

CARIBBEAN DEVELOPMENT BANK



SPECIAL DEVELOPMENT FUND (UNIFIED)

**REVISED OPERATIONAL STRATEGY FOR THE
CARIBBEAN DEVELOPMENT BANK OPERATIONS IN HAITI – 2007-2012**

May 2008

1. BACKGROUND

1.01 Haiti officially became a member of the Caribbean Development Bank (CDB) on January 19, 2007 and participated for the first time as a member at the Two Hundred and Twenty-Sixth meeting of CDB's Board of Directors (BOD) held on May 28, 2007. However, preparations for CDB's programme of development assistance to Haiti actually started in July 2004 when CDB participated in the High Level Donors' Conference on Haiti in Washington DC and endorsed the priorities identified in the Interim Cooperation Framework (ICF), especially its emphasis on strengthening political and economic governance, its focus on the various factors pivotal to economic recovery, and its attention to the acute challenge of improving access to basic services.

1.02 In May 2006, Haiti moved from an interim un-elected Government to a democratically elected one. CDB attended two donor Conferences (the International Conference on Economic and Social Development [CIDES I] – Haiti July 2006, and the International Conference on Economic and Social Development [CIDES II] – Madrid November 2006), and commissioned the preparation of a Medium-Term Action Plan to facilitate discussions at a CDB high-level mission to Haiti in February 2007 to coincide with Haiti's full membership. At the same time, CDB established an internal working group on Haiti involving the Projects, Legal, and Economics Departments and Corporate Planning Division under the President's leadership to monitor the implementation of the agreed programme.

1.03 At the conclusion of negotiations for the replenishment of the Special Development Fund (Unified) [SDF (U)] for a sixth cycle in December 2005, Contributors agreed to the conditions for implementing CDB's operational programme for Haiti:

- (a) that funding for Haiti be separately earmarked within the SDF 6 replenishment. In this regard, a set-aside of \$27 million (mn) was agreed to meet both programming and operational costs of initial operations in Haiti;
- (b) that the Bank work towards an integration of operations in Haiti within the Bank's normal operations in the medium-term, and that this could include a continuing resident presence because of the overwhelming need to work closely with other donor agencies, the government, other institutions and civil society;
- (c) that the Bank undertake to prepare a paper on the nature of the programme and the use of the funds available for Haiti;
- (d) that there was a need for early establishment of an appropriate administrative and operational capability for Haiti and for careful development of a more detailed well-targeted programme for early discussion with the government;
- (e) that an allocation of \$4 mn be set-aside for financing the establishment of appropriate administrative and operational capabilities. The cost estimates would include provision for the translation of all legal and policy documents of the Bank into French, language training for Bank staff, appropriate levels of Haitian representation at all Bank meetings, the setting up of office facilities in Haiti (including security arrangements) and the employment of additional professional and support staff both at the Bank and in Haiti; and
- (f) that there be a commitment to work in collaboration with the donor community and local level institutions and to recognise that coordination and harmonisation is of particular importance in executing programmes in Haiti.

2. STATUS OF CDB's HAITI OPERATIONS

2.01 During the mission, led by the CDB President, the Haitian authorities identified a number of areas for potential interventions including primary education facilities; a line of credit for intermediation to small and medium-sized enterprises (SMEs); agricultural feeder roads; and capacity development in the tourism sector, and in the public service. Following the mission, CDB decided to focus on a few priority areas in which it would collaborate with other development partners, specifically the World Bank (WB) and the Inter-American Development Bank (IDB), which have large programmes in Haiti. The areas for intervention included primary education, community-based projects, and financial intermediation for small- and medium-scaled enterprises (SME) projects. These were linked to Haiti's development plan at the time (the 2004-2007 ICF) and took into account the provisions of the SDF 6 Contributors' Report.

2.02 Of these proposed interventions, actual commitments for capital projects and technical assistance (TA) as at April 30, 2008 totaled \$11.3 mn or 49.1% of the funds allocated for those commitments. The funds were committed to financing an 'Education for All' project (\$10 mn), co-funded with WB; and a TA for Project Management Training of public service officials (\$1.2 mn) arising from a training needs assessment undertaken by the Bank. There are two projects currently being appraised for consideration by the BOD and which will utilise the remainder of the resources, i.e. Technical and Vocational Education and Training for \$5 mn in collaboration with IDB, and the Urban Community Driven Development Project (PRODEPUR) to be co-financed with WB and Project Communities in Haiti for \$4 mn.

2.03 Table 1 sets out the amounts of the actual and projected commitment of these resources over the period 2006 to 2008.

