ove Office of Evaluation and Oversight

Corporate Evaluation

Evaluation of the Use of the IDB Grant Facility for Haiti's Reconstruction and Development: 2011-2020

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Preface

This report presents the results of the evaluation of the use of the IDB Grant Facility for Haiti's reconstruction and development conducted by the Office of Evaluation and Oversight in response to the request made by the Board of Executive Directors of IDB. Following the devastating earthquake that hit Haiti in January 2010, the international community came together with massive financial commitments to support the country's reconstruction and development. Among donors, the IDB stood out for its commitment to give Haiti US$2 billion in grants, distributed in installments of US$200 million a year, initially for 10 years, starting in January 2011. The IDB channeled this grant financing through its Grant Facility (GRF), which had been established in 2007[1] as a funding mechanism in the context of IDB's debt relief efforts under the Enhanced Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative. As such, the GRF is an account, a notional financing window for IDB projects that does not have separate management or governance arrangements. Following an amendment of the rules for transferring funds to the GRF to finance the IDB's program in Haiti in 2016, GRF resources are now available to Haiti until the US$2 billion amount is fully committed.

1 Document AB-2565 (May 2007). The GRF was created to "make grants appropriate for dealing with special circumstances arising in specific countries or with respect to specific projects under the terms and conditions as the Board of Executive Directors shall determine."

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Acronyms and Abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
AUG	Office of the Executive Auditor
CDC	Country Development Challenges document
CDH	Country Department for Haiti
CID	Country Department for Central America, Haiti, Mexico, Panama, and the Dominican Republic
COF	Country Office
CS	Country Strategy
DAC	Development Assistance Committee
DINEPA	National Directorate of Potable Water and Sanitation (Direction nationale de l'Eau Potable et de l'Assainissement)
EDH	Electricity of Haiti (Electricité d'Haiti)
E-HIPC	Enhanced Heavily Indebted Poor Countries Initiative
ESG	Environmental and Social Safeguards
EU	European Union
FAES	Fund for Economic and Social Assistance
FDI	Foreign Direct Investment
FSI	Fragile States Index
FSO	Fund for Special Operations
GDP	Gross Domestic Product
GRF	Grant Facility
HIPC	Heavily Indebted Poor Countries Initiative

HRF	Haiti Reconstruction Fund
ICAP	Institutional Capacity Assessment Platform
ICAS	Institutional Capacity Assessment System
IDB	Inter-American Development Bank
IDB-9	IDB's Ninth Capital Increase
IIC	Inter-American Investment Corporation (now IDB Invest)
IMF	International Monetary Fund
INL	Investment Loan
MARNDR	Ministry of Agriculture, Natural Resources, and Rural Development (Ministère de l'Agriculture des Ressources naturelles et du Développement rural)
MDBs	Multilateral Development Banks
MDRI	Multilateral Debt Relief Initiative
MEF	Ministry of Economy and Finance
MENFP	Ministry of National Education and Vocational Training (Ministère de l'Education Nationale et de la Formation Professionnelle)
MTPTC	Ministry of Public Works, Transports, and Communications (Ministère des Travaux publics, Transports, et Communications)
NGO	Nongovernmental Organization
NSG	Non-sovereign Guaranteed Loans
OC	Ordinary Capital
OECD	Organisation for Economic Co-operation and Development
OII	Office of Institutional Integrity
OREPA	Regional Office for Potable Water and Sanitation (Office régionale de l'Eau Potable et de l'Assainissement)
OVE	Office of Evaluation and Oversight
PACI	Institutional Capacity Analysis Platform
PBA	Performance-based Allocation System
PBL	Policy-based Loan
PBP	Programmatic Policy-based Loan
PCR	Project Completion Report
PIC	Caracol Industrial Park (Parc industriel de Caracol)
PSD	Private Sector Development
PTTA	Technology Transfer to Small Farmers Program (Projet de Transfert de Technologie aux Agriculteurs)
RN	National Road (Route Nationale)
RND	Environment, Rural Development, and Disaster Risk Management
SECI	Institutional Capacity Assessment System (Sistema de Evaluación de Capacidad Institucional)
SME	Small and Medium Enterprise
TC	Technical Cooperation
TVET	Technical and Vocational Education Training
UCE	Central Executing Unit
UTE	Technical Executing Unit (Unité Technique d'Exécution)
UN	United Nations
USAID	United States Agency for International Development
WSA	Water and Sanitation

Executive Summary

Haiti is considered to be one of the most fragile states in the world. The country is among the top 15 fragile states globally according to the Fragile States Index. Weak public institutions and governance, mass protests and riots, political instability, and high levels of perceived corruption are contributing factors to Haiti's fragility, exacerbated by its high exposure to climate change and recurrent natural disasters and its poor preparation to respond to them. The country is beset by widespread poverty and food insecurity, and while some gains have been made in the provision of basic services, they have been insufficient to positively impact most of its population.

The evaluation period was marked by the devastating impacts of the 2010 earthquake followed by a cholera epidemic, and the path toward recovery was impeded by Hurricane Sandy in 2012 and Hurricane Matthew in 2016. The earthquake that struck the country in January 2010 was the most destructive natural disaster ever experienced by any country when measured in terms of the number of people killed as a share of its total population. In October of the same year, a cholera epidemic broke out, claiming the lives of almost 10,000 people. Aggravating the humanitarian crisis, Hurricane Sandy passed just west of Haiti, destroying infrastructure, and leaving over 200,000 people homeless. Hurricane Matthew hit the country in 2016, leaving about 1.4 million people in need of assistance, up to 100% of crops and livestock lost in some areas, and a total estimated monetary damage of about US$2.9 billion, 33% of the gross domestic product (GDP) in 2015.

The political scenario, already marred by long-lasting instability, has taken a turn for the worse in recent years. Following the attempt to remove fuel price subsidies in 2018, the administration of President Moïse was marked by anti-government protests and violent riots. The situation ended in a period of country lockdown known as *peyi-lòk* (blocked country) that continued until the Covid pandemic hit in 2020. The failure to hold presidential and parliamentary elections in October 2019 resulted in the legislature's mandate expiring in January 2020 without a succeeding parliament, leading to political deadlock and to the president ruling by decree. Most recently, the assassination of President Moïse in July 2021 left a void that armed groups and gangs have exploited, especially in Port-au-Prince. A transition government is in place until general elections are called. Elections had originally been rescheduled for the end of 2021 and have now been postponed indefinitely.

In the aftermath of Haiti's earthquake, IDB's Board of Governors approved an unprecedented package of long-term financing to support the country, building on previous debt relief efforts. The decision was made as part of the IDB's Ninth General Capital Increase and involved transferring US$200 million per year from Ordinary Capital (OC) income to the GRF, earmarked for Haiti until 2020 and subject to the Governors' annual approval. The purpose of using GRF resources was broadly defined in terms of providing continued support for Haiti's reconstruction and development. The country strategies (CSs) with Haiti were expected to define the strategic objectives of the IDB's GRF-financed program. While the first half of the evaluation period (2011-2015) was characterized by high levels of external aid and a focus on reconstruction, the Bank's explicit goal to "build back better" rightly emphasized the need to work on the country's long-term development from the outset. In the second half, as donor aid dwindled and social unrest increased, the Bank kept a strong presence through its continued support to the same streams of work of the first half of the period. Three overarching strategic objectives emerge from the CSs over the 10-year period: (i) increasing productivity and private sector development, (ii) increasing access to and quality of basic services, and (iii) increasing government capacity to formulate and implement policies and deliver basic services.

This evaluation seeks to inform IDB's Board and management of what has been achieved with 10 years of GRF financing for Haiti and whether GRF financing was an effective approach to support the country's reconstruction and development. The evaluation covers 10 years of IDB activity in Haiti using GRF resources, from January 2011—the start of the IDB's formal commitment to transfer US$200 million per year to the GRF earmarked for Haiti—to December 31, 2020. To help frame the evaluation, OVE reconstructed the theory of change underlying the 2011–2020 IDB program. Given Haiti´s condition as a fragile state, OVE also adopted a fragility lens to guide the evaluation. To do so, and in the absence of an IDB Group formal approach for working in fragile states and contexts, OVE drew a set of generally accepted principles for engagement in fragile states from the literature and from the experience of other multilateral development banks (MDBs) to inform the evaluation.

OVE found no evidence that Haiti's overall absorptive capacity was considered in IDB's decision to commit US$2 billion to Haiti, which would have been particularly important given the country's fragility. OVE's document review and interviews with IDB staff and key donors indicate that the size and conditions of the IDB's US$2 billion financial package were not defined based on an assessment of Haiti's absorptive capacity nor were they part of a coordinated approach among donors. Rather, they were a statement of the IDB's long-term commitment to support Haiti in "building back better" after the earthquake. At the operational level, the Bank did not systematically assess the country's absorptive capacity either. In the one instance where OVE found evidence of such an assessment, the IDB overestimated Haiti's operational absorptive capacity and underestimated the impact of Haiti's drivers of fragility. During the second half of the evaluation period (2016–2020), the requirement to transfer US$200 million annually to the GRF to finance the IDB's program in Haiti was loosened but this was not enough to ensure the program was commensurate with the country's operational absorptive capacity. IDB sanctions for corrupt practices and findings by the Office of the Executive Auditor suggest that the overabundance of funds and the pressure to disburse them in a weak institutional context had negative consequences.

The IDB's earmarking of US$2 billion to be delivered to Haiti in US$200 million installments over 10 years created inordinate pressure to approve and disburse funds. Given that the overall and annual commitments were set without considering the country's limited absorptive capacity, the Bank ended up earmarking a fixed annual amount of GRF resources that exceeded the capacity of the country to put them to good use. In addition, by earmarking, the IDB effectively locked in the rules for the annual transfer of OC funds into the GRF and left no provision for introducing adjustments until the amendments the Board of Governors approved in 2016. The earmarking of funds left little room for performance measures to ensure effective and efficient program implementation, as such measures would have acted as obstacles to new approvals and disbursements. Indeed, OVE found no evidence that performance measures were considered at the strategic level during the evaluation period. At the operational level, the lack of performance measures is apparent in the approval of new operations in fast sequence regardless of how advanced existing operations were in various sectors (e.g., transport, education), straining executing agencies' capacities to implement while maintaining high standards of integrity.

Concerning the strategic approach, OVE found that while the Bank defined overarching strategic objectives that were relevant, the program was not adequately tailored to the country's fragility despite the growing body of international evidence from the Organisation for Economic Co-operation and Development (OECD) and other MDBs on the importance of defining a fragility-sensitive approach for engaging in fragile states and contexts. The IDB's three overarching strategic objectives were relevant in that they sought to address some of the country's most pressing development challenges identified in the IDB's country diagnoses. However, although IDB's country diagnoses identified drivers of Haiti's fragility, they fell short of fully assessing their potential impact on the Bank's program, and the IDB CSs gave little guidance on how to pursue the Bank's overarching strategic objectives in such a fragile context. This is most apparent in how the Bank assessed and managed risks at the program level. Risks associated with political instability, the security situation, the lack of legitimacy of government institutions, the concentration of economic and political power and the significant influence of vested interests in some key sectors of the economy were identified but considered outside of the Bank's sphere of action. As a result, despite the growing body of international evidence on the need to engage in fragile states using a fragility-sensitive approach, the Bank did not incorporate measures to manage these risks into its planning or operations, being unprepared for when those risks materialized. The Bank indicated its intention to monitor the risks deemed outside of its purview, though OVE found no evidence of any such monitoring having taken place nor of the GRF program having been adjusted as a result.

OVE analyzed the GRF program implemented between 2011–2020 and assessed how the Bank's intended approach fared in practice at the portfolio level. Approvals with GRF financing between 2011–2020 were three times the average annual approved amounts of the pre-earthquake period (2007–2009). The number of GRF and non-GRF operations approved during the evaluation period—46 GRF; 90 non-GRF technical cooperations; 52 Inter-American Investment Corporation/IDB Invest, IDB Lab, and IDB non-sovereign guaranteed (NSG) loans—added to an already large portfolio of 26 legacy operations facing persistent implementation problems. In the face of pressure to approve, preparation times were relatively short given the context, especially during the first half of the evaluation period. This led to 75% of GRF operations requiring extensions ranging from 3 to 81 months, with an average of 20 months. Preparation and execution costs slightly increased throughout the period. The problems most often reported by teams in the implementation of the GRF program were associated with Haiti's drivers of fragility, which the Bank was not well equipped to address. In addition, shortcomings in assessing contextual risks in project design, associated with relatively short preparation times, led to significant cost overruns in education, energy, and transport. The Bank sought to improve project implementation through different execution arrangements with limited success. The IDB often underestimated the interests surrounding execution arrangements that risked creating opportunities for corruption and prohibited practices. For its part, supervision of the GRF portfolio was not fully adapted to Haiti's fragile context for most of the evaluation period. Finally, measures of portfolio management to improve implementation of the GRF program were few despite warning signs and poor performance. No clear portfolio management strategy was in place during the first half of the period despite growing undisbursed balances, long execution times, allegations of corruption, and lack of compliance with environmental and social safeguards. In the second half of the evaluation period, portfolio management measures were mostly limited to actions affecting new approvals (e.g. working on project readiness for new operations and concentrating new approvals on fewer but larger operations) until 2019, when the Bank started applying some measures regarding cancellations and project extensions.

The IDB made extensive use of policy-based loans (PBLs) in the first part of the evaluation period. The use of PBLs helped increase the level of GRF disbursements in the years a new programmatic policy-based loan (PBP) series was launched but failed to lead to significant sector reform. Four series of PBPs were launched between 2011–2015 of which three were truncated and only one was completed. Each PBP series was originally foreseen to consist of three operations in the following sectors: energy, agriculture, transport, and water and sanitation (WSA). A total of US$153 million was disbursed through PBLs, representing 8.6% of total GRF financing approved during the evaluation period. Together, the PBP series had a high number of policy conditions at entry—148. Most of the conditions that could bring about long-lasting change were in the form of laws, included at a time when the relations between the executive and legislative branches were tense or when Parliament was suspended. Of the 12 PBLs originally envisaged, 8 were approved. Only the energy PBP series was completed; the others were truncated after the first (WSA) or second operation (transport and agriculture). Given the backloaded structure of the policy conditions, the fact that 3 of the 4 PBP series were truncated before completion meant that the intended reforms were not achieved. In energy, even though the series was completed, the result was similar in terms of sector reform as the second and third PBL operations of the series were approved with modified conditions that lowered their ambition. OVE's review found that each PBL approved was justified on the basis of a technical assessment of the problem, but key factors of fragility that had a direct impact on their results were not factored in their design. For example, there was no analysis of the political economy surrounding each sector reform that would have been important to gauge the strength of the political commitment and the capacity of the government to sustain such an ambitious agenda in the medium term.

The Bank also adopted special procurement rules for Haiti that helped with disbursements but that were unfit for Haiti's fiduciary context. The Bank issued Special Procurement Provisions that were used between 2010 and December 2016. Such practices as the use of direct contracting and the increase of procurement financial thresholds for the application of simplified procurement methods (shopping method) may have been necessary in Haiti to address the emergency at first. In the longer term, the simplified procedures—which also gave too much responsibility to team leaders and the thinly spread procurement specialists at a time when the pressure to disburse was strong—limited the rigor of the decision making and of the control and supervision of important procurement processes, creating opportunities for prohibited practices.

OVE found that the Bank's intended focus on infrastructure was clear in the implemented portfolio. However, in the haste to show results, some infrastructure projects in the first half of the evaluation period were implemented in ways that led to allegations of corrupt practices in various sectors and adverse impacts on surrounding communities like the Caracol Industrial Park (PIC), aggravating Haiti's fragility. The emphasis on institutional strengthening was subordinate to sectoral priorities. The IDB's efforts to build the capacity of the government tackled institutional strengthening needs from a mainly technical perspective with insufficient acknowledgment of the political interests and forces at play and of the entry points that could make change possible. The geographic focus, intended to bring development interventions to regions outside the capital city was a strong feature of IDB's program during the evaluation period. In some cases, however, the Bank moved forward before key infrastructure necessary for the project's success was secured, as in the case of the PIC. The Bank's attempt to strengthen country systems through components within GRF operations met limited success.

The Bank sought to strengthen its own capacities to better support Haiti by temporarily setting up the Country Department for Haiti (CDH) and strengthening its country presence. With the CDH, the Bank was able to accelerate disbursements, sending an important message to the government about the seriousness of its commitment, though it meant increased administrative and operating expenses for the IDB. In 2016, CDH was eliminated, and Haiti went back to the Country Department for Central America, Haiti, Mexico, Panama, and the Dominican Republic. In the field, the Bank has maintained a strong country presence throughout the period. The Haiti Country Office is one of the largest and had more than 100 people at one point. However, staff interviewed by OVE indicated that the current benefit structure does not provide sufficient incentives to attract and retain the staff required to work in a fragile context like Haiti.

Concerning donor coordination, the IDB was the second-largest donor in Haiti in disbursement terms over 2011–2020, after the United States, and the largest multilateral donor during the evaluation period. The IDB actively coordinated with other donors following the 2010 earthquake. After that, while at the strategic level there were several coordination forums in place, there was insufficient coordination on key issues such as analysis and related decision making on how much aid Haiti could absorb productively, political will and power relations within the government, the risk of aid shocks (too much too quickly right after the earthquake and then dwindling aid), and the risk of aid capture. At the sector level, there were examples of coordination in several sectors including in education and energy. Finally, the IDB mobilized important resources during the period (US$311 million), most from the Haiti Reconstruction Fund, followed by the Global Agriculture and Food Security Program Trust Fund.

At the operational level, OVE found that project design regularly missed factors of Haiti's fragility. In particular, factors related to insecurity, political instability, and social unrest were seldom identified and addressed in project design. This had major implications for the implementation of the portfolio, as projects were unable to "catch up" with these issues during execution. While support for better policies, institutions, and systems was an explicit objective of most interventions, critical aspects that make institutions effective and accountable and, by extension, the state legitimate in the eyes of the population were not adequately considered in GRF-financed operations.

Regarding effectiveness, overall results from the IDB's GRF program during 2011–2020 are modest. The results under the first overarching strategic objective of increasing productivity and private sector development included the following:

- In **transport**, the rehabilitation of the primary road system (routes nationales) led to reductions in transport costs and travel time savings, but only a third of the roads to be rehabilitated were completed. The cost of such rehabilitation was about three times higher than originally estimated. Emergency road rehabilitation following Hurracaines Sandy and Matthew reestablished connectivity in targeted areas. The road maintenance activities included in projects had not been implemented by end of 2020. The lack of adequate monitoring of road safety impeded the assessment of results. Finally, the port reform supported by the PBP series was not achieved as the series was truncated before completion.
- In **energy**, GRF-financed projects achieved the main objective of restoring electricity generation capacity and reducing transmission losses, though at significantly higher cost than originally planned and with considerable delays. The rehabilitation of the Péligre hydroelectric plant was completed. Issues of inefficiency and lack of transparency persist as the PBP series did not achieve necessary sector reforms.
- In **agriculture**, while agroforestry packages led to a significant increase in the value of production and income generation, other technological packages focused mainly on annual crops did not generate significant improvements. The Bank's support to land tenure had limited results on land titling and land management but generated important lessons.
- Operations that financed the **PIC** have contributed to job creation and private sector development in the northeastern part of the country, but at a high economic, social, and environmental cost. The Bank's work on **trade**, **financial markets**, and **small and medium enterprises** achieved modest results in promoting foreign direct investment and reducing barriers to access to finance.

The results under the second overarching strategic objective of increasing access to and provision of quality basic services included the following:

- The IDB's contribution to improving access to **WSA** services in the Port-au-Prince metropolitan area and intermediate cities was mixed on water and poor on sanitation.

- In **education**, results of Bank interventions to increase access and to improve the quality of education were limited, but the tuition waiver program promoted an increase in student enrollment, lower rates of grade repetition, and a decrease in the share of overage students. The number of schools either built or rebuilt reached 85 (64% of the initial target) at nearly twice the initial budgeted cost. The IDB intended to complement the infrastructure works with parallel investments in teacher training, equipment, and tuition waivers/subsidies, but interviews indicated that interventions were carried out in an ad hoc and fragmented way.

The results under the third overarching strategic objective of increasing government capacity to formulate and implement policies and deliver basic services included the following:

- Although the Bank deployed significant resources to strengthen the institutional capacity of the government of Haiti, the contribution to the strategic objective is negligible for the most part. Results from the desk review, complemented by interviews, did not identify significant and durable improvements in the capacities of government agencies targeted by the IDB for institutional strengthening. Discreet completed activities, such as the drafting of a bill of law, the review of a ministry's organizational structure, and the strengthening of an institution's procurement capacities, were insufficient to deliver the intended institutional transformation in IDB's priority sectors.

Finally, the sustainability of the results achieved all face important challenges. In transport, the lack of road maintenance threatens the results on road rehabilitation. In energy, the proper operation and maintenance of the investments in the Péligre plant are constrained by the lack of sector reform to tackle the weak institutional framework that has historically characterized the sector, the lack of clarity about the monopoly rights of Electricity of Haiti (EDH), and the lack of a regulatory agency overseeing EDH practices. In **agriculture**, while technology transfers to farmers contributed to building the capacity of suppliers of inputs, in the absence of a corresponding increase in demand, the effects on the supply may not be long lasting. In addition, the sustainability of the regularization of land tenure and of the strengthening of land administration services was greatly affected by the truncation of the PBP series. The sustainability of the **PIC** is highly dependent on the IDB's continued support and on its most important tenant. In **WSA**, key institutions such as the National Directorate of Potable Water and Sanitation (DINEPA), the Regional Offices for Potable Water and Sanitation, and qualified service operators depend almost entirely on international aid as operators' incomes are insufficient to cover operational costs and maintenance. In **education**, the ministry's limited regulatory and management capacity and low public investment put into question the sustainability of sector results.

Overall, this evaluation finds that the modest results achieved by the IDB with its GRF program are tied to the lack of a well-thought-out strategic and operational approach that considered the country's fragility and incorporated lessons learned from the early response and from the experience of other international partners in Haiti and in other fragile contexts. It started as a massive effort to support a country left on its knees by the ravages of recurring natural disasters and historical poor governance, recognizing that doing business as usual was not an option. But in the face of multiple challenges, lessons were not absorbed fast enough, overoptimistic assumptions were not revised despite a deteriorating context, and contextual risks were overlooked and not managed proactively. The IDB amended some of its policies and procedures, particularly on procurement, to accommodate Haiti's challenges, increase Bank flexibility, and ease the flow of disbursements. However, in the absence of a risk-management approach and supervision model suited to the Haitian context, such measures may have sent the wrong signals to IDB's counterparts, undermining the very reform dynamics IDB wanted to support. Moreover, the IDB made limited use of the existing body of knowledge, experience, and good practices of other development partners and MDBs working in fragile states. As a result, 10 years passed while the Bank kept trying different stopgap measures in reaction to the events rapidly unfolding in the country without effectively identifying entry points for change.

