

CARIBBEAN DEVELOPMENT BANK



SPECIAL DEVELOPMENT FUND (UNIFIED)

**POSITION PAPER
ENGAGEMENT WITH HAITI – THE WAY FOWARD (2017-2020)
A PAPER FOR SPECIAL DEVELOPMENT FUND 9 NEGOTIATIONS**

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CURRENCY EQUIVALENT

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

ABBREVIATIONS

ATH	-	The Tourist Association of Haiti
BOD	-	Board of Directors
CBD	-	Community-Based Development
CBOs	-	Community-Based Organisations
CCRIF	-	Caribbean Catastrophe Risk Insurance Facility
CDB	-	Caribbean Development Bank
CDD	-	Community-Driven Development
CSP	-	Country Strategy Paper
CTCS	-	Caribbean Technological Consultancy Services
ECD	-	Early Childhood Development
ECF	-	Extended Credit Facility
EE	-	Energy Efficiency
EFA	-	Education for All
EU	-	European Union
FY	-	Fiscal Year
GDP	-	Gross Domestic Product
GII	-	Gender Inequality Index
GOH	-	Government of Haiti
HDI	-	Human Development Index
ICT	-	Information and Communications Technology
IDB	-	Inter-American Development Bank
IMF	-	International Monetary Fund
km ²	-	Square Kilometre
LAC	-	Latin America and the Caribbean
M&E	-	Monitoring and Evaluation
MDG	-	Millennium Development Goals
MENFP	-	Ministry of Education and Professional Training
MfDR	-	Managing for Development Results
mn	-	million
MSME	-	Micro, Small and Medium-sized Enterprise
MPI	-	Multi-Dimensional Poverty Index
OCR	-	Ordinary Capital Resources
PARDH	-	Plan of Action for the Recovery and Development of Haiti
PRODEP	-	Rural Community-Driven Development Project
PRODEPUR	-	Urban Community-Driven Development Project
PRSP	-	Poverty Reduction Strategy Paper
PSDH	-	The Haitian Strategic Development Plan
RE	-	Renewable Energy
SDF	-	Special Development Fund
TA	-	Technical Assistance
TCD	-	Technical Cooperation Division
TVET	-	Technical and Vocational
UN	-	United Nations
WB	-	World Bank
WGI	-	Worldwide Governance Indicators

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1. INTRODUCTION

1.01 The Caribbean Development Bank's (CDB) interventions in Haiti have been through grant financing under its Special Development Fund (SDF). In that regard, funding for Haiti was separately earmarked within the replenishment for the SDF (Unified) Sixth Cycle (SDF 6). Under SDF 6, a set-aside of twenty-seven million United States dollars (\$27 mn) was agreed to meet both programming and operational costs of initial operations in Haiti. During SDF 7, the set-aside for Haiti was increased to \$46 mn in light of the development deficit and large assistance needs as the country continued to be saddled with vast growth challenges and social and economic fragility. Under SDF 8, contributors agreed to a further set-aside of \$46 mn to support CDB's intervention in Haiti through grants. Contributors and CDB agreed on a programme that would be focused on two sectors, education and training and community-driven development (CDD) and agriculture, with more limited interventions to support capacity building and the strengthening of the country's resilience to future natural hazards. Much of the resources allocated under SDF 8 has already been committed. Given the great need and the success of CDB's interventions in Haiti since it became a member of the Bank in January 2007, CDB desires to continue to pay particular attention to Haiti and to ring-fence resources under SDF 9 for that purpose. The most recent interventions by CDB have resulted in the Bank assuming increasing responsibility and, in some cases, lead roles in programme design and implementation supervision. Based on the experience gained and the unique conditions within the country, CDB is moving towards strengthening and scaling up its operational programme in Haiti; a strategy that will require CDB to increase its internal capability to work in Haiti. This Paper is to inform the contributors' deliberation on CDB's future engagement in Haiti. The Paper will also be the basis for dialogue with Haiti to craft CDB's strategy for the country for the new strategy period 2017 to 2020 to be financed from resources under SDF 9.

2. MACROECONOMIC CONTEXT

2.01 Marred by political instability, Haiti's real Gross Domestic Product (GDP) per capita income declined by close to 45% between 1960 and 2005. During the period 2005-07, with the support of the international community, Haiti's economy witnessed some improvement with growth rates of 1.8, 2.3 and 3.3%, respectively. However, in 2008 severe internal and external shocks (hurricanes, high fuel and food prices, and global financial and economic crises) led to a decline in economic growth to 0.8%. In 2009, real output growth rebounded to 2.9% despite the impact of the global economic crisis. But unfortunately, the earthquake of January 2010 significantly set back Haiti in the strides it was making towards reversing economic and social decline. Consequently, GDP was estimated to have declined by 5.5% in fiscal year (FY) 2010. Real GDP output rose by 5.5% during FY 2011 as economic activity rebounded from the damage caused by the earthquake. Fuelled in part by continued reconstruction activity, growth continued during FY 2012 and 2013 at 2.9 and 4.2%, respectively. Real output growth during FY 2015 decelerated to 1.7%, compared with 2.8% growth attained during FY 2014.

2.02 The Central Government deficit, including grants, amounted to 6.4% of GDP during FY 2013-14. Financing came from PetroCaribe inflows (which averaged 4% of GDP during the period FY 2009-2014), and by diminished fiscal and external buffers (in the form of depletion of government deposits at the banking system and international reserves). External public debt (which had fallen to 9% of GDP in FY 2011 following the Highly Indebted Poor Countries completion point and the debt write-offs after the earthquake), rebounded to 21% of GDP in FY 2014, almost exclusively due to the PetroCaribe concessional financing. Based on the International Monetary Fund's (IMF) projections, an overall deficit of 2.7% of GDP is anticipated as adjustments are made under a new IMF Extended Credit Facility (ECF). More details on the macro-economic context, including the country's recent economic performance, are reflected in Appendix 2.1.

2.03 Acceleration of economic growth to levels that are significantly higher than the growth rate of the population will be critical to reducing poverty, but attaining such level of growth will require addressing the key constraints to development. While GDP growth has been positive since 2011, averaging 3.9% in real terms up to 2014, it was fueled largely by reconstruction spending in the aftermath of the January 2010 earthquake. Growth will need to be sustained at significantly higher levels in order to meaningfully reduce poverty. However, growth is expected to decline with the tapering off of international aid which spiked during the few years following the earthquake. IMF noted (June 2015 Staff Report for the Article IV request for a three-year ECF), that potential growth and competitiveness in Haiti remains low as reforms implemented in recent years are insufficient. The impetus for growth, therefore, needs to come from structural reforms and institutional strengthening. The slow pace of reforms has often been rooted in the country's fragile state.

3. **SOCIAL CONTEXT**

3.01 It was estimated that prior to the earthquake, about 78% of the population was poor, i.e. living below the international threshold of \$2.00 a day and among these 54% were extremely poor living below \$1.00 a day¹. A more recent estimate determined the extreme poverty level to be 40% for those earning less than \$1.00 per day². Poverty in Haiti is associated with several factors. Among these is the lack of access to basic social infrastructure such as schools that provide education, generally, and technical and vocational training, specifically, which is associated with access to sustainable employment, including entrepreneurship. Another factor is the lack of access to clean and modern forms of energy services, which are necessary underpinnings for the provision of many social services. A high level of inequality accompanies Haiti's high poverty level. The richest 20% of the population holds more than 64% of the total income of the country, against the 1% held by the poorest 20% of the population³. This level of income inequality places Haiti among the most unequal countries in Latin America and the Caribbean (LAC) and in the world.

3.02 Haiti's Human Development Index (HDI) in 2014 was reported at 0.471, on a scale of zero to one, placing it at 168th out of 187 countries. This index places Haiti among the countries with the lowest HDI in the world and makes it the lowest in LAC (the Dominican Republic has an HDI of 0.66). However, Haiti's HDI has improved considerably in recent years, posting a 39% increase between 1980 and 2014.

3.03 The 2013 Millennium Development Goals (MDG) Report: *Haiti, A New Look*⁴ shows that the country has steadily boosted the net enrollment rate in primary education from 47% in 1993 to 88% in 2011, achieving equal participation of boys and girls in education (MDG 2). Haiti has also halved the number of underweight children under five years old (MDG 1) and also made notable progress in health indicators, with infant mortality (MDG 4) decreasing 44% since 1990, faster than the global average. Additionally, the number of pregnant women participating in at least one antenatal visit rose from 68% in 1990 to 90% in 2010, which contributed significantly to the reduction of maternal mortality (MDG 5). Despite this reduction, the maternal mortality ratio of 350/100,000 live births is relatively high when compared with Honduras (100) and Guatemala (120), while the adolescent fertility rate of about 41/1,000 live births is less than half of what obtains in those countries. Nearly 65% of households have improved access to water, compared with only 36.5% in 1995. The report also indicated that prevalence of Human Immunodeficiency

¹ Institut Haïtien de Statistique et D'Informatique.

² *National Food Security Coordination/National Food Security Survey (2011)*, cited in the National Poverty Reduction Strategy prepared in collaboration with IMF, Washington, D.C. June, 2014:5.

³ *Investing in People to Fight Poverty in Haiti (Overview) – Reflections for Evidence-based Policymaking (2013)*. Paper prepared by the National Observatory on Poverty and Social Exclusion and the World Bank (WB) Group.

⁴ <http://www.us.undp.org/content/washington/en/home/presscenter/articles/2014/06/25/undp-releases-haiti-mdg-report-significant-progress-has-been-made.html>.

Virus/Acquired Immune Deficiency Syndrome stabilised at 0.9% among those aged 15-24 (MDG 6). Despite these improvements, Haiti is still severely challenged to maintain its trajectory towards sustainable development. See Appendix 3.1 for more detail on the social context.

Approach to Gender Mainstreaming

3.04 According to WB, gender-based violence (which includes physical, emotional, sexual, and economic directed specifically towards men or women), is undoubtedly one of the most common forms of violence in Haiti and increased after the earthquake, *inter alia*, due to camp conditions, fear of reporting and the limited ability of the justice sector to prosecute cases of violence after the event⁵. Women are the main victims of domestic violence and rape, while mostly men are victims of gang-related violence. Men and women are also victims of high levels of crime and violence with debilitating impacts on the family, social relations and overall productivity.

3.05 Gender inequality is a critical social and economic development challenge leading to intergenerational poverty, education and psychosocial challenges, and suboptimal use of the country's human capital. Enhancing gender equality must, therefore, be part of every CDB intervention, particularly given women's higher levels of unemployment, lower educational achievement, poorer overall living conditions, and greater vulnerability to rape and exploitation, and social exclusion.

