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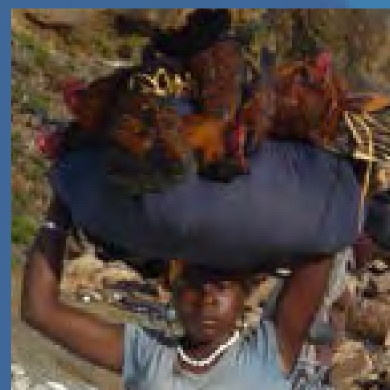

Country Program Evaluation

Haiti

2007-2011

IDB

Inter-American Development Bank

September 2011

Abstract

The 2010 earthquake substantially altered the relationship between the Inter-American Development Bank and Haiti. On the one hand, it heightened the enormous challenges faced by the country, and created new and pressing needs in the short term. On the other, it produced an unprecedented response from the Bank: a commitment to approve US$200 million in grant resources annually for the next 10 years. This new relationship opens a window of opportunity for more lasting development interventions in a new operational and strategic context.

This report evaluates the Bank's country strategy with Haiti during the period 2007-2011. The country strategy approved in 2007 sought to continue the incipient stabilization process of the previous period (2004-2007). But circumstances took a different course with consecutive natural disasters and external threats to economic and political stability, making clear that the desire for continuity was not very consistent with the fragile and vulnerable nature of the country, which lacked effective means of mitigation. The Bank's organizational and financial response to the earthquake emergency was swift and timely, getting operations back up and running in a short time, approving a broad program of operations, and increasing disbursements. However, the strategic response was insufficient to position the Bank in the face of the enormous challenges created by the earthquake and the difficulties of rebuilding the country.

The program's effectiveness was limited by the difficulty of achieving the expected outcomes of operations. Execution problems stemming from the institutional fragility of the Haitian government and the absence of designs adapted to the new circumstances continued to curtail achievement of the project objectives. The low level of outcomes was significant for programs in the agriculture, water, education, and electricity sectors. The effectiveness of the highways program, the portfolio's most ambitious, was compromised by successive restructurings that did not include work on secondary roads, and the absence of a maintenance system to ensure sustainability of the interventions. In governance programs, the objective of budget support was given preference over the objective of institution-building.

The Office of Evaluation and Oversight (OVE) concludes that the Bank's future strategy in Haiti will be more relevant and effective to the extent that it: (1) maps out a consensus-based strategy with the country that is realistic, supports rebuilding the country's institutions, and targets poverty reduction; (2) overcomes the coordination weaknesses among donor agencies and promotes the leadership of the Government of Haiti in the coordination of development aid; (3) builds the analysis of risks associated with institutional, economic, and environmental vulnerabilities and appropriate mitigation measures into the design of each operation; and (4) intensifies efforts to ensure program monitoring and reporting, including improvements in the quality of information available in the country.

Original: Spanish

Country Program Evaluation of Haiti 2007-2011

OFFICE OF EVALUATION AND OVERSIGHT, OVE

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Acronyms

BRH	Banque de la République d'Haïti
CAID	Canadian Agency for International Development
CAMEP	Centrale Autonome Métropolitaine d'Eau Potable [Autonomous Metropolitan Water Plant]
CBERA	Caribbean Basin Economic Recovery Act
CBTPA	Caribbean Basin Trade Partnership Act
CEPAL	Economic Commission for Latin America and the Caribbean
COF	The Bank's Country Office in Haiti
CPE	Country program evaluation
CPIA	Country policy and institutional assessment
DINEPA	Direction Nationale de l'Eau Potable et de l'Assainissement [National Water and Sanitation Directorate]
DSNCRP	Document de Stratégie Nationale pour la Croissance et pour la Réduction de la Pauvreté [National Growth and Poverty Reduction Strategy Paper]
EDH	Electricité d'Haïti
EME	Education Management Europe
EPCA	Emergency Post-Conflict Assistance
FAES	Fonds d'Assistance Economique et Sociale [Economic and Social Assistance Fund]
FER	Fonds d'Entretien Routier [Road Maintenance Fund]
FPCRF	Food Price Crisis Response Fund
FSO	Fund for Special Operations
GEF	Global Environment Facility
HELP	Haiti Economic Lift Program
HESAR	Haiti Emergency Spending Allocation Request
HGF	Haiti Grant Facility
HIPC	Heavily Indebted Poor Countries
HOPE	Haitian Hemispheric Opportunity through Partnership Encouragement
HRF	Haiti Reconstruction Fund
HRG	Haiti Response Group
ICF	Interim Cooperation Framework
IDA	International Development Association
IDB	Inter-American Development Bank
IHRC	Interim Haiti Recovery Commission
IHSI	Institut Haïtien de Statistique et d'Informatique [Haitian Institute of Statistics and Information Technology]
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
INT	Integration and Trade Sector
IRAI	IDA Resource Allocation Index
KCPs	Knowledge and capacity building products
LAC	Latin America and the Caribbean
LAPOP	Latin American Public Opinion Project
MDRI	Multilateral Debt Relief Initiative
MEF	Ministry of Economy and Finance
MENFP	Ministry of National Education and Vocational Training
MIF	Multilateral Investment Fund

MINUSTAH	United Nations Stabilization Mission in Haiti
MTPTC	Ministry of Public Works, Transportation, and Communications
NGO	Nongovernmental organization
ODA	Official development aid
OECD	Organisation for Economic Cooperation and Development
OREPA	Office Régional d'Eau Potable et d'Assainissement [Regional Water and Sanitation Office]
OVE	Office of Evaluation and Oversight
PADTH	Program to Support Transportation Sector Development in Haiti
PARDN	Plan d'action pour le relèvement et le développement national [Action Plan for National Recovery and Development]
PBG	Programmatic policy-based grant
PBL	Policy-based loans
PCR	Project completion report
PDNA	Post Disaster Needs Assessment
PMR	Project monitoring report
PNEF	National Plan for Education and Training
PNH	Haitian National Police
PNUD	United Nations Development Programme
PPMR	Project performance monitoring report
SCF	Structured and Corporate Financing Department
SNEP	Service National d'Eau Potable [National Water Service]
SMEs	Small and medium-sized enterprises
SMP	Staff monitored program
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VAT	Value-added tax
WB	World Bank

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Several buildings, including the National Palace, were severely damaged by the 2010 earthquake. Consequently, over 1.5 million Haitians were displaced and forced to to live in makeshift tent camps.
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Executive Summary

This evaluation of the Bank's country strategy with Haiti (2007-2011) covers a turbulent period in which the main risks to Haiti's development materialized. The relative stabilization process between 2004 and 2007 was shaken by three events that had major impacts on Haiti's society and economy.

In late 2007 and 2008, a severe political crisis ensued as a result of imbalances caused by rising oil and food prices. The 2008 hurricane season was particularly active; the country was hit by four high-impact hurricanes that caused economic losses equivalent to about 15% of GDP. Then, in January 2010, the most populous area of the country, its seat of government and economic hub (Port-au-Prince and surrounding areas), was struck by a high-magnitude earthquake. The resulting humanitarian crisis was exacerbated by the effects of that year's hurricane season and the outbreak of a cholera epidemic in October.

The 2010 earthquake exposed the extreme fragility and fragmentation of the Haitian State, high levels of poverty and exclusion, the economy's dependence on international aid, and the country's deep vulnerability. The emergency also elicited the best of international solidarity. At the March 2010 donors conference led by the United Nations, offers for long-term financing exceeded US$11 billion, of which US$5.3 billion were for 2010-2011. Against this backdrop, that same month, the Bank's Board of Governors made the commitment to forgive the country's outstanding debt as of 2010 (US$479 million) and create the Haiti Grant Facility (HGF), which would allow for up to US$200 million in grants to be approved annually for the next 10 years (2011-2020), subject to the success of the Ninth General Capital Increase and its annual ratification.

Summary

- The consequences of the 2010 earthquake generated an unprecedented financial response from the Bank: a non-reimbursable grant of US$200 million annually for the next ten years.
- Faced with the emergency, the IDB's financial and operational response was timely and relevant although it was less adequate in strategic terms.
- After the 2010 earthquake, the number of operations, the amount approved and the counterpart funding increased substantially.
- The low evaluability of the program and the weaknesses of the monitoring process impeded project oversight and accountability.
- Institutional fragility and lack of appropriate design limited the achievement of project objectives.

A. Strategic positioning of the Bank

The 2010 earthquake destroyed approximately 70% of the buildings in Port-au-Prince.

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The Bank's country strategy with Haiti, approved in 2007, sought to continue the incipient stabilization and recovery process of the previous period (2004-2007). However, the materialization of the risks identified in the country strategy altered the backdrop to the relationship between the Bank and the Government of Haiti, and caused the country strategy to lose relevance once the period began. In a very short period, circumstances in the country changed in an unforeseen manner, with consecutive natural disasters and external threats to economic and political stability, making clear that the desire for continuity was not very consistent with the fragile and vulnerable nature of the country, and that there were no sufficient means of mitigating the risks that had, in fact, been identified in the country strategy.

The Bank's organizational response to the earthquake emergency was swift and timely, getting operations back up and running in a short time for the urgent tasks demanded under the circumstances. The strengthening of the Bank's Country Office in Haiti with specialized technical and administrative staff, as well as the creation of the Haiti Response Group (HRG), proved a significant organizational challenge to maintain and coordinate the Bank's presence in the country, and support the approval of operations and related disbursements. However, the strategic response was less able to position the Bank in the face of the enormous challenges created by the earthquake and design a Bank strategy to meet them. The country strategy update, while timely, did not include an evaluation of risks of the post-earthquake conditions on the portfolio in execution, nor did it offer a sequential strategy for IDB action for emergency, reconstruction, and development tasks, so that informed decisions on the Bank's role could be made in each of these areas.

The Bank's financial response to the post-earthquake crisis established it as a key long-term partner in Haiti's recovery and development. The Haiti Grant Facility (HGF) was approved without implementation guidelines or specific strategies to position the Bank within the complexities of Haiti's reconstruction work. This lack is particularly worrisome in the case at hand, where needs are many, and the opportunity costs of aid may not be obvious. Additionally, the grant modality eliminates factors that traditionally have guided the Bank's work, such as the country's willingness, expressed in counterpart funding, and/or commitment to repay, creating room for discretionality that can be addressed only through a sustained effort to monitor outcomes and maintain accountability associated with objectives.

B. The program and its execution

The evaluation period saw substantial increases not only in the number of operations but in the amount approved and counterpart funds secured, with particular emphasis on the post-earthquake period. Financing of highways accounted for 30.9% of Bank approvals (excluding cofinancing) for 2007-2009, followed by budget support loans, contributing 20.6% of approvals. The preference for financing these sectors was maintained in 2010, with highways accounting for 20% of approvals, and policy-based loans (PBLs) for 18%. This pattern appears to have continued in 2011, with the transportation sector accounting for an estimated 38% of public sector lending. In terms of cofinancing, the Bank secured substantial resources to add US$0.49 in external financing for each dollar approved.

The IDB increased the amounts disbursed steadily throughout the period, driven by significant outlays for the road sector and fast-disbursing loans (PBLs, PBGs), keeping levels very low for other sectors. In 2010, disbursements rose nearly 30% over the previous year, with the transportation sector and budget support operations again accounting for more than 60% of the total. Excluding emergency disbursements in 2010, which are nonrecurring by their nature, disbursements to other sectors remained low, with US$6.7 million for the agricultural sector, US$4.1 million for education, and US$4.3 million for energy.

C. Outcomes and effectiveness of the IDB's work

The low evaluability of the strategy and program, as well as the lack of an effective monitoring and evaluation process, hinder project monitoring and accountability for the impacts of the Bank's work in Haiti. There is a generalized lack of information from program executing agencies, with infrequent monitoring reports, often of poor quality, and limited information on outcomes achieved. Added to this is the endemic absence of up-to-date information in Haiti, making it impossible to use secondary sources to measure outcomes. The evaluability of the portfolio is low, with a deficit in the number and quality of indicators included and, in some cases, development objectives that are unrealistic in view of the planned effort and optimistic in view of the severe execution-related problems in the portfolio.

Execution problems continued to place major constraints on the achievement of project outcomes, due to the institutional fragility of the Haitian State and the lack of designs adapted to the circumstances. In general, projects experienced delays and cost overruns as a consequence of the need for frequent restructurings, poor quality of preinvestment studies, defects in designs to address sector realities, institutional weaknesses and interagency coordination shortcomings, and difficulties in arriving at an intervention strategy based on consensus between the Bank and the Government of Haiti.

The National Palace (*Palais National*), the official residence of the Haitian president, was almost entirely destroyed in the earthquake.

The effectiveness of the Bank's action in achieving sector-specific development objectives was hindered by a failure to obtain the desired outputs. The low degree of outcomes attained in comparison to the ambitious design projections was noteworthy in programs for the agriculture, water, education, and electricity sectors. Meanwhile, the highway program achieved substantial execution levels, but its effectiveness in meeting the objective of improving access to areas with productive potential was compromised by successive restructuring of programs, where work on rural and secondary roads was continually passed over in favor of primary highways, and the impacts of recurring natural disasters and the absence of an effective maintenance system to ensure sustainability of the targeted highways. In operations to support economic governance, the objective of budget support was given preference over the objective of reform, and little progress was made with respect to the previous period.

Lastly, the effectiveness of the Bank's work to advance private sector development in Haiti corresponded to the focus on miniprojects that ultimately comprised the private sector portfolio. Although the country strategy proposed interventions by the private sector department (SCF) and the IIC, the Bank's work was restricted to MIF interventions that were, by their nature, more suited to Haiti's business community but limited in scope, and ignored the more systemic issues of promoting and improving the business climate.

D. Conclusions and recommendations

The 2010 earthquake substantially altered the relationship between the IDB and Haiti. On the one hand, it heightened the enormous challenges faced by the country, and created new and pressing needs in the short term. On the other, it produced an unprecedented response from the Bank: substantive support in the form of nonreimbursable resources, as well as a commitment to sustained approvals for a ten-year period. This response enables the Bank to approach its relationship with Haiti on a time scale that facilitates more robust interventions in terms of development. This window of opportunity correspondingly creates new challenges, such as instituting incentives to replace the sense of ownership and consensus mechanisms used in conventional loan operations, carefully aligning the objective of increased disbursements with the objective of gradually building local capacity, and increasing the contribution of the Bank's work to the country's poverty indexes. At the same time, the increase in aid funds and the number of external actors in the country renews the need to overcome weaknesses in donor coordination, in an environment where many different aid organizations, ranging from the small and numerous nongovernmental organizations (NGOs) to the large international cooperation actors, are making decisions with low levels of integration.

Acknowledging the commendable effort made by the Bank during the 2010 earthquake emergency, and in order to make development aid more effective in Haiti, OVE offers the following recommendations:

Recommendation 1: Strategic positioning. Map out a long-term strategy (10 years) that garners the greatest consensus with the Government of Haiti and Haitian society, addressing the following topics:

- Setting development objectives based on Haiti's specific circumstances, with measurable intermediate targets for monitoring and accountability.
- Focusing the Bank's work on a few sectors, giving priority to those with greater impact on poverty and social inclusion.
- Giving priority to institution-strengthening, not only through sector interventions, but also ensuring that they are part of a systemic vision to support economic and democratic governance.
- Including the short-term challenge of reconstruction as part of the long-term development strategy.

Recommendation 2: Donor coordination. As part of the Haitian government's coordination framework, strengthen and make coordination more effective among donor agencies and with country agencies by:

- Proposing as part of the first country program a strategy to support and strengthen an effective external aid coordination body in Haiti, while identifying the IDB's role in terms of lending and technical support.
- Making explicit in each operation the commitments with other international cooperation agencies for the achievement of the development objectives.

Recommendation 3: Preventive approach to risk. Acknowledge the recurring emergencies arising from Haiti's institutional, political, and environmental vulnerabilities by:

- Strengthening risk analysis and its impact on each operation, at the level of both technical and institutional designs and by including appropriate mitigation or restructuring measures.

Recommendation 4: Expansion of the knowledge and information base. Expand the Bank's knowledge capital, firmly rooting its work in a robust diagnostic assessment of the real conditions on the ground in Haiti by:

Proposing as part of the first country program a strategy to address existing information deficits, including diagnostic assessment of the current state of affairs, lending needs,work execution timetable, and commitments by donors and the Haitian government.

Management Comments

At the start of this analysis of the Country Program Evaluation (CPE) of Haiti 2007-2011 prepared by Office of Evaluation and Oversight (OVE), the Haiti Response Group (HRG) wishes to emphasize the spirit of cooperation shown by the team of OVE, which resulted in various exchanges during its preparation. The document presented to the Board largely reflects the comments on first version that was submitted to the Administration.

The CPE makes a series of recommendations that have been part of the dialogue with the Government of Haiti (GOH) and will be incorporated in the new Country Strategy (CS)1. It is important to note that several recommendations were already addressed in the Country Strategy Update (CSU), though a complete, more finished treatment is presented in the CS 2011-2015.2

In particular, the next CS will follow Recommendation 1, by focusing the Bank's efforts on selected priority sectors that have greater poverty impact. Coordination was a priority in the CSU and will remain so in the next CS, as suggested in Recommendation 2. It has been noted, and is considered appropriate to deepen project risk analysis, as suggested in Recommendation 3. Recommendation 4, focusing on expanding the Bank's knowledge capital through a technical cooperation program in each sector in order to assess the impact of operations is also considered pertinent. For all of these, HRG is grateful to OVE.

General Comments

1. Phases of the analysis period. The report is extremely confusing and seems not to distinguish two distinct phases in the review period, separated by the earthquake of January 2010 (T2010). While the report acknowledges the difficulty in assessing a program that lost its relevance with the earthquake, it does not clarify the objective of the analysis nor the methodology used, meaning a continuous conflation between the evaluation and conclusions for the pre- earthquake period 2007 - 2010, and the actions undertaken from the earthquake up to the first quarter of 2011, as covered in the CSU 2010 to 2011.

The report should, in our opinion, make separate analyses of each period using different approaches to distinguish "what was done" (actions undertaken) in the pre-earthquake period from "how to address the challenges" (future decisions) as reflected in the CSU. The T2010 required that the Bank address existing needs through a closer relationship with the authorities and other donors, including joint work on the design of immediate responses, as well as medium-term planning in various sectors (for example, in education, agriculture and in the north of the country). Therefore, the evaluation does not account for how the CSU was developed, the format that had to be followed at the time of submission, the short preparation time, and the impossibility to show results, between approval in July 2010 and evaluation in the first quarter of 2011.

The CSU was not intended to be an emergency strategy given the decision of the Bank provided by the Governors at their Annual Meeting in 2010 was to develop long-term support, the greater capacity of other institutions to respond to emergencies, as well as the greater availability of resources, equipment, permanent and long-term vision of the Bank. This approach was adopted by the CSU and is central to the new CS under preparation.

2. The "positioning" of the Bank. The opinion on the strategic positioning of the Bank after the earthquake appears unfounded when the CPE states "*the strategic response did not position the Bank to face the enormous challenges created by the earthquake and to design a Bank strategy to meet them. The country strategy update, while timely, did not include an evaluation of risks of the post-earthquake conditions on the portfolio in execution, nor did it offer a sequential strategy for IDB action for emergency, reconstruction, and development tasks, so that informed decisions on the Bank's role could be made in each of these areas*".

The CSU was an update, prepared over a period of two months, with results yet to evaluate, and that was a precursor to the CS under preparation. It's certain that for the GOH from the T2010, the Bank has consolidated its position as the central reference point for policy design in the country, the main technical and financial support of the Government, with a very strong field- based technical team receiving tremendous technical support from Headquarters, in addition to being a very significant donor, having disbursed up to June 2011, US$252M, about US$90M more than the second donor. This is not compatible therefore with the notion that the strategic response has not been relevant.

