

CARIBBEAN DEVELOPMENT BANK

THREE HUNDRED AND FOURTH MEETING OF THE BOARD OF DIRECTORS

TO BE HELD IN BARBADOS

DECEMBER 12, 2023

PAPER BD 90/23

COUNTRY ENGAGEMENT STRATEGY 2023-25 – HAITI

The attached Country Engagement Strategy (CES/the Strategy) sets out the strategic direction for the Caribbean Development Bank's (CDB/the Bank) engagement with the Government of Haiti for the period 2023-25. The Strategy responds to Haiti's urgent development needs while the Bank continues to position itself to better engage its only fragile member state. The CES is guided by the objectives of Haiti's Strategic Development Plan (2012-2030) to propel Haiti towards emerging country status by 2030, and the recovery needs identified in the Southern Peninsula Integrated Recovery Plan 2021-25.

2. The CES maintains the strategic pillars of the previous country strategy, whose implementation was adversely affected by severe and successive crises; an approach agreed on through consultation with GOH. The four strategic pillars are as follows: (a) Enhancing Food and Nutrition Security and Productivity; (b) Increasing access to Sustainable Energy Options; (c) Improving Human Capital and Micro, Small and Medium-sized Enterprise (MSME) capacity; and (d) Strengthening Environmental Resilience and Disaster Risk Management, and cross-cutting areas and themes including gender equality and good governance. The proposed programme of assistance is designed to achieve the following development outcomes: (i) increased investment in the agriculture sector and higher farm production; (ii) increased production and use of sustainable energy; (iii) improved human capital and MSME capacity; and (iv) increased environmental resilience to climate change and disaster risks. A resource envelope of thirty-two million two hundred thousand United States dollars (USD32.2 mn) of Special Development Funds Tenth Cycle (SDF-10) grant resources has been allocated to fund the indicative programme of assistance identified in the CES.

3. The proposed strategy is consistent with CDB's Strategic Objectives of building social, productive capacity and environmental resilience, and with SDF-10 core themes of: (a) Building Social Resilience and Leaving No-One behind; (b) Building Economic Resilience for Inclusive Growth; and (c) Building Environmental Resilience.

4. The Board is asked to approve CDB's CES for Haiti 2023-25.



CARIBBEAN DEVELOPMENT BANK

STAFF REPORT

**COUNTRY ENAGAGEMENT STRATEGY 2023-25
HAITI**

This document is being made publicly available in accordance with the Bank's Information Disclosure Policy. The Bank does not accept responsibility for the accuracy or completeness of the Document.

Considered at the Three Hundred and Fourth Meeting of the Board of Directors held in Barbados on December 12, 2023.

<i>Director Economics Department</i>	<i>Mr. Ian Durant</i>
<i>Deputy Director</i>	<i>Ms. Christine Dawson</i>
<i>Lead Economist</i>	<i>Mr. Jason Cotton</i>
<i>Country Economist</i>	<i>Ms. Beverly Lugay</i>

This Report was prepared by a Team comprising: Jason Cotton, Lead Economist (Coordinator); Beverly Lugay (Country Economist); M. Stephen Lawrence (Country Representative, HCO); Daniel Altine (Operations Officer, HCO), Martin Baptiste (Division Chief, Social Sector Division); Lisa Harding (Ag. Head Private Sector Division); Anthony George, (Staff Consultant, Social Analyst); Luther St. Ville, (Senior Operations Officer, Agriculture); Paul Murphy (Operations Officer, Education); Yves Robert Personna (Senior Programme Manager, ACP/EU/CDB, Natural Disaster Risk Management and Caribbean Action for Resilience Enhancement); Michel Thomas (Senior Operations Officer, CTCS); Paul Saunders (Operations Officer, Environment), Charmaine Gill-Evans (Operations Officer, Sustainable Energy); Piergiorgio Rieder (Legal Counsel); and Sonia Hampden (Coordinating Secretary).

Any designation or demarcation of, or reference to, a particular territory or geographic area in this Document is not intended to imply any opinion or judgment on the part of the Bank as to the legal or other status of any territory or area or as to the delimitation of frontiers or boundaries.

ABBREVIATIONS

AML	-	Anti-Money Laundering
BMCs	-	Borrowing Member Countries
bn	-	billion
BRH	-	Central Bank of Haiti
BSOs	-	Business Support Organisations
CARICOM	-	Caribbean Community
CBARD	-	Community Based Agriculture and Rural Development
CCA	-	Climate Change Adaptation
CCRIF SPC	-	Caribbean Catastrophic Risk Insurance Facility Segregated Portfolio Company
CDB	-	Caribbean Development Bank
CIIF	-	Cultural and Creative Industries Innovation Fund
CES	-	Country Engagement Strategy
CSP	-	Country Strategy Paper
CSPE	-	Country Strategy and Programme Evaluation
CTCS	-	Caribbean Technological Consultancy Services
DRM	-	Disaster Risk Management
DRR	-	Disaster Risk Reduction
EDH	-	Electricité d’Haiti
EEW	-	Earthquake Early Warning
ENAF	-	National School of Financial Administration
EWS	-	Early Warning Systems
FCV	-	Fragile, Conflict/Violence
FY	-	Fiscal Year
GBV	-	Gender-Based Violence
GCI	-	Global Competitiveness Index
GCR	-	Global Climate Risk
GDP	-	Gross Domestic Product
GII	-	Gender Inequality Index
GOH	-	Government of Haiti
HCO	-	Haiti Country Office
HDI	-	Human Development Index
HDR	-	Human Development Report
HISI	-	Haiti Institute of Statistics and Information
HRD	-	Human Resource Development
HTG	-	Haitian Gourdes
IDB	-	Inter-American Development Bank
ILO	-	International Labour Office
IMF	-	International Monetary Fund
IRC	-	Internal Resilience Capacity
km	-	Kilometre
kWh	-	Kilowatt Hour
LAC	-	Latin America and the Caribbean
m	-	Metres
MM	-	Marginally Mainstreamed
mn	-	million
MPI	-	Multi-dimensional Poverty Index
MSME	-	Micro, Small and Medium-Sized Enterprise
MW	-	Megawatts
NQI	-	National Quality Infrastructure

PDNA	-	Post-Disaster Needs Assessment
PFM	-	Public Financial Management
PREPOC	-	Post-COVID Economic Recovery Plan
PRIPS	-	Southern Peninsula Integrated Recovery Plan
PSDH	-	Strategic Development Plan
QuPE	-	Quality Enhancement in Public Education
RDA	-	Recovery Duration Adjuster
RE	-	Renewable Energy
RF	-	Results Framework
RTF	-	Regulatory Trade Framework
SDF	-	Special Development Fund
SDG	-	Sustainable Development Goal
SEMANAH	-	Maritime and Navigation Service of Haiti
SIDS	-	Small Island Developing States
SLR	-	Sea Level Rise
SMP	-	Staff-Monitoring Programme
SPSs	-	Social Protection Systems
TA	-	Technical Assistance
TVET	-	Technical and Vocational Education Training
UNDP	-	United Nations Development Programme
UNDSS	-	United Nations Department of Safety and Security
USAID	-	United States Agency for International Development
USD	-	United States Dollars
VRAT	-	Vulnerability and Resilience Assessment Tool
WB	-	World Bank
WBG	-	World Bank Group
WFP	-	World Food Programme

TABLE OF CONTENTS

EXECUTIVE SUMMARY

- 1. COUNTRY CONTEXT**
- 2. KEY DEVELOPMENT CHALLENGES AND PRIORITIES**
- 3. COUNTRY STRATEGY IMPLEMENTATION**
 - Country Portfolio
 - CSP 2017-2021: Progress on Outcomes
 - Lessons Learnt
- 4. COUNTRY ENGAGEMENT STRATEGY 2023-25**
 - Rationale for Maintaining Strategic Pillars
 - Strategic Alignment
 - The Strategy: Thematic Areas and Expected Outcomes
 - Financing the Strategy
 - Implementing the Strategy
 - Coordination with Development Partners
 - Risk and Mitigation

APPENDICES

- APPENDIX 1: GENDER MARKER
- APPENDIX 2: CLIMATE AND DISASTER SCREENING ANALYSIS
- APPENDIX 3: STATUS OF THE PROGRAMME OF ASSISTANCE CSP 2017-2021
- APPENDIX 4: UPDATED INDICATIVE ASSISTANCE PROGRAMME
- APPENDIX 5: RESULTS FRAMEWORK
- APPENDIX 6: DEVELOPMENT PARTNERS CURRENT ACTIVITIES

COUNTRY DATA

	FY2018	FY2019	FY2020	FY2021	FY2022p
GROSS DOMESTIC PRODUCT (GDP)					
Per Capita GDP (current, 2015 USD)	1,441.9	1,277.2	1,235.2	1,765.2	1,702.0
GDP at Current Market Prices (HTG \$mn)	1,070,166	1,249,214	1,547,378	1,699,209	2,168,223
GDP at Constant (2012) Prices (HTG \$mn)	658,286	647,196	625,558	614,309	603,876
GDP at Constant Market Prices (% change)	1.7	-1.7	-3.3	-1.8	-1.7
Sectoral Distribution of Real GDP (% change)					
Primary Sector	1.4	-1.8	-2.4	-4.1	-4.5
Secondary Sector	-1.9	-7.0	-7.2	-2.4	-0.2
Tertiary Sector	1.9	2.1	-1.2	-2.5	-1.6
MONEY AND PRICES					
Monetary Base (% change)	23.3	10.7	28.2	20.1	22.1
Domestic Credit to the Private Sector (% change)	12.4	23.0	-7.9	17.5	17.5
Inflation (average; % change)	11.4	18.6	22.8	16.9	33.4
CENTRAL GOVERNMENT FINANCES (% of GDP)					
Total Revenue and Grants	10.2	8.0	7.0	8.2	8.0
Total Expenditure	11.2	10.1	9.3	10.8	10.2
Wages and Salaries	3.5	3.2	2.9	3.2	2.9
Goods and services	2.4	1.8	2.1	2.1	1.5
Interest Payments	0.2	0.3	0.2	0.4	0.3
Transfers and Subsidies	1.5	2.7	1.8	1.7	2.1
Of which fuel subsidies	-	1.0	0.6	0.5	0.4
Capital expenditure	3.7	2.1	1.7	3.4	3.4
Overall Surplus/ (Deficit)	-1.0	-2.1	-2.2	-2.6	-2.2
Primary Balance	-1.4	-1.4	-2.1	-2.3	-1.8
Gross Public Sector Debt	39.7	28.1	23.3	28.5	30.1
EXTERNAL SECTOR (% change)					
Exports of goods (fob)	8.8	11.4	-26.3	27.7	13.5
Imports of goods (fob)	16.0	-8.3	-12.5	19.8	7.8
Current account balance (% of GDP)	-2.9	-1.1	1.1	0.5	-2.3
Personal Remittances (% of GDP)	18.1	20.2	23.8	20.1	22.4
Net International Reserves (months of imports of goods)	5.1	5.1	5.8	5.4	4.1
AVERAGE EXCHANGE RATE					
Haitian Gourde(s) per US dollar	68.0	88.7	93.6	89.2	115.7

Sources: Bank of the Republic of Haiti, International Monetary Fund, World Economic Outlook 2023 Database, and Haiti Institute of Statistics and Information (HISI).

Notes: p – preliminary.

The Fiscal Year represents the period October to September.