The findings of this evaluation show that fragility poses challenges to development in Haiti that need to be tackled purposefully. This requires a differentiated and fragility-sensitive approach focused on delivering high-quality projects and development results, rather than one focused on the quantity of financing delivered. Therefore, OVE recommends that IDB:

Recommendation 1: Ensure that the overall allocation of resources for Haiti is conditional on the country's absorptive capacity and performance by consistently applying the Debt Sustainability Framework and Performance-Based Allocation System (DSF/PBA framework) and making new approvals in each sector conditional upon meeting clear performance milestones in the execution of ongoing projects.

Recommendation 2: Adopt a fragility-sensitive and dynamic management approach for strategic planning and for all steps of the project cycle to ensure that the Bank adequately identifies and manages risks and learns from experience in real time. To that end: (i) make fragility risk assessments that incorporate the input of the Office of Institutional Integrity (OII) and continuous monitoring of fragility factors mandatory for the design and supervision of CSs and all operations in Haiti, and (ii) develop and apply guidelines to support such assessments and their monitoring by drawing on available international experience and good practices, including those of other MDBs.

Recommendation 3: Reinforce the focus on strengthening government capacities by developing and applying a conceptual framework for institutional strengthening interventions that outlines a theory of change with well-defined and realistic objectives, explicit assumptions, and a clear explanation of the different entry points and pathways for Bank interventions.

Recommendation 4: Strengthen portfolio management by ensuring that supervision of operations (fiduciary and nonfiduciary) is conducted based on a portfolio-wide assessment of risk and performance led by the Country Office (COF), making portfolio reviews with relevant government agencies at least twice a year mandatory and making project extensions conditional upon the portfolio meeting clearly established performance milestones.

Recommendation 5: Identify opportunities for using project execution arrangements that incorporate partners other than government agencies, learning from the experience of projects that are implemented through nongovernmental organizations (NGOs) and United Nations (UN) agencies in Haiti and in other fragile countries and contexts.

Recommendation 6: Incorporate specific measures in the Bank's human resources policies to ensure appropriate benefits and incentives to attract and retain the skillsets and experience required in fragile contexts such as Haiti.

01

Background and Context

A. Haiti's protracted fragility and the use of Grant Facility resources

1.1 Haiti is considered to be one of the most fragile states in the world. It is among the top 15 fragile states globally according to the Fragile States Index (FSI).[1] Drawing on the latest data available, half of the population was estimated to be living on less than US$3.20 a day and 23.8% on less than US$1.90 a day by 2012. Poverty disproportionately affects rural households since more than 80% of the extremely poor reside in rural areas. Haiti is also one of the most unequal countries in the world: about 20% of the national income goes to 1% of the population and nearly half of the national income goes to 10% of the population. This is linked to the concentration of resources within a small but powerful group of elites who dominate key industries and exclusive import licenses.[2] Close to a third of Haitians (3.7 million), 2.8 million of whom live in rural areas, faced severe or acute food insecurity and needed urgent food assistance in the last quarter of 2019. Almost a quarter of children under 5 years old are stunted and about half are anemic; only a quarter of children between 6 and 23 months old meet the minimum dietary diversity requirements. In addition, gender violence is a major problem, and there are high levels of discrimination based on sexual orientation and gender identity.[3]

1.2 The causes and manifestations of Haiti's fragility are economic, sociopolitical, and institutional but are also related to security and climate change. Periods of economic growth have generally been short lived and greatly affected by a climate of political and social instability, resulting in limited improvements in the living conditions of most Haitians. Civil unrest and violent protests have occurred regularly for the past two decades, revealing profound cracks in the social contract between a state struggling to perform key functions and provide basic services and a society where the majority of the population is beset by extreme

1 The FSI, developed by the Fund for Peace, is one of the most easily accessible and most used frameworks to assess a country's fragility since 2005. Commission on State Fragility, Growth and Development, LSE, Oxford, International Growth Centre.

2 Based on World Bank Development Indicators, poverty headcount ratio at US$3.20 and US$1.90 a day in 2011 purchasing power parity (percentage of population), latest data available from 2012 (World Bank, 2014). World Bank Group, *Poverty and Inclusion in Haiti: Social Gains at Timid Pace* (Washington, D.C., 2015); World Inequality Database (2018); International Monetary Fund (IMF), "Haiti: Selected Issues," *IMF Country Report No. 20/122 (April 2020); and BTI 2020 Country Report: Haiti.*

3 Based on Food and Agriculture Organization of the United Nations, "Haiti—Response Overview, January 2020" (2020); Food Security Information Network, 2020 *Global Report on Food Crises: Joint Analysis for Better Decisions* (2020); and Human Rights Watch, "Haiti: Events of 2019," *World Report 2020.* Note that Haiti imports about 60% of the food that it consumes, compared with about 19% in the 1980s decade. Thus, inflation is highly sensitive to international price shocks. Food and Agriculture Organization, "Food and Nutrition Security in Haiti," Issue Brief No.14 (February 2015).

poverty. Haiti has been consistently rated in the bottom 20% of countries in terms of government effectiveness, regulatory quality, rule of law, and control of corruption.[4] Vulnerability to climate change and natural disasters further exacerbates Haiti's fragility as the country ranks among the top three countries in the world most affected by the impacts of weather-related loss events in the 1999–2018 period.[5] Not only is Haiti highly exposed and sensitive to climate change, recurrent natural disasters, and health crises, it is also poorly prepared to respond to them from an economic, social, and governance perspective. Finally, the security situation, steadily deteriorating in recent years, impacts all aspects of the Haitian economy and society. The United Nations Stabilization Mission in Haiti was present for 13 years, charged with maintaining law and order. Since it left the country in 2017, gang activity and kidnappings have spiraled again in the face of limited government control, burdening the citizens with insecurity and the ever-present risk of social unrest. The confluence of these factors has severely hindered the country's ability to get on a path of sustainable development.[6]

1.3 The last decade was marked by the devastating effects of the 2010 earthquake and a cholera epidemic, and the path toward recovery was impeded by Hurricane Sandy in 2012 and Hurricane Matthew in 2016. The earthquake that struck the country in January 2010 left between 160,000 and 316,000 dead or missing, 300,000 injured, and 1.3 million homeless. It is considered the most destructive natural disaster ever experienced by any country.[7] In October of the same year, a cholera epidemic broke out, claiming the lives of almost 10,000 people. Aggravating the chronic humanitarian crisis, Hurricane Sandy passed just west of Haiti, destroying infrastructure and leaving over 200,000 people homeless. Hurricane Matthew hit the country in 2016, leaving about 1.4 million people in need

4 The Worldwide Governance Indicators produced by the Natural Resource Governance Institute and the Brookings Institution. Percentile ranks among countries range from 0 (lowest) to 100 (highest).

5 D. Eckstein et al., "Global Climate Risk Index 2020: Who Suffers Most from Extreme Weather Events? Weather-Related Loss Events in 2018 and 1999 to 2018," Briefing Paper (Germanwatch, December 2019).

6 For a chronology of major events and critical years since 2008, see Table II.1 in Annex II.

7 The earthquake had a magnitude of 7.3 on the Richter scale, the most powerful to hit the country in 200 years. Overall losses and damages were calculated at a lower-bound level of about 120% of Haiti's GDP of 2009. E. Cavallo, A. Powell, and O. Becerra, "Estimating the Direct Economic Damage of the Earthquake in Haiti," IDB Working Paper Series No. IDB-WP-163 (February 2010). There is no agreement on the final toll in terms of lives lost. A study by the University of Minnesota estimated 160,000 dead or missing, while in 2011 Haiti's Prime Minister asserted that the toll had reached 316,000. Athena R. Kolbe et al., "Mortality, Crime and Access to Basic Needs before and after the Haiti Earthquake: A Random Survey of Port-au-Prince Households," *Medicine, Conflict and Survival* 26, no. 4 (December 2010): 281–297, https://doi.org/10.1080/13623699.2010.535279.

of assistance, up to 100% of crops and livestock lost in some areas, and a total estimated monetary damage of about US$2.9 billion, 33% of GDP in 2015.[8]

1.4 Driven by reconstruction efforts, economic activity showed dynamism in the first years after the earthquake. However, economic growth slowed after 2015. Following a decline of 5.6% in 2010, Haiti's GDP growth rebounded to 5.1% in 2011 and averaged 2.3% between 2012 and 2014.[9] After 2015, the economic environment deteriorated and, as a result, annual GDP growth averaged 1.1% in the 2015–2019 period.[10] Domestic fiscal revenue was stable at 11.0% of GDP in recent years (but decreased to 8.0% in 2019), while external development assistance declined with no budget support in 2019 and delayed project loans.[11] The monetization of the deficit (which averaged 1.3% of GDP in 2018–2019) through increasing net Central Bank contributions led to a sharp devaluation of the gourde and a rise in import prices.[12] As a result, inflation, which had been rising since 2016 amid domestic food supply shortages, averaged 17.3% in 2019,[13] the highest since 2004. In addition, currency depreciation directly affected the gross public debt, which amounted to 26.0% of GDP in 2019, the maximum of the period after debt relief from the Heavily Indebted Poor Countries Initiative (HIPC) and Multilateral Debt Relief Initiative (MDRI). Finally, the persistence of a deteriorated environment and the Covid pandemic led to a decline of 3.3% of GDP in 2020, with inflation reaching 23.0% and the fiscal deficit widening to 2.2% of GDP.[14]

1.5 The few gains in the provision of basic services have been insufficient to positively impact the well-being of the vast majority of the country's population of 11.4 million.[15] Despite some improvements, over 34% of Haitians still lacked access

8 Food and Agriculture Organization, 2016 Post-Disaster Needs Assessment and Haiti Emergency Response Plan (March–May 2019).

9 IMF, World Economic Outlook data (October 2021).

10 World Bank Development Indicators (GDP growth rate at market prices based on constant local currency, annual percentage).

11 Economic Intelligence Unit, *Haiti Country Report*, 1st Quarter (The Economist, 2020), 13. Under the PetroCaribe agreement Haiti signed with Venezuela in 2007, Venezuela supplied fuel to Haiti with concessional financing for a portion of the imports. The Haitian government was to use the proceeds from domestic fuel sales to finance the investments and social programs of its choice without conditions attached. The cutback of PetroCaribe's support due to Venezuela's economic crisis and the end of this arrangement in 2018 forced the government to close its financial gaps through the Central Bank.

12 The gourde depreciated 62% against the U.S. dollar between December 2015 and December 2019 (Bank of the Republic of Haiti).

13 IMF, World Economic Outlook database. The annual average inflation between 2011 and 2015 was 6.5%, compared with 14.6% between 2016 and 2019.

14 IMF, World Economic Outlook data (October 2021).

15 World Population Prospects 2019, custom data via website (United Nations Department of Economic and Social Affairs, Population Division, 2019).

to clean drinking water and 65% to sanitation services in 2017, making cholera a continuous public health concern. Literacy rates have registered progress, reaching 83.4% and 82.6% in 2016 among male and female youth (15–24 years old), respectively, compared to 74.4% and 70.5% in 2006.[16] Enrollment in primary school has improved over the last two decades, from 50%–60%[17] in the early 2000s to about 84% in 2016–2017, but dropout is high and the completion rate is 54%.[18] Given that four out of five primary schools are not public, attendance remains out of reach for many families, especially those living in rural areas.[19] Finally, as suggested by the Universal Health Coverage Service Coverage Index,[20] Haiti faces difficulties in coverage of essential health services, with a score of 49 (on a scale of 0–100) in 2017, far below the Latin America and Caribbean average of 79.

1.6 The political scenario, already marred by long-lasting instability, has taken a turn for the worse in recent years. Following the attempt to remove fuel price subsidies in 2018, the administration of President Moïse—who took office in 2017—was marked by anti-government protests and violent riots. Mass demonstrations calling for the president's resignation grew in 2019 amid popular discontent over high inflation levels and allegations of mismanagement of public funds associated with PetroCaribe's support. The situation ended in a period of country lockdown known as *peyi-lòk* that continued until the Covid pandemic hit in 2020. The failure to hold presidential and parliamentary elections in October 2019 resulted in the legislature's mandate expiring in January 2020 without a succeeding parliament, leading to political deadlock and to the president ruling by decree. Most recently, the assassination of President Moïse in July 2021 left a power vacuum that gangs and armed groups have exploited. A transition government is in place until elections are called. Elections were originally rescheduled for the end of 2021 and have now been postponed indefinitely.

16 Based on the World Bank's World Development Indicators (literacy rate as percentage of males/females 15–24 years old).

17 M. A. Adelman and P. A. Holland, "Increasing Access by Waiving Tuition," Policy Research Working Paper 7175 (The World Bank, 2015).

18 Based on data from the UNICEF data warehouse.

19 The World Bank, "Improving Access to Education for the Poor in Haiti," (World Bank website, April 11, 2017).

20 Daniel R. Hogan et al., "Monitoring Universal Health Coverage within the Sustainable Development Goals: Development and Baseline Data for an Index of Essential Health Services," *Lancet Global Health* 6, no. 2 (February 2018).

B. Evaluation objective, scope, portfolio, and evaluation questions

1.7 In the aftermath of the 2010 earthquake, the Board of Governors approved an unprecedented package of long-term financial measures to support Haiti, building on previous debt relief efforts.[21] As part of the IDB's Ninth Capital Increase agreement (IDB-9), the Board of Governors decided to forgive all of Haiti's debt up to December 31, 2010 (US$479 million); convert all undisbursed loan balances of loans financed by the Fund for Special Operations (FSO) into grants (US$144 million); and extend and transfer to the Grant Facility (GRF) US$200 million per year of Ordinary Capital (OC) income for Haiti for the next 10 years starting in January 2011 and subject to annual approval of the Board of Governors. Guiding the IDB's commitment was the general goal to "support Haiti's reconstruction and development."[22]

1.8 This evaluation seeks to inform the IDB Board and IDB management of what has been achieved with 10 years of GRF financing for Haiti and whether GRF financing was an effective approach to support the country's reconstruction and development. The evaluation covers 10 years of IDB activity in Haiti using GRF resources, from January 2011—the start of the IDB's formal commitment to transfer US$200 million per year to the GRF earmarked for Haiti—to December 31, 2020.

1.9 The overarching question the evaluation seeks to answer is to what extent 10 years of GRF financing has been effective in supporting Haiti's reconstruction and development. To answer this question, the Office of Evaluation and Oversight (OVE) developed a series of specific questions aimed at guiding the evaluation:

a. Has the GRF approach of earmarking a set amount of grant financing over 10 years been adequate to support Haiti's reconstruction and development?

b. How well was the design of the GRF-financed program tailored to address Haiti's key development challenges given the country's fragile situation?

c. Was the GRF-financed program implemented considering the country's fragile situation?

21 See Box II.1. in Annex II for a brief description of the Enhanced Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative and Box II.2 in Annex II for the details of the IDB's debt relief efforts for Haiti, including the establishment of the IDB Grant Facility.

22 Report of the Ninth General Capital Increase in the Resources of the Inter-American Development Bank, document AB-2764 (May 2010).

d. To what extent have non-GRF activities complemented and supported the GRF-financed program?

e. To what extent has the GRF portfolio contributed to Haiti's increased productivity and private sector development, increased access to and quality of basic services, and increased government capacity for policy formulation and implementation and service delivery? What factors hindered or favored the achievement of results?

f. How sustainable are the results achieved with the GRF-financed program?

g. How effective was IDB's participation in donor coordination?

1.10 OVE used a combination of complementary methods to conduct this evaluation. These included the analysis of portfolio data, document review, literature review, desk review of GRF-financed projects, analysis of selected non-GRF-financed activities, and interviews with IDB staff and management, executing agencies and other government counterparts, and other international development partners. OVE did not conduct any field-based review of individual projects given Covid-related travel restrictions. Annex III presents the evaluation matrix with the detailed subquestions that guided the evaluation (see Table III.2 in Annex III) together with the methods used to address them.

1.11 The evaluation portfolio included all operations fully or partially financed by the GRF that IDB approved between January 2011—when the use of GRF financing began under the conditions established by the IDB-9 replenishment—and December 2020. IDB approved a total of 46 GRF operations during the evaluation period for a total of US$1.8 billion. In addition to the evaluation portfolio, OVE reviewed 7 GRF investment operations approved and active by the end of 2010 because of their importance in understanding the Bank's engagement at the sector level and/or the Bank's work on institutional strengthening and for the assessment of results. OVE also reviewed the 90 technical cooperation (TC) operations approved during the evaluation period and selected 38 that were complementary to the GRF portfolio in the area of institutional strengthening for an in-depth review (see Annex III). The evaluation portfolio did not include operations financed through private windows of the IDB Group as they were not financed with GRF resources.

1.12 This report is structured in six chapters. Chapter II presents the conceptual framework OVE used to assess IDB's GRF-financed engagement in Haiti between 2011 and 2020 using a fragility lens. Chapter III examines whether the IDB considered Haiti's absorptive capacity in the definition and implementation of its

GRF support and examines the types of incentives the IDB put in place for the effective and efficient implementation of its program. Chapter IV reviews the IDB's strategic approach for engaging with Haiti during the evaluation period, including an analysis of the relevance of the IDB's overarching strategic objectives contrasted with the actual program implemented. Chapter V assesses the operations in the evaluation portfolio, considering the dimensions of relevance, effectiveness, and sustainability. Chapter VI offers conclusions and presents recommendations to the IDB to guide its future engagement with Haiti.

02

Conceptual Framework

A. Overarching strategic objectives the IDB set out to achieve

2.1 Three overarching strategic objectives emerge from the analysis of the country strategies (CSs) in place during the 2011–2020 evaluation period.[23] While the first half of the evaluation period (2011-2015) was characterized by high levels of external aid and a focus on reconstruction, the Bank's explicit goal to "build back better" rightly emphasized the need to work on the country's long term development from the outset. In the second half, as donor aid dwindled and social unrest increased, the Bank kept a strong presence through its continued support to the same streams of work of the first half of the period: economic recovery, human development and access to basic services, and strengthening government capacities. Three overarching strategic objectives emerge from the CSs over the 10-year period: (i) increasing productivity and private sector development, (ii) increasing access to and quality of basic services, and (iii) increasing government capacity to formulate and implement policies and deliver basic services. These overarching strategic objectives (see Table 2.1) show the continuity of the Bank's program, albeit with some changes in emphasis. For example, while strengthening government capacities across sectors was among the strategic objectives in the 2007–2011 CS, the post-earthquake update and subsequent CS (2011–2015) narrowed its scope to strengthening specific line agencies in charge of IDB operations: the Ministry of Public Works, Transports, and Communications (MTPTC); the Ministry of National Education and Vocational Training (MENFP); and the National Directorate of Potable Water and Sanitation (DINEPA). Later, the 2017–2021 CS further narrowed the scope to strengthening government capacities to increase fiscal sustainability. To achieve the overarching strategic objectives, the Bank defined six priority areas of intervention, present throughout the period: water and sanitation (WSA), education, agriculture, transport, energy, and private sector development.

Table 2.1. IDB's overarching strategic objectives for the period 2011–2020

Streams of Bank engagement in Haiti	Overarching strategic objectives
Economic recovery	Increase productivity and private sector development
Human development & access to basic services	Increase access to and quality of basic services
Strengthening of government capacities	Increase government capacity to formulate and implement policies and to deliver basic services

Source: OVE, based on country strategies 2007–2011, 2011–2015, 2017–2021 and their respective updates and extensions.

23 There were three CSs in place during the evaluation period: CS 2007–2011, updated in mid-2010 following the 2010 earthquake; CS 2011–2015, which was extended until the current CS for 2017–2021 was approved. Table II.6 in Annex II presents the strategic objectives of the three CSs.

B. A fragility framework for a fragile country

2.2 The IDB does not have a specific approach for working with fragile countries and contexts, in contrast to several multilateral development banks (MDBs) that have developed fragility frameworks to guide their engagement in these situations. Most MDB approaches are based on the Fragile States Principles issued by the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) in 2005 and on the New Deal for Engagement in Fragile States of 2011 (see Box 2.1). The World Bank Group adopted a new Strategy for Fragility, Conflict, and Violence in 2020,[24] building on the experience gathered from its work in these settings since 2001, when it adopted its first operational policy to engage in fragile contexts.[25] The strategy was developed on the premise that operating in these settings requires a differentiated approach and cannot be business as usual.[26] The Asian Development Bank (ADB) has had its Operational Plan for Enhancing ADB's Effectiveness in Fragile and Conflict-Affected Situations since 2013. ADB's plan is based on a differentiated approach tailored to the specific problems and circumstances of fragility and conflict-afflicted situations as "they present political, social, economic, and environmental challenges that, if ignored, can jeopardize the achievement of development results."[27] In addition, in 2021 the ADB approved a Fragile and Conflict-Affected Situations and Small Island Developing States Approach 2021-2025. Finally, the African Development Bank (AfDB) Group adopted a strategy for enhanced engagement in fragile states in 2008, then the Strategy for Addressing Fragility and Building Resilience in Africa 2014–2019 that sought to enable the institution to meet its commitments under the New Deal.[28] The latter was updated in 2022 for 2022–2026.

24 World Bank Group, World Bank Group Strategy for Fragility, Conflict and Violence 2020–2025 (2020).

25 World Bank Operational Policy "Development and Conflict" OP2.30, 2001, updated in 2014.

26 The Strategy for Fragility, Conflict and Violence states that interventions in fragile contexts cannot be business as usual "because of often rapidly changing circumstances, differing levels of insecurity, fragile and volatile political situations, macroeconomic instability, low institutional capacity, a weak enabling and investment climate for the private sector, higher risks of violence against vulnerable populations, and overall significantly higher risks." *World Bank Group Strategy for Fragility, Conflict and Violence,* ix.

27 ADB, *Operational Plan for Enhancing ADB'S Effectiveness in Fragile and Conflict-Affected Situations* (2013).

28 AfDB, *African Development Bank Group Strategy for Addressing Fragility and Building Resilience in Africa 2014–2019* (2014).

Box 2.1. Origins of the principles for engaging in fragile countries and contexts

In 2005, the OECD-DAC proposed principles to guide development interventions in countries "where the state lacks either the will or the capacity to engage productively with their citizens to ensure security, safeguard human rights and provide the basic functions for development." The draft OECD Fragile States Principles were piloted in 9 countries, including Haiti, and endorsed in 2007 by 29 donor countries, the European Union, and various MDBs, including the IDB.[a] They aimed to complement the commitments set out in the 2005 Paris Declaration on Aid Effectiveness, which recognized that principles of aid effectiveness were equally valid in fragile states but needed to be adapted to "environments of weak ownership and capacity and to immediate needs for basic service delivery."

Building on the Fragile States Principles, the New Deal for Engagement in Fragile States was signed in 2011 by a group of 40 countries including both donors and fragile states (including Haiti). The New Deal emphasized peacebuilding (social cohesion) and state building as central objectives to achieve meaningful and sustainable results, and it proposed new ways of working to support inclusive, country-led transitions out of fragility, including analytical work (assessments of the causes and features of fragility) and strong partnerships to achieve better development results.[b]

Source: OVE, based on Fragile States: Policy Commitment and Principles for Good International Engagement in Fragile States and Situations, DAC High Level Meeting, April 3–4, 2007, OECD/DAC (2007) and the Paris Declaration on Aid Effectiveness (2005).