Specific Comments

1. Modernization of the State. The CPE says in paragraph 2.8 in relation to the CSU that, "*Considering the acknowledgment of Haitian State's fragile condition, its macroeconomic and fiscal vulnerability, and the relevance of strengthening public sector governance amid the considerable challenges of recovery, the decision to replace the governance support programs is not adequately justified. The updated strategy recognizes in its country systems section that strengthening the government's capacity to execute projects and to regulate and lead policy debate is essential to the success of the planned investments. To support this effort, the updated strategy establishes the use of instruments to replace the traditional policy reform programs with others aimed at strengthening institutional capacity in sectors where the Bank is actively involved*".

The CSU clearly define institutional issues as important in planning Haiti's reconstruction allowing the State to meet the needs of the population, but has looked at the issue from a broader perspective, that recognizes the existence of other actors in the Haitian context. The World Bank, IMF and governments acting bilaterally, have promoted cross-cutting institutional reform programs and will continue to do so. The Bank works with all actors in an integrated manner, in order to respond to the coordination and prioritization objectives agreed with the authorities and other donors in the country (actions recommended by OVE itself), complementing this effort to generate synergies that will strengthen the overall execution capacity of the country.

With the CSU, the Bank decided to concentrate its capacity building efforts in a vertical manner within priority sectors, while other donors focus their efforts on the modernization of cross- cutting systems. Improving institutional capacity sector by sector will lead to direct improvements in their absorption and implementation capacities.

2. Private Sector Development. Paragraph 3.22 states "*In its programming the Bank is focusing on northern Haiti and on fostering regional development (Northern Pole) around the assembly manufacturing (maquila) industry*". It is important to emphasize that neither the Bank nor the GOH has a development program based on the maquila. The Bank has a strategy for private sector development that does not propose a program of industrialization, but tools to foster the creation of new businesses and generate employment. In this sense, the strategy seeks to link foreign and domestic investment through a range of measures, implemented by the GOH with Bank support that will promote spillovers throughout the economy. In particular (and this seems to refer to OVE's comment) during 2010 the idea developed to build an industrial park in the north, in which industries of various kinds would be established, some assembly plants , but also furniture-making with high added value and possible even technology industries. In a country with such high unemployment rates (around 40% in 2010) assembly manufacturing is an interesting alternative model but is not the proposed development suggested by the CSU and clearly reflected in the new CS.

In summary, and beyond the specific differences with the CPE report, the report provides very useful information and insights that have been very helpful in the preparation of the new CS, and its findings and recommendations are valuable inputs in this process.

1

Tent City” in Port-au-Princes Champ de Mars housed an estimated 16,000 people.

1 Introduction, Context & Challenges

The country program evaluation (CPE) presented below seeks to reflect the complexity of the Bank's work in Haiti during the period 2007-2011. The devastating earthquake that hit Haiti in January 2010 made its already fragile and overwhelming situation even more critical, and exacerbated the country's structural problems. This sparked a response of solidarity from the international community and reopened the window of opportunity for the country's reconstruction.

The Bank's relationship with Haiti also underwent a fundamental change, taking a central place in the Bank's development aid activity, creating new and urgent challenges. This CPE therefore seeks to reflect the lessons learned from the Bank's work in Haiti during 2007-2011, the period covered by the Bank's country strategy with Haiti, approved in 2007 and updated following the earthquake.

The Office of Evaluation and Oversight (OVE) acknowledges the difficulty of working under institutionally fragile and politically delicate conditions such as those in Haiti. Management's effort to build a work team at both headquarters and the Country Office reflects the importance of the relationship. In this regard, the CPE has sought to identify the huge challenges that this relationship entails, and devise a number of possible ways of overcoming these challenges.

For this evaluation, OVE conducted a broad consultation with Bank staff responsible for strategic and operational relations with Haiti, both at headquarters and in-country, representatives of the Government of Haiti, and aid officers at IDB-partner international organizations. The limitations stemming from a lack of quantitative information, which were already huge, became even greater with the loss of human resources, systems, and data files after the 2010 earthquake. This lack of information often hampered the ability to measure the impact of projects or even to accurately gauge the Bank's effectiveness in relation to the development objectives set.

Summary

The first Chapter examines the context in which the Bank's interaction with Haiti developed.

The main challenges in Haiti are:

- Fragility of the Haitian state;
- Fragmentation and privatization of public service;
- Very low and erratic growth together with a fast-growing population;
- Sustained improverish-ment for the past 20 years;
- Low competitiveness and reduced room for growth;
- Environmental vulnerability;
- High dependency and vulnerability to foreign aid.

Thousands of people receive payment for work in the Cash-for-Work program.

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The evaluation has four chapters. Chapter I examines the main development challenges faced by Haiti and the international community as the country's key partner, as well as the impact that the January 2010 disaster had on them. Chapter II assesses the Bank's strategic positioning through evaluation of the country strategy with Haiti, approved in 2007 and updated following the 2010 earthquake. This involves review of the Bank's organizational, strategic, and operational response in 2010, its financial relevance during the period, and the portfolio ultimately approved through June 2011. Chapter III examines the outcomes achieved on completed programs in the priority sectors identified in the country strategy update. Lastly, Chapter IV presents the conclusions of the evaluation and offers a number of recommendations that we hope will provide useful guidance for the Bank in the difficult and urgent task of contributing to Haiti's reconstruction.

The documents attached as annexes are an integral part of this report and include detailed information and expanded analysis for the various sections of the evaluation.

Context and Development Challenges

The evaluation period has been a turbulent one, marked by the materialization of the primary risks that challenge development in Haiti. The process of relative stabilization between 2004 and 2007 was shaken by three events that had major impacts on Haiti's society and economy. In late 2007 and 2008, a severe political crisis ensued as a result of imbalances caused by rising oil and food prices. The 2008 hurricane season was particularly active; the country was hit by four high-impact hurricanes that caused economic losses equivalent to about 15% of GDP. Then, in January 2010, the most populous area of the country, its seat of government and its economic hub (Port-au-Prince and surrounding areas), was struck by a high-magnitude earthquake. The impact of these events, especially the last one, was amplified by the fragility of the Haitian State, endemic poverty, and poor infrastructure. The resulting humanitarian crisis was exacerbated by the effects of the hurricane season (Tomas in August 2010) and the outbreak of a cholera epidemic in October 2010.

The context for interaction between the Bank and Haiti has features that are unique and in many cases unprecedented for the work of the IDB. First, Haiti is the only country of the region characterized as fragile and failed in the specialized literature with the highest levels of poverty and inequity and economic and environmental vulnerability in Latin America and the Caribbean. Second, and as a consequence, the Bank operates in an environment of many and varied development aid agencies and organizations with very low levels of coordination by the government. Lastly, the IDB's response to the 2010 earthquake emergency (analyzed in the next chapter) makes it unique in terms of commitments to Haiti's recovery and development in relation to both instruments and long-term involvement, calling for a unique response in terms of the commitment assumed.

A. Fragility of the Haitian State

The Haitian State is too small, weak, and ineffective to meet the population's basic needs. Haiti's public sector is smaller than that of countries with similar income levels, and wages in Haiti are especially low. The replacement of basic functions of the Haitian State by NGOs and external cooperation agencies is extensive. On the one hand, the limited capacity to meet demand for basic public goods led the private sector to fill the gap under conditions of high operational fragmentation and poor quality. At the other extreme, it has led to the replacement of national bodies by international entities, principally in public safety, provided through a United Nations force, MINUSTAH. The government's weakness when it comes to coordination, regulation, and supervision of such operations makes it even more fragile and fragments development efforts and strategies (see Annex B).

The historic difficulty of strengthening democratic governance has remained at the heart of the economic and social deterioration in Haiti, and has fed its fragility. The efforts since the late 1980s to promote democratic governance in Haiti have been threatened by failures in domestic leadership and by the not always wise intervention of the international community. The vast majority of presidential and legislative electoral processes have been questioned and have required the intervention of the international community to resolve the disputes. In such circumstances, the involvement of the international community simultaneously validates and delegitimizes the electoral process and thereby reduces the Haitian people's confidence in, and responsibility for, their own democratic process. Furthermore, the prevalence of the interests of an elite over the collective good have limited opportunities to strengthen the rule of law and hindered the ability to promote an inclusive economic growth process.

The 2005-2009 period saw progress in political stabilization and economic governance in Haiti, but this progress was limited in terms of State effectiveness in meeting the needs of the population. Haiti's positioning on the list of fragile countries improved slightly since 2006 as a result of progress in economic governance and its security climate, with verified improvements in the management of public finances, fiscal policy, and transparency in the public sector. Still, indicators related to structural policies, social inclusion, and efficiency in public-sector management posted imperceptible changes, if any.

1. A sustained process of social deterioration

Haiti is the poorest and most unequal country of Latin America and the Caribbean (LAC), and social indicators have declined steadily for more than two decades. GDP per capita in 2009 was US$646 (US$390 in constant 2000 terms), just over one tenth (11%) of the region average and only 40% of the next-poorest country (Nicaragua). Due to the poor economic performance between 1990 and 2009, the gap between Haiti and the rest of the region has widened. The country has gradually converged on the levels of income of the most heavily indebted poor countries (HIPC) (see Figure 1.1). Also, with a GINI index estimated at 60 to 65 points, it is the most unequal country in one of the most unequal regions in the world. More than 70% of the population lives on less than US$2 per day, a percentage more than three times higher than the regional average (21%). Poverty is exacerbated by the scarcity, fragmentation, and poor quality of available public services, particularly education, health, water and sanitation, housing, and infrastructure for market access. Social indicators for Haiti all lag well behind those of the poorest countries of Latin America and the Caribbean (see Figure 1.2). Even more alarmingly, basic public services—education, health, water, and energy—are provided mainly by small-scale private operators or NGOs with no regulatory framework to ensure quality or pricing. According to the latest school census in 2007, 92% of primary and secondary schools were private, and according to the most recent survey available

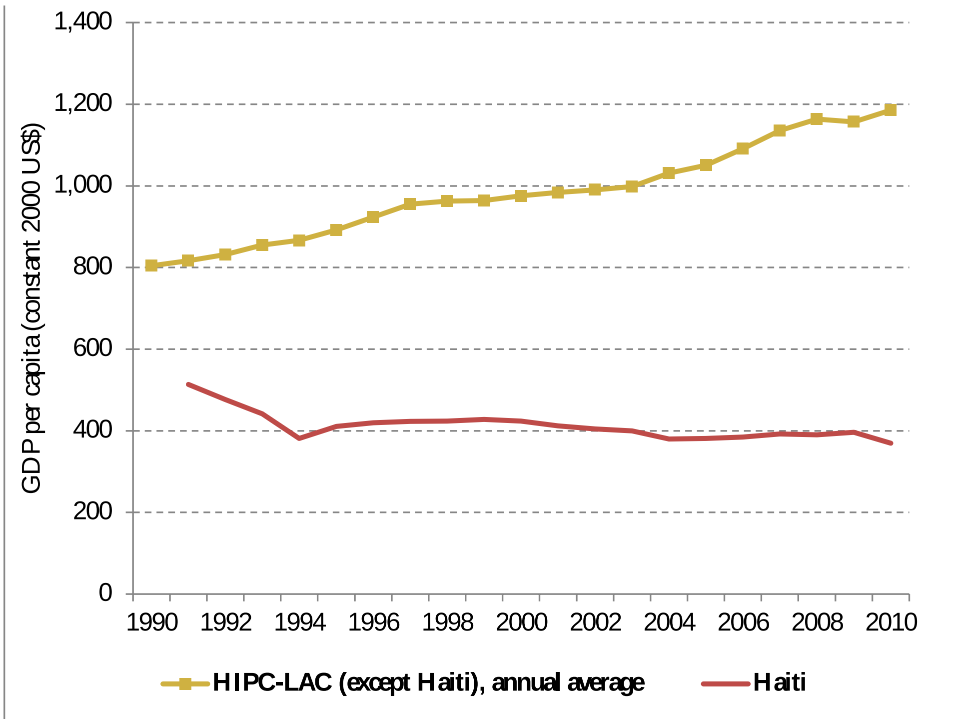

FIGURE 1.1

GDP per capita (1990-2010)

Source: Based on World Bank data, 2011

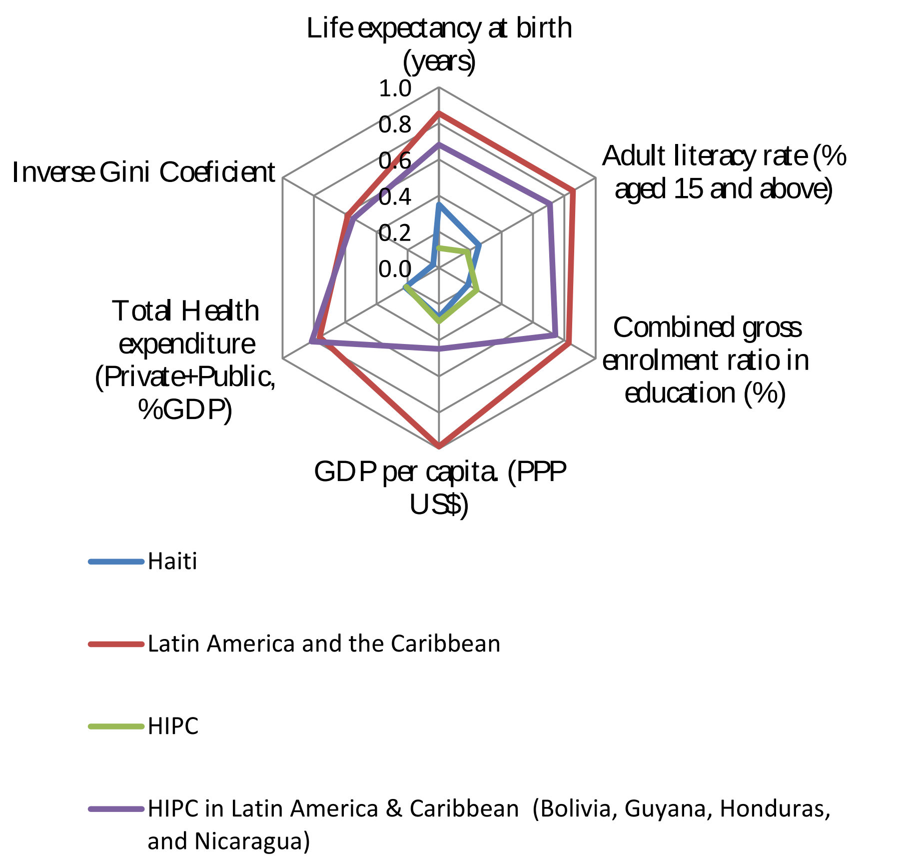

FIGURE 1.2

Normalized index of social indicators

Source: OVE, based on data from the United Nations (Human Development Index) and the World Bank (Development Indicators). Data are for 2007 for all variables except Total Health Spending (2009) and GINI Index (last year available).

(2006), less than 30% of health services were public. Moreover, more than 50% of water in Port-au-Prince is supplied by small- and medium-scale private operators (see Box 1.1). In general, service quality varies greatly, and the poorest population is either excluded or can only access services of poor quality.[1] Haiti's dependence on the use of biomass as an energy source (firewood, charcoal), and its consequent impact on the country's deforestation, are unique in the region (see Annex A, Table A1.1).

Box 1.1. Fragmentation of public services: The case of drinking water and education

The Haitian government's institutional fragility limits public service delivery, leading to severe fragmentation and privatization of services to meet a portion of demand. The case of water service delivery in Port-au-Prince and management of the country's education system are two clear examples of fragmentation, characterized by uneven quality given the absence of system regulation, and by the exclusion of the low income population. At the same time, the absence of subsidies or public delivery of services means that they are mainly privately financed, creating a highly unstable and fragmented market.

In such circumstances, educational offerings are characterized by low enrollment and school retention rates with substantial equity differences among income quintiles and between urban and rural areas, as well as a high percentage of overage students in the classroom. Private financing of educational services excludes the poorest population or channels them toward poor quality services.

Similar conditions can be seen in water service delivery in Port-au-Prince. Low access levels and poor water quality, especially in low income neighborhoods, are behind the country's poor health indexes. In general, the water supply is insufficient and comes from uncontrolled sources at high risk of contamination. The fragmentation of water service delivery, with informal private operators constituting more than 50% of the circuit in an unregulated environment, limits the control of water quality.

Source: Annex F, Sector Note: Education; and Annex G, Sector Note: Water and sanitation.

2. Economic vulnerability

Both the country's economic growth and macroeconomic equilibrium depend to a large measure on financial flows from external aid and remittances.[2] Additionally, in an economy as open and dependent on food and fuel imports as Haiti's, rising international prices for those items have substantial repercussions on macroeconomic equilibrium and major consequences for social and political stability.

1 The survey conducted by the Latin American Public Opinion Project (LAPOP) in 2010 found that just 41% of the population had access to piped water, whereas the rest got their water from cistern trucks, wells, rivers, rainwater, or other sources. In addition, a low 49% of households report that they are connected to the electricity grid, and report that electricity is available for just 7.21 hours each day, on average.

2 Remittances and international aid represent approximately one third of Haiti's GDP. This figure has remained constant since 2003, although the makeup has changed. Since 2003, international aid flows have gradually replaced remittances. Until 2008, remittances represented around 21% of GDP, while ODA represented another 14%.

Haiti's macroeconomic stability depends increasingly on external flows of development aid. The period preceding the 2010 earthquake was one of macroeconomic stabilization as a result of increased external support, debt forgiveness, and, to a lesser degree, a slight recovery of levels of domestic revenue collection. Successive programs with the International Monetary Fund (IMF), in conjunction with the IDB, the World Bank, and other donors, along with debt forgiveness, helped to promote institutional reforms, stabilize macroeconomic conditions, strengthen public finances, and reduce the debt burden (from 33% of GDP in 2004, to 16% in 2009). Despite this effort, revenues from international aid as a share of the total revenues of the Haitian State increased considerably. In 2004, that share was 1.8%, whereas by 2009 it had risen to 17.8%. Meanwhile, investment expenditure is financed mainly with foreign resources, and the fiscal deficit would be greater without recurrent budget support funding from international agencies (see Annex C).

Very low and erratic economic growth, together with a fast-growing population, have driven a process of sustained impoverishment in the past 20 years. Economic growth in Haiti in recent decades has been determined by the flow of resources from the international community, and have fluctuated greatly (see Annex A, Figure A1.1). Haiti has one of the highest population densities in the region (364 inhabitants/km2), combined with high fertility rates.[3] As a consequence, between 1986 and 2005, real GDP per capita fell to an average annual rate of 1.8%, which translates to a drop of 35 points. A growth period began in 2005, but was interrupted by the 2010 earthquake. However, this economic growth rate is too low (2.33%) in relation to population growth (2.87%), such that the decline in living standards cannot be reversed.[4]

The Haitian economy is also vulnerable to changes in international prices. The political stabilization achieved in 2004 and 2007 was interrupted in late 2007 by the external shock from rising international prices for oil and food, amid the country's heavy dependence on imports.[5] As a result, internal food and oil prices rose 50% and 80%, respectively, leading to severe social protests and a political crisis that weakened the government's leadership to continue the reform program. In response to rising international prices, the Haitian government bolstered its subsidy policy and required increased external support to resolve its fiscal crisis. Added to this external inflationary pressure was the implementation of an ineffective monetary policy that led to a new inflationary outbreak (see Annex C).

