



RE-327

***Country Program Evaluation:
Haiti 2001-2006***

Office of Evaluation and Oversight, OVE

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TABLE OF CONTENTS

[PREFACE](#)

[ABBREVIATIONS](#)

| | | |
|------|--|----|
| I. | HAITI'S CONTEXT AND DEVELOPMENTAL CHALLENGES | 1 |
| A. | Background..... | 1 |
| B. | Haiti's development challenges..... | 2 |
| 1. | Economic context..... | 2 |
| 2. | Social challenges..... | 5 |
| 3. | Environmental degradation | 7 |
| 4. | Political and institutional challenges..... | 7 |
| C. | Implementation challenges in Haiti..... | 8 |
| D. | Perspectives..... | 9 |
| II. | THE IDB'S RESPONSE TO HAITI'S CHALLENGES..... | 11 |
| A. | Review of the IDB's engagement with Haiti | 11 |
| B. | The Bank's strategic involvement since 2001..... | 11 |
| C. | Assesment of the Bank's strategic involmnet | 14 |
| D. | Realization of the Bank's strategy..... | 18 |
| III. | IMPLEMENTATION OF THE IDB'S PROGRAM IN HAITI | 19 |
| A. | Instruments and resources | 19 |
| B. | Efficiency in the implementation of the program..... | 21 |
| C. | Assesment of the implementation of the Bank's program in Haiti | 25 |
| IV. | GUIDELINES TO INCREASE IMPLEMENTATION EFFECTIVENESS: THE PARIS DECLARATION ON AID EFFECTIVENESS | 28 |
| V. | RESULTS | 31 |
| VI. | CONCLUSIONS AND RECOMMENDATIONS..... | 34 |
| A. | Conclusions | 34 |
| B. | Recommendations | 36 |

[BIBLIOGRAPHY](#)

[LIST OF INTERVIEWS](#)

ABBREVIATIONS

| | |
|----------|--|
| AHA | Ad Hoc Annex |
| CIDA | Canadian International Development Agency |
| COF/CHA | IDB Country Office in Haiti |
| CPE | Country Program Evaluation |
| CS | Country Strategy |
| DAC | Development Assistance Committee |
| DFID | Department for International Development |
| DSA | Debt Sustainability Analysis |
| ECVH | Haiti Living Conditions Survey |
| ESW | Economic and Sector Work |
| GOH | Government of Haiti |
| GDP | Gross Domestic Product |
| HIPC | Highly Indebted Poor Countries |
| IADB | Inter-American Development Bank |
| ICF | Interim Cooperation Framework |
| IDSF | Institutional Development Sector Facilities |
| IIC | Inter-American Investment Corporation |
| IMF | International Monetary Fund |
| ISL | Investment Sector Loans |
| MEF | Ministry of Economics and Finance |
| MDRI | Multilateral Debt Relief Initiative |
| MIF | Multilateral Investment Fund |
| MINUSTAH | United Nations Stabilization Mission in Haiti |
| NPV | Net Present Value |
| OAS | Organization of American States |
| ODA | Official Development Assistance |
| OVE | Office of Evaluation and Oversight |
| PBL | Policy Based Loans |
| PCR | Project Completion Report |
| PRI | Private Sector Department |
| PRSP | Poverty Reduction Strategy Paper |
| UNICEF | United Nations children's Fund |
| USAID | United States Agency for International Development |

PREFACE

According to the Protocol for the conduct of Country Program Evaluations (RE-271-2): “CPEs serve two evaluation functions: 1) they provide an account to the Board of Directors regarding the results achieved from Bank action in a country over an extended period of time, and 2) they provide an opportunity for reflection and lesson-learning regarding how the Bank could improve the effectiveness of its operations in the future.” In doing so, the evaluation exercise is guided by four core evaluative questions: the **relevance** of the program to the development challenges of the country; the **coherence** between the definition of a programmatic focus, the integration across Bank instruments in support of program objectives, and the coordination with other developmental actors; the **efficiency** measured both in terms of administrative costs and timeliness of execution; and the **effectiveness** of individual interventions and at the level of the program as a whole, with particular attention devoted to investigating the sustainability of results and the contribution of the program to the institutional development of the borrower.

In addition, this CPE also contrasts the Bank’s program with respect to the evaluative criteria of the Paris Declaration on Aid Effectiveness: *ownership, alignment, harmonization, managing for results, and mutual accountability*. The Bank signed the declaration in March 2005, and in July 2006 the international community and the Haitian authorities accepted its principles as a reference in the quest for more efficient development assistance. The objective of invoking these evaluative criteria in this CPE is to discuss their baseline values and to outline the challenges faced by the Bank.

Given the particularities of Haiti and of the IDB’s program in the country between 2001-2006, which are analyzed thoroughly in the document, this report concentrates on the relationship between the IDB and Haiti, and on how the Bank could improve the impact of its program in Haiti.¹ It will also address the effectiveness of the Bank’s program in terms of meeting the development objectives set forth in the country strategies, but it will not concentrate on the status of the indicators mentioned in the loan documents of individual projects because the Bank’s portfolio is in its early stages of execution.

The accuracy of the CPE findings depends critically on the collaboration from the relevant actors in the Bank and the country. Collaboration reduces the probability of errors of fact, omission and interpretation. This CPE is a product of an exceptional collaborative effort between OVE, the Administration and the country. OVE appreciates the assistance of the people interviewed for this report.²

I. HAITI'S CONTEXT AND DEVELOPMENTAL CHALLENGES

A. Background

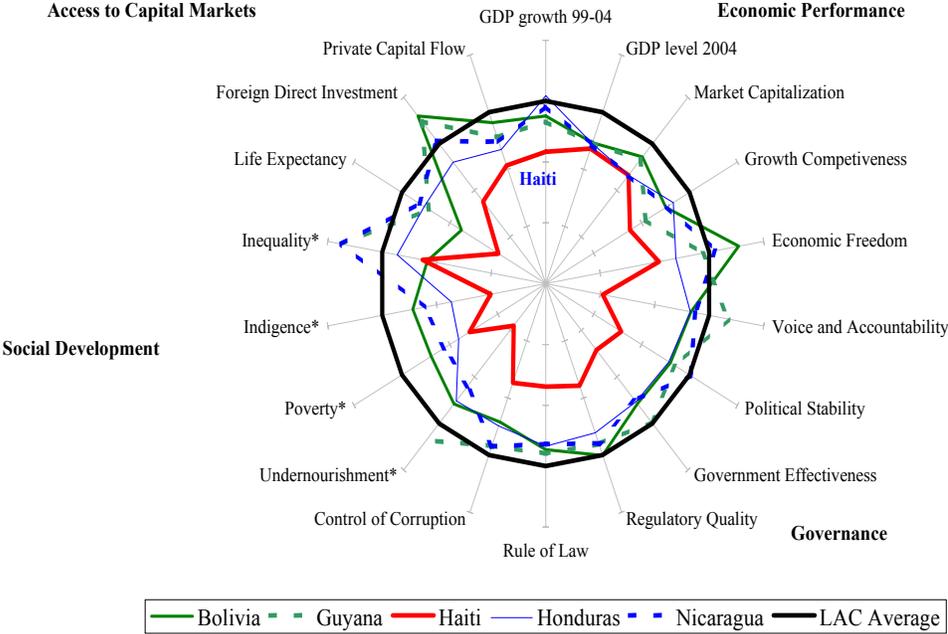
- 1.1 The period under analysis is 2001-2006. As context to this period it is necessary to provide some brief elements of key previous political events. Parliamentary elections organized in April 1997 did not produce an effective Parliament and created a political deadlock that had important consequences for the relationship between Haiti and the international community. It resulted in the impossibility for Haiti to ratify loans from multilateral institutions, as stipulated in its Constitution.
- 1.2 The IDB's Board of Executive Directors approved four investment loans (one in 1997 and three in 1998) that were not ratified by Parliament until January 2001. The World Bank, official donor coordinator for Haiti since 1994, decided to stop approvals in 1997 and cancelled its activities and, after publishing a hard assessment on the perspectives of working with Haiti in 2002, it decided to close its representation in the country and did not start working again with Haiti until the departure of President Aristide in February 2004.
- 1.3 Subsequent parliamentary elections took place in May 2000, prior to the November 2000 presidential elections. Although at first international observers considered the elections to be fair and valid, the procedures followed when counting the votes were questioned and sparked strong protests from the opposition.³ The Organization of American States asked the government to correct the irregularities, which would have likely changed the composition of Parliament but not the overall correlation of forces. A process of political polarization began and actions by the main actors only fueled radicalization and confrontation, resulting in escalating violence, instability and insecurity,⁴ that led to the departure of President Aristide, after which Boniface Alexandre, Chief Justice of the Supreme Court, was designated as interim President following the provisions of the Haitian Constitution. Shortly after, on March 10, a council of notables appointed Gérard Latortue as Prime Minister.
- 1.4 On the evening of February 29, 2004, the Permanent Representative of Haiti to the United Nations submitted the interim President's request for assistance, which included the authorization for international troops to enter Haiti.⁵ The Security Council adopted resolution 1529 authorizing the Multinational Interim Force and declaring Council's readiness to establish a follow-on United Nations stabilization force to support continuation of a peaceful and constitutional political process and the maintenance of a secure and stable environment. After the Secretary-General recommended the establishment of a multidimensional stabilization operation, to be known as the United Nations Stabilization Mission in Haiti (MINUSTAH), the Security Council adopted resolution 1542 of April 30, 2004, establishing MINUSTAH for an initial six-month period. The mission, that represents a concerted endeavor by a large number of American states (Argentina, Bolivia, Brazil, Canada, Chile, Ecuador, El Salvador, Guatemala, Paraguay, Peru, United States, and Uruguay), has been extended by subsequent resolutions.

1.5 After the interim government was established, the international community jointly with the Haitian authorities produced an Interim Cooperation Framework (ICF), a document that reflects a needs assessment and provided a work plan for the transitional regime and a reference point to coordinate international aid for Haiti.⁶

B. Haiti’s Development Challenges

1.6 Haiti faces enormous social, economic, environmental, and political challenges. In a snapshot, the following figure shows the uniqueness of Haiti relative to the rest of the IDB’s borrowing members, and it illustrates the enormous challenges faced by the country.

Chart 1.1: Haiti’s status relative to IDB borrowing countries⁷

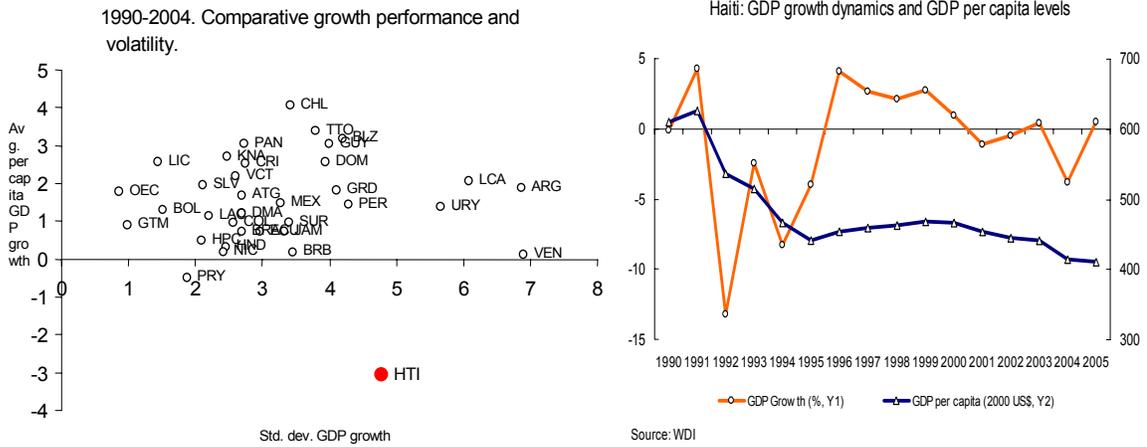


1. Economic Context

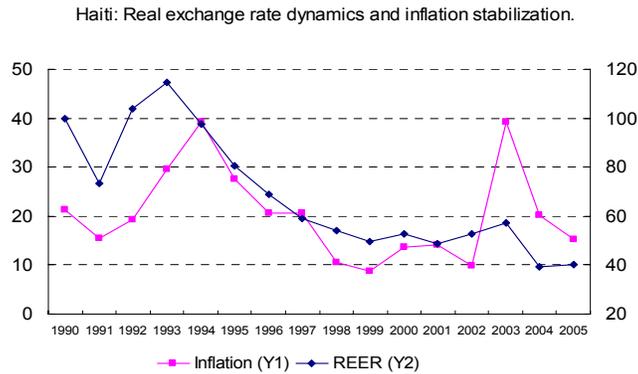
1.7 The Haitian economic base has been historically concentrated around the production of few products and services (rice, coffee, mangoes, and light manufacturing), being highly vulnerable to the systemic fluctuations arising from international demand, weather conditions, and political instability.

1.8 **Growth and Volatility Issues.** In terms of growth, Haiti has had a poor economic performance in the last forty years: real GDP per capita was about 35% smaller in 2005 than in 1965. Since 1990 rates of growth in Haiti have been highly volatile and negative in average: a period of abrupt collapse between 1992 to 1995, was followed by a period of relative recovery, followed by another period of lackluster rates of growth since 2000. During the period 1990-2005, Haiti’s economic growth averaged –1.1% per year, implying annual growth rates of around -3.1% in per capita terms. As seen in the

following chart, Haiti is an outlier in terms of negative growth performance and volatility in the Region.

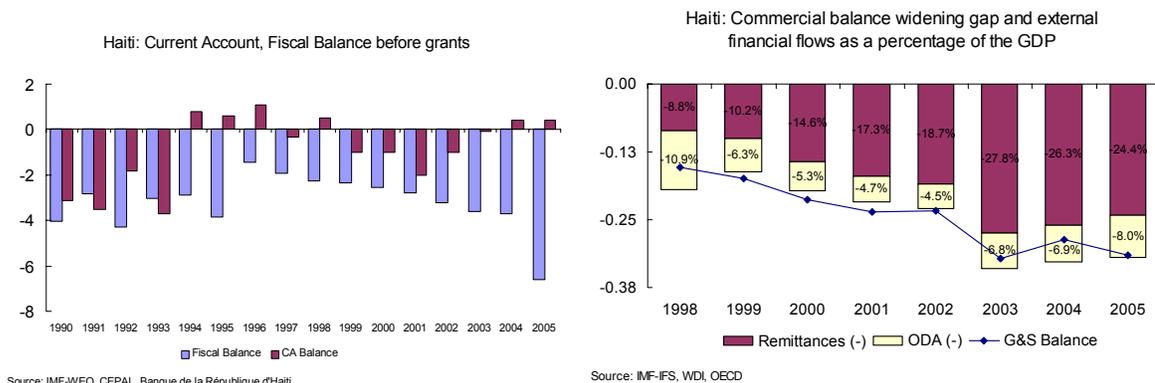


1.9 **Stabilization Issues.** *The Banque de la République de Haiti* has obtained progress in its stabilization efforts after supply shocks and fiscal deficit monetization made inflation peak in 2003. Exchange rate stability has been a major goal of the monetary authorities that have used the exchange rate as a nominal anchor for prices. As seen in the chart, the results of the monetary policy, along with the effects of the increasing inflows of remittances and foreign aid, produced a steady tendency for the appreciation of the real exchange rate, that remains a challenge for the tradable productive sector capacity to support the future recovery needed for Haiti.



