans for a total of \$94.5 million and two TCs for \$167 thousand for education. Responding to GOB's concern with cost-effectiveness and cutting public expenditures, in 1992 the IDB approved a **Primary Education** loan (BA0017, \$11.6 million<sup>38</sup>). The project addressed rationalization of school infrastructure, where declining enrolments (due to declining fertility rates) and demand shifts towards urban areas resulted in a number of uneconomical schools. To achieve this objective, 66% was to finance the amalgamation of eight schools into four larger and properly equipped ones with larger capacity. In addition, the project design aimed at two ambitious objectives: improving the quality of instruction and learning in primary schools and strengthening the capacity of the Ministry for planning, evaluation and monitoring educational services through relatively modest components of provision of textbooks and technical assistance activities (77 person-months of consultancies).

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<sup>38</sup> The loan had cancellations for US\$2.1 million, from the incidentals and cost escalation components, and also due to a problem on the financing of the textbooks, some of which were provided exclusively by a non-member country of the IDB, so the GOB had to pay for them. The cancellations did not affect the quantity of outputs produced by the program.

- 4.21 After a 45 month delay, all project expected outputs were completed satisfactorily. Although the PCR indicates that the likelihood of achieving the three broader project objectives remained high, in OVE's judgment project results are mixed. (An ex-post evaluation scheduled for December of 2003, as indicated in the PPMR of 2001, has not been completed.)
- 4.22 Savings of 30% in the recurrent costs per pupil were expected from the amalgamation of 8 schools into four larger and more efficient units. The outputs and activities to meet this objective were met, as the consolidation of school was completed.<sup>39</sup> However, there is no evidence that the goal of 30% savings was met. According to the PCR, the unit cost fell from \$1,142 to \$937, representing a savings of 18%.<sup>40</sup>
- 4.23 The activities set forth to improve the quality of instruction and learning in primary schools component (provision of 114,000 textbooks and 200 teacher manuals) were also met. From a previous IDB loan, recommendations existed on which textbooks should be used, and reference manuals for teachers were also determined. Arguably the activities and resources in this loan are modest for the goal of increasing quality, but they must be analyzed in the context of implementing recommendations from the preceding loan. There was a clear outcome indicator here, the reduction from 40% to 30% in the share of students having an unsatisfactory score in the Common Entrance Examination (CEE)<sup>41</sup>. However, the loan document does not state what an "unsatisfactory score" represents.
- 4.24 Leaving aside the appropriateness of the indicator, there is no evidence that it was achieved. OVE consulted data that showed no improvement in the share of pupils scoring less than 30 points.<sup>42</sup> It is important to account for this objective, because in the viability section of the loan document it is stated that a large part (40%) of the quantifiable economic benefits of the program would come from the reduction in the waste represented by the unsatisfactory CEE scores.
- 4.25 The expected results for the institutional strengthening objective included improvements in the areas of organization and management, information systems and learning assessments. The Bank financed inputs for consulting services, training, and provision of hardware and software that were deployed as planned between 1997 and 1998. The evaluability of this component is null. Besides the outputs desired, no specific targets were set on the improved performance resulting from the consultancies. In the PCR a positive appraisal is given, but it lacks any supporting evidence. A number of institutional weaknesses prevail, as recognized by the Ministry of Education in its Strategic Plan for 2002-2012: centralized decision making processes, over-centralization in the appointment of personnel, ineffective performance appraisal management system for

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<sup>39</sup> Note that the amalgamation process started well beyond this loan: the policy began in the late 1970s and the previous IDB loan also considered some amalgamation of schools.

<sup>40</sup> Note that the PCR shows the first figure, and reports a table for the after-loan period that does not include the recurring unit cost, which is quoted at \$1,174 in nominal terms; taking an average inflation of 2.87% this last number is deflated to \$937

<sup>41</sup> The CEE is also known as the Barbados Secondary Entrance Examination (BSSEE).

