

CARIBBEAN DEVELOPMENT BANK



SPECIAL DEVELOPMENT FUND (UNIFIED)

HAITI

CHARTING A WAY FORWARD

A PAPER FOR SPECIAL DEVELOPMENT FUND 8 NEGOTIATIONS

February 2012

CURRENCY EQUIVALENT

Dollars (\$) throughout refer to United States dollars (USD) unless otherwise stated.

ABBREVIATIONS

APD	-	Agriculture Policy Document
BMC	-	Borrowing Member Country
BNTF	-	Basic Needs Trust Fund
BOD	-	Board of Directors
bn	-	billion
CARICOM	-	Caribbean Community
CBOs	-	Community-based Organisations
CDB	-	Caribbean Development Bank
CDCs	-	Community Development Councils
CDD	-	Community-driven Development
CCRIF	-	Caribbean Catastrophe Risk Insurance Fund
CSP	-	Country Strategy Paper
CTCS	-	Caribbean Technological Consultancy Services
EFA	-	Education for All
ENAF	-	L'Ecole Nationale d'Administration Financière
GDP	-	Gross Domestic Product
GOH	-	Government of Haiti
IDB	-	Inter-American Development Bank
IFC	-	International Finance Corporation
mn	-	million
MSMEs	-	Micro, Small and Medium-sized Enterprises
NAIP	-	National Agriculture Investment Plan
NGOs	-	Non-Governmental Organisations
PARDH	-	National Recovery and Development of Haiti
PBG	-	Policy-Based Grant
PRODEP	-	Participatory Development Project
PRODEPUR	-	Urban Community-Driven Development Project
%	-	per cent
SDF	-	Special Development Funds
SDF (U)	-	Special Development Funds (Unified)
SMEs	-	Small and Medium Enterprises
SOFIHDES	-	Haiti's Société Financière Haïtienne de Développement
TA	-	Technical Assistance
TVET	-	Technical and Vocational Education and Training
UWI	-	University of the West Indies
WB	-	World Bank

TABLE OF CONTENTS

1. INTRODUCTION
2. BACKGROUND
3. CARIBBEAN DEVELOPMENT BANK'S INVOLVEMENT IN HAITI
4. THE WAY FORWARD - HAITI'S ONGOING CHALLENGE AND CARIBBEAN DEVELOPMENT BANK'S ROLE
5. CONCLUSION
6. REQUEST

HAITI: CHARTING A WAY FORWARD

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1. INTRODUCTION

1.01 Haiti is a highly fragile state with development complexities and growth challenges that greatly exceed those of other countries in the Caribbean and the Western Hemisphere. With formal entry into the Caribbean Development Bank (CDB) as a Borrowing Member Country (BMC) on January 19, 2007, CDB, along with other important development partners, at both the multilateral and bilateral levels, has sought to buttress country effort in lifting Haiti out of poverty. Given Haiti's development indicators, support from CDB has been through the provision of grants on a set-aside basis within the context of the Bank's Special Development Funds (SDF).

1.02 This support allowed CDB to intervene in core areas that directly impact the lives of ordinary Haitians and build resilience aimed at improving life chances. However, the country has a fair distance to go in building institutions; strengthening the apparatus for policy formulation; improving social and economic indicators; and raising the quality of life for the average Haitian. In so doing, Haiti will require significant, but well-coordinated development support. This paper sets out a discussion for CDB's ongoing and future role in supporting Haiti's development effort. To set the context, the second section of the paper reviews the macroeconomic and social setting in the country, as well as zooms in on some critical needs and development challenges. The third section provides a status of CDB's involvement in Haiti. The fourth section discusses a possible way forward for CDB in Haiti by paying close attention to the country's development vision as it seeks to rebuild social and economic infrastructure, as well as critical institutions. The final section provides a conclusion.

2. BACKGROUND

Macroeconomic and Social Setting

2.01 Haiti's population is currently estimated at 9.7 million (mn). The country had experienced a steady decline in economic and social development for many decades, culminating in very high levels of poverty and indigence. Some indications of a turnaround appeared during the period 2005-07, when the economy witnessed improvement in economic growth of 1.8, 2.3 and 3.3 per cent (%). However, in 2008, severe internal and external shocks (hurricanes, high fuel and food prices, and global financial and economic crises) led to a contraction in growth to 0.8%.

2.02 The January 2010 earthquake significantly set back Haiti in its strides towards reversing economic and social decline. The earthquake resulted in the death of an estimated 250,000 people, including a large number of public servants from key government ministries and agencies, and destroyed the economic and social infrastructure in the capital Port-au-Prince, initiating the movement of hundreds of thousands of urban residents to the country's rural areas. Damage and losses were estimated at \$7.8 billion (bn) or 120% of 2009 Gross Domestic Product (GDP).

2.03 Prior to the earthquake, about 78% of the population was poor, that is, living below the international threshold of \$2 a day, and among these 54% were extremely poor, living below \$1 a day, with poverty being predominantly in the rural area, affecting 77% of the population. It was also very high among children affecting about 70% of those below the age of 18 years. This situation was worsened by the earthquake, with the level of unemployment rising to an estimated 41% in 2010, compared with an estimated 35% prior to the event. In addition to the high levels of unemployment, a large proportion of men and women who are employed are among the working poor being engaged in subsistence level

activities in the informal sector. Overall social and economic conditions are dire for both men and women, but women are particularly disadvantaged as they suffer from higher levels of unemployment, lower educational levels, poorer overall living conditions and greater vulnerability to exploitation.

2.04 Compounding and contributing to the poverty situation is limited access to education at all levels, with 40% of primary school-age children (representing approximately 500,000 children) not enrolled in school, and few children transitioning to the secondary level. This results mostly from high school fees, since education is mostly delivered by private providers and most poor parents are unable to pay; and the absence of school facilities, especially in rural areas. As a consequence, 87% of household heads with no educational background are among the poor. Prior to 2010, access to basic health services in Haiti was not available to the majority of the population. Only 28% of the population had access to health care institutions which were primarily owned and operated by non-governmental organisations (NGOs). Further, Haiti suffered from severe environmental degradation which had significant and wide-reaching social and economic impacts.

