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AGENDA

PR-2108
26 January 1996
Original: English

TO: The Board of Executive Directors

FROM: The Secretary

SUBJECT: Haiti. Proposal for a technical-cooperation loan for a program for the decentralization of public services

Attached for your consideration is a proposal for a technical-cooperation loan to the Republic of Haiti for up to the equivalent of US\$3 million from the Fund for Special Operations for a program for the decentralization of public services.

Any questions concerning this operation may be addressed to Mr. Fabrice Henry, Project Team Leader (extension 1958). This matter will be placed before the Committee of the Whole for consideration at a meeting held on or after February 21, 1996.

To expedite consideration of this matter in the Committee of the Whole, those Executive Directors who wish to do so may send the Secretariat, in writing, a list of the points they plan to raise at the meeting. The Secretariat will distribute the observations from Executive Directors that have so requested. If there is agreement on this operation in the Committee of the Whole, it will be placed before the Board of Executive Directors for approval at a forthcoming meeting.

Other distribution:

Managers and Advisors
Division Chiefs
Representative in Haiti

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HAITI

TECHNICAL COOPERATION LOAN

PLAN OF OPERATIONS

DECENTRALIZATION OF PUBLIC SERVICES

(HA-0060)

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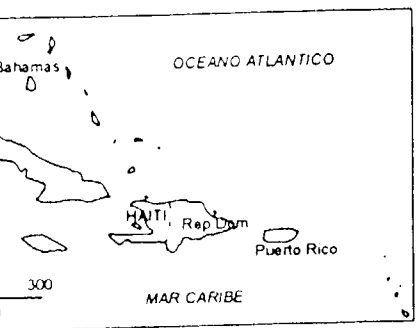
Proposed Resolution

LIST OF ANNEXES AVAILABLE
IN THE TECHNICAL FILE OF THE PROJECT (RE2/FI2)

Annex II-2B Detailed Terms of Reference for the Global Assistance
Mission

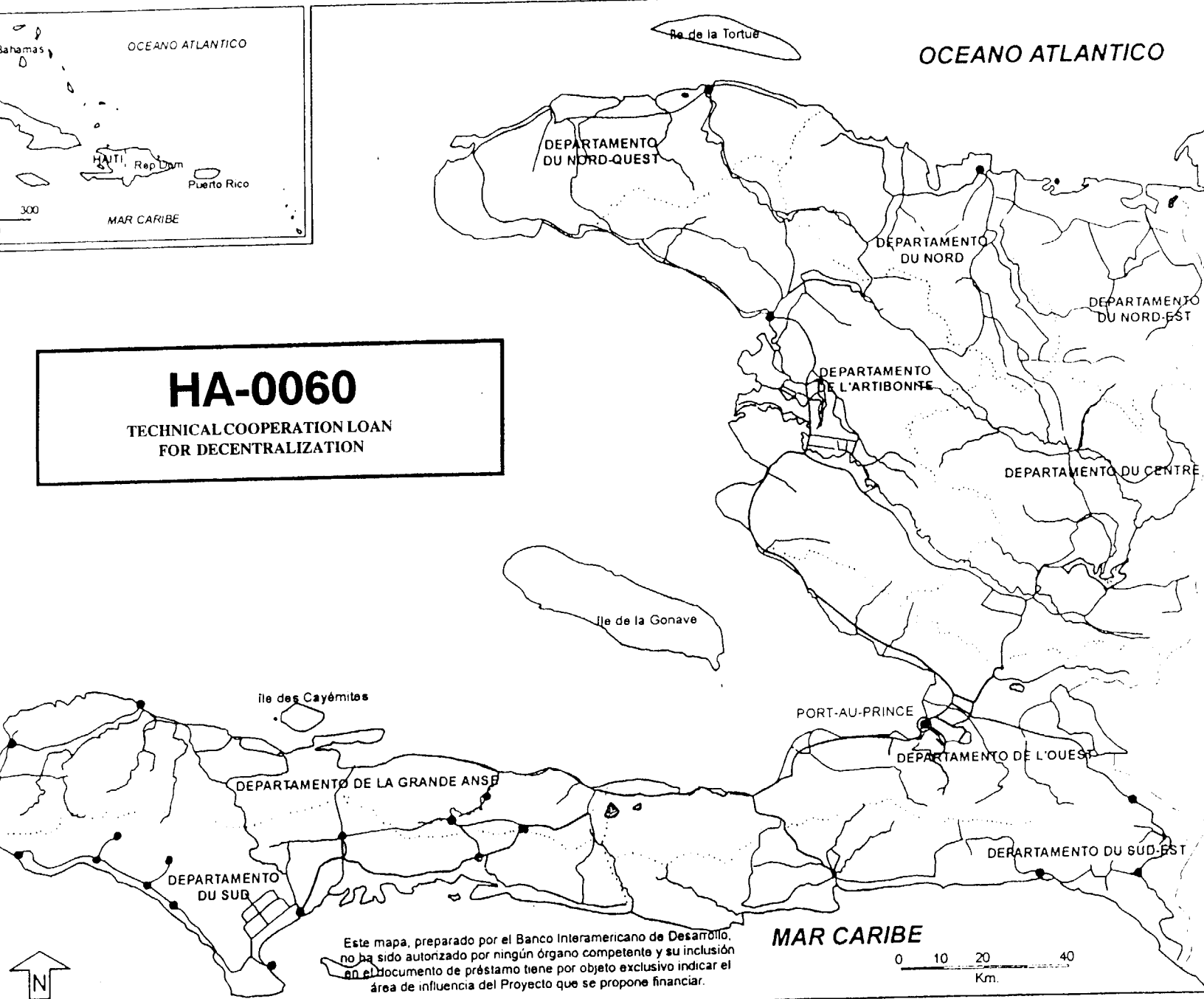
ABBREVIATIONS

CPA	Comprehensive Plan of Actions
FSO	Fund for Special Operations
GAM	Global Assistance Mission
GOH	The Government of Haiti
IHSI	Institut Haïtien des Statistiques et de l'Information
MDP	Municipal Development Program
PMO	Prime Minister's Office
PP	Pilot Program
TC	Technical Cooperation
TTA	Training and Technical Assistance
UND	Unité Nationale de Décentralisation
UNDP	United Nations Development Program
USAID	United States Agency for International Development



HA-0060

TECHNICAL COOPERATION LOAN
FOR DECENTRALIZATION



Este mapa, preparado por el Banco Interamericano de Desarrollo, no ha sido autorizado por ningún órgano competente y su inclusión en el documento de préstamo tiene por objeto exclusivo indicar el área de influencia del Proyecto que se propone financiar.

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Basic Socio-Economic Data
Statistics and Quantitative Analysis
Integration and Regional Programs Department

Executive Summary

Social Statistics

Land Area (Km2)	1994	27,750
Population (Thousands)	1994	7,035
Population (Average Annual Growth Rate)	1985-1994	2.0
Rural (Percent)	1994	69.3
Density (Population per Km2)	1994	253.5
Vital Statistics		
Crude Birth (Rate per 1,000 Population)	1992	34.4
Infant Mortality (Rate per 1,000 Live Births)	1993	84.2
Crude Death (Rate per 1,000 Population)	1992	12.9
Life Expectancy at Birth (Years)	1993	56.9
Illiteracy (Percent)	1990	47.0
Primary School Enrollment Ratio	1990	55.9

Economic Statistics

Exchange Rate (Gourdes/US\$)	7-1995	14.9
GDP per Capita (Average Annual Growth Rate)		...
Labor Force (Thousands)	1992	3,276
Unemployment Rate (Percent)		...
Consumer Prices (Twelve Month Variation)	2-1995	41.9
NF Public Sector Overall Balance (% of GDP)	1994	-4.2
Domestic Credit (% of GDP)	1994	41.2
Balance of Payments (Millions of US\$)		
Current Account Balance	1994	4
Trade Balance	1994	-84
Capital Account Balance	1994	-40
Change in Reserves (- Increase)	1994	-95
Total External Debt (Millions of US\$)	1994	843
Total Debt Service (Millions of US\$)	1994	22
Debt to GDP Ratio (Percent)	1994	60.4
Debt Service Ratio (Percent)	1993	3.8

16 January 1996

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Basic Socio-Economic Data

1. Exchange Rates

Gourdes/US\$, End of Period Index 1990=100

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Exchange Rate	5.0	5.0	5.0	5.0	5.0	5.0	7.5	11.0	12.8	12.9
Real Effective Index	63.9	72.2	82.1	87.6	89.5	100.0	129.7	131.3	124.7	...

2. Prices

Average Annual Growth Rates in Percent

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Consumer Price Index	10.7	3.3	-11.5	4.1	7.9	20.4	18.2	17.9	18.9	36.1
Wholesale Price Index	...	...	...	...	...	...	...	...	...	...

3. International Liquidity

Millions of US\$

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Reserves	13	23	25	20	19	3	17	...	...	31
Reserves minus Gold	6	16	17	13	13	3	17	...	...	31
Special Drawing Rights (SDRs)	0	7	...	...	0	...	...	...	...	...
Reserve Position in the IMF	0	0	0	0	0	0	0	0	0	0
Foreign Exchange	6	9	17	13	12	3	17	...	...	31
Gold (National Valuation)	6	8	8	7	7	...	...	...	...	...

4. National Accounts

Millions of 1990 US\$ 1990 US\$

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Gross Domestic Product	2036	1974	1682	1638	1465
GDP Per Capita	314	298	249	238	208

Annual Growth Rates in Percent - Constant Prices

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
GDP Per Capita	-5.0	-16.5	-4.6	-12.4
GDP by Type of Expenditure (MP)	-3.0	-14.8	-2.6	-10.6
Consumption	6.7	-13.0	10.6	-13.9
Gross Domestic Investment	-7.9	-73.7	-8.3	-56.7
Exports of Goods and Services	-10.8	-47.6	35.7	-34.8
Imports of Goods and Services	13.5	-44.9	60.4	-31.8
GDP by Sector of Origin (MP)
Agriculture, Forestry and Fishing	-0.1	-1.1	-2.6	-1.7
Mining and Quarrying	-1.4	-12.9	-18.0	20.0
Manufacturing	-17.7	-21.5	-0.8	-33.3
Electricity, Gas and Water	-10.7	-18.4	2.9	-31.0
Construction	3.5	-54.0	-3.5	-25.0
Wholesale and Retail Trade	-3.0	-40.0	-14.4	-25.0
Transport and Communications	-6.6	-12.0	-12.5	-40.3
Financial Services	1.7	-5.0	-6.4	-10.5
Government	-1.2	2.0	10.0	5.0
Other Services	6.7	-9.5	-5.3	-17.5

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Basic Socio-Economic Data

4. National Accounts (cont.)

Composition in Percent - Current Prices

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
GDP by Type of Expenditure (MP)										
Consumption	100.2	104.2	106.6	111.9	107.2
Gross Domestic Investment	12.2	11.2	3.7	3.8	1.7
Exports of Goods and Services	14.7	11.6	6.1	7.5	4.0
Imports of Goods and Services	27.1	27.0	16.3	23.2	12.9
GDP by Sector of Origin (MP)										
Agriculture, Forestry and Fishing
Mining and Quarrying
Manufacturing
Electricity, Gas and Water
Construction
Wholesale and Retail Trade
Transport and Communications
Financial Services
Government
Other Services