3 On average, a Haitian woman delivers 3.5 children, well above the 2.5 for Latin American women. The life expectancy at birth is 61 years, which is below the regional average of 73 years, and just slightly above the average for the HIPC countries (53 years) and the low-income countries (57 years).

4 The growth rate is calculated by annualizing the percentage growth between the censuses of 1971, 1982, 2003, and ECLAC demographic projections for 2009.

5 In 2007 Haiti had a weighted average tariff of 2.96%, the region's second lowest after Chile. Although trade openness is not high compared with similar countries of the region, the high proportion of imports, especially food, is noteworthy. Foodstuffs, particularly rice, account for nearly 22% of total imports. In contrast with this substantial proportion, Latin America and the Caribbean recorded 8% food imports, the HIPC countries 14%, and the low-income countries 16%.

Agriculture is the principal economic activity in Haiti, contributing to 25% of GDP and 50% of overall employment.
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3. Low competitiveness and limited room for growth

The Haitian economy is essentially agricultural and informal, consisting largely of microenterprises, with very low levels of competitiveness. The agricultural sector has contracted each year for the past several years, and its competitiveness has fallen more than 40% in the past two decades (see Annex A, Figure A1.2), due to an increase in the population dependent on farming small plots of land and the loss of fertility associated with environmental degradation. Meanwhile, the formal sector employs only 110,000 people out of the 4.1 million who are potentially active, whereas informal employment accounts for 90% to 95% of the economy. Informal microenterprises and small businesses are estimated to number between 600,000 and 900,000, with no common framework of action and few opportunities for association. However, agriculture still accounts for 27% of GDP and employs two thirds of all workers.

The growth of the manufacturing industry has been erratic, marked by successive attempts to develop the maquila industry. Haiti was one of the first Caribbean countries to develop a maquila industry in the 1960s and 1970s, employing 60,000 people in the early 1980s under a system based on low wages and tax benefits. This effort succumbed to Haiti's political crisis, however, and the manufacturing industry contracted significantly between 1988 and 1993, culminating with the 1994 embargo. As of 2010, the industry has yet to recover the share it enjoyed in the 1980s, despite the successive trade facilities approved by the United States with increasing levels of concessionality (CBERA, CBTPA, HOPE, HOPE-II, HELP) (see Box 1.2).

Development of Haiti's private sector is limited by a complex set of interrelated restrictions. Access to credit is difficult for the private sector, and represents only 12% of GDP, below average for Latin America (35%), the HIPC countries (16%), and low-income countries (23%). Access to infrastructure is limited. In particular, the provision of electric power service is intermittent and costly;[6] the provision and conditions of road infrastructure is limited and insufficient,[7] and the availability of ports and airports is limited. In 2010, Haiti was ranked 162nd (out of 183 countries) in the "Doing Business" index, placing it among the countries with an environment least favorable to doing business.[8] An important part of the risk is related to political instability; according to the political instability risk index of the International Country Risk Guide (2010), Haiti ranks 135th out of 140 countries. Lastly, the rapid movement toward a more open economy and low levels of productivity hinder

6 According to data published by the Ministry of Economy and Finance (MEF), Electricité d'Haïti (EDH), and the Ministry of Public Works, Transportation, and Communication (MTPTC), for August 2010 electricity was supplied for 15 hours a day in Port-au-Prince, and less in rural areas. According to Nathan Associates (2009), the national electricity grid is relatively unreliable, and in some cases electricity is unavailable. This limited supply does not create ideal conditions for private sector development.

7 Of the total road system, just 18.5% is paved highways, and nearly half of these are not in acceptable condition for use. Only 5% of tertiary roads are in good condition, according to the inventory taken in 2004.

8 In Haiti, it takes 195 days to start a business, considerably more than the average for Latin America and the Caribbean (61.1 days) and the low-income countries (46.2 days). It also takes four times longer to register a property sale than in the low-income countries, and six times longer than in the region.

internal competition mainly for agricultural products,[9] exacerbated by a recurrent flow of donated goods.

Box 1.2 Recurrence and risks of the maquila industry as a development opportunity (Annex E)

With each window of opportunity, the Government of Haiti and the international community have insisted on private sector development based on the garment assembly industry (maquila) as the engine of growth. The discussion over a development model facing abroad and another based on local development has continued, off and on, for the past 30 years.

The maquila model thrived in Haiti during the 1970s. It was highly successful, and the maquila industry went from representing 6% of industrial value-added to 25% for 1980. In 1985, an estimated 200 maquila companies employed 60,000 people, making Haiti the ninth leading supplier of maquila goods to the North American market.

However, the great political and economic instability at the end of the Duvalier regime hurt this industry. Between 1986 and 1989, the number of jobs is estimated to have fallen to just 39,000. By comparison, jobs in the Dominican Republic increased from 35,000 to 80,000 in that same period, substantially expanding that country's United States textile market share.

After the truncated reform period (1986-1987) and before Aristide's rise to power (1991), a strategy was proposed that emphasized private investment in agriculture (mango, tropical fruits, coffee) and industry (maquila, etc.). With the 1991-1994 embargo, the maquila industry reached its smallest size, and Haiti's United States textile market share shrank to just around US$40 million (see Figure 1.3), employing only 5,000.

Aristide's return in 1994 brought back the model of industrial production for export at the expense of the primary sector. By 2004 industry had recovered to 32,000 jobs and was considered, once again, a development option for Haiti. Thus, an IDB study found that development of the maquila industry in the border area with the Dominican Republic had potential for private sector involvement. The development of the Ouanaminthe Industrial Park occurred in this new period. Yet the industry expanded only marginally, and discussions on raising the minimum wage led to more vacillation over its development.

Haiti's history demonstrates the uncertainty that has characterized the maquila industry. At the political level, the lack of stability in government strategies reflects a lack of national consensus. Moreover, the temporary nature of preferential arrangements with the United States limit periods of consolidation, and the low cost of labor that makes this type of industry profitable has fueled social conflicts that heighten development risk. Lastly, the available evidence suggests that the maquila industry has limited impact on poverty reduction.

9 Foodstuffs, particularly rice, account for nearly 22% of total imports. In comparison, this high proportion of foods as a percentage of imports contrasts with the experience of Latin America (8%), or even more comparable countries such as the HIPC countries (14%) and the low-income countries (16%), according to the World Bank.

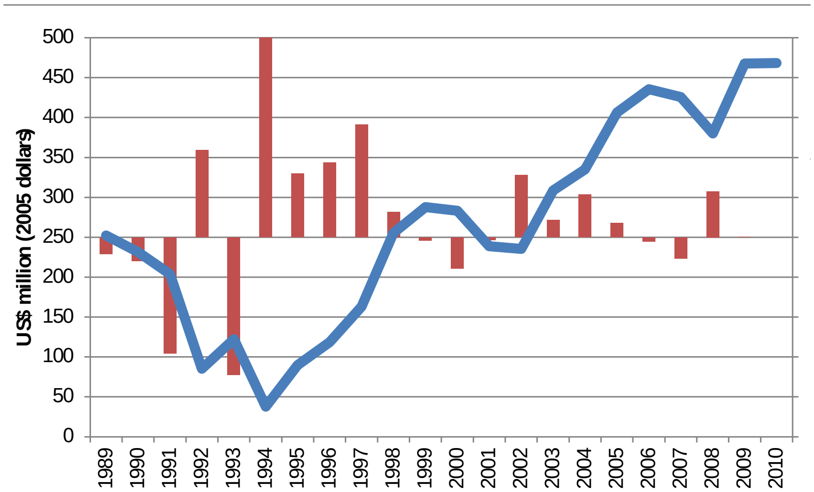

Figure 1.3

Haitian textile exports to the United States (1989-2010)

Source: OTEXA and BEA, 2010. available).

4. Environmental vulnerability

Haiti's opportunities to pursue an economic growth process that can help it correct exclusion levels and finance an efficient State are limited and affected by the country's environmental fragility. In particular, physical conditions and the impact of natural disasters limit agricultural activity, intensified by the use of relatively ineffective production methods. More than two thirds of Haiti's territory consists of slopes in excess of 20%, and only 20% is considered flatland. According to USAID data (2005), only 920 km^2 (33%) of the land is irrigated, and only 28% is arable. However, almost 80% of the land is used for agricultural purposes, at least temporarily, and only 11.5% is used for permanent crops. The lack of instruments and programs for natural disaster prevention and management and institutional weakness at the technical and financial levels increase the country's fragility.

5. Conditions following the 2010 earthquake

The 2010 earthquake took a massive toll on the population's living standards, especially in the Port-au-Prince area, and was amplified by fragility of the Haitian State, endemic poverty, and poor infrastructure. According to initial estimates, 250,000 people died, and 15% of the population (1.5 million people) were affected. The impact on infrastructure was also significant. An estimated 105,000 dwellings, 1,300 schools, and 50 hospitals were lost. Furthermore, 1.3 million people relocated to refugee camps, and nearly 50% of them remain there. The costs associated with reconstruction of social infrastructure, including housing, are estimated at US$11.5 billion.

In 2010, the fragility of the Haitian State was exacerbated by the tremendous impacts of the earthquake on public infrastructure and the loss of government leadership. The earthquake took a massive toll on the capacity of the State. In particular, the public administration suffered substantial losses: 17% of its workforce died in the earthquake, and the Palace of Government, the Parliament, the Supreme Court, and

People carrying food to their homes from a food distribution center.

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almost all ministerial buildings were destroyed or rendered unusable. The earthquake also undermined the capacities of the Haitian National Police (Human Rights Watch, 2011) and the judicial infrastructure. Lastly, the political instability stemming from the early elections of late 2010 threatened the legitimacy and efficiency of political leadership and exacerbated the country's institutional fragility, making the reconstruction process even more complex.

The private sector was severely decapitalized as a result of the earthquake, but the economy has recovered more quickly than originally anticipated. The earthquake caused some US$2.1 billion in losses for Haiti's private sector, with these losses concentrated primarily in microenterprises and small businesses (28%) and medium-sized enterprises (45%). Much of the losses to small and medium-sized enterprises are related to inventories and structures, creating a need for short-term concessional financing. Large enterprises suffered most of their losses in machinery and buildings. However, GDP fell by 7%, less than the initial estimate of 11%, and both private sector lending and industrial output recovered, driven by the strong influx of external resources.

B. External assistance dependency and effectiveness

In the past two decades, net official aid for Haiti's development has been relatively modest and erratic, and has fluctuated with political cycles, with a significant impact on GDP growth. Although aid as a percentage of GDP is significant, development aid per capita received by Haiti was, until very recently, considerably less than that received by countries at comparable poverty levels[10] (see Annex A, Figure A1.3). Furthermore, amounts were especially volatile in relation to other HIPC countries of the region, and were affected by national political cycles (see Figure 1.4).[11]

The humanitarian crisis caused by the 2010 earthquake elicited a massive international response and considerably increased financial flows of aid. Haiti and the Haitian crisis were at the center of the world's attention, opening a unique window of opportunity to relaunch the country's recovery. In late March 2010, the donors' conference was held in New York City under the auspices of the United Nations. The Action Plan for National Recovery and Development (PARDN) was presented at that time, with an initial estimate of US$7.9 billion in damage caused by the earthquake, equivalent to 120% of Haiti's GDP. Under the slogan "building back better," PARDN was an attempt to be more ambitious than the already enormous task of reconstruction,

10 Of the five HIPC countries in the region, Haiti had the third highest official development aid as a percentage of GDP between 1992 and 2008, at 11.4% of GDP for the period, below Nicaragua (19%) and Guyana (17%), and above Honduras (7%) and Bolivia (8%). However, when one looks at the ratio of aid in per capita terms, Haiti is in a particularly unfavorable position: in the same period it received aid of just US$44 per capita, nearly half of Honduras or Bolivia, and a quarter of Guyana or Nicaragua. This difference can be attributed to the decline in Haiti's nominal GDP and its rapid population growth.

11 For example, under the embargo of the military regime of Raoul Cédras, the aid received by Haiti fell to just US$15 per capita in 1992-1994. With Aristide's restoration to power, it increased five times over, reaching US$85 in the two-year period 1995-1996. However, international aid began to decline again after that, as a result of political disagreements with the key donors and erosion of the rule of law in Haiti. During Aristide's second term in office, aid reach low levels similar to the Cédras period (US$20 per capita), and began to increase only after he left office in 2004, reaching US$70 per capita on average in the period 2005-2009.

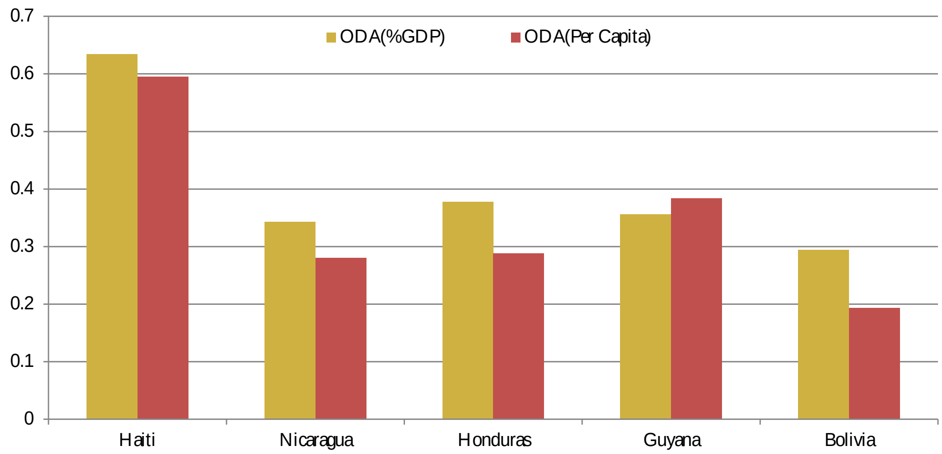

Figure 1.4

Volatility of international aid - HIPC

Source: Own calculations based on World Bank coefficient of variation 1992-2008.

and put forward a plan that also included a long-term development program for the country through 2030, raising the financing requirements to US$11.5 billion. The offers for long-term financing made at the New York conference exceeded US$11 billion, of which US$5.3 billion were for 2010-2011. Lastly, an estimated US$2.9 billion in aid entered the country in 2010, not counting debt forgiveness.[12]

The evaluation of aid effectiveness in 2010 reveals mixed results, better for humanitarian aid than for reconstruction. A number of reports had been published by February 2011 on the evaluation of the effectiveness of aid received by Haiti in the first year following the 2010 earthquake (United Nations, 2011; Progressio, 2011; Oxfam, 2011; HRF, 2010; IHRC 2011). In general, the evaluations acknowledge that the international response to the humanitarian emergency was swift and massive, saving lives and providing timely assistance in the environment of a destroyed city and an unprecedented humanitarian emergency. However, international aid has been less effective in addressing the tasks of rebuilding infrastructure and restoring the economic apparatus. The collection and disposal of debris has been slow; recovery and reconstruction of housing has yet to begin; the public administration, the parliament, and the court system continue to operate in temporary facilities; most children have returned to school, albeit in temporary facilities; and, although the population living in the refugee camps has fallen nearly 50%, this has been due to forced eviction, and many of these people have returned to unsafe facilities. (see Annex A, Table A1.1).

12 It bears mentioning that the aid figures cited in these paragraphs correspond to "official development aid" (ODA). ODA includes grants as well as loans considered concessional according to the IMF methodology. Concessionality is calculated as the grant element, in other words, the percentage difference between the face value of the loan and the present value of the future payments. The lower the interest rate on the loan, the greater the difference between the face value and the present value of the repayment flow and, consequently, the higher the concessionality. To be considered concessional, the IMF requires a grant component of at least 35%. The US$11.7 billion in aid commitments are equal to nearly 180% of 2010 GDP; distributed over the years 2010-2020, that would be an annual 15%.

2

A family carries food supplies from the town of Milot to their home in the mountains of northern Haiti.
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2 Strategic Positioning of the Bank in Haiti

The Bank's country strategy with Haiti for this evaluation period has two unique features. First, the country strategy is a continuation of the 2005-2006 Transition Strategy, which in turn stemmed from the Approach Strategy of 2003, when development assistance in the country resumed. Second, the 2010 earthquake spurred significant changes in the strategic relationship, leading to the approval in June 2010 of a country strategy update to adapt the Bank's work to the situation resulting from the earthquake and the IDB's new financial role in Haiti. This section evaluates the strategic and financial relevance of the Bank's work, as well as the program of operations ultimately approved during the period.

Summary

- The EBH update focused on the long term while reconstruction efforts received comparatively less attention.
- The portfolio continued to highly emphasize long-term projects, particularly road financing.
- The strategy of replacing programs that support governance is not supported by the reality of the country.
- Changes in oversight tools and methodologies have generated a breakdown in the monitoring process which made it difficult to perform a robust evaluation on the Bank's portfolio.

A. The Bank's country strategy with Haiti (2007-2011)

The country strategy sought continuity with the previous period. However, the materialization of the risks identified in the country strategy altered the backdrop for its execution, causing it to lose relevance as the cornerstone of the Bank's work in the country. The country strategy approved in 2007 identified as risks the difficulties associated with political fragility, the continuity of the reform process, and macroeconomic instability, and the natural disaster risks associated with the country's environmental vulnerability. In a very short period, circumstances in the country changed, with consecutive natural disasters and external threats to economic and political stability. A few months after approval, the desire for continuity proved inconsistent with the fragile and vulnerable nature of the country, and starkly revealed the lack of mitigation measures in the country strategy. The devastating effects of the 2008 hurricane season, and then the humanitarian crisis and destruction caused by the 2010 earthquake, led to a redefinition of the situation and the need to recast the relationship between the Bank and Haiti.

A MIF-funded project to support the competitiveness of a quality coffee value chain in Thiotte.

© *González Diez 2012*

The relevance of programming was conditioned by the limited nature of the lending resources available to Haiti in light of the proposed strategy and the magnitude of existing problems. Given this limitation (US$50 million per year), the program proposed in the country strategy was narrowed to continuing the highway program and strengthening efficiency and transparency in public management, where almost the entire programmed portfolio was focused (see Annex A, Table A2.1). In the remaining sectors, programming was limited to execution of the portfolio already approved, supplemented by technical cooperation or MIF operations, which were insufficient to address the development objectives set. The lack of financial headroom to impact other sectors hampered the operational response to the challenges identified in the country strategy.[13]

B. Response to the 2010 earthquake

The Bank's response to the emergency caused by the earthquake in Haiti was immediate and comprehensive. The year 2010 was marked by intense activity in the organizational, financial, and programmatic areas, which signals a change in the relationship between the Bank and Haiti. The Bank successfully recovered its operational response capacity in a short time and secured the equipment needed to move forward with the design and execution of its operations. Moreover, the response at the March 2010 meeting of the Boards of Governors reflected the commitment of the IDB member countries to financially support the recovery over the long term.