TABLE 1: COMMITMENTS TO PROGRAMME AND OPERATIONS - 2006-2008
(USD mn)

Programme Items	Set-aside	Actual 30/04/08	Projected 31/12/2008	Total Projected Commitments 2006-2008	Un-committed Balance As at 31/12/08
Support for social infrastructure (incl. BNTF-type)	15.0	10.0	9.0	19.0	0
Capacity-Building and TA	2.0	1.3	0.7	2.0	0
Financial Intermediary Lending	6.0	0.0	2.0	2.0	0
Sub-total	23.0	11.3	11.7	23.0	0
Administrative Expenses	4.0	1.0	2.0	2.0	2.0
Total	27.0	12.3	14.7	25.0	2.0

2.04 The Bank recognises that it is on a steep learning curve with respect to knowledge and expertise in Haiti. Consideration has been given to the timing for the establishment of a permanent presence as one of the measures necessary for fully understanding the development challenges in Haiti, becoming acquainted with the Haiti environment, forging local contacts and for facilitating donor coordination as well as administering a full programme of activities. However, a decision has been deferred until the programme size and the appropriate administrative and operational capabilities are put in place within the Bank, and the necessary agreements have been reached with the Haitian authorities on the establishment of a permanent presence. Meanwhile, the Bank has completed arrangements with the Caribbean Community (CARICOM) Secretariat for the provision of fully serviced office accommodation during the field visits by CDB staff.

2.05 In addition, the following other initiatives have been undertaken by the Bank during 2007-2008:

- (a) at least seven technical missions by various Bank Departments for project appraisals, economic data gathering, discussion of legal issues and general familiarisation. One mission was undertaken to set up arrangements for administration and security during staff visits;
- (b) a French language training programme is in progress with at least 25 staff members participating. One group of participants has completed an immersion programme in Martinique;
- (c) the attendance of various officials from Haiti has been facilitated at the following seminars/workshops:
 - (i) Improving SME Financing in the Caribbean;
 - (ii) SME Cluster and Network Development;
 - (iii) Caribbean Microfinance Capacity-Building Programme;
 - (iv) Youth Business Trusts - Strategic Planning Workshop;
 - (v) The Second Sub-Regional Workshop in the Caribbean on Development Effectiveness and Managing for Results; and
 - (vi) The Fourth CDB/IDB and Civil Society Organisational Dialogue.
- (d) CDB in collaboration with CARICOM and the Caribbean Association of Industry and Commerce is organising a Business Forum which will bring together private sector personnel from Haiti and other CARICOM countries to explore business opportunities for joint venturing etc. The Forum is scheduled for September 2008; and
- (e) discussions are being held with a financial institution for intermediating CDB resources to SMEs in Haiti as well as with the International Finance Corporation in order to collaborate on the development and implementation of a training programme for medium- and small-business entrepreneurs. Appraisal reports on these proposals will be submitted for consideration by the BOD by the fourth quarter of 2008.

3. THE WAY FORWARD

3.01 CDB's BOD at its Two Hundred and Twenty-Eighth meeting considered Paper BD 45/07 entitled, Strategic Plan for the Caribbean Development Bank Operations in Haiti 2007 – 2012, which outlined the Bank's proposed strategic approach to operations in Haiti over the period 2007 to 2012. It was agreed that the Plan would be revised and updated in response to any major new circumstances in Haiti and lessons of experience related to the implementation of CDB's programmes and projects. It was also recognised that decisions about the exact size and nature of programming activities in Haiti would be determined by the outcome of SDF (U) replenishment discussions and the amount and type of resources made available by Contributors.

3.02 Since the time of presenting Paper BD 45/07, several factors have arisen which make it imperative to revise this paper and these are discussed in the following paragraphs. These factors include:

- (a) the commitment of more than 90 percent (%) of the programmable financial resources set-aside for Haiti;
- (b) Haiti's adoption of a Growth and Poverty Reduction Strategy Paper 2008 – 2010 which articulates its national strategy for achieving sustainable growth and a substantial reduction in poverty;
- (c) the ongoing work to develop and agree with the Government of Haiti (GOH) on a country strategy to guide CDB's future interventions in the light of this Growth and Poverty Reduction Strategy; and
- (d) the need to extend the period for 'ring-fencing' the Bank's Haiti programme to include the SDF 7 cycle, to allow sufficient time for completing the process of integrating Haiti into the Bank's regular operations. CDB's operations in Haiti have been ongoing from the first quarter of 2007 to the present, and this period of less than two years has been insufficient to complete the required work for the full integration of the country's programme within CDB's normal operations.

