



Mid-term Evaluation of IDB-9 Commitments

Evaluation of IDB-9 Commitments for **Haiti**

Background Paper



Inter-American Development Bank
March 2013

Classification: Public Document
Original Version: English



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SUMMARY

The objective of this report is to assess the *full* and *effective* implementation of the Bank's support to Haiti in the wake of the 2010 earthquake, in fulfillment of the mandates of IDB-9, which included full debt forgiveness, delivery of concessional resources in 2010, and expansion of the Bank's Grant Facility to provide Haiti US\$200 million per year for a period of 10 years (2011-2020), subject to annual approval by the Governors.

The evaluation confirms that the financial mandates included in IDB-9 have been fulfilled. The Bank wrote off Haiti's debt and transferred resources to the Grant Facility to approve grants to the country over the amount previously established, for US\$231.6 million in 2010. In 2011 and 2012, the Bank transferred US\$200 million per year in Ordinary Capital resources to the Grant Facility. The Bank financed a program for an amount that exceeded the transfers made, totaling US\$231.0 million in 2011 and US\$228.0 million in 2012.

As regards the Bank's role in catalyzing resources from other donors, there were intense efforts, and the Bank leveraged US\$136 million in the period 2010-2012. That figure, however, is somewhat lower than for the period preceding the earthquake and the annual amounts received have fallen. Coordination of international donors has proven inadequate, given the challenges facing the country and the management and execution capacity of the Haitian government. In this context, the Bank's sector coordination work in some key sectors is both recognized and valued.

The intervention strategy adopted by the Bank emphasized long-term efforts in the sectors where it had been operating, rather than reconstruction, and had very ambitious targets given the limited management capacities of the Government of Haiti. Execution problems, such as poor designs and preinvestment studies, combined with low execution and supervision capacity in executing units, limited the results of these programs. New programs for development in the northern hub, along with institutional support at the sectoral level, involve risks that need to be addressed in a timely manner to ensure results in the long term. Meanwhile, the urgent need for approval and disbursement of US\$200 million each year for 10 years does open up new opportunities for establishing a long-term country strategy, but is hindered by the slow, complex process of institution building. The result is pressure on specialists from the Bank and in the country, and this does not necessarily lead to disbursements or to effective efforts to overcome the problems of Haitian society.

Haiti remains a major challenge for the IDB, and international coordination is vital if progress is to be made in overcoming the country's urgent problems of poverty and low economic growth. In this regard, OVE believes that the effectiveness of the Bank's actions in Haiti will depend on assessing the constraints associated with country's fragile condition, redefining sector targets and outcomes in line with the context, and paying special attention to reconstruction efforts. Lastly, harmonizing approvals and disbursements with the actual implementation conditions in the executing agencies involved, and respecting the timeframes needed to provide assistance in institution building within the country through a segmented allocation strategy, would make it possible to ensure the Bank's sustained, long-term support.

PREFACE

The Inter-American Development Bank (IDB) is in a period of rapid change in response to the economic vitality in the region that it serves and the region's increased competitiveness in international financial markets. Over the past decade, the countries of Latin America and the Caribbean have gained greater access to alternative sources of financing and have increased their ability to generate and share knowledge with each other. Like other multilateral development banks, the IDB is seeking to adapt to these changes in the international scene, working to meet the needs of the borrowing countries while placing great emphasis on the effective use of its limited resources.

In 2010, the Ninth General Increase in the Resources of the Bank (IDB-9) was approved at the Annual Meeting of the Board of Governors of the Bank. The IDB-9 agreement called for a series of reforms to strengthen the Bank's strategic approach, development effectiveness and efficiency, to ensure its continued competitiveness and relevance in the coming years. The IDB-9 report assigned the Bank's Office of Evaluation and Oversight (OVE) the task of preparing a progress report to present at the Annual Meeting of the Board of Governors in March 2013 on the Bank's progress in implementing the reforms. The full document can be consulted at: www.iadb.org/evaluacion.

This report is one of 22 reference documents prepared by OVE as input for the evaluation of IDB-9. Its purpose is to determine whether a portion of the IDB-9 requirements has been implemented fully and effectively, and to offer suggestions for strengthening implementation in the future. The general objective of the document, and of the full evaluation, is to provide information to the Bank's Governors, Board of Executive Directors, and Management, in order to enhance the institution's strength and effectiveness in promoting economic growth and reducing poverty in Latin America and the Caribbean.

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ABBREVIATIONS

AECI	Spanish Agency for International Cooperation
AFD	Agence Française de Développement [French Development Agency]
BRH	Banque de la République d'Haïti [Bank of the Republic of Haiti]
CIP	Caracol Industrial Park
CPE	Country Program Evaluation
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee
DEM	Development Effectiveness Matrix
DINEPA	Direction Nationale de l'Eau Potable et de l'Assainissement [National Directorate of Water and Sanitation]
EDH	Electricité d'Haïti [Haiti Electric Utility Company]
EC	European Commission
EU	European Union
FAES	Fonds d'Assistance Économique et Sociale [Fund for Economic and Social Assistance]
FER	Fond d'Entretien Routier [Road Maintenance Fund]
FSO	Fund for Special Operations
GDP	Gross domestic product
HOPE	Haitian Hemispheric Opportunity through Partnership Encouragement
HRF	Haiti Reconstruction Fund
HRG	Haiti Response Group
IDA	International Development Association
IDB-9	Ninth General Increase in the Resources of the Bank
IHRC	Interim Haiti Recovery Commission
IHRF	Interim Haiti Reconstruction Fund
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
INFP	Institut National de Formation Professionnelle [National Professional Training Institute]
MEF	Ministry of Economy and Finance
MIF	Multilateral Investment Fund
MTPTC	Ministry of Public Works, Transportation, and Communications
NGO	Nongovernmental organization
OECD	Organization for Economic Co-operation and Development
OFID	OPEC Fund for International Development
OVE	Office of Evaluation and Oversight
PBG	Policy-based grant
PMR	Project monitoring report
SME	Small and medium-sized enterprise
UN	United Nations
UNDP	United Nations Development Programme

UNICEF
USAID

United Nations Children's Fund
United States Agency for International Development

EXECUTIVE SUMMARY

During the 2010 Annual Meeting of the Board of Governors, the Bank identified its work in Haiti as one of its key priorities. The IDB-9 report adopted at the meeting contains the Bank's commitments to addressing the crisis provoked by the severe impact of the January 2010 earthquake, which include providing financial support for reconstruction and development and serving as a catalyst in mobilizing international assistance. In particular, the IDB-9 mandate called for forgiving all of Haiti's debt up to that date (US\$479 million), as well as providing additional concessional resources to finance programs in 2010. It was also decided to extend the Bank's Grant Facility to provide Haiti US\$200 million annually for a period of 10 years (2011-2020), subject to annual approval by the Governors.

The objective of the present report is to assess the *full* and *effective* implementation of the Bank's support to Haiti in fulfillment of the IDB-9 mandates. Based on strategic guidance from the Governors, OVE has responded to the following evaluation questions: (i) Has the Bank fulfilled its financial commitments and its role as a catalyst for international cooperation as mandated by IDB-9? (ii) How effective has coordination been of the aid received by Haiti in furthering reconstruction and development work? How effective has the Bank's role been in coordinating the aid provided? and (iii) What progress is being made in terms of the effectiveness of operations implemented both for reconstruction and for Haiti's development?

Financial commitments of IDB-9 and the Bank's role as a catalyst

The OVE evaluation confirms that the specific financial mandates included in the IDB-9 have been fulfilled. The Bank forgave Haiti's debt and transferred resources to the Grant Facility to approve grants to the country over the amount previously established, for US\$231.6 million in 2010. In 2011 and 2012, the Bank transferred US\$200 million per year in Ordinary Capital resources to the Grant Facility. The Bank financed a program for an amount that exceeded the transfers made, totaling US\$231.0 million in 2011 and US\$228.0 million in 2012.

The Bank has played an active role in catalyzing and enlisting resources and in attracting international cooperation in three ways. First, it has attracted resources from other bilateral agencies to supplement financing for its projects, totaling US\$136 million in the period 2010-2012. The amounts raised in this way have been somewhat lower (amounts raised/amounts approved) than in the period prior to the earthquake, and declined between 2010 and 2012. Second, the Bank has partnered with other donors to fund the development program in the northern hub. To date, a total investment of US\$300 million has been committed, of which 40% has been financed by the United States Agency for International Development (USAID) and 60% by the Bank. There have also been expressions of interest by other donors—not yet confirmed—regarding the additional investments needed for the program. Lastly, in working to provide assistance to Haiti, the Bank aroused the interest and willingness of various companies and private individuals to foster initiatives related to their social responsibility commitments. Though the amounts involved have been small in all these cases, the process has helped to maintain interest in the country.

Coordination of aid

Coordination in the international community continues to be insufficient, given the Haitian government's management and execution capacities. To date, the State has been too small, weak, and ineffective to meet all the demands generated by the increase in international cooperation activity following the earthquake. This has particularly been the case in the effort to effectively coordinate and manage actions with international cooperation entities that, in many cases, have greater technical and management capacity.

The joint government-international community entities created immediately after the earthquake to coordinate and provide transparent management of the aid received from the international community had scant success. Neither the Interim Haiti Recovery Commission (IHRC) nor the Haiti Reconstruction Fund (HRF) was effective in fulfilling this objective. The IHRC proved to be of limited effectiveness in coordinating the aid received and allocating it based on the established priorities, and it ceased operations 18 months after its inception. Meanwhile, the work of the HRF was marginal, as less than 8% of aid pledged in the period 2010-2012 was channeled through this fund.

The Bank has effectively coordinated its operations with its partners in the international donor community. The Bank's role as one of the country's largest donors with a long-term vision, coupled with the recognized experience of its specialists in the country, have enabled it to lead the technical roundtables in the sectors its strategy targets (education, water and sanitation, agriculture, energy, and transportation) and coordinate the technical sector work among the international organizations working in the same sectors.

Currently the Bank, together with other donors, is supporting the government in a new effort to improve and enhance the coordination of international aid in Haiti's own institutions. However, the success of any coordinated effort promoted by the government comes up against Haiti's public management constraints. Progress in this area will require a long-term commitment by the international community to create the necessary coordination bodies within the government, heighten the sense of ownership of interventions, and recognize the international community's shared responsibility for both achievements and failures.

Strategic positioning and challenges involved in the Bank's assistance

IDB-9 provided relatively little guidance on how the Bank should work in Haiti, leaving broad leeway for Management to identify an overall country strategy, establish the proper sequence for implementing programs, and acquire the tools needed to operate in the country. The report does not clearly and specifically identify its objectives, and limits its mandate to continuing to provide support for Haiti's "*reconstruction and development*."

The strategy adopted by the Bank to address its mandates in Haiti (2011-2015) was designed for the long term, with little emphasis on post-quake reconstruction. It selected six sectors in which to work, largely mirroring those in which it was active prior to the earthquake, incorporating innovative intervention strategies for Haiti. The Bank's positioning includes two strategic changes: a regional development program centered on the northern hub that focuses on promoting the private sector and building the Caracol Industrial Park (CIP); and the abandonment of traditional programs providing support for governance, under the premise that other international community actors would take a leading role in the reform

and integral strengthening of the State, thus leaving the Bank to focus on restructuring programs and institutional strengthening in sectors identified as priorities. Thus, reconstruction needs in the aftermath of the earthquake were not accorded a strategic response placing them sequentially among the longer-term objectives. During the review period, less than 9% of the funds allocated were dedicated to these needs.

The Bank's intervention strategy in Haiti has very significant limitations as a tool for programming, managing, and monitoring the relationship between the IDB and the country. The setting of unrealistic or unattainable targets makes the strategy of little use in guiding results-based programming. Moreover, although the results matrices for operations have improved, the lack of appropriate indicators and information to provide updated baselines hinders the monitoring and supervision of operations.

The portfolio at the end of 2012 is too broad given the country's execution and supervision capacity. A total of 40 investment programs, 20 cofinancing programs, and 54 technical cooperation operations are currently being carried out, not including MIF and IIC operations. This situation puts a bureaucratic, management, execution, and supervision burden on the Haitian administration that makes it impossible to proceed effectively, and it fails to take account of the difficulties obtaining goods and services from the private sector.

Execution problems in the sectors in which it is working continue to limit the prospects for achieving the expected results. Despite the technical strengthening of the Country Office and the presence of experienced specialists in all sectors, difficulties in implementation persist, primarily due to operational design problems, constraints in the contractor market, low execution and monitoring capacity in the executing units, and lack of ownership by the Government of Haiti with regard to some interventions. Additionally, the lack of high-quality preinvestment studies, information and risk identification in light of the country's fragile and fragmented conditions have led to cost overruns and delays in implementing programs.

The success of the new strategy of developing an industrial hub in the northern portion of the country depends on sustained efforts to identify and address the risks associated with the strategy. The OVE evaluation identified specific challenges. These were validated by consultations conducted during the mission in the country, and many of the challenges were included in Management's observations in the Development Effectiveness Matrix (DEM) of the approved operations. They include: (i) the slow pace at which companies have been attracted to setting up operations in the CIP, thus diluting the expected benefits of greater employment; (ii) the fact that the low wages for the jobs created could limit or eliminate the cascading effects of the project and create pockets of poverty and violence; (iii) the enormous productive and social infrastructure deficits associated with the development of the CIP; (iv) the fact that the need to address social and environmental externalities increases the investment costs of the project; and (v) difficulties achieving a greater sense of project ownership, both within participating State agencies and among international institutions.

The absence of a comprehensive program to support governance within the Government of Haiti limits the impact of the Bank's strategic decision to strengthen sectoral entities and jeopardizes the sustainability of the work done. The country's political instability hampers

the State's ability to assume a more active and central role in all areas of development. Added to this is the absence of an agenda capable of bringing international community actors together in efforts to reform and strengthen the State, as was occurring prior to the 2010 earthquake.

The urgent need to approve and disburse US\$200 million a year for 10 years does provide new opportunities to devise a long-term country strategy, but poses significant challenges. First, it creates incentives to direct operations towards those areas or sectors capable of actually disbursing resources with a certain degree of autonomy and speed (large infrastructure works and policy-based grants). This reduces the appeal of addressing the fundamental task of building and strengthening local capacities, both in the public and private sectors, which is inherently more complex and slower, but entails smaller financial demands. Second, it creates a sense of security and ownership of the resources on the part of the government, which reduces incentives for execution efficiency and achieving the planned targets. In that regard, it should be noted that the IDB-9 does not explicitly require that the US\$200 million annual allocation be approved and disbursed each year, but rather that these funds be transferred to the Grant Facility to support reconstruction and development in Haiti.

Proposals for furthering aid to Haiti

1. Explore strategies that make it possible to harmonize approvals and disbursements with the dynamics and long-term course of institutional strengthening and gradual capacity-building work in the Haitian government and the country's private sector. Thus, the commitment of US\$200 million per year could be handled as a specific allotment for reconstruction and development in Haiti with the flexibility needed to execute them based on the effectiveness of the programs and the gradual improvements made in the institutional capacity of the government, its executing agencies, and Haiti's private sector.
2. Increase the information and knowledge capital on Haiti so as to improve the design of operations and strengthen the monitoring and supervision process. Likewise, given Haiti's fragile and fragmented conditions, which are unique in the Latin American and Caribbean region, the Bank's work could be enriched by the experience gained by the international community in similar environments outside the region.
3. Redimension the Bank's portfolio in Haiti, to adjust it to actual execution possibilities in each sector. This means adapting the amounts to be executed to the execution constraints in each sector. Those amounts could rise as the capacity of the sector executing agencies increases.
4. Intensify efforts to promote a comprehensive program for State reform, including both political and economic governance. The program coordinated by the government would require close coordination with major international community stakeholders.

5. Intensify coordination efforts among donors and strengthen the Government of Haiti so that it can provide effective leadership in coordinating the international aid it receives and manage it based on a reconstruction and development strategy that takes into account all stakeholders.

I. CONTEXT

- 1.1 **In January 2010, the most populous area of Haiti, the country's seat of government and economic center (Port-au-Prince and the surrounding areas) experienced a major earthquake.** The 2010 earthquake caused massive casualties, particularly in the Port-au-Prince area, and its consequences were amplified by the weakness of the Haitian State, the poverty endemic in the country, and its precarious infrastructure. An estimated 250,000 people died in the earthquake, and the government suffered enormous human losses, as 17% of the country's civil servants perished (UNDP, 2011). The National Palace, Parliament, Supreme Court, and most ministry buildings were destroyed or rendered unusable. There was also a major impact on infrastructure, as some 105,000 homes, 1,300 schools and 50 hospitals were destroyed. In addition, the earthquake caused huge losses in Haiti's private sector, especially among small and medium-sized enterprises.¹ Total losses as a result of the earthquake are estimated at US\$7.9 billion, or 120% of GDP.
- 1.2 **The humanitarian crisis caused by the 2010 earthquake triggered a massive international response and increased aid flows to the country.** Haiti and the Haitian crisis were at the center of world attention, opening a unique window of opportunity to revive the country through recovery efforts. In late March 2010, in New York, a donors' conference was held under United Nations auspices, at which the Action Plan for National Recovery and Development was presented. Under the slogan "Building back better," the plan charted an ambitious strategy that went beyond the enormous task of rebuilding the country, setting forth a plan that included a long-term development program and calling for US\$11.5 billion in financing. Over US\$11 billion in financing was committed in New York, with US\$5.3 billion of that amount pledged for the 2010-2012 period.²

¹ See Table, Annex I of the Haiti Country Program Evaluation (CPE) (document RE-394), for a detailed description of the losses.

² Offers of official aid rose to US\$870.6 million for 2012.

- 1.3 **The evaluation of the effectiveness of the international aid extended to Haiti following the 2010 earthquake yielded mixed results, with better performance in the humanitarian aid stage than in the reconstruction stage.** Evaluations conducted to date on the effectiveness of the aid indicate that the international response to the humanitarian crisis was swift and massive, saving lives and providing emergency assistance under the difficult conditions resulting from the high population density in Port-au-Prince, the devastating damage caused, and the fragility of the government. International aid was less effective, however, in meeting the need to rebuild the country's infrastructure and economic system.^{3,4}
- 1.4 **Major progress was made in recovery efforts, though it has been insufficient given the magnitude of the crisis.** By July 2012, according to the report issued by the United Nations General Secretariat, the number of people staying in camps was down by 73%, although 390,000 people were still living in 575 temporary sites or shelters. Many of these people, as well as those staying in temporary shelters, remain dependent on international humanitarian assistance and are living in extremely vulnerable conditions, given the gradual withdrawal of international humanitarian assistance and the reduction of aid flows (UN, 2012). Meanwhile, the recovery and reconstruction of the city, although slow, shows signs of progress. Seventy percent of the rubble has been removed from public roadways, allowing for some normalcy to return to the city, while reconstruction of some of the damaged buildings, most privately owned, is beginning.
- 1.5 **Within this context, the macroeconomic outlook has been relatively good as a result of the huge flows of foreign aid.** Inflation rates for 2011 were relatively high (8.3%) compared to 2010 (6%). However, lower food prices lessened inflationary pressures in 2012, with expected inflation estimated at 6% for that year. Economic growth has also accelerated. After a contraction of 5.4% in the wake of the earthquake, the Bank of the Republic of Haiti (BRH) estimates that the economy grew by 5.6% in 2011, and projects 5.5% growth for 2012. The International Monetary Fund (IMF) report on Haiti corroborates these estimates, although its figures are lower for 2012 (4.5%) (IMF, 2012). Meanwhile, exports have recovered and surpassed the pre-quake levels. The BRH reports that total

³ Several reports were published in February 2011 on the effectiveness of the aid Haiti received one year after the 2010 earthquake (United Nations, 2011; Prograssio, 2011; Oxfam, 2011; HRF, 2010; IHRC 2011, United Nations 2012, Center for Global Development, 2012). See further details in the Haiti CPE report 2007-2011 (document RE-394).

