Report No. 23637

Haiti
Country Assistance Evaluation

February 12, 2002

Operations Evaluation Department

Acronyms

CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CIDA	Canadian International Development Agency
CG	Consultative Group
CLF	Caribbean Loan Facility
CPIA	Country Policy and Institutional Assessment
EERC/P	Emergency Economic Recovery Credit/Plan
ERC	Economic Recovery Credit
ESW	Economic and Sector Work
EU	European Union
FAES	Fonds d'Assistance Economique et Sociale (Economic and Social Fund)
GAO	(United States) Government Accounting Office
GEF	Global Environment Facility
GDP	Gross Domestic Product
GNP	Gross National Product
HID	Human Development Index
IDI	Institutional Development Impact
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IMF	International Monetary Fund
LIL	Learning and Innovation Loan
MIGA	Multilateral Investment Guarantee Agency
MCN	Micro Credit National
NGO	Non-governmental organization
OAS	Organization of American States
OED	Operations Evaluation Department
PMU	Project Management Unit
PSIP	Public Sector Investment Program
PER	Public Expenditure Review
PRSP	Poverty Reduction Strategy Paper
SAR	Staff Appraisal Report
SMP	Staff Monitored Program
TA	Technical Assistance
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

Director-General, Operations Evaluation:	Mr. Robert Picciotto
Director, Operations Evaluation Department:	Mr. Gregory K. Ingram
Manager, OEDCR:	Mr. Ruben Lamdany
Task Manager:	Ms. Alice Galenson

The World Bank
Washington, D.C. 20433
U.S.A.

Office of the Director-General
Operations Evaluation

February 12, 2002

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: Haiti—Country Assistance Evaluation

This Country Assistance Evaluation covers the last fifteen years, a tumultuous period in Haiti. Since the overthrow of the Duvalier regime in 1986, the extraordinary instability of earlier years has continued, with thirteen governments and two periods during which most donor activities, including Bank lending, ceased altogether. Haiti's social and economic indicators are comparable to those of the poorest countries in the world. Roughly two-thirds of the population live in poverty, half of adults are illiterate, and health services are inadequate to address high infant and maternal mortality and major public health crises, including TB, HIV/AIDS, and, most recently, polio epidemics. Real per capita GDP fell at a rate of 2 percent p.a. during the 1980s and 2.5 percent p.a. during the 1990s.

The continuous low intensity conflict and political crisis, with peaks of violence, led to Haiti's classification by the Bank as a post-conflict country. Poor governance and political instability are the major impediments to sustainable development, along with weak public sector capacity and accountability, followed by low levels of education, badly deteriorated infrastructure, a paucity of arable land relative to the population, and a devastated environment.

The Bank, in collaboration with other donors, has tried to tackle these challenges through emergency projects to support economic recovery, stabilization, public sector reform, privatization, and emergency social programs, as well as investments in infrastructure and a few projects in environment, education and health. While the Bank's objectives were consistent with Haiti's major economic problems, their relevance was limited by their failure to give highest priority to resolving the political and governance problems that undermined economic development. Recent economic and sector work, most notably the 1998 poverty report, has been of good quality, but its impact has been limited by the unresolved political situation. New lending has been blocked since 1997 by the absence of a functioning parliament. The few remaining projects under implementation have been cancelled.

Projects in Haiti have unusually low outcome ratings, along with very limited institutional development impact and sustainability. Other than for emergency fast-disbursing projects, positive results tend to be found in project components that bypass traditional channels, using NGOs or autonomous agencies to distribute services and funds. Since 1994, the Bank has led aid coordination, which is remarkable for its intensity, including collaborative economic and sector work, but which has a mixed record on the ground, where inadequate division of labor, multiple conditions and complex processes, have overwhelmed weak institutions.

The efficacy of the Bank's program has been negligible, and its efficiency, low. Other than the reform of trade policy and macroeconomic management in the late 1980s and early 1990s, lending has had little impact. Emergency projects were rated satisfactory, but had limited objectives and no longer term relevance. Despite four Bank education projects (a fifth was cancelled), as well as sizable contributions from other donors, Haiti has enrollment and literacy rates that are among the lowest in the world. Private schools, many of dismal quality, account for 80 percent of enrollment. The single health project had some success in treating TB, but accomplished little in primary health care or treatment of HIV/AIDS. Agricultural and environmental projects have failed to stem the decline of agriculture and the deterioration of the environment. And despite nine Bank projects, and assistance from other donors, deterioration of infrastructure has reached critical levels. As is the case in many other small and poorly performing countries, the cost per US$1,000 of net commitment for satisfactory/non-risky projects is high: US$33 in Haiti, compared to US$10 for the LCR Region and US$16 Bank-wide.

The development impact of Bank assistance to Haiti since 1986 has been severely limited. The critical constraints to development—governance and public sector capacity and accountability—have not diminished, nor have any sectors registered substantial improvements.   Based on both its impact and the ratings of its individual components, the outcome of the assistance program is rated unsatisfactory (if not highly so), the institutional development impact, negligible, and the sustainability of the few benefits that have accrued, unlikely. The Bank and other donors erred by offering traditional assistance programs without identifying the fundamental governance and political barriers to development, and by overwhelming the fragile absorptive capacity. Bank performance has, however, improved in recent years through increasingly realistic assessments of Haiti's problems.

The international community has established three conditions for re-engagement in Haiti: a resolution to the political crisis, macroeconomic stability, and a commitment by the government to undertake critical sectoral reforms. These conditions have not been met. Even once they are met, the Bank should approach any re-engagement in Haiti with extreme caution. The means of re-engagement should be presented in a Transitional Support Strategy paper, with highest priority on the reform of governance and institutions. An Institutional and Governance Review could be undertaken to analyze the institutional constraints to reform, with particular attention to the political economy factors which have made it difficult in the past to change the status quo. Re-engagement could be initiated through the use of Post-Conflict grants to reestablish a dialogue with the government and with civil society. Any lending should be directed toward piloting activities that could contribute to institution building, possibly through the use of LILs. Finally, any move toward re-engagement should proceed in close coordination with other donors at all levels: agreement on objectives, determination of responsibilities in line with comparative advantage, and establishment of consistent operational procedures.

Contents

This report was prepared by Alice Galenson (Task Manager). John Eriksson and Gianni Zanini peer-reviewed the report. Anar Omarova provided research assistance. Silvana Valle provided administrative support.

Contents (cont.)

Preface

This Country Assistance Evaluation (CAE) examines Bank assistance to Haiti.[1] It focuses on the fifteen years since the overthrow of the Duvalier regime in early 1986, but draws on material from earlier experience when relevant to establish patterns and trends.

The CAE is a countrywide evaluation that concentrates on the relevance, efficacy, efficiency, sustainability and institutional development impact of the Bank's program of assistance. The CAE is issues-oriented, is geared toward current decision-making, and is selective as to time span and issues covered; the focus is on issues which are important today. Section 1 describes social, political and economic developments in Haiti, as well as the major challenges to development. Section 2 evaluates Bank assistance from the bottom up by assessing the Bank's products and services: strategic and policy advice, economic and sector work, lending, and resource mobilization and aid coordination. Section 3 evaluates the Bank's development impact. Section 4 discusses the attribution of the development results to the Bank, the country and other partners, as well as to exogenous influences. Section 5 presents lessons and recommendations. Good practice in Bank assistance is highlighted in Box 5.1.

The CAE is based on Bank strategy and lending documents, economic and sector reports (both formal and informal), and Project/Implementation Completion Reports; project and general country files; IMF reports; and interviews with staff of the Bank, the IMF, IFC, and other donors and experts. Annex B lists those interviewed. IFC and MIGA staff contributed information on their programs in Haiti. In addition, the CAE draws on OED's 1998 report "The World Bank's Experience with Post-conflict Reconstruction," which included a desk study of Haiti.

The government provided a constructive and substantive response to an earlier version of the CAE, including both comments on the text of the report and an alternative agenda for the future. The comments have been taken into account in this draft of the report, and the response in its entirety is presented in Attachments 1 (in the original French) and 2 (the English translation). Attachment 3 contains a brief response from OED. The response to the CAE from Management is included in the Management Action Record (Annex C).

The CAE was prepared in parallel with a similar evaluation by the Office of Evaluation of the Inter-American Development Bank of their program in Haiti. The CAE benefited from consultations and comments from the IDB task manager, and the two evaluations generally agree on their analysis. The IDB report will be issued shortly.

1. Haiti is an IDA country, but for simplicity this report refers to "the Bank" in discussing the assistance program.

1. Introduction

Social, Political and Economic Developments

1.1 Haiti, the poorest country in the western hemisphere, has a GNI per capita of US$480 (2000), and a human development index (HDI) comparable to the poorest countries in the world.[1] Social indicators are well below those of comparator countries (Annex Tables 1 and 2). Roughly two-thirds of Haiti's 7.8 million people live below the poverty line. Half of adults are illiterate, and less than one quarter of rural children attend primary school. Infant and maternal mortality rates are among the highest in the world, and half the population lacks access to health services. Malaria, tuberculosis and HIV/AIDS are major public health problems.[2] Less than 40 percent of the population has safe drinking water, and sanitary sewer systems are almost non-existent.

1.2 The national level indicators do not reflect the situation in rural areas where two-thirds of the population live, 80 percent of them poor. Poverty and demographic pressure,[3] coupled with inefficient farming practices and vulnerability to natural disasters, combine to make Haiti one of the most environmentally degraded places in the world. Social programs aimed at reducing poverty by improving basic education, health and infrastructure are mainly funded by donors and implemented directly by NGOs; these programs have declined in recent years because of political instability.

1.3 Ever since Haiti gained independence from France in 1804, resources and power have been monopolized by a small elite, which often used force to control the country. Corruption and rent seeking are pervasive, and the growing wealth of the minority contrasts with the growing poverty of the majority. From 1957 to 1971, Haiti was ruled by Francois Duvalier, who closed the economy and conducted a reign of terror. Jean-Claude Duvalier succeeded his father and began to open and modernize the economy, attracting foreign aid; he was overthrown in 1986. After several years of violence and political unrest, Haiti held its first democratic elections in 1990.

1.4 Jean-Bertrand Aristide, elected president with 70 percent of the vote, took office in February 1991, but was ousted by a military coup later that year. A United Nations peacekeeping force intervened and eventually helped President Aristide return in October 1994. Parliamentary and presidential elections were held in 1995, and President Aristide, constitutionally prohibited from running for reelection, was succeeded by René Préval in 1996. A year later the resignation of the prime minister and the subsequent absence of a

1. The UNDP's human development index (HDI) measures a country's achievement in terms of life expectancy, educational attainment, and adjusted real income. Haiti scores 0.44 on a scale of 0 to 1 (UNDP Human Development Report 2000).

2. The incidence of HIV/AIDS is estimated to be as high as 12 percent for the urban population and 5 percent for rural.

3. Haiti is one of the most densely populated countries of the world with more than 270 inhabitants per square kilometer. It has the highest population per hectare of arable land in the LAC Region.

functioning parliament meant Haiti could no longer borrow money, since parliament must approve new debt. Parliamentary elections were held in 2000 but the method used to determine winners of legislative seats was contested by national and international election observers, opposition parties and the international community. Despite the absence of a provisional electoral council to organize elections and a boycott by the opposition, presidential elections proceeded in late 2000. Aristide was elected President and in the spring of 2001 pledged to hold new senate elections and establish a provisional electoral council that would include opposition and civil society members. Neither the opposition nor the government has shown much inclination to deal constructively with the other, and civil society is similarly divided. Political negotiations remain stalled, and with them the resumption of normalized relations with the international community.

1.5 Haiti's economic performance during the last fifteen years has been weak. Inappropriate economic policies and internal political conflict were further aggravated by the military coup in 1991 and the resulting embargoes on most trade and financial transactions and suspension of all but humanitarian external aid for three years. During those years, real GDP fell by close to 25 percent, inflation rose, activity in the textile and export-oriented assembly industries (responsible for over three-quarters of export earnings and significant employment) virtually ceased, the tax collection and expenditure control systems broke down, and maintenance of economic and social infrastructure was all but abandoned (Annex Table 2). Private remittances exceed exports by about one-third, averaging around 7 percent of GDP since 1994.

1.6 Following the return to constitutional rule in 1994, the government adopted an Emergency Economic Recovery Plan (EERP), supported by the international community. Economic performance began to recover, but deteriorated again, particularly on the fiscal side, in 1996 due to changes in the government and the run-up to the presidential election. The new administration took steps to improve economic management, but the political crisis in mid-1997 interrupted once again the implementation of critically needed reforms, the commitment of external aid, and the recovery of investment and output. Since then the IMF has had a series of staff-monitored programs (SMPs) to help the government maintain sound macroeconomic policies and establish a track record that could permit Fund support once the political crisis is resolved. After having declined by about 2 percent p.a. in real terms during the 1980s, per capita GNP fell at an average rate of 2.5 percent p.a. during the 1990s (Annex Table 2). Performance under the SMPs since October 1999 has been disappointing: the fiscal deficit for the first six months of the most recent one was over 3 percent of GDP on an annual basis, a level that is well beyond what Haiti can afford, given the absence of external assistance.[4]

4. During the 1990s, public revenue averaged under 7 percent of GDP, while external assistance through 1998 amounted to close to 12 percent of GDP (Annex Tables 2, 3). External assistance has fallen sharply since then. IDA's annual disbursements to Haiti fell from a peak of US$56 million in FY97 to US$4.7 million in FY01, and in the latter year, IDA had a negative flow of transfers of about US$3.5 million.

1.7 Haiti has not experienced distinct pre or post-conflict periods, but has suffered continuous low intensity conflict, with peaks of violence. OED's post-conflict report noted that the three years following the coup d'état in September 1991, while not a civil war, had the characteristics of a complex emergency, with political, social and economic collapse. Economic mismanagement and the international embargo led to a dramatic decline in living standards. Estimates are that at least 300,000 of the 7 million people were displaced internally (World Bank, OED, 1998). Because of the continuing political crisis, Haiti is still classified as a post-conflict country. Internal Bank incentives favor this classification, because it gives access to grant funding windows, and exempts the country from standard CPIA treatment and corresponding IDA allocations. However, one can question this classification given the recurrent nature of the instability and its deep-seated, historical roots.

Challenges to Development

1.8 Poor governance is the greatest impediment to effective development assistance in Haiti.[5] Since the overthrow of the Duvalier regime in 1986, Haiti has had thirteen governments, and two periods during which Bank lending (and most other donor activities) ceased altogether. The Bank's 1998 Poverty Report noted (more than a decade after the fall of the Duvalier regime) that "Haiti has never had a tradition of governance aimed at providing services to the population or creating an environment conducive to sustainable growth. Instead a small economic elite has supported a 'predatory state' that makes only negligible investments in human resources and basic infrastructure…. [P]ervasive repression through army, police, and paramilitary groups has created deep-seated distrust between civil society and the state…. [T]he absence of a culture of democratic decision making and peaceful consensus building … has generated tensions… and hampered Haiti's rehabilitation effort." The report underlined poor governance as a major determinant of Haiti's high poverty levels.

1.9 A report on governance and social justice in the Caribbean (Dollar, 2000) argued that Haiti is an "extreme case of a country caught in a vicious circle in which unemployment, inequality, and poor education feed into lawlessness and violence, making it difficult for the economy to grow and create jobs, thus perpetuating the unemployment and inequality."[6] Without fundamental reforms to the political and

---

5. Public governance can be defined as the way power and authority are exercised in the use, distribution, allocation and management of public resources. Good governance includes limitations on bureaucratic harassment, the rule of law and the control of corruption and crime, the provision of sound regulatory structures for the promotion of a competitive private sector, and strong financial institutions. (Nicholas Stern, "Strategy for Development," Annual Bank Conference on Development Economics, World Bank, Washington, DC, May 1-2, 2001.) Transparency and participation are also important. The World Bank first discussed governance issues in Africa in 1985, and although they were not mainstreamed in the Bank until the 1990s, Haiti is a country where it would have been reasonable to expect attention to governance by the late 1980s and early 1990s.

6. Research has established the fact that good governance and good social outcomes are mutually reinforcing, as are poor governance and poor social outcomes. In this study Haiti scored very low on all of the measures of governance—rule of law, voice and participation, political instability and violence, corruption, and government effectiveness.

institutional obstacles to progress, no other reforms, however important in their own right, will work.

1.10 Public sector capacity is also a serious obstacle to aid absorption. Many of the institutions that existed under the Duvalier regime disappeared during the embargo, and new ones have yet to emerge. OED's post-conflict report found a total mismatch between the levels of foreign aid and government capacity. The government was overwhelmed by the diverse, complex procedures of donors, and combined with the governance problems noted above, this resulted in slow or nonexistent implementation, with the exception of emergency projects. The benefits from past investments have not been sustained due to a long neglect of maintenance—itself a major challenge to development. The 1996 CAS called for a major reform of Haiti's public sector, needed to implement reforms in other areas and attain long term growth. But brain drain has decimated the ranks of both professional and technical skills, and a poorly designed civil service reform during 1998-1999 led to the loss of many well qualified people. Decentralization efforts have suffered from the absence of a regulatory framework, political support from the center and financial support for the decentralized institutions.