1.10 **External Balance.** During the period 2001-2005, Haiti could effectively close the external current account gap, due mainly to the recessive environment and the renewed vigor of the international non-factorial unilateral transfers (remittances and aid). As seen in the chart, despite the achieved balance in the current account, Haiti external accounts in terms of the goods and services balance have shown a clear deterioration. The merchandise trade balance gap has been compensated with the generous infusion of remittances and external aid. To close the gap, the economy is relying on inflows that are unstable by nature. The macroeconomic risk involved is related to the fact that should those financial inflows experience any disruption, the economy would face an abrupt

correction of the domestic deficits, a process that in the past has generally involved a deep and costly recession.



- 1.11 **Fiscal Stance.** In the recent past, the fiscal balance of the GOH has been around -5% of GDP in average (about USD\$200 million). The GOH inability of raising tax revenues beyond the threshold levels around 7% to 9% of GDP (among the lowest ratios in the Caribbean), along with expenditures being about 50% higher than government receipts, has generated a structural tendency of the GOH for running fiscal deficits. In the past, fiscal gaps have been closed by the country's central bank, with resulting inflation; more recently this source of financing has been avoided and the gap has been closed with fresh infusions of Official Development Assistance funds.
- 1.12 The fiscal position of the GOH is such that virtually all public investment is financed with external resources. In 2005-2006, for example, the budget decree contemplated domestic revenues for US\$434 million, with primary current expenditures being US\$432 million. Capital and debt service expenditures totaled US\$480 million, financed through external resources, US\$188 million by donations and US\$290 million with concessional loans. It is accepted by the government and by donors that this structure of financing will remain in the short and medium term, and the prospects for increasing government's revenues are modest.
- 1.13 **Debt.** The IDB is the single most important creditor of Haiti. The Bank holds 40% of Haiti's external debt (US\$550 million out of US\$1.3 billion), which represents 13% of the country's GDP. Repeatedly, the Governor from Haiti asked for debt-relief at IDB's annual meetings (in the 2000, 2001 and again in the 2005⁸). However in 2006 the Governor expressed disappointment if the implications of debt relief affected Haiti's ability to borrow from the IDB.⁹
- 1.14 Under the traditional indicators (the debt service-to-exports, Net Present Value of debt-to-revenue, revenue-to-GDP and exports-to-GDP ratios), debt sustainability has not been a major issue in Haiti, which explains why it was not considered eligible for HIPC until April 2006. Due to the poor recent performance of exports, eligibility to HIPC was achieved with the debt service-to-exports criteria (which was 189%, above the 150% threshold). The NPV of debt-to-revenue ratio (272%) also exceeds the threshold (250%), but the revenue-to-GDP (9%) and exports-to-GDP (14%) ratios do not meet HIPC

standards.¹⁰ The most recent Debt Sustainability Analysis by the IMF shows that, under the baseline scenario, assuming the unconditional delivery of HIPC Initiative assistance, Haiti's NPV of debt-to-exports ratio is expected to fall gradually from 150% as of end-September 2005, to approximately 100% by 2025. External debt service as a ratio of exports is also expected to decline gradually.¹¹ The report also shows that Haiti's ability to service external debt after HIPC relief is highly vulnerable to export performance. Finally, it stresses that additional debt relief from the Multilateral Debt Relief Initiative would be beneficial for the sustainability of Haiti's remaining obligations.

- 1.15 In face of the significant development challenges faced by Haiti (to be discussed below) and the lack of domestic resources to meet them, the discussions regarding debt relief and grant versus loan financing resulted in a resolution by the Bank's Governors (AG -2/07) by which debt relief was approved to Haiti in the context of the HIPC Initiative, which combines the cancellation of US\$60 million between 2007-2009 with US\$50 million of grants each year during 2007-2009. Additional support will be available if the country reaches the culmination point in 2009 and has access to the benefits from the MDRI.
- 1.16 **Economic Perspectives.** In spite of the poor economic performance of Haiti in the past decades, there is a consensus on the viability of the economy, and specifically on the main sectors that could generate economic growth. According to interviews¹² and to some recent economic work,¹³ the main sectors that could contribute to job creation and economic growth are labor-intensive industries –export manufacturing, some specific agricultural products (coffee, mangoes), tourism, and infrastructure (construction works). The main bottlenecks identified for the start-up of economic growth are overall insecurity, energy, the need to attract, retain and train human capital and the dismal state of infrastructure. These sectors and obstacles have been identified and discussed since the late eighties,¹⁴ however political instability and natural disasters have only diminished the opportunities for growth and increased the difficulties that need to be surpassed to initiate economic growth.
- 1.17 There is also a general agreement on the necessity for the private sector to play a key role in this process, as well as on the need to deal with some essential preconditions for sustainable growth to develop.¹⁵ These include the provision of security, basic infrastructure and dealing with the energy problem. There is a widespread agreement on the necessity of reconstructing (or constructing) the country. This enormous task is, on itself, a major source of growth in the near future. For example, the ICF considered spending US\$973.5 million to promote economic revival and improve access to basic services that could generate 731,00 person/month jobs.¹⁶ Basic transportation infrastructure,¹⁷ as well as an enabling business climate (physical and legal security) and investments in human capital, are considered to be necessary to jump-start the economy.

2. Social Challenges

- 1.18 **Poverty.** According to the most recent Living Standards Survey (2001), about 56% of the population lived under the extreme poverty line (less than US\$1 a day) and nearly 77% lived in moderate poverty (less than US\$2 a day). Haiti also has the most unequal distribution of income in the Region (the Gini coefficient of inequality is 0.67),¹⁸ and

regional disparities are also striking (the poorest region –the Northeast—has a poverty rate of 93.8%, compared to 57.7% in the West).¹⁹

- 1.19 **Health.** Life expectancy is only 52 years, compared with an average of 71 years in the rest of the Latin American and the Caribbean countries. According to the 2001 Haiti Conditions Survey (ECVH), only half of the population had access to health services, and just 3% had medical insurance. Access to prenatal care was limited, only 49.6% of the pregnant women received this attention, and it was even more restricted for women living in extreme poverty (44%) and in rural zones (42%). During 1995-2003, skilled health personnel attended only 24% of the births. Infant mortality is notably higher than in the rest of Latin American and Caribbean countries (76 deaths by 1,000 live births, compared to rates of 32 in Honduras, 53 in Bolivia, 52 in Guyana and 30 in Nicaragua)²⁰. The fertility rate shows a greater number of births per woman (4.0) than the other Group D countries²¹ and the regional average (2.5).
- 1.20 **Education.** Only 55% of the population older than 15 years is literate. This figure is below all IDB member countries and the average of Latin America and Caribbean countries (almost 91%). In 2001, only 60 % of children between the ages of six and eleven years old attended school (74% in urban areas and 54% in rural areas) Also, only half of the estimated 45 thousand teachers have secondary education and only half of the schools have access to water, suggesting the low levels of human and physical capital invested in education. Another salient feature about Haiti's education is that about 80-85% of it is provided by the private sector. Given the low levels of income, this causes that many parents cannot afford to send their children to school. On average, households with school-aged members spend 14% of their income in education. Additionally, this poses important challenges in terms of regulation of private providers by the government.
- 1.21 **Child Alert.** On March 2006 UNICEF emitted an alert on the situation of children in Haiti.²² There is a disproportionate ratio of child deaths to births in Haiti (1 in 14 die before their first birthday). A major problem is the lack of widespread immunization (only 54% receive vaccinations for measles and about 45% against polio, compared to over 90% in the rest of Latin America). The report mentions insufficient healthcare, environmental degradation, lack of education, and violence and abuse as the salient threats for the well being of Haiti's children.

Table 1.1: Social Indicators of the IDB HIPIC-Eligible Member Countries

| | Per capita GDP US\$ | Life Expectancy (Years) | Adult illiteracy (%) | Youth illiteracy (%) | Infant Mortality (a) | Total Fertility rate (b) | Human Development index |
|----------------------|------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|-----------------------------|-------------------------------|
| Bolivia | 892 | 64 | 13.5 | 2.7 | 53 | 4.0 | 0.687 |
| Guyana | 965 | 63 | 3.5 | .. | 52 | 2.3 | 0.720 |
| Haiti | 346 | 52 | 48.1 | 33.8 | 76 | 4.0 | 0.475 |
| Honduras | 1,001 | 68 | 20.0 | 11.1 | 32 | 3.7 | 0.667 |
| Nicaragua | 745 | 70 | 23.3 | 13.8 | 30 | 3.3 | 0.690 |
| LAC | 3,275 | 72 | 10.4 | 4.1 | 27 | 2.5 | 0.797 |
| Sub-Saharan Africa | 633 | 46 | 38.7 | 26.3 | 105 | 5.5 | 0.515 |
| Low-income countries | 483 | 58 | 39.2 | 27 | 80 | 3.9 | 0.593 |
| HIPCs | 406 | 51 | 45.9 | 39.7 | 96 | 5.4 | 0.459 |

Source: Human Development Report 2005.

(a) Deaths/1,000 live births

(b) Children born/Woman

3. Environmental Degradation

- 1.22 The environmental degradation of Haiti, a long-term problem that has accentuated a vicious circle of poverty in Haiti, has several root causes: Deforestation²³ - caused by the interaction between population growth and the composition of agricultural production that has changed from export crops to food crops²⁴; and by tree felling for charcoal production.²⁵ Additionally, the country has a vulnerable geography,²⁶ which is compounded by Haiti's unique agricultural structure, characterized by small parcels, which together with inheritance customs of dividing the property and population growth contributed to scarcity. Deforestation causes soil erosion, which in turn lowers the productivity of the land and worsens floods and droughts, so that moderate natural events turn out to be significant natural disasters, with all the associated costs in terms of human lives, assets and welfare.²⁷ Also, environmental scarcities are one of the factors that has contributed to conflict, which has also affected Haiti.²⁸ Several factors may explain deforestation and contribute to the issue of environmental degradation in Haiti: the need for fuel, the need for income, the lack of technological know-how, and the lack of incentives.²⁹ These factors are further complicated by the institutional weakness and lack of a proper regulatory framework. Thus, poor Haitians are trapped in a low equilibrium in the classical Prisoner's Dilemma, where they would be better off cooperating but they do not have the incentives to do so.

4. Political and Institutional Challenges

- 1.23 Perhaps the greatest challenge for the country, and the one necessary to address in order to create the conditions to work on the social and economic gaps that Haiti faces, is the need to consolidate its long process of political transition, which has yet to be completed.
- 1.24 In this context, a key institution is the legislative branch of the Haitian State, which has not functioned properly. Between 1997 and 2000 the country lacked a parliament, and the legitimacy and effectiveness of the one elected in May 2000 were weak. It was not until May of 2006 that a new Parliament, reflecting the political plurality of the country, was sworn in. Lacking a parliamentary tradition, the consolidation of Haiti's legislative process poses a significant challenge.
- 1.25 After the presidential election that took place on February 7, 2006, there have been some positive signals suggesting that agreements within the political actors in Haiti are possible. More specifically, the newly elected president, Mr. René Prével has reached to diverse members of the Haitian political and social spectrum, and has maintained a discourse of tolerance and unity. Most interviewed people were cautiously optimistic that agreements could take place and last, and that the country could finally move forward to the establishment of a functional democracy. Most also agreed that there is a short window of opportunity, with most political and economic actors willing to work with the new administration³⁰ in order to achieve that ultimate goal.

C. Implementation Challenges in Haiti

- 1.26 In 2002, OVE submitted to the Board of Executive Directors of the IDB the Country Program Evaluation for Haiti, which covered the 1990–2000 period. Two core implementation challenges identified in the report were how to increase execution efficiency while strengthening the State, and how to improve donor coordination. These issues are still relevant today.
- 1.27 Table 1.2 presents the main recommendations from the report related to the implementation of the Bank’s program in Haiti, as well as an update on whether they have been incorporated.

Table 1.2: Recommendations from the 1990 – 2000 CPE

| RECOMMENDATIONS | STATUS |
|---|---|
| With respect to the delivery mechanism for programs, <i>while working in strengthening the capacity of the State, the Bank must strive to find ways of using, additionally, other delivery vehicles...</i> One such vehicle is the use of executing agencies (special Project Executing Units --PEU) parallel to the Government Bureaucracy. A second one is the use of NGOs. A third possibility is the use of private firms. <i>Nonetheless, all these mechanisms must be seen as transition mechanisms, and simultaneous work on strengthening the State must be carried out</i> | PEU have been widely used, sometimes using NGOs as operators. Strengthening of line ministries from PEU is still a pending issue. |
| The program must be very focused with respect to project selection, and must have realistic and bounded expectations of success | Based on IDB resources available and country needs, the program is too dispersed and some projects are not focused. |
| Programming must be done with a long-term horizon in mind. | Long-term concerns are mentioned in programming, i.e. strengthening economic governance. |
| The Bank will have to coordinate its operations more closely with other donors, to arrive at what should be an efficient division of labor, thereby avoiding duplications that only result in adding to the burden of a weak government structure. | Signs of improvement in donor coordination in various areas (particularly in Transport Infrastructure and Vocational Training Projects, also in other sectors such as economic governance), but still room for improvement (for example in Social Investment, where IDB and WB have different executing units). Donor coordination should align to GOH. |
| The Bank must encourage and assist the different branches of Government in Haiti to engage in discussions since the early stages of the Bank’s country planning and project cycle, so that not only the executive but also the legislative develops early the sense of ownership of the program and its projects. The Bank must strive to understand the views of both branches of government and work as much as needed to convey its position on the projects | Pending. |

- 1.28 Since the publication of the previous CPE, there has been an ongoing debate on how donors should work in Haiti.³¹ Most major donors (CIDA, DAC, DFID, USAID, World Bank) agree in considering that Haiti represents a difficult environment for poverty reduction, which is the central challenge of the country.³²
- 1.29 In light of the failure of international support to Haiti, in July 2004 the ICF presented an extensive *mea culpa* from the donors (including the IDB): “*The donors recognize a lack*

of coordination, of consistency and of strategic vision in their interventions. These donors have often set up parallel project implementation structures that weakened the State, without, however, giving it the means to coordinate this external aid and to improve national absorptive and execution capacities... Due to the political blockage, the commitments of donors have only partially been maintained. This lack of continuity in donor interventions, as well as the political crisis within the Parliament, has severely handicapped the strategic and sectoral policies of the government. It is now acknowledged that this policy of massive investment, followed by sudden withdrawal, is counter-productive and that it is important to maintain the public sector's organizational and institutional capacity."³³

- 1.30 In March 2005 the IDB signed the Paris Declaration on Aid Effectiveness.³⁴ Furthermore, at the International Conference for Haiti's Economic and Social Development held in Port-au-Prince on July 25, 2006, the international community accepted the Paris Declaration as reference in the quest for more efficient assistance and ratified the proposals expressed by the Haitian Government in order to use the budget process as a framework for international assistance. The Paris Declaration provides guidelines to increase the development effectiveness of aid, and specific frameworks for countries with weak institutions. Hence, it provides a useful benchmark.³⁵ Table 1.3 presents the basic commitments, and chapter IV will analyze the status of the indicators in order to gauge the Bank's involvement in Haiti.