<sup>42</sup> The loan document called for an analysis of the CEE results for the project schools, for the SETP schools and for the system as a whole. This has not been done.

teachers and administrators, inability to apply supervisory management strategies, lack of accountability of personnel, ineffective financial management systems, inadequate research and record management capacity, and lack of adequate assessment procedures for students. In sum, even if the technical assistance provided through the project may have been targeted correctly, it was not sufficient to overcome the constraints for improving managerial practices and deploying an efficient information system to enhance monitoring and operation of educational services.

- 4.26 In 1998, the IDB approved a second education loan, the **Education Sector Enhancement Program** (BA-0009, \$85 million, known as EduTech) co-financed with the CDB. It was designed to help implement a comprehensive educational reform program, outlined in the 1995 White Paper. According to the LD, the reform envisioned “moves towards the installation of a state-of-the-art technology, as well as a constructivist and child-centered paradigms which will enable the education system to produce the skilled workforce that is required to drive a modern economy”. The proposed reforms encompassed the entire educational system, the teaching profession, institutional strengthening and a full review of the curriculum with the purpose of addressing GOB concerns about the high rate of students that exit the education system without proper certification (60%), or that score less than 30 points in the Eleven Plus Exam (25%). The project included five components targeted to support the reform process for primary and secondary education: i) school rehabilitation of all (103) primary and secondary schools, ii) infusion of computer technology throughout the system, iii) curriculum reform (financed by GOB) and evaluation, iv) training for teachers, administrative and support staff and v) institutional strengthening.
- 4.27 This is a complex project, and its implementation was expected to be difficult. The design called for flexibility and a “test and fix” approach in order to meet the expected uncertainties. In spite of the preemptive measures and coping mechanisms in the project design, the risk factors contemplated in the loan document materialized: slippage in implementation, design uncertainty, and weak institutional capacity. The plan was to proceed with the school rehabilitation and technological equipment gradually, starting with fifteen schools which would serve as demonstration group. The training and curriculum components have progressed according to expected timeline, but lacking the necessary physical and computer infrastructure, teachers will probably have to be retrained by the time the schools are completed with the appropriate equipment. Implementation has rated unsatisfactory since December of 2002 and the project has been moved from alert status to problem project. The likelihood for achieving development objectives has been downgraded to low probability. Progress has been slow in the civil works and information technology components (with completion rates of 30% and 25%, according to the June 2005 PPMR).
- 4.28 One of the design features of EduTech was the importance given to evaluation. The program called for the establishment of the Educational Evaluation Centre with the UWI, as well as for a monitoring and evaluation data gathering process, midterm and ex post evaluations. Given the complexity and uncertainty inherent to a major educational reform, it was stressed that adjustments should be made continuously based on evidence generated and summarized by the project. Results from an external mid-term evaluation

of the project (conducted in 2005 by the Ontario Institute for Studies in Education) suggest that the EEC was created and that it is gathering useful data on the implementation of the ESEP, but that this information does not inform the GOB nor the IDB or CDB. Also, some technical issues exist on the baseline data collection, which have not been resolved. While this baseline and subsequent data was not provided to the evaluation team and not analyzed by the mid-term evaluation, it is likely that they could have been used to make an assessment of educational quality improvements to date.

- 4.29 EduTech is in the midst of a reformulation. The technology infusion component is under scrutiny, with the option of using wireless instead of wired technologies. A careful analysis of the information that is being generated by the EEC should be undertaken both to inform project redesign and to validate and strengthen the evaluation and monitoring system and thus assess the delivery of expected benefits associated with “improvements in learning outcomes for primary and secondary students and mastery of computer skills for school leavers”.
- 4.30 Both education loans were relevant to the major education issues and challenges defined by the GOB . The major focus of the first loan coincided with GOB’s concern about cost-effectiveness during the recession of the early 1990s. The Bank’s support of the government initiative of amalgamation of uneconomical schools, albeit small, aimed at optimizing resource allocation and reducing recurrent costs of eight primary schools. Likewise, the ongoing 1998 loan provided a timely response to the government’s request to help implement its educational reform process by contributing to improvement of the quality of education for all primary and secondary schools.
- 4.31 In terms of results, at the outcome level it is not possible to consider these interventions as successful. For BA0017 the goal of reducing recurrent costs was achieved, although the savings were below expectations. The goal of increasing CEE scores was not achieved, and there is no way to determine whether the technical assistance and consultancies had an impact on the performance of the MOE. In the case of EduTech, the current difficulties in developing a system for measuring project outcomes is a major obstacle for demonstrating learning improvements for primary and secondary students. Beyond the slow implementation in the rebuilding of schools and in the technology diffusion component, the data gathered by the EEC has not been analyzed to determine the results in terms of the development outcomes (it is important to stress that technology diffusion is a means, not an end in itself). In terms of efficiency, the quantifiable benefits of BA0017 are not sufficient to generate the necessary benefits to justify the investment,<sup>43</sup> while for BA0009 –EduTech—there is no information on the benefits, so an efficiency analysis is not feasible.
- 4.32 **Health.** Bank efforts included a \$1.75 million 1991 TC for rationalization of the health sector and a project (BA0027) of \$20 million that remained in the pipeline for more than a decade and was subsequently removed in 2004. The TC, originally scheduled for