5. Non-Financial Public Sector

As a Percent of GDP

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Current Revenues	7.7	8.2	6.5	7.8	4.7
Current Expenditures	8.8	8.2	8.4	9.2	8.5
Current Savings	-1.1	0.0	-1.9	-1.5	-3.8
Capital Expenditure	5.1	4.5	0.4	1.0	0.4
Overall Balance (- Deficit)	-3.7	-1.8	-2.3	-2.5	-4.2
Domestic Financing	0.0	0.0	0.0	0.0	0.0

6. Monetary Survey

As a Percent of GDP

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Domestic Credit	31.3	30.1	37.6	42.9	41.2
Public Sector	19.4	18.2	23.8	27.0	27.2
Private Sector	11.9	11.9	13.7	15.9	13.9
Money (M1)	14.0	13.6	16.8	19.3	18.5

7. External Trade

Direction in Percent - Customs Basis Index 1980=100

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Exports of Goods (fob)										
Developed Countries	97.4	97.4	97.4	97.4	97.4	98.4	99.4	98.5	98.3	95.9
Developing Countries	2.6	2.6	2.6	2.6	2.6	1.6	0.6	1.5	1.7	4.1
Latin America	1.3	1.3	1.3	1.3	1.3	0.9	0.4	0.9	0.8	1.9
Imports of Goods (cif)										
Developed Countries	85.2	77.8	77.8	77.8	77.8	77.3	77.3	74.2	71.6	67.7
Developing Countries	14.8	22.2	22.2	22.2	22.2	22.7	22.7	25.8	28.4	32.3
Latin America	7.0	9.8	9.8	9.8	9.8	6.8	7.4	3.7	5.6	8.3
Terms of Trade Index	87.6	77.5	84.2	77.2	65.1	65.2	67.9	61.9	62.9	68.4

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Basic Socio-Economic Data

7. External Trade (cont.)

Millions of US\$ - Customs Basis Composition in Percent

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Exports of Goods (fob)	174.0	170.0	153.0	200.0	177.1	158.0	154.6	121.0	...	...
All Food	20.1	21.8	21.8	21.8	22.7	13.5	14.8	12.6	...	...
Agricultural Raw Materials	1.1	1.1	1.1	1.1	1.0	1.3	1.3	1.7	...	...
Fuels	...	...	...	...	...	...	...	...	...	...
Ores and Metals	1.1	1.2	1.2	1.2	1.0	0.2	...	...	...	...
Manufactured Goods	77.7	75.9	75.9	75.9	75.3	85.0	83.9	85.7	...	...
Chemicals	1.6	1.8	1.8	1.8	1.2	2.0	1.3	1.7	...	...
Machinery and Transport Equipment	19.9	17.6	17.6	17.6	15.1	13.9	13.6	14.3	...	...
Other Manufactured Goods	56.1	56.5	56.5	56.5	58.9	69.1	69.0	69.7	...	...
Imports of Goods (cif)	...	...	...	...	...	...	...	...	...	...
Capital Goods	18.4	17.1	17.8	17.9	17.0	14.6	15.2	...	...	...
Consumption Goods	38.4	37.4	38.0	37.2	36.0	35.8	39.4	...	...	...
Intermediate Goods	33.3	35.3	33.8	35.4	37.5	44.3	39.3	...	...	...
Fuels	7.0	9.2	8.9	8.9	8.5	9.4	12.7	...	...	...
Other	9.9	10.2	10.4	9.5	9.5	5.2	6.2	...	...	...

8. Balance of Payments

Millions of US\$

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Current Account Balance	-95	-45	-31	-40	-63	-88	-123	-41	-78	4
Trade Balance	-122	-113	-101	-104	-111	-177	-247	-139	-185	-84
Exports of Goods (fob)	223	191	210	180	148	266	202	76	82	57
Imports of Goods (fob)	345	303	311	284	259	443	449	214	267	141
Service Balance	-118	-84	-101	-130	-126	-104	-111	-58	-66	-68
Freight and Insurance	-69	-42	-55	-51	-50	-61	-63	-48	-60	...
Travel	50	46	48	40	37	-3	5	19	13	...
Investment Income	-20	-15	-21	-27	-26	-18	-18	-12	-11	...
Other Services	-42	-46	-43	-54	-54	9	-1	6	10	-10
Unrequited Transfers	145	152	171	193	174	193	234	155	173	156
Private	49	52	56	63	59	61	70	70	73	43
Official	97	100	115	130	115	132	165	85	100	113
Capital Account Balance	53	55	53	51	75	36	38	-3	-2	-40
Non-Monetary Sector	68	65	62	46	44	59	54	10	29	-12
Private Sector	29	39	40	28	28	8	14	0	0	...
Direct Investment	5	5	5	10	9	8	14	0	0	...
Portfolio Investment	0	0	0	0	0	0	0	0	0	...
Other Long-Term	24	35	35	18	18	0	0	0	0	...
Other Short-Term	0	0	0	0	0	0	0	0	0	...
Government Sector	39	26	23	18	17	51	40	10	29	...
Long-Term	25	0	18	-5	2	49	29	-11	-15	...
Short-Term	14	26	5	23	15	3	12	21	44	...
Monetary Sector	-15	-10	-9	5	31	-23	-16	-13	-31	-28
Long-Term	0	0	0	0	0	0	0	0	0	...
Short-Term	-15	-10	-9	5	31	-23	-16	-13	-31	...
Change in Reserves (- Increase)	-5	-25	-6	-25	-2	32	-25	-11	-19	-95
Errors and Omissions	47	15	-16	14	-11	20	110	56	99	-131

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Basic Socio-Economic Data

9. External Debt

Millions of US\$ Ratios in Percent

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Total Debt	718	710	844	818	803	884	747	773	773	843
Long-Term Debt	522	576	674	683	684	746	610	626	618	694
Public and Publicly Guaranteed	522	576	674	683	684	746	610	626	618	694
Bilateral	150	164	194	193	192	215	59	62	59	90
Multilateral	305	343	419	432	447	486	505	519	513	559
Bond Holders	0	0	0	0	0	0	0	0	0	0
Banks	43	47	47	47	46	46	46	46	46	45
Suppliers	4	3	1	0	0	0	0	0	0	0
Other Creditors	20	20	13	12	0	0	0	0	0	0
Private Non-Guaranteed	0	0	0	0	0	0	0	0	0	0
Use of IMF Credit	96	79	80	47	41	38	33	35	34	21
Short-Term Debt	100	56	90	88	77	101	105	112	122	128
Interest Arrears on Debt	12	10	11	17	16	24	14	21	31	36
Total Debt Service	44	47	61	59	52	33	27	5	5	22
Public and Publicly Guaranteed	18	14	23	23	24	11	12	0	0	8
Bilateral	9	5	13	13	13	2	2	0	0	0
Multilateral	4	5	7	8	10	10	11	0	0	7
Private Non-Guaranteed	0	0	0	0	0	0	0	0	0	0
IMF Repurchases and Charges	19	29	34	30	23	15	7	0	0	14
Short-Term Debt (Interest only)	8	3	5	6	5	7	8	5	5	0
Debt to GDP Ratio	...	...	...	...	...	43	36	47	44	60
Debt Service Ratio	13	16	19	21	21	10	10	4	4	...

... Not Available

0.0 Indicates that the amount is nil or negligible

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Basic Socio-Economic Data

Sources and Notes

Executive Summary

Social Statistics:

Land Area: Organization of American States (OAS), América en cifras, 1974.

Population: IDB estimates based on data from Latin America Demographic Center (CELADE) and United Nations Population Division.

Vital Statistics:

World Bank, Social Indicators of Development - 1995 Edition and Economic Commission for Latin America and the Caribbean (ECLAC), Statistical Yearbook - 1994 Edition.

Economic Statistics:

Labor Force: World Bank, Social Indicators of Development - 1995 Edition.

1. Exchange Rates:

International Monetary Fund (IMF), International Financial Statistics (IFS) and Banque de la République d'Haïti. Official rate from 1985-86, and Reference rate from 1987-1994.

Real Effective Index: IDB estimates based on data from the IMF.

2. Prices:

IMF, IFS. Annual figures are expressed as average annual growth rates; monthly figures as a twelve month variation.

3. International Liquidity:

IMF, IFS.

4. National Accounts:

GDP in 1990 US Dollars: IDB estimates.

GDP by Type of Expenditure and Sector of Origin: Institut Haïtien de Statistiques et d'Informatique, Banque de la République d'Haïti and IMF estimates. Fiscal Year ending September 30.

5. Non-Financial Public Sector:

Ministère de l'Economie et des Finances and IMF estimates. Fiscal year ending September 30.

6. Monetary Survey:

Banque de la République d'Haïti and IMF (end-fiscal year, September 30, observations).

7. External Trade:

Trade by Direction: IMF, Direction of Trade Statistics (magnetic tapes).

Terms of Trade: ECLAC, Balance preliminar de la economía de América Latina y el Caribe, 1994.

Export Composition: United Nations Statistical Division (UNSTAT) Commodity Trade (COMTRADE) Data Base and Monthly Bulletin of Statistics (MBS). Exports include Re-Exports.

Import Composition: Bulletin de la Banque de la République d'Haïti. Fuels include Crude Petroleum.

8. Balance of Payments:

Banque de la République d'Haïti and IMF, Balance of Payments Statistics (magnetic tapes). Fiscal year ending September 30.

9. External Debt:

World Bank, World Debt Tables (magnetic tapes) and estimates.

HAITI

REGIONAL SUPPORT SERVICES

RSS/ITC/IRO

IDB LOANS

APPROVED AS OF OCTOBER 31, 1995

	US\$Thousand	Percentage
TOTAL APPROVED *	486,984	100.0%
DISBURSED	290,419	59.6%
CANCELLATIONS	15,210	3.1%
UNDISBURSED BALANCE	196,565	40.4%
PRINCIPAL COLLECTED	57,885	11.9%
APPROVED BY FUND		
ORDINARY CAPITAL	0	0.0%
FUND FOR SPECIAL OPERATIONS	480,528	98.7%
OTHER FUNDS	6,456	1.3%
OUTSTANDING DEBT BALANCE	232,534	
ORDINARY CAPITAL	0	0.0%
FUND FOR SPECIAL OPERATIONS	230,937	99.3%
OTHER FUNDS	1,597	0.7%
APPROVED BY SECTOR		
AGRICULTURE AND FISHERY	65,289	13.4%
INDUSTRY, MINING AND TOURISM	15,328	3.1%
ENERGY	0	0.0%
TRANSPORTATION AND COMMUNICATIONS	164,768	33.8%
EDUCATION SCIENCE AND TECHNOLOGY	34,759	7.1%
HEALTH AND SANITATION	115,256	23.7%
ENVIRONMENT	0	0.0%
URBAN DEVELOPMENT	0	0.0%
SOCIAL INVESTMENT AND MICROENTERPRISE	12,369	2.5%
REFORM & PUBLIC SECTOR MODERNIZATION	68,576	14.1%
EXPORT FINANCING	3,117	0.6%
PREINVESTMENT AND OTHER	7,522	1.5%

* Net of cancellations with monetary adjustments and export financing loan collections.

