

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**HAITI**

**INSTITUTIONAL STRENGTHENING AND REFORM OF THE TRANSPORT SECTOR I**

**(HA-L1088/HA-G1033)**

**GRANT PROPOSAL**

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<b>REQUIRED</b>	
1. Policy Letter	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38673621">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38673621</a>
2. Results Matrix	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38673622">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38673622</a>
3. Means of Verification Matrix	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38750212">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38750212</a>
<b>OPTIONAL</b>	
1. Economic Evaluation	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38670035">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38670035</a>
2. Monitoring and Evaluation Plan	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38670036">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38670036</a>
3. Evaluation on the Contribution to Regional Integration	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38670037">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38670037</a>
4. Global Competitiveness Report	<a href="http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf">http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf</a>
5. Ports' Diagnostic in Central America and Dominican Republic	<a href="http://publications.iadb.org/handle/11319/5834?locale-attribute=es">http://publications.iadb.org/handle/11319/5834?locale-attribute=es</a>

## ABBREVIATIONS

AFD	<i>Agence Française de Development</i>
APN	National Port Authority
EA	Execution Agency
FER	Road Maintenance Fund
FY	Fiscal Year
GCI	General Capital Increase
GCI-9	Ninth General Increase in the Resources of the IDB
GDP	Gross Domestic Product
GIS	Geographical Information System
GoH	Government of Haiti
GRF	Grant Facility
HA	Haiti
HIPC	Heavily Indebted Poor Countries
HRF	Haiti Reconstruction Fund
HTG	Haiti Gourde
IDB	Inter-American Development Bank
IFC	International Financial Corporation
IMA	Independent Macroeconomic Assessment
IMF	International Monetary Fund
IRI	International Roughness Index
IRR	Internal Rate of Return
IT	Information Technology
MEF	Ministry of Economy and Finance
MTPTC	Ministry of Public Works, Transport and Communications
NPV	Net Present Value
OEL	Optional Electronic Link
OPC	Operations Policy Committee
PAP	Port-au-Prince
PBG	Policy-Based Grant
PCR	Project Completion Report
POD	Proposal for Operation Development
REL	Required Electronic Link
UCE	Central Executing Unit
USTDA	Trade and Development Agency
VOC	Vehicle Operating Cost
WB	World Bank

**PROJECT SUMMARY**  
**HAITI**  
**INSTITUTIONAL STRENGTHENING AND REFORM OF THE TRANSPORT SECTOR I**  
**(HA-L1088/HA-G1033)**

Financial Terms and Conditions					
Beneficiary: Republic of Haiti					
Executing Agency: Ministry of Economy and Finance (MEF)					
Source			Amount (US\$)		
IDB Grant Facility (GRF)			12,000,000		
Haiti Reconstruction Fund (HRF)			7,000,000		
Local			0		
Total			19,000,000		
Currency			US\$		
Disbursement Period			12 months		
Project at a Glance					
<p><b>Project Objective/Description:</b> The objective of the program is to contribute to the improvement of the quality of transport in Haiti, increasing the country’s competitiveness, through: (i) the institutional strengthening and modernization of the road sector; and (ii) the reform and modernization of the maritime sector.</p> <p>This operation is the first in a series of three consecutive, independently financed but technically interrelated one-tranche Programmatic Policy-Based Grants (PBG).</p>					
<p><b>Special contractual clauses:</b> The disbursement of the single tranche is subject to presentation by the GoH of evidence satisfactory to the Bank that the conditions described in the Policy Matrix (<a href="#">Annex II</a>) have been duly fulfilled in accordance with the Means of Verification Matrix (<a href="#">REL#3</a>).</p>					
Exceptions to Bank policies: None.					
Project qualifies for:	SEQ [ ]	PTI [ ]	Sector [ ]	Geographic [ ]	Headcount [ ]

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed and justification

- 1.1 The proposed program is the first of three programmatic Policy Based Grant (PBG), to support the Government of Haiti (GoH) to implement policy, legal and institutional reforms in the transport sector. The policy measures proposed for this first operation are designed to set a clear course of action and expedite the process of institutional modernization and reform of the sector, focused on the road and maritime modes; and includes: (i) modernization and strengthening of the road sector management in its functions of planning, maintenance, road safety and construction/rehabilitation; and (ii) reform and modernization of maritime sector management, including policy and legal reforms and modernization of the ports institutions. This first PBG will draw upon the resources from the Bank's Grant Facility (GRF) in the amount of US\$12 million, and from the Haiti Reconstruction Fund (HRF) in the amount of US\$7 million.<sup>1</sup> Disbursement is expected in 2014, once the policy reforms conditions specified in the Policy Matrix (Annex II) agreed upon with the GoH have been met.

### 1. Macroeconomic framework and economic development aspects

- 1.2 **Economic Outlook.** Haitian Economic growth has accelerated. The growth rate of the GDP was 4.3% for fiscal year 2013 (FY2013), above estimates, and was driven, among other things, by a stronger performance of the agriculture sector (vs previous year). Construction was the leading sector in terms of growth with real growth rate of 9.3%. Weaker than average performance was seen from the manufacturing sector, with production shrinking at -2.1% in FY2013.
- 1.3 **Macroeconomic Framework.** Economic stability has been assured by a solvent economic policy. Regarding monetary issues, inflation and foreign exchange rate have been kept in check. Single digit inflation has been the norm in Haiti for the past few years and was 4.5% in FY2013. In the following months it reduced even further to 3.4% in December 2013 (annual inflation, end-of-period). The exchange rate remains stable, and has increased only marginally in the past years, from 42 HTG/US\$ in 2012 to 43.8 HTG/US\$ in 2013. Besides successful monetary policy by the Central Bank, the Government has made several long and short term commitments. It has put in place a long term 30-year plan, with short term goals in order to provide a framework for expectations and growth. The Ministry of Finance is preparing, with help from international community a reform of public finances in order to achieve a more transparent and efficient administration. It is important to recognize, however, that there are and will be important needs for infrastructure services and monetary transfers that have to be provided for by the State.<sup>2</sup> In that context, moderate Fiscal and external deficits have emerged and they have become a source of moderate concern.

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<sup>1</sup> The US\$7 million from the HRF resources are originating from the Government of France and registered under number HA-G1033.

<sup>2</sup> Total investments in 2013 amounted to US\$1.3 billion. The current operation (US\$19million) represents around 1.4% of total annual investment needs.