1.11 Public financial accountability requires a transparent process by which the public and its representatives in Parliament hold the government accountable for its spending. Public Expenditure Reviews a decade apart (PER, World Bank, 1987) found that 17 percent of Treasury outlays went for unidentified recurrent expenditures. A decade later, another PER reported similar findings (Faria and Moreno-Lopez, 1997). "Current accounts," outside the normal *ex ante* and *ex post* control procedures were used for close to one-fifth of government current expenditures in FY1995/96 (and over 40 percent the year before); they have since risen to about half. These accounts are justified as a way to circumvent cumbersome budgetary processes, but it is virtually impossible to identify their actual use, beneficiaries, or impact. Another issue—highlighted by a government background paper to the PER (Ministry of Economy and Finance, 1997)—was the large amount of externally funded investment not recorded or subject to budgetary process, but executed and monitored directly by donors through NGOs and line ministries. Serious weaknesses in financial management practices, including poor record keeping, submission of withdrawal applications for ineligible expenditures, misuse of funds, missing audits, and non-competitive bidding procedures, have been found in Bank projects. The Bank's second technical assistance (TA) project, intended to help improve the quality of public expenditure information, never became effective. The Country Procurement Assessment Report (draft, 1999) found the virtual absence of a national procurement system and noted that this made misprocurement likely.

1.12 Haiti also suffers from other, more traditional constraints to its development. A multi-donor mission in October 1994 concluded that it was highly unlikely that much economic progress could be achieved without an improvement in educational quality and access; this finding is still valid. Infrastructure has deteriorated badly due to lack of maintenance. A paucity of arable land and widespread use of firewood for cooking and commercial purposes have led to almost complete deforestation. Migration to urban areas has strained water and sanitation facilities. It is difficult to tackle these problems effectively, however, without first addressing the pervasive issue of governance

2. Bank Products and Services

Strategic and Policy Advice

2.1 Following the overthrow of the Duvalier regime, the Bank and other donors supported the government's Economic Recovery Program, with the objectives of macroeconomic stabilization and improved resource allocation, through the reform of taxes, public expenditure, public enterprises, industrial incentives, trade and agricultural pricing and credit. Lending comprised a US$40 million Economic Recovery Credit (FY87) and projects in transportation, water supply, power and industrial restructuring. The strategy for Bank assistance to Haiti in the early 1990s stressed poverty alleviation, human resource development, infrastructure rehabilitation, and a comprehensive approach to the environment.

2.2 The joint donor mission in 1994 identified an Emergency Economic Recovery Program comprising stabilization, incentives for private sector development, promotion of economic efficiency, short term social programs, and arrangements to channel aid. The President's Report for the credit supporting that program contained a statement of the Bank's emergency assistance strategy for the following 12 –18 months.[7] That strategy focused on finance of critical imports; modification of the ongoing portfolio to address emergency needs and add technical assistance; and policy dialogue, economic and sector work, and donor coordination. Aside from technical assistance projects to strengthen Haiti's limited capacity to absorb the recovery projects, the Bank's strategy did not address governance or institutional issues. (They were, however, addressed by other donors.[8])

2.3 A formal Country Assistance Strategy (CAS) in 1996 returned to the overarching objective of poverty alleviation (through safety nets and improved social services), as well as rebuilding and redirecting the public sector to deliver basic goods and services and implementing an economic reform program to enable sustainable growth. This might have been an appropriate strategy for a country where the rule of law is already in place, but Haiti was not such a country. While the Bank's objectives were consistent with Haiti's major *economic* problems, their relevance continued to be limited by the failure to give highest priority to resolving the *political and governance* issues that undermined all attempts to promote economic development. The same was true of the government's 1996 Policy Framework Paper, prepared through close collaboration among the Bank, the IMF and the IDB. The CAS also stressed non lending services to promote a dialogue with

---

7. President's Report for "Proposed Emergency Economic Recovery Credit," Report No. P-6482-HA, November 30, 1994.

8. The U.S. provided nearly US$100 million during 1995-2000 to help Haiti establish its first civilian-controlled police force and improve aspects of its judicial sector. The IDB planned a set of loans to strengthen the executive, legislative and judicial branches, the superior court of accounts and civil society. The U.N. and CIDA were also involved in these areas. The government notes that reforms were attempted in many other areas as well, including civil service, fiscal affairs, education, health systems, financial sector, and democracy.

stakeholders, the importance of working with NGOs, and the need to serve as a focal point for donor coordination; these objectives were appropriate and realistic. A significant gap was the absence of HIV/AIDS.[9]

Economic and Sector Work

2.4 The nature of economic and sector work (ESW) for Haiti has changed over the past 15 years. Several voluminous economic reports and an agricultural sector review were produced in the second half of the 1980s and the early 1990s. They covered the macroeconomic and sectoral issues facing Haiti, but while they acknowledged that economic developments in Haiti have continuously been affected by institutional weaknesses and political instability, and that investment in institution building should be an ongoing development process, they devoted little space to these issues. For example, the list in the lengthy 1991 economic report of the most pressing issues to be addressed in the following 18 months did not include institutions or governance.

2.5 Since the mid-1990s, ESW has been more focussed: a public expenditure review carried out jointly with other donors (PER, 1997), a poverty report (1998), a Country Procurement Assessment Report (draft, 1999) and a series of sector reviews (infrastructure, education, health, all in draft). This approach is consistent with the Bank's post-conflict policy which, where continued lending is not possible, calls for a watching brief to position the Bank to support operations when conditions permit. However, some of the work has not been followed up; the relatively costly PER, for example, was never compiled into one report or used to establish priorities.[10]

2.6 The 1998 poverty report identified political instability, poor governance and corruption as key factors behind the dire poverty in Haiti. It recommended a reform agenda of stronger public sector institutions; macroeconomic stability and reduction of distortions to encourage private sector investment; more resources for the provision of social services; and rationalization of donor assistance. Given the limited capacity of the government, the report suggested that donors focus on maintaining public order and economic stability; securing property rights; building a regulatory role for some sectors; designing a framework for improved provision of basic health and education; and maintaining infrastructure. The report also recommended privatizing key infrastructure and entrusting the delivery of education, health, family planning, and water supply and sanitation to NGOs. In principle, these objectives were highly relevant. However, they may have lacked realism, given that privatization had already proved to be contentious in Haiti. The poverty report was widely disseminated and generated the first open debate

9. In fact, as the government points out, there was very little lending for social purposes after 1996 (see below). The government also notes that neither the CAS nor subsequent loan documents explained clearly the means by which poverty would be reduced. In addition, it asserts that the levels of external aid projected in the CAS were not large enough to jump-start growth.

10. The Region points out that the choice was made to concentrate limited resources on the dissemination of the poverty report.

about poverty in Haiti. Its impact on policy has been limited, however, by the unresolved political situation and resulting halt to dissemination and lack of follow through.

Lending

2.7 Haiti has always been a difficult country in which to lend. Of the 29 projects rated since 1979, only 15 had satisfactory outcomes. Eighteen projects were rated for institutional development impact (IDI) and sustainability: only 3 had substantial IDI and 1 was considered likely to be sustainable (Table 2.1). Completion reports catalogue a history of implementation problems and weak government support (OED, 1998).[11]

2.8 Lending since 1986 can be divided into two periods: 1986-1991, after which the military coup led to the suspension of lending for three years; and 1994-1997, after which the political situation once more blocked lending. The remaining active projects were eventually placed under suspension due to arrears, and then cancelled as a measure to end ineffective lending and reduce portfolio risks.

Table 2.1: OED Evaluation Findings

	Total Number of. projects	*Number of Projects Cancelled*	*Number of Projects rated*	*Number of Projects w/ satisfactory outcome*	*Number of Projects w/ substantial IDI*	*Number of Projects w/ likely sustainability*
All projects	37	3	29[a]	15	3 (of 18)	1 (of 18)
Projects approved 1986-91	10	2	7	3	2	0
Projects approved 1994-97[b]	5	1	2	2	1	1

a. Only 18 were rated for IDI and sustainability.
b. No projects have been approved since 1997.
Source: Annex Table 7.

Economic Management, 1986–1991

2.9 During the post-Duvalier period, from 1986 until 1991, the Bank approved 10 credits, of which two have been cancelled and one is not yet rated. Only 3 of the remaining 7 projects had satisfactory outcomes, 2 had substantial IDI, and none was considered likely to be sustainable.[12] Of 8 projects approved earlier that closed during this period, 6 had unsatisfactory outcomes, all were rated unlikely to be sustainable, and none had substantial IDI.

2.10 The satisfactory post-1986 projects comprised two emergency operations and a TA project. The Economic Recovery Credit (ERC, FY87) supported fiscal and trade

11. The Aggregate Project Performance Index is 5.4, compared to 6.7 for the Bank as a whole. The APPI is a composite measure of the ratings on outcome, institutional development impact and sustainability, and is calculated only for projects which have ratings for all three variables. The score can range from 2 to 10, with higher scores better than lower. (Annex Table 7).

12. During this period, three arrangements with the IMF also failed.

reform, which remained relatively sound for some years, and the closing of two loss-making public industrial enterprises. OED's audit of the project concluded, however, that the project should also have addressed structural poverty and the negative social impact of stabilization. The second tranche of the credit was cancelled following the military coup of 1988. Sustainability was rated unlikely, and IDI modest. The outcome of the TA project was rated satisfactory, with substantial IDI, but its chief accomplishments were nullified when the projects they led to were either cancelled or rated unsatisfactory.

2.11 The outcome of the Economic and Social Fund project (FAES, FY91) was rated satisfactory because it largely achieved its physical objectives of providing infrastructure and jobs. IDI was rated substantial, although the expected decentralization of project management did not take place, and participation by grass roots organizations was limited by their lack of capacity to prepare proposals.[13] Sustainability was deemed uncertain, due to poor maintenance and inadequate attention to operating costs. The IDB, which has provided the bulk of the financing for FAES, found in a multi-country study of social funds that temporary jobs were a good expedient in a recession, but did not solve structural poverty problems. The main impact came from delivering services to and improving the living conditions of the poor (Goodman, et. al., 1997). In Haiti, however, the project was concentrated in the three provinces closest to the capital, while the other six provinces, with nearly half the population and the greatest concentration of poverty, received less than a third of the funds. The project was expected to benefit women, but poor gender analysis and the lack of a clear framework for incorporating gender concerns reduced its impact; women were not sufficiently involved in decision-making processes, did not take adequate advantage of training and business oriented services, and benefited only in limited numbers from the employment generated by subprojects. Nonetheless, despite its flaws, FAES did respond to the basic needs of at least some of the population, and might be worth maintaining, especially for short term emergency needs, provided it does not undermine the systemic institutional changes required over the longer term.

Economic Management, 1994–1997

2.12 Five projects were approved after lending resumed in 1994; one was cancelled and two have closed. The outcomes of both were rated satisfactory (one highly so), but once more, both were emergency loans with little long term relevance; only the EERC, which provided quick-disbursing balance of payments support, was rated as having had substantial institutional development impact or likely sustainability, and that was for its role in setting the stage for a medium term economic policy reform program, an objective that was subsequently abandoned. A proposed follow-on project (ERC2), never accepted by the government, was seen as too hasty a push for structural adjustment and

13. Oxfam observed, in a letter dated June 8, 1996 commenting on the draft CAS, that FAES sometimes inadvertently undermined community organization by working with groups formed specifically to respond to it, but without roots in the community. OED's study of social funds (World Bank, OED, 2001) concludes that social funds may be justified in an emergency situation, but that they can undermine local government, and, in the longer run, it is essential to deal with the institutional weaknesses of the country rather than to bypass them.

privatization. Negative perceptions about the Bank's role in this connection dominated the Bank's image in Haiti to the detriment of other projects (World Bank, OED, 1998).[14] The second Technical Assistance credit, intended to support ERC2, was approved in FY97, but was never ratified by Parliament and was cancelled after 18 months.

2.13 The Employment Generation project (FY96) was an emergency social safety net operation, prepared and activated in three months, which generated 320,000 short term jobs. Its outcome was rated satisfactory, but IDI was rated modest, and sustainability unlikely, and the 1996 CAS noted the need to reassess the role of public employment generation projects in a medium term poverty strategy.[15] The project made a concrete attempt to ensure a more equitable distribution of benefits between men and women; the latter accounted for 21 percent of those employed under the project, compared to the 20 percent target.

Human Resources

2.14 The Bank undertook four *education* projects in Haiti in the 1970s and 1980s. A fifth project, approved in FY91 and signed five days before the overthrow of President Aristide, never became effective and was cancelled in FY93. Preparation of another project was suspended in 1998. The first two projects were rated satisfactory, having achieved most of their physical objectives, but they failed to achieve a consensus for educational reform. The outcomes of Education 3 (FY83-88) and Education and Training 4 (FY85-92) were both rated unsatisfactory, with negligible institutional development impact and unlikely sustainability. Despite these four projects, as well as sizeable contributions from other donors, Haiti has the lowest enrollment and literacy rates in the western hemisphere, and among the lowest in the world. The principle of free and compulsory basic education for all children, enshrined in the constitution, has never been put in practice. Reflecting the long history of government neglect, the country's education system relies heavily on private and religious organizations, which account for 80 percent of enrollment. Regulation of the private sector is weak, and the quality of private education is dismal. School fees can take as much as 15 percent of the annual income for the poorest fifth of the population, and the dropout rate is high. The government spends very little, only 2 percent of GNP, on education, and even that amount is used inefficiently. Primary net enrollment is estimated at 64 percent, but this masks a much worse situation in rural areas, where only 23 percent of children go to school. Net enrollment in secondary school is under 20 percent.

2.15 Haiti's per capita public expenditure on *health* is the lowest in the LAC region, and health conditions in Haiti are among the worst in the western hemisphere. The emphasis is on curative rather than preventive care, with little focus on reproductive and

---

14. The post-conflict report referred to this type of problem as the "folly of conventional wisdom"—pushing for the full menu of adjustment reforms to the extent of being counter-productive in post-conflict settings (e.g. Rwanda, Uganda).

15. Oxfam asserted that this project actually had a negative impact on longer term development, because its short term jobs drew people away from productive activities, such as harvesting (Oxfam letter, June 8, 1996).

child health care, despite high rates of infant and maternal mortality. Access to services is problematic for half of the population. Donor-supported immunization programs have not been effective, as evidenced by recent outbreaks of polio and measles. The first health project, approved in FY90, and suspended between 1991 and 1995, although unsuccessful on the whole, had one satisfactory component: it strengthened the TB program, with very effective use of NGOs. The project empowered people at the local level to make decisions, which is unusual in Haiti. Contracts with NGOs were well-specified and easy to monitor. The AIDS component was less successful; national coordination is weak, with no strategic view, and contracts with NGOs were not clearly specified.[16] The least successful aspects of the project concerned institutional strengthening (little progress with cost recovery), the primary health care system (investments were supply driven and not utilized), and small components in reproductive health and essential drugs. Sustainability is questionable, particularly in view of the lack of institutional development, although the TB program has continued with funding from other donors. Disbursements were suspended in late 2000 following the failure of the government to submit a financial audit report, and the project closed as scheduled on March 31, 2001 with US$1.34 million undisbursed. The Bank is currently working under a PHRD grant to help produce a strategic plan for the battle against HIV/AIDS.

Rural Development and Environment

2.16 Haiti's agricultural sector has been declining for many years, the result of neglected rural infrastructure, weak research and extension, poorly defined land tenure, limited access to credit, and under-investment in human capital. These factors, along with high population growth, have contributed to shrinking parcel sizes; complex, informal tenure systems that discourage long term investment; and cultivation of marginal lands with steep slopes, encroaching on forests, destroying watersheds, and aggravating the tenuous environmental situation. The share of imported food is rising. A series of agricultural and forestry/environmental projects has failed to stem the decline.

2.17 Of the four projects that have been rated, only one—Post-Hurricane Agricultural Rehabilitation (FY81)—was rated satisfactory, although the completion report noted that its findings reflected impressions, not quantitative results, and concluded that "Though project benefits may not have been optimal, the project lessened the harmful effects of Hurricane Allen on agriculture." A small forestry project (FY82) failed to develop viable approaches for large-scale reforestation programs and had no impact on the deteriorating forest and wood situation. The outcomes of two rural development projects were rated unsatisfactory, with minimal increase in production, costs higher than projected and a negative economic rate of return; underestimated institutional risk; defaults on audits; and inadequate cost recovery and maintenance. The follow on project for forestry and environmental protection focused on the development of appropriate technology, greater

16. The government states that the prevalence of HIV/AIDS has fallen. Bank staff, however, say that both the data and their interpretation are still open to question. UNAIDS is working in Haiti to clarify the issue.

participation by NGOs, and small pilots, but it was approved in FY92, shortly before Bank activities were suspended, and was eventually cancelled.

2.18 The Forest and Parks TA project (FY97, the last approved for Haiti), was a key initiative in environmental management and a pilot for rural development. The project tested innovative ways to deal with governance, including devolving responsibility for national parks to local management committees and contracting agricultural extension and technical support to NGOs. In addition, the project funneled a large component through FAES for use by local governments in buffer zones around the national parks. Unfortunately, the security situation has precluded supervision of the project, so the effectiveness of these components is not known. Moreover, in addition to the problems of financial management and uncertain security common to all projects in Haiti, this project was undermined by a failure to reduce the demand for fuelwood; household energy is a major issue that has yet to be adequately addressed. The project was suspended by a new Minister, who appointed a commission to evaluate it, and by the Bank as part of the portfolio-wide suspension. The remaining funds were cancelled in June 2001.