Notes: [a] The IDB committed to "support and reinforce" the OECD-DAC principles of good engagement in fragile situations together with the AfDB, the ADB, the European Bank for Reconstruction and Development, the IMF, the Islamic Development Bank, and the World Bank. [b] In 2016, members of the International Dialogue on Peacebuilding and State Building—who originally proposed the New Deal—renewed their commitment to the New Deal principles with the adoption of the Stockholm Declaration on Addressing Fragility and Building Peace in a Changing World at the Fifth Global Meeting in Stockholm, April 5, 2016.

2.3 Given Haiti's condition as a fragile state, OVE used a fragility lens to guide the evaluation (see Box 2.2). In the absence of a formal IDB strategy for working in fragile states and contexts, OVE drew from the literature a set of generally accepted principles for engagement in fragile states to help inform the evaluation. OVE's list is anchored in the OECD Fragile States Principles endorsed by the IDB, complemented by a literature review on the different approaches and experiences of international partners working in fragile states (see Annex IV: Fragility Background Note). They have been adapted to fit the IDB's work. Table 2.2 includes eight principles used by OVE for the evaluation, and explains how each is critical to managing risks and enhancing development results in fragile states such as Haiti.

Box 2.2. What is fragility?

Though there are many definitions of what fragility means and encompasses, most bilateral donors and multilateral institutions generally agree that fragility poses challenges to development that need to be tackled purposefully to manage risks and achieve sustainable and equitable development. For the purpose of this evaluation, OVE uses the OECD's definition of fragility as "a combination of exposure to risk and insufficient coping capacity of the state, system, and/or communities to manage, absorb or mitigate those risks.[a]" Under this definition, a state's weak capacity is insufficient to determine fragility. Instead, fragility is the result of the combination of risks on one hand (internal or external hazards, threats, and vulnerabilities) and coping capacities of the state and society on the other (mechanisms to absorb, withstand, and prevent shocks). Fragility is usually multidimensional (economic, environmental, political, security related, and societal) and these dimensions interact, creating vicious circles that need to be understood in order to find entry points.

Source: OVE, based on OECD Principles for Engaging in Fragile States. Notes: [a] A. Abel et al., "The OECD Fragility Framework," in *States of Fragility 2016: Understanding Violence* (Paris: OECD Publishing, 2016), https://doi.org/10.1787/9789264267213-7-en.

Table 2.2. Fragility-related principles and their application

Fragility principles	Application in fragile situations
1. Take the context as the starting point	This principle calls for identifying (i) the causes of fragility that may jeopardize achieving development results both within and outside the scope of the project, recognizing the links between political, security, and development objectives; and (ii) the factors of resilience, entry points for breaking vicious circles, and possible coalitions of actors that could maximize project results.
2. Do no harm	This principle calls for (i) conducting conflict and governance analysis during project design to avoid creating or reinforcing divisions in society and/or corruption and abuse inadvertently; (ii) incorporating appropriate safeguards in project design; and (iii) anticipating and proactively managing fiduciary and reputational risks.
3. Align with local priorities	This principle calls for considering the power relations within government, making a specific effort to engage with line and/or technical ministries, with local authorities, and with civil society or directly with communities (as the context may call for) when alignment with government-led strategies is not possible. It also calls for avoiding activities that could undermine national institution building.
4. Focus on state building as a key objective	This principle calls for focusing on strengthening key state functions (provision of law and order, basic social services, macroeconomic stability) and country systems to avoid undermining state capacity and legitimacy, ensure the sustainability of development projects, and promote ownership and accountability to citizens.
5. Prioritize prevention	This principle calls for incorporating support for early warning systems and early response mechanisms whenever possible (as in "an ounce of prevention is worth a pound of cure"), especially in contexts that are vulnerable to chronic natural disasters and public health crises.
6. Promote nondiscrimination and inclusion	This principle calls for consistently promoting gender equality and social inclusion and involving women, youth, minorities, and other excluded groups in service delivery. It also has a geographic angle, calling for engagement in areas outside the capital city and in areas where there might be logistical or security challenges and weaker human and institutional capacity, which takes a special effort but is important to ensure inclusion and make a difference where it is most needed.

7. Act fast, stay engaged	This principle calls for flexibility to respond to changing circumstances on the ground with agility but keeping a long-term view of engagement with the country. Stop-and-go, or premature disengagement, can cause aid shocks detrimental to country systems and can destroy relationships that took time to build, making reengagement costly for both sides. It also calls for seeking opportunities to generate results soon as a way to generate buy-in and credibility.
8. Promote coordinated responses between international actors	This principle calls for development partners to agree on practical coordination mechanisms to avoid burdening recipient countries and to ensure coherent support.

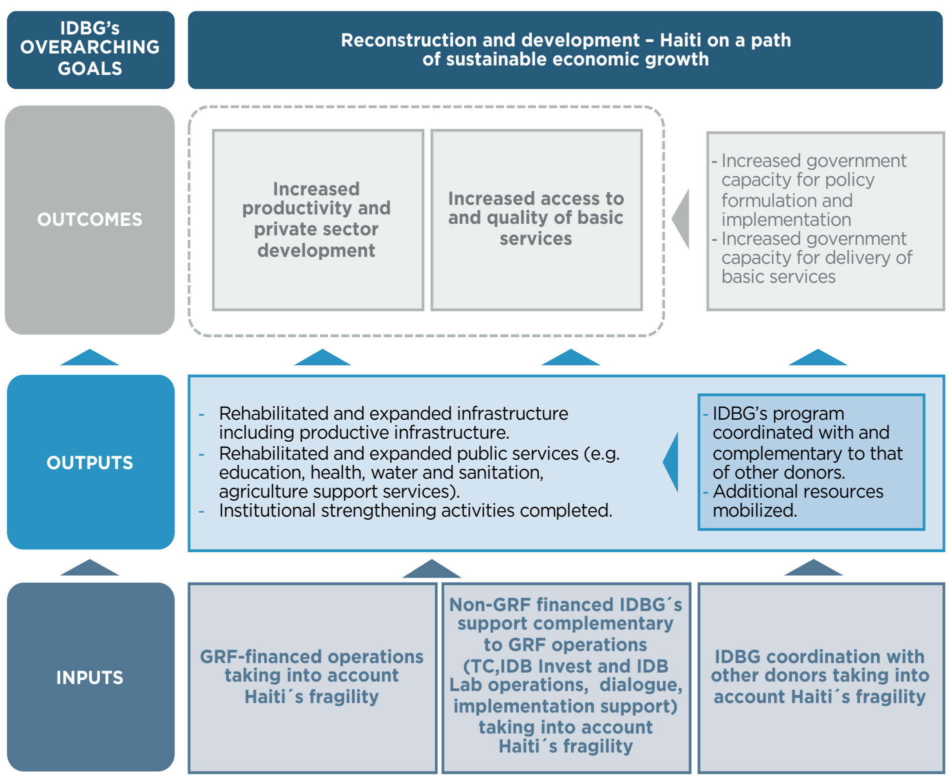
Source: OVE, based on OECD-DAC "Principles for Good International Engagement in Fragile States and Situations," the Paris Declaration on Aid Effectiveness, and the New Deal for Engagement in Fragile States.

2.4 In addition, based on the CSs in place during the evaluation period, OVE reconstructed the theory of change underlying the program implemented by the IDB between 2011 and 2020 to frame the evaluation. Figure 2.1 shows how the program implemented between 2011 and 2020 (inputs) was linked to the IDB Group's overarching strategic objectives for Haiti (outcomes) derived from the CSs in place during the evaluation period. The principles for engaging in fragile states presented in Table 2.2 are incorporated into this theory of change at the input level.

Figure 2.1

Reconstructed theory of change for IDB's 2011–2020 program and application of fragility principles

Source: OVE, based on CSs 2007–2011, 2011–2015, 2017–2021 and their respective updates and extensions.



03

Use of the GFR for Haiti's Reconstruction and Development

3.1 This chapter examines how adequate the IDB's approach of earmarking a set amount of grant financing for 10 years through the GRF to support Haiti's reconstruction and development was in view of the country's absorptive capacity, and whether it provided Haiti with incentives to implement the Bank's program effectively and efficiently. The chapter is organized in two sections. The first section looks at the importance of considering Haiti's absorptive capacity given the country's fragility and whether and how absorptive capacity was a consideration in the definition and implementation of the IDB's financial commitments to Haiti. The second section discusses the role of incentives when earmarking resources in fragile countries; it then examines the types of incentives the Bank put in place during the evaluation period to promote effective and efficient program implementation.

A. IDB-9 commitments and Haiti's absorptive capacity

3.2 OVE found no evidence that Haiti's overall absorptive capacity was considered in IDB's decision to commit US$2 billion to Haiti, which would have been particularly important given the country's fragility. Absorptive capacity refers to a country's ability to use resources productively. As empirical evidence has shown,[29] foreign aid has an incremental effect on economic growth up to a certain threshold or tipping point; past that tipping point, aid's marginal returns diminish. In other words, when foreign aid is above a country's absorptive capacity, resources are wasted and foreign aid is unproductive or even harmful.[30] Considering Haiti's absorptive capacity in a meaningful way would have required careful assessment, in close coordination with other major donors, of how much the country could effectively put to use at a given point in time given institutional and other fragility-related constraints. OVE's document review and interviews with IDB staff and key donors indicate that the size and conditions of IDB's US$ 2 billion financial package were not defined on the basis of an assessment of Haiti's absorptive capacity nor were they part of a coordinated approach among donors, but were rather a statement of the IDB's long-term commitment to support Haiti in "building back better" after the earthquake in the hopes of changing the course of the country's development path.

29 See, for example, S. Feeny and A. de Silva, "Measuring Absorptive Capacity Constraints to Foreign Aid," *Economic Modelling* 29, no. 3 (2012): 725–733.

30 Diminishing or negative returns to aid can materialize in several ways and are context specific. For example, an excess of aid inflows can (i) cause a real exchange appreciation and undermine exports competitiveness; (ii) undermine local institutions by drawing away talented staff; (iii) undermine government practices and accounting practices by keeping large amounts of financing off the budget. See M. Clemens and S. Radelet, "The Millennium Challenge Account: How Much Is Too Much, How Long Is Long Enough?" Center for Global Development Working Paper 23 (February 2003).

3.3 At the operational level, the Bank did not systematically assess the country's absorptive capacity either. In the one instance OVE found evidence of such assessment, the IDB overestimated Haiti's operational absorptive capacity. Operational absorptive capacity refers to the government's ability to execute development projects as planned. A lag between approvals and disbursements that leads to significant accumulated undisbursed balances is typically a sign that the country's execution capacity or operational absorptive capacity has been exceeded. The only instance where the IDB appears to have analyzed Haiti's execution capacity was in the CS 2011–2015, as an input to defining the Bank's program. The IDB estimated that the country's execution capacity supported a disbursement goal of US$230 million per year, starting in 2012 and until 2015. Moreover, the IDB estimated that disbursements would outpace approvals by 2012 and undisbursed portfolio balances would peak at US$450 million by the end of 2011 before starting to decrease steadily thereafter as a result of a series of measures the Bank would undertake, including the design of "projects to execute in 4.5 years."[31] As shown in Figure 3.1, however, the IDB's assessment of Haiti's execution capacity was greatly overestimated. During the first half of the evaluation period (2011–2015), when transfers of US$200 million per year to the GRF were mandatory, disbursements picked up the pace in part due to the efforts of the newly created Haiti Country Department and the strengthened Country Office (COF). As a result, the Bank managed to match annual approvals with the flow of annual disbursements in 2013 and 2014 and disbursements surpassed approvals in 2015, though they never reached the goal of US$230 million a year. Despite such improvement, undisbursed balances, which accounted for approximately US$300 million at the beginning of 2011, kept an upward trend, hitting a peak at US$555 million in 2015.

3.4 During the second half of the evaluation period (2016–2020), the requirement to transfer US$200 million annually to the GRF to finance IDB's program in Haiti was loosened but this was not enough to ensure the program was commensurate with the country's operational absorptive capacity. The IDB had transferred a total of US$1 billion to the GRF to finance Haiti's program by 2015. The large undisbursed balances that had accumulated in the GRF (US$555 million) locked away unused capital that the Bank needed to strengthen its capital position amid a

31 Annex IV of the CS 2011–2015 (document GN-2646) presented the results of IDB's execution capacity analysis, although the methodology for calculation was not included. Based on the level of disbursement of 2010 (a record US$177 million), disbursements were expected to reach US$131 million in 2011 and be sustained at US$230 million thereafter. Disbursements had averaged US$55 million between 2004 and 2006, and US$124 between 2007 and 2009. The IDB was to undertake the following measures to improve disbursements: (i) sector focus; (ii) capacity building of executing agencies; (iii) country office strengthening; and (iv) special procurement provisions.

volatile economic and financial environment. To avoid further accumulation of unused resources in the GRF and to reduce and spread out the financial cost of the Bank's commitment to Haiti, in 2016, the IDB replaced the fixed requirement to make annual transfers of US$200 million of OC into the GRF with the more flexible rule to make OC transfers to the GRF only in the amounts necessary to cover the annual disbursement needs of the Bank's program in Haiti.[32] However, the new rule had little impact on undisbursed balances. In 2016, the Bank approved only one emergency operation—in response to Hurricane Matthew but disbursements began to slow down (see Figure 3.1, left) impacted by the growing political instability and social unrest. In a context of increased turmoil, in 2018, the Bank approved US$423.5 million in GRF operations, more than double the amount approved in any previous year of the period. Undisbursed balances jumped to their highest levels in the decade, reaching US$800 million in 2019, indicating that the country's capacity to execute the inflow of GRF funds not only had been exceeded but was getting worse, impacted by the high approvals in 2018 and the unraveling of the Haitian state. The Bank's analysis focused on the technical aspects of the country's capacity to execute but underestimated the impact that factors of fragility—such as the ever-deeper cracks in the social contract, increased insecurity and corruption, the polarization of the political discourse, and the political interests affecting the economy and society—could have on Haiti's ability to efficiently and effectively execute the Bank's program and absorb the flow of GRF resources.

3.5 The trajectory of undisbursed balances relative to GDP, a measure of portfolio performance used by the IDB under the concessional lending framework, also shows that the Bank overestimated the operational absorptive capacity of the country. Undisbursed balances (ULB) relative to GDP is a measure of portfolio performance used by the IDB to allocate concessional lending under the debt sustainability framework and the performance-based allocation system.[33] The rationale behind this indicator is

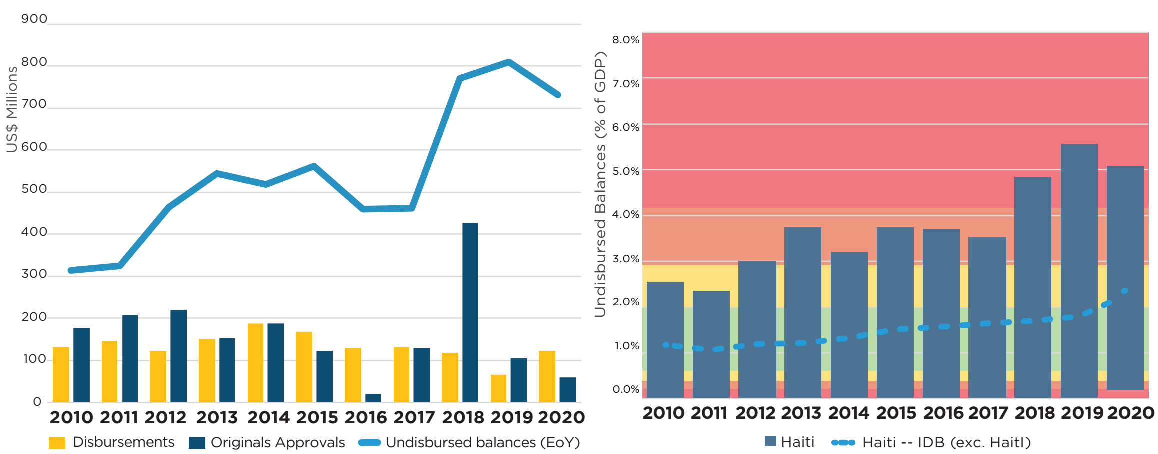
32 IDB, document CA-562 and resolution AG 5/16.

33 The IDB applied a performance-based system (PBA) to allocate concessional resources to eligible countries including Haiti, from 2002-2006. In 2007, the IDB adopted the Low-Income Country Debt Sustainability Framework (LIC DSF), jointly developed by the World Bank and the IMF, and approved the DSF/PBA framework (document GN-2442). In essence, the DSF/PBA framework combined the risk of debt distress (DSF) with portfolio performance and policy and institutional quality criteria (PBA) to define the volume and levels of concessional lending (See Box II.3, Annex II for further details). The DSF/PBA was approved as an integrated framework where countries subject to the DSF were expected to also be part of the PBA system. However, even though Haiti became subject to the DSF in 2007 --like Bolivia, Guyana, Honduras, and Nicaragua-- leading to the recommendation that Haiti should receive 100% of its allocation in the form of grants, Haiti was the only country removed from the PBA system as the amount of the country's allocations changed from being determined by the PBA system to be determined by fiat decisions. This situation lasted from 2007 until 2010, when the IDB committed US$2 billion dollars for 10 years to be channeled through the GRF.

that large and growing ULBs with respect to GDP suggest that allocations are too large relative to the country's absorptive capacity.[34] The IDB presents this indicator with the use of color zones that indicate where a country's values are relative to the entire distribution of annual ULB to GDP observations for all 26 borrowing member countries (see Figure 3.1, *right*, and explanatory note). The results show that ULBs relative to GDP for Haiti were never in the "ideal" green zone, kept growing during the evaluation period indicating reduced operational absorptive capacity, and in the last three years were in the red zone, reaffirming the conclusion that GRF approval levels for Haiti were too high relative to disbursements and to the absorptive capacity of the country during the evaluation period.

Figure 3.1

GRF investment operations—approvals, disbursements, and undisbursed balances in US$ million (left) and undisbursed balances as a percentage of GDP (right)



Source: OVE, based on IDB enterprise data warehouse, International Monetary Fund World Economic Outlook database (October 2021) for GDP current dollars, document GN-2442-72, and interviews with the Vice President for Countries.
Note: In the figure on the right, the Bank's methodology defines the "ideal" zone (green zone) as a central zone with ULB to GDP between 0.67% (30th percentile) and 2.05% (70th percentile). When ULB to GDP is above 2.05% but below 2.90% Note: In the figure on the right, the Bank's methodology defines the "ideal" zone (green zone) as a central zone with ULB to GDP between 0.67% (30th percentile) and 2.05% (70th percentile). When ULB to GDP is above 2.05% but below 2.90% (85th percentile) it is in the yellow zone; above 2.90% but below 4.24% (95th percentile) is in the orange zone; and above 4.24% is in the red zone. The analysis of the distribution of observations is based on the 2010–2020 period.

B. Earmarking of IDB resources and incentives for program implementation

3.6 The IDB's earmarking of US$2 billion to be delivered to Haiti in US$200 million installments over 10 years created inordinate pressure to approve and disburse. Given that the overall and annual commitments were set without considering the country's limited absorptive capacity, the Bank ended up earmarking a fixed annual amount of GRF resources that exceeded the capacity of the country to put them to good use. In addition, by earmarking,

34 Document GN-2442-72, Annex II, p. 17.

the IDB effectively locked in the rules for the annual transfer of OC funds into the GRF and left no provision for introducing adjustments unless approved by the Board of Governors. Undisbursed balances kept increasing despite enormous efforts to disburse. In this context, the pressure on teams to disburse was unusually high according to IDB staff interviewed, several of whom reported an excessive emphasis on disbursements and not necessarily on achieving development results.

3.7 Moreover, the earmarking of funds left little room for performance measures or incentives to ensure effective and efficient program implementation. Performance measures or incentives can be used to determine the overall resource allocation for a country; they can also condition the flow of funds to the executing agency meeting certain targets. Given the pressure to disburse, incentives or performance measures had little room, as they would have acted as obstacles to new approvals and disbursements. Indeed, OVE found no evidence that performance measures or incentives were considered by the IDB during the evaluation period. At the strategic level, the IDB-9 Agreement—through which IDB's financial commitment to Haiti was approved—included no conditions or "strings attached." The CSs covering the first half of the evaluation period listed a few Bank activities geared toward supporting implementation (loosening of procurement rules, strengthening of the COF, and others), but were silent on performance measures that could serve as incentives for program implementation. In addition, Haiti had already been removed from the PBA system in 2007, the only Bank framework providing for biennial reviews of country performance under a rules-based approach with incentives to strengthen operational performance. The earmarking of resources aggravated the situation by increasing Haiti's annual allocations to US$200 million and locking in such amounts for a 10-year period without allowing for periodic adjustments.[35] In 2021, the Bank took appropriate corrective measures and approved the reintegration of Haiti into the DSF/PBA concessional framework and the amendment of the DSF/PBA framework to incorporate a fragility perspective.[36]

35 During the 2007-2010, adjustments took place every 1-2 years when Haiti was still under the DSF. The upfront allocation or earmarking of grant resources for 10 years also meant that the DSF framework was no longer needed to determine the country's allocations, effectively removing Haiti from being subject to the DSF for the period 2011-2020.

36 In March 2021, the Board of Governors approved a "Proposal for a Revised Methodology to Determine the EPBA Envelope" (document AB-3259), which was explicitly designed to avoid problems of over-allocation of concessional resources. In addition, according to the Proposal for Adjustments to the Enhanced Performance-Based Allocation/Debt Sustainability Framework (document GN-2442-71) approved in February 2021, countries' ranks on the Fragile States Index helps to determine the grant element/level of concessionality of allocations to those countries, including Haiti.

3.8 Sanctions for corrupt practices imposed by the IDB through the IDB Sanctions System[37] during the evaluation period suggest that the overabundance of funds and the pressure to disburse in a context of weak institutional capacity had negative consequences. In fragile countries and contexts characterized by limited institutional capacity, weak checks and balances, and strong rent-seeking by some elite groups, the inflow of an overabundance of resources may become harmful by inadvertently creating or reinforcing societal divisions that can worsen corruption and abuse of power.[38] Through the IDB Sanctions System, the IDB imposed more than a dozen sanctions for the commission of fraud, collusion, corruption, and obstruction of an investigation in infrastructure contracts financed by GRF-financed operations. In the process, the Office of Institutional Integrity (OII) also identified serious weaknesses and vulnerabilities in the capacity of executing agencies to manage integrity risks. The Office of the Executive Auditor (AUG) arrived at the same conclusion in its audit reports. These findings from OII and AUG suggest that the volume of funding, together with the lack of capacity and weak fiduciary systems of the executing agencies, was among the factors that contributed to creating opportunities for prohibited practices (see Box 3.1).