COUNTRY DATA

	2018	2019	2020	2021	2022e
Population					
Total Population	10,911,819	10,911,819	11,743,017	11,905,897	12,048,768
Male	5,408,465	5,408,465	5,825,352	5,906,934	5,977,817
Female	5,503,354	5,503,354	5,917,665	5,998,963	6,070,951
Crude birth rate (per 1,000 persons)	24.6	24.3	23.9	23.5	23.1
Crude death rate (per 1,000 persons)	8.0	8.0	8.2	8.7	8.5
Life expectancy at birth (years)	64.0	64.3	64.1	63.0	-
Male	61.2	61.3	61.1	60.4	-
Female	66.9	67.3	67.1	66.1	-
Human Development Index	0.541	0.543	0.540	0.535	-
Labour Force					
Unemployment Rate* (% of total labour force)	13.7	13.8	15.1	15.0	14.8
Participation Rate (% of labour force)	66.0	65.9	65.2	65.3	65.6
Male	69.8	69.8	69.2	69.0	69.2
Female	62.3	62.1	61.5	61.8	62.1
Energy					
Share of Electricity Production from Fossil Fuel (%)	80.0	83.3	88.4	86.8	-
Access to Electricity (% of Population)	44.4	45.4	46.3	47.2	-
ICT					
Internet Users (% of Population)	32.0	32.0	36.0	39.0	-
Mobile Cellular Subscriptions (per 100 people)	60.0	61.0	65.0	64.0	-

Sources: HISI, World Development Indicators, Statista, Knoema, United Nations Development Programme.

E – based on HISI forecast.

- not available.

GENDER MARKER SUMMARY

Gender Marker	Analysis	Design	Implementation	Monitoring and Evaluation	Score	Code
	0.5	0.5	1.0	0.5	2.5	MM ¹

¹ Marginally Mainstreamed (MM): the project has limited potential to contribute to gender equality. See Appendix 1 for Gender Marker summary.

EXECUTIVE SUMMARY

1. Haiti, the largest and most populous of the Caribbean Development Bank's (CDB/the Bank) Borrowing Member Countries (BMCs) is classified as a fragile state². This document presents CDB's Country Engagement Strategy (CES/the Strategy) for Haiti for the period 2023-25. The CES responds to Haiti's urgent development needs by maintaining the strategic pillars of the expired Country Strategy Paper (CSP) 2017-2021. The Strategy provides focused support for Haiti's development objectives and poverty reduction goals consistent with the Strategic Development Plan 2030 (Plan Stratégique de Développement d'Haïti [PSDH]). The Bank has recognised the challenges the fragile state context presents in rolling out its strategic interventions and is working on enhancing the Bank's operational implementation framework that would yield better outcomes during the CES period. The framework incorporates the support provided by the Haiti Country Office (HCO); collaboration and partnerships with other developments partners and local implementing agencies; and the internal processes and procedures that guide operations in Haiti.

COUNTRY CONTEXT AND KEY DEVELOPMENT CHALLENGES

2. During the implementation of the CSP 2017-2021, Haiti experienced severe and successive crises. The assassination of President Jovenel Moïse on July 7, 2021, triggered political and social turmoil which resulted in a long-delayed election. The high political instability weakened social cohesion, which persists to the present. In 2022, Haiti was confronted with a serious security challenge due to a resurgence and proliferation of heavily armed criminal gangs that targeted various locations such as ports, highways, critical infrastructure, customs offices, and businesses, and adversely affected the distribution of humanitarian aid and economic activity. These gangs contributed to the worsening violence, including gender-based violence (GBV) and abuses, and rising instances of kidnapping in the Haitian capital, Port-au-Prince, and surrounding areas. Haiti was also battered by natural disaster events including Tropical cyclones Irma in 2017, Laura in 2021, the devastating 7.2 magnitude earthquake which hit the Southern peninsula in August 2021 and, more recently, severe flooding in June 2023. Meanwhile, the country also struggled with the onset of the COVID-19 pandemic in 2020, and deteriorating social conditions related to the reduced supply of food and high fuel prices which led to social protests, violent clashes and looting activity, and a diplomatic crisis with the Dominican Republic. Severe shortages in the delivery of key services, including water and health services, contributed to an outbreak of Cholera in October 2022.

3. Considering the challenges, the Bank had several high-level consultations with the Government of Haiti (GOH/the Government) in 2022 and 2023, to discuss and agree on the way forward for developing a new strategy, among other operational issues pertaining to the implementation progress of CDB's portfolio. A key outcome of these discussions was confirmation of the continued relevance of the strategic pillars of CSP 2017-2021.

STRATEGY PRIORITY AREAS

4. The pillars of the Bank's strategy will remain unchanged in 2023-25, given Haiti's lingering long-term development challenges. The Strategy builds on the progress made and lessons learnt from the 2017-2021 CSP, best practices as recommended in the Mid-term Review of the Special Development Funds Tenth Cycle (SDF-10) and from the country experiences of other development partners. It targets realistic outcomes to improve the lives and livelihoods of the people of Haiti around four strategic pillars:

² The World Bank Group (WBG) classification system identifies Haiti as a fragile state. All the traits of fragility are present in Haiti: failure of the rule of law; fragile political governance; violence; justice and insecurity; weak economic activity and resilience; strong inequalities; chronic humanitarian crises; persistent social tensions; and high outward migration flow.

(a) enhancing Food and Nutrition Security and Productivity; (b) increasing access to Sustainable Energy Options; (c) improving Human Capital and Micro, Small, and Medium-sized Enterprise (MSME) capacity; and (d) strengthening Environmental Resilience and Disaster Risk Management (DRM), and cross-cutting areas and themes including gender equality and good governance. The proposed programme of assistance is designed to achieve the following development outcomes: (i) increased investment in the agriculture sector and higher farm production; (ii) increased production and use of sustainable energy; (iii) improved human capital MSME capacity; and (iv) increased environmental resilience to climate change and disaster risks. During the strategy period, the Bank will work to strengthen implementation through enhanced country engagement and collaboration with development partners; augment capacity in the HCO; and develop a framework for operating in fragile states for greater effectiveness. The available resource envelope to support the indicative programme of assistance includes thirty-two million two hundred thousand United States dollars (USD32.2 mn) of grant resources from SDF-10.

RISKS AND MITIGATION

5. There are many risks to strategy and project implementation in Haiti, chief of which is the current state of citizen security which adversely impacts the ongoing operations of the Bank's HCO and hinders that of implementing agencies already grappling with limited institutional capacity and human resources. Crime and violence also undermine the macro-economic environment and the operations of the business community. Haiti is highly vulnerable to climate-related natural disasters. As part of its mitigating strategy, CDB will ensure that all interventions are climate screened and provide the necessary project implementation capacity, as required.

1. COUNTRY CONTEXT

Overview

1.01 Haiti is the largest and most populous of CDB's BMCs with a land area of 10,714 square miles and population of 12.0 mn people³. Haiti has comparative advantages including its proximity to major markets, a young labour force, dynamic diaspora, and substantial geographic, historical, and cultural assets. However, the country's economic and social development continues to be hindered by political instability, weak governance and institutions, inadequate human resource development, and fragility⁴.

1.02 Amongst the BMCs, Haiti is one of the most vulnerable to natural hazards. Haiti's susceptibility to exogenous shocks and natural hazards has, in part, contributed to a high level of poverty and inequality. While marginal progress was made in poverty reduction prior to 2019, the combined effect of the political crisis, COVID-19 pandemic, the 7.2 magnitude earthquake in August 2021, and deterioration in the economic and security conditions, have erased earlier gains and reversed this trend. As a result, Haiti remains the poorest country in the Caribbean. In 2022, Haiti had a gross domestic product (GDP) per capita of USD1,247.90, the lowest in the Latin America and the Caribbean (LAC) Region, which averaged USD8,797. Meanwhile, progress on most development indices has lost momentum, raising concerns that the country is unlikely to meet the targets of its Sustainable Development Goal (SDG) Action Plan by 2030.

Macroeconomic Context

1.03 Haiti's economy relies heavily on remittances from abroad, the agricultural sector, and wholesale and retail trade. Remittances account for more than 20% of GDP on average, while agriculture consists mainly of small-scale subsistence farming although bananas, cocoa, mangoes, and vetiver⁵ are important export crops. Manufacturing and tourism have been slow to develop, hindering the country's ability to generate and sustain growth and employment. Over the decade 2012-2022, economic activity grew marginally by 0.7%. However, the past four years have been particularly challenging due to adverse exogenous and endogenous shocks (see Table 1.1). The economy was buffeted by global supply chain constraints due to the global pandemic⁶, commodity price increases related to the Russia-Ukraine war, and meteorological and geophysical hazard events. The impacts of these international developments were worsened by domestic shocks such as the persisting political and socio-economic crisis and shortages in the delivery of key services including water, electricity, and health services which severely constrained business and economic activity resulting in recessionary conditions.

1.04 In these circumstances, unemployment levels remained high at an estimated 14.8% in 2022⁷. Meanwhile, inflation accelerated due to rising freight costs, the depreciation of the Haitian Gourdes (HTG), and increased international commodity prices – including food and fuel. The annual average inflation for the 2022 calendar year accelerated to 33.4% compared with 16.9% in 2021. The 12-month, year-on-year inflation rate climbed to a high of 48.2% in December 2022. This surge in inflation (the highest annual average inflation rate in approximately 10 years) has adversely affected food security and poverty.

³ Haiti Institute of Statistics and Information (HISI).

⁴ WBG classification system identifies Haiti as a fragile state. All the traits of fragility are present in Haiti: failure of the rule of law, fragile political governance, violence, justice and insecurity, weak economic activity and resilience, strong inequalities, chronic humanitarian crises, persistent social tensions, and high outward migration flow.

⁵ A plant from which essential oil is extracted.

⁶ Haiti reported its first case of COVID-19 on March 19, 2020. Inadequate access to clean water, sanitation facilities, limited surveillance capacity, and conflict and violence raised vulnerability to the pandemic.

⁷ International Labour Office (ILO) estimate.

Drought-related agricultural supply disruptions, monetary finance of the budget deficit, and widespread fuel shortages created from the blockade of a main domestic fuel terminal also impacted domestic prices.

1.05 Fiscal performance remained weak mainly due to the lacklustre economic performance and impediments to revenue administration. Tax collection was impeded partly by gang violence which restricted access to the main customs and tax administration offices. As revenue declined, expenditure increased in response to the COVID-19 pandemic, high fuel subsidies – although the size of the subsidy was reduced since December 2021 – and spending related to the August 2021 earthquake⁸. The fiscal deficit is expected to be approximately 1.9% of GDP in fiscal year (FY) 2022/23 and will be partly financed by Central Bank of Haiti (BRH). The central government debt-to-GDP ratio increased to 30.1% of GDP in FY 2022 mainly due to the persistent fiscal deficits and is estimated to rise further in support of the earthquake-related reconstruction activity.

TABLE 1.1: SELECTED INDICATORS

	FY 2018/ 2019	FY 2019/ 2020	FY 2020/ 2021	FY 2021/ 2022	FY 2022/ 2023
Real GDP Growth (%)	(1.7)	(3.3)	(1.8)	(1.7)	0.1
Average Inflation (%)	18.6	22.8	16.9	33.4	n.a.
Unemployment Rate* (%)	13.9	15.1	15.0	14.8	n.a.
Overall Fiscal Balance (% of GDP)	(1.7)	(3.2)	(2.5)	(2.1)	(1.9)
Primary Balance (% of GDP)	(1.4)	(2.1)	(2.3)	(1.8)	(1.7)
Public Debt (% of GDP)	28.1	23.3	28.5	30.1	21.3

Sources: BRH, the World Bank (WB), and the International Monetary Fund (IMF).

*ILO modelled estimate of the unemployment rate.

1.06 During the period June 2022 and May 2023, the Haitian authorities and the IMF partnered to help restore macroeconomic stability and reduce inflation through a Staff Monitoring Programme⁹ (SMP) that sought to, *inter alia*, reduce BRH’s financing of fiscal deficits, decrease the misuse of public funds, and enhance monetary and financial policies. Implementation was broadly satisfactory despite obstacles in meeting quantitative targets. The authorities introduced policy measures¹⁰ to strengthen public financial management (PFM), improve social welfare, and strengthen the transparency of public procurement for emergency resources. A second SMP that builds on the progress achieved was agreed for the nine-month period from June 2023 to March 2024. In January 2023, the IMF approved a disbursement of USD105 mn under its Food Shock Window of the Rapid Credit Facility to help the country address urgent balance of payments needs related to the global food crisis.

1.07 CDB’s outlook for the Haitian economy indicates that economic activity is expected to remain weak with growth of 0.1% in 2023. This assumes some improvement in the political and national security situation, and that consumer spending will continue to be supported by strong remittance inflows from

⁸ In December 2021, GOH increased fuel prices by 74.3% on average, reducing fuel subsidies that have averaged 2.5% of GDP over the past 10 years.