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<sup>43</sup> The loan document stated that savings of 30% in the recurrent costs at the eight schools and the reduction by ten percentage points (from 40% to 30%) of the students not achieving a satisfactory score in the CEE were necessary to generate benefits such that a cost-benefit analysis would yield positive results.



completion in 1993, was to provide partial financing for feasibility studies and designs for BA0027. It originally focused on psychiatric, geriatric and rehabilitation services but later was broadened to cover sector-wide issues. Contracts with two American universities begun but both were cancelled. In October 2002, the Ministry of Health prepared a Barbados Strategic Health Plan 2002-2012. The IDB's TC was reformulated within that context, particularly for the rationalization and upgrading of the Queen Elizabeth Hospital.

- 4.33 In conclusion, in spite of access to an exceptionally large amount of grant financing to support health sector planning and the apparent need for more analytical work, the Bank has been unable to negotiate priorities with Government in this area and make use of these scarce resources. Furthermore, the large recent donations from the European Union to Barbados that help to fund the 2002-2012 health plan suggest that this is an area where the direct involvement of the IDB is less critical.
- 4.34 **Poverty and inequality.** There is a lack of information on poverty and income distribution in Barbados. Beyond the information necessary to compute the Human Development Index (GDP per capita, life expectancy and educational attainment), there is no information to capture the prevalence and severity of poverty, the access to social services and the distribution of income. In sector work, poverty and income distribution were estimated by the Bank (IDB, 1998a) to affect 8.7% of households and about 13.9% of the population over four quarters of 1996/97. The IDB study calculated the Gini coefficient at 0.39, a moderately egalitarian distribution of income. The poverty assessment was based on a module to the labor force survey, which has not been applied since then. The report was clear in stressing the necessity to generate regular reliable data to capture poverty and income distribution. Nevertheless, the IDB has not assisted the GOB in implementing a continuous household survey to monitor the living conditions of the Barbadian population. A recent attempt has been made through a regional technical cooperation to strengthen institutional capacity of the national statistical offices of the Anglophone Caribbean countries to collect, analyze, and produce timely, relevant and high-quality statistical information required to formulate social policies and poverty strategies, and to monitor progress in the achievement of these policies and goals, however, this operation has not yet begun execution through the CDB (ATN/SF-8419-RS). Without a reliable source of data for a diagnosis of poverty dynamics and the social sectors, the IDB will not be able to provide assistance to the GOB in the area where the Bank has accumulated valuable experience and where it has a comparative advantage, the implementation of anti-poverty policies.

### C. **Environment, Natural Resources and Vulnerability**<sup>44</sup>

- 4.35 Environment and natural resource issues (degradation of reefs, fisheries, beach erosion, water supply, solid waste and sewage) have been at the forefront of development concerns of Barbados for some time.<sup>45</sup> Following the United Nations Conference on

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<sup>44</sup> See Annex D.

