Document of
The World Bank Group

FOR OFFICIAL USE ONLY

Report No. 48284-HT

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

COUNTRY ASSISTANCE STRATEGY

FOR

THE REPUBLIC OF HAITI

FOR THE PERIOD FY09-FY12

May 4, 2009

Caribbean Country Management Unit
Latin America and the Caribbean Region

The International Finance Corporation

Board discussion date of last strategy, the Interim Strategy Note: January 30, 2007

CURRENCY EQUIVALENTS
(Exchange Rate Effective April 20, 2009)

Currency Unit = Haitian Gourde
US$1 = HTG 40.723

FISCAL YEAR
October 1 – September 30

ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities
AFD	*Agence Française de Développement* – French Development Agency
BRH	*Banque de la République d'Haïti* – Haitian Central Bank
CAS	Country Assistance Strategy
CARICOM	Caribbean Community
CDD	Community Driven Development
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CEM	Country Economic Memorandum
CEMLA	Center for Latin American Monetary Studies
CFAA	Country Financial Accountability Assessment
CIDA	Canadian International Development Agency
CNMP	*Commission Nationale des Marchés Publics* – National Commission for Public Procurement
CNRA	*Commission Nationale pour la Reforme Administrative* - National Commission on Administrative Reform
CPAR	Country Procurement Assessment Report
CPIA	Country Policy and Institutional Assessment
CSCCA	*Cour Supérieure des Comptes et du Contentieux Administratif* - Supreme Audit Institution
CSA	Country Social Assessment
DGI	*Direction Générale des Impôts* – Tax Administration Authority
DPG	Development Policy Grant
DR	Dominican Republic
DSA	Debt Sustainability Analysis
DSNCRP	*Document de Stratégie Nationale pour la Croissance et la Réduction de la Pauvreté* - National Growth and Poverty Reduction Strategy Paper
EDH	*Electricité d'Haïti* - National electricity company
EFA-FTI	Education For All – Fast Track Initiative
EGRO	Economic Governance Reform Operation
E-HIPC	Enhance Heavily Indebted Poor Countries Initiative
EPCA	Emergency Post Conflict Assistance
EU	European Union
FER	*Fonds d'Entretien Routier* - Road Maintenance Fund
FIAS	Foreign Investment Advisory Service
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
GFDRR	Global Facility for Disaster Reduction and Recovery
HIPC	Heavily Indebted Poor Countries Initiative
HOPE	Haitian Hemispheric Opportunity through Partnership Encouragement Act
ICF	Interim Cooperation Framework
IDA	International Development Association
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
JSAN	Joint Staff Advisory Note
LIC	Low-Income Country
LICUS	Low Income Countries Under Stress
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MEF	*Ministère de l'Economie et des Finances* – Ministry of Economy and Finance
MINUSTAH	UN Stabilization Mission in Haiti
MPCE	*Ministère de la Planification et de la Coopération Externe* - Ministry of Planning and External Cooperation
MTPTC	*Ministère des Travaux Publics, Transports et Communication* – Ministry of Public Works, Transport and Communications
NGO	Non-Governmental Organization
NLTA	Non-Lending Technical Assistance
NPV	Net Present Value
OAS	Organization of American States
OED	Operations Evaluation Department
PCF	Post-Conflict Fund
PDNA	Post-Disaster Needs Assessment
PEFA	Public Expenditure and Financial Accountability program
PEMFAR	Public Expenditure Management and Financial Accountability Review
PNH	*Police Nationale d'Haïti* – Haitian National Police
PPP	Public-Private Partnership
PRSG	Poverty Reduction Support Grant
PRGF	Poverty Reduction and Growth Facility
ROSC	Report on the Observance of Standards and Codes
RMG	Ready-Made Garment (sector)
SPF	State and Peace-Building Fund
SDR	Special Drawing Rights
SMEs	Small and Medium Enterprises
SMP	Staff Monitored Program
SWAp	Sector-wide Approach
TSS	Transitional Support Strategy
ULCC	*Unité de Lutte Contre la Corruption* – Anti-Corruption Unit
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WBG	World Bank Group
WFP	World Food Program

	WORLD BANK	IFC
Vice President	Pamela Cox	Jyrki Koskelo
Director	Yvonne Tsikata	Atul Mehta
Task Team Leader	Mary Morrison	Pierre Nadji
Country Manager	Mathurin Gbetibouo	Salem Rohana

Acknowledgements

The following World Bank Group staff contributed to the preparation of the CAS: Diego Arias, Amparo Ballivan, Karen Bazex, Ana Bellver, Raja Bentaouet, Benu Bidani, Susana Carrillo, Alan Carroll, Alejandro Cedeño, Garry Charlier, Erwin De Nys, Gabriel Demombynes, Joseph Denis, Michael Drabble, Pablo Fajnzylber, Jennifer Fievre, Henri Fortin, Ross Gartley, Joana Godinho, Christophe de Gouvello, Afef Haddad, Linn Hammergren, Peter Holland, Brendan Horton Francesca Lamanna, Chingboon Lee, Patricia Macgowan, Christina Malmberg Calvo, Christine de Mariz, Ulrich Myboto, Jimmy Pannett, Vanessa Paul, Nicolas Peltier, Emmanuel Pinto Moreira, Thouria Nana-Sinkam, Manuel Schiffler, Atou Seck, Fily Sissoko, Catherine Tovey, and David Warren. In addition, the team is grateful to the following for their comments: Elizabeth Adu, Laura Bailey, Andreas Bauer (IMF), Jacques Bouhga-Hagbe (IMF), Genevieve Boyreau, Todd Crawford, Elizabeth Cushion, Corinne Delechat (IMF), Sebastien Dessus, Phillippe Dongier, Greg Ellis, Talib Esmail, Ana Paula Fialho Lopes, Mozammal Hoque, Shyam KC (GFDRR), Omowunmi Ladipo, Haeduck Lee, Magdalena Manzo, Ferenc Molnar, Marisela Montoliu, Mary Mulusa, Christine Richaud, Denis Robitaille, Klas Sander, Claudia Sepulveda, Saadat Siddiqi, Julio Vega, and Vara Vemeru.

HAITI CAS FY09-FY12

TABLE OF CONTENTS

TABLES

BOXES

ANNEXES

EXECUTIVE SUMMARY

1. The World Bank and the IFC have jointly prepared this Country Assistance Strategy (CAS) for Haiti for FY09-12, to align their assistance with the country's 2007 National Growth and Poverty Reduction Strategy Paper (the DSNCRP). The CAS also reflects strategic reassessment by the Government following the food crisis and severe storms of 2008, and amid a difficult global economic context.

2. The CAS has three pillars: (i) promoting growth and local development; (ii) investing in human capital; and (iii) reducing vulnerability to disasters. Cutting across the strategy is a two-pronged approach, combining longer-term institution building (including economic governance reform) with support for the Government in the delivery of quick, visible results.

3. Within these areas, new interventions will be determined by: (i) Haitian priorities, primarily as expressed in the DSNCRP; (ii) areas in which World Bank Group (WBG) projects already achieve progress; (iii) WBG areas of comparative advantage; and (iv) other donor activities, to fill gaps or leverage investments from other partners or the private sector.

4. Expected outcomes, which will be generated mainly through projects already underway, include: (i) an increase in income-generating opportunities and better access to infrastructure services and finance; (ii) increased access to basic education; (iii) strengthened institutional capacity for disaster preparation, response and recovery; and (iv) improved public sector management systems.

5. The WBG plans to maintain strong and flexible support for Haiti. Ensuring successful implementation of the current portfolio will remain a priority. New IDA funding in the CAS period comes through a balanced mix of investment projects and development policy operations. The Bank also expects to mobilize considerable trust fund resources. It will maintain a strong program of analytical and advisory activities, and will work to advance aid coordination and harmonization. IFC will aim to catalyze private sector development through direct lending and advisory services, and leveraging donor support for private sector development. Maximizing WBG synergies will broaden WBG coverage and impact.

6. The Bank aims for greater selectivity of focus to consolidate progress and adjust to a declining IDA envelope. From mid-FY10 onwards, new IDA projects are envisioned in just three areas in which the Bank already has a strong program (CDD, education, and institutional strengthening). However the current portfolio, including FY09 projects, gives the Bank a strong presence in other sectors throughout the CAS period.

7. Total IDA allocations for FY09-FY12, including additional amounts above the basic envelope, are projected at roughly US$121 million at current exchange rates, an average of US$30 million a year. Final IDA allocations for future years will depend on relative Country Policy and Institutional Assessment (CPIA) performance and other factors.

8. Among sectors, IFC's primary focus will be on: (i) facilitating access to finance (Micro, SME and trade finance, including rural finance, credit bureau creation); (ii) infrastructure (access to basic services, mainly electricity including possibly renewable energy, advisory services to facilitate private sector participation in infrastructure); (iii)

lending and advising in growth sectors (e.g. investment opportunities presented by the Haitian Hemispheric Opportunity through Partnership Encouragement Act II [HOPE II], preferential market access in the garment sector, and tourism and agribusiness); and (iv) human capital development, emphasizing training and basic business skills. IFC's program will also include advisory projects to improve the business environment in support of regulatory reform and investment promotion, free trade zones, and Doing Business reform.

9. The strategy proposed in the CAS will be undertaken in an environment of high risks. These risks include: (i) political and social instability; (ii) knock-on effects of international financial crisis and economic downturn; (iii) susceptibility to external shocks more generally; (iv) vulnerability to natural disasters; (v) a highly risky fiduciary environment; (vi) weak institutional capacity, which can impede successful project implementation; and (vii) legislative opposition or inactivity.

10. At the same time, given the progress made by the country since 2004, promising early results from the Bank's portfolio and the commitment of authorities to advancing with reform, the potential rewards for implementing this strategy are great. Mitigation measures reflect lessons from the WBG's experience in fragile states worldwide, as well as the institution's earlier experience in Haiti.

11. If the policy or security environments deteriorate, governance weakens or broad or sector-specific program implementation issues materialize, the WBG would conduct a careful review of ongoing and planned operations and activities and consult with international partners before deciding how to proceed. It would inform the Board accordingly. This corresponds to normal WBG practice in fragile or uncertain situations. The WBG response would be commensurate with the risks that materialize. The Group would seek to stay engaged in sectors or areas where implementation is considered satisfactory.

I. INTRODUCTION

1. A series of external shocks hit Haiti hard in 2008, illustrating the country's extreme vulnerability and undermining the development progress achieved since 2004. High world prices for food and fuel caused widespread hardship, triggering violent protests and political discontent, which prompted the Senate to dismiss Prime Minister Jacques-Edouard Alexis and his Cabinet on April 12. Subsequently, in August and September 2008, Tropical Storm Fay and Hurricanes Gustav, Hanna and Ike dealt a series of further blows. The combined impact of these storms constituted the country's largest natural disaster in more than a hundred years, with damages and losses estimated at roughly US$900 million, or around 15 percent of GDP.

2. Conditions in Haiti remain extremely difficult, and the risk of social and political instability is high. The country requires urgent and plentiful international assistance to recover, rebuild, and provide jobs and services to those in need. It also needs strong support to get the longer term development program back on track, reduce vulnerability to future disasters and shocks, and promote private sector activity.

3. While the outlook for 2009 and beyond is further clouded by the difficult international economic environment, there are still grounds for optimism regarding Haiti's growth and development prospects. Many of the gains made by the country in 2004-2008 have endured, despite recent events. Democratic politics, though strained, have prevailed, with a new Prime Minister now in place and President René Préval remaining as president. Wide-ranging reforms and service enhancements continue, while security has improved. Furthermore, close proximity to US markets, preferential access to these under the Haitian Hemispheric Opportunity through Partnership Encouragement Act II (HOPE II), competitive labor costs and strong international support present valuable opportunities.

4. The strategy outlined in this document presents the proposed program of the World Bank Group in this context. It illustrates the efforts made to provide emergency support to Haiti since early 2008, while also emphasizing vulnerability reduction and longer term growth potential. While this strategy covers the period starting July 2008, finalization has been delayed to enable both effective crisis response and adaptation to evolving Haitian strategic priorities and imperatives.

II. COUNTRY CONTEXT

A. POLITICAL AND SOCIAL CONTEXT

5. Haiti's democracy has consolidated since 2004, when President Jean-Bertrand Aristide resigned and left the country amid a conflict that killed thousands and destroyed much public and private property, including infrastructure. After two years under a transitional government, Haiti held presidential and parliamentary elections in 2006. The 48th legislature was opened in May 2006, ending three years of legislative paralysis - and strengthening checks and balances in the political system. President René Préval who won the 2006 presidential race, running for the Lespwa Party, has remained in office.

6. However, social and political stability remain fragile, as the violent protest and fall of the Government in April 2008 illustrate. While the food crisis was the trigger, the underlying factors that contribute to instability include the country's acute poverty and inequality, as well as the chronic weakness of political and government institutions. Due to a political impasse, it was five months before the National Assembly ratified a new Government–under Prime Minister Michèle Pierre-Louis–in September 2008. Elections for a third of the Senate went ahead on April 19, 2009, after repeated delays due to restructuring of the electoral council and the passage of a new electoral code. In the next three years, multiple elections[1] and proposed constitutional reform could contribute to political polarization and increase the risk of social and political upheaval, while absorbing government attention and resources and slowing legislative activity.

7. The overall security situation has improved markedly but serious problems remain. In December 2006, the 9,000-strong United Nations Mission for Stabilization in Haiti (MINUSTAH) and the Haitian National Police (PNH) launched direct operations against major gang leaders in the violent Port-au-Prince slums of Cité Soleil and Martissant. These succeeded in weakening gang control and largely returned these areas to state control. Kidnapping rates, while down from 2006, remain high, along with rates of other violent crimes. The trans-shipment of U.S.-bound cocaine and heroin continues, fuelling other criminal activity and undermining security and stability. The expansion of the PNH is advancing slowly with UN support, but the force is still too small to effectively police the country, with around 8,500 officers (against a minimum target of 14,000).

B. GOVERNANCE AND INSTITUTIONS

8. Governance and state capacity to effectively formulate and implement sound policies, and to deliver core public services to the population, are weak. The state's ability to provide basic public goods has been undermined by a history of neglect, political capture, and corruption. The state is present largely in the major urban centers and has been unable to provide basic services or infrastructure to large portions of the population. The non-state sector has filled gaps in the provision of health and education services, but these efforts have been largely uncoordinated and unregulated.

9. The institutions responsible for providing essential public goods of security and the rule of law (police and judiciary) are largely ineffective and have historically suffered from

[1] Further legislative elections are scheduled for November 2009 and in 2010, while presidential elections are due in 2011.

political interference and corruption. A governance and corruption survey undertaken by the Haitian Government in 2006, identified payment of bribes - to access basic public services or licenses, influence court decisions, or award public contracts or positions - as a major form of corruption in the country. The public sector faces human resource weaknesses, due to local skill shortages compounded by massive outward migration, low state salaries, competition from international organizations and the private sector. Inadequate financial and material resources and outdated organizational structures and procedures pose further challenges.

10. Strengthening the Haitian state is particularly critical in the following areas: (i) guaranteeing citizen security; (ii) economic governance (sound macroeconomic management, public administration, and market formulation and regulation); (iii) planning and overseeing basic service provision and infrastructure development, and (iv) promoting transparency and accountability.

11. The Government and donors are engaged in serious efforts at institutional strengthening, including capacity strengthening and the creation of mechanisms to guide and monitor performance throughout the public sector. Strengthening democratic governance, with an emphasis on justice and security, is a pillar of the DSNCRP, while the modernization of the public sector is a key cross-cutting theme.

12. Progress in strengthening core government institutions and systems since 2004 has been significant. Haiti has introduced broad-ranging economic governance reforms, including the re-establishment and strengthening of regular budget processes, increasing the transparency of budget information, enhancing budgetary oversight, and reinforcing the legal and institutional framework for public procurement. Building on the 1987 Constitution, which has not been fully implemented, a series of new framework laws have modernized basic systems and procedures. Economic stabilization and improved security allowed improvements in revenue mobilization and budget execution.

13. Anti-corruption efforts have intensified, with public awareness campaigns, the creation of an anti-corruption office, and the passage of a law on asset declaration for senior officials. Spending through discretionary ministerial accounts has been slashed to below 10 percent of current expenditures, from 62 percent in early 2004. Efforts are being made to disseminate more information on Government activities and engage civil society in monitoring the implementation of economic governance reforms. However, public financial management processes and controls, and resource management are still weak, and the overall fiduciary environment is risky.

14. However, experience shows that sustainable institutional strengthening takes time. A key immediate challenge for the Government is to improve implementation of the new legal framework, by building the capacity of central government agencies for revenue, expenditure, procurement and human resource management, and then gradually extending coverage to offices handling financial management and planning functions in sectoral ministries. Ensuring these core institutions function appropriately and coordinate with each other, is key for improving service delivery as well as for promoting a steady flow of resources and their efficient use. Ultimately, this will be key to delivering tangible improvements in the quality of services for the population, and to provide an environment for job creation.

C. POVERTY PROFILE, GENDER AND PROGRESS TOWARDS MDGS

15. Haiti is by far the poorest country in Latin American and the Caribbean and among the poorest in the world, with 54 percent of the population living on below US$1 a day and 78 percent on less than US$2 a day in 2001[2]. The 2008 United Nations Human Development Index ranked Haiti 148 out of 179 countries. Income inequality is high, with a Gini Coefficient of 0.59, among the highest in Latin America and the Caribbean.

16. The World Bank's 2006 Country Economic Memorandum (CEM)[3] showed that Haiti's poverty is manifested in poor access to infrastructure, minimal ownership of assets, low education and literacy levels, and prevalent child malnutrition. Haiti is also characterized by marked inequalities in access to productive assets and public services. Little variation is seen in the quality of living conditions across the poorest 80 percent of the population, while the richest quintile is markedly better along all dimensions. While data is inadequate it appears that for the country as a whole poverty and inequality rates have not changed substantially since 1986. Many Haitians seem to have avoided falling into complete destitution by receiving remittances from abroad.

17. Malnutrition is a serious concern in Haiti with an estimated one in four children under five (Demographic and Health Survey data 2005-2006) chronically malnourished (stunted) and one-third suffering from severe malnutrition (wasting). More recently, the food and fuel price shocks and worldwide economic downturn have likely reduced caloric consumption and raised malnutrition in the most vulnerable groups: children aged 0-2 years, and pregnant and nursing mothers. The National Coordination Unit for Food Security (CNSA) reported that 2.5 million Haitians needed food aid in April 2008. In September, after the storms, the number had increased to 3.3 million, a third of the population.

18. According to the Poverty Profile (2005)[4], gender differences do not play a major role in the overall distribution of poverty in Haiti. The country has the second highest rate of female labor force participation (62 percent) in the world (after Lesotho). However, there are some gender gaps in particular groups and areas: in the Port-au-Prince metropolitan area, 26 percent of female-headed households are extremely poor against 17 percent of male-headed ones. Within the large informal sector, more than 75 percent of workers are female. A recent UNICEF study[5] found that a greater proportion of working women than men fall in the lowest income bracket in both formal and informal sectors.

19. In the DNSCRP, the Government prioritizes equality and empowerment for women. The strategy includes actions to prevent, punish, and eliminate specific forms of violence against women. It also seeks to address laws that still discriminate against women, despite the existence of a number of legal tools, conventions, and international treaties confirming the equality of women. Specific government actions include: (i) reform in judicial and legal proceedings to fill the legal void as regards the rights of women; (ii) inclusion of women in legal and judicial entities, including as judges and police officers; and (iii) harmonization of legal provisions to bring them into line with constitutional requirements and international conventions.

---

[2] Latest data available.
[3] Haiti: Options and Opportunities for Inclusive Growth, World Bank, 2006.
[4] Poverty in Haiti, UNDP, 2005.
[5] In Gender Assessment for USAID/HAITI Country Strategy Statement, 2006.

20. Haiti is unlikely to meet most Millennium Development Goals (MDGs) for 2015. The DSNCRP found little or no progress on the goals related to poverty, hunger, primary education, child mortality, maternal mortality, and the environment. Haiti has achieved the goals of eliminating gender disparities in primary and secondary education, but school enrollment overall is still very low. Progress has been notable in reducing the incidence of HIV/AIDS, roughly halving this over the last decade. Nonetheless, 2.2 percent of Haitian adults are HIV-positive, the highest national rate outside sub-Saharan Africa.

D. ECONOMIC PERFORMANCE, CHALLENGES AND OUTLOOK

i. Recent Economic Developments

21. During 2004-07, the Government made progress in stabilizing the economy. The successful implementation of macroeconomic policies helped restart economic growth, reestablish fiscal discipline, reduce inflation and increase international reserves. The economy gradually recovered from the political turmoil and severe floods experienced in 2004. Real GDP growth is estimated at 3.4 percent for FY07[6], up from 1.8 percent in FY05, helped by macroeconomic stability and international economic assistance. Growth was driven by private consumption, which benefited from the more stable environment and strong remittances. Public investment also contributed.

22. The series of shocks in 2008 (food crisis and hurricanes) threatened macroeconomic stability and hindered growth, while the five-month political stalemate before the ratification of the new Prime Minister severely constrained government operations. Real GDP growth is estimated to have slowed to 1.3 percent in FY2008 from 3.4 percent in FY2007. High world food and fuel prices led to sharply rising inflation and a deteriorating current account balance. Twelve-month inflation peaked at 19.8 percent in September 2008, up from 7.9 percent in September 2007, but has subsequently declined to 1.0 percent in end-March 2009, on the heels of rapidly falling international food and fuel prices.

