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Country Engagement Note for Haiti

2024-2026

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Abbreviations and Acronyms

ANARSE	<i>Agence Nationale de Régulation du Secteur Energétique</i>
CFI	<i>Centre de Facilitation des Investissements</i>
CEN	Country Engagement Note
CPT	Transitional Presidential Council
CS	Country Strategy
EDH	<i>Electricité d’Haïti</i>
FAES	<i>Fonds d’Assistance Economique et Sociale</i>
FCCV	Fragility, Conflict, and Criminal Violence
FDI	Foreign Direct Investment
FY	Fiscal Year
GCI-9	Ninth General Capital Increase
GDP	Gross Domestic Product
GoH	Government of Haiti
HDP	Humanitarian-Development-Peace
IDB	Inter-American Development Bank Group
IDP	Internally Displaced Person
IIC	Interamerican Investment Corporation
IMF	International Monetary Fund
IOM	International Organization of Migration
IPC	Integrated food security Phase Classification
LAC	Latin America and Caribbean region
MAST	<i>Ministère des Affaires Sociales et du Travail</i>
MDB	Multilateral Development Bank
MEF	<i>Ministère de l’Économie et des Finances</i>
MENFP	<i>Ministère de l’Éducation Nationale et de la Formation Professionnelle</i>
MSS	Multinational Security Support
OII	Office of Institutional Integrity
OVE	Office of Evaluation and Oversight
PBA	Performance Based Allocation
PCR	Project Completion Report
PMR	Project Monitoring Report
PwD	Person with Disability
RCIA	Rapid Crisis Impact Assessment
S&I	Small and Island
SHEG	Support to Haiti Education Governance
SME	Small and Medium Enterprise
SMP	Staff-Monitored Program
ULB	Undisbursed Loan Balance
UN	United Nations
USAID	United States Agency for International Development
WEF	World Economic Forum
WGI	Worldwide Governance Indicator
WHO	World Health Organization

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Country Engagement Note for Haiti

2024-2026

I. Executive Summary

- 1.1 **Haiti faces significant challenges as a fragile state, shaped by two concurrent factors:** (i) barriers to access and inequalities in the provision of basic services, and (ii) limited resilience to external shocks. However, these challenges also present opportunities for meaningful progress. While the country remains vulnerable to natural disasters and infrastructure gaps, there is great potential for improving public services. By focusing on enhancing access to healthcare, education, water, and sanitation, Haiti can make strides toward better social outcomes. Addressing governance issues, improving public sector coordination, and strengthening infrastructure are essential steps that can unlock greater opportunities for the population and set the stage for a more stable and resilient future.
- 1.2 **The country is currently navigating a complex, multidimensional context, marked by challenges such as conflict, widespread violence, and criminal activities.** Gangs have a significant presence in areas of the capital city and provincial cities, and political instability adds to these difficulties. The international community, led by Kenya's Multinational Security Support mission, has stepped in to help restore order, signaling a commitment to Haiti's stability and future. Although the situation remains pressing, these efforts lay the groundwork for rebuilding and strengthening key sectors, including healthcare and education.
- 1.3 **Haiti's economic outlook remains challenging, marked by six consecutive years of economic decline and a decrease in foreign direct investment, largely due to security concerns.** The labor market faces high unemployment, particularly among youth, while the private sector encounters barriers to growth such as elevated startup costs, energy shortages, limited access to financing, and political instability. These factors have contributed to a difficult investment climate, hindering economic recovery and impacting the broader socio-economic situation in Haiti.
- 1.4 **A guiding principle of the Inter-American Development Bank Group (IDBG) is to remain engaged to ensure continued support and contribute to addressing fragility, conflict and criminal violence (FCCV) traits.** Addressing Haiti's short and long-term challenges will require a strong leadership from the Government of Haiti (GoH) and the long-term commitment of the IDBG and other partners to join efforts under a common medium to long term vision for the country. The IDBG is working with the GoH to develop a Plan for Haiti 2024-2030 (the Plan), with input from other joint efforts with the World Bank (WB) and other stakeholders, to support the country's recovery and set it on a sustainable path for inclusive development. This Plan will be structured in two phases to reflect the current and evolving situation in the country: (i) Phase I (2024-2026) to support activities to jump-start the economy and resume access to basic services, aligned to the Transition Government's priorities; and (ii) Phase II (2027-2030) to support large-scale post-conflict recovery projects.
- 1.5 **Tailored to the needs and reality of the context, both phases of the Plan will prioritize three strategic pillars: (i) bolster economic growth; (ii) support access to basic services and strengthen human capital; and (iii) enhance institutional**

capacity and rule of law. In addition, they will support two cross-cutting priorities that are essential and key for the sustainability of development outcomes: i) supporting the most vulnerable (women, youth and Internally Displaced People-IDPs); and ii) increasing resilience to external shocks and avoid future loss. The Plan will provide a framework for the coordination and mobilization of resources to finance critical investments in those pillars. It will also include the establishment of a dedicated specialized implementation unit with an execution arrangement based on results; with technical, financial, and administrative autonomy and high-level staff taking into consideration previous experiences in Haiti.

- 1.6 **This Country Engagement Note 2024-2026 (CEN) reflects the first phase of the Plan and aims at supporting recovery efforts, to jump-start the economy, address immediate needs and lay the foundation for sustainable and inclusive growth.** The CEN will guide IDBG's efforts to advance three priority areas under each of the three strategic pillars in the next two years. Under the first strategic pillar, focus will be on: i) youth reskilling; ii) reestablishing domestic and international connectivity and iii) supporting scaling of agricultural and manufacturing outputs. Under the second pillar, efforts will seek to: i) reduce vulnerability to food insecurity; ii) increase the use of preventive and essential health services, and iii) improve access to schools and school feeding. Finally, under the third pillar, focus will be on: i) advancing digitalization, ii) implementing technological enablers and capabilities and iii) strengthening key capacities of public servants.
- 1.7 **Following guidance from the recently approved "Framework to Support Populations in Situations of Fragility, Conflict, and Criminal Violence" (FCCV), this constitutes IDBG's first CEN.** It is a simplified and shorter time-span Country Strategy (CS), designed for situations in which preparing a traditional full-fledged CS is not possible, yet it is required for IDBG engagement. As such, this CEN should be conceived as a bridge to prepare a full-fledged CS once the situation stabilizes.
- 1.8 **The CEN reflects an enhanced focus for new operations anchored on lessons learned, operational experience, and alignment with the Transitional Government's priorities.** Furthermore, the CEN inherits a considerable active portfolio which will be instrumental in yielding developmental results during the CEN period.
- 1.9 **To achieve tangible results and pave the way for higher impact, the implementation of this CEN will benefit from operational adaptability to respond to the context of fragility, conflict, and violence, in line with the FCCV Framework.** The complexity and fluidity of Haiti's context calls for adaptability, responsiveness, and continuous risk-assessment and monitoring. This approach entails: tailoring operation design and execution to the FCCV context; implementing human resource management solutions to support the Bank's staff; and increasing synergies within the IDBG and with other partners, including UN specialized agencies.
- 1.10 **The CEN is aligned with the IDBG's Institutional Strategy, aiming to present a coordinated continuum of public and private solutions to address Haiti's challenges.** Furthermore, in line with IDB Strategy+, the CEN has been developed based on a tailored strategic selectivity framework, revolving around results and impact, maximizing public-private synergies, strengthening knowledge in diagnostics and implementation. The CEN is aligned to the following 6 operational focus area of IDB Strategy+: Biodiversity, natural capital, and climate action; Gender equality and inclusion of diverse population groups; Institutional capacity, rule of law, and citizen security; Social protection and human capital development; Sustainable, resilient, and inclusive infrastructure; and Productive development and innovation through the private sector.

- 1.11 **The CEN will be subject to continuous monitoring which will serve the purpose of periodic adjustments in IDBG engagement based on the evolving context and risk scenarios.** It is also informed by the Country Development Challenges, OVE's *Evaluation of the Use of the IDB Grant Facility for Haiti's Reconstruction and Development* (2011-2020), a fragility assessment based on G7 methodology undertaken in 2021, lessons learned from our past engagement in Haiti, as well as the collaboration with the WB and other partners. It is proposed that the Haiti Progress Report becomes the annual reporting mechanism to the Board of Executive Directors on the implementation of the CEN.