⁹ The SMP does not provide direct financial support from the IMF, but helped to establish a track record of policy implementation and results that can pave the way for budget support/concessional finance from international donors.

¹⁰ The policy measures were geared toward: broadening the tax base; eliminating exemptions; strengthening governance systems; reducing BRH financing of the deficit; and providing relief to the most vulnerable. GOH is also working to bring Anti-Money Laundering (AML)/Combating the Financing of Terrorism laws up to international standards supported by IMF capacity development.

workers abroad. The forecast is subject to significant downside risks. These risks include the prolongation of the war in Ukraine which could lead to further increases in food and fuel prices, increase the current account deficit, and adversely affect the poor and vulnerable. Climate-related disasters could also contribute to large economic and social losses and weaken economic activity. A further deterioration in the domestic security situation also poses significant downside risks. Accelerating economic activity would require sustained momentum in the reform process to enhance economic resilience, governance, and promote macroeconomic stability. Despite the challenging domestic environment, the authorities have adopted important fiscal policy reforms and the second SMP can help to gradually improve the fiscal situation and ease the pressures on public sector debt.

Social Context

1.08 Haiti's demographic features portray a burgeoning youthful population and increasing urbanisation. Despite high infant mortality, with 59 deaths per 1,000 live births, the population grew steadily at an average rate of 1.5% over the last decade. With a median age of 22.7 years, approximately 12.4% of the total population is under the age of 5, and 40% below the age of 18. Also, 61% (6.4 mn) of the population is estimated among the economically active population (15-64 years). The male to female ratio is relatively even (105 males to 100 females), but a relatively high dependency ratio (63.3 persons per 100 persons aged 0-14 and 65+ years) coupled with high unemployment and a low skilled labour force are expected to impede development efforts. Population density is very high, with an average of 403 persons per square kilometre (km²), and approximately 55% of the total population residing in urban settlements. Haiti's population and demographic profiles create unique pressures for governance and environmental sustainability and have significant implications for the provision of social infrastructure and services, economic opportunities and development prospects, and for overcoming poverty, inequalities, and vulnerabilities.

1.09 Poverty in Haiti remains persistent, with high levels of vulnerability and inequality. The United Nations Development Programme (UNDP) Human Development Report (HDR) 2022 estimates poverty at 58.5% of the population, or 6.3 mn people, with poverty highest in the rural areas. The Multi-dimensional Poverty Index (MPI)¹¹ showed that 41.3% of the Haitian population was multi-dimensionally poor, with 18.5% living in severe multi-dimensional poverty and an additional 21.8% vulnerable to multi-dimensional poverty. The HDR 2022 revealed that the main contributor to the multi-dimensional poverty was the low standard of living among households (57%), whereas health and education deprivations contributed 18.5% and 24.6%, respectively.

1.10 Progress in improving social development outcomes has been slow and uneven, and in 2022 Haiti ranked 163 out of 189 countries on the UNDP Human Development Index (HDI). Haiti's overall HDI value for 2022 of 0.535 was evaluated among the "low human development" countries. In addition, the inequality adjusted HDI resulted in an overall loss of 38.9% of its value from 0.535 to 0.327. Inequalities in life expectancy (26.6%), education (37.3%), and income (50.4%) continue to undermine the human capital development. The HDR 2022 Index further revealed that the wealthiest 10% of the population held more than 31.2% of the total income of the country, against the 15.8% owned by the poorest 40% of the population. These forms of inequality place Haiti among the most unequal countries in LAC, contributing to and/or exacerbating social disorder, citizens insecurity, activities of criminal gangs, and GBV and abuses.

1.11 Gender-based inequality is a serious development constraint in Haiti. Gender inequality is persistent and exists in the provision of health and reproductive services, employment, political representation, and violence against women and girls (sexual, physical, verbal, and emotional). The Gender

¹¹ Using the MPI 2016-17 dataset, MPI goes beyond income as the sole indicator for poverty by exploring the ways in which people experience poverty in their health, education, and standard of living.

Inequality Index (GII) for Haiti (HDR 2022) was 0.635 and ranked 163 of 189 countries worldwide. The country's GII is based on it having very low (2.7%) parliamentary seats held by women and less than a third (27.9%) of adult women with at least a secondary education. The comparative figure is about 41% for their male counterparts. The disparity between men and women in economic activities is a concern, with about 60.7% female labour market participation compared with approximately 68.9% for men. Women receive lower wages than men and account for 82% of workers in the informal sector. The feminisation of poverty also places women and their children in a vulnerable position. Moreover, the WB Assessment (2023) of barriers to gender equality outlined that gender-based inequality fosters significant gaps in risk management policies at the national and community levels. For example, women and girls are more vulnerable to exploitation and GBV in post-disaster situations, their homes, communities, transitional shelters, and during aid distribution. The 2023 Assessment recognises that gender differences must be addressed in risk understanding and behaviour, and appropriate gender considerations in social norms, formal institutions, and policies, including safeguards to mitigate violence against women and girls.

1.12 Poverty, inequalities, and the fractured social order in Haiti are further exacerbated by limited access to, and poor targeting of, social protection systems (SPSs), including income support. The current social context of lower human development indices scores, citizens insecurity, criminal gangs' violence, and food and nutrition insecurity have contributed to major disruptions in social sector services, including education and health services, as well as economic and livelihoods strategies. The results are loss of learning and the resurgence of growing education disparities, enhanced vulnerability of health care services, unprecedented levels of GBV and abuses, and extraordinary pressures on an already stretched SPS. The continuation of this daunting social (dis)order is expected to have an even greater impact on the poor and most vulnerable populations, including male and female single heads of households, children, youth, older persons, and persons with disabilities.

Environmental Context

1.13 Haiti is highly exposed and vulnerable to a large spectrum of hydrometeorological and geophysical hazards. This reflects several factors such as geographical location, poverty, poor land use practices, widespread deforestation, environmental degradation, low levels of education and literacy, inadequate infrastructure, and high density unplanned urban and rural settlements located on, or near to, the coastal areas. Haiti's geographic location, combined with the steep topography of its western region from which all major river systems flow to the coast, make the country particularly vulnerable to hydrometeorological hazards. The country's most populated cities are all located along the coast, and this significantly increases the exposure of a large percentage of the population to related hazards. The capital city of Port-au-Prince is particularly vulnerable to flooding, with a large portion of its inhabitants residing on flood plains in poorly constructed housing. The Germanwatch's Global Climate Risk (GCR) Index (2021), which analyses and ranks the extent to which countries have been affected by extreme weather events, positions Haiti as the fiftieth most vulnerable to climate risks.

1.14 As a result, natural hazard events often result in significant environmental, social, and economic impacts. In 2010, a major earthquake killed over 200,000 people and caused damage and loss estimated at USD7.8 billion (bn) or 100% of GDP (2009). In 2016, Hurricane Matthew caused damage and loss of about USD1.9 bn. More recently, the catastrophic earthquake of 2021 caused damage and loss estimated at USD1.6 bn and over 2,000 deaths.

1.15 Climate change and disaster impacts have adversely affected sectors that are strategically important for Haiti's economic growth, such as agriculture, water, education, transportation, energy, and tourism (see Appendix 2). Most of the agricultural sector consists of rain-fed subsistence farming on sloping lands with little or no soil conservation practices. Soil erosion and flooding due to extreme rainfall events, combined

with prolonged drought, have already reduced soil fertility and crop yields¹². Pollution of surface and groundwater resources is prevalent and presents a major concern for the development and delivery of potable water already stressed by extreme drought conditions¹³. While only 65% of Haitian households have access to safely managed drinking water, access to sanitation services is approximately 35%. Extreme weather events frequently affect the substandard school infrastructure, hinder school attendance, and slow progress in improving the education system. Climate change and disaster events also disrupt, damage, or destroy the existing inadequate road infrastructure, thereby further limiting access to social and economic services and opportunities. The natural and cultural environment on which the tourism sector largely depends, is being degraded partly as result of extreme weather events. Climate change is expected to further exacerbate disaster risks and impacts in the coming decades¹⁴ and, therefore, represents a major challenge to the achievement of the SDGs.

¹² The United States Agency for International Development (USAID) Haiti Climate Risk Profile, 2017, <https://www.climatelinks.org/resources/climate-risk-profile-haiti>.

¹³ The World Health Organisation/United Nations Children's Fund Joint Monitoring Programme for Water Supply, Sanitation and Hygiene 2019.

¹⁴ Climate change projections indicate that average annual temperatures could increase by 2.3°C by mid-century. Rainfall variability is also expected to result in more extreme droughts in the dry season and more intense rainfall in the wet season. Sea level rise (SLR) is projected to reach 0.56 metres (m) by 2090.

2. KEY DEVELOPMENT CHALLENGES AND PRIORITIES

Governance

2.01 Governance remains a persistent challenge. The fractious political parties frequently engender instability and accusations of impropriety undermine public trust. The date for Presidential Elections remains uncertain after the postponement of scheduled elections in September and November 2021. Governance structures are likely to remain fractured even after a new president is installed. Notably, political gridlock has been a hallmark of policymaking as the multitude of parties in the legislature struggle to compromise. The country also has weak frameworks for fiscal responsibility, fiscal transparency, and administrative capacity in the areas of budgeting, treasury, and debt management; and limited public sector capacity, high outward migration, and inadequate human capital development are major constraints to sustainable development. Haiti ranks 131st out of 173 countries in the WB Human Capital Index 2020. Haitian children attend 11.4 years of school on average by age 18, which is equivalent to 6.3 years of adjusted learning, and is the lowest score in the Region. These governance challenges are not uncommon in fragile states¹⁵ and, notably, Haiti ranks 10th of 179 countries in the Fragile States Index (2023).

2.02 Despite the challenging environment, the authorities have adopted important reforms to strengthen governance and transparency. The reforms cover governance and anti-corruption, tax and revenue administration, PFM (including budget preparation and execution), central bank autonomy and governance, and AML. All these reforms have enhanced transparency in public spending and in the financial sector, and helped maintain macroeconomic stability. The Haitian authorities have agreed to a second SMP and made a request for an IMF governance diagnostic assessment which should help with learning and with guiding reforms for enhancing economic resilience and governance.

Agriculture and Food Security

2.03 Agriculture plays an important social and economic role in the economy. The sector employs 42% of the labour force and contributes more than 20% to GDP (CDB/Food and Agriculture Organisation [2019]). Agriculture accounts for 66% of income in rural areas. It is the dominant economic activity with an estimated 80% of rural households engaged in farming; and for half of all households farming is the sole economic activity. Productivity levels in the agricultural sector are low, with an estimated 45% to 50% of the food requirements covered by domestic production. Large segments of the population depend on imports to meet food and nutrition needs. Haiti imports 17-20 times more agricultural products than it exports. Exports are dominated by mango, coffee, cocoa, and vetiver. The agricultural sector continues to be plagued by: under-investment in infrastructure and services; limited access by farmers and fisherfolks to modern technologies, credit, production, and marketing support; and environmental degradation causing substantial reduction in soil fertility. While women play a critical role in the sector, they experience inequitable treatment – for example, they lack the same land inheritance rights as men and receive lower wages for agricultural work.

2.04 Haiti has one of the highest levels of food and nutrition insecurity in the world, with more than 1 in 3 people (3.7 mn of a population of 11.4 mn) in need of urgent food assistance, and an additional 1 mn classified at emergency levels¹⁶ of food insecurity. In 2018, half of the population was under-nourished, and the country's Global Hunger Index score rose to 35 – up from 28 in 2009 – reaching the alarming threshold. Poor nutritional status among children is a current and future tragedy – 22% of the children are

¹⁵ The Organisation for Economic Cooperation and Development defines fragility as the combination of exposure to risk and insufficient coping capacities of the state, system and/or communities to manage, absorb or mitigate those risks across six dimensions: economic; environmental; political; security; societal; and human.

