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HAITI

COUNTRY STRATEGY

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ANNEXES

ELECTRONIC LINKS

ACRONYMS AND ABBREVIATIONS

AECID	*Agencia Española de Cooperación Internacional para el Desarrollo*
APN	*Autorité Portuaire Nationale*
BDS	Business Development Services
BOG	Board of Governors
BRH	*Banque de la République d'Haiti* (Central Bank)
CAMEP	Centrale Autonome Métropolitaine d'Eau Potable
CDB	Caribbean Development Bank
CIDA	Canadian International Development Agency
CS	Country Strategy
CSU	Country Strategy Update
DINEPA	National Directorate for Water and Sanitation
ECF	Extended Credit Facility
ECVH	*Enquête sur les Conditions de Vie des Ménages en Haïti*
EDH	*Electricité d'Haiti*
EU	European Union
EGRA	Early Grade Reading Assessment
ESMAP	Energy Sector Management Assistance Program
FAES	Foundation for Advance Education in the Sciences
FDI	Foreign Direct Investment
FSO	Fund for Special Operations
FY	Fiscal Year
GDP	Gross Domestic Product
GCI	General Capital Increase
GSE	*Groupe Sectoriel de l'Education*
GOH	Government of Haiti
HIPC	Heavily Indebted Poor Countries
HIGP	Haiti Integrated Government Platform
HRF	Haiti Reconstruction Fund
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IHRC	Interim Haiti Recovery Commission
IHSI	*Institut Haitien de Statistique et d'informatique*
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
IRI	International Roughness Index
LAC	Latin America and the Caribbean
MARNDR	Ministry of Agriculture, Natural Resources and Rural Development
MDRI	Multilateral Debt Relief Initiative
MEF	Minister of Economy and Finance
MENFP	Ministry of Education and Professional Training
MIF	Multilateral Investment Fund
MTPTC	Ministry of Public Works Transport and Telecommunications
MSW	Municipal Solid Waste

NAIP	National Agriculture Investment Plan
NEGP	Northern Economic Growth Pole
NGO	Non Government Organization
NSG	Non Sovereign Guarantee
OC	Ordinary Capital
OMJ	Opportunities for the Majority
PDNA	Post-Disaster Needs Assessment
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PFM	Public Financial Management
PSDTH	Program to Support the Development of the Transport Sector in Haiti
PPP	Public Private Partnerships
SCF	Structured and Corporate Financing Department
SME	Small and Medium Enterprise
SNEP	Central and provincial offices of the National Potable Water Service
SWANA	Solid Waste Association of North America
TLIA	*Toussaint Louverture* International Airport
TVET	Technical and Vocational Centers
UN	United Nations
US	United States
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USTDA	United States Trade and Development Agency
WB	World Bank

EXECUTIVE SUMMARY

Country Context This Country Strategy (CS) comes at a time of enormous opportunity for Haiti. Nearly two years after the devastating earthquake of January 2010 the people of Haiti are anxious and ready to turn a page in its recent history. This document lays out the actions that the Bank will take, not only to overturn the tragic effects of the earthquake but also and more importantly, to support the Government of Haiti's endeavor to create a new, positive, long term vision for the country, reverse the decline of the recent past, and lay the foundation for a society able to create jobs and improve the welfare of all its inhabitants.

Haiti faces poverty and inequality challenges. Extreme inequalities among Haitians **-** income disparity and regional imbalances, lack of access by most to quality education, electricity and water and sanitation, and under-investment in agriculture and basic infrastructure **-** together with an inadequate business climate inhibiting private sector development have combined to weaken the stability required for sustainable growth and social progress.

Despite these challenges, in 2009 the country registered the highest growth rate in the region (2.9%) after averaging 1 percent during the 1960-2005 period. The January 2010 earthquake interrupted this positive trajectory when the country experienced the greatest humanitarian emergency on record in the region.

Both the GOH and the international community agree the transition from emergency relief to sustainable recovery and growth will reveal additional challenges and that the years ahead are clearly the opening "to turn the earthquake into a window of opportunity". There is a shared recognition that long-term, substantial targeted support is required to move Haiti onto a path of sustained development that delivers economic growth as well as solutions to enduring social and environmental problems. It is equally recognized that strong Haitian ownership is *sine qua non* for this long-term support to be effective.

Priority Sectors The proposed CS[1] identifies six priority sectors that in the view of both the Bank and the Haitian authorities have the potential to transform substantially and sustainably Haiti's economy and society: (i) <u>education</u>; (ii) <u>private sector development</u>; (iii) <u>energy</u> (particularly electricity), (iv) <u>water and sanitation</u>, (v) <u>agriculture</u>, and (vi) <u>transport.</u>

Financing Framework For the period of the CS, the financial envelope and expected approvals total US$1,044m, assuming availability of resources provided to the Grant Facility under the Bank's General Capital Increase (GCI). With this approval framework, together with the existing portfolio, expected disbursements are US$1,120m. The Bank's share of total annual grants will average 22% over the Country Strategy period representing on average 2.3% of GDP.

Strategy Implementation The CS anticipates the promotion of inter-sectorial coordination as well as enhanced national ownership particularly by those stakeholders outside Port-au-Prince, strengthened institutional capacity, a substantial participation of all private sector windows of the Bank and strategic donor coordination, integrated investments and partnership alliances. The CS calls for a technical cooperation and knowledge program consistent with the country's priorities as well as complementary to and supporting of the Bank's operations.

[1] The Country Strategy will be in effect from December 2011 to December 2015.

RESULTS MATRIX

Government Pillars: Vision	Government Pillars: 4 E's	IDB Strategic Objectives	Expected Results	Indicators	Baseline (Source)	Indicative Targets*
EDUCATION						
Social Rebuilding	Education / Employment	Improved access and quality of education	Improved access to preschool	Gross enrolment rates at preschool level	2003: 67% (a)	2015: (a)
			Improved access to 1-9 grade	Grade 1-6 gross enrolment rate	2003: 136% (a)	2015: 105 (a)
				Grade 7-9 gross enrolment rate	2003: 46 % (a)	2015: 96%
				Percentage of grade 1-9 students enrolled in schools free of charge (b)	2003: 20% (a)	2015: 85% (a)
			Improved teaching and learning, improved curricula programs and practices	Grade 1-9 completion rate	2003: 33% (a)	2015:86% (a)
				Literacy skills: number of words read per minute by grade 3 students	2010: 23 words per minute (c)	2015: 65 wpm
		Strengthened MENFP institutional capacity and governance system	Improved policy making based on a relevant information system	Institutionalized information system operational and providing updated and timely data	2010: 0 (d)	2015: 1
			Increased number of non-public schools accredited by the MENFP (e)	% of non-public schools accredited (e)	2010: 8 (a)	2015 100%: (a)
		Reformed technical and vocational training	Improved match between supply and demand for trained workers	% of certified trainees that are employed within the 6 month period following training	2011: (f)	2015: (f)
		Reformed higher education	Improved governance framework	Reform of the governance framework of higher education, with the development of draft legislation for universities specifying norms and standards for opening and operating universities; as well as financing of higher education.	2010: 0 (IDB)	2015: 1

				Number of students per 1,000 Haitians enrolled in public and non-public higher education institutions that comply with the standards specified the new Haitian legislation.	2012: 985 (d)	2015: 1182
WATER AND SANITATION						
Social Rebuilding	Employment Environment	Improved coverage and management of water and sanitation services in urban areas	Improvement in the management of the operator of Port-au-Prince	Operating margin (operating revenues /operating and maintenance costs - depreciation)	2010: 30% (CAMEP)	2015: 65%
			Increase in water supply coverage in Port-au-Prince	% of new households in Port-au-Prince with access to water (g)	2010:00:00	2015: 15%
			Increase in water supply coverage in secondary cities (i)	% of new households in secondary cities with access to water (g)	2010:00:00	2015: 30%
			Increase in coverage of sanitation services in secondary cities (i)	% of new households in secondary cities with access to sanitation services (g)	2010:00:00	2015: 20%
			Improvement in management of the operators of secondary cities (i)	Operating margin (operating revenues/operating and maintenance costs - depreciation)	2010: TBD (h)	2015: 70%
		Improve the coverage of water and sanitation services in rural areas	Increase in water supply coverage in rural areas	% of rural new households that have access to water supply	2010:00:00	2015: 14%
			Increase in sanitation coverage in rural areas	% of rural new households that have access to sanitation	2010:00:00	2015: 20%
		Improve solid waste management practices	Improve final disposal of solid waste in Port-au-Prince	%Tons/day of collected solid waste that is disposed of in sanitary landfills	2010: 0 (SWANA)	2015: 100%
AGRICULTURE						
Social Rebuilding / Economic Rebuilding	Environment	Protect the environment, respond to climate change, and enhance food security	Reduction in expected losses for flooding and landslides	Expected economic losses from flooding (US$ million)	2008 : US$ 900 million in 4 watersheds (PDNA) (v)	2015: -50%
			Increase in agriculture income in target areas (j)	Average agriculture annual income per household (US $ per year)	2001 : US $480 per household	2015: +25%

					(ECVH 2001, WB, 2005) (u)	
TRANSPORT						
Territorial Rebuilding / Economic Rebuilding	Employment	Improve the quality of national road infrastructure	Increase in quality of primary road network	Vehicle operating costs per km for all intervened roads (k)	2011: Light veh US$0,31 Tap-Tap US$0,38 Light truck US$0,40 Heavy truck US$0,64 (l)	2015: 20% reduction for all vehicle types
				Average international roughness index (IRI) for all intervened roads (k)	2011: 6 m/km (l)	2015: 3 m/km
			Improved quality of rural road network	% of rural roads in good condition (m)	2011: 5% (n)	2015: 15% (o)
			Increase of national road network that is appropriately maintained (p)	% of road network appropriately maintained (p)	2011: 10% (MTPTC) (q)	2015: 20% (o)
		Improve the institutional capacity of the transport sector	Increased capacity of MTPTC to manage and execute transport projects	% of yearly assigned budget to Transport Direction executed	2011: TBD (r)	2015: 85% (o)
				Increase yearly executed budget by Transport Direction	2011: TBD (r)	2015: 25% (o)
		Improve international connectivity	Increased capacity at TLIA	Capacity in passengers per year	2011: 500.000 (PDNA)	2015:TBD (o)
			Improved competitiveness of the port of Port-au-Prince	Tariff cost per container handled (non-exempt imports)	2011:US$629,33 (ICF)	2015: TBD (o)
ENERGY						
Territorial Rebuilding / Institutional Rebuilding	Employment	Increase Government oversight and planning of the energy sector	Increase the total available generation capacity	Total available capacity (MW) (annual)	2009:164.4 MW (EDH, PDNA)	2015: At least 200 MW
			Financial transparency of sector	% of EDH financial activity reported in annual financial statements.	2010:00:00	2015: 100%
		Improvement in operational efficiency of	Achieve the financial solvency of EDH	% EDH technical and non-technical losses (w) (semi-annual)	2010: 60% (EDH)	2015: 30%

		EDH in Port-au-Prince		Cost Recovery Index CRI (semi-annual)	2010: 30% (EDH)	2015: 50%
		Expand the coverage of electricity and energy services in urban and rural areas	Expansion of electricity service in Port-au-Prince	% Electricity coverage in Port-au-Prince (annual)	2010: 40% (EDH)	2015: 70% or more in Port-au-Prince
			Expansion of electricity service in rural areas	% of rural population with access to electricity (annual)	2010: 10% (IHSI)	2015: 30%
			Increase household access to energy services	Consumption of LPG per capita (annual)	2010: 1.4 kg/capita (ESMAP)	2015: 3.0 kg/capita
PRIVATE SECTOR DEVELOPMENT						
Economic Rebuilding	Employment	Promote private sector investment in order to create jobs, achieve sustainable growth and reduce poverty	Creation of a business environment conducive to investment and entrepreneurship	Foreign Direct Investment flows to Haiti	2010: USD 81 million (IMF) (s)	2015: 50% increase in FDI
			Increase SMEs investment through access to financing, BDS and training. (t)	Bank credit to MSMEs as a percentage of total credit to the private sector	2009: 30% (BRH)	2015: 33%
			Creation of new SMEs and jobs through the development of clusters (t)	Number of new SMEs created and operating in the North	2010: 0 (IDB)	2015: 100
				Number of new jobs created in the North	2010: 0 (IDB)	2015: 50,000

* The targets are indicative.