II. Country Context

Political and Social Context

- 2.1 **Haiti is grappling with a deep, multidimensional crisis characterized by fragility, conflict, and criminal violence (FCCV).** In 2022, its Worldwide Governance Indicator (WGI) for political stability and absence of violence was 10.4 out of 100. Additionally, Haiti ranked 9th out of 177 countries on the 2023 Fragile States Index (FSI), highlighting its vulnerable state.¹ Environmental challenges, such as high exposure and vulnerability to natural disasters, and lack of resilience and adaptive capacity to climate change, further exacerbate these issues and lead to further fragility.
- 2.2 **Criminal violence continues to significantly impact the lives of Haitians.** Gangs control 80% to 90% of the capital and kidnappings for ransom are regularly reported. According to the United Nations High Commissioner for Human Rights, homicides increased by 156% in 2023 compared to the previous year. In the first half of 2024 alone, almost 3,800 people were killed or injured. The number of kidnappings also surged, rising from almost 1,400 in 2022 to more than 2,200 in 2023 -- a 63% increase. In the first semester of 2024 (January to June), more than 800 kidnappings were documented.² Moreover, gender-based violence is widespread, with 70% of women and girls in areas controlled by armed groups being affected.³ In response to the escalating national insecurity, former Prime Minister (PM) Ariel Henry officially requested a specialized international armed force in October 2022. By August 2023, Kenya agreed to lead a Multinational Security Support (MSS) mission in Haiti, deploying 2,500 police officers to help restore security and stability. Currently, a delegation of 400 Kenyan command staff has arrived in Haiti as part of this long-awaited mission. While the MSS mission has recently achieved some success in reducing violence, the improvements are fragile, and the situation remains volatile.
- 2.3 **Gang violence has led to high levels of forced internal displacement and migration.** According to the International Organization of Migration (IOM), the number of Internally Displaced Persons (IDPs) escaping gang violence and seeking refuge in temporary camps with dire living conditions has reached more than 700,000, of which half are children, in October 2024.⁴ The Census Bureau reports that migration to the US

¹ https://www.theglobaleconomy.com/rankings/fragile_state_index/

² https://binuh.unmissions.org/sites/default/files/quarterly_report_on_the_human_rights_situation_in_haiti.pdf
https://binuh.unmissions.org/sites/default/files/2024_q1_human_rights_quarterly_report_en_19.04.2024.pdf

³ https://ijdh.org/wp-content/uploads/2021/12/Gender-Based-Violence-in-Haiti_UPR-Submission_EN.pdf

⁴ <https://haiti.iom.int/data-and-resources>

alone has risen by 17% since 2022.⁵ The high levels of insecurity have also given rise to a surge in illegal migration, leading to a growing number of people being repatriated. In 2023, almost 217,000 people were repatriated to Haiti, with approximately 99,000 repatriated in the first half of 2024.⁶ In October 2024, the repatriation of people has significantly increased with more than 27,000 cases recorded in two weeks, and over 150,000 returnees over the year..

- 2.4 **The multifaceted crisis impacting Haiti has affected the delivery of public services.** The healthcare system has been particularly hard-hit, with almost forty health institutions in metropolitan Port-au-Prince vandalized and forced to close, while the remaining hospitals struggle under overwhelming demand. Additionally, around 40% of medical staff has fled the country due to rising insecurity.⁷ Supply issues due to attacks by armed groups on ships at the Port-au-Prince harbor and the closure of the border with the Dominican Republic have contributed to the ongoing shortage of food products and essential medical supplies. The education sector has also been affected, experiencing a 900% increase in attacks on schools, leading to widespread closures and disruptions.⁸ In Port-au-Prince, 45% of schools shut down and another 30% are operating only partially.⁹ Some schools now serve as shelters for IDPs fleeing gang violence, with at least 25 schools being used as refuges. Furthermore, the energy crisis has intensified, with frequent blockades at oil and port terminals, disrupting fuel distribution and impacting the living conditions for many Haitians.
- 2.5 **Haiti is also experiencing ongoing political instability.** In early 2024, gangs' attacks intensified, leading to a state of emergency and airport closures for almost 3 months. Amid international concern, a Transitional Presidential Council (CPT) was proposed at a CARICOM meeting, aiming to stabilize Haiti and organize elections. PM Henry announced his decision to resign once the CPT was created. The CPT appointed Garry Conille as Prime Minister, and in June 2024 the new Prime Minister, in collaboration with the CPT, formed a cabinet to lead the transition towards democratic, free and credible elections.
- 2.6 **Key priorities of the Haitian Government have been established.** To date, the Haitian Government has emphasized reinforcing security to stabilize the country, driving economic recovery, rehabilitating infrastructure, ensuring food security and access to basic services, preparing for elections, and strengthening justice and the rule of law, including combating corruption as key priorities. Plans include better equipping the police and military to restore order, making strategic investments, and modernizing the General Administration of Customs and the General Direction of Taxes to improve the tax collection efficiency. Under the transition, the *Unité de Lutte Contre la Corruption* (ULCC) has already recommended legal action in corruption cases, uncovering fraudulent transactions related to property purchases and vehicle leases, alongside contract anomalies and public resources mismanagement.

⁵ <https://cis.org/Camarota/Fact-Sheet-Haitian-Immigrants-United-States>

⁶ <https://haiti.iom.int/data-and-resources>

⁷ <https://www.unicef.org/press-releases/violence-sending-shocks-around-haitis-collapsing-health-system>

⁸ <https://www.unicef.org/media/152411/file/Haiti-2023-COAR.pdf>

⁹ <https://www.iadb.org/en/news/idb-and-scholas-occurrentes-partner-reduce-youth-violence-haiti>

Main Development Challenges

- 2.7 **Adding to these issues is Haiti's vulnerability to natural disasters and limited capacity to manage disaster risks.** Haiti's geographic location (see Annex I) and socio-economic conditions make it highly vulnerable to natural disasters. Positioned within the hurricane belt and along major fault lines, the country frequently endures hurricanes, earthquakes, and floods. The steep terrain and extensive deforestation worsen these events, leading to severe landslides and flooding. Furthermore, Haiti's inadequate infrastructure and limited resources hinder effective disaster preparedness and response. These factors place Haiti among the most disaster-prone countries in the world, with over 96% of its population exposed to multiple hazards.
- 2.8 **The recent crisis affecting Haiti also exacerbates the structural challenges in the provision of basic services across different sectors.** An efficient public sector plays a fundamental role in the provision of public services. At present, these functions are constrained by public sector governance issues, including a lack of coordination and insufficient funding, infrastructure gaps in the provision of quality basic services, and a dearth of data to inform policy decisions. These challenges limit access to basic services, contributing to low social outcomes in Haiti.
- 2.9 **Access to healthcare is limited.** Haiti's healthcare system is understaffed and under-resourced, with less than one hospital bed per 1,000 people,¹⁰ below international standards and the 2.1 average in Latin America and the Caribbean (LAC).¹¹ Only 23% of the population has access to quality primary care (WHO, 2017). Immunization rates lag behind regional averages, with just 50% of one-year-olds receiving DPT and 65% measles vaccinations. Additionally, 38% of married women aged 15-49 have unmet contraceptive needs. The sector faces organizational challenges, budget constraints, and governance issues, and relies on external donors for support.
- 2.10 **The education sector, despite some progress, still faces challenges such as limited access, quality issues, and governance concerns.** Public schools often lack adequate equipment, and teachers have insufficient pedagogical materials (tables, notebooks, manuals, etc.). The curriculum is outdated, teachers do not always have the necessary training to meet curriculum standards. Additionally, there is no system in place to set and measure quality. As a result, the primary net enrollment rate is 70%, below the regional average of 93%, indicating that many children are not receiving basic education. The primary completion rate in Haiti is 49%, almost half of the regional average of 94% (USAID). While comprehensive data on gender and diversity indicators is limited, small-scale data collected sporadically over the years offer insight.
- 2.11 **Access to water and sanitation services is lower than the average fragile and conflict-affected state.** Only 67% of the population has access to improved water sources, compared to 98% in the rest of LAC.¹² This is linked to coordination challenges and regulatory fragmentation in the water and sanitation sectors (World Bank, 2023), and ultimately hampers efforts for disease control.
- 2.12 **Haiti's transport infrastructure limits connectivity and raises costs.** Despite significant investments in road infrastructure in the past decade --highly subsidized by the international community, half of the country remains poorly connected, and the

¹⁰ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC395802/>

¹¹ <https://documents1.worldbank.org/curated/en/099805001182361842/pdf/P1782990d657460cb0a2080ac0048f8b98f.pdf>

¹² [https://dicf.unepgrid.ch/haiti/water#:~:text=Haiti%20faces%20serious%20challenges%20in,collection%20time\)%20%5B1%5D](https://dicf.unepgrid.ch/haiti/water#:~:text=Haiti%20faces%20serious%20challenges%20in,collection%20time)%20%5B1%5D)

quality of roads remains among the lowest in 141 countries (rank 136) (WEF, 2019). Low-road density and poor-quality infrastructure (only 50% of the primary/national and secondary/departmental roads are paved and almost none of the tertiary/communal roads is) increase transaction costs, restrict access to basic services (e.g. health, education), and ultimately impact key economic and development indicators, such as food security, particularly in rural areas. An inadequate attention to the rural road network is also explained by lack of clarity in the current legal and institutional framework regarding its maintenance. Apart from the significant negative social impact, extreme weather events also strongly disrupt the transport sector and destroy vital infrastructure. This leads to prolonged disconnection of regions within the country, and risks are expected to be multiplied through the impact of climate change. Beyond roads, air and maritime transport infrastructure also increase transaction costs, with negative externalities on business and connectivity. Finally, climate change adaptation is not adequately incorporated in government regulation.

2.13 Limited access to reliable electricity also hinders Haiti's development and competitiveness. Haiti's electrification rate is at 49.3%, and more than 6.1 million people are still lacking access to quality electricity services.¹³ Unreliable and expensive energy hampers investment, competitiveness, business development, and daily life. The sector's institutions face institutional capacity challenges, lacking sufficient human and financial resources to perform their functions properly, and the absence of policies and plans for the sustainable development of the sector in the medium and long-term does not allow for the diversification of the energy matrix, the reduction of electricity costs, and increase in electricity access.