Box 3.1. Integrity issues

Transport

Eight projects in the transport sector were implemented by the MTPTC through its Central Executing Unit (UCE) during the evaluation period. OII highlighted serious integrity and fiduciary risks pertaining to the UCE. The IDB imposed sanctions on parties participating in some of these projects for having engaged in prohibited practices. The Bank took measures to mitigate integrity risks in the next several years: UCE's responsibilities remained the same but the team´s management was changed; additional staff was recruited and/or trained; an action plan to reinforce the UCE´s organizational structure was prepared and implemented; and supervision by the IDB was heightened. These measures, however, did not change the pressure to disburse the massive amount in resources from operations already under implementation. In 2018 the Bank approved a new transport operation, the largest project of the period (HA-L1104) for US$225 million. A new dedicated execution agency (AE-MTPTC) is responsible for project implementation while contract management remains the responsibility of the UCE.

Energy

In 2016 and 2019, OII called attention to the increased integrity risk presented by two energy operations: the Program for Rehabilitation of Electric Distribution in Port-au-Prince (HA-L1035) and the Rehabilitation of Péligre Transmission Line Program (HA-L1100). In HA-L1035, OII identified a lack of capacity of the Unité de

37 The IDB Group's Sanctions System is composed of the Office of Institutional Integrity, the Sanctions Officer, and the Sanctions Committee. It addresses prohibited practices in IDB Group–financed activities through investigations and two-tier adjudication processes that can result in administrative public sanctions.

38 J. Davila et al., *Working Towards More Effective Collective Donor Responses to Corruption: Synthesis Report and Recommendations* (OECD, 2009).

Coordination de Projets to design bidding processes and perform due diligence of bids, which resulted in contract awards to companies that did not comply with requirements. Integrity risks materialized, resulting in the Bank imposing sanctions on parties for engaging in prohibited practices. Corrupt practices included, among other things, the use of consultancy contracts to influence the award of larger contracts. OII also identified other integrity risks at Electricity of Haiti and the UCE related to the extraction of kickbacks from bidders, the use of politically exposed persons to obtain permits and authorizations, favoritism in the evaluation of personnel, and unfair access by certain contractors to confidential cost estimates.

Source: OVE, based on IDB's Sanctions System reports.

3.9 At the operational level, the lack of incentives or performance measures is apparent in the approval of new operations in fast sequence in most of IDB's priority sectors. This is the case in agriculture, education, energy, transport, and the Caracol Industrial Park (PIC), where operations were approved in rapid sequence regardless of how advanced existing operations were. In transport, where the Bank approved nine operations during the evaluation period at a rate of two projects per year in 2011 and 2012 and one project every year in the subsequent years, new operations were approved without taking into consideration the level of disbursement of existing ones (see Figure II.1 in Annex II). This practice resulted in the executing agency having to manage a portfolio of at least 5 operations active simultaneously, straining the agency's capacities to properly execute while maintaining high standards of integrity. The opportunity for introducing performance measures or incentives to support program implementation came in 2016 with the loosening of the rules for making GRF resources available to Haiti, as the remainder of the US$2 billion commitment no longer had a deadline requiring that GRF resources be made available to Haiti through annual transfers of any fixed amount. However, OVE found no such measures in the operations approved since 2016.[39]

3.10 The only clear incentive measure used by the IDB throughout the evaluation period was the practice of providing complementary salaries to executing agencies and units to support project implementation, a practice that had perverse effects. In its Country Program Evaluation of 2016, OVE established that a significant number of officials in various government institutions received a salary top-up paid by the Bank.[40] Although the Bank does not keep track of the number of people receiving this kind

39 The CS 2017–2021 included one condition for the Bank's engagement in the energy sector in Haiti, under which interventions of a significant amount would be subject to "decisive government action to foster Electricity of Haiti's financial sustainability."

40 For the 2014-2015 fiscal year, OVE found that IDB investment operations provided financing for 715 people between permanent consultants and complementary salaries of government officials. *Country Program Evaluation: Haiti 2011–2015* (OVE, 2016).

of incentive, OVE confirmed through interviews that it is still a widespread practice across all sectors of Bank activity in Haiti. This practice was originally intended to reduce the disparity between the salaries of civil servants working on donor-funded projects and those of people directly contracted by such projects. However, OVE found evidence of its negative effects on project implementation. In agriculture, for example, a 2018 diagnosis of the execution capacities of the Ministry of Agriculture, Natural Resources, and Rural Development (MARNDR) concluded that the gap in employment conditions between the ministry's staff and those recruited or assigned to IDB's projects created serious discomfort and jealousy and partly explained weak internal collaboration efforts.[41] In other cases, such as HA L1131, salary top-ups became a bargaining tool as work was blocked until an agreement was reached on requests for compensation levels significantly higher than regular salaries for functions within the scope of the staff's work.

3.11 In sum, the IDB's earmarking of GRF financing for a 10-year period generated an overabundance of resources that created difficulties for the country to use efficiently and transparently given absorptive capacity limitations. In the aftermath of the 2010 earthquake that devasted Haiti, the IDB responded swiftly to show its unwavering support for the country, but its approach had shortcomings. Faced with the gravity and scale of the problem, the IDB went for a substantial package of long-term GRF financial support that would signal the strength of its commitment. However, given the fragility context, the package was not based on sufficiently strong analytics and as a result, it was not tailored to what could be realistically accomplished. Considerations of absorptive capacity were mostly absent from the IDB's definition and implementation of GRF financing. When included, they failed to consider that factors impacting how government institutions implement development projects are both technical and political.[42] In addition, the lack of flexibility created by earmarking a package of financial aid for 10 years with no strings attached gave the IDB little room for reassessing, adjusting, adapting, and correcting for mistakes. Finally, the weight and conditions of the IDB's financial package not only put enormous pressure on the government to execute, it also put pressure on the IDB to disburse quickly.

41 This diagnosis was performed by a French consulting firm (I&D) to identify the internal and external constraints that affect the execution of programs financed by IDB.

42 Political factors can be direct, such as personal interests around aid, or indirect, such as lack of will to proceed with reforms that could streamline project execution.

04

Assessment of the IDB's Strategic Approach or Engaging with Haiti

4.1 This chapter examines key aspects of the strategic approach that guided the Bank's engagement in Haiti to assess the extent to which the approach was well tailored to address Haiti's development challenges given the country's fragility. The first section reviews the IDB's objectives and strategic approach derived from the CSs in place during the 10-year period covered by the evaluation. The second section assesses how the Bank's strategic approach fared in practice by reviewing the program that was actually implemented between 2011 and 2020 against the Bank's aspirations.

A. Relevance of the overarching strategic objectives the IDB set out to achieve

4.2 The IDB's overarching strategic objectives were relevant in that they sought to address some of the country's most pressing development challenges identified in the IDB's country diagnoses. The IDB's overarching strategic objectives were derived from the three CSs in place during the evaluation period (see Table 2.1). They were aligned with the government's 2010 Action Plan for Recovery and Reconstruction and with IDB's Second Update to the Institutional Strategy. The IDB rightly took a focused approach and concentrated its overarching strategic objectives on sectors of long-standing IDB presence (transport, WSA, education, energy, and agriculture).

4.3 However, although in some instances IDB's country diagnoses identified drivers of Haiti's fragility, such information was not fully used to inform the Bank's program. Country diagnoses identified and, to some extent, analyzed Haiti's fragility factors related to insecurity, political instability, social unrest, lack of transparency, and elite capture in addition to low institutional capacity and vulnerability to natural disasters. They failed, however, to articulate how such factors could impact proposed policy recommendations. Such is the case of the 2017 Country Development Challenges (CDC) document—the first integrated diagnosis for Haiti—, which presented a thorough analysis of sectors and included policy recommendations for each.[43] Even though the CDC raised issues of lack of transparency and the presence of important vested interests that could block proposed reforms in some sectors, such issues did not inform the Bank's program that ensued (see Box 4.1).

43 Chapter III: *Análisis temático y recomendaciones de política, Haiti Country Development Challenges*, 2017.

Box 4.1. Transport sector fragility-related issues identified by country diagnoses not reflected in the Bank's program

The CDC identified how the port sector lacked appropriate infrastructure and management and how it suffered from the difficult relationship between government authorities and private sector groups owning or administering the ports as there were no clear contractual rules or systematic enforcement of the law. The CDC's policy recommendation was to move forward with port-sector reform through a new legal and regulatory framework and technical support to improve sector planning though the issue of how vested interests and other factors could block such efforts was not discussed. The transport programmatic policy-based loan (PBP) series that included port reform and that was truncated after the second policy-based loan (PBL) was approved, before any meaningful change in the port sector could be accomplished (a law for port reform was drafted but never approved by Parliament).

Source: OVE, based on IDB's 2017 CDC for Haiti.

4.4 CSs gave little guidance on how to pursue the Bank's overarching strategic objectives in Haiti's fragile context. Among the objectives the Bank intended to accomplish in Haiti and that were more or less consistently included in CSs were (i) a focus on infrastructure; (ii) the need to build institutional capacity across the public sector in the beginning, focused on a few institutions such as the MTPTC, MENFP, and DINEPA at the end; (iii) a geographic focus to reach areas outside the capital city, particularly after the 2010 earthquake; (iv) consideration of gender equality issues as a crosscutting theme; (v) strengthening of fiduciary country systems; and (vii) active donor coordination and mobilization of donor resources. Guidance on how to achieve the Bank's overarching strategic objectives was limited to indicating the need to loosen certain procurement rules, the intention to use policy-based grants in the first half of the period, the need to strengthen IDB's own capacities in country and at headquarters, and the inclusion of a few portfolio management strategies toward the end of the period. The sum of these, however, was insufficient to draw a coherent approach for how to engage with Haiti in a way that was different from business as usual and that took into consideration the fragility conditions of the country.

4.5 The lack of a coherent and differentiated approach to working in Haiti is most apparent in how the Bank assessed and managed risks at the program level. All CSs identified risks to the implementation of IDB's program. The risks most often identified were those related to the country's macroeconomic situation, its vulnerability to natural disasters, and the limited capacity of government agencies to execute IDB projects. The IDB generally identified mitigation measures for such risks. In contrast, risks associated with political instability, the security situation, the lack of legitimacy of government institutions, the concentration of economic and political power, and the significant influence of vested interests in some key sectors of the economy were also identified, but considered "outside of the Bank's sphere of action."[44] As a result, the Bank did not incorporate measures to factor in these risks into its planning or operations, being unprepared for when those risks materialized. The Bank indicated its intention to monitor the risks deemed outside of its purview, though OVE found no evidence of any such monitoring having taken place nor of the GRF program having been adjusted as a result.

4.6 Since late 2019, the Country Department for Central America, Haiti, Mexico, Panama, and the Dominican Republic (CID) has undertaken analytical work to see whether and how to incorporate a fragility-sensitive perspective in the Bank's engagement with Haiti. Prompted by requests from the Board of Executive Directors, CID has led background work to better understand how a fragility lens could be helpful to improve the effectiveness of the Bank's work in Haiti and recently started to incorporate elements of a fragility approach into its work with the country. In addition, as a result of the Annual Meetings of the IDB Group in 2022 and at the request of the Board of Governors, management is in the process of developing a fragility framework for fragile countries.[45] These efforts are a step in the right direction but it is also important to strengthen the Bank's ability to learn from experience and to adjust course in the face of rapidly changing and deteriorating situations.

B. The implemented GRF program

1. GRF portfolio performance

4.7 Approvals with GRF financing between 2011 and 2020 were three times the average annual approved amounts of the pre-earthquake period (2007–2009). Based on a total approved amount of US$1.8 billion in GRF resources between 2011 and 2020, average GRF annual approvals were US$177.3 million, compared to US$57.3 million between 2007 and 2009. These amounts were complemented with investment grants financed with donor funds in the amount of US$145.8 million. GRF approvals were divided into 38 investment operations (INLs) (US$1.6 billion), and 8 programmatic policy-based operations (PBLs)[46] (US$153 million), which make up the evaluation portfolio.

44 Until the approval of the new Risk Management Framework in 2021, contextual risks were not part of IDB's risk assessments. See "Risk Management Framework for Sovereign-Guaranteed Projects Financed by the IDB," paragraph 2.2.

45 Document AG-7/22 New Value Proposal for the IDB and IIC.

46 While the GRF's financing to Haiti is exclusively made of grants, the operations are treated as INLs and PBLs.

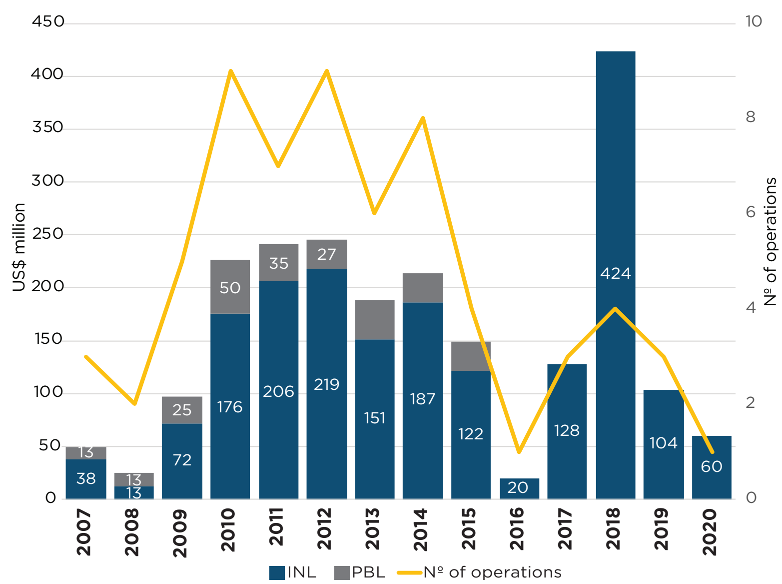
4.8 In terms of sectors, the approved GRF portfolio was aligned with the IDB's overarching strategic objectives. Transport consistently dominated GRF approvals during the 2011–2020 period with 35% (US$629.5 million) of total approved amounts. WSA and environment, rural development, and disaster risk management followed, representing 15% (US$274 million) and 13% (US$223 million) of the GRF approvals, respectively. Urban development and housing, education, and energy accounted for approximately 7%–8% of original approvals each. The rest was distributed among five sectors: social investment, reform/modernization of the state, trade, sustainable tourism, and private firm and small and medium enterprise (SME) development.

4.9 The number of operations approved (both GRF and non-GRF) during the evaluation period added to an already large portfolio of operations facing persistent implementation problems. By the end of 2010, the Bank had a legacy portfolio of 26 investment operations with US$311 million in undisbursed balances. All legacy operations, with the exception of one, had required extensions, averaging 28 months. The Bank added 46 new GRF financed operations, the majority approved in the first part of the evaluation period (34 operations approved between 2011 and 2015 with an average amount of US$30.5 million). In the second half (2016–2020), fewer, but larger, operations were approved (12 operations with an average amount of US$61 million). In addition, during the evaluation period, the IDB approved 90 TC operations (US$61.5 million), 5 non-sovereign guaranteed (NSG) loan operations (US$15.5 million),[47] 13 operations from Inter-American Investment Corporation (IIC)/ IDB Invest (US$31 million), and 34 operations from the Multilateral Investment Fund/IDB Lab (US$40.7 million).

Figure 4.1

IDB GRF original approved amounts and number of approvals

Source: OVE, based on data from IDB enterprise data warehouse.



47 These NSG operations were approved by the IDB prior to the consolidation of the private-sector windows in the IIC/IDB Invest in 2016.

4.10 Relatively short preparation times considering the context, especially during the first half of the evaluation period, led to most GRF operations requiring extensions. Preparation times were slightly below Bank average between 2011-2015,[48] which is surprising given Haiti's fragility context. Document reviews and interviews suggest that this was in part the result of the pressure to quickly process new GRF-funded operations in the aftermath of the 2010 earthquake. As a result, important aspects of project readiness, such as environmental and social safeguards (ESG) studies and management plans, were postponed to implementation (for example, resettlement issues in roads projects and in the PIC), which together with the deterioration of the country context help explain why 75% of GRF investment operations required extensions ranging from 3 to 81 months, with an average of 20 months.[49] Between 2016 and 2020 after the rules for transferring OC resources to the GRF for the Haiti program were loosened, average preparation time increased to 18 months (see Table II.7 in Annex II).

4.11 Preparation and execution costs slightly increased throughout the period. Compared to 2011–2015, the 2016–2020 period was characterized by a decrease in the number of operations approved and an increase in the average approved amount per operation.[50] However, preparation costs per million approved increased by 22% (from US$7,392 to US$9,046) as more time was taken during project design in an attempt to increase project readiness before approval. Execution costs also increased in 2016–2020 (US$33,624 per million disbursed compared with US$26,016 in 2011–2015), coinciding with an increase in the sociopolitical and security difficulties to disburse and implement (see Figure II.2 in Annex II).[51]

4.12 The problems most often reported by teams in the implementation of the GRF program were associated with Haiti's drivers of fragility, which the Bank was not well equipped to address. More than half of the operations experienced delays and, in some cases, interruption of activities due to the worsening of the

48 The average preparation time for investment operations was 15 months between 2011 and 2015 compared to the Bank's average of 16 months.

49 The average cumulative extension was 20 months, compared to 10, 15, and 11 for the CID, FSO countries, and the Bank, respectively. Average extensions exceeded the country average for projects in education (50 months), PIC (28 months), tourism (24 months), and transport (21 months).

50 In 2016–2020, 12 operations were approved for a total of US$735.5 million (average approved amount per operation of US$61 million). In contrast, during 2011–2015, 27 operations were approved for a total of US$901 million (average approved amount per operation of US$33 million).

51 Preparation costs during the evaluation period were above the average of the CID (US$6,290 per million approved), FSO countries (US$5,910), and the Bank (US$6,107). Similarly, execution costs (US$29,190 per million disbursed) were also above the average of the CID (US$20,591), FSO (US$21,924), and the Bank (US$20,540).

security situation and violence in the country. The most common factors cited as hindering implementation (see Box 4.2) included the limited capacity of executing units (58% of projects), social unrest and violence in the country (53%), the performance of suppliers (53%), project design issues (39%), procurement issues (39%), and administrative and political changes (33%). Other difficulties included the lack of effective monitoring and evaluation mechanisms (28%) and lack of ownership by the counterpart (25%). From 2020, the Covid pandemic also became an important factor (50%). Underlying these factors are the different facets of Haiti's fragility, many of which the Bank neglected to incorporate into its risk management approach. As a result, the Bank was ill prepared to deal with the rapid and somewhat unforeseen escalation of sociopolitical and security crises, as it had made no provisions or contingency plans to effectively adapt to contextual changes. An adaptive management approach based on scenario planning, flexibility to adjust course as new knowledge becomes available, strong monitoring and evaluation, and close supervision of what happens on the ground in real time is currently considered best practice for engaging in fragile countries and contexts (see Box II.4 in Annex II).

Box 4.2. Main factors affecting implementation of the GRF portfolio during the evaluation period

Capacity of executing units. The lack of sufficient technical capacities of executing units to deal with complex project designs, administrate contracts and procurement activities, and comply with the Bank's standard requirements created execution delays in most sectors, particularly in WSA, transport, and education. In addition, shortcomings in compliance with the Bank's ESG in the PIC led to a claim presented by affected communities to the Independent Consultation and Investigation Mechanism. In transport, projects from the Support for Transport Sector program (HA-L1054 and HA L1058) had significant problems complying with the Bank's resettlement policy (OP-710), with evidence of poor operational implementation and supervision by the executing unit in meeting the IDB's standards on compensation to affected parties.

Social unrest and violence. The aggravation of insecurity and violence since 2018 affected the safety of traveling (road blockages, demonstrations) and hindered access to several project areas, impacting execution and supervision of operations, mainly in transport, agriculture, WSA, energy, and education. Agriculture was among the most affected sectors since the volatile situation impeded access to remote areas for several months. In addition, the aggravation of the situation in the historically difficult context of Artibonite Valley resulted in acts of banditry, theft, and burglary as well as threats against the company and employees working in the implementation of HA-L1087.

Administrative and political changes. The high turnover of ministry authorities (changes of up to seven ministers during project implementation were reported for projects in WSA, trade, tourism, and SME development) led, in several cases, to changes of priorities, loss of ownership, and/or delayed processes in decision making. In addition, instability of leadership among executing units hindered institutional knowledge and memory and often led to an increase of technical personnel turnover. For example, an unexpected change in the leadership of the

Statistics Institute brought significant disruptions in the preparatory activities for the national census (supported through HA-L1126) since it led to the resignation of the census team head, impacting implementation. The census has not been carried out to date.

Technical design problems. Projects were affected by cost underestimation, lack of identification of contextual risks, and either overly ambitious or deficient technical designs that were not adjusted to the realities of the context. These problems led, in some cases, to the redesign of the scope of the works and/or cost overruns that had to be covered with a reallocation of funds (energy, education, and transport). In tourism (HA-L1095), the difficulty in operationalizing the design of the project was one of the main factors delaying implementation, prompting its reformulation as well as the reorientation of one-third of its resources toward the Covid response.

Procurement issues. Several projects executed during the period faced procurement delays due to a limited market of bidders for works that presented technical challenges, as well as cumbersome bureaucratic and administrative procedures and requirements, especially for contracts demanding the participation of many different parties.

Performance of suppliers. Operations involving the execution of construction works (agriculture, education, transport, WSA, and energy) encountered challenges due to the limited capacities (logistics, personnel, and quality standards) of local contractors. In some cases, these led to contract cancellations and/or renegotiations leading to further delays (e.g., education HA-L1077 and agriculture HA-L1097).

Source: OVE, based on portfolio review.

4.13 Shortcomings in assessing contextual risks during design associated with short preparation times led to cost overruns in education, energy, and transport. In education, the final average cost of schools constructed nearly doubled the original estimates.[52] In energy, the total cost of the rehabilitation of the Péligre hydroelectric plant was US$103.6 million, more than twice what was originally estimated (US$40 million).[53] In transport, cost overruns of primary road rehabilitation works improved with respect to the PRIVIT program that the Bank financed prior to 2011, but still averaged 9% more than originally planned.[54]

52 For the 90 schools constructed, the final cost per school was US$1.1 million, an average cost overrun of 97% over the original estimate of US$590,000. Several factors related to design, supervision, and implementation schemes contributed to this cost differential. For example, in design, local firms' capacities to comply with architectural criteria and building requirements was highly underestimated. Furthermore, the dispersion and remoteness of sites made it impossible for firms to run several sites simultaneously. This meant that only a few companies had the technical and financial capacity to bid for such large contracts, reducing the competitiveness of the bids, and bidders also tended to increase costs per school to cover unexpected works.

53 In the project to rehabilitate the Péligre hydroelectric plant (HA-L1038), the technical option selected had to be revised after an environmental audit conducted by the Bank highlighted the potential impacts and risks. The new option was far more expensive and required the approval of a supplementary financing operation. The 2010 earthquake also affected the cost as country risk was high, the cost of materials increased, and few bidders were willing to work in Haiti.

54 The PRIVIT program included several operations that financed primary road rehabilitation at a cost of US$2.1 million, 173% higher than originally planned.