1. Organizational response

The organizational response was swift and timely, getting Bank operations back up and running in a short time for the urgent tasks demanded under the circumstances. In a relatively short time, the Country Office was functioning with all staff back in Port-au-Prince, and had an area to receive missions as well as provide necessary lodging, security, and transportation services (OAG, 2011). Throughout 2010, the Country Office in Haiti continued to be strengthened with new staff, to deal with the increased flow of operations and demands. Immediately after the 2010 earthquake, an ad hoc immediate response group was formed, which one month later issued a first report with the analysis on the status of operations in the year's active portfolio, and recommendations to accelerate disbursements and reorient some of the approved

13 Specifically, about 75% of the programmed amount focuses on the objective of economic growth (50% transportation, 16.7% agriculture, and 8.3% energy) and about 25% focuses on the objective of governance (16.7% political governance and 8.3% economic governance). There is no programmed loan related to the strategic objective of improving access to, and coverage of, basic services for the period 2007-2009, although the pipeline of potential loans for 2010-2011 does include a water and sanitation project and an education program (with no associated amount).

resources.[14] Subsequently, the Bank created a more stable organizational structure with the Haiti Response Group (HRG) with a three-year horizon.[15]

The HRG has proven to be a relevant organizational response to give the Bank a more dynamic presence in Haiti and, in conjunction with the Country Office, coordinate relationships with the Government of Haiti, international communities, and various partners inside and outside the Bank. By late 2010, the Bank's team working for the Haiti program totaled 40 people, and six more were expected to be hired in the following months. Almost the entire team is currently at the Country Office, comprising sector specialists (20) and procurement, and portfolio administration specialists (17).[16] The increase in human resources has undeniably helped promote the Bank's operational work, albeit under fairly makeshift conditions in terms of infrastructure and services.

2. Country strategy update

The Bank approved a country strategy update that strengthens its sector line of action in Haiti and incorporates the regional targeting variable. The country strategy update, approved in July 2010, selected six areas of work in which the Bank will target its activities: (i) education; (ii) water and sanitation; (iii) transportation; (iv) energy; (v) agriculture; and (vi) private sector development. In addition, it introduced a regional approach whereby the Bank's work will target the northern part of the country and the Artibonite Valley.[17] Except for the geographic focus and the exclusion of the area of governance, the sectors selected in the country strategy update strengthen the Bank's traditional line of action in Haiti. In fact, the six aforementioned sectors account for 62% of the Bank's portfolio during the 2007-2009 period, and 95% of the programs approved in 2009.

Considering the acknowledgment of the fragile condition of the Haitian State, its macroeconomic and fiscal vulnerability, and the relevance of strengthening public sector governance amid the considerable challenges of recovery, the decision to replace the governance support programs is not adequately justified. The updated strategy

14 Portfolio review 2010. Adjustments in response to the earthquake in Haiti. Haiti Task Force. IDB. 12 February 2010. The document's main conclusions and recommendations are: (i) given the portfolio's size, the majority of IDB financing for emergency recovery will come from new financing; and (ii) the adjustment or redirecting of existing projects to address the current situation will focus on creating the conditions (in terms of roads, water, electricity, basic infrastructure, and basic governance) to make possible the delivery of essential human services.

15 The HRG is responsible for mapping out the Bank's strategy in the country with its sector-specific operational program, programming technical assistance, supervising the timetable for project preparation and execution, and maintaining the Bank's relationships with other members of the international community, such as IHRC and HRF.

16 The creation of the Haiti Response Group (document GN-2563) included an increase of 16 headcount staff dedicated exclusively to Haiti, to be distributed in a front office at headquarters, and specialists at the Country Office. These headcount positions were filled as specific needs were identified. It began to be filled in the second quarter of 2010, and there will be 13 staff involved by the end of the second half of 2011. Additionally, in 2010 a young professional, sector specialists, and procurement specialists were added to the staff at the Country Office. The additional human resources dedicated to Haiti contributed to the achievement of record approvals (US$251 million) and disbursements (US$177 million) in 2010. These figures are expected to be exceeded again in 2011 (US$286 million and US$200 million, respectively). Information provided to OVE by HRG, May 2011.

17 See Annex B, "Fragility and external aid in Haiti," in relation to the PARND's relevance and limitations.

recognizes in its "country systems" section that strengthening the government's capacity to execute projects and to regulate and lead policy debate is essential to the success of the planned investments. To support this effort, the updated strategy establishes the use of instruments to replace the traditional policy reform programs with others aimed at strengthening institutional capacity in sectors where the Bank is actively involved. However, these last programs, while important, have a limited reach, and their success hinges on improvements in areas of the country's economic and political governance, without which no sector intervention program can be successful and sustainable.

The country strategy update is not positioned to meet the enormous short-term challenges caused by the earthquake, and has little relevance to addressing them. In particular, the updated strategy contains no diagnostic assessment of the challenges and risks of the post-earthquake situation enabling it develop a sequential strategy for the Bank's work given the differentiated tasks of emergency, reconstruction, and development. In such circumstances, the updated strategy is limited in identifying the strategic changes to the strategy approved in 2007, and the necessary adjustments to the portfolio in execution, and to rank development objectives in response to post-earthquake emergency conditions. In this sense, the difficult matter of coordinating the short-term tasks related to reconstruction of the country with longer-term development tasks remains to be resolved in practice, which was the Board's express mandate at the time the HRG was created (document GN-2563, March 2010).[18]

The additional sector information provided by Management at the request of the Board of Executive Directors maps out a strategy that transcends the original country strategy period (2007-2011). Although the country strategy update was intended to cover the one-year period remaining until the new strategy was approved, in reality the additional information was a long-term intervention program as a practical matter, in which commitments were assumed that transcended the current country strategy period. Such decisions were not based on a diagnostic assessment of the country's challenges, and the criteria for their selection were not stated explicitly, other than "the active portfolio, prior sector experience, and areas of comparative advantage were taken into account." This statement contrasts with the major challenges already appearing in the portfolio, and, most importantly, sidesteps analysis of the emergency and short-term reconstruction needs (see Annex A, Table A2.2).

18 Document GN-2563, approved by the Bank's Board of Executive Directors in March 2010, establishes that "the Bank will bear the responsibility of providing the Government of Haiti with international best practices, strategic advice, and ongoing policy dialogue to ensure that the reconstruction agenda meets medium and long-term development objectives and is properly sequenced and coordinated." Furthermore, paragraph 2.3 states that "the Haiti Task Force shall give way to the creation of temporary, dedicated Haiti teams [that] and ensure focus and agility in the Bank's response to Haiti."

3. Operational response

The Bank's operational response after the 2010 earthquake was both broad and deep. In 2010 the HRG, in conjunction with the Bank's Country Office in Haiti, spearheaded an active program of operational response involving the sector technical divisions of the Bank. With the 2010 earthquake, existing needs were addressed through a closer relationship between the Bank and the authorities and other donors, including teamwork on the design of effective responses and medium-term planning in different sectors of activity (e.g. education, agriculture, and in the northern part of the country). This enabled record approvals and disbursements, and positioned the Bank as a leading partner in the country. Box 2.1 provides a summary of the work done.[19]

Box 2.1. Operational response of the IDB

The year 2010 was one of intense operational activity for the Bank, both in terms of the design of new operations and country intervention models, and in terms of approvals and disbursements, with the following main accomplishments:

- Record approvals of US$251 million in nine investment operations and one PBL;
- US$64.2 million secured from other donors to cofinance IDB operations and programs;
- 15 technical cooperation operations for a total of US$5.6 million;
- A total of 11 operations approved by the MIF to support private sector development, as well as a global line (HESAR) to meet the emergency needs of 18 beneficiaries;
- Record total disbursements to the country in 2010, of US$201.8 million.

At the sector level, the Bank pursued an active agenda of support and technical assistance to address the emergency and advance in the design of new intervention strategies, notably:

Education:

- Support for the design of a plan for reconfiguration of the education sector, to achieve universal, free education
- Support for the program to get children back in school with 57 temporary schools built and equipped, 100,000 school kits purchased, and financial support to 1,188 nonpublic schools for a total of US$3.0 million.

Water and sanitation:

- Potable water delivered (500,000 m^3), and Aquatabs, soap and chlorine delivered for the earthquake-affected population.

19 The activities described in the box related to the principal emergency actions. The outputs of regular operations under way are included in the analysis presented Chapter 3 of this report.

Energy:

- 192 transformers installed to reestablish service.
- Preparation of a white paper for the Haitian government on a strategy for developing the electricity sector, in collaboration with the World Bank and USAID.

Private sector development:

- Design of a general action plan ("Productive Haiti") consisting of four subprograms: (i) the Social Investment Fund; (ii) business development services; (iii) a quasi-equity facility; and (iv) support for professional training.
- Support for the promotion of an industrial hub in the Northern Region.

Health:

- Program to support anti-cholera efforts.
- Vaccination campaign.

Source: HRG, Haiti Quarterly Report. 2010 Summary (document GN-2610). 28 February 2011.

C. Financial relevance of intervention (2007-2010)

The Bank's financial contribution was made on the basis of nonreimbursable resources whose annual amount increased as the various crises that marked the period occurred, and the IMF arrangements deepened. Initially, the amounts programmed in the country strategy (2007) were modest, considering the country's absorption capacity, as well as the availability of the Bank's concessional resources (FSO). Under the programming established in the country strategy for 2007-2009, US$50 million per year in nonreimbursable resources were made available. After 2009, the improvement of the Haitian economy was expected to allow it to begin absorbing loans, although a minimum of US$40 million in nonreimbursable funds was stipulated. However, in late 2008, with the impact of the hurricanes and rising international prices, the Board of Governors decided to increase the amount of nonreimbursable aid for 2009 to US$100 million. Again, given the fragile macroeconomic conditions, the aid amount was raised for 2010 to US$120 million. These increases substantially expanded the amounts of financing and consolidated the Bank's leadership in development aid to the country.

The debt relief, conversion of existing loans into grants, and creation of the Haiti Grant Facility (HGF) with a 10-year horizon make the Bank the highest-contributing international aid organization and the only one to offer guarantees of long-term support. At the Fifty-first Annual Meeting of the IDB Boards of Governors in March 2010, a commitment was made to immediately grant US$262 million in nonreimbursable financing, forgive the country's outstanding debt as of 2010 (US$479 million) and create the HGF, which would allow for up to US$200 million in grants to be approved annually for the next 10 years (2011-2020). The approval of this funding, in the form of transfers from the Bank's Ordinary Capital, was subject to approval of the Ninth General Capital Increase and its annual ratification by the Board of Governors.

A coffee export facility funded by MIF in Thiotte.

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This funding was approved without implementation guidelines or specific strategies to position the Bank within the complexities of Haiti's reconstruction work. This lack is particularly worrisome in the case of Haiti, where needs are many, and the opportunity costs of aid may not be obvious. Additionally, the grant modality eliminates factors that traditionally have guided the Bank's work, such as the country's willingness, expressed in counterpart funding, and/or commitment to repay, creating room for discretionality that can be addressed only through a sustained effort to monitor outcomes and maintain accountability associated with objectives.

In terms of flows disbursed, the Bank's relevance increased throughout the period. Financing from the Bank between 2004 and 2007 rose to around US$300 million, representing about 30% of borrowing needs during the period, and about 15% of the government's external revenues. This trend deepened during the period that followed. By 2010, disbursements had risen to 30% of domestic revenues, close to the amount of government intake from customs duties.

D. Approved and projected program

The evaluation period saw substantial increases in the number of operations and the amount approved, with particular emphasis on the post-earthquake period. In 2007-2011 the Bank approved 31 operations totaling US$380 million, for which secured cofinancing resources of US$256.3 million. Eighteen of these were investment loans, some associated with cofinancing, and four were policy-based loans (PBLs).[20] The portfolio was also very active in technical cooperation and MIF operations, totaling US$21.4 million in 46 operations, and US$29.0 million in 27 operations, respectively. In 2010, approvals were increased to an amount close to that of the three prior years combined, for a record figure of US$274 million in IDB resources, plus US$92.9 million in cofinancing for a 15% increase in the total secured during the period 2007-2009 (see Table 2.1). As of June 2011, three technical cooperation operations, three MIF projects, and three cofinancing programs had been approved, and the budget for program HA-X1007 (cofinancing) had been increased to US$11.6 million (for more information on this program, see Annex K).[21]

Table 2.1. Approvals in Haiti, 2007-2011 (June) (US$ millions)

Type	2007	2008	2009	2010	2011	Total
GRF projects	37.5	37.5	97.0	201.0	**0.0**	**373. 0**
Technical assistance	2.1	5.5	6.9	5.9	**1.0**	**21.4**
MIF	0.1	0.9	5.6	16.8	**5.6**	**29.0**
PBL/PBG	12.5	12.5	25.0	50.0	**0.0**	**100.0**
Total	52.2	56.4	134.5	273.7	6.6	523.4
Cofinancing	16.5	86.8	26.4	92.8	33.8	256.3

Source: OVE 2011.

Over the course of the period, the Bank secured more and more resources from other donors to cofinance its programs and projects in the country. Of the total portfolio approved between 2007 and 2009, some 34.8% came from external sources of financing: Canadian International Cooperation Fund (79.9% of the total), Spanish Fund for Water and Sanitation Programs (US$20 million), Global Environment Facility (GEF) (US$3.6 million), Food Price Crisis Response Fund (FPCRF, US$3 million). These figures represent a substantial increase over prior years with the IDB leveraging approximately US$0.43 for each dollar in the total approved portfolio. This level of cofinancing involvement was repeated for operations approved in 2010, at around 26% above the total approved amount, maintaining the contribution from the Canadian and Spanish funds at nearly 80% of the total cofinancing. Moreover, as of June 2011, US$33.8 million have been leveraged, representing 83.9% of the total amount approved to date (US$40.3 million).

20 The portfolio analysis was based on current approved amounts for operations over US$150,000.

21 Following the debt forgiveness in 2010, from a financial standpoint loans approved prior to the 2010 earthquake became grants from the nonreimbursable facility. As part of this process, in September 2010 for each project the Bank closed the loan with the amount disbursed to date, and opened a new grant operation for the remaining amount. Thus, a loan approved but not completed as of September 2010 has two operations associated with it: the original loan with 100% disbursed, and a "new" grant operation beginning in September 2010 for the un-disbursed amount. The sum of the amounts of the two operations equals the original approved amount of the project.

1. Portfolio analysis

The portfolio maintained a substantial emphasis on long-term projects, particularly the financing of highways. In 2007-2009, the approved operations focused, in both number and amount, on the objective of strengthening the foundations for economic growth, garnering more than 65% of the approved total (more than half for the transportation sector). Budget support loans represented 13.5% of the approved portfolio, including cofinancing resources. In 2010, half of all approvals financed long-term development projects (47% of the total), again with a focus on infrastructure: 21% highways, 17% water and sanitation (see Annex A, Table A2.3). Oor 2011, nine operations for US$40.3 million had been approved, and the funding for program HA-X1007 (cofinancing) had been increased to US$11.6 million. Some 61.3% of the total approved amount is directed to the education sector, and some 22.5% to the highways sector.

Unlike other donors, activities targeting reconstruction of the area hit by the earthquake received comparatively less attention. Of the resources approved in 2010 (US$120.9 million), 33% went to projects to address the direct impacts of the 2010 earthquake, principally the reconstruction of educational infrastructure (HAL1049) and housing construction for the displaced population (HA-L1048). In comparison, World Bank approvals were less than those of the IDB, but focused on reconstruction: nearly US$153 million was approved in 2010 with just 14.35% going to finance medium- and long-term development projects, and 85% of the resources going for reconstruction. For 2011, the IDB approved hotel reconstruction operation (HA-T1143) for US$300,000, and several operations to support restructuring of the education sector (see Annex B and Annex K).

Although not included in the country strategy update, the approvals in 2010 were intended to create room to partially address the needs arising from the humanitarian crisis, clustered around budget support. Emergency aid accounted for US$73.9 million (20% of the total approved in 2010), of which 68% (US$50 million) was for budget support (HA-L1034), and 3% for MIF operations (comprising 18 of the 24 emergency operations approved). The remainder of the emergency support reflected the Bank's own difficulties in supporting such activities. Nevertheless, in response to the crisis caused by the cholera epidemic, program HA-L1062 was coordinated through the Ministry of Public Health, with UNICEF acting as the executing agency for the emergency interventions, since it was already working in the country to address the epidemic.

The analytic products approved during the country strategy period have been few, and relate mainly to the preparation of events and aspects of the country strategy and portfolio. Of the 12 nonfinancial projects approved in 2007-2010, six were for the preparation of conferences, forums, and annual meetings (HA-P1074, HA-P1045, HA-P1046, HA-N1018, HA-N1016, and HA-N1017); three related to country strategy

Un Techo Para Mi País (A Roof for My Country), supported by MIF, provides temporary housing in Canaan where tens of thousands of displaced people have settled.

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programming and portfolio review (HA-P1017, HA-P1042, and HA-P1043); the PRODEV technical cooperation operation HA-T1053 provided support for results-based planning, programming, and monitoring; and just two products (HA-P1054 and HA-P1041) were in-depth studies of macroeconomic issues. No knowledge and capacity building products (KCPs) were approved for 2010-2011, although several are slated for the next strategy (for example, in the agriculture sector). Nevertheless, OVE acknowledges that Bank specialists have been substantially involved in the preparation of plans and strategies (e.g. the National Education Plan, White Paper, and others) and in direct technical assistance to the Government of Haiti.

The portfolio planned for 2011, although more diversified than in previous years, remains focused on highway sector programs. As of December 2010, 32 operations for nearly $357 million (nonreimbursable) were slated for approval in 2011, plus approximately US$100 million in private sector operations (Ordinary Capital). Thirty-eight percent of the public sector support pipeline targeted transportation (US$135.83 million), followed by the electricity and education sectors with around 14% each, and agriculture with 12%.

2. Disbursements

The IDB increased the amounts disbursed steadily throughout the period, driven by significant outlays for the road sector and fast-disbursing loans (PBLs, PBGs). In the early part of the country strategy period (2007-2009), funding to the transportation sector, generally characterized by large amounts associated with payments to large contractors, accounted for more than 26% of total disbursements (US$106 million), and funding to the reform and modernization of the state programs accounted for 21% of the total (US$86 million). In 2010, disbursements rose nearly 30% over the previous year, with the transportation sector (US$63.4 million) and budget support operations (US$58.4 million) again accounting for more than 60% of the total (see Figure 2.1). From January to June 2011, disbursements have reached US$105.4 million: 31.2% to the transportation sector, 16.5% to the education sector, 13.3% to the water and sanitation sector, 11.9% to the health sector, and less than 10% to the housing, private sector development, agriculture, institutional capacity, and energy sectors.

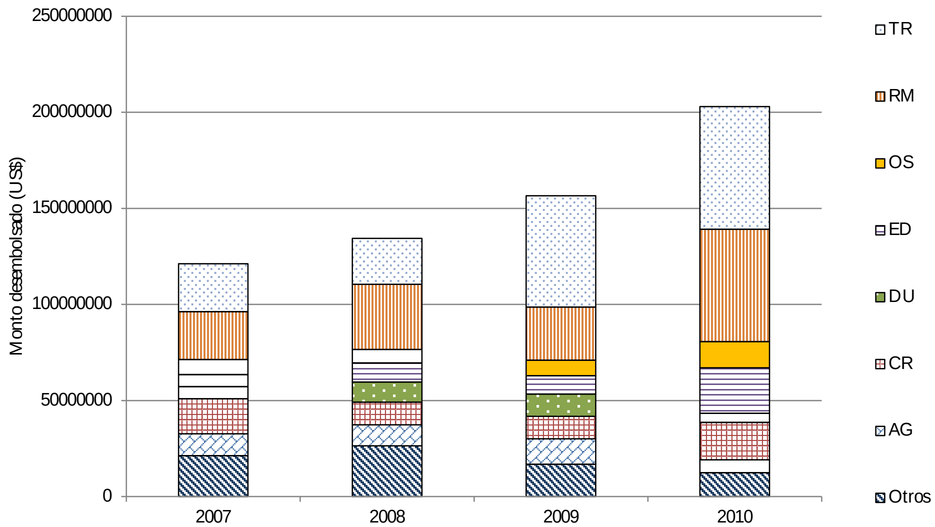

Figure 2.1

Disbursement in Haiti by sector, 2007-2010

Legend: TR Transportation, RM Reform and modernization of the State (PBLs, PBGs), OS Sanitation, ED Education, DU Urban development and housing, CR Multisector credit and preinvestment, AG Agriculture and rural.