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REGIONAL SUPPORT SERVICES

ITC/IRO

TENTATIVE LENDING PROGRAM

US\$ Millions		
1996		
HA0037	SOCIAL INVESTMENT HELP FUND	15.0
HA0034	MODERNIZATION OF THE STATE	10.0
HA0046	INVESTMENT SECTOR LOAN ISL	40.0
TOTAL A		65.0
HA0060	TECHN. COOP. LOAN FOR DECENTRALIZATION	3.0
HA0044	STRUCTURAL ADJUSTMENT CREDIT II	10.0
HA0040	URBAN DEVELOPMENT PROJECT	18.0
TOTAL B		31.0
TOTAL YEAR		96.0
1997		
HA0014	POTABLE WATER AND SEWAGE OF INNER CITIES	30.0
HA0016	MODERNIZATION RURAL SECTOR	20.0
HA0039	DRAINAGE AND SANITATION III	50.0
HA0038	BASIC EDUCATION PROGRAM	30.0
TOTAL A		130.0
HA0017	VOCATIONAL TRAINING	10.0
HA0045	ORGAN.& RATIONALIZATION OF HEALTH SECTOR	35.0
HA0033	PROTECTION OF ENVIROMENTAL RESOURCES	5.0
HA0015	ELECTRICAL GENERATION/TRANSMISSION PROG.	30.7
HA0075	RURAL AND SECONDARY ROADS	27.0
HA0079	NUTRITION PROGRAM	10.0
TOTAL B		117.7
TOTAL YEAR		247.7

TECHNICAL COOPERATION FOR DECENTRALIZATION

(HA-0060)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR: Republic of Haiti

EXECUTING AGENCY: Unité Nationale de Décentralisation (UND),
Prime Minister's Office (PMO)

AMOUNT AND SOURCE: FSO: US\$3,000,000

FINANCIAL TERMS AND CONDITIONS:

Amortization period:	40 years
Disbursement period:	2.5 years
Interest rate:	1% the first ten years, 2% thereafter
Inspection and supervision:	1% of the IDB Loan Amount
Credit fee:	0.5%

MAIN OBJECTIVE: The overall objective of the proposed TC is to help the Government of Haiti (GOH) define a coherent decentralization policy and implement key aspects of it in order to establish an enabling environment for municipal development.

SPECIFIC OBJECTIVES AND DESCRIPTION:

In terms of output, the program seeks to: (i) support the Government in its efforts to redefine municipal mandates; (ii) support the Government in the subsequent revamping of the municipal finance system; and (iii) help municipal governments establish efficient public service delivery mechanisms.

In terms of process, the program seeks to: (i) support the emergence of a dialogue on decentralization involving the GOH, the legislative chambers, local elected officials, NGOs and the civil society; (ii) assist the GOH and the legislative bodies in drafting accompanying legal instruments; and (iii) support the restructuring of municipal governments and the strengthening of the interface between central and local governments through the establishment of a nation-wide training program.

In addition to coordination and communication activities, the proposed TC will finance three components: (i) a pilot municipal reform program; (ii) research and operational studies; and (iii) a training and technical assistance component.

The Pilot Program (Component 1) consists of a research and operational studies phase and a training and technical assistance phase. The evaluation of the first phase of the Pilot Program will inform the implementation of the second component of the TC (research and operational studies). Similarly, at a later stage, the evaluation of the second phase of the Pilot Program will inform the implementation of the third component of the TC (training and technical assistance).

**ENVIRONMENTAL
CLASSIFICATION:**

The Environmental Management Committee reviewed the proposed TC at its meeting of November 21, 1995. The proposed classification is Category II.

BENEFITS:

A clearer, more balanced distribution of mandates and resources between central and local governments will increase the accountability of local governments, promote popular participation in local public affairs, and facilitate cost recovery. The establishment of sound delivery mechanisms will promote private sector participation and enhance provision of public services.

RISKS:

The proposed TC faces two main risks:

- a. The presently weak capacity of local governments is a major constraint in implementing the full scope of this operation. Experience indicates that pragmatism and gradualism must prevail; consensus-building, transition measures and training will be key elements to mitigate this risk. The Pilot Program and its subsequent evaluation will also help reduce this risk since they will reveal where to fine-tune the two main components of the proposed TC.
- b. Lack of interministerial and interagency coordination in the decentralization process is another important risk. The establishment of a strong Decentralization Unit (UND) at the PMO should help reduce this risk. The UND will be responsible for interministerial/sectoral coordination and for coordination between the Executive and Legislative Powers. On the donor agencies' front, the IDB will take the lead to ensure coherence.

**THE BANK'S
COUNTRY STRATEGY:**

The Bank's program for Haiti for the 1996-1998 period is based on the following strategic elements:

- a. Investment in human capital: Prepare the work force for productive employment, improve living conditions, and increase the mobility and productivity of labor.
- b. Institution building: Strengthen the capability of Haitian institutions to direct and manage the development process.
- c. Private sector development: Improve the productivity and mobility of the factors of production and enhance the competitiveness of private firms.
- d. Cofinancing: Contribute to the economic recovery of the country and the success of the Bank's lending program by securing additional concessional funds.

Three of these four strategic elements are directly linked with decentralization: improvement of living conditions, institution building and private sector development will be facilitated by a clearer distribution of responsibilities between the local and central governments and the eventual strengthening of municipalities.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

(1) Prior to first disbursement of the loan funds, the Borrower must present evidence of:

- a. having established the UND (see 2.9);
- b. having appointed its three members and broadly defined their respective responsibilities (see 2.9).

(2) Other contractual obligations:

- a. Within three months of the date of effectiveness of the loan contract, the UND must present to the Bank a detailed work plan including the distribution of tasks among its three professionals (see 2.9).
- b. Quarterly monitoring reports will be prepared by the executing unit (see 2.41).

- c. Initial appointments and subsequent replacements of UND staff must receive the non-objection of the Bank during the period of effectiveness of the loan contract (see 2.47).
- d. For short-term consultancies and missions, the terms of reference, consultants' CVs, and corresponding budgets must be presented to the Bank for non-objection prior to commitment of resources (see 3.2).

IMPACT ON POVERTY: This Program can be considered a geographically targeted operation since the population of Haiti is considered to be below the poverty level.

I. BACKGROUND

- 1.1 Traumatized by over 30 years of dictatorship and political instability, the republic of Haiti has faced its first year following President Aristide's return and the reestablishment of the constitutional government with a mix of hope and resignation. Some precursory signs of recovery can be observed throughout the country; macro-economic stabilization is underway, with some burden on the lower-middle class and the lower class; the infrastructure is being rebuilt thanks to a massive contribution from the international community; a new parliament and new mayors were recently elected, and presidential elections took place peacefully at the end of last year. The country seems to be slowly preparing for an historical opportunity to shift away from emergency management towards more sustainable development.
 - 1.2 Two factors lie at the origin of the proposed endeavor by the Bank to foster municipal development: (i) the ever deteriorating quality of public services across the country and (ii) the urgent need to consolidate the current democratic process. The central government can not be expected to improve the country's socio-economic situation by itself. Therefore, shifting away as much responsibility from the central government as necessary is a major step towards reviving the country's economy and improving the living conditions for a majority of Haitians.
- A. Provision of Public Services
- 1.3 Although provision of public services in Haiti has never been adequate, it has steadily worsened over the past four years and has now reached an alarming state. Public entities in charge of services are often inadequately staffed and the high turnover of key personnel makes it difficult to follow up on policies or carry out long-term actions. The poor condition and weak management of the infrastructure associated with services has only exacerbated this situation.
 - 1.4 This state of affairs has perpetuated two of the most glaring problems in the country: (i) the poor living conditions endured by most of its population; and (ii) the reluctance of private sector to invest because of the lack of basic infrastructure and services.

B. Origins of the Problem

- 1.5 The present mandates of municipal governments are defined by an October 1982 decree that legally transferred most public services 1/ from the central government to the municipalities. The 1982 decree, however, neglected to transfer resources to the municipalities that have been left with little means to carry out their responsibilities. As a result, the *de facto* situation that has been prevailing has little to do with the existing legal framework.
- 1.6 Three major issues characterize the *de facto* situation: (i) the delineation of mandates between the central and local governments is unclear; (ii) municipal governments lack adequate resources to finance the services of which they are supposed to be in charge; and (iii) public services delivery mechanisms are weak.
- 1.7 As a result, the State is hyper-centralized. The central government holds and uses 99.3% (1994 estimate) of the public sector resources. This leaves the 133 municipalities with an average yearly budget of US\$15,000 (or 28 cents per citizen). A direct consequence is that most public services are either not provided, provided by the informal sector under no public authority (and no regulation), or provided under the authority of the central government with little efficiency and no sense of accountability. For instance, drainage channels in Cap Haïtien (the second city of the country, 7 hours drive from Port-au-Prince) are supposed to be cleaned and maintained by the Service d'Entretien des Equipements Urbains (Urban Infrastructure Maintenance Service) of the Ministry of Public Works, based in Port-au-Prince. Similarly, organized solid waste collection does not exist outside of Port-au-Prince - except in richer neighborhoods where laborers are hired by individuals to remove their trash (and typically dumping it in poorer areas).
- 1.8 The financing of public services has been a major problem in Haiti. The cost recovery mechanisms, when existent, do not operate efficiently (e.g. water and electricity tariff systems). The excessive degree of centralization imposes a high expenditure level on the national budget, while the municipal fiscal mechanisms have not been able to match the responsibilities transferred from the central government as part of an initial move towards decentralization in 1982. Finally, the fiscal collection systems of municipalities are highly inefficient, contributing to the low financing capacity of municipalities.

1/ In this document, the expression "Public Services" is understood in its broader sense, encompassing the provision of basic transport infrastructure, the provision of potable water, sanitation, public markets, as well as social services such as education and health.

C. Is Decentralization the Solution ?

- 1.9 Decentralization has often been seen as an effective remedy for the problems associated with the low level of public services provision 2/ because (i) municipal governments are best positioned to raise the additional resources needed (through improved local tax administration and cost recovery) and (ii) greater municipality authority will allow local resources to be used more efficiently.
- 1.10 The optimal scope of decentralization is generally dimensionned by two factors: (i) the capacity of the "periphery" to handle decentralized responsibilities; and (ii) the capacity of the "center" to regulate the periphery. As such, it is widely admitted that, paradoxically, a decentralized state needs a stronger central government.
- 1.11 In the case of Haiti, decentralization must not consist of a further transfer of responsibilities to municipal governments - at least initially (since the 1982 decree has already transferred most public services to municipal governments) but should concentrate on coupling the devolution of responsibilities with the allocation of resources while balancing central and local discretion.
- 1.12 The distribution of mandates between the central and municipal governments must be reviewed by applying the principle of Subsidiarity of the State 3/: under this principle, each responsibility is attributed to the lowest level of government that is able to carry it out in an efficient and responsible manner. In the Haitian context, this concept must be considered a dynamic one since tasks that municipal governments do not presently have the capacity to handle could be passed on to them once they have reached the required level of ability. Initially, municipal governments should concentrate on a very few basic services such as solid waste management (trash collection and disposal), sanitation and preventive health.
- 1.13 Subsequently, intensive work will have to go into strengthening local governments. Municipal efficacy will hinge on the structure of the municipal government, its internal organization and processes, and its staffing. All three requisites will need improvement. Similarly, the central government's capacity to deal with local governments will need to be reinforced.