4.14 The Bank sought to improve project implementation through different execution arrangements with limited success. Execution arrangements were seen as important for both good project implementation and for institutional strengthening of the mother institution, which may explain the Bank's preference for using integrated and semi-integrated execution arrangements.[55] The distinction between both modalities became blurred as both types were heavily supported by consultants hired with GRF funds to perform technical, administrative, and fiduciary functions. The support provided by the IDB to such arrangements was substantive. In some cases, as in the modernization of the state and transport sectors, GRF financing covered as much as 80% of the personnel and related training, services, and expertise required for project execution. Moreover, such support was rolled over from one project to the next in transport. However, for the most part, execution arrangements did not factor in issues related to excessive bureaucracy within line ministries (everything requiring many steps before approval, which can create opportunities for prohibited practices), the overlapping roles and responsibilities of different agencies when more than one participated in execution, and the impact of political interests at all levels. In some cases, the Bank's execution arrangements suffered from excessively complex designs for the limited capacity of executing agencies. In addition, the system of salary top-ups intended to support execution resulted, in the end, in incentives for project staff and others to prolong project execution. Finally, some executing units with a good track record of execution, such as the Fund for Economic and Social Assistance (FAES) and the Technical Executing Unit (UTE), succumbed under the pressure of too many projects to implement, growing too fast to maintain the necessary due diligence to ensure transparency in the use of resources (see Box 4.3). The idea that by strengthening execution units the Bank could strengthen the institution as a whole proved to be unrealistic. The severity of the institutional weakness combined with intense pressure to execute and disburse led to a situation in which neither project execution nor institutional strengthening of the host government agency were as effective as expected.

55 Integrated arrangements include those fully within and using exclusively the government agency's existing units. Semi-integrated arrangements are those where an executing unit is created within a government institution, headed by a government official and reporting to the institution, but that may have autonomous or semiautonomous status. Execution through third parties (nongovernmental organizations or the UN) were used only in a few cases.

Box 4.3. Challenges with execution arrangements in the education sector

The first of four projects (HA-L1049) included several parties for project implementation:

- The Ministry of Economy and Finance (MEF) through the FAES
- The MENFP through its executing unit Education for All
- Both of the above, reporting to MENFP's steering unit

The operations that followed added to the complexity:

- HA-L1060 added MENFP's project coordinating unit
- HA-L1077 and HA-L1080 added a special team to the MEF's UTE dedicated to project execution

In the end, too many parties were involved in project execution without proper capacities, coordination, and clarity in their functions. The FAES, an autonomous agency under the MEF that was charged with project management for both school construction and quality of education components, did not have the technical capacity, had been working over capacity, and was undergoing institutional reform. An institutional strategy for strengthening the FAES, envisioned by HA-L1049, did not take place. There were leadership changes in the FAES and MENFP, and staff turnover was high. Interviews with the FAES indicate there was no dedicated staff to coordinate project implementation. The closing evaluation of HA-L1049 highlighted weak coordination and communication between the MENFP and the FAES.

Source: OVE, based on LPs, HA-L1049 and HA-L1060 project completion reports, Post-earthquake Education Program in Haiti Mid-term Evaluation Report, and interviews.

4.15 The IDB underestimated the interests surrounding execution arrangements that risked creating opportunities for corruption and prohibited practices. Concerns about the potential impact of political interests were identified in project completion reports (PCRs), OII reports, AUG reports, and independent audits. In roughly 70% of project documents reviewed, risks related to execution arrangements were rated as moderate and were primarily associated with the capacities of the executing unit or institutions. Less than 50% of the projects referred to political-related risks concerning execution arrangements. None of the project documents identified corruption and prohibited practices as risks associated with execution arrangements. When concerns related to execution arrangements were identified, project documents and interviews suggest that the IDB adopted a technical "fill the gap" approach by hiring additional expertise, training, and moving some implementation responsibilities to other units. OVE found no evidence suggesting that alternative options, such as working through channels other than the government, were considered except in a few projects toward the end of the evaluation period. The technical approach to strengthening executing arrangements did not consider the political economy (the actors, interests, values, and respective influence) that influenced the project, its executing unit, the host institutions in cases of integrated and semi-integrated arrangements, and the sector more generally. As a result, there was no discussion of entry points to use and partnerships to build that could have involved local authorities, nongovernmental organizations (NGOs), or civil society organizations. The stopgap measures adopted instead may have facilitated the implementation of projects in the short term but did not address any of the structural problems affecting implementation of the GRF portfolio. Regarding risks of corruption or prohibited practices, all cases where prohibited practices were substantiated during the period under review involved an executing unit or individuals who held positions of responsibility within an executing unit.

4.16 The Bank adopted special procurement rules for Haiti that helped with disbursements but that were unfit for Haiti's fiduciary context. The so-called Special Procurement Provisions were used between 2010 and December 2016 primarily to accelerate procurement (see Box 4.4).[56] Such practices as the use of direct contracting and the increase of procurement financial thresholds for the application of simplified procurement methods (shopping method) may have been necessary in Haiti to address the emergency at first. In the longer term, the simplified procedures—which also gave too much responsibility to team leaders—and the thinly spread procurement specialists at a time when the pressure to disburse was strong limited the rigor of the decision making and of the control and supervision of important procurement processes, creating opportunities for prohibited practices. This challenge was confirmed by a 2019 AUG report. Indeed, OVE's review found that in roughly two-thirds of the projects, the IDB standard procedures and the special provisions were not consistently followed (see Table II.8 in Annex II). In the cases where prohibited practices were substantiated and sanctions imposed, OII listed among the risk factors the insufficient implementation of the IDB's procurement and financial safeguards, inadequate provisions for supervision in high-risk projects, and insufficient capacities within the executing units, in addition to those related to the structural fragility of the Haitian governance context.

56 The Special Procurement Provisions (document OP-387-1) adopted in April 2010, and the Procurement Provisions for Haiti (document GN-2654) adopted in January 2012 were used until 2016. They were meant to facilitate an effective and timely response to the emergency for the duration of the Bank's new CS with Haiti (2011–2015).

Box 4.4. The Special Procurement Provisions for Haiti

The Special Procurement Provisions for Haiti included:

- An increase in the authorization levels set forth for approval of direct contracting in the Procurement Function Operational Guidelines.
- The establishment of a higher threshold for single shopping and national competitive bidding for the procurement of works, goods, and non-consulting services[a].
- Criteria for determining the time frames for submitting bids depending on procurement methods used.
- Mechanisms to promote the use of the limited international bidding method.

Source: OVE, based on documents OP-387-1 and GN-2654.

Notes: The new rules authorized the project team leader to approve the use of the shopping method for the procurement of goods, works, and non-consulting services for amounts that would normally require national competitive bidding when the team leader determined that the goods, works, or non-consulting services in question were simple or involved low amounts and when the technical specifications were clearly defined or standard. The international competitive bidding (ICB) threshold remained unchanged since there was no evidence of local industry capacity above the ICB threshold.

4.17 Supervision of the GRF portfolio under implementation during the evaluation period was not adapted to Haiti's fragile context for most of the evaluation period. The IDB followed the traditional approach to supervision,[57] under which specialists structured supervision plans according to their own assessment of priorities. In fragile contexts, supervision requires extra attention to be given to the many obstacles to implementation related to the country's drivers of fragility, including but not limited to executing agencies' low implementation and supervision capacities and the need to obtain real-time knowledge that can be used to adapt and adjust interventions as necessary. In addition, security issues need to be factored in as insecurity makes supervision more expensive and difficult. In 2018–2019, the Haiti representation introduced a new model for pooling together all supervision resources and allocating them twice a year on the basis of results and risk-based criteria, an approach more appropriate for Haiti's context and for the difficulties of supervising a portfolio of operations from a distance since the evacuation of all international specialists in 2020.[58] This model is still in use, though it has not been formally

57 At the IDB, the Vice President for Sectors (VPS) is responsible for supervising projects in execution through the sector divisions and staff in country. The Vice President for Countries (VPC) is responsible for portfolio management at the country level through its country departments, Bank representatives, and FMP. Project supervision activities are financed with allocations from both VPC and VPS transactional budgets.

58 There was an informal evacuation in 2018, but the formal evacuation took place in 2020. The evacuation was for "international employees" (both staff and consultants). In November of 2019 dependents were evacuated. In January 2020, all international employees were relocated to a secured compound paid by the IDB Group in Port-au-Prince, prior to their evacuation.

adopted and can therefore be changed at any time. Another important tools for supervision—annual or semiannual portfolio reviews with country counterparts—were conducted, though not every year. Technology can also support supervision. To date, it has been used in such sectors as transport, to monitor the quantity of earth movements with the help of drones and in education, where families can report deficiencies in service quality to call centers.

4.18 Finally, measures of portfolio management to improve implementation of the GRF program were few despite warning signs and poor performance. No clear portfolio management strategy was in place during the first half of the period despite growing undisbursed balances, long execution times, allegations of corruption, and lack of compliance with ESG. The operations approved between 2011–2015 indicate a focus on small-size projects. In the second half, portfolio management measures included working on project readiness for new operations and concentrating new approvals on fewer, but larger, operations. The latter measure allowed the Bank to reduce administrative costs, but given country conditions, smaller approvals would seem better suited for the country provided they include appropriate incentives or performance milestones so that new operations can only be approved once existing operations meet the milestones. Such performance milestones were consistently missing throughout the evaluation period. In addition, no rules or criteria existed for systematically managing extensions and cancellations during most of the period.[59]

2. Use of instruments

4.19 In the first part of the evaluation period, the IDB made extensive use of PBLs. Four series of PBPs were launched between 2011 and 2015, consisting of three operations each in the following sectors: energy, agriculture, transport, and WSA.[60] A total of US$153 million was disbursed through PBLs, representing 8.6% of total GRF financing approved during the evaluation period. Each PBP series was meant to support important policy and institutional reforms on which other investment interventions were anchored. The four PBP series were "backloaded," meaning they were structured in a way that conditions gained depth with each consecutive operation so that the second and the third

59 Since 2019 the COF has taken some measures for project closure and partial cancellation of resources and for granting extensions beyond 24 months. For example, two operations related to the Caracol Industrial Park registered significant cancellations: (i) HA-L1101 (US$41 million), the fifth operation for the PIC, was cancelled because of non-compliance with conditions prior to first disbursement related to environmental, social, and health and safety safeguards; (ii) in HA-L109, which aimed to create formal employment by providing infrastructure to establish firms in the PIC, US$1.9 million were cancelled in 2020.

60 See Figure II.3 in Annex II.

operations of each series carried the heft of the policy actions needed to bring about long-lasting change.[61] Together, the PBP series had a high number of policy conditions at entry—148. Most of the conditions that could lead to change across the four PBP series were in the form of laws, included at a time when the relations between the executive and legislative branches were tense or when Parliament was suspended.

4.20 As a result, the use of PBLs helped increase the level of GRF disbursements in the years a new PBP series was launched but failed to bring about significant sector reform. Of the 12 PBLs originally envisaged, 8 were approved. Only the energy PBP series was completed; the others were truncated after the first (WSA) or second operation (transport and agriculture). Given the backloaded structure of the policy conditions, the fact that 3 of the 4 PBP series were truncated before completion meant that the intended reforms were not achieved.[62] In energy, even though the series was completed, the result was similar in terms of sector reform as the second and third PBL operations of the series were approved with modified and watered-down policy conditions.[63]

4.21 OVE's review found that key factors of fragility and critical aspects of what makes institutions effective and accountable and, by extension, the state legitimate in the eyes of the population were not considered in the design of the PBP series. Each PBL approved was justified on the basis of a technical assessment of the problem, but key factors of fragility that had a direct impact on their results were not factored in their design. OVE found no evidence that analysis of the political economy surrounding each sector reform was conducted to gauge the strength of the political commitment and the capacity of the government to make progress on such an ambitious agenda or for stakeholders to work with (see Box II.5 in Annex II for further details on political economy analysis). The fact that budget support to Haiti took place in a post-earthquake context that saw massive flows of aid of about US$1.9 billion per year between 2011 and 2019,[64] coupled with the fact that Venezuela

61 Considering the conditions included in the four PBP series when each series was launched, 14% could by themselves bring about long-lasting change (high depth), 34% could bring about some immediate but not long-lasting change (medium depth), and 52% could not bring meaningful change by themselves (low depth). The agriculture sector had the highest share of high-depth policy conditions (23%). High-depth conditions represented only about 10% or less in the other sectors (2/19 in energy; 3/27 in transport; and 5/53 in WSA).

62 Of the total number of policy conditions fulfilled in the PBLs approved, 39% were classified as having low depth; 57% as medium depth; and only four (5%) were considered to have high depth.

63 The depth level decreased for 5 of the total policy conditions, and none increased. For example, the condition of having a "law passed" was replaced by a condition to "present the draft law to Parliament."

64 Donors providing budget support to Haiti over 2011-2021 have been the World Bank, EU, IDB (between 2011 and 2015) and IMF, but also Canada, AFD, USAID, and the Spanish cooperation. It reached about US$60 million/year between 2004-2009, then

was making about US$2 billion of highly concessional funding available to Haiti through the PetroCaribe agreement with virtually no conditions, would have called for an analysis of whether IDB's PBP financing could gather enough political support to complete the reforms envisaged.[65]

4.22 The majority of TC operations were executed by the Bank, adding to the complexities of managing a large portfolio. TCs were not financed with GRF resources but added to the challenge of managing a large portfolio. Of the total TC approved amounts, 64% supported design and execution of GRF projects, while 32% were for client support. In terms of sectors, education received 36% of TC-approved amounts with the largest TC operation for US$20 million, followed by WSA (13%), transport (10%), energy, and agriculture (8% each). As for execution, 85% were executed by the Bank (77 operations), and fewer by government agencies (8 operations) and academic institutions and NGOs (5 operations).

3. Key aspects affecting program implementation

4.23 In the haste to show results, some infrastructure projects in the first half of the evaluation period were implemented in ways that led to allegations of corrupt practices in various sectors and adverse impacts on surrounding communities like PIC, aggravating Haiti's fragility. Infrastructure represented the lion's share of GRF financing during the period, with transport alone representing 35% (US$629.5 million) of total approved amounts between 2011 and 2020. Approvals in WSA (15%), the PIC, and energy (7% each) solidified the program's focus on infrastructure. In addition, infrastructure was also dominant in social sectors such as education through the construction of schools. The emphasis on infrastructure appears appropriate given the reconstruction needs after the 2010 earthquake and other natural disasters during the period. Infrastructure investments in fragile countries are critical and can address various drivers of a country's fragility. If poorly conceived and implemented, however, infrastructure can aggravate inequalities, create opportunities for corruption, damage the environment, and affect the government's legitimacy.[66] OVE found several examples of infrastructure built

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225m in 2010 (the year of the earthquake) and 170m in 2011. Budget support dwindled thereafter and reached zero by 2019. IMF Staff Report (2021).

65 In 2017, 15 former government officials were accused of corruption and poor management of the US$2 billion loan, which was part of the PetroCaribe oil program. The Martelly government allegedly used funds from this project to support poverty alleviation programs, but it was reported that the funds served as rents for Martelly's supporters and family members. Haiti's *Court supérieure des Comptes et du Contentieux administratif* (Court of Auditors) published audit reports in January 2019, May 2019, and August 2020 on the use of PetroCaribe funds.

66 C. Fantini et al., Infrastructure for Peacebuilding: *The Role of Infrastructure in Tackling the Underlying Drivers of Fragility* (UNOPS, September 2020).

before the completion of ESG studies in transport and examples of infrastructure works that began without affected communities being aware of the project and its impact (such as in the case of the PIC, where the resettlement plan was prepared after approval of the first operation) in WSA and in education, leading to social unrest, lack of ownership, and potential damage to communities.

4.24 The geographic focus intended to bring development interventions to regions outside the capital city was a strong feature of IDB's program during the evaluation period. In some cases, however, the Bank moved forward before ensuring the necessary conditions were present, as in the case of the PIC. Of the 34 GRF investment operations that aimed to deliver outputs and outcomes at specific geographic areas,[67] 19 targeted areas outside of Port-au-Prince and 11 had a focus both on and outside of the capital city. The efforts to expand IDB's reach to regions other than the capital city, shared by other donors (the European Union, France, the United States, and Spain), aligned with best practices for engaging in fragile contexts and with the fragility principle of promoting inclusion. The most ambitious program was the investment in the North to build the PIC, for which the IDB wanted to show fast results on the ground after the 2010 earthquake. Construction began without having secured the land where buildings were to be erected, displacing a number of families living in the area. In addition, the location of the PIC was selected in part because of the close distance to the Cap Haitien port. The port was not operational but the United States Agency for International Development (USAID) had committed to rehabilitate it, though it never did. As a result, the PIC uses the next closest port, which is located in the Dominican Republic. Finally, complementary investments in WSA, electricity, and solid waste management needed for the operation of the PIC were only financed years later.

4.25 There was a lack of consistency in the Bank's approach to gender during the decade. Gender issues were included in the CS 2007–2011, which emphasized gender equity and women's rights, but disappeared in the CS 2011–2015 only to come back in the CS 2017–2021.[68] As a result, GRF projects only gradually began to include gender-specific approaches in the second half of the evaluation period. For example, in environment, rural development, and disaster risk management (RND), none of the operations approved between 2011 and 2014 incorporated gender equality considerations neither in their design nor in their implementation,

67 HA-L1078 and HA-L1133 (trade), HA-L1126 (modernization of the state), and HA-L1057 (private firms and SME development) are excluded because they did not have a specific geographic focus.

68 This CS organized its gender focus following a "lifecycle approach" from birth to maturity: childhood conditions bias school success, health conditions are a notorious vulnerability for women giving birth, and, finally, discrimination in labor and asset markets reduce the productive potential of women. The interventions in the three priority areas would attend to those considerations.

monitoring, or evaluation until 2015. In transport, Support for Haiti's Transportation Sector III (HA-L1079) included an urban paving component that created short-term labor-intensive jobs for over 1,700 women. Overall, only a few GRF projects were found to have included gender-specific targets/indicators though gender-based disaggregated data were often not collected.

4.26 On country systems, the Bank's approach to strengthening procurement and financial management through GRF operations suffered from important shortcomings. Robust fiduciary systems (financial management and procurement) are considered critical in fragile contexts because they help ensure the effective and efficient use of resources and the prevention of corruption. Various assessments of Haiti's fiduciary systems identified significant challenges in financial management and procurement.[69] Based on such diagnoses, the vast majority of GRF operations in the evaluation portfolio incorporated components or activities to strengthen procurement or financial management or both as part of institutional strengthening interventions and/or support to project executing units.[70] Such activities emphasized ring-fencing of IDB operations from potential mismanagement and corrupt practices, appropriate given the context, but were not supportive of strengthening country systems for their future use in the long run. About half of the GRF-investment operations had one or more of the following shortfalls in their design: no political economy analysis of the linkages between the high institutional fragility and the incentives and disincentives around country systems and corruption; no capacity assessments of executing agencies in critical sectors and/or no adequate identification of fiduciary risks; either no identification or no assessment of fraud and corruption risks; and no identification of specific measures to prevent and address fiduciary risks. Insufficient consideration of fragility-related factors constrained efforts to strengthen fiduciary systems as weak procurement and financial management—and the increased risks of prohibited practices that can ensue—were perpetuated not only by technical and capacity gaps, but also by the political economy surrounding them, that is, the lack of political will, vision, and incentives. At design, about two-thirds of the projects reviewed rated fiduciary risks as moderate,

69 Public financial management systems presented severe weaknesses at all levels of budget planning, execution, and oversight; the functioning of the Treasury; accounting and reporting; and internal and external controls. Regarding procurement, enforcement and performance at the operational level were a major issue in Haiti's procurement system. These shortcomings were highlighted in (i) the 2008 Public Expenditure Management and Financial Accountability Review (PEMFAR); (ii) Haiti's Improvement of Financial and Accounting Management (IMF 2009); (iii) the 2011 Public Expenditure and Financial Accountability (PEFA) Assessment; (iv) the 2013 Methodology for Assessing Procurement Systems (MAPS); and (v) the IDB's Fiduciary Technical Notes (FTN) supporting CS 2011–2015 and CS 2017–2021.

70 OVE assessed GRF operations and related TC that included in their objectives the strengthening of fiduciary systems: two investment, one PBL, and four TC operations. Two of the operations were approved in 2010.

including in high-risk sectors such as transport and public utilities. During project execution, procurement problems were found in more than half of GRF-financed projects.[71] Corrective measures were often circumscribed to hiring additional consultants and training project executing personnel, often at hierarchy levels way below the level of the real problem. Training on IDB's prohibited practices was an activity included in roughly 80% of the GRF-financed investments, but given the structural issues and systemic nature of corruption, such measures were insufficient. In addition to the above, the Bank supported the strengthening of country systems with non-GRF resources and through TC operations.[72]

4.27 The Bank sought to strengthen its own capacities to better support Haiti by temporarily setting up the Country Department for Haiti (CDH) and strengthening its country presence. The Bank had a rapid and timely organizational response in the aftermath of the 2010 earthquake, which helped quickly restore its ability to manage its operations. In March 2010, the Haiti Response Group was established, later becoming the CDH. The CDH was envisioned as a temporary measure, effective until the end of 2020. It was intended to secure timely disbursements and good management of IDB resources, allow close engagement with and support for the government, and facilitate coordination among donors both at IDB's headquarters and in country.[73] With the CDH, the Bank was able to accelerate disbursements, sending an important message to the government about the seriousness of its commitments, though at high expense for the Bank.[74] In 2016, the CDH was eliminated and Haiti went back to the CID.[75]

4.28 The Bank has sustained a strong country presence throughout the evaluation period. The Haiti COF is one of the largest, having had as many as 100 people at one point. After the dissolution of the

71 Problems included unjustified use of direct contracting, incorrect use of force account, conflicts of interest, lack of updates to procurement plans, lack of publication of procurement plans, missing standard IDB provisions on fraud and corruption in contracts, poorly managed and/or expired performance securities during contract implementation, initiation of construction without supervising firms in place, nonadherence to technical specifications, and misrepresentation concerning the use of certain construction materials.

72 With TC funds (non-GRF) the Bank financed: (i) an 8-year strategic plan and a 5-year operational plan for Haiti´s Audit Institution; (ii) an assessment of the Treasury Single Account; and (iii) a 5-year strategic plan for the National Public Procurement Commission.

73 Document GA-232-38.

74 The creation of the CDH meant a rise in the Bank's administrative and operating expenses. The operating expenses of CDH at headquarters (yearly average of US$2.4 million in 2012–2015) are significantly higher than the total operating expenses incurred by the Country Department Caribbean Group at headquarters prior to the creation of CDH, as reported by OVE in its 2016 *Country Program Evaluation for Haiti.*

75 The Bank justified closing CDH based on a 2015 analysis that concluded that "the temporary institutional structure created to confront the emergency had met its objective" and that "the IDB's actions in the country had achieved a 'normal' rhythm of operation, reaching a 'steady state' of approvals and disbursements." Five years after the earthquake, the Bank had been able to strengthen the Country Office and developed operational mechanisms to work with Haiti.