⁴ Document RE-394. While it is difficult to make comparisons on natural disaster recovery tasks, the following figures on natural disasters of a magnitude similar to the one that occurred in Haiti are provided merely by way of reference. In the case of the February 2010 earthquake in Chile, eight months after the catastrophe, the emergency phase had passed, all of the damaged infrastructure had been restored, and it was expected that within a three-year period all of the 220,000 homes destroyed (73,333 homes per year) would be rebuilt. In the Indonesian disaster, the reconstruction plan was carried out in five years. A total of 213,503 homes, or 42,701 per year, were rebuilt. See "Reconstrucción: ¿Está Realmente Atrasado Chile con el Terremoto del 27F?" [Reconstruction. Is Chile Really Behind on the 27 February Earthquake?] Fundación Libertad y Desarrollo. Temas Públicos No. 991. November 2011.

exports for 2011 rose to US\$768 million (free on board), 40% higher than the pre-earthquake baseline. A high percentage of these exports (over 90%) are associated with the assembly (maquila) industry and are destined for the United States. This is attributable to the benefits associated with the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) initiative. Agricultural exports remain small in relation to total exports, amounting to no more than 10%. Public accounts have also performed relatively well, with a deficit-to-GDP ratio lower than expected, and with revenue collections as a percentage of GDP at about 13.5%, exceeding the expected values.

- 1.6 **Despite these efforts, the situation in Haiti remains critical and calls for sustained support from the international community.** The fragility and fragmentation of the Haitian State, the country's high levels of poverty and social exclusion, extreme dependence on foreign aid not only at the macroeconomic level but also in terms of delivery of basic services, and profound environmental vulnerability, remain serious challenges that make this a unique environment for the Bank's work in the region. The last 20 years have seen extremely low and erratic economic growth coupled with sustained increases in population, leading to continuing impoverishment. The 2010 earthquake deepened the immense, urgent challenges already facing the country. Indeed, Haiti remains the only country in the region described in the specialized literature as "fragile" or "failed."⁵ Overcoming this dynamic requires a strong commitment by international donors, the Government of Haiti, and Haitian society (UN, 2012).
- 1.7 **The recent political stability provides a more favorable scenario for effective reconstruction.** The slow pace of forming a new government after the 2010 earthquake, and the political difficulties involved, hampered reconstruction efforts. The victory of Michel Martelly in February 2011 aroused positive expectations, due to his expressed commitment to reconstruction and the possibility of moving past the political instability of the early post-earthquake period. However, his first year in office was marked by difficulties in reaching lasting agreements with Parliament on the nomination of a Prime Minister and cabinet.⁶ In May 2012, an agreement was finally reached to name Laurent Lamothe as Prime Minister, and a number of other nominations were agreed on as well. This has allowed a new government to

⁵ Document RE-394. Haiti CPE, Annex 1. According to the evaluation conducted by the World Bank (Country Policy and Institutional Assessment-CPIA) in 2009 Haiti ranked 60 among the 77 countries receiving International Development Association (IDA) assistance (from least to most fragile) and was regarded as "fragile," based on the institutional evaluation of the country, which placed it, in the CPIA, below three points (2.72). At the same time, based on a joint rating by Foreign Policy and Fund for Peace, Haiti is considered a failed state, ranking number 11 among the 20 states identified as being in critical condition (from most to least fragile).

⁶ Michel Martelly was inaugurated as President on 14 May 2011, but it was not until 5 October 2011 that he managed to gain approval for the appointment of the Prime Minister, Garry Conille, who remained in office for only four months, until February 2012. In May 2012, the current Prime Minister, Laurent Lamothe, was appointed.

be formed, and created positive expectations of real progress in undertaking the urgent and difficult task of rebuilding.

II. THE IDB-9 MANDATE: EVALUATION QUESTIONS AND METHODOLOGY

- 2.1 **The report on the Ninth General Increase in the Resources of the Bank (IDB-9) approved by the Governors of the Inter-American Development Bank in 2010 identified the Bank's work in Haiti as one of its key priorities.** The importance of Haiti was enshrined in the report on the IDB-9, which highlights the particular challenges facing the country, including those related to the loss of life, damage, and destruction caused by the earthquake in 2010 (paragraph 3.24), the loss of GDP (paragraph 3.24), the country's vulnerability to natural disasters and to macro shocks more generally (paragraphs 3.24 and 3.28) and the country's historically low growth and high levels of poverty (paragraph 3.28). The report also highlights the particular role of international donors in Haiti, noting the Bank's involvement and the need for coordination with other donors in the country (paragraph 3.28).⁷
- 2.2 **Despite these acute needs and the need for long-term support, the IDB-9 report provides relatively little guidance on how the Bank should proceed in working with Haiti.** The report does not clearly and specifically identify its objectives, and limits its mandate to providing continued support for Haiti's "*reconstruction and development*" (paragraph 3.27). Though it does not establish a specific mandate for Haiti, the report does also mention that the Bank may play a "*catalytic role in mobilizing international support*" to help the most vulnerable countries out of poverty (paragraph 3.28). By providing relatively few strategic directives regarding the Bank's objectives in Haiti, IDB-9 left broad leeway for Management to identify an overall country strategy, a sequenced implementation of programs, and the tools needed to work in Haiti.
- 2.3 **The IDB-9 report is specific, however, in significantly expanding the Bank's financial commitments to Haiti.** In 2008 and 2009, the Bank had already decided to provide resources to Haiti in the form of grants beyond those provided by the Grant Facility. IDB-9 significantly increased this commitment. As part of the Bank's commitment to the less developed countries, IDB-9 calls for an extension of concessional financing to Haiti (paragraph 3.23), through a Fund for Special Operations (FSO) contribution of US\$479 million to provide "*full debt relief and additional resources to Haiti*" (paragraph 3.26), and for strengthening the Grant Facility in order to forgive Haiti's debt, while providing Haiti US\$200 million a year for a period of 10 years (2011-2020), subject to annual approval by the Governors (paragraph 3.27).

⁷ The report on the IDB-9 indicates that "The Bank has joined the coordinating group of agencies (UNDP, World Bank, and EC) to work on the needs assessment and has offered support to the Government of Haiti in developing a reconstruction and economic recovery strategy as well as in prioritizing and sequencing reconstruction activities."

A. Objectives and evaluation questions

- 2.4 **The objective of this report is to assess fulfillment of the IDB-9 mandates regarding the Bank's work in Haiti.** The IDB-9 report requires the Office of Evaluation and Oversight (OVE) to evaluate the “full” and “effective” implementation of the Bank’s support in Haiti. In this regard, OVE identified a number of evaluation questions to be answered, based on the strategic guidelines of the Governors, and relating to (i) financial commitments and overall strategy; (ii) serving as a catalyst for mobilizing international aid; and (iii) working on the country’s reconstruction and development. The end of the report includes a set of long-term proposals based on the assessment that would enable the Bank to improve its strategic positioning and boost the effectiveness of the assistance it provides to Haiti (see Box 1).

Box 1. Evaluation questions

- i. Has the Bank fulfilled its financial commitments and its role as a catalyst for international aid, as set out in IDB-9?
- ii. How effective has coordination been of the aid received by Haiti for furthering reconstruction and development efforts? How effective has the Bank’s role been in coordinating the aid provided?
- iii. Is progress being made in making project execution more effective, both in terms of reconstruction and development in the country?

- 2.5 **OVE recognizes that it is still too early to accurately gauge effectiveness, since only three years of the period set by the IDB have passed, and the Bank’s actions in Haiti are taking place in an environment that is unique and complex.** Accordingly, an early assessment of the effectiveness of execution of the Bank’s program for post-2010-earthquake reconstruction and development of Haiti is being conducted to identify the challenges the Bank faces and, to the extent possible, to propose courses of action to overcome them.

B. Methodology

- 2.6 **The complexity of the challenges facing Haiti and the Bank’s relatively broad mandate required OVE to define a variety of methods for assessing the Bank’s work in Haiti.** In large part, this report is based on OVE’s Country Program Evaluation 2007-2011 (CPE Haiti 2007-2011, document RE-394), which provided a detailed review of the Bank’s programming and the results of its programs in Haiti before and immediately after the 2010 earthquake. Based on this analysis, OVE’s methodological strategy for this report has focused on (i) updating the findings of CPE Haiti 2007-2011 regarding the effectiveness of the portfolio approved in the wake of the 2010 earthquake (see Annex); and (ii) analyzing the areas indicated by the evaluation questions mandated by the Governors in the IDB-9 report. In order to assess the full implementation of the Bank’s work, the Bank’s response regarding its financial commitments was first analyzed. OVE reviewed the Bank’s approvals, disbursements and deployment of resources in the country after the earthquake, as well as international data regarding the financial commitments of the international community following the 2010 donor conference in New York. OVE also analyzed the Bank’s ability to leverage resources from other donors—both for its own operations and for multidonor programs. In order to evaluate the Bank’s role in

coordinating donors and as a catalyst for securing resources, OVE conducted two missions to the country to meet with people in the government, international cooperation workers, and members of civil society.

- 2.7 **Lastly, as regards the Bank's effectiveness in program implementation, the evaluation was based primarily on documents for monitoring operations, progress reports prepared by Management, and direct interviews with specialists in each of the sectors, both in the country and at Headquarters.** In particular, it used the quarterly progress reports presented by the Country Department Haiti (CDH) to the Bank's Board of Executive Directors, the latest monitoring reports for operations in execution, midterm and final evaluations, and the report from the last portfolio review exercise presented to the government in August 2012.

III. IDB-9 FINANCIAL COMMITMENTS

- 3.1 **The international community provided a swift and massive response to the devastating effects of the earthquake.** The bilateral and multilateral aid to meet emergency and reconstruction needs in Haiti totaled US\$12.32 billion, of which US\$9.28 billion was pledged by the 58 major donors at the 2010 conference in New York (hosted by the Office of the Special Envoy for Haiti, 2012). During the 2010-2012 period, US\$5.33 billion was committed as a result of pledges made by donors at the conference, and 52.3% of this has been disbursed. Additionally, Haiti received an estimated US\$994 million in debt forgiveness from the international community, as well as US\$3.06 billion from private sources channeled through humanitarian aid NGOs.
- 3.2 **The Bank has been a major financial player during 2010-2012, and has one of the highest disbursement rates among the universe of donors.** Aid from the Bank and from the governments of the United States (USAID), Venezuela, Canada, Spain, and the European Union accounted for 70% of all Haiti programmatic aid that was committed and disbursed during the 2010-2012 period. In 2010-2012, total aid from the IDB represented 22% of official international cooperation, making it second in amount provided, behind only the United States government's contribution. The Bank ranked first, however, in terms of programmatic aid funds actually disbursed, and exceeded the amount pledged in New York (see Table 1). Moreover, a few days after the earthquake, before the conference in New York, the IDB pledged to forgive Haiti's debt to the Bank, totaling US\$441 million.

**Table 1. Amounts pledged and committed at the New York donors conference in September 2012.
(US\$ million)**

Institution	2010-2012 Period				
	Amount pledged ^{1,2}	Amount approved or committed ³	Amount disbursed	% of amount pledged	% of amount disbursed
IDB	744.0	463.4	447.0	22%	16%
USA	906.4	605.5	250.1	29%	9%
Canada	353.6	28.8	326.8	1%	12%
Venezuela	1,182.0	214.6	222.6	10%	8%
Spain	325.5	50.5	282.5	2%	10%
IMF	158.6	-	158.6	0%	6%
EU	409.9	323.2	171.9	15%	6%
World Bank	307.2	252.7	270.1	12%	10%
All other donors	946.9	153.0	659.3	7%	24%
Total	5,334.1	2,091.7	2,788.9	100%	100%

¹ Refers to the amount that each donor pledged during the conference.

² Does not include debt forgiveness.

³ Refers to the amount associated with projects approved, or contracts/agreements made in the disbursement or transfer phase.

Source: Office of the Special Envoy for Haiti, 2012.

3.3 The Bank's importance as a source of financing for the aid program to Haiti could be increased in the medium term. As the pledges made by other donors at the New York Conference are executed, the Bank's role as a special partner of Haiti in the post-2010-earthquake rebuilding process—the only cooperation agency that is maintaining long-term commitments there—could be consolidated. Given figures to date, and based on the pledges made at the 2010 New York conference, the Bank's commitments arising from IDB-9 could represent nearly 60% of the grant funds made available to Haiti in 2013-2020.

3.4 The OVE evaluation confirms that the specific financial mandates included in the IDB-9 were met. The Bank forgave Haiti's debt and transferred resources to the Grant Facility in order to approve grants to the country over the amount previously established, for US\$231.6 million in 2010. In 2011 and 2012, the Bank transferred US\$200 million per year in Ordinary Capital resources to the Grant Facility. The Bank financed a program for an amount the exceeded the transfers made, totaling US\$231.0 million in 2011 and US\$228.0 million in 2012.

A. Debt relief

3.5 The debt forgiveness for Haiti outlined in IDB-9 consolidated an effort that had been under way since 2004 and that, in the case of the Bank, amounted to approximately US\$1.1 billion. Beginning in 2004, Haiti initiated a process designed to achieve economic stabilization and improved governance, reaching

agreements with the IMF on an Emergency Post-Conflict Assistance (EPCA) Program, and in 2006 it participated in a set of agreements for aid to Heavily Indebted Poor Countries (HIPC). As of 2009, encompassing both of these agreements, the Bank wrote off all of Haiti's debt incurred up to 2004, which amounted to US\$646 million. After the 2010 earthquake, pursuant to IDB-9, FSO loans made between 2004 and 31 December 2009 were forgiven, amounting to a further US\$447 million.

B. Approved portfolio and disbursements

- 3.6 In fulfillment of the IDB-9 mandate, the Bank had a rapid and timely organizational response that made it possible to quickly regain the ability to carry out operations that were necessary for the urgent tasks that the situation demanded.** In a relatively short period of time, the Country Office was operating with all of its staff reinstalled in Port-au-Prince, with space to receive missions and to provide necessary accommodation, security, and transportation services. Throughout 2010, the Bank's Country Office in Haiti continued to be strengthened to meet the growing flow of operations and increasing demands. Immediately after the 2010 earthquake, the Haiti Response Group (HRG) was established, becoming an office in 2012. The HRG was a significant organizational bet on enhancing the Bank's presence in Haiti and, together with the Country Office, coordinating relations with the government, the international community, and various partners within and outside the Bank.
- 3.7 The Bank managed to steadily increase approval amounts in 2010-2012.** Due to the Bank's strength, it was able, each year, to approve a portfolio even greater than the US\$200 million transferred to the Grant Facility for Haiti. The average approval during 2010-2012 was significantly higher than in the 2007-2009 period, reaching an average of US\$284 million, as compared with an average of US\$81.0 million for the previous period. In all, 61 operations were approved, in addition to 15 cofinanced operations, for a total of US\$852 million.⁸ Meanwhile, disbursements also rose significantly. During the 2010-2012 period, a total of US\$619.06 million was disbursed, with an annual average of about US\$206 million, compared to an annual average of US\$137.4 million for 2007-2009.

⁸ In addition, the Multilateral Investment Fund (MIF) approved 19 operations during 2010-2012, for a total of US\$27.55 million, and the Inter-American Investment Corporation (IIC) approved four operations during that same period, for a total of US\$5.15 million.

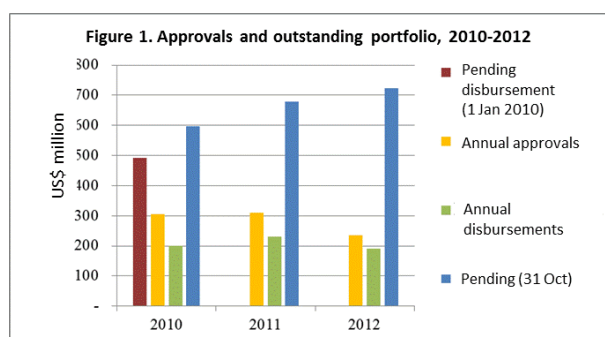
Table 2. Operations approved, 2010-2012 (US\$ million)

Type	2010		2011		2012		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Technical assistance	15	5.64	11	2.63	9	5.80	35	14.07
Investment	8	176.00	7	210.00	7	203.00	22	589.00
PBG	1	50.00	1	35.00	2	27.00	4	112.00
Subtotal	24	231.64	19	247.63	18	235.80	61	715.07
Cofinancing	9	74.26	6	62.70	0	0	15	136.96
Total	34	305.90	25	310.33	18	235.80	76	852.03

Source: OVE, 2012.

3.8 Disbursements have shown less strength, and undisbursed amounts have been increasing.

In spite of the effort made, the undisbursed portfolio has increased steadily throughout the period. For 2010, the undisbursed amount was US\$491 million and in 2011 the figure was nearly US\$600 million. For 2012, (December) the undisbursed amount rose to US\$724 million.



C. Catalyzing aid

3.9 The Bank has played an active role in catalyzing and raising resources and willingness to provide international cooperation. This has been done through three channels:

- First, the Bank partnered with bilateral agencies to supplement financing for its projects, managing to catalyze a total of US\$136 million from other donors during the 2010-2012 period. This made it possible to leverage US\$0.20 for every dollar approved—an amount that was, nevertheless, significantly lower than during the run-up to the 2010 earthquake (US\$0.43/US\$ approved).⁹
- Second, the Bank has partnered with other stakeholders in promoting major development programs in the country. The northern development hub is one example of this, with the building of the Caracol Industrial Park (CIP) as its centerpiece. The total investment committed is now US\$300 million, of which 40% is being financed by USAID and 60% by the IDB. There has also been an expression of interest by other donors such as the World Bank,

⁹ Per year, the amount leveraged has dropped, going from US\$0.32 per dollar approved in 2010, to US\$0.24 in 2011, and just US\$0.04 in 2012.

UNDP, and AECI in participating in this development strategy, but this has not yet taken shape.¹⁰

- Lastly, the Bank took vigorous steps to enlist volunteers and financial resources from high-profile figures and private companies. For example, the it has promoted initiatives with singer Shakira's Barefoot Foundation for school construction, and has signed agreements with companies such as Coca Cola and Nestlé to support agricultural programs (mango, coffee).

3.10 **The Bank's initial push to catalyze cofinancing from other donors is losing momentum.** After the 2010 earthquake, the Bank managed to obtain resources from other donors to cofinance programs in Haiti for a total of US\$136 million, maintaining its ability to leverage resources in relation to the previous three-year period when US\$129.7 million was obtained. Of the total approvals in 2010-2012, 16.7% of the portfolio came from external funding sources, most of which was in 2010 (US\$74.8 million) and 2011 (US\$62.7 million). Cofinancing was obtained mostly through Spanish cooperation (US\$50 million from the Spanish Cooperation Fund for Water and Sanitation in Latin America and the Caribbean), from the Trust Fund of the Global Agriculture and Food Security Program (US\$25 million) and Canadian cooperation (US\$20 million). However, this effort had suffered a downturn by 2012, and no cofinancing was obtained this year.¹¹

IV. COORDINATING AID

4.1 **Immediately after the earthquake, in coordination with the major players in the international community, the Bank actively supported the establishment of a mixed entity to oversee coordination and transparent use of the aid and funds being provided by the international community.** The weakness of the Government of Haiti—which was aggravated by the aftermath of the 2010 earthquake,¹² with the increased flows of international cooperation and greater number of donor agencies—forced the international community to take a more active role in coordinating aid. In response to this need, the Interim Haiti Recovery Commission (IHRC) was created, co-chaired by the Prime Minister and the United Nations Special Envoy for Haiti, with the mandate to coordinate aid provided in response to the needs identified in the Action Plan for National Recovery and Development. The Haiti Reconstruction Fund (HRF) was also created to channel aid resources in a manner that was transparent and in accord with the needs identified in the Action Plan. The Bank provided technical staff to support the various committees that were created to consider and coordinate aid.

¹⁰ The Final Project Monitoring Report (PMR) for program HA-L1055 (September 2012) indicates a lack of cofinancing, to date, for direct investments in the CIP.

¹¹ Some hypotheses on the reasons for this reduction are examined in the effectiveness section, Chapter V, of this report.