Source: OVE, 2011.

The average annual amounts approved for the other sectors of activity remained low with little variation over the course of the period. Average annual disbursements during the 2007-2010 period were less than projected in the project preparation phase, at US$10.5 million for the agriculture sector, US$12.3 million for education, US$9.2 million for water and sanitation, and US$2.5 million for the energy sector. Excluding emergency disbursements in 2010 in response to the earthquake, which are nonrecurring by their nature, the historical average of disbursements is still low: US$7.4 million for education, US$1.8 million for the energy sector, and US$5.8 million for the water and sanitation sector (see Annex A, Table A2.4). These amounts are insufficient, given the country's development challenges.

3. Monitoring and evaluation

The changes in instruments and methodologies for supervising operations have caused a break in the monitoring process that makes robust portfolio evaluation difficult. The old project monitoring and evaluation system (PPMR) was interrupted in June 2009 (the majority as of December 2008) due to changes in methodology applicable to all Bank operations, and no monitoring information was available until April 2010 when the new monitoring reports were delivered (PMR). Comparison of the two instruments reveals weaknesses that prevent effective monitoring of programs.[22]

The majority of the PMRs reviewed present indicators, both outcome and output, different from those used in the last PPMR[23] and in the project documents. OVE has been unable to find a justification for such changes. Lastly, certain indicators shared by the PPMR and PMR differ in the target set at the end of the project.[24] In October 2010, the Country Office instituted a quarterly evaluation system with monitoring meetings with the execution units to improve the monitoring and evaluation system.

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22 This is the case of program HA-0014, "Potable Water and Sanitation Sector Reform and Investment Program," where the component to support management of the new water and sanitation system does not appear in the PMR. There is, however, a new emergency aid component called "post-earthquake emergency interventions." There is also a new component in the PMR of program HA-L1009, "Ennery-Quinte Agricultural Intensification Project" (asset protection). Program HA-L1039, "Water and Sanitation for Intermediate Cities," has five components in the PPMR: (i) sanitation; (ii) drinking water coverage; (iii) support for sector reform; (iv) project management and support to the project execution unit; (v) eradication of soil-transmitted helminthes. The PMR indicates seven components: (i) sanitation; (ii) drinking water coverage; (iii) eradication of soil-transmitted helminthes, as well as four more grouped under a single name: institution-strengthening and administration.

23 Examples of the inconsistencies found include:

(i) HA-0014. Regarding the second development objective, "Define a sector intervention strategy for the metropolitan región," four of the five indicators proposed in the loan document do not appear (but do in the June 2009 PPMR), and there is a new indicator related to emergency work done using part of the project funds. A new outcome indicator also appears in the PMR related to populations in urgent need of rapid access to water and sanitation services with an indicator based on the number of interventions, but not the number of people served, such that its impact on the population cannot be evaluated.

(ii) HA-L1039. The loan document and last PPMR establish outcome indicators for each component with a total of 11 indicators, whereas the PMR establishes only 2 indicators. Likewise, the loan document provides 17 output indicators, and the PMR only 11.

(iii) HA-L1007. Regarding the output indicators, the PMR describes only one indicator related to DINEPA for the institutional component; the loan document had four, related to SNEP. A new indicator also appears, and another is modified (from "Number of water systems built" to "Families with access to water via a new or rehabilitated system").

(iv) HA-L1019. The PMR establishes four outcome indicators, whereas the last PPMR adds in addition to these the indicator "Jobs created per year, during the four years of project execution." For the third component, the PMR establishes two indicators on the number of km of routes studied (primary and secondary), and the PMR has only one indicator on the number of studies done.

(v) HA-L1009. All output indicators related to the three program components in the PMR differ from those described in the original results matrix and in the last PPMR.

24 For example, regarding output indicators, the PMR for program HA-L1019 does not reflect changes made in the targets specified in previous documents and in the last PPMR. Thus, the indicator "Km of secondary and tertiary routes rehabilitated" has 250 km as its target, after the program had already been restructured (2010) to lower the target to 85 km (see loan document HA-L1027). In this same program, some targets are different with no explanation for the change (for example, for the number of maintenance microenterprises created, the target changes from 12 in the last PPMR to 36 in the PMR for 2011).

Defects in the monitoring and evaluation process, together with a lack of information from official or secondary sources, hinder project monitoring and accountability for the outcomes of the Bank's work in the country. Although the Country Office in Haiti took on more specialized staff in priority sectors in the wake of the 2010 earthquake to improve operations monitoring capacity, there is a lack of information from the program executing agencies, given the infrequent delivery of monitoring reports, or reports without relevant information or with information on disbursements but not outcomes achieved. Added to this is the endemic absence of up-to-date information in Haiti, a situation worsened by the 2010 earthquake, making it impossible to use secondary sources. Thus, OVE found no evidence to validate the information included in the report presented in 2010 to the Board of Governors, "Development Effectiveness Outlook," which is inconsistent with the information available in the PPMRs, PMRs, and project status reports.

3

A school in Cité Soleil, Port-au-Prince s poorest neighborhood.

3 Relevance and Effectiveness of the Bank's Engagement

Nine of the 41 active investment loans and grants during the period reviewed here, plus seven PBLs, were completed or over 90% disbursed. Three of the completed investment operations were for road projects or programs, three for basic services access, and one for agriculture sector support. Seven completed PBLs and two investment loans totaling over US$182.5 million had pursued the governance objective (see Annex A, Table A3.1).

The effectiveness of the Bank's activity in achieving the development objectives for Haiti was constrained by program-specific factors and by difficulties associated with the fragility of Haitian government institutions, compounded in the aftermath of the 2010 earthquake. Generally, active operations experience frequent restructurings, delays, and cost overruns created by interagency coordination difficulties and institutional shortcomings. Recurring natural disasters, notably the 2010 earthquake, have made it even harder to address specific situations in Haiti and have further hampered project execution. In these circumstances, difficulties in delivering the planned outputs impacted effectiveness in achieving the agreed development objectives.

This chapter assesses the Bank's activity in sectors identified as priorities in its Haiti country strategy update. The projects reviewed here had been approved under the Bank's 2007-2011 country strategy with Haiti or, in some cases, in the previous strategy cycle. For each sector, referencing the objectives set out in the country strategy, the chapter analyzes the relevance of sector decisions, describes implementation challenges and, for completed projects, assesses the effectiveness of the results delivered. Each sector section then looks at the Bank's country strategy going forward, based on the country strategy update and its annexes and on project approvals through June 2011, and identifies potential risks that came out in the country context analysis and the review of documented experiences.

Summary

The evaluation of the portfolio execution concludes the following:

- The effectiveness of the Bank's action to achieve Haiti's development goals was limited by low program implementation;
- The Bank has been working in the road sector of Haiti for the last twenty years without being able to verify whether there has been sustained progress in the connectivity of the country;
- To date, it has not been possible to generate the incentives needed to effectively engage EDH in achieving the objectives of the programs;
- It has been difficult to implement portfolios supporting agriculture, water and education and there have been frequent delays and reformulations.

Millions of people in Port-au-Prince do not have a reliable water supply. Most of the capital's water supply is trucked in by commercial vendors.

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A. Strengthening the foundation for economic growth

In its strategic engagement with Haiti over the country strategy span reviewed here, the IDB had proposed to address this first objective with three support focuses. The first was to "improve basic infrastructure that supports productive activities," particularly transportation and electric power infrastructure. The second was to "boost output and exports of the country's principal agricultural and rural cottage industry products" through programs to overcome agriculture sector development bottlenecks, specifically, infrastructure, rural finance access, and impediments to exporting. The Bank's third proposed focus was to "improve the business climate in Haiti and identify opportunities for working with the private sector, creating the mechanisms needed to pursue them." To that end the Bank had proposed to help enhance the country's business climate and image and make more use of SCF, MIF, and IIC private sector development support windows.

1. Transportation sector[25]

The Bank has been working in Haiti's roads sector continually for twenty years, but there have been no appreciable sustained cross-country connectivity improvements (see Annex J).[26] The country's road network has steadily deteriorated, and 1,378 km of tertiary roads became unserviceable between 1991 and 2004. Consequently, the portion of the rural population with access to a formal transportation system has remained low, estimated at 28% (World Bank, 2008), thwarting connectivity prospects and reducing access to agricultural markets. The effectiveness of the roads program has been constrained by issues relating to country vulnerabilities and sector-specific features. The effects of natural disasters and lack of a sound road maintenance system lower the quality of those roads that do come in for rehabilitation. The 2008 hurricane season and the 2010 earthquake caused more than US$438.5 million in road infrastructure damage, magnified by the lack of maintenance (bridges, drainage, pavement quality) and institutional and financial weaknesses of the Road Maintenance Fund (FER)[27] and the Ministry of Public Works, Transportation, and Communications (MTPTC). Meanwhile, cost overruns prompted successive restructurings of road programs that did not include work on rural and secondary roads.

In 2007-2010 disbursements rose substantially and additional donor funding was successfully leveraged. Disbursements for transport sector operations jumped to an average of US$60 million annually in 2009 and 2010, up from barely US$25 million annually in 2007 and 2008 and from the 2005 and 2006 average of under US$15 million. This increase was a result of a sustained effort to push ahead on project execution and remedy contractor market failures, which was facilitated by concentrating funding on primary roads projects, higher-value construction contracts

25 In its transportation sector engagement the Bank had proposed support for substantial cross-country connectivity improvements to make areas with productive potential accessible and thereby enhance Haiti's international competitiveness (Country strategy with Haiti, paragraph 4.7). Two investment programs were approved during the review period. One was the Transportation Sector Development Program (HA-L1046, US$29 million, approved in 2010) which was to deliver the objectives of operations that had been approved during the previous strategy cycle (HA0075, HA0087) but had not achieved their (revised) targets owing to investment cost increases. The second operation, the Transportation Infrastructure Rehabilitation Program comprising four approved operations of USS$25 million each (HA-L1019, 2007; HA-L1024, 2008; HA-L1028, 2009; HAL1027, 2010) and with US$71.2 million in Canadian cofinancing (HA-X1007), was intended to upgrade road infrastructure quality in departments in southwestern Haiti by rehabilitating and improving a large portion of the arterial road network, including bridges, along with secondary and rural road rehabilitation and urban paving in towns in that part of the country.

26 In addition to roads programs the Bank funds small road infrastructure works via other multisector projects. One of these is the Program for Rehabilitation of Basic Economic Infrastructure (HA-0093) approved in 2003, which is more than 78% disbursed. It is doing midsized rehabilitation projects (with a cost range from US$200,000 to US$1.5 million), such as rehabilitation of the port of Saint-Marc, rehabilitation of 6 km of RN6, urban road and bridge construction in Jacmel (3.72 km), etc. The most recent monitoring report (April 2011) does not provide details of the works carried out; the only output indicator it gives for component I (Works) is "number of works completed," which is not enough to duly track the program's objectives. The main risks cited in the report are weaknesses in the agencies and ministries that will be responsible for the rehabilitated infrastructure, and financial and technical constraints of local companies to do the construction work.

27 Meeting with the Director of the FER. Port-au-Prince, Haiti, February 2011.

with large construction firms, and the more flexible procurement measures approved in 2005 (document GN-2217-7).[28]

The continual cost overruns in road rehabilitation projects were a result of weak preinvestment analysis, absence of a local contractor market, and oil price increases during the review period. Cases in point are the Les Cayes–Jérémie artery, where final costs came in 91% higher than the original estimates, and the secondary and tertiary road networks where costs were almost triple (275%) the original budget. Despite these repeated overruns the programs designed during the review period continued to underestimate costs, so supplemental funding had to be approved to complete the work. At the heart of this situation is the fragility of the local contractor market and the perceived risks on the part of foreign firms to work in Haiti. Though, as a lesson learned from previous strategies, the country strategy with Haiti had proposed that the Bank "explore innovative ways to build local companies' capacity and attract foreign firms," the Bank began a restructuring of contracting approaches that looked to foreign companies, which was successful as a project delivery vehicle but needs to be integrated into an effort to strengthen and develop local companies.

The programs' effectiveness has been diminished because of reductions in the original targets and the dropping of secondary and tertiary roads in order to prioritize the arterial road system. There were four active programs during the review period with total approved funding of US$331.5 million, which had targeted 386 km of primary roads and 1,050 km of secondary and tertiary roads. As of December 2010 all the approved projects had been restructured to revise their targets, and in each of them priority was given to primary over secondary roads. All told, the restructurings reduced the original goal of 1,050 km of secondary and tertiary roads to 358 km, and as of December 2010 work had been done on only 201 km (see Table 3.1).

28 Revised thresholds for certain procurement methods, consolidation of public tenders, increased delegation of decision authority, and other measures.

Table 3.1. Transportation sector program results

Project	Approved funding (US$ million)	Disbursed as of Dec. 2010 (US$ million)	PRIMARY ROADS (in km)			SECONDARY/TERTIARY (in km)		
			Orig. target	Revised target (PPMR)	Road work as of Dec. 2010	Orig. target	Revised target (PPMR)	Road work as of Dec. 2010
HA-0075	54.0	49.8	0	116	51	200 (sec.)	100 (sec.)	75
						300 (tert.)	150 (tert.)	122
HA-0087	77.3	74.1	170	103	72.5	300	23	0
HA-L1019 HA-L1024 HA-L1028 HA-L1027 HA-X1007	171.2[1]	59.5	138	71	35	250	85	4
HA-L1046	29.0	12.2	70	70	65	0	0	0
Total	**331.5**	**195.6**	**386**	**360**	**223.5**	**1,050**	**358**	**201**

1 US$71.2 million from cofinancing HA-X1007 and US$25 million for each of the project's four phases.
Source: Project documents and kilometers of roadwork executed by MTPTC, 2011.

The maintenance funding shortfall is affecting sustainability of road system quality. The projects approved during the country strategy span did include specific road maintenance support components, but the subsequent project reformulations reduced the funding allotted for that support, jeopardizing the investments made. The programs that had been approved prior to the 2007-2011 strategy cycle had either delegated road maintenance to the Haitian government (HA0087) or offered technical assistance to communities to participate in rural road maintenance (HA0075).[29] The Road Infrastructure Rehabilitation Program for Integration of the Territory had included a US$14.9 million maintenance support component (technical assistance, institution-strengthening, and funding), but the last phase approved in 2010 (HA-L1027) cut that component's budget by more than 58%, to US$6.19 million—25% of it used for office equipment purchases.

There has been insufficient institutional support to develop country road-asset management and maintenance capacity. Only US$16.35 million (4.9%) of the total US$331.8 million in funding approved for road projects in 2007-2010 was originally targeted to institution-strengthening. Ultimately, after successive project restructurings, the allotment for institutional aspects was US$7.28 million (2.2% of the approved total), and close to half that sum was for environmental impact and preinvestment studies. The Road Maintenance Fund (FER), set up initially at the Bank's recommendation and with its support as a road maintenance management and financing vehicle, is off the IDB's radar and has neither the operational capacity nor the technical or financial capability to manage the challenges of maintaining Haiti's road assets.

29 The strengthening measures in program HA0075 include technical assistance to the MTPTC for the program's implementation, to local communities for tertiary road management, and to private companies and communities to engage them in road rehabilitation and maintenance.

The Bank's strategy going forward for its engagement in Haiti's transport sector is aligned to the Program to Support Transportation Sector Development in Haiti (PADTH) planned for 2011-2015, in which funding for maintenance and institution-strengthening is still insufficient. The two grants approved in 2010 (HAL1027 and HA-L1046) are helping to complete PADTH phase I rehabilitation and improvement works and start up phase II. In all, PADTH II (2011-2015) calls for US$400 million in investments funded with Bank resources and cofinancing through the Multidonor Trust Fund. Just over US$105 million of the US$400 million is targeted to rural roads, 3% is earmarked for road maintenance, and 0.75% is for institution-strengthening. Though the estimate for maintenance funding is in line with the standard recommended in the literature to assure a year's maintenance of the proposed investment program, it is unclear how the rehabilitated roads would be maintained or how sustainable that work would be. The budgeted funding for institution-strengthening is considerably below the estimates in previous projects, which were close to 5% of total approved funding, and is not commensurate with the institution-building effort required in this sector.

2. Energy sector[30]

To date it has not been possible to create the necessary incentives to effectively engage Electricité d'Haïti (EDH) in delivering the energy programs' objectives. The gains achieved in Bank operations have been slim, issues with EDH ownership of projects being one of the main reasons identified. The objective of the Program for Rehabilitation of the Electricity Distribution System in Port-au-Prince (HA-L1014) was to "help sustain the continuity and quality of electricity services to the population of metropolitan Port-au-Prince, and lay the foundation for EDH's technical, administrative, and financial recovery in the medium and long terms."[31] However, this operation, under way since 2006, is still less than 25% disbursed. The other two programs (HA-L1032, 2008, and HAL1035, 2010) are less than 5% disbursed. The different issues that have been identified as implementation constraints can be summed up in EDH's continued resistance to procure and execute the planned outputs, including problems in assuring transparency in selection and contract award processes and cost overruns in the various activities, which have reduced the originally programmed targets. Moreover, the Bank approved a new operation (HA-L1035) to supplement the Port-au-Prince electricity distribution program but no changes were made in the original program objectives, indicators, or components, despite

30 In its country engagement the Bank had proposed to achieve consensus with and effective support from Electricité d'Haïti (EDH) to work toward sustained improvements in the electric power industry. The ongoing program has pursued that aim through projects to rehabilitate the distribution system in Port-au-Prince (HA-L1014 and HA-L1035) and the Péligre hydropower plant (HA-L1032). Most of the technical cooperation operations approved over the review period funded preinvestment studies to prepare these projects—in all, close to US$33 million pertaining to the Port-au-Prince system and US$12.6 million for Péligre. Two emergency projects also were approved in 2010 for small solar generation units.

31 The program's aim was to help sustain the continuity and quality of electricity services to metropolitan Port-au-Prince residents and lay foundations for EDH's technical, administrative, and financial recovery in the medium and long term.

the documented implementation issues (see Annex H for more information on this sector).

Since the 2010 earthquake, external donors and the Haitian government have together been charting a strategy to develop policies and actions to improve the energy sector. To address identified implementation issues in the energy programs, the Bank revised its strategy to give priority to a restructuring of the sector's institutional base. In 2010, the Haitian government, in concert with the IDB, the World Bank, and USAID, produced a white paper setting out policies, strategies, and joint actions to address Haitian energy sector issues in the short, medium, and long term. In February 2011 the IDB, the Haitian government, and the U.S. government signed a framework collaboration agreement to modernize Haiti's energy sector.32 Issues associated with the sector's complex political economy also will require agreements to be worked out with Haiti's private sector, which is at once the prime beneficiary of contracts with EDH and receiver of the adverse impact of the low coverage and poor quality of electricity services.

3. Agriculture sector and environment

The IDB has not acted holistically and cross-sectorally to address the set of roadblocks to development of Haiti's agriculture sector. In that regard, the country strategy had said that the Bank would "closely coordinate roadway and infrastructure projects in rural areas with agricultural productive development," but addressing rural energy deficits has not figured among the Bank's Haiti engagement focuses. As for road infrastructure, although the projects as originally designed did include rural roads, funding for such activities was dropped when the projects were later reconfigured (see Annex I).