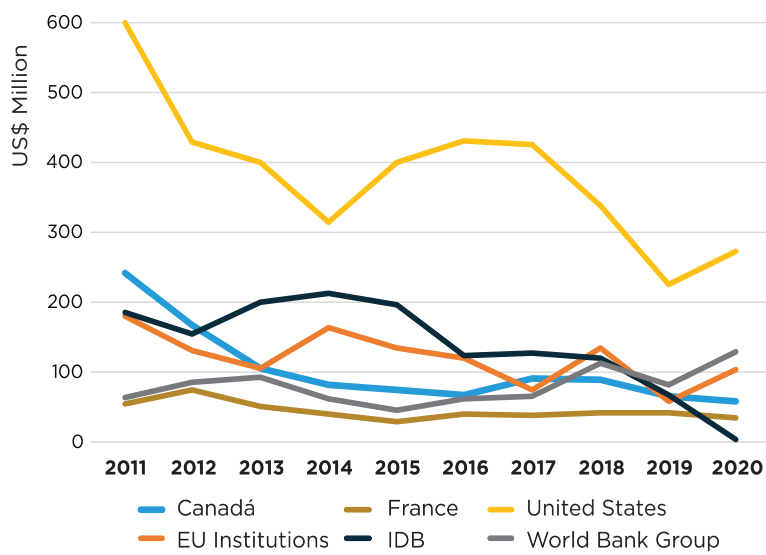
CDH, the IDB's presence in country and working on Haiti remained substantive until the evacuation of international staff in 2020 due to security concerns and social unrest. A fragile situation like Haiti requires skills and competences on crisis management, political economy and fragility analysis and response to complement sectoral expertise. Lacking such complementary capacities, the IDB did not properly diagnose and/or respond to underlying fragility drivers that undermined the effectiveness of its support. In addition, the incentives structure for personnel, which rewards disbursements over impact and does not value experience in fragility countries and contexts, was mentioned by interviewees as a key limitation in attracting the right type of professionals with the seniority and experience needed. The package of measures to enable staff working and living in fragile situations, including family and security-related policies and professional development do not provide sufficient incentives for staff operating in Haiti, further reducing the attractiveness of the duty station for a broad range of highly qualified personnel.

4.29 In terms of donor coordination, the IDB was the second-largest donor in Haiti in disbursement terms over 2011–2020, after the United States, and the largest multilateral donor (see Figure 4.2). Besides the United States (US$4.9 billion in gross disbursements), other important donors were the European Union institutions (US$1.5 billion), Canada (US$1.5 billion), the World Bank Group (US$904 million), and France (US$653 million). The IDB was the lead donor in five sectors: transport (69% of official development assistance disbursed); trade (64%); WSA (47%); energy (37%); and education (25%).[76] The United States was the second-largest donor in energy, and Canada the second in education (see Table II.9 in Annex II for main donors' areas of focus).

Figure 4.2

The IDB was Haiti's top multilateral donor in gross disbursements

Source: OVE, based on OECD, Creditor Reporting System (accessed November 2021).



76 OECD official development assistance database (accessed January 20, 2022). Data for 2020 were preliminary.

4.30 The IDB actively coordinated with other donors following the 2010 earthquake. Donor coordination has long been a major challenge in Haiti. Before the 2010 earthquake, donor coordination was weak, and at some point, it involved 22 sector coordination groups, not all of which functioned or had clear sector objectives.[77] Following the earthquake, the complex and fast-evolving situation called for joint analysis among donors of the key challenges and for the proper sequencing of the massive earthquake response. All IDB sector and country analyses in the aftermath of the earthquake were coordinated with other donors.[78] With multiple actors involved, aid fragmentation was a risk ("too many donors doing too many things"), and coherent approaches to work with the Haitian government and society were essential. In coordination with the major players in the international donor community, the IDB actively supported the establishment of the Interim Haiti Recovery Commission (IHRC) and its related Haiti Reconstruction Fund (HRF). The IDB provided technical staff and support to the various committees created to work on reconstruction. Together with the World Bank and the UN Development Program, the IDB was one of the HRF's three partner entities, responsible for the use of HRF funds. At the sector level, the IDB actively coordinated with other donors in all priority areas of intervention (see Box II.6 in Annex II).

4.31 Although various donor coordination forums were active during the evaluation period, coordination on key strategic issues was insufficient. Analysis and related decision making on how much aid Haiti could absorb productively, political will, power relations within the Haitian state, the risk of aid shocks (too much too quickly after the earthquake and then dwindling aid), and the risk of aid capture (see Box 4.5)[79] were not topics addressed jointly by donors. In fact, the multiplication of sector-focused coordination

77 OECD, *Monitoring the Principles for Good International Engagement in Fragile States and Situations, Country Report 4: Haiti* (2010).

78 The UN Development Programme, the IDB, the Economic Commission for Latin America and the Caribbean, the World Bank, and the European Union conducted a large-scale Post Disaster Needs Assessment in Haiti, published in March 2010. Moreover, the IDB had about 70 missions to Haiti in 2010, 12 of which (17%) were joint or coordinated with other donors. OECD, *Monitoring the Principles for Good International Engagement in Fragile States and Situations, Country Report 4: Haiti* (2010).

79 Aid capture refers to special interest groups such as ruling elites or their allies dominating policy making (Laffont, Jean-Jacques, and Jean Tirole, 1991, The Politics of Government Decision Making: A Theory of Regulatory Capture. Quarterly Journal of Economics 106, 1089–1127; Bardhan, Pranab, and Dilip Mookherjee, 2000, Capture and Governance at Local and National Levels. American Economic Review 90 (2): 135–139; Svensson, Jakob, 2000, When is Foreign Aid Policy Credible? Aid Dependence and Conditionality. Journal of Development Economics 61: 61–84) or establishing a monopoly on rents in some arena (Tollison, Robert D., 1982, Rent Seeking: A Survey. Kyklos 35 (4): 565–602; Dabla-Norris, Era, and Elisabeth Paul, 2006, What Transparency Can Do When Incentives Fail: An Analysis of Rent Capture. International Monetary Fund Working Paper WP/06/146.). Sometimes used in the more specific sense of diversion of funds. J. J. Andersen, N. Johannesen, and B. Rijkers, "Elite Capture of Foreign Aid: Evidence from Offshore Bank Accounts," (Policy Research Working Paper No. 9150, World Bank, Washington, D.C., 2022).

forums and processes distracted from an actual and joint understanding of agendas, values, interests, and power relations among Haitian stakeholders[80] and from building "trust with Haitian counterparts beyond formal agreements".[81] Ensuring that aid provided incentives for developmental policies, institutions, and results rather than feeding Haiti's rent-based economy would have required a concerted effort by the donor community, with donor-coordinated messages to the government, especially around sector reforms and aid delivery.

Box 4.5. Risks of aid capture in transport

In the area of transport, "significant funding for roads (EU, IDB, PetroCaribe and, until 2013, the World Bank) and their extreme ease of use (mainly for PetroCaribe, which had very light conditions) did not promote better planning of needs and even less maintenance. Gradually, 'patronage networks' have been created and are slowing down, consciously or not, reforms in the sector which would lead to a rational use of resources." Venezuela was part of the Interim Commission for the Reconstruction of Haiti, alongside Brazil, Canada, the EU, France, IDB, the UN, the United States, and the World Bank. But there is no evidence that donors, including IDB, took the measure of PetroCaribe resources at the time (both in quantitative and ease-of-use terms) and the impact it had on the expected results of other donors' own resources.

Source: OVE, based on EU, Evaluation of EU-Haiti Cooperation 2008–2012 (2016).

4.32 There were various examples of IDB's coordination efforts at the sector level and in the mobilization of resources. In the energy sector, there was high donor coordination during the design of investment loans and the PBP series but such coordination was not sustained during implementation. There were also examples of coordination in the area of expanding electricity coverage in rural areas. In education, IDB, AECID, the World Bank , CIDA and the EU have worked together successfully to intervene in complementary ways in targeted geographic areas. Finally, the IDB mobilized considerable funding in additional financial resources (US$311 million), most (US$97 million) from the HRF, followed by US$35 million from the Global Agriculture and Food Security Program Trust Fund (see Figure II.4 in Annex II). The top three sectors that received cofinancing were energy (US$99 million), rural development (US$65 million), and transport (US$60 million).

80 For example, the Cadre de Coordination de l'Aide Externe au Développement, which replaced the IHRC since 2012, was limited to information sharing rather than joint analysis, joint goal setting, and joint strategizing. Under it, the Committee on Aid Efficiency met less than once a year.

81 EU, Evaluation of EU-Haiti Cooperation (2014).

4.33 In summary, the Bank's important financial package was not supported by a coherent implementation approach that could have helped the IDB be more realistic and better prepared to navigate the rapidly deteriorating environment. The lack of an approach grounded on a theory of change, based on realistic assumptions, and outlining key stakeholders to engage with in the early years following the 2010 earthquake may be explained by the pressure to act fast and deliver visible results. However, as reconstruction efforts combined with longer-term development goals, no new approach was developed and as a result, the Bank's intentions to support the country "build back better" and "not return to the status quo ex ante but to address the critical areas of state fragility and apply past lessons learned"[82] were not supported by a plan to guide IDB's work in country. The lack of a proactive approach to address the contextual, fragility-related risks of working in Haiti (such as weak policies and/or institutions and country systems, difficult relations between the executive and Parliament, an extreme concentration of power that also limited political will for a number of developmental agendas, social unrest, kidnapping, and other security risks) left the Bank unprepared to effectively manage the scale of GRF resources and the large portfolio of operations with major execution problems and, ultimately, to adapt its business model to the realities on the ground to find entry points for its program.

82 CS 2011–2015, p. 12.

05

Assessment of the 2011-2020 GRF operations

5.1 This chapter assesses what has been achieved with 10 years of GRF financing in Haiti from 2011 to 2020 by analyzing the relevance, effectiveness, and sustainability of the GRF portfolio using a fragility lens. The chapter assesses GRF operations based on a desk review of all operations in the evaluation portfolio, complemented by interviews, using the assessment criteria included in the evaluation matrix (see Table III.2 in Annex III). To assess the Bank's work on institutional strengthening of government agencies—the third overarching strategic objective for the period—OVE identified all operations that either had a project objective, component, and/or a relevant activity related to institutional strengthening for in-depth analysis (see Table III.3 in Annex III).

A. Relevance of the GRF portfolio of operations

5.2 This section examines how well tailored the design of GRF-financed operations was to address Haiti's key development challenges given the country's fragility. In addressing country needs and priorities, development interventions need to be context-appropriate to have a chance of bringing about meaningful change. To do so in a fragile country like Haiti requires a fragility-informed definition of the development problem at hand and a fragility-sensitive solution. A recent evaluation of the World Bank's engagement in situations of conflict and fragility illustrates the importance of applying a fragility-sensitive approach to fragile countries.[83] The evaluation found that projects approved after fragility risk assessments became mandatory were able to identify and address fragility factors and conflict drivers, allowing them to incorporate adaptive, conflict-sensitive design and implementation mechanisms. The evaluation indicated that the World Bank was often "able to help stem the developmental consequences of political instability by restoring critical financing and leveraging donor funding."

5.3 OVE's desk review found that while most projects had strong technical diagnoses, consideration of Haiti's factors of fragility and resilience was superficial (see Table 2.2, fragility principle: take the context as the starting point). Two-thirds of the projects reviewed had solid technical diagnoses of the development challenges they sought to tackle. They included a clear definition of the problem to address, laid out the main factors contributing to the technical problem, and measured the magnitude of the gap or need. However, when examining whether projects identified factors of fragility from the broader context, OVE found that while all operations mentioned at

83 World Bank, *World Bank Engagement in Situations of Conflict: An Evaluation of FY10–20 Experience* (Independent Evaluation Group, World Bank, Washington, D.C., 2021).

least one factor related to vulnerability to natural disasters and climate change, low institutional capacity, and weak human and physical capital, Haiti's problems of political instability, security, violence, and social unrest—both causes and symptoms of the country's fragility—were only highlighted in about 10% of GRF operations (the PIC, education, WSA, and energy). In most cases, the analysis was superficial and did not translate into project design. For example, the 2017 WSA project for Port-au-Prince mentioned in passing how "risks associated with the insecurity of the area of intervention were mitigated by hiring experienced NGOs," but how such insecurity could affect the program was not discussed. In some sectors where new operations were approved every year or so (agriculture, the PIC, transport, and education), fragility issues were identified in design but passed on to be dealt with during implementation. In education, for example, even though the significant risks associated with the limited institutional capacity of the MENFP and FAES were identified, an institutional assessment was not done until a year after approval of HA-L1049. Opportunities to strengthen resilience were identified in a few operations, mostly referring to the proximity to major markets and the preferential trade agreements important for the PIC. About half of the operations reviewed included a superficial description of some political interests, but this was not factored into project design.

5.4 With respect to interventions geared toward institutional strengthening of government agencies, project diagnoses had several shortcomings (see Table 2.2, fragility principle: take the context as the starting point). Analyses did not examine institutional challenges and needs in any depth. Two-thirds of the projects reviewed broadly identified some high-level factors, such as political volatility and the lack of political will, as critical impediments to socioeconomic development and IDB program implementation. However, such analyses did not capture in any detail the dynamics at play (the interplay of massive aid, political instability, criminality, social unrest, elite capture, and weak governance increasing the potential for corruption) and did not help identify what was required to address them within and across sectors. In addition, the institutional assessment tool used by the IDB, SECI/PACI, only focused on assessing the capacities of executing agencies to execute IDB projects and was inadequate to assess broader institutional needs in a highly fragile context.[84] Finally, none of the analyses reviewed by OVE appear to have asked key questions that an institutionally fragile environment like Haiti requires (see Box 5.1).

84 "Risk Management Framework for Sovereign-Guaranteed Projects Financed by the IDB" (2021). The Institutional Capacity Assessment System (ICAS/SECI) tool was introduced in 2003 (and updated in 2006) to evaluate, during the preparation stage, the institutional capacity of executing agencies (identify internal issues in executing agencies that could constitute a risk to the execution of IDB-financed projects). In 2015, the Bank adopted (i) an institutional capacity assessment framework and (ii) a new tool—the Institutional

Box 5.1. Examples of guiding questions to conduct an institutional diagnostic in a fragile situation

An institutionally fragile enviroment requires an institutional diagnostic that looks at the powers at play and the different insterests of stakeholders. The ADB's guidance note for such assessments suggests the following questions:

- How are decisions on the selected core government functions made and who takes part?
- Are decisions implemented? If not, what prevents implementation? Is there significant corruption and rent-seeking in the operation of selected core government functions?
- What is the history of any earlier efforts to reform the selected core government functions?
- Who are the key included and excluded stakeholders, political groupings, champions, and potential coalitions for reform, both internal and external? How do they affect institutional and capacity development with respect to the selected core government functions? Who benefits and who does not?
- Do different nongovernmental interest groups (i.e., private sector, nongovernment organizations, consumer groups, media) seek to influence the selected core government functions?
- To what degree do the legislature, judiciary, and executive arms of government interact with and influence the operation of the selected core government functions?
- Do the complexes of norms and behaviors that persist over time by serving collectively valued purposes affect the operation of selected core government functions?
- What is the public's perception of the institution performing the selected core government functions?

Source: OVE, based on ADB, "Institutional Strengthening Framework in Fragile Situations: A Guidance Note," Engagement in Fragile and Conflict-Affected Situations (August 2014).

5.5 Given the limited attention to fragility issues in project diagnosis, project design rarely incorporated measures to address them (see Table 2.2, fragility principle: do no harm). OVE's desk review found that issues of security, political instability, and social unrest were left out of project design for the most part, with important consequences.[85] Some projects incorporated activities to tackle issues of lack of institutional capacity (62%) or issues of insufficient infrastructure (49%). While vulnerability to natural disasters and climate change featured prominently in project diagnoses (53%), only 18% of projects included actions that sought to address such vulnerability proactively, and one in

Capacity Assessment Platform (ICAP/PACI)—as a replacement for the ICAS/SECI to support project preparation. Very few SECI/PACI assessments were conducted for reviewed projects but were mostly in education, WSA, and agriculture.

85 Over 30% of GRF operations reported problems precisely due to insecurity and social unrest during implementation.

four projects did not identify natural disasters among the risks to project implementation, although they happened almost every year. A few projects sought to leverage resilience factors such as proximity and access to major markets and a competitive labor force –mainly in the PIC and private sector development projects.

5.6 Regarding institutional problems, poor diagnoses led to poorly defined institutional strengthening interventions (see Table 2.2, fragility principles: do no harm and align with local priorities). While institutional problems were inherently political and related to governance, 80% of the institutional strengthening interventions addressed capacity gaps of a technical nature (i.e., staff trained for project execution, studies, hiring of external consultants or firms, etc.). This misalignment was the case for the GRF-financed investments in all priority sectors. Proposed interventions rested on poor vertical logic, which failed to articulate a strong theory of change for institutional strengthening. Most result matrixes focused on output indicators such as studies conducted and were unsuited to capture actual institutional strengthening progress and results. Goals for institutional strengthening interventions were often broad (MTPTC) or overambitious (e.g., reform of the Ministry of Agriculture) and sometimes discounted the political economy of reforms, as was the case in the WSA sector. They were overoptimistic about impact (i.e., that consultants would suffice to strengthen institutional capacities). Available evidence did not allow a determination of whether institutional strengthening interventions were correctly dimensioned. OVE could, however, assess that there were significant variations between planned and actual disbursement of institutional development–related activities in 90% of projects reviewed.[86]

5.7 When examining whether lessons from the IDB's own experience or the experience of others helped in identifying factors of Haiti's fragility and adapting project interventions accordingly, OVE found significant gaps (see Table 2.2, fragility principles: take the context as the starting point and do no harm). All IDB projects are required to include lessons learned from similar interventions and information about their applicability to the specific project context.[87] While lessons are important for all projects, in fragile contexts, relevant lessons from similar operations and contexts are critical for flexible, dynamic, and adaptive management, necessary given the rapidly changing conditions on the ground.[88]

86 For most projects, the budget decreased. In most cases, the variation was greater than 50%. The sectors that experienced the greatest variation were transport, WSA, and education.

87 IDB, Revised Development Effectiveness Framework for Non-Sovereign Guarantee Projects (document GN-2489-8).

88 Adaptive management refers to an intentional approach to making decisions and adjustments in response to new information and changes in context. It is not about changing goals during implementation, it is about changing the path being used

OVE's desk review found that although all GRF projects reviewed included a section on lessons learned, lessons varied widely in scope, specificity, and relevance to Haiti's fragile context. With few exceptions, lessons were too general or not translated into project design. Indeed, the rapid succession of consecutive operations in the same sector left insufficient time to incorporate lessons from previous IDB and other donors' operations in Haiti into the design of new projects (see Box 5.2).

Box 5.2. Education—back-to-back approvals and untimely learning

Operations in the education sector (HA-L1049, HA-L1060, HA-L1077) form part of the Bank's commitment to providing US$250 million of financing to the education sector from the GRF. The commitment was designed as a set of independent projects with common objectives to be approved annually—the modular format aimed to allow for adjustments without jeopardizing the development objectives of the program. However, the annual approval scheme limited the Bank's capacity to identify lessons and adapt.

Operation HA-L1060 was designed when the first operation (HA-L1049) had not officially started (September 2010) and was approved a few months after the former began disbursing (November 2011). HA-L1077 was designed before the second started disbursing, and at the time, the first had started showing signs of concern regarding implementation (early 2012). Furthermore, the midterm evaluation for the first two operations was not planned until August 2013. This back-to-back approval timeline and late evaluation made drawing and integrating lessons across operations almost impossible, even though all three operations covered the same activities. Consequently, inadequate institutional and implementation arrangements were repeated in the first three operations.

Source: OVE, based on loan proposals and the Post-earthquake Education Program in Haiti Mid-term Evaluation Report.

5.8 OVE found no clear evidence that early warning systems were prioritized in the GRF portfolio or assessed as would have been expected in a country prone to natural disasters and political instability (see Table 2.2, fragility principle: prioritize prevention). Early warning systems in fragile contexts are not only used to help communities prepare for natural disasters, they are also used for all multidimensional crises (including food insecurity, humanitarian crises, economic shocks, social unrest, and political instability). OVE found several GRF operations that included measures to address the effects of climate change. Still, only two operations included activities to develop early warning systems (agriculture and energy), one of which was eliminated during project implementation. OVE found little evidence of early warning assessments of the political and security situation.[89]

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to achieve the goals in response to changes. USAID, "Discussion Note: Adaptive Management" (July 2021).

89 IDB staff interviewed indicated that the security company hired by the COF prepared briefings for the Country Representative and the COO focused on personal security.

5.9 ESG are also intended to help projects identify potential risks and impacts and to prevent and mitigate them (see Table 2.2, fragility principle: prioritize prevention). Ensuring the correct application of social and environmental safeguard policies is always important, but it is essential in fragile countries, given the significance of contextual risks and the government's limited enforcement capacity. In its 2018 evaluation,[90] OVE found that safeguards assessments during project design for the sample of projects visited in Haiti[91] were superficial, resulting in missed opportunities, suboptimal results, and additional costs (see Box II.7 in Annex II). In addition, the government's limited capacity to comply with ESG requirements was not fully considered. Projects deemed less risky (education and WSA) were not closely supervised until problems arose in the final stages of their implementation.

5.10 All operations identified the intended beneficiary population, though most descriptions of beneficiaries were superficial (see Table 2.2, fragility principle: promote nondiscrimination and inclusion). While identifying project beneficiaries is important in all development projects, it is crucial in fragile contexts to ensure that project benefits reach the people they intend to—including women, youth, and underserved communities—and not only the better-connected groups. Otherwise, projects can unintentionally increase inequalities and tensions within society.[92] Projects across all sectors followed the same pattern of including a general description of project beneficiaries (e.g., students, the Port-au-Prince population, vulnerable communities, the population living in the intervention's area, farmers, etc.), and about a third of projects reviewed defined indicators to capture project results at the beneficiary level. Team leaders interviewed pointed to the lack of available data as a factor impeding better analysis of project beneficiaries at entry. Toward the latter part of the period, operations in agriculture, WSA, and solid waste management have included more thorough descriptions of beneficiaries and a better understanding of beneficiaries' needs to inform project design.[93]

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90 OVE, Environmental and Social Safeguards Evaluation (2018) (document RE-521-1).

91 These findings come from a sample of eight projects reviewed in the transport (HA-L1054, HA-L1058), education (HA-L1060), PIC (HA-L1076, HA-L1081, HA-L1091, H1035, HA-L1101, HAL1055), and WSA (HA-L1075) sectors. These projects were visited in the context of OVE's Environmental and Social Safeguards Evaluation.

92 UK Department for International Development, "Working Effectively in Conflict Affected and Fragile Situations—Summary Note" (2010).