Table 1.3: Partnership Commitments from the Paris Declaration on Aid Effectiveness

| |
|---|
| Ownership - Partner countries exercise effective leadership over their development policies, strategies and coordinate development actions |
| Alignment - Donors base their overall support on partner countries' national development strategies, institutions and procedures |
| Harmonization - Donor's actions are more harmonized, transparent and collectively effective |
| Managing for results - Managing resources and improving decision-making for results. |
| Mutual accountability - Donors and partners are accountable for development results |

- 1.31 The general principles to enhance development effectiveness of the Bank's operation are valid in Haiti, where the Bank, as the most important donor in the country, has the responsibility of supporting the government in setting a development strategy and in establishing adequate national systems. The Paris Declaration is precise in stating that in countries with weak systems, strong and sustained donor assistance is required so that donors can develop plans to create and to strengthen national systems as part of the delivery process.

D. Perspectives

- 1.32 Haiti's challenges are enormous, both in breadth and in depth. In virtually any sphere of development (economic, social, political and environmental) the gaps are taunting. There is a consensus that only a sustained effort from the Haitian people with the continuous support from the international community can put the country in the path of sustainable development.

1.33 For the Bank, Haiti represents a challenging opportunity to add value and contribute to the development of its most disadvantaged member. Traditionally, the Bank has five sources of value added for its borrowing member countries³⁶: (i) a cheaper source of external borrowing; (ii) a lender of last resort when the clients' access to international commercial markets is reduced; (iii) a means of reducing fiduciary and execution risk; (iv) a source of technical assistance; and (v) a platform for the borrower's regional policy. In each dimension there is ample room for the Bank to contribute. The Bank needs to invest its best resources in order to fulfill its role and to contribute effectively to Haiti's social and economic development.

II. THE IDB’S RESPONSE TO HAITI’S CHALLENGES

A. Review of the IDB’s Engagement with Haiti

- 2.1 Haiti has received loans for US\$1 billion from the IDB’s Fund for Special Operations (FSO), which was created by the agreement establishing the IDB.³⁷ The country has always had access to FSO. Although the inclusion of performance criteria in the allocation formula has diminished the resources available for Haiti,³⁸ the country has traditionally not been able to use its allocated quota.
- 2.2 After the Seventh Replenishment, Haiti was allocated US\$205 million for 1990-1993, but given the embargo to the military authorities only 33% was used. During 1994-1997 US\$314 million out of US\$544 million (58%) was approved, and during 1998-1999 only 60% of the approved US\$161 million was utilized. During 2000-2001 Haiti did not use any of the US\$281 million that was allocated, which led to a reallocation of 25% of that amount to other countries. For the period 2002-2003, US\$177 million was allocated, US\$200 million was used and US\$116 million was carried over to 2004. The next table shows the figures for 2004-2006.

Table 2.1: Haiti’s Access to FSO Resources (US\$ million)

| 2004 | | 2005 | | 2006 | |
|------------|-----------|--------------|------------|--------------|-----------|
| Carryovers | US\$115.7 | Carryovers | US\$192.1 | Allocation | US\$83.1 |
| Allocation | US\$76.4 | Allocation | US\$76.4 | Reallocation | US\$66.9 |
| Subtotal | US\$192.1 | Subtotal | US\$268.6 | | |
| Used | US\$0 | Reallocation | US\$(66.9) | | |
| | | Total | US\$201.7 | | |
| | | Used | US\$201.7 | Total | US\$150.0 |

- 2.3 Prior to 1987, the Bank’s involvement was centered on water and sanitation (34%), agriculture (25%), and transportation (24%). From 1988 to 2000, approvals for investment loans were focused on transportation (37%), social investment (30%), and water and sanitation (14%). During this period, two PBL operations were approved: one as part of an emergency social sector operation, and a second one that was never activated. There was a clear move towards social projects, and towards the use of budgetary and reform support.

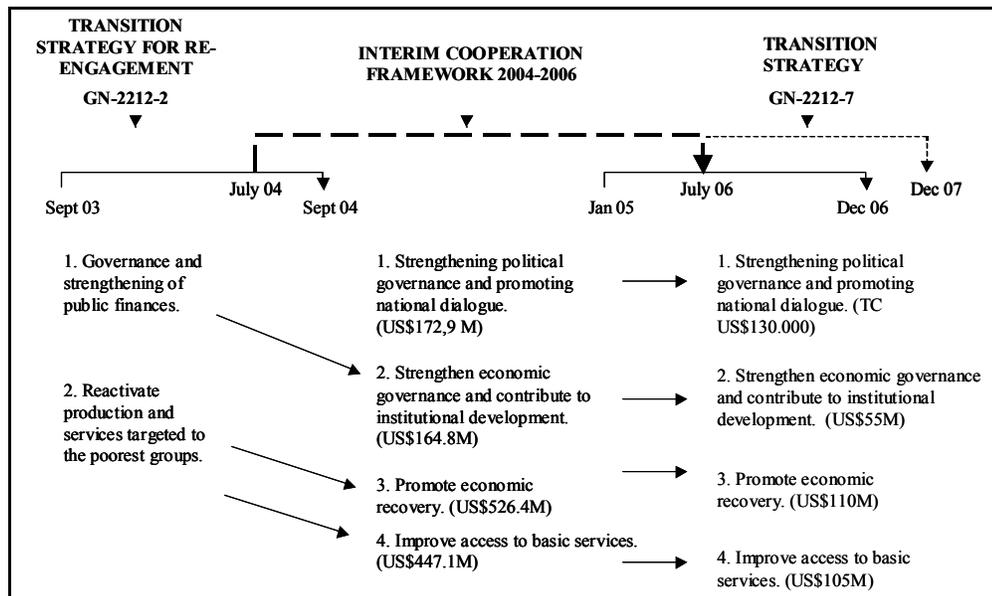
B. The Bank’s Involvement since 2001

- 2.4 The IDB is the only multilateral lender institution that has worked continuously with the lawful government of Haiti during the period of 2001-2006. Even in times of distress and when Haiti was in non-accrual with the IDB, the Bank maintained its office in Port-au-Prince open. When President Aristide departed in 2004 and the international community pledged support for Haiti, the IDB was the only multilateral institution with normal relations with the Haitian government, and had an active development program in place.³⁹

- 2.5 Shortly after Haiti's 47th legislature was installed on August 28, 2000, the four pending projects were ratified: from January 8 to January 15, 2001 the Parliament ratified loans for a total of US\$146.5 million.⁴⁰ These loans did not start their execution before disbursements to Haiti were suspended on June 5, 2001 due to the accumulation of arrears.
- 2.6 Following a set of OAS resolutions that called for ... *the international community to provide effective and concrete support to the Government of Haiti, Haitian civil society, and democratic political parties that operate within the Haitian constitution and the rule of law, in an effort to strengthen the Haitian democratic institutions (January 2002)*⁴¹ ... *To urge that the Government of Haiti and the international financial institutions, in anticipation of a negotiated solution to the political crisis and the eventual resumption of normal economic cooperation, initiate discussions, including consultations with relevant Haitian institutions and organizations, to address the unresolved financial and technical issues and procedural steps (June 2002)*⁴² ... *To support normalization of economic cooperation between the Government of Haiti and the international financial institutions and urge those parties to resolve the technical and financial obstacles that preclude such normalization (September 2002)*,⁴³ the IDB took concrete steps for the normalization of the relationship with the Government of Haiti:
- a. In May 2002 the Bank's Board approved a set of proposed Management actions which included: (i) the formalization/reformulation of six technical cooperations for US\$640,000, and (ii) steps towards resumption of lending activity, including a technical mission to deal with arrangement of payment of arrears.⁴⁴
 - b. As a result of the technical mission⁴⁵, the GOH formalized its commitment for the clearance of arrears, cancelled five inactive loans and decided to maintain active the Fund for Economic and Social Assistance (FAES-II). Also, the four loans ratified in January 2001 were reformulated and simplified, and the Investment Sector Loan approved in 1996 was also reformulated. Non-financial support and technical cooperation was also agreed, as well as further steps to assure reengagement.
 - c. An ISL was originally designed in 1996 to promote reforms in the financial sector. Most of the envisioned reforms were carried out by the Government without the support from the ISL, so in 2003 the Bank proposed to reactivate a reformulated version of the project, recognizing the completion of most conditions in order to disburse a first tranche of US\$35 million, which would be used to replenish the country's reserves used to clear the arrears with the IDB.⁴⁶ These operations took place on July 2003, when, to symbolize the normalization of Bank's relationship with the GOH, President Iglesias visited Port-au-Prince to sign the health, education, roads and water investment loans approved in the mid 1990s and ratified in 2001.⁴⁷
- 2.7 To complete the reengagement, the Bank produced a Transition Strategy for Reengagement for the period September 2003–September 2004 (GN-2212-2, approved by the Board on October 7, 2003)⁴⁸, that centered on two strategic pillars: governance and strengthening of public finances, and to reactivate production and services targeted to the

- poorest groups. The document in itself represents an effort from the IDB, which was the only multilateral to work with the government of Haiti at that time.
- 2.8 The reengagement efforts of the IDB were coordinated with the work of the IMF in Haiti, which also maintained its office in Port-au-Prince and had a sequence of Staff Monitored Programs since October 1997, aimed at supporting the authorities' efforts to maintain macroeconomic stability and secure external budgetary support. The role of the IMF was key in providing assurance to the IDB that the GOH was also making significant efforts to achieve macroeconomic stability and thus committed with the reengagement efforts.
 - 2.9 Another important feature of the strategy is the *de facto* restriction imposed from the necessity to assure positive flows from the IDB to Haiti. As stated in August 2002 by the Minister of Finance, "*It is obvious that, once the question of arrears is resolved, the situation of negative net flows will worsen, while short-term macroeconomic imbalances are also likely [to] occur. It is therefore essential that... the Bank be in a position to help the Government remedy this situation in the near term, with all the financial and non-financial instruments and products at its disposal.*"⁴⁹
 - 2.10 The 2003/2004 strategy also stressed the importance of aid coordination and external partnerships, which turned out to be crucial after the departure of President Aristide and the massive mobilization of resources from the international community. By addressing issues related to economic governance and institutional capacity of the Haitian government, the IDB aimed at addressing donors concerns and thus facilitating reengagement from other institutions.
 - 2.11 After the constitution of the interim government, the donor community swiftly moved to provide support to the new government. Shortly after President Aristide left the country on February 29, the World Bank, responsible for donor coordination for Haiti, organized an informal donor meeting in Washington on March 23. On April 22 the GOH launched the process for developing an Interim Cooperation Framework, and in May 2004 a needs assessment exercise took place in Port-au-Prince for a period of over three weeks with the participation of 250 national and international experts.
 - 2.12 The Interim Cooperation Framework was the result of a joint effort between the Government of Haiti, members of Civil Society and major donors (IDB, UN, the European Commission and the World Bank). The IDB was an important actor at the ICF meetings, it pledged – in excess of the then current portfolio of approximately USD\$330 million– US\$260 million (24% of the total US\$1.1 billion that were pledged to meet the most urgent needs faced by Haiti).
 - 2.13 The ICF was taken to be the Interim's Government Plan, based on four strategic areas:
 - a. Strengthening political governance and promoting national dialogue
 - b. Strengthening economic governance and contributing to institutional development
 - c. Promoting economic recovery, and
 - d. Improving access to basic services.

Figure 2.1: Bank's and Country's Strategies



2.14 After the ICF, the IDB produced a new transition strategy (GN-2212-7, approved by the Board on March 9, 2005) and during 2005 it approved a record of eight projects for a total of US\$201.7 million. The strategy has significant continuity with the 2003 Reengagement Strategy, and was aligned to the ICF, which is taken as the development guidelines to which donors need to ascribe to.

C. Assessment of the Bank's Strategic Involvement

2.15 The Bank followed the lead of the OAS in terms of its involvement with the legitimate Haitian government, which proved to be a sensible strategy that was coherent and that allowed the IDB to obtain a de facto leadership role.

2.16 The Bank normalized business with Haiti under the conviction that *“the IDB’s continued involvement in Haiti is the most effective contribution our institution can make to support the country at this difficult juncture”*.⁵⁰ This assertion needs to be qualified. A continued involvement per se is not sufficient, it needs to be coupled with solid and relevant non-financial products in order to provide with the necessary analytical elements to inform policymaking under difficult circumstances. Although this was recognized in the formal strategies, the Bank did not follow through and did not generate a relevant body of knowledge on the development challenges that Haiti faces. The Economic and Sector Work financed by the Bank is extremely scarce.⁵¹ Particularly during the most difficult years (2001-2004), when the presence and engagement of the IDB should have been capitalized in terms of generating a solid body of knowledge on the Haitian challenges, ESW was limited to two fiscal studies and a general assessment of sources of growth. Key studies are missing, for example regarding the investment gap needed to attain desirable levels of infrastructure and services in key areas such as health, education and transportation that could inform policy making,⁵² or the long terms prospects of a sustainable fiscal system in Haiti.

- 2.17 Although the “*crux*” of the strategy was to provide “*budgetary support to help finance improvements in public finance and fiscal management along with associated technical assistance and required analytical work*”⁵³, the IDB –as well as the rest of the donors— has not followed through the donor *mea culpa* (see par. 1.34), and has continued to work through project executing units that are in part justified by the lack of confidence on the public management system, to which the reform efforts supported by the policy-based loans are directed. Besides this contradiction, the technical assistance and analytical work required to tackle the root causes of the problems faced in terms of public finance and fiscal management have not been sufficient.
- 2.18 During 2005, OVE published a *Report on the Evaluability of Bank Country Strategies* (RE-309) which defined, based on the Bank’s Guidelines for Country Strategies, seven dimensions by which to assess these documents: (i) diagnosis, (ii) analysis of previous programming cycle, (iii) objectives, (iv) logical consistency, (v) risks, (vi) indicators, and (vii) monitoring and evaluation. Even though both the Bank’s strategies for Haiti during this period were transitional, OVE’s report provides a useful tool for the assessment of the documents.
- 2.19 In particular, the Bank’s strategies failed to present a proper diagnosis of the situation beyond a description of some of the many problems. This failure resulted in the inability to effectively prioritize among the different pressing needs that the country faces. The analytical background for the strategy, if it exists, is not reflected in the document. The results from previous programming exercises and from recently closed projects are omitted, and nothing is reported to have been learned from the past. This is a major omission, for at that time several Project Completion Reports were either available or under preparation for the projects that were cancelled on August 2002 (See Table 2.1). The commonality in all of these reports is that the Bank’s assessment of the projects is very negative.
- 2.20 The Bank’s individual reports provide useful insights on what went wrong and how to avoid the same outcomes in the future, and some of these considerations were considered in the new projects approved in 2003 and 2005. However, the Country Strategy did not acknowledge the poor results or the general findings of the individual reports.⁵⁴

Table 2.2: Results from the five projects closed in 2002

| Loan # | Classifications | | | Results (direct quote from PCR) |
|--|-----------------|-------------|---------------------|---|
| | Implementation | Assumptions | Develop. Objectives | |
| 795, Alcantarillado Pluvial de Puerto Príncipe | Satisfactory | Low | Improbable | No es probable que se logren los objetivos acordados del proyecto. Ninguno de los tres supuestos principales es válido. |