- 1.4 **Fiscal aspects.** Overall fiscal deficit was 6.7% in FY2103 (up from 5.1% in FY2012), and the current account deficit reached 5.8% (up from 4.5% in FY2012). The size of these gaps has been increasing since the earthquake, and the expectation is that despite the Government's efforts they will remain high in the next years. Although Haiti has low levels of debt after the cancellation in 2010, and is currently not taking on more debt except for very specific and concessional sources,<sup>3</sup> a low tax and narrow export base are two of the Government's main sources of concern. In fact, following the Debt Sustainability framework of the IMF and the World Bank, Haiti's debt indicators projected into the future breach indicative safety threshold for many years, by doing so, Haiti is automatically classified as a High Risk country (despite not currently having difficulties on debt service). Lastly, Haiti's macroeconomic outcomes continue to be aligned with the current program with the IMF. In that sense, it is worth noting that the 7th review has been approved (with one waiver) by the IMF's board on March 26, 2014.

## 2. Competitiveness and the transport sector

- 1.5 Improving country's competitiveness is key to bringing the much needed economic growth to Haiti. According to the 2013/14 Global Competitiveness Report,<sup>4</sup> Haiti presents one of the worst indexes of competitiveness in the world. The country was ranked 143 among 148 countries evaluated. The pillar **infrastructure**, was ranked 142 among 148 countries with a value of 2.0 in a scale of 1 to 7, furthermore, **supply of infrastructure** was ranked 2<sup>nd</sup> as the most problematic factor for doing business in the country and specific indicators like **quality of roads** (2.2 out of 7) and **quality of port infrastructure** (2.4 out of 7) were also remarkably low for Haiti. Due to strong investments in the sector financed by the Bank and other donors (¶1.9), the situation is improving, mainly considering that in 2010; Haiti was in the last position in the pillar quality of infrastructure (among 148 countries); and the effort must continue.
- 1.6 Efficient transport infrastructure and its related services are critical for ensuring the effective functioning of the economy. Efficient transport networks reduce the effect of distance between regions, integrating the national market and connecting it at low cost to markets in other countries and regions. In addition, the quality and extensiveness of infrastructure networks significantly impact economic growth and reduce income inequalities and poverty in a variety of ways. A well-developed transport infrastructure network is a prerequisite for the access of less-developed communities to core economic activities and services.<sup>5</sup>

## 3. Structure and performance of the transport sector

- 1.7 Transport infrastructure in Haiti endures a series of critical limitations in terms of quality and coverage reflected in high transportation cost and travel time for both individual users and firms, most of those limitations stem from the dual impact of

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<sup>3</sup> In particular in the last 3 years PetroCaribe has provided Haiti \$400M per year in soft loans that were important to finance much needed public works through a transparent and competitive process. In this context, a low tax and narrow export base advice against debt accumulation.

<sup>4</sup> Klaus Schwab, World Economic Forum ([OEL#4](#)).

<sup>5</sup> Global Competitiveness Report 2013 - World Economic Forum.

historic low levels of investment in the sector and the chronic weaknesses of its institutions and legal frameworks. In addition, Haiti has endured numerous natural disasters through the years<sup>6</sup> that have damaged key infrastructures, and thus rendered progress in the sector furthermore onerous.

- 1.8 **Road transport** is the leading mode of transportation for cargo and passengers in Haiti<sup>7</sup> and henceforth the improvement of the road infrastructure is a fundamental mechanism for economic development and for the intra<sup>8</sup> and inter-regional integration of the country's regions. The national road network has a total length of 3,572 km, consisting of 953 km of primary roads (27%), 1,315 km of secondary roads (37%) and 1,304 km of tertiary roads (36%). This reflects very low coverage levels for both the size of the population (0.4 km/1,000 inhabitants) and the surface area of the country (0.12 km/km<sup>2</sup>).<sup>9</sup>
- 1.9 Haiti has improved significantly the quality of its road infrastructure in the past years with financing from the Bank and other donors. Immediately after the earthquake in January 2010, it was estimated that only 9% of the total road network was in good condition.<sup>10</sup> Moreover, only 10% of the roads received continuous maintenance.<sup>11</sup> In the past three years, more than 200 km of primary network have been rehabilitated and estimates by the GoH<sup>12</sup> indicate that currently about 15% of the total road networks and 64% of the primary network are in good condition. However, to further reduce the existing gap in road infrastructure (¶1.5); in addition to the rehabilitation efforts, the adequate maintenance of this infrastructure is a critical factor. Road Safety is also an issue in Haiti, given the evidence of the poor conditions and quality of roads and vehicles, lack of signalization and poor enforcement of transit regulations even though there are a few official statistics regarding injuries and deaths caused by road accidents in Haiti.<sup>13</sup>
- 1.10 **Maritime transport.** Due to the insular geographic characteristic of Haiti, maritime transport is a key factor in the economy, since it is the door to 85% of international foreign trade. Therefore, the inefficiencies of the port system are reflected in the cost of goods imported and in the cost of living for Haitians. There are two seaports in the country that serve international maritime transport, Port-au-Prince and Cap Haitien. The primary port is Port-au-Prince, focusing

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<sup>6</sup> Most recently, the earthquake of January 12, 2010 and Hurricane Sandy in 2012.

<sup>7</sup> Estimates indicate 80 % of the country's traffic being by land (WB and IDB).

<sup>8</sup> Improvement of the capacity and the quality of the road infrastructure reduces transportation costs and travel times, thus enabling less developed regions to increase their access to markets and to basic services (health and education).

<sup>9</sup> Other countries in the region have higher coverage both relative to surface area and population. For example, Dominican Republic: 1.98 km/1,000 hab., 0.41 km/km<sup>2</sup>; El Salvador: 1.75 km/1,000 hab., 0.48 km/km<sup>2</sup>; Honduras: 3.34 km/1,000 hab., 2.31 km/km<sup>2</sup>; and Nicaragua: 3.92 km/1,000 hab., 1.64 km/km<sup>2</sup>.

<sup>10</sup> Estimations done by UCE technical team. Good conditions are defined by an International Roughness Index (IRI) lower than four.

<sup>11</sup> Post-Disaster Haitian Government Needs Analysis, Port-au-Prince, March 2010.

<sup>12</sup> Source: UCE.

<sup>13</sup> The Bank is financing baseline of accidents for RN1 (operation HA-L1079) that will be further expanded to other roads.