23. Flooding in August-September 2008 caused extensive food shortages and damage. The Post-Disaster Needs Assessment (PDNA), led by the Haitian Government with support from the World Bank, the Global Facility for Disaster Recovery and Reduction, the UN, and the European Union (EU) estimated damages and losses at 15 percent of GDP, with agriculture, housing, and transportation hardest hit. Over 60 percent of the harvest was destroyed. (See Annex E)

24. The gourde remained broadly stable against the dollar in FY08, while the current account deficit widened to 2.6 percent of GDP. The trade deficit deteriorated by 7.5 percentage points of 2007 GDP (US$463 million), largely because of higher food and fuel imports (up by US$434 million). The improved services balance was offset by lower current transfers than anticipated. The overall balance of payments remained in surplus ($41.5 million), due in part to PetroCaribe, Venezuela's program of supplying oil on preferential terms. Net international reserves rose to US$288 million (or 3 months of imports) in FY08 from US$269 million in FY07 (or 2.3 months of imports).

[6] Years in this section refer to the Haitian fiscal year. Thus, FY07 refers to the Haitian Fiscal Year which runs from October 1, 2006 to September 30, 2007.

25. Budget execution was satisfactory in FY08. Tax revenue was slightly below expectations due to revenue losses associated with the temporary suspension of fuel prices adjustments in response to rising commodity prices. Food and fuel subsidies were discontinued by October 2008.

ii. Global Economic Crisis: Impact and Response

26. The impact of the global economic crisis is starting to affect Haiti largely through lower revenues and declining remittances. GDP growth in FY09 is expected to come in at around 2.5 percent. On the fiscal side, the slowdown in economic activity and lower commodity prices is decreasing revenues (through reduced VAT and tariffs on imports). Remittances, which accounted for 19 percent of GDP in FY08, have started to decline as a result of the slowdown in the US and Canada, where most Haitians abroad live. Migrants' remittances declined in February 2009 by 5.8 percent year-on-year. Private investment is also expected to be low given difficult global and domestic conditions. Overall, the current account deficit including grants is projected at around 3.5 percent of GDP for FY09. Declining world food and energy prices have led to a decline in annual inflation to 1.0 percent in March 2009 from the peak in September 2008.

27. Haiti's limited integration with the global financial market has meant that the impact of the global financial crisis on the banking sector has been slight to date, though there has been some increase in dollarization and a slight deterioration in non-performing loans. In response, the Central Bank has announced an increase in the reserve requirement on US dollar-denominated deposits from 31 to 34 percent to discourage effective foreign exchange lending and a slight decrease in the requirement on gourde deposits (from 30 to 29 percent). As of December 2008 the financial sector remained well-capitalized and profitable.

28. The hurricanes and global economic crisis have increased vulnerability in Haiti. As noted before, after the storms, the number of people needing food aid reached 3.3 million, a third of the population. The number of people living in extreme poverty, already high, is likely to have increased, as is the number of malnourished children. Hard data are not available. The slowdown in remittances is likely to impact many Haitians who rely on this source of income to make ends meet.

29. The economic impacts of the global crisis compound - and are difficult to isolate from - the ongoing impacts of the shocks of 2008. The program of post-storm recovery and reconstruction activities funded by PetroCaribe savings (around US$220 million) is expected to primarily finance capital expenditures (75 percent), with the remainder for current spending. The reconstruction program and a new proposed program to create 100,000 to 150,000 jobs over two years through infrastructure construction (including labor-intensive works) will provide a fiscal stimulus to counteract the effects of the global slowdown.

30. The Government's FY09 proposed budget allocates a large share of resources to social sectors and infrastructure in line with DSNCRP priorities, and proposes to finance higher expenditures through a combination of strengthened customs and tax administration and external support. While the responses are appropriate to a downturn triggered by the financial crisis, the Government's ability to put in practice programs large enough to be effective at turning around the economy is severely constrained by a lack of funding and the

weak implementation capacity of state institutions. Strong donor support is therefore critical to help the Government implement an adequate response.

31. Despite the negative shocks, macroeconomic stability has been broadly maintained. The IMF-supported Poverty Reduction and Growth Facility (PRGF) program is on track. The fourth review of the program was completed on February 11, 2009. Program performance through end-September 2008 remained satisfactory.

iii. Challenges for Growth and Poverty Reduction[7]

32. For Haiti to put the current economic crisis firmly behind it and set out on a path of sustainable growth and development requires targeted actions and investments to address urgent needs, removing key constraints to economic growth and taking full advantage of the opportunities available. In addition, as the impact of the 2008 hurricane season has made clear, concerted efforts are needed to reduce vulnerability to natural disasters and other shocks, and safeguard progress made so far.

33. In the short term (18 month horizon), as the Government recognizes, there is a need for significant job creation, to raise incomes and lay the foundations for social peace. This is critical to prevent a resurgence of the political and social instability that have historically undermined growth and development in the country. Job creation initiatives should also focus on interventions that will contribute to improving the conditions for sustainable private-sector led growth over the long term.

34. Two promising drivers of growth, as identified in recent Government strategy documents, are agriculture and manufacturing, particularly textiles. Maximizing the growth potential of these sectors, and stimulating private sector activity and investment more generally, requires strategic efforts to address principal obstacles to investment and business activity. With so many bottlenecks to address (see Annex I for more detail on sectoral issues), the challenge is to identify a few key feasible actions and priorities that will together have the greatest growth impact.

35. Agriculture is the main source of livelihood for 60 percent of Haitians who live in rural areas. Agricultural productivity has declined over time due to many factors[8], but the sector has the potential to contribute significantly to growth and poverty reduction. Increased agricultural production would also strengthen food security, reducing dependence on imported food and susceptibility to commodity price hikes. There is also scope to expand and broaden agricultural exports, which currently include mangoes and essential oils. Raising agricultural production requires strategic investments in infrastructure, to improve irrigation and better connect rural areas to markets, as well as supply-side efforts to improve farming practices and assist under-capitalized farmers through improved access to

[7] This section draws from "Haiti: From Natural Catastrophe to Economic Security, Paul Collier, 2008" as well as two government documents prepared by the Government of Haiti ahead of the April 2009 donor conference: the main document and a discussion paper, "Haiti: A New Paradigm." These in turn draw on the Collier report, as well as the DSNCRP and other strategic priorities of the Government.

[8] These include: (i) demographic pressure, which have exhausted the supply of arable land, resulting in fragmented plots and the settling of marginal, erosion-prone hillside land; and (ii) poor farming practices among typical rural producers: lacking fertilizers, improved seeds, pesticides or complex tools. Soil exhaustion drives smallholders to fragile upland soils, triggering deforestation, accelerated erosion and fertility depletion, reduced water retention and silting of waterways.

agricultural inputs. It also requires a strengthened sector institutional framework to coordinate these efforts.

36. The textile sector has a unique economic opportunity with the HOPE II Act, which gives duty-free, quota-free access to the American market for the next nine years. Haiti is well placed in some aspects to exploit this. Its labor costs are fully competitive with China, and there remains some sectoral expertise and skilled labor in the sector, which has declined sharply since the 1990s, but was previously strong. Haiti is also located close to its main market, the US. Taking advantage of HOPE II will require a good environment to attract private sector investments, and investments to improve logistics, the business environment and (most importantly) infrastructure. Government support for private sector participation for the renovation and upgrading of ports and airports is essential for the realization of HOPE II opportunities. While addressing infrastructure shortcomings on a national scale would be a mammoth task, the expansion and creation of special industrial zones with supporting infrastructure (e.g. water and sanitation, electricity) would facilitate targeted improvements. Improving skills training, for managers and textile workers, would also be essential. (See Box 4 for WBG support in this area).

37. Along with the poor condition of major roads and ports, a major infrastructure weakness that needs to be addressed is the inadequate electricity system. Electricity is unreliable, and expensive, while coverage is poor. Furthermore, support for the sector is a serious fiscal drain. The Government is making progress to address the issues, with donor support. Major additional efforts are needed, including investments and repairs, as well as reforms to improve efficiency and governance in the sector.

38. Over the longer term, major investments in human capital are needed, particularly in education, to sustain economic growth and development. Education indicators are among the lowest in the region. Only 71 percent (or as few as 55 percent, by some estimates) of children aged 6-12 are enrolled in school. In addition, the quality of the education system in Haiti is poor. The Government is working to enhance the quality of education and other basic services and build human capital, which will contribute over time to creating a more productive and competitive workforce.

iv. Medium-Term Macroeconomic Framework, 2009-12

39. This medium-term macroeconomic framework for FY09-12 takes into account the growth challenges and opportunities posed by the global economic crisis. Table 1 outlines the macroeconomic framework. The macroeconomic framework is currently being updated and will be finalized in May. Prior to the Board discussion of the CAS, a note updating the macroeconomic developments will be circulated.

40. The key assumptions are:

- *Growth:* Real FY09 GDP growth is now projected at around 2.5 percent, though this is expected to be revised downward, increasing gradually to 3.3 percent by FY12. The projections assume investments in agriculture, roads and electricity, and some positive effects from HOPE II being felt gradually. Over time these investments are expected to lay the foundations for stronger growth.

- *Inflation:* Inflation is projected to fall to a period average of 5-6 percent by FY12, reflecting both the fall in commodity prices and prudent fiscal and monetary policy.
- *The external current account deficit (including grants)* is projected at around 3-4 percent of GDP. Exports of goods and services decreased significantly in FY08 and are expected to fall in FY09 to 10.6 percent of GDP, and recover afterwards. Imports of goods and services, after jumping in FY08 to 40 percent of GDP, due largely to high oil and food prices, are projected to fall to 38.5 percent of GDP in FY09, and to average 37.5 percent of GDP for FY10-12. Private transfers (mainly remittances) are set to decrease in FY09 to 16 percent of GDP due to the effects of the international financial crisis before recovering to about 17 percent of GDP for FY10-12.
- *Fiscal accounts*: The central Government overall fiscal deficit (including grants) is programmed to average about 3.3 percent of GDP over FY09-12. Central government revenue (excluding grants) is projected to increase to 11.5 percent of GDP by FY12 up from 9.9 percent in FY08.

Table 1: Haiti Medium Term Macroeconomic Framework, FY08-FY12
Fiscal Year ending September 30

	FY08	FY09	FY10	FY11	FY12
	(Annual percentage change)				
National income and prices					
GDP at constant prices	1.3	2.5	2.7	3.2	3.3
GDP deflator	17	12	10	8	7
Real GDP per capita (local currency)	-0.4	0.8	1	1.6	1.7
Consumer prices (period average)	14.4	12.8	9	7.5	6
	(In percent of GDP, unless otherwise indicated)				
National Income					
Consumption	102.2	96.9	97.2	96.3	95.9
Private	95.6	89.8	90.2	89.5	89.2
Public	6.6	7.1	6.9	6.8	6.6
Investment	26	31	28.7	29.9	30.9
Private	19.1	22	21	22.5	23.5
Public	6.9	9	7.7	7.4	7.4
GDP per capita (US$)	728	765	802	832	864
External Sector					
Non-interest current account deficit	-2.9	-4.4	-3	-3.4	-3.4
Exports of goods and non-factor services	11.8	10.6	11.2	11.3	11.4
Imports of goods and non-factor services	40	38.5	37.1	37.5	38.1
External current account balance 1/	-8.6	-11.9	-8.4	-8.2	-8.5
External current account balance 2/	-2.6	-4.4	-3	-3	-2.9
Liquid gross reserves (in months of imports of G&S)	2.9	2.6	2.7	2.9	3
Central Government					
Central Government overall balance 2/	-2.8	-3.9	-3.6	-3.1	-2.6
Total revenue and grants	13.9	15.6	14.5	14.6	14.7
Central Government revenue 1/	9.9	10.5	11.1	11.2	11.5
Central Government primary expenditure	16.1	18.9	17.6	17.2	16.9

1/ Excluding grants
2/ Including Grants

Source: WB staff calculations based on Government and IMF data.

Note: The macroeconomic framework is as of end-February 2009. The framework is currently being updated. Growth projections are being revised downwards and inflation is lower than in the above table.

41. Despite the Government's commitment to prudent macroeconomic policies, significant risks remain. They may compromise recent hard-won macroeconomic gains and alter the medium-term macroeconomic and financial outlook. The main risks include political and social instability, linked to the elections; ever present vulnerability to external shocks, including weather-related ones; and a more prolonged global crisis than presently anticipated.

v. Debt Sustainability

42. In November 2005 Haiti qualified for debt relief under the Enhanced Heavily Indebted Poor Country Initiative (E-HIPC) by reaching the decision point. Haiti has received interim relief from multilateral creditors under the E-HIPC initiative. It is working to fulfill the remaining floating completion point triggers by mid-2009. Upon reaching completion point, Haiti will benefit from HIPC and Multilateral Debt Relief Initiative (MDRI) debt relief on an irrevocable basis.

Box 1: Public Debt Sustainability: Main Findings of the LIC DSA

Haiti's public debt as of end-September 2008 is estimated at about 29 percent of GDP. Most debt is owed to external creditors (25 percent of GDP), mainly the Inter-American Development Bank (42 percent of total external debt), the World Bank (34 percent), and bilateral creditors (15 percent). Most domestic public debt corresponds to Central Bank gourde-denominated obligations to the domestic banking system.

In the baseline scenario, public debt indicators increase initially and then decline during the projection period. Higher loan disbursements in FY2009 worsen the expected path of Haiti's debt ratios. The net present value (NPV) of debt-to-GDP ratio rises to 20 percent in 2012 before falling to 16 percent by 2028. The NPV of debt-to-revenue has a similar profile, reaching 134 percent in 2011 before falling to 93 percent by 2028. Debt service-to-revenue rises to 9 percent in 2015 before falling to 8 percent by 2028.

Alternative and shock scenarios put public debt on a steadily rising path throughout the projection period. Instead of falling as under the baseline scenario, if growth is one standard deviation lower in 2008 and 2009, the NPV of public debt-to-GDP ratio would grow to 34 percent in 2028 from 19 percent in 2008, while the NPV of public debt-to-revenue ratio would rise to 192 percent from 134 percent. Debt service-to-revenue would rise but then remain flat under a growth shock. Keeping the primary balance at the 2008 level would lead to all public debt indicators rising consistently over the projection period. Using historical scenarios again yield lower debt levels.

Debt relief at HIPC Completion Point would substantially improve Haiti's debt situation, but the debt-to-export ratio would remain just below the threshold throughout the projection period. Under a scenario assuming that HIPC completion point and associated MDRI relief materialize in FY09, the NPV of the external debt-to-exports ratio would fall below Haiti's indicative debt burden threshold of 100 percent in the medium-term immediately, and would remain just below the threshold throughout the projection period, indicating high vulnerability to most likely shocks.

Source: World Bank and IMF staff calculations.

43. The updated Bank-Fund Low-Income (LIC) Country Debt Sustainability Analysis (DSA), based on end-September 2008 data[9], indicates that Haiti's risk of debt distress remains high, but would decline substantially at HIPC Completion Point (see Box 1). Haiti's weak export base is a key factor in its high risk of debt distress. An alternative scenario reflecting full delivery of HIPC and MDRI relief in 2009, when HIPC is expected to reach Completion Point, shows that Haiti's debt would remain below its indicative thresholds throughout the projection period. The debt-to-exports ratio remains just below the threshold over the projection period, highlighting vulnerability to external shocks.

[9] The DSA is being updated in the context of the HIPC Completion Point.

44. Debt relief would contribute to creating fiscal space for much needed poverty-related expenditures. The Government will continue to seek concessional external financing and is committed to further strengthening its debt management capacity to maintain debt sustainability after the delivery of the HIPC Initiative and MDRI assistance. With support from UNCTAD and the World Bank, Haiti is creating a single external database that will facilitate information sharing between the Ministry of Economy and Finance (MEF) and the Central Bank. In addition, Haiti is working with the Center for Latin American Monetary Studies (CEMLA) to enhance debt management capacity.

III. COUNTRY DEVELOPMENT PROGRAM

A. COUNTRY PRIORITIES AND AGENDA

i. Haiti's National Strategy, the DSNCRP[10]: Priorities and Progress

45. The Government completed the DSNCRP in November, 2007. It was prepared through a participatory process including consultations with civil society, officials, and development partners. The DSNCRP presents the Government's long-term vision to foster growth, reduce poverty, and raise living standards. It envisions an ambitious program of institutional reform and substantial public investment through 2010.

46. The DSNCRP identifies four major challenges for the country to address: (i) making a concerted effort to attain the MDGs by moving toward more meaningful social development; (ii) creating a modern, competitive economy with a balanced regional base, to increase competitiveness within the region; (iii) modernizing the state, through greater efforts to update and reshape the public management system; and (iv) making full use of cultural creativity, historical heritage, and the Diaspora.

47. The DSNCRP has three strategic pillars. These are: (i) *promoting four vectors (i.e. drivers) of growth*: agriculture and rural development; tourism; infrastructure; and science, technology and innovation; (ii) *enhancing human development*, with a focus on improving delivery of basic services; and (iii) *strengthening democratic governance*, particularly by improving security and the justice system. The DSNCRP also emphasizes the importance of a stable macroeconomic framework and sound management of public resources. Further details on the government program are described under the CAS pillars (pages 23-31).

48. In addition to these pillars, the DSNCRP includes 10 cross-cutting policies and strategies. These are for: (i) food security; (ii) gender equality; (iii) the environment; (iv) social protection; (v) culture and communication; (vi) urban development; (vii) town and regional planning; (viii) disaster risk reduction; (ix) strengthening government capacity; and (x) a general framework of support to the private sector.

49. The Government started implementation of the DSNCRP in January 2008. Progress to date has included on the modernization of the State (with the review of procedures for budgeting and financial management), the drafting and submission to the National Assembly of a law on public procurement, and the submission of audit reports to legislature. However,

[10] This section is adapted from the DSNCRP and the Joint Staff Advisory Note on Haiti's DSNCRP (February 2008).

implementation has faced numerous challenges arising from exogenous shocks (high international food and oil prices, hurricanes in August and September 2008, and the ongoing global financial crisis). These events led the Government to shift priorities to attend to urgent humanitarian needs and the rehabilitation of physical infrastructure, and to minimize the impact of the food and oil price increases on the purchasing power of the poor. Meanwhile, weak state capacity to generate statistics is a major obstacle to assessing results.

ii. Emerging Strategic Priorities: the 18-Month Priority Program

50. Ahead of the April 2009 donor conference, the Government prepared an 18-month priority program (through September 2010), based on the DSNCRP but also reflecting new strategic imperatives. The program seeks to maintain stability, safeguard the progress already achieved, escape the current crisis, and ensure that the country continues on a path towards economic security. It calls for immediate measures to: (i) balance public finances; (ii) create jobs rapidly; (iii) reduce vulnerability to natural disasters; (iv) stimulate the economy; and (v) maintain access to basic services (health and education). It also outlines proposals to strengthen development coordination, summarized in Section VI.

51. At the heart of the new Government strategy is a plan to create 100,000-150,000 new jobs over 18-24 months to raise incomes and lay the foundations for social peace. The majority of new jobs will initially be created in the construction sector through targeted infrastructure projects that lay the groundwork for rapid employment generation in agriculture and manufacturing. Given that each paid worker in Haiti supports on average four dependents these new jobs will directly impact up to 600,000 people. The program includes a set of specific investment projects for which the Government seeks total donor funding of close to US$1 billion.

52. At the conference, donors pledged US$324 million in new funds behind the Government's program, in addition to the US$2-3 billion already committed behind the DSNCRP, some of which has been reallocated behind the priority program. Additional budget support for Haitian FY09 reached around US$47 million, well short of the US$125 million requested but apparently enough to effectively fill the financing gap (around US$50 million) in the budget as now formulated. The WBG expressed strong support for the priority program and the strategy that underpins it, and announced additional IDA funding of US$20 million. In addition, recent portfolio realignment has put a further US$13 million of IDA support directly behind the program: the US$5 million Emergency School Reconstruction project (approved in March 2009); as well as projects in preparation for Strengthening the Management of Agriculture Public Services (US$5 million) and additional financing for the ongoing Electricity Loss Reduction project (US$3 million).

IV. BANK GROUP PROGRAM IN HAITI SINCE 2003

A. OVERVIEW OF WORLD BANK ACTIVITIES SINCE 2003

53. The WBG's current engagement with Haiti began in 2003, initially through two Post Conflict Fund (PCF) grants. In 2004 the Bank played a central role in the preparation of the Interim Cooperation Framework (ICF), the needs assessment and priority development program led by the Transitional Government. Bank support for Haiti for FY05 and FY06 was guided by the Transitional Support Strategy (TSS), which was aligned with the ICF. The

TSS was discussed by the Board in January 2005, at which time IDA support for the country resumed, with the clearance of Haiti's arrears.

54. The Bank's support for Haiti since re-engagement has embodied lessons learnt from Bank support to fragile states worldwide, including the institution's earlier experiences in Haiti. Some of these lessons are set out in Box 2 below.

Box 2: Selected Lessons from World Bank Experience in Fragile States

1. ***Focus first on building the legitimacy of the state.*** Legitimacy is not just achieved through elections or power-sharing agreements, but through performance in delivering services, especially visible ones.

2. ***Provide security.*** Given the linkages between breakdowns in the economy and stability, security and development need to go hand in hand, mutually reinforcing each other.

3. ***Ensure economic stability as a foundation for growth and opportunity.*** Get the fundamentals right (fiscal, monetary and exchange rate policies) and provide quick, flexible support to counter shocks.

4. ***Crowd in the private sector.*** A healthy private sector is the engine of recovery.

5 ***Recognize the long-term commitment.*** These are not quick-fix countries. Funding mechanisms need to ensure continuity and stability of resources over a decade or more.

6. ***Operations should be small, simple, and well-defined,*** with modest objectives. Small pilots funded by trust funds are a useful way to test models, which can later be scaled up with IDA resources if successful.