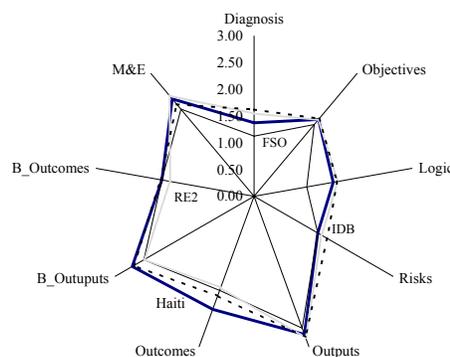
| | | | | |
|--|----------------|-----|------------|---|
| 959, Extension of Primary and Teacher Education Program | Satisfactory | Low | Low | The impact of the program is apparent. However, it will be difficult to sustain the program's achievements with the resources available. It should be noted that the Bank and other donors backed off on follow-up investments envisioned when this project was designed. |
| 945, Road Maintenance and Rehabilitation | Unsatisfactory | Low | Improbable | In conclusion, Haiti's external debt has been increased significantly but its limited institutional capacity is no better than it was at the outset of the project... We have a lot to learn from this program. |
| 473, 1467, 690, and 845 Artibonite Valley Agricultural Development Project | Unsatisfactory | Low | Low | Haiti's external debt has been increased significantly and its limited institutional capacity has been marshaled over a 26-year period for a program that by itself will probably never achieve its development objectives. |
| 738 National Program of Hog Restocking | Unsatisfactory | Low | Probable | The data to assess impact was never gathered, ... it is unlikely that any significant number of the poor farmers originally hurt by the eradication program ever benefited from the project. |

- 2.21 Although the Transition Strategy for Reengagement represents a step forward by the Bank in the midst of a difficult and unique situation, it shares most of the flaws of other country strategies reviewed by OVE.⁵⁵
- 2.22 On the evaluability dimensions of country strategies, the second transition strategy achieved better results than its predecessor, partly because it draws upon the ICF, which serves as an umbrella for all donor activities in Haiti. The diagnosis is still inadequate in that it describes situations without a thorough analysis on the root causes of the problems. Taking the ICF as the equivalent of a national development plan, then the Bank's CS is tautologically related to the country's priorities. However, there is no discussion on the strategic considerations that led the Bank to support the activities it engaged on. The previous strategy is acknowledged and lessons learned from it and from past donor activity in the country (discussed also in the ICF) are explicitly considered –however, there is still silence of past IDB involvement in Haiti. The logical consistency of the strategy is based on that of the ICF.
- 2.23 This strategy includes a Strategy Matrix with more than forty indicators that are a mix of activities, outputs and outcomes linking the Bank's intended actions to the government's program, the ICF. Some indicators are meaningful and well defined, and although recent baseline information is missing and targets are not provided, they could be useful to assess the results of the Bank's program. For this to be the case, however, data gathering and maintaining efforts are needed. It is important to note that all of the indicators are from individual projects, i.e. there are no strategic indicators.
- 2.24 Although the declared criteria for the Bank's strategy were flexibility and a strategic focus and selectivity in Bank assistance and donor coordination, there are no elements to

substantiate them. It is not clear why the Bank decided to participate in the sectors it did (higher rates of return, larger value added), or how those operations have strategic synergies or complementarities. Hence, the current portfolio lacks a strategic perspective.⁵⁶ This could be explained by the use of the ICF as an umbrella for the IDB's participation, and thus reflects faults of the ICF.⁵⁷ It could also be the result of its transitional nature and to the lack of a solid counterpart in the GOH with a long-term development strategy in mind.

- 2.25 Based on the accumulated experience in Haiti over the last twenty years –that shows that donors do not know how to work to tackle the country's development challenges in face of the implementation challenges— operations should be meticulously drafted with a demonstrative design in mind. However, the current portfolio was not designed with these considerations. For example, in the Vocational Education Program, the viability and assumptions of the model could have been tested in some regions first, and then if the model works expand the program to the whole country. Also, operations should be sketched in a way to facilitate lesson learning and identify key conditions for replication. For example, the Urban Rehabilitation component in Carrefour should be used as a pilot experience for other needed slum upgrading operations

Chart 2.1: Project Design - Evaluability dimensions of the 2005 projects.⁵⁸



- 2.26 The quality of the projects designed, measured by the nine evaluability dimensions for projects set by OVE (diagnosis, objectives, logic, risks, definition and baselines for outputs and outcomes, and monitoring and evaluation), has not been particularly high in Haiti. A look at the eight projects approved in 2005 shows that while in terms of indicators, monitoring and evaluation the projects for Haiti were slightly above the average of the Bank, RE2 and FSO projects, the results for the substantial dimensions of diagnosis, objectives, logic and risks are lower (but also quite similar to the comparison averages, see figure 2.2).
- 2.27 While the official coordinator is the World Bank, many actors expressed their surprise at the low profile played by the IDB. Given that the IDB is the largest source of long-term financing and given its uninterrupted presence in the country, a more active role was expected, both within Haiti and in international forums. On the latter, the fact that the IDB did not have a presence in the Head Table at the May 23 International High Level

Meeting in Brasilia shows that the IDB is not assuming its rightful role, based on its longstanding commitment with Haiti.⁵⁹

- 2.28 The issue of coordination among donors and with the government is central, and it is directly related to the coherence evaluability dimension of the Bank's program in Haiti. While the ICF was an important step, the task of coordination among donors is still a pending issue. Sector tables were established to follow-up on the ICF agreements, with mixed results in terms of their effectiveness in coordinating donor activity.⁶⁰ Always a complex matter, coordination has been aggravated by the lack of a solid counterpart within the GOH, particularly under the interim government. Ideally, donor coordination would not be an issue for donors. The government should be responsible for setting its development agenda and determining the proper role for each donor.

D. Realization of the Bank's Strategy

- 2.29 As expected from their short-term transitional nature, the strategies were carried out very much as planned. The goal of the first set of policies of the Bank was to assist the GOH in the clearance of arrears and to normalize the program in Haiti, and that was ultimately achieved in July 2003.
- 2.30 The reengagement strategy was planned for a 12-month period, but it was *de facto* suspended with the events of February-March 2004, and then superseded by the ICF and the Bank's own transition strategy. In any case, most of the programming took place: in the governance pillar the three envisioned operations were approved (the two operations considered for 2004 were postponed to 2005), and six out of the eight investment loans were approved (three in 2003 and three in 2005).
- 2.31 The transition strategy is still current. It inherited six operations from the previous strategy and included six new operations. Eight operations were planned for 2005, and eight were approved (seven considered in the strategy and one that was not planned⁶¹). As of August 2006, the pipeline includes five new operations programmed for in 2006, one that is the second supplement to the Transport Rehabilitation Infrastructure program, two that were envisioned in the transition strategy and two operations that were not.

III. IMPLEMENTATION OF THE IDB'S PROGRAM IN HAITI

A. Instruments and Resources

- 3.1 A key feature of the Bank's loan program in Haiti is that all of its loans are new or reformulated. As of May 2002, six programs were active, the oldest dating from 1983, with a total outstanding balance of US\$11 million. On August 2, 2002 the GOH cancelled five of those loans, and kept one active because a follow-up operation was envisioned. Thereafter, loan disbursements reassumed until July 2003, with the US\$35 million first tranche of the ISL. The first investment loan disbursement of the new cohort of loans took place in late 2003, and overall disbursements for investment loans have been increasing: US\$2.9 million during 2003, US\$13.2 million during 2004, US\$45 million during 2005 and US\$55.2 million in 2006.
- 3.2 The first part of the period under scrutiny was characterized by the accumulation of arrears and the virtual suspension of disbursements, as shown in the next table:

Table 3. 1: Flows between IDB and Haiti - In US\$ million equivalent at historical exchange rates

| Year | Loan Collect | Loan Disbursements | Net Loan Flow | Subscriptions & Contributions | Net Capital Flow | Loan (Int + Chgs) | Net cash flow |
|------|--------------|--------------------|---------------|-------------------------------|------------------|-------------------|---------------|
| 2000 | -7.3 | 33.7 | 26.4 | 0 | 26.4 | -5.5 | 20.8 |
| 2001 | -8.4 | 8.1 | -0.3 | 0 | -0.3 | -5.2 | -5.5 |
| 2002 | -0.7 | 2.6 | 1.9 | 0 | 1.9 | -1.1 | 0.8 |
| 2003 | -22.4 | 48 | 25.6 | 0 | 25.6 | -16.3 | 9.3 |
| 2004 | -10.3 | 28 | 17.7 | -0.5 | 17.2 | -10.3 | 6.9 |
| 2005 | -11.9 | 70 | 58.1 | 0 | 58.1 | -10.2 | 47.9 |
| 2006 | -16.4 | 65.7 | 49.3 | 0 | 49.3 | -11.6 | 37.7 |

- 3.3 To meet the institutional, financial and developmental challenges in Haiti, the Bank has used three types of lending instruments, which were complemented by a heavy use of technical cooperations. As discussed above, to meet the financial challenge, the Bank has approved a sequence of Policy Based Loans for US\$100 million, which represent 17% of approvals. Of them, US\$85 million have been disbursed, which represents 63% of total disbursements. These instruments have been crucial to support the government's budget and to maintain positive net flows since 2003.⁶²
- 3.4 The Bank has also relied on traditional investment loans, for a total of \$485 million (\$350 million for project specific loans and the rest for multi-sector works). In 2005 the Bank also used Institutional Development Sector Facilities (IDSF)⁶³ in three operations of US\$5 million each, one to support the reform conditionalities of a PBL, another to strengthen the capacities of the Ministry of the Environment, in particular to oversee the environmental impact of projects, and a third one to implement a flood early warning system as part of the Haiti's

National Disaster and Risk Management Program. Although a careful review of the ISDF projects suggests that there was room for improvement in terms of the overall evaluability of those loans,⁶⁴ the selection of the instrument was innovative and, if carefully drafted, the ISDF projects could be a useful instrument to deal with institutional strengthening in Haiti.

Table 3.2: Loans Executed during 2001-2006

| Project | Loan | Project Name | Type | Approval Year | Current Approved | ACCUMULATED DISBURSEMENTS | | | | | |
|----------|------------|--|------|---------------|------------------|---------------------------|------|------|------|------|------|
| | | | | | | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| HA0037 | 983/SF-HA | Fondo Economico y Social Fase II | PGOM | 1996 | \$26,999,780 | 94% | 94% | 96% | 100% | 100% | |
| HA0046 | 989/SF-HA | Prestamo Sectorial de Inversion | PSCT | 1996 | \$50,000,000 | | | 70% | 100% | 100% | |
| HA0075 | 991/SF-HA | Caminos Rurales y Secundarios | PESP | 1997 | \$50,000,000 | | | 2% | 3% | 28% | 51% |
| HA0014 | 1010/SF-HA | Reforma Sector Agua Potable y Saneamiento | PESP | 1998 | \$54,000,000 | | | 0% | 6% | 10% | 16% |
| HA0038 | 1016/SF-HA | Programa Educacion Basica | PESP | 1998 | \$19,386,000 | | | 3% | 6% | 26% | 46% |
| HA0045 | 1009/SF-HA | Organizacion y Racionalizacion Sector Salud | PESP | 1998 | \$22,500,000 | | | 2% | 7% | 18% | 29% |
| HA0079 | 1491/SF-HA | Programa de Desarrollo Local | PGCR | 2003 | \$65,000,000 | | | | 6% | 19% | 38% |
| HA0092 | 1499/SF-HA | Reforma de las Finanzas Publicas | PSCT | 2003 | \$25,000,000 | | | 40% | 41% | 100% | 100% |
| HA0093 | 1493/SF-HA | Programa de Rehabilitacion de Infraestructura Economica Basica | PGOM | 2003 | \$70,000,000 | | | | 2% | 7% | 16% |
| HA0016 | 1490/SF-HA | Intensificacion Agricola Artibonite | PESP | 2003 | \$41,940,000 | | | | 5% | 21% | 36% |
| HA0082 | 1632/SF-HA | Fortalecimiento de las Instituciones de Gobernabilidad Economica | PSEF | 2005 | \$ 5,000,000 | | | | | 1% | 5% |
| HA-L1001 | 1644/SF-HA | Gestion Financiera Publica y Gobernabilidad | PSCT | 2005 | \$25,000,000 | | | | | 40% | 81% |
| HA-L1005 | 1642/SF-HA | Programa Nacional de Alerta Temprana de Inundaciones | PSEF | 2005 | \$ 5,000,000 | | | | | 2% | 8% |
| HA-L1009 | 1646/SF-HA | Proyecto de Intensificacion Agricola Ennery-Quinte | PESP | 2005 | \$27,105,000 | | | | | 5% | 7% |
| HA0087 | 1638/SF-HA | Programa de Rehabilitacion de Infraestructura de Transporte | PESP | 2005 | \$62,600,000 | | | | | 0% | 5% |
| HA0017 | 1627/SF-HA | Capacitacion Vocacional | PESP | 2005 | \$22,000,000 | | | | | 6% | 9% |
| HA-L1002 | 1639/SF-HA | Programa de Rehabilitacion Urbana | PESP | 2005 | \$50,000,000 | | | | | 1% | 11% |
| HA-L1006 | 1668/SF-HA | Fortalecimiento Institucional de la Gestion Ambiental | PSEF | 2005 | \$ 5,000,000 | | | | | | 4% |

3.5 During the most difficult years (2001 and 2002), it was through non-reimbursable technical cooperation that the Bank maintained some activity in Haiti, and TCs have been widely used in support of project preparation and execution. Between 2000-2003 an average US\$1.5 million was approved annually in TCs, and disbursements were of US\$2.4million. Since reengagement, TC use has increased (approvals for about US\$2.3 million in 2004, 2005 and 2006).

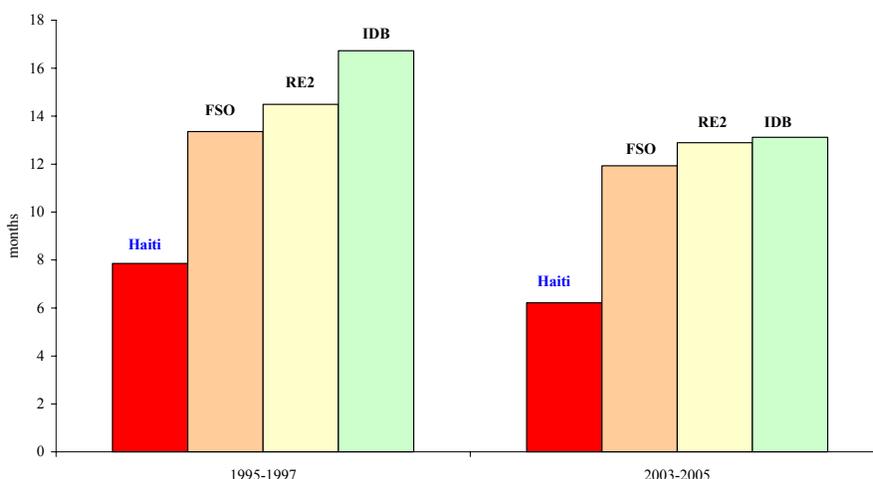
3.6 Seven MIF projects were approved between 2001 and 2005, and nine projects are active for a total of almost six million (with almost three million disbursed). Although these projects address important issues such as alternative mechanisms for dispute resolutions and the deepening of financial services, the pipeline has only one operation. Finally, the IIC and PRI have not had any activity in Haiti.

B. Efficiency in the Implementation of the Program

3.7 Besides the fact that the investment portfolio is at the beginning of the project cycle, it is also important to consider that during most of 2004, implementation was complicated by the political instability and overall insecurity, which again affected the country during the fall of 2005 up until the elections that took place on February 7, 2006.