2.14 As a result of these accumulated challenges, social indicators have deteriorated. Food insecurity is at a high level whilst the prevalence of moderate or severe food insecurity is the highest in LAC (impacting 82.8% of the population compared to LAC's 31.3% average in 2021-2023).¹⁴ According to the Integrated Food Security Phase Classification (IPC) almost 50% of the population or 4.95 million experienced acute levels of food insecurity from March to June 2024 (IPC Phase 3+).¹⁵ Over the last six months, the cost of the food basket has risen by 22%, making basic nutrition unaffordable for millions. Health indicators are also worsening. Over the past five years, there has been a 15% increase in cases of water- and vector-borne diseases, and the mortality rate from communicable diseases stands at 218.1 per 100,000 inhabitants¹⁶. Cholera has re-emerged in Haiti in October 2022, after 3 years without any cases. New cholera cases persist with 4,845 confirmed, 86,114 suspected cases and 1,297 deaths as of mid-July 2024.¹⁷ It should be noted that the last cholera outbreak resulted to nearly 10,000 deaths and 820,000 cases between 2011 and 2019. Maternal mortality remains five times the regional average, partly due to a decline in facility-based deliveries, and infant mortality is nearly four times the Latin America and the Caribbean (LAC) average. Educational outcomes have been significantly affected. Most Haitian students attend school for over 11 years by the time they are 18, which is equivalent to only 6.3 years of effective quality education. The closure of over 1,000 schools has left 270,000 children

¹³ <https://tradingeconomics.com/haiti/access-to-electricity-percent-of-population-wb-data.html>

¹⁴ <https://openknowledge.fao.org/items/7dab011e-db47-4c63-951e-c69e49111b65>

¹⁵ <https://www.ipcinfo.org/ipc-country-analysis/details-map/en/c/1156884/?iso3=HTI>

¹⁶ <https://hia.paho.org/en/countries-22/haiti-country-profile>

¹⁷ <https://mspp.gouv.ht/site/downloads/SITREP%20CHOLERA%20de%20la%2028%20SE.pdf>

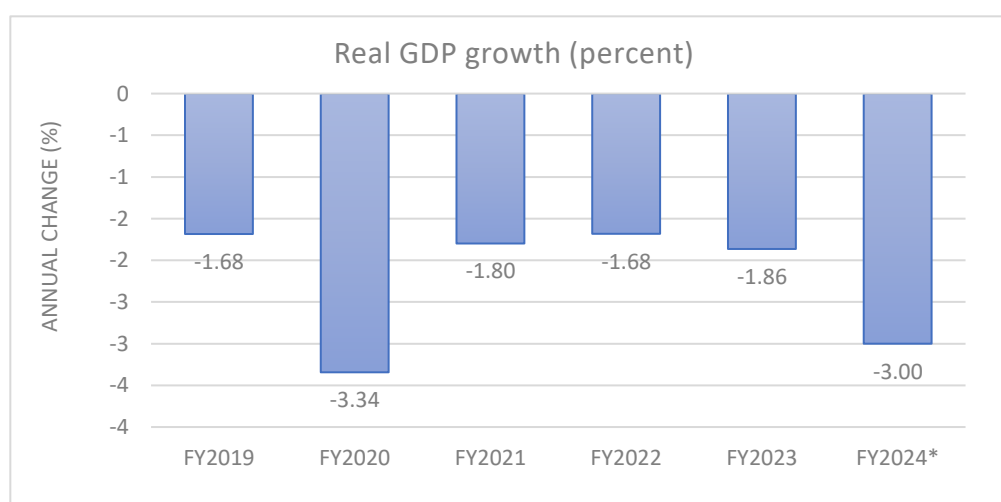
without access to education, further exacerbating learning losses and low educational outcomes.¹⁸

- 2.15 **The private sector, predominantly composed of small, fragmented enterprises, faces significant challenges in expanding operations.** Starting a business in Haiti is a prolonged and costly endeavor, significantly hindering economic growth and entrepreneurship. The average startup duration is 97 days, larger than the 28.8 days observed in other LAC countries. Additionally, the cost of starting a business in Haiti is high, amounting to 180% of the average per capita income. The inefficiencies extend to property registration, which takes an average of 319 days—far longer than the 1 day seen in top-performing economies and the 63.7 days typical across LAC. Political instability and violence further exacerbate these challenges, with 84% of businesses identifying political instability as their biggest obstacle. Gang violence disrupts energy supplies and blocks roads, affecting commercial activities. The broader investment climate is also challenging, characterized by poor infrastructure, weak investor protections, inconsistent contract enforcement, high energy costs, and widespread corruption. These factors collectively create a difficult environment for both domestic and foreign investment, hindering economic progress.

Macroeconomic Outlook

- 2.16 **Economic indicators have also deteriorated, as reflected in the six consecutive years of economic decline.** Real Gross Domestic Product fell by 1.9% in FY2023, following the successive contractions of 1.7%, 3.3%, 1.8% and 1.7%, respectively for the fiscal years 2019, 2020, 2021 and 2022. The primary, secondary, and tertiary sectors all contracted, by 5.6%, 3.7% and 2.9% respectively, in FY2023. The IMF projects a negative growth of 4% for FY2024, potentially marking the sixth consecutive year of economic contraction for Haiti.¹⁹

Figure 1: Real GDP Growth (% change)



¹⁸ <https://www.unicef.org/edia/152411/file/Haiti-2023-COAR.pdf>

¹⁹ Institut Haïtien de Statistique et d'Informatique (IHSI)

Source : Institut Haïtien de Statistique et d'Informatique (IHSI) and IMF World Economic Outlook, October 2024.

- 2.17 **Foreign Direct Investment and exports have been declining.** Security issues and political instability are factors that have eroded investors' confidence and led to a dramatic decline in Foreign Direct Investment (FDI). FDI represented 0.1% of GDP for FY2023. Exports have decreased by 57% of GDP over the last five years, reflecting the broader economic challenges the country faces, including a reduced production capacity due to security concerns and disruption in supply chains.²⁰
- 2.18 **The labor market is characterized by high levels of informality, unemployment, and underemployment,** with mismatches between job seekers and potential employers. Youth, women, and People with Disabilities (PwD) face these challenges more acutely. Unemployment was at 19% in FY2023, one of the highest in the region. Youth unemployment is at 30.7%, the second highest in LAC.

III. The IDBG Country Engagement Strategy

IDBG Engagement in Haiti

- 3.1 **The IDBG has been continuously engaged in Haiti for decades.** The current Country Strategy (CS) with Haiti, was approved by the Board of Executive Directors on November 15, 2017 and initially covered the 2017-2021 period ([GN-2904](#)) following the last elections organized in the country in 2016. In a context of increased fragility and political turmoil, the CS was extended twice²¹ and is in effect until December 31, 2024.
- 3.2 **The current IDBG CS seeks to contribute to higher, inclusive, and more sustainable growth supporting a reduction in poverty and inequalities.** The CS built on the achievements and lessons learned from the previous CS (2011-2015), which supported the reconstruction and development of the country after the 2010 earthquake. The CS has three strategic areas, with the following main objectives:
- **Improve the business climate to enhance productivity,** by supporting reforms to simplify procedures, reduce costs, and improve competitiveness and through addressing challenges in agriculture and transport sectors. The strategy also promotes private sector investment in key sectors such as agroindustry, infrastructure, and sustainable tourism.
 - **Render key public services more accessible to enhance human development,** by improving the quality and coverage of education, health, water and sanitation, and energy services. The strategy also fosters social protection and inclusion, especially for vulnerable groups such as women, youth, and PwD.
 - **Strengthen government capacity to increase fiscal sustainability,** by enhancing public financial management, domestic revenue mobilization, and debt management. The strategy also supports the modernization of public administration and the improvement of transparency and accountability.

²⁰ WEO April 2024

²¹ GN-2904-2 and GN-2904-3.

The CS also incorporated cross-cutting themes such as resilience to climate change, protection of the environment, and gender equality.

- 3.3 **During the period of the IDBG 2017-2024 CS, a total of 21 operations were approved by the IDB, for US\$1,231.5 million.** Of these, 6 operations were in the infrastructure and energy sector, totaling US\$545 million, which represents 44% of the overall amount. Additionally, 9 operations were approved in the social sector, covering areas such as social protection, health, and education, for a total of US\$475 million, equivalent to 38% of the overall amount. The remaining operations included 2 in agriculture (US\$115 million), 3 in institutional strengthening (US\$79 million), and 1 in trade and investment (US\$17.5 million). All the approved operations were aligned with the CS, with 29% of the operations aimed at improving the business climate to enhance productivity; 57% focused on rendering key public services more accessible to enhance human development; and 14% were dedicated to strengthening government capacity to increase fiscal sustainability.

- 3.4 **A shift towards supporting the most vulnerable in response to the social crises was undertaken in recent years.** As political turmoil, social unrest and fragility increased, social crises arose in Haiti with unprecedented levels of food insecurity and drops in health indicators' levels. In response, since 2019 a shift in emphasis was undertaken within the CS priorities, towards the provision of basic services to the most vulnerable populations affected by food insecurity

Box 1. Continuum of support to respond to the food insecurity crisis, support resilience and promote livelihood opportunities.

Since 2020, the Bank has supported Haiti's efforts to address food insecurity as a cross-cutting determinant of welfare and development, with complementary transfer modalities including school feeding, cash transfers and cash-for-work to achieve impact on childhood development, school retention and learning, as well as benefit women, PwD, and youths.

Instrumental to this, IDB programs have strengthened the institutional capacity of governmental actors, and the Fonds d'Assistance Economique et Sociale (FAES) – the Executing Agency – by strengthening its procurement, administrative and fiduciary capacity.

The approach has consisted in the approval of three operations (HA-L1145, HA-J0001, and HA-J0005), that have drawn significant results with more than 1.3 million beneficiaries (around 12% of the population) reached and supported in response to the food insecurity crisis, while building community resilience through cash-for-work intervention to restore local livelihood and preserve environmental asset.