3.06 Women's exclusion from, and vulnerability to, poverty are exemplified through the agricultural sector. Although women's involvement is high, their participation is predominantly in the informal sector and this continues to reinforce gender inequality in the value chain. Furthermore, they mainly operate in local staple crop markets, whereas men have more access to export crops that generate higher levels of income. Agricultural projects therefore need to support gender-equitable value chains in order to empower women in the sector. This needs to be accompanied by opportunities for financing women farmers who often lack access to credit and land, literacy and capacity development activities as peasant female farmers show disproportionately high rates of illiteracy, lack of forward and backward linkages as well as social constraints due to uneven power relations in communities and families⁶.

3.07 Recognising these constraints to growth, Haiti requested support from IMF under an ECF to support the country's programme to raise its growth potential. The Executive Board of IMF in May 2015, approved a three-year Special Drawing Rights \$49.14 mn (about \$69.7 mn, 60% of quota) arrangement. The previous ECF-supported programme which ended in December 2014, was aimed at accommodating post-earthquake reconstruction spending, maintaining macroeconomic stability, and advancing structural reforms. The new ECF-supported programme aims at lifting bottlenecks to growth, strengthening the policy framework, entrenching macroeconomic stability, and preserving buffers to avoid stop-and-go growth dynamics.

3.08 Moreover, Haiti continues to face major challenges and requires significant support in the areas in which CDB has provided assistance over the last two CDB country strategy periods. Indeed, the nature of the challenges identified in the current (2013 to 2016) Country Strategy Paper (CSP) have not changed and these are outlined in some detail in Appendix 4.1. The challenges associated with energy, an area that was not thoroughly addressed in the CSP for the period 2013 to 2016, is also reflected in Appendix 4.1.

⁵ Ibid.

⁶ *The Haiti Gender Shadow Report (2010). A Coalition Gender Shadow Report of the 2010 Haiti Post Disaster Needs Assessment (PDNA)*, report <http://www.genderaction.org/publications/2010/gsr.pdf>

4. **KEY NATIONAL PRIORITIES**

4.01 In May 2012, the Government of Haiti (GOH) launched its long-term plan – the Haitian Strategic Development Plan (PSDH). PSDH is intended to define the path the country will take to reverse its situation of underdevelopment, with the vision being the reshaping of Haiti and transforming the earthquake of January 10, 2010, into an opportunity to make the country into an emerging state by 2030. The long-term plan will also serve to mobilise support and encourage more coherence among the various initiatives for the development of the country. Consistent with the Plan of Action for the Recovery and Development of Haiti (PARDH), PSDH sets out four key strategic pillars of rebuilding: (a) territorial; (b) economic; (c) social; and (d) institutional. Each pillar consists of seven to nine programmes and each programme is divided into 150 sub-programmes.

4.02 In 2014 GOH, in broad consultation with stakeholders and development partners, prepared a Poverty Reduction Strategy Paper (PRSP) for the period 2014 to 2016. The Paper is considered as the first tool for the implementation of PARDH. The Paper comprises a three-year development framework and a three-year investment programme. As reflected in the PRSP, GOH selected five priorities on which it would focus during the three-year period. These priorities are as follows:

- (a) education, and human and social development;
- (b) environment, and reform and development of the territory;
- (c) economy and employment; and
- (d) rule of law and democracy.

4.03 To target education, and human and social development, the following were targeted for action in the short run: (a) promote universal primary education and expand school cafeteria services in the country; (b) improve access to secondary education, technical and vocational training, and universities; (c) improve access to health services and step up efforts to fight endemic and epidemic diseases; (d) improve access to social services for the poorest people; (e) set up infrastructure to promote sports and recreational activities; (f) develop culture and the cultural heritage; and (g) renovate housing and living conditions, especially by improving basic infrastructure.

4.04 Under the economy and employment pillar, the following actions were identified: (a) remove legal, financial, and land constraints to investment; (b) continue to put in place major networks of infrastructure (transportation, energy, communications, etc.); (c) support the modernisation and development of agriculture and increase its yield; (d) establish manufacturing/industrial parks; (e) help develop the supply of the tourism products, including eco-tourism and ethno-tourism; and (f) develop highly labor-intensive projects.

4.05 With respect to the energy sector, the following actions were identified: (a) increase electricity-production capacities; (b) increase the capacity to transport electricity; (c) expand the coverage of services to the population; (d) improve the marketing of electricity; (e) reduce technical and non-technical losses; and (f) develop incentives to use energy-saving equipment.

4.06 To address the rule of law and democracy, GOH has committed to: (a) ensuring the optimum functioning of democratic institutions; (b) re-engineering the Government; (c) reforming the civil service; (d) strengthening justice and public security; (e) strengthening deconcentrated government services; (f) strengthening regional and local governments; and (g) developing civil society.

4.07 In the short run, it was deemed important to increase the availability and reliability of both technical and financial management data. For example, the basic geographical frame of reference involves many uncertainties: (a) the location and condition of infrastructure, equipment and public services are not all documented; (b) the knowledge in real time of recent, either ongoing or programmed, development projects is not a given; and (c) few unit costs of infrastructure or equipment are available for investment programming purposes. Major efforts were desired to be urgently devoted to these areas in order to significantly improve development planning and control.

4.08 The above areas of priority are expected to remain relevant over the next three years and will guide CDB's interventions.

5. THE CARIBBEAN DEVELOPMENT BANK'S CONTRIBUTION TO DEVELOPMENT IN HAITI AND LESSONS LEARNT

5.01 To date, CDB's interventions in Haiti have been through grant financing under its SDF. Under the replenishment of SDF 6 (Unified), funding for Haiti was separately earmarked. A set-aside of \$27 mn was agreed to meet both programming and operational costs of initial operations in Haiti. During SDF 7, the set-aside for Haiti was increased to \$46 mn in light of the persistent development deficits in the country and large assistance needs. In addition, there was the need to extend the period for 'ring fencing' CDB's Haiti Programme to allow more time for integrating Haiti into CDB's regular operations. Under SDF 8 cycle, contributors agreed to a further set-aside of \$46 mn to support CDB's intervention in Haiti through grants. Contributors and CDB agreed on a programme that would be focused on two areas: (a) education and training; and (b) CDD and agriculture, while more limited interventions would be pursued to support capacity building and the strengthening of the country's resilience to future natural hazards. Interventions were planned to have a limited number of targeted objectives and CDB expected to continue to undertake interventions in Haiti in cooperation with existing partners, or with other appropriate international donor partners.

5.02 CDB prepared its strategy for Haiti for the period 2013 to 2016, and this was reflected in Paper BD 35/13 – Country Strategy Paper 2013-16 – Haiti, which was approved by CDB's Board of Directors (BOD) in May 2013. The CSP proposed a resource envelope of \$42 mn be made available to finance interventions in Haiti. The remaining \$4 mn of the Haiti set-aside under SDF 8 was programmed to be used for logistical and administrative operations. Table 5.1 shows the indicative intervention and the expected outcomes that were reflected in the CSP. The proposed interventions are consistent with the priorities reflected in Haiti's PSDH and in PRSP 2014 to 2016.

TABLE 5.1: INDICATIVE INTERVENTION PROGRAMME, 2013-16
(\$'mn)

Item	Amount	Expected Outcomes
Basic Education and Technical and Vocational Education and Training	23.0	
(a) Enhanced Participation and Quality: Education for All (EFA) 2 – provision of tuition subsidies, school feeding and institutional strengthening at basic education level; and provision of learning spaces and institutional strengthening for Early Childhood Development (ECD) and primary education.	12.0	(a) Improved access to, and quality of, basic education for poor boys and girls 3-12 years old. (b) Improved access to ECD infrastructure and integrated services. (c) Improved access to quality public education.
(b) Teacher Development: Upgrading of current teacher training programmes and development and delivery of new models of teacher training.	2.0	(a) Accelerated model of teacher training, including a national teacher training curriculum that includes gender training. (b) Gender training institutionalised in teacher training institutions. (c) Improved quality of pedagogical instruction at the classroom level. (d) Increased male and female student enrolment as a result of availability of additional newly trained teachers.
(c) Developing Leadership Quality: Development and delivery of school leadership training programmes; and development and delivery of sector management capacity building training programmes.	1.0	(a) Enhanced governance of the sector and capacity building of systems for leadership of the sector. (b) Enhanced instructional leadership in basic education.
(d) Skills Development and Training: Provision of Technical and Vocational Education and Training (TVET) infrastructure; development of labour market courseware; and delivery of training for enhancement of instructor quality.	8.0	Enhanced and decentralised TVET system with strong linkages to private sector and with capacity to provide appropriate and effective training to both male and female youth.

**TABLE 5.2: CARIBBEAN DEVELOPMENT BANK’S BOARD OF DIRECTORS APPROVALS
UNDER THE HAITI COUNTRY STRATEGY PAPER 2013 TO 2016
AND PENDING SUBMISSIONS**

Project/Description	Amount Approved /Source	Date Approved	Status/Comment
EFA – Phase II (description provided below)	\$11 mn from SDF 8.	December 2013	Project is under implementation; Project undertaken in collaboration with WB.
Support for Haiti to meet commitment to CCRIF for the 2014-15 hurricane season.	\$2.57 mn from SDF 8.	October 2014	Grant has been fully disbursed.
Support for Haiti to meet commitment to CCRIF for the 2015-16 hurricane season.	\$2.38 mn from SDF 8.	July 2015	Grant has been fully disbursed.
Sanitation and governance training	\$0.211 mn	July 2015	
TVET Project II	\$12.51 mn from SDF 8	December 2015	Project to be formally launched in 2016.
Agriculture and Rural Development (description provided below)	\$8 mn from SDF 8	Pending	Paper to be submitted to March 2016 CDB’s BOD meeting.

5.04 Project descriptions for the three major interventions reflected in Table 5.2 are set out in Appendix 6.1.

5.05 In addition to the projects listed in Table 5.2, CDB has provided Technical Assistance (TA) to Haiti under CDB’s MSME Development Programme – Caribbean Technological Consultancy Services (CTCS) Network. In this regard, interventions in Haiti since 2013 has focused on building capacity in the hospitality sector.

Results Achieved and Lessons Learnt

5.06 Without significant donor assistance it will take Haiti a lot longer to address deep-seated poverty and human suffering. Development needs in Haiti are great and, while donor interventions are contributing to setting the foundations to respond to these needs, much more has to be done to have a greater impact on development and to reduce poverty more rapidly. CDB interventions have certainly demonstrated development results, albeit initial, and Table 5.3 reflects CDB’s disbursements to Haiti to date. Interventions have been strategic and focused, and the rate of utilisation of funds approved is very high. CDB has gained much experience in Haiti through this engagement, and many of the lessons learnt will be applied to CDB’s future engagement with the country. Details of results achieved and lessons learnt under the two major areas within which interventions were proposed in the CSP for the period 2013 to 2016, are discussed below. Results achieved and lessons learnt are also discussed in relation to assistance provided through CDB’s CTCS Programme. Though resources used to support CTCS interventions are very small, the assistance has been impactful.

Education and Technical and Vocational Training

5.07 CDB has been working in education in Haiti as a direct partner with WB and IDB to enhance education outcomes in basic education and TVET. Since 2007, CDB has collaborated with WB to implement the EFA Project, completing Phase I with an investment of \$20 mn and commencing Phase II, still under implementation, at a cost of \$11 mn.