3.8 **Loan Preparation and Approval.** The Bank has shown expediency in the preparation of projects in Haiti since the portfolio was reactivated in July 2003. As shown in the next chart, the time from pipeline start to approval for Haiti during 2003-2005 was 6.2 months, contrasted with 12-13 for FSO, RE2 and IDB averages.⁶⁵ However, this efficiency also characterized the Bank’s reengagement with Haiti after President Aristide was reinstalled in power in 1994 (between 1995-1997 Haiti’s project averaged 7.9 months from pipeline to approval, while FSO, RE2 and the Bank averaged 13-17 months).

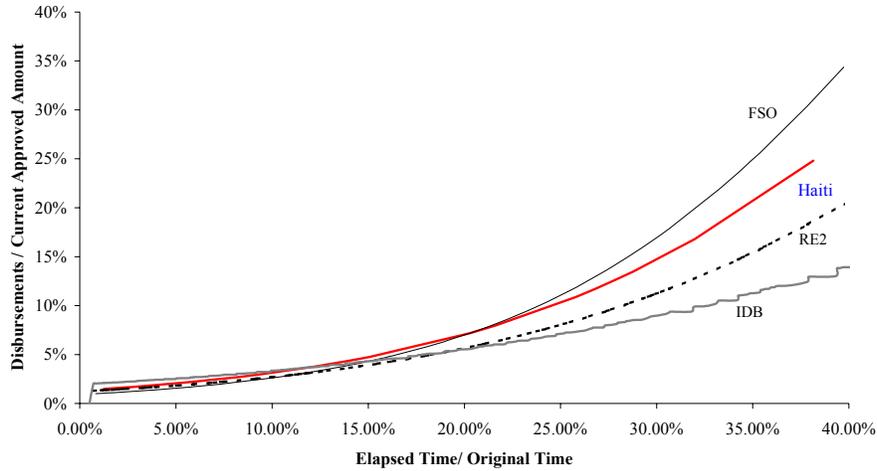
Chart 3.1: Loan Preparation and Approval of Projects



3.9 **Project Start-up.** In chart 3.2 the historic efficiency delivery curve of the projects that achieved eligibility in since 2003, measured form the date of eligibility, is shown for Haiti, the other four FSO countries, Region II countries and the IDB. The curve shows that project start-up has been at par with the other FSO countries, lagging slightly behind at the end. When compared to the regions’ or to the Bank’s overall figure, however, Haiti has disbursed well. This suggests that the difficult circumstances under which the Bank has operated in Haiti have not hindered the

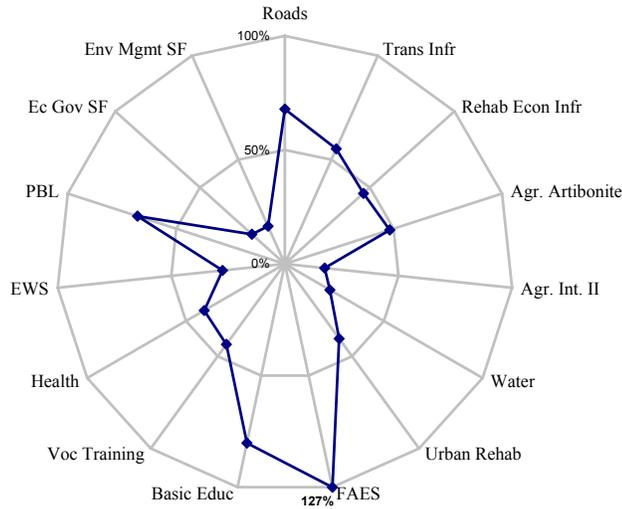
ability to disburse, when compared to other countries. However, given the daunting needs of Haiti greater delivery efficiency is necessary.

Chart 3.2: Historical Efficiency Delivery Curve, New Projects



3.10 The efficiency delivery curve assumes as benchmark a linear disbursement pattern, which is complemented with the actual projections done in the country. This was done with the COF/CHA projections and the actual disbursements for the first semester of 2006.

Chart 3.3: Actual/Projected Disbursements by Project - 2006



3.11 Chart 3.3 shows that, overall, disbursements during 2006 were 56% of the initial projections by the CHA, which confirms that the challenge of increasing the efficiency of disbursements is a pressing one in Haiti, and/or that the projections were too optimistic. In any case, these figures are continuously corrected as

- projections are adjusted due to a changing context, so they only intended to illustrate the challenge of disbursement in Haiti.
- 3.12 In Haiti the Bank has taken several unique administrative measures to ease the implementation of projects, which historically has been a major challenge. These include an *ad hoc* annex for acquisitions, special measures that apply only to projects in Haiti, and the delegation of functions to the Bank's representative in Haiti.
- 3.13 ***Ad hoc Annex (AHA):***⁶⁶ The AHA was introduced in July 2004 to regulate the procurement of works, goods and consulting services for the eight active projects in Haiti at that time. The purpose was to simplify and to adapt to the Haitian reality. For example, firms do not have to be pre-qualified in order to participate in bids. Also, the eligibility criteria have been relaxed (for example firms need to present only one audited financial statement instead of three, which is reasonable, given the complex circumstances that reigned during 2003-2004). A similar AHA was applied to the 2005 loans, and on January 2006 the use of the AHA was extended for eighteen months.
- 3.14 **Special measures to strengthen implementation of Bank activities.**⁶⁷ Perhaps the most concrete examples of the flexibility and adaptability that the Bank has shown when working with Haiti in the last couple of years are, besides the *ad hoc* annex, the special measures approved by the Board along with the Transition Strategy on March 2005.
- 3.15 The four measures shown in Table 3.3 were intended to improve portfolio implementation, and were in part the result of the Board's invitation to Management to "think outside the box." The first two measures were intended to avoid delays in the beginning of a project, relaxing the requirements imposed by the Bank, but without sacrificing its ultimate purpose. The third measure was taken given the scarcity of resources the GOH faces. Finally, the fourth measure allows the Bank to cover all expenditures needed to ensure rapid project implementation. The last two measures were based on decisions by the Governors of the IDB and the Board that eliminated the financing matrix and broadened the eligibility criteria.⁶⁸
- 3.16 It was possible to obtain precise information from COF/CHA as of when the measures have been used, but not on precise indicators of their impact on project implementation. Some program specialists at the COF/CHA report that the measures have helped and cite particular examples. However, the notion that all expenditures are eligible is still not internalized, both by Bank staff and at the executing units.

Table 3.3: Special measures to Strengthen Implementation of Bank activities

| Measure | Intended Effect / Indicators | COF/CHA specialists, comments |
|--|---|--|
| Simplifying the requirements for preparation of initial report required by the General Norms of the Loan Agreement (art.4.01) | Simplify the initial procedures for the start-up of projects. / Length of time necessary to meet the requirement. | The initial time required for project preparation has decreased. Loan 1627 took six weeks approximately, time which wasn't dedicated exclusively to the report. |
| Extending the period for selection of an audit firm to be complied within six months after effectiveness | Simplify the initial procedures for the start-up of projects/Number of projects that select an audit firm within the established period | Measure taken in loans 1627, 1632, 1638 and 1638. |
| Broaden the “eligible expenditures” financed by Bank loans to include <u>all expenditures needed to ensure rapid project implementation</u> , such as taxes and recurrent expenditures | Improve implementation//Share of expenditures that were not eligible before approval / Examples of bottlenecks solved due to measure | This measure has been widely utilized, specially when there is no local contribution in basic education loans (1016), health (1009) and infrastructure loans (991 and 1493), as well as 1490 and 1491. |
| Eliminate the requirement for local counterpart financing, given severe local resource availability constraints. | Avoid delays due to lack of counterpart funds/delays in projects with counterparts | Yes, in loans 1016 and 1009 there were problems with the local counterpart. The Bank finally covered it as in loan 991. Measure has contributed to the approval of loans in 2005. |

3.17 The special measures were approved along with the delegation of additional responsibilities to the representative, which are shown –along with the number of times that each has been used– in Table 3.4.⁶⁹

Table 3.4: Delegations of Responsibilities to the Country Office

| Responsibility delegated to Representative | # Times used | Loans |
|---|--------------|--|
| Increasing the revolving funds to 10% on a project-by-project basis | 4 | 1009/SF-HA, 1016/SF-HA, 1490/SF-HA, 991/SF-HA |
| Resolving additional issues and granting waivers on procurement matters | 5 | 1627/SF-HA, 1638/SF-HA, 1646/SF-HA, 1639/SF-HA, 1010/SF-HA |
| Transferring between budget categories up to 60% | 7 | 983/SF-HA, 1490/SF-HA, 991/SF-HA (dos veces c/u), 1016/SF-HA |
| Simplificación del proceso para seleccionar la firma de contadores públicos independiente para realizar la auditoria del proyecto | 4 | 1627/SF-HA, 1638/SF-HA, 1632/SF-HA, 1646/SF-HA |
| Modifying contractual clauses, provided they do not affect the project objectives | 3 | 983/SF-HA (dos veces), 1009/SF-HA |
| Signing amended contracts to implement the changes described above | 2 | 1638/SF-HA, 1493/SF-HA |
| TOTAL | 25 | |

- 3.18 It is difficult to quantify the impact of both the delegation of responsibilities and the special measures. OVE met with all the executing units, and most of them agreed in recognizing that, since early/mid 2005, the Bank has been more expedite and responsive to their needs in terms of meeting the Bank's procedures. A noticeable improvement in implementation was mentioned by the Minister at the MEF, as well as by most program coordinators, who state that implementation difficulties are not due to the IDB's procedures.⁷⁰
- 3.19 In terms of supervision, since reengagement there has been a noticeable improvement in terms of the confidence level on how the resources are used. Hence, while in 1997 and 1998 disbursements of about US\$60 million were qualified in their totality, only US\$3 million out of the US\$63 million disbursed between 2002-2005 were qualified.
- 3.20 Indeed, OVE's findings suggest that the COF/CHA is doing a significant effort in helping the executors to meet the Bank's procedures.⁷¹ However, an implication of having all necessary expenditures as eligible and no local counterpart funding in Haiti's projects, is that the IDB has to assume responsibility not only for the proper use of its resources from a fiduciary perspective, but also that the Bank has increased responsibility on the overall implementation of the projects and for the achievement of development objectives.
- 3.21 A serious issue that has been identified by the Haitian authorities and corroborated by the Bank's staff is the lack of implementation capacity of the firms that are currently operating in Haiti. The government has singled out several major aspects: the limited capacities of local firms that may affect the quality of the works, and thus require the support from the Haitian State and the international community; the lack of interest of foreign firms to participate in the current international bids; the negative assessment of the country risk in the international markets –which is hard to change in the short run; and the difficulties for the traditional risk management instruments to be used in the Haitian context.⁷²
- 3.22 The Bank has also identified several causes that affect an increase in disbursements, largely in line with the government's findings: low institutional capacity to implement projects, limited and saturated capacity of local firms, and lack of interests from foreign firms to participate in the projects. There is an ongoing effort to address these issues⁷³, that needs to be continuously assessed and new mechanisms need to be explored in creative ways in order to construct an attractive market for foreign firms to participate.

C. Assessment of the Implementation of the Bank's Program in Haiti

- 3.23 Following the record approvals of 2005, the challenge for the Bank and for Haiti is to achieve record disbursements and, most importantly, to accomplish record positive development impacts. To do this, OVE considers that, within the general Bank's trend towards strengthening country offices and working in a country-

focused, country-based manner, several aspects of the role of the country office in Haiti are worth reconsidering.

- 3.24 The Bank's representation in Haiti has operated under difficult circumstances, and its continuous work by itself is a positive accomplishment. The COF/CHA has also done significant efforts in accompanying executors in the implementation of the projects following the Bank's procedures. Between mid 2003 and 2005 the portfolio in Haiti increased from virtually zero to over half a billion dollars. This success represents a major challenge for the COF/CHA.
- 3.25 The traditional role of Country Offices at the IDB has been the supervision of operations execution. This adds value to the country by reducing execution and fiduciary risks, and by providing a ring-fence around IDB funds. This is a crucial task that needs to be strengthened. However the best way to contribute to Haiti's development is to be ambitious and to build a wider ring-fence, around whole budget lines or sectors and not only around IDB resources.
- 3.26 Additionally, as the IDB moves toward a country-focused and country-based approach, the COF/CHA needs to fulfill additional tasks, such as *“the proactive promotion of managing for results in the Bank's ongoing strategic dialogue with the countries and strengthening results frameworks used to measure performance at the country, sector and project levels... changes in the way the Bank works with its borrowers, in response to changing borrower needs, have made it necessary to change the way Country Offices operate. The increased emphasis on country focus and country systems implicit in the adoption of the Bank's new lending framework, for example, means that Country Offices must streamline their internal procedures and processes in order to focus more attention on risk management and the development of country capacity.”*⁷⁴ This also poses enormous challenges for the COF/CHA, which needs to be reengineered in order to meet them.
- 3.27 Further steps need to be taken for the COF/CHA to consolidate what has been done, to accomplish the objective of accelerating project implementation, and to – additionally—play the new role demanded by the Bank's new country-specific approach. The goal of the COF/CHA is not only to ensure that Bank's procedures are followed, but also that projects are executed in a timely fashion and, most importantly, that development objectives are met. The COF/CHA needs to be more proactive in the implementation of projects. Given the current portfolio of operations, it may be necessary to have the COF/CHA specialist working directly with the Executing Unit, in order to provide technical support in all aspects of project implementation.⁷⁵
- 3.28 The COF/CHA needs to strengthen its analytical capabilities. Besides being a technical advisor at the project level, the COF/CHA needs to be ready to provide policy advice at the strategic level at the request of the Haitian authorities, with the perspective of spending *“more time participating in programming dialogue, project preparation and problem solving on substantive issues in project*

execution.”⁷⁶ The need to strengthen this area is exemplified by the lack of COF/CHA personnel presence in the discussions of the ICF, where substantial strategic programming took place. To do this, a careful assessment of the inventory and requirements of skills should be undertaken, and the profile of the CHA needs to be determined.

