

**CARIBBEAN DEVELOPMENT BANK**



**SPECIAL DEVELOPMENT FUND (UNIFIED)**

**DISCUSSION PAPER ON RESOURCE REQUIREMENTS FOR SDF 7**

**July 2008**

## ABBREVIATIONS

BMCs	-	Borrowing Member Countries
BNTF	-	Basic Needs Trust Fund
CDB	-	Caribbean Development Bank
CTCS	-	Caribbean Technological Consultancy Services
MDGs	-	Millennium Development Goals
MfDR	-	Managing for Development Results
mn	-	million
RPGs	-	Regional Public Goods
SDF	-	Special Development Fund
SDF 6	-	Special Development Fund – Sixth Cycle
SDF 7	-	Special Development Fund – Seventh Cycle
SDF (U)	-	Special Development Fund (Unified)
SLC	-	Survey of Living Conditions
SwAps	-	Sector-Wide Approaches
TA	-	Technical Assistance
\$	-	US dollar (unless otherwise specified)

## **DISCUSSION PAPER ON RESOURCE REQUIREMENTS FOR SDF 7**

### **1. INTRODUCTION**

1.01 Accelerating poverty reduction through sustainable economic growth and achieving the Caribbean-specific Millennium Development Goals (MDGs) and the Caribbean-specific targets has been the principal focus of the Unified Special Development Fund [SDF (U)]. Successive cycles of the Special Development Fund (SDF) have sought to intensify and sharpen the focus on poverty by devising and implementing policies, strategic agenda, operating principles and concrete forms of assistance to poor people in the various Borrowing Member Countries (BMCs). With the accession of Haiti to the Caribbean Development Bank's (CDB) membership, the SDF mandate has expanded with a doubling of the number of persons in its client base and a greater increase still in the number of the poor that it is intended to help. Furthermore, the overall role of SDF has become increasingly important as poverty reduction efforts and targeting of the Caribbean MDGs have become more focused and based on a deeper understanding of the poverty and economic vulnerability in the Caribbean.

1.02 Progress and achievements under the Special Development Fund – Sixth Cycle (SDF 6) to date have been reported to Contributors and discussed both at a Preparatory Meeting in December 2007, at the First Formal Negotiation Meeting held in Belize in early April 2008 and at the Second Formal Negotiation Meeting held on May 27, 2008 in Halifax, Canada<sup>1/</sup>. The SDF 6 cycle covers the period 2005-2008, with a revised programme level of \$238.5 million (mn), of which \$224 mn is expected to be committed by the end of 2008. This leaves some \$14.5 mn to support planning and operations in the early part of 2009, when the Special Development Fund – Seventh Cycle (SDF 7) replenishment will need to be put in place to support continued operations of the SDF 7 partnership.

1.03 At the First and Second Formal Negotiation Meetings, Contributors endorsed the proposed special themes that would underpin all SDF 7 programming, and considered a discussion paper on the Strategic Framework for SDF 7. A staff paper entitled *Context and Issues for SDF 7: Background Paper on Economic Performance and Prospects in the Caribbean*, is being tabled at the Third Formal Negotiation Meeting and provides support to the case for this replenishment.

1.04 The purpose of this discussion paper is to offer alternative scenarios for meeting the level of the resource requirement for SDF 7 and to provide the basis for an initial consideration of issues and factors that influence the decision on the level of the resources to be made available. Based on the suggestions and recommendations of Contributors, a further paper on the resource requirement and the level of replenishment for SDF 7 will be prepared for the next formal Negotiation Meeting.

### **2. CONTEXT AND KEY ISSUES<sup>2/</sup>**

2.01 Several complex, interrelated factors have contributed to poverty in the Caribbean. These include relatively poor growth performance, strong reliance on output growth of a single crop (such as bananas in the Organisation of Eastern Caribbean States) or of a sector that is in decline, macroeconomic instability, limited job growth, low productivity and low wages in the informal sector, and inadequate access to social services. Other compounding factors contributing to the level of poverty include the economic disparities within countries and communities, the decline in family income as a result of economically

---

<sup>1/</sup> Status Report on the Special Development Fund -Sixth Cycle, SDF 7/1-NM-2, Rev.1, May 2008

<sup>2/</sup> This section draws substantially on the data and analysis contained in the staff paper - Context and Issues for SDF 7: Background Paper on Economic Performance and Prospects in the Caribbean - which is submitted as Attachment A of the document SDF 7: A Strategic Perspective.

debilitating health challenges such as HIV/AIDS, environmental degradation, increased difficulties and uncertainties in the agriculture sector, and weakening of the traditional family as an institution, with consequent economic and social impacts on single-parent households and the elderly. Poverty in the Caribbean also results from the reduced capacity of the Region to address citizens' concerns and ambitions, thereby contributing to the migration and depletion of valuable skills from the workforce. In addition, there are the contemporary realities of rising oil, food and other commodity prices as well as the threat of a global recession.