- most of its area on containerized freight and general fractioned freight, and other docks and warehouses specializing in grains.<sup>14</sup> In addition, there are seventeen smaller terminals along the country's seacoast, equipped only for short distance maritime travel vessels.
- 1.11 Although freight movement through Port-au-Prince's seaport has increased considerably over the last few years,<sup>15</sup> it continues to be underused due to outdated equipment, inefficient operations, and high port fees. The earthquake in 2010 completely destroyed the North dock and caused severe damages to the South dock. Warehouses, security buildings, the perimeter fence and the access roads were all practically destroyed. Very few of the current assets may be reused for a permanent port infrastructure. A temporary barge arrangement has been effective in restoring cargo throughput, and should suffice for the next three to four years until a permanent solution is constructed. Currently, the total cost for commercial importers in Haiti are, by far, the largest among regional peers: up to US\$645 per container versus an average among peers is US\$145 and the port has a capacity of operate 12 vessels per hours against 25 from peers.<sup>16</sup>
- 1.12 **The institutional framework.** The transport sector in Haiti comprises the following institutions: (i) the Ministry of Public Works, Transport and Communications (MTPTC), which leads the sector and is responsible for roads and airports,<sup>17</sup> (ii) the Ministry of Economy and Finance (MEF), which is responsible for preparing and obtaining approval of the country's budget, and as so is responsible for collecting all transport-related taxes and surcharges, especially those levied on fuels; and (iii) the National Port Authority (APN), which is in charge of managing and exploiting all public ports in the country, as well as controlling private ports.<sup>18</sup> In order to improve the quality of transport infrastructure and services in Haiti is critical for the GoH to tackle institutional weaknesses both at MTPTC and APN, these include: (i) inadequate organizational structure and human resources; (ii) insufficient planning capacity and tools to manage investments and maintenance aspects; and (iii) lack of transparency of sector's institutions (§1.16 , §1.17).
- 1.13 **The Bank's sector work.** After the earthquake of January 2010, that caused considerable damage to the transport infrastructure, the GoH and the Bank have agreed on an agenda for the period 2010-2015 with the purpose of rebuilding infrastructure and completing strategic projects to move Haiti onto a path of sustained development, capable of delivering both economic growth and solutions

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<sup>14</sup> In recent years, Port-au-Prince's moved close to 1 million tons/year. Source: APN.

<sup>15</sup> Exports of goods and services recorded a 16% increase from 2012 to 2013. The main export partner is the United States with a share of 80%, then the Dominican Republic with 7% followed by Canada with almost 4%.

<sup>16</sup> Data from APN and benchmarking with "Diagnostico sobre el desempeño de los puertos en Centro América y la Rep. Dominicana, Guerrero, Abad, IDB, 2013" ([OEL#5](#)).

<sup>17</sup> Roads management at MTPTC is performed through four functions: (i) planning and studies; (ii) road construction; (iii) maintenance; and (iv) weight control, in addition to 10 Departmental Directions (DD) and the Central Execution Unit (UCE by its French acronym).

<sup>18</sup> The APN is under the jurisdiction of the MEF.

to enduring social and environmental problems. The transport sector strategy for the country focuses on: (i) improving quality of the national road infrastructure; (ii) improving the institutional capacity of the transport sector; and (iii) improving international connectivity. During this period, the Bank has approved a total of US\$179.5 million for the sector in the form of investment grants, supporting an extensive program of road rehabilitation and focused institutional strengthening.

- 1.14 **Lessons learned.** The institutional strengthening in the transport sector financed by the Bank<sup>19</sup> shows that results have been more effective in the strengthening of the capacity of the Central Executing Unit (UCE), where, through the hiring of experts and provision of training, the performance of the unit was considerably improved.<sup>20</sup> Evidence suggest that the satisfactory result is mainly due the relative independence of the unit<sup>21</sup> and its ties to projects financed by the Bank. On the other side, areas where the strengthening did not happened at the pace expected included the establishment and execution of an integrated plan to modernize the organizational structure of the MTPTC,<sup>22</sup> challenges in this area included the broad scope of the plan, the lack of prioritization from the MTPTC and sometimes conflicts with other plans financed by different donors<sup>23</sup> what required a great deal of coordination from the MTPTC. As it will be further explained, this operation aims to tackle this issue (¶1.18).
- 1.15 Aligned with these concepts, to continue the reduction in the gap in infrastructure and to guarantee the sustainability of investments done by the GoH and donors requires the Government to overcome a set of challenges that are still constraining the sector's performance; with strong linkage to the weaknesses of its institutions and lack of adequate legal frameworks. These challenges, which will be tackled by a comprehensive institutional modernization and reform of the sector, conducted by the GoH and supported by this operation, will be discussed in the following section.

#### 4. Factors limiting the quality of transport in Haiti

- 1.16 **Road Sector.** The inadequate state of transport infrastructure and services in Haiti reflects many weaknesses of the MTPTC. While insufficient levels of investment in the sector can justify some of the evident limitations in coverage and quality of the road infrastructure and its related services, the lack of an adequate management of the road sector in its different functions, namely planning, maintenance, construction/rehabilitation and road safety is an important pillar to maximize the return and guarantee the sustainability on the investments<sup>24</sup> done by

<sup>19</sup> Operations that included institutional strengthening components for the MTPTEC: HA-L1054 (2011), HA-L1058 (2012), and HA-L1079 (2013).

<sup>20</sup> UCE is currently managing six rehabilitation projects, up from three in 2010.

<sup>21</sup> UCE has its own procurement and technical staff and its budget is fully sponsored by the Bank.

<sup>22</sup> US\$3 million approved as part of the operation HA-L1058 in 2012.

<sup>23</sup> Such as the creation of the road maintenance cell financed by the European Union without aligning with the maintenance actions financed by the Bank and the inventory of roads initiated with funds from other donors that does not cover all requirements recommended by the Bank.

<sup>24</sup> Similar experiences show that strengthening the institutional capacity of organizations in charge of the roads' maintenance can substantially decrease the pace of roads' deterioration. – [Strengthening of the sector in Armenia](http://lnweb90.worldbank.org) – Independent Evaluation Group – WB - <http://lnweb90.worldbank.org>.

the GoH and donors. From this perspective, the main challenges in the management of the road sector are:

- a. **Insufficient road maintenance.** While the rehabilitation efforts continue and fund exits for this purpose, maintenance activities are insufficient<sup>25</sup> to maintain the roads newly rehabilitated and to prevent further deterioration of the network. The main causes associated with this problem are: (i) inadequate organizational structure and lack of qualified human resources to manage road maintenance activities;<sup>26</sup> (ii) lack of adequate tools and procedures to manage routine and periodic maintenance;<sup>27</sup> and (iii) lack of planning to integrate the private sector (mainly small, local companies) in maintenance activities.<sup>28</sup>
- b. **Inadequate road safety conditions.**<sup>29</sup> There are few official statistics regarding road accidents, however, road safety is an issue in Haiti due to the poor condition of roads and vehicles, lack of signalization, transit regulations and enforcement. In the past years, the Bank has financed numerous activities tackling this issue.<sup>30</sup> Nonetheless, the MTPTC still lacks: (i) an adequate management structure responsible for road safety; (ii) adequate baselines of accidents to measure impact of road projects;<sup>31</sup> and (iii) an adequate strategy to coordinate actions with other ministries and donors toward implementing a comprehensive program to improve road safety conditions.
- c. **Insufficient sector planning.** The MTPTC relies on insufficient information, tools and training for adequate decision making regarding and planning for the road rehabilitation and maintenance,<sup>32</sup> namely: (i) The MTPTC does not count with a primary road network database with the characteristics of the roads and classification of the network in different road categories (primary, secondary, tertiary and urban); (ii) traffic counts and inventory of road conditions are not carried out systematically; and (iii) the MTPTC lacks of a multiannual plan for road investments.
- d. **Insufficient construction/rehabilitation management capacity.** Despite satisfactory results achieved by road rehabilitation efforts financed by the Bank

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<sup>25</sup> Currently estimates also by UCE/MTPTC indicate that only 1170 km of the total eligible road network 2491 km (47%) received routine road maintenance in 2013. Even though a road maintenance fund exists (FER by its French acronym) the ministry lacks qualified personnel and adequate plan to manage and access the fund.