¹⁶ World Food Programme (WFP).

chronically malnourished, 10% are underweight, and 66% of under-5s suffer from anaemia. Poor childhood nutrition results in stunted growth and severe consequences for the country's sustainable development once these children reach adulthood. These issues have been exacerbated by the poor performance of the agriculture sector, heavy dependence on food imports, regular disruption of the food-distribution supply chain caused, in part, by political instability and social tensions, and the country's vulnerability to inflation and price volatility in international markets.

Energy

2.05 Enormous challenges characterise the energy sector. Notwithstanding the Government's 2017 commitment¹⁷ to electrify the unserved sections of the country using mini-grid and off-grid solutions, only 47% of the population has access to electricity (2021)¹⁸. The electricity supply is unstable with frequent power cuts and surges adversely affecting economic and social activities. Business owners cite the lack of reliable electricity supply as the most binding constraint to private sector development. Given the poor service and limited cost recovery, the cost of electricity is among the highest in the Region. Electricity is available to grid-connected customers only 4-8 hours daily at a high tariff, ranging from \$0.48 to \$0.53 per kilowatt hour (kWh) for large consumers in comparison with \$0.23 per kWh in Jamaica, a country with less than one-third of the population of Haiti.

2.06 Per capita consumption of electricity in Haiti is substantially lower than in other Caribbean countries – for example, it is only 2% of the level recorded in the Dominican Republic. The evidence suggests that the poverty rate mirrors the lack of access to electricity or modern forms of energy. Increased access to energy holds enormous opportunities for supporting poverty reduction, economic transformation, and sustainable development in general. Empirical studies have shown that addressing the lack of energy access using the abundant renewable energy (RE) resources (mainly solar, hydro, and wind energy) represents a transformative intervention for unlocking opportunities in a range of productive areas that can significantly impact poverty reduction.

2.07 The operations of the government-owned national electricity utility, Electricité d'Haiti (EDH), are plagued by significant technical, managerial, and financial challenges. Supply coverage is limited mainly to some areas of the capital city, and EDH's available generating capacity of 176 megawatts (MW) (comprised of 81% diesel generation from independent power producers and self-owned hydropower generation) is inadequate to meet peak demand of 500 MW. The result is that many customers operate diesel generators with an aggregate capacity exceeding that of EDH. The technical and commercial losses are approximately 65%, with revenues that are inadequate to cover operational costs and the company therefore relies on government subsidies to fill the annual gap of almost USD200 mn (2015), which accounts for 4% of the Government's budget. These challenges persist, despite WB and the Inter-American Development Bank (IDB) support for sector reforms, institutional capacity strengthening, and investments in infrastructure to improve EDH's operations over the period since the 2010 earthquake.

Human Capital Development – Education and Training

2.08 Human resource development (HRD) depends on significant long-term investments to improve the quantity and quality of skilled persons to strengthen economic development, engender social cohesion, and reduce poverty. However, the education sector in Haiti remains under-resourced and of low quality, with a significant burden placed on families to provide educational opportunities for children and young people.

¹⁷ Roadmap for the Electricity Sector issued in April 2017.

¹⁸ https://islands.irena.org/-/media/Files/IRENA/Agency/Statistics/Statistical_Profiles/Central-America-and-the-Caribbean/Haiti_Central-America-and-the-Caribbean_RE_SP.pdf?rev=44512557a25043ce8338785fd87ab008. Accessed September 21, 2023.

Notwithstanding gradual improvements, there is limited education access at all levels, particularly in rural areas, and education services are provided mainly by the private sector.

2.09 Enrolment in public educational institutions represents just 25% of all primary school children and 10% of Technical and Vocational Education Training (TVET) students. With such limited public provision of education services, families utilise as much as 20% of their income to finance educational opportunities for learners, and support about 70% of total education funding. A large percentage of non-public schools, about 75%, lack accreditation or licensing, with the result that their output is of questionable quality. Between 30% and 60% of public schools, depending on the municipality, are in poor condition with large class sizes. With a significant percentage of over-aged students throughout the system (for example, over 70% in upper primary and lower secondary), classes are generally multi-grade, with teachers ill-equipped for instructional effectiveness. Invariably, the system is characterised by low enrolment rates, having not achieved universal basic education. Up to 18% of children eligible for primary education are excluded from school and the net enrolment rate in secondary education approximates 20% with a completion rate of 30%¹⁹. Internal efficiency is low with high dropout rates and few children transition to the secondary level. Inadequate quality is also reflected in the low performance on national examinations and high repetition rates caused by factors including: (a) ineffectively trained and unqualified teachers; (b) insufficient teaching and learning materials; (c) outdated curricula; (d) weak school management systems; and (e) inadequate supervision of the large non-public education sector, compounded by excessive centralisation of the decision-making process. Malnutrition and poor health also contribute to low participation and under-performance. Expanding public provision of basic education remains an urgent priority, especially in rural communities and for girls, to ensure that sustainable development efforts are successful.

2.10 Skills development continues to be critical for the economic and social transformation of Haiti. Haiti has the youngest age structure in the Caribbean. The country is dependent on skilled foreign workers while, at the same time, there is high unemployment and under-employment, particularly among women and out-of-school youth between the ages of 15 and 24. Youths potentially represent an important economic asset for catalysing economic growth, but they need access to skills development programmes to improve employment opportunities that can help break the cycle of poverty and promote economic growth in Haiti. High unemployment rates for urban youths in the city are likely related to the rise of violent street gangs in the slums of Port-au-Prince. Their exclusion from the labour market due to their lack of employability is detrimental to economic development and to social stability. In this context, interest in TVET is high, but the Government has consistently under-invested in this sector resulting in an industry where facilities and equipment are outdated, and curricula and technologies are obsolete. More importantly, there was a mismatch between the training available and the labour market needs, leading to significant skills gaps.

Employment and Private Sector Development

2.11 Addressing poverty requires, among other strategies, making significant effort to reduce unemployment and to improve the productivity of factor markets. As large waves of young people continuously enter the labour market, opportunities for jobs are crucial to absorb the demographic boom. Much of this will require providing the appropriate enabling environment and support for the development of the private sector. This notwithstanding, the private sector remains weak, and several constraints impede its development²⁰. These include high cost and inadequate access to finance, the lack of infrastructure, which makes it costly to open and conduct business; lack of technical expertise for establishing and

¹⁹ Readiness for Action – The Baseline and Situational Analysis Report for Phase 1 of the Caribbean Community (CARICOM) HRD 2030 Strategy, 2020. CARICOM Secretariat.

²⁰ Insight captured from the 2020 WB's Ease of Doing Business Report which ranked Haiti 182nd out of 189 countries, and the 2018-19 World Economic Forum Global Competitiveness Index (GCI). The GCI ranks Haiti 138th out of 141 countries.

developing businesses; substantial migration of skilled labour; high security costs associated with business operations; weak tax and revenue administration; onerous requirements of opening businesses; and land tenure issues²¹.

2.12 The manufacturing sector and the tourism industry have the potential to generate a significant number of new jobs given the low labour cost and the potential to market several attractions. However, developing the tourism industry will require substantial investments and reforms, both public and private, to address infrastructure needs, product development, marketing, and other related constraints such as macroeconomic instability, waste management, security, and human resource capacity. The private sector is dominated by agriculture, light industry and assembly, the textile and garment industry, and services.

2.13 Existing data suggest that the private sector consists mainly of MSMEs with limited potential for achieving economies of scale and scaling up. According to USAID (2019), these MSMEs generate 80% of new jobs and total employment among key sectors of the economy, such as tourism, agriculture, manufacturing, and trade, making MSMEs vital to Haiti's economy. Through their significant job creation impact, MSMEs have the potential to directly benefit the poor and vulnerable, particularly women and youth, thereby directly reducing poverty, increasing income, and positively impacting on household investments in education and health over time. Most of these firms operate at an informal level which limits their access to business support services, finances, and seed capital. Their growth is further constrained because entrepreneurs and managers lack the skills to improve their performance and profits.

2.14 It is important, therefore, for support to be provided to enhance the enabling environment allowing MSMEs to implement measures that will improve the business ecosystem and make it easier for enterprises to enter the formal economy and increase productivity. It is generally recognised that improving the business environment, including better regulations, should lead to increased employment, growth in the formal sector, increased volumes of bilateral trade, and increased foreign direct investment. Improving a country's performance is also associated with less income inequality.

Post-Earthquake Recovery

2.15 The August 2021 magnitude 7.2 earthquake was catastrophic and deadly. It is estimated that 2,246 persons died, 12,763 persons injured, and 329 accounted as missing. Livelihoods and employment were adversely impacted as 363,000 households lost HTG110 mn in income²². The income losses from the earthquake were equivalent to 91,681 full-time jobs in agriculture and other productive activities. There were also deep social exclusion concerns, particularly for the elderly, people living with physical, mental, or sensory disabilities, and communities living in inaccessible areas (nearly 400,000 persons). Living conditions also deteriorated as 60% of households in the 3 southern departments suffered from a deficit in drinking water and sanitation services. Social service providers indicate that at least 68% of women had little or no access to health services which also deepened gender inequality.

2.16 Recovery needs²³ were estimated at USD1.978 bn (the equivalent of 11% of GDP) by the Post-disaster Needs Assessment (PDNA). Notably, with the support of CDB, Haiti maintained its parametric insurance coverage²⁴ with the Caribbean Catastrophic Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC). However, the damage and loss estimate significantly exceeded the

²¹ Haiti does not have an effective national cadastre and lacks a comprehensive, functional system for recording land ownership.

²² PDNA.

²³ Recovery needs correspond to the costs of sustainable physical reconstruction and resilient recovery that improves the living conditions of the population.

²⁴ CDB has consistently supported Haiti in making its CCRIF SPC premium payments since 2010.

payout related to the natural disaster event. The sectors most affected²⁵ by the earthquake were: Housing (USD815 mn); Education (USD326 mn); Transportation (USD152 mn); and Trade and Industry (USD148 mn).

Haiti's Strategic Development Framework

2.17 Haiti's development priorities are under-pinned by their PSDH. The PSDH contains the development strategy and details of major projects for recovery, development, and transformation into an emerging market economy by 2030. The four rebuilding pillars of the PSDH include: territorial rebuilding; economic rebuilding; social rebuilding; and institutional rebuilding. Territorial rebuilding involves strategies and programmes for land use planning, urban planning, electrification, environmental protection, adequate national transportation and digital networks, and solid waste management. These programmes provide the economic infrastructure for growth, job creation, and improved social services whilst protecting the country's natural assets. Economic rebuilding focuses on the implementation of a macroeconomic framework that stimulates wealth and job creation, increases personal income, and reduces pressures on the environment and natural resources. Social rebuilding aims to foster modern health and education networks through the country (including higher education and technical and vocational training), protect cultural assets, sports and leisure services, and establish a social insurance system. Institutional rebuilding provides for the strengthening of the legal and administrative frameworks related to justice and security, modernising of the public service, and strengthening of the civil society.

2.18 To complement the PSDH, foster macroeconomic and financial stability, and position the economy after the onset of the COVID-19 pandemic, the Ministry of the Economy and Finance and the Ministry of Planning and External Cooperation developed the Post-COVID Economic Recovery Plan (PREPOC), 2020-2023. PREPOC has six pillars and was well aligned with the PSDH. The six pillars of PREPOC are: (a) economic diversification and acceleration of growth focused on agriculture, industry, construction, tourism, and digital economy; (b) development of basic and energy infrastructure services; (c) strengthened security and the rule of law; (d) support for Small and Medium-sized Enterprises and job creation; (e) development of human capital and social inclusion; and (f) building resilience to natural shocks. These are well aligned with the focus areas of CDB interventions in Haiti.

2.19 The Government's national development initiatives are also being guided by the Southern Peninsula Integrated Recovery Plan 2021-25 (PRIPS). PRIPS operationalises and prioritises the recovery needs identified in the PDNA²⁶. PRIPS central vision focuses on the prevention and management of the risks of future natural disasters. It includes four strategic axes: recovery governance; economic recovery; resilient infrastructure; and land-use planning and livelihood improvement and priority sectors that have been identified as agriculture, health, education, trade, logging, housing, energy, environment, water and sanitation and transportation. The PRIPS Action Plan prioritises interventions that include:

- (a) Strengthening the capacity of affected ministries and departments.
- (b) Developing a medium and long-term master plan for energy and promoting the adoption of risk reduction techniques in all sectors.