93 In WSA, projects approved after 2018 (HA-L1106 SWM and HA-L1135 GNR) included a better identification of beneficiaries. In RND, this is depicted by the technology transfer projects. While the Technology Transfer to Small Farmers Program in Haiti (PTTA) HA-L1059 (approved in 2011) targeted 30,000 farmers "on a first come first served basis," PITAG HA-L1107 (approved in 2017) made use of the learnings from PTTA to specify in its design the characteristics of the farmers targeted.

5.11 OVE's review found that the design of GRF operations included measures that could have helped strengthen state-society relations, though few functioned as planned (see Table 2.2, fragility principle: prioritize prevention). Trust between the state and its citizens is a critical pillar of a country's stability and development. The failure of the state to deliver its key functions (security, justice, and basic services in health, education, and WSA) can undermine such trust. Therefore, explicit measures to strengthen state-society relations are a priority in fragile situations and should be integrated into development interventions. OVE found that over 50% of the projects reviewed included measures that could improve state-society relations, such as designing participatory components, incorporating local institutions in project implementation, creating job opportunities for local communities, and establishing steering committees open to different stakeholders. However, steering committees mostly included ministries and government agencies and, to a lesser extent, communities, civil society, or the private sector. Furthermore, they seldom functioned as expected, as interviews with government and IDB staff indicated. Transport projects and the PIC proactively sought to create job opportunities for local communities and women (see Section B). Strategies for the government to share information about GRF operations with Haitian society were limited to public consultations required by IDB safeguards policies and to some communications campaigns in specific projects. These measures were not conceived to strengthen state-society relations, and therefore, no indicators were defined to track their results. Finally, opportunities to enhance state-society relations were missed in some projects where local communities would have been natural allies (e.g., education).

5.12 Finally, OVE also found signs of GRF individual operations incorporating more fragility-sensitive solutions in the latter years of the evaluation period. These exemplify a recognition of the need to incorporate Haiti's fragility situation into project design and implementation. In some sectors, such as agriculture and education, the design of recent operations provides evidence of a decision to simplify projects to make them more in line with executing agencies' capacities. The solid waste management project in Northern Haiti, for example, is based on an innovative model to support the sustainability of public services through a public-private partnership that brings together local communities and municipalities. Better targeting of beneficiaries and analysis of potentially affected parties have been conducted and incorporated into recent operations in agriculture, WSA, and education. Issues of gender equity are present in operations in sectors such as

WSA, energy, and agriculture. Finally, early warning systems and contingency risk-planning measures have been introduced in education projects. These efforts need to be transferred into corporate policies, tools, and incentives that embody a new understanding of how to engage in fragile contexts.

B. Effectiveness and sustainability of the GRF portfolio of operations

5.13 This section focuses on results achieved at the operational level over a decade of GRF financing and on how likely it is that those results will be sustainable.[94] For the assessment of progress toward overarching Strategic Objectives 1 and 2, this section reports on results from 26 GRF-financed operations from the evaluation portfolio (INLs and PBLs) that had disbursed at least 95% by December 2020. It also includes results from 7 GRF operations approved before 2011 and completed during the evaluation period because of their importance at the sector level. For the assessment of progress toward overarching Strategic Objective 3, this section reports on the results of those operations that had disbursed at least 95% by December 2020 within the group of GRF operations with institutional strengthening interventions and related TCs (see Tables III.3 and III.4 in Annex III). The section also examines the sustainability of results achieved.

- **Overarching Strategic Objective 1: Increase productivity and private sector development[95]**

5.14 The IDB's efforts in this area focused on supporting infrastructure projects in energy and transport, providing direct and indirect support to farmers in agriculture, and the development of the private sector. The 2011–2020 GRF portfolio under this overarching strategic objective totaled US$1.22 billion (69% of total approved amounts). In transport, the emphasis was on road rehabilitation, pavement, and maintenance; improving road safety; airport reconstruction; and port reform. In energy, most of the support was directed to improve the generation and transmission of electricity for Port-au-Prince through the rehabilitation of the Péligre hydroelectric plant and the transmission line from Péligre to Port-au-Prince, as well as to increase the coverage and quality of the electricity provided in rural areas. In agriculture, the focus

94 Given the severe crisis affecting the country, and the fact that some of the chosen CS indicators were generic, it is difficult to make a quantitative assessment of IDB's contribution to the overarching strategic objectives during the period. Moreover, the indicators changed significantly between 2011–2015 and 2017–2021, had outdated baselines, and sometimes were not monitored at all (in education, for example, in 3 projects, 9 out of 16 outcome indicators had no values by the end of 2016).

95 For more detail, see Annex V: Background Sector Notes: transport, agriculture, energy, and education.

was on transferring technologies to farmers and on enhancing irrigation and watershed management, as well as on lifting other barriers to productivity related to land tenure and agricultural health services. To promote private sector development, the Bank financed the construction of the PIC in the Northeast region of the country and several other operations to provide related infrastructure. In addition, the Bank financed operations in trade, financial markets, and private sector and SME development with an emphasis on promoting foreign direct investment (FDI) and reducing barriers to access to finance. During the first half of the evaluation period, the Bank also pursued policy and institutional reforms through a PBP series in energy, transport, and agriculture. Table 5.1 presents the projects that OVE considered to report on results for this overarching strategic objective.

Table 5.1. List of projects assessed for overarching Strategic Objective 1: Increased productivity and private sector development

Operation number	Operation name	Type	Approved	
			Year	US$ million
Transport				
HA-L1019*	Rehabilitation of Road Infrastructure for Integration of the Territory	INL	2007	25
HA-L1046*	Program to Support Transportation Sector Development in Haiti	INL	2010	29
HA-L1054	Support for Transport Sector in Haiti	INL	2011	55
HA-L1055	Infrastructure Program	INL	2011	55
HA-L1058	Support for Transport Sector in Haiti II	INL	2012	53
HA-L1086	Emergency Road Rehabilitation Program in Response to Hurricane Sandy	INL	2012	17.5
HA-L1088	Institutional Strengthening and Reform of the Transport Sector I	PBL	2014	12
HA-L1099	Institutional Strengthening and Reform of the Transport Sector II	PBL	2015	27
HA-L1130	Emergency Program in Response to Hurricane Matthew	INL	2016	20
Energy				
HA-L1032*	Péligre Hydroelectric Plant Rehabilitation Program*	INL	2008	12.5
HA-L1038	Supplementary Financing for the Péligre Hydroelectric Plant	INL	2011	20
HA-L1065	Institutional Transformation and Modernization Program of the Energy Sector I	PBL	2011	35
HA-L1073	Institutional Transformation and Modernization Program of the Energy Sector II	PBL	2012	12
HA-L1083	Institutional Transformation and Modernization Program of the Energy Sector III	PBL	2013	22
HA-L1100	Rehabilitation of the Péligre Transmission Line	INL	2014	7.7

Operation number	Operation name	Type	Approved	
			Year	US$ million
Environment, rural development, and disaster risk management				
HA-L1059	Technology Transfer to Small Farmers	INL	2011	15
HA-L1056	Land Tenure Security Program in Rural Areas	INL	2012	27
HA-L1074	Institutional Strengthening and Reform of the Agriculture Sector I	PBL	2012	15
HA-L1082	Institutional Strengthening and Reform of the Agriculture Sector II	PBL	2013	15
Caracol Industrial Park				
HA-L1076	Productive Infrastructure Program	INL	2012	50
HA-L1081	Productive Infrastructure Program II	INL	2013	40.5
HA-L1091	Productive Infrastructure Program III	INL	2014	55
Trade, financial markets, and private sector and SME development				
HA-L1078	Private Sector Development through Investment Promotion	INL	2012	17.5
HA-L1050*	Program to Establish a Partial Credit Guarantee Fund for Enterprise Development	INL	2010	20
HA-L1057	Business Development and Training Services Program for Investment	INL	2011	11
HA-L1068	Northern Economic Pole Business Accelerator Program	INL	2012	3.5

Source: OVE, based on data from IDB enterprise data warehouse.
Notes: *GRF operations approved before 2011 and completed during the evaluation period that were selected because of their importance at the sector level. HA-L1019 was the first of 4 operations of the PRIVIT program that amounted to US$100 million. These operations were approved before 2011 and their progress and results were reported under HA-L1019.

5.15 The contribution of the transport sector to this overarching strategic objective was limited. In the rehabilitation of the primary road system (*routes nationales*), a third of the original expected target was achieved at a cost of about three times the cost originally estimated.[96] Nonetheless, these interventions led to reductions in transport costs and travel time savings. With respect to emergency road rehabilitation, the operation in response to Hurricane Sandy (HA-L1086) reestablished connectivity along the three targeted routes (RN2, RD102, and RN25), while HA-L1130 in response to Hurricane Matthew ensured the reestablishment of connectivity of 450 km of roads and the restoration of electric connectivity to pre–Hurricane Matthew levels. As for road maintenance, the IDB supported a road maintenance plan for sections of RN1, RN2, RN7, and RN8, but none of these works had been executed as of the end of 2020. Often, this happened because of cost overruns and delays in prior rehabilitation works. In addition, although the plan for the modernization of maintenance was a condition

96 In addition to contributing to the rehabilitation of national roads, HA-L1019 and HA-L1054 also aimed to pave 23.5 km of urban roads. However, only the latter contributed to this goal by completing 13 kilometers.

of the PBLs approved, interviews with IDB staff indicate that the Road Maintenance Unit created in March 2012 is still not fully operational. Effective road maintenance remains a major problem that the Bank has sought to address by incorporating the roads rehabilitated in one project as part of the maintenance activities financed by the next project. On road safety, lack of adequate monitoring impedes the assessment of results. Finally, the port reform expected under the transport PBP series was not achieved as the series was truncated before completion.

5.16 In energy, the rehabilitation of the Péligre hydroelectric plant was completed but issues of inefficiency and lack of transparency persist in EDH, as the PBP series did not achieve necessary sector reforms. The IDB's support to increase electricity generation and transmission in the Port-au-Prince area was carried out through two projects for the rehabilitation of the Péligre hydroelectric plant (HA L1032 and HA-L1038) and one for the transmission line from Péligre to Port-au-Prince (HA-L1100), continuing the intervention started in 2008 with the project HA-L1032. These projects achieved the main objective of restoring electricity generation capacity and reducing transmission losses, though at significantly higher costs than originally planned and with considerable delays (see Paragraph 4.13). By the time of this report, some aspects of the resettlement and compensation plan of HA-L1100 were still pending.[97] The PBP series was completed but only after some policy conditions were changed and their level of ambition lowered. In practice, this meant that the objectives of supporting the definition of an energy policy and enhancing the government's oversight of the sector to lead the modernization of Electricity of Haiti (EDH) and turn it into a "financially and operationally viable company" were not met. The weak institutional framework that has historically characterized the sector, the lack of clarity about EDH's monopoly rights, the lack of a regulatory agency overseeing EDH practices, and the lack of coordination within the government of Haiti remain significant constraints to sector reform. As a result, in the latter part of the period, the Bank reoriented its efforts toward improving electricity access in rural areas (through HA-L1140, approved in 2019).

5.17 In agriculture, OVE identified limited outcomes in both support to farmers related to technology transfers and in land tenure. Technology Transfer to Small Farmers (HA-L1059) tested a system of demand-side subsidies on agricultural inputs in five municipalities through the provision of vouchers to farmers.

97 While there has been some progress in building houses for resettled families, 20% of the total compensation amount had not been paid, and 9 families still needed to be relocated as of December 2021. Project Monitoring Report (second period 2020) and interviews with team leaders.

Drawing on the impact evaluation, agroforestry packages (74% of all packages delivered) led to a significant increase in the value of production (38%) and income generation (63%) when compared to control groups. However, other technological packages, mainly focused on annual crops such as rice and vegetables, did not generate significant improvements because the technological packages were not always tailored to the farmers' needs and land potential. Lessons were drawn and transferred into the design of the 2017 Agricultural and Agroforestry Technological Innovation Program (HA-L1107).[98] A land tenure project (HA-L1056) had limited results on land titling and land management, but generated insightful lessons. Though there is no evidence that the program positively impacted land transactions or land values,[99] it successfully developed and implemented an innovative land registry and land tenure database methodology that had the potential for scaling up. The project also demonstrated the importance of socializing programs with rural beneficiaries to ensure ownership and defuse social conflicts. Finally, although the PBP series failed to achieve the institutional reform of the MARNDR and key policy and legal reforms in land tenure, irrigation, and agricultural health services, which undermined the performance of complementary investment operations, some important achievements were made. These include the creation of a single procurement unit and an Agricultural Health Unit within MARNDR and the approval of the National Policy on Agricultural Research and the Irrigation Policy, which have been used as a reference for other operations (HA L1107, HA-L1087 and HA-L1097).

5.18 Operations that financed the PIC have contributed to job creation and private sector development in the Northeastern part of the country, but at a high economic, social, and environmental cost. Three investment operations contributed to creating 15,300 jobs[100] (60% women) at an estimated cost of US$17,970

98 Main lessons include the need for (i) stronger supervision of the actors involved (providers and operators) to drive up the overall quality of the operations and avoid issues like delays in voucher delivery; (ii) strengthening administrative procedures to avoid bureaucratic issues that drain resources and create unnecessary delays; (iii) plans to mitigate weather-related risks (e.g., through microinsurance) to avoid farmers using subsides as cash substitutes as a strategy to cope with natural hazards like droughts; and (iv) more emphatic investing in and overseeing of technical assistance to make sure it is delivered as planned.

99 IDB, "Technology Transfer to Small Farmers Program in Haiti (PTTA): Implementation, Evaluation and lessons learned" (2018).

100 All PIC operations included the indicator of "direct employment of Haitians generated by firms in the PIC," updating the targets (and expected year of completion) from one operation to the next. Due to limited documentation on the reasoning behind these changes and the merging of all RMs into one in the third operation, tracking the effectiveness of each operation against original targets is impossible. For this indicator, in 2011, operation 1055 set a target to reach 10,000 jobs by 2014; in 2012, operation HA-L1076 updated the target to 13,200 jobs by 2016; in 2013, HA-L1080 reduced the target to 7,000 jobs by 2015; and finally, in 2014, HA-L1091 changed it to 9,800 jobs by 2018. The current merged RM shows 9,800 as the target for all operations.

per job created, nearly twice the cost per job of its competitor, the CODEVI Industrial Park in Ouanaminthe.[101] The PIC is now the largest employer in the Northeast department and the UTE reports that firms in the PIC currently pay about US$33 million in total annual salaries to Haitian workers. PIC exports and domestic sales have increased since 2012 and were valued at US$196 million for 2020. PIC exports use a port in the Dominican Republic, the closest port given that the one in Cap Haitien is at capacity and USAID canceled the construction of a new one. Construction of the PIC was done quickly and as a result, ESG were not considered before initiating the works for the first operation, with important impacts on surrounding communities, leading to an Independent Consultation and Investigation Mechanism case that was settled in 2021. In addition, the PIC operations were focused on building the infrastructure but paid less attention to the institutional framework to manage the park. Finally, the PIC has had other environment impacts in the area, such as increased demand for natural resources, that have led to trees and mangroves being cut and increased waste production that negatively affects communities.

5.19 The Bank's work on trade, financial markets, and SMEs achieved limited results in promoting foreign direct investment (FDI) and reducing barriers to access to finance. The Bank's work to strengthen the Haitian Investment Promotion Agency through HA L1078 led to an increase in the quantity and quality of the services provided, however, it is not possible to verify the extent to which strengthening the Center for Investment Facilitation has attracted more volume of FDI.[102] In terms of reducing barriers to access to finance, the results of two operations (HA-L1050 and HA-L1068) indicate that, on average, only 28% of beneficiaries were eligible for financing from sources other than project funds compared with the target of 80%. Moreover, the program did not facilitate any financing for the participating SMEs, and there is no evidence of them being more likely to find financing afterward as the project intended. SME projects generated only 17% of the total jobs estimated at the beginning of the operations at more than twice the cost planned.[103] Repayment rates for loans to companies that participated in the business incubator/accelerator remain substantially below targets.[104]

101 The per job estimate considers IDB funding, U.S. co-financing, and USAID investment in the PIC's energy plant.

102 There were 21 new companies served and the percentage of companies satisfied increased almost 7 times. Both indicators overperformed in comparison to the initial targets by around 150%.

103 The initial cost per job was US$3,800 and the final cost per job was US$9,600.

104 HA-L1050 and HA-L1068 achieved 62% and 25% of repayment, respectively (out of a target of 100%).

5.20 Results achieved under the overarching Strategic Objective 1 of increasing productivity and private sector development all face important sustainability challenges. Sustainability of rehabilitated roads is uncertain given the poor record of road maintenance. Until 2024–2025, investments will be maintained through the IDB and other donor financing. Longer-term maintenance will be largely conditional on the successful implementation of the support measures envisaged in ongoing projects[105] and on effective operation of the government's Fonds d'Entretien Routier. In energy, sustainability of the Péligre plant is also uncertain due to a technical failure that remains unresolved because of a disagreement with the construction firm about the cause. In addition, long-term sustainability depends on the public operator EDH. Its reform has so far been unsuccessful, and weak management, lack of transparency, and operational inefficiencies are still present. In agriculture, while the technology transfers to farmers (HA-L1059) contributed to building the capacity of suppliers of inputs, in the absence of a corresponding increase in demand, the effects on the supply may not be long lasting. In addition, although this operation created a registry of farmers and suppliers through the subsidy projects of the MARNDR, this also means that the function of the registry and its updates are highly dependent on project funds. Regarding land tenure, without the approval of the agreed upon reform and modernization measures through the PBP series, the economic feasibility, effectiveness, and sustainability of larger-scale activities of land tenure regularization and strengthening of land administration services in the country are questionable. In addition, the PIC is highly dependent on continued IDB support and on its most important tenant (Sae-A), which generates 79% of the PIC's employment. Lastly, the entity currently responsible for the PIC is the UTE, IDB's project execution unit, given that Bank interventions to strengthen the capacities of the agency responsible for industrial parks—the National Society of Industrial Parks—did not yield positive results.

- **Overarching Strategic Objective 2: Increase access to and quality of basic services[106]**

105 Project HA-L1104 (approved in 2018) includes financing of a maintenance contract program that will be initiated with a pilot for RN4, and other national roads previously rehabilitated with IDB financing; a database for maintenance operations management; and further support to strengthening MTPTC in building up maintenance capacities. Also, HA-L1131 (Reform/Modernization of the State, approved in 2019) includes a component to improve the service delivery capacities of MTPTC (and MARNDR), with specific efforts toward strengthening the road maintenance unit.

106 For more detail, see Annex V: Background Sector Notes: transport, agriculture, energy, and education.

5.21 The IDB intended to support increased access to and quality of basic services through its work on WSA and education.[107] The 2011–2020 GRF portfolio under this overarching strategic objective totaled US$498 million (28% of total approved amounts). Under the goal of increasing access to improved drinking water services in urban and rural areas and increasing the number of people with access to sanitation services, the IDB's approach involved four lines of work: (i) WSA for Port-au-Prince; (ii) WSA for intermediate cities; (iii) WSA and solid waste management for the North region; and (iv) sector reform and institutional strengthening through a PBP series.[108] In education, efforts were directed at enhancing access to and the quality of education, aiming for "more children to attend primary school, more students to pass the national test, and girls' access to education be assured."[109] Table 5.2 presents the projects that OVE considered to report on results for this overarching strategic objective.

Table 5.2. List of projects assessed for overarching Strategic Objective 2: Increase access to and quality of basic services

Operation number	Operation name	Type	Approved	
			Year	US$ million
Water and sanitation				
HA-L1039*	Water and Sanitation for Intermediate Cities II	INL	2009	19
HA-L1044*	Port-au-Prince Water and Sanitation Project*	INL	2010	15
HA-L1075	Port-au-Prince Water and Sanitation Project II	INL	2013	35.5
HA-L1090	Institutional Strengthening and Reform of the Water & Sanitation Sector	PBL	2014	15
Education				
HA-L1049*	Support for Haiti's Reconfiguration of the Education Sector	INL	2010	50
HA-L1060	Support to the Implementation of the Education Plan and Reform in Haiti	INL	2011	50
HA-L1080	Support to the Education Plan and Reform in Haiti IV	INL	2014	24

Source: OVE, based on data from IDB enterprise data warehouse.
Notes: * GRF operations approved before 2011 and completed during the evaluation period.

107 CS 2017–2021 also included the strategic objective of improving maternal and early childhood health to reduce maternal mortality and mortality of children under five. However, during the GRF evaluation period, the IDB did not approve any operation within the health sector. GRF-financed operations related to such matters (HA-L1042 Improving Child Survival and Building Blocks for Social Safety Nets and HA-L1062 Emergency Response for the Containment of Cholera) were approved in 2009 and 2010, respectively.

108 There was one additional stream of work in the rural areas (HA-L1007) that was approved in 2006 before the period covered by the evaluation.

109 Haiti CS 2017–2021 Result Matrix. The previous 2011–2015 CS spelled out the sectorgoals: (i) improved access to and quality of education, (ii) strengthened MENFP institutional capacity and governance system, (iii) reformed technical and vocational training, and (iv) reformed higher education.

5.22 The IDB's contribution to improving access to WSA services in the Port-au-Prince metropolitan area and intermediate cities is mixed on water and poor on sanitation. Through projects HA-L1044 and HA-L1075, geared for the Port-au-Prince area, at least 51,200 additional households had access to water service,[110] and about 40,200 additional water connections were regularized (90% of the initial target). However, protests and higher insecurity as of 2018 and the pandemic hitting in 2020 weighed on DINEPA's collection rate, operating income, volume of water produced, and operational margin. As for sanitation services in the Port-au-Prince area, the operations did not make any progress toward 1,700 new households using hygienic sanitation facilities as most of the component for the construction of sanitation solutions was canceled, and a sanitation component was not included in the design of the second phase. The main constraints on achieving results in the sector included low availability of water in the network and high levels of unaccounted for water, which led to the decision to postpone the expansion of service coverage. IDB's contribution to improving access to WSA services in six intermediate cities (Saint-Marc, Port-de-Paix, Les Cayes, Jacmel, Ouanaminthe, and Cap Haitien) through HA-L1039 was also mixed on water and poor on sanitation. Although the operation was able to achieve the consolidation of service operators in five of the six original cities, the project reached about 26,800 additional households with a new or improved water service, achieving 70% of the original target. In sanitation, the only progress was the construction of 15 sanitary blocks in schools (although the initial target was 100 blocks in public venues) at almost twice the unit cost that was initially estimated.[111] The reasons behind weak results in the WSA sector include (i) incomplete sector reform and legal framework and a lack of planning, implementation, and supervision capacity and (ii) the inefficiency of service providers, both public and private, as well as infrastructure built below what was originally foreseen.[112] Only the first PBL of the WSA PBP series was approved, which led to no significant improvement in sector reform and governance of the sector. The institutional reform of the sector is still pending, DINEPA continues acting as an operator and not as the policy maker it was supposed to be, and services have not been decentralized as originally planned.