2/ Beginning in the 1970s, decentralization has been re-considered a viable alternative to improve the provision of public services, in reaction to the prevailing philosophy of the 1960s when national policies and investment programs frequently undermined municipal governments. Decentralization has since evolved into a global model of modern governance, a trend believed to be largely irreversible.

3/ The concept of subsidiarity of the State is developed in the Article 5 G of the Maastricht Treaty (7 February 1992).

- 1.14 As such, the process to be undertaken is as much a recentralization process (as far as mandates, or expenditures, are concerned) as a decentralization process (as far as resources are concerned).

D. The Government's Strategy

- 1.15 The Government of Haiti (GOH) has recently stressed its will to put significant efforts in the field of governance. Its May 95 position paper on the subject underlines three axes of work: modernization of the State, decentralization, and the role of Civil Society.
- 1.16 In a letter to the IDB dated 31 May 1995, the GOH solicited the support of the Bank in the decentralization process the GOH wants to undertake. Although it concentrates on decentralization, the proposed Technical Cooperation (TC) must be seen as the first operationalized step of the wider efforts to be undertaken by the Government in the field of governance.
- 1.17 The Government's will to implement decentralization corresponds to two complementary objectives: (i) the necessity (responding to political pressure, especially on the part of the newly-elected mayors) to distribute the fruits of the socio-economic recovery throughout the country, rather than only in Port-au-Prince, and the subsequent need for active local public actors; (ii) the increasing obligation for the central Government to concentrate on the tasks that belong to it - namely regional planning, redistribution, regulation and control - and let lower tiers of governments handle more operational responsibilities, in accordance with the principle of subsidiarity of the State.

E. The Bank's Strategy

- 1.18 Three of the four strategic elements laid out in the October 95 country paper presenting the Bank's strategy in Haiti are directly linked with decentralization. Investment in human capital (improvement of living conditions), institution building and private sector development will all be facilitated by a clearer distribution of the tasks between the local and central governments and the eventual strengthening of municipalities.
- 1.19 The proposed TC forms part of the larger framework of a series of projects recently initiated by the Bank to improve public services in Haiti (HA-0040, HA-0039, HA-0014). Following the rationalization of the local finance system, the Municipal Development Program currently under preparation (LOPUS HA-0040) will help establish a mechanism to finance basic municipal services. As such, the proposed TC is directly linked with operation HA-0040.
- 1.20 The Bank also has a number of projects somehow related to decentralization in execution or in preparation. They are: (i) the Road Rehabilitation Program (loan 945/SF-HA), which includes a reorganization of the Public Works Ministry; (ii) the Health Sector Reorganization Program (LOPUS HA-0045); (iii) the Agriculture

Sector Modernization Program (LOPUS HA-0016), which will deal with the strengthening of the Ministry of Agriculture; (iv) the Potable Water for Secondary Cities Program, which includes a reorganization of potable water services; and (v) the Drainage and Sanitation Program (LOPUS HA-0039), inasmuch as it will finance municipal infrastructure 4/.

- 1.21 While the proposed TC will approach decentralization on an institutional standpoint, sectoral strategies for decentralization and/or deconcentration 5/ will have to be designed simultaneously or slightly later. The proposed TC will therefore lay the ground for further, more specific sectoral work, particularly in the potable water sector where a specific technical cooperation to help reorganize the sector is being prepared. The number of projects involving sectoral decentralization gives an indication as to the urgent need for a global strategy in this respect. Here again, a high level of coordination will be needed.
- 1.22 While supporting a controlled decentralization process, the Bank is also working on the reinforcement of the center. A primary objective of most programs listed above is indeed to reinforce the central government's administrations in the fields where they should be strong. In this perspective, the Bank is about to initiate a Modernization of the State Program. A key component of the Bank's strategy to strengthen Haiti's institutions, this program will enable to optimize the reforms contemplated in the present TC.

F. Lessons Learned from Other Decentralization Experiences

- 1.23 Recent decentralization experiences are many. Directly or indirectly, the Bank is or has been involved with decentralization in many Latin American countries. The World Bank also has extensive experience in the field, not only in Latin America but throughout the world (Africa and Asia). Although the local idiosyncrasy plays a significant role in the way a decentralization process evolves, a few systematic lessons can be learned from other experiences. The literature on the subject is abundant 6/. The present paragraph recalls the lessons most relevant to Haiti.

4/ The FAES and the PURE also finance projects for municipalities, but they are not expected to interfere with the proposed undertaking given their transitory nature.

5/ The term "Deconcentration" designates the policy by which decision-making power is shifted from the headquarters to the local branches of the central government.

6/ See for instance, G.E.Peterson, May 1994 - Decentralization in Latin America, an overview of lessons and issues.

1. About the Decentralization Process Itself

- 1.24 **Ownership.** Not surprisingly, a clear lesson learned from most past experiences in the field of decentralization is that such a profound reform can not be imposed by the outside but must be born from within the country itself. The sociological and quasi-cultural impacts expected from decentralization are indeed not likely to be accepted if they are not generated from within the society. In this respect, involvement of the civil society - a notion that must be better defined in the case of Haiti - will be of utmost importance.
- 1.25 **Comprehensiveness, gradualism, simplicity and transparency.** Experience also indicates that the process must be comprehensive if it is to avoid confusion. Coordination of all actors involved is of primary importance. The process must also be expected to take time and must allow for gradual implementation: in transferring responsibilities and resources, it is prudent to stage the transfers. The transition process often proves key to the overall success of the endeavor. The process must also be simple (i.e. well structured, clearly laid out) and transparent (i.e. easy to explain, well "communicable"). These four characteristics are unfortunately not always fully compatible. The Bolivian example suggests that, in the case of Haiti, simplicity and gradualism should probably be favored.
- 1.26 **What can be controlled and what cannot.** Overall, looking at the Colombian experience (or the French experience, for this matter) a decentralization movement always consists of two parallel processes: (i) an institutional process, initiated by a Government, almost at a random point in history and for random political reasons; and (ii) an historical process, deeply anchored in the society, of much deeper scope and evolving in a rather unpredictable fashion. While the proposed TC will explicitly guide the former, making it as comprehensive and rational as possible, it is important not to forget the latter. Informal yet clear bridges must be established between the two processes so that the institutional process try and guide the informal one, and the informal one feed and enrich the institutional process.

2. Technical Aspects

- 1.27 **Need for systematic information.** An important overall lesson is the paucity of information regarding the effects of decentralization. Not only does this prevent authorities from making mid-course adjustments in their decentralization strategies (thus learning from their own experience), but it also weakens the efficiency goal of decentralization by not allowing comparisons of level and cost of services provided by the central government and local governments. The systematic collection and transmission of information on decentralization's effects must therefore be emphasized.

- 1.28 **Macroeconomic impacts of decentralization.** The major lesson here is that, contrary to most pre-established opinions, a well regulated decentralization process does not lead to an increased consolidated public sector deficit. Public sector spending might increase as a result of increased local fiscal pressure, but local public expenditures are often found to be more productive (i.e. in link with the productive sector of the economy) than central expenditures. This will certainly be the case in Haiti where local public spending should concentrate on the provision of mostly productive services.
- 1.29 **Local revenues vs. transfers.** Another lesson of utmost relevance to the Haitian case concerns the substitution effect that transfers from the central government have on local revenues (local taxes and cost recovery). It is often found that increased transfers from the central government are passed on to local taxpayers and service consumers in the form of reduced local tax rates and lower user charges. The local finance system to be designed in Haiti will have to ensure that transfers are perceived as an incentive to increase local revenues of municipalities, not the contrary. Consequently, experience indicates that stability, simplicity and predictability are key elements of success in the establishment of the intergovernmental transfer system 7/.
- 1.30 **Resources and mandates transfer timing.** Most Latin American countries that have decentralized some responsibilities to local governments have transferred resources before expenditures. It has served mostly political purposes through the above-described substitution effect, but has rarely resulted in an improvement of local public services. Although the legal situation in Haiti, inherited from the 1982 decree, is quite different (since mandates have been decentralized without resources), the *de facto* situation is very similar to that of many LA countries before decentralization. In this respect, the recent decision by the Government to transfer 5% of the national budget to municipalities probably proceeds from the logic observed in most LA countries. The process to be designed will therefore have to ensure that resources are transferred in link with very specific responsibilities.
- 1.31 **Popular participation.** Eventually, one overwhelming lesson learned from past decentralization experience is the importance of community participation in local affair management. A decentralization process that would fail to promote popular participation would probably only reinforce local "chiefdoms" and recreate, at a lower level, the concentration of resources and powers that decentralization seeks to attenuate. Popular participation in selecting (and supervising) municipal projects

7/ To a point where simplicity and stability should be preferred, at least initially, to fairness. For instance, a per capita distribution of the decentralized part of the national budget is probably more advisable in today's Haiti than the six sets of more than fifty input formulas used in France for the same purpose...

should be stressed inasmuch as it gives people a say in local public affairs. In this respect, the institutionalization of demand expression is one of the main stakes of the process to be undertaken in Haiti, since it controls many vital factors such as the willingness to pay and the level of cost recovery.

G. Experience of Other Donors with Municipal Governance in Haiti

- 1.32 To date, two donor agencies have been involved in strengthening municipalities in Haiti. The United Nations Development Program (UNDP) initiated an "assistance to municipal governments" project in 1990. Although this program was greatly disturbed by the September 1991 coup d'état, the UNDP successfully worked on the institutional strengthening of two municipalities (Saint-Marc and Pétion-Ville) from October 1992 to December 1993. Upon the return of the constitutional government, UNDP decided to extend this institutional strengthening program to Port-au-Prince and 12 other municipalities.
- 1.33 In the framework of its efforts to support democracy, the United States Agency for International Development (USAID) is initiating a program designed to reinforce about 50 municipal governments, that are currently under selection.
- 1.34 Both initiatives are led in close coordination with the Government's strategy on decentralization as laid out in chapter II: the UNDP experience has served as the basis for the approach proposed in the present document and the intervention of the consulting firm contracted by USAID will be tailored after the said approach.
- 1.35 Agency coordination is of paramount importance. At the request of the Prime Minister, the Bank has taken the lead and several interagency meetings have been organized to discuss the comprehensive approach proposed.