2.19 The Biodiversity Enabling Activities Project, funded by a small GEF grant, sponsored workshops to raise conservation awareness in Haiti. However, disbursements are tied up by problems with arrears and the failure to submit a financial audit report, and action on the main product, a national biodiversity strategy and action plan, has halted.

Infrastructure

2.20 Deterioration of infrastructure is at critical levels in Haiti; this problem has been particularly acute since maintenance fell off in the late 1980s. The Port-au-Prince Water Supply project (FY89-99) achieved much of its physical target, but few of its institutional development objectives. Unaccounted for water exceeds 55 percent of the total; much is consumed through illegal connections or is not metered, and severe rationing continues. OED noted that the project should have been conditioned on private management. Of the four evaluated power projects, all contributed to the expansion of generating capacity, but none were able to stem losses, which amounted to 55 percent in 1998. All had procurement problems. Institutional objectives were never achieved; privatization was suggested in the mid-1980s, but although Power 5 (FY89) was restructured in 1996 to permit privatization of Electricité de Haiti, government support has wavered. The outcome of a port project (FY81) was rated unsatisfactory, and the international port of Port au Prince remains the most expensive in the Caribbean. The National Port Administration was set for privatization, but progress has been halted. An Industrial Restructuring and Development project (FY90) was revised in 1997 to support the privatization of state owned utilities, but ultimately failed. Technical work for preparing major state enterprises (electricity, telephone, water, port and airport) for privatization was completed, but the lack of political will at the highest level and the weakness of the judicial framework blocked any progress.

2.21 Eight road projects have been approved since 1956, the bulk of the funds for the National Road, RN1. Nonetheless, it still takes 7 – 8 hours to cover the 250 km. between Port au Prince and Cap Haitien, and 55 km. are nearly impassable. The EU, IDB and bilateral donors have also committed major amounts for roads, with similar results. Transport 7 (FY87-96) ignored experience from previous projects, particularly with respect to institutional risk; rehabilitated roads deteriorated due to lack of maintenance and overloaded vehicles. Since the late 1980s, Haiti has had no regular maintenance program. The more relevant Road Maintenance and Rehabilitation project (FY95) was suspended for a time because of misprocurement and diversion of funds to road works not included in the project. Other problems include failure to submit audits, cost overruns due to continuing deterioration of roads, and long delays in clearing imported equipment through customs. Institutional reforms, including the reorganization of the ministry and the establishment of a road fund for maintenance, have not been implemented. The project was cancelled in June 2001, and sustainability of its achievements is unlikely.

Project Management Units

2.22 PMUs are used in all projects in Haiti, since it has proven impossible to implement projects without them. The Road Maintenance and Rehabilitation project was managed under contract to a foreign firm brought in after the discovery of misprocurement; this is one model for dealing with weak governance. Other projects have generally used local staff in their PMUs, arguing that this does provide some capacity building. The unusually stable PMU in the health project contributed to its partial success. Although the use of PMUs brings into question the sustainability of project benefits and illustrates the great need for institution building in the country, the nearly constant state of crisis and recurring instability in Haiti have blocked any longer term strategy to reduce dependence on PMUs.

IFC and MIGA

2.23 Haiti has been a member of IFC since 1956; since January 2000 an investment officer in the Dominican Republic has also covered Haiti. Over the last fifteen years, IFC's total investment in Haiti amounted to US$ 0.6 million. The difficult investment climate in Haiti has limited private investment and opportunities for IFC assistance. Under such constraints, IFC focused on developing opportunities with the help of technical assistance. In 1994, IFC began advising the government on privatization. Strategic reviews were undertaken of nine public sector companies ranging from banks to infrastructure and manufacturing companies, but only two transactions went forward.

2.24 In FY98, IFC utilized Trust Funds to perform a pre-feasibility study on the practicability of establishing a commercially oriented micro-finance lending institution. Based on the positive outcome of this study, IFC brought together domestic and foreign parties with a foreign technical partner to form Micro Credit National (MCN). The US$0.4 million equity investment in MCN (FY98) has been disbursed. While no formal review has yet been done, available indicators show that MCN will surpass development impact and financial expectations. It also had a positive demonstration impact, as evidenced by the recent announcement by one of Haiti's larger commercial banks of plans to commence micro-credit operations. Portfolio performance has been satisfactory.

This project benefited from the presence of a strong technical partner, commitment from the local partner, and a country situation in which there is a large informal economy.

2.25 Two other technical assistance projects (FY99) targeted the insurance sector. The first, a review of the feasibility of establishing an insurance company, found that the legal and regulatory framework needed strengthening. This led to the second project, the drafting of new primary legislation and framework regulations covering both life and non-life insurance companies. However, debate of the draft law/regulations by the industry and review by Parliament have been delayed by the political situation.

2.26 Haiti is also included in a regional project, the Caribbean Loan Facility (CLF, FY97). This is a US$50 million Agency Line with the Bank of Nova Scotia (Scotiabank), a large Canadian bank. Scotiabank will use its Caribbean branch/affiliate network to develop projects, to be jointly appraised and financed through IFC A/B Loans. Since new investment in Haiti will depend on political stability and the pace of reform, IFC's involvement for now will be only through such regional projects.[17]

2.27 Haiti joined the Multilateral Investment Guarantee Agency (MIGA) in December 1996, but MIGA has not issued any guarantees nor provided any technical assistance. The general lack of investor interest stems from the political instability and violence, anti-business inclinations of the government, lack of a cohesive economic reform program, and prolonged economic stagnation.

Box 2.1: Working with NGOs—A Relatively Successful Experience

One model that appears to be relatively effective in Haiti's difficult implementation environment is the use of NGOs or autonomous agencies to distribute services and funds. This is a short term solution only, which could be used while longer term measures are being taken to strengthen the country's institutions. Examples include the disbursement of funds for rural infrastructure through FAES; the use of a foreign firm under a management contract to manage the Road Maintenance and Rehabilitation project; the use of NGOs to manage the TB component of the Health project; and the use of local committees to manage national parks and NGOs to provide agricultural extension in the Forests and Parks TA project. Other donors, such as USAID, have also found this approach to be effective.

Resource Mobilization and Aid Coordination

2.28 The international community is frustrated by its inability to work effectively in Haiti. Some donors, like USAID, have ceased altogether to work through the central

17. The government notes that the Scotiabank does not have an extended network in Haiti and will not be able to support much of an IFC presence.

government, providing solely humanitarian assistance funneled through NGOs. Assistance is focused particularly on basic human needs, with many donors in the education and health sectors. Agriculture and roads also receive aid from several donors. Some have given up trying to reform the system of justice, given the lack of political will to sustain reforms already undertaken.

2.29 Donors are a strong force in Haiti, and aid coordination has been extensive.[18] Donors' meetings have taken place with great regularity since 1993, and agencies often participated in each other's missions. The Bank has played a substantial role in aid coordination since 1994. It participated in a UNDP-led mission in September 1993 to help prepare the economic recovery program, and in mid-1994 convened an informal meeting of donors to prepare for a resumption of lending. Later that year, the Bank took part in the large multi-donor mission led by the IDB to update the ERP. A surge of international assistance followed. The Bank mobilized over $1 billion in aid commitments at a Consultative Group (CG) meeting in January 1995, and organized an implementation CG in Haiti in May of that year, which designated lead donors in priority sectors. The CG of April 1997, which included NGO, civil society and media representatives, was considered a model for other post-conflict programs (OED, 1998). The Bank also introduced a political presence at donor meetings, including, for example, the U.S. state department, the Canadian foreign affairs department, and the OAS Secretary General. Since the political crisis of 1997, the Bank has continued to convene regular informal donor meetings, in line with post-conflict policy. These meetings provide a forum for donors to exchange information and views in an effort to have a coherent and complementary approach to development in Haiti.

2.30 In-country, operational coordination of policies and activities has been more problematic for both government and donors. Breakfast meetings take place frequently among donors to discuss common activities, and coordination occurs at a technical level for individual projects. However, strategic coordination is weak in some sectors. In addition, although donors agree on the need for coordination, and have willingly shared information, they impose different conditions and processes, often in the same sector. A government paper on project implementation problems (Ministry of Economy and Finance, 1997) pointed out that the generous donor support extended after 1994 created a serious problem of aid management. The 1996 CAS concluded that improving implementation was critical for the Bank and other donors, noting that the government was overwhelmed by the diversity and complexity of the various procurement and administrative requirements.[19] Effective partnership with the many NGOs in Haiti has also proved difficult. The current absence of a resident representative in Haiti may

18. Annex Table 3 shows that bilateral donors are the major source of foreign assistance. Among multilateral donors, the World Bank and the IDB provided similar levels of financing during the 1990s.

19. The Préval-Camdessus Initiative, approved in July 1996, was designed to tackle the capacity problems that plagued implementation in Haiti. Administered by the government and the Bank, it provided over US$1 million to offer attractive salaries for Haitians living abroad who were willing to come back Few came however—conditions in the country were not conducive to their return.

reduce the ability of the Bank to work with key donors, such as IDB and USAID, which are much more decentralized, as well as with civil society (see para. 3.5, however); any decision to gear up the Bank program may necessitate an increased Bank presence.

2.31 The 1997 public sector investment program (PSIP) had about 20 major active donors, each with an undisbursed balance over US$1 million, with overlapping sector involvements and projects, and often diverse objectives. Nearly all of the PSIP was financed from external sources. Bank task managers report a varied experience of working with different donors. The 1998 Bank poverty report noted that in 1997, annual aid disbursements had reached almost 15 percent of GDP and supported 269 programs. It found effectiveness severely hindered by poor coordination among agencies and within the government. It identified key areas for future work and strengthened the mandate of implementation working groups that had been established among the donors. Two of these groups, education and health, have accomplished substantive results: government agreement to support private schools through licensing and a common curriculum, and reform of the system of distribution of drugs. The groups working on justice and infrastructure, which received little support from the government, were less successful.

3. Development Impact of Bank Assistance

Relevance and Efficacy of the Country Assistance Program

3.1 Beyond emergency recovery and stabilization, Bank strategy for Haiti since 1986, and particularly since 1994, emphasized poverty alleviation, through safety nets and improved social services, and institutional development to enable the public sector to deliver basic goods and services and to implement a reform program that would enable sustainable growth. As noted in Section 2, the relevance of the strategy was modest, because it failed to deal first and foremost with the political and governance problems and therefore had little chance of success. Since 1997, the strategy has been to maintain a watching brief, while carrying out some key sector work; this strategy is relevant to the present situation in Haiti.

3.2 The Bank disbursed about US$300 million for over 20 projects during the 1970s and 1980s, with little recorded impact on poverty or economic growth, and no improvement of governance. The end of the Duvalier era in 1986 provided a window of opportunity for promoting democratic change and economic growth, but the opportunity was missed. An assessment by donors in 1994 concluded that “international cooperation has had two basic shortcomings: no impact and no sustainability.”[20] The only areas with

20. “EERP: Report of Joint Assessment Mission,” Nov. 7-20, 1994 (Washington, DC: IADB), p. 79, cited in World Bank, 1998[b], Vol. V, p. 57.

positive results were trade policy and macroeconomic management; reforms in the late 1980s and 1990s were sustained to a large degree (until the recent fiscal deterioration).

3.3 The assessment made in 1994 could be repeated today. The most notable failure of the assistance program over the last 15 years is its negligible impact on the key challenges to Haiti's development, identified in Section 1. Governance has not improved, and, in fact, remains in a state of crisis.[21] The capacity of the public sector and public accountability remain very low; budget transparency has actually deteriorated. The lack of impact on the ground is clear: The April 1997 CG meeting found little improvement in infrastructure, social services, or the well-being of Haiti's poor. It noted that while aid resources had been plentiful and the macroeconomic situation stable, the rehabilitation of Haiti's infrastructure and social service delivery had been painfully slow and private investment had not picked up, leaving the economy aid-dependent. Moreover, a severe lack of communication on the reform process had led to mounting public criticism. The subsequent political crisis has blocked most further donor assistance.

Efficiency of the Country Assistance Program

3.4 The Bank's program in Haiti is of relatively low cost effectiveness compared to the LAC Region and the Bank as a whole (Annex Table 6). Although the average cost per project is relatively low, the cost per dollar of commitment is high, and the program costs an average of US$33 per $1,000 of net commitment for satisfactory/non-risky projects, compared to averages of $10 for the LCR region and $16 Bank-wide. Haiti is comparable in this respect to countries such as Cambodia ($36) and Burkina Faso ($40), and other small and/or poorly performing countries. The distribution of Bank resources among different elements of the program also differs from the Region and the Bank, with 35 percent of the total going for lending completion (43 percent for LCR and Bank-wide), 50 percent for supervision (40 percent for LCR, 39 percent Bank-wide) and a somewhat lower than average ESW share. Financial issues—repayments, audit reports—absorb an inordinate amount of supervision time, to the detriment of other aspects.

3.5 In 2000, the Bank scaled down its resident mission in Port au Prince, eliminating the resident representative position, due to the reduced portfolio and budget cuts. It has since named a Country Manager for the Dominican Republic and Haiti, stationed in Santo Domingo. He and the liaison officer shuttle back and forth from the Dominican Republic. They attend all donors' meetings and are regularly in touch with the main donor agencies. The administrative budget has been cut to a little over one-third of its level in 1997 (US$1.7 million). The Bank should be prepared to scale up its mission further if warranted by events.

21. The GAO concluded that despite nearly US$100 million in U.S. assistance to the police and judicial system, the police force has not effectively carried out its basic law enforcement responsibilities and the judicial sector still suffers serious weaknesses and serves only a small segment of the population. (Testimony, 9/19/2000, http://frwebgate.access.gpo.gov
/cgibin/useftp.cgi?IPaddress=162.140.64.21&filename=ns00257t.txt&directory=/diskb/wais/data/gao)

Ratings

3.6 The Bank's objectives in Haiti as summarized at the beginning of Section 2 were for the most part relevant to Haiti's purely economic and social problems. However, the assistance program did not tackle the critical institutional and governance impediments to effective development and aid, and almost none of its objectives were achieved. The large amount of aid that poured into Haiti in the mid-1990s accomplished little, and may have even had a negative impact by overwhelming government capacity and creating opportunities for rent seeking. As shown above, projects in Haiti have a record of unusually low ratings for outcome, institutional development and sustainability. Based on these findings, the *outcome of Bank assistance to Haiti since 1986 is rated unsatisfactory, if not highly so*. The program's *institutional development impact has been negligible*, and under current circumstances, the *sustainability* of what little has been accomplished is *unlikely*. It would be hard to argue that, with a few exceptions, the country is any better off for having borrowed at all.

4. Attribution

4.1 The single over-riding constraint to satisfactory implementation, outcome and sustainability of development assistance to Haiti has been the continuous political turmoil and governance problems in the country. In project after project, the reason for delayed implementation or cancellation, is a coup, civil unrest, or the inevitable results of these events, such as lack of ownership by a frequently changing government and rapid staff turnover. Despite efforts on the part of the Bank and other donors, it has been all but impossible to carry on a coherent lending program.

4.2 Differences in priorities between the government and the Bank hampered the Bank's effectiveness in Haiti. Privatization and civil service reform (downsizing) were at the top of the Bank's agenda in the mid-1990s, with support from other donors, but never gained wide support in Haiti. Clashes over these issues were very visible. Some observers believe that the Bank compromised its credibility in Haiti by pressing too strenuously, and without sufficient open debate, for highly political actions. Nor did the government establish an environment in which such a debate would have been productive.[22]

4.3 Beginning in 1993-94, the Bank took on a gradually expanding coordinating role. A number of other donors have praised the Bank for its performance in this role. Coordination and collaboration among donors has been extensive at the broad

22. OED's post-conflict report concluded that in some countries, including Haiti, the norms of behavior of the private sector and the degree of corruption and cronyism within and between the private and public sector were such that privatization might not enhance the prospects for development. In such situations, sweeping privatization might not be the most appropriate first priority.

programmatic level, but much less so on the ground. The main mistake by the Bank and other donors during those years was to offer a level of assistance that overwhelmed the government's absorptive capacity, particularly given the diversity of procedures among the donors. Moreover, they attempted to resume traditional types of assistance programs, without first overcoming the enormous governance and institutional barriers to economic recovery and program implementation.[23] While it is true that other donors were trying to strengthen governance, in hindsight it is clear that the Bank and the other donors overestimated Haiti's ability to recover and move ahead on the political front.

4.4 Internal Bank staffing issues also reduced the effectiveness of its program in Haiti. Lack of continuity in management may have contributed to discontinuities in the lending program; a reorganization in 1991 moved Haiti to a different department, and between 1994 and 1997, Haiti had three directors and three country operations division chiefs (Annex Table 8).[24] On the other hand, in at least one case, the large number of reassignments in 1997 reflected the new director's desire to bring better qualified staff to the department. For example, it was the newly assigned Road Maintenance and Rehabilitation project team which uncovered serious misuses and diversion of funds.[25] The Bank was criticized by some outsiders for its slowness in opening a resident mission: it had a resident representative sitting in the IDB office in Port au Prince from July 1995, but did not open its own mission until 1997. More importantly, the Bank's first resident representative, albeit not a Haitian citizen, was related to the Haitian elite. While views on the judiciousness of this appointment vary substantially, both within and outside the Bank, given the sharp political divisions within the country, some observers believe that it was detrimental to the Bank's image and effectiveness in Haiti.