5.08 CDB's past interventions in basic education have focused in large measure on the provision of tuition waivers which allow students between the ages of 6 and 12 years to access primary education. In this regard, CDB has provided tuition support to an excess of 260,000 students to complete the full cycle of primary education. Despite this, however, over 400,000 students are still deprived of the opportunity to obtain an education as a result of an insufficient number of places in the system, as well as parents' inability to pay for students not benefitting from tuition waivers or the Public Universal Free and Compulsory Schooling Programme. CDB has, therefore, as part of EFA Phase II, focused some attention on the provision of school infrastructure, particularly in underserved rural areas, to assist GOH in achieving its goal of provision of Universal Primary Education. Under the current project, places will be provided to accommodate 480 students in four locations and GOH has signaled its desire to continue the provision of infrastructure in underserved areas. CDB proposes to align its development interventions to assist GOH in increasing the number of public places available at the primary level, particularly for children from underserved rural communities.

TABLE 5.3: COMMITMENTS TO PROGRAMME AND OPERATIONS: 2007-JANUARY 22, 2016
(USD mn)

Interventions	Amount Approved	Disbursements to January 22, 2016	Balance to be Disbursed	Partner	Status
Promote Broad-Based Economic Growth and Inclusive Social Development					
EFA I and II	31.00	27.00	4.0	WB	Phase II is under implementation.
TVET Project I and II	21.51	7.89	13.62	IDB	Under implementation; Phase II, approved in December 2015, is not yet disbursed.
Urban CDD Project (two grants)	9.00	8.9	0.1	WB	Completed.
Rural CDD Project	10.00	9.8	0.2	WB	Completed.
Supporting Environmental Sustainability and Disaster Risk Management					
Disaster/Emergency Relief Grant/Response	1.17	1.17	-		Completed.
CCRIF Premium Payments	11.64	11.64	-		Completed.
Earthquake Restoration Efforts – Offices for Ministry of Public Works	0.15	0.15	-		Completed.
University of the West Indies External Scholarship for final year Haitian students following the earthquake	0.15	0.15	-		Students completed course of study.
Promoting Good Governance					
Policy-based Grant in collaboration with WB and the Inter-American Development Bank (IDB)	10.00	10.00	-	IDB and WB	Disbursed in 2009.
Project Cycle Training for public officials with L’Ecole Nationale d’Administration Financière	1.82	1.33	0.49		
Preparation of CSP	0.09	0.09	-		Completed.
CTCS and Other Technical Support:					
(i) CTCS Workshops and Programmes	0.39	0.31	0.08		
(ii) Other TA Support	0.22	0.20	0.02		
Others	0.97	0.51	0.46		
TOTAL	98.11	79.14	18.97		

Source: CDB.

5.09 CDB has also addressed two areas not significantly served by its development partners – ECD and multi-grade education. Poor student performance at the primary level, particularly in rural communities, is linked to the absence of ECD programming and/or the poor quality of the generally private provision. This leads to high levels of repetition which restrict the number of students who may be enrolled, and results in high levels of internal inefficiency in the system. GOH has commenced actions to address the existing deficiencies, including the establishment of a unit responsible for ECD which will receive TA and capacity building from CDB as part of EFA Phase II. CDB is providing a range of interventions to enhance the preparation of students for formal education, including teacher training, the provision of appropriate resources, and classrooms to serve the needs of children not currently in formal ECD. In the four rural communities receiving infrastructure, places are being provided for 240 students, and 300 teachers are being trained to improve instructional quality at this level. CDB's current assistance is concentrated in the southern region of Haiti where there are significant needs which GOH has indicated must continue to be addressed.

5.10 Attention to the needs of students who are of primary age, but who have never benefitted from education is another of the priority interventions of CDB. It is estimated that over 60% of the eligible population of 6-12 year olds in Haiti, have never been to school. These students, because they have no marketable skills, often become unemployed and/or engage in criminal, gang activity. There are currently no interventions supported by development partners addressing the needs of this segment of the primary population, except for those initiated by CDB under Phase II of EFA. CDB's interventions target the: (a) strengthening of instructional quality and supervision; (b) providing appropriate supporting resource materials; and (c) providing places catering to the needs of such students. Under the current project, places are being provided for 240 students and it is expected that this number will significantly increase as CDB continues to support the construction of public infrastructure. Teacher preparation is also a critical focus in this regard and 300 teachers will develop the skills to deliver quality multi-grade teaching. This will bring the number of teachers trained by CDB under EFA to 3,566.

5.11 Mindful also of the link between adequate nutrition and development of the capacity to benefit from education, CDB has supported the provision of meals for over 81,000 primary students since the commencement of EFA. By the completion of the project it is expected that another 17,000 students will benefit from CDB support. This includes students in the four schools being constructed with CDB funding, where facilities for provision of the meals are part of the project.

5.12 In the future, CDB will intensify its interventions in these areas and, in keeping with the development focus of GOH, further attention will be given to teacher preparation, including the: (a) development of a teacher licensing system; (b) integration of technology into the instructional process; and (c) enhancement of the public education system. Support must continue for the provision of tuition waivers, but over time this must be reduced in favour of providing the state with the means to deliver quality public education.

5.13 As a consequence of the lack of basic education places in the system, a significant proportion of youth in Haiti lacks the skills to obtain sustainable employment. There are, therefore, very high levels of youth unemployment. To mitigate this circumstance, CDB has focused significant attention on skills development through its partnerships with IDB in TVET. Two completed centres, constructed by CDB and equipped by IDB, now provide places for over 3,000 youth in a range of skills aligned with labour market needs. A third centre, currently under construction with CDB financing and to be equipped by CDB as well, will provide places for a further 1,000 students. Reconstruction of the main TVET Centre in Port au Prince which was completely destroyed by the 2010 earthquake, was recently approved by CDB's BOD (December 2015), at a cost of \$12 mn. Completion of this new centre in Port au Prince will add a

further 3,500 places to the system. The reconstruction of this centre represents CDB's first intervention in education without the support of a development partner.

5.14 It is proposed that CDB's support to TVET be strengthened in the future by supporting the construction of a number of small centres to address the needs of specific communities; enhancing the focus on institutional strengthening, including training of trainers; developing administrative capacity; providing instructional materials; establishing resource centres for pedagogy and administration; and assisting the system in aligning its operations with the CARICOM Regional TVET Framework, among other initiatives designed to provide out-of-school youth and the general population with marketable skills which lead to sustainable employment.

Community-Driven Development and Agriculture Projects

5.15 CDD is a variant of Community-based Development (CBD). CBD is a mechanism through which beneficiaries are actively engaged in project design and management. CDD interventions refer to projects where, in addition to having control over key decisions, communities also have direct control over the management of investment funds. Key results achieved under the three CDD projects that were approved with respect to the previous strategy period (2009-2012) or before, and for which implementation was ongoing during the 2013 to 2016 strategy period, are briefly discussed here.

5.16 The objective of the Urban CDD Project (PRODEPUR) was to improve access to, and satisfaction with, basic and social infrastructure and services and increase employment and income-generating opportunities for residents of targeted urban areas. The Rural CDD Project's (PRODEP) objectives were to improve access by poor rural communities to basic social and economic infrastructure, services and income-generating opportunities; and to improve governance and build social capital at the local level.

5.17 The PRODEP/PRODEPUR objective was to be achieved through a participatory and transparent decision-making process whereby community-based organisations (CBOs) would be empowered to propose, plan, select, implement, manage and maintain sub-projects. Both projects were jointly financed with WB. Implementation of both projects was completed in 2014 – both having achieved the objectives set at appraisal.

5.18 Under PRODEP, 185 sub-projects (comprising 113 infrastructure, 51 social, and 21 productive) were successfully implemented. As a result, 353,000 members (significantly higher than the appraisal estimate) of 185 CBOs and 31 municipalities benefited from at least one additional basic social and infrastructure service or income-generating activity. Moreover, as at December 31, 2014, all productive/income-generating sub-projects were operational. All sub-projects have maintenance arrangements in place but, due to resource constraints, it is estimated that only 60% have the capacity to carry out the maintenance plans on a regular basis.

5.19 Further, all 31 Project Development Councils that had been targeted in the focal project area follow democratic and open meeting procedures to select sub-projects as required under the terms of the project. As part of a pilot intervention, four Community Development Councils successfully completed training programmes in Project Cycle Management and executed community sub-projects valued at \$700,000. The objective of the pilot was to build local capacity to mobilise resources and plan and execute interventions which address community needs.

5.20 Under PRODEPUR, over 700,000 persons benefited from 649 sub-projects – 217 social; 313 infrastructure sector; and 119 productive/income-generating sector. CBOs and local authorities

reported that they realised significant improvements in competence and skills as a result of the wide range of capacity-building interventions provided during under the respective projects. Whilst CBOs in urban areas are less common than in rural areas, the projects have demonstrated that CBOs can become sustainable entities in urban areas and contribute to the wellbeing of neighborhoods within impoverished, and often violent, communities.

5.21 CDB interventions through CDD approaches have been very successful, having contributed to improving living conditions among the poor and, through the productive sub-projects, have contributed to the reduction in poverty. However, there is still much opportunity to improve the efficiency and overall development impact of CDB's intervention in this area in the future. An inherent risk in CDD methodology is the heavy dependence on non-governmental structures. The approach was a source of tension between community organisations who maintain control over the resources and elected officials (GOH and Municipal Authorities) charged with the responsibility of local/national development. Not surprisingly, GOH has expressed concerns with this approach. Future CDB-financed projects should recognise GOH's concerns whilst ensuring the participation of target beneficiaries in the development process.

5.22 Moreover the administrative/project management cost in Haiti is very high. CDD methodology places a further layer of costs given its heavy emphasis on capacity building and establishment of new governance structures for beneficiaries. There is evidence that even with high investment in capacity building, most beneficiaries (CBOs) were not fully equipped to effectively manage the sub-project cycle. In addition, there is a high level of internal migration in Haiti and, as a result, capacity-building interventions may not necessarily translate into a long-term resource for community building. Given the considerable 'hand holding' which is required in Haiti when utilising CDD methodology, a more limited approach to delegation of authority – use of community-based methodologies – may be more effective particularly for sub-projects of a technical nature (development of infrastructure, potable water and irrigations systems, etc.).

5.23 CDB will continue to explore opportunities for cost sharing to increase the percentage of resources that are channeled directly to sub-project financing. This could involve, in addition to working with other donors, partnering with Non-governmental Organisations that have the capacity to contribute resources, including technical capacity. Partnering with organisations who have experience in the implementation/management of projects in Haiti will also help in ensuring the sustainability of interventions.