Overall, the agriculture sector support operations have experienced implementation problems, with frequent slippages and reformulations. Average disbursements in 2007-2010 were below US$11 million, with a drop in 2010 (US$6.7 million).33 The programs' complex designs,34 absence of preinvestment studies, problems finding consulting firms prepared to work in Haiti, and institutional shortcomings made it necessary to do successive reformulations and restructurings (and to cancel components

32 One of the current constraints for implementing this strategy is the institutional structure of the MTPTC's Energy Department, which coordinates the work of the Mines and Energy Office, the Donor Coordination Unit, and Electricité d'Haïti. In actuality EDH comes under the direct supervision of the country's president, and the Minister is not empowered to organize the agency's strategy. This creates issues of accountability for project accounting and delivery.

33 US$7.2 million was disbursed between January and June 2011. The figures for the sector are expected to go up.

34 According to the Country Office sector specialist, the designs of the main agriculture programs (HA-0016, HA-L1003) tried to cover too many action focuses in a sector where program execution is complex (issues with co-executing agencies, environmental impacts and economic externalities, and so on). Thus, too many components and indicators had been devised, and some social-environment assumptions were not valid for the programs' implementation (for instance, community support for paying for irrigation). Lastly, the weak monitoring systems impeded continuous improvement over the course of the project and an assessment of results.

Agriculture remains a key sector for Haiti, as half of its population lives in rural areas.
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that have created delays and cost overruns).[35] In particular, still-unresolved issues of institutional responsibilities and weaknesses and coordination failures (HA-0016, HA-L1009, and HAL1003) have constrained program implementation and delivery of targets.

One of the agriculture projects is more than 95% disbursed but has delivered few results. The aim of the Rural Intensification Program (HA-0016) approved in 2003 was to "increase the income of Haitian farmers in the Artibonite Valley through a process of agricultural intensification by increasing the efficiency and sustainability of irrigation systems." In progress for eight years now and with its funding near fully disbursed, this project is rated unlikely to deliver its development objectives and unsatisfactory for implementation progress. Six of the 29 outcome and output indicators set for the program have been achieved (8.5 km of drainage system, 35,000 farmers organized into water user groups, rehabilitation of one bridge, Salée floodway capacity improvements, 4 km of roads rehabilitated, and expansion of the Artibonite canal along 23 km to put an additional 5,000 hectares under irrigation).

35 According to information from the specialists about HA-0016, there had been a general retrofitting of Haiti Country Office operations en 2005; a budget reallocation in 2009 because there was no budget to implement particular activities or because some originally-planned activities were not feasible; and a reprogramming "by results" in 2011, requested by the Office of Strategic Planning and Development Effectiveness (SPD) to follow the PMR format (changeover from logical framework to results matrix). In the case of HA-L1003, a reprogramming "by results" had been done to match the PMR format. Changes also had been made to projects HA-L1009 and HA-L1006.

Six indicators show prospects of achieving the targets (target over 50% delivered). Two of the components (11 and 12) were canceled after feasibility studies were done, and there are no data for the rest of the indicators. The specialists have no information on whether the absence of data is because there are no outcomes or outputs to date for these indicators or because results have not been reported. Though there were some promising early results in rice productivity improvements, where output doubled and costs came down, these were pilot projects that targeted a handful of farmers, and according to the document itself, they were not scalable because of the high associated costs and the beneficiaries' lack of technical training.

The MIF's agricultural production programs have been significant and have been integrated into the Bank's planned investment programs. The MIF has continued to deliver support to the coffee sector (HA-M1004, HA-M1012, HAM1022, close to US$1 million), mango sector (HA-H1034, over US$3 million), and various tropical fruit industries (HA-M1016, HA-S1006, for US$850,000)—these segments forming part of the 12 rural supply chains selected by the Ministry of Agriculture and addressed in project HA-L1003. The objectives and outputs of these MIF projects are aligned with those of the Rural Supply Chain Development Program (HA-L1003). The MIF program "Support for the Competitive Position of Haitian Coffees" (HA-M1004) ended during the country strategy span,[36] having met only half its targets owing to design issues[37] and the executing agency's low technical and financial capacity. Nevertheless, improvements were achieved in the coffee grading process and in effective laboratory quality control of the product.

The Bank's 2010 Haiti country strategy update continues to emphasize the agriculture sector, in line with the Haitian government's 2011-2018 National Agricultural Investment Plan (PNIA). According to the PNIA, the chief risks in this sector continue to be low credit, market, and technology access; insecure land tenure; environmental vulnerability, and weak public and private institutions. The Bank's proposed program going forward addresses some of these concerns, envisaging assistance to enhance food security and improve agricultural services and rural infrastructure (land titling, irrigation, and agricultural services), as well as direct supports to farmers (second phase of the watershed management and natural disasters mitigation program). However, there is no explicit mention of how some other key sector issues like rural road and energy infrastructure, market access, foreign market competition, and institution-strengthening will be addressed.

36 The program's objective was to enhance the competitive position of Haiti's coffee sector, built around high quality coffees, and to increase export volumes. The central focus was to implement and adapt a quality management system and develop a strategy to promote quality Haitian coffee.

37 The project did not have an intervention strategy aligned to the program objectives. Likewise, according to the most recent available PPMR, no sustainability plan tailored to the executing agency had been devised, and there was little beneficiary participation or interest. The document also points up the large number of activities that had been proposed for a weak executing unit, which ultimately impeded the program's successful implementation.

4. Private sector

The Bank's strategy gives a priority role to development of Haiti's private sector as a way to generate economic activity and create jobs. According to the country strategy with Haiti, the Bank would work with the country to "enhance the business climate…, strengthen institutional capacity... for the design and implementation of [public] policies…, [do] more systematic work… to find potential partners…, [and] foster microfinance development as a mechanism for channeling credit to the private sector." The previous country program evaluation and the country strategy both acknowledged that Bank support for the private sector had been low, except from the MIF, and that it was important "for the IDB Group's private sector windows to explore different ways of increasing their involvement in Haiti and develop a joint strategy to directly support the private sector. The Bank also needs to explore innovative ways to build local companies' capacity and attract foreign firms."

The results delivered and their impact on growing the Haitian private sector echo the small-projects approach ultimately taken in Bank operations in this sector. In the end, MIF projects made up the bulk of Bank operations to further private sector development. Over the 2007-2010 period, the IIC approved two small operations (Carifresh, US$300,000, and DKDR, US$360,000),[38] whereas the MIF approved 40 operations with assistance mostly for the microfinance, textile, and agriculture sectors. Of these, 16 were part of the Haiti Emergency Spending Allocation Request (HESAR) program to address the emergency situation of MIF beneficiaries in the aftermath of the 2010 earthquake. Though the MIF interventions did demonstrate that it was possible to forge strategic partnerships with the private sector, the interventions were not necessarily selected with an eye to their scalability. The promising early results observed in the projects[39] have to do with the match between the size of most Haitian companies and the MIF's target client base, which is microenterprise and small business.

In pursuit of the business climate enhancement objective, the Bank's programming and work program with Haiti centered on technical cooperation. The country strategy had proposed, in its programming, six technical cooperation operations for business promotion in Haiti and development of public-private partnerships and microfinance. One of those operations (HA-T1065), executed in 2009, funded the 2009 Investment Forum which drew 700 business people, came out with business plans worth over US$5 million, and made it possible to advance on the North Industrial Park project. In 2010 the Bank's Integration and Trade Sector (INT) promoted two new operations intended to enhance the private investment climate. One, the Trade and Investment Forum (HA-T1065), has given Haiti's private sector and the international community an opportunity to coordinate private investment efforts in the task of rebuilding

38 Three additional operations were approved in 2011: (3) Distributeurs Nationaux (Dinasa II): oil and mining sector, US$10 million disbursed in September 2009, (4) Access: high tech, US$3.5 million disbursed in June 2011, and (5) Haiti Social Investment Fund: investment fund, US$1.15 million disbursed in August 2011.

39 An evaluation of the MIF on which OVE is working includes the Haiti agenda. It will be ready during the first half of 2012.

the country. The second operation (HA-T1089), still under way, aims to enhance the business climate, specifically by strengthening the company registration and construction permit systems.

A young boy selling beans and grains on the street in Port-au-Prince.

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The Bank's country strategy update and ensuing programming keep the emphasis on private sector development and propose to overcome the scale constraints that have limited IDB engagement to date. Operations in the pipeline and awaiting approval include specific, larger programs to grow the private sector, as well as SCF and IIC operations. The MIF's agenda will scale up its interventions and tie them in to the Bank operations in order to magnify their impact. In its programming the Bank is focusing on northern Haiti and on fostering regional development (North industrial hub) around the assembly manufacturing (maquila) industry, availing U.S. trade preferences. Complementing the program is a series of financial and nonfinancial contributions for development of local service providers, to maximize the economic trickle-down of the investments and complementary social supports. Long experience in Haiti suggests that developing the maquila industry will be very challenging because of the fragility of the Haitian State and its political and economic vulnerabilities, and the poverty impact may be modest. The success of a program of this type as a national development driver will depend fundamentally on the complementary programs put into place to lower the enduring political, institutional, and social risks that are impeding or could impede development of the maquila industry in Haiti.

The MIF has been a prominent player in microfinance expansion in Haiti. The Bank has supported improvements in credit management capacity in urban areas (HA-M1003, HAS1010, TC-02-06-03-5, and others) and, more recently, projects to grow rural loan portfolios (HA-M1002, HA-S1005, HA-S1008, HAS1009, and others), which have effectively expanded credit access. Three of the four microfinance institutions that came in for support reported a significant increase in number of active loans over the period reviewed here, along with increases in rural branch numbers.[40] The MIF did not target its support interventions in order to maximize impact, despite the heterogeneous makeup of Haiti's microenterprise sector (for further analysis see Annex E).[41]

40 Project HAM1002 strengthened 10 institutions to create a formal federation of rural credit unions. This also enabled each of the credit unions to increase its client base to 10,027, on average, well beyond the goal of 5,600 clients by project end. Project TC-03-02-00-7 for Association pour la Coopération avec la Micro Entreprise (ACME) also produced satisfactory outcomes: that institution grew its portfolio to 15,169 active loans, eclipsing the project target of 6,000. ACME also increased its branch numbers from 3 to 16; the target had been 9 new branches. Under project TC-02-06-23-5 7 branches were opened or enlarged, 4 new loan products were launched, and at least 20 loan officers received training. Project HAM1003 did not deliver all the results sought. Though the project is rated satisfactory in the latest PPMR, it has fallen short on the targets for client numbers for the microfinance institution (only 947 clients, rather than the 2,500-client goal) and portfolio value (only 105 million gourdes, below the 180 million gourde target). The "Le Levier" federation project (HAL1002) strengthened 10 institutions, which created a formal federation of rural credit unions and increased their average client base.

41 The MIF's strategy for assistance to Haiti in the post-earthquake emergency was relevant and effective to build back operational capacity of 16 of its partners in the country that had been affected by the quake. Delivery of this timely support under the HESAR (Haiti Emergency Spending Allocation Request) program was based on the self-diagnostic capacity of a number of partners with which the MIF had built a relationship of trust over

People collecting water from a tank truck at a relief camp outside Port-au-Prince.
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B. Improving access to and coverage of basic services

The core focuses of the Bank's social sector strategy in Haiti during the review period were improving access to and quality of water and sanitation services, including solid waste collection and disposal, and improving access to education and the quality and governance of education services. The program set out in the Bank's country strategy with Haiti was limited in terms of operations and disbursements to achieve the charted objectives, and no thorough diagnostic had been done of these sectors to address the fragmentation of the services and the ensuing social exclusion.

1. Water and sanitation and urban solid waste sector[42]

The Bank-funded water and sanitation operations have executed slowly, with average annual disbursements of just US$7.7 million over the review period (see Annex G). No investment operation was completed during this span. The Water and Sanitation Sector Reform Program (HA-0014) approved in 1998 has the highest disbursement ratio (82%). Three technical cooperation operations worth a total of US$1.6 million were approved and delivered during the review period, to prepare other investment programs.

The Water and Sanitation Sector Reform Program (HA-0014) underwent many adjustments and restructurings from the time it was approved. At the outset, the program's aim had been to "improve and sustain potable water service across the country while establishing an institutional framework for the gradual development of waste waster service." One component focused on reform of the sector, another on investment in rural and urban systems, and a third on private sector participation. After successive reformulations the operation became a program of support to midsized cities (Saint-Marc, Les Cayes, Jacmel, Port-de-Paix, and Ouanaminthe). The remaining program funds (US$18.5 million of the US$54 million initially approved) were realigned in 2010, targeting US$5 million to assist in the post-earthquake sanitation emergency.

The outcomes delivered under the midsized cities support component point to some gains. Improvements reported in, and up to, the June 2011 PMR were partial achievement of targets in the city of Saint-Marc (78% cost recovery for water and

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the years, which made for fairly quick allocations of funds and reasonable prioritization of investments. In some instances, beyond the HESAR support to help executing agencies resume operations, there were some concrete effects on end-beneficiaries that can be attributed to the program as well. The MIF complemented these supports with the Haiti Emergency Liquidity Program ("HELP") for microfinance institutions in the post-earthquake environment, where most microfinance clients had suffered capital losses, and microlenders were able to restructure loans. As part of its ongoing evaluation of MIF II the Evaluation Office will be producing an evaluation of the MIF programs, looking at results and development contribution of Haiti's microcredit industry.

42 For the water and sanitation and urban solid waste sector, the strategy proposed to improve services by helping to broaden access and coverage and assisting in the design and implementation of a sustainable solid waste management solution. Over the country strategy span the Bank approved the second phase of the Intermediate Cities Program (HA-L1039 and HA-X1013, US$39 million) and, following the January 2010 earthquake, it approved the Port-au-Prince Water and Sanitation Program (HA-L1044, US$15 million) and the "Emergency Response for the Containment of Cholera" program (HA-L1062, US$15 million). Five operations that had been approved in the previous strategy cycle were active also during the review period, with US$79 million in current approved funding.

sanitation services, just short of the 80% target) and 10,520 Saint-Marc residents with water and sanitation services, compared to the target 12,000—though inconsistencies between indicators and components in the various program monitoring reports make outcomes hard to assess. After approval of the program's second phase (HAL1039, US$19 million) and cofinancing from the Spanish Water Fund (HA-X1013, US$20 million), the plan is to bring water and sanitation services to more residents of six midsized cities (Saint-Marc, Port-de-Paix, Les Cayes, Jacmel, Ouanaminthe, and Cap-Haïtien) and to strengthen sanitation systems.

The Bank's objective for solid waste management had been to "improve solid waste collection and processing," but funding approvals were low. Up until 2010 the Bank had not devised objectives for improving urban solid waste management. As of June 2011 it had approved three technical cooperation operations involving waste management: feasibility studies for a second sanitary landfill in Port-au-Prince (HA-T1060, US$300,000, near fully disbursed) and the recent Strategic Plan for Solid Waste Management in Four Intermediate Cities (HAT1119, US$250,000) and Master Plan for Rehabilitation and Management of the Truitier Site (HA-T1136, US$360,000), both approved in 2010.

The Bank's response to the post-earthquake sanitation emergency was relevant and timely, but actions ensuing from the emergency could jeopardize progress toward the new institutional framework. A total of US$5 million from program HA-0014 was used to supplement efforts in health sector program HAL1062 to deliver water to the affected population and materials to contain cholera. The Spanish Cooperation Fund provided a further US$5 million which the Haitian Water and Sanitation Directorate (DINEPA) is expending. To address the need for a swift response to the post-earthquake emergency situation DINEPA has taken on operation of the water system until the Technical Operations Center (CTE) and the Regional Water and Sanitation Authorities (OREPAs) can be strengthened—which jeopardizes the reform process launched by the 2009 Framework Law and is slowing consolidation of the regulatory function in a fragmented system (see Annex A, Box A3.1).

2. Education sector

In its 2007 country strategy with Haiti, the IDB's education sector focus was to "increase coverage and access to quality… education and training" with support to: (i) improve governance, (ii) improve access at all educational levels, (iii) improve the quality of public and nonpublic education, and (iv) promote public-private partnerships" (see Annex F). The relevance of the Bank's activities was limited, its programmatic agenda having been focused on education sector efficiency and skewed toward public education delivery despite the preponderant role of the nonpublic education market. Little investment was targeted to regulation of private education provider markets, quality certification, or fixing of information failures that are standing in the way of responsibly managed policies to improve the education system, even though historically these had figured on the reform agenda. Over the review period the Bank executed two projects that it had approved during the previous strategy cycle (HA-0017 and HA-0038), technical cooperation operations to support those operations and intended to finance pilot education innovation programs (One Laptop Per Child, Remittances).

The Basic Education Program (HA-0038, approved in 1998, US$19.4 million) was not very effective, owing to slippages caused by the political environment, the need to restructure the operation, cost overruns, and budget constraints. By January 2011, 12 years into this program, 98% of the approved funding had been disbursed but only some of the targets had been met. The program had been designed to fit into Haiti's 10-year National Education and Training Plan (PNEF, 1997) as a comprehensive intervention to overhaul the education system and make education universally accessible. Because of the subsequent political crisis and diverging views of the international community and the Haitian government the intervention was halted and the World Bank, one of the original partners, withdrew in 1998. Thus, before operations resumed in 2004 the program had had to be reformulated and its targets pared. This eliminated 27 of the original 50 indicators, affecting all the program's components. The program's achievements and impact were very modest owing to contract cost overruns and the lack of financial sustainability of the structures created. According to the most recent available data (2009 PPMR and 2010 PMR), the revised targets for training and school kit delivery have been met but, in the end, only 50% of the revised classroom-rehabilitation target was achieved, which was 16% of the 950 classrooms originally approved for such support. The project made no progress toward the targets regarding impact on education ministry governance and management capacity, nor were information systems developed to be able to verify its impact on education access and quality.[43]

Design problems in the Vocational Training Program (HA-0017) impeded satisfactory delivery of the proposed activities and muted the program's impact on Haiti's vocational training system. The overall objective of this US$22 million program, approved in 2005 and 76% disbursed at this writing, was to "improve the employability of young people… facing situations of labor marginality" through three components: a demand-driven training program, vocational training quality enhancement, and institutional improvements. The project was anchored in a number of studies produced with European Union cofinancing and technical assistance.[44] According to a 2010 Education Management Europe (EME) assessment report,[45] design problems

43 The program did not draw on the findings of the 2003 school census to establish a baseline with which to measure the program outcomes, or on the 2007 census findings to track progress.

44 ATN/CT-8790-HA (2005), Vocational Education and Training, its links to the labor market, ESD International Consulting (US$100,000), mapped the fastest-growing sectors of the economy and the job training market and did a reverse tracer survey to ascertain employer satisfaction with employees' skills. ATN/JC6489-HA (2005), Quality Mechanisms in Vocational Training, PADECO, LTD. (US$255,000), examined accreditation and certification systems and proposed a pilot plan in 20 centers. OVE found no information on that plan. ATN/CT-9227-HA (2007), Instructional Materials for the Vocational Training Sector (US$100,000) in priority areas identified in loan project HA-0017.