2.02 The rate of economic growth is a major factor impacting on the level of poverty. Real income growth for CDB's BMCs averaged 3% over the period 1990-2007, with considerable variability in annual outturn. During the periods 1992-96 and 1997-2001, growth averaged 2.2% and 2.9% (2.7% without Trinidad and Tobago) respectively. The average reached 3.8% during 2002-07, or 3.4% excluding the very strong performance of Trinidad and Tobago of approximately 9%. While average growth performance improved gradually during 1990-2007, it can be considered moderate at best and was below the average for all small states for most of the period. It can be argued that perhaps only four countries in recent years have posted growth rates that might have had a significant positive impact on poverty levels. These were Antigua and Barbuda (6.4%), the Bahamas (4.8%), Belize (5%) and Trinidad and Tobago (8.9%). However, even in these faster-growing economies, with the exception of Trinidad and Tobago, the unemployment rate, which impacts on poverty levels, has remained stubbornly persistent at high levels, and even increased in the case of The Bahamas and Belize.<sup>3/</sup>

2.03 For Haiti, the average growth rate for the period 1990-2006 was 0.7%, and during 2002-2007 was 0.1%. In the case of Barbados (whose performance improved significantly towards the middle and end of the period), the average was 1.3%. Average growth for Barbados during 1992-96 was only 0.7%. Other countries registering growth of 2% or less for the period were the Bahamas and Dominica.

2.04 Additionally, the considerable variability of growth performance was highly problematic for most countries. Estimates of the coefficient of variation (the ratio of the standard deviation to the mean) of growth performance for several countries were greater than one, underscoring the vulnerability of regional economies to exogenous shocks. A coefficient of variation of one or more implies that an economic shock such as a hurricane or an event such as 9/11 can throw an economy temporarily off its trend growth rate and into a recession, depending on the severity of the shock.

2.05 Of course, the coefficient of variation gives no information with respect to the duration of the effects of the shock on economic activity, which may last for several years, such as, for example, the case of Hurricane Ivan in Grenada. Thus, while the Caribbean in recent years has averaged approximately 3% growth, this is by no means stable growth. For the period 1990 to 2006, the coefficient of variation was greater than 1 for 7 of the 13 BMCs for which data was available.

2.06 For Haiti, the coefficient was 16.4, with an average growth rate of less than 1%, underscoring the tremendous challenges that Haiti, with a poverty level estimated at 65%, is facing. Given current predictions on the effects of global warming, including an increase in the frequency and intensity of climatic events and the possible flooding of low-lying areas, the Caribbean seems likely to witness even greater variability in economic performance.

2.07 Another area of macroeconomic performance that impacts on the level of poverty is fiscal and debt performance. A significant number of BMCs are in fiscal and debt difficulties, thereby compromising their ability to address the problems of poverty and vulnerability. High ratios of debt servicing to recurrent revenue, also reflect the considerable burden on the budget in the heavily indebted

---

<sup>3/</sup> For a discussion of the high levels of unemployment in the Region, see the Caribbean Trade and Investment Report, 2005, p.381.

countries of the Region. The substantial portions of recurrent revenue dedicated to debt servicing underscore the significant opportunity cost of high debt accumulation in terms of expenditure foregone on education, health, housing, water, sanitation and other services that are critical to empowerment and welfare enhancement of the poor and vulnerable.

2.08 The substantial vulnerability of Caribbean economies to economic shocks has particular implications for the poor and the vulnerable, and especially the latter, who represent a significant proportion of the population, and who can be and are pushed into poverty because of economic shocks. In addition, the circumstances of the poor are also made worse. This is a very important characteristic of the poverty landscape in the Caribbean that needs to be understood and considered in the crafting of any poverty reduction strategy and programmes for the Region.

2.09 One of the major vulnerabilities of the Caribbean is the exposure to natural disasters, which are frequent and often devastating. They include hurricanes, which are the most common, as well as floods, landslides, volcanic activity, and earthquakes. Every BMC has been affected in some way and several countries have suffered more than one such event during the period 1998-2007. These include Anguilla, Antigua and Barbuda, Dominica, Jamaica, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines. The estimated cost of these events has been \$9,200 mn.