5.24 Beneficiary communities generally expressed appreciation for the sub-project interventions. Several rural residents contacted during implementation supervision, and the views expressed during the Exit Workshops, suggest that CDB's future interventions should move more directly toward exploring opportunities to increase food and nutrition security and income-generating opportunities. The departments where the projects intervened, in particular the North West and North East, are among the poorest and experience the highest levels of food and nutrition insecurity in Haiti. Given limited opportunities outside of agriculture for large segments of the Haitian population, projects that directly impact agriculture-sector output should be encouraged. Following from this lesson, CDB will be submitting a Community-Based Agriculture and Rural Development Project for the consideration of CDB's BOD at its March 2016 meeting. In keeping with community-based methodologies, the Project will utilise participatory and transparent processes whereby communities will be engaged in all stages of the project cycle.

The Caribbean Technological Consultancy Services Interventions

5.25 During the CSP period CDB, under its CTCS Network, has approved \$0.327 mn for TA interventions aimed at improving the managerial, technical and operational capacity of MSMEs in Haiti. A total of \$0.278 mn, which represents 85% of the approved amount, was to facilitate the implementation of TA activities within Haiti's tourism sector. This was in support of GOH's plans to develop the tourism sector, which has been identified as a priority for economic growth and development.

5.26 Improving management, supervisory and service delivery capacity within the hospitality sector were identified by CDB as critical areas for CTCS intervention. Consequently, in collaboration with the Association Touristique d'Haiti (ATH), 13 managers and supervisors (9 women and 4 men) of 7 hotels, including the Executive Director of ATH, were provided training, through training attachments, in the areas of Front Desk Operations, Food and Beverage Management, and Housekeeping and Institutional Strengthening.

5.27 CTCS undertook a follow-up evaluation exercise with a view to determining the immediate benefits that have been accrued to the training participants and their respective beneficiary hotels. This was done through one-on-one interviews, observations and questionnaires. The managers of beneficiary hotels verified in the end-of-training course reports that the trainees experienced significant learning and acquired new skills that were relevant for the improvement of hotel operations and management. The trainees became more confident and were, therefore, more assertive resulting in a new sense of pride and professionalism. Their influence has generated a higher level of employee engagement and loyalty. There has also been a general improvement in behaviour, including the English skills of the persons trained, who indicated that as the instructions were in English, they had to learn all the words applicable to the tourism industry. English is a very important skill as approximately 77% of visitors to Haiti are from North America (*Ministry of Tourism – Haiti statistics*).

5.28 Front Office operations have improved across all the beneficiary hotels. There have been noticeable improvements in customer service, interaction between staff and guests, as well as handling customer complaints. The management of the Front Offices in some hotels is more efficient as a result of the installation of the electronic Micros Opera Front Office System for handling large group bookings, guest accounts, reservations and check-in-procedures. One of the persons trained has been promoted from Supervisor, Front Desk Operations, to Front Officer Manager.

5.29 Food and Beverage operations have improved across all the beneficiary hotels. Food and Beverage management has achieved better financial returns through reduction in losses of inventory. Some hotels report as much as 5% in savings in inventory after the implementation of two checks per day. Some of the persons trained were promoted and have been working as coaches for their Food and Beverage staff. Housekeeping operations have improved across all the hotels, but to a lesser extent than the Food and Beverage or the Front Office operations.

5.30 As part of efforts in assisting MSMEs in Haiti, particularly hotels, to institute a structured approach to customer service delivery, 127 managers and operators (61 women and 66 men) were trained in Enhancing Customer Service Delivery. The training workshops were conducted in Cayes Jacmel, Gonaives, Grand Nord, Jacmel, Les Cayes and Port-au-Prince. At the end of the workshops, each participating business was provided with in-plant/on-site guidance to develop and implement a customer service action plan.

5.31 Hotels in Haiti also benefited from a training workshop in Marketing Techniques in which 21 hotel owners and managers (13 women and 8 men) participated. The workshop was followed by on-site coaching to assist participants in transferring knowledge and skills learned to the work place and to initiate the

implementation of their marketing action plans developed during the workshop. These initiatives were intended to assist hotels in marketing their products and services more efficiently and effectively.

Evaluation by the Office of Independent Evaluation

5.32 The Office of Independent Evaluation is in the process of finalising its preparations for the independent evaluation of CDB's country strategies and programme in Haiti between 2007 and 2015. The evaluation will review CDB's two CSPs for Haiti (2009-2012 and 2013-16) and evaluate the design and implementation of the related country programmes over the period 2007 and 2015⁷, identifying specific lessons that can be learned and applied in both the design of subsequent CSPs and programme delivery. The scope and extent of coverage for the evaluation will need to be focused in line with the data available from both internal and external sources. A small team of consultants has been contracted to assist with the Haiti CSP evaluation, however, due to the recent postponements and rescheduling of the Presidential elections and the current political instability, the planned Country Mission to Haiti in December 2015 had to be rescheduled for February 2016. The completion of the evaluation is now expected to be delayed over a similar time frame towards the second quarter of 2016. The first visit to CDB by the Lead Consultant is scheduled for February 21, 2016, to finalise the design for the evaluation and review registry files, as well as initial interviews with CDB staff. The evaluation results will help guide the dialogue with Haiti towards framing CDB's country strategy in Haiti for the period 2017 to 2020.

General Issues, Lessons Learnt and Strategic Considerations

5.33 The following broad issues and general lessons learnt from CDB interventions in Haiti, should be noted when crafting CDB's next strategy for Haiti for the period 2017 to 2020.

- (a) International donor assistance is tapering off following the spike that followed the January 2010 earthquake. Haiti will have to look inward to sustain growth and poverty reduction efforts.
- (b) GOH is desirous of implementing projects that provide sustainable avenues to reduce poverty and support livelihoods, while reducing development assistance that perpetuates dependency. For instance, the project that provides assistance to farmers could be structured in ways that encourage repayment and secure more sustainable outcomes.
- (c) There is a need for more effective vertical linkages in value chains necessary to provide more sustainable outcomes with respect to production, processing, marketing and trade of goods and services in the agricultural sector. There are widely-recognised opportunities and considerable potential in Haiti to harness 'productivity gains' through more strategic and integrated interventions in value chains. These include: investments in infrastructure and utilities; climate adaptation, resilience and mitigation measures in the agricultural sector; adopting new technologies; small-scale solar and renewable energy (RE) and off-grid energy generation, with potential to yield significant improvements in agricultural productivity; opportunities for agro-processing; and reductions in post-harvest losses.

⁷ CSP evaluations should cover a period of assistance that is long enough to witness development results, while providing more emphasis on evaluating the recent performance during the current strategy period to ensure that the findings are operationally relevant. CSP evaluation should also cover newly approved, recently initiated, completed and ongoing development assistance and programming.

- (d) There is a need to assist GOH in leading development management and effectiveness. In that regard, Haiti has valued the efforts by CDB to meaningfully consult with GOH on development priorities and interventions.
- (e) The implementation of projects in Haiti in partnership with major multilateral institutions which have resident presence in the country, has not always been advantageous to CDB. Where there is divergence in focus, the CDB initiatives have frequently not attracted the attention they deserve from these partners. For example, multi-grade and early childhood education, areas for focus for CDB in EFA, do not attract the emphasis from WB. CDB staff, therefore, have to increase their involvement, supervision and monitoring of these elements to ensure the attainment of successful outcomes. Having gained much experience, CDB will need to directly assume full responsibility for implementation of some interventions in Haiti to assess on a case-by-case basis. To facilitate this, there may be need for CDB to directly contract assistance on the ground with direct reporting to CDB.
- (f) Implementation capacity remains weak in most areas, though strong institutional capacity has been developed in the education sector. It is important to incorporate measures to improve public sector institutional capacity into CDB's projects. These measures must be designed to be sustainable and contribute to building capacity as much as possible beyond the areas being addressed. CDB can also help build capacity in Haiti more directly under the strategic support and activities of its Technical Cooperation Division (TCD).
- (g) Greater alignment, harmonisation and coordination among donors and development partners remain important features to drive improvements and support the achievement of results. There is a related need to reduce the fragmentation evident in provision of donor assistance and to coalesce around more strategic and holistic approaches in key sectors. There are some pockets of emerging good practice, for example the increased levels of coordination and alignment with respect to the education sector, and there continues to be active discussion among donors to improve their coordination. Notwithstanding the level of coordination in education, however, CDB has undertaken more responsibility for implementation of some components of its interventions and results to date suggest that this strategy may be adopted with success in the future. Similar coordination approaches and discussions, however, need to be considered in other critical sectors such as agriculture, infrastructure, RE and energy efficiency (EE), water and sanitation and hygiene, and disaster risk reduction and management, including links to climate adaptation and mitigation measures. There appears to be considerable scope for technology transfer in most sectors of the economy, which has not traditionally been considered in the context of Haiti, particularly under the more traditional focus of the humanitarian support following the 2010 earthquake.

6. THE WAY FORWARD FOR THE CARIBBEAN DEVELOPMENT BANK'S ENGAGEMENTS WITH HAITI – 2017 TO 2020

6.01 The development assistance requirements, demands and needs in Haiti are enormous and the challenges are spread across a range of different sectors. Significant resources and assistance are required to tackle the development challenges in all the key sectors that drive economic growth. The areas of priority highlighted in PRSP are still fairly wide. It will be equally important that donors are more strategic and consistent in their provision of support and, wherever necessary, accompany GOH with respect to particular areas of intervention to ensure that the benefits can be sustained and contribute to the wider thrust of the strategic plans. International development partners provide assistance to Haiti in almost every sector or

development area, including governance (ranging from security to public sector reform and financial management) education, health, electricity, road infrastructure, agriculture, and environmental protection among many other areas. Areas of focus of major multilateral agencies will be discussed more fully in the CSP that will be prepared for the new period 2017 to 2020. It should be noted that notwithstanding significant donor involvement, given the scale of needs in Haiti, there is still room for assistance in all areas.

6.02 It is proposed that CDB continues to engage with Haiti and build on the success of its interventions thus far, adjusting accordingly given the lessons learned and the broad strategic considerations. There is also the potential for CDB to improve its contribution to Haiti both in terms of the scale of its engagement, as well as through engagement in carefully considered additional areas, in order to significantly increase the Bank's contribution to poverty reduction efforts. This is especially important given that there is currently a tapering of post-earthquake donor assistance. The core elements and considerations for CDB's continued engagement with Haiti over the next strategy period 2017 to 2020, are as follows:

Building on Previous Success

6.03 CDB has had good success in the two major areas of intervention in Haiti. Development needs in these areas remain a priority for GOH. It is desirable that CDB sustains its engagement in these areas for a considerable period of time in order to consolidate gains, including further strengthening institutional arrangements and capacity for pursuing desired development results. It is proposed that the core of CDB's interventions remain in the area of: (a) education and technical and vocational training; and (b) CDD, agriculture and rural development. Moreover, given the significant impact that CTCS interventions has had, it will be important to continue and scale-up such work.