<sup>26</sup> There are only 2 MTPTC employees to coordinate road maintenance agreements with the FER and the Departmental Directions (DD).

<sup>27</sup> Operation HA-L1054 (2011) financed road maintenance activities for RN2, RN8 and RN7 for a period of 2 years, but the execution of those activities have not started yet.

<sup>28</sup> Funding provided by the Bank in 2012 and 2013 to engage local companies in maintenance activities have not been executed yet.

<sup>29</sup> Number of traffic accidents/Number of vehicles.

<sup>30</sup> Including signaling in the RN-1 (HA-L1046), communication campaigns (HA-T1137/HA-L1079) and a country strategy for road safety (HA-L1054).

<sup>31</sup> The Bank has approved an operation in 2013 that included financing for a baseline in the RN1 (HA-L1079).

<sup>32</sup> There is no systematic plan for investments in the rehabilitation of road.

and other donors,<sup>33</sup> and managed by the UCE,<sup>34</sup> as the portfolio of projects increases. The UCE/MTPTC faces delay for completion of major rehabilitation projects,<sup>35</sup> and aspects on quality of construction and management of supervision firms still need to be improved. The main causes are a lack of standardized processes at UCE to integrate all aspects of construction/rehabilitation projects (engineering, procurement, supervision, environmental and social aspects).

1.17 **Maritime sector.** The inefficiencies of the port system in terms of operational performance, tariffs and costs are consequence of outdated equipment, infrastructures and personnel that requires investments from the public and private sector in the coming years. However, the existing legal framework and institutional capacity are a major barrier to achieve a sustainable level of investments and the desired efficiency levels,<sup>36</sup> under this perspective, the main challenges in the maritime sector are:

- a. **Lack of access to finance for the rehabilitation of ports infrastructure.** The port of PAP concentrates 98% of the international trade, and currently operates at the limit of its capacity. The port was strongly affected by the 2010 earthquake and currently operates with barges as temporary berths, which implies low productivity and high tariffs (¶1.11). Investments to improve the capacity and efficiency of the port of PAP are urgently needed, and the APN is prospecting complementary sources of financing for its reconstruction,<sup>37</sup> including non-sovereign loans. In order for APN to get external funding, lenders and donors have required, among other things: (i) a clear policy for ports development and investments; and (ii) transparency on financial and commercial prospects for APN.
- b. **Inefficiencies in the regulatory framework and in the market of private operators.** Existing contracts with private operators are short term and there is a lack of legal framework to support them, preventing investments, creating oligopolies and increasing tariffs.<sup>38</sup> Studies commissioned by the Bank<sup>39</sup> and other donors<sup>40</sup> agree that in parallel to the reconstruction of the port of PAP, a sector reform is essential to increase the competitiveness of ports and must include: (i) the improvement of regulatory, management and operational functions; and (ii) the development of a stable regulatory framework that

<sup>33</sup> Since 2010, more than 200 km of primary network have been rehabilitated (20% of the primary network).

<sup>34</sup> UCE is under the MTPTC and is responsible for managing road projects financed by donors. In 2014 UCE has under its responsibility, in execution, a total of six rehabilitation projects financed by IDB.

<sup>35</sup> As an example, the operation HA-L1058 took one year to become eligible after approval by IDB.

<sup>36</sup> Comparison of Vessels' waiting time at the Callao Port, before and after the introduction of the concessions for private operators. "[\*Estudio de Costos y sobre costos de la cadena de servicios logísticos en los terminarios de uso público\*](#)". *Autoridad Portuaria de Perú*.

<sup>37</sup> APN has started the reconstruction of the north berth using its own budget.

<sup>38</sup> All of the 15 private operators at international ports work under permit without a contract.

<sup>39</sup> Strategic Studies for Ports in Haiti – CTS, 2011 (HA-T1135).

<sup>40</sup> US Trade and Development Agency (USTDA) and International Financial Corporation (IFC).

allows private participation, including a comprehensive policy to establish the business model and guide the development of the legal framework.<sup>41</sup>

- c. **Insufficient transparency and accountability presented by the Port institutions.**<sup>42</sup> The Port institutions present insufficient transparency and accountability to manage their financial and commercial functions, assets, liabilities, land ownerships, contract obligations and legal commitments, among others.<sup>43</sup> The main causes associated with the problem are: (i) the audits of the Port institutions are not made publicly available; and (ii) there is no inventory providing information about the Port institutions' assets, liabilities, and contracts obligations.
- d. **Inadequate human resource capacity to manage the maritime institutions functions.**<sup>44</sup> Despite the existence of a periodic training program for the APN personnel, this is implemented without efficacy due to the lack of the following information: (i) there is no comprehensive inventory of the maritime institutions personnel; (ii) absence of personnel evaluation to identify background and skills; (iii) absence of a comprehensive training program based on the skills and functions; and (iv) absence of a Human Resource policy to guide the maritime institutions career-stream, including hiring, development, evaluation, and retirement.

1.18 **Justification of the program.** To date, the Bank's efforts in the institutional strengthening and modernization of the transport sector have been done through technical support provided in every approved operation and concentrated in both the road sector and in the maritime sector. Although the GoH shows commitment to modernize those sectors, due to the urgency of the reconstruction effort, execution of infrastructure components dominated the agenda of the GoH and institutional changes moved at a slow pace. Considering that in the upcoming years, it is critical to strengthen the sector's institutions to guarantee the sustainability of the investments done, the GoH and the Bank agreed that this Programmatic Policy Based Grant (PBG), complementary to the investment operations, provides an incentive structure to integrate and prioritize the efforts, strengthen the coordination of MTPTC and APN with different donors and speed up the agenda of reform, modernization and strengthening of the transport sector. The MEF leads this effort in partnership with the MTPTC, with support from the Bank and in coordination with other donors.