IV. GUIDELINES TO INCREASE IMPLEMENTATION EFFECTIVENESS: THE PARIS DECLARATION ON AID EFFECTIVENESS

- 4.1 The box below shows the indicators from the Paris Declaration, adapted to the Haitian context, to which the GOH and the international community have adhered (see Par 1.34). This is a useful exercise in order to provide a baseline for future evaluations of the Bank’s involvement in Haiti, for the IDB has committed to follow these principles. The criteria reflect the accumulated knowledge on how to implement under difficult circumstances such as those present in Haiti, and thus they are a useful to guide the implementation of the Bank’s program in Haiti.
- 4.2 In terms of **ownership**, the political crisis during 2001-2005 implied that the GOH did not have an operational medium-term development strategy in place. Until 2003 the political instability that reigned affected the normal functioning of the GOH, and in 2004-2005 the interim government did not have the timeframe or mandate to adopt one. The ICF was an attempt to address short-term pressing issues in the context of a political transition process aimed at organizing new elections: “... *the ICF aims to frame external assistance on the basis of a joint and realistic identification of the needs and programs for the transition period (2004-2006) ... Going forward, however, the ICF must trigger a broader partnership for the preparation of a Poverty Reduction Strategy Paper (PRSP).*” So, although the ICF served as a guideline for the transition period, it was not a full development strategy.

| |
|---|
| <p>Ownership</p> <p>1. <i>Haiti has an operational development strategy (including PRS) that has clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets</i></p> |
| <p>Alignment</p> <p>2. <i>Reliable country systems</i>, Haiti has a reform program to have procurement and public financial management systems that adhere to broadly accepted good practices.</p> <p>3. <i>IDB flows are aligned on national priorities</i>, and flows to the government should be reported on Haiti’s national budget</p> <p>4. <i>Strengthen capacity by coordinated support</i>, Per cent of donor capacity-development support provided through coordinated programs consistent with Haiti’s national development strategies</p> <p>5. <i>Use of country public financial management and procurement systems</i>. The IDB has to lead the effort for a reform program to achieve national systems (see point 2).</p> <p>6. <i>Strengthen capacity by avoiding parallel implementation structures</i>. Same as the <i>mea culpa</i> from donors as stated in ICF.</p> <p>7. <i>IDB’s budget support is more predictable</i>.</p> |
| <p>Harmonization</p> <p>9. <i>Use of common arrangements or procedures</i>, IDB uses available instruments to co-finance investment projects or to harmonize the use of different sources of financing in the same sector.</p> <p>10. <i>IDB encourages shared analysis with other donors</i></p> |
| <p>Managing for Results</p> <p>11. <i>Results-oriented frameworks</i>. Haiti has a transparent and monitorable performance assessment framework to assess progress against the national development strategy and sector programs</p> |
| <p>Mutual Accountability</p> <p>12. <i>Mutual Accountability</i>. Haiti and the IDB undertake mutual assessment of progress in implementing agreed commitments on aid effectiveness.</p> |
| <p>Notes: Indicator #8 applies to bilateral aid, so it is excluded; #11 is applies to the country and thus it is not binding, but it is considered here due to importance given to it by IDB in all of its operations. The last indicator (#12) is binding for the IDB but not for Haiti until the country ratifies the Paris Declaration</p> |

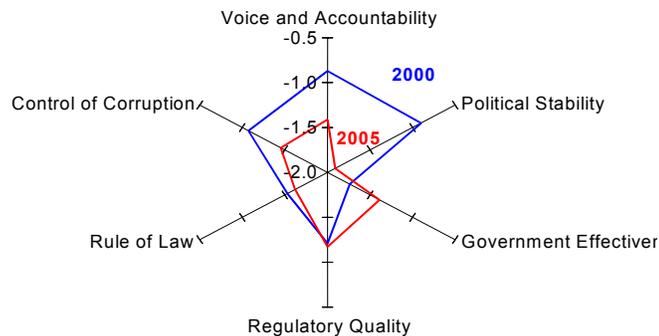
- 4.3 Looking forward, however, the new Haitian government has presented a long-term development strategy with a twenty-year vision, and it has taken concrete measures in order to assume the leadership role in the development strategy of Haiti. Clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets are still a pending issue, in which the IDB could support the GOH.
- 4.4 **Alignment** is the core principle for the IDB's presence in the future. Under full ownership by the government of Haiti's development strategy (to which the IDB may contribute with technical assistance), the Bank should align to the country's needs and priorities. Given that Haiti still does not have a fully operational and reliable country public financial management and procurement systems; a core contribution of the IDB should be to continue and to strengthen its support in developing and implementing reform program to achieve these systems (indicators #2 and #5). With these systems in place, IDB funds should be increasingly channeled through the national budget (indicator #3) and parallel implementation units should be limited (indicator #6).⁷⁷ Finally, budget support should be designed with predictability considerations in mind (indicator #7).
- 4.5 In terms of **harmonization**, the baseline for both indicators (#9 and #10) is of low levels. Common arrangements and procedures are not the norm –the salient exceptions being the European Union co-financing the IDB's Vocational Training project and the WB using the IDB's executing unit for transport infrastructure investments, and the scant economic and sector work done by the IDB has not been in collaboration with other donors. However, to meet the objective of harmonization the IDB is well positioned with the New Lending Framework. This requires effective leadership from the GOH and an agreement with donors on the priorities, principles and objectives for a sector policy in a 5-year timeframe. This approach can be applied in Haiti, where it could help to coordinate, harmonize and align donors to the priorities set by the GOH, and at the same time it could help to develop and strengthen national systems. The obvious candidate for further harmonization efforts is infrastructure, where the IDB has seven related projects and is the most important donor. In Agriculture this option should also be explored, as the IDB has three projects and many other donors are also involved in the sector. The ultimate purpose is to increase the effectiveness of the Bank's financing, as well as to strengthen the institutional capacity of key sectors within the GOH, such as the *Ministere des Travaux Publics, Transports et Communications* and the *Ministère de l'Agriculture des Ressources Naturelles du Développement Rural*.
- 4.6 **Managing for results** (indicator #11) is a basic principle for the IDB, and the GOH has committed to enhancing transparency and efficiency in the use of public resources. Here the IDB could take a leadership role to contribute to strengthening planning the capacities of the GOH. To this extent, the necessary resources and technical assistance should be provided to assist the GOH in implementing a results-based management system.

4.7 Following the principles and aiming at meeting the targets of the Paris Declaration is a coherent way for the Bank to engage in Haiti. Clearly this is a complex, staggered, and interdependent process, and a sustained effort by the GOH and the IDB is a necessary condition to achieve results. The timing for this seems to be appropriate, for a new strong and legitimate government is in place in Haiti. In addition, the IDB has committed to enhance its country-specific way of doing business.

V. RESULTS

- 5.1 In order to assess the outcomes of the Bank’s program in Haiti during this period, we proceeded by following, where possible, the indicators set forth by the Bank in its strategic documents.⁷⁸ We recognize that the particular political climate during these years and the difficult security situation may have an overwhelming effect on these indicators. However, the indicators were defined under these circumstances and monitoring them is a useful exercise to gauge the impact of the Bank’s involvement in Haiti.
- 5.2 The first reengagement strategy included two outcome indicators: a modest improvement in regulatory quality and a small decrease in extreme poverty. Chart 5.1 shows the regulatory quality index as well as the five other indicators that are reported in the Governance Research Indicators from the World Bank. Compared to the other indicators, where there was deterioration, regulatory quality remained virtually unchanged (although at very low levels) and government effectiveness improved slightly between 2000 and 2005. Overall these indicators show that Governance, arguably the greatest challenge that Haiti faces, deteriorated between 2000 and 2005.

Chart 5.1: Governance Indicators for Haiti, 2000 and 2005



- 5.3 With respect to the goal of achieving a slight reduction of extreme poverty during 2004, even though direct measures of poverty are not available, the fact that real GDP fell 3.5% during 2004 and population increased by an estimated 1.5% suggests that, most likely, poverty did not decrease. A solid understanding of poverty and income distribution in Haiti is absent in the strategy. However, data from the 2001 ECVH suggests that given the distribution of income and the high levels of poverty, the sensitivity of poverty to changes in GDP is low,⁷⁹ and that in 2005 the share of the population living in poverty was similar than in 2001 (79% in 2004 versus 76.8% in 2001).

- 5.4 The second strategy included a full strategy matrix with over forty indicators. These correspond to those utilized at the project level, suggesting that the value of the strategy is not greater than the sum of the projects. If programming had taken place with a strategic approach, then some objectives would be the result of synergies and complementarities of some projects, but that is not the case of the transition strategy and is something that should be improved in the next strategy.
- 5.5 Table 5.1 presents a summary of the indicators described in the strategy. It is noticeable that most output and all outcome indicators are measurable, i.e. in principle it is possible to track them. Also, OVE consulted with the Administration regarding whether the information was available or was being gathered, and for the status of the indicators. For many of them the answer is positive: for example in Economic Governance there is information for 10 of the 11 indicators, and for most of them it is possible to know their status. Given that this area is financed largely by PBLs, it is the only one when it is meaningful to track indicators. In other areas, such as infrastructure, agriculture, education, and urban poverty, it is still too soon to measure any impacts.

Table 5.1: Indicators in the Transition Strategy

| | No. of Indicators | Measurable/Well Defined? | Is Information Available or Being Gathered? | If not, are there provisions to gather the data |
|---------|-------------------|--------------------------|---|---|
| Output | 16 | 12 | 6 | 4 |
| Outcome | 23 | 23 | 10 | 13 |

- 5.6 In general, projects in Haiti have well defined indicators that could, in principle, facilitate the evaluation of most of the projects. The key issue in terms of measuring the impact of individual projects is that the data gathering efforts need to be sustained, and the provisions to collect data (usually at mid-term or for final evaluations) need to be materialized. In most sectors baselines have or are being collected, and it is important for the Bank to support the executing units in these efforts. In short, it is key to keep a close monitoring of this, to ensure that baselines are gathered and that the necessary information to measure the impact is also collected in the future.
- 5.7 **Policy-Based Loans.** Although most of the portfolio is formed by investment loans, PBLs represent most of the disbursements. Faced with the constraint of maximizing positive flows to Haiti, the Bank needs to assess how best to meet this requirement, and the use of PBLs has been central for the normalization efforts and to maintain positive net flows.
- 5.8 PBLs were designed to promote policy reform and to finance country balance of payments. In the case of Haiti, the general finding that “*policy reform is a process that can be completely separated from policy based lending*”⁸⁰ was confirmed with the use of the ISL, in which front-loading of conditionalities was used to

- disburse a first tranche big enough to compensate the clearing of arrears. The financial sector reform was largely done in the absence of the ISL.
- 5.9 The sequence of PBLs that followed played a crucial role as a source of generalized budget support that helped to meet the budget gap of the government. However, the lack of a pure GBS instrument implied the need to create a set of conditionalities to justify the budget support. These conditionalities have been centered on the reform of the Haitian public finances, a process that had started since the late nineties. Although the reform was underway, according to the MEF, the IDB provided an important boost to revive the reform.
- 5.10 The first Public Sector Reform PBL (1492/SF-HA), which had a record performance in terms of financial efficiency, was based on the submittal and approval of a budget law that was prepared with the support of a French technical cooperation. The second PBL (1644/SF-HA) has been less efficient in terms of disbursement (the second tranche was predicted for late 2005 and it had not taken place by May 31, 2006), presumably because the reform process is at a more difficult stage that involves implementation, reorganization and new measures.
- 5.11 In terms of results, some formal achievements include: the approval of a new budget law, the establishment of an anti-corruption unit, and the improvements in the public accounting and procurement systems.⁸¹ A widely publicized result is the reduction in the use of *current accounts*, which are used to spend public resources while avoiding the normal budgetary procedure. While its use was reduced from over 60% in 2003 to less than 10%, it is not clear what the impacts of that reduction have been in terms of quality of public spending. This is an example of paying too much attention to formalities and not to substantial issues.
- 5.12 Budget support will continue to be a necessity in Haiti. Furthermore, a recent OECD evaluation on the effectiveness of partnership generalized budget support (which comprises financial inputs plus conditionalities, dialogue, technical assistance, harmonization and alignment) in seven developing countries concludes that “... when a developing country’s government has the political will to reduce poverty, budget support can be an effective way for donors to deliver aid. Overall, it has helped to strengthen the relationship between donors and developing country governments, and encouraged better coordination between different donors. It has helped to strengthen planning and budget systems, making them more transparent and therefore accountable. It has also helped to prioritize areas of expenditure that target the poor like health and education.”⁸²
- 5.13 The IDB needs to continue the provision of resources to support Haiti’s budget under close coordination with other donors, particularly with the IMF. Given the fragility of Haitian public finances, it is also necessary to increase the predictability of such funds. Moreover, it needs to strengthen technical assistance to contribute to the public sector reform - including issues related to increasing the government’s revenues.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

- 6.1 The period under analysis (2001-2006), began with the difficult institutional inheritance that resulted from the political deadlock that affected the country since 1997. This had important consequences for the relationship between Haiti and the international community.
- 6.2 A difficult political context characterized by a lack of basic consensus among key actors, escalating polarization and violence led to the departure of President Aristide, that was followed by an interim government aided by a UN mission (MINUSTAH), that represents an unprecedented effort by the international community to support Haiti's stabilization efforts. Particularly, it is the result of a concerted endeavor by a large number of American states (Argentina, Bolivia, Brazil, Canada, Chile, Ecuador, El Salvador, Guatemala, Paraguay, Peru, United States, and Uruguay).
- 6.3 The country's complex institutional context, coupled with the daunting development challenges constitutes a difficult environment for poverty reduction. This represents a unique challenge for the IDB.
- 6.4 While some donors ceased to work with Haiti when the country's political crisis was aggravated, the IDB maintained an active presence and worked continuously with the lawful authorities towards the regularization of the IDB-Haiti relationship, and to the construction of a sizeable portfolio to finance development projects in the form of investment loans and balance of payments support. Following OAS resolutions and as a result of a series of successful reengagement activities, the IDB normalized relations and had an active portfolio of over \$350 million in loans under the administration of President Aristide.
- 6.5 The IDB's Board of Executive Directors has incessantly supported the Administration's efforts, and has approved special measures in order to respond better to the country's peculiarities, which include the simplification of administrative procedures and the delegation of responsibilities to the Representation. Similarly, the Country Office in Haiti has operated under difficult circumstances and is currently managing a portfolio with an outstanding balance of over US\$400 million.
- 6.6 The Bank produced a Transition Strategy for Reengagement for the period September 2003–September 2004, that centered on two strategic pillars: governance and strengthening of public finances, and to reactivate production and services targeted to the poorest groups. It stressed the importance of aid coordination and external partnerships, which turned out to be crucial after the departure of President Aristide and the huge mobilization of resources from the international community. Under the interim government, Haitian authorities together with donors drafted the Interim Cooperation Framework as a

short/medium term development strategy to which donors had to align. The Bank was well positioned with its Transition Strategy for Reengagement, which had substantial commonalities with the ICF, and the IDB then produced a Transition Strategy.

- 6.7 In terms of the quality of the programming at both the strategic and individual project levels, as measured by the evaluability criteria developed by OVE, the results are unsatisfactory. The Bank's strategies have lacked a proper diagnosis, and this is also reflected in the project documents. Moreover, there has not been a strategic management of the portfolio, as evidenced by the lack of strategic indicators.
- 6.8 In 2005 the IDB had record approvals for Haiti: eight loans were approved for over US\$200 million. This represents a success of the reengagement strategy, but at the same time it poses a huge challenge in terms of implementation. Key provisions taken by the Governors of the Bank and by the Board of Directors to waive the local counterpart requirement and to broaden the eligibility of expenditures were applied in Haiti to support project implementation. The delegation of responsibilities to the Representative of the Bank in Haiti also shows efforts in the same direction.
- 6.9 In terms of the basic evaluative criteria for Country Program Evaluations, this report concludes that the Bank's presence in Haiti has been **relevant**, particularly in terms of the complex context that characterized the period. However, the program has not been relevant in terms of providing useful policy guidelines, based on solid analytical work that could help the GOH prioritize its scarce resources and engage in medium term planning. With respect to **coherence**, the program was coherent as it was well articulated with the objectives of reengagement and of supporting the ICF. Basic donor coordination was achieved through the ICF, although harmonization among donors is still a pending issue. In a broader sense, the definition of a programmatic focus and the integration across Bank instruments in support of program objectives criteria for coherence were weak. As the Bank moves towards a full country strategy, these two criteria need to be strengthened: the Bank needs to determine the relevant areas of intervention with the Haitian government and the different instruments need to be articulated, taking advantage of the New Lending Framework.
- 6.10 The **efficiency** of the program is hard to gauge. PBL operations have been relatively efficient in terms of balance of payments support, and they have also revived the support for some important reforms. However, in order to increase their effectiveness these reforms still need to evolve from formal changes to substantial improvements in the management of public finances.
- 6.11 With respect to investment loans, the efficiency of disbursements has been acceptable given the difficult context, and it remains a major task to transit from record approvals to record implementation. In terms of the **effectiveness** of the investment program, it is too soon to make any judgment. However, most projects

are gathering the necessary data for a meaningful evaluation, and this effort should be supported by the CHA.