(a) Updated data to define the baseline will be provided by the ongoing school census co-financed by the IDB and other donors. Results are expected to be available by the end of 2011. 2015 targets will be defined according to 2011 levels.
(b) Percentage of grade 1-9 enrolled in public schools and non-public schools benefitting from a subsidy program covering at least 75percent of the education cost.
(c) Results from Early Grade Reading Assessment (EGRA). Data collected on a sample of 2,500 students in 84 schools in 2009. Follow-up EGRA are expected during school year 2012-2013 and 2013-2014. The international standard for the number of words per minute read by grade 3 students is set to 90.
(d) Annual Statistical Books produced by MENFP (starting in 2011) and UNESCO Institute of Statistics data.
(e) Accreditation means that the schools are recognized by the Ministry of Education based on a list of criteria related to the quality of the service provided. Currently, there are 3 levels of accreditation, the first level is a license to operate, the second a permit for providing education services and the third a full accreditation based on criteria related to the quality of education. The 2010-2015 Education Plan envisions a reform of the accreditation system to improve its effectiveness and enforcement.
(f) Specific survey financed by IDB.
(g) Access to water in the results matrix is defined as service provided for at least 5 hours a day.
(h) Baseline information is not available. This issue will be revisited during the design of the operation and will be reflected in the CPD matrix.
(i) Cap Haitien, Jérémie, Fort Liberté and Miragoane.
(j) 100,000 farmers.
(k) All the priority primary roads are identified in the PSDTH.

(l) Values calculated by the Bank for the Croix-des-Bouquets – Malpasse project, acting as proxy for all primary roads prioritized in the PSDTH. Specific baseline values for each road will be calculated prior to their intervention.
(m) IRI less than 4 m/km.
(n) See loan proposal HA-0087. An update of this assessment will be carried out in the context of the development of the new National Transport Plan. (2012).
(o) Target value for 2015 will be determined in the context of the development of the new National Transport Plan. (2012).
(p) Roads appropriately maintained are those that receive periodic maintenance to ensure their designated serviceability and safety standards (potholes repaired, cracks sealed, safety barriers replaced, rockfalls cleared, etc.).
(q) To be corroborated in the context of the development of the new National Transport Plan (2012).
(r) Pending, to be provided by MTPTC.
(s) IMF's projection for the fiscal year ending in September 30, 2010.
(t) Reliable data about SMEs and employment are difficult to find, given the high level of informality of the economy (around 90%). The Bank is making an effort to improve access to this information, or estimate the data through statistically significant samples. Indicators will be collected bi-annually.
(u) To be established in 2011-2012 (HA-L1059 baseline study).
(v) To be established in 2011 (HA-L1041 baseline study).
(w) Measured as (Energy in –Energy out)/Energy in

I. COUNTRY CONTEXT

1.1 This Country Strategy (CS) comes at a time of enormous opportunity for Haiti. Nearly two years after the devastating earthquake of January 2010 the people of Haiti are anxious and ready to turn a page in its recent history. This document lays out the actions that the Bank will take, not only to overturn the tragic effects of the earthquake but also, and more importantly, to support the Government of Haiti's (GOH) endeavor to create a new, positive, long term vision for the country, reverse the decline of the recent past, and lay the foundation for a society able to create jobs and improve the welfare of all its inhabitants.

1.2 Haiti faces poverty and inequality challenges. [2]. In income distribution terms, the poorest 10% receive 0.7% of national income whilst the richest 10% receive 47.7%. In 2010, GDP per capita was US$659; more than 72% of the population lived on less than US$2 dollars a day and 55% on under a dollar per day. The lack of universal access to education and basic social services as well as unemployment rates around 41% mean that Haiti ranks 149th in the Human Development Index, scoring poorly regarding life expectancy and literacy (62 years and 53% respectively).

1.3 Haiti has consistently and chronically under-performed in terms of its economic growth. With average growth rates of 1% over the 1960-2005 period, Haiti´s growth was Latin America and the Caribbean´s lowest. The root causes of economic stagnation are decades of political instability, eroded governance and occasional outburst of social violence, environmental degradation that has exacerbated the impact of natural disasters, an inadequate business climate that has inhibited private sector development, a brain drain overseas of Haiti's most educated women and men[3], and a weak state capacity to define policies to provide public goods and manage social risks. Urbanization over the past 20 years also means that Haiti is becoming an urban society[4]. Migration has funneled people primarily to Port-Au-Prince reflecting the relative availability of formal and informal employment there and the continuing under-investment in agriculture. This process has sharpened regional inequalities.

1.4 Like other states emerging from political and natural disaster related crisis, Haiti faces a complex set of inter-linked challenges, including the development of a dynamic private sector and the delivery of social welfare[5]. Chronic under-investment, particularly in infrastructure over the past decades, affects Haiti's present and future growth performance, with massive and coordinated capital injections required to establish the conditions for future growth and attack Haiti's vicious poverty cycle. Poor and costly electricity negatively impacts business decisions and productivity, lowers living standards, and weakens public finances. A deteriorated road network devoid of maintenance, and limited coverage of water and sanitation services, similarly combine as a drag on economic development and social progress. Missing or thin markets and weak inter-ministerial coordination mean the country lacks the appropriate market incentives and state regulatory and supervision capacities to promote public-private dialogues. This is essential to facilitate local and foreign private investment and establish an economy able to generate wealth, create employment for women and men, and reduce poverty.

1.5 Haiti's recent performance shows that growth and stability go hand in hand. Relative political and macroeconomic stability over the 2005-2009 period stimulated economic growth that in 2009 reached a record 2.9%. The earthquake halted growth, compounded existing structural problems and posed new challenges. The earthquake, for example, saw GDP contract by 5.4% for fiscal year 2010. With

[2] This situation occurs in a region that is the most unequal region worldwide.
[3] Around 80% of Haitians that finish college migrate to another country. Based on population size, Haiti is also the largest exporter of skilled workers in the world.
[4] The annual rate of urbanization is 3.9%.
[5] "Conflict, Security and Development, World Development Report". World Bank, 2011.

damages and losses estimated at US$7.9b or 120% of 2009 GDP and the total reconstruction costs around US$11.5b, Haiti experienced in relative terms, the region´s greatest humanitarian emergency[6]. Importantly the earthquake demonstrated that the disproportionate economic importance of Port-au-Prince is a national liability. While about 39% of Haiti's population lives in metropolitan Port-au-Prince, past economic policies have concentrated 80% of all industrial, commercial and banking facilities, 66% of GDP[7] and more than 90% of the banking sector loan portfolio there.

1.6 Haitian authorities and the international community concur that the post-emergency phase is a chance "to turn the earthquake into a window of opportunity"[8]. Agreement also exists that *long-term substantial targeted* support is required to move Haiti onto a path of sustained development capable of delivering both economic growth and solutions to enduring social and environmental problems. It is equally recognized that strong Haitian ownership and a clear vision that Haiti can be a successful country is *sine qua non* for effective long-term support. Modest but important progress[9] since the earthquake is shown by rebuilt schools, the quickening pace of debris removal, progress with road improvements and improved macro-economic indicators. Yet, the pace of change is worrisomely slow.

1.7 The GOH post-earthquake Action Plan[10] elaborated with the support of the Bank and other multilaterals establishes the broad structure for actions to foster long-term growth and reduce poverty, Adopted by national and international stakeholders alike the plan acted as an overall coordination tool prior to the creation of more formal coordinating instances[11] while donors have used it to orientate program design and strategy implementation. The plan envisages recovery as a decade long process, underscores the need to create development poles to de-concentrate economic activity and highlights the importance of enhancing access to basic social services while strengthening state institutions. The Martelly Government embraces this Plan and recognizes time is of the essence since it crystallizes its task as "Shaping Haiti's Future Today". Its objective is to achieve substantive progress on four priority issues (or the 4 "E's"), namely: (1) *État de Droit* (Rule of Law) with improved law enforcement through increased capacity of public administration; (2) Education for all; (3) Employment, with the construction of key basic infrastructure and the creation of a business enabling environment; and (4) Environment, including environmental rehabilitation and land tenure.

II. THE IDB AND HAITI

2.1 Though the Bank has accumulated considerable experience from its 50 years working with Haiti, the decisions taken by the Bank's Board of Governors (BOG) at its 2010 Annual Meeting have been determinant in moving the Bank in the significantly new direction presented in this country strategy[12]. There the BOG set out a ten-year effort to help place Haiti on a path of sustainable economic growth and improving social welfare. At its core is a major financial aid package constituted by the cancelation

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[6] The magnitude 7 earthquake caused massive social and economic dislocation in Port–au-Prince and surrounding areas. More than 250,000 persons died, and 15% of the national population was directly affected. About 300,000 homes were totally or partially destroyed and 20% of jobs were lost. Social institutions suffered considerable operational damage as many civil servants died and ministry infrastructure was destroyed.

[7] "Etude d'impact du séisme du 12 Janvier 2010 sur le secteur prive haïtien', USAID, Winner, March 2010.

[8] Action Plan for National Recovery and Reconstruction, page 3, March 2010.

[9] See HRG-Haiti Quarterly Report July 2011

[10] The Action Plan for National Recovery and Reconstruction identifies immediate key initiatives for the reconstruction and economic development of Haiti. This includes the Post-Disaster Needs Assessment (PDNA) that was compiled with the assistance of the IDB, the United Nations, the European Commission and the World Bank to assess the post-disaster needs. To prepare the diagnosis contained in the PDNA, more than 200 national and international experts in eight thematic teams (governance, environment and disaster risk management, social sectors, infrastructure, production, cross-cutting themes, territorial development and macroeconomic analysis) completed the assessment.

[11] These instances are the Interim Haiti Recovery Commission IIHRC) and the Haiti Reconstruction Fund (HRF).

[12] See Document AB-2728 that presents the Cancun Declaration.

of Haiti's remaining debt with the Bank[13], the conversion of undisbursed balances of FSO-financed loans into grants, and the allocation of new concessional resources on a one-time basis from FSO replenishment. Looking forward, the BOG also agreed in principle and subject to its annual approval to transfer yearly US$200m of Ordinary Capital income to the grant facility from 2011 through 2020. This package, and the opportunity to think, plan and execute with the GOH a long-term strategy that also places the Bank in a unique leadership position on Haiti´s development with responsibilities to mobilize the international community's long-term commitment to Haiti, a role that will strengthen over the foreseeable future.

2.2 The BOG's decisions on the unprecedented financial package for Haiti are supported by expanded administrative, technical and logistical resources. Increased post-earthquake program and information demands are being met by a new Washington-based country department[14] while the country office, strengthened with additional professional staff, including private sector specialists for the first time, is positioned to respond to a greater operational load. The Bank has significant sector knowledge acquired through the preparation and execution of its existing portfolio (see Portfolio Report) and the expertise to play an ongoing leadership role with the GOH and other key Haitian stakeholders.

2.3 In this context, and assuming availability of resources provided to the Grant Facility under the Bank's General Capital Increase (GCI), this Strategy sets the framework for the Bank's collaboration and joint work with the GOH and the international donor community.

III. PRIORITY SECTORS

3.1 This CS defines the Bank's vision for Haiti 2020 as a country that has moved beyond recovery and is able to create jobs as well as improve incomes and the quality of life for its people. It builds on the Country Strategy Update (CSU) approved by the Board of Directors in July 2010[15], outlines specific sector priorities, and recognizes the importance of building the institutional capacity across State entities, with emphasis on priority sectors. It embraces the premise that national benefits accrue from a more spatially equitable distribution of economic activities and associated opportunities as well as the argument that regional growth centers can be promoted through a set of diversified sector investments[16]. While financing investments in Port-au-Prince and other regions, the Bank will also support the government's objective of de-concentrating economic activity through increased economic opportunities in the regions. The GOH has identified regional economic development poles outside the capital city and the Bank has accepted the request to lead the development of a northern economic growth development pole (NEGP).

3.2 Based on extensive dialogue with the Haitian Government and civil society on the development challenges facing the country, the authorities' priorities as reflected in the Action Plan, discussions with other key Haitian stakeholders, and recognizing the Bank's comparative strength and leadership with respect to other donors and its sector knowledge and coordination experience, this CS focuses the Bank's efforts in six priority sectors[17] that have the potential to transform substantially and sustainably

[13] This package is part of the Bank's Ninth General Capital Increase (GCI), see Document AB-2764.
[14] The Haiti Response Group was created by a senior management decision in March 2010. Document GN-2563.
[15] In November 2007, the Bank approved a Country Strategy (CS) with Haiti for 2007-2011(GN-2465), which was revised after the earthquake. The Country Strategy Update (CSU) approved in July 2010 (GN-2465-2).
[16] Thus, the CS implies actions at the local level, the domestic national level, and the international level (trade and investment), that combined allow for an augmented development impact and more effectiveness in poverty reduction.
[17]The areas identified in the present strategy are aligned with the pillars of the Action Plan and result from diagnostic studies conducted for the PDNA. See Strategic Alignment and Development Challenges in Haiti.