45 Rapport Principal I Évaluation du Programme de Formation Professionnelle (Mission Septembre 2009: version validée). Education Management Europe (EME), May 2010.

diminished the project's impact. In particular, the underlying design assumption of a demand-driven training project turned out not to be valid in a Haitian context, given the absence of a dynamic labor market and a sufficiently large pool of potential training service providers.[46] Thus far, the project has not met its outcome targets, nor does it have information with which to assess its impact on the employability of the young people who have gone through the training.[47]

Children at a school in Cité Soleil.
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The Bank acted swiftly after the earthquake to address the ensuing emergency situation, changing an undisbursed education project to an emergency project that helped restart the school cycle following the earthquake. To address emergency needs following the destruction of Haiti's school infrastructure the Bank reformulated its "Support to Reconstruction of Education Infrastructure" program[48] (HA-L1040, 2009), which had been approved originally to rehabilitate schools damaged during the 2008 hurricane season. The reconfigured project executed in full and on schedule. In respect of outputs, as of August 2011 the Social and Economic Assistance Fund (FAES) had delivered 50 provisional structures[49] along with furniture and school kits so the temporary schools could operate.[50] According to the project monitoring report, these schools are benefiting some 65,000 of the two million children who were left without schools following the earthquake (UNICEF, 2010). The average cost of the

46 According to EME, employment forecasting based on interviews with industry employers without a macro context analysis had not been a good approach. In-process changes thus had to be made to the project, and calls for proposals for training service providers did not follow the procedure prescribed in the operating manual, to the detriment of the demand-driven approach.

47 In particular, the 2010 EME evaluation found that:

a. By the project's end only about 10,000 young people will have received training—33% of the original 30,000 target.
b. The project rehabilitated and equipped only two of the eight facilities that were to have become referral centers. The evaluation report points up problems of sustainability both for the centers' continuing operation and for skills training.
c. There is no information on improvements in training program planning, management, design, or development capacities. Cofinancing outputs (design of an accreditation and information system) were delivered but not implemented.

The evaluation found no supporting information for the number of young people trained, which appears to have been an arithmetic calculation based on calls for proposals issued every six months for five years. Nor could the authors ascertain the "marginality" status of the young people who received training, though there are data on the percentage of women trained in "nontraditional" fields, which is higher than the mean. The evaluation provides no information on the proportion of students who had participated in internships or found jobs, or on the proportion of employers who were satisfied with the training graduates' performance (which is defined in the Results Framework).

48 In June 2009 the Bank approved US$20.5 million for project HA-L1040 to increase and improve the supply of education services in public schools (50 schools) and community schools (25% of the funding), with supports to improve the quality of school facilities (furniture, water, sanitation, community involvement) and for institutional strengthening of the Fund for Economic and Social Assistance (FAES). The project was declared disbursement-eligible in October 2009 and had yet to begin disbursing when the January 2010 earthquake struck. Only one study had been done, on the state of community schools: IDB. Diagnostique rapide des écoles communales, Roller Saint Pierre, consultant, September 2009. The project was formally reconfigured to address post-earthquake emergency needs (Amending Contract LEG/SGO/HA-35295905-10 signed in September 2010).

49 According to the FAES's report, it has hired 23 local contractors to erect the temporary structures. These construction projects also have created many temporary jobs for skilled and unskilled workers, on the order of 196,00 man-days.

50 There was already provision in component 1 for administrative and sanitary facilities for all the temporary schools. Where possible, kitchen facilities and drinking water access were to be provided as well.

temporary structures was US$150,000.[51] The planned final evaluation of the project was not available at the time the present evaluation was produced.

The Bank's post-earthquake strategy update emphasizes the reconfiguration of the Haitian education system in order to provide universal access to quality education. To that end the Bank approved the Program for Reconfiguration of the Haitian Education System (US$50 million), the first in a series of five annual operations that comprise the Bank's long-term program in the sector. A technical cooperation operation approved to support the Presidential Commission on Education proved to be key in positioning the Bank following the earthquake, as it collaborated in charting the Haitian government's work plan and building consensus for its implementation among the international agencies participating in the plan since the 2010 earthquake. The government's work agenda is exhaustive and ambitious, and deals with education sector issues at every level. The cost estimate for reconfiguring the education system comes to US$4.5 billion. There are serious constraints to the successful delivery of such an ambitious agenda, among them the demands for rebuilding infrastructure destroyed or damaged by the earthquake, which are absorbing a large share of the sector's institutional and financial capital; the massive investment required, and risks as to the investments' sustainability. In such circumstances, strategic sequencing is essential to rank actions for the short and long range, to be able to move forward as funding becomes available.

C. Strengthening governance and institutional capacity of the Haitian government

The Bank's action focus in this area, as charted in its country strategy with Haiti, pursued the objective of "strengthening economic governance," whereas the "strengthening local development and democratic institutions" objective was to be addressed in programs approved during the previous strategy cycle (see Annex D). In pursuit of the first objective, the Bank approved four PBLs/PBGs during the strategy span to enhance economic governance. To strengthen local development it continued executing the Local Development Program (HA-0079, 2003, US$65 million, 100% disbursed) and the Urban Rehabilitation Program (HAL1002, 2005, US$50 million, 78% disbursed), with no new approvals.

1. Economic governance

The Bank framed its engagement in this area within the economic governance strengthening program in which it had been partnering with the IMF and the World Bank since 2004. This program consisted of three main phases. The first, within the

51 Over that same period UNICEF put up 110 semipermanent school structures at an average cost of US$175,000. According to that agency's report www.unicef.com/haiti, it costs about US$370,000 to build a school in Haiti (standard design, six classrooms, administrative building, cafeteria/kitchen, security room, and washrooms, 800 m^2).

framework of IMF support programs (staff monitored program), when three loans were negotiated (HA-0092, 2003, and HAL1001, 2005). The second, which came out of the IMF Heavily Indebted Poor Countries (HIPC) initiative, also with three operations negotiated as grants (HA-L1017, HA-L1023, and HA-L1029). The third phase was the post-quake emergency program, to address Haiti's public finance requirements (HA-L1034).

The programs delivered during the previous strategy cycle (2004-2007) had advanced the policy reform agenda, achieving significant improvements in economic governance. An analysis of conditionalities of the PBLs implemented, using the methodology developed by the IMF's Independent Evaluation Office (IEO-IMF), reveals that loan conditionalities in that first phase had more structural depth and a high compliance rate. The programs successfully brought in reforms in core areas and developed the requisite tools and systems to achieve the changes, and thereby ushered in major reforms in budgeting, reductions in ministerial accounts and unallocated discretionary spending, and a new customs code, among other advances. Meanwhile, an investment program during this phase (HA-0082) financed outputs, tools, and systems needed to fulfill the conditionalities.

The process from 2007 onward was virtually the opposite: the conditions set had less structural depth, and disbursements were authorized for already-fulfilled conditions, according to the Bank's programmatic loan praxis—a trend that was accentuated in the post-earthquake program. Though the operations approved (HA-L1023, HA-L1029, HA-L1034, HA-L1017) were designed to supplement and build on the reform efforts of previous programs, the lack of sequencing of conditionalities and the urgent need to deal with emergency situations in those years slowed the governance reform process. This trend firmed during the April 2008 renegotiation of the conditions for operation HA-L1034, when it was decided to double the original Fiscal Sustainability Program loan amount, with conditionalities already fulfilled and with the post-earthquake budget support delivered that, of course, had carried no conditionalities.

The portfolio executed did not adequately address the country's institution-strengthening needs in the governance area. For the most part the institution-strengthening programs and technical cooperation associated with those loans funded systems hardware purchases, without fully addressing the training needs of the agencies in question. Since some of the planning and organization enhancement activities were left at the early audit and studies stage there was no subsequent implementation of findings. The 2010 earthquake's impact on the Haitian public administration, which lost employees as well as infrastructure, further dampened the reform dynamic.

Overall, the conditionalities to be fulfilled directly by the Ministry of Economy and Finance (MEF) had greater structural depth than conditions that fell to line ministries, which suggests that the MEF had difficulty leveraging real reforms outside

Women receiving training in a garment factory in Caracol Industrial Park, a project funded by the IDB.

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its direct sphere of responsibility.[52] Historically the MEF has had problems in using conditionalities to leverage reforms in other agencies and line ministries. In order to facilitate compliance, the reforms sought of other ministries and agencies had less structural depth, entailing the development of plans or action proposals with little emphasis, if any, on their implementation.

The attempts at interagency coordination were not effective enough to be able to regain the negotiating power that had existed in the first stage of the reforms. The IMF's technical leadership in the policy reform dialogue had been very clear from stage 1, when the various cooperation agencies, the IDB among them, were able to agree on conditionalities and disbursements. However, in the 2007-2010 span reviewed here it was more frequent to see duplicate disbursements for identical conditionalities, and compliance requirements appear to have been softer. Beginning in 2009 the unified conditionality matrix brought greater order to the various technical assistance processes, but delivery of funding for already-fulfilled conditions and the urgent need to lend support during crisis episodes have diminished the instrument's effectiveness for a sustained reform process, and it now is used more as a budget support instrument.

52 The programmatic project HA-L1029 approved in September 2009 was the first in which conditionalities were to be fulfilled by agencies other than the Ministry of Economy and Finance (MEF), namely, the Ministry of Public Works, Transportation, and Communications (MTPTC) and Electricité d'Haïti. The conditions required of those agencies had "little structural depth" according to the IEO-IMF classification (2007), so fulfilling such conditions—approval of plans and strategies, for instance—achieved little real change. The requirements and depth of conditions for the MEF in HAL1029 and the other projects having been greater than for the other ministries, some significant changes were achieved, such as budget consolidation.

2. Democratic governance

IDB activity to strengthen democratic governance was relatively limited. The IDB had charted three strategic objectives to enhance democratic governance: (i) strengthening of local development, (ii) strengthening of the Parliament, and (iii) creation of a civil registry. To that end, it had programmed three technical cooperation operations (TCs) to enhance the workings of the Haitian parliament and complete local development programs. The proposed TC to support the Parliament was canceled before it was approved. One TC approved for the local development objective, to produce a current diagnostic assessment, was completed in 2008, and details of a second TC approved in 2009 and reconfigured following the 2010 earthquake are being worked out. The two local development programs approved during the previous strategy cycle had been intended primarily to address basic social service needs of the poorest population segments, with little impact on local governance capacity development. Indeed, the stated objective of both operations—the Local Development Program (HA-0079)53 and the Urban Rehabilitation Program (HAL1002)—was to "improve the quality of life and income-generating capacities of the poorest and most vulnerable segments of the population," and they accomplished little to develop local government capacity.[54] The Bank did not provide support to address the Haitian government's request for assistance with a civil registry.

53 The US$72.2 million HA-0079 program approved in 2003 (US$70 million in FSO funding and a local contribution of US$7.2 million) was intended to "improve the quality of life and income-generating capacities of the poorest and most vulnerable segments of the population." The program's specific objectives were to: "(a) increase the number of households with access to basic social services, and expand social assistance to specific vulnerable population groups, and (b) increase and diversify the income of poor communities." In the end, the local contribution was not delivered and the project's final cost came to US$69.13 million. The program had three components: (a) social development and assistance for poor households and vulnerable groups (projects costing up to US$50,000 each in the areas of education, water and sanitation, primary health care, nutrition, assistance to children and youth at risk, and others: US$37 million); (b) productive and rural development (economic and community infrastructure projects and productive projects: US$17 million); and (c) local governance and institutional development support (technical and operational assistance: US$16 million).

54 The Local Development Program (HA-0079) disbursed in full during the country strategy span, with appreciable results in basic services expansion but little impact on local capacity development. The program's development objectives were revised in 2005 to better align them to its activities; but indicators were defined at the national level whereas the project targeted particular beneficiary groups, and no baseline was established at the outset or as the project executed. The program had set three output and outcome objectives. The first, involving the provision of health, education, and water and sanitation services and assistance to the underserved population, delivered results close to the proposed ones. The second, support to small businesses, achieved roughly 50% of its targets. The results of the third component, aimed at strengthening local governance, were very limited. Only 564 local representatives became engaged in planning exercises, well short of the 25,000 target, and just 30% of the original target of 38 municipalities ultimately received strengthening assistance.

The multisector Urban Rehabilitation Program (HA-L1002), which is close to 80% disbursed, has gone through successive reformulations (2006, 2007) and its implementation is being constrained by a lack of coordination between the various participating ministries and agencies and by construction cost overruns. In order to improve urban quality of life, particularly in Carrefour and Haiti's nine departmental capitals, the program proposed comprehensive strategic interventions in a number of sectors (water and sanitation, parks, roads, sociocultural facilities, etc.) to address residents' most pressing needs and rebuild urban governance at the national and local level. The most recent monitoring reports (2009 PPMR and 2011 PMR) speak of target delivery problems owing to difficulties in coordinating and supervising all the stakeholders in this kind of multisector program and to construction cost overruns. The program has achieved no gains on any of the institution-strengthening indicators or support for local project management, which is jeopardizing the íntervention's sustainability.

4

Children overlooking the Internally Displaced Peoples' Camp (IDP) of Canaan, one hour north of Port-au-Prince.

4 Conclusions & Recommendations

The fragility and fragmentation of the Haitian State, high levels of poverty and exclusion, the economy's dependence on international aid, and the country's profound environmental vulnerability create a sphere of action with unique features not present in other countries in the region. The efforts beginning in the late 1980s to promote democratic governance in Haiti have been threatened by failures in domestic leadership and by interventions by the international community that have not always been on target.

Despite the effort made, Haiti remains the only country in Latin America and the Caribbean whose State is characterized as fragile and failed in the specialized literature. Its low and erratic economic growth, together with a fast-growing population, have driven a process of sustained impoverishment in the past 20 years that has aggravated the country's advanced environmental damage. The levels of vulnerability in economic terms and the dependence on foreign aid are unprecedented in the region. Lastly, the major impacts of the 2010 earthquake have only deepened the monumental, urgent challenges the country must face.

Haiti's recovery will largely depend on the scope and effectiveness of the aid provided by international agencies under the effective coordination of the Haitian government, for which the limitations identified in the first stage following the 2010 earthquake must be overcome. Net official development aid per capita over the last two decades has been comparatively modest and inconsistent, varying with political cycles. The effectiveness of this aid has been called into question, and the international community has acknowledged its joint responsibility for the lack of positive impacts on the country's development. Despite this, now more than ever, Haiti's recovery depends largely on the scope and effectiveness of international aid. While the lead role remains that of the Haitian State, the challenges faced by the international community are significant. Experience during the first year following the 2010 earthquake shows that to improve the effectiveness of this aid, the following points are fundamental: first, the leadership capacity of the Haitian government and coordination between government agencies must be strengthened; second, consensus must be built around realistic intervention strategies that take into account the synergies and the sequential relationship between short-term reconstruction needs and longer-term development requirements; third, the failures in coordination among donors must be remedied in an environment in which multiple aid agencies—from many small NGOs to the major international cooperation agencies—make decisions with low levels of integration; and lastly, the timely arrival of aid resources must be ensured to reduce their volatility.

The Bank's relationship with Haiti—already significant—has become a central part of the Bank's agenda, representing a fundamental challenge in measuring the effectiveness of its development aid. As a strategic donor, the IDB has assumed a high degree of joint responsibility for the country's performance, in a unique context in the region. The arrangement of annual concessional funds for the next 10 years provides new opportunities to develop a long-term strategy with the country to gradually resolve its urgent problems. At the same time, the grant modality eliminates factors that traditionally have guided the Bank's work and ensured government ownership of the projects, creating room for discretionality that can be addressed only through a sustained effort to build consensus, monitor results, and maintain accountability associated with agreed objectives.

The IDB's strategic positioning in Haiti during the period under evaluation was marked by materialization of the risks identified in its own strategy (2007-2011), which were not effectively mitigated. The country strategy approved in 2007 sought to continue the incipient stabilization process of the previous period (2005-2006) and identified risks including the problems associated with political fragility, macroeconomic instability, and natural disaster risks associated with the country's environmental vulnerability. Within a very short time, the identified risks materialized. The country's situation evolved quite differently from the projections in country strategy with consecutive natural disasters and external threats to economic and political stability, making clear that the desire for continuity was not very consistent with the fragile and vulnerable nature of the country, which lacked effective means of mitigation.

The IDB's response to the 2010 earthquake was timely and relevant in operational and financial terms, but less effective in strategic terms. The Bank made a financial commitment that was unprecedented in its history by forgiving Haiti's outstanding debt and approving an annual allocation of nonreimbursable resources amounting to US$200 million for the next 10 years. It also accompanied this financial commitment with an operational commitment: a specialized management unit was created in Haiti (the Haiti Response Group (HRG)), and the Country Office was strengthened. However, the strategic response was less effective. The strategy update, while timely, failed to include diagnostics to validate the selected long-term options. Specifically, eliminating the Bank's support in economic governance and replacing it with support for sector institutions does not appear to be supported by the reality on the ground in

Haiti and could threaten the sustainability of the proposed sector-specific institutional reforms. Lastly, the update of the Bank's country strategy with Haiti did not include an assessment of the risks of the post-earthquake situation on the portfolio in execution or provide a sequential strategy for IDB action on the differentiated tasks of emergency response, reconstruction, and development, allowing it to make informed decisions on its role in each area.

Over the course of the period, both approved and disbursed amounts increased, and the Bank secured more and more resources from other donors to cofinance its programs. IDB disbursements during the period 2007-2010 nearly doubled, driven by three factors: loan disbursements for budget support, the increase in highway programs associated with large contractors and, lastly, expenditures arising from the post-earthquake emergency. The Bank was also an effective partner in mobilizing cofinancing resources that increased the external amount leveraged per dollar approved from US$0.15, which characterized the preceding period, to approximately US$0.43.

With the exception of the highway programs, in other sectors, investment programs continued to show low disbursement levels. In fact, excluding emergencies, the historical average for disbursements was US$7.4 million for the education sector, US$5.8 million for water, US$5 million for agriculture, and just US$2.5 million for the electricity sector.

Execution problems continued to limit the fulfillment of project objectives, due to both the characteristic institutional fragility of the Haitian State and the lack of designs tailored to this context. In general, projects experienced delays and cost overruns due to the need for frequent restructuring, the low quality of preinvestment studies, the failure of designs to address sector realities, institutional weaknesses, and problems in interagency coordination, as well as the problems in reaching a consensus on an intervention strategy between the Bank and the Haitian government. The recurring emergencies that characterized the period further aggravated the institutional weakness of the executing agencies and required additional efforts by the relevant Bank staff to monitor the operations.

The effectiveness of the Bank's actions to meet the proposed sector development objectives was limited by the failure to deliver the expected outputs. The low level of outcomes achieved with respect to the ambitious design estimates was evident in programs in the agriculture, water, education, and electricity sectors. The effectiveness of the highways program to meet the objective of improving access to areas with productive potential was compromised by successive restructurings of the programs, in which intervention on rural and secondary roads was continually excluded in favor of primary roads, and by the impact of the recurring natural disasters and the absence of an effective maintenance system to ensure sustainability of the roads subject to interventions. In its support for private sector development, the effectiveness of the interventions corresponded to the miniMIF approach that ultimately made up the portfolio.

The evaluation has identified potential areas to properly address two of the limitations identified as the main constraints for moving forward with the country's development agenda. The ability to plan with a long-term vision allows the Bank to take a position on two fundamental processes: first, institution-strengthening, not only at the sector level, but also within the framework of the State's governance functions. In this regard, reforms should not be limited to strengthening technical capacities or infrastructure, but should also be integrated into a broader process of remedying the State's fragility. Second, national public and private capacity-building is a slow process that could benefit from long-term commitments. Support programs of this type would increase the spillover effects of the interventions and enhance their sustainability. In both cases, joint international cooperation efforts are proving important.

The evaluation shows that the complexity and fragility of Haiti are hindering the development of solutions that simultaneously gradually build local capacities while allowing rapid disbursements for operations. The Bank's future program in Haiti faces major challenges associated with the need for disbursements far larger than those that have historically characterized the Bank's relationship with Haiti. While it could move faster in investment projects for construction or infrastructure rehabilitation using appropriate contractual modalities, this becomes more complex when promoting organizational and institutional changes or when seeking to develop local competencies. The search for intervention models that incorporate the two sometimes contradictory objectives is particularly relevant to Haiti, where the sustainability of interventions and investments is linked to the ability to strengthen local capacities and institutions.