Critical Sector Needs and Development Challenges

Governance

2.05 There are significant governance challenges confronting Haiti and the 20 years of negative economic growth prior to 2005 can, in part, be attributed to poor governance. Over the years, persistent social inequity, concentration of power, and weakness in law enforcement has repeatedly led to eruptions of violence. Haiti has scored very low on the Worldwide Governance Indicators (compiled by World Bank (WB) over the period 1996-2010 and has had very unfavourable comparisons with the Caribbean and the rest of the world. However, the Government of Haiti (GOH) and the donor community has made the strengthening of governance a major priority and indications are that, while governance indicators generally remain very weak, there has been some progress since 2005, and this provides hope that with commitment and persistence Haiti can eventually achieve the level of good governance critical to its economic and social development.

2.06 As a result of the earthquake, public administration suffered major losses in terms of human life and material damage and this has decreased the ability of Government to perform its designated role, thus contributing to a decline in Government effectiveness which, though weak, had improved in recent years leading up to 2010. Further, the political stalemate with respect to the election of a President, which was set for November 2010, but culminated in May 2011, and the five-month run-up to the selection of a Prime Minister in October 2011, distracted GOH from the optimal management of the crisis and from tackling development challenges in general. Though tumultuous, the presidential elections led to the first peaceful handover of power to a President from the Opposition in Haiti's history. However, though President Martelly received a strong majority of cast votes, the former governing party retained a majority in both houses of Parliament.

Education

2.07 The education sector in Haiti, prior to the earthquake, was under-resourced and of low quality. Education services were provided mainly by the private sector with the State providing less than 20% at the primary level. About 75% of the non-public schools lacked certification or licensing, with the result that their output is of questionable quality. It has been estimated that poor families spend as much as 40% of their income on tuition for primary education at non-public institutions. Poorly trained and unqualified teachers, insufficient teaching and learning materials, outdated curricula, weak school management systems and insufficient supervision of the large non-public sector all contributed to the low quality of education. Malnutrition and poor health of a large percentage of students also contributed to low

participation and poor performance, as many children were simply too hungry and lacked the energy they needed to focus on learning.

2.08 The impact of the earthquake on the education sector in Haiti was severe. All sub-sectors were severely affected by property damage, loss of life, and psychological trauma. The West Department, the location of Port-au-Prince, recorded the most devastation. About 85% of the school plant (3,800 schools) in this Department was destroyed. The central structure of the Ministry of National Education and Professional Training, located in the capital, lost some of its operational and administration capacity following the collapse of the building which housed the technical units, and the death of 21 staff members and the later migration of others. In the South-East Department, 208 non-public basic education establishments were severely damaged or destroyed. Similarly, in Nippes, in the South-West, 32 public sector basic schools and 113 non-public schools suffered a similar fate. It is estimated that 38,000 children and 1,347 teachers perished in the earthquake. The technical and vocational education sub-sector was affected similarly, with eight of the nine public centres and many of the accredited private centres being badly damaged or destroyed. Most of the damage was sustained by the private sector (estimated at \$363 mn). Although the rest of the country was not damaged by the earthquake, the direct consequences of the event were observed in the migration of a large percentage of the population fleeing the capital to other Departments. This migration of more than 500,000 people placed an additional burden on previously stressed education services in these areas.

2.09 Education participation declined, not only as a result of the damage to infrastructure, but also as a consequence of the upheavals that families faced as they attempted to meet their basic needs for food, clothing and shelter. The earthquake affected employment and employment opportunities, leaving only 17.5% of families (compared to 66% pre-earthquake) with at least one family member working, thereby severely hampering the ability of families to meet tuition fees.

2.10 GOH has articulated a goal of providing free education to every child in Haiti. However, the challenges and needs are enormous. These include:

- (a) rehabilitation of infrastructure and provision of associated equipment;
- (b) construction of new facilities;
- (c) teacher training;
- (d) curriculum development;
- (e) continuation of support for school feeding;
- (f) development and implementation of literacy programmes;
- (g) continuation of school subsidies;
- (h) collecting and utilisation of educational data; and
- (i) capacity building for leadership of the system at both central and departmental levels.

Agriculture and Rural Development

2.11 Haiti's population is largely rural-based, with pre-earthquake estimates indicating that approximately 60% of persons live in rural communities. This percentage is likely to have increased, given the urban to rural migration following the January 2010 devastation of Port-au-Prince – the main urban center.

2.12 In general, rural communities are characterised by high levels of poverty, limited infrastructure and poor access to services - resulting from decades of under-investment and environmental degradation. Overall, only 5% of residents in rural areas have access to electricity, less than 55% have access to improved drinking water sources, and less than 10% to improved sanitation facilities.^{1/} In addition, the rural road network is limited, with rural roads generally unpaved, making navigation difficult, particularly during the rainy season.

2.13 Agriculture is the dominant economic activity in rural areas, providing employment for an estimated two-thirds of rural residents. Overall, the agricultural sector accounts for an estimated 25% of the country's GDP and 50% of total employment. However, over the past two decades the sector's output has been on the decline due to a combination of factors, including:

- (a) under-investment in rural infrastructure and services (e.g. rural road infrastructure, drainage and irrigation systems and extension services);
- (b) poor natural resource management, including intensive deforestation. Farming on sloping lands, without the benefit of soil conservation measures, has led to excessive soil erosion and deforestation to near catastrophic conditions. The situation is further compounded by the widespread use of fire as a means of land preparation, leaving the land exposed to the elements and devoid of organic matter. This further increases erosion and flood risks, and reduces fertility, given the loss of top soil;
- (c) limited access by farmers and fishermen to modern technologies, credit, production and marketing support. It is estimated that less than 5% of farms use improved production systems, planting material and fertilisers; and
- (d) weak and poorly-governed rural institutions (including municipalities, and farmer associations).

2.14 On the upside, the country enjoys diverse agro-ecological zones conducive to the production of a wide range of crops for both domestic consumption and export. Investment in the agriculture sector is a key component of the country's growth and development agenda.