II. THE PROGRAM

A. Objectives and Expected Outputs

- 2.1 **Goal.** The overall objective of the proposed TC is to help the GOH define a coherent decentralization policy and implement key aspects of it in view of establishing an enabling environment for municipal development.
- 2.2 In terms of output, the program seeks to: (i) support the Government in its efforts to redefine municipal mandates; (ii) support the Government in the subsequent revamping of the municipal finance system; and (iii) help municipal governments establish efficient public service delivery mechanisms.
- 2.3 In terms of process, the program seeks to: (i) support the emergence of a dialogue on decentralization involving the GOH, the legislative chambers, local elected officials, NGOs and the civil society; (ii) assist the GOH and the legislative bodies in drafting accompanying legal instruments; and (iii) support the restructuring of municipal governments and the strengthening of the interface between central and local governments through the establishment of a nation-wide training program.
- 2.4 **Expected outputs.** At the central level, the TC will help produce: (i) an overall legal framework for municipal development; (ii) a global municipal finance system, including a fiscal masterplan and a revised intergovernmental transfer system; (iii) trained delegations in all 9 departments; and (iv) a database on municipalities together with a system to monitor the impact of decentralization in terms of provision of public services. In 13 municipalities (3 pilot municipalities plus two sets of five municipalities), the TC will help produce: (i) trained municipal administrations; (ii) revised/computerized tax rolls; (iii) improved cadastre; (iv) management systems; and (v) improved management of one high priority public service.
- 2.5 The outputs to be produced by the proposed TC will be used for the Municipal Development Program (MDP) currently under preparation by the Bank. More specifically, the overall legal framework and the municipal finance system must be in place before the MDP is approved. The MDP would then finance basic services and infrastructure, starting with those municipalities that have undergone training and proven their ability to improve their fiscal situation as part of the proposed TC (see Component 3 below).

B. Activities

- 2.6 In addition to coordination and communication activities, the proposed TC will finance three components: (i) a pilot municipal reform program; (ii) research and operational studies (also called Global Assistance Mission or GAM); and (iii) a training and technical assistance component.
- 2.7 The pilot program (Component 1) consists of a research and operational studies phase and a training and technical assistance phase. The evaluation of the first phase of the pilot program will feed into the second component of the TC (research and operational studies). Similarly, at a later stage, the evaluation of the second phase of the pilot program will feed into the third component of the TC (training and technical assistance).

1. Coordination and Communication Activities (US\$715,000)

a. The UND and Project Coordination (US\$480,000)

- 2.8 The TC will finance, for a duration of 2.5 years, the National Decentralization Unit (UND) to be established at the PMO. This three-person team will be responsible for the coordination of the Government's efforts on decentralization and in particular for the overall coordination of the TC activities. In addition to the salary of the three professionals, two small budgets have been included: one for short-term consultancy and the other to finance short missions of national officials to countries with proven record in decentralization and/or short missions of officials of such countries to Haiti.
- 2.9 Lack of interministerial coordination has been identified as one of the main obstacles to decentralization. Therefore, the UND will need a clear mandate from the Government and a recognized authority. Terms of reference for the UND and draft profiles for its three professionals are available in Annex II-1. It is recommended that the establishment of the UND and the appointment of its three members be a condition previous to first disbursement. It is also recommended that, within three months of the date of effectiveness of the loan contract, the UND submit to the Bank a detailed work plan including the distribution of the tasks between the three professionals.

b. Communication and Public Policy Debate Budget (US\$235,000)

- 2.10 The reform undertaken cannot be carried out without it being discussed and negotiated with a number of public actors and the civil society. The present budget will enable the Government to ensure a transparent management of the process and to build consensus around the proposed endeavor.
- 2.11 In particular, once the first phase of the Global Assistance Mission is completed on a purely technical basis (see below,

Component 2), preliminary recommendations, after endorsement by the Government, will be presented and discussed with the legislative chambers, the mayors and other categories of actors to be determined. The level of discussion (technical, political, concrete) will be adapted to the groups targeted.

- 2.12 While the elaboration of a comprehensive communication plan will be the task of the Consultant in charge of the Global Assistance Mission, the communication budget will finance its execution. This may take the form of seminars, publications, surveys, and radio and TV announcements.
- 2.13 The following activities have been budgeted provisionally: (i) 2 one-week seminars in Port-au-Prince for 250 persons (legislative chambers, central government officials, representatives of the local officials, representatives of the private sector); (ii) 4 two-day seminars in Port-au-Prince for 250 persons (local officials, representatives of the central government, representatives of the private sector, NGOs); (iii) 9 three-day seminars at departmental level with all elected officials in each department; and (iv) the design, printing and distribution of various publications.

2. Component 1: Pilot Program (US\$280,000)

- 2.14 The primary aim of the Pilot Program (PP) is to pre-test the approach proposed for the other two components (Components 2 and 3 below) on three pilot municipalities. One municipality will be selected in each of the following three categories: (i) major urban centers (over 100,000 inhabitants); (ii) rural municipalities; and (iii) intermediary cities (between 10,000 and 50,000 inhabitants in the urban center). For practical reasons, an effort will be made to identify municipalities within the same department.
- 2.15 The PP will consist of four phases. A brief description of each phase is provided here below. It is important to note that the Pilot Program does not require any modification of the existing legal framework.

a. Phase 1a: Diagnosis and Recommendations (6 weeks)

- 2.16 An overall diagnosis of the municipal environment of the three pilot municipalities will be conducted. The following specific topics will be analyzed: (i) range, quality and cost of the services provided by the municipal government; (ii) range, quality and cost of the services provided by others (including the central government, the private sector and the informal sector); (iii) financial and fiscal situation of the municipality; (iv) human resources and organization of the municipal administration; (v) equipment and buildings of the municipal government; (vi) local needs (local demand) for public services and local willingness-to-pay for services; and (vii) informal structure(s) of power influencing the way the municipality is run.

- 2.17 Following this diagnosis, recommendations will be made as to: (i) the prioritization of local needs for public services; (ii) the field(s) on which the municipality should focus first; (iii) the financing schemes; (iv) the potential for private sector involvement and the delivery mechanisms for the priority service(s); (v) the impact of the above on the municipal organization, in particular in terms of human resources and training. Each municipality will be asked to concentrate on a very limited number (one or two) of high priority services.

b. Phase 1b: Debate and Validation of Recommendations (2 weeks)

- 2.18 In this second phase, the recommendations made under the first phase in collaboration with the municipal administration will be discussed with local communities, NGOs, the private sector and other partners identified as key in the process to be undertaken. Community meetings will be organized to this effect. In addition to enriching the proposed recommendations, this phase will enable the establishment of sustainable mechanisms aimed at boosting and structuring local participation.

c. Phase 1c: Plan of Actions (2 weeks)

- 2.19 Following the dialogue, a comprehensive plan of actions will be drafted to reorient the municipality towards its priority mandate(s) and restructure its organization accordingly. The plan of actions will include a fiscal and financial masterplan, financial and administrative procedures, and strategies to enhance tax roll administration, organize the priority service(s) and restructure the municipal administration accordingly.

d. Phase 2: Implementation of the Plan of Actions (6 weeks + 10 months)

- 2.20 The implementation phase can be further divided into two sub-phases: (i) priority actions like cadastre improvement, tax rolls computerization and a first round of training will take place within the first few weeks; (ii) a longer-term technical assistance (10 months) will enable the municipality to keep learning while managing local affairs, and in particular the priority service(s).
- 2.21 All standard activities of a municipality (budgeting, long-term planning, accounting, procurement and supervision of services carried out by the private sector) will be incorporated during this phase where emphasis will be put on the concept of "learning by doing".

3. Component 2: Global Assistance Mission (US\$ 1,000,000)

- 2.22 At the end of the first part of the implementation of the PP (Phase 2, first sub-phase) and before the pilot experience is generalized, the PP will be evaluated by independent consultants. The Project Team will take part actively in the evaluation. This will enable to adapt the Global Assistance Mission (GAM) to take into account the lessons learned during the first phase of the Pilot Project.
- 2.23 The primary aim of the GAM is to help the Government establish a global framework for its decentralization efforts. While the Pilot Program provides for and tests a "micro" approach, the GAM will widen its focus to integrate local considerations into a "macro" approach. The GAM consists of three phases. A brief description of each phase is provided here below. An outline of the terms of reference is presented in Annex II-2. Detailed terms of reference are available in the technical archives of the TC (RE2/FI2). A detailed work plan will have to be submitted by the consulting firm in charge of the GAM within one month of the contract signature.

a. Phase 1: Diagnosis and Recommendations (4 months)

- 2.24 This first step will consist of the establishment of a comprehensive diagnosis of the municipal environment, in terms of: (i) the existing legal framework; (ii) the present distribution of roles between the private sector (including the informal sector), the communities, the municipal and central governments in the delivery of public services; (iii) local needs for public services, and local availability of financial and human resources (including local willingness to pay); and (iv) local needs for financing.
- 2.25 This will lead to the drafting of a municipal typology and the establishment of a municipal database. A review of innovative and successful experiences of public service management by municipal governments, NGOs or under other arrangements will be carried out. A preliminary set of recommendations leading to share mandates and resources will be prepared.

b. Phase 2: Consensus-Building on Recommendations (2 months)

- 2.26 The second phase will center on dialogue and communication. Once approved by the Government, the recommendations will be shared with the two chambers and the mayors for validation. Dialogue will be extended to the civil society: the productive private sector (business and farmers' associations), community groups and NGOs will be invited to participate in a nation-wide debate to enrich the recommendations. The Consultant will draft a comprehensive communication plan and assist the Government in its implementation.

c. Phase 3: Plan of Actions (3 months)

- 2.27 The last phase of the GAM will consist of drafting a Comprehensive Plan of Actions (CPA). An overall reform of the legal corpus will

be prepared; the establishment of a local civil service will be outlined; the needs for reform of central ministries in those areas directly affected by decentralization (in particular the Ministry of Interior, the Ministry of Planning and the Ministry of Finances) will be assessed. A fiscal masterplan will be elaborated, laying out the financial masses to be transferred. Most important, the transition process to reach the target state from the present state will be laid out in great detail.

4. Component 3: Training and Technical Assistance (US\$ 800,000)

- 2.28 The primary aim of this component will be to go back to the "micro" level and start implementing the strategies designed by the GAM. This iterative process between the micro level (Pilot Program) and the macro level (GAM) should enable to conciliate the need for a global framework with the imperatives of the Haitian reality.
- 2.29 As a result of the third phase of the GAM, a comprehensive Training and Technical Assistance (TTA) Plan will be drafted. It will very certainly target at least: (i) municipal governments and administrations; (ii) the Ministry of Interior; (iii) the Ministry of Finances; and (iv) the delegations (Central Government's representations in each of the 9 departments).
- 2.30 The TC will finance a first slice of this TTA Plan. Two sets of five municipalities will be selected for TTA. Close coordination will be sought with other donors involved in this field, notably USAID and the UNDP, so as to determine where the priorities are. Given the extremely wide range of the training needs, a complementary program will have to be set up as part of the Municipal Development Program under preparation by the Bank in link with the present TC.
- 2.31 With regards to the municipalities, training and technical assistance will be kept together so as to emphasize the "learning by doing" dimension of the proposed TC. Each municipality trained will be asked and trained to handle one priority service (to be determined according to local needs). In the mean time, training and technical assistance will cover the whole range of standard municipal activities such as tax administration, financial management, budgeting, accounting, planning and decision-making, technical management of priority services and project selection and execution.