2.10 The estimates include only the cost of damage, and do not include economic output foregone as a result of a natural disaster. Moreover, the economic effects of a natural disaster can last for several years. Given all of the abovementioned weaknesses and vulnerabilities of the Region, integration into the world economy on the basis of international competitiveness is extremely difficult. While some of the vulnerabilities, such as high export and market concentration, can be reduced as a result of trade liberalisation, other vulnerabilities, such as a small resource base or susceptibility to natural disasters, remain.

2.11 Poverty, inequality and social exclusion remain frustrating features of the economic and social development of the Region. Social exclusion is manifested as a situation of chronic scarcity of access to basic and quality services; to labor and credit markets, and adequate physical infrastructure.<sup>4/</sup> The most recent data on indigence, poverty and vulnerability in the Caribbean are provided in Table 1 – Major Poverty Indicators.

---

<sup>4/</sup> Melville and Wint (2007).

**TABLE 1 : MAJOR POVERTY INDICATORS**

Country (in descending order of % below poverty line)	Survey Year	Below the Poverty Line		Below the Indigence Line		Poverty Gap	Gini Coefficient %	Vulnerability %
		Population %	Households %	Population %	Households %			
Haiti	1997	65.0 <sup>5/</sup>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Suriname	2000	63.1 <sup>6/</sup>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Guyana	1999	43.0	n.a.	28.0	n.a.	n.a.	n.a.	n.a.
Dominica	2002	39.0	29.0	15.0	11.0	10.2	35	45%
St. Vincent	1995	38.0	31.0	26.0	20.0	12.6	56	n.a.
Belize	1996	33.0	25.0	13.0	10.0	8.7	51	n.a.
Grenada	1998	32.1	24.0	12.9	11.0	15.3	45	n.a.
Nevis	1999/2000	32.0	16.0	17	n.a.	2.8	37	n.a.
St. Kitts	1999	30.5	16.0	11	4.3	2.5	40	n.a.
St. Lucia	2005	28.8	21.4	1.6	1.2	N/A	42	40.3
Turks & Caicos Isl.	1999	26.0	18.3	3.2	3.0	5.7	37	n.a.
Anguilla	2002	23.0	20.0	2.0	2.0	6.9	31	n.a.
BVI	2002	22.0	16.0	1.0	1.0	4.1	23	n.a.
Tobago	2005	19.0	n.a.	n.a.	n.a.	n.a.	n.a.	3.2
Antigua & Barbuda	2006	18.3	13.4	3.7	3.1	6.3	48	10
Jamaica	2001	18.0	n.a.	n.a.	n.a.	n.a.	38	n.a.
Trinidad	2005	15.4	n.a.	1.2	n.a.	n.a.	43	9.2
Barbados	1996	14.0	9.0	1.0	1.0	2.3	39	n.a.

Sources: CPs conducted by CDB; Jamaica Annual Survey of Living Conditions (SLC); Barbados CPA Inter-American Development Bank; Guyana Living Conditions Survey (United Nations Development Programme); Trinidad and Tobago Household Budget Surveys; Belize SLC; Bahamas SLC.

### **3. SDF 7 AS A STRATEGIC RESPONSE**

3.01 For SDF 7 operations, Contributors have adopted four special themes through which it is proposed to address some of the principal challenges faced by BMCs and **outlined receding paragraphs**. The selected themes are:

- ***strengthening poverty reduction and addressing the MDG) in the Caribbean***, including the Bank's strategic response to the challenge of providing effective and meaningful assistance to Haiti, and supporting the Caribbean MDGs and related MDG targets in the Bank's BMCs;
- ***further enhancing development effectiveness***, including *Managing for Development Results (MfDR)* and application of the *Paris Declaration on Aid Effectiveness*, and including strengthening of the Bank's human resources and institutional capacity;
- ***supporting regional cooperation and regional integration***, including an appropriate operational framework to support priority needs of the Caribbean Community and its members and the provision of regional public goods (RPGs); and

<sup>5/</sup> One more recent estimate is 80% as of 2003.

<sup>6/</sup> One more recent estimate is 70% as of 2003.

- ***supporting environmental sustainability and advancing the climate change agenda***, including addressing the vulnerability of the Bank's BMCs to environmental risks and climate change mitigation and adaptation.