7. ***Build strong partnerships at the national and community levels,*** to ensure that projects are adapted to the local context and enjoy support from the population.

8. ***Channel social services through the private and voluntary sector*** if state institutions are too weak, with safeguards to promote adequate quality and access by the poor, and parallel efforts to strengthen the state capacity to implement its core functions.

Sources: "Securing Development" speech by Bank President Robert B. Zoellick to US Institute of Peace, January 8, 2009 (nos.1. 1-5); Haiti 2002 Country Assistance Evaluation (nos. 6-8).

55. During the period covered by the TSS, six operations totaling US$131 million were presented to the Board under the scaled-up scenario, with all key performance indicators met. In addition, Haiti benefited from approximately US$11.6 million worth of LICUS and Post-Conflict grants in areas such as school feeding, economic governance, natural disaster management, rapid job creation through labor intensive pilot initiatives, and emergency basic health interventions. The AAA program included the CEM, a Country Social Analysis (CSA)[11], an Agricultural and Rural Development Strategy, and a Social Protection Policy Note.[12]

56. The Interim Strategy Note (FY07-FY08), discussed by the Board in January 2007, was based on the twin pillars that had also guided the TSS: (i) delivering hope to the population by helping the Government deliver quick wins in basic service provision and job creation; while (ii) restoring credibility to Haitian institutions by deepening reforms that promote long-term good governance and institutional development.

57. The ISN envisioned a US$68 million program of five IDA grants for FY07. All FY07 operations were approved as planned: the US$6 million Electricity Loss Reduction Project;

[11] *Social Resilience and State Fragility in Haiti, A Country Social Analysis*, 2006

[12] Details of TSS implementation are included in the ISN.

the US$23 million Second Economic Governance Reform (EGRO II) project; the US$6 million Rural Water and Sanitation Project; the US$9 million Catastrophe Risk Insurance Project; and the US$25 million Education for All (EFA) project.

58. For FY08, new IDA support exceeded the ISN's projection of US$12.9 million, which was earmarked for a single urban operation. An above-projection IDA allocation of US$21 million and regional IDA reallocation following Tropical Storm Noel (October 2007) raised IDA approvals for the year to US$29 million, through three projects: US$7.4 million of additional financing for the Emergency Recovery and Disaster Management Project (ERDMP); the US$6 million Meeting Teacher Needs for EFA Project; and the US$15.7 million Urban Community Driven Development Project. In addition, the Bank approved a US$10 million grant (supplemental financing for EGRO II) via the Global Food Price Crisis Response Program in May 2008.

59. Additional approvals of grants from Bank-administered Trust Funds in FY07 and FY08 reached US$2.3 million. This comprised US$1.1 million from the Avian Influenza Prevention and Control Facility (later cancelled); US$0.9 million from the LICUS Trust Fund to support a joint MINUSTAH-World Bank initiative to rehabilitate infrastructure in the volatile Port-au-Prince neighborhood of Martissant; and US$0.4 million from the Institutional Development Fund (IDF) for strengthening local training capacity for donor project implementation.

60. During the ISN period the Bank delivered four major pieces of AAA. The Public Expenditure Management and Financial Accountability Review (PEMFAR) was produced jointly with the Inter-American Development Bank (IDB) in FY07. In FY08, the Bank delivered: the Financial Sector Assessment Program (FSAP) with the IMF; the Report on the Observance of Standards and Codes (ROSC), covering accounting and auditing practices; and the Anti-Money Laundering and Combating Financing of Terrorism Assessment. Technical Assistance included the inventory and valuation of the technical assets of national electricity company Electricité d'Haïti (EDH), with EU funding, as well as the IFC-financed financial audit of EDH in FY07 with Canadian International Development Agency (CIDA) funding.

B. SELECTED RESULTS ACHIEVED UNDER THE ISN

61. The Bank's program attained all results targeted by the ISN for achievement by the end of FY08. Given the relative youth of the portfolio, the ISN aimed for modest results. These came primarily through the two most advanced IDA investment projects: the US$38 million CDD Project and the US$12 million ERDMP, both approved in FY05. In addition, strong support for the Government's economic governance reform program contributed to positive outcomes in this area. A summary of performance against those specific targets is included in Annex G, along with a broader, more illustrative view of ISN achievements, including other sectors and trust fund grants, by pillar.

C. PORTFOLIO PERFORMANCE

62. To date, the World Bank portfolio in Haiti has performed well, with development objectives and implementation progress of all active projects rated satisfactory. With the exception of EGRO I, which closed in March 2006, all IDA projects approved since the 2005

re-engagement remain active, many of them at an early implementation stage. Despite a challenging implementing environment, Haiti's disbursement ratio for FY08 was strong (23 percent vs. 25 percent and 22 percent at the regional and Bank-wide levels respectively). While, as of March 30, 2009, 60 percent of the portfolio was rated "at risk", if the two risk flags that affect the whole portfolio (country environment and country record) are discounted, only one project would be rated as unsatisfactory. This would be EGTAG II, because of delayed implementation. Two other projects have two additional flags: Rural Water and Sanitation (for monitoring and evaluation and counterpart funding) and Electricity Loss Reduction (effectiveness delay and slow disbursement).

63. An impasse over the correct ratification procedure for IDA grants delayed effectiveness of all projects approved by IDA during FY07 until a solution was agreed with the Government and National Assembly in July 2007. For FY08 approvals the effectiveness delay dropped to 4.8 months from 7.1 the previous year.

64. In June 2008, the Bank and the Haitian Government conducted the first Country Portfolio Performance Review (CPPR) in recent years. The two-day workshop included Government ministers, officials, project teams and Bank staff. Implementation progress was assessed as generally satisfactory, with improvements identified for three areas: fiduciary; communication and Government oversight; and monitoring and evaluation. Action plans were developed. Specific commitments included: additional training of fiduciary staff in project implementation units in procurement and financial management, reduction of delays in reviewing requests for no objection, inclusion of the MEF in the selection process of projects audit firms, regular meeting of project managers for peer learning, the publication of a newsletter, and inclusion of communication aspects in project activities. These agreed actions are being implemented satisfactorily and monitored jointly by the World Bank Country Office and the MEF. The next CPPR has been scheduled for May 2009.

D. THE IFC IN HAITI SINCE 2004

65. IFC has supported the Government's priorities of promoting economic growth and improving access to quality basic services, particularly for the most vulnerable groups. IFC has ramped up its activities in Haiti in the past two years, and established a full-time presence in the country, with three staff in its country office, co-located in the World Bank office.

66. IFC activities have focused on four key areas: the financial sector, infrastructure, textiles, and investment climate. IFC worked closely with IDA and the donor community to identify targeted and concrete actions that: (i) support the development of a sustainable private sector and resulting in income generating activities; and ii) help improve the business climate in infrastructure, access to finance, and SMEs.

67. IFC made five investments in Haiti during 2000-07 for a total of US$47 million:

- **Digicel I & II.** In FY06 and FY07 IFC provided two loans of US$15 million each to support the establishment and expansion of Digicel's infrastructure and services in the country. This investment has resulted in significant impacts (e.g. an increase in mobile penetration from 375,000 in 2006 prior to Digicel's entry to over 3 million in 2009).
- **Capital Bank, S.A.** IFC approved in early May 2007 a US$3.0 million trade finance line to Capital Bank, Haiti's third largest bank.

- **CODEVI Textile Park.** IFC provided a US$14 million loan in FY04 to Grupo M, a garment manufacturer in neighboring Dominican Republic, to establish the CODEVI textiles industrial park in Ouanaminthe, Haiti. Today, CODEVI employs around 3,500 Haitian workers and is expected to continue to grow.
- **Micro Credit National (MCN).** IFC invested equity with private sector partners to establish Micro Credit National (MCN), Haiti's first private sector microfinance institution. By the time IFC sold its equity in MCN in 2006, MCN had extended a total of around US$40 million in small loans to Haitian micro entrepreneurs and SMEs. MCN continues to be a leading microfinance institution in Haiti today.

68. In the financial sector, IFC addresses challenges including banks' risk aversion through investment and advisory activities, strengthening financial institutions and improving access to finance, particularly for micro entrepreneurs and SMEs. For example, IFC is providing advisory services to Haiti's largest bank, Sogebank, S.A., to create a dedicated SME unit. It is also providing ongoing advisory support to the Central Bank to establish a credit bureau

69. To improve Haiti's inadequate infrastructure, IFC focused on enhancing private sector participation, attracting foreign investment and 'know-how', and assisting the Government in improving capacity. IFC has two advisory mandates to: (i) assist in developing a private sector participation solution for the main airports; and (ii) structure and implement the privatization of the state-owned fixed line telecom operator TELECO. In addition, IFC has started training and capacity building for SMEs.

E. LESSONS FROM PROGRAM IMPLEMENTATION SINCE FY05

70. Additional lessons, set out below, have been drawn from the experience of recent program implementation, the ISN, feedback from task and project teams, implementation status reports, Independent Evaluation Group reports, the 2007 and 2009 Haiti cluster risk reviews, and the IDA Conditionality Consultations in Port-au-Prince (October 7, 2007).

i. Overall Engagement and Focus

71. *Close engagement at the political level and sensitivity to political arrangements and forces remain central.* The impasse over the correct ratification procedure for IDA grants delayed effectiveness of many projects for several months in 2007. While greater communication and flexibility on either side might have shortened the delay, ultimately the productive working relationship between the Bank, the Government and the legislature facilitated a solution.

72. Effective economic governance reform requires strong practical support for reform implementation, in addition to policy recommendations and conditions. The significant progress Haiti has achieved under programs backed by the first and second Economic Governance Reform Operations (EGRO I and II) has been facilitated by technical assistance grants. However, sectoral capacity of key line ministries on financial management and procurement is yet to be developed.

73. Development policy operations must be sensitive to institutional constraints. Weak vertical and horizontal coordination among and within government units increases the need for broad participation in the process of establishing, implementing and monitoring

conditionality. Central departments may not be in a position to drive or monitor progress in other areas of government.

74. *Delivering quick, visible results and institution-building: complements not alternatives.* The country's continuing fragility supports the need to maintain the basic two-pronged approach of the TSS and ISN, combining: (i) support for the Government in the delivery of quick visible results (in terms of basic services and job creation); with (ii) longer term efforts to strengthen Haitian public institutions. However, these themes are mainstreamed across this CAS rather than being pillars, to instill the more integrated focus that has been shown to be appropriate.

75. *Greater focus on stimulating private sector activity and economic growth is needed,* in response to Haiti's slow recent growth, and still-muted private sector activity. The IFC will continue to lead WBG support in this area, including in improving the business environment. In addition, the Bank will seek to provide technical assistance and selective investments in infrastructure, and possibly agriculture and logistics, to address bottlenecks and other constraints to private sector activity.

ii. Project Design, Preparation and Supervision

76. *While operational and fiduciary risks are high, they can be successfully mitigated.* The Bank has taken a proactive approach to risk mitigation at the project-level by providing extensive capacity building activities, while agreeing on conservative fiduciary arrangements (i.e. ring-fencing) that facilitate monitoring and transparency.

77. *Intensive supervision is essential for both investment projects and development policy operations.* This requires not just adequate supervision budgets for Washington-based staff, but a larger Bank Group presence in the country. The Bank and IFC have recently expanded staffing in Port-au-Prince.

78. *Capacity-building requires close follow-up and support as well as training.* For fiduciary issues in particular, training has proven more effective if reinforced by extra support, enabling capacity to strengthen through experience on the job.

79. *Strong coordination and communication across the WBG portfolio are especially important in a challenging operating environment.* Weak capacity and coordination among implementing units and counterparts increase the need for cross-portfolio problem-solving and capacity-strengthening initiatives, lesson-sharing and the exploitation of synergies between different projects.

V. PROPOSED ASSISTANCE STRATEGY FOR FY09-FY12

A. OVERVIEW OF THE STRATEGY

80. The CAS has three pillars: (i) promoting growth and local development; (ii) investing in human capital; and (iii) reducing vulnerability to disasters. Cutting across the strategy is a two-pronged approach, combining longer-term institution building (including economic governance reform) with support for the Government in the delivery of quick, visible results.

81. Within these areas, new World Bank Group interventions will be determined by: (i) Haitian priorities, primarily as expressed in the DSNCRP; (ii) areas in which Bank projects already achieve progress; (iii) WBG areas of comparative advantage; and (iv) other donor activities to fill gaps or leverage investments from other donors or the private sector.

82. The World Bank and the IFC are cementing a closer partnership in Haiti, through jointly preparing this CAS. The organizations will seek out further opportunities for synergies and cooperation in Haiti, notably on advancing the HOPE II agenda.

83. The WBG will provide Haiti with multi-faceted, versatile assistance during the CAS period. This includes: intellectual support and policy advice; coordinating, harmonizing, and catalyzing assistance; regional and international linkages; and flexibility and rapid response (See Box 3). Maximizing WBG synergies will broaden WBG coverage and impact.

Box 3: Key Elements of Bank Group Support for Haiti

- ***Intellectual support and policy advice.*** Since 2004, the Bank has undertaken extensive country analysis, which underpins policy dialogue and assistance, as well as providing direct input into government policy and the design of other donors' programs. In addition to in-depth analytical and advisory activities (AAA), the Bank will aim to provide more just-in-time, focused, advisory support on emerging issues.
- ***Coordinating, harmonizing, catalyzing.*** The Bank will continue to play an active role in donor coordination and harmonization, in support of the MPCE's leadership of aid coordination. It will continue to be active in coordination and collaboration at the international level to catalyze support for Haiti. The Bank will continue to mobilize trust fund resources as well as co-financing from other donors. In addition, the Bank will explore further possibilities for channeling Diaspora funding for Haiti's development[13].
- ***Regional and international linkages.*** The Bank's involvement in other Caribbean states helps it to connect Haiti with regional initiatives and analysis. The Bank aims to assist Haiti and the Dominican Republic in addressing island-wide issues through the preparation of a bi-national CEM. The implementation of Avian Influenza and disaster management activities in both countries are other opportunities for bi-national collaboration. In addition, the Bank's international reach and membership helps it assist Haiti in learning lessons from other countries, including through South-South cooperation. The Bank and the Government of Brazil are working to prepare joint initiatives in Haiti.
- ***Flexibility and rapid response.*** The Bank retains flexibility to respond to emergencies and mobilize trust fund resources in Government priority areas, even if these are not main IDA focus areas in this CAS. Proposed project allocations may be adjusted or projects restructured to free funds to respond to emergencies. Streamlined OP/BP 8.0 processing rules allow for the preparation and approval of emergency response projects within weeks. The Bank has been successful in mobilizing additional resources quickly in emergencies, from IDA and trust funds. The GFDRR offers a channel to raise funds from its member donors quickly, in case of future urgent need.

i. IDA Funding

84. Total IDA allocations for FY09-FY12 are projected at roughly US$121 million at current exchange rates, an average of US$30 million a year. The basic indicative IDA 15 envelope (FY09-FY11) is approximately SDR 48.3 million, or roughly US$72 million at current exchange rates. In addition, Haiti in FY09 has received an additional US$1.6 million reallocation (from earlier cancelled IDA funds) for Avian Flu prevention and control, and an

[13] A Boston-based Haitian hometown association is already providing parallel financing for IDA-supported CDD activities in the Central Plateau.

additional US$20 million under an IDA provision allowing for further funding to respond to major natural disasters. A further proposed US$20 million allocation under this provision was announced on April 14, 2009.

85. This new US$20 million of IDA funding is expected to be used primarily for additional budget support (US$9 million, raising a previously planned operation to US$12.5 million) and activities in support of the Government's 18-month priority program (up to US$11 million), through additional financing for existing projects. These operations are expected early in FY10.

86. No firm estimate is available for FY12, the first year of IDA 16, so this document assumes a US$7 million allocation, maintaining the FY11 level. The program for FY12 is expected to include a budget support operation and additional financing for one or more investment projects already underway. The program will be more fully developed in the CAS progress report scheduled for FY11.

87. IDA allocations have fallen sharply from FY05-FY07, when Haiti received more than US$60 million per year. The country tapped the maximum of three exceptional allocations permitted under IDA 14 for non-post-conflict countries re-engaging with IDA in those years. FY09 and FY10 include a small phase-out allocation (introduced in IDA 15). New allocations are further reduced by the netting out of MDRI relief from new IDA allocations, required by IDA rules[14]. The projections included here assume that MDRI will trigger at the start of FY10, following expected HIPC completion point in June.

88. While Haiti has received all IDA funding since early 2005 in grant form, the county is projected to return to a mix of grants and credits in FY10 following HIPC completion in June 2009. The granting of HIPC and MDRI relief is likely to reduce the country's level of debt distress below the level that would qualify it for 100 percent grants. The DSA undertaken in preparation for Completion Point will confirm this.

89. Emergency response operations in FY09 and FY10 have frontloaded the IDA pipeline, as requested by the Government. IDA project approvals are projected to rise from US$42.6 million in FY09, to US$59.5 million in FY10, before falling to US$12 million in FY11 and US$7 million FY12. Actual IDA allocations are set to decline even more sharply, from a final allocation of US$62 million in FY09 (including US$22 million of additional funding) to US$45 million in FY10 (including the new US$20 million post-disaster allocation), to US$7 million in FY11.

90. The amounts given for outer years are indicative only. Actual allocations will depend on: (i) the country's own performance; (ii) its performance relative to that of other IDA recipients; (iii) the amount of overall resources available to IDA; (iv) changes in the list of active IDA-eligible countries; (v) terms of financial assistance provided (grants or loans); and (vi) the amount of compensatory resources received for MDRI. Corresponding adjustments will be made in the size of future projects to reflect actual funding.

[14] While MDRI relief will reduce new IDA allocations, it is important to note that it will free up considerable budget resources that the Government will be able to apply to priority areas and is thus an implicit form of budget support.

ii. Priorities and Instruments

91. IDA funding for budget support and investment projects, AAA, non-lending Technical Assistance (NLTA) and trust funds will remain key elements of the Bank's support for Haiti. For budget support, the Bank aims to support implementation of the Government's institutional reform agenda, harmonizing its support with development partners. The proposed WBG program of activities is described in the next sections. Tables 2 and 3 show proposed IDA operations and AAA (including FY09 approvals to date). Annex H presents the entire World Bank program of new activities for the CAS period, including trust funds.

Table 2 Projected IDA Operations (US$m)	
FY09	
Avian Flu	1.6
Emerg. Bridge Recons., Vulnerability Redn.	20
CDD AF	8
School Reconstruction	5
Strengthening Agriculture Public Services	5
Electricity Loss Reduction AF	3
Total	***42.6***
FY10	
Development policy op. (Haitian FY09)	12.5
Transport and Territorial Development AF	10
CDD II	9
AF Support for Govt Priority Plan	11
Development policy op. (Haitian FY10)	14
Governance TA	3
Total	***59.5***
FY11	
Education and training (APL II)	12
Total FY09-11	***114***

92. Over the longer term, the Bank will pursue greater selectivity and focus within the program, to adjust to falling IDA allocations and consolidate progress. From mid-FY10 onwards, new IDA projects are envisioned in just three areas in which the Bank already has a strong program (CDD, Education, and Economic Governance). However the current portfolio, including FY09 projects, gives the Bank a strong presence in other sectors this CAS period.

93. IFC will foster private sector development through both direct lending and technical assistance. On the lending side, IFC will focus on three main sectors: financial markets (access to finance, micro lending, SMEs and banking), manufacturing and infrastructure. Through advisory services, IFC will support private sector participation in infrastructure, business skills for SMEs, credit bureau creation, free trade zones, regulatory reform, investment promotion and improving the Doing Business indicators. Should viable opportunities materialize, IFC will also invest in other growth sectors such as agribusiness and tourism.

Table 3 AAA/ESW/NLTA Program
FY09
Energy CDM in Poor countries
PPIAF Electricity
Telecom Regulations Technical Assistance II
Woodfuels: Promoting Efficient Stoves
PRSP Progress Report/JSAN
AML/CFT Technical Assistance
Technical Assistance for StAR
FY10
Social Safety Nets (with PREM)
Country Environmental Analysis
PEMFAR follow-up
Haiti-DR CEM
FY11
Basic Services Delivery (Education & Health)
Poverty Assessment
FY12
PEFA update

94. IFC expects to invest a total of US$40-60 million over the CAS period. Progress on infrastructure reform (ports, airports, telecom, electricity) and new investments in textiles will be key determinants of the level of IFC investment. Concrete actions on the part of the Government in this area could significantly increase IFC's investment including its ability to leverage private sector investment, especially in infrastructure and in support of HOPE II.

95. Given the rapid recent expansion of the portfolio, its large size relative to the pipeline of projects and challenging operating conditions, the successful implementation of the current portfolio will remain a key priority for the Bank for the CAS period. Maintaining

strong support commensurate with the expansion of the program, including adequate staffing of the county office, will be critical to successful implementation.

B. CAS PILLAR 1 – PROMOTING GROWTH AND LOCAL DEVELOPMENT

96. *Government Program:* This pillar is consistent with the first pillar of Haiti's DSNCRP, the "Vectors of Growth", which emphasizes agriculture and rural development, and infrastructure.

97. The DSNCRP sets out a comprehensive plan for agriculture and rural development that has both an economic aim, in seeking to modernize farms and agricultural enterprises to increase the productivity of high-potential zones (irrigated and humid plains, humid mountains), and a social one, with its parallel focus on reducing social polarization through support for disadvantaged, less-fertile areas. Throughout, the strategy focuses on redeveloping the rural environment through zoning, diversifying income generation activities and implementing legal measures (including titling) to preserve development gains and improve wealth distribution.