4.5 Up until 1997, the Bank produced economic and sector work of satisfactory quality, but failed to use it to develop with the country a holistic, long-term vision of Haiti's potential and constraints. Quality at entry of Bank projects was diminished by modest relevance. In the area of prudence and probity, the Bank failed to provide adequate institutional capacity analysis, to strengthen financial management and accountability, or to build client ownership of the assistance program. While partnering effectively with other donors at the higher levels, the Bank did not promote effective coordination on the ground.

4.6 Bank performance has improved in recent years. Since 1997, management has brought in new staff and cleaned up irregularities in the road project. In a situation where it could not lend, and where borrower performance continued to be problematic in the

---

23. An IDB breakdown of the donors' pledges, which totaled US$1.6 billion, is as follows: balance of payments, recovery and humanitarian assistance, 55 percent; social sectors (health, education, water and urban infrastructure), 13 percent; infrastructure and energy, 12 percent; agriculture and private sector, 7 percent; and environment, 2 percent. Governance activities received 11 percent.

24. The country economist, country officer, and some task managers did provide some continuity during this period.

25. This team won an excellence in supervision award in FY99.

ongoing program, the Bank has cancelled the remaining balances. It is, appropriately, maintaining a watching brief and undertaking reviews of key sectors.

4.7 The government did not exhibit ownership by taking the initiative for formulating and implementing the assistance program, encouraging a consensus among key ministries and decision makers, or adopting timely action to support the program. Moreover, its management of projects has been of questionable quality and it has failed to maintain a political and institutional environment in which it is possible even to carry out an assistance program. The GAO concluded that the key factor affecting the lack of success of U.S. assistance was the Haitian government's lack of commitment to addressing the major problems of its police and judicial systems.

5. Lessons of Experience and Recommendations

5.1 Donors agree on three necessary conditions for re-engagement with the Haitian government: a resolution to the political crisis; macroeconomic stability; and a commitment by the government to undertake critical sectoral reforms. The OAS is leading the effort to achieve the first condition, and the IMF's Staff Monitored Program is dealing with the second. The question of whether to engage informally in a dialogue with the government to prepare the ground for the third is still outstanding.

5.2 These three prerequisites may be necessary conditions for re-engagement, and their achievement may lead to strong pressure by the international community on the Bank to resume lending, but they are not sufficient for effective assistance. Donors should avoid the mistakes of 1994, and instead re-engage cautiously. Close donor coordination, in setting priorities, dividing responsibilities according to comparative advantage, and establishing common approaches on the ground, will be necessary for any success in Haiti's weak institutional environment. Meanwhile, technical work, including collection of data, should continue so that the donors will know what is happening in the country and will be able to respond effectively, in contrast to what happened in 1994.

5.3 Given the highly uncertain situation in Haiti, and in line with the Bank's post-conflict policy, it would be appropriate at this time to prepare a Transitional Support Strategy, rather than a full CAS, with a short to medium term plan for Bank involvement in the country. Clearly lending is not an option today. One option for the Bank is simply to continue to keep abreast of political and economic developments and collaborate with other donors in advising the government on next steps. Another option would be to undertake economic and sector work directed at the key issues (to monitor poverty levels.

for example).[26] The development of an assistance strategy for Haiti provides an opportunity for Bank management to clarify the generic question of what to do in extreme cases of poorly performing countries, however they are classified.

5.4 Even if Haiti meets the conditions for re-engagement, the possibility of renewed lending should be approached with extreme caution. The Bank could first tap its Post-Conflict Fund, which can provide grants of up to $2 million. Use of these resources might provide the means to reestablish a serious dialogue with the government and work toward developing the necessary environment for resumption of lending.[27] No strategy will be effective without government ownership, so the first step should be to create a climate of trust and mutual cooperation between the government and the donors. The preparation of an Interim PRSP by the government could be the beginning of a process to build consensus, participation and transparency.

5.5 Without improved governance and greater stability, the Bank and other donors will be able to accomplish very little.[28] Haiti needs not only the institutions of government, but also the processes and systems to enable them to work. Any strategy for a renewed assistance program for Haiti would have to start with measures to strengthen and to increase the accountability and transparency of the country's governing system, including the management of public expenditures and the judicial system. Past efforts to reform various aspects of governance have had little success. An Institutional and Governance Review could be undertaken to analyze the institutional constraints to reform, with particular attention to the political economy factors which make it difficult to change the status quo. The country also needs to create a civil society that challenges public authorities to enhance their performance with responsiveness to the citizenry. Any program in Haiti is likely to be costly in terms of Bank resources relative to the lending program, but such costs are necessary, if not sufficient, for an effective program.

5.6 Given the capacity limitations of the state, the provision and maintenance of infrastructure and services should be privatized to the greatest extent consistent with the quality of the legal and regulatory framework. Privatization is a politically charged issue in Haiti and should be approached carefully, with intensive discussion in the country and parallel efforts to strengthen the state capacity to implement its core functions. Social

---

26. In Uganda, a series of workshops, sponsored by the World Bank Institute and Uganda's Inspector General of Government, on national integrity, investigative journalism, court administration reform and local integrity systems induced government, Parliament and civil society to recognize the need for a national integrity system to heighten public awareness, improve enforcement, reform institutions and increase transparency and accountability in public administration. A multidisciplinary mission to review the government's anti-corruption strategy led to the establishment of a Department of Ethics and Integrity within the Office of the President.

27. Haiti has one grant from the Post-Conflict Fund, for a polio immunization campaign by PAHO. A grant to East Timor to help unite the country's leadership and society in building an anti-corruption strategy, and to train mediators and conflict managers, illustrates another possible use of this fund.

28. A recent discussion paper on post-conflict recovery in Africa finds that "Effective intervention … requires that there be a reasonably functioning governance structure, accepted by a large part of the population and supported by the international community. When these conditions are not met, economic assistance can be counterproductive…." (Michailof, *et. al*., p. 16).

services should also be channeled through the private and voluntary sector where possible, but with safeguards to promote adequate quality and access by the poor. For instance, the government has agreed to license and support private schools, and in order to reach the 80 percent of students who attend these schools—including the bulk of the poor—any future education project should find a way to support them.

5.7 If it resumes lending in Haiti, the Bank will have to take into account the human resource constraints, the persistent budgetary shortages, and the risk that the lending itself can create opportunities for corruption. It must work with the government and with non-government stakeholders to design small, simple, well-defined operations with modest objectives that will strengthen existing organizations and build institutional capacity.[29] Greater efforts will be needed than in the past to build constituencies and partnerships in the country to ensure that any new projects are adapted to the local context and enjoy support from the population. Lending could be directed to piloting activities, possibly through the use of LILs, which would contribute to institution building. In the past, the more successful delivery mechanisms have been those that sidestep traditional channels, limiting the need for government execution and the potential misuse of funds (Box 2.1). Such models, however, do not necessarily correspond to the Bank's comparative advantage, and might be implemented more effectively by other donors, who are more experienced in their use and have the necessary resources on the ground. The Bank's comparative advantage lies in working with the government and civil society to build institutional capacity and improved governance.

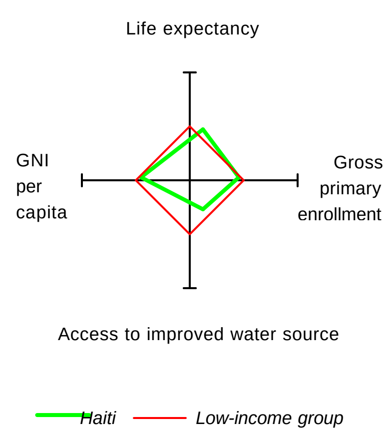
29. One recent example of such an operation can be found in the Democratic Republic of Congo's Emergency Early Recovery Project (FY02), the first element of a Transitional Support Strategy. The project includes capacity building to ensure effective and transparent implementation of external assistance and support to good governance and economic management, including facilitation of communication and debate throughout the country.

Haiti at a glance

10/2/01

POVERTY and SOCIAL	Haiti	Latin America & Carib.	Low-income
2000			
Population, mid-year *(millions)*	8.0	516	2,459
GNI per capita *(Atlas method, US$)*	480	3,680	420
GNI *(Atlas method, US$ billions)*	3.8	1,895	1,030
Average annual growth, 1994-00			
Population *(%)*	2.1	1.6	1.9
Labor force *(%)*	2.0	2.3	2.4
Most recent estimate (latest year available, 1994-00)			
Poverty *(% of population below national poverty line)*	..	..	..
Urban population *(% of total population)*	36	75	32
Life expectancy at birth *(years)*	53	70	59
Infant mortality *(per 1,000 live births)*	70	30	77
Child malnutrition *(% of children under 5)*	28	9	..
Access to an improved water source *(% of population)*	46	85	76
Illiteracy *(% of population age 15+)*	50	12	38
Gross primary enrollment *(% of school-age population)*	64	113	96
Male	..	..	102
Female	..	..	86

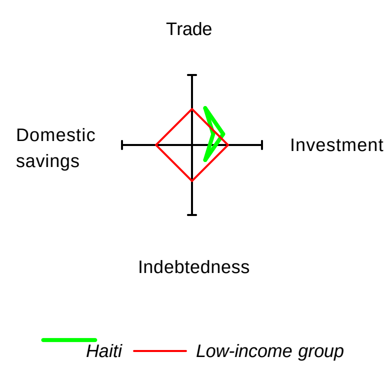
Development diamond*



KEY ECONOMIC RATIOS and LONG-TERM TRENDS	1980	1990	1999	2000
GDP *(US$ billions)*	1.5	3.0	4.0	3.3
Gross domestic investment/GDP	16.9	12.2	11.0	10.7
Exports of goods and services/GDP	21.6	16.0	13.2	12.5
Gross domestic savings/GDP	8.1	-1.1	-4.5	..
Gross national savings/GDP	..	..	3.9	3.6
Current account balance/GDP	..	..	-7.8	-7.6
Interest payments/GDP	0.3	0.2	0.4	0.5
Total debt/GDP	23.8	31.4	29.4	35.7
Total debt service/exports	..	..	11.2	8.3
Present value of debt/GDP	..	..	17.9	..
Present value of debt/exports	..	..	138.3	..

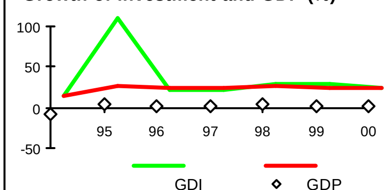
	1980-90	1990-00	1999	2000	2000-04
(average annual growth)					
GDP	-0.2	-0.6	2.2	1.1	..
GDP per capita	-2.1	-2.7	0.1	-0.9	..
Exports of goods and services	1.2	5.3	5.3	2.0	..

Economic ratios*



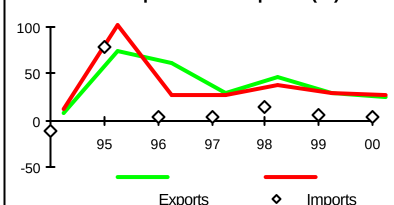
STRUCTURE of the ECONOMY	1980	1990	1999	2000
(% of GDP)				
Agriculture	..	33.3	30.0	29.6
Industry	..	21.8	20.9	21.1
Manufacturing	..	15.7	7.1	7.1
Services	..	45.0	49.1	49.3
Private consumption	81.9	93.4	..	..
General government consumption	10.1	7.7	..	..
Imports of goods and services	30.5	29.2	28.4	27.4

Growth of investment and GDP (%)



	1980-90	1990-00	1999	2000
(average annual growth)				
Agriculture	-0.1	-3.3	1.0	-0.2
Industry	-1.7	1.2	6.6	1.7
Manufacturing	-1.7	-10.8	2.8	1.1
Services	0.9	1.1	1.3	1.7
Private consumption	0.9	..	..	..
General government consumption	-4.4	..	..	..
Gross domestic investment	-0.6	3.3	6.7	1.3
Imports of goods and services	2.3	9.7	6.2	2.6

Growth of exports and imports (%)

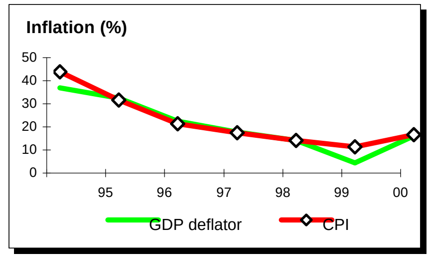


Note: 2000 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

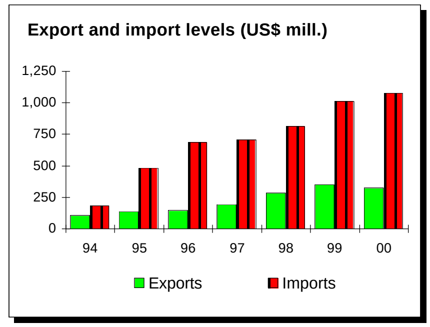
PRICES and GOVERNMENT FINANCE

	1980	1990	1999	2000
Domestic prices				
(% change)				
Consumer prices	..	-15.6	9.9	15.3
Implicit GDP deflator	21.4	18.7	3.2	14.6
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	8.1	8.9	7.8
Current budget balance	..	..	1.2	0.5
Overall surplus/deficit	..	..	-1.3	-2.1



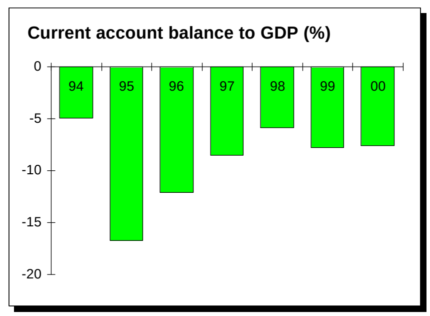
TRADE

	1980	1990	1999	2000
(US$ millions)				
Total exports (fob)	226	164	349	327
Coffee	..	..	18	13
Sisal and sisal strings	..	..	5	2
Manufactures	..	..	301	290
Total imports (cif)	..	332	1,011	1,078
Food	..	..	279	248
Fuel and energy	..	..	83	175
Capital goods	..	..	..	..
Export price index *(1995=100)*	..	..	..	..
Import price index *(1995=100)*	..	..	..	..
Terms of trade *(1995=100)*	..	..	..	..



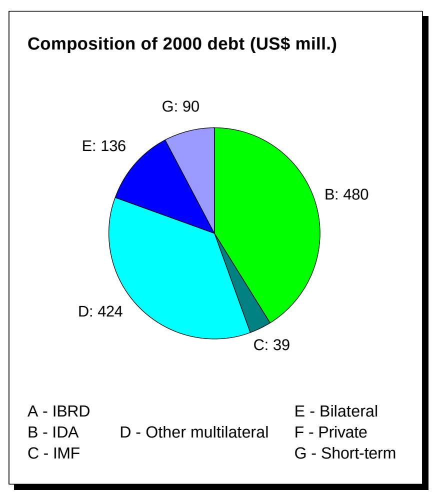
BALANCE of PAYMENTS

	1980	1990	1999	2000
(US$ millions)				
Exports of goods and services	..	..	518	489
Imports of goods and services	..	..	1,173	1,258
Resource balance	..	..	-655	-770
Net income	..	..	5	15
Net current transfers	..	..	334	506
Current account balance	..	..	-316	-249
Financing items (net)	..	..	339	..
Changes in net reserves	..	..	-24	..
Memo:				
Reserves including gold *(US$ millions)*	..	..	329	..
Conversion rate *(DEC, local/US$)*	5.0	5.0	16.9	24.3



EXTERNAL DEBT and RESOURCE FLOWS

	1980	1990	1999	2000
(US$ millions)				
Total debt outstanding and disbursed	348	935	1,190	1,169
IBRD	0	0	0	0
IDA	66	324	504	480
Total debt service	26	33	59	42
IBRD	0	0	0	0
IDA	0	3	10	10
Composition of net resource flows				
Official grants	30	65	109	..
Official creditors	25	33	51	32
Private creditors	7	0	0	0
Foreign direct investment	13	8	30	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	0	41	0	0
Disbursements	13	14	14	8
Principal repayments	0	1	6	7
Net flows	13	13	8	1
Interest payments	0	2	4	4
Net transfers	13	11	5	-2