¹² The 2010 earthquake caused a loss of 17% of civil servants in Haiti, as well as destroying or rendering unusable the National Palace, the Parliament, the Supreme Court, and most of the ministerial buildings.

- 4.2 **The IHRC was a limited mechanism in coordinating the aid received and allocating it based on established priorities.** The areas and sectors in which donors operated did not coincide with the priorities expressed in the Action Plan for National Recovery and Development, and funds were channeled primarily through entities outside the Government of Haiti. For example, in the transportation sector, financing pledges were 510% higher (US\$737 million) than the amount requested by the government. In contrast, pledges to strengthen governance and democratic institutions came to only 20% (US\$31 million) of the requested amount (Ramachandran et al., 2012). Meanwhile, NGOs and private contractors remained the main international channels for the aid received.¹³ Due to the international community's low level of confidence in the efficiency and transparency of Haiti's government agencies, there was a strong tendency to channel funds through parastatal organizations and NGOs. This practice, which had been the subject of criticism and review by the international community, intensified during the post-earthquake period, with unintended negative impact on efforts to strengthen the Haitian State.¹⁴
- 4.3 **The formation of a mixed entity (Government of Haiti-international community) to increase effectiveness and transparency in the allocation and management of international aid achieved scant success.** The attempt to replicate planning functions in a parallel structure co-managed by the government and the international community, though logical given the poor response capacity of the government following the 2010 earthquake, was unsuccessful, and the IHRC ceased operations 18 months after it was formed when its mandate was not renewed. Meanwhile the work of the HRF was marginal: less than 8% of aid pledged for 2010-2012 was channeled through this fund.¹⁵ Donors preferred to contribute either directly or through specific arrangements with other executing agencies. As of September 2012, the HRF was still holding unallocated funds, and 60% of the committed funds remain undisbursed (Office of the Special Envoy for Haiti, 2012).
- 4.4 **The Bank is participating with other donors in a new effort to improve and relaunch coordination of international aid using Haitian institutions.** Recently,

¹³ Center for Global Development (CGD), 2012 and United Nations, Economic and Social Council. Report of the Special Advisory Group on Haiti, July 2012. It should be made clear that the funds from the IDB and the World Bank are channeled through the Government of Haiti, unlike the case of other institutions, which contract directly (IDA, UNICEF, etc.).

¹⁴ In 2004 the international community acknowledged co-responsibility for the lack of positive impacts from the aid provided to Haiti. The failure of more than 10 years of international aid, representing the transfer of more than US\$2.5 billion, was shared by the government and the international donor community (Interim Cooperation Framework 2004-2006. Summary Report. July 2004). Among the critical elements highlighted was the execution of projects and programs through Special Executing Units, including NGOs and private companies, which generally had better-paid staff but eroded the public role and further weakened the State through the loss of skilled personnel.

¹⁵ Of the US\$5.3 billion disbursed, only US\$387.6 million was channeled through the HRF (Office of the Special Envoy for Haiti, 2012).

the Prime Minister has also taken on functions as Minister of Planning and External Cooperation, with the primary objective of exerting a greater role in coordinating and guiding the international community, and meeting the objectives of the country's Development Plan.¹⁶ During 2012, a new framework for coordinating aid, led by the Haitian government and the United Nations, is being developed with the participation of the so-called G12 and is expected to be operational by the end of the year.¹⁷

- 4.5 **The success of coordination efforts promoted by the government comes up against the endemic limitations of Haiti's public management.** The new cooperation framework proposes establishing mechanisms to coordinate and prioritize reconstruction and development efforts, and to coordinate with the leadership at the various ministries through sector roundtables, as well as through the creation of a Technical Secretariat within the Ministry of Planning and External Cooperation to ensure that the new coordination framework is managed efficiently. However, the Haitian State is too small, weak, and ineffective to meet all the demands arising from the increase in the international community's activity in the wake of the 2010 earthquake,¹⁸ and, specifically, to effectively coordinate and manage international actors that, in many cases, have greater technical and managerial capacity. The 2010 earthquake increased the challenges, and the large presence of international organizations in the country is exerting strong pressure on the limited number of skilled human resources.¹⁹
- 4.6 **At the technical level, the recognized capacity of the IDB in Haiti has allowed it to offer coordination leadership in some sectors.** The Bank's role as one of the country's largest donors with a long-term vision, combined with the recognized experience of IDB specialists in-country, has enabled it to lead technical roundtables in the sectors its strategy targets (education, water and sanitation,

¹⁶ The Strategic Development Plan of Haiti, approved in May 2012 as a result of consultations, replaces the Action Plan for National Recovery and Development. Based on conversations with the Ministry, it is expected to be presented to the international community in the coming months.

¹⁷ The G12 includes Haiti's 12 largest donors: USAID, IDB, Canada, European Union, World Bank, IMF, United Nations, France (AFD and the Embassy), Spain, Japan, Norway, and one representative of the ABC group (Argentina, Brazil and Chile).

¹⁸ The Haitian public sector is small compared to other countries with particularly low incomes and wages. Public jobs constitute 2.8% of all jobs, compared to 6.5% to 9% in the developing countries, and 17% in the OECD countries. Even on a per capita basis, Haiti's public sector employs only 0.6% of the population, compared with 2.3% in low-income countries. Despite this fact, public sector wages represent a high proportion of public spending (40%), as well as of total revenues (46%). In short, while public administration in Haiti today is small in scale, it absorbs a considerable portion of the State's resources. In addition to its small size, public sector wages are not competitive, particularly for the more skilled positions (document RE-394).

¹⁹ The flow of consultants and international cooperation personnel exerts pressure on the labor market, increasing the level of honoraria demanded, in a shallow market for goods and services—including with regard to housing—thus pushing prices higher. The consequences on public institutions, incapable of competing in the labor market with international organizations, has been a major problem in gaining and retaining the human resources needed to deal with the increase in activities since the 2010 earthquake.

agriculture, energy and transportation), and to coordinate technical efforts at the sectoral level among different international agencies working in the same sectors. In particular, in the program for electricity sector reform, the Bank maintains close collaboration with World Bank projects and has entered into a joint intervention agreement with the World Bank, USAID, and the Government of Haiti. However, Bank specialists recognize that the role and participation of government technical personnel should be encouraged and strengthened, in order to boost the sense of ownership of interventions.

V. STRATEGIC POSITIONING AND CHALLENGES OF BANK AID

- 5.1 **Following the 2010 earthquake, the IDB shifted its long-term strategy with Haiti, which had focused on traditional sectors of activity prior to the earthquake. It introduced two strategic changes: the regional development of the northern hub, and institutional strengthening programs at the sectoral level.** This chapter examines the Bank's strategic positioning in light of the differentiated activities for reconstruction and development in Haiti, while assessing the relevance and quality of interventions and identifying the main challenges in implementing the Bank's work in Haiti, both as regards traditional sectors and activities in new areas.
- A. **Strategic positioning: Reconstruction and long-term development**
- 5.2 **The Bank's strategy in Haiti following the 2010 earthquake, while maintaining its emphasis on traditional sectors²⁰ of activity, incorporated regional targeting and made changes in the type of budgetary support offered.** The HRG consolidated this strategy in two documents. The first describes an interim strategy adopted in June 2010.²¹ In November 2011, a new strategy for Haiti was approved for 2011-2015. In both documents, the Bank favors a long-term strategy targeting actions in traditional sectors while introducing two strategic changes. The first is a regional development program centered on the northern hub that aims to bolster the private sector and construction of the Caracol Industrial Park (CIP). The second is the abandonment of traditional programs of budgetary support contingent on progress in economic governance, focusing instead on restructuring programs and institutional strengthening in sectors identified as priorities.
- 5.3 **In terms of efforts to address the emergency, the Bank played a discrete supporting role, deferring to the humanitarian organizations best positioned for such work.** The previously approved loan resources not yet disbursed were used to deal with the emergency situation in the water sector (delivering water and

²⁰ The term "traditional sectors" used by OVE indicates those sectors in which the Bank was already working, with intervention strategies prior to the 2010 earthquake, and in no case should be assumed to be an appraisal of the intervention strategies used.

²¹ For an evaluation and detailed analysis of the interim strategy, see Haiti CPE 2007-2011 (document RE-394).

providing water purification tablets, soap and chlorine for the population affected by the earthquake) and electricity sector (installing 192 transformers to restore service). By reformulating an education sector operation, the Bank, through UNICEF, financed the construction of 58 temporary school facilities, which served some 70,000 students. The remaining emergency support was focused on financing the efforts to deal with the cholera epidemic through UNICEF.

- 5.4 **The response to reconstruction needs did not strategically position them sequentially within the Bank's long-term objectives.** In the case of infrastructure destroyed by the earthquake, the reconstruction needs either remained well beyond the scope of the IDB—as in the case of buildings and public administration systems—or were incorporated in long-term sectoral programs, as in the case of schools. Reconstruction of schools damaged by the earthquake²² was included in an ambitious education sector reform program to create a new system to provide educational coverage to all Haitian children. Because reconstruction was not the main focus of the programs, the urgent, short-term approach that should have guided massive efforts to rebuild schools that had been destroyed was buried in a web of programs whose objective was centered on reforming and expanding the education system, a goal which was, by its nature, a longer term undertaking.²³ As a result of this, the schools to be rebuilt with Bank funds are of relatively insignificant scale in relation to actual reconstruction needs. Lastly, the tasks of removing debris, relocating populations, and restoring infrastructure remained outside the Bank's sphere of actions.
- 5.5 **The Bank's intervention strategy in Haiti has limitations as a tool for programming, managing, and monitoring the relationship between the Bank and Haiti.** The six areas of action identified as priorities reflect the Bank's portfolio over the last decade.²⁴ Although the Bank recognized the constraints and challenges of executing these actions, which worsened as a result of the earthquake, it proposed an ambitious long-term development program for each of the sectors. For example, the educational targets for 2015 call for doubling the gross enrollment rate (from 46% to 96%) in grades 7-9, or quadrupling (from 20% to 85%) the percentage of students enrolled in grades 1-9 in free schools. A similar example is the 2015 targets regarding coverage of energy, water and sanitation services, where targets included: reducing the percentage of technical and nontechnical losses at Electricité d'Haïti (EDH) from 60% in 2010 to 30% in 2015; increasing electricity coverage in Port-au-Prince from 40% to 70% or higher, and raising the operating

²² The Ministry of Education estimated that the 2010 earthquake affected 23% of schools in Haiti, some 1,200 in all. Of these, 80% were destroyed or unusable after the earthquake (<http://www.haitispecialenvoy.org/relief-and-recovery/key-statistics/>).

²³ In all, for the period, the plan was to rebuild 200 schools, of the nearly 1,000 estimated to have been rendered unusable following the earthquake, including the 50 schools incorporated in each one of the four annual sequential programs planned. To date, no permanent school has been built.

²⁴ The areas were (i) education; (ii) water and sanitation; (iii) transportation; (iv) energy; (v) agriculture; and (vi) the private sector. During 2007-2009, these areas constituted 62% of the Bank's portfolio and 95% of the portfolio approved in 2009.

profits of the National Directorate of Water and Sanitation (DINEPA) from 30% to 65%.

- 5.6 **The setting of unrealistic targets and incomplete indicators complicates the work of monitoring and evaluating the impact of Bank interventions.** The strategy approved for 2011-2015 sets unrealistic, unattainable targets, limiting its usefulness as a tool for guiding results-based programming. Moreover, although the evaluability of operations has improved by including indicators and targets for annual and development outputs, the lack of information and suitable indicators to provide updated baselines complicates monitoring and supervision.

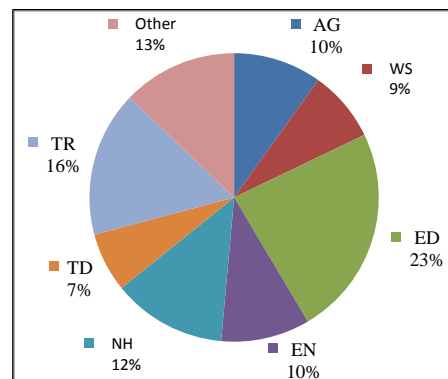
B. The Bank's program (2010-2012): Approvals and disbursements

- 5.7 **Nearly all of the approved portfolio was for long-term development programs, with little emphasis on the reconstruction effort.** Operations approved during the period included eight operations totaling US\$60 million for direct emergency response (7% of the total), and four operations totaling US\$745 million for reconstruction after damage caused by the earthquake (9% of the total), while the remainder of the approved portfolio (64 operations for US\$717 million, or 84% of the total) is for the Bank's long-term strategy with Haiti.

- 5.8 **The approved portfolio for the review period includes a large number of programs covering a wide range of sectors.**

During the review period, 76 operations were approved totaling US\$852 million, divided among 14 different sectors (Figure 2).²⁵ The education sector accounted for the highest figure, representing 22% of the total portfolio (US\$201 million), followed by the transportation sector, with 16% (US\$139 million). The three programs approved for the northern region of the country represent 13% of the portfolio (US\$108.5 million), followed by programs in the energy sector (US\$85 million) and agriculture (US\$84 million), which each account for approximately 10% of the portfolio.²⁶ Lastly, between 2010 and 2012, the portfolio of approvals represents a decrease in the number of quick-disbursing loans for budgetary support and policy-based grants (PBGs).

Figure 2. Approvals by sector, 2010-2012



Source: OVE, 2012

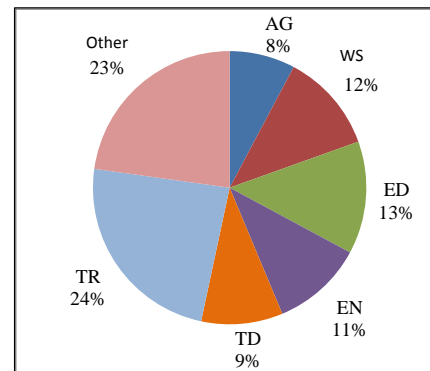
²⁵ In addition, the MIF approved a total of 19 operations during 2010-2012, for a total of US\$27.55 million, and, in 2010, established the Haiti Emergency Spending Allocation Request (HESAR) program for US\$3 million, to assist 16 local partners in restoring their ability to provide services to their clients and beneficiaries. The IIC approved four operations, for a total of US\$5.15 million, in 2010-2012.

²⁶ Legend: AG-Agriculture; WS-Water and Sanitation; ED-Education; EN-Energy; NH-Northern hub; TD-Trade; TR-Transportation; and Other includes: UD-Urban Development and Housing; FM-Financial Markets; IN-Industry; OT-Other; SMED-Small and Medium-sized Enterprise Development; HL-Health; and ST-Sustainable Tourism.

5.9 **The undisbursed portfolio approved prior to the 2010 earthquake was large and aimed at many different sectors.** At the start of the review period, 72 operations were in execution that had been approved before the 2010 earthquake, with undisbursed funds totaling US\$491.4 million. This included US\$166 million in the transportation sector, US\$90 million in the water and sanitation sector, and US\$79 million in the agricultural sector, together representing nearly 70% of the undisbursed portfolio as of January 2010. The Bank's present portfolio, taking into account pre- and post-earthquake operations, includes 110 operations in execution (38 investment operations, 19 cofinancing operations, 52 technical assistance operations, and 1 PBG), with activities in nearly all sectors except for health.²⁷

5.10 **The disbursements have been associated with activities which, by their nature, require large disbursements per transaction.** These activities included quick-disbursing programs (PBGs) and activities

Figure 3. Disbursements by sector 2010-2012



Source: OVE, 2012.

involving major contracts for works and services. The disbursements were largely in the road sector, which accounted for 24% of all disbursements (US\$148 million), and involved bidding on large contracts for road rehabilitation, as is typical in the sector (see Figure 3). Expenditures in the education sector, which represented 13% of the total disbursed portfolio, were focused on the tuition waiver component for schooling, and on school kits for preschool and secondary school students (HA-L1049 and HA-L1060).²⁸

In the energy sector, expenditures included disbursements for two PBG programs in 2011 and 2012, as well expenditures in the water and sanitation sector, for which a firm was contracted to provide comprehensive advising on management of Port-au-Prince.

5.11 **Disbursements for activities that demand greater institutional commitment continue to have low levels of execution.** Disbursements associated with complex programs involving multiple activities and the participation of several institutions suffer from significant delays, as in the case of agriculture programs in the Artibonite Valley. Investment programs to improve water and sanitation and electricity coverage have also suffered major delays resulting from problems of project ownership on the part of DINEPA and EDH, respectively, as well as a lack of institutional capacity. Technical cooperation and institutional strengthening programs are of particular note as examples of projects with low disbursement levels.

²⁷ This amount does not include the MIF and IIC operations.

²⁸ Legend: See footnote 26.

C. Progress and challenges in traditional sectors

a. Progress in the sectoral program

- 5.12 **The Bank's expanded involvement in the traditional sectors of activity in which it had been working through innovative intervention strategies for Haiti.**²⁹ During the review period, the Bank continued to make headway in the sectors that constituted the bulk of its work prior to the earthquake. The intervention strategies selected in each sector were, however, different and often more complex and ambitious. The strategy for the education sector was altered, to add after the earthquake the Education for All program, which the government was relaunching and expanding with support from the IDB as part of the program to reconfigure the educational system.³⁰ Moreover, in the water and sanitation sector, a strategy for institutional and managerial improvements is being implemented, by hiring an international firm that specializes in water and sanitation systems. Likewise, for electricity sector reform, a comprehensive intervention program was designed with support from the international community, and the intervention strategy in the agriculture and transportation sectors has been retooled to place greater emphasis on institutional development issues.
- 5.13 **While the Bank's emergency response in the education sector was rapid, there has not yet been any broad or intense initiative to reconfigure the sector.** To address the emergency conditions caused by the destruction of school infrastructure, the Bank reformulated one operation already in execution, to build and equip provisional educational structures so that 65,000 children who would have had no access to education following the earthquake³¹ could again attend school. At the same time, the Bank moved forward with defining a long-term sector plan to guarantee a free education for all Haitian children; the results of this are still in the early stages. Given the slowness in producing the outputs, combined with the difficulty of mobilizing and executing the massive amount of investment required, it is unlikely that the development objectives outlined in the country strategy with

²⁹ For a detailed analysis of the approved portfolio and its execution in 2010-2012, see the Annex to this report.

³⁰ The National Action Strategy for Education for All was approved by the Ministry of National Education and Occupational Training (MENFP) in 2007. After the 2010 earthquake, the Ministry launched Operational Plan 2010-2015 Towards Reconfiguring the Haitian Educational System, with an estimated budget of US\$4.2 billion needed to accomplish the goals. The IDB has provided both technical and financial support for Operational Plan 2010-2015, including, unlike the previous period, work with private schools.

³¹ In June 2009, project HA-L1040 was approved for US\$20.5 million to increase and improve educational offerings in public and communal schools (50 schools), supporting the quality of the facilities and ensuring institutional strengthening for the executing agency (the Fund for Economic and Social Assistance). The project, leaving aside disbursements associated with the pre-earthquake period, was formally reformulated in September 2010 in order to address the emergency. The project was executed in a timely and complete manner, managing to deliver 58 provisional structures, as well as the furniture and school kits to ensure that the schools would be able to function. The financial support component for private schools, by contrast, did not achieve the planned targets, given the lack of demand on the part of private schools. Thus, the funds were redirected toward the construction of temporary schools. The project reached only 50% of the 1,100 schools initially planned.