2.15 GOH's vision for the development of the agricultural sector is stated in the country's Agriculture Policy Document (APD) 2010-25, and articulated in the National Agriculture Investment Plan (NAIP) 2011-16. NAIP's objectives and strategy, which are based on APD, were developed by GOH in conjunction with developmental partners to address and coordinate GOH and donor response to the January 2010 earthquake. NAIP has three components focusing on improving: (i) rural infrastructure; (ii) production and productivity; and (iii) agricultural public services and institutional support. The implementation cost is estimated to be \$790 mn, of which \$220 mn will be financed by GOH and the local private sector. The international donor community has pledged approximately \$300 mn leaving a financing gap of approximately \$270 mn.

^{1/} United Nations Millenium Development Goals Statistics. <http://mdgs.un.org/unsd/mdg/Data.aspx>

Employment and Private Sector Development

2.16 Addressing poverty in Haiti requires, among other strategies, making significant effort to reduce unemployment and to improve productivity of factor markets. 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 a number of constraints impedes its development. These include, high cost and inadequate access to finance; the lack of infrastructure, which makes it costly to open and conduct business in Haiti; lack of technical expertise for establishing and developing businesses; substantial migration of skilled labour; high security costs associated with business operations; a complicated tax system; onerous requirements of opening businesses; and land tenure issues. Moreover, the earthquake inflicted substantial damage to the already inadequate production infrastructure and capacity and led to a massive reduction in employment.

2.17 The manufacturing sector and the tourism industry have the potential to generate significant new jobs given low labour cost and the potential to market several attractions. However, developing the tourism industry will require substantial investments – both public and private, to address infrastructure needs, product development, marketing, and other related constraints, such as waste management, security and human resource capacity.

Environment and Disaster Risk Management

2.18 Prior to the earthquake, Haiti already suffered from severe environmental degradation which had significant and wide-reaching social and economic impacts. The acute poverty, rapid and unplanned urbanisation, food insecurity, critical environmental health problems and vulnerability to natural disasters are strongly interlinked with severe environmental issues. These include: inadequate solid waste management services and an absence of waste-water management systems; water scarcity due to the lack of integrated management of water resources; extensive deforestation directly related to the high energy demands, with forest cover estimated at less than 2% of the total land area; degraded water catchment areas in the main watersheds, leading to soil erosion and increased potential for floods; and coastal zone degradation. The environmental deterioration has been compounded by weak institutional capacity for environmental governance. The massive damage from the earthquake exacerbated these problems by adding considerably to pollution, placing additional stresses on the environment and natural resources and exposing some people to disaster prone areas. The ability of the National Environmental Management System to guide the integration of environmental aspects into the recovery and reconstruction efforts was further weakened due to the substantial loss of their technical capacities and physical capital. GOH's capabilities to address the country's vulnerability to disasters, and to support the mitigation of risk continues to be limited having been further set back by the earthquake.

3. CARIBBEAN DEVELOPMENT BANK's INVOLVEMENT IN HAITI

3.01 Haiti formally became a member of CDB in January 2007, setting the stage for full engagement by the Bank in support of the country's development agenda. The country's membership in CDB was firmly anchored in the Bank's mandate of supporting the Caribbean's regional integration agenda; the country's shared Caribbean heritage and close cultural affinity; the Bank's strong link with countries which have robust democratic traditions; and, in particular, CDB's core strengths in relation to tackling poverty reduction; building social capital; promoting environmental sustainability; and bolstering governance systems through critical capacity development.

3.02 However, it was recognised that, given the country's enormous development needs, in the context of deep and widespread poverty, fragile institutions and a strained political environment, CDB's early engagement in Haiti would be an opportunity for the Bank to learn quickly, thereby building its capacity

to assist Haiti in confronting its development challenges. Further, the reach and effectiveness of the Bank's assistance programme in Haiti would hinge critically on a number of factors. These included: the need for a dedicated set of financial resources, which would not be contingent on the funding requirements of other BMCs; the need to build both internal capacity as well as in-country presence, including establishing strong partnerships with key development partners; and the need to avoid intervention dispersion in an effort to sharpen development impact and to focus on results.

3.03 Within that context, contributors to the SDF (Unified) [SDF (U)] for the sixth cycle coalesce behind some clear principles. These include, *inter alia*, that:

- (a) funding for Haiti be separately earmarked within the SDF 6 replenishment. In this regard, a set-aside of \$27 mn was agreed to meet both programming and operational costs of initial operations in Haiti;
- (b) the Bank work towards an integration of operations in Haiti within the Bank's normal operations in the medium-term, and that this could include a continuing resident presence because of the overwhelming need to work closely with other donor agencies, the Government, other institutions and civil society;
- (c) the Bank undertake to prepare a Paper on the nature of the programme and the use of the funds available for Haiti; and
- (d) there be a commitment to work in collaboration with the donor community and local level institutions and to recognise that coordination and harmonisation are of particular importance in executing programmes in Haiti.

3.04 During SDF 7, the set-aside for Haiti was increased to \$46 mn in light of the development deficit in the country and large assistance needs as the country continued to be saddled with vast growth challenges and social and economic fragility. Further, there was the need to extend the period for 'ring-fencing' the Bank's Haiti programme to allow sufficient time for imbedding the process of integrating Haiti into the Bank's regular operations.

3.05 CDB's core areas of operations in Haiti reflect consistency between the Bank's strategic focus and are further shaped by pressing country needs. Within this context, interventions supported efforts to promote inclusive social development, support environmental sustainability, promote good governance, as well as initiatives geared towards fostering regional cooperation and integration. Table 3.1 captures the main interventions over the period 2007-11. The first capital project approved by CDB (May 2007) was the Education for All (EFA) Project in the amount of \$10 mn. Given the strong need to strengthen governance, CDB in March 2008, provided a Technical Assistance (TA) Grant of \$1.2 mn for Project Cycle Training for Public Sector Officials. Subsequently, two other capital projects were approved, namely, the Technical and Vocational Education and Training (TVET) Project for \$5 mn, approved in May 2008, and the Urban Community-Driven Development Project (PRODEPUR) for \$4 mn, approved in July 2008. Current operations are guided by the intervention strategy for Haiti which covers the period 2009-12, as outlined in CDB's Board Paper – BD 50/09, Country Strategy Paper (CSP), and amended to reflect the reordered priorities post the 2010 earthquake. These operations included a Policy-Based Grant (PBG) which was disbursed in 2009 to support macroeconomic adjustments and enable GOH to continue to provide basic services and implement critical infrastructure under the Poverty Reduction Growth Strategy. This PBG was provided parallel to similar support given/advanced by the Inter-American Development Bank (IDB) and WB.