3.02 The programme themes and the related objectives for SDF 7 are elaborated in some of the documents already discussed and others to be considered by Contributors during upcoming Negotiation Meetings.

3.03 Several of these documents were focussed on reviewing and evaluating the performance and effectiveness of various programmes supported by various SDF cycles including SDF 6. The lessons learned are being applied to the design and later execution of SDF 7 programmes and projects as well as to assist in ensuring that CDB's limited resources are used as effectively as possible to the benefit of BMCs. These papers (except for the latter three which are focussed on the case for SDF 7 replenishment) include:

- (a) SDF 6 Mid-Term Review and Management Response;
- (b) Evaluation of Technical Assistance (TA) Operations;
- (c) Status Report on SDF 6 (Original and Revised);
- (d) Poverty Reduction Strategy: Progress Report;
- (e) CDB Institutional Strengthening;
- (f) Corporate Human Resources Report;
- (g) Basic Needs Trust Fund Fifth Programme (BNTF 5) Mid-Term Evaluation;
- (h) Draft Environmental and Social Review Procedures;
- (i) SDF 7 Processes: Themes, Issues and Road Map (Original and Revised);
- (j) SDF 7 Issues and Operational Strategy Paper – An Outline; and
- (k) Updated Operational Strategy for Haiti.

3.04 For the scheduled Negotiation Meetings in July and October 2008, the SDF 7 priorities are addressed in separate papers on the four themes, with an overall results framework. The documents circulated for discussion at the July meeting are:

- (a) Strategic Approach for SDF 7;
- (b) Strategic Theme #1 – Poverty Reduction and Human Development;
- (c) Strategic Theme #2 – Environmental Sustainability and Climate Change;
- (d) Strategic Theme #4 – Development Effectiveness and MfDR;
- (e) Gender Policy and Strategy;

- (f) Strengthening BNTF Operations and BNTF 6;
- (g) Performance and Results Analysis;
- (h) Outline of Draft Contributors' Report; and
- (i) Resource Requirement for SDF 7 – A Discussion Paper.

A document entitled Content and Issues for SDF 7 – Background Paper on Economic Performance and Prospects in the Caribbean will be circulated to Contributors in support of the case for the replenishment of the SDF for an eighth cycle.

3.05 Additional documents on Strategic Theme #4 – Regional Cooperation and Integration Results Framework; SDF 7 Operational Issues and Strategy; Level of Replenishment and Resource Requirement; and the Draft Contributors' Report are being prepared for the October meeting.

#### **4. PROGRAMME OPTIONS**

4.01 In order to meet the current international trends and of the challenges and threats to BMCs' development efforts, the Bank's attention must be focussed on assisting member countries to improve sustainable economic growth and competitiveness as a means of reducing poverty and enhancing the welfare of their citizens in general. Such efforts should continue to be broadly directed at:

- (a) supporting the improvement of infrastructure developments recognising that adequate and high quality infrastructure services are essential for each country's growth and competitiveness;
- (b) promoting inclusive social development that recognises the imperative of reducing rising disparities in income and general progress between and within BMCs and which, if left unmitigated, can be disruptive to economic and social progress. The focus in this regard would be on facilitating inclusive growth and the participation of the less fortunate in the widening market opportunities through expanding and improving education, rural services and agriculture and basic infrastructure services;
- (c) supporting efforts to improve governance and in particular to reduce state bureaucracy and the costs of doing business for enterprises and ordinary citizens and as a means of enhancing competitiveness;
- (d) supporting efforts to address the impacts of climate change, to prioritising environmental sustainability, and to improving disaster risk management. Climate change and other concerns about environmental degradation have become global issues. These concerns include energy efficiency and clean energy, water resource management and deforestation. For the borrowing members of the Bank, a strategy for economic growth must, in fact, be a strategy for environmentally sustainable growth which links their economic well-being and progress to the long-term preservation of the environment;
- (e) promoting and facilitating regional integration and cooperation as a means of creating larger market space for goods and services, improving the efficiency of resource use, enhancing competitiveness and achieving higher rates of economic growth. The Bank will need to leverage its credentials as a leading Pan-Caribbean institution to assist the

Region to address the many conceptual, technical and institutional challenges of attaining greater economic integration.