As part of the series, two additional operations were approved in 2023 and 2024, "Tackling Food Insecurity and Fostering Resilience through Safety Net for Vulnerable Populations" (HA-J0007) and "Community-Based Program to Foster Human Security in Haiti" (HA-J0008), in line with this programmatic approach and with the same objective of addressing food insecurity."

and cholera, among others. Since 2020, 60% of the approved amounts by IDB were directed towards operations in the social sector. This change has led to a rebalancing in the share of social sector (social protection, health, and education) projects approved since 2020, with 32% of current portfolio in execution while 44% of the portfolio is still in infrastructure (see Annex III).

- 3.5 **At the same time, infrastructure remains critical for long term structural improvements aiming at reducing fragility.** As such, interventions leading to medium- and long-term governance improvements, economic opportunities and employment through the private sector are still ongoing. Infrastructure programs have been adapted and modified to better respond to the context and generate results to ensure effectiveness.
- 3.6 **During the 2017-2024 CS, IDB Invest approvals amounted to US\$60.6 million and were associated with 9 country-specific operations.** In monetary terms, such approvals were concentrated in the industry sector (69%), followed by financial markets (11%), transport (9%), agriculture and rural development (8%), and energy (2%). In the same period, IDB Invest has also approved 13 non-regional advisory services aimed at increasing project viability and accelerating sustainable, inclusive and resilient business models in Haiti. Their focus agendas include MSMEs and sustainable business; gender, diversity and inclusion; climate; sustainable and inclusive value chains; unlocking blended finance; corporate governance; and digital transformation.
- 3.7 **During the 2017-2024 CS, IDB Lab approved 16 projects in the country for US\$13.8 million.** In monetary terms, these approvals were concentrated in agriculture and rural development (41%), water and sanitation (21%), private sector and SME development (9%), energy (8%), health (8%), environment and natural disasters (6%), sustainable tourism (3%), and urban housing and development (3%). **Including, IDB Lab's flagship project of US\$2 million to establish the Haiti Impact Facility that aims to leverage an additional US\$10 million from co-founders and the public sector.** This is the first impact fund in a fragile island state. It is designed as a mechanism to scale up effective development strategies, pooling funding, expertise and learning to support meaningful change across multiple sectors, including sanitation, health, agriculture, education and employment.
- 3.8 **Key development results.** The IDBG made significant progress in the 2017-2024 CS priority sectors, which include important results in the three main strategic areas of intervention, as presented below.
- 3.9 **To contribute to improving the business climate and enhance productivity,** milestones have been achieved in various sectors. In agriculture, land tenure security has improved with 64,510 parcels surveyed and clarified and procedures made more efficient and accessible with average time and cost of parcel registration reduced by 18% and 12%, respectively. Additionally, around 94,200 farmers benefitted from technical assistance, agricultural packages, and productivity incentives with gender focus since 2017 with high technological adoption rates (73%). These efforts have led to an increase in crop production (+38%) and profits (+63%) of the beneficiaries, leading to increased agricultural productivity. Improved management at Péligre dam also benefitted 6,441 farmers with improved irrigation and 975 farmers with new cultivable areas, while programs targeting enhanced plant and animal health benefitted more than 350,000 farmers. In the transport sector, more than 90 km of roads were built, 72 km rehabilitated, 310 km maintained, and 13 km paved since 2017, contributing significantly to enhancing transport conditions, with reduced operating costs and transportation time on various roads of the primary network (RN1, RN2, RN7, RN8). The IDB also supported the response to Hurricane Matthews, by restoring 450 kms of roads to reestablish transport conditions for 1,286,810 people in areas affected by the hurricane. Works at Port-au-Prince international airport are ongoing, to improve security with a new control tower, security fence and equipment. The development of the Caracol Industrial Park

(PIC) has been supported with five successive operations to improve road access to the park, enhance access to water, sanitation and solid waste management services, increase energy generation for the tenants, and support to payroll and rent payments for firms at the PIC. This programmatic support contributed to attracting 5 firms to the area and generating 15,324 jobs (60% for women) until 2020, before the most recent crisis. During the current CS, IDB Invest has supported the competitiveness and sustainable investment plans of, among others, industrial companies operating in a free zone (Codevi) and a leading player (Plastech) in the local plastics industry. The financial additionality of these operations is significant considering the unavailability of similar solutions in the domestic market. A US\$5 million financing package (including blended finance and advisory services) to an industrial firm (Barbancourt) supports the implementation of a solar photovoltaic power generation project and a glass recycling facility to respectively reduce fossil-fuel and bottle consumption. Among other benefits including job generation and the reduction of CO₂ emissions, the project is expected to free up cash to support more than 3,000 domestic SME sugarcane suppliers. In general, operations financed by IDB Invest from 2017 to 2023 supported 1,202 new jobs mainly sourced by manufacturing companies, benefitted 454 trainees with employment support initiatives and 178 women with economic empowerment initiatives. Additionally, investments resulted in 13 MW of additional installed power generation from clean sources (for self-consumption of an industrial company) and US\$13 million promoted in international trade.

- 3.10 **To render services more accessible to enhance human development, the IDB contributed to this strategic objective in different areas to reach the most vulnerable populations.** Access to water was expanded benefiting more than 100,000 households in Port au Prince, in the North, and some rural areas. To respond to the large-scale food insecurity, more than 1.3 million Haitians received conditional and unconditional cash and in-kind transfers, also supporting community-driven cash-for-work programs, youth inclusion, and local resilience. In the health area, the IDB organized a Covid-19 response (2020-2022) through large-scale treatment, equipment provision, training of healthcare staff, and renovation of the emergency unit at Hospital La Paix; the equipment of 91 primary care facilities; improved services to children, women and PwD through the training of 900 primary care team members in 16 communities. In the education sector, 41 schools were built or rehabilitated, more than 34,000 students in public primary schools benefitted from a holistic package of quality interventions, more than 80,000 students received tuition waivers, and more than 250,000 students were beneficiaries of IDB school feeding programs. In the energy sector, IDB Lab has financed an operation in 2023 to increase access and demand for sustainable electricity for 8,000 rural households of Haiti through privately-run mesh grids and an appliance acquisition program.

- 3.11 **With respect to the pillar of strengthening government capacities, the IDB has consistently and comprehensively helped strengthen capacities of sectoral institutions** (CTE, OREPAs and SAM in the Water and Sanitation sector, ANARSE and EDH in the Energy sector, CFI for Trade and Investment, MAST and FAES in the Social sector, school staff and MENFP in the Education sector, etc.). Some specific examples are: in the Water and Sanitation sector, Port-au-Prince water utility company (CTE) was strengthened with 7 offices equipped and financial management of the utility improved; and the DINEPA and OREPA Ouest have been equipped and strengthened. In the Energy sector, key institutions have been strengthened and the energy regulatory framework has been supported. In the Transport sector, 4 offices of the MTPTC were equipped and 474 employees trained. In Trade and Foreign Investment, the CFI has been trained and equipped to provide support to almost 50 companies closing 37 investments and 42 reinvestments since 2017. In the Social Protection sector, comprehensive support has been brought to FAES executing agency capacities, which made the institution become the winner of the 2023 IDB Superheroes of Development Award. Additionally, key central government institutions have also been supported throughout the period of the CS with the Ministry of Finance (MEF) systems being reinforced through a comprehensive strategy (HR management, civil servant biometric registration) and a retirement policy for civil servant being currently implemented to improve fiscal sustainability of public institutions. Progress in digitalization and Information Systems has also been made, with the support to various ministries (Ministry of Social Affairs and Labor, Ministry of Agriculture and Natural Resources, Ministry of Education and Vocational Training, Ministry of Finance) leading to improved targeting of the transfer programs among other.

Lessons learned from working in a fragile context and IDBG programming in Haiti

Box 2. Lessons from working with UN agencies and NGOs.

UN agencies involved in the execution of Bank funded programs depend on partnerships with Implementing Partners (IPs), usually local and international NGOs, which are contracted on a project-by-project basis to deliver a range of services or activities. As a good practice, the IDB should rely on UN entities that have strong networks of IPs, as the latter usually increases effectiveness by providing access to the most remote and vulnerable communities and can overcome the difficulties of the 'last mile' of the delivery. Schemes combining the UN specialized agencies approach and a wider support to national systems for data collection and project execution should be prioritized to improve the efficiency of project implementation.

Taking advantage of each specialized agency core competencies and comparative advantage is crucial, as experiences outside their area of specialization has not always been successful.

With respect to the costs incurred by the mobilization of UN specialized agencies, a better understanding of funding models of each agency to estimate direct and indirect costs implied in the execution of a set of activities is necessary to agree on contractual fees. In that regard, the IDBG has negotiated framework agreements with several UN agencies, which set fixed fees, thereby ensuring the transparency and adequate estimations of costs.

- 3.12 **Important lessons learned drawn from IDBG's experience in Haiti and fragility, conflict, and criminal violence contexts inform this CEN.** The IDBG FCCV framework highlights the importance of addressing the root causes of fragility and stresses the need for development actors to remain engaged and be willing to accept higher levels of risk.