Haiti's Growth and Poverty Reduction Strategy

3.03 In November 2007, GOH approved the Growth and Poverty Reduction Strategy Paper (GPRS) as an articulation of the vision and resources required to lift Haiti out of poverty and destitution. GPRS is a comprehensive successor plan and a follow up, firstly to ICF prepared with the help of the International Community in 2004, second, to the strategy targeting the major work areas [Grands Chantiers] submitted by the Government to the International Conference on Economic and Social Development in Haiti held in Port-au-Prince on July 25, 2006, and third, to the Interim Poverty Reduction Growth and Poverty Reduction Strategy Paper of September 2006. The broad objectives of GPRS are to reduce poverty in Haiti and to promote sustainable economic growth.

3.04 In its discussion of the scope of poverty and inequality in Haiti, the GPRS document states:

“approximately 50% of the population live below the extreme poverty line of USD1 per person per day. Approximately 7 of every 10 persons are considered poor and live on less than USD2 per person per day. For Haiti, the indicators included in the human poverty index are alarming. Life expectancy at birth is estimated at 58.1% (2000-2005). Maternal mortality rose from 457 to 630 per 100,000 live births between 1990 and 2005. The illiteracy rate, which stood at 39% in 2003, remains high, even though progress has been made from one generation to the next. Only 49% of school-age children attend school. This low level of instruction is reflected in limited capacities. In 2001-2002, only 45% of the population between the ages of 6 and 24 was enrolled in a school or university. The degree to which food needs are met in Haiti is low. More than half the population is unable to obtain the minimum food ration established by the Food and Agricultural Organisation of 225 kcal per year, per individual. A World Food Programme report on food security and vulnerability showed that households face food insecurity, do not have adequate income and have a low level of access to such basic essential services such as drinking water and health facilities, particularly in rural areas and shantytowns, where only 25% of the inhabitants have access to drinking water and very few persons have access to adequate health facilities. Overall, these households have a low level of access to health care and markets and low levels of education and schooling. Access to basic social services remains very limited – more than 77% in the 133 municipalities (2002) lack basic services.”

3.05 GPRS identifies the principal conditions necessary for sustained growth and hence poverty reduction during the Plan period as being:

- (a) further strengthening the results obtained as regards security;
- (b) improving the business climate;
- (c) building the institutional capacities of public administrations;
- (d) reforming economic governance; and
- (e) rehabilitating and developing infrastructure.

3.06 The implementation of GPRS will revolve around four fundamental focal areas:

- (a) promotion of rapid, sustained, and pro-poor economic growth;
- (b) increased investment in human capital and improved access to basic social services;
- (c) protection of vulnerable groups, preservation of the environment, and management of major risks; and
- (d) strengthening of institutions, modernisation of the State, and the promotion of good governance.

3.07 The document estimates the cost of operationalising the strategy over a three-year period at \$3.9 billion. GPRS sets out a strategy for funding the implementation of its programmes and projects under these four focal areas that will consist of mobilising grant and concessional borrowing resources from Haiti's bilateral and multilateral partners, as well as adopting measures to increase tax yields. The size of the new SDF programme for Haiti can only be determined after the amount of available resources has been finalised. However, based on the average annual per capita resources made available to Jamaica and Guyana over the ten-year period 1998-2007, a programme size of \$108 mn per annum is indicated.

CDB's Country Strategy for Haiti

3.08 CDB's interventions in Haiti will be guided by the country's development priorities outlined in GPRS, the proposed interventions of other development partners, and the Bank's own capacity and areas of strength. Consistent with this approach, the Bank is developing a results-based country assistance strategy which would take account of the development objectives and modalities outlined in Haiti's GPRS as it elaborates on the type and nature of CDB's assistance to Haiti for achieving those objectives. The Country Strategy Paper (CSP) is scheduled for presentation to CDB's BOD in October 2008.

3.09 The following principles and criteria will be applied in the approach to the country strategy:

- (a) concentrate on areas of CDB's greatest strengths, expertise and comparative advantage;
- (b) continue to focus support on key selected partners in order to:
 - (i) gradually build a knowledge-base of Haitian society and institutions and their specific development challenges;
 - (ii) avoid dispersion of effort and focus support more effectively; and

- (iii) reach out to key partners in the public and private sectors and within civil society who have the highest potential as agents of change; and
- (c) focus on being a proactive development partner for Haiti by:
 - (i) encouraging and assisting Haiti's integration into Caribbean institutions and agencies;
 - (ii) participating actively in government/donor/civil society dialogues; and
 - (iii) where possible, working jointly with other development partners who have established operations in Haiti to design, appraise and implement CDB's interventions in Haiti.