98. For infrastructure, the DSNCRP focuses on building roads, to create jobs, improve access to services, and promote balanced regional development. It aims to develop ports and airports as a means to increased regional integration and international trade. The strategy also emphasizes support for the electricity sector, including increasing generation capacity and the productivity of existing installations through rehabilitation and better maintenance.

99. The Government's priority program focuses on agriculture and manufacturing as the two main engines of job creation and growth. For agriculture, it highlights natural resource protection (against erosion) as a key aim, along with growth and poverty reduction. Specific plans include strategic interventions in irrigation, agricultural inputs and transportation infrastructure, along with a strengthening of the public institutions to coordinate such activities. For manufacturing, the program focuses on capitalizing on the opportunity created by HOPE II, including support for the expansion of industrial parks, and the targeted infrastructure improvements needed for these. It aims to rehabilitate three principal highways connecting major population centers and to strengthen electricity supply, especially for big industrial consumers. In addition, it envisions complementary measures to improve the business environment, including proposals to allow for multi-shift operation and greater speed and transparency of customs procedures, and enhancing training for workers.

100. *Bank Group Approach:* Two main outcomes are pursued under this pillar: (i) an increase in income-generating opportunities and better access to finance and infrastructure services at the local and national levels; and (ii) an enhanced agriculture sector contribution to economic growth and local development, through more effective agriculture services.

101. Community Driven Development (CDD) will be a main focus within this pillar. It has proven a successful way to deliver visible results (services and income-earning opportunities) in poor rural and urban areas while building social capital and cementing peace. The CDD projects are consistent with the DSNCRP's approach of targeting rural and urban development efforts (including the provision of basic infrastructure) at the most vulnerable. The Bank has a comparative advantage in CDD approaches in difficult contexts, and has made strong progress with the program it has supported in Haiti since 2003. In addition, the

Bank's support for CDD has proved effective at leveraging co-financing from other donors (Caribbean Development Bank) and parallel Diaspora funding.

102. With the reduced CAS envelope, the Bank does not expect to directly finance large-scale infrastructure or agricultural investments, but will focus resources on strategic areas that tap areas of comparative advantage (such as institutional strengthening), build on the progress achieved through projects underway, and leverage funding from other sources. The Bank already has a close partnership in the electricity sector with the IDB, and in transport with the EU and the French development agency *Agence Française de Développement* (AFD). Together with IFC, the Bank will also aim for key infrastructure investments that promote private sector growth and WBG synergies.

103. IFC will seek to facilitate private sector investment, particular export generating sectors, developing opportunities under the Caribbean Basin Initiative. Investments in trade financing and microfinance will also be supporting rural producers, likely complementing the CDD project and IDA support to small farmers. Furthermore IFC advisory services will place a particular effort in improving the business environment, notably to realize opportunities created by HOPE II, via a project currently under preparation with the Foreign Investment Advisory Service (FIAS). Progress in strengthening property rights and on custom simplification will be key areas to facilitate private sector investment.

104. *Competitiveness and HOPE II:* The Bank group aims to provide strong support for improvements in competitiveness and the business environment, particularly in the context of HOPE II, as well as target investments and advisory assistance to help the Haitian private sector take advantage of the great potential benefits of the HOPE II Act (See Box 4).

105. *Agriculture.* In light of the high priority assigned to increasing agricultural productivity, a US$5 million operation is being prepared to strengthen public services in the agriculture sector. This will strengthen the Ministry of Agriculture to enable it to more effectively utilize its existing budget allocations (from donors and the MEF), strengthening public services. IFC will seek to leverage the Bank's work and support private sector investment, either via direct investment or advisory support.

106. *CDD*: A second-generation rural CDD project of US$9 million is envisioned for FY10. This project would build on the success of the current CDD efforts and increase support to local authorities while safeguarding the model's de-politicized approach. In early 2009, additional financing of US$8 million was processed for the ongoing US$38 million IDA CDD project, as part of the Bank's response to the 2008 storms. In addition, a US$15.7 million Urban CDD project is underway, effective since late 2008.

107. *Transport:* Additional financing of around US$10 million for the ongoing Transport and Territorial Development Project (US$16 million) is proposed for FY10 to replenish the funds that were reallocated to emergency reconstruction activities in 2007 following the passage of Tropical Storm Noel, as well as to cover an increase in the cost of road works. A new US$20 million Emergency Bridge Reconstruction and Vulnerability Reduction Project was approved by the Board in November 2008. IFC will focus on facilitating private sector participation in airports, starting with the Port-au-Prince airport where it is preparing an advisory mandate. The development and modernization of ports (e.g. Port-au-Prince, Cap Haitien) will be essential for the development of the garment industry, and for rapid job

creation. IFC is prepared to support the Government in this area, through facilitating private sector investment. IFC support will depend on the Government making these projects a priority.

Box 4: WBG Support for Competitiveness and HOPE II

The Opportunity: HOPE II is a significant opportunity for rapid job creation in the Ready-Made Garment (RMG) industry in Haiti. RMG represents 88 percent of Haiti's export earnings, 10 percent of GDP, and employs in excess of 20,000 workers, or 8 percent of the formal sector. Before the 1994 embargo, the sector employed 100,000 workers, most of whom were women. IFC's experience with Grupo M and Codevi in Ounaminthe have led to the creation of 3,500 new jobs, most of them going to women.

The Bank and IFC are providing support to the HOPE Commission in facilitating access to HOPE II benefits, and seeking improvements in export quality and the competitiveness of the apparel and textiles industry. This includes capacity-building at customs and in key ministries to improve apparel trade facilitation processes and service delivery, and institutional strengthening of other key government bodies.

Realizing Opportunities created by HOPE II – A WBG Approach. In the past year the WBG, including FIAS, has made significant efforts to support HOPE II. The Group aims to implement a joint approach through a combination of investment and advisory interventions focused on five key areas: i) investment climate, ii) trade facilitation, iii) labor standards and compliance, iv) operational efficiencies and business skills at the company level and v) leveraging both private sector and donor financing. The multi-pronged approach seeks to address four main constraints: i) skills (management and labor) and labor standards compliance; ii) financing (huge collateral requirements, high interest rates); iii) operational efficiency; and iv) infrastructure (industrial space, logistics, electricity, water, roads, airports, ports).

High risk perception and the decapitalization of local companies are major obstacles to private investment, limiting IFC's ability to support investments. An effective risk mitigation mechanism, including some financing via donor support, is needed.

In advisory activities, IFC is assisting the Government in (i) Doing Business Reform to establish short- and medium-term reforms (progress in strengthening property rights and on custom simplification would facilitate private sector investment), (ii) investment promotion and generation by developing an institutional strengthening plan for entities involved in FDI promotion and apparel subcontracting, (iii) industrial space/ economic zones, to address inadequate regulation and lack of industrial infrastructure and, (iv) helping improve the labor situation in working with companies, Ministry of Labor, and labor unions. A FIAS project supporting these efforts is currently pending financing (about US$3 million) for its implementation.

IFC is also conducting individual advisory services for local garment companies to enhance competitiveness. Through the Business Edge program, IFC is delivering training in business and managerial skills to SME owners and mid-level managers in textiles, in agribusiness and services sectors.

108. *Energy and Telecommunications.* Additional financing of US$3 million is proposed for mid-year 2009 to finance private management services for the public electricity utility (EDH) to complement the ongoing Electricity Loss Reduction project (US$6 million). In parallel, IFC will support private investments in electricity. The Bank and IFC will work together on finding the best options to facilitate access for the poorest, and find alternatives which reduce the country's vulnerability to external shocks, as well as minimizing the impact of climate change. There is potential for Bank support for a national broadband telecommunications network following on current non-lending technical assistance. Telecommunications is another area of Bank/IFC collaboration. IFC has an ongoing advisory with the Government for the privatization of the state utility TELECO. IFC support will depend on the Government making this project a priority.

109. *Financial Sector.* IFC will: (i) improve access to finance through investments in microfinance, general bank lending, trade finance, and special projects to support

microenterprises and SMEs and priority sectors such as textiles; and (ii) strengthen the financial sector by engaging with leading financial institutions (including equity investments). WBG coordination in this area will help improve banking sector penetration, notably for smaller entrepreneurs and rural producers resulting in income generating opportunities for poor people. The Bank will also pursue follow-up activities to the recent FSAP, including strengthened governance, accounting and audit practices (building on the ROSC completed in FY08), risk management and reporting in the banking sector. Trust fund resources, including from the FIRST initiative, will be sought for this work.

C. CAS PILLAR 2 – INVESTING IN HUMAN CAPITAL

110. *Government Program:* This pillar is based on the second pillar of Haiti's DSNCRP "Human Development". The pillar also responds to Government priorities outlined in the recently endorsed National Strategic Plan for Education for All (SNA). The Government and the local education donor group presented the SNA to the Education for All Fast-Track Initiative (EFA-FTI) meeting in April 2008, when Haiti became the 35th country to join the partnership. The SNA/EPT features five strategic choices: (i) increase coverage at the pre-primary level; (ii) increase equitable access to formal and non-formal basic education; (iii) promote greater internal efficiency in the basic education system; (iv) promote greater external efficiency; and (v) improve sector governance.

111. The Government's priority plan emphasizes reconstruction of schools and hospitals, with the aim of bringing service delivery back to at least a pre-hurricane level. Specifically, it aims to rehabilitated 150 schools, build 300 others, construct two model hospitals and upgrade a medical center.

112. *Bank Group Approach:* The main outcomes being pursued under this pillar are: increased access to basic education; improved nutritional security for Haitian children; and improved access to potable water. These outcomes will be achieved through consolidating gains and building on results achieved thus far in education, health, social protection and rural water and sanitation.

113. Education will remain the main focus within this area, given the strong foundations laid in this area, and its rank among Government priorities. The strong policy dialogue that the Bank has conducted with the Ministry of Education and other partners since reengaging in Haiti has uniquely positioned the Bank as a trusted partner. IDA projects have facilitated sector support by other donors in the education sector, notably the Caribbean Development Bank (CDB) and CIDA, both of whom co-finance IDA-supported operations.

114. *Education:* The Bank's overall aim is to support the effective implementation of the SNA. The Bank will focus on the first two strategic choices, which relate to increasing the enrollment of Haitian children at the primary and pre-primary levels with the view of reaching the 2015 goal of universal primary education. Projects will focus on restoring or increasing access to schooling through: (i) rebuilding schools; (ii) providing tuition waivers for poor families; and (iii) increasingly the supply of trained teachers. The first education project under the new CAS period is the US$5 million Emergency School Reconstruction Project (ESRP), approved in March 2008. A follow-on project, the second phase of the adaptable programmatic grant (APG) program launched with the US$25 million FY07

Education for All project, is envisaged for FY11. A further IDA project (US$6 million) underway supports teacher training.

115. *Business skills for SMEs.* Most SMEs in IDA countries have poor management skills that limit their ability to design and implement sound business strategies. This has a negative impact on their productivity, efficiency and business growth. Overall, there is a lack of access to professional training providers that properly address SME training needs. IFC will make use of its Business Edge program to help build SMEs business skills.

116. *Social Protection and Nutrition.* In response to a Government request to explore options for strengthening nutritional security among Haitian children, the Bank has begun a two-year program of non-lending technical assistance (NLTA) for Haiti, in partnership with the World Food Program (WFP) and other organizations. For nutritional security, the Bank's technical assistance project has served to convene all major actors, facilitating strategic discussions about the sector. Although the envelope to date is modest, the work is high profile, and the Bank is quickly developing a comparative advantage in this area.

117. *Water Supply and Sanitation:* The Bank supports efforts to improve drinking water and sanitation in rural areas through a US$5 million IDA grant approved in 2007, and a US$5 million State and Peace-Building Fund (SPF) grant approved in 2009. These are implemented in close partnership with the IDB, which finances a US$15 million scaled-up program.

118. The Bank actively seeks to harmonize approaches between the rural water and sanitation project, the CDD project and the disaster management project at the level of local communities and of implementing agencies. Expected benefits include the introduction of more sustainable management practices into water and sanitation CDD projects, more transparent and participatory local-level decision-making, and the integration of local disaster vulnerability assessment in the designs of water systems.

D. CAS PILLAR 3 - REDUCING VULNERABILITY TO DISASTERS

119. *Government Program:* This pillar aligns with the DSNCRP cross-cutting theme of risk reduction and disaster mitigation. It also reflects the PDNA and the National Reconstruction and Economic Recovery Program, which identifies reduction of vulnerability to natural disasters as a central component. The action plan and recommendations presented in the PDNA provide a roadmap for Haiti's transit from a country "living at risk" to a country living with risk". The transversal nature of vulnerability reduction and risk management necessitates a multi-sectoral approach.

120. The Government's priority plan highlights the importance of reducing vulnerability to natural disasters. It envisions targeted interventions to protect areas affected badly by the 2008 storms: Gonaives, Cabaret, Leogane, Jacmel and certain areas of Port-au-Prince. These interventions include watershed management and river management, to reduce the risk of erosion and flooding.

121. *Bank Group Approach:* Two main outcomes are pursued under this pillar: (i) strengthened institutional capacity for disaster preparation, response and recovery; and (ii) integration of vulnerability reduction and risk management into national, sectoral and local development strategies and programs.

122. Reduction of vulnerability to natural disasters will remain the principal focus within this area, given the strong existing Bank program in this area, its rank among Government priorities and the technical and strategic support resources available within the WBG, which give it a strong comparative advantage.

123. *Reducing Vulnerabilities.* Bank-financed projects since the 2008 hurricanes integrate vulnerability reduction and risk management in their development objectives, notably the Emergency Bridge Reconstruction and Vulnerability Reduction Project, and the Emergency School Reconstruction Project.

124. *Disaster Risk Management.* In response to the damage caused by Hurricane Dean and Tropical Storms Noel and Olga in 2007, IDA approved an additional financing of US$7.4 million grant for the Emergency Recovery and Disaster Management Project, taking the total to US$19.4 million. The Bank is also seeking a South-South Facility Knowledge Exchange trust fund grant on disaster management.

125. *Global Facility for Disaster Reduction and Recovery (GFDRR).* GFDRR has identified Haiti as one of five priority countries in the Latin America and Caribbean region. It supported a recent analysis of disaster risk management policies and activities and will finance a significant scaling up of the disaster risk management program in Haiti going forward. GFDRR in April 2009 approved a US$500,000 grant to improve inter-ministerial coordination of vulnerability reduction and risk management activities.

126. *Catastrophe Risk Insurance Project.* Haiti is a member of the Caribbean Catastrophe Risk Insurance Facility (CCRIF) which reduces countries' financial vulnerability to catastrophic events by providing immediate liquidity after a severe hurricane or earthquake. Haiti's participation in the CCRIF was initially supported by an IDA grant of US$9 million approved in FY07. The US$1.45 million of IDA funds remaining in the grant ahead of the 2009 hurricane season only cover part of the year's premium. CIDA has agreed to fund the remaining US$1.12 million.

127. *Improving environmental management.* Haiti's environmental degradation is a major factor in its vulnerability to natural disasters. Over the past two decades, water catchment areas in most of the country's main watersheds have been rapidly deforested and degraded, leading to extensive erosion and increased potential for floods. As climate change is expected to exacerbate current stresses on water resources and land cover, there is an urgent need for improved environmental management and integrated watershed management. In addition, Haiti has the highest rate of under-five child mortality and morbidity in the region, associated with poor environmental health conditions. A country environmental analysis is proposed for FY10 to address these issues. The Bank will also actively seek to facilitate Haiti's access to climate change adaptation funds.

128. *Avian Influenza.* A grant for US$1.6 million from IDA was approved in 2008 to support Government efforts to prevent and control the Avian Flu virus.

E. CROSS-CUTTING THEMES: INSTITUTIONAL STRENGTHENING AND RESULTS

129. This area combines longer-term institution building (including economic governance reform) with support for the Government in the delivery of quick, visible results.

130. *Government Program*: The DSNCRP cross-cutting theme of modernizing the state focuses on strengthening the capacity of the state including human resource development, reforms to improve public service delivery at central and decentralized levels, and modernization of the administration.

131. The delivery of quick visible results is at the center of the Government's priority program, which seeks to create 100,000-150,000 new jobs over 18-24 months to raise incomes and lay the foundations for social peace. The DSNCRP places appropriate emphasis on monitoring and evaluation (M&E) of the results.

132. *Bank Group approach*: The WBG's two-pronged approach builds on the ISN, which focused on two pillars: (i) delivering hope to the population through quick wins in the areas of basic services and job creation; and (ii) restoring credibility in public institutions through reforms that promote longer-term economic governance and institutional development. In mainstreaming these themes, the new CAS adopts a more integrated focus that is geared toward strengthening the Government's ability to deliver visible results to the population. While there has been progress in improving the transparency and accountability of central government functions (including the re-establishment of normal budget processes), and improvements in security, gains in state capacity to actually deliver critical services have been smaller. Greater focus is also placed on enhancing the visibility of results, in particular through support for monitoring and evaluation.

133. The main outcome being pursued under the institutional strengthening theme is a strengthening of the effectiveness, transparency and accountability of public sector institutions. This involves activities to (i) consolidate economic governance reforms, to strengthen core institutions; and (ii) strengthen key sector ministries that are critical for service delivery (e.g. education, agriculture, public works, etc). On the results side, further activities seek to (i) actually deliver jobs and services; and (ii) strengthen M&E.

134. In addition to following Government priorities, WBG support in these areas builds on – and has been determined by: (i) the strong progress achieved, and firm analytical basis established, by Bank support for economic governance reform in Haiti since 2004; (ii) the leadership role that the Bank has played among donors in this area; (iii) the WBG's comparative advantage in governance and institutional strengthening, particularly in fragile situations; (iv) earlier support for DSNCRP preparation; and (v) the need to support strong implementation performance and M&E of Bank-supported projects in different sectors.

135. *Consolidating Economic Governance Reforms*: Support for strengthening the transparency and accountability of core public sector management institutions including public enterprises through economic governance reforms will be sustained. Building on progress achieved, and the analytical base provided by the PEMFAR, the focus is on the implementation of reforms to strengthen budget formulation through the development of sector strategies and the introduction of a medium term perspective in: (i) budget formulation, (ii) strengthening budget execution through the development of the investment and accounting modules of SYSDEP, and (iii) the budget management information system. Procurement would be strengthened through implementation of the proposed new Procurement Law. Internal and external controls will also be strengthened by the implementation of the capacity building action plan for CSCCA and the deployment of financial comptrollers to all line ministries and institutions.

136. The Government and key development partners (EU, IDB, World Bank and IMF), have formed a budget support group, which has recently signed a Memorandum of Understanding that commits them to developing a single matrix of public financial management reforms behind which future conditionality will be aligned. The draft matrix draws from the PEMFAR action plan among other sources. The reform matrix includes actions to strengthen the public financial management system, procurement, monitoring of public enterprises, revenue mobilization, anti-corruption, and the financial sector. The Bank will aim to align a proposed FY10 budget support operation (around US$14 million) with the program outlined in the Government's reform matrix.

137. *Strengthening Service Delivery in Key Sectors*: Support will focus on systematically mainstreaming institutional strengthening and accountability issues across the portfolio to exploit synergies with service delivery and demand-side initiatives. To improve service delivery, Bank Group support will aim at identifying and removing specific operational bottlenecks along the service delivery chain (e.g. financial management, procurement, communications, staff mobilization) in key sectors. It will also seek to strengthen the technical and policy coordination capacity in key ministries (Planning, Finance, Agriculture and Education).

138. Support for stronger service delivery will also be mainstreamed across the portfolio. Most investment projects include institutional and capacity strengthening activities, including the EFA, Water and Sanitation, Electricity Loss Reduction projects, as well as the planned agricultural project, which has a main focus on institutional strengthening. Further Bank activities to support capacity building linked to project implementation include an IDF grant to strengthen government training capacity for project implementation.

139. In this context, both economic governance reform and stronger service delivery, the ongoing EGTAG II operation and a follow-on Technical Assistance operation planned for FY10 will focus technical assistance on strengthening the main institutions in the public sector and key sector ministries (education, health, agriculture, and public works) to improve service delivery. Efforts will be made to mobilize further trust fund grants for this purpose, particularly from the SPF and the Governance Partnership Facility (GPF). NLTA will build on the PEMFAR, and would aim to respond in a flexible, responsive manner, with policy notes on selected strategic issues (e.g. pay policy, civil service structure, investment budget), and on implementation support to strengthen the capacity of key line ministries or workshops for Government officials. A Public Expenditure and Financial Accountability update is proposed for FY12.

140. *Delivering Jobs and Services:* In recognition of Haiti's continuing fragility, emphasis continues to be placed on direct delivery of jobs and services through WBG-supported activities not directly implemented by public institutions. The CDD project will continue to be a mainstay for responding to community needs in this respect. SPF funding may be sought for a rapid job creation project in FY10. Other projects, including the ERDMP, will continue to employ labor-intensive projects where appropriate. IFC will pursue investments with a focus on job creation.

141. *Strengthening Government M&E and communications capacity:* In addition to assistance provided at the sectoral level (particularly in education), the Bank is seeking trust fund support to strengthen central M&E capacity, linked to DSNCRP implementation. An

ongoing LICUS grant provides support for enhancing Government communications capacity. The project aims to enhance transparency and government credibility through better dissemination of information and stronger dialogue with civil society and other stakeholders on government activities, results, and resource use.

142. *Governance and Anti-Corruption:* The World Bank Institute (WBI) will continue to focus on these areas in close collaboration with other donors. Planned initiatives include support for strengthening the role of anti-corruption institutions (and the coordination among them), strengthening the key budget and economic committees of parliament, and improving the capacity of demand-side institutions such as the news media and civil society.

143. *Political Economy:* During the CAS period, the Bank is planning to undertake a political economy diagnostic study which will focus on understanding the political incentives and mechanisms, and on identifying win-win strategies by aligning politicians' incentives to improved performance of public sector.