Annex Table 2: Haiti - Key Economic and Social Indicators, 1990-2000

Economic and social indicators	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000*	Average for Haiti and comparator countries, 1990-1999**									
												Haiti	Latin America & Caribbean	Low income	Dominican Republic	El Salvador	Honduras	Cambodia	Burkina Faso	Guinea	Togo
GDP growth (annual %)	4.2	0.0	-13.2	-2.4	-8.3	4.4	2.7	1.4	3.1	2.2	1.2	-0.6	2.9	3.0	4.6	4.9	2.8	4.5	3.8	4.0	1.7
GNP per capita growth (annual %)	2.2	-1.4	-15.0	-4.4	-10.1	2.2	0.3	-0.7	1.1	0.6	..	-2.5	1.0	1.0	2.6	2.8	0.2	1.5	1.4	1.9	-1.1
GNI per capita, Atlas method (current US$) ***	430.0	470.0	390.0	330.0	270.0	300.0	360.0	380.0	410.0	460.0	..	460.0	3800.0	420.0	1920.0	1920.0	760.0	260.0	240.0	490.0	310.0
GNI per capita, PPP (current international $)***	1730.0	1730.0	1530.0	1490.0	1360.0	1430.0	1450.0	1440.0	1440.0	1470.0	..	1470.0	6620.0	1870.0	5210.0	4260.0	2270.0	1350.0	960.0	1870.0	1380.0
Agriculture, value added (% of GDP)	33.3	36.3	41.5	38.8	37.5	32.4	31.4	30.6	30.4	29.4	..	34.2	8.1	27.2	12.7	13.9	21.3	51.1	33.4	23.0	38.2
Manufacturing, value added (% of GDP)	15.7	12.3	10.7	10.8	8.0	..	..	..	7.1	..	..	10.8	21.7	18.5	18.1	21.9	17.8	5.4	18.4	4.4	9.7
Services, etc., value added (% of GDP)	45.0	44.4	44.5	46.4	47.6	50.4	49.9	49.9	49.6	48.4	..	47.6	59.0	42.0	54.9	58.4	49.1	35.3	41.8	43.8	39.9
Exports of goods and services (% of GDP)	16.0	10.7	5.4	8.4	6.9	9.1	8.7	8.4	11.5	12.4	..	9.8	14.4	20.9	30.4	20.5	39.3	21.2	12.0	22.0	30.7
Imports of goods and services (% of GDP)	29.2	24.6	14.0	21.4	14.8	30.3	26.7	23.0	29.1	27.7	..	24.1	15.2	23.5	37.6	34.3	46.6	30.8	27.4	25.1	39.1
International tourism, receipts (% of total export)	14.5	20.5	31.3	25.8	40.3	29.1	30.3	15.0	12.1	..	..	24.3	8.1	7.1	34.4	3.2	5.0	15.7	8.3	1.0	3.3
Resource balance (% of GDP)	-13.2	-14.0	-8.6	-12.9	-7.9	-21.1	-17.9	-14.6	-17.6	..	..	-14.2	-0.8	-2.5	-7.3	-13.9	-7.6	-9.5	-15.2	-2.9	-7.4
Current account balance (% of GDP)	-0.7	-2.6	0.3	-0.6	-1.2	-3.3	-4.7	-1.7	-1.0	..	..	-1.7	..	..	-3.1	-1.7	-5.9	-5.7	-5.4	-5.5	-8.0
Total debt service (% of exports of goods and services)	10.1	11.8	4.8	4.2	1.9	48.8	20.4	12.4	10.6	10.0	..	13.5	29.5	21.3	7.7	11.6	26.4	2.7	10.8	17.0	7.9
Gross international reserves in months of imports	0.2	0.5	..	..	1.9	1.6	1.7	1.1	..	..	..	1.2	4.5	2.8	0.9	3.7	1.8	2.1	5.6	1.4	2.9
Gross domestic investments (% of GDP)	12.2	10.3	3.2	4.8	3.4	8.7	9.5	10.2	10.7	11.0	10.7	..	..	..	..	..	..	..	..	..	..
Gross domestic savings (% of GDP)	-1.1	-3.6	-5.4	-8.1	-4.5	-12.4	-8.4	-4.4	-6.9	-4.2	..	-5.9	19.9	21.0	15.2	3.3	22.9	6.2	8.5	14.2	7.3
Inflation, consumer prices (annual %)	21.3	15.4	19.4	29.7	39.3	27.6	20.6	20.6	10.6	8.7	11.1	21.3	..	..	15.3	10.6	19.7	6.6	4.5	..	7.1
Current revenue, excluding grants (% of GDP)	7.3	7.6	5.5	4.8	2.8	5.9	6.7	8.5	8.1	8.5	7.8	6.7	19.8	14.9	15.2	14.7	..	..	14.0	13.0	..
Expenditure, total (% of GDP)	..	8.8	8.1	9.6	6.6	10.7	9.7	9.1	9.1	9.5	9.7	9.0	23.4	17.4	14.9	15.7	..	..	16.7	20.4	..
Overall budget deficit, including grants (% of GDP)	-3.7	-1.8	-2.3	-2.3	-3.7	-4.3	-2.5	-0.6	-1.1	-1.3	-2.2	-2.4	-2.8	-3.8	0.5	-1.8	..	..	1.2	-3.3	..
Population, total (million)	6.5	6.6	6.7	6.9	7.0	7.2	7.3	7.5	7.6	7.8	..	7.1	473.6	2216.8	7.8	5.6	5.6	10.5	9.9	6.5	4.0
Population growth (annual %)	2.0	1.8	1.9	2.0	2.1	2.2	2.3	2.1	2.0	2.0	..	2.1	1.7	2.1	1.9	2.0	2.9	2.8	2.4	2.6	2.9
Urban population (% of total)	29.5	30.1	30.7	31.4	32.0	32.6	33.2	33.8	34.5	35.1	..	32.3	73.0	29.5	61.4	45.0	46.8	14.1	15.7	28.9	30.6
Illiteracy rate, adult total (% of people ages 15 and above)	60.3	59.3	58.3	57.3	56.3	55.2	54.2	53.2	52.2	51.2	..	55.8	13.5	42.1	18.7	24.4	28.7	65.8	80.5	..	48.8
School enrollment, primary (% gross)	47.8	..	..	..	..	..	..	..	..	..	..	47.8	109.1	93.1	94.9	86.8	110.0	119.0	36.0	44.6	110.5
Immunization, DPT (% of children under 12 months)	41.0	..	30.0	30.0	30.0	34.0	..	35.0	39.0	59.0	..	37.3	80.9	74.5	71.0	85.7	93.2	54.8	45.8	52.6	57.9
Improved water source (% of population with access)	46.0	..	..	..	..	..	..	..	..	..	..	46.0	81.1	70.3	78.0	55.0	84.0	..	53.0	45.0	51.0
Sanitation (% of population with access)	25.0	..	..	..	24.0	..	..	..	..	..	..	24.5	71.7	39.9	60.0	68.0	..	..	21.0	55.0	37.0
Life expectancy at birth, total (years)	53.1	..	53.5	..	..	53.6	..	53.7	..	53.4	..	53.5	69.0	58.6	70.1	68.0	68.5	52.5	45.2	45.4	49.5
Mortality rate, infant (per 1,000 live births)	85.4	..	75.0	..	..	72.7	..	71.1	..	69.9	..	74.8	34.8	82.1	44.2	36.5	41.6	109.8	108.0	106.9	79.2

Source: World Bank SIMA database/ GDF/WDI as of May 23, 2001

* Data for 2000 are estimates

** The Government notes that the inclusion of the very abnormal years 1992-94 in the average for Haiti renders it "irrelevant."

*** Data for comparison among countries refer to 1999

Annex Table 3: External Assistance to Haiti

I. Average Net Receipts from all donors for CY 1980-1998, (US$ million)

Donor	*1980-89*	*1990-98*	*1996*	*1997*	*1998*
Bilateral	97.6	219.9	158.2	124.2	192.3
Multilateral	51.3	98.3	218.8	148.8	156.2
o/w IDA	22.4	24.0	62.9	35.1	34.2
o/w IDB Special Oper. Fund	9.4	23.0	36.2	44.2	56.2
o/w UNDP	6.3	8.6	17.9	17.2	10.0
Other	0	0	0	0	0
Total net receipts	148.8	318.3	377.0	273.0	348.4
Net receipts per capita	25.6	44.8	51.4	36.4	45.6
Memo item:					
GDP at market prices (current US$ million)	1901.6	2752.5	2958.2	2824.3	3870.9

Source: Geographical Distribution of Financial Flows to Aid Recipients 1994-1998, OECD,
World Bank SIMA database as of March 21, 2001.

II. World Bank Commitments by Sectors for FY 1980-2000, (US$ million)

Sectors	*1980-89*	*1990-00*	*1996*	*1997*	*1998*
Agriculture	26	26			
Education/HNP	19	41			
Environment		22		22	
Finance	7				
Infrastructure*	117	50			
Public Sector Mgmt.**	3	61	50		
Multisector***	40	63		12	
Urban Development/Water Supply & Santn	41				
Total	253	263	50	34	

Source: World Bank Business Warehouse as of March 2001.

*Electric Power and Transportation sectors
**Public Sector Management and Social Protection sectors
*** Multisector, Economic Policy and Private Sector Development

Annex Table 4: ESW List for Haiti

Report title	*Date*	*Report #*
Country Assistance Strategy Documents		
Haiti - Country assistance strategy (Vol.1)	13-Aug-96	15945
Economic Reports		
Haiti - The economy (Vol.1)	01-Aug-54	WH26
Haiti - Recent economic developments (Vol.1)	01-Apr-56	WH45
Haiti - Current economic position and prospects (Vol.1)	01-Aug-57	WH62
Haiti - Current economic position and prospects (Vol.1)	01-Sep-61	WH110
Haiti - Current economic position and prospects (Vol.1)	01-Aug-65	WH151
Haiti - Current economic position and prospects (Vol.1)	01-May-72	CA17
Haiti - Current economic position and prospects (Vol.1)	01-Apr-74	410
Haiti - Current economic position and prospects (Vol.1)	01-Dec-76	1243
Haiti - Current economic position and prospects (Vol.1)	01-Dec-78	2165
Haiti - Economic memorandum (Vol.1)	01-Feb-81	3079
Haiti - Economic memorandum (Vol.1)	01-May-81	3444
Haiti - Economic memorandum (Vol.1)	01-May-82	3931
Haiti - Policy proposals for growth (Vol.1)	01-Jun-85	5601
Haiti - Public expenditure review (Vol.1)	29-Sep-86	6113
Haiti - Public expenditure review (Vol.2)	29-Sep-86	6113
Haiti - Economic recovery : performance, issues and prospects (Vol.1)	23-Dec-88	7469
Haiti - Updating economic note (Vol.1)	17-Apr-90	8396
Haiti - Restoration of growth and development (Vol.1)	20-May-91	9523
Caribbean Economic Overview (Vol.1)	04-Jun-98	17874
Sector Reports		
Haiti - Urban sector survey (Vol.1)	01-Apr-79	2152
Haiti - Issues and options in the energy sector (Vol.1)	01-Jun-82	3672
Haiti - Situation note on the population, health and nutrition sectors (Vol.1)	01-May-85	5699
Haiti - Agricultural sector study (Vol.1)	01-Jun-85	5375
Haiti - Agricultural sector study (Vol.2)	01-Jun-85	5375
Haiti - Agricultural sector study (Vol.3)	01-Jun-85	5375
Haiti - Agricultural sector review (Vol.1)	30-Apr-91	9357
Wider Caribbean financial sector review - increasing competitiveness and financial resource management for economic growth (Vol.1)	26-May-98	17556
Haiti - The challenges of poverty reduction (Vol.1)	01-Aug-98	17242
Haiti - The challenges of poverty reduction (Vol.2)	01-Aug-98	17242
World Bank Country Study		
Haiti - Public expenditure review (Vol.1)	01-Jan-87	PUB6113
Le redressement de l'economie Haitienne : resultats, problemes et perspectives (Vol.1)	01-Mar-90	PUB7469
ESMAP Paper		
Haiti - Energy assessment status report (Vol.1)	01-Aug-85	ESM41
Haiti - Household energy strategy (Vol.1)	01-Dec-91	ESM143

Source: World Bank database Imagebank3

Annex Table 5: OED and QAG Ratings for Haiti and Comparator Countries

Table I: OED Ratings

Country	***Total Evaluated $m***	***Total Projects Evaluated***	***Outcome % Satisf.*** *Commitment*	***Outcome % Satisf.*** *Projects*	***Inst. Devel. Imp. % Substan.*** *Commitment*	***Inst. Devel. Imp. % Substan.*** *Projects*	***Sustainability % Likely*** *Commitment*	***Sustainability % Likely*** *Projects*
FY 1986-2000								
Bank wide	158715	1907	78	70	42	35	62	51
LAC	42719	384	81	77	48	42	69	60
Africa	24012	627	64	56	26	25	33	32
Haiti	***195***	***9***	***63***	***56***	***28***	***33***	***21***	***11***
El Salvador	227	6	72	83	60	50	100	100
Honduras	524	13	83	77	6	15	7	25
Burkina Faso	328	13	99	92	19	31	38	46
Cambodia	103	2	100	100	0	0	0	0
FY 1994-2000								
Bank wide	36028	300	89	85	46	44	71	64
LAC	9371	67	85	91	56	53	69	64
Africa	3405	64	83	78	24	35	52	52
Haiti	***89***	***2***	***100***	100	***45***	***50***	***45***	***50***
El Salvador	52	2	100	100	95	50	100	100
Honduras	344	3	100	100	0	0	64	50
Burkina Faso	65	3	100	100	38	33	62	67
Cambodia	103	2	100	100	0	0	0	0

1) The Institutional Development Impact and Sustainability ratings have been in use only since FY 89. Hence, the data for these two ratings for the period before FY 91 apply for smaller levels of total net commitment than shown in columns 2 and 3 of the table.

Source: OED ratings database as of 03/31/2001.

Table II: QAG Ratings

Country	*# Proj*	*Net Commitment, $ m*	*# Projects at Risk*	*% Projects at Risk*	*Commitment at Risk*	*% Commit at Risk*
Bank	1573	107224	228	15	15094	14
LAC	316	23794	46	15	3787	16
Africa	394	15085	69	18	2767	18
Haiti	***2***	***64***	***2***	***100***	***64***	***100***
El Salvador	8	352	0	0	0	0
Honduras	14	581	0	0	0	0
Burkina Faso	9	323	1	11	5	2
Cambodia	12	260	3	25	52	20

Source: World Bank Business Warehouse as of 05/14/2001.

Annex Table 6: Costs of Bank Programs for Haiti and Comparator Countries, FY 91-99

Costs

Regions/ Countries	*Total costs, $m*	*Lending completion costs, $m*	*Supervision costs, $m*	*ESW completion costs, $m*
Bank wide	2292	979.0	898.0	415.0
LCR	381	163.0	152.0	66.0
Haiti	5.4	1.9	2.7	0.8
El Salvador	8.4	3.6	3.7	1.1
Honduras	11.3	4.8	5.6	0.9
Burkina Faso	18.4	6.8	9.8	1.8
Cambodia	10.8	4.0	4.4	2.4
Percentages				
Bank wide	100%	43%	39%	18%
LCR	100%	43%	40%	17%
Haiti	100%	35%	50%	15%
El Salvador	100%	43%	44%	13%
Honduras	100%	42%	50%	8%
Burkina Faso	100%	37%	53%	10%
Cambodia	100%	37%	41%	22%

Efficiency Table

Regions/ Countries	*Total costs $m*	*Number of projects*	*Net commitment $m*	*Net commitment for satisf. & nonrisky projects $m*	*Average costs per project $1000*	*Average costs $ per $1000 of net commitment*	*Average costs $ per $1000 of net commitment for satisf. & nonrisky projects*	*Memo Average project size $m*
Bank wide	2292	2229	197103	144120	1028	11.6	16.0	88
LCR	381	465	46957	38073	819	8.1	10.0	101
Haiti	5	8	205	165	675	26.3	32.7	26
El Salvador	8	13	516	516	646	16.3	16.3	40
Honduras	11	18	1218	779	628	9.3	14.5	68
Burkina Faso	18	19	503	460	968	36.6	40.0	26
Cambodia	11	11	343	299	982	31.5	36.2	31