- 3.13 **As the IDBG continues to play a leading role in Haiti, lessons from previous engagement are critical for the design of future operations in the country.** OVE's *Evaluation of the Use of the IDB Grant Facility for Haiti's Reconstruction and Development: 2011-2020* prepared in 2022, coupled with the operational experience on the ground, point to lessons on adequate scaling for results, effective and innovative implementation arrangements, supervision alternatives, improved selectivity and portfolio performance as well as partnerships that can be leveraged for increased impact.
- 3.14 **The IDBG's operations moving forward in Haiti will be informed by key lessons and recommendations including:**
- a) **Fragility poses challenges to development in Haiti that need to be tackled purposefully.** This requires a differentiated and fragility-sensitive approach focused on delivering high-quality projects and development results, rather than an approach focused on the quantity of financing delivered.
 - b) **The experience in the past years reflects progress, but at the same time, highlights the challenges facing the implementation of initiatives with medium and long-term objectives.** This underscores the need to identify more clearly the risks in the country and by sector, and to set realistic expectations and outcomes.
 - c) **The volatile situation in Haiti requires operational flexibility to effectively address shifting needs and circumstances.** Lack of adaptability in project design has hindered the ability to respond swiftly to the country's rapidly evolving environment. Enhancing flexibility within organizational frameworks would enable teams to streamline contracting and procurement processes, allowing for more efficient execution of project activities.
 - d) **IDBG's framework to support populations in FCCV affected situations highlights the need of sustaining engagement in crises through continued support in key sectors.** During some crises, the IDBG may not be able to continue operating as usual, or it might not be able to engage with public authorities. In such cases, remaining engaged may take different forms which could include gathering relevant information to assess the situation, developing knowledge products, and designing interventions to support the most vulnerable through local communities and/or partners in the HDP nexus.²²
 - e) **For private sector clients, advisory services, blended finance and flexible financing structures should be developed in accordance with client capacity and risk mitigation.** A tailored approach to financing has particularly benefitted Haitian clients without prior experience in working with MDBs. IDB Invest advisory services in FCCV settings are critical to enhance the quality and reach of projects, expand upstream and project preparation efforts, and strengthen clients' implementation and monitoring capacities. Additionally, blended finance will continue

²² See OECD Development Assistance Committee Recommendation on the Humanitarian-Development-Peace Nexus at <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-5019> (accessed October 10, 2023).

to be fundamental to scale-up private sector investment, mitigate risks and deliver business development impact.

Proposed IDBG CEN Pillars and Priority Activities

- 3.15 **The rapidly changing and unstable situation in Haiti presents both a challenge and an opportunity.** Short-term measures must be viewed as steppingstones toward sustainable growth and long-term development. As such, the pillars prioritized allow to make the IDBG focus shift and evolve depending on conditions on the ground.
- 3.16 **Following its establishment in June 2024, Haiti's Transitional Government has prioritized five key areas aimed at stabilizing the country and fostering development:** (i) Public and national security; (ii) Economic recovery, infrastructure rehabilitation, food and health security; (iii) National conference and the constitutional issue; (iv) Rule of law and justice and, (v) Elections for the renewal of political leadership. The transitional government has developed sectorial roadmaps in line with the previously mentioned pillars.
- 3.17 **The objective of the CEN is to support the government's priorities in recovery efforts, jump-starting the economy, addressing immediate needs and laying the foundation for sustainable and inclusive growth.** The CEN's priority activities will contribute to the following pillars:
- **Bolster economic development for future rapid, inclusive, and sustained growth.** Under this objective, IDB interventions will support employment generation and retention to reduce vulnerability to gang recruitment and foster national labor market development. Also, contribute to increasing national and international economic connectivity and support the scaling of agricultural and manufacturing outputs to increase food supply, diversification, and international trade. IDB Invest will seek to: (i) expand access to economic opportunities through the private sector, by increasing the availability of financial resources for companies; (ii) support employment generation and retention; and (iii) support the sustainable scaling up of agricultural and manufacturing outputs. Additionally, through existing operations: IDB Invest will continue to support job creation, productivity, sustainability and exports of industrial firms; and contribute to decarbonation and integration of farmers and MSMEs into agro-industrial value chains. IDB Lab will be developing the youth & entrepreneurship ecosystem by directly supporting innovative startups and creating an Entrepreneurship TechHub in the North that will benefit a wide range of MSMEs and digital jobs upskilling for the youth.
 - **Enhance basic service delivery and human capital development.** Efforts will focus on reducing vulnerability to food insecurity, while providing continued support to the social protection system. Support the restoration of health services to enhance access to basic human needs. Promote youth inclusion and resilience, through community-based opportunities. IDB Lab will contribute by supporting innovative climate-smart agriculture solutions to combat food insecurity and support initiatives to provide access to drinking water solutions to remote and under-resourced communities by expanding an entrepreneurship

program and testing a carbon credit subsidy model with a locally based water filter production factory.

- **Improving institutional capacity and rule of law.** IDB activities will seek to enhance institutional capacity and connectivity of key public institutions through digitalization; implement technological enablers and capabilities to increase efficiency of core cross-cutting management systems and, enhance public sector cybersecurity capacity. Furthermore, with the aim of increasing applied knowledge on fragility settings and issues, the Bank will support the country in generating relevant evidence to improve the citizen security and justice sector through knowledge products.

3.18 **In addition, two cross-cutting priorities essential for the sustainability of development outcomes will be encompassing the strategic pillars:** First, to support

the most vulnerable segments of society, especially women, youth, and internally displaced people, who face multiple sources of discrimination, violence, and exclusion. Second, increase the resilience of Haiti to external shocks, such as earthquakes, climate-related hazards, pandemics, and economic crises, to avoid future losses by investing in prevention, preparedness, and mitigation measures. These two priorities will be incorporated into the design and implementation of IDBG interventions during the period of the CEN.

3.19 **This proposal ensures that the IDBG can tailor its approach to Haiti's fragility situation and focus on realistic and tangible results.** It reflects an enhanced focus for new operations anchored on lessons learned, operational experience, and alignment

Box 3. IDB Lab's Flagship project: Haiti Impact Facility (HIF).

Through the HIF, IDB Lab created a central commissioning Bank-executed facility which i) provides operational support to the design and oversight of pay-for-success projects and ii) ensures integration of learnings and support functions into IDB processes. The HIF will become a catalytic agent, improving the value for money and the development impact of aid to Haiti and the wider IDB Group portfolio.

Through the HIF, IDB Lab has signed its first 3 pilot contracts in December 2023. Both implementing partners - SOIL and Care2Communities - demonstrated significant achievements, meeting or exceeding their outcomes targets while achieving efficiency gains and yielding significant learnings for future growth.

The first HIF pilot is scaling climate-resilient sanitation that delivers safely managed sanitation services to vulnerable families in Haiti's northern cities. Implemented by local NGO SOIL, Paying for Sanitation Success is setting benchmark costs for container-based sanitation (CBS) - a composting toilet that is often the only viable solution, as climate-driven flooding and high water table make latrines unsafe. To date, over 1,000 toilets have been installed in targeted communities.

The second HIF pilot is growing access to lifesaving maternal healthcare for rural Haitian mothers and their children by paying programs that can successfully increase uptake of antenatal and postnatal services. IDB Lab selected Care2Communities (C2C) to implement Last Mile Health to deliver reliable primary health care to vulnerable Haitians in partnership with Haiti's Ministry of Health. The cumulative outcomes of the project to date have exceeded the targets. Through June 2024, over 600 children have completed their vaccinations, over 100 mothers have given birth in a skilled facility, and over 350 mothers have completed at least four antenatal visits.

The third outcomes-based contract was signed in July 2024 with the Haiti Food System Alliance, to support efficiency in local production as a direct response to the current food insecurity crisis.

with the Transitional Government's priorities. Results to be achieved during the CEN period will be impacted by the IDBG's adaptability to work in an FCCV context and the execution of the active portfolio in Haiti which includes a broader range of sectors.

- 3.20 **The approach to enhancing the performance of the IDB portfolio will remain focused on ensuring readiness and applying selectivity filters at project selection** (see Annex IV), in line with the new principles on strategic selectivity and impact of country strategies (upcoming discussion and approval by the Board). Given the considerations linked to the Performance Based Allocation (PBA) and the significant development needs of the country, projects to be financed will be based on key features of project design and implementation criteria: (i) alignment with short-term priorities and fragility drivers; ii) strategic positioning iii) operational sector performance and implementation capacity or proven delivery capacity; iv) fragility risk assessment. As such, following OVE's recommendations, new approvals are conditional to not having operations classified in "Alert" or "Problem" in the same sector/sub-sector according to the PMR report.

IV. Implementing the CEN

Operating modalities and existing supervision

- 4.1 **The period of implementation of the CEN is expected to be characterized by uncertainty.** The IDBG has shown its capacity to produce results and tailored responses while generating impact in challenging and evolving contexts.
- 4.2 **Ensuring implementation readiness is critical to achieve success in Haiti.** The approach taken emphasizes a **context-sensitive design** that allows for flexibility in the face of unforeseen challenges, thereby improving delivery outcomes (see Annex VI). This design is based on an **in-depth fragility and risk assessment**, which evaluates potential threats to project success, and an **in-depth analysis of the measurability and evaluability of results**.
- 4.3 **To further strengthen implementation readiness, several key prerequisites and operational performance criteria have been established, based on lessons learned and recommendations from the Office of Evaluation and Oversight (OVE):**
- **Counterpart commitment:** Ensuring that local counterparts are fully engaged and committed.
 - **Absorption capacities in the sector:** The ability of the sector to effectively absorb and utilize resources is carefully evaluated to prevent overload and ensure efficient resource deployment.
 - **Partners and implementation mechanisms:** Leveraging available partners and specialized agencies enhances the project's sustainability in complex environments. These partnerships are crucial for executing projects in challenging areas and ensuring that implementation mechanisms are robust and responsive.
 - **Ability to adjust and recalibrate:** The capacity to adjust and recalibrate during implementation is essential in a dynamic environment like Haiti. This flexibility allows

the project to remain responsive to fluctuating conditions and to realign strategies as needed.