Haiti will be achieved.³² The targets that were established have proved difficult to achieve, despite the fact that they were relatively modest compared to the challenges facing the sector. Up to the end of 2012, the Bank had successfully begun execution of projects for only 21 permanent schools—well below the target of 100 schools, and insignificant compared to the nearly 1,000 schools destroyed or rendered unusable by the earthquake. The effort to distribute school kits for preschoolers and secondary students also fell short of targets, and the targets for 2012 were downscaled because of cost overruns.³³

- 5.14 **In the transportation program, the Bank continues to focus on rehabilitating primary roads, falling behind on secondary and tertiary roads.** By the end of 2012, the undisbursed portfolio in the highway sector amounted to over US\$213 million, including the program approved in late 2012 (HA-L1058) for US\$53 million. The speed of execution shown early on suffered a setback as a result of problems in designing and implementing programs, which caused delays and led to the lowering of the original targets.³⁴ The practice of reformulating components designed for the rehabilitation of secondary and tertiary roads in order to cover cost overruns in primary road projects has persisted, curtailing the objectives of supporting basic infrastructure to boost agricultural production.³⁵ Maintaining the roads that have been constructed and rehabilitated remains one of the most important challenges facing the nation's road sector and for which the Bank is supporting the creation of a body within the government responsible for that activity.
- 5.15 **The results of the Bank's water and sanitation programs have varied based on where they operate; only rural areas have seen notable results in this regard.** The Bank's program in this sector includes actions at three levels: in Port-au-Prince, in mid-sized cities, and water supply in rural areas. Programs in Port-au-Prince are moving slowly, especially in sanitation, where no results have been achieved. The program in mid-sized cities has suffered from implementation problems, with mixed results, depending on the city involved. Lastly, the rural program has been progressing well, and the strategic objective of improving coverage was met. The strategic objective of improving solid waste management practices has not moved

³² Indeed, in the country strategy with Haiti 2011-2015, the Bank planned for US\$50 million per year for the following five years, and committed to match its own contributions through enlisting cofinancing resources from traditional and nontraditional donors, both public and private (paragraph 3.9). Until now, the Bank has not managed to raise the planned cofinancing.

³³ In 2011, 16,541 school kits were distributed, compared to the 80,000 planned. The content of these kits was modified due to cost overruns for the planned materials. Moreover, the Ministry of Education has no set criteria for distributing these kits.

³⁴ Annual disbursements for the road sector dropped from US\$70 million in 2010 to an estimated US\$40 million in 2012.

³⁵ Program HA-L1019, for the rehabilitation of primary roads during 2010-2012, achieved 48% of its targets (67 km of road, compared with the planned 138 km); in terms of the rehabilitation of secondary and tertiary roads, the rate of completion has been a mere 8% of the targeted figure (20 km of road compared with the planned 250 km).

forward, and is awaiting preinvestment studies to help set the program targets in 2013.

- 5.16 **The agricultural support portfolio has low disbursement levels, and the execution problems that were present prior to the 2010 earthquake persist.** With the approval of more than US\$84 million between 2010 and 2012, and a remaining amount totaling US\$78.6 million as of January 2010, disbursements during the 2010-2012 period were no more than US\$47.6 million. The disbursements that did occur were almost entirely for programs approved prior to the earthquake and for the PBG program, which was approved and for which a total of US\$15 million was disbursed in 2012. Execution delays and problems have been associated with the complexity of the designs of most of the programs, the low capacity of the executing units, cost overruns, and difficulties in finding consulting firms interested in participating in the programs.
- 5.17 **Disbursements for the electricity sector have been primarily for PBG programs.³⁶ Thus, the objectives of expanding electricity coverage in urban and rural areas have not been achieved.** During the period in question, a total of US\$34 million was approved for two investment loans, both of these supplementing operations that had already been in execution prior to the earthquake. The latest quarterly portfolio report (document GN-2610-5) indicates little progress in building an electrical substation, rehabilitating the electric power network, and installing meters. There have been numerous problems in implementation due to a lack of ownership, the poor institutional capacity of EDH, cost overruns, and operational constraints attributable to availability of land. Lastly, the expansion of the Peligre hydroelectric power plant has experienced delays and cost overruns resulting both from a lack of cofinancing and from constraints associated with the failure to identify issues of compliance with environmental safeguards in a timely fashion.³⁷

b. Challenges facing Bank activities in traditional sectors

- 5.18 **There is a general lack of information from the executing agencies, which often present incomplete monitoring reports, hindering analysis of the achievement of development objectives.** Moreover, the endemic lack of information limits the use of secondary sources to document development impacts. The evaluative quality of the portfolio is also poor, due to a lack of appropriate indicators and development goals that are unrealistic given the efforts and resources devoted to achieving them, and that are highly optimistic given the severe implementation problems in the portfolio. Furthermore, the data presented in the Bank's progress monitoring reports

³⁶ Analysis of the PBGs was conducted in the later section devoted to the Bank's actions with regard to governance.

³⁷ The fact that the emptying of the dam proved incompatible with the Bank's agriculture programs in Artibonite forced a change in the execution conditions for the works, which has delayed the component and increased implementation costs. Moreover, the Haitian Parliament put a hold on approving the OFID financing until June 2012, so there were not sufficient funds for rehabilitating the hydroelectric plant.

(PMRs) with regard to outputs and outcomes are insufficient, limiting the ability to analyze and justify programs' progress and impact.³⁸

- 5.19 **Execution problems have held back possibilities of achieving expected outcomes in the sectoral programs.** Despite the technical strengthening of the Country Office and the presence of experienced specialists in all sectors, implementation problems are obstacles to achieving expected outcomes in almost all sectors. These problems have been identified in previous Bank evaluations and are associated primarily with problems in the design of the operations, market constraints as regards the supply of contractors, low implementation and monitoring capacity on the part of the executing units, and, in the case of some interventions, a lack of ownership on the part of the Government of Haiti.
- 5.20 **In terms of operational design, the lack of high-quality preinvestment studies, the scarcity of information and the shortfall in identifying risks associated with the fragile and fragmented situation in the country, have led to cost overruns and delays in implementing programs.** Furthermore, the absence of baseline information and high-quality preinvestment studies containing real calculations of costs that take account of the Haitian environment (higher transaction and materials costs, market instability, expropriation costs, etc.) in an environment driven by pressing needs, lead to bids that are ill-suited to the realities of the country, as they are far above the anticipated amounts.³⁹ In some cases, this has made it necessary to reduce program targets (HA-L1019, HA-L1002) or has required additional resources in order to maintain the initial design parameters (HA-L1032, HA-L1041).
- 5.21 **The need to quickly and effectively disburse committed funds favors the recruitment of larger international, rather than domestic, firms.** There is a constant tension between the need for efficiency and speed in executing works, and the longer term needed to support the development of a national market for contractors. In such circumstances, procurements carried out by the Bank have used larger, mostly international, firms for major contracts for infrastructure works, as in the case of the electricity or Caracol Industrial Park projects. The tension becomes more critical as the pressure to disburse funds increases. For example, the initial tendency to hire local firms in education sector programs came up against the reality of a market of small construction firms with lesser technical capacity not always suited to the contract requirements.⁴⁰ These realities reduce the force and

³⁸ Of the 17 PMRs reviewed, a total of 52 output indicators for 2012, out of the 103 presented, included no data.

³⁹ This has been the case with programs HA-0093 and HA-L1019 in the road sector, HA-L1002 for urban rehabilitation, HA-L1014 and HA-L1032 for electricity, HA-L1014 in water and sanitation, and HA-L1009, HA-L1041, and HA-L1059 in agriculture.

⁴⁰ In this case, the contracting of local firms for the construction of schools (one per contract) had negative results in terms of the quality of the works and the high monitoring costs. For subsequent contracts, Management has proposed contracting one international firm to build a set of 20 schools with the same characteristics, which could lower the costs of monitoring and reviewing the works.

effect of the funds that the Bank provides, and their ability to help develop national capacities, given the urgent need to deliver outcomes.

- 5.22 **The execution and supervision capacity of the executing units has proved insufficient to the increase in the Bank's program activities.** The education sector is good illustration of this situation. The Fund for Economic and Social Assistance (FAES), known before the 2010 earthquake as an agency that implemented projects effectively with good results, went from managing a portfolio of US\$63 million in 2009 to one of over US\$100 million in 2011, with no staff reinforcements to deal with the increased workload—and this in a context of instability due to changes in the institution's management. The component for institutional strengthening of the FAES, planned as part of operation HA-L1049, has not been implemented to date. Moreover, the execution modality anticipated working with domestic companies to build schools using individual contracts, which demanded additional supervision efforts. To address this situation, the Bank has proposed modifying the planned modality in its strategy by transferring the implementation of works to the Technical Execution Unit (UTE),⁴¹ and hiring international firms, under larger contracts, instead of domestic firms.
- 5.23 **The ongoing frequent approval of operations also puts strains on the activity of the Country Office, and limits its availability to actively supervise programs.** In the case of the education and road sectors, the long-term strategy called for annual approval of operations for the following five years, without considering limitations in the design and execution of the portfolio. This has created demands on the Country Office and Government of Haiti to approve new operations while previous ones still have low levels of disbursements. For example, the Bank's education sector has committed to approving a new operation for US\$50 million in 2012 as part of the sector strategy, despite having cumulative disbursement rates of only 33.6%, with US\$154.9 million in undisbursed balances as of December 2012. The project team's own specialists recommended not approving further operations in 2012 (PMR HA-L1049, October 2012). A similar situation occurred in the road sector, where despite having more than US\$126 million in undisbursed funds, a new operation for US\$63 million was approved in 2012.
- 5.24 **The effort to approve new programs has limited the supervision capacity needed to improve execution and attain the outcomes in programs already approved.**⁴² The activities required for designing and approving new operations (studies, sector analyses, dialogue with the government, design) compete with those for moving forward in executing the portfolio. Furthermore, the management of cofinancing amounts by Country Office specialists (progress reports and monitoring) adds high transaction costs to normal activities associated with the

⁴¹ The Technical Execution Unit is part of the Ministry of Economy and Finance.

⁴² This observation was made during the OVE mission to Haiti in September 2012, and was included in the October 2012 PMR for operation HA-L1049.

Bank's programs—costs that are not accounted for in the sectoral objectives related to disbursements and outcomes.⁴³

- 5.25 **So far it has not been possible to generate the incentives needed to effectively involve the government in sector transformation processes.** In the case of the electricity sector (EDH) and water and sanitation sector (DINEPA), the Bank's strategy to bring an international consulting firm on board to provide support for these two institutions and improve their management has had limited results. In the case of EDH, the commitment of the institution's new management opens up an opportunity for greater ownership of the Bank's programs and for progress towards achieving the expected results.⁴⁴ The education sector, in turn, appears reluctant to move forward with new reform measures, postponing decisions on interventions to be executed to make improvements in the sector.
- 5.26 **In the agricultural sector, a new Bank strategy for dialogue with the government opens up opportunities to improve execution of programs and achievement of development goals.** Given a context of lack of ownership of programs, combined with low institutional capacity for implementing the agricultural portfolio, the Bank has proposed a multipronged strategy. After working to cancel certain projects and finish the oldest programs in the portfolio in 2012 and 2013,⁴⁵ a PBG for institutional strengthening and reform of the agriculture sector was approved (HA-L1074) for US\$15 million, with simple conditionalities related to basic management of the sector. Although the PBG is being executed by the Ministry of Economy and Finance (MEF), and incentives to comply with the conditionalities could be limited by the Ministry of Agriculture, the new projects slated for approval will include some of these conditionalities as conditions for their approval, along with others related to the institutional environment and the capacities of the executing units. Lastly, the actual amounts approved for future operations will depend on the disbursement capacity of the executing units in previous years, to promote increased disbursements and improve the implementation of activities.

⁴³ Even though cofinancing amounts have been much lower in recent years, the costs in terms of time for the preparation of reports has remained relatively unchanged (PMR HA-L1049, October 2012). Similarly, since 2010, the Bank's Management does not charge an administrative fee for managing the contributions from donor cofinancing. Thus, the work of the specialists associated with these cofinancing programs is covered under the management costs for Bank-approved programs.

⁴⁴ In August 2012, EDH was restructured, and a new management team was appointed, thus confirming the government's commitment, established in a memorandum of understanding between the government, the IDB, USAID, and the World Bank, based on the White Paper of 2011, aimed at moving forward with reform in the energy sector and at improving portfolio execution and disbursement levels.

⁴⁵ The agriculture portfolio is currently being cancelled, closing some programs approved prior to the 2010 earthquake that are making no progress in implementing their activities. For 2012, it is expected that programs HA-L1005 and HA0016 will be completed, while programs HA-L1021, HA-L1003, and HA-L1009 are to be closed in 2013.

D. Support for the private sector: The northern hub

- 5.27 **The strategy for supporting the private sector includes development of the Caracol Industrial Park (CIP) and support for SMEs.** Of these two initiatives, the CIP program is advancing more quickly. Meanwhile, operations to support SMEs through a line of credit guarantees (HA-L1078) and the development of individualized business plans (HA-L1068) face limitations and are experiencing low disbursement levels associated with low demand from microfinance companies. The Bank has also approved and implemented a set of technical cooperation operations aimed at improving the business climate in the country and promoting private sector investment.
- 5.28 **The CIP and its related activities represent the most innovative and daring proposal put forth by the Bank in collaboration with the government and other entities in the international community.** Working with other development cooperation entities to deconcentrate the government, the Bank identified the development of the northern region of the country as a priority area of action. Total investment committed for this thus far is US\$300 million, of which 40% is being financed by USAID⁴⁶ and 60% by the IDB. The central element of the strategy is the construction of the CIP to attract international firms, to reap the benefits of the HOPE-II agreement with the United States. The park is designed to attract private enterprises, which, anchored on the HOPE-II facilities, will create jobs, primarily in the textile assembly sector. The program will be supplemented by investments in tourism, agriculture, transportation and other sectors, through Bank programs and other funding sources yet to be confirmed.⁴⁷ The strategy sets a target of 50,000 new jobs by 2015.
- 5.29 **The program has seen significant progress in the construction of infrastructure.** To date, the Bank has approved three specific operations for development of the northern hub, the first (HA-L1055) for US\$55 million, of which 58% has been disbursed, the second (HA-L1076) totaling US\$50 million, for which disbursements have not yet begun, and a third approved in late 2012 (HA-L1068) for US\$3.5 million. By the end of 2012, 11 industrial units will have been built to house companies setting up operations in the CIP, and compensation to the 600 people displaced by the construction of the park will have been completed. At present, only one international company (Sae-A) and one domestic paint company (Peintures Caraïbes) have begun operations in the CIP, employing approximately 1,500 people. The Bank, USAID, and the Government of Haiti have an active program to attract new investment, in hopes of increasing the park's occupancy, and various companies have expressed interest in locating operations there.

⁴⁶ According to the design of program HA-L1076, USAID will provide nonreimbursable financing of over US\$120 million for power generation, housing in communities surrounding the CIP, port improvements, and other infrastructure projects.

⁴⁷ The latest PMR for project HA-H1055 (September 2012) indicates a lack of cofinancing, to date, for direct investment in the CIP.

5.30 **The urgency with which the design and execution of the works was approached has left little room to address problems associated with the environmental and institutional impact of the CIP, or even to address the comments in this regard made by the Bank itself.** The works were executed in a record time of ten months. However, a 40% increase in costs was incurred due to design flaws and weak engineering studies.⁴⁸ The operation has been subject to strong criticism stemming from the lack of environmental studies and mitigation measures to address potential environmental effects—measures that were included in the second operation. Similarly, institutional risks were not evaluated or addressed from the beginning, and only in the second operation was a component included to provide institutional strengthening and support for the National Society of Industrial Parks (SONAPI) for management of the CIP by the Haitian authorities. Given the weaknesses in design, the score for program rationale ("Evidence-based Assessment and Solution") assigned to the operations in the Development Effectiveness Matrix (DEM) have remained slightly above 5 points (5.2 and 5.4, respectively). The observations made in this regard reveal the tensions surrounding the program (see Box 2).

Box 2. Observations included in the DEM for operation HA-L1076

"This project involves an expansion of an industrial park located in northern Haiti. The first operation to finance the creation of the park was approved in 2011. As was the case with the previous project, the objective of this operation is to facilitate the establishment of private manufacturing firms so that jobs can be created and economic activities increased in Northern Haiti. This will be accomplished by providing the basic infrastructure, industrial facilities, management support and complementary investments required for the expansion and operation of the Caracol Industrial Park (Parc Industriel de Caracol—CIP).

*The POD presents the problems to be addressed by the project as well as the factors causing them. In addition, the project's beneficiaries have been identified. **The POD does not include references to studies that provide empirical evidence regarding the main determinant of the problems being addressed by the project.** The only reference provided, is a study the has been commissioned by USAID and the World Bank on the situation of the northern region regarding social services, governance and infrastructure, however, this study will be completed in July 2012. **There are no references to studies that show the effectiveness of this intervention in Haiti.** The POD mentions the two industrial parks (CODEVI park and the Metropolitan Industrial Park in Port-au-Prince) that exist in Haiti. However, it does not discuss the performance of these parks, nor does it present data to substantiate the statement that "the demand for industrial space is robust." It would be useful to provide information on capacity, occupancy and demand for the existing parks since this would be a good indicator of the effectiveness of these kinds of parks in Haiti. **Empirical evidence regarding the effectiveness of industrial parks on achieving its productivity and employment benefits is mixed.** Numerous studies such as "Active policies to attract foreign investment to LAC" published by ECLAC, present such evidence. Consequently, operations such as these have significant risks with respect to achieving its proposed objectives."*

*"The POD indicates that the project was dimensioned based on a "demand study". **However, the POD includes a list of firms that have shown interest in participating in the park. This does not constitute demand.** Of the ten firms listed none have actually decided to participate, and for six of these firms the timing for the decision to participate is indefinite. This was also a major concern in the previous operation. According to the results matrix of HA-L1055, the park was dimensioned to employ 20,000 workers by 2014. It*

⁴⁸ HA-L1076, paragraph 1.16.

*is estimated that in 2012, the Korean SAE-A Trading Co. Ltd (the only firm actually operating in the park) will employ 1,500 of the 20,000. HA-L1076 will increase the park's capacity. **To justify the expansion of the industrial park, the POD should indicate the percentage of the park's capacity constructed under HA-L1055 that will be occupied by the Korean SAE-A Trading Co. Ltd, and show that demand exists for the remaining unused capacity of the park constructed under HA-L1055, and the expanded capacity to be provided by HA-L1076. (...)***"

*"The project is analyzed using a cost-benefit analysis. The economic costs used in the analysis reflect the resource costs incurred. The economic benefits are adequately identified and quantified. **The assumptions used in the analysis are spelled out but not all are realistic.** The assumption on annual employment seems overoptimistic given the actual demand by firms for the park. In addition, the analysis assumes that the minimum wage of \$5 per day will be paid to CIP workers when at the moment the minimum wage for textile workers (the industry that will employ the majority of workers) is \$3.75. Using a lower minimum wage and a more moderate increase in annual employment would reduce the economic rate of return to Haiti. The project has a monitoring and evaluation plan (...) The operation will be evaluated using a reflexive methodology and an ex-post cost-benefit analysis. (...) Overall, the risks of this project are classified as medium to high."*

Note: Emphasis added by OVE, 2012.

5.31 **For the strategy of developing an industrial hub in the north of the country to be successful, greater effort needs to be devoted to identifying and addressing the risks associated with the project.** During the evaluation missions, OVE identified specific challenges, which were broadly validated during interviews held in the country. These include: (i) the slowness of attracting firms to locate in the CIP, thus weakening the expected job creation benefits; (ii) that low wages for the jobs created may limit or eliminate the cascading effects of the project and contribute to creating pockets of poverty and violence, as has been the case with Cité de Soleil; (iii) the conspicuous lack of productive and social infrastructure associated with the development of CIP; (iv) the fact that addressing social and environmental externalities will increase the costs of the investment; and (v) the low levels of ownership of the project seen, both in the State agencies consulted and among international institutions, are oft criticized in public opinion. Adequately addressing these risks requires that the international community and government make a major institutional and financial commitment for a long period, in order to avoid major damage to the reputations of the participants involved.

E. Institutional strengthening and governance

5.32 **The strategy of supporting governance and institutional strengthening focused on the approval of a PBG at the sectoral level, and on specific strengthening components in the approved operations.** The Bank's strategy recognizes that the government's capacity to manage international aid, execute projects, regulate, and lead the policy debate are essential to the success of the country's reconstruction and development. However, its conclusion is that other international actors will spearhead attempts at "crosscutting" strengthening of the State, with the Bank working to replace traditional programs to support economic and political governance with programs aimed at institutional strengthening and restructuring in sectors where the Bank is involved, through both sectoral PBGs and specific technical cooperation components.