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<sup>41</sup> [As some empirical evidences show, a port reform can contribute considerable to increase port efficiency. "A critical appraisal of port reform and development policy in Nigeria, Obed, B. C. Ndikom1 and Emeghara, G.C.2"](#)

<sup>42</sup> Port Institutions include entities responsible for managing activities limited to the physical area of the ports; currently, the only Port Institutions is APN, under jurisdiction of the MEF.

<sup>43</sup> Last external audit was performed at the end of 2004, presenting a nine years gap between audits. The best practice in this area recommends that audits have to be carried out with intervals of two years.

<sup>44</sup> Maritime institutions include the Port Institutions and also entities responsible for activities performed in the coastal area. Currently maritime entities include APN and the Maritime and Navigation Service (SEMANAH), which is an autonomous organism adjoined to the MTPTC in charge of regulating navigational services and ensuring maritime safety.

- 1.19 A programmatic approach was selected given its flexibility to design and develop measures required to reach the targets envisioned. The advantage of such approach is that it presents an opportunity to promote on-going policy dialogue between GoH, the Bank, and other donors to support long-term policy reforms in the transport sector given that the institutional change is a long-term process.
- 1.20 Together, the three operations, from the perspective of the **road sector**, will contribute to strengthen and modernize road management in its main functions, taking into account the limitations in Haiti, especially budget, and establishing minimum standards of road management. From the perspective of the **maritime sector**, the three operations will contribute to reform and modernize the sector, by developing an adequate legal framework that will enable structural reforms in terms of governance and private sector participation. In this regard, this first operation is designed to set the basis for the institutional strengthening, modernization and reform of the sector by establishing clear policy actions that will guide the process, including the discussion and consolidation of existing strategies and work plans, including comprehensive dialogues and consultation processes with donors and with the private sector. The second operation builds upon the policy actions and strategies defined in the first operation and is tailored to implement concrete actions and structural changes that will be essential to enable the progress of reform and modernization. The third and last operation is envisioned to guarantee the sustainability of the reforms through adoption of an adequate legal and regulatory framework for ports,<sup>45</sup> as well as to institutionalize procedures and instruments that will evaluate the progress of the reform, allowing prompt adjustments to occasional deviations.
- 1.21 **Strategic Alignment.** The program is consistent with the Bank's Country Strategy with Haiti for the 2011-2015 period (GN-2646), which designates the transport sector as one of the six (6) priority sectors to support Haiti, and demand that the Bank resources be directed to: (i) improve the quality of national road infrastructure; (ii) improve the institutional capacity of the transport sector; and (iii) improve international connectivity. The program is also consistent with the Report on the Ninth General Increase in the Resources of the Bank (AB-2764) (CGI-9) lending program priority targets of: (i) supporting development in small and vulnerable countries; and (ii) lending to support regional cooperation and integration by the criteria of cross-country focus (see justification in [OEL#3](#)) and with its sector priorities: (i) infrastructure for competitiveness and social welfare, by contributing to the regional development goal of paved road coverage (km/km2); and km of inter-urban roads built or maintained/upgraded and; (ii) institutions for growth and social welfare through public financial systems implemented or upgraded; as established in the results framework of IDB-9. The program is also aligned with the new Infrastructure Strategy (GN-2710-5), particularly with the priority action areas of: (i) supporting the construction and maintenance of socially and environmentally sustainable infrastructure, thus enhancing quality of life; and (ii) promoting the ongoing improvements in infrastructure governance to

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<sup>45</sup> The legal framework for the MTPTC is adequate; the creation of the maintenance unit, expected for the third operation, can be done with administrative decision by the Minister.



enhance efficiency in the delivery of infrastructure services. Finally, the program is consistent with the new Transport Sector Framework (GN-2740-3) in the dimension of improving institution capacity, especially in the areas of: (i) strategic planning; (ii) regulatory aspects; and (iii) project execution and policy implementation.

- 1.22 **Coordination with other donors.** The French Government, through the *Agence Française de Développement (AFD)* agreed to channel part of their contribution to the HRF to this PBG (US\$7 million). Coordination with AFD arises from the fact that the agency is currently negotiating with APN a non-sovereign loan to finance part of the reconstruction of the port of PAP, thus AFD has strong interest in the institutional strengthening of the ports administration as it will guarantee sustainability of the investments. The coordination between AFD and the Bank for this operation translated in the agency collaborating in the design of the policy matrix, definition of conditions and the financial contribution.

**B. Objective, components and cost**

- 1.23 **Objective.** The objective of the program is to contribute to the improvement of the quality of transport in Haiti, increasing the country's competitiveness through: (i) the institutional strengthening and modernization of the road sector; and (ii) the reform and modernization of the maritime sector.
- 1.24 The program is structured as a programmatic PBG (CS-3633 ¶3.1) to address the complex, medium-term structural and institutional issues in the sector, it consists of three individual operations, each with specific deliverables but contributing to the same overall objectives. The specific targets for each of the components in each of the operations will be defined in the Policy Matrix, supported by GoH's Policy Letter ([EOL#2](#)). This PBG will have the following components:
- 1.25 **Component 1. Macroeconomic stability.** This component will give support to the GoH to maintain a solid macroeconomic framework in accordance with the program's objective and country strategy. The Bank will prepare an Independent Macroeconomic Assessment (IMA) in conformity with the Bank's policies and procedures.
- 1.26 **Component 2. Modernization and strengthening of the road sector.** This component will seek to improve the efficiency and sustainability of road infrastructure management, by improving the capacity of the MTPTC with the following policy actions:
- (i) Strengthening and Modernization of the road sector management through the establishment of an institutional strengthening and modernization plan for the MTPTC, including the description of the functions to be reinforced, timeline and prioritization of institutional strengthening activities to be undertaken, specific products and terms of reference for experts.
  - (ii) Modernization of road maintenance management through the establishment of a modernization plan for the existing maintenance organizational structure, including the diagnostic of the existing maintenance organizational structure,

the recommendations for improvement and an action plan for the evolution of the maintenance cell into a maintenance Unit.

- (iii) Modernization of road safety management through the creation of a road safety cell within the MTPTC including its overall attributions; and the Preparation of a national strategy for road safety which will include the areas of interventions, the activities planned, performance indicators, partnerships with external stakeholders and coordination mechanisms with other ministries.
- (iv) Strengthening of road management planning through the modernization of tools for road asset management via the establishment of a database of primary road networks at the MTPTC including the length of the road network, an inventory of work of arts, a geographical information system and the visual condition of the primary roads.
- (v) Modernization of the UCE/MTPTC through the standardization of its operational processes (financial, procurement, monitoring/evaluation, personal management, environment control and social impact aspects).