Haiti's economy and society[18]. These are: (i) education; (ii) private sector development; (iii) energy, (iv) water and sanitation, (v) agriculture, and (vi) transport. The Bank will not only invest to improve public sector services and the quality of public expenditures, but also to finance activities that support Haiti's development through an expanding private sector. The justification is that while public sector investments are critical to improve the efficiency and reliability of electric supply, ensure the better circulation of goods and people and improve social welfare, these benefits will only be fully realized if an increasing number of private enterprises, particularly small and medium sized businesses owned by women and men, can create employment, improve markets and generate wealth and revenues. This, in turn, will create virtuous cycles with an expanding tax-paying middle class critical to sustaining the reform process.

3.3 To deliver on the BOG's vision about Haiti´s future prosperity[19], and to change national and international perceptions about Haiti's investment potential, the Bank's private sector windows[20] will have a central role and their engagement is expected to increase over the CS's duration. Beyond the priority sectors identified, SCF, IIC and OMJ will also finance NSG projects in: (i) manufacturing, particularly key sub-sectors like textiles[21]; (ii) tourism – hotel reconstruction and facilitating tourism services; (iii) telecommunications and connectivity; and (iv) health sector infrastructure reconstruction[22]. The MIF plans interventions in microfinance and access to finance for underserved populations, light industries and sustainable tourism[23]. The Bank is collaborating on the design of the regulatory framework and institutional strengthening to facilitate the use of PPPs in CS priority sectors.

3.4 The CS in agreement with the GOH anticipates integrated actions across the different priority sectors to achieve sustainable development results. The CS is aligned with GCI-9 lending program priority targets and, when implemented, will contribute significantly to: equity and poverty reduction (from education, agriculture, private sector and water and sanitation investments); climate change mitigation (with opportunities in energy, agriculture, and water and sanitation); and regional cooperation and integration (with transport, agriculture and private sector development). In overall terms, all Haiti approvals will contribute to reaching the C&D target.

A. Education

3.5 An opportunity has emerged out of the earthquake for the GOH to launch a comprehensive long-term plan for education reform. Over the second half of 2010, the Ministry of Education and Professional Training (MENFP) and the Presidential Commission on Education, with the Bank's support, crafted a strategy for a nationwide, universally accessible, tuition-free, publicly financed, education system. Adopted by the new government, the education reform strategy provides the framework for addressing sector weaknesses, many structural in nature, and to signal that improving education is central to post-earthquake development.

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[18] It also takes into consideration the focus criteria recommended by the Bank's Office of Evaluation and Oversight in the document "Evaluación del Programa de País: Haití 2007-2011".
[19] BOG Cancun Declaration. Paragraph 5.
[20] The Structured and Corporate Financing Department (SCF), Inter-American Investment Corporation (IIC), Multilateral Investment Fund (MIF) and Opportunities for the Majority (OMJ).
[21] SCF has obtained eligibility for the SAE-A Haiti Investment Plan Project, for a vertically integrated garment manufacturing facility in the North of the country, and has signed a mandate letter with Willbes, a Korean manufacturer with production facilities in Port-au-Prince's Metropolitan Industrial Park. OMJ is financing a garment manufacturing plant that will create employment and provide social benefits in one of the country's poorest regions.
[22] SCF sees potential opportunities to support the construction or reconstruction of private hospitals.
[23] MIF initiatives will generate and promote access to economic opportunity for low-income populations and micro-entrepreneurs by supporting: (i) the expansion of financial institutions services and (ii) demonstration projects that facilitate access to markets, build business capabilities and integrate micro-entrepreneurs into value chains.

3.6 The earthquake sharpened all education challenges, including limited access and over-age students, uneven and low quality education with high dropout rates, and the limited capacity of the line ministry to regulate and supervise a sector characterized by the predominance of non-public providers[24]. Indeed, the government owns and runs only 8% of the grade 1-9 schools[25], and 112 districts out of 565 in the country lack any public school. While the earthquake destroyed approximately 25% of all schools and 70% of Technical and Vocational Centers, it also affected parents' ability to pay for schooling as the number of two income households has fallen from 66 to 17.5%[26]. One result is that about 500,000 primary-aged children are now not in school[27]. Most children in education go to schools that are inadequately designed and lack basic services and essential didactic materials[28]. With half of public sector teachers lacking basic qualifications, 79% with no initial training and fewer than 35% of preschool teachers qualified, education quality is low. Existing curricula are weakly applied, and the fragile articulation of programs across all grade levels hinders learning opportunities that contribute significantly to the low quality of education in most schools[29]. The consequence is that Haitian adults have the highest illiteracy rate (57%) in the Caribbean region and Haitian children test well below their peers in basic numeracy and literacy competencies[30]. Youth technical and vocational training opportunities are scarce, mainly supply-side driven, and little is known about quality. Similarly, higher education's lack of regulation and poor public sector support creates low quality institutions and a flow of students seeking their educational futures abroad, mostly in the Dominican Republic[31].

3.7 The Bank will support the GOH's education reform and its goal of *free education for all,* with financing to improve: (i) the demand and supply side of education through the construction of new schools with quality infrastructure and tuition waivers aimed at reducing household educational costs; (ii) basic education quality with the provision of school supplies and textbooks as well as the development of a new national curriculum, including public health issues, accompanied by improved teacher training; and (iii) the quality of higher education, technical and vocational training. Bank financial and technical support will be substantial and commensurate with the vital importance of ensuring education reform takes hold.

3.8 Institutional strengthening is central to the Bank's education strategy as the MENFP faces a myriad set of challenges in resource planning, governance, supervision capacity and partnership building with private educational establishments. Similarly, the *Fond d'Assistance Economique et Sociale* (FAES), the public agency responsible for school infrastructure construction and equipment, needs additional planning, execution and coordination capacities to meet extra demands associated with an expanded school construction program. Institutional strengthening activities will be determined by a Bank supported study[32] under the auspices of the Prime Minister's office. .

3.9 Risks are inherent in the boldness of the reforms. A funding shortfall that would reduce the scope of coverage is being addressed through GOH actions to raise new revenues for education and the education sector donor table that is mobilizing donor financial support and other reform related

[24] PDNA 2010 and MENFP Education Plan 2010.
[25] "Students and the market for schools in Haiti". G. Demombynes, et.al. Policy Research Working Paper, World Bank 2010.
[26] PDNA 2010.
[27] Data reliability is low and outdated. Given this situation the Bank supports the ongoing 2011 census designed to update the data from the 2003 school census. The Bank will continue to support data improvement for policy making, monitoring and evaluation.
[28] The materials situation is exacerbated by bi-lingual instruction methods (Creole and French) and an absence of creaole materials in Creole.
[29] The current pre-school curriculum from the 1980's was updated in 2001. At the "fondamental" or primary level, the use of the curricula developed within the 1982 Education Reform was undermined by the lack of learning materials, teacher training and planning to support the reform. Higher education is poorly regulated , lacks public sector, and has low teaching quality.
[30] Early Grade Reading Assessment (EGRA), Research Triangle Institute (RTI), 2009.
[31] An estimated 100,000 students were in higher education students in 2010: a ratio of 985 students for 100,000 Haitians. Forty percent studied in private universities.
[32] Project 1821/SF-HA.

resources. The Bank specifically has made commitments to match its own contributions by raising co-financing from traditional and non-traditional public and private donors. Execution is also a risk. The diagnostic now underway will identify the measures to ensure that FAES enjoys the management capability to get infrastructure built and that the MENFP builds its regulatory and normative capacities.

B. Private Sector Development

3.10 The Bank's entry into private sector development comes at a time when the Haitian authorities envisage a much stronger and more dynamic private sector, and particularly the development nationwide of a "missing middle" segment of small and medium sized employment and wealth creating enterprises. The GOH's Private Sector Plan has four long-term objectives: (i) promotion of foreign investment through trade, competitiveness and institutional strengthening; (ii) creation of private sector financing mechanisms that catalyze local financial institutions' lending through risk sharing; (iii) enhancement of an entrepreneurship culture; and (iv) establishment of development poles supporting a diversified set of economic sectors with growth potential.

3.11 The private sector suffered around 70% of the total estimated damages and losses caused by the earthquake (US$7.9b)[33], with the productive sector share estimated as a US$3.4b equity loss. Smaller enterprises were particularly badly hit with an estimated 75% of small and micro firms rendered non-operational, according to the SME Damage Assessment Survey[34] while micro, small and medium sized enterprises suffered 65% of productive sector losses. The challenge for developing the private sector, particularly SMEs, is resolving institutional shortcomings and market failures, namely: (i) lack of governance and a poor business environment with a weak framework for private investment and business activity[35]; (ii) limited access to investment loans and an overall lack of capitalization of enterprises[36]; (iii) insufficient human capital characterized by an unskilled labor force and weak management skills; and (iv) centralized economic activity[37]. These factors elevate the risk perception (political, social, sector and natural) of the economy hindering foreign and local investment. With large volumes of donor resources invested in public sector projects, the moment is apt to leverage small and medium private sector development by tackling market failures and establishing risk transfer mechanisms to encourage private investment.[38]

3.12 In a context where 95% of Haiti's businesses are informal[39], any strategy promoting a dynamic Haitian private sector must address business formalization. With appropriate incentives for SME formalization and investment, Haiti will be better placed to: (i) energize the middle class nationally; (ii) distribute widely the benefits of the build back better Haiti effort to both new and expanding local businesses; and (iii) increase the stream of tax revenues from their current level (11% of 2011 GDP) to reduce dependency on international donors for fiscal support.

3.13 To support the GOH's private sector development plan, the IDB group will promote private investment to create jobs, achieve medium-term sustainable growth and reduce long-term poverty. It is envisioned that enabling public goods in conjunction with large-scale FDI will generate demand for local goods and services, which in turn will create new markets for the expansion of existing local SMEs and for

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[33] PDNA 2010.
[34] This survey was carried out in March 2010, by the OTF Group and the Pioneers of Prosperity (PoP) Awards Program.
[35] Haiti is ranked 162 out of 178 countries for the ease of doing business, and ranks 178 out of 182 in starting a business, according to the 2011 Doing Business report. The costs to open a business are prohibitively high (212% of income per capita) and the number of days needed to get a construction permit is 1179.
[36] "Etude d'impact du séisme du 12 Janvier 2010 sur le secteur prive haïtien", USAID, Winner, March 2010.
[37] Action Plan for National Recovery and Reconstruction, 2010
[38] The Social Investment Fund (SIF) financed by Spain and managed by the IIC that provides credit to SMEs. See link 24.
[39] Haiti Presidential Commission on Competitiveness, 2010.

start-ups. Attention will focus on: (i) improving the institutional framework for local and foreign investment through regulation reforms (such as those simplifying business registration and construction permit processes); (ii) promoting the formalization of new and existing SMEs through supply and demand-driven mechanisms for access to credit and equity, Business Development Services (BDS) and workforce development training; (iii) supporting initiatives to creation and grow SMEs in national strategic sectors; and (iv) promoting investment in appropriate business infrastructure[40] coordinated and articulated with sector-specific investments to maximize their impact on the local economy. Most activities are nation-wide, but some will target the business opportunities arising from public sector investments, and expected FDI, in the NEGP.

3.14 Strong inflows of foreign capital and grants, and foreign trade opportunities associated with international agreements create conditions for robust private sector development. The risks in this situation are Haiti's relative political and macroeconomic stability. Instability weakens market forces enabling private (foreign and local) investment and encouraging new entrepreneurs to set up businesses. Macro-economic mitigation measures include the IMF-GOH agreement under the Extended Credit Facility (ECF) program over the July 2010 to July 2013 period.

C. Energy

3.15 The challenges facing the energy sector, particularly those related to electricity generation, transmission and distribution and the associated institutional framework, have impeded Haiti's national development for over two decades. The post-earthquake context has facilitated unparalleled collaboration between the GOH, the IDB, World Bank and US Government over the preparation of an energy sector policy paper and the initial implementation of its recommendations. Haiti's ability to realize its manufacturing and agricultural processing potential as well as to address its fiscal situation is critically dependent on the implementation of successful reforms.

3.16 The earthquake caused substantial but not catastrophic damage to energy sector infrastructure, worsened an already poor quality service[41] and disrupted *Electricite d'Haiti's* (EDH) commercial operations. The direct damage to the power system was estimated at approximately US$20m; a minor sum compared to damage incurred by other sectors or the investment needed to provide adequate service to current and potential customers[42]. Expected loss of revenue associated with billing and collection disruption was around US$37m for the period February 2010 to April 2011.