- 5.33 **Despite the Bank's role in sectoral strengthening programs, it continues to be a major player in providing budgetary support to the government.** Indeed, while the PBGs are aimed at strengthening sectoral institutions, the funds are disbursed to the MEF as part of the overall budgetary support funds the Bank provides to the government. Estimated budgetary support provided to the government in 2012 is US\$80 million,⁴⁹ of which 34% is attributable to IDB disbursements, while 38% is from World Bank contributions, 16% from Spain and 12% from the European Union. Similarly, the PBG for the electricity sector would have a significant impact on the budget, inasmuch as it would reduce the burden of government transfers to that sector, which currently represent nearly 2% of GDP and constitute a heavy burden on the national budget.⁵⁰ The program to reform the electricity sector being led by the Bank is receiving support from USAID and the World Bank. **There is as yet no information that would make it possible to measure the effectiveness of the PBG programs approved by the Bank on sector institutions.** During the 2010-2012 period, four quick-disbursing programs were approved: a general budgetary support PBG to address the 2010 emergency (HA-L1034, for US\$24.5 million), two PBGs on institutional transformation and modernization of the energy sector (HA-L1065 and HA-L1073, totaling US\$47 million), and one directed at institutional strengthening and reform of the agricultural sector (HA-L1074, US\$15 million). The lack of a robust system for monitoring fulfillment of conditionalities makes it difficult to gauge achievements. The PBG to promote the restructuring of the energy sector is seeking to bring about institutional changes in the electric utility and the oversight agencies. However, the lack of operational capacity at EDH to monitor the performance of these programs makes it impossible to verify progress on fulfilling conditionalities (Monitoring Report to the Government, August 2012).⁵¹ The PBG for institutional strengthening and reform of the agricultural sector disbursed in 2012 constitutes the first in a series of three PBGs, the impacts of which will be evaluated at the conclusion of the third program (2015).
- 5.34 **With regard to the components for institutional support and training included in the Bank's sectoral operations, efforts have proven insufficient to overcome the limitations identified.** Approximately 10% of the total amount approved for 2010-2012, excluding the PBGs, was dedicated to institutional strengthening activities. These activities primarily involve the contracting of experts (remuneration) to prepare studies or plans, purchase equipment and hold training

⁴⁹ IMF, 2012. This amount does not include the funds from PetroCaribe, which the government considers to be budgetary support loans. The total availability of funds from PetroCaribe amounts to US\$263 million.

⁵⁰ Thus, "The disbursement of Spain and World Bank support which are linked (US\$13 million and US\$30 million, respectively) has been delayed. This is attributable to both non implementation of prior actions (mostly on procurement and electricity sector) as well as ongoing discussions to redefine the contents of the World Bank development policy grant." IMF, 2012.

⁵¹ Monitoring report submitted to the government. August 2012.

workshops.⁵² The design of these training components addresses specific project execution needs, but lacks a holistic vision for strengthening Haitian institutions. Furthermore, these components have failed to keep up with the complex dynamics involved in bringing about change and building new institutions, a situation that has been aggravated by the country's political instability during the period in question. The appointment of a new Minister of Economy and Finance has provided the opportunity for dialogue on establishing a strategy for the institutional strengthening of key government agencies, using resources from existing operations and technical cooperation operation (document GN-2610-5), which could reverse this trend.

- 5.35 **The strategy involving coordination and joint action by the international community prior to the 2010 earthquake has proven successful in enhancing governance in Haiti.** During the period 2004-2007, there was significant progress in enhancing economic governance in Haiti as a result of the joint efforts of the IDB, the IMF, and the World Bank.⁵³ The conditionalities imposed on sectoral ministries had lower levels of fulfillment, thus demonstrating the MEF's limited ability to effect reforms in other institutions or ministries. The Bank continues to play a primary role in providing budgetary support to the government, without itself being directly involved in governance-support programs. The IDB's disbursement conditions are tied to specific sector achievements that do not match those outlined in the economic governance programs of other donors, disbursement of which are tied to progress made by the MEF itself on economic and financial management. Under such conditions, the dispersion of conditionalities for releasing funds to the MEF could weaken the international community's position for making progress on governance.⁵⁴
- 5.36 **Following the 2010 earthquake, the international community's limited involvement in political governance did not support the hypothesis under which the Bank decided to target its governance support at certain sectors. To**

⁵² Program HA-L1049, Support for Haiti's Reconfiguration of the Education Sector, allocates 100% of the amount for strengthening (US\$5 million, Component III) to hiring consultants to establish a special office at the Ministry, and for logistical equipment. Program HA-L1058, Support for Haiti's Transportation Sector II, with US\$4.45 million for contracting experts, is similar in this respect.

⁵³ See RE-394, paragraphs 3.35 et seq. The programs executed in the stage prior to the country strategy (2004-2007) advanced the political reform agenda, achieving significant improvement in economic governance. An analysis of the PBP conditionalities, conducted according to the methodologies developed by the IMF's Evaluation Office (IEO-IMF), indicates that during this first stage, the conditionalities included in the loans combined greater structural depth with a high rate of compliance. The programs succeeded in bringing about reforms and in developing the instruments and systems needed for them. They also gave rise to relevant reforms such as establishing a budget, reducing current accounts and unallocated discretionary spending, and gaining approval for a new customs code. During that stage, the investment program (HA0082) financed the products, instruments, and systems needed to fulfill the conditionalities.

⁵⁴ The OVE mission learned that different criteria emerged among the donors for disbursement of the July 2012 budgetary support. While the IMF, World Bank, and the other donors made their disbursements contingent on boosting transparency in awarding contracts, the IDB decided to authorize disbursement of the PBG, as its specific conditionalities had been met. See IMF, August 2012.

date, economic governance is the only area in which progress is being made. The IMF has an ongoing program of support and strengthening specific to Haiti's Ministry of Economy and Finance, which includes budget reform, as well as reforms in tax administration, customs and public expenditure management (IMF, 2012). Moreover, the World Bank, within the Infrastructure and Institutions Emergency Recovery program, includes a component aimed at restoring the State's key financial and economic functions,⁵⁵ while recognizing that the broader issue of State governance is not a central element of its strategy with the country.⁵⁶ Moreover, the most sensitive reform issues concerning political governance and improving transparency in public management have been outside the spectrum of reforms being undertaken and supported by the international community.

- 5.37 Strengthening governance in Haiti is central to the successful reconstruction and development of the country.** In the interviews held in the country, OVE was able to verify the absence of an agenda for reform and strengthening of the State that brings together stakeholders in the international community, including the IDB.⁵⁷ The political instability prevalent in the country until recently affected the State's ability to promote a State reform program. There is broad consensus in the specialized literature that overcoming the constraints on development in fragile environments is a basic prerequisite to improving governance and improving the institutional framework.⁵⁸ In the case of Haiti, the absence of a program for moving forward on this topic is a major risk to the effectiveness and sustainability of the partial or sector progress made. More coordinated efforts among donors are needed.

VI. PROPOSALS FOR FURTHERING AID TO HAITI

- 6.1 The urgent need to approve and disburse US\$200 million per year for 10 years, though it opens up new opportunities to devise a long-term country**

⁵⁵ The Infrastructure and Institutions Emergency Recovery Project, approved by the World Bank in September 2012, includes a first component for US\$12 million for restoration of key economic and financial functions.

⁵⁶ Interview with Alexander V. Abrantes. Special Envoy of the World Bank in Haiti. September 2012.

⁵⁷ The recent initiative by the Prime Minister of Haiti to launch the Framework Program for Reform of the State, aimed at agreeing on and designing a reform of the State program for the period 2012-2017 stresses the importance of strengthening political and economic governance for the Haitian State. At the meeting to launch the initiative, it was recognized that this was an urgent pending task for Haiti (Le Nouvelliste, 28 November 2012).

⁵⁸ OECD-DAC establishes as one of the principles for the international engagement in fragile situations, focusing on building the State as the main objective. "International engagement will need to be concerted, sustained, and focused on building the relationship between state and society, through engagement in two main areas. Firstly, supporting the legitimacy and accountability of states by addressing issues of democratic governance, human rights, civil society engagement and peacebuilding. Secondly, strengthening the capability of states to fulfill their core functions is essential in order to reduce poverty. (...)." <http://www.oecd.org/dac/conflictandfragility/38368714.pdf>. See also World Bank. Fragile and Conflict-affected Countries web page and Fragile States Resources Center. <http://www.fragilestates.org/>.

strategy, poses significant challenges. First, it creates incentives to direct operations to areas or sectors capable of actually disbursing with a degree of autonomy (e.g., large infrastructure projects and PBGs), thus reducing the appeal of taking on the essential task of building and strengthening local capacities in both the public and private sectors—a task that, though requiring less resources, is slower and more complex. Second, it generates a sense of security and ownership of the resources that reduces incentives to execute efficiently and meet the prescribed targets. Lastly, the IDB-9 does not explicitly require that the annual allocation of US\$200 million be approved and disbursed each year, but rather that those funds be transferred to the Grant Facility to support reconstruction and development in Haiti.

Explore strategies that make it possible to harmonize approvals and disbursements with the dynamics and long-term course of institutional strengthening and gradual capacity-building work in the Haitian government and the country's private sector. Thus, the commitment of US\$200 million per year could be handled as a specific allotment for reconstruction and development in Haiti with the flexibility needed to execute them based on the effectiveness of the programs and the gradual improvements made in the institutional capacity of the government, its executing agencies, and Haiti's private sector.

- 6.2 **In its role as a strategic donor, the Bank assumes a high degree of co-responsibility for the impact of programs in the country, which is a unique environment in the context of the broader region.** In its actions in Haiti, the Bank faces the challenges of effectively positioning itself within the specific country environment. The Bank's strategy recognizes the risks to the achievement of development goals for the country, present in all the Bank's strategies and intensified after the 2010 earthquake, and proposes a set of mitigation measures.⁵⁹ Such measures have been either insufficient or irrelevant compared to the size of the challenges facing the country, which is the only fragile country in Latin America and the Caribbean. Most of the risks identified by the Bank are, in fact, the conditions under which operations must be designed and executed if they are to effectively contribute to overcoming the complex problems facing the country.

⁵⁹ The risks identified in the Bank's strategy fall into six areas: (i) macroeconomic; (ii) donor fatigue; (iii) business climate; (iv) natural disasters; (v) institutional and implementation issues; and (vi) organization and coordination of aid.

Increase the information and knowledge capital on Haiti so as to improve the design of operations and strengthen the monitoring and supervision process. Likewise, given Haiti's fragile and fragmented conditions, which are unique in the Latin American and Caribbean region, the Bank's work could be enriched by the experience gained by the international community in similar environments outside the region.

- 6.3 **The Bank's portfolio in Haiti is too broad, given the country's execution and supervision capacities.** At present, there are 40 investment programs, 20 cofinancing operations, and 54 technical cooperation operations in Haiti, not including MIF and IIC projects. This is coupled with the multiple requests and offers from other international entities, creating a bureaucratic burden for the Haitian administration, as well as challenges in management, execution, and supervision—insurmountable, given the limited supply of goods and services by the private sector.

Redimension the Bank's portfolio in Haiti, to adjust it to actual execution possibilities in each sector. This means adapting the amounts to be executed to the execution constraints in each sector. Those amounts could rise as the capacity of the sector executing agencies increases.

- 6.4 **Promoting a program for reform and strengthening of the State are prerequisites to overcoming the complex problems and constraints that the country faces in implementing development programs.** This means not only strengthening economic governance, but also building the capacities of the State and its agencies to manage, coordinate, and implement public policies for overcoming poverty and promoting economic growth.

Intensify efforts to promote a comprehensive program for State reform, including both political and economic governance. The program coordinated by the government would require close coordination with major international community stakeholders.

- 6.5 **Coordination among the international community remains inadequate, given the Haitian government's limited capacities for management and execution.** The international community continues to play a key role in planning and directing the country's reconstruction and development. There is a shared responsibility with regard to both achievements and failures in this process. In 2004, the international community acknowledged this co-responsibility, and reached substantive agreements with the Government of Haiti regarding the commitments and responsibilities of each party (Republic of Haiti, 2004; OECD, 2010). The urgent situation caused by the 2010 earthquake only reinforces the need for new agreements in this regard.

Intensify coordination efforts among donors and strengthen the Government of Haiti so that it can provide effective leadership in coordinating the international aid it receives and manage it based on a reconstruction and development strategy that takes into account all stakeholders.

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LIST OF INTERVIEWS

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Stephanie von Westarp, Senior Secretary (Development), CIDA, Government of Canada

THE BANK'S PROGRAM IN HAITI 2010-2012

Note: This Annex can be read as a document independent of this report. Thus, some of the information presented in the annex also appears in the main text.

A. Approvals 2010-2012

During the 2010-2012 period, 76 operations were approved, for a total of US\$852,027,585.68.¹ Of the operations approved, eight operations, for a total of US\$60 million, were in direct response to the emergency (7% of the total), and four operations totaling US\$75 million went for reconstruction of damage caused by the earthquake (9% of the total), while the remainder of the approved portfolio (64 operations totaling US\$717 million, or 84% of the total) was allocated as part of the Bank's long-term strategy with Haiti² (see Table 3).

Table 3. Operations Approved in 2010-2012

Operation	Title	Year approved	Actual amount approved (US\$)	% disb. (Dec. 2012)
HA-G1021	Emergency Response for the Containment of Cholera	2010	5,000,000.00	36%
HA-G1022	Partial Credit Guarantee Fund	2010	12,500,000.00	0%
HA-G1024	Support for Reconfiguration of the Education Sector	2011	10,000,000.00	59%
HA-G1025	Technology Transfer to Small Farmers Program	2011	25,000,000.00	0%
HA-G1026	Support to the Implementation of the Education Plan and Reform in Haiti	2011	5,000,000.00	3%
HA-L1034	Fiscal Sustainability II	2010	50,000,000.00	100%
HA-L1035	Rehabilitation of the Electricity Distribution System in Port-au-Prince	2010	14,000,000.00	0%
HA-L1038	Supplementary Financing for the Peligre Hydroelectric Plant	2011	20,000,000.00	0%
HA-L1044	Port-au-Prince Water and Sanitation Project	2010	15,000,000.00	52%
HA-L1046	Program to Support Transportation Sector Development in Haiti	2010	29,000,000.00	100%
HA-L1048	Support to the Shelter Sector Response Plan	2010	30,000,000.00	36%
HA-L1049	Support for Haiti's Reconfiguration of the Education Sector	2010	50,000,000.00	34%
HA-L1050	Program to Establish a Partial Credit Guarantee Fund for Enterprise Development	2010	20,000,000.00	26%
HA-L1051	New Technologies and Institutional Capacity Building in the Government of Haiti	2010	3,000,000.00	21%
HA-L1054	Support for Transport Sector in Haiti	2011	55,000,000.00	15%

¹ Approvals as of 10 December 2012.

² Additionally, the Multilateral Investment Fund (MIF) approved a total of 19 operations for a total of US\$27.55 million in 2010-2012, and in 2010 established the Haiti Emergency Spending Allocation Request (HESAR) program for US\$3 million, to assist 16 local partners in restoring their ability to provide services to their clients and beneficiaries. The Inter-American Investment Corporation (IIC) approved four operations for a total of US\$5.15 million in 2010-2012.

Operation	Title	Year approved	Actual amount approved (US\$)	% disb. (Dec. 2012)
HA-L1055	Infrastructure Program	2011	55,000,000.00	81%
HA-L1056	Land Tenure Security Program in Rural Areas of Haiti	2012	27,000,000.00	0%
HA-L1057	Business Development and Training Services Program for Investment	2011	11,000,000.00	0%
HA-L1058	Support for Haiti's Transportation Sector II	2012	53,000,000.00	0%
HA-L1059	Technology Transfer to Small Farmers Program	2011	15,000,000.00	3%
HA-L1060	Support for Implementation of the Education Plan and Reform in Haiti	2011	56,950,000.00	15%
HA-L1062	Emergency Response for the Containment of Cholera	2010	15,000,000.00	97%
HA-L1065	Institutional Transformation and Modernization of the Energy Sector Program I	2011	35,000,000.00	100%
HA-L1068	Northern Economic Pole Business Accelerator Program	2012	3,500,000.00	0%
HA-L1069	Willbes Haitian	2012	4,000,000.00	0%
HA-L1072	AIC – Developing Insurance Solutions for Haiti	2012	2,000,000.00	100%
HA-L1073	Institutional Transformation and Modernization of the Energy Sector Program II	2012	12,000,000.00	100%
HA-L1074	Institutional Strengthening and Reform of the Agriculture Sector	2012	15,000,000.00	100%
HA-L1076	Productive Infrastructure Program	2012	50,000,000.00	0%
HA-L1077	Increasing Access to Quality Education in Haiti	2012	50,000,000.00	0%
HA-L1078	Private Sector Development through Investment Promotion	2012	17,500,000.00	0%
HA-T1077	Bioenergy Action Plan	2010	429,000.00	3%
HA-T1089	Support to Private Sector Investment and Export Industry	2010	550,000.00	70%
HA-T1103	Support for the Preparation of Operation HA-L1044	2010	1,500,000.00	36%
HA-T1119	Strategic Plan for Solid Waste Management in Four Intermediate Cities	2010	250,000.00	63%
HA-T1125	Emergency Response to Earthquake in Haiti	2010	200,000.00	100%
HA-T1128	Support for Haiti's PDNA Process	2010	147,722.55	100%
HA-T1130	Towards a Sustainable Energy Sector Haiti – White Paper	2010	99,392.00	100%
HA-T1131	Support for the Implementation of the Education Plan	2010	599,171.00	96%
HA-T1132	Fiduciary Support for the Partial Credit Guarantee Fund	2010	300,000.00	0%
HA-T1134	Support for the Reconstruction of the Toussaint Louverture Airport	2011	830,000.00	18%
HA-T1135	Strategic Port Study in Haiti	2010	95,000.00	100%
HA-T1136	Master Plan for Rehabilitation and Management of the Trutier Site	2010	360,000.00	18%
HA-T1137	Communication Plan to Promote Road Safety in Haiti	2010	100,000.00	44%
HA-T1138	Connectivity in Haiti: Broadband Infrastructure for Economic Development	2010	665,000.00	94%
HA-T1139	Support for the Business Development Services Program	2010	100,000.00	0%
HA-T1140	Merging Italian Fashion and Haitian Design	2011	50,000.00	100%
HA-T1141	Support for Private Sector Involvement to Develop the North	2010	245,000.00	12%

Operation	Title	Year approved	Actual amount approved (US\$)	% disb. (Dec. 2012)
HA-T1142	Preparation of the Land Tenure Regularization Program	2011	170,000.00	93%
HA-T1143	Support for the Reconstruction of Hotels in Port-au-Prince	2011	210,805.00	37%
HA-T1144	Roundtable with the New Haitian Government	2011	100,000.00	0%
HA-T1146	Action Plan for C and D Countries	2011	516,888.00	42%
HA-T1147	Support for the Education Sector Plan and IDB Program in Haiti	2011	200,000.00	1%
HA-T1148	Haiti Investment Forum 2011	2011	500,000.00	85%
HA-T1150	Artibonite 4C Hydroelectric Project - Studies	2012	1,500,000.00	8%
HA-T1151	Pilot Case in Productive Communal Areas	2012	1,350,000.00	0%
HA-T1152	Study Tour by the Sports for Development Steering Committee to Colombia	2011	15,000.00	99%
HA-T1153	Institutional Capacity Building to Promote Private Investment in Haiti	2012	750,000.00	19%
HA-T1158	Support for Haiti's Transportation Sector	2012	787,738.00	0%
HA-T1163	Feasibility Study of Cash Transfer Program in the Education Sector	2012	336,000.00	0%
HA-T1166	Truittier Informal Recycler Inclusion Program	2012	300,000.00	4%
HA-T1169	Tourism Technical Study Mission to Brazil	2011	20,000.00	37%
HA-T1170	Microenterprises in Road Maintenance: the Bolivian Experience	2011	17,000.00	42%
HA-T1171	Support for the Development of the TVET Sector Policy	2012	130,000.00	0%
HA-T1172	Evaluation of Interventions Aimed at Expanding Access to Education in Haiti	2012	45,000.00	0%
HA-T1174	Action Plan for C and D Countries	2012	593,915.00	56%
HA-X1014	Rural Water and Sanitation Program (II)	2010	10,000,000.00	23%
HA-X1015	Cofinancing – Rural Chains Program – Animal and Plant Health	2010	1,895,000.00	55%
HA-X1017	Bioenergy Action Plan (COFAB component)	2010	150,000.00	0%
HA-X1018	GEF Emergency Program for Solar Power Generation and Lighting	2010	500,000.00	100%
HA-X1019	SECCI: Emergency Program for Solar Generation	2010	1,000,000.00	74%
HA-X1021	Port-au-Prince Water and Sanitation Project	2010	35,000,000.00	20%
HA-X1023	Administration Account for Donor Resources for Haiti – UNASUR	2010	8,216,227.13	100%
HA-X1024	Integrated Control for Neglected Tropical Diseases in Port-au-Prince	2011	500,000.00	45%
HA-X1026	Support for Haiti's Reconfiguration of the Education Sector	2011	1,000,000.00	63%
HA-X1027	Support for Reform of Haiti's Education Sector	2011	20,000,000.00	71%

Source: OVE, 2012.