6.04 With respect to area education and technical and vocational training, CDB should continue to assist GOH to attain better educational outcomes. Interventions similar to EFA and TVET projects will, therefore, continue given the great need in this area and considering that these types of investment remain a priority for GOH. In supporting the goal of GOH to develop and provide greater levels of quality publicly-funded education, however, there should be some shift in focus away from the provision of tuition waivers, to assistance in the provision of public infrastructure.

6.05 Under CDD, agriculture and rural development, there should be continued investment to improve efficiency of agricultural production. This will include efforts to improve irrigation coverage and the continued efforts to involve local communities and GOH to arrive at the critical balance that would optimise sustainability of such projects. CDB could support financing mechanisms in agriculture that promote the sustainable use of resources, thus reducing dependence. This could involve providing grant resources that can be placed in a revolving fund for onlending to farmers.

6.06 Given GOH's continued thrust to further develop the tourism sector and the ongoing need to improve capacity within the hospitality industry, CTCS' interventions will continue to be implemented in the area of capacity building to enhance employee skills, operational practices and performance of hotels and other tourism-related success. Other areas will be targeted and surveyed more fully for reflection in CSP for the period 2017 to 2020.

Strengthening Governance Across Sector Operations

6.07 The IMF ECF Arrangement, as well as other ongoing and proposed donor initiatives, feature a renewed emphasis on governance reforms in Haiti. These include: (a) strengthening the regulatory framework of the energy sector; (b) improvements in the protection of property rights, credit access and labor productivity; (c) streamlining business regulations; and (d) strengthening budgetary transparency and public investment management. CDB's efforts to improve governance will, therefore, focus on targeted

support that can strengthen the achievement of results in CDB interventions but which, where possible, will have more sustained impacts. As such, support in the areas of education, RE/EE and CBD, agriculture and rural development, will include specific institutional strengthening interventions to support project implementation and sustainable project outcomes. CDB will further support the gathering and analysis of sectoral, baseline data in order to better monitor and evaluate activities and further inform sector operations.

6.08 Based on the Worldwide Governance Indicators (WGI), government effectiveness stands out as one of the indicators most requiring urgent attention, particularly because of its overall importance in delivering key services to the poor and the potential to address poverty. One important element for improving government effectiveness is the building of adequate public-sector capacity for development planning, as well as for the implementation of projects and project cycle management. In that regard, Haiti may benefit significantly from capacity development under CDB's Project Cycle Management/Public Policy Analysis and Management Programme coordinated under TCD. CTCS Programme will also contribute to efforts at improving governance in Haiti by providing training in Managing for Development Results (MfDR). National agencies and institutions that provide financing and TA to MSMEs will be trained in MfDR.

6.09 Improvements in regulatory quality, another area of weakness as highlighted by WGI and acknowledged by development partners active in the country, also have tremendous scope to improve the business climate and promote inclusive growth. As part of its exploration of channel resources for on-lending for MSMEs, CDB will seek to support policy reforms in the areas of regulatory quality, business competitiveness and innovation.

6.10 Given the limited quantum of resources likely to be available for use over the next strategy period, CDB interventions will need to continue to be sufficiently focused in order to be meaningful. Recognising that CDB cannot intervene in all areas, the Bank will encourage effective coordination among donors and, where feasible, CDB will participate in coordination arrangements in order for its role to fit into a more holistic set of interventions to assist GOH to pursue its development objectives. CDB will also strengthen its strategic approach to assist Haiti and, as such, a few additional interventions are proposed, linked primarily to the two core areas.

6.11 In the past, given the limited experience in Haiti, much of CDB's intervention in Haiti was executed in partnership with other multilateral development institutions, notably WB and IDB. For future engagement with Haiti, based on the lessons that have been learnt, there may be much benefit in pursuing one or more of three approaches for implementing projects, to be assessed on a case-by-case basis:

- (a) In some instances it will be best to partner with other major multilateral players, as has been done in the past. These partnerships have worked well in some instances and these successes will be replicated as the occasion arises. Lessons from the successes will also be applied in other cases, as appropriate.
- (b) CDB staff have gained sufficient experience to engage with Haiti directly where such an approach is necessary or advantageous. This approach may be warranted where there is significant divergence in CDB's focus compared with the prospective partners. As discussed in Chapter 5, some of the assistance provided by CDB with respect to education has been in areas where there is great need, but where no other significant donors are assisting. There is need for continuity in such areas and it would be best for CDB to engage directly on its own. In some cases, it may be possible to provide leadership to other development partners with respect to the appraisal and implementation of projects. However, to facilitate this greater direct involvement by CDB, it will be necessary, as

appropriate, for CDB to contract additional assistance within Haiti (possibly through the use of consultancy services) that would report directly to CDB.

- (c) In some cases, other reputable development partners operating in Haiti may have more relevant experience than the major multilateral partners such as WB and IDB. There may be occasion where it may be more effective for CDB to partner with these other players rather than with the major multilateral players.

Additionality

6.12 While CDB has had much success in the interventions it has undertaken in Haiti to date, there is opportunity to enhance the effectiveness of CDB's strategy, most notably through carefully-selected interventions in the areas of EE and RE.

Renewable Energy and Energy Efficiency

6.13 In view of the scale of the deficiency of energy access (70% of population) and the importance of access to energy in reducing poverty and generating growth, increasing access to clean and sustainable energy forms represents the single most important, potentially-transformative intervention for unlocking opportunities in a range of areas for impacting poverty reduction. Increased energy access (especially with RE-generated electricity as the carrier) can: (a) positively impact health of households, by displacement of the use of kerosene lamps for lighting and providing cooling for medicines; (b) facilitate improved education, by extending the hours for children to do school work; (c) support/facilitate the use of information and communications technology (ICT) which can have a further transformative impact for education and training (for all age groups), and create employment opportunities; (d) improve citizens' security through street lighting and improved communication; and (e) support access to potable water in coastal water-scarce areas, or for combatting drought impacts, through solar-powered desalination plants. Further, RE options such as solar cookers and more efficient cookers can reduce the time spent on collecting fuel-wood, thereby promoting gender equality – since women and children bear the brunt of the energy-poverty burden, and reducing environmental damage.

6.14 There is the opportunity for CDB to incorporate energy solutions into its existing two core areas of intervention in Haiti. This is expected to result in CDB projects having a greater impact on reducing poverty while minimising the additional cost for implementation, compared with a stand-alone intervention in the energy sector. Interventions in the area of RE and EE could include:

- (a) Integrating RE and EE options and solutions in all infrastructure projects to be pursued in Haiti. For example, schools that are constructed under the education sector projects would be candidates for integration of RE-generation options, combined with EE solutions. In the context of Haiti's energy-access challenge, such an integrative approach is considered an imperative.
- (b) Integrating RE and EE options into CDD projects to include those with a focus on agriculture and rural development

6.15 There are opportunities for stand-alone projects. CDB will also seek to make RE interventions that will have direct impact on communities by provision of energy services, lighting, electrical power, cooling, and also to test financially-viable/sustainable models of energy supply arrangements which can be scaled up across the country. Such interventions may include:

- (a) installation of pilot micro or mini community electricity grids supplied by wind and solar, done only in conjunction with partners, as part of a pilot to establish financially-viable/sustainable models of energy supply arrangements;
- (b) installation of community solar energy stations – to provide lighting, power, to support ICT and economic enterprises;
- (c) solar water pumping facilities to support domestic, potable water, as well as irrigation in context of the ongoing or expanded CDD projects;
- (d) installation of selected agro-processing equipment to provide value-adding economic enterprises; and
- (e) solar cookers for cooking and improved efficiency cook stoves.
- (f) Installation of community homework and adult learning centres at schools or community centres, with ICT facilities and street lighting to improve security.

Environment

6.16 In addition to continued support to Haiti to meet the cost associated with insurance coverage under CCRIF, CDB will provide support to help strengthen the country's capacity for emergency response and disaster preparedness. This area is also important to help the country improve resilience and reduce vulnerability to poverty.

Information and Communications Technology in Education

6.17 While there has been much progress in improving educational outcomes in Haiti as discussed previously, Haiti still has a long way to go to reach the levels attained by its Caribbean neighbors with respect to access to, and the quality of, education. CDB will work with GOH and other development partners to encourage and facilitate the use of ICT and distance-education options for the delivery of instruction to students at all levels in underserved communities, where access to traditional modes of instruction is constrained, and for the training and continuing professional development of teachers and instructional leaders. These constraints are due to the lack of critical mass to support the provision of physical infrastructure and a dearth of qualified teachers and instructional leaders. The use of RE options is also expected to be important to facilitate such a strategy in many instances.

Replication

6.18 While the resources likely to be available to CDB to undertake intervention in Haiti are small compared with the significant needs that exist, where appropriate, interventions to be financed by CDB will be designed to be replicated in order to maximise the development reach beyond the initial intervention. This may serve to attract resources from other development partners thus catalysing a transformational impact beyond the reach of initial projects, or it may encourage the use of locally-generated resources once success has been demonstrated. Such replication may be pursued with respect to interventions in the areas of RE and agriculture and rural development projects.

Set Aside for Haiti and Incorporating Haiti into the Normal Operations of the Caribbean Development Bank

6.19 While it is desirable to incorporate Haiti into the normal operations of CDB to include the provision of CDB loans to the country, either from the Bank's Special Fund Resources or its Ordinary Capital Resources (OCR), or both, it is recognised that the country is still very fragile. Haiti continues to require much assistance through grants to get to a state where it can be self-sustaining and capable of servicing higher levels of debt. Support from IMF, under the new ECF, given the focus of the programme (discussed in the section on key challenges) alongside continued assistance from other donors to strengthen public sector capacity and governance, is likely to push Haiti closer to this ideal. In that regard, it is recommended CDB continue to set aside resources for engaging with Haiti through the provision of grants. In order to assist GOH in its desire to reduce dependence, CDB will seek to design interventions, where possible, to allow resources to be provided to sub-project beneficiaries for productive activities through a revolving loan fund. Such revolving loan funds could be started with CDB grants, but would be replenished through repayment of loans made to the sub-project beneficiaries. Success of these types of interventions could serve as a springboard for CDB to provide resources in the future for these initiatives through loans.

6.20 CDB recognises the importance of greater access to credit to spur growth in Haiti. CDB is currently providing TA to Haiti with respect to strengthening the capacity of commercial banks to appraise loans to MSMEs. Such assistance will contribute to greater access to credit by MSMEs. To complement this, CDB will give consideration to providing resources for on-lending to reputable and profitable development finance intermediaries such as SOFIHDES – a private development finance corporation. Such lending can be viewed as a first step towards incorporating Haiti into the normal operations of CDB. It is proposed that such lending to Haiti commences with lending from CDB's SDF resources. In the subsequent strategy period, lending from both SDF and OCR resources can be considered and informed by CDB's risk assessments.