TABLE 3.1: COMMITMENTS TO PROGRAMME AND OPERATIONS: 2007-11

Interventions	Amount Approved (USD mn)	Disbursements to December 31, 2011 (USD mn)	Balance to be Disbursed (USD mn)	Partner	Status
Promote Broad-Based Economic Growth and Inclusive Social Development					
EFA	20.0	10.8	9.2	WB	Under implementation
TVET Project	5.0	1.64	3.36	IDB	Under implementation following some interruption due to earthquake.
PRODEPUR	9.0	2.3	6.7	WB	Under implementation
Rural Community-Driven Development Project.	10.0	0.0	10.0	WB	Condition precedent pending
Supporting Environmental Sustainability and Disaster Risk Management					
Disaster/Emergency Relief Grant/Response.	0.60	0.59	0.01		Completed
Caribbean Catastrophe Risk Insurance Fund (CCRIF) premium payments.	1.55	1.55	0.0		Completed
Earthquake Restoration Efforts - Offices for Ministry of Public Works	0.92	0.77	0.15		Under implementation. Final equipment delivery due February 2012.
University of the West Indies (UWI) External Scholarship for Final Year Haitian Students following the earthquake	0.15	0.07	0.07		Students completed course of study.
Promoting Good Governance					
PBG in collaboration with WB	10.00	10.00	0.0	IDB and WB	Disbursed in 2009
Project Cycle Training Training for Public Officials with L'Ecole Nationale d'Administration Financière (ENAF)	1.98	0.88	1.10		Training under implementation. Disaster recovery assistance was completed.
Enhanced Management Capacity in Small and Medium Enterprises (SMEs) - Branded training programme – Business Edge	0.39	0.39	0.0	IFC	Under implementation following some interruption due to earthquake.
Preparation of CSP	0.09	0.09	0.00		Completed
Fostering Regional Cooperation and Integration					
A joint CDB/Caribbean Association of Industry and Commerce planning mission to Haiti to discuss the hosting of a Haitian Private Sector Forum.	0.03	0.03	0.0		Completed
Others	0.15	0	0.15		
Total	59.86	29.11	30.75		

Source: CDB

Education

3.06 The objective of EFA is to increase access to primary education by poor children aged 6-12 and to improve the quality and governance of the education sector. The project provides for student subsidies; school feeding; pre-service teacher training; provision of textbooks; multi-grade learning programmes; and activities to improve student literacy. The project also makes allocation for improving governance and enhancing financial management, and procurement skills within the Ministry of Education. The total cost of the project is \$64.7 mn, of which CDB is providing \$20 mn; WB \$37 mn; Canadian International Development Agency \$5.2 mn; and GOH \$2.5 mn. Donor resources are in the form of grants.

Caribbean Development Bank's Support to the Education Sector in Haiti: Results to-date

The impact of the CDB-funded projects in the education sector in Haiti has, in some cases, exceeded results planned at appraisal, and complements the support provided by other multilaterals which all work synergistically to address the significant quantitative and qualitative deficits in the sector. The following summarises some key outputs of CDB's projects at the end of 2011:

- (a) 175,000 students supported with tuition waivers, in 1,121 participating schools;
- (b) 73,000 students benefitting from school lunches;
- (c) 3,054 teachers pursuing teacher-training in 12 colleges;
- (d) 4,000 students in 100 schools participating in literacy programme; 216 teachers trained and 198 school libraries supplied;
- (e) 100 motorcycles supplied to Ministry of Education officers to support supervision work in the decentralised offices;
- (f) National School Census (2010) completed providing up-to-date data on the education sector – the first of its kind in Haiti;
- (g) School Management Committees established and functioning in 80% of EFA project schools; and
- (h) 30 students completed undergraduate degree programmes at the UWI, Mona, Jamaica.

3.07 Stories from school administrators, students and parents, point to the significant impact of these inputs. Since most families spend more than 45% of their annual income on sending their children to school, the provision of subsidies has removed a significant burden on the finances of the families whose children are benefitting from them. As an example, the proximity of at least one of the schools receiving subsidies to a major campsite for displaced families, and the provision of subsidies for children living in this camp, have played a major role in normalising the lives of these children and removing the burden of having to find tuition fees from parents, many of whom are now unemployed and/or under-employed and therefore cannot afford the fees.

3.08 The school nutrition programme provides the only hot meal for a large number of students daily. In addition, a number of children who come to school without breakfast are able to receive a snack and de-worming medication, both of which contribute to keeping them healthy, alert, and engaged, enabling them to benefit more from the instruction delivered.

3.09 A further benefit of the project is that, notwithstanding that class sizes are still large in comparison to pupil:teacher ratios in the rest of the Caribbean region, in EFA-supported schools they are slightly lower than in the average classroom in Haiti. Also, some of the infrastructural works carried out under EFA have enhanced the quality of the refurbished facilities, rendering them more resilient in the event of further earthquakes.

3.10 Despite these benefits however, especially the significant increase in enrolment and attendance, the first ever National School Census (2010) funded by CDB has confirmed that over 500,000 children are still without places at the primary level, rendering Haiti's efforts towards Universal Primary Enrolment almost futile, without further donor support and intervention.

3.11 With respect to TVET, the project is an integral component of the Vocational Training Programme co-funded by IDB in the amount of \$22 mn. The programme aims, through investment in demand-driven training, quality enhancement interventions and improved governance, "to improve the employability of young people, thereby enhancing their possibilities of achieving sustained improvements in their well-being". It targets young people between 15 and 24 years, facing problems of labour marginality with specific attention being given to the training and employability of females in the non-traditional areas. CDB's focus in the project involves the rehabilitation and expansion of three vocational schools and transformation into reference centres. It also includes an institutional strengthening component to assist GOH to: (a) develop a TVET Policy and Strategy, which will include recommendations for the establishment of a national training agency; and (b) develop a framework for enhancing employability of trainees through the provision of support services, such as entrepreneurial training, career guidance and linkages to industry.