²⁵ Damage and losses. These were higher for the private sector than the public sector representing 74% and 26% of cost estimates, respectively.

²⁶ PDNA has three underlying principles: interventions consider the communities directly and indirectly affected by the shock; inclusivity of all territorial actors (including all local actors) in the identification of the priorities for recovery and the execution of the implementation; and ensuring that actions foster a green, resilient, and sustainable recovery.

- (c) Revitalising businesses in the southern peninsula.
- (d) Providing support to farmers in rebuilding and strengthening their livelihood.
- (e) Supporting schools and parents to offset the effects of the disaster on student enrolment.
- (f) Reducing the risks and vulnerabilities of physical infrastructure to natural hazards through building capacity in earthquake resistant construction techniques.
- (g) Improving the quality of life of the population, including strengthening SPSs, supporting the resumption of school activities and psychosocial support to affected students and teaching staff, and improving knowledge of disaster risk.

3. COUNTRY STRATEGY IMPLEMENTATION

COUNTRY PORTFOLIO

3.01 The fragility of Haiti is a major constraint on economic and social development and has framed the Bank’s interventions in country. Haiti has benefitted from five SDF cycles with total grant financing of USD209 mn. The 2017-2021 strategy programmed a resource envelope of USD100 mn, including USD45 mn in grants from SDF-9²⁷ resources and USD55 mn in concessional loans (see Appendix 3). Formulated around three sectors: (a) Agriculture and Community Development; (b) Sustainable Energy Development; and (c) Education and Training, this strategy was designed to achieve the following outcomes: increase agricultural productivity; increase the use of sustainable energy options; improve the quality and access to education and training; build public sector institutional capacity; enhance MSME capacity; and improve resilience to climate change and disaster risks.

3.02 The backdrop of political instability, weak institutions, gang violence, and an unfavourable business environment, worsened by the frequency of geophysical and climate-related hazards, made the implementation of Bank interventions quite challenging. Although loan financing was incorporated within Haiti’s last CSP signalling the Bank’s commitment to mobilise concessionary loan resources to support development based on past gains achieved in country and was given impetus by the country’s commitment to achieve the United Nation’s 2030 SDGs approved in 2015, thus far CDB has not approved loans to Haiti. Disbursements of grants have, however, been positive during the CSP period (see Table 3.1). Disbursements were as follows: education sector (USD25.8 mn); environment and disaster risk reduction (DRR) [USD12.5 mn] which includes contributions towards Haiti’s CCRIF SPC premium payments; and agriculture and rural development (USD5.8 mn).

TABLE 3.1: RESOURCE FLOWS

Grant Disbursement Resource Flow	2017	2018	2019	2020	2021	2022
Net Disbursement	8.6	4.2	8.0	7.9	16.6	8.7
Disbursement	8.6	4.2	8.0	7.9	16.6	8.7
Amortisation	-	-	-	-	-	-
Interest and Charges	-	-	-	-	-	-
Net Resource Flow	8.6	4.2	8.0	7.9	16.6	8.7

CSP 2017-2021: PROGRESS ON OUTCOMES

3.03 The Bank’s 2022 self-assessment of the CSP 2017-21 rated performance – the extent to which progress was made toward achieving the stated development outcomes of the expired CSP – as Satisfactory²⁸, with two outcomes rated as achieved, one not achieved, and three partially achieved²⁹ (see Table 3.2). CDB supported initiatives in agricultural production and marketing infrastructure and services; farmers adoption of improved production and marketing technologies; and the provision of business support services and financing mechanisms. Improved irrigation, drainage and flood control systems on approximately 320 hectares of land, directly benefitting 722 farm families in the communities of Lavaltière and Digoterie, exceeded the targeted 200 hectares of land improved through drainage and irrigation investments. In energy, the sole initiative undertaken, technical assistance (TA) in Geospatial Mapping for

²⁷ The duration of the SDF-9 cycle was for the period January 2017 to December 2020. The duration of the SDF-10 cycle was for the period January 2021 to December 2024.

²⁸ A Satisfactory rating of the Overall Development Outcomes indicates that the CSP has made acceptable progress towards most (at least 50% and over) of the expected outcomes.

²⁹ Refer to CSP Completion Report, Haiti.

Rural Haiti, was an important first step in responding to the need for increased use of RE options and improving energy security by training engineers in geospatial mapping. The planned concessional loan financing support to sustainable energy was dropped as the supporting institutional frameworks and data requirements were not considered adequate. In education, interventions targeted specific sector constraints such as: inadequate and insufficient public school infrastructure; insufficient number of trained teachers (at all levels); and limited institutional capacity, among others. The country also benefitted from timely CCRIF SPC payouts which assisted with its stabilisation and recovery efforts. In the intervening years, 2022-23, the Bank again responded to GOH's request for financial assistance of USD3 mn to cover a portion of its annual CCRIF SPC premium for the period June 1, 2022, to May 31, 2023. The CCRIF SPC premium payment and administrative expenses for HCO in the intervening years were financed from SDF-10 grant resources.

TABLE 3.2: CSP PROGRAMME OUTCOMES AND RATINGS

Sector 1: Agriculture and Community Development	
Outcome 1: Increased investment in the agriculture sector and increase farm production.	<i>Achieved</i>
Sector 2: Sustainable Energy and Development	
Outcome 2: Increased use of sustainable energy options and improved energy security.	<i>Not Achieved</i>
Sector 3: Education and Training (including MSME Development)	
Outcome 3: Improved quality, access and relevance of Education and Training.	<i>Partially Achieved</i>
Outcome 4: Improved public policy development and analysis capacity and public policy consultation processes; Improved project and programme implementation capacity; and Improved procurement capacity and practices.	<i>Achieved</i>
Outcome 5: Enhanced Operational and Managerial Capacity of MSMEs.	<i>Partially Achieved</i>
Cross-Cutting Activities and Other Activities	
Outcome 6: Strengthen climate resilience to Climate Change and DRM.	<i>Partially Achieved</i>

Notes: Achieved – indicator target is fully met; partially achieved – some progress and the likelihood that the project will contribute to the outcome; not achieved – no progress made.

3.04 Persistent implementation delays affected all the projects, but particularly the larger projects in the education sector. In other sectors, such as sustainable energy and to a lesser extent agriculture, late approvals affected the progress on attaining development outcomes. The implementation challenges were mainly due to increasing political instability, civil unrest, administrative bottlenecks, the occurrence of the devastating August 2021 earthquake, and the COVID-19 pandemic. These conditions constrained visits to Haiti from the CDB headquarters. However, despite the COVID-19 pandemic and the security issues in the country, HCO remained open two days a week and has gradually reopened up to four days a week. HCO has maintained the visibility of the Bank in Haiti and facilitated meetings with national and regional stakeholders. Interviews with key Haitian informants suggest that the local team operating HCO demonstrated leadership and resilience in managing the office under a period of significant unrest.

LESSONS LEARNT

3.05 The main findings and lessons from the Bank's self-assessment of the expired CSP for Haiti and SDF-10 mid-term review related to key functional areas of results management and measuring, monitoring and approaches to engagement, areas where the Bank has moved to strengthen its processes to improve the quality at entry of future operations and portfolio performance. The key lessons derived are as follows:

- (a) Design of a robust Results Framework (RF), including strong links between designed interventions and outcomes and suitable monitoring indicators to track outcomes, is an important determinant of improved outcome performance at the country programme level.
- (b) Mid-term Progress Review is an important step in the country strategy life cycle. It must be utilised more consistently to improve development effectiveness.
- (c) Closer engagement and presence in the country is key to strengthening development outcomes. CDB established HCO in 2018, representing a significant first step in improving responsiveness and project oversight.
- (d) Fragile nature of Haiti requires that flexibility be adopted in the approach to engagement. This flexibility should be reflected in the design of future Country Engagement Strategies and, particularly, within the context of the present social and political instability in the country.
- (e) Capacities of local state agencies and institutions are heterogenous and must be carefully assessed when planning an intervention. The difficulty experienced by local institutions to keep their staff is a major obstacle to national development. The unstable political context has, in part, contributed to the reduction in local capacity, both in terms of decision making and operational capability. Efforts to strengthen local agencies and institutions, including management capacities to monitor results, should be considered in project design.
- (f) Continuous social and economic data collection is required to enhance knowledge of local conditions, improve routine surveillance and analysis, and strengthen project design.

4. COUNTRY ENGAGEMENT STRATEGY 2023-25

RATIONALE FOR MAINTAINING STRATEGIC PILLARS

4.01 This paper sets out the strategic direction for CDB's engagement with GOH over the timeframe of 2023-25. The Strategy maintains the strategic pillars of the expired CSP 2017-2021, whose implementation has been hindered by severe and successive crises that have, in turn, hampered the Bank's efforts to prepare a strategy within the confines of Haiti's development goals. At the strategic level, the CSP 2017-2021 was judged relevant and satisfactory notwithstanding the many difficulties that affected its close monitoring and overall efficiency of operations.

4.02 Following the onset of the pandemic in 2020 and the 2021 earthquake, GOH reorganised its strategic priorities (as articulated in its PSDH and PREPOC), to give greater focus to addressing rebuilding and resilience during the medium term. Cognisant of this situation and the delayed programming of committed resource for Haiti under SDF-10, staff from the Bank, led by the Vice President of Operations, met with the Minister of Economy and Finance in a virtual meeting in December 2022 to discuss and agree on the way forward for developing a new strategy, among other operational issues pertaining to the implementation progress of CDB's portfolio. Further, in June and October 2023, respectively, the Bank held discussions with the Haiti Alternative Governor to the Board of Directors on the sidelines of its Annual General Meetings and hosted Ministerial meetings with a high-level Haitian delegation at Headquarters. Technical teams at the Bank have also ramped-up their virtual engagement with their counterparts in Haiti over the past nine months in the appraisal of projects in education and RE. A key outcome of these discussions was confirmation of the continued relevance of the challenges initially identified and the strategic pillars of the CSP 2017-21, and agreement to maintain the pillars and priority areas in this new strategy. This is appropriate to ensure the programming of SDF-10 resources, and continuity of the Bank's operations while supporting the emergency and economic recovery measures put in place by the authorities.

4.03 The overall objective of CSP 2017-2021 remains relevant. HCO completed a perception survey in April 2021, that provided supporting evidence of the close alignment of the CSP with development priorities and an understanding of how stakeholders working and/or living in Haiti perceived the HCO and, by extension, CDB's development assistance to Haiti. The results of the perception survey were favourable. The respondents identified education, public sector governance/reform, agriculture and rural development and energy among the top 10 development priorities in Haiti, and these sectors are well aligned to the CES. The respondents' level of familiarity with the HCO was favourable (4 out of 5 rating); their perception of CDB effectiveness in Haiti was also strong (4 out of 5 rating); and their view on the ability of HCO staff to help Haiti solve its most complicated development challenges was positive (3 out of 5 rating). The Bank, through its HCO, will continue to strengthen its dialogue with the Government.

STRATEGIC ALIGNMENT

4.04 The strategic pillars will be maintained for the CES 2023-25. The strategy is consistent with PSDH and CDB's Strategic Objectives of building social, environmental and production resilience, and its Corporate Priorities of improving access to quality inclusive and equitable education and training, supporting sustainable agriculture and rural development and increasing food production, promoting private sector operations and MSMEs, and increasing resilience and adaptive capacity to disaster risk and climate change impacts as outlined in the Strategic Plan Update 2022-24. Its design and time horizon are direct responses to a request from GOH and reflect CDB's comparative advantage and expertise. The CES will continue to build on the successes in these areas and take into consideration the lessons learnt and the existing country circumstances.

THE STRATEGY: THEMATIC AREAS AND EXPECTED OUTCOMES

4.05 Haiti is the only fragile state in the Bank's membership, and the Bank is continuously reviewing its approach to programming in this context to improve development outcomes. The design of the CES takes into consideration the challenging socio-political and security conditions, and the limited availability of SDF-10 financial resources. Lessons learnt from projects that have performed highly satisfactorily were taken into consideration in developing the new strategy including the importance of strong partnerships³⁰ and options for customising project design³¹ based on the domestic circumstances. The interventions and actions planned during this CES will serve as an anchor point for longer-term pathways for reducing fragility and promoting growth and development. This can include a larger resource envelope for GOH including both grants and loans that are financed partly from SDF resources and contributions from other development partners.