Resource Envelope

6.21 Haiti's absorption of resources from CDB has been rapid and CDB is now well placed to manage more investments in Haiti. Given the need to scale-up interventions in areas that CDB is already having much success and the opportunity to improve the Bank's contribution to poverty reduction through interventions in RE, the incorporation of ICT in education and on-lending to the private sector, a much larger resource envelope is desired from SDF contributors for allocation to Haiti under SDF 9. A resource envelope of \$100 mn is thus recommended. Table 6.1 shows the indicative proposed allocation for broad areas of support. This amount would represent a significant upscaling of the resources dedicated to Haiti over previous cycles, but it is not expected that all of these resources will come from SDF grants. CDB intends to access resources from other donor sources where there is alignment with our country or area focus.

TABLE 6.1: PROPOSED ALLOCATION OF SUPPORT

Area	Amount (\$'mn)	Operation Type
Basic Education and Technical and Vocational Training, including using ICT to extend the reach of education and training	35	Grant
CDD, Agriculture and Rural Development	20	Grant
RE and EE	20	Grant
Private Sector Development/On-lending to MSMEs	10	Loan
Other TA:		
(a) Assistance Under CTCS	1	Interventions under CTCS Programme
(b) Governance Assistance to Build Public Sector Capacity	2	Assistance Under CDB Training Programme
Environment	6.0	Grant
Administration	6	
Total Resource Envelope	100	

Caribbean Development Bank's Readiness

6.22 CDB has now gained considerable experience in implementing projects in Haiti gleaned through its focal areas. Partnerships with other multilateral organisations, such as WB and IDB, have played a useful role in the knowledge that CDB has gained in Haiti. CDB's staff are now in a better position to take more responsibility for the supervision of some future interventions in Haiti. Collaboration with other development partners will still be aggressively pursued, but staff will now be able to more directly add value to supervision arrangements and in providing leadership, rather than relying disproportionately on other donors.

6.23 CDB continues to have strong expertise and experience in education, community-based approaches and agriculture and rural development, and the provision of technical consultancy services to small businesses – areas where CDB's assistance to Haiti has focused. CDB continues to have strong expertise in other areas that can be leveraged to assist Haiti, including the areas of infrastructure development, environmental, social and economic analysis. CDB has recently established an Energy Unit that promotes EE and RE. Expertise and programmes under this Unit can be extended to benefit Haiti.

6.24 Additionally, CDB proposes to enhance its client relations, programme implementation and donor coordination by strengthening its country presence. Specifically, the increased country presence will focus on deepening relationships with government officials and counterparts in relevant sectors; strengthening the supervision of CDB's operations in Haiti; strengthening partnerships between CDB and the rest of the donor community operating in Haiti.

Country Consultations

6.25 Consultations with country officials to finalise a Country Strategy for Haiti for the period 2017 to 2020 is proposed for April 2016. These consultations will review Haiti's development plans and ascertain the continuing relevance of the short to medium-term priorities laid out in PRSP 2014 to 2016 and fine-tune or adjust, as necessary, proposed areas for intervention. Discussions will also be held with Haiti's other multilateral development partners that maintain a resident presence in Haiti on continued collaboration and adjustments to the modes of collaboration.

7. RECOMMENDATION

7.01 Contributors are asked to consider and give guidance on the proposal contained in the Paper.

MACROECONOMIC CONTEXT

1. Marred by political instability, Haiti's real GDP per capita income declined by close to 45% between 1960 and 2005. During the period 2005-07, with the support of the international community, Haiti's economy witnessed some improvement with growth rates of 1.8, 2.3 and 3.3%, respectively. In 2008 severe internal and external shocks (hurricanes, high fuel and food prices, and global financial and economic crises) led to a decline in economic growth to 0.8%. In 2009, real output growth rebounded to 2.9% despite the impact of the global economic crisis. The earthquake of January 2010 significantly set back Haiti in the strides it was making towards reversing economic and social decline. In contrast to the 2.9% growth registered in 2008/09 (FY¹ 2009), GDP was estimated to have declined by 5.5% in FY 2010. Real GDP output rose by 5.5% during FY 2011 as economic activity rebounded from the damage caused by the earthquake. Fuelled in part by continued reconstruction activity, growth continued during FY 2012 and 2013 at 2.9 and 4.2%, respectively.

Recent Performance

2. Real output growth during FY 2015 decelerated to 1.7%, compared with 2.8% growth attained during FY 2014 and 4.2% recorded during FY 2013. The deceleration was largely due to a 3.5% decline in agricultural production during FY 2015 and a 1.5% decline during FY 2014 that resulted from severe drought conditions, however, growth also slowed in the majority of sectors. During FY 2015 there was strong performance in the manufacturing sector which grew by 4.5%, more than double the rate during FY 2014. Growth in that sector is supported by export of apparel under the US HOPE Act and the HELP Act. Partly reflecting a decline in donor support for earthquake reconstruction activity and political instability, construction activity grew at a significantly slower pace of 2.8% during the FY 2015 compared with growth of 7.9% during FY 2014 and 9.3% during FY 2013. Since 2011, the construction sector has exhibited strong growth largely as a result of reconstruction activity following the devastating January 10, 2010 earthquake. Commerce, Hotel and Restaurant activity rose by 3.5%, slower than the 4.2 and 4.9% growth achieved during FY 2014 and 2013, respectively. Transport and Communication and Other Merchandise Services grew by 0.6 and 2.1%, respectively, during FY 2015, compared with growth of 3.7 and 5.1% during the previous year.

3. Annual inflation for the calendar year to November 2015 amounted to 13.6%, much higher than the 6.4% registered for 2014. This acceleration in prices resulted from, *inter alia*, the scarcity of local market products owing to the drought and the devaluation of the Gourde against the United States dollar. Increases were observed across all prices. Prices for the Food, Drink and Tobacco category, which carries the largest weight, rose by 13.8%. There were significant increases in all other sub-categories, except for transportation which rose by only 0.6% largely reflecting continued suppression of international crude oil prices.

4. The Central Government deficit, including grants, amounted to 6.4% of GDP during FY 2013-14. Financing came from PetroCaribe inflows (which averaged 4% of GDP during the period FY 2009-2014), and by diminished fiscal and external buffers (in the form of government deposits at the banking system and international reserves). External public debt (which had fallen to 9% of GDP in FY 2011 following the Highly Indebted Poor Countries completion point and the debt write-offs after the earthquake), rebounded to 21% of GDP in FY 2014, almost exclusively due to the Venezuela-related PetroCaribe concessional financing. Domestic public debt was around 4% in FY 2014, reflecting shallow domestic financial markets. The energy sector's very poor performance and policies are a key driver of fiscal imbalances. Moreover, domestic fuel prices were frozen from March 2011 until October 2014, resulting in

¹ The fiscal year runs from October of one year to September of the following year.

foregone tax revenues that peaked at about 2% of GDP in FY 2014. The combined fiscal cost of regressive fuel subsidies and the deficit at the state electricity utility, has been larger than social spending which hovered around 3-4% of GDP since FY 2010. Based on IMF's projections, an overall deficit of 2.7% of GDP is anticipated as adjustments are made under a new IMF ECF. About half of the fiscal consolidation in FY 2015 was expected to be derived from lower international oil prices and was not expected to result in a negative fiscal impulse. Other adjustments were expected to include: (a) a reduction in fuel subsidies; (b) improvement in tax administration; and (c) other Public Financial Management reforms.

5. For the calendar year to October 2015, domestic credit climbed by 15%. The increase was due to an increase in credit to the private sector and an increase in net credit to the public sector. Public sector credit more than doubled during the period to October 2015, after having moved from a net deposit position of approximately \$114.4 mn at the end of 2013 to a net credit of \$159.4 at the end of 2014. Credit to the private sector rose by 5.2% to \$1,660.1 mn. By comparison, credit to the private sector rose by 11.4% during 2014. The broad money supply, inclusive of deposits in US dollars (M3), rose by 17.4% compared with an expansion of 10% during 2014. Net international reserves grew by 17.5%.

6. During FY 2015, maintaining price stability remained the central focus of the monetary authority in Haiti. The exchange rate depreciated by 12.1% to an average of 50.7 Gourdes to \$1.00. The banking system was expected to remain sound during FY 2015 with non-performing loans remaining less than 5% of gross loans, while all commercial banks were expected to maintain capital adequacy ratios above the statutory limit of 12% and remain profitable.

7. Haiti's exports performed better in 2015 than in 2014. For the first seven months of the calendar year, exports grew by 7.4% to \$272.6 mn. Growth in exports was largely fueled by increased exports of assembled products, including garments. On the other hand, imports contracted by 1.5% to \$2,253.6 mn during the first eight months of 2015, compared with the corresponding period of the previous year. This was largely due to a contraction in the value of the import of petroleum product owing to a fall in the international price. The value of imported petroleum product during that period declined 56.7% to \$374.2 mn.

Outlook

8. International aid has been tapering and the impetus for growth needs to come from structural reforms and institutional strengthening. Barring significantly greater reform efforts, Haiti's competitiveness is likely to remain low, resulting in low potential growth.

9. Acceleration of economic growth to that significantly higher than the growth rate of the population will be critical to reducing poverty, but attaining such level of growth will require addressing the key constraints to development. While GDP growth has been positive since 2011, averaging 3.9% in real terms up to 2014, it was fueled largely by reconstruction spending in the aftermath of the January 2010 earthquake. Growth will need to be sustained at significantly higher levels in order to meaningfully reduce poverty. Growth is expected to decline with the tapering off of international aid which spiked during the few years following the earthquake. IMF noted (June 2015 Staff Report for the Article IV request for a three-year ECF), that potential growth and competitiveness in Haiti remains low as reforms implemented in recent years are insufficient. The impetus for growth, therefore, needs to come from structural reforms and institutional strengthening. The slow pace of reforms has often been rooted in the country's fragile state. IMF report noted the main constraints to competitiveness to include:

- (a) Weak Institutions. Weak property rights constrain the real estate market, foreign investment, access to credit, and efficient agriculture (which provides the basic livelihood to most Haitians). Predatory practices are widespread. Lack of transparency in

government contracting has resulted in, e.g. unfavorable conditions for electricity supply, high electricity costs, and hidden costs in the structure of fuel pump prices. A still-large UN force continues to ensure security.

- (b) Domestic Politics. Political crises caused severe decreases in the level of per-capita income during the last 30 years. Accordingly, the yield for growth of maintaining political peace would be significant.
- (c) Inadequate Infrastructure. Port services and electricity supply are inefficient and expensive, and road infrastructure is deficient to keep the country fully integrated.
- (d) The Policy Framework Needs Strengthening. Fiscal policy implementation is constrained by the lack of an integrated framework. A number of small taxes results in informational and operational costs to investors. Administrative formalities for enterprise creation add costs.
- (e) Low Labor Productivity. Access to healthcare and technical education is limited and restricts human capital formation; and social infrastructure is the worst in LAC. These factors constrain investment.