Annex Table 7: Haiti - List of Approved Projects

							QAG ratings			OED ratings					
Proj ID	*Project name*	*Commit. $m*	*Cancel. $m*	*FY*	*Exit year*	*Portfolio Status*	*Latest DO*	*Latest IP*	*Latest Risk Rating*	*Latest Evaluation Type*	*Outcome*	*Sustainability*	*IDI*	*Bank overall performance*	*Borrower overall performance*
	Agriculture														
P007276	RURAL DEVELOPMENT I	10.0	0.0	1977	1983	I				PAR	U	NR	NR	NR	NR
P007281	AGRIC REHAB-HURRICAN	3.2	0.1	1981	1984	I				PCR	S	NR	NR	NR	NR
P007284	FORESTRY	4.0	0.1	1982	1990	I				PCR	U	U	M	NR	NR
P007289	RURAL DEVT II (SDR-1	19.1	0.0	1984	1990	I				PCR	U	Uncertain	N	NR	NR
P007322	FORSTRY & ENVIRON	26.1	26.1	1992	1993	I				EVM	NR	NR	NR	NR	NR
P007326	FOREST & PARKS TA	21.5	0.0	1997		A	S	U	Substantial Risk						
	Subtotal:	*83.9*	*26.3*												
	Multisector														
P007307	ECON RECOV CRD	40.0	20.0	1987	1989	I				PAR	S	Uncertain	M	NR	NR
P031828	EMERGENCY ECONOMIC R	40.0	0.0	1995	1995	I	HS	HS		EVM	HS	L	S	HS	HS
P041971	TAP II	12.0	12.0	1997	1999	I	U	U	Substantial Risk	ES	NR	Non-evaluable	NR	NR	NR
	Subtotal:	*92.0*	*32.0*												
	Education														
P007274	EDUCATION I	5.5	0.0	1976	1981	I				PAR	S	NR	NR	NR	NR
P007277	EDUCATION II	10.0	0.0	1978	1985	I				PCR	S	NR	NR	NR	NR
P007286	EDUCATION III (SDR-8	9.0	0.0	1983	1988	I				PCR	U	U	N	NR	NR
P007290	EDUCATION IV-A	10.0	2.1	1985	1992	I				PCR	U	U	N	NR	NR
P007316	ED V	12.6	12.6	1991	1993	I				EVM	NR	NR	NR	NR	NR
	Subtotal:	*47.1*	*14.7*												
	Electric Pwr & Engy.														
P007275	POWER I	16.0	0.0	1976	1979	I				PAR	S	NR	NR	NR	NR
P007280	POWER II	16.5	0.0	1979	1985	I				PCR	S	NR	NR	NR	NR
P007287	POWER III (SDR-23.1)	26.0	0.0	1983	1986	I				PCR	U	Uncertain	M	NR	NR
P007291	POWER IV-A	22.1	0.0	1985	1990	I				EVM	MS	U	N	NR	NR
P007300	POWER V	24.0	0.8	1989	1999	I	U	U	Substantial Risk	ES	U	U	N	U	U
	Subtotal:	*104.6*	*0.8*												
	Finance														
P007282	INDUSTRIAL CREDIT	7.0	0.3	1981	1987	I				PCR	S	Uncertain	M	NR	NR
	Subtotal:	*7.0*	*0.3*												
	Hlth, Nutn & Popultn														
P007311	HT- FIRST HEALTH PROJECT	28.2	0.0	1990		I	U	U	Substantial Risk						
	Subtotal:	*28.2*	*0.0*												
	Private Sector Devel														
P007309	RESTRUCTURING &	11.4	2.7	1990	2000	I	U	U	High Risk	ES	U	U	N	S	U
	Subtotal:	*11.4*	*2.7*												
	Public Sector Mgmt.														
P007308	TAL	3.0	0.2	1987	1991	I				PCR	S	Uncertain	S	NR	NR
	Subtotal:	*3.0*	*0.2*												
	Social Protection														
P007321	ECON & SOC FUND	11.3	0.3	1991	1998	I	S	S	Modest Risk	ES	S	Uncertain	S	S	S
P041583	EMPLOYMENT GENERATIO	50.0	0.9	1996	1997	I	S	HS	Modest Risk	EVM	S	Uncertain	M	S	S
	Subtotal:	*61.3*	*1.2*												
	Transportation														
P007270	HIGHWAY MAINTENANCE	2.6	0.0	1956		I									
P007271	INTERIM HIGHWAY PROJ	0.4	0.1	1963		I									
P007272	NORTHERN HIGHWAY	10.0	0.0	1974	1979	I				PAR	S	NR	NR	NR	NR
P007273	FOURTH HIGHWAYS	20.0	0.0	1975	1979	I				PAR	S	NR	NR	NR	NR
P007278	HIGHWAY V/PORTS	15.0	0.0	1978	1983	I				PCR	S	NR	NR	NR	NR
P007283	PORTS I	11.0	0.0	1981	1985	I				PAR	U	NR	NR	NR	NR
P007285	HIGHWAYS VI	14.0	0.0	1982	1987	I				PCR	U	U	N	NR	NR
P007295	TRNSPRT VII	20.0	0.0	1987	1996	I	S	S		EVM	MU	U	N	U	U
P007318	RD MAINT & RHB	50.0	7.9	1995		A	U	S	High Risk						
	Subtotal:	*143.0*	*8.1*												
	Urban Development														
P007288	URBAN DEVT I (SDR-19	21.0	3.3	1983	1992	I				PCR	U	U	N	NR	NR
	Subtotal:	*21.0*	*3.3*												
	Water Supply & Santn														
P007279	WATER SUPPLY I	6.6	0.0	1978	1984	I				PAR	U	NR	NR	NR	NR
P007292	P AU PRINCE WTR	20.0	0.5	1989	1999	I	U	U	Substantial Risk	ES	U	U	N	U	U
	Subtotal:	*26.6*	*0.5*												
	Grand Total:	**629.1**	**90.0**												

Source: World Bank Business Warehouse, OED and CTR databases as of May 24, 2001.

Annex Table 8: Bank Senior Management for Haiti, 1990-2001

Year	*Vice President*	*Country Director*	*Country Operations Division Chief/Country Manager*	*Resident Representative*
1990	S. Shahid Husain	Ping-Cheung Loh	Gerald Flood	n.a.
1991	S. Shahid Husain	Ping-Cheung Loh	Gerald Flood	n.a.
1992	S. Shahid Husain	Yoshiaki Abe	Christian Delvoie	n.a.
1993	S. Shahid Husain	Yoshiaki Abe	Christian Delvoie	n.a.
1994	Shahid Javed Burki	Yoshiaki Abe	Christian Delvoie	n.a.
1995	Shahid Javed Burki	Edilberto L. Segura	Donna Dowsett-Coirolo	n.a.
1996	Shahid Javed Burki	Paul Isenman (to mid-1997)	Philippe Nouvel (to mid-1997)	Carolle Car
1997	Shahid Javed Burki	Orsalia Kalantzopoulos (from mid-1997)	n.a.	Carolle Car
1998	Shahid Javed Burki	Orsalia Kalantzopoulos	n.a.	Michael N. Azefor
1999	David de Ferranti	Orsalia Kalantzopoulos	n.a.	Michael N. Azefor
2000	David de Ferranti	Orsalia Kalantzopoulos	n.a.	Michael N. Azefor
2001	David de Ferranti	Orsalia Kalantzopoulos	Marco Mantovanelli[a]	n.a.

Source: The World Bank, various directories

a. Country Manager for Dominican Republic and Haiti

Annex Table 9: International Development Goals

Goal	*Indicator*	*1990*	*1994*	*1998*	*1998*				
					El Salvador	*Honduras*	*Burkina*	*Cambodia*	*LAC*
1. Reduce the proportion of people living in extreme poverty by half between 1990 and 2015	Incidence of extreme poverty: people living on less than $1 a day (%)	..	..	..	..	46.9	..	..	..
2. Enroll all children in primary school by 2015	School enrollment, primary (% net)	..	..	..	..	..	..	..	..
3. Make progress towards gender equality and empowering women, by eliminating gender disparities in primary and secondary education by 2005	a. Ratio of girls to boys in primary and secondary school	..	..	..	..	..	..	..	..
	b. Ratio of literate females to literate males (15-24 year olds)	1.0	1.0	1.0	1.0	1.0	0.5	0.5	1.0
4. Reduce infant and child mortality rates by two-thirds between 1990 and 2015	Mortality rate, infant (per 1,000 live births)	85.4	..	70.5	31.0	35.9	104.0	101.6	30.9
5. Reduce maternal mortality ratios by three-quarters between 1990 and 2015	Maternal mortality ratio (per 100,000 live births)	..	..	..	..	..	..	..	..
6. Provide access for all who need reproductive health services by 2015	Contraceptive prevalence (% of women 15-49)	..	18.6	..	..	..	..	..	60.4
7. Implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015	a. Biodiversity: protected land area	..	..	..	..	..	..	..	..
	b. Energy efficiency: GDP per unit of energy use	6.5	6.6	..	..	..	..	..	..
	c. CO2 emissions, industrial (kg per PPP$ of GDP)	0.1	0.0	..	..	..	..	..	..

Source: World Bank SIMA database.

Haiti: List of People Interviewed

Bank Staff
Orsalia Kalantzopoulos, Country Director
Ali Khadr, Lead Economist and Sector Leader, PREM, LCC3C, Room: I 4-101, x87860
Edgardo Favaro, Lead Economist 1997-99
Christian Delvoie, former Division Chief
Philippe Auffret, Country Economist
John Panzer, Country Economist 1997-2000
Naveen Sarna, Country Economist 1995-97
Paul Moreno Lopez, former IDB Country Economist
Axel Peuker, Economist
Joelle Dehasse, Country Officer
Garry Charlier, former Country Officer
Michael Azefor, former Resident Representative
Colin Scott, SDVPC (Post-Conflict Unit)
William Experton, Caribbean Social Sector Leader
Jamil Salmi, former Caribbean Social Sector Leader, TM FAES and Education 5
Judy Baker, Senior Economist, TM Poverty Report
Miriam Schneidman, Sr. Operations Officer, former TM Health project
Girindre Beeharry, Economist, TM Health project, 2000-01
Abdelghani Inal, Senior Highway Engineer, TM Road Maintenance project, 1998- 01
Elizabeth Monosowski, Sr. Environmental Specialist, TM Forests and Parks TA, 2000-01
Thomas (Andy) White, TM Forests and Parks TA project, 1995-99
Nadim Khouri, Senior Natural Resources Management Specialist
Renan Poveda, TM GEF – Biodiversity Enabling Activities Project

IMF:
Eric Verreydt, Senior Economist, Desk Officer, former Resident Representative
Ali Salehizadeh, Senior Economist, Desk Officer

USAID:
Phyllis Forbes, former Mission Director
Alex Newton, Deputy Mission Director
Erin Soto, Head of Democracy Office
Lynn Adrian, health
Sharon Bean, Democracy Office (formerly with International Assoc. for Migration)

US Treasury:
David Bloomgarden, former representative to Haiti, 1996-97

IDB:
David Bloomgarden, Counselor, Office of U.S. ED
Richard Archi, Division Chief
Barbara Szaszkiewica, Senior Advisor
Didier Robert, Country Economist

Gerard Johnson, Resident Representative
Paul Moreno Lopez, Country Economist, 1994-98
Jorge Perez-Arbeliaz, Office of Evaluation and Oversight

Agence Francaise de Developpement
Didier Robert, former representative to Haiti, 1995-97

Other:
Bob McGuire, Director, Program for Intl. Affairs, Trinity College, Washington, DC
Glenn Smucker, consultant, cultural anthropologist, Wisconsin
Andy White, Forest Trends

Haiti Country Assistance Evaluation

MANAGEMENT ACTION RECORD OF OED RECOMMENDATIONS AND MANAGEMENT RESPONSES

Recommendations	*Management Response*
(i) Any move toward re-engagement should proceed in close coordination with other donors at all levels: agreement on objectives, determination of responsibilities in line with comparative advantage, and establishment of consistent operational procedures on the ground. (ii) The Bank should approach any re-engagement in Haiti with extreme caution. The means of re-engagement should be presented in a Transitional Support Strategy paper, with highest priority on the reform of governance and institutions. Re-engagement could be initiated through the use of grants to re-establish a dialogue with the government and with civil society. (iii) The Bank should consider resumed lending only if Haiti meets the three conditions set by the international community for re-engagement. Even then, any lending should be directed toward piloting activities that could contribute to institution building, possibly through the use of LILs.	In accordance with OED recommendations, the Bank plans to prepare a Transitional Support Strategy (TSS) beginning in early 2002. The objective of the TSS will be to define Bank assistance to Haiti over a period of 24 months. The TSS is likely to propose a two-phased approach to re-engagement in Haiti: **1. A first-phase (to last about 6 months) will create the conditions for recovery**. This phase should roughly correspond to a phase covered by an IMF Staff Monitored Program and clearance of arrears with the Bank. Given the history of weak governance/corruption and non-compliance with conditionalities, this phase will be a key test in assessing the Government commitment to prudent macroeconomic management and improved governance; **2. A second-phase (to last about 18 months) will address economic recovery**. Once the conditions for recovery are restored, the second-phase will seek to build effective public institutions, increase governance and create the environment to revitalize economic activities. The TSS is likely to recommend that the Bank focus on **three areas** where it has a clear comparative advantage: **1. Aid coordination** the Bank will continue to play a central role in coordinating donor assistance to Haiti; **2. Policy and technical advice** (to be initiated in the second-half of the first-phase). The Bank will cautiously resume assistance in public enterprise restructuring / privatization and reforms aimed at increasing public sector transparency. The Bank will conduct a Poverty Assessment and a Public Expenditure Review to improve the effectiveness of donors' assistance. The Bank, IMF and others will assist the Government in preparing an I-PRSP, which should help increase governance, transparency and strengthen institutions. **3. Financial support** the Bank will focus on supporting activities in the social sectors (health and HIV/AIDS, education and basic infrastructure), building effective, accountable, and efficient public institutions, and improving governance. Projects are likely to be for modest amounts focusing on technical assistance for public sector reform and community-based development. Should progress on a reform agenda and TSS implementation be satisfactory, the Region would prepare a **Country Assistance Strategy**.

Report from CODE

Committee on Development Effectiveness

Informal Subcommittee's Report on Haiti Country Assistance Evaluation

1. The Informal Subcommittee (SC) of the Committee on Development Effectiveness met on January 16, 2002 to discuss the Country Assistance Evaluation (CAE) for Haiti (CODE2001-0100; CODE2001-0100/1). The SC welcomed the CAE and particularly commended OED for the frankness of the report.

2. OED remarked that Haiti is one of the poorest countries in the world and is emblematic of the aid dilemma posed by poor performers. The development impact of the Bank's assistance since 1986 has been negligible; new lending has been blocked since 1997 by the lack of a functioning parliament, and the few remaining projects have been cancelled. The outcome of the Bank's assistance program is rated unsatisfactory, its institutional development impact is negligible, and the sustainability of the few benefits is rated as unlikely. OED noted that the Bank and other donors erred by offering traditional assistance without identifying the fundamental barriers to development, and by overwhelming the country's fragile absorptive capacity. Bank performance has, however, improved in recent years through increasingly realistic assessments of Haiti's problems. OED stressed that the Bank should approach re-engagement with Haiti with extreme caution, in the framework of a Transitional Support Strategy (TSS) paper, and should also explore the possibility of post-conflict grants, an Institutional and Governance Review, and the preparation of an Interim PRSP. If lending resumes, projects should be small, simple, and well-defined, with modest objectives that include strengthening organizations and building capacity. Lastly, OED emphasized that close donor coordination will be crucial for rebuilding Haiti's weak institutional environment.

3. Management noted that the CAE was a well-balanced report and they agreed with most its findings and recommendations. The current Bank strategy for Haiti was to prepare a TSS with two possible scenarios. The "as is" scenario would involve securing grant funding for HIV/AIDS, focusing on maintaining human capital, particularly preserving educational standards, and building Government or NGO capacity to monitor the poverty situation in order to keep Bank's poverty data current. The "improved" scenario would involve re-engagement through IDA lending, but this would only take place gradually and with great caution to avoid the mistakes of the past, as recommended by OED. The necessary pre-requisites for this re-engagement would be improved macroeconomic performance, improvements in governance, and commitments to judicial reform and improving security in the country.

4. The Chair representing Haiti thanked OED for the CAE and hoped that the agreement between OED and Management could lead to a shared vision on how to proceed with a Bank program in Haiti. He stressed that it was time to normalize the relationship between Haiti and the Bank. He emphasized the need to focus on social development and the imperative of developing a pipeline of Bank projects. He stressed that Haiti had begun important economic reforms such as tightening monetary policy, tax and fiscal reform, banking sector reform, and privatization and utilities reform. He noted that Haiti was in a dire situation with 80 percent of the population living under the poverty line and thus, Bank assistance was crucial.

5. The SC broadly supported the findings of the CAE. Members were pleased to note the cooperation between OED and Management. One member commended Management on their approach and the prudent handling of the portfolio. The SC raised the following issues:

6. **Re-engagement with Haiti**. The SC generally supported the notion of cautious re-engagement with Haiti with a focus on institutional capacity building, human development, and fiscal and governance reform. Speakers stressed the importance of starting modestly with lending activity and only based on clear commitment and progress from the Government. However, some speakers wondered whether more could be done to deal with the serious governance and political problems in Haiti. One member stressed that the Bank should be taking a longer term approach and assisting Haiti with institutional recovery rather than waiting for political developments to pave the way for engagement on economic reform programs.

7. **LICUS Task Force.** Members asked whether the country team was collaborating with the work being done on poor performing countries by the LICUS Task Force. Management responded that the Task Force team had been asked to serve as peer reviewers for the TSS.

8. **Poverty Alleviation.** Some members supported the comments made by the Government in the CAE Annex and wondered whether it would be possible for the Bank to work on poverty alleviation issues in Haiti even in the absence of institutional reforms, emphasizing the urgency of the situation in Haiti. Management responded that they would be undertaking an institutional review as part of the re-engagement strategy.

9. **HIV/AIDS.** The SC stressed the importance of working on HIV/AIDS in Haiti noting the extent of the problem. Members suggested that it would not be realistic for the Bank to successfully work on HIV/AIDS in the Dominican Republic without working on the same issues in Haiti noting it was a regional problem that greatly affected Haiti. Management agreed and noted that they were attempting to begin work on groups at high risk for HIV/AIDS through UNAIDS.

10. **Post-Conflict Country.** Some speakers questioned whether it was appropriate to categorize Haiti as a post-conflict country given that the situation was still extremely unstable. One member noted that Haiti was quite different from other countries in the region and asked whether the country team was equipped to deal with the particular post-conflict issues in Haiti. Management responded that they were seconding staff to work on the TSS that had worked in post-conflict situations in smaller countries in Africa whose experience would be relevant to Haiti.

11. **Donor Coordination/Partners.** The Subcommittee stressed the importance of strong donor coordination and also asked whether other donors were following a similar cautious approach vis-à-vis re-engagement with Haiti. Members also asked about the role of the private sector and NGOs in Haiti and wondered about their capacity to and comparative advantage in delivering assistance. They stressed the importance of working through civil society and the private sector in Haiti. Management agreed and noted that USAID had had good success in working with a number of NGOs and the Bank would also be following this approach.

12. **OED Methodology.** Members questioned whether OED had been to Haiti to prepare the CAE. OED responded that the security situation had not permitted a field mission.