F. CAS CONSULTATIONS

144. The proposed program was refined in joint Bank-IFC CAS Consultations held in Port-au-Prince, February 10-13, 2009. IFC organized a series of meetings to discuss private sector issues and opportunities. Participants included key representatives of the private sector. In addition, the World Bank and IFC jointly organized four working sessions with representatives of:

- *Donors and other international partners*, including Brazil, CIDA, the EU, France, the IDB, Spain, the UN (WFP, UNDP, UNICEF), and the US Agency for International Development (USAID).
- *The Government of Haiti*, including the Prime Minister, the Minister of Economy and Finance, the Minister of Planning and External Cooperation, the Minister of Trade and other senior officials.
- *Legislators.* This session included the Chairmen of the Senate Economic Affairs and Education Commissions and a Senate economic expert.
- *Civil society*, including international NGOs, local civil society organizations and project implementation agencies.

145. In addition to these formal consultations, the program reflects ongoing dialogue with the Government and other donors and the national and sectoral levels, as well as specific consultations on IDA Conditionality Consultations and the PEMFAR in 2007, the June 2008 CPPR, and several smaller workshops on portfolio and sectoral issues. A client survey in 2009 will provide further opportunity for comprehensive feedback on World Bank activities.

G. ANALYTICAL UNDERPINNINGS

146. The CAS has drawn from a range of analytical sources, including the DSNCRP and the Joint Staff Advisory Note (JSAN). The growth pillar analysis has been informed by the CEM and more recently the strategy documents prepared by the Government for the April 2009 donor conference. The agriculture strategy sector note, analytical work on the telecoms and electricity sector, and the FSAP and ROSC underpin the design and rationale for Bank

Group strategy in the sectors they cover. For the human development pillar, the key analyses include the EFA strategy and the social protection background note. The institutional strengthening cross-cutting theme draws from the PEMFAR, jointly prepared by the Government, the World Bank and the IDB, and the follow-on action plan, as well as the CEM. It also draws on the governance and anti-corruption survey completed by the Government, with WBI support, in FY07.

VI. DONOR ASSISTANCE

147. The bulk of the external assistance pledged since 2004 has come from five donors: the United States, Canada, the European Union (EU), the Inter-American Development Bank (IDB), and the World Bank. Providing roughly a tenth of this amount, the Bank has been the smallest of these five main donors, and is set to slip to sixth place, with the recent emergence of Venezuela as a major donor. While aggregate figures on Venezuelan aid are not available, President Chavez has made major multi-year commitments since 2007, which appear to put it among the country's top three donors. Haiti's inclusion (effective March 2008) in Venezuela's PetroCaribe program could generate hundreds of millions of dollars for the Haitian Treasury in the next few years, though many of the funds freed now will be eventually repayable. PetroCaribe funding enabled the Haitian Government to quickly disburse US$200 million to respond to the humanitarian crisis following the 2008 storms.

148. At the April 2009 conference, donors pledged US$324 million in new funds behind the Government's priority program, in addition to the US$2.0-3.0 billion already committed to Haiti since 2004 (primarily behind the DSNCRP), some of which has been reallocated behind the priority program. Funding by main traditional main donors, aligned with the DSNCRP, is presented in Table 4. The estimates are the latest comparative data available from the MPCE on disbursement projections (rather than pledges) and do not include the new US$324 million.

Table 4: Commitments by Main Donors and DSNCRP Pillars for Haitian Fiscal Years 2007 to 2010

Donor	Disbursement Projections 2007-2010 (US$M)	Main areas of intervention for 2007-2010 (US$M)
USA	480.1	• Pillar 2 – Health, Education, Water and Sanitation (234.5) • Cross Cutting Policies, including Food Security and Institution Building (153.6) • Pillar 3 – Justice and Security (58)
Canada	431.3	• Pillar 2 – Health and Education (158.4) • Pillar 1 – Agriculture and Local Development (112.8) • Cross Cutting Policies, mainly Institution Building (105.4)
EU	380.4	• Pillar 1 – Agriculture and Infrastructure (237.3)
IDB	310.7	• Pillar 1 - Agriculture and Infrastructure including Transport, Water and Sanitation (115.3) • Cross-Cutting Policies, including Institution Building (124.5)
IDA	92.9	• Pillar 2 - Education, Water and Sanitation (31.2) • Cross-Cutting Policies, including Disaster Risk Management and Institution Building (24) • Pillar 1 – Infrastructure, including Local Development (20.4)

Source: MPCE data

149. While most donors intervene in a wide range of sectors linked to the DNSCRP, the Government has encouraged each to focus on a few priority areas. The United States and Canada have put a strong emphasis on health and education. The IDB has been the main donor for agriculture (followed by the European Union) as well as for water and sanitation. The IDB and the European Union have been dominant in support for infrastructure development. IDA is among the largest donors for education and economic governance reform.

150. Aid coordination is led by the Ministry of Planning and External Cooperation (MPCE). In addition, the Resident Coordinator of the United Nations System plays a key role in organizing donors at the local level. Overall coordination in Port-au-Prince centers around weekly meetings of a group of larger donors without the Government, and periodic meetings with the Planning Minister and Prime Minister. Sectoral dialogue is focused around sectoral tables, a system dating from the ICF. At the regional level, departmental tables have since 2006 facilitated coherence and synergies among interventions in particular zones. International meetings have been held to date on an ad hoc basis, with the World Bank playing an active role in supporting these, including hosting the 2004 donor conference and several smaller technical meetings, most recently in March 2007.

151. At the April 2009 donor conference, measures to enhance cooperation and coordination were agreed. The proposals, which still need to be fully fleshed out by the Government and its partners, included: (i) a revised framework for mutual accountability; (ii) a strengthening of key sectoral tables; and (iii) the creation of a "policy forum", as a space for discussion among the Government and its partners on policy priorities, with annual senior-level meetings.

152. Harmonization is advancing, but slowly. Donors often cooperate closely on analytical work, the formation of strategies and at the project level, including the use of shared project implementation units, parallel and co-financing. Examples of such close collaboration include the parallel IDA- IDB Rural Water and Sanitation and Electricity projects, and the construction of Route Nationale 3 by the EU, the French Development Agency and IDA, with closely coordinated implementing arrangements and specifications. The Government and donors have recently agreed to work toward the establishment of Sector Wide Approaches (SWAps) and programmatic funding in some key sectors. There are few formal structures in place for joint funding and implementation.

153. The 2008 Paris Declaration Monitoring Survey noted significant advances in many areas, but acceleration will be needed to meet the 2010 targets. Donors were increasingly basing activities on the Government's DNSCRP and sectoral strategies. Regular dialogue among the Government and development partners has facilitated exchange of information on planned or ongoing activities. Survey results showed efforts underway to build the capacity of central and local government, as well as civil society. However, progress on aid flow predictability, mutual accountability and use of country system appears to be limited.

VII. RESULTS-BASED MONITORING AND EVALUATION

154. A dual strategy will be adopted to monitor results under this CAS. Country level systems for monitoring poverty, economic and human development are extremely weak and need to be developed. The Bank will support the Government in improving the monitoring

and evaluation of policies and programs in the MPCE, the MEF, and the sector ministries involved in the DSNCRP through the strengthening of the coordination of the DSNCRP M&E system and the capacity of Government institutions to improve the quality of data collection, analysis and reporting. SPF funding is being sought for this purpose. Additional resources may also be sought from the Bank's STATCAP financing program for statistical capacity building. The Bank aims to coordinate funding with other donors providing assistance in this area, notably the European Commission.

155. In addition, the Bank will also provide TA through sectoral monitoring systems established in the context of Bank and other donor projects, for example in the education sector. The CAS results framework has ensured that the targets for intermediate outcomes can be monitored based on existing systems or those that will be in place in the near future.

156. The Results Framework for monitoring the CAS, grounded in the DSNCRP objectives and indicators, is presented as Annex B1.

VIII. MANAGING RISKS

157. The strategy presented here will be carried out in an environment of high risks. At the same time, given the progress made by the country since 2004, promising early results from the Bank's portfolio and the commitment of authorities to advancing with reform, the potential rewards for implementing this strategy are great. Mitigation measures reflect lessons from the Bank Group's experience in fragile states worldwide, as well as the institution's earlier experience in Haiti (see Box 2).

158. If the policy or security environments deteriorate, governance weakens or broad or sector-specific program implementation issues materialize, the WBG would conduct a careful review of ongoing and planned operations and activities and consult with international partners before deciding how to proceed. It would inform the Board accordingly. This corresponds to normal WBG practice in fragile or uncertain situations. The WBG response would be commensurate with the risks that materialize.

159. The Group would seek to stay engaged in sectors or areas where implementation is considered satisfactory. Should implementation of the Government's macroeconomic or economic governance reform policies worsen significantly, the Bank would remain engaged through investment lending operations but would consider delaying future budget support until such weaknesses have been addressed. If other risks materialize, such as in the areas of security and corruption, the WBG may, as appropriate, scale down the implementation activities of investment projects, consider applying legal remedies if needed, restructure such operations or include further ring-fencing mechanisms to continue targeted support for service delivery.

160. Main risks for Bank engagement, as well as mitigating measures or factors are outlined below.

161. *Haiti remains vulnerable to the political and social instability that has historically undermined development and the implementation of donor programs in the country.* Violent protests and the fall of Prime Minister Alexis in April 2008 illustrate the continuing fragility of the situation. Difficult socio-economic conditions and multiple elections increase the risk of instability in the CAS period. The presence of MINUSTAH and the strong commitment

of the international community, including the Bank Group, to supporting the Government and its reform program are stabilizing factors. Over the longer term, the Bank's focus on building the legitimacy of the state, including through stronger state service delivery.

162. *Financial crisis and economic downturn in major international economies could have a serious negative impact on Haiti, through reduced remittances, donor funding and investment.* There is evidence of an impact in these areas already, which could jeopardize macroeconomic stability, poverty reduction, human development and private sector development in Haiti. Support from the Bank and other donors will be a mitigating factor for Haiti in these areas, but a serious crisis would also reduce the overall effectiveness of that assistance.

163. *The country is extremely susceptible to external shocks.* Extreme poverty and a dependence on imported food and fuel have exacerbated the effects of high international commodity prices on Haiti. Lower world commodity prices have eased the pressure on the country since late 2008. Strengthening food security, including through raising agricultural output, has become a strategic priority for the Government and donors.

164. *Haiti is highly vulnerable to natural disasters, including hurricanes and flash floods.* The Bank's and Emergency Recovery and Disaster Management Project, Emergency Bridge Reconstruction and Vulnerability Reduction Project, the Catastrophe Risk Insurance Project and the Emergency School Reconstruction Project directly address this. In addition, the Bank plans to retain flexibility in the CAS period to respond to any future natural disasters by reallocating funds from pipeline or existing projects or other sources, including trust funds.

165. *The overall fiduciary environment remains highly risky.* Despite improvements such as those outlined above, Haiti's financial management and procurement systems continue to show significant shortcomings, while institutional capacity is weak and corruption prevalent. The Bank will continue to support institutional reform in these areas. At the project level, funding will continue to be ring-fenced and FM and procurement rules strictly applied, together with the provision of assistance to strengthen the capacity of local project teams in this area.

166. *Weak institutional capacity could impede successful project implementation and the absorption of donor funds overall.* Implementation progress is generally satisfactory, despite the challenging, low-capacity context. Bank operations are generally small, simple and well-defined. The Bank maintains active support and supervision for projects in Haiti, including cross-portfolio efforts to strengthen capacity and coordination. This is facilitated by the ongoing expansion of Country Office staffing. At the country level, aid absorption is increased by widespread use of NGOs and other non-public actors for service provision.

167. *Political opposition could impede reform and implementation progress.* With frequent elections and recently strained legislative-executive relations, there is a risk that reforms and interventions supported by the Bank Group would be held up by legislative opposition or inactivity. This will be of particular concern if Haiti returns to receiving part-credit IDA allocations, which is expected after the full delivery of HIPC and MDRI assistance. Credit-backed projects require parliamentary approval in Haiti, which is not needed for grants. To mitigate this risk, the Bank Group has recently increased efforts

outreach activities for parliamentarians, to build relationships, gain feedback and share information. This has included a CAS consultation session for parliamentarians.

168. *Diminishing IDA allocations, particularly from FY11 onwards, could limit the ability of the Bank to play an influential role among donors.* Mitigating factors include the strong planned program of analytical work, which will continue to give the Bank an intellectual leadership role. In addition, the Bank will actively pursue trust fund resources to compensate for reducing IDA funds, as well as leveraging funds from other sources and collaborating closely with other donors on joint projects.

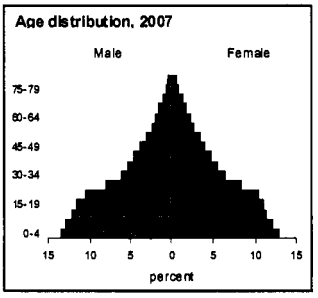
ANNEXES

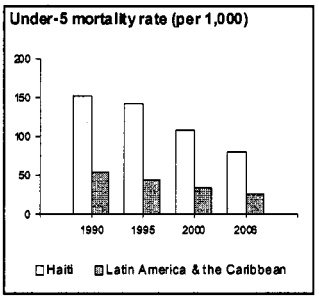
ANNEX A1: HAITI AT A GLANCE

Haiti at a glance

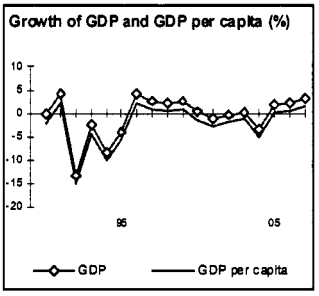
9/24/08

Key Development Indicators	Haiti	Latin America & Carib.	Low income
(2007)			
Population, mid-year (millions)	9.6	563	1,296
Surface area (thousand sq. km)	28	20,421	21,846
Population growth (%)	1.7	1.2	2.1
Urban population (% of total population)	45	78	32
GNI (Atlas method, US$ billions)	5.4	3,118	749
GNI per capita (Atlas method, US$)	560	5,540	578
GNI per capita (PPP, international $)	1,050	9,320	1,500
GDP growth (%)	3.2	5.7	6.5
GDP per capita growth (%)	1.4	4.5	4.3
(most recent estimate, 2000–2007)			
Poverty headcount ratio at $1.25 a day (PPP, %)	..	8	..
Poverty headcount ratio at $2.00 a day (PPP, %)	..	18	..
Life expectancy at birth (years)	60	73	57
Infant mortality (per 1,000 live births)	60	22	85
Child malnutrition (% of children under 5)	19	5	29
Adult literacy, male (% of ages 15 and older)	..	91	72
Adult literacy, female (% of ages 15 and older)	..	89	50
Gross primary enrollment, male (% of age group)	..	120	100
Gross primary enrollment, female (% of age group)	..	116	89
Access to an improved water source (% of population)	58	91	68
Access to improved sanitation facilities (% of population)	19	78	39





Net Aid Flows	1980	1990	2000	2007 [a]
(US$ millions)				
Net ODA and official aid	104	167	208	581
Top 3 donors (in 2006):				
United States	35	50	91	191
Canada	5	10	20	97
European Commission	1	11	11	82
Aid (% of GNI)	7.2	5.9	5.4	11.7
Aid per capita (US$)	18	24	24	62



Long-Term Economic Trends	1980	1990	2000	2007	1980–90	1990–2000	2000–07
					(average annual growth %)		
Consumer prices (annual % change)	*10.8*	20.6	13.8	*13.0*			
GDP implicit deflator (annual % change)	21.4	14.1	13.5	9.3			
Exchange rate (annual average, local per US$)	5.0	5.0	21.2	36.9			
Terms of trade index (2000 = 100)	225	132	100	*89*			
Population, mid-year (millions)	5.7	7.1	8.6	9.6	2.2	1.9	*1.6*
GDP (US$ millions)	1,462	2,864	3,849	6,137	-0.2	-1.5	*0.2*
		(% of GDP)					
Agriculture	..	..	28.4	*27.9*	-0.1	..	..
Industry	..	..	16.6	*17.0*	-1.7	..	..
Manufacturing	..	..	9.0	*8.4*	-1.7	..	..
Services	..	..	55.0	*55.1*	0.9	..	..
Household final consumption expenditure	81.9	81.4	86.3	*91.3*	0.9	..	..
General gov't final consumption expenditure	10.1	8.0	7.4	*9.0*	-4.4	..	..
Gross capital formation	16.9	13.0	26.0	*28.9*	-0.6	..	..
Exports of goods and services	21.6	17.5	12.1	*14.1*	1.2	..	..
Imports of goods and services	30.5	20.0	31.8	*43.3*	2.3	..	..
Gross savings	..	*6.4*	21.7	*27.2*			

Note: Figures in italics are for years other than those specified. 2007 data are preliminary. .. indicates data are not available.
a. Aid data are for 2006.

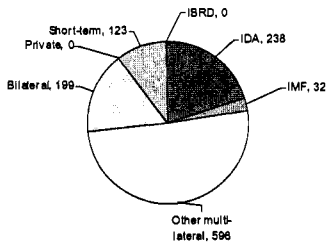
Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade	2000	2007
(US$ millions)		
Total merchandise exports (fob)	327	420
Total merchandise imports (cif)	1,091	1,451
Net trade in goods and services	-852	*-1,392*
Workers' remittances and compensation of employees (receipts)	578	1,184
Current account balance	-260	*-45*
as a % of GDP	-6.8	*-0.9*
Reserves, including gold	272	*269*

Central Government Finance		
(% of GDP)		
Current revenue (including grants)	8.1	*13.3*
Tax revenue	7.5	*9.5*
Current expenditure	8.0	*9.7*
Overall surplus/deficit	-2.2	*-2.1*
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

External Debt and Resource Flows		
(US$ millions)		
Total debt outstanding and disbursed	953	*1,189*
Total debt service	41	*57*
Debt relief (HIPC, MDRI)	140	..
Total debt (% of GDP)	24.8	*24.0*
Total debt service (% of exports)	3.7	*8.4*
Foreign direct investment (net inflows)	13	*160*
Portfolio equity (net inflows)	0	*0*

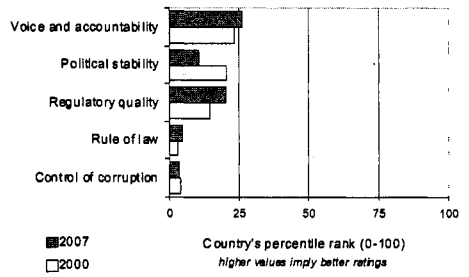
Composition of total external debt, 2006



US$ millions

Private Sector Development	2000	2008
Time required to start a business (days)	–	195
Cost to start a business (% of GNI per capita)	–	159.6
Time required to register property (days)	–	405
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2007
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	..	..

Governance indicators, 2000 and 2007



Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure	2000	2007
Paved roads (% of total)	24.3	..
Fixed line and mobile phone subscribers (per 1,000 people)	1	*14*
High technology exports (% of manufactured exports)	*3.5*	..

Environment		
Agricultural land (% of land area)	*58*	*58*
Forest area (% of land area)	4.0	*3.8*
Nationally protected areas (% of land area)	..	*0.3*
Freshwater resources per capita (cu. meters)	..	*1,398*
Freshwater withdrawal (% of internal resources)	*7.6*	..
CO2 emissions per capita (mt)	0.16	*0.19*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	4.6	*3.6*
Energy use per capita (kg of oil equivalent)	238	*269*

World Bank Group portfolio	2000	2007
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	0	0
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	261	518
Disbursements	0	0
Total debt service	7	18
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	0	30
of which IFC own account	0	30
Disbursements for IFC own account	0	15
Portfolio sales, prepayments and repayments for IFC own account	0	0
MIGA		
Gross exposure	–	–
New guarantees	–	–

Note: Figures in italics are for years other than those specified. 2007 data are preliminary. 9/24/08
.. indicates data are not available. – indicates observation is not applicable.

Development Economics, Development Data Group (DECDG).