Community-Driven Development Initiatives

3.12 CDB's Board of Directors (BOD) has approved three community-driven development (CDD) interventions in Haiti - two targeting urban disadvantaged communities (through the Urban CDD Project – PRODEPUR) and one targeting poor rural communities in areas north of Port-au-Prince (the Rural CDD Project). The first intervention, in favour of PRODEPUR, which was approved in June 2008, amounted to \$4 mn and targeted interventions in two towns, namely Port-au-Prince and Cap Haïtien. An additional amount of \$5 mn and an extension of operations to an additional two towns (St. Marc and Gonaïves) was approved by BOD in December 2010 bringing the total CDB contribution to PRODEPUR to \$9 mn. The additional PRODEPUR financing and extension of the geographical areas of operations was designed to assist GOH in improving basic infrastructure and services in areas settled by persons displaced by the 2010 earthquake, and to assist persons impacted by the October 2010 cholera outbreak and the passages of hurricane Tomas in November 2010. CDB's contribution to Participatory Development Project (PRODEP) was approved in December 2011, and amounted to \$10 mn. Both PRODEPUR and PRODEP are jointly financed with WB.

3.13 The CDD approach is designed to promote transparency in the allocation of investment resources and to increase the likelihood that these resources are utilised in a manner consistent with local demand. A central design feature of the approach is the empowerment of local communities and institutions with decision-making authority and control of financial resources for investments affecting their livelihoods. Given the need to strengthen the decentralised governance system in Haiti, investment in capacity-building of local governance structures is central to both PRODEPUR and PRODEP design. CDB and WB assessments and independent studies have concluded that CDD investments in Haiti are an effective mechanism for fostering social inclusion; community participation; and public/private sector partnerships, while at the same time, improving community access to basic social and economic infrastructure and services. The design of CDD projects is highly flexible, as demonstrated by the fact that sub-projects were approved and implemented within weeks of the January 2010 earthquake. The response to the

cholera outbreak was equally impressive, with several communities benefiting from investments in potable water supply systems under PRODEPUR.

3.14 A joint WB/CDB project supervision mission in October 2011 expressed overall satisfaction with the pace of the sub-project implementation under PRODEPUR and noted the positive contribution the interventions were making to the lives of beneficiaries. As at October 2011, CDB was jointly financing interventions in all four targeted towns. Implementation progress was rated as highly satisfactory with all 14 planned Community Development Councils (CDCs)^{2/} operational. There were approximately 300 sub-projects, representing a sub-project approval rate of 82%. These sub-projects were at various stages of implementation. The majority of sub-projects financed to date are in the area of basic infrastructure (e.g. potable water, sanitation, and community roads and drainage system improvements). An estimated 20,000 persons have benefited from short-term employment during sub-project implementation, while the various interventions are estimated to have a direct impact on the lives of over 100,000 residents of urban disadvantaged communities.

3.15 PRODEP represents the first effort by CDB to operate independently in Haiti with CDB staff assuming direct responsibility for supervision of project implementation. The project, financed by a \$10 mn grant, seeks to: (i) improve access by poor rural communities to basic social and economic infrastructure; (ii) provide income-generating opportunities; (iii) improve governance; and (iv) build social capital at the local level. Considerable support will be provided towards capacity-building of local governance structures to ensure the long-term sustainability of the project and related CDD interventions. A noteworthy feature of PRODEP is the provision of support for a pilot operation which seeks to build the capacity of CDCs to enable them to perform a development agency function in their respective municipalities. In an effort to improve the chances of sub-project sustainability, PRODEP also incorporates design features of CDB's Basic Needs Trust Fund (BNTF) and rural enterprise projects. These include provision for the engagement of consultants to design and supervise the implementation of sub-projects, and the use of productive sub-projects as a vehicle for addressing income poverty in the target communities.

L'Ecole Nationale d'Administration Financière Project

3.16 The Grant for Project Cycle Training was to finance consultancy services to prepare and deliver training courses in Investment Appraisal and Risk Analysis and Project Management, as well as the equipping of a multi-user conference facility. The objective of TA was to strengthen the capacity of Haiti's Ministry of Economy and Finance to manage the Public Sector Investment Programme. The project included, among other things, upgrading the capacity of ENAF for sustainable delivery of training services to public sector officers.

3.17 The Project upgraded ENAF's support infrastructure for the sustainable delivery of its own training programmes, as well as other training events and conferences which ENAF holds from time to time for high level public sector officials. Project implementation has been highly satisfactory and has resulted to date in 37 trained public sector officials, 14 of whom are equipped to serve as trainers for Haiti's public sector in the areas of Project Cycle Management and Investment Appraisal and Risk Analysis.

3.18 ENAF's entire facilities, including all the equipment provided under the abovementioned TA project, were completely destroyed in the earthquake. In October 2010, CDB provided an additional TA grant of \$0.8 mn to ENAF for the supply and installation of a secure furnished air-conditioned container computer laboratory totalling approximately 1,120 square feet (with back-up power generator) and

^{2/} These councils are formed by elected representatives of community-based organisations (CBOs) and local/municipal government representatives. They receive, prioritise and approve sub-project proposals from CBOs.

computer equipment, to replace those which were damaged in the earthquake. Since completion in November 2011, this additional support has assisted GOH/ENAF in restoring essential public sector training services.

Private Sector Intervention

3.19 CDB is partnering with the International Finance Corporation (IFC) to finance the roll-out of Business Edge in Haiti. Business Edge enables local training providers or corporate financial partners to deliver interactive and practical managerial training tailored to meet local market needs. This training solution specifically targets owners/managers of smaller companies and/or middle management of medium-sized firms. A local partner, *Haiti's Société Financière Haïtienne de Développement* (SOFIHDES), was trained, assessed and certified in order to successfully deliver Business Edge training on a national level. The selected partner is a Haitian financial development company, which has adopted Business Edge as part of their core services, providing management training to SMEs. To date, a total of 2,452 people have been trained through a total of 134 workshops. The participation of women in the workshops has been a particular focus and has led to 1,006 trained women which represents almost half of the training target population. Workshops have been conducted within various sector/subsector including: banking/finance business development; telecommunication; agriculture; education; engineering; environment; manufacturing; and marketing.