4.02 The range of instruments/modalities currently employed by the Bank and by extension SDF for pursuing its overall mission of assisting BMCs to reduce poverty and to achieve the MDG Caribbean-specific targets includes:

### **Capability Enhancement**

- Solid Waste Management
- Student Loan Scheme
- Technical and Vocational Education [including Sector-Wide Approaches (SWaPS)]
- Tertiary Education (including SWAPS)
- Natural Resource Management/Ecotourism Development
- Rural Enterprise Development Projects
- Essential Infrastructure and Services
- Rehabilitation/Expansion of Productive Capabilities
- Micro- and Small-Scale Enterprise Development – including Caribbean Technological Consultancy Services (CTCS)

### **Vulnerability Reduction**

- Natural Disaster Response
  - Immediate Response
  - Rehabilitation
  - Risk Reduction Management
- Climate Change Mitigation and Adaptation
- Renewable Energy and Energy Efficiency
- Social Investment Funds
- BNTF
- Low-income Housing
- Shelter Development
- Early Childhood Education (including SWAPS)
- Basic Education (including SWAPS)

### **Good Governance**

- Institutional Strengthening TA
- Public Sector Reform
- Policy-based Instruments

4.03 The Bank's analysis of the overall performance and effectiveness of these modalities (and in particular those for which recent assessments/evaluations have been undertaken, i.e. BNTF, TA, Student Loan Scheme, Rural Enterprise Development and Shelter Development. The performance of other modalities have assessed at the time of the Performance Review of SDF 4, the Mid-term Evaluation of SDF 5 by independent consultants, and the ongoing multi-cycle evaluation of SDF 4 and 5) does not recommend the abandonment or any significant changes to these instruments. Several shortcomings have been identified in their performance especially as it relates to the setting of realistic and achievable targets. It is expected that the MfDR focus adopted for SDF 7 would contribute considerably to addressing these deficiencies. Details of these shortcomings and proposed solutions are set out in the

paper on performance and results analysis submitted for consideration by Contributors at the July Negotiation Meeting.

4.04 As a consequence of the themes adopted, emphasis will be placed on prioritising those modalities that are most consistent with the delivery of those themes. Hence the resourcing of those instruments which target MDGs 1-4 such as BNTF; dealing with the special challenge of Haiti; gender equality, PBLs, early childhood and basic education etc.; and environment/disaster response, mitigation and rehabilitation/climate change; regional integration/capacity-building/good governance/RPGs especially transportation to support intra-regional trade and TA would receive special consideration in the SDF resource allocation exercise.

## 5. RESOURCE LEVEL SCENARIOS

5.01 Total resources available for SDF 7 will consist of internally generated resources, new contributions and carry-over of uncommitted resources from SDF 6. Table 2 below presents an indicative financing framework that includes the source and use of SDF 6 resources and projections of four alternative SDF 7 resource scenarios, i.e. a base scenario and Scenarios #1, #2 and #3 which will form the basis for discussions between Contributors and the Bank about the final level of replenishment.

**TABLE 2: SDF (U) INDICATIVE FINANCING FRAMEWORK**

	SDF 6	SDF 7 Base	Scenario #1	% Change vs SDF 6	Scenario #2	% Change vs SDF 6	Scenario #3	% Change vs SDF 6
<b>Resources</b>								
Repayments	61.8	63.0	63.0		63.0		63.0	
Net Income	15.0	31.0	31.0		31.0		31.0	
New Pledges	156.7	167.7	250.5	59.9	333.5	98.9	443.8	164.6
<b>Sub-Total</b>	<b>233.5</b>	<b>261.7</b>	<b>344.5</b>		<b>427.5</b>		<b>537.8</b>	
Carry-Over	5.0	14.5	14.5		14.5		14.5	
<b>Total Resources</b>	<b>238.5</b>	<b>276.2</b>	<b>359.0</b>	<b>30.0</b>	<b>442.0</b>	<b>60.0</b>	<b>552.3</b>	<b>100.0</b>
<b>Programme Level</b>								
Country Loan Allocation (except Haiti)	121.5	122.5	140.5	14.7	162.0	32.2	183.3	49.6
Loans for Disaster Mitigation and Rehabilitation	45.0	20.0	25.0	25.0	30.0	50.0	40.0	100.0
Loans for BMCs in Fiscal Distress		31.7	60.0	89.3	65.0	105.0	65.0	105.0
Interest Subsidisation Fund	0.0	0.0	0.0		10.0		15.0	
BNTF	32.0	36.0	48.0	33.3	58.0	61.1	72.0	100.0
Gender Equality	0.0	0.0	4.0		5.0		6.0	
Regional Cooperation and Integration, and RPGs	10.0	11.0	15.0	36.4	15.0	36.4	17.0	54.5
Disaster Response	8.0	9.0	10.0	11.1	12.0	33.3	15.0	66.7
Environmental Sustainability and Climate Change Agenda	0.0	0.0	4.0		5.0		6.0	
Development Effectiveness and MfDR and the MDGs	4.0	4.5	5.0	11.1	6.0	33.3	8.0	77.8
TA, Capacity-Building, CTCS and Project Training	10.0	11.0	12.5	13.6	20.0	81.8	25.0	127.3
<b>Total Programme Level before Haiti Allocation</b>	<b>230.5</b>	<b>245.7</b>	<b>324.0</b>		<b>388.0</b>	<b>318.1</b>	<b>452.3</b>	<b>475.9</b>
Haiti Allocation	27.0	30.5	35.0	14.8	54.0	77.0	100.0	227.9
<b>Total Programme Level</b>	<b>257.5</b>	<b>276.2</b>	<b>359.0</b>	<b>30.0</b>	<b>442.0</b>	<b>60.0</b>	<b>552.3</b>	<b>100.0</b>
Structural Gap	19.0	0.0	0.0	-100.0	0.0	-100.0	0.0	-100.0