C. Organization and Execution

1. Executing Unit

- 2.32 The political authority for the proposed TC is the Prime Minister. The Executing Unit will be the National Decentralization Unit (UND) at the PMO.

- 2.33 The Government is in the process of establishing a steering committee on governance. This committee, to be chaired by the Prime Minister, would also include the four ministers directly involved in the reform of the public sector (Minister of Finances, Minister of Planning, Minister of Interior, and Minister of Public Administration and Civil Service).

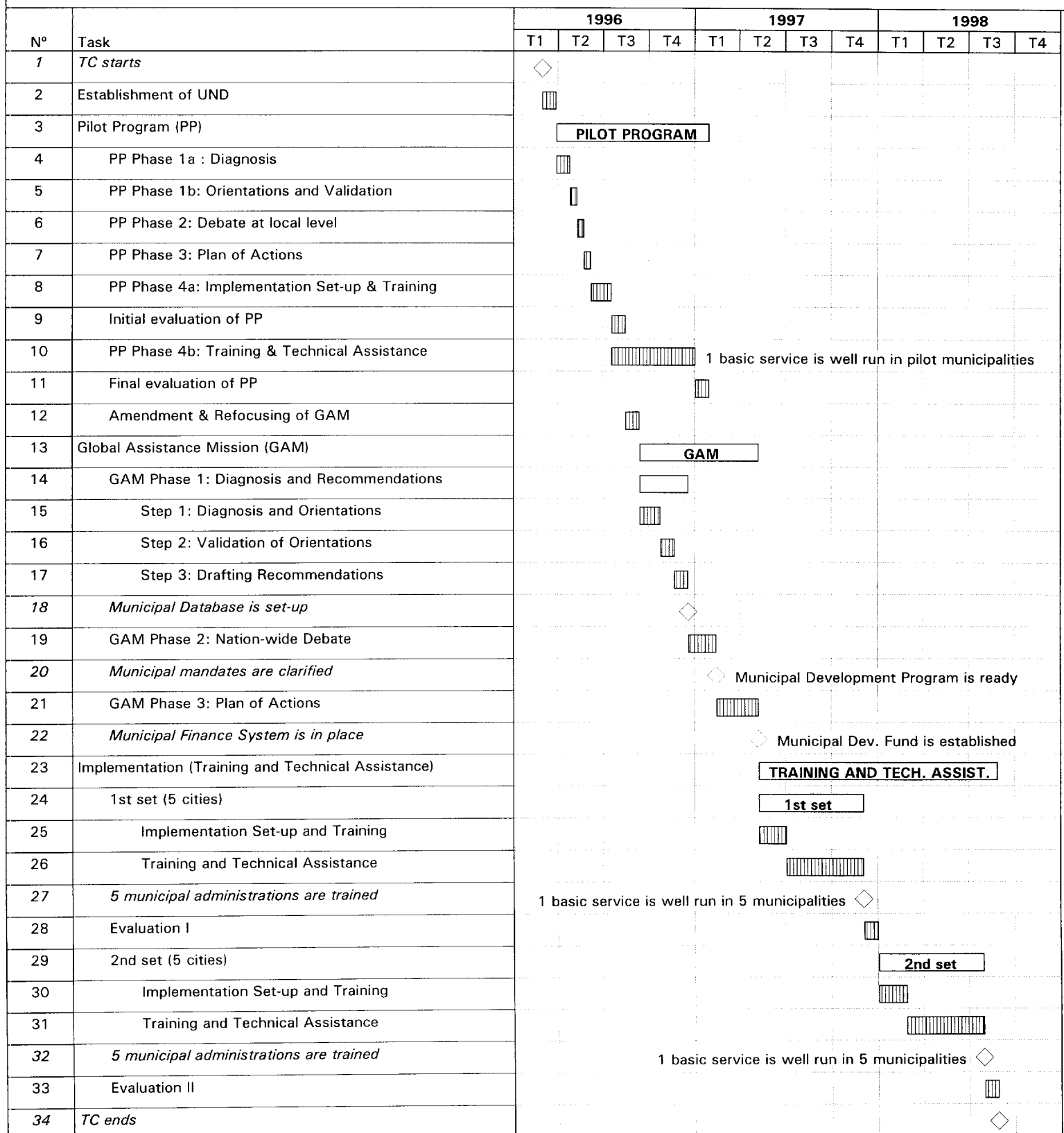
2. Execution of the Main Activities

- 2.34 The Pilot Program will be implemented by individual consultants to be contracted and coordinated by the UND. Two international consultants and three local consultants will be contracted for a period of 4 months. The evaluation of the PP will be carried out by the UND and the project team with the help of one month of international consultant.
- 2.35 The GAM will be contracted out to a major consulting firm with ample experience in public administration, decentralization, municipal fiscal affairs and municipal development. Since knowledge of the Haitian idiosyncrasy will be a must, joint ventures between international and local firms will be encouraged.
- 2.36 Similarly, the execution of the training and technical assistance program and the various communication initiatives will be subcontracted to the private sector, most probably in the form of individual consultants coordinated by the UND.
- 2.37 A common feature of the three main components is the important role consultants will play in their execution. Special attention will be given to ensure that these consultants work as much as possible as a team with Haitian authorities and civil-servants (at both central and local levels) so as to encourage transfer of know-how and expertise through on-the-job training. It will be an important responsibility of the Project Manager from the consulting firm responsible for the GAM to ensure that this essential aspect is consistently taken into account.
- 2.38 Built-in flexibility will enable to adapt the execution of the two main components (the Global Assistance Mission and the Training and Technical Assistance Component) in function of: (i) the lessons learned from the Pilot Program; (ii) the evolution of the Haitian socio-political environment; and (iii) the evolution of related projects financed by other donors.

3. Execution Period

- 2.39 The overall duration of the proposed TC is 30 months. The following tentative schedule shows how the Pilot Program will be linked to the other two main components of the TC.

TENTATIVE SCHEDULE



Prepared by RE2/FI2 - January 1996

Global Task

Specific Task

Benchmark/Output

4. Monitoring and Evaluation

- 2.40 **Monitoring by the Bank.** A continuous follow-up of the proposed TC will be carried out by the IDB representation. In addition, it is suggested that the Project Team monitor the execution of the TC as preparation of the Municipal Development Program proceeds. In particular, the Project Team will take active part in the Pilot Program evaluation to be carried out by independent consultants as indicated in paragraph 2.22. Two other reviews will be conducted by the Project Team: one after 12 months of effectiveness of the loan contract, the other after 24 months. As soon as feasible, these reviews will be linked with the evaluation system to be set up as described in paragraph 2.43 below.
- 2.41 **Quarterly reports.** The UND will prepare quarterly reports for the Bank. The reports will include: (i) an executive summary of the achievements for each of the three components, with the corresponding expenses; (ii) a clear review of the benchmarks described below and an analysis of the results observed; (iii) an analysis of the main problems encountered in the development of the TC, and proposals to reduce or remove these problems; and (iv) an outline of the expected activities for the three months to come.
- 2.42 **Benchmarks.** The reforms undertaken cannot be forced onto the country by a purely technical process. It is therefore difficult to establish quantified benchmarks for the decentralization process itself. However, the smooth execution of the proposed TC can be monitored through a set of activity-specific benchmarks, as laid out in the table presented next page.
- 2.43 **Ex-post evaluation and post execution follow-up.** The GOH does not require any ex-post evaluation of the proposed TC but it has been agreed that an evaluation system would be set up for the decentralization process itself. The Consultant in charge of the GAM will design this system as part of the GAM. It will build on the experience of the Bank, the World Bank and several developed and developing countries in the field of public policy evaluation. The monitoring instrument to be set up will provide systematic information as to the effects of decentralization over the next ten years. In particular, it will document: (i) the level of resources of municipalities; (ii) the level, quality and costs of services provided locally; (iii) the level and forms of community participation in local life (elections, project selection, project execution, project supervision, cost recovery). In the medium term, this database is expected to be run by the National Statistics Institute, the Institut Haïtien des Statistiques et de l'Information (IHSI).

Activities	Benchmarks	Quantified Target	Expected Date	Means of Verification and/or Responsibility for collecting data
Project Coordination	Establishment of UND		M+1	IDB Representation
Communication	Number of seminars organized, - locally: - with civil society: - with chambers:	- 9 - 4 - 2	M+10 M+11/+13 M+11/+13	UND
	Variation in the number of correct answers to a simple test survey on municipal responsibilities	to be quantified (increase rate for each survey)	M+9 M+15 M+21 M+27	Survey to be designed as part of the communication plan and to be carried out (by a consulting firm to be contracted) before communication starts, then regularly every 6 months
Component 1 (Pilot Program)	Plan of Actions ready in three pilot municipalities		M+4	UND
	Priority service starts in three pilot municipalities		M+5	UND
	Improvement in local tax and cost-recovery revenues (compared with present situation)	+ 50% + 100%	M+12 M+24	UND
	Improvement in quality and coverage of priority service (compared with present situation)	+ 50% + 100% (to be confirmed)	M+12 M+24	UND
Component 2 (Global Assistance Mission) (also linked with communication activities)	Contracting of the Consulting Firm		M+7	UND
	Database is set-up		M+10	UND
	Number and "representativity" of groups involved in the debate	to be quantified	M+12	UND
	Law on municipal mandates is passed		M+12	UND
	Finalization of CPA		M+15	UND
	Law on municipal finances is passed		M+15	UND
Component 3 (Training and Technical Assistance)	Number of municipal administrations trained (out of 133)	5 10	M+21 M+30	UND
	Number of delegations trained (out of 9)	2 5 9/9	M+15 M+18 M+24	UND

Note: M is the month of effectiveness of the proposed TC.

5. Costs

- 2.44 The total cost of the proposed TC is estimated to be US\$ 2,795,000 (without contingencies and financial costs). A detailed budget is presented in Annex II-3. Project coordination accounts for US\$480,000 over 30 months, and includes a small consultant budget at the disposal of the UND coordinator. As much as feasible, trips by Haitian officials to countries with interesting experience in decentralization and municipal development will be financed with funds from TC/Intra. The communication budget is US\$235,000. The Pilot Program will cost US\$280,000. The GAM has been estimated to cost US\$1,000,000. US\$800,000 will be dedicated to the training and technical assistance component. Cost savings achieved in the course of the proposed TC will be redirected towards Training and Technical Assistance, within the framework of the Bank's policy on this matter.

6. Impact on the Environment

- 2.45 The expected impacts on the Environment of the proposed TC are very limited since the TC consists mostly of institutional reforms. In a broad sense, the proposed TC will reinforce the technical capacity of municipal governments to deal with project selection and execution. The municipal training program will contain a module to foster local environmental awareness.