3.17 The high cost[43] and unreliability of electricity shackles Haiti's economic growth. More than 60% of the population has no access to power, and those who do receive about 10 hours of service daily. In rural areas, just 5% have access to electricity. High levels of technical and commercial losses (joint losses are above 60% and the Cost Recovery Index [CRI] has fallen below 30% post-earthquake), combined with an ingrained non-payment culture mean EDH is insolvent. EDH continues to operate thanks to annual transfers from the treasury of more than US$100m; a serious drain on public finances. At the root of EDH's weak operational and financial situation and poor electricity service is deficient governance – lack of formal independent regulatory and oversight mechanisms - and management failings with the absence of performance based corporate behaviors meaning that the company has not produced audited financial statements since 2005. Non-existent strategic planning capabilities have left the country with nine separate small local grids, but no national grid, and an installed generation

[40] This includes the construction of a Northern Industrial Park, Telecommunications infrastructure, and Promoting Public Private Partnership (PPP) approaches whenever necessary and feasible.
[41] Electricity access in Haiti is the lowest in the LAC region.
[42] PDNA 2010.
[43] The cost of electricity in Haiti is 32.5 cents/kw while the average for Central America is 14 cents/kw.

capacity of 150 MW when national demand is estimated to be above 500 MW. The substitution of more sustainable energy sources for firewood and charcoal as the major source of energy for cooking and industrial heating continues as a major challenge, and the reduction of biomass usage to prevent the exhaustion of Haiti's forest area is a high priority.

3.18 The Bank's objective is institutional, operational and financial sustainability. The Bank's actions will therefore aim to: (i) implement an adequate institutional and regulatory framework contributing to sector modernization and improved energy availability and affordability; (ii) improve EDH's operational efficiency and financial sustainability; (iii) assist the country to increase generation capacity, establish a national transmission grid and expand a more efficient distribution system; and (iv) invest in renewable energy technologies. NSG interventions are anticipated, through SCF, to invest in transmission and generation when stable regulatory frameworks allow for concessions and PPPs.

3.19 The primary risk to energy sector reform is obstruction from the multiple government actors in the sector with unclear roles and responsibilities. This risk is addressed through the nature of the reform process, started with a joint Government-donor energy sector policy paper, that lead to a memorandum of understanding (MOU) with specific commitments agreed by the GOH, the IDB and US Government. These commitments will be revised over the 2011-13 period within the framework of the Bank's proposed programmatic sector reform operations that, together with investment programs, will be designed to extend electricity coverage and create a commercially viable and efficient EDH.

3.20 The Bank will strengthen coordination with other sector donors while seeking the incorporation of other international actors into the reform process and to meet the need to expand electricity generation.

D. Water and Sanitation

3.21 At the time of the earthquake water and sanitation sector reform was already underway. This process started with the 2009 *Loi Cadre portant sur l'Eau Potable et l'Assainissement* (Loi Cadre) that established the National Directorate for Water and Sanitation (DINEPA) as the entity responsible for sector transformation, notably the transition towards a decentralized institutional structure.

3.22 The state of the water and sanitation sector prior to the earthquake was alarming, constituting a public health risk, and existing challenges were only exacerbated post-earthquake. Drinking water coverage overall is low, with 50% of the urban population having access and only 30% in rural areas. Supply is unreliable and often untested with some systems registering over 90% of unaccounted water usage. In Port-au-Prince, potable water service coverage has declined markedly recently and is currently estimated to cover between 10 to 15% of the capital's population. Most rural communities depend on unsafe sources such as river, irrigation and rain water. Haiti has few sanitation services: there are no sewer systems, and most households use rudimentary latrines. Only 29% of urban and 10% of rural households have access to sanitation systems. The country has no sanitary landfills, so collected solid waste is disposed of in open-air dumps without sanitary controls[44]. After the earthquake, this problem worsened as a substantial portion of the 40M tons of debris found its way to the capital's only solid waste facility at Truitier. Without an institutional framework with adequate technical and managerial capacity, the GOH has been unable to develop a strategy for solid waste management (SWM).

3.23 The Bank will continue to support reform of water and SWM[45], and with its partners finance improved services. Investments will focus on: (i) expansion, rehabilitation and management of water services in

[44] Port-au-Prince generates about 1,600 tons of solid waste daily.
[45] To strengthen the operational framework for solid waste management and sanitation in Port-au-Prince, the Bank will prepare a Technical Cooperation to finance the preparation of a Master Plan.

Port-au-Prince; (ii) rehabilitation, expansion and management of water and sanitation infrastructure in secondary cities and rural areas of targeted departments; and (iii) improved SWM in Port-au-Prince.

3.24 The main sector risk is that due to weak management, poor maintenance and insufficient domestic financial resources past investments invariably require repairs financed by additional Bank resources to reach their useful life. To mitigate this risk, adequate tariff structures will be designed and implemented and international operators contracted to help local operators to manage systems and train local staff. The significant increase in DINEPA's workload also constitutes a risk that will be mitigated with additional staff, targeted technical assistance and training, as well as the contracting of specialized services through a project management consulting firm.

3.25 The Bank will continue to coordinate with AECID, the Spanish Cooperation Agency, on co-financing sector reform and investments operations. As lead agency in the sector table, the Bank will continue to help coordinate the activities of multilaterals, bi-laterals and NGOs[46] in support of the GOH´s water and sanitation and related public health programs.

E. Agriculture

3.26 The GOH, private sector, donors and NGOs agree that agricultural sector support must address the sector's structural problems. The vision for agricultural development presented by the GOH in the 2010 National Agriculture Investment Plan (NAIP) is the framework for the Bank's sector strategy and for sector dialogue with the authorities.

3.27 Agriculture plays an important role in the Haitian economy, contributing 25% of GDP, accounting for around 50% of overall employment, 66% of employment in rural areas, and 75% of employment in low-income households. Haiti's geography is mountainous (80% of the surface area) and does not lend itself to field crop production (28% is arable land); the exception being the large irrigated valleys[47] such as the Artibonite Valley one of Haiti's prime agricultural and natural resource assets[48]. Poverty and extreme poverty are far more prevalent in rural areas, where 88% live below the poverty level and 59% earn less than US$1 a day[49]. Agriculture´s overall importance has been declining, due to productivity losses resulting from depleted natural resources, limited access to agricultural services[50], absence of secure property rights[51], high costs for market access, extreme vulnerability to climate change and natural disasters, as well as weak public institutions. The Northern[52] and Artibonite[53] regions have potential for further agricultural development. Both regions have fertile soils, diversified ecosystems favorable to a wide range of crops, existing irrigation systems, as well as a high potential for additional irrigation development fed by rivers and groundwater. The location of the two regions also means easy access to the Dominican market with its demand for fresh agricultural products. There is also great potential for these regions to develop competitive exports to other CARICOM partners and other Caribbean Islands, and to meet an anticipated increased urban food demand.

3.28 The Bank's program will focus substantially on the Northern and Artibonite regions with the objective

[46] The agencies in water and sanitation are: *Agence Française de Développement* (AFD), the European Union (EU), UNICEF, World Bank, the platform of NGOs and more recently the Caribbean Development Bank (CDB).
[47] "Enquête sur les Conditions de Vie des Ménages en Haïti (ECVH) " ; FAFO Institute / IHSI, 2001.
[48] The Artibonite watershed covers 9,500 square kilometers, of which 6,500 are in Haiti (over ¼ of Haiti's landmass). Thus, the approximately 30,000 irrigable hectares in the Artibonite Valley have long held strategic importance for Haiti's economy.
[49] NAIP, MARNDR, 2010.
[50] Those services are agricultural health, food safety and agricultural technologies and innovation systems.
[51] Farmers with land title earn 19 percent more than their peers with no title, controlling for other productive factors. Document no. 2, MARNDR and World Bank. 2005.
[52] "Les filières agricoles de la région nord; Diagnostic et potentiel de développement", Paul, G; BID-USAID-UE, 2011.
[53] "Elaboration de stratégies de compétitivité pour des entreprises agricoles en Haïti: analyse sommaire des produits des filières"; BID, 2011.

of protecting the environment, responding to climate change, improving food security and sustainably strengthening value chains and creating employment. This will be done by: (i) strengthening dialogue on agricultural policies particularly to improve quality of agriculture public expenditure; (ii) investing in rural flood protection and agricultural intensification infrastructure (expansion, rehabilitation and protection of irrigation systems and the construction of small hillside hydraulic works) to enhance farm productivity; (iii) promoting sustainable agricultural practices, especially agro-forestry and tree-cropping based practices and adaptation to climate change through technology transfers; (iv) the modernization of agricultural services; and (v) facilitating rural land tenure regularization. NSG interventions are planned with SCF supporting agribusiness projects with new production technologies and IIC focusing on agricultural export promotion. MIF's focus is strengthening agricultural value chains and producers' access to credit and training, and the introduction of regional best practices.

3.29 Sector risks include the potential harmful effects of natural disasters on project expected outcomes, especially the anticipated increases in farmer incomes. Mitigation measures include improving watershed infrastructure and management, promoting sustainable farming and improving natural disaster prevention systems financed under other regional initiatives[54]. There is a risk that the counterpart inefficiency will delay project execution and disbursements, and in turn, will reduce the impact of Bank financing. To mitigate this risk, the Bank will support institutional reform and ministerial strengthening with technical assistance and training also provided to Executing Units.

3.30 The Bank and other donors have aligned their programs with the NAIP. The World Bank will contribute to strengthening the Ministry's management capacity, USAID and USDA are jointly preparing a program to enhance education and training services, and Japan resumed its KR2 program designed to increase domestic availability of agricultural inputs, especially fertilizers. Sector coordination is through the agriculture donors group where the Bank has a lead role, and monthly sector table meetings are the official coordination mechanism between the Ministry and donors.

F. Transport

3.31 Transport in Haiti, whether by land, air or sea, is constrained by critical limitations stemming from historic low levels of investment and chronic weaknesses in sector institutions. The Bank has been asked by the GOH to finance investments in priority projects identified in the Program to Support the Development of the Transport Sector in Haiti (PSDTH).

3.32 Road transport is the predominant transportation mode, even though the national road network offers limited coverage and is inadequately maintained. The road network's 3,608 km comprises 950 km of primary or trunk roads (linking the main cities), 1,315 km of departmental or secondary roads and 1,343 km of tertiary or rural roads[55]. Barely 5% of the road network is in good condition[56], while 80% is in poor or very poor condition. Only 10% of the road network receives some form of maintenance. The earthquake caused losses and damages to the inter-urban road network particularly in the Ouest, Nippes and Sud-Est departments. Maritime transport has its main node in the port of Port-au-Prince, which moved 170,000 TEUs[57] in 2009. Earthquake damage was significant; the north pier (the port's largest) was destroyed, while part of the smaller south pier sank. A temporary barge arrangement has restored cargo throughput, and should suffice for the next 3 to 4 years until a permanent solution is

[54] This includes the Pilot Program on Climate Resilience approved in April 2011, which will finance the preparation of Haiti's Strategic Program for Climate Resilience under a regional pilot program for the Caribbean.
[55] These figures translate in road density levels well below averages for LAC.
[56] A road in good conditions means that the IRI is less than 4m/km.
[57] Twenty-foot equivalent unit.

constructed. The earthquake caused important airport damage[58] reducing the annual capacity of Haiti's main airport (*Toussaint Louverture* International Airport - TLIA) to 500,000 passengers/year, significantly below current demand levels. Degraded port and airport infrastructure is an economic drag: increasing logistical costs for imports and exports and inhibiting the smooth arrival of tourists and further perpetuating Haiti's relative isolation. Meanwhile, the Ministry of Public Works, Transport and Communications (MTPTC) responsible for administration, management, control, regulation and planning of all transport infrastructure investment has difficulties carrying out its duties effectively due to budgetary and institutional constraints.

3.33 With its financing the Bank will support GOH investments in: (i) rehabilitation and improvement of the primary road network to consolidate a trunk road system that provides a safe and reliable connection between Haiti's main cities; (ii) rehabilitation or improvement of strategic roads in the secondary and tertiary networks to improve the country's physical integration, enhance access to rural areas, and support productive areas with potential for agricultural economic development; (iii) improvement and consolidation of road maintenance activities to increase investment sustainability; (iv) creation and strengthening of sector institutions for planning, construction, maintenance and operation of the road network; (v) analysis of air and maritime sector management, development of a policy paper covering both sectors and agreement with GOH and other donors on a path for reform and policy options; and (vi) improving the country's international connectivity with TLIA's reconstruction and improvement and improvement of Port-au-Prince's maritime port. Technical cooperation for data collection, strategic planning, and maintenance planning will be financed during the CS period. SCF financed NSG interventions are anticipated in ports and airports once stable regulatory frameworks allow for concessions and PPPs.

3.34 The main sector risks relate to avoidable cost overruns due to weakness in the MTPTC and unanticipated high prices of civil works stemming from the country's limited supply of construction companies. To mitigate these risks the Bank will finance activities to strengthen the MTPTC's capacity to plan, execute and monitor project execution. Donor commitment to finance significant sector investments should demonstrate to foreign contractors that business opportunities exist over the short, medium and long term, thus strengthening competition in construction market.

3.35 In addition to sector coordination mechanisms established through the IHRC, the Bank is part of a network of international agencies comprising USTDA, World Bank, IFC, CIDA, and the EU, that has produced effective coordination and working partnerships over the recent past. The Bank will continue to work closely with these agencies for enhanced future collaboration.