Matthias Meyer
Chairman, CODE Subcommittee

<u>Distribution</u>
Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA

Government Comments(A)
English Version

Ministry of Planning and Foreign Cooperation
Palais des Ministères

Ms. Alice Galenson
OED
World Bank
1818 H Street N.W.
Washington, D.C. 20433

Port-au-Prince, September 24, 2001
[Originally received by fax on September 3, 2001]

Dear Madam:

Thank you for your letter of August 23 enclosing the draft report entitled: "Haiti – Country Assistance Strategy." We note that the deadline for comments and observations is September 21 and hope to be able to meet that deadline. However, given the importance of the topic, and to insure against any possible last minute hold-up in the transmission process, I hasten to give you our immediate reaction after a first reading of this report.

The document is very good, and its chief merit lies in its very existence. After so many months of indifference and recriminations on the part of the Bank towards Haiti, many people were starting to wonder whether this meant a permanent break in our relations. For purposes of reopening our dialogue and reestablishing cooperation, an OED report certainly seems to be a good formula, and this document, covering as it does a 15-year period, lends itself well to an in-depth discussion of a wide range of issues. We find this very gratifying.

Overall, the report presents a very clear analysis of the situation, and while it may sometimes be extremely severe towards Haiti, it is not always very pleased with the Bank, thus reassuring us of its objectivity. However devastating they may be, the conclusions reached regarding institutional instability, public sector inadequacies, nonperforming projects and a poor return on aid are all very realistic. On the other hand, and as is to be expected, we do not agree with certain other conclusions, such as those regarding the minimalist strategy options of the post-conflict model type proposed for the future. Also, we believe that although Haiti has been in a chronic situation of economic recession and repeated political crises for the past 15 years, this does not mean that the country is falling apart. The reforms undertaken in 1986 are still in place, and some of them are now well established. We have not experienced civil war, or any mass movements of the population that could be compared, even in the slightest degree, to the massive flights of inhabitants from certain African countries.

Another talking point would be your suggestion concerning shortcircuiting the traditional intervention mechanisms. Such a formula, involving small social projects, is certainly interesting, but to systematically implement it would be contrary to the report's primary objective, namely good governance. Lastly, we are frankly very disturbed to find no reference at all to any type of PRGF. This is something toward which we are presently working, both as a natural means of reducing extreme poverty, but also as a major test of our own capacity for redressing imbalances, ensuring a broad-based process of participation, and relaunching the mechanisms that will increase the productivity of strategic sectors.

I have distributed the report and the accompanying letter to the Minister of Economy and Finance and the Governor of the Central Bank, requesting that they send you their comments directly. A more detailed version of our own comments will follow shortly. Meanwhile, we ask that you be kind enough to send us a copy of Nicholas Stern's address of May 1, 2001, a copy of OED 17769 Volume V and of OED 10080 of November 15, 1991. Once again, our congratulations.

With our thanks, we remain,

Very truly yours,

/s/
Marc L. Bazin

Government Comments (B)
English Version

Republic of Haiti

Ministry of Planning and
External Cooperation

Palais des Ministères

Ref.: MPCE/SM/BM

No. 5727 Port-au-Prince, September 26, 2001

Ms. Alice Galenson
OED
202-522-3124
World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Ms. Galenson:

Further to my letter of September 3, 2001 I am pleased to enclose a more comprehensive document containing our comments on the very sound report prepared by the Operations Evaluation Department entitled: "Haiti – Country Assistance Evaluation." I have circulated it fairly widely. The report has generated interest and several Ministers have forwarded their comments to me. I regret the fact that the text of the interim response that you received was unclear, and, as agreed during our recent discussions, I am sending this copy by regular mail and by e-mail, with the hope that you receive them in proper form.

I would like to express our profound appreciation for this remarkable document.

Very truly yours,

[Signature]
Marc L. Bazin
Minister

[Ministry stamp]

COMMENTS FOR DISCUSSION

Re: Haiti - Country Assistance Evaluation

<u>**Introduction**</u>

In a letter dated September 3, 2001, addressed to Ms. Galenson, I indicated how important the document entitled "Haiti – Country Assistance Evaluation" was to the relationship of Haiti with the Bank, and beyond the Bank, with the rest of the international community. The document breaks almost two years of silence, hidden agendas, and complaints on both sides, which culminated late last year with the decision of the Bank to close its country office in Haiti, recall its resident representative, and maintain ties with Haiti only through short monthly visits conducted by persons from its Santo Domingo office.

In our view, the report therefore signals renewed interest by the Bank in Haiti. Also, because it is very broad in scope and covers not only economic matters but also social, political, and sometimes even historical issues, and the conduct of the main national and international actors has come under great scrutiny over the past fifteen years, the document has great potential from an operational standpoint. It moves beyond the critical evaluation phase of the past and outlines a number of short, medium, and long term action areas. The document is therefore serious and thorough, and the authors were not daunted by its difficult and sensitive nature. Furthermore, should there be the slightest doubt regarding the objective sought by the document and its scope, despite the broad spectrum of topics covered and the in-depth nature of the analysis, a cursory glance at the list of some of the persons outside the Bank who were consulted should serve to dispel such doubt. That list contains the names of many persons who have worked on Haiti and even in Haiti, and who have acquired a wealth of practical on site experience related to our country's problems and have often shown sympathy and understanding towards Haiti and its people. We also appreciate the fact that the Bank has taken the time – and the trouble – to provide a good translation in French.

This document is therefore written with an open mind and without the slightest intention of advancing arguments based on assumptions rather than on facts. We are not seeking a war of words. On the contrary, we want our document to help the Bank extend and broaden its own process of reflection, either by presenting facts in a different light, by providing new information, or by raising questions that will encourage the Bank to clarify its position. In fact, this is why we called our text "**Comments for Discussion**" rather than "**Response to the Bank**."

"**Comments for Discussion"** is divided into three parts:

In the first part, we provide an <u>overview of the text</u> of the Bank, taking the form of comments that are grouped into two categories:

1. The points contained in the report with which we agree.
2. The points on which we would like to obtain clarification.

In the second part, we <u>discuss three matters</u>:

- The interpretation of the 1996 Country Assistance Strategy
- Is Haiti a decomposing state?
- Governance

In the third part, we do a critical analysis of the conclusions and operational implications of the report. We demonstrate that, from an operational standpoint, the report reflects a wait and see attitude, an approach that is hardly in keeping with the stated mission and policy of the Bank and is one that does not serve the interests of Haiti well, a country which, in order to remain viable, must reduce poverty on an urgent basis, failing which it will face the specter of boat people, AIDS, and drug trafficking. We will therefore propose an alternative approach and, by way of conclusion, will call for the convening, in the near future, of a Consultative Group for Haiti.

FIRST PART: AN OVERVIEW

We will discuss first:

A. The points with which we agree

In our view, the description of the political, economic, and social situation over the past fifteen years is factually correct and is presented in a balanced manner, particularly the portrayal of this period as one of poor performance and failure to meet agreements concluded with the IMF. The track record with respect to loans, in terms of their capacity to produce lasting and long-term effects, is indeed abysmal. The track record of the FAES is mixed, particularly in the areas of decentralization and the participatory process. The job creation project has had little institutional impact. The shortcoming of the 1987 ERC was the surprising absence of a social dimension. Worse still, the haste with which the liberalization effort was undertaken resulted in a decline in tax revenue, higher unemployment, and social tension, with no increase in productivity or exports.

In terms of human resources, no rational individual can question the assessment of the report regarding the dire conditions existing in the health and education sectors, despite the fact that in the case of health, encouraging results were recorded, which are not adequately addressed in the report (discussed later on).

The decline in agriculture is indisputable and Bank-financed projects have not managed to slow, let alone stop, this decline.

The deterioration in the physical infrastructure and management deficiencies reached critical levels in the case of roads, no doubt, but also in the case of electricity, water, telephone, ports, and airports. The productivity of all these public services needs to be increased on an urgent basis. Neither the IFC nor MIGA managed to achieve an increase in private investment.

In the case of the mobilization of resources and the coordination of aid, it is quite true that the 1997 Consultative Group was a success; however, it is also true that there was a continuing problem with aid coordination, particularly in terms of harmonization of the activities of NGOs with government plans.

In order to complete the points with which we agree, it should be noted that even though the brutally frank and realistic nature of the factual counterfactual of paragraph 3.6 is likely to create concern and confusion in the mind of anyone who cares about international cooperation for development, we cannot, unfortunately, dispute its accuracy. The reports states that responsibilities are shared. That is true. However, can a world institution that possesses unlimited resources be placed on the same footing as an underdeveloped country such as Haiti, which is among the poorest of the poor?

B. Points that warrant clarification

In this category, we would like to point out what seems to us to be:

i. An apparent contradiction
ii. Factual errors

i) An apparent contradiction

Paragraph 5.3 states: "While in some poorly performing countries, small amounts of funding can be catalysts for renewed development, this is not the case in Haiti." Paragraph 5.4 states that: "The Bank could first tap its Post-Conflict Fund, which can provide grants of up to $2 million. Use of these resources might provide the means to reestablish a serious dialogue with the government and work toward developing the necessary environment for resumption of lending."

Either these statements contain a subtle point that escapes us, or the report contains a contradiction on this very important point. In our view, the two assertions should be clarified and harmonized.

ii) Factual errors

In terms of factual errors, we note:

(a) With regard to the statement made that "another 60-70,000 became refugees" (para. 1.7) and that "many people have emigrated … since 1994," we find nothing in any serious publication to substantiate these claims.

(b) Also, we have noted (para. 2.10) that the report indicates that the situation in Haiti is "relatively sound today," from a budgetary standpoint. Unfortunately, this is not exactly correct.

(c) As far as the Bank of Nova Scotia is concerned (para. 2.26), it does not have the same "extensive branch/affiliate network" in Haiti, which, according to the report, it has in the rest of the Caribbean. In the year 2000, Scotia Bank occupied tenth position in terms of total assets (2.72 percent) and eleventh position in terms of gross loans (2.65 percent of the total) and does not have any branches in any of the provinces. If the IFC is supposed to continue to act on assumption that the influence of Scotia can serve as a useful liaison in terms of its activities in Haiti, then the scope of action of the IFC could, in practical terms, turn out to be narrower than anticipated.

(d) Lastly, we would like to point out an oversight: the report fails to do justice to a number of achievements of the Ministry of Public Health and Population, particularly the success of the Essential Medication Program and the stabilization of HIV/AIDS infections (the national rate fell from 5.8 percent to 4.6 percent).

SECOND PART: A DISCUSSION OF THREE MATTERS

We will discuss them in ascending order of importance:

1. The interpretation of the 1996 Country Assistance Strategy
2. The assertion that Haiti is a decomposing country
3. Governance

1) The interpretation of the 1996 Country Assistance Strategy

Our interpretation of the 1996 CAS differs from that of the report in many respects. The report states: "a formal Country Assistance Strategy (CAS) in 1996 returned to the overarching objective of poverty alleviation (through safety nets and improved social services)…" (para. 2.3).

In fact, the Bank, like the majority of donors, did not extend loans to Haiti between 1991 and 1994. Between 1995 and 1999, the social commitment of the Bank was only US$25 million per year on average, well below what we were led to expect, at least based on the conclusions of the report entitled "The Challenges of Poverty."

In terms of economic growth, projected investment eligible for external aid financing between 1997 and 2005 amounted to 9 percent of GDP, according to the Bank. For a country with weak savings, which was just emerging from a period where 40 percent of its revenue had been lost in three years and its infrastructure had deteriorated considerably, public investment amounting to 9 percent of GDP could not provide a significant stimulus for growth. In fact, this stimulus did not take place, and with good and bad years in terms of economic activity since 1995, 1991 levels have not yet been restored, the result being that for the past ten years, Haiti has been forever trying to catch up.

The dialogue on poverty has not really taken place, except in the form of a Bank mission, during which the emphasis was placed more on the scope of poverty rather than on ways to alleviate it. Also, it is difficult to explain why in 1995 the Bank refrained from any commitment taking the form of a loan, be it structural adjustment or sectoral adjustment, leaving the driver's seat entirely to the International Monetary Fund.

Contrary to the assertion made in the report, the CAS has not "marked the return to the overarching objective of poverty alleviation." In any case, we do not think that the Bank's resources earmarked for the poverty reduction strategy in Haiti are clearly outlined in the document itself or in the loan agreements and accompanying and follow-up documents.

2) Haiti: a decomposing state?[1]

Another matter that we would like to discuss with the Bank is the notion that Haiti is a decomposing state.

The Larousse provides two definitions of decomposition: first, the breakdown of something into its components, i.e. analysis, and second, the alteration of an organic substance,

[1] OED Note: The phrase "failed state," which appeared in an earlier version of the CAE, was translated as "pays en décomposition." This phrase has been removed from the current version of the report.

i.e. putrefaction. The context rules out the first definition, and the reality does not justify the second.

Our comments revolve around two points:

1. Haiti is a country facing serious problems.
2. Haiti is not a decomposing State.

A. Haiti is facing serious problems

We will not discuss the political instability to which the report rightly devotes a great deal of time, or the ups and downs of the democratization process, the most recent of which, namely the May 21 elections, brought the country to a standstill.

In order to present a balanced perspective, we will add, in terms of negative factors, the existence of major macroeconomic imbalances, considerable budget deficits, and very high inflation, resulting in a monetary policy that has the net effect of pushing up interest rates to insane levels, discouraging investment and job creation, reducing per capita income, and exacerbating poverty. We also acknowledge that many key production sectors are inefficient, uncompetitive, and provide services in an unreliable fashion and at a cost that is out of proportion with quality, a situation that adversely affects investment, penalizes the consumer, and slows growth while the population grows at the rate of 2 percent per year. The result is limited employment opportunities for young people, leading to further polarization and division of the society.

In terms of institutions, the members of the police force are young and inexperienced. Physical safety is a problem. The security of transactions is not guaranteed. The judicial system is inadequate and lacks resources. Attorneys and legal experts adapt to the deficiencies of the system and contribute, against their better judgment, to worsening its defects. Many accountants are falsifying balance sheets and banks have difficulty making sense of them. They are extending few loans, and lending rates are high. Economic activity therefore fails to generate sufficient profits to sustain the tax revenue system. The slightest rise in interest rates in the United States leads to the massive flight of Haitian capital, which rarely returns. Many sectors are plagued with corruption. Even school principals are issuing bogus certificates. This makes for a sad state of affairs, and we are the first to admit that, a factor that should serve to lend credence to our assertion that Haiti is not a decomposing State.

B. Haiti is not a decomposing State

Haiti is a homogenous society, from an ethnic and cultural standpoint. Despite our divisions, we have not experienced civil war in 100 years. No group is rebelling against the State. The country has a considerable amount of social capital. The Diaspora transfers approximately US$400 million per year (official figure) to Haiti. Family ties are strong. There is freedom of the press and a political multi-party system is permitted.

Foreign investment is not expropriated and is encouraged. Trade is open. There is no country in Latin America and the Caribbean, with the exception perhaps of Chile and Panama, that enjoys a trade system that is as liberal as Haiti's. Under the current tariff structure, the average basic tariff is 5 percent, and, with respect to more than half of the 1,600 tariff positions, the rate is zero. It should be noted that far from deteriorating, liberalization of the trade system has grown stronger over the past 15 years. The exchange rate system is perfectly flexible and the rate of exchange of the *gourde* in relation to the dollar fluctuates freely, based on market conditions.

Foreign debt is low. The outstanding amount is not more than 30 percent of GDP. Debt service in relation to GDP is only 1 percent and, in relation to exports, 11 percent. The debt burden, in terms of net present value, is only 13.7 percent of GDP, a factor which, if one were to focus solely on debt criteria, would make Haiti ineligible for the Poverty Reduction and Growth Facility and for access to the Highly Indebted Poor Countries mechanism. In other words, the liberalization effort has taken place virtually without a decent level of external aid and, as indicated earlier, Haiti has paid a very high price for its foray into globalization, given, in particular, the inadequacy of human and physical resources, as reflected in particular in higher unemployment, reduced purchasing power, greater inequalities, and lower per capita food production.

Other statistical figures demonstrate that Haiti is not in a state of decomposition. These figures are found, oddly enough, in Annex A, (page 35) of the report. In fact, the table shows that during the 1997-2000 period, in terms of institutional quality, poverty, the financial sector, the private sector sphere, the situation of women, and even fiscal and economic policy, there have been very few cases of regression. Of course, the grades assigned are not always very high. There are Bs and Cs. There are very, very few Ds. A few As have been assigned and even many Is (Improvement). In particular, there has been marked improvement in reducing inflation, increasing savings, and in the areas of infant mortality rates, literacy, access to health care, the domestic credit/GDP ratio, the private investment/GDP ratio, actual GDP growth, and in terms of the fertility rate.[2]

In fact, when all the events that have taken place in Haiti are considered (civil wars, the heavy debt servicing tied to Independence at a time when all production bases had been destroyed, the introduction of a Constitution on average every five years, foreign occupation, embargoes, frequent interruptions in foreign aid, volatile raw material prices, the negative impact of the initial and hasty attempts at integration into the global economy, not to mention hurricanes, cyclones, and floods which have destroyed plantations, decimated the human landscape, and exterminated livestock on a regular basis), it is miraculous that the country has remained standing, albeit unsteadily, but determined to get back on its feet fully.

3) Governance

If the most inattentive reader were asked to summarize the entire report in one word, it would have to be governance. The word is ubiquitous; it is central to all the ideas expressed. In short, the reasoning is quite simple: without governance there will be no assistance from the World Bank. We do indeed agree. Governance is a necessity. However, we would like to ask two questions:

What form should governance take?