<sup>45</sup> Water consumption has risen to about 97% of current capacity and Barbados ranks among the ten most water scarce countries of the world. The risk of salt-water intrusion due to over abstraction is growing. Solid waste increased by about 14% over six years and is the most controversial environmental issue today. Contamination of

Environment and Development in 1992, the GOB initiated actions towards the implementation of the agreed action plan (Agenda 21). A National Sustainable Development Seminar was convened in June 1994, for the purpose of educating relevant personnel and agencies on the contents of Agenda 21 and its significance to Barbados. During the following period the GOB was active in passing legislation, formulating plans and conducting studies<sup>46</sup>

- 4.36 The Bank approved four loans – about one third of its portfolio and seven TCs for over \$2 million in support of environmental efforts over the period through. However, results of these operations are not yet readily apparent.
- 4.37 The **South Coast Sewerage Project** (BA0036, \$51.2 million), approved in 1992, was to achieve acceptable nearshore marine water quality through sewerage disposal facilities and to develop institutional and financial capacity of the Barbados Water Authority (BWA) to maintain and operate water supply and sewage systems. Two TCs were also approved to help improve water quality management. Near-shore water quality monitoring (using six US EPA standards), indicated that none of the sites monitored in 1992 consistently met standards due predominantly to high levels of *faecal coliforms* and *streptococci*. All ten beaches exceeded US EPA levels at some time with eight doing so consistently, leading to the conclusion that “all beaches would have been permanently closed.” The project performance indicator - improved near-shore water quality - aimed to reach quality levels by the year 2001 based on data collected from the beaches. The second objective concerned BWA increased capacity to financially manage its water and sewer systems through components of tariff increases, metering, financial systems and operational and maintenance equipment. Baselines or targets were not provided for either objective.
- 4.38 The project consisted of highly interdependent components requiring the successful completion of each in order to initiate the flow of anticipated benefits. This did not happen. The marine outfall (1996) and the treatment plant (1997) were constructed several years before the sewage collection infrastructure. Even the installation of the water meters by 1999 was of little use without the requisite household connections and activation of the collection system, delayed until July 2002.
- 4.39 The incompetence of the contracted firm and the absence of effective precautionary measures by the GOB and the Bank contributed to considerable delays and execution inefficiencies. The winning bid for the collection system contract, came in at over \$10 million less than its nearest competitor and remarkably divergent from the cluster of bids presented by three other bidders. The contract award was based on the Bank’s policy of

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coastal waters and deterioration of the coral reefs has been linked to inadequate water disposal. During a ten-year period on the west coast coral decreased by 34% and species by 24%.

<sup>46</sup> See Table 1 in Annex D. The studies include coral reef monitoring studies, the Barbados Program of Action (BPOA) - a sustainable development blueprint for Small Island Developing States (SIDS); establishment of the National Commission on Sustainable Development, a State of the Environment Report and a Sustainable Development Policy. As in other sectors, Barbados has taken much of the onus on efforts to address environment and natural resource issues. Much of the efforts have been in establishing an institutional and legislative framework and carrying out and appraisal and monitoring studies.

accepting the lowest bid within an acceptable range, and insufficient action was taken to verify the qualifications and performance record of the company at the time; neither the GOB nor the Bank took effective action that would have been required given the complexity of the project. The firm served notice in December, 1997 that it would desist from its involvement with the project. Its technology was inappropriate, soil collapses wreaked havoc with scheduling, public dissatisfaction with lack of progress mounted and the firm's costs increased as anticipated profits failed to materialize. The firm left the country without its equipment, impounded by the GOB, leaving unfilled holes dug in the streets.