ANNEX B1: HAITI RESULTS MONITORING FRAMEWORK

Country Devt Goals	Issues and Obstacles	CAS Outcomes	Milestones	Bank Program (and Partners)
1. Growth Vectors: (i) sustainable human development based on Economic Growth/Social Justice/ Environment; and (ii) renovated public management system; covering four areas of growth vectors: agriculture and rural development, tourism, infrastructure modernization, and science and technology and innovation	High unemployment and a dearth of income-earning opportunities. Highly centralized government with low infrastructure service provision capacity (energy, transport, ICT) outside metropolitan zones. Low productivity in agriculture, food insecurity and entrenched rural poverty.	*Pillars* **1. *Promoting growth & local dev.*** (i) Increase in income-generating opportunities, better access to infrastructure services at local, national level; (ii) Enhanced agriculture sector contribution to economic growth and local development ***Indicator:*** ***-CDD:*** Number (proportion) and US$ amount of income-generating community subprojects fully operational for six months or more. *Baseline:* 103 sub-projects (50%) for US$1.85m are operational for six months or more (2008) *Target:* 502 sub-projects (75%) for US$10.2m are operational for six months or more (2012) ***- Electricity:*** EDH Cash Recovery Index *Baseline:* 27% (Dec. 2008) *Target:* 37% (2012) ***- Transport:*** Cost of transport on selected rehabilitated roads *Baseline*: Tbd on each road before rehabilitation *Target:* -25% (2012) ***- Agriculture:*** Number of producers receiving agriculture extension services in the project area (Thiotte – Baptiste) *Baseline:* 300 (2009) *Target:* 3,000 (2012)	***Indicator:*** **- CDD:** Public funds are directly transferred to community-based organizations a) number of community subproject financing agreement signed . *Baseline*: 933 (US$15.6M) (2009) *Target:* 1,613 (US$30.8M) (2012) b) number of new urban Councils established: *Baseline:* 2 (2009) *Target:* 14 (2011) **-Transport:** Contract signed for rehabilitation works on 50%< of selected roads (2010). *Baseline: 0%* **- Agriculture:** *Tool to target agriculture extension services established.* Number of producers registered in the farmer registry in the project area (Thiotte-Baptiste) *Baseline:* 300 (2009) *Target:* 1,500 (2011)	***Ongoing operations:*** *- Rural(FY06) and Urban (FY08) CDD Projects* *- Electricity Loss Reduction (FY07)* *- Transport and Territorial Development Project (FY06)* *- Emergency Bridge Reconstruction and Vulnerability Reduction Project (FY09)* *- LICUS Martissant Lane 23 (FY08)* *- Caribbean Regional Communications Infrastructure Program.* **Partners:** CDB, *IDB*, EU, AFD, USAID, MINUSTAH, UNOPS, UNDP, FIDA, French Technical Cooperation institutional support to MARNDR. ***Planned operations:*** *Strengthening of Agriculture Public Services (FY09), CDD II, Transport & Territorial Development (AF) (FY10)* **IFC Program:** Investments in financial sector, energy, textiles. **IFC TA:** *Special Economic Zones (FIAS), Business skills training, Doing Business Reform*

Country Devt Goals	Issues and Obstacles	CAS Outcomes	Milestones	Bank Program (and Partners)
2. Human Development: Significant increase in opportunities, including social services, provided to individuals so they can better develop their capacities through: education and training, health, water and sanitation, persons with disabilities, childhood poverty, young people, HIV/AIDs and gender equity.	**Education:** (i) extremely weak public provision of schooling, (ii) poor quality of services; and (iii) low state capacity to respond to sector issues **Nutrition:** Estimated 1 in 4 children (under 5 years) is chronically malnourished **Water:** Limited access to an improved source of water supply; limited use of / access to adequate sanitation facilities; poor hygiene behavior	*Pillars* **2. Investing in human capital:** Increased access to basic education, improved nutritional security of children, improved potable water access ***Indicators:*** **Education:** Number of students benefiting from tuition waivers, and reconstructed schools *Baseline*: 29,000, 0 (2009) *Target:*135,000, 22,500 (2012) **Nutrition:** Build consensus on National Nutrition Strategy *Target:* Strategy adopted by 2011 **Water:** Number of beneficiaries receiving improved water service in participating communities (access, continuity and safety) *Baseline:* 0 (2009) *Target:* 65,000 (2012) ***Sanitation:*** Number of latrines in use in project communities *Baseline:*3,060 (2009) *Target:* 4,950 (2012)	2. **Education**: Number of schools applying to participate in the tuition waiver program, number of schools reconstructed. *Baseline*: 1,000, 0 (2008) *Target*: 2,500, 15 (2012) **Nutrition:** Pilot (based on analysis, inventory, assessment (with mapping) of all nutrition programs) finalized and report on lessons learned and recommendations *Target*: Pilot completed by 2011 **Water:** Number of communities for which works on water supply systems have started *Baseline: 0* (mid-2009) *Target:* 20 (Dec 2010) Share of target group having received training on hygiene practices and sanitation *Target:* 90% (2012)	***Ongoing operations:*** *EFA- APL (FY07), Meeting Teacher Needs for EFA (FY08), Emergency School Reconstruction (FY09), Rural Water and Sanitation Project (FY07)* **Partners:** IDB, SPF ***Planned Operations:*** *EFA-APL – II (FY11)* *AAA: Social Safety Net – Conditional Cash Transfer (FY09), Country Environmental Analysis (FY10)* **IFC Program:** Business Edge Program **AAA:** *Social Safety Net – Conditional Cash Transfer(FY10)* *Basic Service Delivery (Health and Education, FY11)*

Country Devt Goals	Issues and Obstacles	CAS Outcomes	Milestones	Bank Program (and Partners)
3. Risk Reduction and Disaster Mitigation: Position risk management among the priority strategic focal areas for development	Haiti is extremely vulnerably to natural disasters—average annual loss of 2% GDP Risk management and vulnerability reduction are not an integral element of the national development strategy or sector strategies and programs Public institutions lack counter-cyclical mechanisms to channel resources to affected sectors following adverse events Avian Flu officially confirmed in 2008 and is a threat to human health and livestock production.	*Pillars* **3. Reducing vulnerability to disasters:** (i) strengthened institutional capacity for disaster preparation, response and recovery; (ii) integration of vulnerability reduction and risk management into national, sectoral and local development strategies and programs; ***Indicator:*** No. of days post-disaster to prepare: i) response plan; and ii) recovery plan *i) Baseline*: 30 days *Target*: 10 days *ii) Baseline:* 180 days *Target*: 60 days ***Indicator:*** Risk management and vulnerability reduction strategies integrated development plans *Baseline:* 0 sectoral plans consider risk management *Target:* 5 key ministry integrate vulnerability strategies into sectoral plans (Ministry of Public Works, Ministry of Agriculture, Ministry of Education, Ministry of Environment, Minister of Social Affairs)	3. Capacity established in NDRMS to prepare for and respond to adverse events: ***Indicator***: No. of local disaster risk management committees/ Rapid Response Teams trained, certified and operational *Baseline*: 40, 0 (2008) *Target*: 75, 5 (2010) ***Indicator:*** Operational Disaster Recovery and Vulnerability Reduction Coordination Unit established within the MPCE, "vulnerability reduction" units established in key line ministries *Baseline:* No units (2008) *Target:* Operational unit established within the MPCE (2009), vulnerability units established in 5 line ministries (2010) ***Indicator:*** Risk management and vulnerability reduction strategies integrated development plans *Baseline:* 0 sectoral plans consider risk management *Target:* 5 key ministry integrate vulnerability strategies into sectoral plans (2010) Monitoring and prevention of Avian Flu improved through early warning systems. ***Indicator:*** Reporting time of poultry diseases at the local level *Baseline:* 7 days *Target:* 4 days	***Ongoing operations:*** *Emergency Risk and Disaster Management Project; GFDRR Track II TA grant; Emergency Bridge Reconstruction and Vulnerability Reduction Project.* **Partners:** IDB, EU, AFD, USAID ***Planned operations:*** *Strengthening the Management of Agriculture Public Services Project (FY09), GFDRR priority country funding* **Partners:** EU, IDB, IFAD *Avian and Human Influenza (IDA).* **Partners:** IICA

Country Devt Goals	Issues and Obstacles	CAS Outcomes	Milestones	Bank Program (and Partners)
		Pillars		
Cross-cutting themes: Accelerated modernization of the Central Administration's management systems and technological modernization of the Public Administration	Despite improvements in the functioning of the core government institutions, the effectiveness, transparency and accountability of public sector management remains weak. Capacity of key sector ministries (including agriculture) to deliver quality public spending and service delivery is weak	**Institution building and supporting delivery of quick, visible results:** Improved public sector management systems, including strengthened budget preparation, budget execution and strengthened internal and external controls. ***Indicator:*** Multi year perspective in fiscal planning, expenditure policy and budgeting (PEFA indicator 12): *Baseline: D (2007)* *Target: B (2011)* ***Indicator:*** Scope, nature and follow-up of external audit (PEFA indicator PI 26): *Baseline: D+ (2007)* *Target: B (2011)* Improved capacity of MARNDR to manage public sector investments ***Indicator:*** *Baseline:* Non-salary commitment rate of MARNDR's operating budget = 80% (2009) *Target:* Non-salary commitment rate of MARNDR's operating budget = 95% (2012)	***Indicator:*** Elaboration and costing of sector strategies in 4 main ministries (Agriculture, Public Works, Health and Education) and introduction of a medium term expenditure framework perspective in the 2010-11 Annual Budget Act ***Indicator:*** Extension of the SYGAP to 6 institutions (MEF, DGI, MPCE, MTPTC, CSCCA, MICT) by 2010 and a further 4 sectors (Agriculture, Infrastructure, Health and Education) by 2011 ***Indicator:*** MARNDR investment budget reflects prioritization and targeting at most one year after *Groupe Technique Agriculture* (GTA) validation of agriculture sector policy.	***Ongoing operations:*** *EGTAG (FY05), EGTAG II (FY06), EGRO II (FY07),* ***Planned operations:*** *Strengthening of Agriculture Public Services (FY09), Budget support operation (FY10)* Trust Funds: IDF, SPF and GPF AAA: Public sector management

ANNEX B2: SELECTED INDICATORS OF BANK PORTFOLIO PERFORMANCE AND MANAGEMENT

CAS Annex B2 -
Selected Indicators* of Bank Portfolio Performance and Management

As Of Date 04/22/2009

Indicator	2006	2007	2008	2009
Portfolio Assessment				
Number of Projects Under Implementation a	5	10	12	15
Average Implementation Period (years) b	0.7	1.1	1.8	2.1
Percent of Problem Projects by Number a, c	0.0	20.0	8.3	6.7
Percent of Problem Projects by Amount a, c	0.0	5.8	1.2	1.0
Percent of Projects at Risk by Number a, d	20.0	30.0	33.3	60.0
Percent of Projects at Risk by Amount a, d	17.1	14.5	9.0	69.9
Disbursement Ratio (%) e	34.7	12.2	23.0	16.5
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US$)				
Average Supervision (US$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	33	1
Proj Eval by OED by Amt (US$ millions)	539.0	61.2
% of OED Projects Rated U or HU by Number	56.7	0.0
% of OED Projects Rated U or HU by Amt	50.9	0.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).
b. Average age of projects in the Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

ANNEX B3: IBRD / IDA PROGRAM SUMMARY

IBRD/IDA Program Summary

As Of Date 4/22/2009

Country **Republic of Haiti**

Proposed IBRD/IDA Base-Case Lending Program [a]

Fiscal year	*Proj ID*	*US$(M)*	*Strategic Rewards b (H/M/L)*	*Implementation b Risks (H/M/L)*
2009	HT (AF) Electricity Loss Reduction Proje	3.0	H	H
	HT Strength. Mgmt of Agr Pub Serv GFRP	5.0	H	H
	Community Driven Development AF	8.0	H	M
	School reconstruction	5.0	H	H
	2008 Bridge Reconstruction, Vulnerability Reduction	20.0	H	H
	Avian Flu	1.6	H	H
	Additional budget support	3.5	H	H
	Result	46.1		
2010	HT (AF) Transport Additional Financing	10.0	H	M
	Community Driven Development II	9.0	H	M
	HT EGTAG III	3.0	H	H
	Additional Budget Support	14.0	H	H
	Result	36.0		
2011	Education and training (APL II)	12.0	H	H
Overall Result		94.1	H	H

ANNEX B3: IFC INVESTMENT OPERATIONS PROGRAM

Haiti: IFC Investment Operations Program

	2006	2007	2008	2009*
Commitments (US$m)				
Gross	15.00	15.23		0.22
Net**	15.00	15.23		0.22
Net Commitments by Sector (%)				
Telecommunications	100	98.5		
Commercial Banking		1.5		100
Total	100	100	0	100
Net Commitments by Investment Instrument (%)				
Guarantee		1.5		100
Loan	100	98.5		
Total	100	100	0	100

* As of April 22, 2009
** IFC's own account only

ANNEX B4: SUMMARY OF NON-LENDING SERVICES

Summary of Nonlending Services -

As Of Date 4/22/2009

Product	*Completion FY*	*Cost (US$000)*	*Audience*[a]	*Objective*[b]
Recent completions				
HT CEM	FY06	168	All	Kn., debate
HT Country Social Analysis	FY06	82	All	Kn., debate
Haiti: Household Energy Strategy Study	FY06	60	All	P-solving
HT Integrated PER/FAA/CPAR	FY07	408	All	All
Haiti governance diagnostic	FY07	269	All	Kn., debate
Haiti - ICR ROSC	FY08	81	All	Knowledge
FSAP Haiti	FY08	123	All	Knowledge
HT ROSC AA	FY08	142	All	Knowledge
AML/CFT Assessment - Haiti	FY08	151	All	Knowledge
HT Slum Upgrading Strategy	FY08	73	Govt	Knowledge
HT-EDH's Evaluation of Technical Assets	FY08	233	Govt	P-solving
HT Telecoms Regulations Assistance	FY08	33	Govt	Knowledge
HT PPIAF Electricity	FY09	590	Govt	P-solving
HT-Woodfuels: Promoting Efficient Stoves	FY09	375	All	All
HT (CCH)Energy CDM in poor countries	FY09	69	All	All
Haiti - AML/CFT Technical Assistance	FY09	150	Govt	Knowledge
Haiti - Technical Assistance for StAR	FY09	24	Govt	P-solving
Underway				
HT Social Safety Net	FY09		Govt	Knowledge
HT Telecoms Regulations Assistance II	FY09		Govt	Knowledge
Planned				
Social Safety Nets	FY10		All	Kn., debate
Country Environmental Analysis	FY10		All	Kn., debate
PEMFAR follow-up	FY10		All	All
Haiti-DR CEM (Haiti-DR)	FY10		All	Kn., debate
Poverty Assessment	FY11		All	Kn., debate
Basic Services Delivery (Education & Health)	FY11		All	All
PEFA update	FY12		All	Knowledge

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

ANNEX B8: IDA OPERATIONS PORTFOLIO

Haiti
Operations Portfolio (IDA Grants)
As Of Date 4/22/2009

Closed Projects 38

IBRD/IDA *

Total Disbursed (Active)	64.33
of which has been repaid	0.00
Total Disbursed (Closed)	588.06
of which has been repaid	146.85
Total Disbursed (Active + Closed)	652.39
of which has been repaid	146.85
Total Undisbursed (Active)	136.36
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	136.36

Active Projects

Project ID	Project Name	Last PSR Supervision Rating: Development Objectives	Last PSR Supervision Rating: Implementation Progress	Fiscal Year	Original Amount in US$ Millions: IBRD	IDA	GRANT	Cancel.	Undisb.	Difference Between Expected and Actual Disbursements a/: Orig.	Frm Rev'd
P090159	HT Emergency Recov.& Disaster Management	MS	MS	2005		19.4			9.49	2.15	3.20
P093936	HT Governance Technical Assistance Grant	S	S	2005		2			0.13	0.00	0.00
P093640	HT CDD Project (PRODEP)	S	S	2006		46			22.50	6.98	0.69
P095371	HT Economic Governance TAG II	MS	MU	2006		2			1.77	1.70	
P095523	HT Transport and Territorial Devopment	S	MS	2006		16			13.68	7.42	
P099918	HT (APL1) Education For All	S	MS	2007		25			18.37	-3.05	
P100564	HT 2nd Econ. Governance Reform	S	S	2007		23			13.62	12.66	
P104690	HT Catastrophe Insurance Project	S	S	2007		9			1.71	0.97	
P098531	HT Electricity Project	S	S	2007		6			5.55	5.42	
P089839	HT Rural Water and Sanitation	S	S	2007		5			3.82	1.30	
P106621	HT Meeting Teacher Needs for EFA	MS	MS	2008		6			5.88		
P106699	HT Urban CDD / PRODEPUR	S	S	2008		15.7			14.28	1.00	
P111667	HT Avian Human Influenza Emergency	MS	MS	2009		1.557			1.53	0.40	
P114292	HT Emerg Bridge Reconst & Vulnerab Reduc	S	S	2009		20			19.08	4.06	
P115261	HT: Emergency School Reconstruction	#	#	2009		5			4.96	0.25	
Overall Result						201.657			136.36	41.26	3.90

ANNEX B8: IFC COMMITTED AND OUTSTANDING INVESTMENT PORTFOLIO

IFC has no committed and outstanding investments.

B8 (IFC) for Haiti

Haiti
Committed and Disbursed Outstanding Investment Portfolio

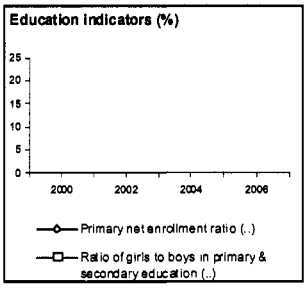
(In USD Millions)

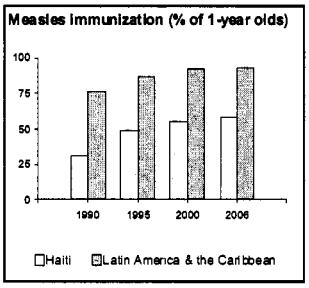
		Committed					Disbursed Outstanding				
FY Approval	Company	Loan	Equity	**Quasi Equity	*GT/RM	Participant	Loan	Equity	**Quasi Equity	*GT/RM	Participant

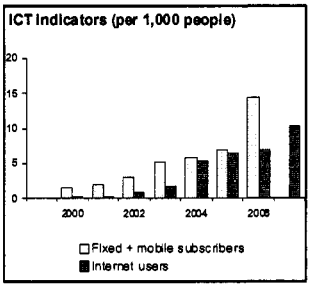
ANNEX C: PROGRESS ON MILLENNIUM DEVELOPMENT GOALS

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Haiti			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2007**
Poverty headcount ratio at $1.25 a day (PPP, % of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest qunitile (%)	..	..	*2.4*	..
Prevalence of malnutrition (% of children under 5)	..	24.0	13.9	*18.9*
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	*21*	..	..	..
Primary completion rate (% of relevant age group)	28	..	..	..
Secondary school enrollment (gross, %)	*21*	..	..	..
Youth literacy rate (% of people ages 15-24)	..	..	..	..
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	*94*	..	..	..
Women employed in the nonagricultural sector (% of nonagricultural employment)	40	..	..	..
Proportion of seats held by women in national parliament (%)	..	*4*	4	4
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	152	142	109	*80*
Infant mortality rate (per 1,000 live births)	105	99	79	*60*
Measles immunization (proportion of one-year olds immunized, %)	31	49	55	*58*
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	*670*
Births attended by skilled health staff (% of total)	*23*	20	24	*26*
Contraceptive prevalence (% of women ages 15-49)	*10*	18	28	*32*
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	2.2	2.2
Incidence of tuberculosis (per 100,000 people)	467	407	354	*299*
Tuberculosis cases detected under DOTS (%)	..	*1*	20	*55*
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	52	54	56	*58*
Access to improved sanitation facilities (% of population)	29	27	24	*19*
Forest area (% of total land area)	4.2	..	4.0	*3.8*
Nationally protected areas (% of total land area)	..	..	..	*0.3*
CO2 emissions (metric tons per capita)	0.1	0.1	0.2	*0.2*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	6.7	4.8	4.6	*3.6*
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	0.6	0.8	0.8	*1.6*
Mobile phone subscribers (per 100 people)	0.0	0.0	0.6	22.9
Internet users (per 100 people)	0.0	*0.0*	0.2	10.4
Personal computers (per 100 people)	..	..	*0.1*	*0.2*







Note: Figures in italics are for years other than those specified. .. indicates data are not available. 9/24/08

Development Economics, Development Data Group (DECDG).

ANNEX D: SELECTED INDICATORS AND MEDIUM-TERM MACROECONOMIC FRAMEWORK

Haiti: Selected Macroeconomic and Financial Indicators and Medium-Term Macroeconomic Framework, 2008-2012
(Fiscal Year Ending September 30)

	2008	2009	2010	2011	2012
	(Annual percentage change)				
National income and prices					
GDP at constant prices	1.3	2.5	2.7	3.2	3.3
GDP deflator	17.0	12.0	10.0	8.0	7.0
Real GDP per capita (local currency)	-0.4	0.8	1.0	1.6	1.7
Consumer prices (period average)	14.4	12.8	9.0	7.5	6.0
External Sector (value in US$)					
Exports of goods and non-factor services	7.3	-4.3	12.7	6.3	6.5
Imports of goods and non-factor services	22.4	2.8	2.7	6.7	7.2
Central Government (value in G)					
Total revenues and grants	9.0	29.1	4.6	12.0	11.9
Central Government revenue 1/	15.7	22.1	19.0	13.0	13.0
Central Government primary expenditure	37.2	34.9	5.3	8.9	8.5
	(In percent of GDP, unless otherwise indicated)				
National Income					
Consumption	102.2	96.9	97.2	96.3	95.9
Private	95.6	89.8	90.2	89.5	89.2
Public	6.6	7.1	6.9	6.8	6.6
Investment	26.0	31.0	28.7	29.9	30.9
Private	19.1	22.0	21.0	22.5	23.5
Public	6.9	9.0	7.7	7.4	7.4
GDP per capita (US$)	728	765	802	832	864
External Sector					
Non-interest current account deficit	-2.9	-4.4	-3.0	-3.4	-3.4
Exports of goods and non-factor services	11.8	10.6	11.2	11.3	11.4
Imports of goods and non-factor services	40.0	38.5	37.1	37.5	38.1
External current account balance 1/	-8.6	-11.9	-8.4	-8.2	-8.5
External current account balance 2/	-2.6	-4.4	-3.0	-3.0	-2.9
Liquid gross reserves (in months of imports of G&S)	2.9	2.6	2.7	2.9	3.0
Central Government					
Central Government overall balance 2/	-2.8	-3.9	-3.6	-3.1	-2.6
Total revenue and grants	13.9	15.6	14.5	14.6	14.7
Central Government revenue 1/	9.9	10.5	11.1	11.2	11.5
Central Government primary expenditure	16.1	18.9	17.6	17.2	16.9

1/ Excluding grants
2/ Including Grants

Source: WB staff calculations based on Government and IMF data.

ANNEX E: SUMMARY OF PDNA

169. Following the 2008 storms and hurricanes, the Government led a Post-Disaster Needs Assessment (PDNA) with technical and financial support from the Global Facility for Disaster Reduction and Recovery (GFDRR), the United Nations, the European Commission and the World Bank. The PDNA provides a comprehensive recovery plan focusing on social protection, food security and watershed recovery. It also lays out an action plan for strengthening the National Disaster Risk Management System, including the mainstreaming of vulnerability reduction and risk management into national and sectoral development strategies and investment programs.