[2] We did not think that Table 2 on page 27 warranted discussion. Its major weakness lies in the fact that it includes in the series the three years covering1992-1994, which were not typical years, one of which alone would be enough to skew the averages for the period.

Within what timeframe should governance be achieved? What should be done in the interim? Nothing? Is that viable?

1. <u>Governance is a necessity</u>; it is being demanded in all quarters. Parliaments are calling for accountability. Unemployed young people are complaining about and condemning corruption. Mayors and local elected officials are yearning for departmentalization, deconcentration, and decentralization. Religious institutions and human rights organizations are seeking justice. In the business sphere, people want rules to be applied across the board, without any exceptions, as dictated by globalization and competitiveness. Everywhere, incompetent and bloated bureaucracies are being called into question. The civil society, which is becoming increasingly active, is demanding a place at the decision-making table. In addition, the concept of participation has now become a collective instrument for taking charge of the decision-making process with respect to major issues that are of national interest, given the fact that it now appears on the long list of conditionalities of international financial institutions.

In addition, it is clear that in Haiti, as in other countries, governance, taking the form of functional, participatory, transparent, and secure institutions, is a prerequisite for economic development since good governance is the only way to guarantee the confidence of citizens in the State, market efficiency, the security of transactions, and respect for the rules of a multi-party system. Therefore in Haiti, as elsewhere, there is growing understanding, acceptance, and approval of the call for governance.

2. Having said this, what form should governance take and within what timeframe should it be achieved?

Contrary to what is stated in the report, the Government of Haiti and the international community were not unresponsive to the need for reforms related to governance in 1994. A host of initiatives aimed at institutional reform were implemented during that period, targeting: the civil service, the justice system, the police force, the educational and tax systems, the health system, the financial intermediation, trade, and pricing systems, Central Bank autonomy, and prudential rules, not to mention the fact that elections were held repeatedly and institutions serving as links for free and representative democracy were established. This is not the time or place to provide an overview of these reform projects. However, the mere fact that the report harks back, rather obsessively, to the topic of governance is enough to signal that these reform projects were not, for the most part, successful.

Why were there so many failures? Are the conflicts of interest among social groups greater than elsewhere? Is the inequality in terms of the influence of the actors on the demand and supply side of the governance equation an intractable problem? Does the problem lie in the organizational ability of actors to take collective action? What role should be assigned to the civil society, regardless of the definition adopted of the concept and role of actors grouped in this category? Who benefits from reforms, who loses, and how should those who incur losses be compensated? Was the timing simply bad, was the groundwork insufficiently laid, or does the Haitian failure demonstrate the limits of the "honeymoon theory?" Have these points been examined?

The reason prompting examination of the causes for the failure of the reforms undertaken thus far is that another failure, in today's context, would lead to a veritable interruption, this time perhaps for a prolonged period, of Haitian cooperation with the international community. An assessment should therefore be done, rather than embarking on a new round of reforms without drawing lessons from the recent past, especially since the message of the report is clear:

governance = cooperation and no governance = no cooperation. In our view, this immediate all or nothing strategy is not a sound one. We will therefore do a critical analysis of it and propose an alternative.

THIRD PART: THE OPERATIONAL IMPLICATIONS OF THE REPORT: A CRITICAL ANALYSIS AND ALTERNATIVE APPROACH

A. A critical analysis

The report notes that the international community has established three conditions for re-engagement in Haiti: "a resolution to the political crisis, macroeconomic stability, and a commitment by the government to undertake critical sectoral reforms." In the meantime, the Bank should "approach any re-engagement in Haiti with extreme caution. The means of re-engagement should be presented in a Transitional Support Strategy paper, with highest priority on the reform of governance and institutions."

We are assuming, for ease of reasoning and, quite understandably, in the interest of Haiti, that the first two conditions, namely resolution to the political crisis and macroeconomic stability have been met. We reiterate our abiding belief that reforms are essential to growth. We agree with the idea of a Transitional Support Strategy paper. What is important to us is not the duration but the content of the document and what the report terms "highest priority." As far as the report is concerned, the "highest" priority is governance.

As we all know, governance is a long-term process. Even with the best intentions, it is known that when the process is started, no one knows when it will end. However, the poverty situation in Haiti cannot go unattended any longer. Worse still, the more entrenched and deeply-rooted poverty becomes, the more difficult it will be to implement reforms. We think that the minimalist approach adopted by the report, which consists of stating that "we will give US$2 million and wait for reforms, the rationale being that if reforms are not implemented, the losses will not be great," is inconsistent with the mission and stated policy of the World Bank and is not in Haiti's interest, a country that must tackle poverty reduction immediately if it is to be viable, failing which it will face the specter of boat people, AIDS, and drug trafficking.

The approach proposed in the report contains the seeds of its own failure. It seeks to protect the Bank from a risk that is non-existent. At a time when President Bush is not hesitating to recommend that the Bank provide grants rather than loans to countries that are truly poor, the "extremely cautious" approach recommended by the report would be a dead end one for Haiti and is pointless, since it is difficult to see what risks the Bank would be seeking to shield itself from in Haiti. The amounts that are generally loaned to us are relatively low, in relation to both the needs of Haiti and the resources of the Bank. Furthermore, the institution has the option of suspending disbursements at any time. The strategy of providing small amounts for small symbolic operations while the Bank crosses its arms and adopts a passive, wait and see approach will merely prolong the current mistrust and dissatisfaction prevailing between the Bank and Haiti. Such a situation would not be conducive to the sacrifices that reforms require.

B. An alternative proposal

For this reason, we would like to suggest another approach, based on restored trust rather than persistent skepticism. This approach would consist of dividing the relations between the

Bank and Haiti into two parts. On the one hand, there would be social agenda and, on the other, an economic agenda. The first, the social agenda, would be more urgent and would begin immediately. The second, the economic agenda, would be spread over a longer period. Separate conditionalities would apply to each agenda.

There are six reasons why we would like to make this distinction:

1. In Haiti, poverty is a very pressing problem. It has reached such a level that it is spawning its own poverty. Hunger is leading to destruction of the environment, which is decreasing the productivity of the land. Uncertainty regarding the future and the lack of social protection are fostering demographic growth, which is reducing per capita income.

2. A direct effort to address poverty is the fastest way to increase income since the poor in Haiti, more so than elsewhere, are harshly affected by market imperfections, particularly the lack of information, the lack of access to social services, and to credit, because of physical deficiencies and educational lags. As a result, they are unable to take full advantage of work opportunities and to increase their productivity.

3. Because of weak economic and social structures, the tradition of political instability, and uncertainty regarding the irreversible nature of policies, it would be unrealistic to expect investment, particularly private investment, which should normally stimulate growth, to take place in a timely manner and in sufficient volume even after governance has been improved substantially. In addition, in Haiti, there is an extremely close relationship between the international financing of public investment expenditure and the availability of private venture capital.

4. Consequently, any reform, no matter how costly, will not be sustainable from a social standpoint as long as the gap between the success of reforms and the increase in the level of fixed capital formation has not been bridged. Otherwise, we will be faced with a vicious circle. No reforms, no investment. Reforms that are not followed by investment will prove to be unsustainable. Reforms will therefore fail to lead to growth.

5. The rate of economic growth that is required over the next ten years if we are to achieve a significant reduction in the level of poverty taking into account in particular a population growth rate of 2 percent per year is beyond our reach, based on the expected level of national savings and the availability of foreign savings.

6. Lastly, we think that Dollar (2000) is correct. Haiti is indeed “an extreme case of a country caught in a vicious circle in which unemployment, inequality, and poor education feed into lawlessness and violence, making it difficult for the economy to grow and create jobs, thus perpetuating the unemployment and inequality” (para. 1.9). However, and contrary to the report, we think that if reforms are necessary or even essential, it would be unrealistic to combine poverty alleviation with institutional reforms, and to place them in the same category of conditionalities.

A. <u>THE SOCIAL AGENDA</u>

The major and immediate objective of the social agenda would be to begin poverty alleviation. This process would involve three components:

- The first would consist of implementing policies aimed at increasing <u>employment and revenue enhancement opportunities for the poor</u>, in particular through the promotion of rural development, a stimulus package targeting small and medium enterprises, the expansion of the cooperative system, and micro-credits.

- The second component of the social agenda would focus on <u>increasing the productive capacity of the poor</u>, in particular through expanded access to education, health services, drinking water, and nutrition, in particular for at-risk groups, and efforts to combat AIDS.

- The third component would consist of <u>providing greater protection to the poor</u>, in particular groups that are vulnerable to disease, low-income groups, and groups that are vulnerable to natural disasters.

Each activity would be accompanied by quantifiable objectives extending to the year 2010, and a financing plan.

The structures for achieving objectives would be specific to the social agenda and would not be subject to traditional intervention mechanisms. We are proposing the establishment of a Poverty Reduction Fund, the mission of which would be broader in scope than the FAES. It would be headed by an Administrative Council that would be composed of state representatives, representatives of international financial institutions, NGOs, the civil society, and local governments. The resources of the Fund would come from each member of the Council, and it would meet at least twice per year. It would approve the program, the budget, would appoint the Director General, and would consolidate, in a single category, all the operations that are currently spread throughout the country and are conducted by many different actors who use different procedures. The Poverty Reduction Fund could establish other funds, as the need arises, particularly to cover decentralization, based on the objective and form of intervention at the local, municipal, and departmental levels.

The fact that the poverty reduction effort must be considered a top priority and that, given its urgency, it must be kept separate from the areas covered in the economic agenda, does not mean, in an absolute sense, that the international assistance that would accompany this effort would be free of all conditionalities. Not at all. To the contrary, conditionalities would be *ad hoc* in nature and would be judged mainly on their ability to contribute directly to the success of poverty alleviation efforts instead of needlessly obstructing them.

These conditionalities could include:

- The establishment of close links between external financing and the promotion of the broadest participation possible of all sectors in efforts to achieve the social and economic integration of the poor.

- The implementation of functional decentralization structures and the delegation of all authority necessary to the actors in the field, based, to the greatest extent possible, on a bottom up approach.

- A substantial increase in the contribution of the State to education, health, and nutrition expenditure.

- The convening of a National Summit and National Dialogue on a global poverty reduction strategy.

B. THE ECONOMIC AGENDA

Poverty reduction increases growth merely by the fact that it increases the productive capacity of the poor; conversely, poverty cannot be reduced in a sustainable manner without economic growth, since the ratio of the increase in the revenue of the poor to growth is 1 to 1. Without an increase in both public and private investment in physical infrastructure (ports, roads, telecommunications, tourism, construction, agricultural development, irrigation, electricity production, promotion of private investment, export promotion), there will be no growth and consequently no reduction in poverty in the long run.

According to the strategy that we are recommending, the economic agenda, considered separate from the social agenda, would cover a longer period. The conditionalities of international aid would therefore be better adapted to the real nature of the objectives sought. Possible conditionalities include:

- Meeting the eligibility requirements for the funding anticipated under the Highly Indebted Poor Countries Initiative and the Poverty Reduction and Growth Facility mechanism.

- Public sector reform, including the judiciary, police, public enterprises, methods of management of public accounts, continued civil service reform, and reform of agrarian reform.

- Vigorous efforts to combat drug trafficking.

- Strengthening of measures aimed at expanding the tax base, improving recovery, reducing the budget deficit, reducing inflation, eliminating arrears, and increasing net international reserves.

- Working closely with the private sector (Chambers of Commerce and Industry in particular) in the area of decision-making related to investment promotion, creating employment, promoting exports, and attracting foreign direct investment.

- Ensuring an adequate level of technical assistance in all sectors.

The institutional framework will be a State governed by the rule of law, a State that plans strategies, exercises controls, and is transparent, decentralized, competent, and effective, and offers security.

Growth objectives will be expanded. In real terms, GDP will rise from an average of 2 percent per year in the 1997-2000 period to an average of 4 percent in the 2002-2005 period; that is, double the rate of population growth, which should facilitate some improvement in per capita income, provided that, we reiterate, there is a halt in the decline of the *gourde* in relation to the dollar and the steep rise in prices is curbed.

The financing for growth-related investment would come from both the funds disbursed by the PRGF, public and private and national and foreign savings, and official foreign public aid. National savings would rise from an average of 3.7 percent of the GDP in the 1997-2000 period to an average of over 6.5 percent in the 2002-2005 period. Investment would also increase, rising on average from 10.5 percent of the GDP for the 1997-2000 period to 14.5 percent for the 2002-2005 period.

Although it is difficult, at this juncture, to anticipate the amount of resources that could become available under the PRGF, we think that, assuming that the three conditions stipulated in the report for a return to normal relations between Haiti and the international community have been or are being met, foreign savings could not, based on a worst case scenario, fall below an average of 8.2 percent per year of GDP for the 2002-2005 period, compared to an average of 6.8 percent per year for the 1997-2000 period, with the major portion of the increase in foreign savings for the period coming essentially from foreign direct investment, which would rise from an average of virtually 0.1 percent of GDP for the 1997-2000 period to 3 percent for the 2002-2005 period.

CONCLUSION

By way of conclusion, we would like to suggest that the Bank convene, as soon as is convenient, a meeting of the Consultative Group for Haiti. The very sound report of the Operations Evaluation Department would serve as a basis for discussion.

Marc L. BAZIN
Minister of Planning
And External Cooperation

Port-au-Prince
September 26, 2001

OED Response to Government Comments

OED appreciates the government's constructive and substantive comments on the CAE. They were taken into account in the current version. The term "failed state," to which the borrower took exception, was eliminated from the text: it was meant to convey the inadequacy of Haiti's post-conflict classification and the deep-seated, historical roots of the current instability. The government accurately pointed out that efforts were made to reform institutions after 1994. The CAE acknowledges this effort, but notes that the donors resumed traditional types of assistance at levels that the country could not absorb effectively given governance and institutional constraints. The current text now includes a suggestion that the Bank should carry out an Institutional and Governance Review to help in the reform process. With respect to the table in Annex A, referred to by the government (page 71), as is standard OED practice, this table has been removed from the final version of the report. Finally, the CAE retains the suggestion that should lending resume, it should be on a small scale. This is not intended to protect the Bank from financial risk. Rather, it aims to avoid a repetition of the past unsatisfactory record.

Bibliography

Dayton, Julia. 1998. "World Bank HIV/AIDS Interventions: Ex-ante and Ex-post Evaluation." World Bank Discussion Paper No. 389. June.

Dollar, David. 2000. "Governance and Social Justice in Caribbean States." Development Research Group, The World Bank. May. Discussion draft.

Elliot, James (USAID), Gilles Gavraux (CIDA) and Naveen Sarna (World Bank). 1997. “Public Sector Investment Program.” Haiti Public Expenditure Review Note No. 2. Draft, March.

Energy Sector Management Assistance Program. 1991. “Haiti: Household Energy Strategy.” UNDP/World Bank, Report No. 143/91. December.

Faria, Angelo (IMF) and Paul Moreno-Lopez (IDB). 1997. “Aggregate Public Finances and Current Expenditures.” Haiti Public Expenditure Review Note No. 1. Draft, March.

Goodman, Margaret, Samuel Morley, Gabriel Siri and Elaine Zuckerman. 1997. "Social Investment Funds in Latin America: Past Performance and Future Role." Inter-American Development Bank, March.

Government of Haiti, Ministry of Economy and Finance. 1997. "Project Implementation Problems and Public Expenditures: Managing Development Assistance in Haiti." January 26.

International Monetary Fund. 1999. "Haiti: Staff Report for the Article IV Consultation." IMF Staff country Report No. 99/105. September.

Michailof, Serge, Markus Kostner, and Xavier Devictor. "Post-Conflict Recovery in Africa: An Agenda for the Africa Region." Africa Region Working Paper Series. Forthcoming.

Wallen, Georgia A. G. 2000. "An Inquiry into IDA Experience in Poor Performer Countries from 1994-2000." Draft, prepared for OED IDA Review. August.

World Bank reports:

1985. "Haiti: Policy Proposals for Growth." Report No. 5601-HA. June 10.

1987. “Haiti: Public Expenditure Review.” Publication No. 6113. January.

1988. "Economic Recovery in Haiti: Performance, Issues and Prospects." Report No. 7469-HA. December 23.

1990. "Haiti: Updating Economic Note." Report No. 8396-HA. April 17.

1991. "Haiti: Agricultural Sector Review." Report No. 9357-HA. April 30.

1991. "Haiti: Restoration of Growth and Development." Report No. 9523-HA. May 20.

1991. Operations Evaluation Department. "Program Performance Audit Report: Haiti—Economic Recovery Program." Report No. 10080. November 15.

1996. "Country Assistance Strategy." Report No. 15945. August 13.

1998. "Haiti: The Challenges of Poverty Reduction" (two volumes). Report No. 17242-HA. August.

1998. Operations Evaluation Department. "The World Bank's Experience with Post-conflict Reconstruction." (Five volumes). Report No. 17769. May 4. Volume I: Synthesis Report and Volume V: Desk Reviews of Cambodia, Eritrea, Haiti, Lebanon, Rwanda, and Sri Lanka.

1998. Wider Caribbean Financial Sector Review: Increasing Competitiveness and Financial Resource Management for Economic Growth." Report No. 17556-LAC. May 26.

2000. "Cost and Financing in Basic Education in Haiti." Draft sector note.

2000. "Infrastructure Sector Review." Draft. May 2.

2001. Operations Evaluation Department. "Social Funds: A Review of World Bank Experience." October.