D. Risks

- 2.46 **Capacity of local governments.** As mentioned several times in this document, the factor that will limit the efforts undertaken the most is the weak capacity of existing municipal structures. However, this alone should not discourage the efforts about to be initiated since the existing state of municipal governments is more a consequence than a cause of the prevailing situation. It only indicates that change can not be expected to take place but at a slow pace. Gradualism and pragmatism will have to prevail. In this respect, consensus-building, transition measures and training will be key elements to mitigate this first risk.
- 2.47 **Coordination.** Lack of coordination is another important risk. The number of ministers concerned (the Prime Minister plus four ministers, all personally involved) makes coordination difficult. Similarly, many multilateral and bilateral aid agencies are involved with municipalities. A priority request by the Prime Minister to the Project Team during analysis was the elaboration of a "don't do" list, that would summarize all that must not be done before the diagnosis of the municipal environment (first phase of the GAM) is completed. The establishment of a strong UND should help reduce the risk of confusion. It is therefore recommended that initial appointments and subsequent replacements of UND staff must receive the non-objection of the Bank during the period of effectiveness of the loan contract.

III. COST, FINANCING & PROCUREMENT

A. Advance of Funds and Disbursements

- 3.1 The execution of the proposed TC will require that sufficient resources be available to carry out the programmed activities in a timely manner. Since the proposed TC will be supported through the hiring of a considerable number of consultants, it is recommended that an advance of funds equivalent to 10% of the financing be provided to the GOH. This advance will be considered a disbursement of funds and may be replenished at the request of the GOH, once the previous amount disbursed has been justified to the satisfaction of the Bank.
- 3.2 For short-term consultancies and missions, the terms of reference, consultants' CVs and corresponding budgets must be presented to the Bank for non-objection prior to commitment of resources.

B. Audits

- 3.3 Audited financial statements will be presented to the Bank by the UND on an annual basis during the execution of the project, beginning in the year in which disbursements commence. The last audited report will be due at the end of the fiscal year in which the last disbursement is made. In addition, the TC will be audited by outside consultants to be hired by the Bank when approximately 50% of program resources have been disbursed. The results and recommendations will be presented in a document to the Bank and to the GOH, and necessary adjustments will be made to reflect the results of the evaluation.

C. Procurement

- 3.4 Consulting services will be selected and contracted according to the procurement procedures of the Bank. The amount above which procurement will be subject to international competitive bidding and international advertisement is US\$200,000.
- 3.5 In particular, the contract corresponding to the GAM (US\$1,000,000) will be awarded through international public bidding. A tentative schedule is presented in Annex III-1.

D. Cost Table

- 3.6 The total cost of the proposed TC is US\$3,000,000 as shown in the following table.

BUDGET CATEGORIES		TOTAL	%
I - Technical Cooperation		2,935,000	98%
1.	Consulting firms/specialized agencies	1,000,000	33%
2.	Individual consultants	1,460,000	49%
3.	Training Costs other than consultants	205,000	7%
6.	General support	60,000	2%
7.	Publications	70,000	2%
98.	Contingencies	140,000	5%
II - Financial Costs		65,000	2%
	Interest	30,000	1%
	Credit fees	10,000	<1%
	FIV	25,000	1%
TOTAL		3,000,000	100%

- 3.7 The Bank will finance 100% of the proposed TC, i.e. US\$3,000,000, on a reimbursable basis with resources from the Fund for Special Operations (FSO). Local counterpart will be made available in the form of office space and equipment for the UND and general support from the PMO. This participation is estimated to reach US\$75,000. As mentioned earlier, the present TC will only finance part of the training needs. Cofinancing by other donors (UNDP, USAID) is expected to reach over US\$5,000,000 over the next five years.
- 3.8 The following table summarizes the terms and conditions of the Bank's financing:

TERMS AND CONDITIONS	FSO
Amount	US\$3,000,000
Credit Fee	0.5% per annum of undisbursed portion
Amortization period	40 years
Grace period	10 years
Interest	1% per annum for the first 10 years and 2% thereafter
Disbursement period	30 months

NATIONAL DECENTRALIZATION UNIT

TERMS OF REFERENCE OUTLINE

I. MAIN RESPONSIBILITIES

- 1.1 **Positioning.** The UDN will be established within the Prime Minister's Office by a decree of the Prime Minister. The Head of the UDN will report to the Prime Minister and his/her Chief of Staff. He will have direct access to the four ministers attending the Steering Committee.
- 1.2 **Overall mandate.** The UDN will be responsible for coordinating the decentralization policy of the GOH.
- 1.3 **Responsibilities related to the proposed TC.** The UDN will coordinate the activities of the proposed TC. In particular, it will: (i) select the Consultant for the GAM and any other consulting contract needed to carry out the TC (communication, law drafting); (ii) follow-up on the contracts passed, in particular with regard to the GAM; (iii) organize visits of Haitian officials to countries with proven records in decentralization or visits by officials of such countries to Haiti; (iv) carry out general accounting tasks for the TC; (v) prepare the quarterly reports; and (vi) assist the Bank in the mid-term review.
- 1.4 **Specific responsibilities.** The UDN will also carry out the following specific tasks: (i) lead an interministerial working group on decentralization (including the Ministry of Finances, the Ministry of Public Administration, the Ministry of Planning, and the Ministry of Interior); (ii) maintain contact with all sectoral ministries providing public services (such as the ministries in charge of Agriculture, Public Works, Health, and Education); (iii) establish and maintain contact with the decentralization commissions of the Senate and the National Assembly; (iv) establish and maintain contact with mayors, in particular through local officials' associations; (v) establish and maintain the decentralization evaluation observatory; (vi) advise the Prime Minister or his/her Chief of Staff on any issue related to decentralization; and (vii) carry out any other task related to decentralization as instructed by the Prime Minister.
- 1.5 **Use of short-term consultants.** The UND will contract short-term consultants on specific issues requiring sharp expertise. Terms of reference and cost estimate shall receive the non-objection of the Bank prior to commitment of resources.

II. COMPOSITION

- 2.1 The UND will be made of one coordinator and two generalists. The three members will be high-level Haitian professionals with graduate or post-graduate education in a field relevant to decentralization and proven experience in public administration, public and constitutional law, macro-economy, regional planning, public finance or community development.
- 2.2 The activities of the UND will be supported by one administrative assistant in charge of secretarial tasks and small contracting operations. Larger contracts may be administratively managed by the UCG, the executing unit of IDB project PURE, also located at the Prime Minister's Office.

III. BASIC PROFILES

- 3.1 **Coordinator.** The UND coordinator shall:
- + be a Haitian national;
 - + have received graduate or post-graduate education in a field related to decentralization (public administration, public or constitutional law, macro-economy, regional planning or public finance)
 - + have had over ten years of experience in public administration;
 - + possess a good knowledge of Haiti's administrative system and socio-cultural environment;
 - + have had at least one successful experience in the management of a large multi-sectoral project;
 - + have recognized management and communication skills.
- 3.2 **Generalists.** The two generalists must have qualifications in accordance with paragraph 2.1. Together with that of the coordinator, their respective areas of competence must cover the whole spectrum of the expertise needed. In particular, the UND needs some permanent expertise in community development (anthropologist, ethnologist, local development specialist).

GLOBAL ASSISTANCE MISSION (GAM)

RATIONALE & EXPECTED RESULTS

- 0.1 An unabridged version of the terms of reference is available in the TC technical file (RE2/FI2). The present outline summarizes the essence of the terms of reference but is not designed to be as comprehensive as they are.
- 0.2 The terms of reference were prepared through a process guided jointly by the Prime Minister's Office and the project team over a four months period, and with the final help of a short term consultancy. The process included several meetings with an interministerial group consisting of high-level representatives of the Ministry of Interior, the Ministry of Finances, the General Tax Administration, the Ministry of Civil Service and the Ministry of Planning. Several meetings with the numerous agencies involved with municipalities or likely to finance municipal development also took place. They provided a good opportunity to hear about success and failure experiences of municipal projects in Haiti. Informal contacts were also established with a number of individuals with experience or/and knowledge in community development and municipal governance in Haiti, including several mayors and various anthropologists and other experts.

I. PRELIMINARY REMARKS

"ce qu'on ne doit pas oublier sous peine d'échouer"

- 1.1 The proposed approach rests on three commonly acknowledged aspects of the Haitian socio-political life.
- 1.2 The State is hyper-centralized and this center is very weak. The central government holds and uses 99.3% (1994 estimate) of the public sector resources. This leaves the 133 municipalities with an average yearly budget of US\$15,000. A direct consequence is that most public services are either not provided, provided by the informal sector under no public authority (and no regulation), or provided under the authority of the central government. For instance, drainage channels in Cap Haïtien (the second city of the country, 7 hours drive from Port-au-Prince) are supposed to be maintained by the Service d'Entretien des Equipements Urbains (Urban Infrastructure Maintenance Service) of the Ministry of Public Works, based in Port-au-Prince. Organized solid waste collection does not exist outside of Port-au-Prince - except in richer neighborhoods where laborers are hired by individuals to remove their trash (and typically dumping it in poorer areas).

1.3 There is a broad consensus among most public and private actors on the necessity to decentralize. This state of affairs results from a three-stage historical process.

(1) In the first century following Haiti's independence, the country was rather decentralized in comparison with the modes of governance prevailing in other parts of the world in the XIXth century. This can be explained by the strong reaction against large farmers (and, more generally, against concentration of resources) that characterized the first years of the young republic following the abolition of slavery. The mayors, established by the 1843 constitution, had many more responsibilities (and financial resources) 150 years ago than they have nowadays 1/.

(2) Over 70 years of political instability then turned Haiti into a very centralized country, the "climax of centralization" being reached during F.Duvalier's regime. Centralization was obviously a means to tighten control over the country and the population 2/.

(3) Decentralization first re-appeared in the Haitian legal corpus in October 1982 3/. As explained in the main document, this initial decentralization effort failed to reach the municipalities since no resources were transferred to municipal governments and the Army kept on playing an overwhelmingly centralizing role.

1.4 The existing consensus is actually a very equivocal one and hides a number of obstacles. All actors involved (the Central Government and the several ministries directly involved, the mayors, the private sectors, the NGOs and other civil groups) have different visions of decentralization. Lack of systematic information reinforces this confusion. It is as if all the actors were seeing a common reality - municipal governance - under different angles and through different filters. To get all the actors to look at the same set of problems and see the same reality is one of the objectives of the GAM. To have them agree on the solutions is another, more ambitious one.

II. THE RATIONALE BEHIND THE ENDEAVOR

2.1 In theory, the proposed approach is simple. The technical objective is twofold: (i) decide what level of government is best placed to carry out what functions, after the concept of subsidiarity of the State; and (ii) make the system work (and therefore, find and channel the necessary resources).

1/ See Me Louis C. Thomas, "les communes de la République d'Haïti à l'épreuve des mutations du XXème siècle".

2/ F.Duvalier decided to close secondary ports to foreign trade in 1963. Port-au-Prince was the only port enjoying international traffic for over 10 years.

3/ It is worthwhile mentioning that the French decentralization laws were passed in March 1982. There is a likely link between the two initiatives.