- **Supervision capacities:** Strengthening supervision capacities, particularly in operational, fiduciary, and procurement areas, is key to ensuring the integrity and effectiveness of project execution, leveraging on parameters set forth within the Bank's framework and fiduciary guidelines for situations of Emergency, Fragility, Conflict and Criminal Violence (FCCV).

- 4.4 **Flexible Implementation.** Given the complex and often unpredictable environment in Haiti, a flexible implementation strategy is essential. This involves adopting more effective execution mechanisms, such as partnering with NGOs or specialized UN agencies that possess the capacity to operate in insecure areas and deliver essential services at all levels. With over nine UN agencies and more than 15 NGOs involved across various sectors, these partnerships are vital for maintaining project momentum in challenging circumstances.
- 4.5 **The approach also encompasses stop-and-go strategies based** on continuous risk and opportunity analysis, allowing for rapid recalibration in response to on-the-ground realities.
- 4.6 **A key element of this strategy is the willingness to learn from failure and adaptability.** By allowing for project modifications and reformulations as needed, the approach fosters a learning environment where projects can evolve to better meet their objectives.
- 4.7 **Strengthened supervision mechanisms are crucial for project success in Haiti's fragile context.** Whenever possible, in-country supervision is prioritized to ensure closer oversight and quicker response times. Additionally, continuous support is provided to executing units to strengthen their supervision capacities.
- **Digital technologies** are integrated into the supervision framework to extend the reach of monitoring and evaluation efforts. These technologies enable real-time data collection and analysis, enhancing the ability to track progress, identify issues early, and adjust strategies as needed.
 - **Monitoring and Evaluation (M&E) methodologies adapted to the FCCV context** include comprehensive training in M&E for executing units, ensuring that local teams are equipped with the necessary skills to accurately monitor and evaluate project progress.
 - **Third-Party Monitoring (TPM)** is integrated into the framework to provide independent verification of data and enhance the credibility of the findings. Throughout the project lifecycle, regular evaluability assessments are conducted to ensure that the project remains on track and that outcomes can be reliably measured.
 - **Enhanced monitoring of private sector operations in Haiti** is a core task of various IDB Invest teams including the Portfolio Management Division which leads the frequent dialogue with existing clients to assess their needs and status of operations. This approach has helped provide them with flexibility regarding the fulfillment of certain contractual obligations in a way that is balanced and protects IDBG's interests.

- 4.8 **IDB Invest continues to support working capital needs for the regular operations of its existing clients, as well as job preservation and value chains.** Prospective transactions (including those currently under analysis) will consider smaller own-account tickets and blended finance components that help mitigate risks in the current environment.
- 4.9 **In line with IDBG's FCCV Framework, blended finance will continue to be a key element of private sector financing in Haiti to manage financial risks.** The targeted use of concessional funding could enable high development impact projects that would not otherwise be implemented. Expanding the availability of blended finance resources is paramount for the country.
- 4.10 **To expand and scale up IDB Invest capacity to do business in Haiti, resources for upstream activities, market creation and improvement, and advisory services will play a critical role.** Advisory services could significantly enhance the quality and reach of projects, expand upstream and project preparation works, and strengthen clients' capacities from the technical, corporate governance and sustainability standpoints.

Strategic positioning

A - IDBG's synergies

- 4.11 **Public-private synergies are core to how the IDBG serves the Region and will be fundamental to respond to Haiti's evolving needs,** particularly given the FCCV context. Identifying short- and medium-term opportunities for IDBG joint action will benefit from existing platforms that support investments and job creation.
- 4.12 **Upstream work by leveraging IDBG's efforts in assessing possible revisions to regulatory frameworks for increased investments,** as well as by continuing strengthening the institutional capacity of public entities and the rule of law, will be critical to enable a more adequate business environment.
- 4.13 **Joint IDBG efforts would also bridge knowledge gaps,** particularly to better understand the drivers of fragility and the optimal mechanisms to deliver impactful projects through the three institutions; help create and improve markets and structure arrangements that attract private investment.
- 4.14 **The IDBG will actively seek to develop re-risking mechanisms that would help build a pipeline of sustainable projects by IDB Invest and IDB Lab** in activities with the highest development impact, whilst sufficiently managing financial and non-financial risks. These mechanisms could be crucial for the deployment of basic and productive infrastructure with private sector participation, as well as for supporting both investments in the real economy and the financial inclusion of firms and individuals.
- 4.15 **Hybrid instruments and integrated financial solutions have the potential to significantly support new private sector investments.** IDB Invest will seek de-risking mechanisms to promote the expansion and modernization of infrastructure investment by the private sector, and to improve performance (for example, in the form of performance-based contracts, leasing contracts, or PPPs). To scale-up private sector investment, IDB Invest will also continue to utilize blended finance and advisory services. IDB Lab will also play a key role in developing and integrating innovative PPP financing mechanisms. For phase 2 of its results-based financing facility. IDB Lab seeks

partnership with the public sector to build on these early successes and scale the first pilots into sustainable practices with private-public funding. All of the launched pilots have been designed with specific goals for growth, economies of scale and cost recovery.

Preliminary IDBG synergic opportunities have been identified in some sectors, and institutional capacity strengthening remains key.

For instance, supporting the national energy regulatory authority (ANARSE) in reviewing relevant legislation could enable increased investments and promote the development of renewable energy and energy efficiency projects with private sector participation. This requires performing a diagnosis to identify gaps

Box 4. A Theory of change for Institutional strengthening in FCCV contexts.

A crucial pillar of the CEN is institutional strengthening. As outlined in the FCCV Framework, building state capacity in FCCV contexts involves three key dimensions: enhancing the organizational and technical capabilities of the public sector, fostering political consensus to implement prioritized policies, and reinforcing vital components of the rule of law, including accountability, transparency, and integrity. If the CEN focuses on digitizing government functions, then it will lay the foundation for medium- and long-term institutional strengthening, because digitization improves efficiency, transparency, and service delivery, and enhancing the capabilities of core institutions and strategic management systems at the national level includes improving the organizational and technical capacities of public sector entities to ensure they can effectively deliver services and respond to crises. If the Center of Government (COG) is strengthened, then governance and strategic management will be enabled, allowing the government to define and build consensus on priorities, deliver on these priorities through effective management systems, and improve accountability and the rule of law, because of clearer decision-making structures and stronger implementation mechanisms. Enhancing the rule of law and fostering accountability also involves strengthening the transparency and integrity of the institutional framework by clarifying the roles of key agencies and improving their organizational and technical capacities. Additionally, efforts must be made to ensure consistent, impartial, and transparent enforcement of regulations and contracts, which will promote predictability in state performance and the legal framework for society, because a more predictable legal environment attracts investment and strengthens trust in government institutions. If institutional strengthening efforts also focus on improving the business climate, then private sector growth will be supported, because regulatory dialogue and flexible financing instruments tailored to the Haitian context will encourage investment. Strengthening the rule of law and ensuring contract enforcement are essential to improving access to local and international financing. Models for private sector investment in FCCV contexts include purely private investment, management contracts, and operation and maintenance contracts. Regarding Public-Private Partnerships (PPPs), if a clear policy framework and institutional capacities within the government are developed, then viable projects will be identified and structured, because the government will be better equipped to manage complex partnerships. Given Haiti's context, where private investors face longer payback periods and higher risks, more conventional government-pay models, adaptations of classic PPP models, or limited private-sector service provision may be necessary as transitional steps.

between the sector's requirements and the current regulatory provisions. Projects in digital connectivity could benefit from a similar approach, as well as from the development of a national broadband plan. In water and sanitation, upstream work is needed to support the development of a strategy for service expansion, financial autonomy of service providers and improvements in budget planning. Some public upstream opportunities also relate to actions leading to improved performance of border crossings. Regarding financial markets, supporting the Central Bank in the design and

implementation of a country-wide digital payment system including interoperability throughout the financial system could accelerate transfers to businesses and individuals. Similarly, the establishment of a centralized system-wide credit rating bureau would be fundamental to standardize and systematically disseminate credit risk data among financial intermediaries. Supporting the implementation of the Anti-Money Laundering/Countering the Financing of Terrorism (AML/CTF) action plan with the Financial Action Task Force (FATF) will increase the financial system's transparency and help prevent the flow of illicit funds into it.

B - Partnerships, coordination and mobilization

- 4.16 **Strengthening and expanding development partnerships will remain crucial for enhancing resources, optimizing implementation and increasing impact.** During the CEN implementation and beyond, the Bank will continue to pursue technical and financial collaboration with Haiti's key development partners and stakeholders. This approach is part of ongoing efforts to coordinate among Haiti's technical and financial partners through the *Concertation Technique des Partenaires*²³ (CTP), which brings together multilateral and bilateral donors, diplomatic missions, and United Nations agencies. This coordination has been further strengthened by the recent Rapid Crisis Impact Assessment (RCIA) exercise (see Box 5), led by the Government of Haiti and the World Bank, with contributions from the European Union, the United Nations, and IDB to ensure a common identification of post-crisis investment needs and, above all, coherence and complementarities in future investments. The CEN is aligned with and integrated into this process and will continue to be throughout its implementation.

Box 5. The Joint Rapid Crisis Impact Assessment (RCIA): An example of collaboration.