- 4.40 The sewage works are complete. Homeowners have benefited from their connections to the sewerage collection system, eliminating relatively frequent and costly septic tank cleanouts. In terms of results, water quality surveys carried out before and after the project showed a reduction of contamination during the dry season but less so during the wet season as four beaches continued to show high bacterial counts. (see Annex D for more detailed results). Over the longer term it appears that the project has made a contribution to reducing near-shore contamination, however still more needs to be done in this area.
- 4.41 Regarding the institutional and financial strength of the BWA, the prospects are uncertain. The GOB declared that the Fair Trading Commission (FTC) had to decide on any tariff changes; after 12 years with no changes in water rates, on October 2004 a 25% raise was announced, effective on January 2005. This is an significant step, as the prevailing ethos in Barbados holds that water is a national good. It is important for the tariff structure to encourage conservation of the country's scarce water resources.
- 4.42 Maintenance of the inoperable treatment plant and other cost overruns are estimated to have cost \$22 million in addition to the expense of commitment fees and charges to the Bank totaling some \$2 million. A careful analysis should be made of the cost-benefit analysis implications of the delays and cost overruns, for the loan document computed relatively low rates of returns for the project.<sup>47</sup> .
- 4.43 A **Coastal Conservation Program – Phase I**, (BA0014) was approved in 1994 as a reimbursable TC operation of \$3.6 million (\$290 thousand was cancelled) and \$500 thousand from the Canadian Trust Fund. The objective was to develop an integrated Coastal Zone Management (CZM) Program for the country, but no longer term outcomes were specified. The output components included institutional building, CZM plans, legislation, surveys and demonstration projects. The PCR reports all components being achieved with considerable country ownership and local leadership. Five demonstration projects were completed contributing to reduction of beach erosion and considerable monitoring data was begun to be collected on currents, tides, waves movement of sand, etc., although these were not provided in the PCR. The project was one of the first to develop a CZM program for a developing country and led in 1992 to the approval of a

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<sup>47</sup> According to the latest PPMR (June 2005) the PCR will have the necessary information to asses the main development objective (reducing pollution in the treated beaches), and it will be done with a professional with the necessary training to do the required cost-benefit analysis.

larger **Coastal Infrastructure Program** (BA0019, \$17 million) which has only begun to disburse.

- 4.44 A **Solid Waste Management Program** (BA-0025) was approved in 1998 for \$13 million, but as of 2005 no funds have been disbursed. The objective is to develop a modern waste management system to protect the environment and improve public health. At present the GOB is still working to satisfy loan preconditions.

## V. CONCLUSIONS AND RECOMMENDATIONS

- 5.1 During the period evaluated there have been four country strategy papers. Country strategy papers are consensual documents that set out strategic goals agreed to by the country and the Bank. All four strategy documents consistently emphasize the same strategic areas for the Bank's involvement: reform and competitiveness, social sectors and environmental management.
- 5.2 An evaluation of the program reveals the following. First, the Bank is a small actor in the country. The country's characteristics combined with its debt management policy has implied that the Bank gross disbursements have been small relative to domestic aggregate variables and net cash flows to Barbados were negative most years. Both loan approvals and disbursements are independent of the country's economic cycle, with most of the portfolio approved during the high growth period.
- 5.3 Second, equal importance was given to the three strategic areas as measured by the percentage distribution of the portfolio. Approvals of TCs were mainly in the reform and competitiveness strategic area, but large TCs, of over \$1 million, were approved in the social area, particularly in health and sanitation.
- 5.4 Third, programming and execution performance indicators are at or below Bank average, with no marked difference between the three areas. Projects take above average time for approval, have greater than average extensions, execution performance is below Bank average performance, and the portfolio has a larger than average number of projects on alert.
- 5.5 Fourth, the program and the projects that comprise it have a low level of evaluability. Country programs, as was the norm until recently, do not have rolling target-performance analysis. Projects rarely have information on baselines and current status of their expected outcomes; a characteristic shared by all three areas.
- 5.6 Fifth, information in the two strategic areas of competitiveness and social areas is inadequate. Barbados is not included in either in the countries of the World Economic Forum or the countries in the International Institute for Management Development. The country has carried out only one household survey.
- 5.7 Other than the fact that the Bank is a small actor in the country, the portfolio performance features are at variance with the country's high governance and administrative capacity classifications and the continuity of the areas of intervention by the Bank.
- 5.8 The lack of outcome data strongly limits an evaluation of the development effectiveness of the program. Nonetheless, drawing on a variety of existing sources, a partial evaluation of the development effectiveness of the program was made. Attribution could not be measured.