IV. FINANCIAL FRAMEWORK

4.1 According to the Central Bank (BRH), the Haitian economy contracted 5.4% in real terms in 2010. IMF forecasts point to 6.1% growth in 2011 and 2012 driven by rebuilding efforts, with a 6.7% growth over 2013-2015. The fiscal balance (excluding grants and externally financed projects) reached -5.2% of GDP in FY2010. Medium-term financing requirements are estimated at around US$6.2b over 2011-2015, with fiscal deficits excluding grants expected to average 13.5% of GDP. Of that gap, grants will cover 11% of GDP, and concessional debt is expected to finance the rest[59]. The Bank estimates Haiti's total external financing requirement will drop from 4.8% of GDP in 2011 to 2.3% in 2015.

[58] The runway suffered cracks, the control tower was destroyed, the international passenger terminal was damaged, as were the water, communications and remote surveillance networks and the terminal building.

[59] IMF-supported programs in low-income countries (LICs) typically include limits on non-concessional external debt. These limits seek to prevent the build-up of unsustainable debt, while allowing for adequate external financing. The main component of these limits is concessionality requirements applying to debt contracted or guaranteed by the official sector. Haiti is required to maintain a minimum concessionality higher than 35% with limited non-concessional borrowing.

4.2 Haiti has benefited from US$2.3b in debt relief under the HIPC/MDRI initiative since 2006. Post earthquake, the debt sustainability outlook improved with additional debt relief[60], which included a major Bank's financial aid package comprising the cancelation of its remaining debt (US$484m), the conversion of undisbursed balances of FSO-financed loans into grants (US$144m), and the allocation of new concessional resources on a one-time basis from FSO replenishment (US$137m). At the end of FY2010 external debt reached 13% of GDP (dropping significantly from almost 30% of GDP in FY2008) and is expected to average 19% over the CS duration. According to the IMF/World Bank Debt Sustainability Assessment all debt indicators remain below the policy relevant threshold, with the exception of the present value of the debt-to-exports ratio as Haiti's export capacity remains weak. Nonetheless, vulnerability to shocks will remain high; highlighting the importance of covering financing needs mostly through grants (see Annex III).

4.3 Aid inflows are expected to double from an annual average of 5-6% of GDP during 2005-09 to 11% of GDP during 2011-15. International assistance will continue to take the form of grant financing, with the Bank committed to consider making available an annual allocation of US$200m and an additional one-time US$86m subject to the encashment schedule of the replenishment of the FSO[61]. The assumption here is that over the CS period, the Bank will provide grants amounting to US$1,044m[62] with expected disbursement at US$1,120m (See Table 1). The Bank's share of total annual grants to Haiti will average 22% over the CS period and will represent on average 2.3% of GDP, providing some stability in a context of otherwise uncertain and declining grants. Annual disbursements that had averaged around U$S60m until 2007 rose to US$177m in 2010 are expected to be around US$200m in 2011 and to rise further to US$230m for the rest of the CS period. The challenge of managing such substantial flows requires careful coordination with the macroeconomic policies of the GOH-IMF's ECF program (see Annex III).

Table 1

	2011*	2012	2013	2014	2015
IDB Approvals (US$ Millions)	239	205	200	200	200
IDB Disbursements (US$ Millions)	200	230	230	230	230
IDB/Total Grants	37.1	16.8	17.6	19.1	20.8
IDB/GDP	3.2	2.5	2.2	2.0	1.9
IDB Disbursements /Medium term-financing needs	32.0	14.3	15.8	17.9	19.0
Total Grants/GDP	8.7	14.7	12.3	10.5	9.0

* Total amount of approvals and disbursement are projections. As of Aug 2011, US$167.5m was approved and US$131m was disbursed. Annual approval amounts are indicative and subject to availability of resources

V. STRATEGY IMPLEMENTATION

5.1 "Build back better" in Haiti does not mean returning to the *status quo ex-ante*, but rather addressing critical areas of state fragility and applying past lessons learned including the opening up spaces for the full participation of all sectors of the Haitian society in the recovery and development process.

A. Institutional Capacity

5.2 Under such a massive investment program as the one promoted by the GOH and supported by so many multilateral institutions and bilateral agencies, the capacity of national institutions not only to disburse

[60] The additional debt relief is estimated at US$1.063 million.
[61] As part of the Bank's Ninth General Capital Increase (GCI). Document AB-2764.
[62] This envelope may increase during the CS period as a function of additional FSO encashment into the GRF. As of August 2011 these pending commitments amount to US$42M.

resources, but to absorb the learnings and strengthen and stabilize a solid capacity to deliver goods and services to the population, is key. Most of the international institutions engaged in the recovery effort are engaged in this area of development[63]. The Bank has analyzed this matter in close coordination with the GOH and other donors, and while important transversal, across Government, efforts will be lead by other donors (particularly the World Bank, IMF, US, Canada and European Union), the Bank will monitor progress being made in these areas, while focusing on the support of institutional strengthening of line ministries and agencies responsible for CS priority sectors. Specific activities will be defined on a sector by sector basis and could cover technical assistance, training and investments, including updating internal procedures, creation of new agencies, redefinition of organizational charts and responsibilities, national statistics improvement and strategic planning as well as strengthening project management capacities.

5.3 The pace of sector reform is uneven and the Bank will direct its efforts on the key sectors for long-term growth, particularly education and electricity. A focus on sector specific strengthening, rather than transversal over-arching efforts, takes into consideration the strategies of other donors and the capacity of the Bank to respond in the priority sectors. It also represents the best approach to coordination and collaboration with other stakeholders to increase institutional capacity overall. It is expected that sector-focused institutional strengthening components of investment projects will be designed by multidisciplinary teams drawing on Bank expertise from across different divisions, ensuring consistency of each sectorial intervention with widely accepted principles of public management by results.

5.4 The Bank will also promote the wider and fuller use of the Haiti Integrated Government Platform (HIGP)[64] financed with Bank resources in 2010[65]. The HIGP provides tools to plan, execute, and better monitor recovery and development efforts as well as for transparent and efficient public administration, supporting strategic planning and decision-making. By giving national stakeholders access to critical data on the location of schools, hospitals, roads, utilities and other reconstruction investments, it will be possible to strengthen their capacity not only to analyze the use of funds but also to coordinate integrated responses that enhance accountability in the management of increased financial resources.

5.5 An execution capacity analysis shows that Bank program’s disbursements have increased steadily over the last seven years, from an average of US$55m in 2004-06 to US$177m in 2010. This improvement results from greater support to execution units provided by country office staff that increased from 22 in 2009 to 48 in 2011. Portfolio performance to date suggests[66] that disbursement targets anticipated in this CS are attainable and sustainable.

B. Donor Coordination and Strategic Partners

5.6 Haiti’s challenges demand that Bank financed operations are not just coordinated but rather integrated with the activities of other donors, official agencies and private sector organizations including civil society groups. Co-financing is one mechanism that will be pursued vigorously across all sectors, but particularly with respect to education. Another mechanism is stakeholder agreements on the investments required for transformational interventions, exemplified by the development of a northern industrial park, a cornerstone of the NEGP. The partnership behind this endeavor mobilizes infrastructure investments financed by the Bank (on-site construction of the industrial park), USAID (power plant) and the European Union (transport infrastructure improvements).

[63] See Annex V, Table 1.
[64] For details see Electronic Link 22.
[65] With support also from Microsoft Corporation and Infusion.
[66] See Annex IV Execution Capacity Analysis.

5.7 With more than US$11b pledged at the March 2010 Donors' Conference, post-earthquake Haiti needs better, more strategic and long-term donor coordination. Two new institutional mechanisms - the Interim Haiti Recovery Commission (IHRC) and the Haiti Reconstruction Fund (HRF) - created to align the international response with national priorities have also served to maintain Haiti firmly on the international public policy agenda[67]. The Bank will continue to be committed fully to the HRF and to work with Haitian authorities and donors on post-IHRC coordination mechanisms. To consolidate its sector leadership and ensure the successful implementation of its operational program, the Bank will strengthen its partnerships with UN agencies, the EU and World Bank as well as the different ministries and agencies of the United States, Canada, Spain, Brazil, Norway and France, among others. Bank specialists will continue to participate in *tables sectorielles*, the institutionalized spaces where the GOH and donors define demands and coordinate actions and to be available to coordinate the water and sanitation, agriculture and transport *tables sectorielles*.

5.8 The IDB administers over US$250m from other multilateral, bilateral and private donors, and with increased efforts from the Office of Outreach and Partnership (ORP) and sector Divisions will continue to seek co-financing contributions, particularly in education. The Bank has successfully leveraged co-financing contributions, including from the HRF. The Bank's commitment to quality disbursements extends to co-financing resources, integral to Bank programs in all priority sectors. Annex V provides a summary of the sectors where coordination actions and strategic alliances are currently undertaken and the intention is to consolidate and expand this network of collaborating agencies.

C. Country Systems

5.9 The latest studies[68] on country fiduciary systems conclude that all Public Financial Management (PFM) and Procurement systems need improvements to meet levels consistent with international standards and best practice. Currently, software modules to report different aspects of PFM are being developed and deployed by several Central Government entities without integration with one another. The budgets for investment and current expenditures are elaborated separately, resulting in budget execution reports that are not comprehensive. In relation to the government procurement system, evaluations identify weakness in professional capacities, control and information systems, and recommend strengthening the National Public Procurement Commission and the use of its web page for public procurement advertisements. With government's fiduciary capacity weakened by the earthquake, the immediate task is to restore the operational capabilities of central government entities to pre-earthquake levels.

5.10 Over the CS period with GOH agreement, the Bank will focus on strengthening counterpart governance and institutional capacity with technical assistance and training. The Bank will gear its efforts toward greater efficiency in the fiduciary management of operations in the CS priority sectors.

5.11 Currently, country fiduciary systems are not used for the management of Bank´s financed projects and this practice will continue over the CS period. In response to the post-earthquake emergency situation and within the framework of Bank's procurement policies, the Bank has applied special procurement provisions. An evaluation of their application is the basis of a set of special provisions revised to accompany the capacity building of Executing Agencies, while strengthening the interest of companies to compete for IDB financed contracts during the course of this CS.

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[67] The IHRC was created by Haitian Presidential decree on April 21, 2010 to undertake the planning and coordination of projects and priorities, including reviewing and approving projects and programs funded by bilateral and multilateral donors, NGOs, civil society and the private sector.

[68] These studies include: (i) PEFA evaluation, (currently being carried out by the European Commission); (ii) "Haiti – Amelioration de la Gestion Financiere et Comptable¨ (FMI, 2009); (iii) PEMFAR, (IDB, WB, 2008); and (iv) PEFA (EU, 2007).

VI. RISKS

6.1 **Macroeconomic risks[69].** The macroeconomic outlook for the period 2011–15 is uncertain in part because of the anticipated dependence on aid disbursements. Medium-term projections assume that aid inflows are effectively spent and absorbed, with the widening fiscal and current account deficits associated with reconstruction spending and imports to be sustainably covered by grants. Haiti is now under a new 3-year ECF program with the IMF, which will mitigate this risk by strengthening the macroeconomic policy framework and the management of aid flows.

6.2 **"Donor fatigue" risk**. The implementation of the CS requires a long-term commitment from the Bank and its constituent members. Maintaining support over its course will mean regular reporting on the use of Bank and co-financing resources to show impact and progress in the country's expected turn-around. To mitigate this risk the Bank will continue to build partnerships with traditional and non-traditional donors around innovative strategic interventions that produce tangible outcomes.

6.3 **Business environment risks**. Without an enabling business environment the anticipated growth in Haiti's private sector may be frustrated. A stable macroeconomic context is one mitigating factor. The Bank will support the GOH to deliver the reforms required to stimulate private investments and the growth of sustainable small and medium enterprises in an expanding formal sector of the economy.

6.4 **Natural disaster risks**. The country is exposed to natural disasters and its degree of vulnerability is high. All sectors of the economy are prone to damage from heavy rains during hurricane season. As the recent earthquake also illustrates, Haiti sits on an active fault and other earthquakes are a real possibility. To mitigate these risks, the Bank will invest in watershed management to increase rainfall absorption and reduce run-off. At the same time, the Bank will support the application of hurricane and earthquake proof construction codes. The de-concentration of economic activity will help to reduce potential disruptive impacts of future earthquake on Haiti's economy.

6.5 **Institutional and implementation risks.** With the CS assuming annual approvals of US$200M complemented by co-financing and other funding, enhancing counterpart execution capacity is critical. Weaknesses affecting the GOH's financial management systems, aggravated by the earthquake, constitute a constraint to effective resource management at a time when the build back better effort is generating increased resource flows. To mitigate execution risks the Bank will continue to strengthen execution units with training and technical assistance, intensify country office operational support and finance components in grant operations that address sector-specific institutional challenges.