170. The PDNA put damages and losses due to the hurricanes at close to US$900 million or 15 percent of Haiti's 2007 GDP – which is more than 45 percent of the revised 2008 budget. The table below provides the details. Productive sectors and infrastructure account for two-thirds of total damages and losses.

Table 5: Summary of Damages and Losses

Sector	Damages and losses US$m
Productive sectors	**443**
Agriculture	198
Industry	104
Commerce	119
Tourism	21
Infrastructure (minor categories excluded)	**151**
Roads	130
Water and sanitation	8
Social sectors	**222**
Housing	178
Health and Education	44
Total	**898**

ANNEX F: PROGRESS AND CHALLENGES BY SECTORS

i. Agriculture and Rural Development

171. Increasing Haiti's agricultural production is a central element of the Government's response to the food crisis as well as the economic growth agenda. The agriculture sector contributes 27 percent of GDP (2007), employs approximately 50 percent of the total workforce, 2/3 of the rural workforce, and 75 percent of the low-income workforce. The last couple of years have brought modest increases in public investments with respect to rural infrastructure and agricultural services—rural roads, rehabilitation and improvement of irrigation systems, re-launching of regional agricultural research and development centers, and animal plant and health services—as well as some success in agroforestry. Recent experience suggests that farmers' incomes can increase in a sustained fashion while environmental degradation and vulnerability to natural disasters are reduced. Efforts to scale up adoption of such agricultural technologies among farmers, especially in hillsides, however, have been largely ineffective.

172. *Avian Flu.* The H5H2 virus was detected in December, 2007, in the Dominican Republic, which shares the same island as Haiti. In June, 2008, the existence of the virus was confirmed in Haiti. There are approximately 5 million poultry in Haiti, of which 80 percent are owned by subsistence farmers for family consumption and sale on local markets. The Ministry of Agriculture, Natural Resources and Rural Development's (MARNDR) Directorate of Animal Health that includes the National Veterinary Laboratory at Tamarinier, has limited prevention, surveillance and response capacity due to the dearth of facilities. It also suffers from a shortage of veterinarians.

ii. Infrastructure

173. *Transport.* Despite massive investments, particularly in roads, over the past five years, transport remains a formidable bottleneck to growth and poverty reduction. Most of the road network is still in poor or very poor condition, impeding access during the rainy season and causing transport costs and travel times to be more than double regional norms. Road investments should continue to focus on the primary network as well as secondary and tertiary roads that are considered key to territorial development by regional and local stakeholders. Timely road maintenance is an urgent priority and requires a major scaling up of the routine, periodic and emergency maintenance activities successfully piloted through the Road Maintenance Fund over the past two years. The institutional capacity of the Ministry of Public Works, Transport, and Communications (MTPTC) is extremely weak and needs to be progressively rebuilt within a strategic restructuring of the ministry and in the broader context of public sector reform in Haiti.

174. Private sector participation may increase in airports in the near future, following an ambitious reform program of the Government, which should produce significant

efficiency gains. The port sector, however, remains in critical condition and, given the country's geographic configuration, poses serious limitations to competitiveness.

175. *Electricity.* The Haitian electricity sector faces a number of significant challenges, reflected by the lowest rate of access to electricity in the region (12.5 percent) and unreliable service (4 to 8 hours per day in the capital on average). The sector suffers from limited public resources, political interference in procurement decision processes, a lack of transparency and accountability, and the inefficiency of the public electricity utility Electricité d'Haïti (EDH). The most pressing needs in the sector are: (i) improving sector governance, including EDH management; and (ii) enhancing and rehabilitating existing infrastructure.

176. Haiti also faces a domestic energy crisis. Wood fuel supplies 72 percent of household energy demand. Due to indiscriminate exploitation of firewood, and unfavorable environmental conditions, forest cover today represents a mere 1.4 percent of the national territory.

iii. Human Development

177. The near-total absence of functioning public health and education systems has left Haiti with some of the lowest indicators on human development across the globe. With nearly half of the population illiterate, and characterized by an infant mortality rate of 76 per 1,000 births and the highest incidence of HIV/AIDS outside sub-Saharan Africa.

178. Malnutrition is a serious concern in Haiti with an estimate of one out of four children (under five years) chronically malnourished and one third of them suffering from severe malnutrition. More recently, the worldwide economic downturn and the accompanying food and fuel price shocks have further aggravated the plight of the poor. The fear is that the impact of the current crises on caloric consumption and therefore on malnutrition will badly hit the most vulnerable groups- children aged 0-2 years, and pregnant and nursing mothers[15].

179. *Education:* Haiti faces considerable challenges in the education sector: (i) extremely weak public provision of schooling, representing less than 20 percent of enrollment and less than 10 percent of primary schools; (ii) very poor quality of services (when available); and (iii) low state capacity to respond to these and other issues in the sector. Minimal state provision and funding of education results in school fees that average more than US$80[16] per child, and a primary net enrollment rate (NER) of a mere 71 percent (and as low as 55 percent, according to some estimates).[17] Children who do have access to school often repeat grades and drop out prior to finishing primary education, many without acquiring even minimal literacy skills, due to the poor quality of

[15] The Ministry of Health and Action against Hunger (ACF international) are implementing a national representative survey on nutrition. The results should be ready in the next months.
[16] Moisset 2005. UNICEF 2006 estimates US$131, including indirect costs such as books, uniforms and transportation.
[17] Education statistics demonstrate great variance in Haiti, ranging from less than 50 percent according to the latest DHS survey to more than 80 percent according to official statistics.

teaching. A poverty trap is then developed, as those dropouts have few opportunities for human capital accumulation, resulting in poor labor market outcomes. Their children are then born into poverty, with the corresponding low access to quality education, which limits their prospects for attaining decent educational and thus labor market outcomes. Finally, the state's capacity for increasing the supply of education and improving the quality of teaching is very low.

180. *Health.* Services reach only 40 to 60 percent of the population. It is estimated that about 80 percent of the population rely on traditional medicine, while 40 percent do not seek health care in the formal health network due to financial barriers. The poor have limited access to basic treatment (for malaria, fever, and diarrhea) because of their inability to pay for the treatment or to buy drugs. They rely on public institutions for their care where they can apply for and obtain fee waivers. However, only about 30 percent of health care facilities in Haiti are public and most of them are located in urban areas. The private for-profit sector, which provides about 20 percent service coverage, is mainly located in urban areas and is prohibitively expensive for the majority of Haitians.

181. *Water and Sanitation.* Access to safe water and sanitation services is poor: only 54 percent of the population has access to an improved source of water, and 30 percent to adequate sanitation facilities. As a result, diarrheal diseases claim the lives of nearly 5,000 children every year (WHO 2008). Available funds cover only a fraction of the investment needed to reach the MDG target for water supply and sanitation. The two main sector institutions are weak. In January 2009, Parliament passed a water and sanitation framework law that assigns the lead role in the sector to the MTPTC, and aims to gradually decentralize service provision to four regional entities and ultimately to municipalities.

182. Human development outcomes are also adversely affected by the extremely limited public social protection services. The 'safety net' in Haiti is comprised largely of remittances and humanitarian relief, but these only partially fill the gaping void left by the state. Left on their own, many households resort to negative coping strategies, such as pulling children out of school, and selling off productive assets (tools, livestock) in order to survive. The current food price crisis has highlighted yet again the importance of having an effective social protection system in place with the ability to target the most vulnerable and to respond when needs arises. There is perhaps more awareness today than ever before of the need to develop a coherent and effective social protection system that corresponds to Haiti's level of development and the nature of the shocks it faces.

iv. Environment and Disaster Risk Management

183. *Environment:* Haiti's environmental degradation is a major factor in its vulnerability to natural disasters. Over the past two decades, water catchment areas in upper watersheds have been rapidly deforested, with forests converted to agricultural and livestock use, or felled for charcoal production, without replanting. This has destabilized hillsides and reduced the filtration capacity of water, leading to extensive erosion and flooding. The DSNCRP estimates that 25 of the country's 30 main watersheds are severely degraded. There is an urgent need to improve environmental management, by

cutting charcoal production and improving agricultural and environmental conservation. Developing and implementing integrated watershed management strategies is a priority.

184. *Disaster Risk Management.* According to the World Bank's *Natural Disaster Hotspot Study*, Haiti is one of the most at-risk countries in the world to adverse natural events. With 96 percent of its population living at risk from one or more hazards, Haiti has the highest vulnerability rating among the region's small developing island states (12.9 on a scale of 13).[18] Severe environmental degradation and the presence of settlements in low lying areas and floodplains make the country vulnerable. Vulnerabilities are exacerbated by the high levels of poverty, weak public infrastructure, a history of ineffective governments as well as serious fiscal problems.

185. Over the past four years, Haiti's National Disaster Risk Management System (NDRMS) has successfully reduced the mortality levels associated with adverse natural events.[19] While much has been accomplished in the areas of disaster preparation and response, the next challenge for Haiti will be to secure its hard won development gains. This issue is particularly acute in Haiti, as over the course of the last 20 years, adverse natural events such as the impact of the 2008 hurricane season have reduced Haiti's annual growth by an average of 1.5 percent per year. From the 2008 storms, damages and losses were put at nearly US$900 million, or 15 percent of GDP (PDNA).

186. While the NDRMS provides the general directives for vulnerability reduction and risk management, its operational focus remains oriented towards disaster preparation and response activities. In order to successfully transit from a "living at risk" to "living with risk" country, Haiti needs to integrate vulnerability reduction and risk management into its national and sectoral development strategies and programs.

v. The Business Environment and Framework for Private Sector Activity

187. In addition to the more general problems of insufficient infrastructure, political instability and physical security, the challenges facing investors and businesses include: weak regulatory frameworks and institutional capacity; an inadequate system of land titling; and insufficient risk capital. Haiti ranked 154th out of 181 countries for overall ease of doing business in the 2009 Doing Business rankings.

188. The private sector, like the public sector, faces a shortage of skilled labor, exacerbated by the massive outward migration that affects the country. However, remittances and investments from Haitians abroad also open opportunities for the private sector (See Box 5).

189. The HOPE I Act, passed by the US Congress in December 2006, extended duty-free treatment for selected apparel exports from Haiti to the US. Although it was originally conceived to rejuvenate the garment sector, Haiti's ability to take advantage of HOPE was limited by: the relatively short timeframe of the legislation (three years);

[18] *Reducing Disaster Risk, a Challenge for Development, UNDP 2004.*

[19] While the 2004 hurricane season resulted in 5,000 casualties over 300,000 affected people, in the storms of 2008 resulted in fewer than 800 casualties among 865,000 affected people.

restrictions on fabric rules of origin; and limitations on the types of garments that were given preferential access.

190. The HOPE II Act, which passed in May 2008, greatly improves treatment of Haitian products – and is therefore a more promising opportunity for revitalizing the garment industry, previously one of Haiti's largest. HOPE II has an effective period of 10 years, with relaxed rules of origin, and extends preferential trade benefits to both woven and knitted-products made in Haiti and imported into the US. As such, it covers most of Haiti's existing and future apparel exports. However, HOPE II requires companies involved to pass stringent labor guidelines, many of them within 16 months of the legislation being passed. Implementation of these labor standards is critical to the success of Haiti's ability to capitalize on the preferential access that Haiti provides.

191. In addition to the difficult business environment, as outlined above, Haitian textile producers are constrained by a range of industry-specific factors, including a lack of Ready-Made Garment (RMG) specific infrastructure, including factory space to house production operations; as well as poor access to finance due to a lack of risk capital. The country also lacks the knowledge and skills in labor management needed for the implementation of the labor rules required of companies wishing to obtain duty-free entry into the US market under HOPE II.

Box 5: Outward Migration and Remittances

Massive outward migration has deprived the country of many skilled and educated people but remittances from the diaspora sustain the country. In 2006, the roughly 1.5 million Haitians living abroad sent back more than US$1.65 billion (IDB data), or around a third of GDP, making Haiti one of the most remittance-dependent economies in the world.

The Bank's "Remittances and Development" contains estimates of the development impacts of these flows on Haiti. Using 2001 data it finds that remittances tend to reduce income inequality and poverty. Moderate poverty rates among recipients are around 11 percentage points lower (15 points for extreme poverty) thanks to remittances. With regard to labor supply, Haitians who receive remittances are more likely (not less as in other LAC countries) to participate in the labor force than non-recipient individuals with similar characteristics. They are also more likely to be self-employed in the commerce sector, most likely operating informal microbusinesses (see below).

As well as benefits, remittances also create policy challenges. Some of these include: dealing with the brain drain (more than 80 percent of Haitian university graduates have migrated and about half of them are not employed in activities that are consistent with their skills), dealing with pressure toward real exchange rate appreciations (e.g. by further increasing market flexibility and potentially moving from payroll to VA taxes), and reducing transaction costs for remittances services through increased competition, contestability and transparency in this industry (see the recent FSAP and an ongoing "Corridor study" for some more specific suggestions).

One specific challenge is taking advantage of remittances to promote increases in access to financial services among the poor. By depositing a fraction of remittances in financial institutions, recipients could gain access to a greater range of financial services and find a safe way to accumulate assets. To a large extent, however, this depends on the ability of banks and especially microfinance institutions (MFIs) to develop appropriate financial products, targeted specifically to low income recipients. As suggested by the recent FSAP, this is already happening to some extent in Haiti, with most MFIs offering some sort of savings product to their clients, 90 percent of whom are informal commercial microfirm owners. Reportedly (based on interviews with MFIs), most of the new saving deposits captured by MFIs come from remittances recipients.

ANNEX G: SELECTED RESULTS DURING ISN PERIOD

192. The WBG's Interim Strategy Note (ISN), discussed by the Board in January 2007, focused on two pillars: (i) delivering hope to the population through quick wins in the areas of basic services and job creation; (ii) restoring credibility in public institutions through reforms that promote longer-term economic governance and institutional development.

193. ISN performance was satisfactory. All of the specific results aimed for, as set out in the table below. The targets set were modest, as most IDA projects would be at an early stage at the end of the ISN period. But solid results had already been achieved by the end of FY08, in particular through more advanced IDA projects (FY05 and FY06 approvals) and trust fund grants. In addition, the rapid expansion of the portfolio in FY07-FY08 has laid a solid foundation for results to be generated in the current CAS period, with most projects now in the implementation phase.

Table 6: Key Performance Areas and Indicators for FY07-08 Program

Pillar	Selected outcomes of IDA assistance	Pillar-specific indicators	Actual Progress on ISN Influenced Outcomes	Bank assistance contributing to achievement of outcomes	
				Projects (USSM)	AAA (delivered)
Deliver hope through quick wins	Contribute to improve the living conditions of poor Haitians through the provision of basic services and job creation	40 OCBs officially constituted and participating in COPRODEPs (project committees) 40 Communes successfully managing direct transfers to CBOs for community subprojects 54 community based civil protection committees created and trained and 54 sub-projects implemented 40,000 people gain water supply access and 15,000 gain basic sanitation in rural communities of Southern Department (*by end of project 2011*)	Achieved. Achieved. Achieved. IDA project entering implementation. 5,200 people gained WSS access though LICUS grant	IDA CDD (38) PCF Urban CDD (1.2) IDA Urban CDD (15.7) IDA ERDMP (12) LICUS Grant – Water and Sanitation (0. 9) IDA Rural WSS (5)	ESMAP wood fuel substitution TA
Restore credibility in public institutions	Promote increased transparency, accountability and efficiency in public resource use	External audit reports on Central Government consolidated operations to be made available to the public through appropriate means within 9 months of completed audit Strengthen national dialogue on policy issues (as demonstrated by the preparation of a full participatory PRSP) Alignment of public spending priorities with I-PRSP and, when completed with PRSP, reflecting emphasis on pro-poor growth.	Achieved. Achieved. (Finalized Nov. 2007.) Achieved.	IDA – EGRO II (23) HIPC EGTAG I	PEMFAR TF to support DSNCRP.

i. ISN Pillar 1: Delivering Quick Wins in Basic Services and Job Creation

194. The CDD project has been an efficient channel to deliver basic services and income generation opportunities quickly to poor Haitians. By June 2008, the CDD project had formed and trained 32 community committees (COPRODEPs) and 2,460 community-based organizations (CBOs). A total of 164 sub-projects had been completed or were under implementation. (By December 2008, the total had risen to 612). These focused on: farming and livestock assets, equipment or inputs (27 percent); rehabilitation of roads (20 percent); access to water for personal consumption and irrigation (15 percent); community-based MSMEs (10 percent); and youth-targeted sub-projects, for professional skills or recreation (8 percent). A US$1.25 million PCF project piloted CDD in the violence-prone urban areas of Cité Soleil and Bel Air. By June 2008, two COPRODEPs had been created, 135 CBOs trained and 19 sub-projects completed. (As of March 2009, 27 sub-projects had been completed and 10 were under implementation).

195. The strengthening of Haiti's disaster management system, due largely to IDA support, was evident in the reduced death toll in the port city of Gonaives after the 2008 storms, compared to the impact of Tropical Storm Jeanne in 2004. While flooding and damage were worse in 2008, the number killed in the city fell to 793 from about 3,000 in 2004. By the end of the ISN period, the ERDMP project had supported the creation of 54 local civil protection committees, the formulation of preparedness plans, the training and equipping of rapid response teams, the introduction of an early warning system, and shelter improvement. By June 2008, 26 small risk mitigation projects of about US$25,000 had been completed (54 by December). Reconstruction works and risk mitigation projects contributed to the creation of temporary jobs in target areas.

196. To reduce the cost of cooking for urban households, improve health conditions and reduce pressure on wood fuel resources (through lower charcoal consumption), the ESMAP-funded project, "Dissemination of improved stoves in Haiti" (US$390,000), has assisted MSMEs in developing production of energy efficient stoves. As of December 2008, more than 2,000 improved stoves had been sold, 144 artisans trained and 120 certified for the production of stoves. Additional ESMAP funding of US$80,000 enabled the extension of the project through June 2009.

197. Bank support enabled an expansion of access to basic education for poor children, and improved readiness to attend school and learn among children (through the provision of nutritious meals). Tuition waivers under the EFA project enabled 29,000 poor children aged 5-12 in the Nippes and Artibonite regions to attend school in the 07-08 school year. This was nearly double the target of 15,000, due partly to additional funding from CIDA. A school feeding program through a PCF grant, and subsequently the EFA project, provided nutritious food to 15,000 poor children in 06-07, and 30,000 in 07-08.

198. The LICUS-financed Water and Sanitation Project (WSS, US$855,000) built three water supply systems in small towns, supplying clean water to more than 5,200 people in the Southern Department and promoting an innovative management model aiming at greater sustainability, through cooperation between local committees and professional operators. Constructions also created temporary jobs.

ii. ISN Pillar 2: Restoring Credibility in Public Institutions

199. The Bank's program supported the improvement of budget planning, control and execution and the strengthening of the public procurement system. The EGRO II program supported Government achievements during the ISN period including: the satisfactory execution of the FY2007 and 2008 annual appropriation laws with an emphasis on poverty reduction, the audits of the treasury accounts for FY2003, 2004 and 2005 and the drafting of the Budget Review Acts for FY2005 and 2006. With Bank support, mainly through EGTAG I, a partial adoption of improved procurement practices by some key government entities has occurred. The National Commission for Public Procurement (CNMP), created in 2005, has drafted a new Procurement Law and introduced standard bidding documents and national procedures to Government procurement staff through a series of seminars in 2006 and 2007. Public financial management was also improved by: (i) the development of a budget preparation and execution manual; (ii) the recruitment and training of public accountants and financial comptrollers; (iii) technical assistance to CSCCA to clear the backlogs of audits: and (iv) the financing of a debt management system (also EGTAG I). In addition, the introduction of a monitoring mechanism for transfers to the electricity sector has helped to improve transparency in the sector.

200. With the aim of strengthening the public sector's human resource management and promoting public employee accountability, the Bank Group helped authorities achieve some important milestones: the completion of a draft of the registry for state employees of key line ministries (EGTAG I), the completion of a National Governance Diagnostic Survey and dissemination of results (WBI Trust Fund and EGTAG), the drafting of an Anti-Corruption Strategy (adopted 2009), technical assistance for the preparation of a law on asset declaration which has been in effect since February 2008 and the support of the Anti-Corruption Unit (ULCC), created in 2005 and now fully operational (US$1 million LICUS grant and EGTAG).

201. Bank-financed projects also contributed to a strengthening of the institutional and strategic frameworks of key sectors, including education and water and sanitation. A US$500,000 LICUS project for "Public-Private Partnerships for Education" which laid the foundations for the EFA project, contributed to: (i) the creation of the National Office for Education Partnership (ONAPE), to oversee public-private partnership; and (ii) the preparation of a national Education for All strategy. In the water and sanitation sector, the LICUS WSS Project enhanced the capacity and credibility of SNEP (*Service National d'Eau Potable*), the State Water utility, as an execution agency. SNEP's policy role was also strengthened through the creation of a rural unit (*cellule rurale*) and the development of operational directives that serve as a basis for its cooperation agreements with NGOs.