1.27 **Component 3. Institutional & Regulatory reform of the maritime sector.** This component will seek to increase the efficiency and sustainability of the maritime sector by supporting a policy reform for ports comprising the following policy actions:

- (i) Modernization and reform of the maritime sector, beginning with the creation of a task force to coordinate the Port Reform including its mandate, responsibilities and the task force team assigned.
- (ii) Reform of the legal and regulatory framework for ports' management and operation, through the establishment of a Policy for ports that will serve as input for the draft law to enable the improvement of Port's governance and competitiveness and to induce private sector investment. The Policy for ports will include the institutional structure and mandate for the entities responsible for the port sector, and the port development strategy.

1.28 **Component 4. Modernization and strengthening of port institutions.** This component will promote more efficient institutions to manage the sector, comprising the following policy actions:

- (i) Enhancement of transparency of Port Institutions through the strengthening of the APN's audit mechanism.
- (ii) Modernization of ports institutions management through the strengthening of the decision making process by having a reliable inventory of APN's assets, liabilities, land ownerships, contract obligations, and legal commitments, environmental and social aspects (*Etat des lieux*).
- (iii) Modernization of the human resources management in ports institutions through the assessment of the APN's employee's skills, in order to carry out the tasks of the planned entities that will be in charge of regulation and management of ports



- 1.29 **Cost.** The program is structured as a PBG with three operations described in the Policy Matrix (Annex II). This first operation, for US\$19 million (US\$12 million from the Bank and US\$7 million from HRF) will be disbursed in a single tranche.

**C. Expected impact and key results**

- 1.30 The Table 1.1 presents the expected impacts and main results of the program as detailed in the Results Matrix (See Table I.1).
- 1.31 The program's direct beneficiaries will be: (i) the private and public sector, which will benefit from the competitiveness increase; (ii) the population with better transport infrastructure with lower cost and transport time and with lower import costs; and (iii) the importers and exporters (firms) with better port infrastructure.

**Table I.1: Impact and results of the program**

Estimated impacts and quantitative results	Baseline FY2012/13	FY 2019/20
<b>Estimated impacts</b>		
Quality of Roads – Global Competitiveness index (1-7)	2,2	2,9
% of roads in good conditions in the primary network	64%	74%
Quality of Port infrastructure - Global Competitiveness index (1-7)	2,4	3,4
<b>Quantitative results</b>		
% of eligible roads receiving routine maintenance by the MPTPC	47%	80%
Decrease Annual Vehicle operating costs for primary network	US\$169 million	US\$153 million
% of primary network covered by a road safety plan developed by the road safety cell	12%	100%
Containers per hour in the port of PAP	12/hours	25/hour
% of private operators working under a results based contract	13%	100%
Time gap between external audits of the Port institutions	9 years	2 years

**D. Economic rationale**

- 1.32 The proposed program includes policy actions that will substantially improve the performance of the transport sector operations. Among these expected results two deserve special attention: (i) the reduction of the Vehicle Operating Cost (VOC) for the primary network; and (ii) increasing the productivity of port loading/unloading of containers. Based on these two assumptions, a detailed Economic Evaluation was developed ([OEL#1](#)). For the first expected result, a worldwide methodology was used,<sup>46</sup> which main goal is to determine the VOC, providing how much the owners of these vehicles are saving due to the improvement of the roads condition. The International Roughness Index (IRI), which provides the conditions of the road, was used as the base for calculations, and the VOC was compared with and without the proposed program. The second expected result is based on the assumption of nation increasing the productivity of the port loading/unloading containers to the same average presented by the countries in the region, decreasing the time that the vessels have to be docked, and consequently reducing the cost for transportation firms and users.
- 1.33 As a result, the evaluation estimated an annual benefit of approximately US\$16 million in savings in VOC in FY 2019/2020, and US\$5.3 million in savings in vessel's transportation costs in FY 2017/2018, with an annual Internal Rate of Return (IRR) of 18.6%, and a Net Present Value (NPV) of US\$23 million,

<sup>46</sup> Highway Development Model (HDM IV).

using a 12% discount rate. The Benefit-Cost Ratio (BCR) is 1.33. A sensitivity analysis was conducted for the variables most likely to affect the component's economic performance. The results of the simulation do not modify the decision in relation to the viability of the program, because the NPV presents a positive result in all three scenarios and the IRR remains above 12% in the worst scenario.

- 1.34 **Sustainability of the reforms.** The institutional strengthening of institutions both in the road and maritime sector will contribute for the sustainability of the reforms; more specifically, the strengthening and modernization of the MTPTC will improve the execution of the Road Maintenance Fund (FER)<sup>47</sup> ensuring the long term funding for road maintenance activities; as a result, it will increase the quality and extension of the network currently covered by the MTPTC. From the ports perspective, improving of transparency and decision making process in ports institutions will contribute to keep the consistency of the reform. From the financial aspects and costs of the reform, APN is currently an autonomous entity with its own revenue,<sup>48</sup> generated mostly from ports tariffs; and considering that the main purpose of the creation of the new port entities is to separate and reassign responsibilities and functions, rather than increasing the size of agencies, it will not represent additional financial requirements for the public budget.

## **II. FINANCING STRUCTURE AND MAIN RISKS**

### **A. Financing instrument and program strategy**

- 2.1 This program is the first of three PBG operations, to support the GoH to implement reforms in the transport sector. This first PBG will draw upon the resources of the Bank's GRF in the amount of US\$12 million. Based on a request from the French Government to channel part of their contribution to the HRF to this PBG, this operation will be financed with an additional US\$7 million from HRF<sup>49</sup>. Disbursement of this first PBG operation is scheduled for July 2014, upon execution of the respective contract and fulfillment of the policy reform conditions agreed upon with the GoH and included in the Policy Matrix and in accordance with the Means of Verification Matrix ([REL#3](#)).

### **B. Environmental and social safeguard risks**

- 2.2 Since this is a PBG, there are no associated environmental or social risks. In accordance with the Directive B.13 of the Bank's Environment and Safeguards Compliance Policy (OP-703), no *ex-ante* environmental impact classification is required given the nature of the program.

### **C. Other key issues and risks**

- 2.3 There are three medium-level risks to be addressed, for which mitigations measured were planned, as described in the risk: (i) the policy actions could be

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<sup>47</sup> FER is funded by fuel surcharges and its budget is assigned by law to fund road maintenance activities. Total disbursed in 2013 was around US\$8 million.

<sup>48</sup> APN revenues in 2013 amounted to approximately US\$30 million, according to the latest financial audit.