As regards the type of approval instruments, policy-based grants (PBGs) account for 13% of total portfolio amounts between 2010 and 2012 (US\$112 million), following the trend of the years prior to the earthquake. The portfolio also comprises 22 investment projects for US\$589 million (69% of total loans approved) and 35 technical assistance projects (US\$14 million, or 1.7% of the total).

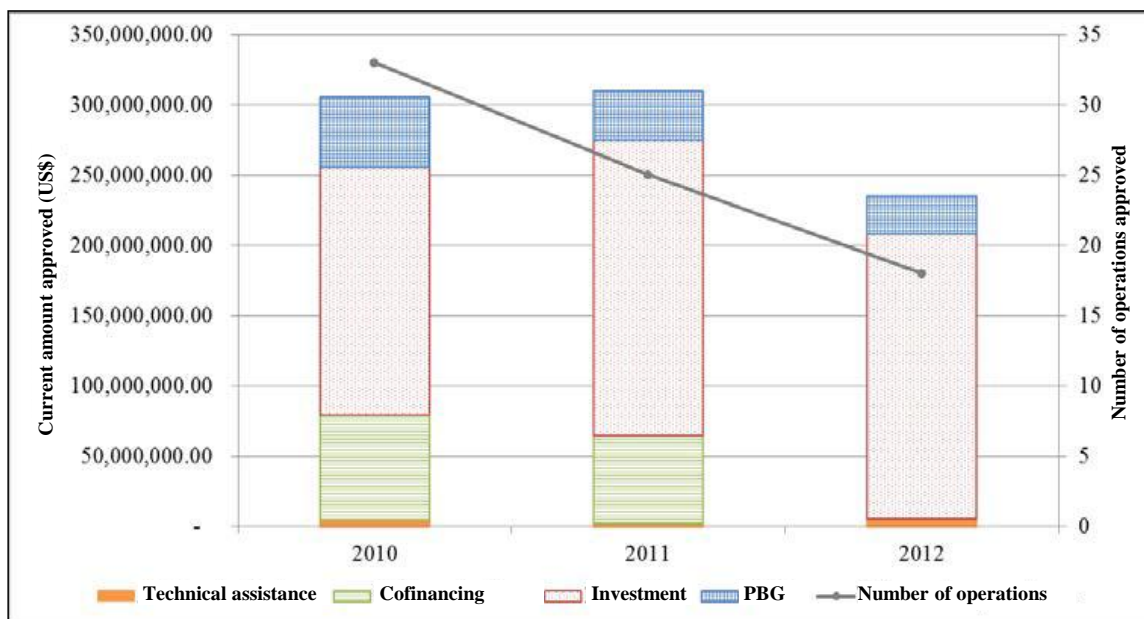
The Bank was able to raise funds from other donors to cofinance programs in Haiti for a total of US\$137 million, strengthening the Bank's role in leveraging resources. Of total approvals in 2010-2012, 16% of the portfolio came from external funding sources, leveraged in 2010 (US\$74.3 million) and 2011 (US\$62.7 million). In 2012, no cofinancing was obtained. Cofinancing comes primarily from Spanish Cooperation (US\$50 million from the Spanish Cooperation Fund for Water and Sanitation in Latin America and the Caribbean), the Trust Fund of the Global Agriculture and Food Security Program (US\$25 million) and Canadian Cooperation (US\$20 million) (see Table 4).

Table 4. Operations approved, 2010-2012 (US\$ million)

Type	2010		2011		2012		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Technical assistance	15	5.64	11	2.63	9	5.80	35	14.07
Investment	8	176.00	7	210.00	7	203.00	22	589.00
PBG	1	50.00	1	35.00	2	27.00	4	112.00
Subtotal	24	231.64	19	247.63	18	235.80	61	715.07
Cofinancing	9	74.26	6	62.70	0	0	15	136.96
Total	33	305.90	25	310.33	18	235.80	76	852.03

Source: OVE, 2012.

Figure 4. Approvals by type of operation, 2010-2012



Source: OVE, 2012.

The education sector and the transportation sector account for the largest approval amounts in 2010-2012. During the review period, these two sectors received approvals for more than US\$334 million, or 38.5% of the total portfolio. Investments in the northern hub account for 12% of the portfolio (US\$105 million), followed by the energy and agriculture sectors, with 9.8% and 9.7%, respectively, for more than US\$84 million of the total approved.

Table 5. Sector analysis, operations approved, 2010-2012 (US\$)

Sector	2010	2011	2012	Total	%
AG	1,895,000.00	40,170,000.00	42,000,000.00	84,060,000.00	9.9%
WS	67,457,722.55	0	300,000.00	67,757,722.55	8.0%
UD	30,000,000.00	0	0	30,000,000.00	3.5%
ED	50,944,171.00	98,415,000.00	51,525,000.00	200,884,171.00	23.6%
EN	16,178,392.00	55,000,000.00	13,500,000.00	84,678,392.00	9.9%
FM	32,800,000.00	0	2,000,000.00	34,800,000.00	4.1%
IN	0	4,000,000.00	0	4,000,000.00	0.5%
Other	8,216,227.13	100,000.00	0	8,316,227.13	1.0%
NH	0	55,000,000.00	53,500,000.00	108,500,000.00	12.7%
SMED	0	50,000.00	17,500,000.00	17,550,000.00	2.1%
HL	15,000,000.00	500,000.00	0	15,500,000.00	1.8%
TD	54,215,000.00	1,043,500.00	1,343,915.00	56,602,415.00	6.6%
TR	29,195,000.00	55,847,000.00	53,787,738.00	138,834,738.00	16.3%
ST	0	230,805.00	0	230,805.00	0.0%
Total	305,901,512.68	310,356,305.00	235,452,653.00	851,714,470.68	100.0%

Legend: AG: Agriculture; WS: Water and Sanitation Sector; UD: Urban Development and Housing; ED: Education; EN: Energy; FM: Financial Markets; IN: Industry; NH: Northern Hub; SMED: Small and Medium-sized Enterprise Development; HL: Health; TD: Trade; TR: Transportation; ST: Sustainable Tourism.

Source: OVE, 2012.

During the 2010-2012 period, 72 approved operations were in execution prior to the earthquake, with US\$491.8 million as yet undisbursed as of 1 January 2010. The undisbursed portfolio (58%) was distributed in the following sectors and amounts: transportation: US\$166.3 million; and water and sanitation: US\$120.4 million.

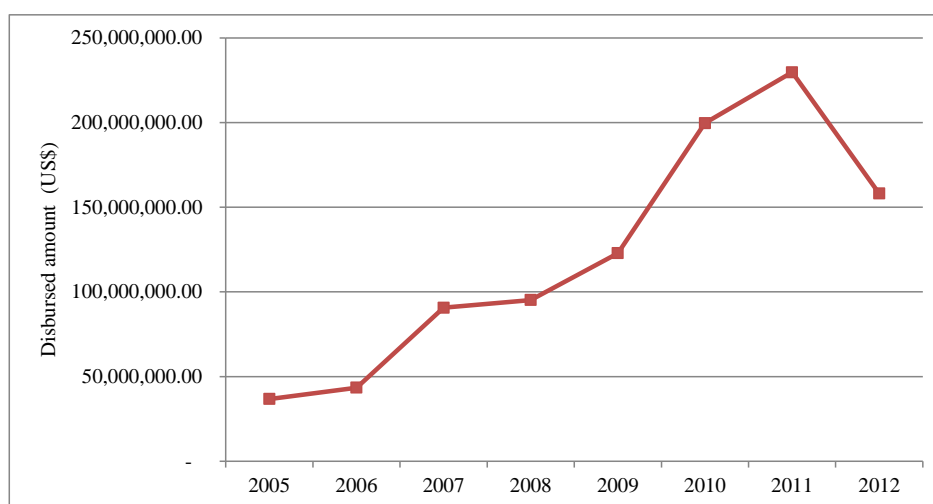
The ongoing frequent approval of operations also puts strains on the activity of the Country Office, and limits its availability to execute and supervise active programs. In the case of the education and road sectors, the long-term strategy called for annual approval of further operations over a five-year period for certain sectors, without considering limitations in the design and implementation of the portfolio, which were made even worse by the 2010 earthquake. For example, the education sector was committed to adopting a new operation for US\$50 million in 2012, as called for in the strategy, despite cumulative disbursements of only 33.6% (with US\$154.9 million undisbursed as of December 2012) and in spite of the team's own specialists' recommendation that no further approvals be made for 2012 (project monitoring report HA-L1049, October 2012). The efforts devoted to approving new programs (studies, sectoral analyses, dialogue with the government, design work) has reduced the capacity to supervise projects and thus improve execution and outcomes for programs already

approved.³ Furthermore, the management of cofinancing resources by Country Office specialists (progress reports and monitoring) adds high transaction costs to normal activities associated with Bank programs. The sectoral objectives regarding disbursements and outcomes do not reflect these costs.⁴

B. Disbursements

The Bank was able to markedly increase the level of disbursements over historical levels, though the portfolio amounts remaining undisbursed have increased over the levels seen prior to the 2010 earthquake. In 2010-2012, US\$619 million was disbursed—an amount significantly higher than in previous years (see Figure 4).⁵ However, despite the increase in disbursements, the accumulated undisbursed amount has increased relative to the amount prior to the 2010 earthquake.⁶ Thus, as of December 2012, undisbursed funds total more than US\$724 million for 116 active operations.

Figure 5. Changing disbursement levels, 2005-2012



Source: OVE, 2012.

The level of disbursements for 2012 fell compared to the previous two years due to increased problems with program execution. The energy and road sectors, though they continue to be the sectors with the highest disbursement levels, have seen a decline in

³ This observation was made during the OVE mission to Haiti in September 2012, and is included in the October 2012 PMR for program HA-L1049.

⁴ Even though cofinancing amounts have been much lower in recent years, the costs in terms of time for the preparation of reports has remained relatively unchanged (PMR HA-L1049, October 2012). Similarly, since 2010, the Bank's Management does not charge an administrative fee for managing the contributions from donor cofinancing. Thus, the work of the specialists associated with these cofinancing programs is covered under the management costs for Bank-approved programs.

⁵ During the 2007-2009 period, an average of US\$137.4 million was disbursed per year.

⁶ As of 1 January 2010, the Haiti portfolio had pending disbursements amounting to US\$491.4 million.

disbursement amounts from the 2010 and 2011 levels.⁷ The decrease is attributable to the limited execution capacity of EDH (with regard to the energy sector) and to problems in executing the contract with the construction company, which has led to a partial stoppage in road works. The complexity of the programs in other sectors, such as agriculture and water and sanitation, has also stalled disbursements.

In terms of types of instruments, PBGs have disbursed 100% of approved amounts during the review period, making up 19% of the disbursed portfolio. More than 60% of the disbursed portfolio is for investment programs, while nearly 18% is for cofinancing programs. In terms of the timing of approvals, 50% of the disbursed portfolio has been for programs approved prior to the 2010 earthquake.

Disbursements have been focused on activities which, by their nature, allow for high disbursements per transaction. These activities include quick-disbursing programs (PBGs) and activities associated with major contracts for works and services. Expenditures in the education sector represent 13% of the entire disbursed portfolio, and are concentrated in components for tuition waivers and distribution of school kits for preschool and secondary school children (HA-L1049 and HA-L1060).⁸ For the road sector, which accounts for 24% of total disbursements (US\$147.7 million), disbursements are associated with large contracts for the rehabilitation of roads that are typical of this sector. Disbursements in the energy sector are attributable to the two PBGs in 2011 and 2012, and to the water and sanitation program for contracting a firm to provide comprehensive advisory services for management in Port-au-Prince.

⁷ The energy sector disbursed US\$41.8 million in 2011, and US\$22 million in 2012. The road sector reduced its disbursements, beginning in 2010, with US\$70.4 million disbursed in that year, US\$64.9 million in 2011, and US\$41.3 million in 2012.

⁸ Legend for Figure 2: AG-Agriculture; WS-Water and Sanitation Sector; ED-Education; EN-Energy; TD-Trade; TR-Transportation. "Other" includes: UD-Urban Development and Housing; FM-Financial Markets; IN-Industry; OT-Other; SMED-Small and Medium-Sized Enterprise Development; HL-Health; and ST-Sustainable Tourism.

Table 6. Disbursements by Sector, 2010-2012 (US\$)

Sector	2010	2011	2012	Total	%
AG	8,722,722.46	16,081,638.76	23,247,833.49	48,052,194.71	7.8%
WS	16,735,802.05	24,658,636.17	31,435,378.03	72,829,816.25	11.8%
UD	6,512,907.60	11,101,102.81	2,156,347.34	19,770,357.75	3.2%
ED	22,210,374.16	27,324,671.76	33,000,022.78	82,535,068.70	13.3%
EN	3,072,910.58	41,849,735.75	22,240,826.91	67,163,473.24	10.8%
FM	12,442,335.76	20,000,257.33	15,327,661.67	47,770,254.76	7.7%
IN				-	0.0%
Other	4,561,881.52	3,654,345.13		8,216,226.65	1.3%
NH		10,909,955.32	33,415,661.93	44,325,617.25	7.2%
SMED	107,712.00		50,000.00	157,712.00	0.0%
HL	2,632,466.02	15,979,448.70	1,964,580.46	20,576,495.18	3.3%
TD	52,148,917.96	3,571,765.98	3,969,074.07	59,689,758.01	9.6%
TR	70,376,846.49	54,022,859.62	23,292,290.87	147,691,996.98	23.9%
ST	15,000.00	251,839.00	19,109.88	285,948.88	0.0%
Total	199,539,876.60	229,406,256.33	190,118,787.43	619,064,920.36	100.0%

Note: AG: Agriculture, WS: Water and Sanitation; UD: Urban Development and Housing, ED: Education; EN: Energy; FM: Financial Markets; IN: Industry; NH: Northern Hub; SMED: Small and Medium-sized Enterprise Development; HL: Health; TD: Trade; TR: Transportation; ST: Sustainable Tourism.

Source: OVE, 2012.

By contrast, activities that demand greater institutional commitment continue to show low levels of execution. Disbursements related to complex programs with multiple activities that involve the participation of several institutions suffer significant delays, such as the agriculture programs in the Artibonite Valley. Programs to improve water/sanitation and electricity coverage have experienced major delays due to problems associated with ownership of projects by DINEPA and EDH, respectively, as well as the lack of institutional capacity.

C. Sectoral advances⁹

There is a general lack of information from the executing agencies, which often present incomplete monitoring reports, hindering analysis of the achievement of development objectives. Moreover, the endemic lack of information limits the use of secondary sources to document development impacts. The evaluative quality of the portfolio is also poor, due to a lack of appropriate indicators and development goals that are unrealistic given the efforts and resources devoted to achieving them, and that are highly optimistic given the severe implementation problems in the portfolio.

⁹ This section describes the main results, by sector, up to the date of the submission of this report (November 2012). It is based on information provided in the latest Haiti Quarterly Report, of August 2012 (document GN-2610-5), the portfolio review presented by the Bank to the government on that same date, and the latest PMR available for each program analyzed.

Furthermore, the data presented in the Bank's progress monitoring reports (PMRs) with regard to outputs and outcomes are insufficient, limiting the ability to analyze and justify programs' progress and impact.¹⁰

To date, results have varied from sector to sector, and the task of meeting development objectives has faced major risks.¹¹ Despite strengthening of technical expertise at the Country Office and the fact that it has experienced specialists in all sectors, the combination of constraints in the dialogue with the government and difficulties in implementing programs makes it difficult to achieve the expected results. Given pressure to approve and disburse operations, and problems in program execution, programs have been forced to restructure and lower their targets.¹² Components have been reformulated to address the emergency and reconstruction needs following the 2010 earthquake that had not been successfully executed. The multiplicity of activities and the complexity of the portfolio in some of the sectors have limited attainment of the established targets.

Education sector

Disbursements in the education sector have been limited and have been contingent on meeting the targets. In all, 16 operations were approved in 2010-2012,¹³ while 14 previously approved operations are currently active or were completed during this period. Disbursements for the education sector to date represent 33.6% of the total amount approved, with US\$154.9 million yet to be disbursed as of December 2012. The oldest programs in the portfolio (HA0017, approved in 2005 for US\$22 million, and HA-L1040, approved in 2009 for US\$20.5 million) will be completed in 2012.

Delays, cost overruns, and poor capacity in the executing units have led to a modification of some of the programs' targets. Program HA0017 decreased the number of young people it was intended to benefit from 30,000 to 9,600; 59% of its reformulated objectives have been achieved, due to cost overruns for training, lack of trained personnel, and management problems with the executing unit. The number of training centers to be rebuilt and the number of vocational training centers to be accredited were also reduced, but the revised targets were not met.

The scarcity of studies and information and the weakness of the FAES executing unit have delayed planned activities. The lack of school mapping and the failure to identify viable land for building new schools have delayed execution of activities associated with the new programs approved (HA-L1049, HA-L1060). There have been

¹⁰ Of the 17 PMRs for investment programs reviewed, a total of 52 output indicators for 2012, out of the 103 presented, included no data on the extent to which targets were met.

¹¹ The results presented in this section are based on information contained in the latest available Haiti Quarterly Report, of August 2012 (document GN-2610-5), the portfolio review submitted by the Bank to the government on the same date, and the latest PMR available for each program analyzed.

¹² This is true in the case of program HA-L1049 in the education sector, which has modified a number of output and outcome indicators due to lack of information to report, or as a result of unrealistic indicators or targets in view of the historic limitations in execution of the programs (PMR September 2012).

¹³ Of the 16 operations, 9 are for technical assistance (US\$3 million), 4 are cofinancing programs (US\$36 million) and 3 are investment programs (US\$176.9 million).

limitations in the execution capacity of domestic firms contracted, as well as in the supervisory capacity of the FAES executing agency, requiring that the intervention model be altered.¹⁴ Thus, new contracts for the construction of a series of schools will be carried out by international firms, rather than by contracting local firms to build individual schools. An international firm will also be used to monitor the works.

Table 7. Main outcomes of completed programs in the education sector

Program	Indicator	Program target	Outcomes as of 2012	Remarks
HA0017 (2005)	Vocational training centers accredited by the National Professional Training Institute (INFP)	70	10	
	Training centers rebuilt and equipped	8	6	The initial target was 10 centers.
	Instructors trained	200	200	
	Training of young people	5,636	9,600	The initial target was 30,000.
	INFP executives trained in management	NA	67	
	Information system established	1	1	
HA-L1040 (2009)	Distribution of school supplies	100,000	36,541	According to the PMR of September 2012, the number of school kits was 91,315.
	Schools equipped	50	7	According to the PMR of September 2012, 72 schools had been equipped.
	Schools with financial support following the 2010 earthquake	1,909	577	
	Locations that had received temporary infrastructure and furniture	50	58	The component was reformulated after the 2010 earthquake.