2.2 Consequently, the technical part of the GAM consists of five principles:

Mandates

- * Prioritize local needs for public services and draw up a list of public mandates to be shared between the central and the municipal governments.
- * Propose a distribution of mandates by determining which level of government is best placed to handle each mandate, based on purely technical criteria.

Resources

- * Carry out a diagnosis of the resources available locally and design a list of tools to tap these resources (cost-recovery, local and national taxes).
- * Propose a distribution of resources by determining which level of government is best placed to capture these resources, again based on purely technical criteria.

Synthesis

- * Reach a balance between municipal expenditures and resources, through the establishment of intergovernmental transfer mechanisms 4/.

2.3 This approach requires a considerable amount of information. Such exhaustive, reliable information does not exist and getting it would be very costly; it is therefore suggested to carry out a basic preliminary diagnosis of all 133 municipalities and to work out a municipal typology, classifying municipalities in main categories. Detailed investigations will then be carried out in a sample of municipalities. As a result, a municipal database will be established and periodic up-dating of the database will enable to evaluate the impacts of decentralization.

2.4 The proposed approach does not consist of defining in an exhaustive way the scope, level, quality and source of financing of all local public services in the 133 municipalities of the country. Within the context of what can be accomplished in Haiti, the ultimate goal of the GAM is to answer the following three questions:

- 1 - What should municipalities be doing ?
- 2 - How much of it can be financed with existing/potential resources ?
- 3 - How should it be carried out ?

4/ Mandates are indeed often found easier to decentralize than resources. In other words, local governments are generally best placed to carry out local services that are not directly covered by local taxes or cost recovery. For instance, urban roads are widely considered a municipal responsibility but financing their maintenance cannot be achieved locally. Inversely, the income tax and the value-added taxes are not suitable for decentralization but they do bring resources that should also benefit municipalities. Intergovernmental transfer mechanisms must therefore be put in place to bridge the gap between local resources and local expenditures.

To answer these questions in a pragmatic manner, the proposed exercise will have to:

- 1 - concentrate on a few basic and very needed services;
- 2 - optimize the use of existing resources, including the yet unaccessed ones;
- 3 - build on successful experiences of public service provision to work out delivery mechanisms.

III. COMMUNITY DEVELOPMENT AND LOCAL NEEDS

- 3.1 Assessing local needs is a key component of the approach proposed. How much of these needs should and can actually be provided under the authority of "public institutions" ^{5/} and how much should be left outside of the public sector's reach is a fundamental question.
- 3.2 Traditionally, the Haitian local life has never been very institutionalized and most interferences on the part of the so-called public institutions have been of a repressive or an extractive nature. Trust is therefore not the most appropriate attribute to portray the relationship between the population and public institutions.
- 3.3 A softer part of the GAM will consist of getting a clear picture of the way communities have organized themselves to provide basic services locally. The informal structures of power, the way money is collected, the extent to which the various components of the community are involved; all this will be analyzed to see how municipal governments can build on what has been working to improve service provision.
- 3.4 In this respect, specific successful experiences of municipal management of services will be reviewed. The Consultant in charge of the GAM will carry out an inventory of the most original and successful initiatives geared towards local provision of public services in Haiti.
- 3.5 Among others, the following projects will be looked into: (i) the experience of the NGO Cooperative Housing Foundation in co-managing solid waste collection with the municipal government in Port-au-Prince, and the similar experience of the municipality of Les Gonaïves carried out with the assistance of the NGO Action Internationale Contre la Faim; (ii) the CAEP (Conseils d'Administration de l'Eau Potable) established jointly by the SNEP and some municipalities to manage small potable water networks; (iii) the experience of Saint-Marc and Pétion-Ville in the administration of their tax roles, following the UNDP assistance; (iv) the initiatives

^{5/}

A clear distinction is made here between the provision of a public service and the responsibility for this provision. Whereas provision can (and should almost always) be contracted out to the Private Sector, there is often a need for a public institution to be responsible for the service, i.e. to organize the community to deal with it and, ultimately, be accountable to the community - get the credit if it works or the blame if it does not.

by the local NGO CDS to involve communities in potable water management and preventive health; and (v) the cost-recovery mechanisms established by the SNEP with the assistance of GTZ in Des Dunes and L'Ester on potable water public fountains.

IV. COMMUNICATION & DIALOGUE

- 4.1 Another important feature of the proposed approach is the need for a global communication strategy. While some issues will benefit from an open dialogue where the various parties involved can enrich the debate and tailor the recommendations to the specific needs of the future "users of decentralization", a number of decisions must be made on technical bases and with a clear political will on the part of the Government.
- 4.2 Dialogue and information will therefore be the two pillars of the communication strategy to be drawn. The Consultant in charge of the GAM will establish a communication plan and assist the Government in leading the nation-wide debate on decentralization.

V. PLAN OF ACTION

- 5.1 The third phase of the GAM aims at translating the recommendations into operational actions, i.e. into executable public policies. Without this component, the GAM (and the whole decentralization process) could be reduced to a set of nice studies on a bookshelf.
- 5.2 The Plan of Actions will also deal with the transitional arrangements. Many decentralization experiences have indeed proven that such a process often succeeds or fails depending on the implementation period. In this regard, transition measures and training will be key elements of the process to be initiated.

VI. LOCAL KNOWLEDGE & INTERNATIONAL CAPACITY

- 6.1 International expertise will bring to the GAM the accumulated experience of other developing and developed countries in decentralization, municipal development and popular participation. It will also give Haiti access to very specific areas of expertise in a wide range of fields.
- 6.2 Local expertise will be crucial to the success of the GAM inasmuch as it brings knowledge of the local idiosyncrasy. It will also foster the sense of ownership necessary for the process to take root in the country.

**ANNEX II-3
DETAILED BUDGET**

Task	C	Q	Nature	D	Unit	Rate	Cost
(C = Bank's budget code / Q = Quantity / D = Duration)							
Coordination and Communication							\$ 716,500
Unite Nationale de Decentralisation & Coordination							\$ 480,000
	2.1	3	local consultant	30	month	3500	\$ 315,000
	2.1	1	administrative assistant	30	month	1250	\$ 37,500
	2.1	5	short-term international consultant, including travel	1	month	17500	\$ 87,500
	3.3	8	short trip/mission of Haitian officials to countries with proven decentralization records or vice-versa	1	week	5000	\$ 40,000
Communication Activities							\$ 236,500
	3.3	2200	local travel of seminar participants	1	return trip	30	\$ 66,000
	3.3	500	hotel stay for seminar participants	3	night	50	\$ 75,000
	3.9	6	support expenditures for Port-au-Prince seminar	1		2000	\$ 12,000
	3.9	9	support expenditures for departmental seminar	1		1500	\$ 13,500
	7.1	20	publications: design and publication of booklets on decentralization, municipal organization and access to credit, in French and Creole (1000 copies)	1		3500	\$ 70,000
Component 1: Pilot Program (PP)							\$ 279,800
Design and implement.	2.1	3	local consultant	4	month	3000	\$ 36,000
	2.1	2	international consultant	4	month	16000	\$ 128,000
	2.1	1	local travel costs, local expenditures (20% of above)				\$ 32,800
	2.3	2	plane ticket	1		1500	\$ 3,000
Minor equipment	6.3	3	equipment for pilot municipality: 1 computer, 1 printer, 1 copy machine	1		4500	\$ 13,500
Cadastre improvement	2.1	3	land surveyor	2	month	2000	\$ 12,000
	2.1	3	draughtsman	2	month	2000	\$ 12,000
Technical assistance	2.1	1	local consultant	10	month	2500	\$ 25,000
Evaluation of PP	2.1	1	international consultant + travel	1	month	17500	\$ 17,500

Component 2: Global Assistance Mission (GAM)							\$ 1,007,000
Phase 1: Diagnosis and Recommendations							\$ 571,500
	1.1	5	international consultant	4 month	16000	\$	320,000
	1.1	5	local consultant	4 month	3000	\$	60,000
	1.1	5	plane ticket	1	1500	\$	7,500
	1.1	20	surveyor	2 month	1750	\$	70,000
	1.1	1	local travel costs, local expenditures (office, secretarial support), 30% of salary above			\$	114,000
Phase 2: Debate and Validation							\$ 57,500
	1.1	1	international consultant	2 month	16000	\$	32,000
	1.1	2	local consultant	4 month	3000	\$	24,000
	1.1	1	plane ticket	1	1500	\$	1,500
Phase 3: Comprehensive Plan of Actions							\$ 378,000
	1.1	5	international consultant	3 month	16000	\$	240,000
	1.1	5	local consultant	3 month	3000	\$	45,000
	1.1	5	plane ticket	1	1500	\$	7,500
	1.1	1	local travel costs, local expenditures (office, secretarial support), 30% of above			\$	85,500
Component 3: Training and Technical Assistance							\$ 800,000
Implement. and Coordinat.	2.1	1	international consultant	15 month	10000	\$	150,000
	2.1	10	local instructor	15 month	2500	\$	375,000
	2.1	1	accounting and municipal finance specialist	15 month	10000	\$	150,000
Minor equipment	6.3	10	office equipment for municipality: 1 computer, 1 printer, 1 copy machine	1	4500	\$	45,000
Cadastre improvement	2.1	10	land surveyor	2 month	2000	\$	40,000
	2.1	10	draughtsman	2 month	2000	\$	40,000
TOTAL							\$ 2,803,300
Contingencies (5%)	9.8					\$	140,165
Financial Costs						\$	65,410
TOTAL TC							\$ 3,008,875

Note 1: The consultants' costs are ceilings not to be exceeded.

Note 2: Short-term international consultants' costs include a US\$136 per diem allocation.

TENTATIVE PROCUREMENT PLAN

1. Consulting services will be selected and contracted according to the procurement procedures of the Bank. The amount above which procurement will be subject to international competitive bidding and international advertisement is US\$200,000.
2. The only contract expected to go above this amount is the one corresponding to the decentralization GAM (US\$1,000,000). A tentative schedule is presented below.

Project/Study	Financing	Bidding Process	Tentative quarter of bidding
Decentralization Cell	US\$480,000	Individual Consultants	1996, 1997 & 1998
Pilot Program	US\$280,000	Individual Consultants	I / 1996
Global Assistance Mission (GAM) to the Government for Decentralization	US\$1,000,000	International Competitive Bidding	I / 1996
Municipal Training Program	US\$800,000	Individual Consultants	IV / 1996

PROPOSED RESOLUTION

HAITI. TECHNICAL COOPERATION LOAN NO. ____/SF-HA TO THE REPUBLIQUE D'HAITI
FOR A DECENTRALIZATION OF PUBLIC SERVICES PROGRAM

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreements as may be necessary with the République d'Haïti, and to adopt such measures as may be pertinent for the execution of the plan of operations for the Decentralization of Public Services Program referred to in Document PR-_____.

2. That up to the sum of US\$3,000,000, or its equivalent in other currencies, is authorized for the purposes of this resolution, chargeable to the resources of the Bank's Fund for Special Operations.

3. That the above-mentioned sum shall be provided on a reimbursable basis.