3.20 CDB has also provided TA to approximately 40 micro, small and medium-sized enterprises (MSMEs) in Haiti through workshops, and direct TA in areas related to agro-processing, hotel operations, project management, and product costing and pricing. These activities have benefited approximately 120 persons and were executed under CDB's Caribbean Technological Consultancy Services (CTCS) Network, which is a TA programme aimed at enhancing operational efficiencies, productivity and overall competitiveness of MSMEs in CDB's BMCs.

Other Interventions

3.21 In the wake of the earthquake, besides the ENAF project, CDB provided grant support for:

- (i) emergency relief – \$200,000;
- (ii) disaster management response – \$920,000;
- (iii) CCRIF premium – \$1,550,000;
- (iv) support for Haitian students at the UWI – \$145,000.

3.22 The Emergency Relief Grant was disbursed to the Caribbean Disaster Emergency Management Agency to cover the costs associated with conducting damage assessments, providing and transporting emergency relief supplies, and providing humanitarian assistance, while the disaster response grant was used to assist GOH with replacing office space destroyed during the earthquake. Support for Haitian students at UWI was to part-finance external scholarships to 30 final year students of the State University of Haiti to complete their degrees at the Mona Campus of UWI. This was particularly critical against the backdrop of the pressing need to build human resource capabilities in the country.

Lessons Learnt

3.23 Through the financing and supervision of interventions jointly with WB and IDB, CDB has enhanced the capacity of its staff to engage in Haiti. To maximise aid effectiveness such partnerships will continue, but CDB is now better equipped to engage Haiti. CDB had gained greater familiarity with the governmental apparatus, as well as the political, institutional and cultural peculiarities that are likely to influence the design of interventions in Haiti.

3.24 Evidence obtained during the implementation of CDD projects in Haiti suggests that strong institutions are important to ensuring that sub-project quality is of a high standard and in maintaining community cohesiveness and sustainability of interventions. Accordingly, a key feature of CDB interventions in Haiti will be capacity building of community-based and municipal governance structures. CDB has also recognised that in the post-disaster situation other mechanisms to channel resources to Haiti can often help fill temporary capacity gaps. Thus, the “use of funds” approach by CDB in responding to post-earthquake disaster needs for the restoration of office space have been effective.

3.25 Judging from interventions already undertaken by CDB, local project professionals value the dialogue with CDB staff and seek relationships with the Bank’s BMCs to share Caribbean solutions, especially in the area of TVET. With respect to CDD initiatives, CDB’s experiences under BNTF can be shared with Haiti. Further, CDB has already begun to expose representatives from Haiti to conferences and meetings that will assist the country in forging closer ties with the Caribbean Community (CARICOM) countries and institutions.

PICTURES OF HOPE - PRODEPUR



Potable Water Supply System



Women's Group Corn Milling Project



Improving Village Roads



Small Scale Irrigation project



Critical Partnerships

PICTURES OF HOPE



Workers in school feeding programme at L'École Jn Paul II, Fleuriot - EFA



Children at L'École Jn Paul II, Fleuriot, enjoying a meal of rice, stewed red beans and herring - EFA



One of the schools benefitting from the tuition subsidies - EFA



Students at ADEG Primary School in Port-au-Prince - EFA



New Temporary Offices under construction for GOH agencies within the Ministry of Public Works, Transport and Communications

4. THE WAY FORWARD - HAITI'S ONGOING CHALLENGE AND CARIBBEAN DEVELOPMENT BANK'S ROLE

Haiti Reconstruction Efforts

4.01 The development challenges faced by Haiti are extensive and severe with very large deficits in all sectors, a situation that was further exacerbated with the occurrence of the January 2010 earthquake. Currently, the overall framework for the country's development thrust is articulated in the Plan for the National Recovery and Development of Haiti (PARDH), which was formulated following the earthquake, and has been endorsed by the current government and accepted by the wider donor community. The plan to rebuild Haiti went beyond a response to the losses and damage caused by the earthquake. The plan aimed to launch a number of key initiatives to have been acted on over the short to medium term, while creating the conditions to tackle the structural causes of Haiti's underdevelopment. The authorities recognise that the earthquake presented an opportunity to rebuild and transform the country. Box 4.1 captures the four pillars of Haiti's Development Vision in the post earthquake era.

Box 4.1: Haiti's Development Vision – The Rebuilding Effort will Stand on Four Key Pillars

Territorial Rebuilding, including identifying, planning and managing new development centers; stimulating local development; rebuilding affected areas; implementing economic infrastructure required for growth (roads, energy and communication); and managing land tenure, in order to protect property; and facilitate the advancement of large projects.

Economic Rebuilding, which, along with developing key sectors, will aim to modernise the various components of the agricultural sector, providing an export potential in terms of fruits and tubers, livestock farming and fishing, in the interests of food security; develop the professional construction sector with laws and regulations relating to earthquake-resistant and hurricane-resistant materials and implementation and control structures; promote manufacturing industries; and organise the development of tourism.

Social Rebuilding to prioritise a system of education guaranteeing access to education for all children; offering vocational and university education to meet the demands of economic modernisation; a health system ensuring minimum coverage throughout the country; and social protection for the most vulnerable workers.

Institutional Rebuilding that will immediately focus on making state institutions operational again by prioritising the most essential functions; redefining our legal and regulatory framework to better adapt it to our requirements; implementing a structure that will have the power to manage reconstruction; and establishing a culture of transparency and accountability that deters corruption in our country.