<sup>49</sup> HRF certification process includes: (i) submission of a project concept note by the council of ministers of Haiti to a multi-donor committee that administers the fund; (ii) approval by the committee; (iii) submission of certification minutes from HRF committee to the Bank authorizing the utilization of funds.

not fully implemented due to the lack of technical capacity of APN. This risk will be mitigated by providing continuous technical support by international experts and by donors to assist APN; (ii) discontinuation of policy actions implemented because of changes in Government key positions as a result of the political elections. This risk is mitigated because the technical personnel of the entities involved in the modernization are technical staff, and a work group comprising representatives from the donors, government, and private sector interested in the continuity of the policy actions will be established; and (iii) insufficient political support to implement the policies, due to lack of coordination among the actors involved in the Port Reform. This risk will be mitigated through the establishment of a commission comprised by members of APN and donors, to conduct dialogue between the public and private actors involved in the reform.

### **III. SUMMARY OF IMPLEMENTATION ARRANGEMENTS**

#### **A. Implementation and management plan**

- 3.1 The beneficiary is the Republic of Haiti while the Executive Agency (EA) will be the MEF. The policy matrix has been agreed with, and will be monitored through the MEF. The EA will work together with the MTPTC and APN to accomplish the conditions agreed in the Policy Matrix. The MEF will hold semiannual meetings with MTPTC and APN to: (i) prepare reports providing evidence that the conditions have been met, and any other reports that the Bank may need to approve the disbursement; (ii) support the actions required as triggers for the second PBG; and (iii) once the disbursement of the program is completed, gather and prepare the required information so that the Bank and GoH can follow up, measure and evaluate the results of the entire program (see ¶2.8 [OEL#2](#)).

#### **B. Summary of arrangements for monitoring results**

- 3.2 The commitments identified in the Policy Matrix and Verification Matrix and the indicators in the Results Matrix establish the key parameters for the supervision and evaluation of program results. MEF, MTPTC and APN will be responsible for the compilation, analysis and delivery of progress and performance reports. The monitoring and impact evaluation plan ([OEL#2](#)) describes the evaluation methodology, the indicators to be assessed, and the institutions responsible for data collection, and the milestone timeline and the budget (US\$80,000).<sup>50</sup> A reflexive methodology will be used to evaluate the effectiveness of the program. At the end of the program, the project team will draft a Project Completion Report (PCR) that will also serve as the basis for the second PBG.

### **IV. POLICY LETTER**

- 4.1 The Bank has agreed with GoH on the macroeconomic and sector policies included in the Policy Letter that has been presented by the MEF, describing the main components of the GoH's strategy for the program and reaffirming its commitment to implement the agreed activities with the Bank.

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<sup>50</sup> US\$20,000 from administrative budget and US\$60,000 financed by a technical cooperation approved in 2013 and currently in execution (ATN/OC-14001-HA).

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	i) Lending to small and vulnerable countries, and ii) Lending to support regional cooperation and integration.		
Regional Development Goals	Paved road coverage (Km/Km2).		
Bank Output Contribution (as defined in Results Framework of IDB-9)	i) Km of inter-urban roads build or maintained/upgraded, ii) Public financial systems implemented or upgraded.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2646	i) Improve the quality of national road infrastructure, ii) Improve the institutional capacity of the transport sector, and iii) improve international connectivity.	
Country Program Results Matrix	GN-2756	The intervention is included in the 2014 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Evaluable	Weight	Maximum Score
	8.5		10
3. Evidence-based Assessment & Solution	10.0	33.33%	10
3.1 Program Diagnosis	3.0		
3.2 Proposed Interventions or Solutions	4.0		
3.3 Results Matrix Quality	3.0		
4. Ex ante Economic Analysis	10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	2.5		
4.2 Identified and Quantified Benefits	2.0		
4.3 Identified and Quantified Costs	2.0		
4.4 Reasonable Assumptions	2.0		
4.5 Sensitivity Analysis	1.5		
5. Monitoring and Evaluation	5.6	33.33%	10
5.1 Monitoring Mechanisms	1.5		
5.2 Evaluation Plan	4.1		
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Medium		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	B.13		
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/PDP Criteria)			
Non-Fiduciary			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	In order to support the design and initial phase of the program, the TC HA-T1197 was designed to provide support for the institutional analysis.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan			

The overall objective is to contribute to the improvement of the quality of transport in Haiti, increasing the country's competitiveness, through: (i) the institutional strengthening and modernization of the road sector; and (ii) the reform and modernization of the maritime sector. The program is structured as a programmatic Policy Based Grant (PBG) with three operations, of which this is the first.

The results matrix presents the impact, outcome and product indicators related to the objectives and components of the program. Product, result and impact indicators are SMART. An economic analysis is presented for the entire program and for each operation. The monitoring and evaluation plan is based on an ex-post economic analysis, to identify and quantify the program's impacts.

The risks currently identified in the risk matrix are reasonable and they include mitigation measures and related metrics to track their implementation.

## POLICY MATRIX

Policy Reforms and Objective	Commitments under Program I	Indicative Commitments for Program II	Indicative Commitments for Program III
<b>Component 1- Macroeconomic Stability</b>			
Stable macroeconomic framework for modernizing the Transport Sector in Haiti.	#1.Maintain a framework of macroeconomic policies consistent with program objectives.  <b>Responsible institution: MEF</b>	#1.Maintain a framework of Macroeconomic policies consistent with program objectives.  <b>Responsible institution: MEF</b>	#1.Maintain a framework of Macroeconomic policies consistent with program objectives.  <b>Responsible institution: MEF.</b>
<b>Component 2 – Modernization and Strengthening of the Road Sector</b>			
Improve the efficiency, reliability and sustainability of road infrastructure and services, through the modernization and strengthening of the MTPTC.	#2. Strengthening and Modernization of the Road Sector management through the <b>establishment of an Institutional Strengthening and Modernization Plan for the MTPTC</b> . This Plan will include the following:  (i) Description of the functions to be reinforced (planning, maintenance and road safety). (ii) Timeline and prioritization of institutional strengthening activities to be undertaken. (iii) Products for each function to be reinforced. (iv) Terms of references for external consultants to be hired to support the implementation of the Institutional Strengthening and Modernization Plan.  <b>Responsible institution: MTPTC.</b>	#2 Strengthening and Modernization of the road sector management through the <b>establishment of an Operational Plan for the MTPTC for fiscal year (FY) 2015/2016</b> . This Plan will include the following:  (i) Detailed diagnostic for each function (planning, maintenance and road safety) performed by the external consultants. (ii) Proposed operational budget for 2015/2016 including human resources. (iii) Operational performance indicators for each function (road safety, planning, maintenance and project execution).  <b>Responsible institution: MTPTC.</b>	#2. Strengthening and Modernization of the road sector management through <b>an Evaluation on the performance of the Institutional Strengthening and Modernization Plan and Operational Plan for the MTPTC</b> , performed by an external expert in road sector management. This Evaluation will include the following:  (i) Lessons learned. (ii) Results for each operational indicator. (iii) Evaluation of each function (planning, maintenance and road safety). (iv) Recommendations to adjust deviations from the Plans.  <b>Responsible institution: MTPTC.</b>