¹ Portfolio review data presented by the Bank to the Government of Haiti (August 2012)

Source: OVE, 2012.

Progress on the program to support reconfiguration of the education sector is still in the beginning stages. Program HA-L1049, approved in 2010, shows signs of progress in the tuition waiver component, which achieved its objectives, with nearly 35,000 students enrolled in primary schools and preschools. By contrast, the component for building infrastructure has experienced delays and has not met its target of building 50 permanent or semipermanent schools per year.¹⁵ The distribution of school kits for preschool and secondary school students also did not meet its target. Given the cost overruns it

¹⁴ Problems in executing construction works for new schools, and the lack of FAES supervision contributed to the unsatisfactory results and the need to destroy the works already constructed in order to begin anew, due to technical flaws in the original construction.

¹⁵ Of the 50 schools planned, work on 21 permanent schools was begun; structural problems were detected, stopping implementation of the works.

experienced, the target for 2012 has been scaled down.¹⁶ For most of the indicators, the PMR of September 2012 provides no update on the extent to which targets were met during the year, hindering evaluation of program implementation.

Transportation sector

In the transportation program, the Bank continues to focus on rehabilitating primary roads, falling behind on secondary and tertiary roads. Program HA-L1019, Rehabilitation of Road Infrastructure for Integration of the Territory, approved in 2007 for US\$100 million, is currently in execution. The program has fallen short in meeting annual targets for the rehabilitation of primary roads, with almost no progress in terms of secondary and tertiary roads. The components for the rehabilitation of secondary and tertiary roads are continuously being reformulated to cover cost overruns in the primary roads component, thus providing obstacles to meeting the objectives of the Bank's country strategy with Haiti to support basic infrastructure to benefit agricultural production. Additionally, two new operations have been approved and are now being implemented.¹⁷

Table 8. Targets and outcomes of program HA-L1019, Rehabilitation of Road Infrastructure for Integration of the Territory

Indicator	2010		2011		2012		Total 2010-2012	
	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved
Primary roads rehabilitated (km)	50	35	50	30	38	2	138	67
Secondary and tertiary roads rehabilitated (km)	30	4	90	10	130	5	250	20
Bridges constructed (number)	4	2	6	2	8	2	20	6
Urban sidewalks improved (km)	2	NA	2	NA	4	NA	8	NA

Source: PMR, September 2012.

In 2010, the Bank also approved one operation (HA-L1046) for supplemental financing for two previous programs (HA0075 and HA0087), both of which were completed in 2012, setting the trend of prioritizing the rehabilitation of primary roads over secondary and tertiary roads. Both programs modified their targets substantially, reducing funds for the rehabilitation of secondary and tertiary roads. Program HA0075 was intended to sustainably improve the country's secondary and rural infrastructure, by rehabilitating 200 km of secondary roads and 300 km of tertiary roads,

¹⁶ In 2011, 16,541 school kits were distributed, compared to the target number of 80,000. The content of these kits was modified due to cost overruns for the planned materials. Moreover, the Ministry of Education has no set criteria for distributing these kits.

¹⁷ HA-L1058 and HA-L1054.

along with rehabilitating a portion of route RN3, a task left over from a previous project. Program HA0087 targeted the rehabilitation of 170 km of primary roads and 300 km of secondary and tertiary roads. Supplemental funding was approved to cover cost overruns resulting from the lack of studies and from bids that exceeded the proposed amounts. These problems caused further major delays in the programs, which were focused on rehabilitating primary roads. The conditions for implementation of these projects were heavily affected by the damage from hurricanes that struck the country in 2006 and 2008, and it became necessary to restructure the program and modify which stretches of highway were to be rehabilitated. Ultimately, most of the program's restructured targets were met.

Table 9. Targets and outcomes of programs HA0075 and HA0087

Program	Indicator	Cumulative prior to 2010		2010		2011		2012		Total 2010-2012	
		Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved	Target ¹⁸	Achieved
HA0075 (1997)	Departmental Directorates of the MPTPC strengthened	3	0	3	4	4	0	-	-	9	4
	Technical consultants contracted for the UTE	-	-	1	7	1	0	-	-	2	7
	Maintenance contracts	-	-	9	8	9	0	-	-	18	8
	Km of primary roads	-	-	30	51	31	17	-	-	68	68
	Km of secondary and tertiary roads	-	-	75	197	175	28	0	3	250	228

¹⁸ The modified targets with regard to primary, secondary and tertiary roads to be rehabilitated are provided.

Program	Indicator	Cumulative prior to 2010		2010		2011		2012		Total 2010-2012	
		Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved	Target ¹⁸	Achieved
HA0087 (2005)	Km of primary roads	35	0	77	103	-	-	-	-	112	103
	Km of secondary and tertiary roads	14	0	14	22	-	-	-	-	28	22
	Airport rehabilitated	-	-	1	0	-	-	-	-	1	0
	Port rehabilitated	-	-	1	0	-	-	-	-	1	0
	Institutional and technical support studies	4	0	2	6	-	-	-	-	6	6

Source: PMR, September 2012.

The pace of rehabilitation has slowed, due to problems in the design and implementation of programs. The result has been delays and a downscaling of the original targets. As a result, annual disbursements for the road sector have dropped from US\$70 million in 2010 to an estimated US\$20 million in 2012.¹⁹ Currently, road sector funds approved but undisbursed total US\$160 million.

Maintenance of the highways that have been constructed and rehabilitated remains one of the most important challenges facing Haiti's road sector. The goal of expanding the national road network that is in good condition has not been achieved, and the strategy of creating microenterprises to oversee highway maintenance has not reached fruition. The Road Maintenance Fund (FER) does not have the necessary funds or sufficient staff to carry out rehabilitation work. However, plans to establish a Directorate of Roads within the Ministry of Transportation show signs of a greater commitment by the government to improving road quality.

Agriculture sector

The portfolio to support the agriculture sector suffers from low disbursement levels, while difficulties in executing programs persist. With approvals amounting to more than US\$84 million between 2010-2012, and remaining amounts of US\$78.6 million as of January 2010, disbursements during the 2010-2012 period did not exceed US\$47.6 million. These disbursements have been almost entirely for programs approved prior to the 2010 earthquake and for the PBG program (for which US\$15 million was

¹⁹ The main delays in constructing primary networks relate to the lack of precise preinvestment designs and failure to execute the expropriations necessary to continue with the works. The construction firm, OAS, unable to execute the planned contract due to these problems and others involving vandalism and lack of security, has withdrawn. Currently, talks with the government are taking place to resolve the contract. As a result, the disbursements related to executing road programs for 2012 will be lower than expected.

approved and disbursed in 2012). Delays and problems in implementing the programs are due to lack of capacity in the executing units, both in terms of implementation and with regard to supervision and monitoring, as well as to cost overruns and the difficulty of finding consulting firms interested in participating in the programs.

The complexity of most of the programs, with their multiple activities and various executing agencies with low institutional capacity has limited the ability to achieve the planned objectives, and has made it necessary to frequently reformulate programs. Operations for which more than 50% of the funds have been disbursed have little to show in the way of results that serve the development objectives of the sector. The most notable outcomes concern the rehabilitation of secondary irrigation systems and expansion of the capacity of the Artibonite canal (Program HA0016). Programs HA-L1009 and HA-L1003 have suffered major delays in most of their activities, and there are not sufficient data to evaluate their implementation. Some of the targets have been redefined, and various activities and components have been canceled due to lack of implementation capacity on the part of the executing agency, or to cost overruns.²⁰ Moreover, according to the PMR (September 2012), the vertical rationale of some programs, such as HA-L1003 and HA0016, is not satisfactory, with no correlation between accomplishment of the proposed activities and the final targets. Lastly, indicators for evaluating the Bank's strategic objectives for the sector are inadequate, and there is insufficient evidence to gauge the degree to which the objectives will be accomplished.²¹

A new Bank strategy for dialogue with the government opens up opportunities to improve execution of programs and achievement of development goals. Given a context of lack of ownership of programs in the agriculture sector and on the part of the government, and lack of institutional capacity for implementing the agricultural portfolio, the Bank has proposed a multipronged strategy. After working to cancel certain projects and finish the oldest programs in the portfolio in 2012 and 2013,²² a PBG for institutional strengthening and reform of the agriculture sector was approved (HA-L1074) for US\$15 million, with simple conditionalities related to basic management of the sector. Although the PBG is being executed by the Ministry of Economy and Finance (MEF), and incentives to comply with the conditionalities could be limited by the Ministry of Agriculture, the new projects slated for approval will include some of these

²⁰ In the case of program HA-L1003, for example, with the cancellation of the "Innovative Air Conditioning Systems" output, or in the case of the components for "Irrigation and Dredging of the Right Bank of the Estère River" and "Construction of the Tertiary Irrigation and Drainage System" associated with HA0016.

²¹ The indicators for the planned outcomes of the program for the "Reduction of Losses Expected from Floods and Landslides" are insufficient and are classified as output indicators (measurement stations installed, emergency committees trained, trees planted). The same is true in the case of planned outcomes for the program "Increase in Incomes from Agriculture in the Planned Areas," with indicators related to the number of animals vaccinated or re-vaccinated (without further specification), secondary canals built, or access of farmers to better agricultural services (pilot project with only 2,000 farmers).

²² The agriculture portfolio is currently being cancelled, closing some programs approved prior to the 2010 earthquake that are making no progress in implementing their activities. For 2012, it is expected that programs HA-L1005 and HA0016 will be completed, while programs HA-L1021, HA-L1003, and HA-L1009 are to be closed in 2013.

conditionalities as conditions for their approval, along with others related to the institutional environment and the capacities of the executing units. Lastly, the actual amounts approved for future operations will depend on the disbursement capacity of the executing units in previous years, to promote increased disbursements and improve the implementation of activities.

Energy sector

Disbursements in the energy sector are associated primarily with PBG programs,²³ although the planned development objectives are not verifiable. The monitoring report for the government (August 2012) identifies a lack of operational capacity to monitor the performance of these programs, due to the limitations of EDH in program management, as well as the lack of ownership of Bank programs. Also highlighted is the problem of assessing the connection between PBG funds provided to the Ministry of Economy and Finance and improvements in EDH. The company continues to lack incentives, and suffers from poor planning, which prevents these programmatic projects from having a real impact on the sector beyond budgetary support.

The objectives of expanding the coverage of electricity and energy services in urban and rural areas have not been achieved. The Haiti Quarterly Report (document GN-2610-5) presented in August 2012 indicates no progress in either the rehabilitation of medium- and low-voltage circuits or in installing service lines and meters, noting problems in gaining access to the land on which to build a substation (the most important component of the project).

Program HA-L1014 provides for a reformulation of targets for several of its indicators, due to cost overruns in the execution of works and a lack of institutional capacity on the part of EDH. The number of substations to be rehabilitated has been reduced from 6 to 3, of which only two have been rehabilitated; the number of lines to be rehabilitated was reduced from 15 to 7, of which 5 have been completed so far; and the number of meters to be installed was downsized from 55,000 to 35,000, but they have not yet been installed.

²³ PBGs HA-L1065 (US\$35 million) and HA-L1073 (US\$12 million).

Table 10. Main targets and outcomes of program HA-L1014

Major indicators	Cumulative prior to 2010		2010		2011		2012		Total 2010-2012	
	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved
Substations rehabilitated	2	0	2	0	2	1	1	1	7	2
Medium- and low-tension circuits rehabilitated	3	0	7	0	5	0	1	0	16	0
Utility poles provided	-	-	-	-	1,432	1,432	-	-	1,432	1,432
Conductors provided (km)	-	-	-	-	200	200	645	0	845	200
Meters provided	-	-	-	-	35,000	0	-	-	35,000	0
EDH staff trained	5	0	10	4	0	10	15	0	30	14

Source: PMR, September 2012.

There have been problems with environmental safeguards, which has delayed rehabilitation of the Péligre plant and has increased costs. The fact that the emptying of the dam proved incompatible with the Bank's agriculture programs in Artibonite forced a change in the execution conditions for the works, which has delayed the component and increased implementation costs. Moreover, the Haitian Parliament put a hold on approving the OFID financing until June 2012, so there were not sufficient funds for rehabilitating the hydroelectric plant.

The recent commitment by the new management of EDH opens up the opportunity for greater ownership of Bank programs, and for moving towards achieving the outcomes. In August 2012, EDH was restructured, and a new management team was appointed. It is committed to moving forward on the country's energy program with the Bank and to improving portfolio execution and disbursement. The Bank is supporting the work of international consulting firms for the institutional strengthening of EDH. To date, the consulting staff has not been incorporated into EDH, due to the fact that international experts have not been permitted to be involved in the company's operations.

Water and sanitation sector

There have been limited disbursements for the water and sanitation portfolio—a reflection of the problems in executing programs, primarily due to the lack of program ownership by DINEPA and its low institutional capacity. With an undisbursed portfolio of more than US\$102 million as of December 2012, water and sanitation programs have experienced delays and limitations, given DINEPA's limited capacity to manage projects (document GN-2610-5). Moreover, the invoice amounts are

very low, and the management contracts are not very attractive to the private sector.²⁴ Lastly, users of the system have not shown a sense of ownership of the new facilities, and there have been cases of vandalism, which interfere with achieving the program objectives.²⁵

The program for intermediate cities (HA0014, HA-L1039 and HA-X1013) has experienced problems in implementation, with varied results in the different cities involved. The cities of Saint Marc and Port-de-Paix have made progress in contracting management of their water and sanitation systems, while Ouanaminthe, Jacmel, and Les Cayes are experiencing delays. In all of the cities involved, progress in providing service, and in terms of the number of subscribers, has been slower than planned. The first tangible outcomes are expected in 2013.²⁶ There has been a similar failure to expand the network as planned (by 15 km). Moreover, to date, the sanitation component has failed to achieve any of the planned outcomes (PMR HA-L1039, September 2012).

Table 11. Major targets and outcomes of the program for intermediate cities

Major indicators	2010		2011		2012		Total 2010-2012	
	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved
Sanitation master plan for 5 cities	-	-	2	0	-	-	2	0
Services for urban properties established	-	-	-	-	2	0	2	0
Pilot sanitation network constructed in Saint Marc and Jacmel	-	-	1	0	-	-	1	0
Public restrooms constructed in 6 cities	-	-	0	1	20	0	20	1
Promotional campaigns in 6 cities	-	-	2	0	2	1	4	1
UTE functioning in Ouanaminthe, Port-de-Paix, and Les Cayes	-	-	1	2	2	0	3	2
Sanitation studies conducted	-	-	1	0	-	-	1	0
Km of network completed in outlying areas	-	-	15	0	20	0	35	0

²⁴ HA-L1007. Presentation of results to the Haitian government. August 2012.

²⁵ HA-L1039, HA-L1007. Presentation of results to the Haitian government. August 2012.

²⁶ Currently, the program has disbursed 23% of the amounts approved.

Major indicators	2010		2011		2012		Total 2010-2012	
	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved
Awareness-building campaigns on water-borne diseases	-	-	6	6	12	6	18	12
Persons at DINEPA with contract and work plan	35	35	35	65	35	0	105	100

Source: PMR, September 2012.

The rural program is moving forward with good results, and the strategic objective of improving water and sanitation coverage was achieved both in 2011 and 2012. In 2012 the following objectives will be met: rural households with new or improved water supply (14,000), community latrines built (30), and professional management operators up and running and coordinating with the Committees on Water Supply and Sanitation (20). There are difficulties for implementing the institutional strengthening component (production of audited financial statements, trained staff), although some management indicators have improved.

Table 12. Main targets and outcomes of the rural water and sanitation program (HA-L1007)

Major indicators	2010		2011		2012		Total 2010-2012	
	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved
Rural Departmental Units up and running	10	10	10	1	11	0	51	11
Families with sustainable access to drinking water	5,000	4,500	4,500	4,000	4,500	4,700	14,000	13,200
Community latrines built or rehabilitated	-	-	20	29	10	2	30	31
Professional management operators up and running	6	11	6	3	8	5	20	19

Source: PMR, September 2012.

The strategic objective of improving solid waste management practices has not been implemented, pending preinvestment studies to set targets. There are problems associated with siting the new Truitier landfill, as well as with the proposals from the private companies that submitted bids. There is neither appropriate experience in the country nor technical capacity for solid waste management in DINEPA. Institutional

strengthening is needed in this regard. The program is frozen until 2013, pending the aforementioned studies.

The results of the water and sanitation programs in Port-au-Prince are slow in appearing, particularly as regards sanitation, where there have been none. The objectives proposed for 2012 concerning repairs to stop water distribution system losses (150), installation of new individual connections for households in Port-au-Prince (2,081) and the number of water kiosks in operation (60) have been achieved. No satisfactory outcomes have been achieved with regard to training DINEPA personnel²⁷ or rehabilitating water sources and wells, and no data are available on meters installed or the installation of sanitation solutions. Moreover, problems in retrieving materials from customs are delaying improvements to service delivery infrastructure.

Table 13. Main targets and outcomes of the water and sanitation program in Port-au-Prince (HA-L1044).

Major indicators	2011		2012	
	Target	Achieved	Target	Achieved
Hours of formal staff training	120,000	1,177	120,000	5,624
Standards-based accounting systems in operation	1	0	-	-
Rehabilitation of wells and water sources	4	2	11	0
Water kiosks operating	200	200	50	60
Households with new water connections installed in Port-au-Prince	700	1,200	2,000	2,081
Households with sanitation solutions installed	6	0	6	0
Macro-meters installed	16	0	78	0
Water leaks repaired	50	1,285	100	150
Households with sanitation solutions installed in Ouanaminthe	-	-	4,600	202

Source: PMR, September 2012.

In order to improve management at DINEPA, streamline works and strengthen the institution, a consulting contract with a prestigious international operator was approved to assist DINEPA in its improvement efforts, though there have been only limited results to date. Associated with the water and sanitation program for Port-au-Prince (HA-L1044), an institutional strengthening component for US\$17 million was approved for hiring an international consulting firm to assist DINEPA over a three-year period in managing the water service network in the Port-au-Prince metropolitan area. The company has prepared the monitoring reports and studies related to the contract signed between DINEPA and the IDB. However, DINEPA's management has not adopted the results and is not collaborating on improving its management processes. Thus, there has been little effect from the consulting services to date.

²⁷ The targets have been modified in light of the problems in measuring the informal hours of training for this activity (PMR September 2012).

Private sector

The strategy for supporting the private sector includes development of the Caracol Industrial Park (CIP) and support for SMEs. Of these two initiatives, the CIP program is advancing more quickly. Meanwhile, operations to support SMEs through a line of credit guarantees (HA-L1078) and the development of individualized business plans (HA-L1068) face limitations and are experiencing low disbursement levels associated with low demand from microfinance companies. The Bank has also approved and implemented a set of technical cooperation operations aimed at improving the business climate in the country and promoting private sector investment.

The CIP and its related activities represent the most innovative and daring proposal put forth by the Bank in collaboration with the government and other entities in the international community. Working with other development cooperation entities to deconcentrate the government, the Bank identified the development of the northern region of the country as a priority area of action. Total investment committed for this thus far is US\$300 million, of which 40% is being financed by USAID²⁸ and 60% by the IDB. The central element of the strategy is the construction of the CIP to attract international firms, to reap the benefits of the HOPE-II agreement with the United States. The park is designed to attract private enterprises, which, anchored on the HOPE-II facilities, will create jobs, primarily in the textile assembly sector. The program will be supplemented by investments in tourism, agriculture, transportation and other sectors, through Bank programs and other funding sources yet to be confirmed.²⁹ The strategy sets a target of 50,000 new jobs by 2015.