3.10 In this regard, the Bank's particular areas of strengths and expertise suggest that its early interventions should be directed to the design, appraisal and supervision of small and medium-sized infrastructure (social and economic) investments and education projects and programmes, institutional strengthening/capacity-building of the public sector institutions, community-based poverty reduction projects, particularly the improvement of water, sanitation and agriculture (including projects related to feeder roads). Efforts to support Haiti will continue to involve close collaboration with development partners, increasing field presence and building on lessons learned from successful interventions. The instruments and modalities used by the Bank will need to be flexible and adapted to reflect the realities of the Haitian environment. In order to ensure the closest possible collaboration with other development partners, the process of developing the CSP will involve a full review of the draft document at a meeting of these stakeholders.

Developing Administrative and Operational Capabilities

3.11 In order to meet its obligations to Haiti as a BMC and to effectively apply the Bank's development perspectives to all its interventions, CDB proposes to scale up its operational and administrative capabilities in several development themes and sectors. The additional capabilities are required in civil engineering, project analysis, social sector specialisations, economics, agriculture, gender and the environment. Deficits in these areas will present major challenges and operational difficulties to CDB in the execution of its programme in Haiti.

3.12 In addition, the Bank will supplement capacity in its corporate services area to contend with a legal system based on the Napoleonic Code instead of Anglo-Saxon law and conventions and communication difficulties inherent in the linguistic dissimilarity of Haiti from the other BMCs. Provision for some of these expenditures and other related costs can now be met from the allocation provided for this purpose in the Haiti set-aside but will eventually impact on the Bank's administrative budget when Haiti is fully integrated into the Bank's operations. As noted previously in this paper, the challenges associated with any significant development assistance programme in Haiti will require an established presence in the country. The estimated expenditure of establishing and operating an office in Haiti are also being factored into the overall projections of the costs of scaling up for work in that country. An estimate of the costs of this proposed scaling up in administrative and operational capability is shown in Table 2 below.

TABLE 2: ESTIMATED RECURRENT AND CAPITAL COSTS - HAITI OPERATIONS

Item	2008	2009	2010	2011	2012	Total
Recurrent Costs						
Head Office Personnel Costs	256,300	1,019,900	1,011,800	1,122,400	1,115,500	4,525,900
Field Office (Rent, Local Staff, Security etc)	80,000	350,000	385,000	404,300	424,500	1,643,800
Travel (Project Work, Meetings etc)	54,000	150,000	157,500	165,400	173,700	700,600
Staff Development	30,000	500,000	500,000	500,000	500,000	2,030,000
Project Preparation and Policy Development	100,000	150,000	150,000	150,000	150,000	700,000
Translation Services	125,000	200,000	100,000	100,000	100,000	625,000
Sub-total	645,300	1,969,900	1,954,300	2,142,100	2,163,700	8,875,300
Capital Costs: Field Office	0	310,000	0	30,000	0	340,000
Grand Total	645,300	2,279,900	1,954,300	2,172,100	2,163,700	9,215,300

3.13 The following assumptions are associated with the items in Table 2:

- (a) compensation provisions are made for four new recruitments in 2008 and an additional four recruitments in 2009;
- (b) expenses for the field office in Haiti assumes staffing that includes a CDB country representative and two locally recruited staff and include rent charges, and security costs for the premises and for personnel on field visits;
- (c) cost of travel for project appraisal and supervision, attendance at donor meetings by CDB and Haiti officials;
- (d) staff development expenses will cover the cost of organising or attending workshops and seminars locally and overseas for the purpose of improving staff skills and know-how;
- (e) the costs of assisting public sector clients with the preparation of projects as well as to commission sector studies and assist with the development of policy for various operations in Haiti; and
- (f) translation of Government documents into English and CDB policy documents into French to facilitate the transition of Haiti into the Bank's operations.

4. CONCLUSION

4.01 The paper has outlined the general background to the Bank's operations, specifically dealing with the conditions set by Contributors to SDF 6 for operationalising the Haiti programme. It has also examined the status of commitments and overall implementation of the agreed programme and noted the need for additional resources if the work in Haiti is to be continued.

4.02 This document discusses the changes in circumstance that form a backdrop to the development of CDB's country strategy for Haiti and in particular the approval of a GPRS for the country. The resource requirement for implementing the strategy and the proposed avenues for sourcing these funds are also noted. Proposals are made for a scaling up of CDB's administrative and operational capabilities to meet the challenges associated with implementing and supervising a development assistance programme in Haiti.

4.03 Contributors are invited to:

- (a) endorse Management's proposal for scaling up administrative and operating capabilities;
and
- (b) advise on the availability of programming resources.