110 This figure only includes the first operation (HA-L1044). It is difficult to calculate an accurate contribution of the second operation (HA-L1075) as it did not track the corresponding indicator well. For instance, the PMR does not report an EOP for it and only includes information until 2018 (it is missing information for 2019 and 2020). The PMR also seems to report only incremental figures for the indicator rather than the total, which is confusing given that there is a baseline for the indicator. Moreover, the PMR reports a different baseline than the one originally included in the LP (287,800 versus 420,000, respectively), which also creates challenges for calculating the accomplishment over the initial target. There is no documentation about this change.

111 The cost per sanitary block ended up at nearly US$37,000—the budget was US$20,000.

112 See CDC for CS 2017–2021, Section 2.2.A.d.

5.23 In education, results of Bank interventions to increase access and to improve the quality of education were limited, while the tuition waiver program promoted an increase in student enrollment, lower rates of grade repetition, and a decrease in the share of overage students. The infrastructure component of projects HA-L1049, HA-L1060, and HA-L1080 was constrained by the low capacity of both the government and contractors. The number of schools either built or rebuilt reached 85 (64% of the initial target) at nearly twice the initial cost budgeted.[113] The IDB intended to complement the infrastructure works with parallel investments in teacher training, equipment, and tuition waivers/subsidies, but interviews indicated that interventions were carried out in an ad hoc and fragmented way. In particular, nearly 118,000 tuitions were waived (86% of initial target), and although no project-specific data exist to assess improved learning at the country level, tuition waivers correlated with higher enrollment rates, a relatively low student-teacher ratio (40 students per teacher), a reduction in rates of grade repetition, and fewer overage students. [114] School kits for students were provided (i.e., backpacks, uniforms, and textbooks) although there are no project-specific data to assess whether and how these kits led to improved learning.[115] Among the factors IDB staff highlighted as limiting the effectiveness of the IDB's investment in education are an approach that was too ambitious in terms of areas of intervention and regions; execution timeframes that were too short; goals that were inconsistent (including dropping TVET); an approach that, at least initially, favored quantity (large commitments; disbursements based on quantitative indicators) over quality; project interventions that were insufficiently articulated; and a commitment and disbursement focus that was prioritized at the expense of outcome monitoring.

5.24 Several issues (financial, operational, and institutional) threaten the sustainability of results in WSA and education. Financially, WSA institutions—DINEPA, Regional Offices for Potable Water and Sanitation (OREPAs), and qualified service operators—depend almost entirely on international aid as operators' incomes are insufficient to cover operational costs and maintenance. The sector also requires significant investments to increase water production and expand the number of clients. At the operational

113 The cost of each school was around US$1 million—the budget was US$550,000.

114 M. Adelman, P. Holland, and T. Heidelk, "Increasing Access by Waiving Tuition: Evidence from Haiti" *Comparative Education Review* 61, no. 4 (2017): 804–831.

115 In contrast, progress was more limited or null in other areas such as teacher training (only about 1,400 teachers of the 3,100 initially expected received training), professional development opportunities for teachers and administrative staff, the interactive radio program envisaged to assist teaching in language and math, the competitive fund for educational innovations, and the technical assistance for the development of a national testing system. Some of the latter were canceled due to government changes in priorities.

level, the low production and water quality, limited user demand for improved WSA services, and the technical dependency of service operators on external support all compromise the sustainability of the WSA services. Institutionally, the limited progress on sector reform and the low likelihood that the reform can advance without external support constrain the sustainability of results achieved. In education, the ministry's limited regulatory and management capacity and low government spending in the sector raise questions about the sustainability of sector[116] results. In addition, access to education is also undermined by external challenges. On the one hand, as pointed out in PCRs, the schools that were built faced serious limitations regarding staff availability, teacher payments, and school maintenance as MENFP remains an institution highly dependent on international aid. Similarly, despite positive results in the waiver program, its termination in 2017 effectively shifted the financial burden of education back to households. On the other hand, recurrent social unrest episodes may lead to schools' temporary closures, as happened in 2019.

- **Strategic Objective 3: Increase government capacity to formulate and implement policies and to deliver basic services**

5.25 The IDB deployed significant resources and different approaches to strengthen the institutional capacity of the government of Haiti.[117] Almost two-thirds (60%) of investment operations approved during the evaluation period included institutional strengthening objectives, components, or activities (see Table III.3 in Annex III). These represented about 11% of total GRF-financed investment operations at approval (US$175 million). The transport and energy sectors had the largest share of resources allocated to institutional strengthening (23% and 22%, respectively), followed by reform/modernization of the state (17%), rural development (14%), and WSA (13%)[118]. Institutional strengthening interventions were integrated across the portfolio, mostly within sectoral projects through specific components. Only one investment project under the "reform/modernization of the state" sector (HA-L1131, approved in 2019) is fully dedicated to institutional strengthening, but it is too early to report on results. The institutional strengthening objectives and/or components or relevant activities integrated

116 Between 1.4% and 1.9% of GDP between 2014 and 2018 (only years available) (http://uis.unesco.org/en/country/ht).

117 The assessment of results of institutional strengthening interventions in the GRF-financed operations is limited by the following factors: (i) the different approaches to institutional strengthening pursued by the CSs; (ii) the scarcity and quality of the data available; (iii) the changes within institutional strengthening interventions during implementation, which, in some instances, unlinked the results from the originally stated institutional strengthening objectives. Further details on OVE's methodology for institutional strengthening assessment are provided in Annex III.

118 The others were education (6%), trade (3%), and urban development (2%).

in investment operations varied in terms of type, scope, and ambition. In addition, the eight PBLs, totaling US$153 million, focused on institutional and regulatory reform. Finally, US$17 million of TC resources (over 25% of the total budget for TCs) was allocated to institutional strengthening (Table III.4 in Annex III). Table 5.3 presents the GRF projects that OVE considered to report on results for this overarching strategic objective.

Table 5.3. List of projects assessed for overarching Strategic Objective 3: Increase government capacity to formulate and implement policies and to deliver basic services

Operation number	Operation name	Type	Approved		Approved IS component	IS over total approved
			Year	US$ million		
Transport						
HA-L1054	Support for Transport Sector in Haiti	INL	2011	55	0.5	1%
HA-L1055	Infrastructure Program	INL	2011	55	4	7%
HA-L1058	Support for Transport Sector in Haiti II	INL	2012	53	4.5	8%
HA-L1088	Institutional Strengthening and Reform of the Transport Sector I	PBL	2014	12	12	100%
HA-L1099	Institutional Strengthening and Reform of the Transport Sector II	PBL	2015	27	27	100%
HA-L1130	Emergency Program in Response to Hurricane Matthew	INL	2016	20	2.6	13%
Energy						
HA-L1065	Institutional Transformation and Modernization Program of the Energy Sector I	PBL	2011	35	35	100%
HA-L1073	Institutional Transformation and Modernization Program of the Energy Sector II	PBL	2012	12	12	100%
HA-L1083	Institutional Transformation and Modernization Program of the Energy Sector III	PBL	2013	22	22	100%
HA-L1100	Rehabilitation of the Péligre Transmission Line	INL	2014	7.7	1.6	21%
Environment, rural development, and disaster risk management						
HA-L1056	Land Tenure Security Program in Rural Areas	INL	2012	27	7.8	29%
HA-L1074	Institutional Strengthening and Reform of the Agriculture Sector I	PBL	2012	15	15	100%
HA-L1082	Institutional Strengthening and Reform of the Agriculture Sector II	PBL	2013	15	15	100%
Caracol Industrial Park						
HA-L1076	Productive Infrastructure Program	INL	2012	50	6.2	12%
HA-L1091	Productive Infrastructure Program III	INL	2014	55	1	2%
Water and sanitation						
HA-L1044*	Port-au-Prince Water and Sanitation Project	INL	2010	15	8,5	57%
HA-L1075	Port-au-Prince Water and Sanitation Project II	INL	2013	35.5	6,7	19%
HA-L1090	Institutional Strengthening and Reform of the Water & Sanitation Sector	PBL	2014	15	15	100%

Operation number	Operation name	Type	Approved		Approved IS component	IS over total approved
			Year	US$ million		
Education						
HA-L1049*	Support for Haiti's Reconfiguration of the Education Sector	INL	2010	50	6.2	12%
HA-L1060	Support to the Implementation of the Education Plan and Reform in Haiti	INL	2011	50	6.7	13%
HA-L1080	Support to the Education Plan and Reform in Haiti IV	INL	2014	24	2.6	11%
Trade						
HA-L1078	Private Sector Development through Investment Promotion	INL	2012	17.5	8.5	49%

Source: OVE, based on data from IDB enterprise data warehouse.
Notes: IS = institutional strengthening. * GRF operations approved before 2011 and completed during the evaluation period.

5.26 OVE found limited evidence of results in terms of strengthening the capacities of government institutions to execute their mandate. All operations reviewed referred to the limited capacities of government agencies to execute their mandate and aimed to strengthen them. A bit more than a quarter (19 operations) referred to the need for institutional strengthening to ensure the project's smooth implementation. Only 11 included the need for the target institution to work collaboratively with other government institutions and other actors, even though this would have been important for project implementation and sustainability. Strengthening the capacities of government institutions to fulfill their core mandate (e.g., analysis, policymaking, and planning, among others) was an intended objective supported by different approaches pursued by the Bank (e.g., strengthening at the ministry level, promoting legal and administrative reforms, supporting through dedicated institutional strengthening interventions such HA-L1131). However, results from the desk review and interviews did not identify significant improvement in the capacities of government agencies that were targeted by the IDB for institutional strengthening and when improvements were reported, it was not possible to attribute the results to IDB efforts. The fact that successive projects in key sectors as transport, energy, and agriculture continued, over the years, to address the same institutional constraints, seems to confirm this finding. Discreet completed activities, such as the drafting of a bill of law, the review of a ministry's organizational structure, or the strengthening of an institution's procurement capacities, were insufficient to deliver the intended institutional transformation in any of the IDB's priority sectors (see Box 5.3).

Box 5.3. Results obtained from institutional strengthening in various sectors

Agriculture. The goal of the PBP series was the institutional reform of the MARNDR. The first PBL (HA L1074) included the creation of a joint pool of public procurement specialists to improve the MARNDR's capacity to absorb and administer financial resources. For the second PBL (HA-L1082), MARNDR was to finalize the detailed road map for its reform, including an action plan with focus on strengthening the programming, supervising, evaluating, and budgeting functions; reallocating human resources; and creating a procurement and contracting unit to be incorporated into the future organization chart of MARNDR and charged with overseeing the procurement function and hiring. Both PBLs were disbursed. However, the institutional reform of the MARNDR was not achieved. In the absence of the deep legal reforms envisioned under the third PBL, which did not take place, the only concrete progress was the creation of a single procurement unit that improved the quality of procurement processes at MARNDR and the approval of the National Policy on Agricultural Research and the Irrigation Policy. Overall, the IDB's contribution to institutional strengthening in the rural development sector, and through the sector's interventions toward the GRF strategic objective of institutional strengthening, is modest. The approval of multiple operations in the sector and the accumulated undisbursed balances indicate an overburdening instead of a strengthening of the sector's institutional capacities.

Energy. The expected results of the PBP series (HA-L1065, HA-L1073, HA-L1083, Institutional Transformation and Modernization Program of the Energy Sector I, II, and III) included (i) a new electricity law; (ii) a new energy agency with appropriate staff and budget; (iii) a mechanism for the MEF to monitor energy sector indicators to increase transparency of financial transfers within the sector; (iv) implementation of a law to prevent electricity theft; and (v) the definition of an implementation plan for rural electrification and the use of household energy. The PBP series was complemented by investment operations and TCs. OVE found no evidence indicating an increase in government oversight and planning of the energy sector or improved operational efficiency of the EDH. On the contrary, both the government's capacity to manage the sector and the energy utility continued to be affected by the same institutional weaknesses that the projects aimed to address throughout the evaluation period.

Transport. Two consecutive investment operations (HA-L1054 and HA-L1058) had institutional strengthening objectives and components encompassing the strengthening of core institutional capacities. HA-L1054 aimed to support institutional strengthening of the MTPTC through a diagnostic assessment and analysis of the road sector's institutional framework and proposed improvements and the hiring of personnel needed for the Central Executing Unit (UCE) to carry out monitoring efforts. HA-L1058 aimed to support institutional strengthening of the MTPTC, its UCE, and the National Port Authority primarily through the hiring of consultants and consulting firms. In addition, the two PBLs approved (HA-L1058 and HA-L1099, Institutional Strengthening and Reform of the Transport Sector I and II) aimed at the institutional strengthening and modernization of the road sector and the reform and modernization of the maritime sector, including policy and legal reforms and modernization of the port institutions. OVE did not find substantive evidence of institutional capacities in the transport sector being strengthened as a result of the related IDB interventions. The results of the PBLs had limited significance and were of a short-term nature. For example, the road safety strategy is not used by the government; the road safety data collection tool was piloted over 2017–2018 but ceased functioning when IDB funding stopped; there is no indication that the operation manual for the maintenance unit was used; and the maintenance unit itself has a limited role, as does the road safety service. The two bills for the reform of the port sector were approved by the Council of Ministers but were never approved by Parliament.

Water and sanitation. The objective of HA-L1044 (Port-au-Prince Water and Sanitation Project) was the institutional strengthening of Centrale Autonome Métropolitaine d'Eau Potable and DINEPA by financing the contracting of an international water utility and the financing of the operation and maintenance costs to be borne by the utility. Project HA-L1075 (Port-au-Prince Water and Sanitation Project II) aimed at the institutional strengthening of the Technical Operations Center of the Metropolitan Region of Port-au-Prince (CTE-RMPP) by transforming it an efficient water utility in terms of its technical, business, administrative, and financial management and providing the CTE with the financial resources needed to provide services until it achieved financial equilibrium. These investment operations and the PBL approved (HA-L1090) were complementary. The PBL supported the legal/institutional setting (to speed up the reform process by improving the governance of the sector and the service provider's performance) while the investment operation focused on works to be managed according to the new institutional framework. The achievements of the PBL were modest. For example, members of the Board for DINEPA were nominated but the Board does not meet except for specific ad hoc issues. A draft bill on OREPAs presented to the Minister of Public Works was not approved as law nor by decree. Interviews indicated that investment operations, including HA-L1044, have contributed to strengthening the government's capacity to execute projects, primarily through the strengthening of the procurement and financial management capacities in the DINEPA and the capacities of the service providers (CTEs). Overall, the IDB's contribution to institutional strengthening in the WSA sector is modest. The many PBL conditions, the investments, and complementary TCs aimed to bolster government capacities to undertake the reforms, but political instability, lack of political commitment, and miscalculation of the incentives of individuals involved with the sector's reforms were critical factors undermining the achievement of results through the institutional strengthening components. The available evidence, albeit scarce, indicates that some capacities were built at all levels, from policy formulation and implementation to the running of the sector's services.

Education. HA-L1049 (Support for Haiti's Reconfiguration of the Education Sector) aimed to strengthen the governance of the education system through a broad range of interventions. HA-L1060 (Support to the Implementation of the Education Plan and Reform in Haiti) also aimed to strengthen MENFP institutional capacities and governance through another broad set of interventions. However, OVE found that results achieved by the investment operations were scarce in terms of institutional strengthening despite some output level activities being completed (school censuses and school mapping). OVE also found that, overall, the MENFP's capacities remained weak, vulnerable to political movements, largely dependent on international aid for its budget, and that the MENFP and FAES capacity was the main reason for the program delays and cancellations, which suggests that the objective of strengthening their capacities was not achieved. The significant delays in the main activities planned and the poor quality of some key deliverables limited the impact of the institutional strengthening component on decision making and planning and the improvement of the sector's governance.

Source: OVE, based on portfolio review.

5.27 Importantly, from a fragility perspective, evidence that results of institutional strengthening efforts carried out through the GRF-financed operations and complementary TCs informed new operations is scarce. PCRs and other documents reviewed compiled lessons learned from institutional strengthening interventions that included general suggestions for a better understanding of the political economy context affecting institutional strengthening and project implementation. However, the same lessons were repeated in subsequent documents suggesting that little substantive learning took place across projects and sectors over time.

5.28 Results achieved by GRF-financed institutional strengthening activities were modest and their contribution to IDB's overarching strategic objective of increased government capacity for policy formulation and implementation and for service delivery is negligible for the most part. In addition, none of the projects reviewed integrated substantial provisions for sustainability. Instead, OVE found that sectors with significant institutional strengthening efforts, such as transport and agriculture, successive projects aimed at strengthening the same capacities of the same institutions through similar activities; no substantive plan for the transfer of resources and/or capacities and knowledge to national institutions was in place for the institutional strengthening interventions reviewed; and the operational and financial sustainability were dependent on the IDB and other donors' support. Importantly, from a sustainability viewpoint, the lack of ownership by the government of Haiti of institutional strengthening interventions was acknowledged in most documents reviewed and interviews conducted but remained largely unaddressed.

5.29 In summary, the GRF program was ambitious in terms of funding and only marginally considered the country's fragility in the projects' design and implementation. The pressure to disburse trumped other considerations, including the country's absorption capacity, the interests of key stakeholders, and the power of the different groups in Haitian society. Toward the end of the period, just as the political context became more challenging, there were attempts to develop more fragility-sensitive solutions. However, it is still early to tell how these will fare. Implementation was always an acute challenge due to the multitude of risks (contextual, project-related, and fiduciary) that had both a high probability of materializing and high impact. Consideration of contextual risks as being outside of the Bank's purview meant that the Bank did not proactively manage them and as a result, was unprepared for when they materialized. The IDB demonstrated some flexibility in implementation (e.g., special procurement rules), but such flexibility exacerbated risks related to poor fiduciary systems.

5.30 Overall, results from the IDB's program during 2011–2020 are modest. Some results at the output but few at the outcome level are visible, and most outputs fell significantly short of expected targets. The program limitations were partly due to dependency on reforms of policies and institutions, project dependency, the complexity of project designs coupled with low-capacity execution and high pressure to disburse, procurement challenges, and deteriorating conditions (i.e., insecurity, political instability, and Covid). Another limitation was that outputs were often achieved at considerable costs and with considerable delays. These limitations require reconsideration of the overoptimistic assumptions on which many projects were designed and a clear assessment of whether the entry points for Bank action can lead to open paths of positive change.

06

Conclusions and Recommendations

6.1 The IDB's approach to supporting Haiti's reconstruction and development was guided by a vision to "build back better" after the 2010 earthquake. Even though the commitment to give US$2 billion in grants over 10 years was by no means expected to solve Haiti's problems, it was nonetheless expected to help pivot the country out of a cycle of social, political, and economic deterioration and put it on a path of economic growth from which stability could take hold. Despite enormous efforts, results were modest. The IDB's earmarking of GRF funds exceeded Haiti's absorptive capacity and did not provide compelling incentives to promote the necessary national reforms or the effective and efficient implementation of IDB's program. On the contrary, committing US$2 billion of grant resources over 10 years upfront preempted the application of any performance based assessment to the allocation of resources to the country. Efforts to strengthen the capacities of the government, albeit aiming at strengthening the capacities of institutions to perform their mandate as well as to implement IDB's projects, ended up focusing primarily on the latter and did not lead to the desired institutional transformation. IDB staff often had a good understanding of the dynamics at play but were not supported by corporate policies, tools, and incentives to invest in deeper or more systematized analyses of Haiti's situation to bring a fragility perspective into project design and implementation.

6.2 This evaluation finds that the modest results achieved are tied to the lack of a well-thought-out strategic and operational approach that considered the country's fragility and incorporated lessons learned from the early response and from the experience of other international partners in fragile contexts. It started as a massive effort to support a country left on its knees by the ravages of recurring natural disasters and historical poor governance, recognizing that doing business as usual was not an option. But in the face of multiple challenges, lessons were not absorbed fast enough, overoptimistic assumptions were not revised despite a deteriorating context, and contextual risks were disregarded and not managed proactively. The IDB amended some of its policies and procedures, particularly on procurement, to accommodate Haiti's challenges, increase Bank flexibility and ease the flow of disbursements. However, in the absence of a risk-management approach and supervision model suited to the Haitian context, such measures may have sent the wrong signals to IDB's counterparts, undermining the very reform dynamics IDB wanted to support. Moreover, the IDB did not use the existing body of knowledge, experience, and good practices of other development partners and MDBs working in fragile states. As a result, 10 years passed while the Bank kept trying different stopgap measures in reaction to the events rapidly unfolding in the country without making progress in identifying entry points for change.

6.3 The IDB has been a key and appreciated partner of Haiti and can use the relationships and knowledge built over the years to enhance the impact and sustainability of its support. However, working in fragile environments is difficult and fraught with risks. To have a chance of turning the IDB's hard-won outputs into results and sustainable change, it is crucial to have a strategy that maintains a focus on building government capacities through approaches grounded in the country's unique features, including the interests and forces at play, many not developmental; a strategy that engages larger coalitions than just ministerial counterparts and is built on clearer incentives both for the Bank and for the government. Such a strategy would support developing a work program more commensurate with the realities of the country, with the incentive and safeguard provisions necessary to promote effective program implementation and avoid creating the potential for harm, with a process that builds on small achievements, and with contingency measures to help navigate the ever-changing context. It needs to be a strategy that provides clear guidance about when to be flexible and when to draw the line and uphold Bank rules and procedures.

6.4 The findings of this evaluation show that fragility poses challenges to development in Haiti that need to be tackled purposefully. This requires a differentiated and fragility-sensitive approach focused on delivering high-quality projects and development results, rather than an approach focused on the quantity of financing delivered. Therefore, OVE recommends that IDB:

- **Recommendation 1:** Ensure that the overall allocation of resources for Haiti is conditional on the country's absorptive capacity and performance by consistently applying the DSF/PBA framework and making new approvals in each sector conditional upon meeting clear performance milestones in the execution of ongoing projects.

- **Recommendation 2:** Adopt a fragility-sensitive and dynamic management approach for strategic planning and for all steps of the project cycle to ensure that the Bank adequately identifies and manages risks and learns from experience in real time. To that end: (i) make fragility risk assessments that incorporate the input of OII and continuous monitoring of fragility factors mandatory for the design and supervision of CSs and all operations in Haiti, and (ii) develop and apply guidelines to support such assessments and their monitoring by drawing on available international experience and good practices, including those of other MDBs.

- **Recommendation 3:** Reinforce the focus on strengthening government capacities by developing and applying a conceptual framework for institutional strengthening interventions that outlines a theory of change with well-defined and realistic objectives, explicit assumptions, and a clear explanation of the different entry points and pathways for Bank interventions.

- **Recommendation 4:** Strengthen portfolio management by ensuring that supervision of operations (fiduciary and nonfiduciary) is conducted based on a portfolio-wide assessment of risk and performance led by the COF, making portfolio reviews with relevant government agencies at least twice a year mandatory and making project extensions conditional upon the portfolio meeting clearly established performance milestones.

- **Recommendation 5:** Identify opportunities for using project execution arrangements that incorporate partners other than government agencies, learning from the experience of projects that are implemented through NGOs and UN agencies in Haiti and in other fragile contries and contexts.

- **Recommendation 6:** Incorporate specific measures in the Bank's human resources policies to ensure appropriate benefits and incentives to attract and retain the skillsets and experience required in fragile contexts such as Haiti.

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