The Joint Rapid Crisis Impact Assessment (RCIA) is an example of the IDBG strategic positioning in Haiti, and of effective collaborative efforts and coordination with other international partners to respond to the country's needs. The Government of Haiti has sought the joint support of the World Bank (WB), United Nations (UN), European Union (EU), and the IDBG to conduct a RCIA in the Port-au-Prince metropolitan area. This assessment aims to identify short-to medium-term stabilization and recovery needs to transition out of the security crisis and build a path towards post-crisis recovery. By leading the analysis on the infrastructure sector and supporting the work in the other sectors, the IDBG demonstrates its expertise and strategic focus on critical areas that will lay the ground for Haiti's future recovery and development. The collaboration with other international organizations such as the WB, UN, and EU underscores the work carried out with partners to achieve common goals and remain engaged to support the country. The finalized assessment is expected to be completed this year, reflecting the IDBG's commitment to timely and effective action in response to crises and highlighting its role as a key player in international development and crisis response efforts in Haiti.

- 4.17 **As the country's needs are considerable and multifaceted, leveraging partnerships and seeking synergies and complementarities are instrumental to effectively generate impact.** The Bank has been continuously coordinating efforts and

²³ Technical Partner Consultation

fostering synergies with key partners across its portfolio. In line with this approach, the Bank, through its sectoral teams in Haiti, plays an important role in sectoral working groups in agriculture, education, health, social services, water, and sanitation. These sectoral tables aim to share knowledge and lessons learned, coordinate efforts, and develop a strategic vision for each sector, in collaboration with multilateral and bilateral partners, NGOs, UN agencies, and other technical and financial stakeholders.

- 4.18 **Continuing partnerships with UN Agencies with ground presence.** Activities will require close collaboration and implementation partnerships with UN agencies such as the World Food Program, the Pan-American Health Organization, and the United Nations International Children's Fund. Engaging on municipal issues will benefit from close cooperation with multilateral and bilateral partners.
- 4.19 **Lessons learned and best practices on coordination.** A key achievement of the RCIA exercise was enabling development partners to provide a common response to Haiti's needs leveraging their competitive advantages. It set a strong example of close collaboration under the leadership of the Government. Overall, coordination is most effective when local stakeholders are actively involved, ensuring that interventions address real needs, while government ownership ensures sustainability. One key lesson learned is that this level of coordination avoids having donors pursuing their own priorities rather than harmonizing with national strategies which can significantly limit the impact of the interventions. Moreover, in the case of the RCIA, under the coordination of the World Bank, development partners had clearly defined roles, with each international organization leading a specific effort. This clarity in responsibilities contributed to the initiative's effectiveness. Finally, the lack of data can hinder an effective response to the Government's needs. In FCCV contexts, partners should coordinate to facilitate data collection and sharing, which is critical for informed decision-making and targeted interventions.

Financing and Pipeline

- 4.20 **Consistent with OVE recommendations, during the period of the CEN, the IDBG will allocate resources to Haiti based on its absorption capacity and performance, following the principles of performance-based allocations (PBA),** and making new approvals conditional upon meeting clear milestones in portfolio execution and results. The operations, which are part of the indicative pipeline for 2025-2026, are aligned with the pillars of the proposed CEN, the priorities of the Transitional Government, and will lay the ground for IDBG long-term support.
- 4.21 **Contingent on the Board's discussion and approval, Haiti's indicative envelope linked to the proposed allocation for concessional resources for 2025-2026 could follow a similar trend to the current allocation.** The expected 2023-2024 gross approvals for the country totaled US\$256.1 million. A new concessional resource allocation is being prepared for Board discussion and approval in early 2025.

Figure 2. Haiti indicative Pipeline 2025-2026

Project Name / Topic	Project Number	US\$ Million	Expected Approval
YOUTH INCLUSION THROUGH SOCIAL PROTECTION AND SKILLS DEVELOPMENT	HA-J0011	20.0	2025
REBUILDING ACCESS TO ESSENTIAL HEALTH SERVICES IN HAITI	HA-J0012	85.0	2025
REHABILITATION OF LES CAYES DOMESTIC AIRPORT IN THE SOUTHWESTERN PENINSULA OF HAITI.	HA-J00XX	TBD	2025-26
SUSTAINABLE IRRIGATION AND AGRICULTURAL INNOVATIONS PROGRAM IN NORTHERN HAITI	HA-J00XX	TBD	2026
TOTAL		TBD	

V. Risks and Risk Mitigation

5.1 **Haiti faces a complex landscape of risks that can significantly impact the success of projects. These risks can be categorized into five key areas:**

- **Insecurity and Social Risk:** Crime rates can pose security risks to project sites and personnel, necessitating additional security measures that can increase project costs. Projects in insecure and conflict-affected areas face additional barriers, which can hinder the achievement of intended results.
- **Political and Legal Risk:** Haiti has a history of political unrest, which includes frequent changes in government, civil unrest, and protests. Political instability can lead to disruptions in operations, changes in regulations, and potential project delays.
- **Institutional Risk:** Institutional challenges in Haiti include limitations in execution capacity, integrity risks, and insufficient monitoring and evaluation (M&E) capabilities. Additionally, the scarcity of qualified personnel and high competition, coupled with brain drain, result in significant turnover. This turnover affects project continuity and execution pace, posing a challenge to maintaining consistent progress and achieving project goals.
- **Integrity Risk:** Haiti faces opportunities to strengthen integrity by addressing challenges such as corruption risks, conflicts of interest, and inefficiencies in both the private and public sectors. Limited governance structures, lack of transparency, challenges in the supervision of projects, and limited judicial structures to investigate and prosecute materializations of integrity risks are the root causes. Materialization of these risks threatens the successful implementation and credibility of projects, as well as the trust of stakeholders. Strengthening public institutions' capacity to manage these risks, including systems to manage conflicts of interests, internal controls, segregation of duties, and professionalization of the civil service along with ensuring strong oversight mechanisms, promoting transparency, and working with the private sector are crucial to mitigating integrity risks and its impact on projects' impact and reputational harm to stakeholders.

- **Economic and Financial Risk:** Haiti faces significant economic challenges, including high unemployment rates, widespread poverty, and heavy reliance on external aid. Economic fluctuations, inflation, currency devaluation, and limited access to financing threaten project budgets and financial sustainability. Ongoing insecurity and political instability deter foreign firms and skilled talent from participating in projects. Concerns about safety and unstable business environments discourage potential investors and professionals, limiting expertise and investment opportunities. Similarly, these risks could hinder ongoing operations of IDB Invest's clients, as well as their financial performance and ability to repay debt.
- **Natural Disasters:** The country is highly susceptible to natural disasters such as hurricanes, earthquakes, floods, and landslides. These events can cause substantial damage to infrastructure, disrupt supply chains, and lead to project delays or interruptions.
- **Environmental, Social and Governance (ESG) Risk:** Deforestation, the degradation of coastal and marine resources, and waste management in urban areas constitute main concerns. Although Haiti has a longstanding list of environmental regulations, it has limited capacity to enforce compliance. Typically, local companies don't have management and evaluation systems for environmental and social performance in place. Environmental and social sustainability plays a central part in IDBG's capacity to support the Haitian population. Applying robust ESG risk management standards and safeguards and ensuring that disadvantaged groups do not disproportionately face adverse impacts of projects and rather benefit from them, are fundamental. To mitigate integrity risks, the IDBG will continue to develop and implement specific tools to identify critical issues and strengthen local integrity environments.
- **Fiduciary Risk:** In Haiti, addressing fiduciary challenges presents an opportunity to significantly enhance transparency, financial oversight, and accountability. By addressing issues such as limited institutional capacity and weak internal controls, the Bank aims to ensure more effective fund utilization and project integrity. To achieve this, the Bank leverages program executing units and implements stringent financial and procurement monitoring processes. Furthermore, ongoing fiduciary capacity building is a priority. Updating diagnostics of fiduciary systems and creating a robust action plan to strengthen and implement national systems over time will lead to sustainable improvements. Enhancing institutional capacity to adhere to international norms will further mitigate fiduciary risks and contribute to the successful implementation of projects.

5.2 **The differentiated approach. To address the volatile context and fragility in Haiti, a fragility-sensitive and dynamic risk management approach has been adopted across all steps of strategic planning and the project cycle.** This approach ensures that risks are adequately identified, evaluated, and managed, allowing for real-time learning and adaptation. The objective is to anticipate potential challenges that could impact project timelines, budgets, and overall impact.