There have been notable advances in the program as regards the building of infrastructure. So far, the Bank has approved two specific operations for the development of the northern hub. The first of these (HA-L1055) is for US\$55 million, of which 58% has been disbursed, while the second (HA-L1076) is for US\$50 million (initial disbursement pending). Up to the end of 2012, the construction of 11 industrial units had been completed for the operations of the companies that will occupy space in the CIP, and the program to compensate the 600 people displaced by the construction of the park had also been finalized. Currently only one international company (Sae-A) and one national paint company (Peintures Caraïbes) have begun operating in the CIP, employing some 1,500 people. The Bank, in partnership with USAID and the GOH, has an active program to secure new investments to attract new companies to the industrial park. Contact has been made with several firms that have expressed interest in locating in the area.

The urgency with which the design and execution of the works was approached has left little room to address problems associated with the environmental, social, economic, and institutional impact of the CIP, or even to address the comments in this regard made by the Bank itself. The works were executed in a record time of ten months.

²⁸ According to the design of program HA-L1076, USAID will provide nonreimbursable financing of over US\$120 million for power generation, housing in communities surrounding the CIP, port improvements and other infrastructure projects.

²⁹ The latest PMR for project HA-H1055 (September 2012) indicates a lack of cofinancing, to date, for direct investment in the CIP.

However, a 40% increase in costs was incurred due to design flaws and weak engineering studies.³⁰ The operation has been subject to strong criticism stemming from the lack of environmental studies and mitigation measures to address potential environmental effects—measures that were included in the second operation. Similarly, institutional risks were not evaluated or addressed from the beginning, and only in the second operation was a component included to provide institutional strengthening and support for the National Society of Industrial Parks (SONAPI) for management of the CIP by the Haitian authorities. Given the weaknesses in design, the score for program rationale ("Evidence-based Assessment and Solution") assigned to the operations in the Development Effectiveness Matrix (DEM) have remained slightly above 5 points (5.2 and 5.4, respectively). The observations made in this regard reveal the tensions surrounding the program (see Box 3).

³⁰ HA-L1076, paragraph 1.16.

Box 3. Remarks included in operation DEM HA-L1076

“This project involves an expansion of an industrial park located in northern Haiti. The first operation to finance the creation of the park was approved in 2011. As was the case with the previous project, the objective of this operation is to facilitate the establishment of private manufacturing firms so that jobs can be created and economic activities increased in Northern Haiti. This will be accomplished by providing the basic infrastructure, industrial facilities, management support and complementary investments required for the expansion and operation of the Caracol Industrial Park (Parc Industriel de Caracol–CIP).

*The POD presents the problems to be addressed by the project as well as the factors causing them. In addition, the project’s beneficiaries have been identified. **The POD does not include references to studies that provide empirical evidence regarding the main determinant of the problems being addressed by the project.** The only reference provided, is a study the has been commissioned by USAID and the Bank on the situation of the northern region regarding social services, governance and infrastructure, however, this study will be completed in July 2012. **There are no references to studies that show the effectiveness of this intervention in Haiti.** The POD mentions the two industrial parks (CODEVI park and the Metropolitan Industrial Park in Port-au-Prince) that exist in Haiti. However, it does not discuss the performance of these parks, nor does it present data to substantiate the statement that “the demand for industrial space is robust.” It would be useful to provide information on capacity, occupancy and demand for the existing parks since this would be a good indicator of the effectiveness of these kinds of parks in Haiti. **Empirical evidence regarding the effectiveness of industrial parks on achieving its productivity and employment benefits is mixed.** Numerous studies such as “Active policies to attract foreign investment to LAC” published by ECLAC, present such evidence. Consequently, operations such as these have significant risks with respect to achieving its proposed objectives.”*

*“The POD indicates that the project was dimensioned based on a “demand study”. **However, the POD includes a list of firms that have shown interest in participating in the park. This does not constitute demand.** Of the ten firms listed none have actually decided to participate, and for six of these firms the timing for the decision to participate is indefinite. This was also a major concern in the previous operation. According to the results matrix of HA-L1055, the park was dimensioned to employ 20,000 workers by 2014. It is estimated that in 2012, the Korean SAE-A Trading Co. Ltd (the only firm actually operating in the park) will employ 1,500 of the 20,000. HA-L1076 will increase the park’s capacity. **To justify the expansion of the industrial park, the POD should indicate the percentage of the park’s capacity constructed under HA-L1055 that will be occupied by the Korean SAE-A Trading Co. Ltd, and show that demand exists for the remaining unused capacity of the park constructed under HA-L1055, and the expanded capacity to be provided by HA-L1076. (...)**”*

*“The project is analyzed using a cost-benefit analysis. The economic costs used in the analysis reflect the resource costs incurred. The economic benefits are adequately identified and quantified. **The assumptions used in the analysis are spelled out but not all are realistic.** The assumption on annual employment seems overoptimistic given the actual demand by firms for the park. In addition, the analysis assumes that the minimum wage of \$5 per day will be paid to CIP workers when at the moment the minimum wage for textile workers (the industry that will employ the majority of workers) is \$3.75. Using a lower minimum wage and a more moderate increase in annual employment would reduce the economic rate of return to Haiti. The project has a monitoring and evaluation plan...The operation will be evaluated using a reflexive methodology and an ex-post cost-benefit analysis (...) Overall, the risks of this project are classified as medium to high.”*

Note: Emphasis added by OVE, 2012.

D. Portfolio execution

Difficulties in executing the portfolio, identified prior to the earthquake, were intensified after the disaster and have limited the effectiveness of the Bank's work in the country. Based on the Bank's portfolio review in July 2012,³¹ there are constraints on execution of the portfolio associated with the weaknesses of the executing units, the design of the operations, market constraints and a lack of ownership of some programs on the part of the government and the beneficiary population—problems that had already been identified in the period prior to the earthquake.³²

In the wake of the earthquake, the executing units continue to be hindered by poor technical capacity for executing IDB programs, and face pressure to manage more projects and more disbursement without having had sufficient institutional strengthening. Prior to the earthquake, the executing units for some of the programs had problems in project management and lacked capacity for executing disbursements. Both of these problems were aggravated by the catastrophe. Some executing units were called on to handle much larger portfolios. FAES, for example, went from managing a portfolio of US\$63 million in 2009 to one of more than US\$100 million, without a commensurate increase in staff, and in a context of instability as a result of various changes in the institution's management in 2011 and 2012. The portfolio analysis also highlights a lack of technical capacity in the executing units of agricultural programs of the Ministry of Agriculture, Environment and Natural Resources and other public institutions.³³ These technical deficiencies, along with the high costs of hiring domestic and international experts, limit the success of the operations.

While the Bank has devoted efforts to institutional strengthening as part of its operations, the activities associated with this component have not been sufficient to overcome the constraints identified. Approximately 10% of the amount approved in the 2010-2012 period, excluding PBGs, was directed to institutional strengthening activities. These activities mainly involve the contracting of experts (payment of salaries) to prepare studies or plans, purchase equipment, and conduct training workshops.³⁴ The design of these training components generally is intended to address specific needs related to project execution; however, they lack a comprehensive approach to strengthening Haitian institutions. Furthermore, the progress of these components has been slow, and depends on the complex dynamics associated with changes in, and construction of, new institutions capable of ensuring sustained development processes. Particularly notable are 20 operations (9 investment projects and 10 cofinancing projects) totaling

³¹ IDB, 2012. Portfolio Review of Projects Financed by the Inter-American Development Bank, July 2012. Presented to the government at the portfolio-review meeting of July 2012.

³² Chapter III, IDB Haiti Country Program Evaluation 2005-2011 (document RE-394).

³³ Other programs with limitations in implementation due to lack of technical capacity by the executing units include the energy program HA-L1014, the infrastructure program HA-L1055, water and sanitation programs HA0014 and HA-L1007, and the housing program HA-L1048.

³⁴ Program HA-L1049, Support for Haiti's Reconfiguration of the Education Sector, allocates 100% of the amount for strengthening (US\$5 million, Component III) to hiring consultants to establish a special office at the Ministry, and for logistical equipment. Program HA-L1058, Support for Haiti's Transportation Sector II, with US\$4.45 million for contracting experts, is similar in this respect.

US\$224.9 million, which have no specific amount allocated to institutional strengthening or training.

Still unresolved is the need to have more specialized professionals involved in managing programs, particularly as regards procurement and monitoring. Among various implementation problems, the programs in education (HA-L1019), energy (HA-L1032), water (HA0014), transportation (general comment from the sector portfolio) and agriculture (HA-L1003, HA-L1009) have featured problems in their monitoring activities.³⁵

There is a limited supply of domestic companies to execute works and monitor operations, and international bids generally entail much higher costs and do not necessarily assure high-quality outcomes. There is a tradeoff between efficiency in execution of works, and the development and support of a small domestic market, given the small number of companies and the fact that the available technical capacity does not always meet contract requirements. This has been the case in education (HA-L1049), infrastructure (HA-L1055), urban rehabilitation (HA-L1002), water (HA0014, HA-L1007) and agriculture programs (HA-L1003, HA-L1041, HA-L1059). The initial trend of hiring local firms for small projects has evolved into the contracting of larger, primarily international, firms to execute larger contracts, as in the case of the construction of schools in the education project (HA-L1049).³⁶

In terms of operational design, the lack of high-quality preinvestment studies, sufficient information and problems in identifying risks consistent with the country's fragility and fragmentation, have caused cost overruns and delays in implementing programs. Problems associated with the endemic limitation on the supply of domestic and international companies to contract for works and supervision, lack of baseline information, and a lack of capacity on the part of the executing units to handle the number of contracts to be executed with the increase in their portfolios, are compounded by the lack of high-quality preinvestment studies and realistic calculations of the costs associated with operations in Haiti (higher transaction and materials costs, market instability, expropriation costs, etc.). As a result, in some cases, as with programs HA0093 or HA-L1019 (in the road sector), program HA-L1002 (for urban rehabilitation), HA-L1014 and HA-L1032 (electricity), HA-L1014 (water and sanitation) or programs HA-L1009, HA-L1041 and HA-L1059 (agriculture), the quality of the bids has been limited and their costs far higher than expected. This situation has in some cases made it necessary to lower program targets (HA-L1019, HA-L1002) or secure additional resources to maintain the initial design parameters (HA-L1032, HA-L1041).

³⁵ These limitations on the part of FAES, in the case of education program HA-L1019, led to the deconstruction of the schools already built, due to structural flaws associated with earthquake-resistant features.

³⁶ In this case, the contracting of local firms for the construction of schools (one per contract) had negative results in terms of the quality of the works and the high monitoring costs. For subsequent contracts, Management has proposed contracting one international firm to build a set of 20 schools with the same characteristics, which could lower the costs of monitoring and reviewing the works.

The low sense of ownership by the line ministries for some programs and by potential beneficiaries limits the effectiveness of the actions undertaken, as well as their medium- and long-term sustainability. Coordination between the executing units of some projects and their counterparts in line ministries has been relegated to occasional meetings, without a solid ownership commitment to the programs, thus jeopardizing their medium- and long-term sustainability. This has been the case in education, housing and agriculture, among other sectors. Programs that involve inter-ministerial coordination, such as the infrastructure program HA-L1055 and agriculture program HA-L1005, have also encountered difficulties working with the various ministries, executing units and beneficiaries. In the case of the Ministry of Agriculture, the portfolio review process suffers from lack of planning for the mobilization and prioritization of resources, which leads to significant execution and disbursement problems (programs HA-L1003 and HA-L1005). This lack of ownership has also been seen with beneficiaries or potential beneficiaries of programs, who have voiced objections to them (transportation program HA-L1019), and this has limited their participation in activities under consideration (as in the case of agricultural programs HA-L1009 and HA-L1059, or private sector program HA-L1050), even leading to some cases of vandalism (programs HA-L1007 and HA-L1044).

Management Comments

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**Mid-Term Evaluation of IDB-9 Commitments
Background Paper: Haiti
Management Comments**

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I. INTRODUCTION

- 1.1 Management welcomes the "Evaluation of IDB-9 Commitments for Haiti" and the constructive dialogue it has had with the Office of Evaluation and Oversight (OVE) regarding its conclusions and suggestions. It is also pleased to see that some of its comments to the draft of this paper have been incorporated in the final version.
- 1.2 Management appreciates OVE's recognition of the "enormous challenges" of working in Haiti and the significant efforts the Bank has made to build a strategic development program there, particularly in the wake of the 2010 earthquake. Indeed, since the earthquake, bilateral and multilateral agencies supporting Haiti have faced considerable challenges in operating in a country that lost so much of its already over-burdened governance capacity in a single catastrophic event. While helping to address immediate reconstruction needs, the Bank's post-emergency efforts are also aimed at fulfilling its long-term commitment to Haiti and its people for sustainable development. This commitment is reflected in the current Country Strategy for Haiti, covering the 2011-2015 period, as well as the annual programming exercises, agreed to with the Government of Haiti (GoH).

II. FINDINGS AND SUGGESTIONS

- 2.1 Management is pleased with OVE's acknowledgement that the Bank has fulfilled its mandate under IDB-9 of debt forgiveness, delivery of concessional resources and expansion of the Bank's Grant Facility to provide Haiti US\$200 million per year from Ordinary Capital. Management also appreciates OVE's recognition of the Bank's "intense efforts" in leveraging resources from the international community. Management considers OVE's analysis to be insightful and comprehensive, but believes some of the paper's conclusions may be premature as they are based heavily on a strategy that was only recently approved. As such, Management would like to clarify some of the points raised in the report and share its view on some of the findings and suggestions.
- 2.2 ***Institutional Strengthening and Governance.*** Management believes that the evaluation does not adequately consider the level of Bank support to sector reforms – unprecedented when compared to past strategies. OVE's assertion that "the efforts are insufficient" does not appear to be fully substantiated. For example, all operations in the priority sectors include components and resources for reforms and institutional support. To date, the amount approved by the Bank for the institutional strengthening components of existing sector operations is US\$126.4 million, which totals US\$188.4 million or 15 percent of total approvals since 2010, if policy-based grants (PBGs), which support sector reforms, are also included. Also worth noting are the cross-cutting interventions to support capacity-building in the public sector (e.g. e-government platform and a public investment and budget control tracking system), and the less visible effort that takes place

as part of the day-to-day exchanges between the Bank's technical teams and the Haitian authorities.

2.3 Within the Private Sector Development strategic pillar, the Bank also supports a range of activities aimed at improving the institutional framework for local and foreign investment which does not seem to be taken into consideration in the evaluation. Neither does the paper mention the modernization of the state projects promoted by other agencies¹ and the Bank's complementary support to those initiatives. In this manner, Management avoids the duplication of efforts, while encouraging greater donor cooperation, as OVE itself recommends.

2.4 ***Caracol Industrial Park (PIC)***. Management feels that some of the following findings regarding the Caracol Industrial Park (PIC) deserve additional clarification:

- i. Built in record time, the PIC is designed to attract much-needed foreign investments to Haiti and provide employment opportunities. The cost increases which occurred in the execution of the first phase of the PIC were attributed to a variety of reasons, including responding to tenant demand (for which some cost recovery is expected). Given the modular approach adopted in the PIC's design, the Bank anticipates that these increases will not pose a serious risk to achieving the program's overall development objectives;
- ii. OVE refers to the "slowness in attracting firms to settle in the PIC." In fact, demand for space has advanced faster than expected, exceeding construction capacity. The warehouses and factories built with the Bank's resources have been occupied by companies immediately upon completion. Currently, there are three leases that have been signed, and eight leasing applications are under study;
- iii. Working conditions in the PIC and wages paid there comply with Haitian law. It is worth noting that the minimum wage in the sector has continued to increase and that those hired to work in the PIC were, for the most part, previously unemployed. Working conditions in the Park are monitored to ensure their compliance with three types of control measures: (a) the Haitian standards which comprise international norms; (b) the US norms and controls imposed by the Haiti Economic Lift Program (HELP) legislation, which are even more strict; and (c) the standards of many of the individual companies that demand products made in the PIC, which are even more stringent in many cases; and
- iv. A comprehensive package of risk mitigation and management measures has been developed to be implemented throughout the execution of the four operations that comprise the PIC program. It is worth noting that the PIC is not an isolated investment, but is part of a broader strategy of developing the North of Haiti.

¹ For example, in the recent revision of Article IV of the IMF, the GoH agreed to a program of macroeconomic and structural reforms, aimed at: (i) increasing government revenues, strengthening tax and customs administration; (ii) improving financial management and economic governance; (iii) strengthening institutional capacity to improve the efficiency of public investment; and (iv) accelerating reforms to improve the business climate.

Management believes that the long-term success of the PIC relies on the successful implementation of environmental and social safeguards, through an active collaboration among the Bank, the GoH and other donor agencies that are financing development projects in this part of the country. This coordination is already occurring as several other donors are financing specific projects that complement the sustainability components in the Bank-financed operations supporting the PIC.

2.5 With regard to the specific **suggestions** presented by OVE in the background paper, Management would like to share the following comments:

- i. **Approvals and Disbursements.** Regarding OVE's observation about the "urgent need" to approve new operations or disburse against existing ones, Management would like to clarify how those processes are carried out. Approvals are a function of parameters defined in the Country Strategy as well as the annual programming processes -- agreed upon with the Haitian authorities. These parameters include such considerations as development effectiveness, execution capacity and complementarity with other development partners. Disbursements, in turn, are a function of project execution. Thanks to greater sector focus, annual disbursements in the priority areas have more than doubled since the earthquake and expected outputs are beginning to materialize. This increase in funding to priority sectors, coupled with the Bank's long-term financial commitment, contributes to improving the sustainability of Bank-financed interventions, including those that seek to build capacity in Haiti's public and private sectors. Having clarified the approval and disbursement processes, Management would like to underscore the importance of the role of the Government of Haiti in determining how best the IDB can support its development plan. The paper seems to have overlooked this key aspect;
- ii. **Knowledge Capital.** Management agrees with OVE about the importance of increasing the Bank's knowledge capital and pursuing its efforts aimed at improving the design and monitoring of Bank operations. Management appreciates OVE's acknowledgement of its role as a permanent "partner" and "advisor" to the government on sectoral technical issues. It also is worth noting that the Bank's intellectual leadership in Haiti, the quality of its interventions as well as its contribution to the country's efforts to enhance execution capacity, have been widely recognized by the international community;
- iii. **Portfolio Dimensioning.** OVE's suggestion to "dimension the Bank's portfolio to fit actual execution capabilities" is consistent with the Country Strategy's focus on just six priority sectors. Since the beginning of the current Strategy period, all approved operations fall within at least one of these priority areas, thereby helping to concentrate the scope of the Bank's portfolio.² As in every Bank-supported loan or technical cooperation operation, execution mechanisms are

² The current portfolio includes operations approved prior to the current Strategy period. Each of these operations is bound by a legal contract or agreement and as such, any reformulation would require the approval of the corresponding Borrower/Beneficiary.

analyzed during project design. Newly-approved projects in Education, Energy, Water and Sanitation and Transportation, maintain the development objectives established in previous operations in those sectors, and therefore take advantage of prior execution experience;

- iv. ***State Reform and Governance.*** Management agrees with OVE's suggestion to strengthen economic governance and build capacities of the State. As described above, the Bank is already supporting the GoH's reform efforts in the sectors prioritized in the current Country Strategy (2011-2015) and will continue to ensure coordination and complementarity with other donors' work in this area to avoid duplication of efforts. The Bank is also committed to continue to respond to requests from the Haitian authorities to support governance and institutional strengthening; and
- v. ***Donor Coordination.*** Management shares OVE's position about the need to intensify efforts in favor of better donor coordination and to enable the GoH to more effectively exercise leadership in this area. Management appreciates OVE's recognition of the Bank's effectiveness in coordinating its operations with other development partners as well as its role in helping Haiti to strengthen its own institutions to assume a more proactive role in aid coordination.

III. LOOKING FORWARD

- 3.1 As stated earlier, the challenges of working in Haiti cannot be underestimated, particularly in building permanent institutional capacity and good governance. Management believes that the insights and suggestions offered in this paper merit serious consideration as the Bank strives to continue to improve its contribution to Haiti's development objectives. Management looks forward to working with the Board of Executive Directors in ensuring that the IDB-9 mandates are effectively implemented and that all Bank-supported interventions in Haiti are achieving their intended results.
- 3.2 Factual corrections have been sent directly to OVE under separate cover.