- 5.9 In the reform and competitiveness effort the general development outcome objectives for the reform and competitiveness goal dealt with reviving export earnings, increasing employment and growth and increasing foreign-exchange earnings. An analysis of the evolution of these indicators shows a positive behavior after the recession of the early nineties and up until the crisis that followed 9/11 of these variables.
- 5.10 In the social sector strategic development goal were to increase the efficiency of public spending in the sector, and in education to support a major pedagogical reform. The goal of increasing efficiency was partially achieved, for spending per pupil was reduced 20% in the schools where the IDB supported an amalgamation process. The second goal, as measured by test scores, was not achieved in the first education loan, while it the second loan is still executing.
- 5.11 In the environmental management strategic goal the development objectives have been partially met: although acceptable near-shore marine water quality levels on the south coast has not been achieved, the quality has improved considerably, while the consolidation of the relevant institutions is still pending.
- 5.12 The Bank's program can be considered **relevant** to the country's needs over the period. The four country papers and two socio-economic reports identified many of the development difficulties facing Barbados and were consistent over time in recommending where the Bank should address it efforts. The diagnosis of issues was broadly consistent with local authorities, the IMF and current economic thought.
- 5.13 The Bank's program was **coherent**, for the subsequent lending program was consistent with the three outcome objectives listed above, and individual projects within each of the strategic areas of intervention were adequately articulated between them. At the project level complexity and interdependence of many subcomponents was a problem, as evidenced by the South Coastal Sewerage and the Education Sector Enhancement projects.
- 5.14 The Bank has **not been efficient** in the preparation and implementation of the program. The performance in these dimensions is below the Bank's average, and this is aggravated by the institutional capacity of Barbados, as measured by various international indexes.
- 5.15 While the program can be considered relevant and coherent, it is **not evaluable** given the lack of information provided for indicators, baselines and targets. Only the 1999 CP provided indicators (about 50 in total) but these were vague with no baselines or targets. At the project level indicators are usually defined, but without baseline, milestone, targets or means of status verification. The lack of results attributable to the Bank's interventions **does not allow OVE to measure the efficacy** of the program.
- 5.16 Barbados continues to face major challenges. It remains highly vulnerable both in economic and environmental areas, due to its openness to the world market, undiversified economy and proneness to natural disasters and external shocks. Past environmental damage, possible hurricanes and the highly populated coastline leave Barbados prone to difficulties and crises which may have a serious impact on tourism. The GOB counter

cyclical spending policy has resulted in an increased fiscal deficit and debt load that have implications for future lending from the Bank and other lenders. In the social sector the challenge is to maintain quality and efficiency while under natural resources/environment the areas of potable water supply, off-shore water quality, beach erosion, reef degradation, solid waste and sewage and limited land resources all require attention.

### **Recommendations:**

- 5.17 The Bank needs to address the slow project preparation and low execution performance of its projects. Armed with a full diagnosis of why previous actions have failed, the Bank should design new measures and explore with the authorities a new program that exploits the Bank's new lending framework's instrument and processes, with the possibility of reforming the existing portfolio's instrument mix to the one allowed under the new lending framework.
- 5.18 The Bank should also address the low evaluability of the program's projects. The next country strategy should set clear priorities for the Bank, how it intends to achieve results in the country particularly given the past implementation difficulties. It should avoid broad or undefined objectives and establish more realistic medium-term goals, indicators and targets under more specific priority themes, reflecting capacities for achievement. Benchmarks and milestones should be provided so that progress can be measured. The Bank should retrofit the open projects to collect baseline and current status of the projects' expected outcomes, and ensure that projects proposed in its new program have adequate information gathering systems.
- 5.19 The Bank should fill the information gap regarding competitiveness and opportunities and capabilities of the poor. Specifically the Bank should, together with the country, generate the primary data required both for diagnosis and for benchmarking to judge progress in the strategic areas it agrees with the country. With respect to competitiveness the Bank should put into place a system that gathers information to obtain indicators compatible with the World Economic Forum, thereby allowing both ranking of the country and temporal progress in this area to be judged. With respect to social sectors the Bank should explore the possibility of annual household surveys, including, where pertinent, modules to generate information of its own project outcomes.
- 5.20 Due to the lack of data, the institutional weaknesses, the small size and the vulnerability of Barbados and the other English-speaking Caribbean countries, the Bank should provide more technical assistance, through financial and non-financial instruments. Regional technical cooperation and additional resources specifically dedicated to non-financial services to these countries could provide an appropriate mechanism of support for addressing these challenges and taking advantages of the commonalities and opportunities for exchange of experiences across countries of the region..

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