

**Abstract**

Road transport is the leading mode of transportation for cargo and passengers in Haiti. According to estimates by the IDB and the World Bank, about 80% of the country's traffic is done by land. Despite the importance of road transport in the Haitian economy, the country faces major shortcomings in terms of coverage, quality, capacity and connectivity of their transport networks. This is reflected in the Global Competitiveness Index, which points out the inadequate provision of transport infrastructure in Haiti as one of the main constraints for doing business in the country (WEF Competitiveness Report). Higher transportation and logistics costs resulting from poor transport infrastructure are barriers for the insertion of Haitian products in global value chains as well as for the attraction of foreign investment.

During the last years, the Bank has been supporting the Government of Haiti in their efforts to improve the transport networks of the country (in particular the primary network); as a critical element to boost economic growth and regional and global integration. The Transport and Departmental Connectivity project (HA-L1104) focuses on rehabilitating the Route Nationale 5 (RN5), the only primary road that is not paved with conditions far below the standards. The investments in this route are essential to improve the competitiveness of the country and particularly of the Nord-Ouest and Artibonite departments, while reducing transportation costs and travel times and hence ensuring the basic conditions for the development of export-oriented agricultural activities (e.g. mango and avocado). In other words, the project has a potential impact on improving the functioning of agricultural value chains and therefore facilitating international trade of one of the most exported products in the country (mango).

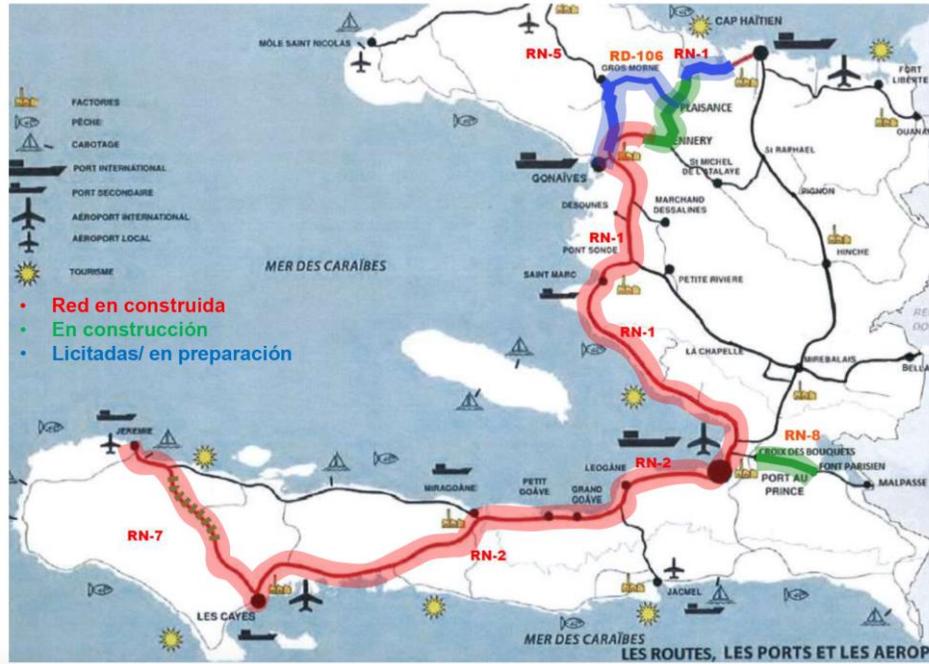
This document explains how the project supports the economic integration of Haiti through improving the connectivity between export-oriented production areas and the primary road network of the country, as well as the access to the export and import infrastructure. According to the Results Matrix of the project, the improvement of the physical infrastructure of the RN5 will have the following positive outcomes related to regional integration facilitation: (i) reduction in vehicles operating costs, and (ii) reduction of travel times.

## **I. INTRODUCTION**

- 1.1 Haiti ranks 135th (out of 140 countries) in the sub pillar of transport infrastructure of the Global Competitiveness Index prepared by the World Economic Forum (WEF). This position in the global ranking points out the deficiencies in road infrastructure affecting the country's competitiveness. According to World Bank Statistics, the country has a low road coverage level, both for the size of the population (0.4 km/1,000 inhabitants) and in proportion to the surface area (0.12 km/km<sup>2</sup>) compared to its regional peers. Moreover, only 15% of total road networks and 64% of the primary network are in good condition. In particular, the Route Nationale 5 (RN5) connecting the northwestern region of the country with the rest of the country has no drainage system, inadequate alignments and lacks road safety measures. This is the only primary road of Haiti that is not paved, being Port de Paix the only departmental capital that does not have an all-season road access<sup>1</sup>.

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<sup>1</sup> Currently it takes more than 3 hours to travel the 72 kilometers of this road by car.