6.6 **Organization and coordination risks.** Organization of Bank actions in Haiti, leadership and strategic planning, as well as coordination between Bank divisions, other donors, and authorities are key elements needed to achieve desired results in Haiti, and are resource intensive. Failure to carry out these tasks will put the quality and efficiency of the Bank's intervention in the country in jeopardy. To mitigate those risks, the Bank will maintain administrative capabilities commensurate with the size and complexity of its activities in Haiti.

[69] The report on the Ninth General Increase in the Resources of the Inter-American Development Bank calls for an analysis of the macroeconomic sustainability of the borrowing countries (including an annual review on this topic), the process for which and implications on implementation of which the Board of Executive Directors has still to determine.

ANNEX I. Selected Economic and Social Indicators

HAITI: Selected Macroeconomic and Social Indicators--2008-2010 1/			
Population (2010): 9.7 million			
Share of population living < US$1.25 a day (2001): 55%			
Share of population living < US$2 a day (2001): 72%			
Adult literacy (2008): 57%			
	FY2008	**FY2009**	**FY2010**
	Real Sector		
Real GDP Growth (%)	0.8	2.9	-5.1
GDP in Current Prices (in billions US$)	6.57	6.56	6.50
Per capita GDP (US$)	673	661	659
GDP per capita PPP US$ dollars	1,205	1,200	1,122
	Monetary Variables and Prices		
Consumer Prices (%) end of period	16.0	-4.7	6.2
Broad Money (incl. foreign currency deposits)2/	10.0	11.0	18.8
Exchange Rate (G$/US$) period average	39.2	41.2	39.6
	External Sector		
Exports (in millions US$)	522.1	550.4	530.2
Imports (in millions US$)	1,182.1	1,995.6	2,727.0
Current Account Balance (% of GDP)3/	-3.2	-3.4	-2.3
Capital and Financial Account Balance (% of GDP)	3.4	7.6	13.3
Net International Reserves (in millions US$) 4/	244.7	416.9	1,109.7
	Public Finances (% of GDP)		
CG Overall Balance including grants	-3.1	-4.4	2.1
CG Overall Balance excluding grants	-7.5	-12.5	-15.5
Total revenue and grants	15.1	17.9	29.4
Central government revenue (excl. grants)	10.7	11.2	11.8
Central government expenditure	18.2	22.3	27.3
External Public Debt	29.5	16.6	12.0
Source: Ministry of Economic and Finance, BHR, IMF, WB and CIA			
Notes: Methodology has been modified to reflect HIPC/MDRI debt reduction			
1/ Fiscal year ending September 30			
2/Annual percent change			
3/ Including grants			
4/ Excludes commercial banks' foreign currency deposits with the BRH.			

ANNEX II. Financing Framework

Fiscal situation- In 2010, the Haitian economy contracted by 5.4% in real terms, the fiscal balance (excluding grants and externally financed projects) was lower than expected (-5.2% of GDP compared with -6.8%) reflecting mainly higher domestic revenues (11.8% of GDP compared with a target 10%), and it is expected to average -2.96% during the country strategy period. IMF forecasts point to 6.1% growth in 2011 driven mostly by reconstruction efforts, and an average of 6.7% for the rest of the country strategy period.

Better revenue collection (increase 8% going from 11.9% to 12.8%) and a fall in capital spending (decrease 29% going from 16% to 11.3%) were instrumental in targeting a small surplus by end-FY2011 compared with a deficit projected. Current expenditures were kept broadly in line with expected levels and domestically financed investment rose to 5.5% of GDP, from 4.1% in FY2009, on account of stepped-up disbursement of budget support (US$225M).

Haiti's fiscal pressure, already low before the earthquake, has been set back further at 7.3% in FY2010. Supported by an IMF technical assistance mission, the authorities intend to increase domestic revenue collection above 13% of GDP by FY2013. This would also put public finances on a sounder footing and reduce the dependency on grant financing. To reach this objective, they plan to broaden the tax base, combat fraud, and reduce exemptions.

Substantial debt relief (a total of US$2.3B or 34% of 2010 GDP since 2006) has alleviated stress on government's finances. The US$1B debt relief agreed under the IMF and World Bank's heavily indebted poor countries (HIPC) initiative in June/July 2009 saved the government around US$50M (almost 3% of 2008 expenditure) per year. Foreign debt worth just over US$1B has been cancelled since the earthquake by the Bank (US$484M), Venezuela (US$395M) and the IMF (US$268M). Haiti's total debt service will drop to US$15M (0.2% of GDP) in 2011 before increasing slightly to US$17M in 2012. Following the reduction in debt, in FY2010 the ratio of total government debt to GDP reached 16%, and is expected to reach 20% on average for 2011-2013. These forecasts assume that government spending will contract and revenues will increase. Any delay or interruption in this process will lead to faster pace of debt accumulation[70].

Responding to the emergency situation and reconstruction needs, grants more than doubled between FY2009 and FY2010 to reach 17.6% of GDP in FY2010. In FY2011 grants are expected to be lower due to a fall in public investment associated with the political crisis. According to the IMF, grants will reach 8.7% were projects grants will be 10% less than expected. A projection for 2012 points grants to reach 14.7% of GDP and then contracting until reaching 9% in 2015. Looking ahead, as grants will be phased-out, the issue of fiscal sustainability becomes crucial and this will be key to increase domestic fiscal revenues to finance the much needed public investments and structural reforms.

[70] The earthquake has also severely disrupted existing debt management systems. The Ministry of Economy and Finance building has been damaged. Based on an assessment of the damages, further technical and financial support will be needed to recover data, set up a working computer system, and rehabilitate physical infrastructure.

Table 1 Fiscal balance and financing needs (percent GDP)

	FY2011	FY2012	FY2013	FY2014	FY2015
Overall balance	0.2	-4.6	-3.5	-2.4	-2.3
Excl. grants	-8.4	-19.3	-15.8	-12.9	-11.3
Total revenues and grants	29.6	21.5	28.0	26.8	26.0
Central gov revenues (excl. grants)	12.8	13.4	14.5	15.5	16.5
Grants	8.7	14.7	12.3	10.5	9.0
Total gov expenditure	21.3	32.6	30.3	28.4	27.9
Current expenditure	10.0	11.0	11.1	11.4	11.9
Interest payments	0.5	0.3	0.4	0.4	0.4
Financing	4.8	4.6	2.4	2.4	2.3
External net financing	4.6	5.7	5.3	4.9	4.6
Internal net financing	0.1	-1.1	-2.9	-2.5	-2.3

Medium-term financing requirements. Medium-term financing requirements are estimated at around US$6.2B over 2011-2015. The fiscal deficit excluding grants is expected to be -13.5% of GDP on average, of which grants will finance 11% of GDP. The rest will be financed with concessional debt[71]. According to these projections, the Bank estimates that the country's total need of external financing is expected to drop from 4.8% of GDP in 2011 to levels close to 2.3% in 2015. Aid inflows are expected to double from an annual average of 5-6% of GDP during FY2005-09 to almost 11% of GDP during FY2011-15. Managing these substantial flows will be challenging and will require a careful coordination of macroeconomic policies, which the core of a the IMF program under the Extended Credit Facility (ECF) approved in July 2010

The IMF approved an ECF arrangement of US$114M in January 2010 to help the government cope with the post-earthquake crisis, and in July the arrangement was extended for an additional three years. The ECF extension will provide nearly US$60M worth of Special Drawing Rights (SDRs) until 2013 to improve Haiti's international reserves and help the central bank manage potential swings in the value of the local currency without adding to the country's net debt. The Fund's involvement aims at strengthening the macroeconomic policy framework helping to manage the aid inflows and boosting credit to the private sector. According to the first review, the program is on track despite the difficult post-earthquake environment and delays in the electoral agenda. All performance criteria for the first review were met and all structural benchmarks were implemented. Fiscal developments so far are in line with the program, and the external position has strengthened, with end-January 2011 net international reserves exceeding 5 months of imports.

The Bank's financing framework. It is assuming that during the Country Strategy period the Bank will provide grants in the amount of US$1,044M[72], and disburse US$1,120M. According to the Bank's projections, this financing framework would represent 22.3 percent on average of Haiti's total grants equivalent to an average 2.3 percent of GDP, providing some stability in a context of otherwise uncertain and

[71] IMF-supported programs in low-income countries (LICs) typically include limits on non-concessional external debt. These limits seek to prevent the build-up of unsustainable debt, while allowing for adequate external financing. The main component of these limits is concessionality requirements applying to debt contracted or guaranteed by the official sector.

[72] This envelope may increase during the CS period as a function of additional FSO encashments into the GRF. As of August 2011 these pending commitments amount to US$42M.

declining grants. This unprecedented level of resource commitment, in terms of both volume and duration, demands a commensurate capacity within GOH to execute Bank projects at a sustained rhythm. To understand better and plan for this execution challenge the Bank has carried out an execution capacity analysis that is presented in Annex IV.

The underlying assumption of this scenario is that the Bank will prioritize investment grants, limiting the use of policy-based grants operations during the Country Strategy. It is expected that donor co-financing and private sector lending will complement the Bank's annual US$200M grant financing. Additionally, the Country Strategy calls for a technical cooperation and knowledge consistent with the country's priorities and complementary and supporting the Bank's operations.

ANNEX III. Macroeconomic Analysis

In light of the serious devastation caused by the earthquake, Haiti's real GDP is estimated to have shrunk by 5.4% in the 2010 fiscal year (October 2009-September 2010). This is actually less than previous expectations of an 8.5% contraction, as manufacturing and agricultural production rebounded steadily and consumption was supported by an influx of foreign aid funds. Given the slow start to actual reconstruction and rebuilding activities, along with the transition around presidential elections that began in November 2010, GDP growth forecasts now point to 6.1% in FY2011 (down from 9.8% previously).

Government revenue recovered to 80% of their 2009 level, after a sharp decline in early 2010, while government expenditure amounted to G72.9B (about US$1.2B) or some 27.3% of GDP. For FY2011 it is projected at 21.3% of GDP, still low by international standards but almost ten percentage points above the last three years average. The country fiscal situation is highly dependent on foreign aid. Responding to the emergency situation and reconstruction needs, grants more than doubled between FY2009 and FY2010 to reach 17.6% of GDP in FY2010 and will reach16.3% in FY2011 and are expected to continue contracting from there on until reaching 9.5% in 2015.

Medium-term projections assume that aid inflows are effectively spent and absorbed with the widening of the fiscal and current account deficits associated with reconstruction spending and imports to be sustainably covered by grants. The current account deficit (including official grants) is expected to reach 4.2% of GDP in FY2011, which is explained by a 6.2% fiscal deficit and a 2% surplus of private savings over private investment. Excluding grants, the current account deficit will reach 23.3% of GDP, the fiscal deficit 21.9%, and the private sector will run a 1.4% deficit. These, by all measures are large figures, and show the dependence of Haiti's economy on foreign grants. An interruption of these flows would push the country into an unsustainable macroeconomic path. In order to accommodate the reduction in foreign aid, the GOH will need either to adjust its expenditure or increase its revenues or both.

Supported by an IMF technical assistance mission, the authorities intend to increase domestic revenue collection above 13% of GDP by FY2013, from 10% currently. This would also put the public finances on a sounder footing reducing the dependency on grant financing. To reach this objective, the GOH plans to broaden the tax base, combat fraud, and reduce exemptions.

Haiti is now under a new 3-year Extended Credit Facility program with the IMF approved in January 2010 and extended for an additional three years in July 2010. This arrangement aimed to help the government cope with the post-earthquake crisis and to improve Haiti's international reserves helping the central bank manage potential swings in the value of the local currency without adding to the country's net debt. The Fund's involvement aims at strengthening the macroeconomic policy framework helping to manage the aid inflows and boosting credit to the private sector. According to the first review conducted in May 2011, the program is on track despite the difficult post-earthquake environment and delays in the electoral agenda. All performance criteria for the first review were met and all structural benchmarks were implemented.

Nonetheless, the main challenge is to convert the rebound growth rate in sustainable growth and to produce greater numbers of jobs in the formal sector. In turn this will put Haiti's government finances on a firmer footing and reduce the need for grant financing. While there are serious imbalances, given the current projected level of grants and remittances the economic conditions are projected to be stable, downside risks continue to be present in the economy**.** Concerted strong efforts by the authorities and the international community are needed to speed up the reconstruction and facilitate the transition from disaster recovery to policies aimed at ensuring high and sustained growth and poverty reduction.