5.02 A base scenario has been estimated with the level of contributions calculated at that of SDF 6 in real terms plus internally generated resources and carry-over of uncommitted resources from SDF 6. Total baseline resources are 15.8% higher than that for SDF 6 with new contributions being 7% more than in SDF 6 and 60.7% of the total baseline amount. It should be noted that for SDF 6, there was a gap between the original amount of contributions projected of \$184 mn and the amount finally pledged of \$156.7 mn.

5.03 The level of resources estimated for the base scenario will fall short of the requirement to meet the objectives of SDF 7 particularly with regard to assisting BMCs to mainstream gender equality and climate change issues, and would only support a programme of size similar to SDF 6 in real terms. Indeed, the size and scope of programming which would be supported by this resource level will not allow for the full realisation of the benefits of ongoing institutional and operational changes within the Bank and which were discussed by Contributors at the First Formal Negotiation Meeting in Belize.<sup>7/</sup>

5.04 Scenario #1 is based on a 30% increase in available resources over base scenario and would allow the Bank to extend its development agenda to include modest programmes in gender equality, environmental sustainability and climate change. It will also provide for the stepping up of policy-based initiatives aimed at assisting BMCs to create the fiscal space necessary for increasing their expenditures on growth-stimulating activities, to generate employment and reduce poverty. Although the additional resources would permit some expansion of direct poverty-focused interventions, there would still be a considerable financing gap on already identified programmes targeted at quickening the pace of rural development and agriculture and for increasing the Haiti programme to a level that would justify the establishment of an office in Haiti. This resource level would not be sufficient for the Bank to assume a leadership role in any of these key areas.

5.05 The increase in resources under Scenario #2 is based on a 60% increase in total resources over the base scenario and would permit a more strategic and effective response to the needs of BMCs than was possible under SDF 6. The enhancement of another instrument for creating financial space in debt-burdened BMCs, i.e. interest rate subsidisation, and for a more robust approach to the poverty reduction challenge by increasing the scope of the direct poverty and cross-cutting programmes would be possible under this scenario. However, it is clear from the rate of commitment of the resources made available during SDF 6, that the poverty challenge in the Bank's newest borrowing member would require a greater resource response than envisaged under Scenario #1 or even this scenario.

5.06 The fact of this being the last full cycle before the MDG deadline of 2015 compels the development of Scenario #3 that increases the focus on the poverty and human development MDGs and to creates the best opportunities for assisting BMCs to meet the Caribbean-specific targets. In this regard, a high scenario that increases the available resources by 100% over the base scenario will allow for a substantial thrust in Haiti, for the widening of programming efforts under BNTF and sustained support for a more comprehensive strategy and programme to build vital capacity at the national, sub-regional and regional levels. It would also provide for the Bank to invest in the development of the policies, institutions, human resources, information systems and tools required to design and manage projects for development results and to sustain project benefits within BMCs.

5.07 Contributors are invited to consider and advise on the indicative financing framework and related inputs for incorporation into the subsequent level of replenishment paper for the next Negotiation Meeting.

---

<sup>7/</sup> Refer to CDB Institutional Strengthening (SDF 7/1-NM-5) and Corporate Human Resources Report (SDF 7/1-NM-4)