4.02 To promote strong development impact, the Bank's efforts in Haiti cannot be too dispersed. Interventions will therefore be driven by the need to be selective. Within the context of GOH's development agenda, CDB can support Haiti in three principal areas which represent core areas of country needs, as well as areas in which the Bank has both experience and strong technical capacity. These relate to: (i) support for education at the basic level and for vocational training; (ii) interventions in agriculture and rural development; (iii) institutional capacity-building in the public sector; and (iv) strengthening the environment for private sector growth. Chart 4.1 provides a mapping of Haiti's near to medium term support needs and possible areas of intervention by the Bank. Given its size, CDB

has tailored its operations to minimise the administrative costs of undertaking projects and to pay due regards to its relative small size. Such an approach appears well suited in the Haiti context, allowing the larger multilaterals to focus on projects which are larger than those that can be contemplated by CDB while permitting CDB to focus on projects of the scale to which its resources and administrative structure is more suited. CDB interventions will continue to be appropriately focused to allow maximum impact on development.

4.03 In keeping with CDB's mandate of supporting poverty reduction and growth objectives in all of its BMCs, CDB must endeavour to support Haiti in pursuing its development vision. Consistent with the Bank's mandate to support regional integration, which is an essential plank for regional economic and social progress, the Bank is well placed to broker strong links between Haiti and its CARICOM neighbours. In this regard, the following represents the core tenets that support the Bank's continued and deepened engagement with Haiti.

Supporting Regional Integration

4.04 CDB has a critically important role in supporting Haiti's integration into CARICOM. Haiti values its solidarity with CARICOM, given many cultural and historical similarities. This solidarity is in part expressed through Haiti's participation in regional institutions, organisations, and related agencies, such as CDB. Thus, the country's cultural affinity and solidarity with the Region provides CDB with a unique opportunity to interface with Haiti on social and economic development through policy discussions and by helping the country design and implement strategies and interventions. Further, the Bank can play a strong brokerage role in Haiti that allows the country to learn from other Caribbean countries with strong democratic traditions, strong rule of law and effective government, and generally to encourage the country to deepen its commitment to improving governance through its association with CARICOM.

Deepening the Integration of Haiti into the 'Normal' Operations of the Caribbean Development Bank

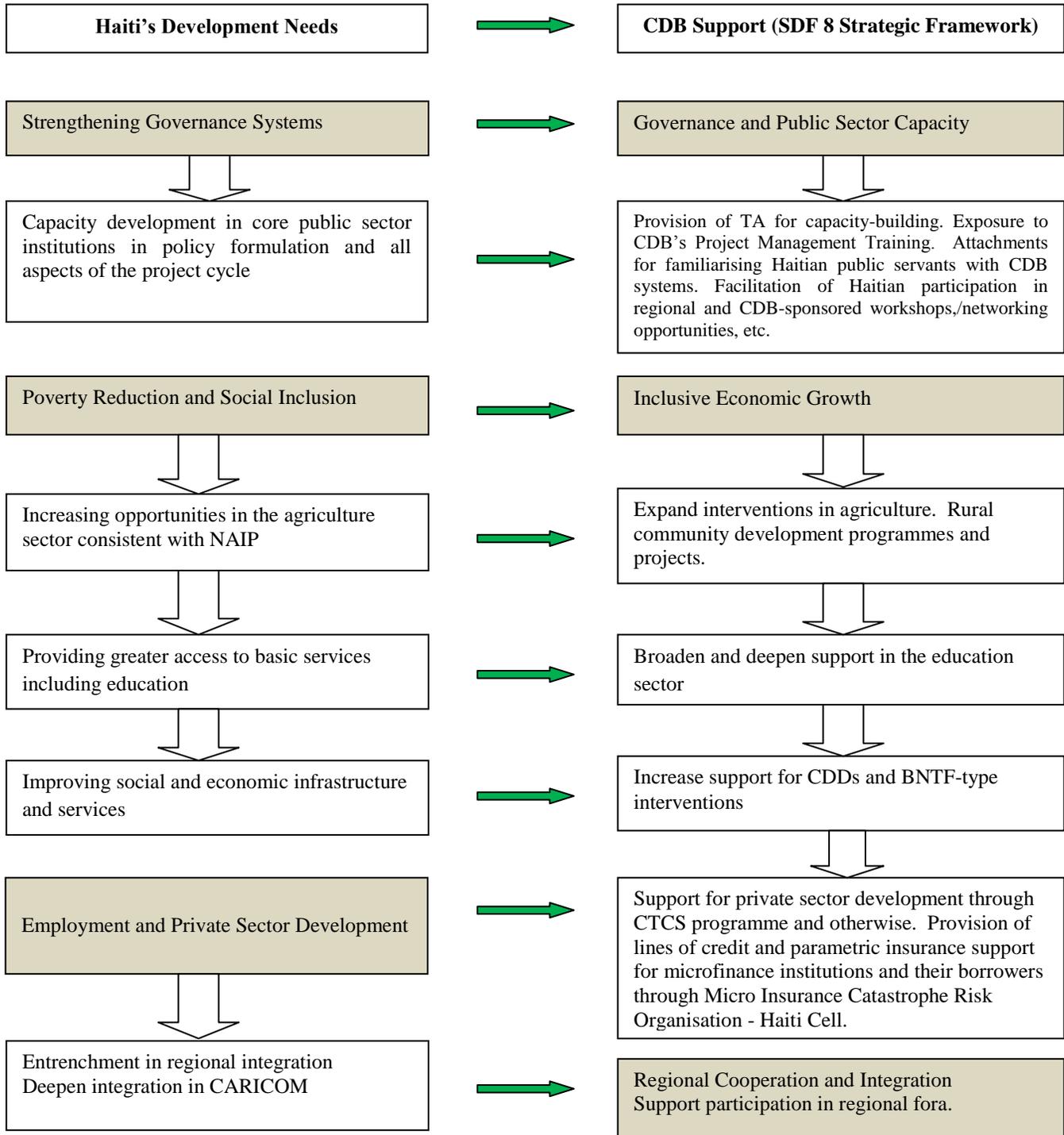
4.05 CDB desires to ensure that Haiti benefits fully from its membership in the Bank. The relationship between Haiti and CDB is a critically important one, but it is still at an embryonic stage. Allowing Haiti's membership to progress requires a steady and continuous engagement with the country. A strategy that does otherwise will put at risk the early gains that have been achieved and can jeopardise emerging important relationships. While CDB recognises Haiti's current borrowing limitation due in part to its Heavily Indebted Poor Countries status, it is the Bank's aim to contribute to the country's social and economic transformation and thereby facilitate its subsequent ability to undertake significant borrowing, thus reducing its heavy reliance on grant funding. Indeed, Haiti being the poorest borrowing member, is the most "compelling country case" with respect to CDB's mission.