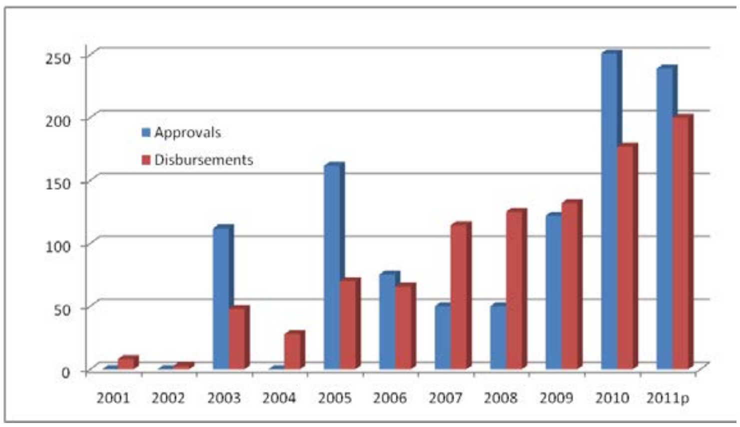
More than a year after the earthquake, the economy is recovering despite challenging international and domestic environments. Essential state functions have been restored and prudent macroeconomic policies have helped support growth and contain inflation in the single digits. Fiscal developments so far are in line with the IMF program, and the external position has strengthened, with end-January 2011 net international reserves exceeding 5 months of imports. This shows that the macroeconomic situation has improved faster than anticipated, reflecting the authorities' efforts to restore quickly state institutions while implementing prudent macroeconomic policies, and the sizeable donors' budget support.

ANNEX IV. Execution Capacity Analysis

The Bank's execution capacity analysis concludes that the level of disbursements reached in 2010 and that expected for 2011 can be sustained through the duration of the CS period and beyond. The assumption here is that the strengthening of executing agencies continues to be a Bank priority and that project execution monitoring remains a core activity of project team leaders.

As Figure 1 shows, the Bank's disbursements to Haiti have increased robustly in each of the last five years. Annual disbursements that averaged U$S55M over the 2004-2006 had more than doubled by 2007-2009 to reach US$124M. In 2010, notwithstanding the difficulties faced in the aftermath of the earthquake, disbursements reached the record figure of US$177M. For 2011 the project disbursements are US$200M; and as of August 31, 2011 disbursements were US$131.7M. The goal for the CS period is US$230M in annual disbursements.

Figure 1: Approvals and disbursements in the Haiti program 2001 to 2011 (in US$)



Note: the 2011 figures are projections.

The main measures contributing to disbursement achievements are:

(i) **Sector Focus.** The decision to concentrate Bank activities in six sectors, rather than to diffuse attention across the whole sector spectrum, has contributed to improved disbursements, as this focus allows the Bank to consolidate its work relationships with a reduced set of primary stakeholders.

(ii) **Capacity Building at Executing Agencies.** In 2011 the Bank started a program of training and capacity building with counterpart executing agencies that will continue over the course of the CS. These efforts will complement the institutional strengthening that will be integrated into project design and execution.

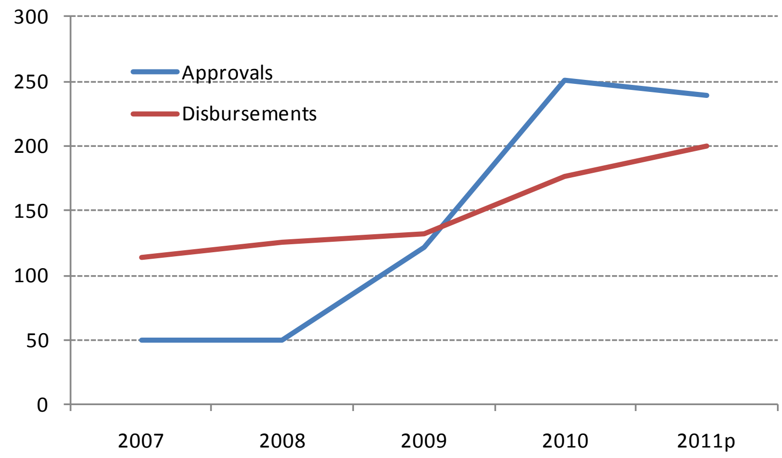
(iii) **Country Office Strengthening.** The number of staff in the Haiti COF increased from 22 in 2009 to 44 in 2010 and 48 in 2011 with an emphasis on the recruitment of additional procurement specialists, operational analysts as well as professional staff in the key priority sectors comprising the CS.

(iv) **Special Procurement Provisions.** As section V indicated, the application of special procurement provisions introduced after the earthquake has contributed to improving disbursements in key sectors. In order to build on this experience a revised set of special provisions will be used to assist execution over the course of the course of the CS.

The strategy to crank up disbursements of US$230 million annually as part of the effort to wind down the remaining balances from existing operation together with the design of new operations to execute in 4.5 years and with a disbursement profile of 20% - 25% - 25% - 20% - 10% also has a financial management impact. As the figure 2 below shows, while the dollar amount of approvals outpaced disbursements over the

2009-2011 period, projected disbursements will overtake approvals from 2012 onwards. The projected trend also means that the undisbursed portfolio balance that will peak at the end of 2011 at US$450M (comprising the portfolio balance at the beginning of 2011 of US$415M,, an FSO encashment of US$39M in 2011 as well as the US$200 annual commitment), will begin to decrease steadily thereafter with the projected disbursement level.

Figure 2:



ANNEX V. Donor Coordination and Strategic Partners

The complexity of Haiti's current and future challenges and the significant resources made available by the international community combine to demand that Bank financed operations are not just coordinated but integrated with the activities of other donors, official agencies and private sector organizations, including civil society groups.

Working in close coordination with other actors in the country allows the Bank not only to focus its own actions but also to achieve the complementarities that avoid duplication of efforts. There are various examples, which illustrate the broad approach that has been adopted.

The Northern Industrial Park (NIP) is a joint effort between different donors, with the Bank financing the infrastructure works on-site in the NIP, the US Government financing the construction of the power plant and the EU responsible for the ensuring the quality of the road and port infrastructure. The agreements achieved have required a process of technical discussions leading to institutional commitments around financial resources. In addition, within the Bank a team has been assembled constituted by infrastructure, water, environmental, safeguard and other specialists to ensure that all aspects of project development and implementation have been studied and under competent management.

With respect to institutional strengthening the Bank is working closely with other members of the international community, particularly the World Bank, IMF and European Union, to identify common objectives on capacity building and the actions required to realize them. This is a continuing process that depends on a free-flow of information on achievements, obstacles, and evolving priorities.

The Bank's programmatic approach to modernization and reform of the electricity sector is also based on a collaborative donor effort with the GOH. The first step was the production of an Electricity White Paper outlining sector challenges that resulted from close coordination between the Bank, US Government, the World Bank and GOH. The subsequent discussions led by the US Government helped create the conditions for a Bank financed energy sector operation approved in July 2011 that is the first of a planned three year program to implement sustainable reforms. The Bank acting alone has insufficient institutional assets to address the challenges facing the electricity sector but acting in concert with others is able to be part of a coalition with the institutional and financial resources that can effect change.

The Bank also participates fully and actively in the *tables sectorielles*, the main institutionalized spaces where the GOH and donors analyze sector-specific technical needs, articulate demands and coordinate actions. The Bank currently coordinates the *tables sectorielles* in four of the proposed priority sectors in this Country Strategy, namely education, water and sanitation, agriculture, and transport. The Bank is available to continue this role over the course of strategy implementation.

In addition, the Bank will continue to support the work of the Interim Haiti Recovery Commission (IHRC) and the Haiti Reconstruction Fund (HRF), the two institutions, that were created out of the recognition for more strategic donor coordination arising from the March 2010 Donors Conference in New York. The IHRC has the mandate to bring together Haitian stakeholders and the international community in a process of strategic planning and coordination of recovery and post-earthquake development activities. The IHRC contributes to the identification of needs and funding gaps and helps to establish investment priorities. The IHRC is scheduled to close in October 2011 though discussions are ongoing about its extension for an additional period of time.

In order to ensure the successful implementation of its program, the Bank will strengthen its partnerships with the UN agencies present in Haiti, the European Union and the World Bank, and the different ministries and agencies of the United States, Canada, Spain, Brazil, Norway and France, among others. Co-financing is one mechanism that will be pursued vigorously with all agencies across all sectors particularly in education where the Bank has committed to raise US$250M in co-financing to match the financial resources it proposes to invest in education reform over the 2010-2015 period.

Another mechanism is joint agreements between stakeholders as explained above in the case of the NIP.
The partnership effort on joint agreements is orientated by a close monitoring of the activities of other donors. Table 1 map the priority sectors of the 20 most important bilateral and multilateral donors contributing to Haiti relief and recovery effort according to the sector break-down presented in the Action Plan for National Recovery and Development.

Table 1:
Donor support for the sectors identified in the Action Plan for National Recovery and Development

ACTION PLAN FOR RECOVERY AND DEVELOPMENT OF HAITI		MAIN PUBLIC SECTOR BILATERAL AND MULTILATERAL DONORS																				
SECTOR	FIELD OF ACTION	USA	Venezuela	European Commission	Canada	IDB	Spain	Brazil	France	World Bank	IMF	Norway	Japan	Germany	Sweden	Saudi Arabia	CDB	OCHA - UN	UK	Switzerland	Morocco	Others
I. Territorial Rebuilding	Distater Management and Prevention Reduction		x	x		x				x							x			x		x
	Energy	x	x		x	x				x				x								x
	Reconstruction	x				x	x		x											x		x
	Regional Hubs and Urban Development	x	x	x		x			x													
	Transport	x	x	x		x		x	x	x			x									
	General									x												x
II. Economic Rebuilding	Agriculture	x		x	x	x			x	x			x				x					x
	Financial and Economic Recovery, Jobs	x				x																
	Job Creation	x		x				x					x							x		x
	Industry and Commerce	x		x																		x
	General								x													
III. Social Rebuilding	Culture			x																		
	Education	x		x	x	x			x	x			x				x			x		x
	Food Security	x	x					x					x							x		x
	Health	x	x		x			x	x	x			x							x		x
	Housing	x	x	x	x	x	x						x									x
	Social Protection	x								x												
	Water and Sanitation	x	x			x	x	x		x			x							x		x
	Women and Children	x						x					x									x
	General							x		x			x	x			x					x
IV. Institutional Rebuilding	Strenghtening the Administration	x	x	x	x	x			x	x	x						x					
	Democratic Institutions	x		x	x				x	x			x									x
	Justice and Security	x			x			x					x									
	National Planning and Local Development	x		x	x				x		x		x				x					x
	Support to Parliament	x								x												
V. Pillar Not Specified				x	x		x					x			x							x

Source: Office of the Special Envoy for Haiti (information as of June 2011), IHRC and Bank information from dialogue with donors.

While the Bank will support institutional strengthening within the six priority ministries, in order to improve their execution capacities, other donors (i.e. World Bank) are working with the Ministry of Economy and Finance and the Ministry of Planning and External Cooperation in institutional strengthening. Coordinated actions will allow the country to surpass the big challenges in budget preparation, monitoring and control in line with recent IMF technical assistance recommendations.

Table 2 shows the partnerships established by the Bank with other major donors to Haiti. This table shows that all 6 priority sectors have three or more key collaborating agencies:

Table 2:
Bank priority sectors and key collaborating agencies

Country Strategy Priority Sector	USA	World Bank	Spain *	Canada **	EU	Norway	Finland	HRF	GEF	OPEC	OAS	IMF	Private Donors***
Education	x	x		x	x					x			x
Water and Sanitation			x							x			x
Agriculture					x	x	x		x				
Transport and Basic Infrastructure				x						x			
Energy	x								x		x		
Private Sector Development	x		x					x					x
Other sectors													
Modernization of the State	x	x		x								x	

** Through AECIA and the Spanish Fund for Water and Sanitation*

*** Through CIDA and the Canadian Joint Financing Programs*

**** Kellogg Foundation, PepsiCo, Coca-Cola, First Citizens Bank (T&T)*

Co- financing and Resources Mobilization

The Bank has positioned itself as a leading partner for joint initiatives in the priority sectors identified in this Country Strategy. It has played a major role in opening channels of discussion by participating in key conferences such as the World Economic Forum, the Clinton Global Initiative and the Global Philanthropy Forum. The Bank has used these opportunities to present important aspects of the recovery process including the scope and significance of Haiti's education reform as well as match-making around investments in sustainable garments manufacturing, agricultural value chain and sports for development projects.

With respect to partnerships, the Bank is playing a significant role in facilitating a wide range of institutional agreements supporting operational programs in Haiti. By June 30st, 2011, the Bank had entered more than 40 institutional agreements on Haiti including; the Memorandum of Understanding (MOU), Letters of Intent (LOI), contribution agreements and action plans. The objective behind the Northern Industrial Park MOU, signed with the State Department and the Government of Haiti, is to integrate investments for the NIP project. LOI have been used with organizations such as the American Red Cross, for potential co-financing of the shelter response program. Other collaboration agreements are being developed with various sports related organizations to support sports and youth at risk programs within the Bank's operations with education reform.