ANNEX H: PROPOSED PROGRAM OF IDA PROJECTS, TRUST FUNDS AND AAA

FY09					
Pillar	**IDA**	**Amount ($M)**	**Trust Funds**	**Amount ($M)**	**AAA/ESW NLTA**
1 - Promoting Growth and Local Development	Strengthening Agriculture Public Services Electricity Loss Reduction AF CDD AF	5 3 8	Business Edge TRTA: Implementation of HOPE II	0.398 0.150	Energy CDM in Poor countries PPIAF Electricity Telecom Regulations Technical Assistance II Woodfuels: Promoting Efficient Stoves Opportunities from the HOPE Act
2 – Investing in Human Capital	School reconstruction	5	Nutrition and Safety Net NLTA Rural Water & Sanitation - State and Peace Building Fund (SPF)	0.200 5.000	
3 – Reducing Vulnerability to Disasters	2008 Bridge Recons., Vulnerability Red. Avian Flu	20 1.6	GFDRR - PDNA and Follow-Up GFDRR - Coordination Unit Support GFDRR - priority country	0.180 0.500	
Cross-cutting themes – Institution-Building and Visible Results			Strengthening Government Capacity for Policy Design (EPDF) PRSP Monitoring TF	0.500 0.432	PRSP Progress Report/JSAN AML/CFT Technical Assistance Technical Assistance for StAR
Total		**42.6**		7.360	
FY10					
Pillar	**IDA**	**Amount**	**Trust Funds**	**Amount**	**AAA/ESW NLTA**
Pillar 1	Transport and Territorial Development AF CDD II	10 9	South-South Facilitating Knowledge Exchange in Garment Production	0.05	
Pillar 2					Social Safety Nets (with PREM) Country Environmental Analysis
Pillar 3	AF behind Govt. priority program	11	South-South on Disaster Management Climate change adaptation funds	0.075	
Cross-cutting themes	Development policy operation (Haitian FY09) Development policy operation (Haitian FY10) Governance TA	12.5 14 3	Job Creation (SPF) Monitoring and Evaluation (SPF)		PEMFAR follow-up Haiti-DR CEM (Haiti-DR)
Total		**59.5**		0.125	
FY11					
Pillar	**IDA**	**Amount**	**Trust Funds**	**Amount**	**AAA/ESW NLTA**
Pillar 1					
Pillar 2	Education and training (APL II)	12			Basic Services Delivery (Education & Health)
Pillar 3					
Cross-cutting themes					Poverty Assessment
Total		**12**			

* A rough estimate of US$ 7M has been made for FY12

ANNEX I: DETAILED PROGRAM BY CAS PILLARS

A. CAS pillar 1 – Promoting Growth and Local Development

i. Community-Driven and Local Development

202. A second-generation rural CDD project of US$9 million is envisioned for FY10. This project would build on the success of the current CDD efforts and increase support to local authorities while safeguarding the de-politicized approach. As an input to the preparation of this project, various local-level service delivery mechanisms will be assessed to help harmonize CDD in Haiti and ensure a mainstreamed, coherent, accountable and effective service delivery framework at the local and community level.

203. In early 2009, an additional financing of US$8 million was processed to ensure continued support to the rural communes who participate in the ongoing US$38 million IDA CDD project which covers 57 rural communes (of 140 in total). The funding was part of the Bank's post-hurricane response, as it provided an effective way to deliver resources to needy rural communities. In late 2008, a US$15.7 million urban CDD project became effective. This project scales up the CDD approach in poor and violence-prone urban areas, building on the successful US$1.25 million pilot funded by a Post Conflict Trust Fund Grant which closed on 30 April, 2009.

204. IFC will seek to facilitate private sector investment, particularly in export generating sectors, developing opportunities under the Caribbean Basin Initiative. Investments in trade financing and microfinance will also be supporting rural producers, likely complementing the CDD project and IDA support to small farmers. Furthermore, IFC advisory services on improving the business environment should have a positive impact for the agribusiness sector. IFC projects will build on IDB technical assistance in investment generation, and will work in conjunction with a USAID PSD project (I-Trade).

ii. Infrastructure

205. *Transport.* An additional grant financing of around US$10 million for the ongoing Transport and Territorial Development Project (US$16 million) is proposed for FY10 to replenish the funds that were reallocated to emergency reconstruction activities in 2007 following the passage of Tropical Storm Noel, as well as cover the increase in road works' prices. This project lowers marketing costs for small producers in two pilot micro-regions by improving road conditions and financing of productive initiatives prioritized by local stakeholders as part of a territorial development planning process. The project is implemented in close coordination with the French Development Agency and the European Union, and includes support on road maintenance policies with the Ministry of Public Works, Transport and Communication (MTPTC), as well as technical assistance to the Haitian Road Maintenance Fund.

206. A new US$20 million Emergency Bridge Reconstruction and Vulnerability Reduction Project was approved by the Board in November 2008. This grant finances

retroactively emergency solutions (fords, temporary overpasses) to quickly restore access on select main roads, as well as the reconstruction of two of the four main bridges that were destroyed by the 2008 series of tropical storms and hurricanes. The project will improve the resilience of Haitian bridges and roads to future natural disasters. It will also finance institutional building and technical assistance activities to help improve infrastructure asset management practices within the MTPTC, and strengthen the National Disaster Risk Management System (see Pillar 3 below).

207. A joint venture between MINUSTAH and the Bank, implemented by UNDP, will use a US$903,000 LICUS grant to rehabilitate and improve Lane 23 and associated drainage systems. Lane 23 is a currently impassable main access road to the center of Martissant, an impoverished urban area of Port-au-Prince, from the Route Nationale No. 2 highway. The project also seeks to improve living and sanitary conditions, create short-term employment, and promote a reduction in crime and violence by addressing key socio-economic drivers of violence and gang membership (poverty and unemployment). MINUSTAH is contributing engineering expertise and equipment.

208. *Energy.* An additional grant financing of US$3 million is proposed for mid-year 2009 to finance private management services for the public electricity utility (EDH), which will enhance the efficiency and effectiveness of the utility, as well as meeting cost overruns for the existing project. This will supplement the Electricity Loss Reduction project (US$6M), through which the Bank supports improvements in the quality of the electricity services by strengthening the financial and operational performance of EDH Activities funded by the original project include the implementation of customer management and technical service management systems. The additional financing also builds on a PPIAF study ($590,000) which set out a proposal for improving EDH management and drafted contracts for the experts to be brought in. The study also financed tariff and market studies. In parallel, IFC will support private investments in electricity.

209. Renewable energy is another area where joint Bank/IFC efforts could lead to private sector investment opportunities. The Bank financed a study on the potential for Clean Development Mechanism (CDM) projects in Haiti which sought to promote development of clean energy projects and reduce future dependency on fossil fuel-based generation. Through the CDM, eligible projects could obtain carbon credits to leverage private sector investment in clean energy. This study could lead to IFC investments in the sector.

210. *Telecommunications.* The Government of Haiti has requested Bank seed funding to build, with the private sector, a national broadband telecommunications network to connect rural areas to urban centers, and also to access international submarine networks and a high speed link with the Dominican Republic. This project would be part of Haiti's participation in a Caribbean-wide Regional Communications Infrastructure Program, aimed at promoting global competitiveness and regional integration in the Caribbean, through lower costs of connectivity. Telecommunications is potentially an area for Bank/IFC collaboration.

211. *Manufacturing – Textiles.* Garment manufacturing may generate employment in Haiti. The RMG sector needs technical assistance and capacity building aimed at increasing productivity and attracting short and long-term financing. This sector will be a key priority IFC's investments in the country. Given the difficult constraints in this sector, IFC will seek to develop an integrated approach: (i) investments, largely contingent on the availability of viable projects; and (ii) advisory services including investment climate reform, agribusiness, improving labor practices, business skills and company-specific technical assistance.

212. Should the opportunity arise, IFC will invest in other growth and income generating activities, notably in other manufacturing activities and tourism.

213. *Financial Sector.* IFC will help: (i) improve access to finance through investments in microfinance, general bank lending, trade finance, and special projects to support priority sectors such as textile; and (ii) strengthen the financial sector by engaging with leading financial institutions (including equity investments). Work done under the Bank/IMF FSAP, is helping open new opportunities for IFC investment. WBG coordination in this area will help improve banking sector penetration, notably for the smaller entrepreneurs and the rural producers resulting in income generating opportunities for poor people.

iii. Agriculture

214. In light of the high priority assigned to increasing agricultural productivity, a US$5 million operation is being prepared to strengthen agriculture public services in mid-year 2009. The project will address key institutional bottlenecks in the Ministry of Agriculture and catalyze the disbursement of substantial resources available by other donors in the sector. It will also pilot improved service delivery approaches to producers in the east of the country (Thiotte-Baptiste). The operation is being processed under the Global Food Response Program.

B. CAS Pillar 2 – Investing in Human Capital

i. Education and Training

215. The overall Bank strategy in the education sector is to support the effective implementation of the Government's National Strategic Plan for Education for All (SNA/EPT). Specifically, the Bank will focus on the first two strategic choices relating to increasing the enrollment of Haitian children at the primary and pre-primary levels with the view of reaching the 2015 goal of universal primary education. As such, projects will focus on restoring or increasing access to schooling through: (i) reconstructing damaged schools; (ii) providing tuition waivers for poor families; and (iii) increasingly the supply of trained teachers.

216. The first education project in the CAS period is the US$5 million Emergency School Reconstruction Project (ESRP), prepared under OP./BP. 8.0 and approved in March 2008. In the wake of Tropical Storm Fay and Hurricanes, Gustav, Hanna and Ike,

and following the tragic collapse of two schools, the Government requested financial and technical support from the Bank to help restore educational infrastructure. The project has two components: (i) reconstructing 15-20 schools in affected areas, following a 'building back better' approach; and (ii) reducing and mitigating the vulnerability of educational infrastructure. The project provides support for the development of a National Plan of Action for Safe Schools. As well as helping Haiti build stronger school structures, this will strengthen the capacity of the Haitian government to enhance disaster resilience across the education sector through training, appropriate national guidelines and other measures.

217. A follow-on project, the second phase of the adaptable programmatic grant (APG) program launched with the FY07 Education for All project, is envisaged for FY10. In addition to continuing the focus on financing non-public education through the public sector, it is expected that APG 2 will move beyond primary education toward Early Childhood Education (ECE). Elements that will inform the program design are: (i) the degree to which current partners continue to co-finance activities implemented under APG 1 (either directly, or through the establishment of a Multi-Donor Trust Fund); (ii) the amount of financing that Haiti will qualify for under the Education for All Fast-Track Initiative (EFA FTI); and (iii) the preliminary activities and pilots to be implemented over the course of the year at the ECE level, supported by EPDF funding.

218. The ongoing Education for All (EFA) project has surpassed targets planned for FY08, and continues to generate good results in FY09. Due in part to additional funding provided by CIDA, the number of children enrolled in the EFA's tuition waiver program nearly doubled its expected target, from 15,000 to 29,000, and has more than doubled in FY09, surpassing the floating HIPC trigger of supporting 50,000 children using a state mechanism for subsidizing non-public provision of education services. Similarly, the school feeding component reached an estimated 45,000 children, 20,000 above the set target of 25,000 for FY09. Other components are well underway, as planned: (i) the design of an accelerated teacher training program; (ii) an Early Grade Reading Assessment; and (iii) various capacity building activities in the Ministry of Education.

219. The preparation of a new project in the education sector catalyzed the development of the new teacher training program. The US$6 million IDA project features substantial technical assistance provided by the Bank for the design of the new training program. The program is scheduled to begin training new student-teachers in September of 2009, in an effort to meet the floating HIPC trigger of training 2,500 new teachers through an accelerated teacher training program.

220. *Business skills for MSMEs.* Most SMEs in IDA countries such as Haiti, have poor management skills that limit their ability to design and implement sound business strategies. This has a negative impact on their productivity, efficiency and business growth. Overall, there is a lack of access to professional training providers that properly address SME training needs. IFC will make use of its Business Edge program to help build SMEs business skills.

ii. Social Protection and Nutrition

221. *Social Protection and nutrition.* In response to a Government request to explore options for strengthening nutritional security among Haitian children, the HD team has begun a two-year program of non-lending technical assistance (NLTA) for Haiti. The objective is to improve the capacity and effectiveness of nutrition-related programs to address problems of severe and chronic malnutrition among those most vulnerable to permanent damage caused by malnutrition. The NLTA will contribute to this objective (in partnership with the Government of Haiti, and donor community[20]) by undertaking work, opportunistically, in three *thematic areas*: Knowledge and Information; Strengthening Nutritional Security Programs; and Building Constituency and Institutions for Nutritional Security. The work will build on the Government's interest in learning from the food prices crisis and building a more resilient social protection system. This AAA will also inform the design of APG 2 by looking at the possibility of using transfers to poor households to accomplish some of the same goals as the existing system of school-managed tuition subsidies.

iii. Water Supply and Sanitation

222. The Bank supports efforts to improve drinking water and sanitation in rural areas through a US$5 million IDA grant approved in 2007, and a US$5 million SPF grant approved in 2009. These are implemented in close partnership with the IDB, which finances a US$15 million program in five of Haiti's ten departments. The Bank and the IDB efforts follow the same set of operational directives for rural water supply and sanitation which establish rules for a Sector-wide Approach. Under the new Framework Law passed in January 2009, a General Directorate for Water and Sanitation is in the process of being established in the Ministry of Public Works, and four regional water and sanitation authorities will be set up over the coming years, ultimately replacing the existing two public water companies.

223. The Bank actively seeks to harmonize approaches between the rural water and sanitation project, the CDD project and the disaster management project at the level of local communities and of implementing agencies. Expected benefits include the introduction of more sustainable management practices into water and sanitation CDD projects, more transparent and participatory local-level decision-making, and the integration of local disaster vulnerability assessment in the designs of water systems.

C. CAS Pillar 3 – Reducing Vulnerability to Disasters

224. *Reducing Vulnerabilities.* Bank-financed projects since the 2008 hurricanes integrate vulnerability reduction and risk management in their development objectives, notably the Emergency Bridge Reconstruction and Vulnerability Reduction Project, and

[20] The collaboration started with WFP, United Nations Children's Fund (UNICEF), World Health Organization (WHO), IDB and USAID but other development partners have been identified and will be approached in the next month to join the collaboration.

the Emergency School Reconstruction Project. The Bank will actively also seek to facilitate Haiti's access to climate change adaptation funds.

225. *Disaster Risk Management.* In response to the damage caused by Hurricane Dean and Tropical Storms Noel and Olga in 2007, IDA approved an additional financing of US$7.4 million grant for Emergency Recovery and Disaster Management Project for a total of US$19.4 million. This project supports the rehabilitation of areas affected by adverse events, strengthens the country's capacity to manage natural disaster risks and better respond to emergencies, and reduces the vulnerabilities of communities through risk identification and mitigation activities.

226. *Global Facility for Disaster Reduction and Recovery (GFDRR).* GFDRR has identified Haiti as one of five priority countries in the Latin America and Caribbean region. It supported a recent analysis of disaster risk management policies and activities and will finance a significant scaling up of the disaster risk management program in Haiti. GFDRR will also support the establishment of a vulnerability reduction and risk management reduction coordination unit within the MPCE with a US$500,000 grant. The unit will prepare a national vulnerability reduction and risk management policy, and coordinate the integration of risk management into the sectoral development strategies and investment programs as well as the preparation, implementation and monitoring of the national recovery and reconstruction program[21]

227. *Catastrophe Risk Insurance Project.* Haiti is a member of CCRIF, which reduces countries' financial vulnerability to catastrophic events by providing immediate liquidity after a severe hurricane or earthquake. The CCRIF is a multi-country reserve fund that relies on transparent parametric triggers for potential insurance payouts. Haiti's participation in the CCRIF was initially supported by an IDA grant of US$9 million approved in FY07 which financed the entrance fee, and 100 percent of the first two annual insurance premiums. The US$1.45 million of IDA funds remaining in the grant ahead of the 2009 hurricane season only cover part of the year's premium. CIDA has agreed to fund the remaining US$1.12 million.

228. *Avian Influenza.* Two grants for a total of US$2.6 million (US$1.6 million from IDA, the remainder from the Avian and Human Influenza Facility) were approved in 2008 to support the Government in its efforts for prevention and control of the Avian Flu Virus. The grants will strengthen the MARNDR and the MSPP in their prevention and control activities, as well as in the delivery of public services to the population regarding the closely linked human and animal health issues.

[21] This TA grant compliments component four of the US$20 million Emergency Bridge Reconstruction and Vulnerability Reduction Project as well as component two of the US$19.4 million Emergency Recovery and Disaster Management Project.

ANNEX J: DONOR SUPPORT FOR HAITI

A - The Interim Cooperation Framework

229. The transitional government that assumed power in March 2004 led, in coordination with the European Commission, the Inter-American Development Bank, the United Nations and the World Bank, a major effort to assess Haiti's social, economic and political needs and develop a program of reform and recovery for the following two years. Entitled the Interim Cooperation Framework (ICF), this program set Haiti's funding needs at nearly US$1.4 billion for 2004-2006. At an International Donors Conference on Haiti at the World Bank in Washington in July, 2004, pledges comfortably covered this amount.

230. Since 2006, President Préval's government has assumed leadership of the development program. The Government extended the ICF until September 2007 while molding it to reflect its own priorities, including road rehabilitation and projects in slum areas. The newly inaugurated Government hosted an International Conference for Haiti's Economic and Social Development in Port-au-Prince in July, 2006. This paper and the I-PRSP, produced two months later, were the main strategy documents of the Préval administration prior to the DSNCRP.

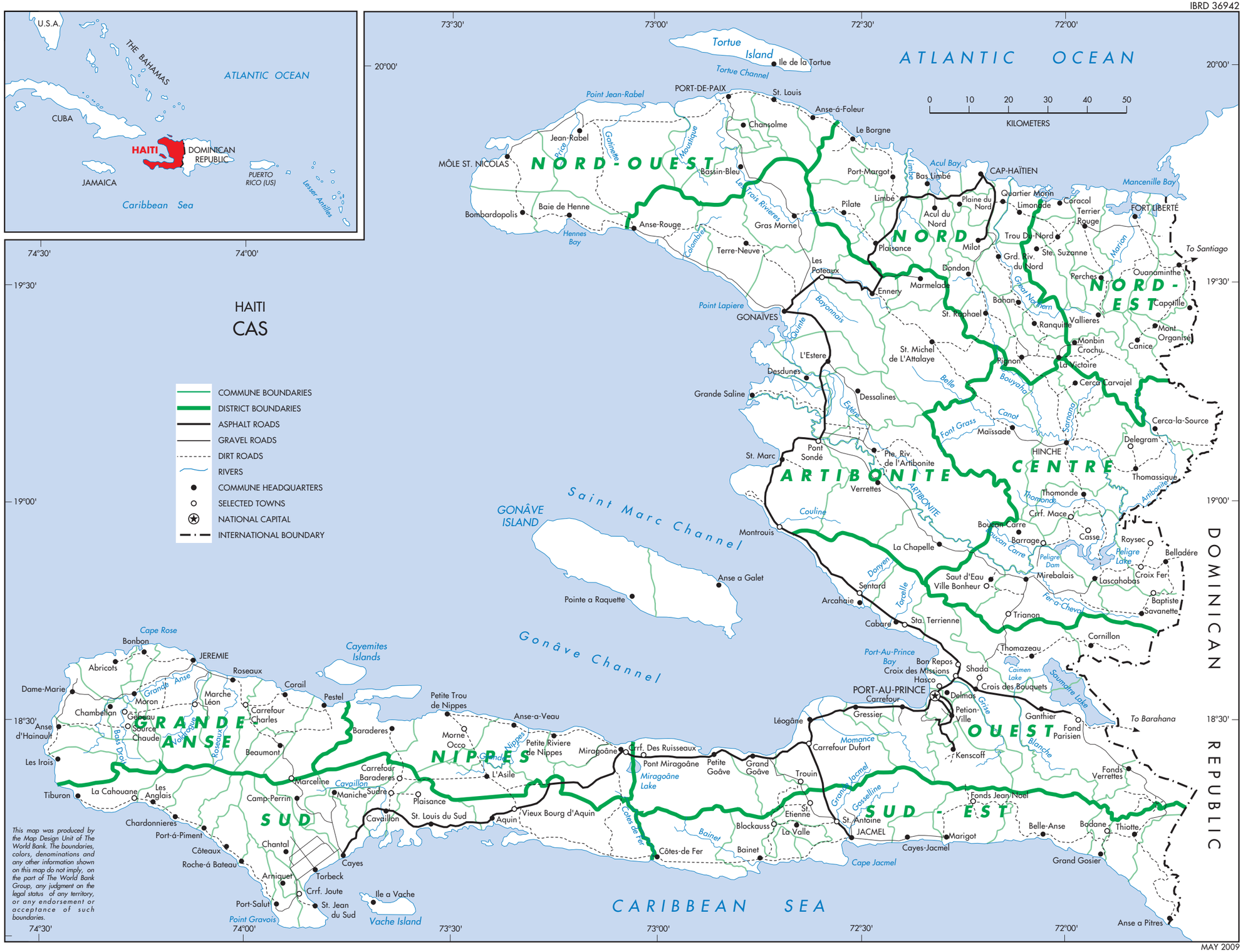
B - Donor Support for Current Government Strategy

231. The DSNCRP provided a new policy framework for donor assistance. Most donors have aimed to align support behind it. The DSNCRP adjusted overall priorities from the previous, interim strategies but at the sectoral level it maintained general consistency with these as well as with existing sectoral strategies. The document put total financing needs for implementation of the strategy at US$3.9 billion, of which the Government estimated in early 2008 that roughly half was already covered. A conference planned for April 2008 to finalize implementation and monitoring arrangements for the DSNCRP and raise funds behind it was cancelled after the food riots and the fall of the Alexis Government.

232. A Conference on Haiti's Economic and Social Development took place on April 14, 2009 at IDB headquarters in Washington, D.C. The Government raised US$324 million of additional funding behind the US$1.1 billion priority program it had set out. This program is linked to the DSNCRP, and also reflects post-hurricane reconstruction and recovery and budget support needs.

MAP SECTION

IBRD 36942



MAY 2009