4.06 The Strategy is premised on four strategic pillars:

- (a) enhancing food and nutrition security and productivity;
- (b) increasing access to sustainable energy options;
- (c) improving human capital and MSME capacity; and
- (d) strengthening environmental resilience and DRM.

Strategic Pillar I: Enhancing Food and Nutrition Security and Productivity

Expected Outcome: Increased investment in the agriculture sector and higher farm production

4.07 CDB support under this pillar will help to enhance food and nutrition security. The CES will support key interventions in agriculture geared at achieving the above expected outcome. The priority areas that the Bank will support include:

- (a) supporting GOH efforts to enhance the capacity of small-scale farmers and rural stakeholders to adapt to impacts of climate change;
- (b) continuing efforts to involve local government structures and communities to arrive at the critical balance that would optimise sustainability of Bank interventions;
- (c) exploring options for the provision of support to agricultural/rural service institutions to enhance their capacity to service the agricultural sector eco-system; and
- (d) supporting GOH in streamlining its National Quality Infrastructure and Regulatory Trade Framework (RTF).

³⁰ Partnering with established development partners to conduct joint risk assessments has helped to strengthen internal capacity and project progress.

³¹ This may include reduced emphasis in the short term on the civil works components of projects (because of the security concerns) and pivoting to high-impact and quick absorption project components or interventions until the security concerns subside.

Strategic Pillar II: Increasing Access to Sustainable Energy Options

Expected Outcome 2: Increased Production and Use of Sustainable Energy

4.08 CDB in collaboration with development partners such as WB and IDB will support Haiti's efforts to improve the supply of electricity, particularly through scaling-up the use of RE. The Bank is new to the energy sector in Haiti. It is therefore considered an effective approach that CDB collaborate with who have been working in the sector over an extended period. The following interventions have been identified for support:

- (a) installation of pilot micro or mini community electricity grids supplied by wind and solar, as part of a pilot to establish financially viable/sustainable models of energy supply arrangements;
- (b) solar installation as part of CDB's infrastructure projects or as stand-alone community solar energy stations to provide: lighting; water pumping (for potable water and irrigation); power to support information and communications technology and economic enterprises (including agro-processing); and establishing community centres which could facilitate students' homework and adult learning; and
- (e) installation of solar powered street lighting to improve citizens' security.

Strategic Pillar III: Improving Human Capital and MSME Capacity

Expected Outcome 3: Improved Quality and Access to Education and Training

4.09 CDB will continue to support GOH to attain improved, gender-responsive and socially-inclusive educational outcomes in basic education, TVET, and tertiary education. The Bank will also focus on training to strengthen public sector capacity. The following interventions have been identified for support:

- (a) Quality Enhancement in Public Education (QuPE) and TVET;
- (b) TA to support the Maritime and Navigation Service of Haiti (SEMANAH); and
- (c) TA to support the Institutional Strengthening of the Ecole Nationale d'Administration Financière (the National School of Financial Administration [ENAF]).

Expected Outcome 4: Enhanced MSME Capacity

4.10 CDB will continue to support the strengthening of the enabling environment for MSMEs (including culture and creative industries), institutional strengthening of financial institutions, and greater access to credit to spur growth in Haiti. CDB will support:

- (a) interventions to support MSMEs to strengthen their operational capacity and competitiveness, including developing required business plans/proposals, thereby ensuring that they are in position to generate revenue to repay their loans, are critical;

- (b) providing institutional strengthening and capacity building to improve the MSME-enabling environment; credit to financial institutions involved in micro-finance lending to intermediate funds to MSMEs, in addition to delivering credit and capacity building services; and entrepreneurial and skills development training to entrepreneurs and employees of MSMEs through Caribbean Technological Consultancy Services (CTCS);
- (c) providing resources for on-lending to reputable and profitable micro-finance and development finance intermediaries;
- (d) building capacity of development finance intermediaries to de-risk private sector businesses, thereby increasing their ability to access credit; and
- (e) opportunities for Haitian creative practitioners to upgrade their skills and receive much needed business training and certification.

Strategic Pillar IV: Strengthening Environmental Resilience and Disaster Risk Management

Expected Outcome 5 (Environmental Sustainability): Increased resilience to Climate Change and Disaster Risks

4.11 CDB will continue to support GOH's efforts to improve environmental sustainability, reduce environmental degradation, and increase climate resilience and crisis response. The Bank will continue to provide support in the short term to GOH in subsidising the payment of their annual CCRIF SPC premiums on its parametric insurance policies for excess rainfall, tropical cyclones, and earthquakes. While this is critical and much needed to provide immediate liquidity support post natural disasters, it is often small compared with the estimated loss and damage. As a result, the Bank will engage GOH in discussions related to a wider Disaster Risk Financing Strategy which will utilise pre-arranged and potential financial mechanisms to provide adequate financial resources to enable rapid intervention and facilitate timely economic recovery, in addition to facilitating support to the execution of their DRM Country Work Programme and climate change mitigation and adaptation activities.

4.12 CDB will:

- (a) improve physical, institutional and community capacity to prepare for, and respond to, natural hazard impacts;
- (b) mainstream environmental sustainability, climate change, and DRR in sectoral policies, strategies and plans; manage climate risks; and assist with implementation of the National Climate Change Adaptation (CCA) Policy;
- (c) support the Government through partial payment of CCRIF SPC premiums; and
- (d) prepare proposals to secure climate financing.

FINANCING THE STRATEGY

4.13 The Bank will support new operations in Haiti estimated at USD32.2 mn from SDF-10 grant resource (see Table 4.1 and Appendix 4). It is proposed that just over half of the resource envelope, 53%, be used to support education and training initiatives in support of the outcome for developing human capital. Haiti can also continue to benefit from regional interventions.

TABLE 4.1: UPDATED INDICATIVE ASSISTANCE PROGRAMME
(USD mn)

Area Sector	Main Intervention Areas Identified	Share of Resource Envelope
Pillar 1: Enhancing Food and Nutrition Security and Productivity		
Agriculture	Increased investment in the agriculture sector and higher farm production	15.5% (\$5 mn)
Pillar 2: Increasing Access to Sustainable Energy Options		
Sustainable Energy	Increased production and use of sustainable energy	15.5% (\$5 mn)
Pillar 3: Improving Human Capital and MSME Capacity		
Education and Training	Improved Quality and Access to Education and Training	48.7% (\$15.7 mn)
Pillar 4: Strengthening Environmental Resilience and DRM		
Environment, Climate Resilience and DRM	Increased resilience to Climate Change and Disaster Risks	18.6% (\$6 mn)

IMPLEMENTING THE STRATEGY

4.14 The Bank is giving priority to strengthening its engagement with Haiti, particularly at this crucial time in its development history, through a focus on: (a) improving sector knowledge and the supervision and execution of ongoing projects; (b) developing a framework for operating in Fragile, Conflict/Violence (FCV)-affected countries; (c) undertaking preparatory activities for projects in the pipeline; and (d) continuing to buffer the Haitian economy against possible geophysical and/or climate-related shocks. The Bank will strategically deepen knowledge and sector expertise and strengthen data collection and management, particularly as it relates to macroeconomic and social data. TA to undertake preparatory activities for projects in the pipeline can provide a solid basis for improved project implementation and, particularly, civil works when the security conditions improve. Continuous social and economic data collection is required to enhance knowledge of local conditions, improve routine surveillance and analysis, strengthen project design, and support evidence-based decision making.

4.15 The Bank is deepening its understanding of FCV-affected countries through discussions with WB on aspects of their work in FCVs related to supervision, staffing, project development and other areas, and will seek to strengthen this partnership. The continuation of the Bank's programming in Haiti will be guided by good practices for project management in fragile states including: increasing attention to risk assessments; balancing ambition and realism in setting project objectives and measuring results; proactively partnering with other donors to conduct joint risk assessments; and developing adequate financial and programme mechanisms for engaging in contexts such as Haiti – which requires greater flexibility, minimal transaction costs, greater supervision to adjust project design as the context evolves, and greater speed of decision making.

4.16 Haiti remains one of the most exposed countries in the world to natural hazards and climate change, and these risks appear to be increasing. CDB has proposed three specific tools³² that focus on resilience and that better capture the vulnerability and resilience conditions in developing countries and Small Island Developing States (SIDS). The Bank intends to estimate a Multidimensional Vulnerability Index as a first step in its vulnerability and resilience framework. These tools will be utilised to inform the programming of resources and the design of interventions to support Haiti.

4.17 The progress and scaling-up of the operational programme for Haiti continues to be a key focus of CDB considering the country's special development needs and its strategic importance to the Bank. HCO has provided valuable in-country support to CDB and GOH by building relationships and deepening the Bank's understanding of the Haitian context, challenges, and opportunities. The Haiti CS and Programme Evaluation (CSPE)³³ recommended that "CDB take full advantage of HCO by formally setting out its mandate, responsibilities, and authorities in a way that maximises its contribution to in-country coordination (with other international partners and GOH) and to the achievement of expected development results". As a result, the Bank has been exploring options for a revised approach to the operations of HCO that include, the establishment of a project implementation unit within HCO that can work with government ministries and support implementation. Implementation support consultants will be engaged on an "as needed" basis to enhance supervision of the Bank's Haiti portfolio. The proposed implementation support team will comprise specialists in Education, Agriculture, Private Sector, and Economics. A proposal on the strengthening of HCO is being finalised.

4.18 A RF has been prepared for monitoring and evaluating the CES (see Appendix 5). Performance indicators are used to monitor and assess progress on the expected outcomes to which the proposed interventions are expected to contribute. Monitoring and coordinating will be done by CDB (led by the Economics and Projects departments) and country authorities. CDB's engagement will be focused on promoting mutual accountability for results and fostering open and frequent policy dialogue with GOH.

COORDINATION WITH DEVELOPMENT PARTNERS

4.19 Donor coordination is critical to avoid duplication and to maximise engagement with Haiti, given its access to concessional and grant resources from a variety of bilateral and multilateral sources. The CES considers the engagement of other development partners (see Appendix 6) to create synergies and draw on CDB's comparative advantage. To maximise the effectiveness of interventions, it is vital that all partners are aware of each other's activities. The Bank has played an active and collaborative role through policy dialogue with other partners. HCO is a vibrant participant in the International Development Partners community and member of the Heads of Cooperation Committee and its sectoral sub-committees which actively engage in discussions related to coordination of development assistance in Haiti.

³² The tools comprise the Internal Resilience Capacity (IRC) metric, the Recovery Duration Adjuster (RDA), and the Vulnerability and Resilience Assessment Tool (VRAT). IRC seeks to capture the reality that exogenous shocks in SIDS can lead to deep structural scars that persist long after the shock occurred and can lead to longer recovery times and higher costs for developing countries when compared with developed countries. RDA is an application of IRC and seeks to calculate the loss associated with a shock event and adjusts Gross National Income to take account of the fact that it can take developing countries longer to recover from an exogenous shock compared with developed countries. VRAT is a diagnostic metric to further assess country-specific vulnerability and resilience conditions including "non-structural" resilience factors.

³³ CSPE 2007-2015, Paper BD 92/2019-B4, March 2019, Barbados, CDB.

RISK AND MITIGATION

4.20 Risks to the execution of the proposed CES have been identified and mitigation measures have been put in place to manage these risks within tolerable levels through a framework of measurement, monitoring and control policies, procedures, and processes (Table 4.2).