- 6.12 The Paris Declaration on Aid Effectiveness provides useful references under which the IDB should guide its program in Haiti in the dimensions of *ownership, alignment, harmonization, managing for results, and mutual accountability*. Although in general these criteria were not followed in 2000-2005, the recent endorsement of the Declaration by the GOH and the international community provides with a unique opportunity to increase the effectiveness of aid in Haiti.

B. Recommendations

- 6.13 An implication of the country's fiscal situation is that all projects, regardless of the financing source, need to carefully assess their fiscal impact in the future. On this issue, the Bank's management needs to do a comprehensive assessment of the long-term fiscal prospects of Haiti, including different scenarios for the creation of fiscal space in the future, including the minimum and desired expenditures, (including long term recurrent costs) and the revenue projections under various scenarios regarding GDP growth and effective fiscal pressure. For the next country strategy and for all future projects, the Bank needs to provide a thorough analysis on the fiscal requirements for their sustainability, while trying to impose the minimum burden to the treasury.
- 6.14 For the next strategy, the Bank has to work closely with the new administration in determining which strategic sectors to concentrate on, based on the government's full ownership of its development strategy. To do so, both at the programmatic and project levels, solid analytical work should be the starting point in order to allocate scarce resources to their best use. A significant effort needs to be done in producing a relevant and solid body of knowledge on a variety of topics related to Haiti's development challenges. Additionally, the COF/CHA needs to be equipped to play a role as strategic policy advisor of the government.
- 6.15 The Bank needs to support the strengthening of the Parliament, a key institution for the Haitian political process that needs to be consolidated. New projects require the approval of the Parliament, and recent history has proven the importance of working with the Parliament since early stages of program definition. Sufficient support needs to be provided in all relevant dimensions, including technical assistance and infrastructure, to contribute to the functioning of the legislative branch.
- 6.16 The Bank has to take bold actions consistent with its new country-specific approach and follow through the guiding principles of the Paris Declaration on Aid Effectiveness for the implementation of its program. Regarding the aid effectiveness indicators, the new country strategy needs to provide explicit baselines, as well as the metrics, targets, and detailed steps to meet them. The instruments available through the New Lending Framework should be used in a

creative way to increase predictability of flows and to boost implementation efficiency.

- 6.17 The Bank needs to explore innovative mechanisms to strengthen the capacity of local firms and to attract foreign firms in order to increase the efficiency and effectiveness of the investments projects in Haiti. Alternative risk management mechanisms need to be developed in order to provide reasonable incentives for firms to invest in Haiti. Where pertinent, new procurement schemes need to be developed in order to make the participation of foreign firms more attractive.
- 6.18 The Bank needs to redouble its efforts in order to assist the GOH to build reliable procurement and public financial management systems. This has been the purpose of the conditionalities agreed upon in the PBLs, however a sustained effort to achieve this is required. In the tenor of the lessons learned by the donors expressed in the ICF and of the aid effectiveness guidelines, the IDB needs to support the creation and use of those systems (particularly in the sectors on which it is involved) in order to consolidate them.
- 6.19 Given that the new Haitian authorities have declared the importance of the private sector for sustained economic growth, and the low levels of support to this sector from the IDB, the Bank needs to explore different channels such as PRI, MIF, and IIC to work with the private sector, and also to promote the participation of the Haitian Diaspora in the process of economic growth. The GOH has made a priority the attraction of foreign investment by Haitian expatriates, and the Bank should provide support where possible.

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List of Interviews

Government of Haiti

MEF (Interim Government)

M. Henri Bazin, Ministre

M. Gabriel Verret, Advisor to the Minister

M. Roland Baudin, Directeur General

M. Pierre Herold Etienne, Directeur du Tresor

M. Alfred Métellus, Directeur de Etudes Economiques

BRH

Rémy Montas, Membre du Conseil d'Administration BRH

Fritz Duroseau, Directeur de Affaires Internationales BRH

M. Delinois Ducasse, Directeur Adjoint de la Dette Externe, BRH

Executing Units

M. Yves Clement Jumelle, Coordonnateur du 1632/SF-HA

M. Franz Verella, Coordonnateur du

Private Sector in Haiti

Carl Braun, Unibank

Gladys Coupet, Citibank

Lionel Delatour, CLED

Pierre-Marie Boisson, Sogebank

International Donors

Magalie Boyer, UAPC-AMOCCHI

Lesly Dumont, UAPC-AMOCCHI

World Bank

USAID

UNPD

European Commission

Mounir Rached, Resident Representative October 2002 – October 2005, IMF

Ugo Fazzoni, Resident Representative (current), IMF

IDB

Helge Semb

Barbara Szaszkiewicz

Ennio Rodriguez

Peter Sollis

Hector Salazar

Naslund-Hadley, Emma Ingrid

Marie Gaarder

Martha Preece

John Horton

Agustin Aguerre

Susana Sijta Rubio

Robert Kaplan

Jorge Sapoznikow

Leonel Nicol

Emilio Cueto

Ericq Pierre (Sr. Counselor)

Anna Cecilia McInnis

| Name | Title | Agency |
|---------------------------|--|--|
| Adam, Harry | Directeur Général | Fonds D'Assistance Economique Et Sociale |
| Antoine, Jaques A. | Coordonnateur | Unité Technique D'Exécution Programme de Réhabilitation Urbaine |
| Baptiste, Joseph | Coordinateur National Adjoint | Unité de Réforme Secteur de l'Eau Potable et de l'Assainissement |
| Barratt, Christian | Chief | United States Agency for International Development |
| Baudin, Ronald | Directeur General | Ministere de L'Economie et des Finances |
| Boisson, Pierre-Marie | Président du Conseil d'Aministration | SOGESOL |
| Braun, F. Carl | Président du Conseil d'Administration | UNIBANK |
| Brisson Lamaute, Nathalie | Consultante | Docteur és Sciences Economiques Université Paris X-Nanterre |
| Coupet, Gladys M. | Directeur | Citibank, N.A., Haiti Branch |
| Currelly, John | Représentant Résident | Pan American Development Foundation |
| David, Odnell | Directeur Général Adjoint | Fonds d'Assistance Économique et Sociale |
| Defay, Gérard Hénoc | Directeur | Projet d'Intensification des Cultures Vivrières Phase 2 |
| Delatour, Lionel | Secrétaire Général | Centre Pour La Libre Entreprise Et La Démocratie |
| Dumont, Lesly | Consultant (attaché au MPCE) | UAPC/AMOCCI |
| Duroseau, Fritz | Directeur | Banque de la République d'Haiti |
| Fasano, Ugo | Représentant Résident | Fonds Monétaire International |
| Francois, Ducarmel | Directeur des Projets Sociaux | Fonds d'Assistance Économique et Sociale |
| Gabaud, Pierre Marcel | Directeur des Opérations | Ministère de l'Education Nationale, de la Jeunesse et des Shorts (MENJS) |
| Gbetibouo, Mathurin | Country Manager | The World Bank |
| Guindo, Adam | Coordonnateur Résident du Système des Nations-Unites | Organisation des Nations Unies |
| Hériveaux, Hughes | Directeur Suivi – Evaluation | Fonds d'Assistance Économique et Sociales |
| Jean, Garry | Coordinnateur des Unités Techniques | Ministère des Travaux Publics, Transports et Communications |
| Keko, Fatima | Technical Adviser, CCI | United Nations Development Programme |
| Longo, Salvatore | Conseiller Infrastructures | Union Européenne |
| Martin, Marc-Eddy | Senior Agronomist | U.S. Agency for International Development |
| Mathieu, Philippe | Ministre | Ministere de L'Agriculture des Ressources Naturelles et du Développement Rural |
| Matthieussent, Sarah | Consultant | IDB |
| Médard, Alex | Directeur des Initiatives Économiques | |
| Metellus, Alfred Fils | Directeur des Études Économiques | Ministere de L'Economie et des Finances |
| Michel, Guypsy | Directeur | CECI |

| | | |
|------------------------|------------------------------------|--|
| Montas, Rémy | Membre du Conseil d'Administration | Banque de la République d'Haïti |
| Pierre, Roland | Ministre | Ministère de la Planification et de la Coopération Externe |
| Tambi Kaboré, Francois | Deputy Resident Representative | United Nations Development Programme |
| Verella, Frantz | Directeur Executif | Unité Technique d'Exécution |
| Vilfranche, Yves | Chef de Service | Institut National de Formation Professionnelle |
| Vincent, Vanette | Conseiller | Ministère de L'Economie et des Finances |

Notas

¹ This could result in the report being too centered on the Bank, but given the purpose of the document in informing the IDB's Board of Executive Directors, this has to be the case. OVE is in no position to emit opinions on what the development strategy of Haiti ought to be, rather we point out features of the Bank's involvement subject to improvement that may enable the Bank to contribute towards the accomplishment of any development strategy that the new Haitian authorities decide to implement. Similarly, the report refers to several previous work done by OVE evaluating Bank's strategies, instruments and projects, which is a sign of a consistent perspective from OVE and as the result of complementary work with the same ultimate purpose, to inform the Board on the impact of the Bank's actions and to provide recommendations to improve those results.

² A list of people interviewed is shown in an Annex.

³ For a description of this process, see Fattou (2002) and Dailey (2003)

⁴ Although the OAS resolved that President Aristide was the legitimate president and called for consensus, some groups in Haiti decided to boycott the administration, and the government also mobilized irregular armed groups against the opposition.

⁵ This description of events is taken from <http://www.un.org/Depts/dpko/missions/minustah/background.html>, the official website of the *Mission des Nations Unies pour la stabilisation en Haïti*.

⁶ The ICF will be analyzed and discussed further throughout the document. The purpose here is to locate it in the timeline of recent events, and thus to provide the relevant context.

⁷ Note: The variables in the chart have been normalized (value minus the mean divided by the standard deviation). For the variables used, their detailed definitions and the sources used are available on request.

⁸ *"Is it not time to give serious consideration to Haiti's admission to the HIPC initiative even if an external debt of less than US\$2 billion does not seem high enough compared with that of other eligible countries in the region? .. it seems paradoxical that, in this institution, four of the five poorest member countries are benefiting from the initiative yet the fifth, the poorest of the poor in the IDB, has been excluded.."* Anthony Desources, New Orleans, 28/03/2000, AB-2055 *"I must confess that it is not easy for the government to convince Haiti's poor that our country cannot look to the HIPC Initiative to reduce the national debt because the debt is not high enough.."* Marc L. Bazin, Santiago, 20/03/2001, AB-2119 *"We continue to urge our partners, particularly the IDB, to examine the possibility of helping our country to reduce its debt burden, and even to cancel the debt... those resources could make a significant contribution to reducing the extreme poverty..."* Henri Bazin, Okinawa, 4/11/05

⁹ *"The Haitian delegation is more than prepared to welcome any Bank initiative in that direction. I know that the discussions also have addressed the need to prioritize grant support to my country. Though we very much appreciate that intention, the grant amount apparently proposed seems to us to be very low and, above all, not commensurate with our most pressing needs. Moreover, we would not wish to see grant approvals tied to a requirement to channel the funds to NGOs. And, lastly, it is crucial to come up with a formula that does not deprive Haiti of its fundamental right to borrow from this institution, which we think of as our Bank."* Henri Bazin, Bello Horizonte, 4/4/06

¹⁰ See the IMF's "Heavily Indebted Poor Countries (HIPC) Initiative—List of Ring-Fenced Countries that Meet the Income and Indebtedness Criteria at end-2004" report, April 2006, <http://www.imf.org/external/pp/longres.aspx?id=542>

¹¹ For details see the IMF report "Haiti: Enhanced Initiative for Heavily Indebted Poor Countries – Preliminary Document" at <http://www.imf.org/external/pubs/ft/scr/2006/cr06338.pdf>

¹² Particularly with Pierre-Marie Boisson, Lionel Delatour, Carl Braun, Gladdys Coupet, Gerard Latortue.

¹³ Particularly, see Lundahl (2004), ECLAC (2004), World Bank (2006b).

¹⁴ Weinstein and Segal (1990) provide a discussion on the prospects of the Haitian economy as of 1990.

¹⁵ See, for example, the results of a meeting co-financed by CIDA, IDB and the Inter-American Dialogue held in Ottawa in 2004, www.focal.ca/pdf/haiti_dialogue.pdf.

¹⁶ See ICF Summary Report, par. 15 of the executive summary.

¹⁷ As reported in the Loan Document for HA0087, based on the needs assessment information for the ICF, the transportation infrastructure in Haiti is extremely weak, and it constitutes a major bottleneck

for any prospect of growth. The road system is small (3,400 km in 2004, 628 paved), it is shrinking (in 1991 it had 4,545 km) and only 20% of it is in acceptable conditions (down from 34% in 1991). The airport system is also in poor conditions, while, most importantly, the port system is in urgent need of investments in order to increase the capability to handle merchandise trade, but also to communicate different areas of the country and –a key issue– to fight illegal trade that has enormous fiscal repercussions for the Haitian state.

18 The Gini index shows a greater inequality for Haiti than for the rest of the poorest countries in the Region: Honduras 0.43, Bolivia 0.44, Nicaragua 0.55. The average of Latin America and the Caribbean is 0.57.

19 Conservative projections show that in 2005 poverty have increased, affecting 6,276,678 people, 52,084 more than in 2001. (The numbers for extreme poverty are 4,594,830 and 67,406).

20 The average infant mortality rate in the Sub-Saharan Africa is 105 and 80 in the low-income countries.

21 Fertility rate is 3.7 in Honduras , 3.2 in Nicaragua and 2.3 in Guyana . In Sub-Saharan Africa is 5.5, which is greater than the average in the low-income countries, 3.9.

22 Available at <http://www.unicef.org/childalert/haiti/>

23 The old problem of deforestation has not ameliorated. In 1492, 60% of the land was covered by forest, figure estimated today to be 1%-2%. Good arable soil was estimated at 540,000 hectares in 1938, 370,000 in 1954, 226,000 in 1970 and only 205,000 in 1985 (Lundahl, 2001). Recent estimates suggest that measuring the total rate of habitat conversion (defined as change in forest area plus change in woodland area minus net plantation expansion) for 1990-2005, Haiti lost 22.1% of its forest and woodland habitat (<http://rainforests.mongabay.com/deforestation/2000/Haiti.htm#14>)

24 This process is explained by Lundahl (2001), section III.

25 See Lundahl (2001) an also HAITI: THE ERODING NATION at <http://www.sun-sentinel.com/haiti>.

26 Haiti is a mountainous Caribbean country of less than 2.8 million hectares. Almost two-thirds of the countryside has a slope of more than 20%, and two-fifths of the land is above 400 m in elevation, making the soil particularly susceptible to erosion by torrential storms that pummel the land from June to October. Not only does this terrain limit agricultural cultivation but it also compartmentalizes the country geographically. In 1995 it was estimated that 60% of the territory had moderate to high risk of erosion. See Howard (1999).