Addressing Haiti's acute poverty problems must be an explicit objective of all Bank operations and interventions and a core element in their design. OVE's analysis highlights the difficulty encountered to date in successfully addressing the objective of alleviating poverty in Haiti. Since international cooperation funding represents the main source of income for the country, efforts must be increased to maximize its impact on poverty levels, not only through the appropriate selection of interventions, but also through their targeting, by facilitating increased participation by Haitian enterprises and the Haitian workforce in project execution and maintenance of works.

Lastly, the evaluation concludes that a future strategy with Haiti will be more relevant and effective to the extent that it: (i) incorporates the challenges and risks associated with institutional, economic, and environmental vulnerabilities into the design of each operation; (ii) considers the challenges to national ownership caused by the use of nonreimbursable financing; (iii) promotes reliable coordination with other donors, considering the multiplicity of stakeholders and their mutual interdependence in achieving results; (iv) renews efforts to ensure program monitoring and reporting; and (v) accounts for the fact that achieving long-term results is inexorably linked to reconstruction in the short term.a

Recommendations

Acknowledging the commendable effort made by the Bank during the 2010 earthquake emergency, and in order to make development aid more effective in Haiti, OVE offers the following recommendations:

Recommendation 1: Strategic positioning. Map out a long-term strategy (10 years) that garners the greatest consensus with the Government of Haiti and Haitian society, addressing the following topics:

- Setting development objectives based on Haiti's specific circumstances, with measurable intermediate targets for monitoring and accountability.
- Focusing the Bank's work on a few sectors, giving priority to those with greater impact on poverty and social inclusion.
- Giving priority to institution-strengthening, not only through sector interventions, but also ensuring that they are part of a systemic vision to support economic and democratic governance.
- Including the short-term challenge of reconstruction as part of the long-term development strategy.

Recommendation 2: Donor coordination. As part of the Haitian government's coordination framework, strengthen and make coordination more effective among donor agencies and with country agencies by:

- Proposing as part of the first country program a strategy to support and strengthen an effective external aid coordination body in Haiti, while identifying the IDB's role in terms of lending and technical support.
- Making explicit in each operation the commitments with other international cooperation agencies for the achievement of the development objectives.

Recommendation 3: Preventive approach to risk. Acknowledge the recurring emergencies arising from Haiti's institutional, political, and environmental vulnerabilities by:

- Strengthening risk analysis and its impact on each operation, at the level of both technical and institutional designs and by including appropriate mitigation or restructuring measures.

Recommendation 4: Expansion of the knowledge and information base. Expand the Bank's knowledge capital, firmly rooting its work in a robust diagnostic assessment of the real conditions on the ground in Haiti by:

Proposing as part of the first country program a strategy to address existing information deficits, including diagnostic assessment of the current state of affairs, lending needs, work execution timetable, and commitments by donors and the Haitian government.

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ANNEX

Chapter I

Table A1.1. Basic service delivery

Public services	Haiti	LAC	HIPC
Population with access to improved water[1] (%)	63	93	58
Population with a household water connection (%)	12	84	n.a.
Sanitation coverage[2] (%)	17	79	27
Sewer connections (%)	0	n.a.	n.a.
Biomass over total energy consumption (%)	71	2	76
Petroleum products over total energy consumption (%)	28	79	12
Per capita electricity consumption (kWh)	23	1,956	n.a.
Rural access index (%)	28	72	n.a.
Primary school completion (%)	29*	n.a.	n.a.
Infant mortality (per 1,000 live births)	57	19	84

1 Percentage of the population using improved drinking water sources, including: household connections, public water sources, wells, covered dug wells, protected sources, and rainwater collection.
2 Percentage of the population using improved sanitation, including: sewer connections, connections to septic systems, pour-flush latrines, pit latrines, ventilated improved pit latrines.
LAC: Latin America and the Caribbean HIPC: Heavily Indebted Poor Countries. * 1990 figures
n.a.: Not available
Source: World Bank, Joint Monitoring Program, WHO/UNICEF 2008.

Figure A1.1. GDP growth and ODA received, 1990-2010

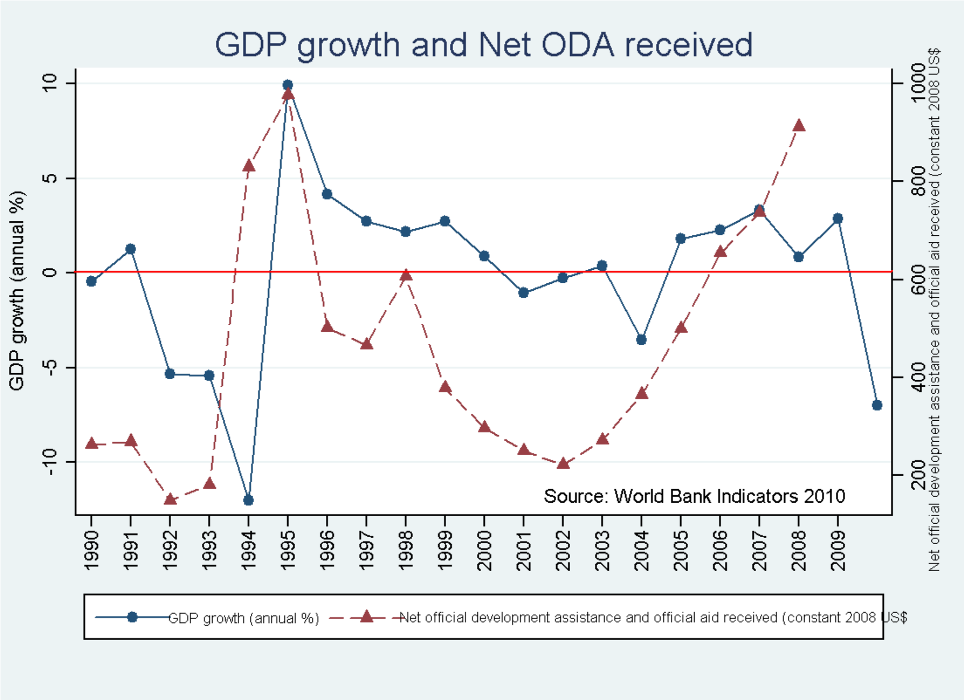
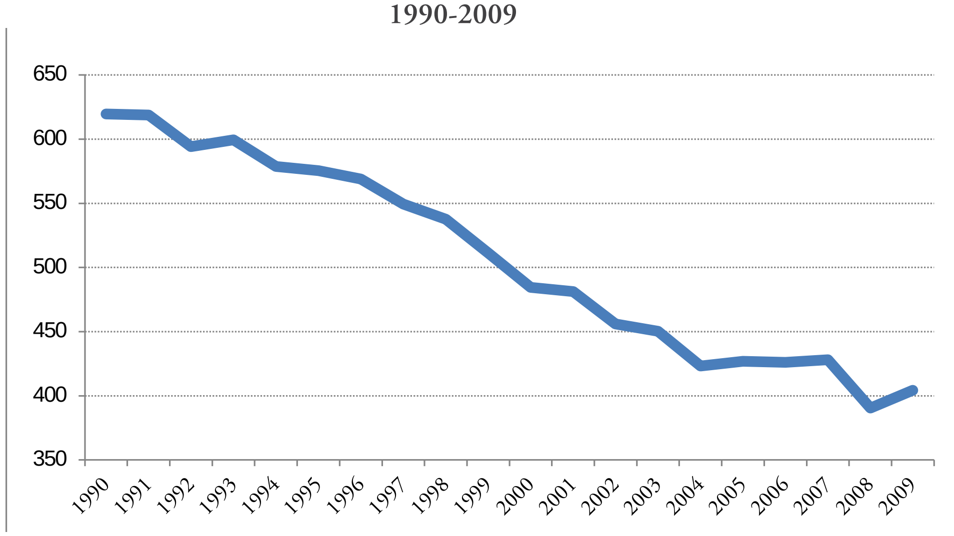
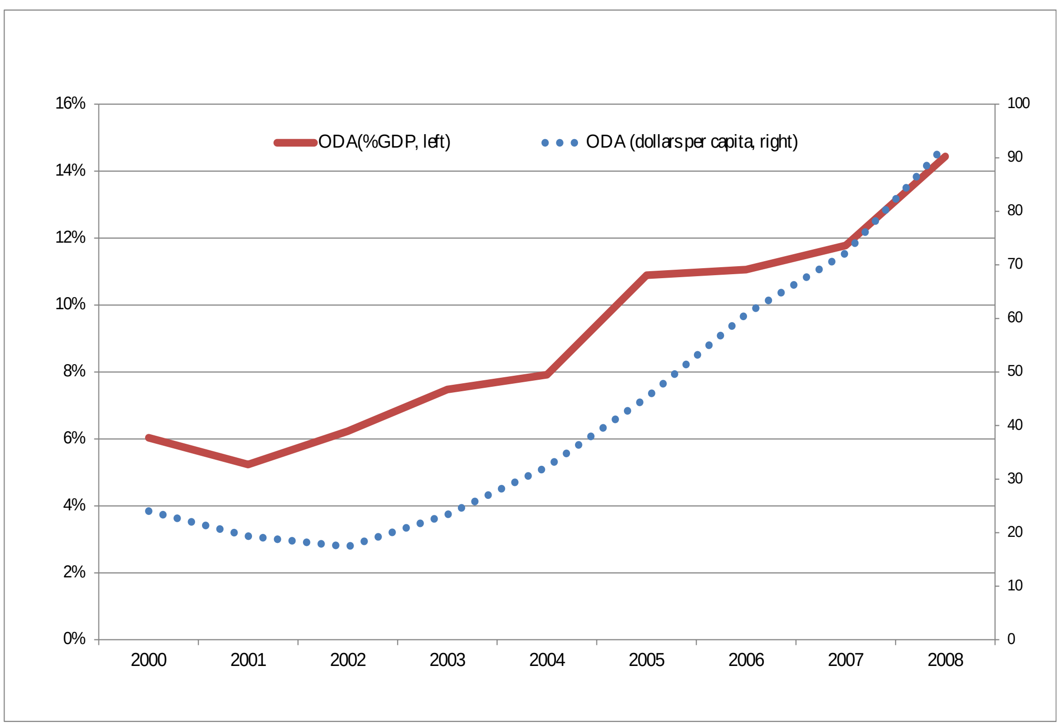


Figure A1.2. Agricultural productivity (agricultural GDP per worker), 1990-2009



Source: WDIs and calculations based on IHSI figures, Haiti.

Figure A1.3. Official development aid (ODA) in Haiti, 2000-2008



Source: Own calculations using World Bank figures, 2010.

Chapter II

Table A2.1. Proposed operations program – Investments (2007-2009)

Project	Title	Amount (US$ millions)
2007		
HA-L1017	Strengthening Public Resource Management I	12.5
HA-L1019	Rehabilitation of Road Infrastructure for Integration of the Territory	25.0
HA-L1021	Supplemental Financing for the Agricultural Intensification Program HA-0016	12.5
2008		
HA-L1023	Strengthening Public Finance Management II	12.5
HA-L1024	Rehabilitation of Road Infrastructure for the Integration of the Territory II	25.0
HA-L1032	Péligre Hydroelectric Plant Rehabilitation Program	12.5
2009		
HA-L1029	Fiscal Sustainability I	12.5
HA-L1028	Rehabilitation of Road Infrastructure for the Integration of the Territory III	25.0
HA-0033	National Watershed Management Program	12.5

Source: OVE, 2011.

Table A2.2. Intervention strategies proposed in the Haiti country strategy update

Sectors	Objectives	Program	US$ millions (estimate)
Education	Create an education system that is open to all children using a model of publicly-financed and privatelymanaged schools.	The total estimated cost of the program is US$4.5 billion. The Bank has pledged US$250 million in grant resources over five years and to raise an equivalent amount from other donors.	250
Water and sanitation	Improve access to water and sanitation (W&S) services and strengthen institutional capacity. Improve solid waste (SW) collection and management.	The W&S program is a continuation of the one currently in execution. The Bank will prepare a two-phase solid waste operation. The first (2010) seeks to improve the disposal of debris, and the second, to increase capacity and improve management of the Truitier landfill.	W&S: 50 SW: 50
Transportation	Support the establishment of solid foundations for economic recovery by improving accessibility and integration, and reducing transportation costs.	The Bank program is based on PADTH2 and includes rehabilitation and expansion of the primary and secondary networks, as well as rural roads.	450
Energy	Improve the institutional framework, coverage, and quality of the electricity service in order to make it more competitive, transparent, and accessible.	The Bank is proposing a four-year investment program, in coordination with the World Bank and USAID, based on the white paper, in order to improve the sector's institutional structure and management, and rehabilitate and expand the system, incorporating renewable sources.	75
Agriculture	Establish the economic and environmental conditions necessary to sustainably stimulate the agricultural sector in Haiti, in order to contribute to the country's food security.	Maintain a very close policy dialogue with the sector to promote private investment and improve efficiency of public agricultural spending. Increase and improve the supply of agricultural services and investments. Promote support for producers for the adoption of sustainable, productive technologies (i.e. agroforestry, perennial crops) to reduce soil erosion and climate change vulnerability.	165
Private sector	Establish financial mechanisms designed to address the large financing needs of small-scale private projects.	Partial Credit Guarantee Fund to support the delivery of new loans. Business Development Services Program Social Investment Fund (Yunus)	n.a.

Source: OVE, based on the Haiti country strategy update and its annexes, 2010.

Table A2.3. Programmed and approved operations, 2007-2009

Operation	Title	Year of approval		Approved amount (US$ millions)		% Disbursed
		Programmed	Approved	Original programmed	Current approved	
Programmed and approved						
HA-L1017	Strengthening of Public Resource Management I	2007	2007	12.5	12.5	100
HA-L1019	Rehabilitation of Road Infrastructure I (1)	2007	2007	25.0	25.0	87.2
HA-L1021	Supplemental Financing for the Agricultural Intensification Program	2007	2007	12.5	12.5	40.7
HA-L1023	Strengthening of Public Resource Management II (2)	2008	2008	12.5	12.5	100
HA-L1024	Rehabilitation of Road Infrastructure II (3)	2008	2008	25.0	25.0	87.2
HA-L1032	Péligre Hydroelectric Plant Rehabilitation Program	2008	2008	12.5	12.5	4.6
HA-L1029	Economic Governance I (4)	2009	2009	12.5	25.0	100
HA-L1028	Rehabilitation of Road Infrastructure III (5)	2009	2009	25.0	25.0	0
HA-0033	National Watershed Management Program (6)	2009	2009	12.5	30.0	0,3
Subtotal: Programmed and approved				**150.0**	**167.5**	-
Not programmed and approved						
HA-X1005	Additional Cofinancing for the Rehabilitation of Basic Economic Infrastructure Program	-	2007	-	16.5	50.9
HA-X1008	Second Additional Cofinancing for the Rehabilitation of Basic Economic Infrastructure Program	-	2008	-	15.4	6.7
HA-X1007	Rehabilitation of Road Infrastructure for Integration of the Territory	-	2008	-	71.2	29.6
HA-X1009	Preparation of Full-sized GEF Project HA-X1002	-	2008	-	0.2	85.1
HA-L1039	Water and Sanitation for Intermediate Cities II	-	2009	-	19.0	0
HA-L1042	Improving Child Survival and Building Blocks for Social Safety Nets	-	2009	-	2.5	0
HA-X1013	Water and Sanitation for Intermediate Cities II	-	2009	-	20.0	0
HA-L1040	Support to Reconstruction of Education Infrastructure	-	2009	-	20.5	44.3
HA-X1002	Sustainable Land Management of the Upper Watersheds of Southwestern Haiti	-	2009	-	3.4	0
Subtotal: Not programmed and approved				-	**160.9**	
Programmed and not approved						
			-		-	-
Subtotal: Programmed and not approved				0	-	-

(1) Approved as HA-L1019 Rehabilitation of Road Infrastructure for Integration of the Territory; (2) Approved as HAL1023 Strengthening Public Finance Management II; (3) Approved as HA-L1024 Rehabilitation of Road Infrastructure for the Integration of the Territory; (4) Approved as HA-L1029 Fiscal Sustainability I; (5) Approved as HA-L1028 Rehabilitation of Road Infrastructure for the Integration of the Territory; (6) Approved as HA-L1041 Natural Disaster Mitigation Program in Priority Watersheds I.

Source: OVE, 2011.

Table A2.4. Disbursements by sector, 2007-2010

Sector	2007	2008	2009	2010		2007-2009 average	Total 20072010 average	Total non-emergency 2007-2010 average
				Total	Total non-emergency			
AG	11,383,204.15	10,870,799.65	13,138,920.46	6,672,383.70	6,672,383.70	11,797,641.42	10,516,326.99	10,516,326.99
CE	42,000.00	94,000.00	108,277.86	349,996.75	349,996.75	81,425.95	148,568.65	148,568.65
CM	73,524.53	122,518.70	63,956.77	4,046,511.66	1,627,871.66	86,666.67	1,076,627.92	471,967.92
CR	18,131,313.62	11,793,681.85	11,726,010.36	19,499,260.85	11,244,609.43	13,883,668.61	15,287,566.67	13,223,903.82
CT	-	-	-	-		-	-	-
DU	6,426,290.94	10,502,091.21	11,614,034.86	4,812,907.60	-	9,514,139.00	8,338,831.15	7,135,604.25
ED	6,208,154.05	9,925,023.39	9,509,170.38	23,686,709.72	4,067,608.25	8,547,449.27	12,332,264.39	7,427,489.02
EN	25,000.00	982,933.79	2,005,314.66	6,874,744.14	4,286,298.01	1,004,416.15	2,471,998.15	1,824,886.62
IS	15,745,730.99	18,369,420.38	6,724,558.97	-	-	13,613,236.78	10,209,927.59	10,209,927.59
ME	236,095.75	393,950.81	464,530.99	-	-	364,859.18	273,644.39	273,644.39
OS	7,856,775.44	7,072,604.03	8,166,516.64	13,653,042.08	57,189.83	7,698,632.04	9,187,234.55	5,788,271.49
OT	-	-	-	-	-	-	-	-
PA	888,422.28	1,624,639.73	1,778,365.58	-	-	1,430,475.86	1,072,856.90	1,072,856.90
PS	-	-	83,027.00	-	-	27,675.67	20,756.75	20,756.75
RM	24,981,862.57	33,896,650.97	27,553,634.88	58,424,726.78	5,415,834.85	28,810,716.14	36,214,218.80	22,961,995.82
SA	4,359,665.89	4,889,342.04	5,641,655.54	1,126,732.46	-	4,963,554.49	4,004,348.98	3,722,665.87
TR	24,831,846.69	23,88,632.02	57,948,028.83	63,840,624.38	63,840,624.38	35,554,502.51	42,626,032.98	42,626,032.98
TU	-	24,830.50	71,571.20	54,793.60	54,793.60	32,133.90	37,798.83	37,798.83
TOTAL	**121,189,886.90**	**134,446,119.07**	**156,597,574.98**	**203,042,433.72**	**97,617,210.46**			

Sectors: AG Agriculture, CE Foreign Trade, CM Development of Financial and Capital Markets, CR Credit and Multisector Preinvestment, CT Science and Technology, DU Urban Development and Housing, ED Education, EN Energy, IS Social Investment, ME Microenterprise, OS Sanitation, OT Other, PA Environment and Natural Disasters, PS Private Sector Development, RM Reform and Modernization of the State, SA Health, TR Transportation, TU Tourism.

Source: Own calculations.