TABLE 4.2: RISK ASSESSMENT AND MITIGATION MEASURES

Risk Type	Description of Risk	Mitigation Measures
Developmental	Haiti is a fragile state with a <i>de facto</i> government. A change in the strategic vision of the country could have implications for the relevance of the CES.	The priority sectors identified in the CES are strongly aligned to the development needs of Haiti. CDB will maintain a close engagement with government officials and keep the Strategy under review throughout the CES period.
Operational	Haiti is highly vulnerable to climate change and weather-related natural disasters.	All interventions are climate screened, the associated risk documented, and contingencies built into each project based on the screening. The CES allows flexibility to respond to the challenges posed by natural hazards by making additional specific disaster response financing available through the Bank's Disaster Management Strategy and Operational Guidelines, and by partly supporting GOH payments to CCRIF SPC. The Bank will also support capacity building for developing resilient infrastructure in Haiti.
Operational	Limited human resource and institutional capacity in ministries and agencies could affect the pace of implementation of the Strategy.	CDB will identify implementation capacity constraints as part of the project appraisal process and provide the necessary project implementation capacity building support. CDB's plan to strengthen HCO is also expected to improve the implementation capacity in Haiti.
Operational	Security risks have deteriorated with potentially adverse implications for the safety and security of HCO staff members, the frequency and duration of missions from CDB headquarters, and the cost and supervision of civil works for projects.	The Bank continues to closely monitor domestic developments and security advisories. Flexible work arrangements are in place for HCO staff members.

GENDER MARKER

Strategy Stage	Criteria	Score
Analysis	Gender dialogue with ministries and authorities with national oversight and relevant gender-related public/private sector organisations and Non-Governmental Organisations has taken place.	0
	Socioeconomic, sector or institutional analysis identifies gender disparities.	0.5
Design	Gender intervention incorporated in at least one indicative sectoral operation.	0.5
	Specific gender interventions address existing gender disparities and budgeted.	0
	Grant Funding: 0.25 Loans: 0.25	
Implementation	Weaknesses in country systems are addressed to facilitate gender mainstreaming in the implementation stage.	1
Monitoring and Evaluation	Sex-disaggregated data included in baselines, indicators, and targets of the Results Monitoring Framework.	0.5
	Or Indicates that data will be collected during implementation. At least one gender responsive outcome/indicator for each CSP sector in which gender disparities are identified.	0

Scoring Code: Marginally Mainstreamed – the Project has limited potential to contribute to gender equality.

CLIMATE AND DISASTER RISK SCREENING ANALYSIS

Basic Programme Information

Programme Title: Country Engagement Strategy 2023-25

Country: Haiti

Sector: Education/Agriculture/Energy

Programme Outcomes and Brief Description

To identify the overall risk to priority sectors identified as critical to meeting the country’s CES goals and priorities, based on climate and geophysical hazards and sector potential impact, but adjusted for the sector’s institutional readiness and for the challenges and opportunities presented by the larger development context.

Summary of Climate and Disaster Risk Screening

A. Context

Haiti is the largest and most populous of CDB’s BMCs with a land area of 10,714 square miles and population of 12.0 mn people, according to 2022 population estimates from HISI. It is an impoverished country occupying the western half of the Island of Hispaniola, which it shares with the Dominican Republic. Haiti’s terrain is dominated by rugged mountains interspersed with river valleys and coastal flat lands. With its coastline spanning 1,771 km and a population of over 8 mn, much of this densely populated island resides near the coast. Potential risk of catastrophic events is growing because of poor development planning, unplanned urbanisation, degradation of ecosystems, and the impacts of climate change and SLR. Population pressures have led to extreme environmental degradation, with an estimated 98% of forests cleared for fuel.

Haiti is considered one of the most disaster-prone countries amongst the BMCs due to a complex interplay of geographical, geomorphological, and environmental factors. Positioned at the convergence of major rivers that flow towards the coast and within the boundaries of the North American Plate and the Caribbean Plate, Haiti is particularly susceptible to hydrometeorological and geological hazards. The situation is compounded by deforestation, soil degradation, and suboptimal land management practices which contribute to the frequent occurrence of the materialisation of risk. Furthermore, due to the concentration of about 57% of the population in urban areas situated in valleys along the coast, nearly one-third of Haiti’s entire population faces heightened exposure to disasters. Notably, Port-au-Prince, the nation’s capital, accommodates approximately 20% of Haiti’s population. However, this urban center grapples with challenges like limited infrastructure, rapid population growth, inadequate waste management, and insufficient early warning systems (EWS), leading to an increased vulnerability of about one-fifth of the population. The situation was further compounded in the aftermath of the 7.2 magnitude earthquake that struck near Les Cayes and the impact of Tropical Storm Grace. These dual disasters resulted in 2,246 lives lost, 12,763 individuals injured, and 329 people reported missing. The departments most affected by both events, namely Sud, Grand Anse, and Nippes, reported 52,953 homes destroyed and 77,006 homes damaged. The collective impact led to approximately 690,000 people being displaced from their houses, exacerbating the humanitarian crisis in this region.

Compounding development challenges are the repeated and devastating impacts of natural disasters triggered by hurricanes, flooding, droughts, and earthquakes. To reduce Haiti’s vulnerability to such hazards, mitigation and adaptation measures need to be integrated into development planning under the different areas related to water management, agriculture, fisheries, land use, and forestry.

B. Sectors

Education

Haiti’s education sector is highly vulnerable to the effects of climate change. Schools throughout Haiti are exposed to multiple hazards including extreme precipitation, flooding, SLR, storm surge, strong winds, and earthquakes and landslides. These vulnerabilities have been exacerbated by the absence of a building code, which has led to poor

design of school buildings and their subsequent low resilience to strong winds and earthquakes. With the effects of climate change and natural hazards projected to intensify, these processes can be exacerbated, thus future construction must take areas prone to flooding into consideration.

Agriculture

Haiti experiences structural food insecurity, driven by widespread poverty and environmental degradation, and exacerbated by frequent natural disasters. Climate change is beginning to drive more extreme drought and flood conditions and more intense hurricanes and is contributing to increased salinisation of coastal aquifers and estuaries, all of which are expected to continue to compromise food security. The agricultural sector continues to be plagued by: under-investment in infrastructure and services; and fisherfolks to modern technologies, and environmental degradation causing substantial reduction in soil fertility. Haiti's food security which relies heavily on rain-fed subsistence farming, is being severely threatened by the increasing frequency and duration of droughts; variations in the rhythm of rainy seasons; intensification of cyclones (intensity of rains and winds); more frequent flooding; loss of crops and animals; and salinisation of coastal plains following tidal waves. The North-West, Artibonite, Northeast, and Central departments frequently experience repeated droughts, brought about by a combination of erratic rainfall patterns and poor water management infrastructure. Given projections for Haiti's climate to grow increasingly warmer and drier, especially during the summer months, there is a need for agricultural practices to be adjusted to maintain soil productivity. There is also a need to introduce drought-resistant crops, grow crops in suitable land to prevent depletion of soil nutrients, improve land conservation practices, expand water storage capacity; and improve water use efficiencies.

Energy

Haiti's energy sector is highly vulnerable to effects of climate change impacts. Approximately 72% of the country's domestic energy needs come from biomass, particularly charcoal and firewood, which are used for cooking. In the aftermath of the earthquake in 2010, increased demand for wood has placed additional pressure on forests resources, further increasing deforestation. Deforestation has contributed to and compounded other environmental problems such as soil degradation, flooding, desertification, and water scarcity. The sector's vulnerability has been made worse by aging and damaged energy infrastructure due to the effects of hurricanes and earthquakes. The Government is taking steps to build the resilience of the energy sector by increasing the share of RE in the system to 47% by 2030. This will be achieved by making investments in solar energy, wind energy, hydroelectricity, and promoting the use of energy efficient stoves.

C. Exposure: Brief Description of Hazards Likely to Affect the CES

The hazards listed are the significant ones for the country: (i) Extreme Temperature; (ii) Extreme Precipitation and Flooding; (iii) Drought; (iv) SLR; (v) Storm Surge; (vi) Strong Winds; (vii) Earthquakes; and (viii) Landslides.

Based on Germanwatch's latest annual GCR Index, which assesses and ranks countries on their exposure to climate-related extreme weather events, Haiti held the third position (as of 2021) as one of the most vulnerable nations to climate risks. Climate Change is projected to worsen the susceptibility to disasters by intensifying the occurrence of extreme climate-related events. This poses as a significant threat to Haiti's private and public sector and the well-being of its population as heightened occurrence could potentially lead to scenarios similar to the one in 2021 when two disasters struck in a short amount of time. Bearing in mind the prospective nature of DRR, it is crucial for GOH to enhance DRR and CCA strategies to foster sustainable development.

Climate change projections indicate that temperatures are expected to increase by 0.5° to 2.3°C by 2060, with warming most rapid in December-February. The number of hot days and nights are projected to increase throughout the country, while the number of cold nights is projected to steadily decrease or become rare. Rainfall projections project decreases in rainfall during June to August, while rainfall projections during the remainder of the year are less certain. Haiti is vulnerable to SLR, which is projected to be between 0.13 m and 0.56 m by 2090. Based on recent research, increases in hurricane rainfall and wind speeds are likely, with simulations showing that for each 1°C increase in sea surface temperatures, core rainfall may increase by 6%-17%, and surface wind speeds of the strongest hurricanes will increase between 1%-8%, with associated increases in storm surge levels. Floods are the leading

cause of vulnerability in Haiti. Widespread deforestation in the upper reaches of these valleys, coupled with lack of drainage infrastructure create an environment conducive to flooding.

Climate Stressors and Projections

Key Climate Impacts

- Hotter and longer heat waves; 1.0°C increase in maxima of daily maximum temperatures.
- Projected increase in flood and storm – including hurricane – intensity.
- Projected reduction in dry season precipitation.
- Projected increase in intensity and severity of droughts.
- Agriculture reduced soil fertility. Reduced water supply and longer dry seasons. Shifts in timing of planting and growing seasons. Change in prevalence of pests and pathogens.

D. Adaptive Capacity Assessment³⁴

Overall, the priority sectors in the CES have a moderate adaptive capacity to the potential impacts of climate change. While several policies and strategies have been developed, there is still a limited comprehensive approach to incorporating climate change considerations into their daily practices. With the increased insecurity situation, this has also posed additional obstacles to improving adaptive capacity.

The priority sectors in the CES have varying levels of vulnerability to climate variability and change ranging from high vulnerability in the agriculture sector to low vulnerability in the education and energy sectors. Adaptive capacity in all sectors is at a low level, signaling the need for interventions to address areas of shortcoming. To increase the resilience of these sectors, more emphasis needs to be placed on:

- (i) Mainstreaming climate change and DRR into the sectors by undertaking climate vulnerability assessments and developing climate resilient investment master plans.
- (ii) Supporting climate change information and awareness programmes on major hazards and good practices for managing natural hazards.
- (iii) Promoting integrated watershed management.
- (iv) Promoting programmes to preserve and strengthen food security, including restoring, enhancing, and expanding existing agroforestry systems.
- (v) Implementing effective EWS to help farmers, confront extreme weather events, and reduce the impacts of these weather shocks on the farming system.
- (vi) Developing and implementing RE policies.

Overall Risk Assessment Summary

Overall Risk Assessment Rating: High

Based on the foregoing assessments, the overall climate risk assessment rating for the sectors is moderate.