- 1.2 Haiti, due its geographical location and its climatic characteristics, has natural conditions to develop the production of agricultural goods with export potential such as: mangoes, coffee, avocados, bananas and cocoa. The agricultural sector continues to play a key role in the country's economy as an important source of employment and income<sup>2</sup>. However, its competitiveness and development is constrained by deficiencies in transport infrastructure.
- 1.3 This document analyzes the Transport and Departmental Connectivity (HA-L1104) project, presenting the arguments that explain the contribution of the project to the economic integration of Haiti, validating therefore its strategic alignment with the regional challenge of economic integration proposed in the Updated Institutional Strategy of the Bank (UIS) 2010-2020 (GN-2788-5). The document is organized in two sections: first, it presents the qualitative and quantitative arguments demonstrating that the project contributes to improve the physical and economic integration of the country; and the second section analyzes the validation of the operation's alignment with the Economic Integration Challenge in accordance with the UIS and the Bank's Sector Strategy to Support Competitive Global and Regional Integration (GN-2564-4).

**II. OVERVIEW OF THE OPERATION IN TERMS OF REGIONAL INTEGRATION**

2.1 The primary road RN5 links the Northwest part of the country, namely the Nord-Ouest and Artibonite departments, with the primary road network of the country. The RN5 has a total length of 75 km, beginning at the intersection with the RN1 in Carrefour Joffre, and ending in Port de Paix, which is the second largest city in northern Haiti (population of 250,000), and the capital of the Nord-Ouest department. In terms of infrastructure connectivity, Port

<sup>2</sup> Agriculture, forestry, livestock and fishing represent 22.6% of the GDP in 2012, showing the strong foundation of these activities in the economic structure of the country.

de Paix counts with an airport that mainly operates domestic flights (nationals) and a seaport that receives supplies from the area nearby but with potential to develop as an alternative for the movement of cargo and passengers both nationally and internationally, once the conditions of the whole RN5 are improved. This road has therefore a function of a strategic corridor for both, the territorial cohesion and the regional integration of the country, as it connects Port de Paix and the northwest region with the rest of the primary network at the national level, and with the main export infrastructures in Port au Prince<sup>3</sup>, Gonaïves and Cap Haitien.

- 2.2 The Transport and Departmental Connectivity project aims to improve the competitiveness of the northwest region of Haiti as well as to promote their integration into the national economy. This operation will focus on the rehabilitation and reconstruction of a section (25 km) of the RN5, between Gonaïves and Gros Morne, and some rural roads in the Nord-Ouest and Artibonite departments. Both departments are areas with great potential for the development of export production. According to the statistics of the Ministry of Agriculture, Natural Resources and Rural Development of Haiti, the mango production was estimated at 176.08 thousand metric tons (T.M.) in the Artibonite Department and 56.26 thousand T.M. in the Nord-Ouest department in 2013. Around 42% (equivalent to 74,000 T.M.) of the Artibonite's mango production corresponds to "Francique mango", the only variety of mango exported by Haiti. In the Nord-Ouest department, Francique mango production represents only 17% (10 thousand T.M.) of total mango production. It is important to highlight that in both departments the mango is the main fruit produced<sup>4</sup>. At the national level, it is the largest agricultural product exported, generating annual revenues<sup>5</sup> around US \$ 12 million. In the case of avocado, it is estimated that in 2013 the production reached 26.20 thousand T.M. in Artibonite department and 22.06 thousand T.M. in the Nord-Ouest department. While avocados are ranked as the second largest produced fruit in both departments, domestic exports do not exceed 2,000 kilos, with revenues of about US \$ 1,100 dollars, according to data from the Ministry of Industry and Trade.
- 2.3 Despite the productive potential of these regions, the competitiveness of agricultural products in international markets is affected by the quality of transport infrastructure in the country. World Bank studies indicate that poor transport and logistics infrastructure in Haiti, along with low network connectivity hinder the connection between production centers and markets and also affect the country competitiveness. The limitations primarily affect the agricultural value chains, where the transport associated losses could be extremely high. In the case of informal business relationships<sup>6</sup>, loss levels could be in a range around 40%. In production areas with limited accessibility, producers and traders are forced to transport goods on horseback or on foot, and it is the first segment of the transport

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<sup>3</sup> The RN5 connects with the RN1 at the intersection in Carrefour Joffre. The main Haiti's port and airport are located in Port au Prince, in the southern section of the RN-1.

<sup>4</sup> Total mango production accounts for about 97% of the total fruit production in Artibonite department and 87% in the Nord-Ouest department.

<sup>5</sup> Mango exports represent a source of income for about 20,000 to 35,000 Haitian farmers.

<sup>6</sup> The World Bank study analyzed 3 formal supply chains: mangoes (Artibonite, Gros-Morne), rice (Estère, Pont Sondé, Desdunes, Verrettes, Artibonite) and vetiver (Les Cayes, Sud); and 3 informal supply chains: mangoes (Carice and Capotille, Nord-Est), and coffee and avocados (Central Plateau Region—Savanette, Baptiste—Centre).

from the farm to the first collection point (known as first mile), the most costly in terms of transport costs and product losses.