27 For the distinction between natural events, natural disasters and the relative exposure across countries and regions, see Bilsborrow (1992), Charveriat (2000), Crowards (2000) and ECLAC (2000).

28 See Homer-Dixton (1994) and Howard (1999), for research relating environmental scarcities with conflict and violence in several countries, including Haiti.

29 See Bob Corbett (1986)

30 Confirming this *cautious optimism* trend, the International Crisis Group, and NGO that follows conflict situations around the globe, has recently declared an improvement in the situation in Haiti, both in April and in June 2006. This group monitors Haiti monthly since January 2004, and has emitted nine alerts of deterioration (for of them characterized by violent events).

31 In the past years there have been several evaluations of donor and lender activity in Haiti. In 2000 a Common Country Assessment was done by the UN, in 2002 both the World Bank and the IDB published country program reports, and in 2004 the Canadian International Development Agency presented it own evaluation. Finally, the Interim Cooperation Framework (ICF) that was developed by the interim government and the international community in 20004 presents some general findings.

32 A useful definition for “*difficult environments for poverty reduction*”, is as follows: “the government cannot or will not deliver core functions to the majority of its people, including the poor. The most important functions of the State for poverty reduction are territorial control, safety and security, capacity to manage public resources, delivery of basic services, and the ability to protect and support the ways in which the poorest people sustain themselves”. [See DFID (2005), *Why we need to work more effectively in fragile states.*] With these elements, four broad indicators are defined: (1) state authority for safety and security, (2) effective political power, (3) economic management and (4) administrative capacity to deliver services. These aspects are then assessed based on the capacity and the willingness of the state to implement effective poverty reduction policies. In the Haitian context it is possible to consider that the

Duvalier regime was “strong but unresponsive”, in that it had the capacity but not the willingness to fight poverty. Subsequent elected governments may be considered to be “weak but willing”. However, the document produced by the ICF states that *The preceding governments lacked the political will and the means to make the necessary changes in key areas, particularly justice, the police, administrative reform and decentralization. Weaknesses in respect for the law and basic liberties have led to corruption, insecurity and impunity and have discouraged productive investments by the private sector, and more largely the mobilization of all actors.* This statement suggest that Haiti has been a weak-weak state, lacking both willingness and capacity.

³³ ICF Summary Report, par.18-25. The ICF analysis is based on the SYNTHÈSE DES LEÇONS APPRISES PAR LES BAILLEURS EN HAÏTI Présentation à la réunion Gouvernement - Bailleurs le 22 avril 2004 Yves Pétilon, <http://haiticci.undg.org/uploads/Bailleurs%20lecons%20appriises%202.doc>

³⁴ For more details on the Paris Declaration, see www.oecd.org/dac/effectiveness.

³⁵ These recommendations are similar to the “Principles for Good International Engagement in Fragile States”, an ongoing project by OECD/DAC on the development effectiveness on fragile states. Key among them are to establish state building as the central objective, to align with local policies and or systems, to promote coherence between donor government agencies, to act fast and to stay engaged (10-year plans). See <http://www.oecd.org/dac/fragilestates>.

³⁶ This characterization of the IDB’s value added is taken from RE-XXX, CPE for Chile.

³⁷ Since 1983, after the Sixth Replenishment, only group D countries were eligible for FSO; after the Seventh Replenishment preference was given to D2 countries, which included Haiti. After the Eighth Replenishment (1994) resources were allocated among the five poorest members based on per capita GNP and population, mainly based on equity considerations. In the 2000 revision of allocation criteria, efficiency and performance were cited as relevant criteria by the Bank’s Board, so two new dimensions were included in the formula: portfolio performance and the country’s institutions and policies (CIPE). See GN-2101 and RE-279 for an overview of salient issues regarding FSO.

³⁸ For 2003, for example, the actual per capita allocation was US\$10.87, while a need-based allocation would have been US\$16.66. See RE-279.

³⁹ “*With respect to the Bank, we cannot forget that when the provisional government took office in March 2004, the IDB was the only multilateral institution that maintained a constant presence in the country after its re-engagement in July 2003. While our other partners were working to mobilize, the IDB, which had never closed its doors and whose portfolio of projects in execution totaled more than US\$350 million, was naturally the institution to which all eyes turned to rapidly relaunch activities, to help with job creation and promote a climate of social calm by speeding up the execution of labor-intensive projects, such as the program to rehabilitate secondary and tertiary roads, the water and sanitation program, and the program to rehabilitate basic economic infrastructure*”, H. Bazin, Okinawa, 4/11/05 (AB-2394)

⁴⁰ On January 8, 2001 a US\$22.5 million loan for the Rationalization and Organization of the Health Sector was ratified. On January 11 a US\$20 million Basic Education Program was ratified, followed by the ratification of a Rural Roads Project for US\$50 million on January 15 and a Water Sector Reform program for US\$54 million on January 18.

⁴¹ CP/RES. 806 (1303/02) corr. 1; 16 January 2002. OAS resolutions on Haiti are available at <http://www.oashaiti.org/>

⁴² AG/RES. 1841 (XXXII-O/02)

⁴³ OEA/Ser.G; CP/RES. 822 (1331/02); 4 September 2002; Original: French/English

⁴⁴ In absence of a formal strategic document, the evidence of the Bank’s strategy for this initial period is found on reports and presentations by Management to the Board. For this section, the references are: Haiti: Issues Paper, CS-3422 Corr., May 24 2002; Haiti: Timetable of proposed Management actions. Revised Version CS-3422-Rev, June 28 2002

⁴⁵ Haiti: Technical mission. Report to the Board of Executive Directors, GN-2212-1 Corr, September 3, 2002

⁴⁶ The ISL, HA0046, loan 989/SF-HA was approved on December 11, 1996 for US\$50 million. Originally it had three tranches. It was reformulated in 2003 with two tranches, the first for US\$35 million.

⁴⁷ Remarks by President Iglesias on the occasion of his visit to Haiti on July 25, 2003, CS-3422-3.

⁴⁸ Haiti. Transition Strategy for Reengagement, GN-2212-2. Hereafter referred as the “reengagement strategy”.

⁴⁹ The issue of financial flows between the Bank and the GOH is of utter importance during this period. Given the slow implementation of investment loans in Haiti, and the significant accumulation of past loan activity, specific efforts need to be done in order to avoid the situation that took place in 2001, when a negative net flow of US\$ 5.5 million occurred.

⁵⁰ GN-2212-2 par. 4.18.

⁵¹ Several actors (WB, EU, G.Latortue) manifested surprise for the lack of analytical work from the IDB on Haiti.

⁵² An example of such study, for Peru, is a useful reference as it provides the basic methodology to do this.

[http://www.adeptep.com/publicaciones/La%20infraestructura%20que%20necesita%20el%20Peru%20\(AD EPSEP-IPE\).pdf](http://www.adeptep.com/publicaciones/La%20infraestructura%20que%20necesita%20el%20Peru%20(AD EPSEP-IPE).pdf)

⁵³ GN-2212-2 par. 4.18.

⁵⁴ Some of the issues that led to poor performance and low impact may be avoided if the IDB works closely with the GOH during project design to ensure ownership, relevance, feasibility and pertinence of projects. An example of the lack of broad support is the *Extension of Primary and Teacher Education Program II* which was substantially modified by the Haitian Parliament prior to ratification. This should never happen, because prior to submission to approval by the IDB's Board and to ratification by Parliament, operations should be thoroughly discussed and agreed upon with the relevant policy makers and political actors. While the changes imposed by the Parliament may or may not have affected execution, they represent the exercise of Haitian sovereignty. Besides there are other important lessons. In the case of Agriculture, for example, it was detected that *"the main problem that plagued the project from its outset was the continuous fragmentation of plots that were already too small to make the culture of extensive products like rice viable"*, and difficulties were reported in organizing producers and also lack of credit was pointed out as a major concern. Those issues, however, are still present in the current operations. The current projects depend on the successful mobilization and organization of beneficiaries, which is something yet to be achieved. Also, the lack of credit, although identified in the Loan Document for both agricultural intensification projects, has not been resolved and it is turning out to be a real obstacle. Finally, the issue of cost overruns—that also affected the Roads project—is also repeating itself, due to delays during which the security situation has increased costs and also the necessary investments to deal with environmental risks such as floods. The Roads Project shows a disastrous experience of a multi-donor project, because some donors abandoned the operation after lack of understandings with the GOH. Also, besides cost overruns which are also a concern today, the necessity of ensuring a well-funded road maintenance fund was drawn as a lesson learned.

⁵⁵ RE-309 concluded that *"The evidence reviewed suggests that strategies were characterized by poorly developed and in many instances inconsistent diagnostics, a paucity of outcome indicators and on metrics for these indicators, limitations in the logical relationship between different components of the strategies, and the absence of a risk assessment. The implication of this finding is that the strategies reviewed are not evaluable. On the whole, the strategies did not contain the elements required in order to serve the purposes identified in the Guidelines."*

⁵⁶ For example, a common feature of most projects in the current portfolio is the reliance on communities for the success of projects. While this may be a desirable feature of development projects, this has been pointed out as a systemic unmitigated risk for the portfolio. There is a need first to map the community capacity assets to determine the feasibility of this model. Also, there is a need to proceed with pilot projects and to ensure lesson learning to determine the effective results of this approach. Peter Sollis (RE2) was on mission in Haiti for six months (May–November 2005) and he wrote a note on this feature of the IDB's portfolio in Haiti.

⁵⁷ ECLAC (2005) considers the ICF to be "rather sketchy on how the different elements that form part of each axis are to be converted into concrete actions and deliverable results, or how to resolve the numerous trade-offs between potentially conflicting priorities", page 4.

⁵⁸ Note: Each dimension ranges from 1 (low) to 4 (high)

⁵⁹ This has changed recently, with the presence of the Bank's president in the Donor's meeting in July in Port-au-Prince.

⁶⁰ The effectiveness of Sector Tables varies within sectors. The IDB plays a central role in four of them (water and sanitation, agriculture, infrastructure and education). The Canadian government finances a support office within the Ministry of Planning in order to monitor the functioning of these tables, and

interviews with them corroborates the findings of an IDB-staff member who spent six months in Haiti during 2005, in the sense that some tables are not functional and that there is still a lot of work to do to enhance effective coordination among donors.

⁶¹ This operation was the HA-L1009 Ennery-Quinte Agricultural Intensification Project –which was originally designed in the late nineties as a subcomponent of a larger project that included a component for the Artibonite, In 2003 the government requested a project only for the Artibonite, even though the ideal conditions were present in Ennery-Quinte and thus with the interim government it was decided to use the original design for Ennery-Quinte.

⁶² An assessment of these operations will be presented in Chapter IV.

⁶³ ISDF is an instrument created in 2002 due to “*increasing evidence... that strong institutions are essential prerequisites for the sustainability of programs for economic and social reforms.*” *ISDF objectives are to “i) overcome institutional constraints that go beyond specific projects; ii) support institutional strengthening activities related to specific projects during the design, execution and/or post-completion phase, in order to ensure sustainability; and iii) cover gaps in complementary institution-building activities related to policy-based lending operations and other programs.*” See GN-2223 and for Sector Facilities in general see GN-2085-2.

⁶⁴ OVE defines “evaluability” as the degree to which the projects are defined such that, once they are complete, they can be evaluated and demonstrate their effectiveness in addressing the development problems and challenges faced by the borrowing countries. It is measured according to nine dimensions: diagnosis, definition of objectives, logic, assumptions and risks, output and outcome indicators and baselines, and monitoring and evaluation for outputs and outcomes. For details, see OVE (2003), *Analysis of project evaluability year 2001*, RE-275.

⁶⁵ FSO, RE2 and IDB averages exclude Haiti. Projects with more than 40 months from preparation to approval were excluded in all cases. Source: OVEDA

⁶⁶ Ad Hoc Annex: IDB Docs # 337902

⁶⁷ These measures were detailed in Annex II to GN-2212-7.

⁶⁸ See AG/8-05 and GN-2331

⁶⁹ For TCs, only the faculty to modify contractual clauses has been used, mainly to extend the last disbursement date up to 24 months. It has been used 27 times.

⁷⁰ Only two programs reported significant complaints about execution being delayed by the Bank’s procedures: the Urban Rehabilitation Project (1639/SF-HA) and the Rehabilitation of Basic Economic Infrastructure (1493/SF-HA). As mentioned by a top economic advisor at MEF (G. Veret) , slow project implementation is a pervasive problem in Haiti and is not attributable to the IDB, for projects funded by other donors present the same type of problems, and even projects funded by local resources have difficulties in being executed.

⁷¹ For example, non-objections are decided in a meeting with the executor, who reviews the documentation along with the Bank’s specialist and signs an aide memoir for each meeting. This process may be slow at the beginning, but it is transparent and helps to build know-how at executing units. Another example of the close work with executors is the response of the COF/CHA to the demand by some program coordinators to move from an ex ante to an ex post method for the revision of expenditures. Some coordinators argued that the ex ante method imposed excessive delays, and requested information on how to “graduate” and obtain an ex post status. The COF/CHA sent a note to all coordinators and organized a meeting explaining the details of the process and the necessary steps to move towards an ex post revision system. After that, only one coordinator has followed through with the process.

⁷² See the Work Document produced by the GOH in November 2006: *Conditions prerequisites pour une amélioration de la capacité d’absorption de l’aide publique a Haïti: renforcement des capacités d’exécution et d’investissement* (mimeo)

⁷³ As detailed in a presentation to the IDB’s Board by the Administration on February 28, 2007.

⁷⁴ IDB (2005), Annual Report,

http://www.iadb.org/exr/ar2005/ia_country.cfm?language=en&parid=9&itemlid=6

⁷⁵ The Project Execution Unit at the MTPTC implements loans 991/SF-HA and 1638/S-HA, while another agency manages 1493/SF-HA. Something similar could be done for the three projects administered by the same executing unit at the MARDNR (1490, 1646 and 1642).

⁷⁶ IDB (2005), Annual Report. For example, there are two large executing units managing three of the largest infrastructure projects. While IDB non-objections seem not to be a central issue, delays in the

award of contracts and the start-up of works are a problem, and a permanent presence of the specialist at the executing agency would help speed-up overall project execution. The COF/CHA specialist could sit two days in each executing unit and serve as a technical advisor the project coordinator.

⁷⁷ Implementation units are currently the norm for IDB and other donors, even though the ICF explicitly considered that they erode the State's capacity, which is identified as a fundamental problem in the Haitian context.

⁷⁸ The indicators of the strategy are taken at face value; in Chapter II the analytical foundations of the strategies was discussed, and the need for solid economic and sector work to improve the quality of the strategy, and thus of the indicators, was stressed.

⁷⁹ See Annex on "Poverty in Haiti",

<http://idbdocs.iadb.org/Wsdocs/Getdocument.aspx?docnum=791921>

⁸⁰ The conceptual analysis of PBL as lending instruments follows OVE (2004), Instruments and Development. An Assessment of IDB's Lending Modalities, RE-300.

⁸¹ For details on the progress achieved in the governance reforms, see the IMF "Haiti: Enhanced Initiative for Heavily Indebted Poor Countries –Preliminary Document" at <http://www.imf.org/external/pubs/ft/scr/2006/cr06338.pdf>

⁸² See <http://www.oecd.org/dataoecd/16/31/36644712.pdf>