10. Recognising these constraints to growth, Haiti requested support from IMF under an ECF, to support the country's programme to raise its growth potential. The Executive Board of IMF in May 2015, approved a three-year Special Drawing Rights \$49.14 mn (about \$69.7 mn, 60% of quota) arrangement. The previous ECF-supported programme which ended in December 2014, was aimed at accommodating post-earthquake reconstruction spending, maintaining macroeconomic stability, and advancing structural reforms. The new ECF-supported programme aims at lifting bottlenecks to growth, strengthening the policy framework, entrenching macroeconomic stability, and preserving buffers to avoid stop-and-go growth dynamics.

SOCIAL CONTEXT

Demography

1. Haiti's population, which had been growing at an annual rate of about 2% in the 10-year period up to 2009, is currently estimated at 9.7 million, with almost an equal proportion of men and women. This population growth rate was interrupted by the January 2010 earthquake when the population for the first time in the country's modern history declined by approximately 1.7% due to the high death toll, estimated to be in excess of 250,000 people, and the massive emigration that followed the event. The net migration for that year was estimated at 8.32 migrants per 1,000 population¹. With a total land area of 27,750 square kilometers (km²), population density is also very high, averaging about 350 persons per km². The population is essentially youthful with about 35% estimated to be less than 15 years old.

Poverty and Human Development

2. It was estimated that prior to the earthquake, about 78% of the population was poor, i.e. living below the international threshold of \$2.00 a day and among these 54% were extremely poor living below \$1.00 a day². A more recent estimate determined the extreme poverty level to be 40% for those earning less than \$1.00 per day³. Poverty in Haiti is associated with several factors. Among these is the lack of access to basic social infrastructure such as schools that provide education, generally, and technical and vocational training, specifically, which is associated with access to sustainable employment, including entrepreneurship. Another factor is the lack of access to clean and modern forms of energy services, which are necessary underpinnings for the provision of many social services. Similarly to countries in LAC, the poverty level is higher and more widespread in rural than urban communities.

3. The country's Multi-dimensional Poverty Index (MPI, 2015)⁴ was calculated to be 0.248. On this basis, the percentage of the population that was multi-dimensionally poor was 49.4%, with 24.7% in severe poverty and 22.6% being vulnerable to poverty⁵. Among the poor, 24% suffered from deprivations based on health, 26% in education and 48% on the basis of poor living standards⁶. A high level of inequality accompanies Haiti's high poverty level. The richest 20% of the population holds more than 64% of the total income of the country, against the 1% held by the poorest 20% of the population⁷. This level of income inequality places Haiti among the most unequal countries in LAC and in the world.

4. Haiti's HDI in 2014 was reported at 0.471, on a scale of zero to one, placing it at 168th out of 187 countries. This index places Haiti among the countries with the lowest HDI in the world and makes it the lowest in LAC (the Dominican Republic has an HDI of 0.66). However, the country's HDI has improved considerably in recent years, posting a 39% increase between 1980 and 2014.

¹ <https://www.cia.gov/library/publications/the-world-factbook/geos/ha.html>.

² Institut Haïtien de Statistique et D'Informatique.

³ *National Food Security Coordination/National Food Security Survey (2011)*, cited in the National Poverty Reduction Strategy prepared in collaboration with IMF, Washington, D.C. June, 2014:5.

⁴ The MPI uses 10 indicators to measure poverty in three dimensions: education; health; and living conditions.

⁵ Oxford Poverty and Human Development Initiative, *Country Briefing: Haiti, MPI at a Glance*, December 2012.

⁶ The MPI comprises three components: *Education* – Year of Schooling and School Attendance; *Health* – Child Mortality and Nutrition; and *Living Conditions* – Electricity, Sanitation, Drinking Water and types of Flooring, Cooking Fuel and Assets.

⁷ *Investing in People to Fight Poverty in Haiti (Overview) – Reflections for Evidence-based Policy Making (2013)*. Paper prepared by the National Observatory on Poverty and Social Exclusion and the WB Group.

5. This improvement is attributed to increased access to health and education services⁸. Life expectancy at birth is currently placed at 63 years of age, the percentage of births attended by qualified health personnel has risen to 38% and the coverage of parental care is at 90.5%. School attendance for the first two cycles of basic education is 77% according to preliminary data from the survey on mortality, morbidity and use of Services V⁹. Its low level of human and social development is depicted by the HDI components, i.e. *Life Expectancy at Birth, Expected years of Schooling, Mean years of School* and *Gross National Income per Capita* in Table 1, which reveal acute deficits in these key indicators and particularly in the areas of education and schooling¹⁰.

TABLE 1: SELECTED HUMAN DEVELOPMENT INDICATORS
2005 – 2014

Indicator	Year			
	2005	2010	2013	2014
HDI	0.437	0.150	0.456	0.471
Gross National Income per capita (2005 Purchasing Power Parity \$)	1,040	1,006	1,070	1,636
Life Expectancy at Birth	59.9	61.8	62.4	63.1
Expected Years of Schooling	7.4	7.6	7.6	7.6
Mean Years of Schooling	4.5	4.9	4.9	4.9

Source: Selected UN Development Programme – Human Development Reports.

6. Although national averages tend to mask the wide inequalities that exist on the basis of sex and other socio-economic status, it is clear that with the mean years of schooling being about five, a very large proportion of the population would not be educated beyond primary level. This is particularly so for women, as the 2001 survey showed that for persons between the ages of 41 and 50, men averaged 4.2 years of schooling while it was only 2.8 years for women. For the younger age group of 21-30 years, average years of schooling for men were 8.6 years, but 7.1 years for women. However, there were higher enrollment rates of all ages and sexes in the urban than the rural areas. Generally, education levels among Haitians are quite low but they are much lower among the poor and women. Very few children from households in the poorest quintile were enrolled in school. There is the tendency for girls to have higher enrolment rates at younger ages, while enrolment for boys is higher at older ages. Enrolment rates at all ages are generally higher in the urban areas.

Progress on the Millennium Development Goals

7. The 2013 MDG Report: *Haiti, A New Look*¹¹ shows that the country has steadily boosted the net enrollment rate in primary education from 47% in 1993 to 88% in 2011, achieving equal participation of boys and girls in education (MDG 2). Haiti has also halved the number of underweight children under five years old (MDG 1) and also made notable progress in health indicators, with infant mortality (MDG 4) decreasing 44% since 1990, faster than the global average. Additionally, the number of pregnant women participating in at least one antenatal visit rose from 68% in 1990 to 90% in 2010, which contributed significantly to the reduction of maternal mortality (MDG 5). Despite this reduction, the maternal mortality ratio of 350/100,000 live births is relatively high when compared with Honduras (100) and Guatemala (120), while the adolescent fertility rate of about 41/1,000 live births is less than half of what obtains in those countries. Nearly 65% of households have improved access to water, compared to only 36.5% in 1995. The report also indicated that prevalence of HIV/AIDS stabilised at 0.9% among those aged 15-24

⁸ Ibid.: 6.

⁹ Survey of mortality, morbidity and use of services.

¹⁰ Human Development Report 2013, Haiti, UN Development Programme.

¹¹ <http://www.us.undp.org/content/washington/en/home/presscenter/articles/2014/06/25/undp-releases-haiti-mdg-report-significant-progress-has-been-made.html>.

(MDG 6). Despite these improvements, Haiti is still severely challenged to maintain its trajectory towards sustainable development.

Gender and Development

8. Gender inequality is a critical social development challenge. Higher levels of unemployment, lower educational achievement, poorer overall living conditions, and greater vulnerability to rape and exploitation are evident among women. According to WB, gender-based violence (which includes physical, emotional, sexual, and economic violence directed specifically towards men or women), is undoubtedly one of the most common forms of violence in Haiti. Women are mainly victims of domestic violence and rape, while mostly men are victims of gang-related violence. Both men and women are also victims of high levels of crime and violence, *viz*, physical, emotional, sexual, and economic violence.

9. The Gender Inequality Index (GII) which reflects gender-based inequalities in the areas of reproductive health, empowerment and economic activity¹², was estimated at the value of 0.592 for Haiti in 2012. While this is higher than the average of 0.578 applicable to the Low HDI Countries, the country only attained a rank of 127 out of 148 countries. The country's GII is based on it having very low number (4%) of parliamentary seats held by women and less than a quarter (22.5%) of adult women with at least a secondary education. The comparative figure is about 36% for their male counterparts. The disparity between men and women in the area of economic activities is of concern, with about 60% female labour market participation compared to about 71% for men.

¹² GII components are measured by the following: "Reproductive Health" – maternal mortality and adolescent fertility rates; "Empowerment" – the share of parliamentary seats held by each gender and attainment of secondary and higher education by each gender; and "Economic Activity" – the labour market participation rate for each gender.

KEY DEVELOPMENT CHALLENGES IN HAITI

Governance

1. There are significant governance challenges confronting Haiti and the poor economic performance 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 in WGI¹ and has had very unfavourable comparisons with the Caribbean and the rest of the world. Haiti has fallen in percentile rank in 4 of the 6 dimensions between 2009 and 2014 (*voice and accountability; government effectiveness; regulatory quality and; control of corruption*), with only *political stability and absence of violence and terrorism* and *rule of law* having seen an improvement. Recent developments in the political climate suggest that these latter may have deteriorated since the reference year 2014, as the country is currently facing political instability associated with the recent Presidential Elections. Such political instability is still much too common, distracts GOH from the optimal management of the economy and obstructs the work of development partners in assisting the country to tackle its development challenges. GOH and the donor community have 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 which may suggest a positive outlook going forward, if some commitment to reform is maintained. As a result of the earthquake, public administration suffered major losses in terms of human life and material damage and this decreased the ability of GOH to perform its designated role, contributing to a decline in government-effectiveness which, though weak, had improved in the years leading up to 2010. With the support of the international community there has been some recovery, but the country continued to be troubled by weak capacity and, as a result, many donors continue to implement projects directly rather than through GOH. There remains a need to assist Haiti to improve public sector capacity and contribute towards making aid more effective, in line with the principle of aid effectiveness.

Education

2. The education sector in Haiti prior to the earthquake was under-resourced and of low quality. There was limited access at all levels and education services were provided mainly by the private sector with the State providing less than 20% at the primary level. A large percentage of the non-public schools, about 75%, lacked accreditation or licensing with the result that their output was of questionable quality. The system was also characterised by low enrolment rates, with approximately 40% of primary school-aged children not enrolled. The low and inequitable access resulted from the high cost of school fees and absence of appropriate infrastructure, especially in the rural areas. Dropout rates were high and few children transitioned to the secondary level. Poor quality was also reflected in the: (a) low performance on national examinations and high repetition rates; (b) poorly trained and unqualified teachers; (c) insufficient teaching and learning materials; (d) outdated curricula; (e) weak school management systems; and (f) insufficient supervision of the large non-public education sector. Malnutrition and poor health also contributed to low participation and underperformance, as many children were simply too hungry and/or lacked the energy needed to focus on learning.