Leveraging the Bank's Core Strengths

4.06 CDB seeks to use its experience from operations in other BMCs, including through its BNTF operations, to contribute to Haiti's social and economic development. The BNTF approach is aptly suited to the Haiti landscape. Interventions with respect to CDD initiatives are valued for their potential to increase employment and reduce poverty in the short run, and CDB has also gained much experience in Haiti in implementing such projects which are similar to CDB's BNTF. CDB's experience in working with its other BMCs through BNTF will be brought to bear on future interventions in Haiti. To strengthen the effectiveness of CDD initiatives, CDB will leverage its strengths in implementing projects in various areas including education, road infrastructure, water and sanitation, poverty reduction initiatives, disaster management and mitigation, and recovery. CDB has a number of qualified and experienced persons on its staff in these areas. CDB also assists institutional capacity-building in Haiti by

leveraging its project implementation procedures and other elements of its institutional apparatus. Moreover, the application of the Bank’s CTCS programme, which contributes to the stimulation of entrepreneurship, while at the same time enhancing the competitiveness of the Region’s productive sector through capacity-building and skills transfers, represents an effective model of promoting well-targeted technical solutions to challenges faced by SMEs. These small scale, yet critically important, interventions tend to be more suited to both the Haitian business environment and the Bank.

Chart 4.1: HAITI/CARIBBEAN DEVELOPMENT BANK ENGAGEMENT



Operating Environment

4.07 The gains to be derived from effective donor coordination both from an efficiency and an efficacy perspective are well documented. In the case of Haiti, the large number of NGOs and CBOs^{3/} operating alongside bilateral donors and multilateral institutions within the context of a relatively weak institutional capacity at the country level, gives rise to a complex planning system and heightens the need for donor dialogue and shared approaches in an effort to avoid duplication of effort. Moreover, transaction costs tend on average to be high in light of security considerations. Donor development-related conversations within the context of Sector Tables and Sector Groups^{4/} have emerged as a good first step in improving donor coordination. Appendix 1 captures the key development partners in Haiti.

Strengthening Delivery Mechanisms

4.08 CDB's involvement in Haiti over the next SDF Cycle and beyond will be characterised by a strengthened delivery mechanism. This will involve, among other things, the creation of a regional coordinator based in Jamaica with strong oversight for Haiti; the recruitment of Haitian staff in the operations area, as well as the creation of an on-the-ground presence in the country. Further, CDB will continue to expose staff to the requisite language training in an effort to surmount linguistic hurdles.

5. CONCLUSION

5.01 Since joining CDB's membership, the development experience between Haiti and the Bank has been positive. The set-aside allocation within the context of SDF 6 and SDF 7 allowed for the effective intervention in supporting the country's development agenda. In many respects, the 2010 earthquake added to the complexity of the development challenge in Haiti. Resource requirements have become greater and development solutions are more pressing. CDB is better positioned (compared with 2007) to respond to and assist with the country's development needs. CDB's mandate to deepen the integration movement, in addition to its core strengths in key sectors, provides a sound basis for continued engagement in Haiti. The period 2007-11 was one of learning for the Bank. Supported by emerging strong partnerships among donors, as well as a clearer sense of the intricacies of the development challenges in the country, the Bank is more solidly placed to support Haiti through both donor collaboration and on its own. The Bank will seek to agree on a country programme with GOH once the contributors agree on the size of the grant allocation to be set aside for Haiti.

6. REQUESTS

6.01 Contributors are requested to endorse management's proposal for the Bank's continued and deepened engagement in Haiti.

^{3/} There are an estimated 7,000 NGOs and CBOs operating in Haiti.

^{4/} These involve information sharing sessions between key donor agencies and GOH on projects and priorities.

DONOR SUPPORT FOR THE SECTORS IDENTIFIED IN THE ACTION PLAN FOR NATIONAL RECOVERY AND DEVELOPMENT

Action Plan for Recovery and Development of Haiti		Main Public Sector Bilateral And Multilateral Donors																					
Sector	Field of Action	USA	Venezuela	European Commission	Canada	IDB	Spain	Brazil	France	World Bank	IMF	Norway	Japan	Germany	Sweden	Saudi Arabia	CDB	OCHA-UN	UK	Switzerland	Morocco	Others	
I. Territorial Rebuilding	Disaster Management and Prevention Reduction		*	*		*				*							*			*		*	
	Energy	*	*		*	*				*				*									*
	Reconstruction	*				*	*		*												*		*
	Regional Hubs and Urban Development	*	*	*		*			*														
	Transport	*	*	*		*		*	*	*			*										
	General									*													*
II. Economic Rebuilding	Agriculture	*		*	*	*			*	*			*				*						*
	Financial and Economic Recovery Jobs	*				*																	
	Job Creation	*		*				*					*							*			*
	Industry and Commerce	*		*																			*
	General								*														
III. Social Rebuilding	Culture			*																			
	Education	*		*	*	*			*	*			*				*			*			*
	Food Security	*	*					*					*								*		*
	Health	*	*		*			*	*	*			*							*			*
	Housing	*	*	*	*	*	*						*										*
	Social Protection	*								*													
	Water and Sanitation	*	*			*	*	*		*			*								*		*
	Women and Children	*						*					*										*
General							*		*			*	*			*						*	
IV. Institutional Rebuilding	Strengthening the Administration	*	*	*	*	*			*	*	*						*						
	Democratic Institutions	*		*	*				*	*			*										*
	Justice and Security	*			*			*					*										
	National Planning and Local Development	*		*	*				*		*		*				*						*
	Support to Parliament	*									*			*									

Source: Office of the special Envoy for Haiti (information as at June 2011). IHRC and IDB information from dialogue with donors.

MAP OF HAITI