³⁴ *The ability of systems, institutions, humans, and other organisms to adjust to potential damage, to take advantage of opportunities, or to respond to consequences of hazards.*

STATUS OF THE PROGRAMME OF ASSISTANCE, CSP 2017-2021

Projects	Approval Date (dd/mm/yy)	Amount Identified in CSP (\$ mn)	Approved Amounts (\$ mn)	Undisbursed Balance at Dec. 2021 (\$ mn)	(Age from Loan signing to Dec. 21, 2021)	Project Status at Dec. 2021	Project Performance Rating
Within 2017-2021 CS Period							
Agriculture and Community Development							
Community Based Agriculture and Rural Development (CBARD) II	16/12/2020	6.0	7.5	6.2	NA	Under Implementation	NA
Sustainable Energy Development							
TA in GeoSpatial Mapping for Rural Haiti	10/12/2020	8.0	0.75	0.75	NA	Under Implementation	NA
Cross-Cutting Activities and Other Activities							
CCRIF SPC Premium Payment (2017-18)	22/05/2017	3.0	3.5	0	NA	Completed	NA
CCRIF SPC Premium Payment (2018-19)	26/07/2018	0	3.0	0	NA	Completed	NA
CCRIF SPC Premium Payment (2019-2020)	21/08/2019	0	3.0	0	NA	Completed	NA
CCRIF SPC Premium Payment (2021-22)	16/12/2020	0	3.0	0	NA	Completed	NA
CCRIF SPC Premium Payment (2022-23)	09/12/2021	0	6.9	0	NA	Awaiting Board Approval	NA
Disaster Risk and Climate Resilience Project (Ille-A-Vache)	22/05/2017	0	4.6	4.6	NA	Under Implementation	NA

COUNTRY PORTFOLIO 2017-2023

Approvals	Approval Date (dd/mm/yy)	Amount Identified in CSP (USD mn)	Approved Amounts (USD mn)	Undisbursed Balance at Dec. 2021 (USD mn)	(Age from Loan signing to Dec. 2021)	Project Status at Dec. 2021	Project Performance Rating
Education and Training (including MSME development)							
QuPE	20/12/2017	16.0	16.0	NA	NA	Under Implementation	NA
Public Policy Analysis and Management/Project Cycle Management Regional Training	2018	NA	NA	NA	NA	Completed	Satisfactory
Institutional Strengthening of ENAF	25/03/2021	1.0	0.3	0.3	NA	Not Started	NA
Pilot Youth Entrepreneurship Education and Training Programme	25/07/2021	1.0	0.61	0.46	NA	Under Implementation	NA
Establishment of Cultural and Creative Industries Innovation Fund (CIIF)	01/07/2020	0	0.25	0.22	NA	Under Implementation	NA
Outside the CS Period							
CBARD I (SDF-8)	2016	0	8.0	2.2	NA	Substantially Completed	Satisfactory
TVET Project II (SDF-8)	2016	0	12.5	2.9	NA	Substantially Completed	Satisfactory

UPDATED INDICATIVE ASSISTANCE PROGRAMME
(USD mn)

Sector	SDF-10 Grant Resources
Agriculture	5.0
Sustainable Energy Development	5.0
Education and Training	15.7
<i>Education</i>	
(a) QuPE II	13.0
(b) TA SEMANAH	3.0
<i>Training</i>	0.7
(a) MSME Development/Training/TA	
(b) CIIF	
Environment, Climate Resilience and DRM	6.0
(a) CCRIF SPC Premium	
(b) TA Capacity Building for Strengthening Infrastructure	
Implementation Support to HCO	0.5
TOTAL RESOURCE ENVELOPE	32.2

RESULTS FRAMEWORK

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Indicators	CDB's Indicative Areas for Support	Risks and Mitigation	SDGs
Strategic Pillar 1: Enhancing Food and Nutrition Security and Productivity						
To improve food and nutrition security	<ul style="list-style-type: none"> i. High levels of poverty in rural areas. ii. Limited infrastructure and underinvestment in the sector. iii. Environmental degradation. iv. Limited access to regional and international markets. 	<ul style="list-style-type: none"> i. Increased investment in the agricultural sector. ii. Increased farm production. iii. Enhanced National Quality Infrastructure (NQI). iv. Enhanced RTF. 	<p><u>Indicator</u> Investments in community-based agriculture and rural development projects.</p> <p><i>Baseline 2023: 2 projects. Target 2025: 3 projects.</i></p> <p><i>Baseline 2023: 0 Target 2025: more than one institution strengthened through necessary adjustments to the NQI and RTF.</i></p>	<ul style="list-style-type: none"> i. Community-based Agriculture: Investment in agricultural production and marketing infrastructure and services; and supporting farmer adoption of improved production and marketing technologies. ii. Agri-food System Agriculture: Supporting GOH in streamlining its NQI and RTF. 	<p><u>Risks</u> The ongoing civil unrest has the potential to disrupt stakeholder institutional strengthening initiatives such as training and other capacity building provisions.</p> <p><u>Mitigation</u> Flexibility in the modality providing institutional strengthening assistance.</p>	<ul style="list-style-type: none"> SDG 1 SDG 2 SDG 8 SDG 9 SDG 10
Strategic Pillar 2: Increasing access to sustainable energy options						
Improved energy security and increased access to reliable, durable, modern energy at an affordable cost.	<ul style="list-style-type: none"> i. Lack of scale energy access. ii. Over-reliance on imported petroleum products. iii. Weak human and institutional capacity in planning, management, strategy formulation, and implementation. 	<ul style="list-style-type: none"> i. Increased use of sustainable energy options. ii. Improved energy security. 	<p><u>Indicators</u> Number of connected households with improved access to sustainable energy sources via mini-grids: <i>Baseline 2023: 0. Target 2026: 2,000.</i></p> <p>RE consumed (kWh): <i>Baseline 2023: 0 kWh. Target 2027: 250 kWh.</i></p>	<ul style="list-style-type: none"> i. Providing support for the implementation of mini grids. ii. Supporting the increase in consumption of RE. 	<p><u>Risks</u> The ongoing civil unrest may disrupt infrastructure works.</p> <p><u>Mitigation</u> A security plan will be developed and implemented and there will be continuous coordination with the United Nations Department of Safety and Security (UNDSS).</p>	<ul style="list-style-type: none"> SDG 1 SDG 5 SDG 7 SDG 9 SDG 10 SDG 11 SDG 13

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Indicators	CDB's Indicative Areas for Support	Risks and Mitigation	SDGs
Strategic Pillar 3: Improving Human Capital and MSME Capacity						
i. Promote Universal Primary Education. ii. Improve the quality of Basic Education. iii. Improve access to quality education across all levels of the sector. iv. Promote gender responsive and socially inclusive quality education across all levels of the education sector.	i. Inadequate and insufficient public school infrastructure. ii. Insufficient number of trained teachers at all levels. iii. Limited institutional capacity and a lack of appropriate resources to address sector issues and challenges. iv. Inability of parents to pay for non-public education, which make up 80% of the sector. v. Inability of parents to provide adequate nutritional support. vi. Inadequate quality of non-public education. vii. Inadequate provision of skills development aligned to labour market needs. viii. Lack of sex-disaggregated data limits the capacity of schools/educational institutions to adequately address gender equality across all levels of the sector. ix. Perpetuation of gender stereotypes influences the subjects/careers which boys and girls choose across all levels of the sector.	Improved quality, access and relevance of education and training.	<u>Indicators</u> Number of students enrolled in public schools, TVET programmes and capacity building for teachers. Baseline 2023: TBD Target 2025: % increase in students (M/F) enrolled in public schools in basic education. <i>Baseline 2023: TBD. Target 2025: % increase in persons (M/F) accessing TVET programmes, disaggregated by sex.</i> <i>Baseline 2023: TBD. Target 2025: % increase in the number of trained teachers (M/F) assigned at the primary level in public and non-public schools.</i>	i. QuPE II Project to improve the quality of and access to gender-responsive and socially inclusive basic education. ii. TA focused on the institutional strengthening of SEMANAH.	<u>Risks</u> The ongoing civil unrest may disrupt infrastructure works. <u>Mitigation</u> A security plan will be developed and implemented and there will be continuous coordination with UNDSS.	SDG 1 SDG 3 SDG 4 SDG 8 SDG 9

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Indicators	CDB's Indicative Areas for Support	Risks and Mitigation	SDGs
Strategic Pillar 3: Improving Human Capital and MSME capacity (continued)						
<p>i. Promote a prosperous and diversified small business sector that drives greater economic output and provides opportunities for Haitians.</p>	<p>i. Lack of skilled labour and inadequate access to much needed TA.</p>	<p>i. Improved operational capacity and practices in MSMEs.</p>	<p><u>Indicators</u> Number of beneficiaries (M/F) expressing an improvement in knowledge and skills from participating in CTCS training.</p> <p><i>Baseline 2023: 0. Target 2025: % increase in the number of beneficiaries (M/F) expressing increased knowledge and skills from training programme (disaggregated by position, sex, geography).</i></p> <p><i>Baseline 2023: 0. Target: % increase in the total intervention beneficiaries (M/F) expressing increased knowledge and skills from training programme.</i></p>	<p>i. Capacity building of MSMEs and business support organisations (BSOs).</p> <p>ii. Regional Train-the-Trainer Programme for BSOs and MSME Development Consultants in Business Continuity Planning, Digital and Social Media Marketing and Financial Literacy and Management. Capacity Building of Selected Creative Industries Practitioners.</p>	<p><u>Risks</u> Delays in the execution of training programmes.</p> <p><u>Mitigation</u> Alternative options will be considered for the design and delivery of training programmes.</p>	<p>SDG 1 SDG 8 SDG 9</p>

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Indicators	CDB's Indicative Areas for Support	Risks and Mitigation	SDGs
Strategic Pillar 4: Strengthening Environmental Resilience and Disaster Risk Management						
Effective management of natural resources/hazard risk reduction and adaptation to climate change.	<ul style="list-style-type: none"> i. Limited potable water resources. ii. Limited EWS. iii. Threats posed to land, livelihoods and infrastructure by climate change and natural hazard risks. 	Strengthen climate resilience to climate change and DRM.	<ul style="list-style-type: none"> i. Number of priority interventions integrating DRM and CCA, and mitigation implemented by December 2025. ii. Number of people within protected investments in EWS and other climate resilient infrastructure, including schools with emergency shelters in project areas. 	<ul style="list-style-type: none"> i. Investment projects supporting DRM and CCA and mitigation, Ille-A-Vache. ii. CCRIF SPC payments. iii. TA Capacity Building for Strengthening Infrastructure. 	Support is provided to systematically integrate disaster risks and climate change impacts across sectors.	SDG 6 SDG 9 SDG 13

DEVELOPMENT PARTNERS CURRENT ACTIVITIES

Activity	WB	UN	IDB	European Union	Canada	USAID
Education and Training (including MSME development)	Improving planning and regulatory functions and the learning assessment system. Private Sector Jobs and Economic Transformation for MSMEs.	Conditional cash grants for schools that enroll vulnerable children; and improving educational infrastructure and capacity management for teachers.	TA for National Evaluations and Learning Assessments. Support to the Haiti Education Sector Plan to improve access to quality basic education.	Providing children enrolled in targeted schools with access to quality education in a safe and protected environment.	Supporting Haitian MSMEs through the implementation of initiatives supporting economic security, poverty reduction and the power and capacity of women to act.	Assisting long-term reconstruction and development, promoting economic growth, job creation and agricultural development, providing basic health care and education services, and improving the effectiveness of government.
Agriculture and Community Development	Emergency Resilient Agriculture for Food Security Project.		Rural Productivity and Connectivity Programme		Two projects addressing food insecurity and supporting humanitarian services through the WFP.	
Sustainable Energy Development	Haiti RE for all and Modern Energy Services for all.		<ul style="list-style-type: none"> • Scaling Up Affordable and Reliable Mesh-Grids in rural Haiti. • Development of sustainable energy and improving electricity access. • Battery Energy Storage System to maximise the use of surplus energy from a solar photovoltaic plant. 			

Activity	WB	UN	IDB	European Union	Canada	USAID
Environmental Resilience and DRM	<p>Strengthening DRM and Climate Resilience to improve: (a) early warning and emergency evacuation capacity; (b) provision of and, accessibility to, safe havens; and (c) GOH's capacity to respond to an eligible emergency.</p> <p>Resilient connectivity and Urban Transport Accessibility Project: (a) enhancing climate-resilient rural connectivity in the South Peninsula; (b) improving climate-resilient urban accessibility in Cap-Haïtien and targeted urban areas; and (c) enhancing institutional capacity in the urban transport sector.</p>	<p>Green Climate Fund granted USD22.4 mn in funding for a flood management project targeting climate resilience in Haiti's Trois-Rivières region. Supported by UNDP, the project aims to reduce the risks associated with climate change-induced flooding through sustainable land management.</p>	<p>Fuego del Sol Haiti SA, Ultra-Efficient Biomass Combustion Project to expand Haiti's production of recycled plastic products.</p> <p>Creating an earthquake early warning (EEW) system for Haiti – to establish and test the feasibility of a lightweight low-cost EEW system in south Haiti to limit the impact of future earthquakes.</p>	<p>Strengthening the capacity of communities to respond to disasters.</p>		