3. The impact of the earthquake was severe. All sub-sectors were severely affected by property damage, loss of life and psychological trauma. Most of the infrastructure in Port-au-Prince and the surrounding areas was significantly damaged and it is estimated that about 38,000 students and almost 1,350 teachers perished. Although the rest of the country was not physically impacted, direct consequences were observed in the migration of a large percentage of the population. This migration of more than 500,000 people has placed an additional burden on previously stressed educational services in other areas. In these

¹ WGI project reports aggregate and individual governance indicators for 215 economies over the period 1996–2014, for six dimensions of governance.

circumstances, the efforts of GOH to expand the education net were severely affected and there was even greater dependence on the EFA Project to assist in the normalisation of the delivery of education services.

4. Currently, alongside CDB and WB, many international organisations and NGOs are working in the education sector. These include: the UN Educational Scientific and Cultural Organisation; IDB; the European Union; the World Food Programme; UN Children's Fund; and a number of other agencies. There is evidence of collaboration as demonstrated through partnerships like that of CDB and WB in EFA Project. Activities revolve around the improvement of access and quality, and include: (a) tuition support; (b) school feeding; (c) teacher training; (d) curriculum development; (e) literacy; and (f) TVET. The organisations active in education have established a sector grouping which attempts to coordinate discussion among themselves, as well as with GOH, in an attempt to ensure that there is coordination of the activities being planned and implemented. The result is that there is movement towards greater donor coordination in the sector.

5. GOH, under its "Sou Ban Leko!" Programme has also articulated a goal of providing free education to every child in Haiti and the 2010 education census of the Ministry of Education (undertaken with CDB support) indicates that, since the earthquake, 142,000 additional students have been enrolled. Notwithstanding this, there are still in excess of 500,000 children for whom access must be provided. This has significant implications since high unemployment means parents may not be able to pay fees and, currently, GOH is only able to support approximately 20% of the provision of education. It also means that Haiti will not, in the foreseeable future, approach the achievement of universal primary education. Many other challenges and needs still exist, including:

- (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) collection and utilisation of educational data; and
- (i) capacity building for leadership of the system at both central and departmental levels.

Community-Driven Development and Agriculture

6. 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 centre.

7. 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 the rural areas have access to electricity; less than 55% have access to

acceptable drinking water sources; and less than 10% to adequate sanitation facilities². In addition, the rural road network is limited, with roads generally unpaved which make navigation difficult particularly during the rainy season.

8. Agriculture is the dominant economic activity in the rural areas, providing employment for an estimated two-thirds of the residents. Women operate mostly within local, staple crop markets and use these earnings to feed their families and meet some of their most basic needs. Men have more access to export crops, such as mango and cacao, and facilities/structures that can help generate more income in the country³. 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 (for example, 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 due to the loss of the 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 efficient production systems, planting material and fertilisers; and
- (d) weak and poorly-governed rural institutions (including municipalities and farmer associations).

9. On the upside, Haiti 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.

Employment and Private Sector Development

10. Addressing poverty in Haiti requires, among other strategies, making significant effort to reduce unemployment and 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 impede its development. These include: (a) high cost and inadequate access to finance; (b) the lack of infrastructure, which makes it costly to open and conduct business in Haiti; (c) lack of technical expertise for establishing and developing businesses; (d) inadequate and poorly coordinated business development support services; (e) low levels of competitiveness due to use of outdated production technologies and an unskilled labour force; (f) high security costs associated with business operations; (g) a complicated tax system; (h) onerous requirements for opening businesses; and (i) land tenure issues. The earthquake inflicted substantial damage to the already inadequate production capacity and infrastructure, and led to a massive reduction in employment. Recovery by MSMEs from the impact of the earthquake has been slow.

² UN MDG Statistics. <http://mdgs.un.org/unsd/mdg/Data.aspx>.

³ Haiti Equality Collective, 2010. Cit.

11. Private sector development is a priority for GOH and features prominently in its national development plans. GOH is committed to changing the Haitian economy and the image of Haiti as a country that is poor and needing aid, to an economy that is “open for business”. To advance this agenda, GOH has already taken several important steps, including the following:

- (a) The establishment, in September 2012, of the Presidential Commission for the Reform of Commercial Laws (Commission pour la Reforme du Droit des Affaires) as the entity in charge of drafting legal reforms to the business environment. It has already completed and submitted to Cabinet several draft laws, including one on secured transactions that is expected to facilitate access to finance for MSMEs, allowing them to use moveable assets to secure loans.
- (b) Initiation of activities related to setting up a Partial Credit Guarantee Fund, a credit registry at the Central Bank, and a variety of measures to facilitate the access of MSMEs to Business Development Services and finance.
- (c) Commitment to review Haiti’s tariff system and policies aimed at attracting foreign investment, stimulating manufacturing, and strengthening productive capacity.
- (d) Engagement of development partners to implement a coordinated and inter-sectoral approach to the development and expansion of high potential sectors. For example, GOH has obtained TA to develop a master plan for tourism; and the Integrated Framework Diagnostic Study on the Integration of Trade which will guide the efforts of all development partners on the development of the priority sectors.
- (e) A national census of formal and informal businesses was undertaken by the Ministry of Commerce and Industry. The Ministry intends to use this data to inform efforts to strengthen MSMEs, including increasing their access to local procurement opportunities and credit and building capacity to meet international standards in order to enter new markets.
- (f) Launched on May 16, 2014, the construction of the \$8.15 mn micro-industrial park at Saint Raphaël. This was the first of 42 planned micro-industrial parks. The micro parks are intended to provide MSMEs with access to the infrastructure, equipment and technology needed to improve competitiveness⁴.

Environment and Disaster Risk Management

12. 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: (a) inadequate solid waste management services and an absence of waste-water management systems; (b) water scarcity due to the lack of integrated management of water resources; (c) extensive deforestation directly related to the high energy demands, with forest cover estimated at less than 2% of the total land area; (d) degraded water catchment areas in the main watersheds leading to soil erosion and increased potential for floods; and (e) 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

⁴ Source: <http://www.mci.gouv.ht/>.

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 disaster and support the mitigation of risks continue to be limited, having been further set back by the earthquake.

Energy

13. It is estimated that more than 70% of the population of Haiti does not have access to clean, affordable energy services. This translates to more than 7 million people⁵. This level of lack of energy access is observed to mirror the poverty level, which underscores the well-established fact that access to energy is an important element needed to address poverty. The low levels of energy access also represents an opportunity for Haiti to pursue a development trajectory characterised by cleaner and more sustainable energy options, allowing the country to make more than a fair share of contribution to global climate mitigation objectives.

14. The energy situation in Haiti remains dire, despite significant multi-lateral banks (WB and IDB) interventions over the last decade. The earthquake which resulted in massive loss of lives, also significantly impacted the energy sector, but *'the physical damage to the power sector infrastructure...was substantial but not catastrophic'*⁶. The key challenges remain those of: (a) an overall weak governance framework, including a lack of a clear and strong policy, regulatory and institutional frameworks, and weak implementation of the existing framework; (b) weak human and institutional capacities in critical areas of planning, management, strategy formulation and implementation; (c) the lack of scale energy access; (d) over-reliance on charcoal for cooking and general energy use for a large part of the population; and (e) over-reliance on imported petroleum products. A major challenge is the weak management of the national electric utility, resulting in high losses and reliance on government transfers to meet payment to third party Independent Power Producers. GOH, with support of partners, as early as 2010 developed a White Paper on the energy sector which has formed the basis for a number of subsequent interventions by the multi-lateral banks.

⁵ This is just less than the combined population of all other Borrowing Member Countries of CDB.

⁶ IDB.

PROJECT DESCRIPTION –
MAJOR PROJECTS APPROVED UNDER THE COUNTRY STRATEGY 2013 TO 2016

Education For All – Phase I

1. The outcome of the Project is improved access to ECD and primary education for poor children ages 3-12 in under-served populations; and enhanced equity, quality and governance of the education sector. The Project will support the implementation of elements of GOH's Operational Plan for Education in collaboration with WB. The Project constitutes the second phase of the EFA Project and consists of the following four components:

- (a) Component 1: Improving Access to Quality Primary Education
 - (i) improving the quality of the Tuition Waiver Programme;
 - (ii) improving basic educational services in selected rural communities; and
 - (iii) strengthening the recipients' School Health and Nutrition Programme.
- (b) Component 2: Support to Teaching and Learning
 - (i) expanding the number of certified teachers, including preschool teachers; and
 - (ii) improving ECD and primary school performance.
- (c) Component 3: Institutional Strengthening and Governance
 - (i) building the institutional capacity of the Ministry of National Education and Professional Training (MENFP) to improve service delivery and overall educational governance; and
 - (ii) strengthening of public-private partnerships.
- (d) Component 4: Project Management, Monitoring and Evaluation (M&E)
 - (i) Strengthening MENFP's M&E capacity.

Technical and Vocational Education and Training

2. The expected outcome of the Project is increased and equitable access to high quality and relevant TVET in Haiti for both males and females. The project components are:

- (a) Enhanced Learning Environment for Increased Access to Quality and Relevant TVET
 - (i) construction of the St. Martin TVET Centre; and
 - (ii) equipment, tools and curriculum support materials for the St. Martin TVET Centre and Jacmel TVET Centre.

- (b) Enhanced Institutional Capacity for Effective Governance, Management and Coordination of a Gender-Responsive TVET System
 - (a) consultancy services for development of a National Qualifications Framework and a gender strategy for TVET; and community engagement and public awareness support; and
 - (b) study tours for MENFP/the National Professional and Technical Training Institute officials, TVET managers and instructors.
- (c) Capacity-building for an Integrated and Sustainable TVET System
 - (i) training for TVET managers in implementation of Competency-Based Education and Training and management of TVET programmes; and
 - (ii) training of instructors in effective TVET delivery and gender-responsive pedagogy.
- (d) Improved Support System for At-risk/vulnerable Learners/trainees and Gender-responsive TVET Provision
 - (i) supporting tuition of trainees and the participation of women in non-traditional TVET programmes.
- (e) Technical Assistance
 - (i) designs for a Resource Centre for Administration and Pedagogy.
- (f) Design Services and Construction Supervision
- (g) Project Management Services.

Agriculture and Rural Development

3. The expected outcome of the Project is improved access to enhanced and inclusive agricultural production systems in the Nord-ouest (North West Department) of Haiti. The project components are:

- (a) Enhanced agricultural Productivity and Sustainable Natural Resource Management
 - (i) upgrading of existing, and construction of new, irrigation infrastructure;
 - (ii) rehabilitating/upgrading of watersheds linked to irrigation systems/arable land;
 - (iii) capacity building and TA to male and female farmers and farmer groups linked to new and existing irrigation schemes/production centres;
 - (iv) upgrading of existing, and construction/purchase of new, critical infrastructure and equipment in support of production, transport, storage and marketing of crops; and
 - (v) M&E.

- (b) Improved Gender-equitable Access to Finance and Agriculture Business Support Services
 - (i) business support services;
 - (ii) line of credit; and
 - (iii) training in gender awareness.
- (c) Project Management. Reporting, Audits and Impact Evaluation