From a resource mobilization perspective, by June 30 2011, the total co-financing portfolio consists of 22 operations for an approved amount of US$254.7M. Major donors include the Canadian Joint Financing Programs (4 operations totaling US$134.8M), the Spanish Fund for Water and Sanitation (4 operations for US$70.0M), the Fund of the Petroleum Exporting Countries Organization (4 operations for US$22.6M), the Haiti Reconstruction Fund (3 operations for US$42M), the European Union (2 operations for US$8.6M), the Global Environment Facility Fund (2 operations for US$3.9M), the First Citizens Bank of Trinidad & Tobago (1 operation for US$1.0M), and the Sustainable Energy and Climate Multi-Donor Trust Fund (1 operation for US$1.0M).

More than 42 calls for proposals have been executed supporting IDB´s portfolio, including the Port-au-Prince Water Program (HA-L1044), the Rehabilitation of Basic Economic Infrastructure (HA-L1055), New Technologies and Capacity Building for GOH project (HA-L1051), Reconfiguration of the Education Sector in Haiti (HA-L1049) and support the shelter response plan (HA-L1048). In addition to call for proposals, the Bank has coordinated and facilitated multiple Consultation Meetings with public donors and Bilateral Development Agencies in countries such as Korea, Japan, Spain, Canada and France.

Efforts have also been fruitful with emerging donor and new development actors. To date these include important contributions to Bank operations from the First Citizen Bank of Trinidad (school construction), and Lego Foundation (school kits).

Additional dialogue

The Bank in Haiti and in Washington is in continual discussion with a wide range of actors active in Haiti to explore coordination and co-financing opportunities.

Co-operation Agencies; Ongoing dialogue with the main cooperation agencies since the immediate post-earthquake period will continue over the course of strategy implementation.

International NGOs; In addition, the Bank has embarked on efforts to leverage international NGOs activities in Haiti. This is being pursued through joint activities as well as informal arrangements improving communication, coordination, and exploration of opportunities. The Bank is currently in conversation with international NGOS such as Oxfam International, Save the Children International, Food for the Poor, Catholic Relief Services, Mercy Corps, Community Housing Foundation (CHF), HAVEN, Digicel, Inter-Action, Partners of the Americas, Vital Voices, Action Aid, Happy Hearts Fundation as well as the Federación Nacional de Cafeteros de Colombia.

International Financial Institutions; Apart from sector specific meetings between specialists, strategy development collaboration with the World Bank and IMF Haiti´s teams had been undertaken to define common goals to support the GOH, avoid the duplication of efforts, exchange information and coordinate activities such as joint missions and technical meetings. Also there are current conversations with the Caribbean Development Bank.

ANNEX VI. Recommendations of the Country Program Evaluation (OVE)

Recommendations of the country program evaluation	Incorporation into the country strategy HA 2011-2015
Recommendation 1: Strategic positioning Define a long-term strategy (10 years) built on consensus with the GOH and Haitian society.	
Recommendation 1.1. Define development objectives based on Haiti's specific context, incorporating measurable milestones and allow monitoring and accountability	**Full agreement**. At the Bank's 2010 Annual Meeting in Cancun, the Board of Governors (BOG) recognized the necessity of a comprehensive ten-year effort to help position Haiti onto a path of sustainable economic growth and improving social welfare. In that sense, the development objectives defined for the new Country Strategy reflect the shared priorities of the Bank (BOG Cancun Declaration) and the Haitian government (Action Plan and Four E´s) and correspond to the challenges identified by PDNA and the sector diagnosis. (Par. 1.6, 3.2, 3.3 and sector notes). Following the guidelines established in the Development Effectiveness Framework, the Country Strategy has been designed to incorporate indicators that can be used to measure the Bank's contribution to the established targets. Moreover, the Framework stipulates that each individual intervention supported by the Bank must have a results matrix to ensure its evaluability. To this end, efforts are being made so that every priority sector has data collection mechanisms in place, including baseline data for measuring the specific impacts presented in the respective project results matrix.
Recommendation 1.2. Focus the Bank's interventions in few sectors, giving priority to those that have greater impact on poverty and social inclusion	**Full agreement**. As stated in the PDNA Haitian needs are huge, but the Bank will resist the temptation to work in all sectors, identifying a set of priority sectors that can substantially and sustainably transform Haiti's economy and society, where Bank has acquired significant sector knowledge through its existing portfolio, and where the GOH and other key stakeholders consider the Bank has leadership. The complexity of Haiti's challenges demands coordination with other donors, alongside focus on priority sectors in order to avoid duplication of efforts
Recommendation 1.3. Give priority to institutional strengthening issues, not only through sectorial interventions but through integrate support for economic and democratic governance.	**Partial agreement**. The Bank made the strategic decision to support institutional strengthening activities with line ministries and agencies responsible for this CS priority sectors. Specific activities will be defined on a sector by sector basis and potentially could cover technical assistance, training and investments, including updating internal procedures, redefinition of organizational charts and responsibilities, strategic planning as well as strengthening project management capacities. This strategic decision takes into consideration that other donors (e.g.: WB, IMF) focus their support on governance and budget execution issues. The OVE evaluation concludes that previous institutional capacity transversal efforts have not been effective, which also supports the need for a new approach to institutional strengthening.
Recommendation 1.4. Include short-term reconstruction challenges in the long-term strategy of development	**Full agreement**. An opportunity has emerged out of the earthquake for the GOH and the Bank to think about the design of a comprehensive long-term strategy for Haiti's development. Within this framework, the Bank will support projects with short-term impacts as well as contributions to long-term reforms and transformations through investments in education, private sector development and energy as well as basic infrastructure. In the Bank´s vision, short term challenges reconcile with a long term strategy in decisions that will help Haiti embark on a path of sustainable economic growth.

Recommendation 2: Donor Coordination As part of the Haitian government's coordination framework, strengthen and make coordination more effective among donor agencies and with country agencies by	
Recommendation 2.1. Propose a strategy of support and consolidation of an effective coordination institution of foreign aid to Haiti, identifying the role of IDB in terms of funding and technical input.	**Full agreement**. This CS realizes that Haiti's challenges demand that Bank financed operations must not only coordinate but also be integrated with the activities of other donors, official agencies and private sector organizations including civil society groups. In terms of coordination, the Bank participates fully and actively in the *tables sectorielles*, the main institutionalized spaces where the GOH and donors analyze sector-specific technical needs, articulate demands and coordinate actions. The Bank currently coordinates the *tables sectorielles* in four of the proposed priority sectors, education, water and sanitation, agriculture, and transport. The Bank is available to continue this role during the course of strategy implementation. In addition, the Bank will continue to support the work of the Interim Haiti Recovery Commission (IHRC) and the Haiti Reconstruction Fund (HRF), two institutions, that were created out of the recognition for more strategic donor coordination arising from the March 2010 Donors Conference in New York. The IHRC has the mandate to bring together Haitian stakeholders and the international community in a process of strategic planning and coordination of recovery and post-earthquake development activities. The IHRC also contributes to the identification of needs and funding gaps and helps to establish investment priorities. The Bank will continue to be a fully invested in the IHRC and the HRF, and to work with Haitian authorities and donors on post-IHRC coordination mechanisms.
Recommendation 2.2. Make explicit in each operation, the commitments made with other agents of international cooperation for achieving the Millennium Development Goals (MDG).	**Full agreement**. All agencies working with Haiti have committed themselves to work towards the achievement of the MDG's. Operational coordination with other agencies will explicitly but also implicitly, bears this in mind. Following the guidelines established in the Development Effectiveness Framework, the Country Strategy has been designed to incorporate indicators that can be used to measure the Bank's contribution to the established targets and to the MDG.
Recommendation 3: Risks preventive approach Recognize the impact of recurring emergencies resulting from institutional and environmental vulnerabilities in Haiti.	
Recommendation 3.1: Strengthen risk analysis in each operation and include appropriate mitigation measures.	**Full agreement**. The CS 2011-2015 identifies sector specific risks as well as general risks and actions to mitigate them. Institutional risks will be addressed through specific institutional strengthening measures. Environmental vulnerabilities will be addressed through the agriculture sector operations (see par. 3.26 to 3.29 and specific sector note) with mitigation measures such as (i). Improving watershed infrastructure and watershed management; (ii). Promoting sustainable farming systems; and (iii). Improving natural disaster prevention systems. In addition, all operations designed and approved during the new CS period will follow the new Risk Module that has been added to the OPMAS system. This new module allows for better recording and monitoring of the risk information in SG operations.
Recommendation 4: Expanding the information base and knowledge Expand the Bank's country knowledge with continuing robust analysis.	

Recommendation 4.1: Propose a strategy to address current information deficits, including diagnosis, financial requirements, work schedule, and commitments from donors and the GOH.	**Full agreement**. The Bank's country strategy with Haiti calls for a comprehensive technical cooperation and knowledge creation program to be formulated with the investment program. Furthermore, over the CS period, each sector will identify activities within investment operations, to gather the information to assess the Bank impact. These activities will be coordinated with other donors and the GOH.
Specific Sector Recommendations: According to the opportunities and limitations described some challenges were identified in each of the priority sectors.	
Partial agreement. The specific recommendations were reviewed in detail with the sector specialists to incorporate those that were feasible and pertinent.	

ANNEX VII. Development Effectiveness Matrix (DEM)

COUNTRY STRATEGY: DEVELOPMENT EFFECTIVENESS MATRIX

In August 2008, the Board of Directors approved the Development Effectiveness Framework (GN-2489) to increase the evaluabiliy of all Bank development products.
The Development Effectiveness Matrix for Country Strategies (DEM-CS) is a checklist of the elements that are necessary to evaluate a country strategy. It is based on the evaluation criteria developed by the Evaluation Cooperation Group of the Multilateral Development Banks in the "Good Practice Standards for Country Strategy and Program Evaluation."

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Team Leader: Eduardo Almeida TLA: Cristina Pombo

STRATEGIC ALIGNMENT. Measures two dimensions: (i) the extent to which the objectives of the strategy are consistent with the country's development challenges and with the government's priorities and plans; and (ii) use of a mix of products (financial, knowledge, technical assistance) to attain the objectives, and identification of other cooperation agencies and their areas of action

Consistency of strategic objectives: *The strategy identifies the following areas of work: (i) education, (ii) private sector development; (iii) energy; (iv) water and sanitation; (v) agriculture; and (vi) transport. All areas selected for Bank intervention tackle key development challenges as identified in the "Strategic Alignment and Development Challenges in Haiti" (2011). These areas are also consistent with the government's priorities and result from the dialogue between the country and the Bank.*

Mix of products and participation by other donors: *The strategy proposes to use different Bank instruments such as sovereign-guaranteed operations, NSG operations, and technical-cooperation. The strategy reflects close coordination with other donors present in the country.*

EFFECTIVENESS: measures whether the country strategy is likely to achieve its intended objectives, through an examination of four dimensions: (i) the quality of the diagnostics on which Bank action is based in each area of work; (ii) the quality of the results matrix for the strategy; (iii) the use and build up of country systems; and (iv) the analysis of the lending framework.

Effectiveness dimensions	%
I. Sector diagnostics	
- Sector diagnostics (includes an analysis of the entire sector) - Diagnostic targeting the proposed areas of intervention	100
- Ildentifies the main problems based on empirical evidence	100
- Identifies the main beneficiaries	100
- Identifies and measures the factors that contribute to the problems identified	100
- Presents the policy framework and a sequence for Bank intervention	100
- The diagnostic corresponds to the objectives presented in the strategy	100
II. Results matrix	
- The expected outcomes are clearly defined	100
- The indicators are outcome indicators and are SMART	100
- The indicators have baselines	100

Six sector notes were presented to support the strategy; all are validated.

-100% of the notes clearly identify the main sector problems based on empirical evidence.
-100% of the notes identify the potential beneficiaries in each area of intervention.
-100% of the notes identify or measure the factors that contribute to the problems identified.
-100% of the notes identify the policy framework and a sequence for Bank actions.
-In 100% of the notes, there is consistency between the note and the proposed strategic objectives.

Results matrix*: The results matrix contains 15 strategic objectives for Bank action and 40 indicators to track progress.*

- 100% of the strategic objectives clearly identify expected outcomes.

- 100% of the indicators used are SMART.

- 100% of the indicators have baselines.

Country Systems*: all financial management and procurement sub-systems have been assessed. No use of Country Systems is foreseen during the Country Strategy period*

Lending framework*: the lending framework reflects the Bank's commitment to provide US$200M annually in the form of grant financing.*

RISKS. Measures three dimensions: (i) identification of factors that actually do or mightaffect attainment of the proposed objectives; (ii) definition of mitigation measures; and (iii) monitoring mechanisms.

The strategy identifies the risks associated with Bank participation in each of the strategic sectors and identifies mitigation measures. It also discusses more general risks that will be monitored during the country strategy period.