- 5.3 **The identification and preparation stage involve thorough risk assessments conducted in collaboration with OII, ESG, VPS, FMP, SPD and CHA teams, as well as counterparts including governmental agencies and implementation partners.** This collaborative approach ensures that all direct and indirect risks are assessed in alignment with the project's technical complexity and the executing units' capacity. By evaluating these factors comprehensively, the assessments are tailored to the project's technical requirements and the performance history of the executing units.
- 5.4 **The design phase focuses on several key strategies to ensure project success:** (i) Execution mechanisms are tailored to local conditions, drawing on successful past experiences to ensure effectiveness. (ii) A simple yet robust results matrix is developed, accompanied by a flexible monitoring and evaluation (M&E) strategy that includes third-party monitoring for objectivity and accuracy. (iii) A critical component of this phase is conducting an in-depth institutional capacity analysis to assess the ability of executing units to implement and sustain project activities effectively. (iv) Additionally, the design process emphasizes creating resilient infrastructure using materials and techniques suitable for disaster-prone areas, ensuring long-term sustainability and minimizing vulnerability to natural hazards.
- 5.5 **During execution, several strategies are implemented to manage risks and ensure project success.** (i) Risk assessments, scenario planning, adaptive project scheduling, and continuity plans are developed, informed by lessons learned and operational criteria such as a ten-month planning horizon and historical data analysis on execution pace, procurement processes and fiduciary management. (ii) Specific supervision resources are allocated to non-performing operations and those most exposed to risks, ensuring focused attention where it is most needed. (iii) A Country Risk Profile is continuously updated at the portfolio level and shared with project teams to facilitate supervision and ensure responsiveness to emerging risks. Consequently, the risk matrix is regularly updated during each Progress Monitoring Report (PMR) cycle, involving a collaborative effort between the Bank teams, counterparts, and implementing partners. (iv) Capacity-building programs are implemented for counterparts and Bank's team. (v) Risk-aware contract procurement and management practices are adopted, and budget contingencies are maintained for unforeseen expenses. (vi) Finally, for the implementation of activities, partnerships with local NGOs and community organizations, along with close collaboration with authorities, provide enhanced oversight and support.
- 5.6 In the closure phase, an in-depth analysis of lessons learned and recommendations on risk management are conducted to improve future project design. This process ensures that knowledge gained during the project lifecycle is applied to enhance the effectiveness and resilience of future initiatives.

VI. Annexes

Annex I: Map of Haiti



Annex II: Pillars, objectives and selected expected results and indicators

Pillar	Strategic Objectives	Tentative Expected Results	Indicators
Bolster Economic Development For Rapid, Inclusive and Sustained Growth	Improve agricultural productivity	Increased food supply	• Adoption of climate resilient agricultural technologies of beneficiaries
	Restoration of critical infrastructure in conflict-affected areas	Increased connectivity	• Improved security standards for International airport • Kms of roads repaired or refurbished
	Increase labor market opportunities	Increase the availability of financial resources and the provision of employment in the private sector	• Number of jobs sustained by IDB Invest transactions
Enhance Basic Service Delivery and Human Capital Development	Reduce vulnerability	Reduce vulnerability to food insecurity	• # of people benefitting from transfers
	Advance the coverage of education	Restore education and health coverage	• # of students receiving school feeding • Drop-out rate in beneficiary schools
	Advance the coverage of health		• # Female/individuals receiving basic health services
Enhance Institutional Capacity and Rule of Law	Provide continuous support to build capacity to provide a base for sustainable development	Improved institutional capacity in key ministries to provide a base for sustainable development	• # of public institutions supported • # of sectors with strengthened national information systems
	Strengthening institutional capacity to provide a base for sustainable development		• Pilot of curricular reform of the Education sector implemented
	Strengthening key public systems through digitalization	Strengthen key public systems through digitalization of core management in central institutions	• Employees with increased digital skills for the use and/or management of new solutions (MEF and IHSI)

Annex III: Active portfolio composition of SG operations by sector.

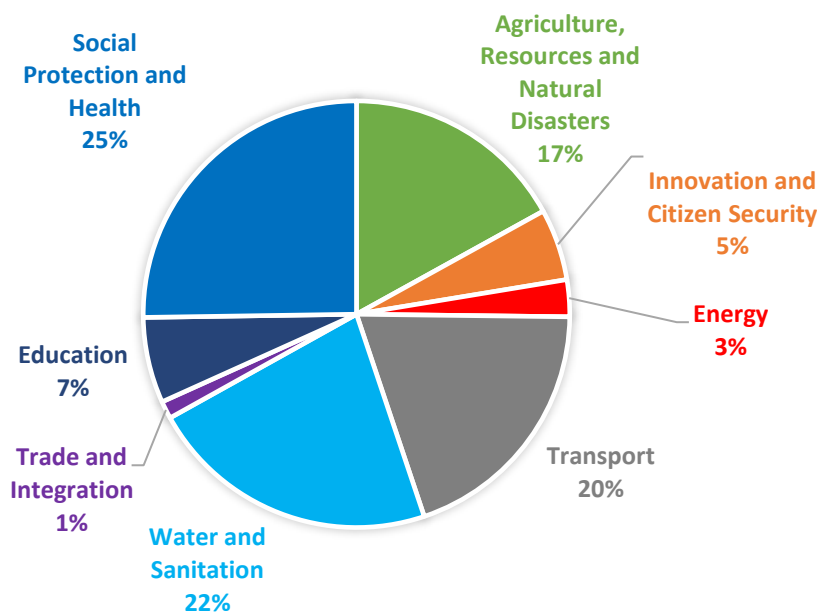
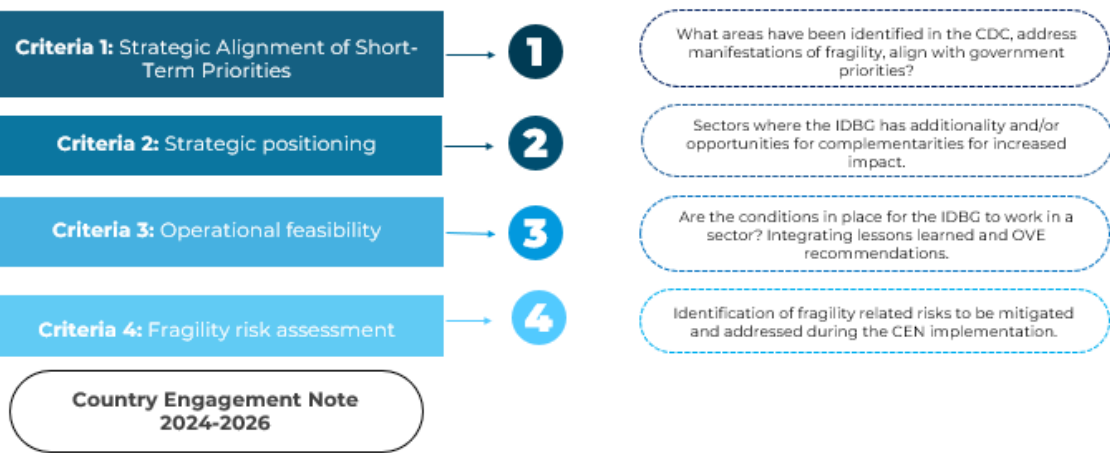


Figure: Current active portfolio composition

of SG operations (amounts)

Annex IV: Selectivity strategy

A set of fragility-sensitive criteria for **strategic selectivity** tailored to ensuring implementation with impact in a FCCV context.



Annex V: IDBG's differentiated approach for fragile contexts

Analytics, Dialogue and Strategy	Operations	Corporate
- Expanded knowledge on FCCV drivers - Greater engagement with CSOs and communities - Enhanced strategic focus: reaching the most vulnerable, while laying ground for long-term recovery. - Technical meetings with WB to identify and Implement synergies - Joint results-based programs between SG and NSG windows	DESIGN: - Readiness analysis - Fragility and Risks Assessment at design - Risk planning (country, sector, project) EXECUTION: - Project modifications to better respond to context - Enhanced fiduciary support for executing agencies - Execution through third parties (specialized agencies and NGOs) - Flexibility for emergency response SUPERVISION: - Portfolio management based on performance and risk mitigation - Adaptive mechanisms (e.g. remote, third party, etc.)	Institutional framework: - IDB's first FCCV Framework Human Resources: - Off-cycle salary increase and new salary structure - Extension of national CNS contracts Partnerships: - Framework agreements

Annex VI: ■ *

Annex VII: OVE Evaluation of the Use of the IDB Grant Facility for Haiti's Reconstruction and Development (2011-2020) – Main recommendations

Fragility poses challenges to development in Haiti that need to be tackled purposefully.

This requires a differentiated and fragility-sensitive approach focused on delivering high-quality projects and development results rather than an approach focused on the quantity of financing delivered. Therefore, OVE recommends that IDB:

- **Recommendation 1:** Ensure that the overall allocation of resources for Haiti is conditional on the country's absorptive capacity and performance by consistently applying the DSF/PBA framework and making new approvals in each sector conditional upon meeting clear performance milestones in the execution of ongoing projects.
- **Recommendation 2:** Adopt a fragility-sensitive and dynamic management approach to all steps of strategic planning and the project cycle to ensure that the Bank adequately identifies and manages risks and learns from experience in real time. To that end: (i) make fragility risk assessments that incorporate the input of OII and continuous monitoring of fragility factors mandatory for the design and supervision of CSs and all

*Deliberative information

operations in Haiti, and (ii) develop and apply guidelines to support such assessments and their monitoring by drawing on available international experience and good practices, including those of other MDBs. s

- **Recommendation 3:** Reinforce the focus on strengthening government capacities by developing and applying a conceptual framework for institutional strengthening interventions that outlines a theory of change with well-defined and realistic objectives, explicit assumptions, and a clear explanation of the different entry points and pathways for Bank interventions.
- **Recommendation 4:** Strengthen portfolio management by ensuring that supervision of operations (fiduciary and nonfiduciary) is conducted based on a portfolio-wide assessment of risk and performance led by the COF, making portfolio reviews with relevant government agencies at least twice a year mandatory and making project extensions conditional upon the portfolio meeting clearly established performance milestones.
- **Recommendation 5:** Identify opportunities for using project execution arrangements that incorporate partners other than government agencies, learning from the experience of projects that are implemented through NGOs and UN agencies in Haiti and in other fragile countries and contexts.
- **Recommendation 6:** Incorporate specific measures in the Bank's human resources policies to ensure appropriate benefits and incentives to attract and retain the skillsets and experience required in fragile contexts such as Haiti.