- 2.4 For example in the case of the bananas produced in the northwest region of the country, it is estimated that the costs of transporting a stem of bananas from the farm to the primary market, can represent 25% of the sales price or 45 % of the profit margin (World Bank 2013). In the case of Mango (one of the most documented in Haiti), the World Bank estimates that losses in field -before they can be transported- reach up to 50% for the exporter. Additionally, a study of the mango value chain by TechnoServe, estimates that only 10% of Francique production is exported, even though the Haitian mango quality is internationally recognized.
- 2.5 According to the study of TechnoServe, the Francique mango has a shelf life of 14 days and therefore it is essential to ensure they are transported as quickly as possible to the packing house and then shipped timely. Many importers and wholesalers reported that they received the fruit late, when it was too soft and it does not allow moving the product through the distribution system. The study concludes that inadequate transport infrastructure in many parts of the country poses a great challenge for the timely shipping of mangos and therefore excludes some Haitian regions from the export market. TechnoServe estimates that about half of the crop is lost before reaching markets due to poor crop management and post-harvest handling, but also because of the conditions of the roads that cause damage to the fruit during transport.
- 2.6 Considering the productive profile of these areas, the RN5 has a potential to become an important corridor for international trade of agricultural products such as mangoes and avocados. The rehabilitation of the RN5 along with the improvements in secondary and rural road networks; will contribute to reduce the vehicle operating costs and travel times, which is expected to be reflected in gains for transport users, the productive sectors and the competitiveness of the areas under influence. National investments to upgrade the conditions of the RN5 will contribute to improve transport services for rural production, connecting the production and processing areas with national and international markets, and promoting international trade by facilitating the insertion of small and medium enterprises in global value chains.
- 2.7 Finally, the project complements the Haiti Hope initiative, a public-private partnership among Coca-Cola Company, the Multilateral Investment Fund (MIF), the Inter-American Development Bank (IDB), the US Agency for International Development (USAID), TechnoServe and other local and international organizations. As part of this partnership, the MIF prepared the operation "Mango as an opportunity for long-term economic growth: HA-M1034". This project supported the work of small mango producers in different parts of the country; to improve their income and increase the exports of fresh and processed mango. The operation was focused on: (i) support and empower farmers to articulate producer business groups; (ii) training for farmers in basic production practices (grafting, tree management, etc.), business administration and gender sensitization; (iii) support for producer business groups in planting trees; (iv) support through access to credit for inputs;

and (v) support farmers in adopting traceability systems, certifications of food safety or certificates of high value such as organic and fair trade.

### III. VALIDATION CRITERIA UNDER THE INTEGRATION STRATEGY

- 3.1 The Transport and Departmental Connectivity operation (HA-L1104) is strategically aligned with the development challenge of economic integration included in the Bank's Institutional Strategy 2010-2020 (GN-2788-5). The expected results from the investments in the RN5, regarding the reduction of travel times and transport costs; will contribute to promote international trade of products like mango, as well as to expand the opportunities for small and medium enterprises to be inserted (and /or participate) in global value chains, thereby contributing to the inclusive and sustainable growth of the country.
- 3.2 In the past four years, the Bank has approved operations for the transport sector of Haiti of US\$ 318.5 million, supporting a comprehensive program of rehabilitation of the road network, which includes interventions in the main national routes including RN1, RN2, RN7, RN8 and some bridges of the RN5. This operation complements these investments, by financing the rehabilitation and improvement of the primary network (RN5) as part of the strategy to consolidate a core system that provides a secure and reliable connection between the main cities, production areas, ports and airports in Haiti. The project will also contribute to the generation of knowledge about the value chains of key agricultural products through sectoral studies included in component 3, which will identify potential collaboration opportunities in logistics and transport services.
- 3.3 The project is also aligned and contributes to the Framework Corporate Results (CRF), through the following indicators linked to the Regional Challenge for Economic Integration reflected in the Framework Results of the project: (i) constructed or rehabilitated kilometers of an integration corridor, since it will rehabilitate and improve a section of the RN5 primary network, and (ii) micro, small and medium enterprises receiving non-financial support, since investments in RN5 will contribute to improve the competitiveness and productivity of mango producers in the area of influence.
- 3.4 Finally, according to Sector Strategy to Support Competitive Global and Regional Integration (GN-2565-4), a regional integration operation is classified as such when it incorporates one of the following non-mutually exclusive indicative criteria: (i) a cross-country focus, (ii) national subsidiarity, (iii) regional additionality, and (iv) compensation of coordination failures. This operation meets the criteria for **Cross-Country Focus**, as it supports a national investment by the Government of Haiti focused on the goal of improving the competitiveness of the northwest region of the country and promoting their integration into the national economy, so as to contribute to increase the competitiveness of the Haitian economy and boost regional trade.