Policy Reforms and Objective	Commitments under Program I	Indicative Commitments for Program II	Indicative Commitments for Program III
	<p>#3. Modernization of road maintenance management through the <b>establishment of a Modernization Plan for the existing maintenance organizational structure</b> including the following:</p> <ul style="list-style-type: none"> <li>(i) Diagnosis of the existing maintenance organizational structure.</li> <li>(ii) Recommendations for improvement.</li> <li>(iii) Proposed action plan for the evolution of the Maintenance Cell into a Maintenance Unit in the MTPTC.</li> </ul> <p><b>Responsible institution: MTPTC.</b></p>	<p>#3. Modernization of road maintenance management through the <b>implementation of the Maintenance Unit</b>, including the following:</p> <ul style="list-style-type: none"> <li>(i) Assignment of personnel and budget.</li> <li>(ii) Maintenance Operational Manual including performance indicators.</li> </ul> <p><b>Responsible institution: MTPTC.</b></p>	<p>#3. Modernization of road maintenance management through an <b>Evaluation of the existing structure (Unit)</b>, performed by an external expert in road maintenance management, including the following:</p> <ul style="list-style-type: none"> <li>(i) Results for each performance indicator of the Operational Manual.</li> <li>(ii) Lessons learned.</li> <li>(iii) Recommendations to improve performance of the Maintenance Unit.</li> </ul> <p><b>Responsible institution: MTPTC.</b></p>

Policy Reforms and Objective	Commitments under Program I	Indicative Commitments for Program II	Indicative Commitments for Program III
<b>Component 2 – Modernization and Strengthening of the Road Sector</b>			
	<p>#4. Modernization of road safety management in Haiti through:</p> <p>a) <b>Creation of a Road Safety Cell within the MTPTC</b> which will include its overall attributions.</p> <p>b) <b>Preparation of a National Strategy for Road Safety</b>, including the following:</p> <p>(i) Areas of interventions.  (ii) Activities planned.  (iii) Performance Indicators.  (iv) Partnerships with external stakeholders.  (v) Coordination mechanisms with other ministries.</p> <p><b>Responsible institution: MTPTC.</b></p>	<p>#4. Modernization of road safety management in Haiti through:</p> <p>a) <b>Establishment of a National Strategy for Road Safety</b>, including the following:</p> <p>(i) Areas of interventions.  (ii) Activities planned.  (iii) Performance Indicators.  (iv) Partnerships with external stakeholders.  (v) Coordination mechanisms with other ministries.</p> <p>b) <b>Establishment of an Operational Manual for road safety operations</b>, including:</p> <p>(i) Operational Procedures.  (ii) Performance indicators.</p> <p>c) <b>Creation</b> of the Road Safety service at MTPTC under the Transport Direction, including:</p> <p>(i) Details on its mission.  (ii) Responsibilities.  (iii) Structure.</p> <p><b>Responsible institution: MTPTC.</b></p>	<p>#4. Modernization of road safety management in Haiti through the <b>Evaluation of the National Strategy for Road Safety</b>, performed by an external expert in road safety, including the following:</p> <p>(i) Results for each performance indicator of the National Road Safety Strategy.  (ii) Lessons learned.  (iii) Recommendations to improve the execution of the activities under the National Strategy for Road Safety.</p> <p><b>Responsible institution: MTPTC.</b></p>

Policy Reforms and Objective	Commitments under Program I	Indicative Commitments for Program II	Indicative Commitments for Program III
	<p>#5. Strengthening of road management planning through the modernization of tools for road assets management, via the <b>establishment of a database of primary road network at the MTPTC</b>, including the following information:</p> <ul style="list-style-type: none"> <li>(i) Length of the road network.</li> <li>(ii) Inventory of work of arts (bridges, etc).</li> <li>(iii) Geographical Information System (GIS).</li> <li>(iv) Visual condition of the primary roads.</li> </ul> <p><b>Responsible institution: MTPTC.</b></p> <p>#6. Modernization of the Central Executing Unit (UCE/MTPTC) through the <b>standardization of its operational processes</b>, including procedures for the following function:</p> <ul style="list-style-type: none"> <li>(i) Financial.</li> <li>(ii) Procurement.</li> <li>(iii) Monitoring and evaluation.</li> <li>(iv) Personnel Management.</li> <li>(v) Environmental control.</li> <li>(vi) Social impact.</li> </ul> <p><b>Responsible institution: MTPTC.</b></p>	<p>#5.Strengthening of road management planning through the modernization of tools for road assets management, via:</p> <ul style="list-style-type: none"> <li>a) <b>Performing Traffic Counts and Road Condition Inventory</b>, including the following information: <ul style="list-style-type: none"> <li>(i) Geographical Information System (GIS).</li> <li>(ii) Traffic counts.</li> <li>(iii) Road conditions.</li> </ul> </li> <li>b) <b>Establishment of an Operational Manual for the road management planning and asset management.</b> Including the following information: <ul style="list-style-type: none"> <li>(i) Road maintenance practices and planning (including results based contracts).</li> <li>(ii) Road construction/rehabilitation planning.</li> <li>(iii) HDMIV training manuals.</li> </ul> </li> </ul> <p><b>Responsible institution: MTPTC.</b></p> <p>#6. Modernization of the UCE/MTPTC operation processes through the <b>implementation of a Strengthening Plan for UCE/MTPTC</b>, including for the following functions:</p> <ul style="list-style-type: none"> <li>(i) Financial.</li> <li>(ii) Procurement.</li> <li>(iii) Monitoring and evaluation</li> <li>(iv) Personnel Management.</li> <li>(v) Environnemental control.</li> <li>(vi) Social impact.</li> </ul> <p><b>Responsible institution: MTPTC.</b></p>	<p>#5.Modernization of road asset management tools through the <b>establishment of a multiyear Road Investment Plan including rehabilitation and maintenance</b>, using the baseline information from the Road Condition Inventory.</p> <p><b>Responsible institution: MTPTC.</b></p> <p>#6. Modernization of the UCE/MTPTC operation processes <b>through an Evaluation of its performance</b> including the following:</p> <ul style="list-style-type: none"> <li>(i) Results for each function of the Strengthening Plan.</li> <li>(ii) Lessons learned.</li> <li>(iii) Recommendations to improve. performance of the UCE/MTPTC.</li> </ul> <p><b>Responsible institution: MTPTC.</b></p>



Policy Reforms and Objective	Commitments under Program I	Indicative Commitments for Program II	Indicative Commitments for Program III
<b>Component 3 - Institutional &amp; Regulatory Reform of the Maritime Sector</b>			
Increase the efficiency and reliability of the Transport Sector by supporting the modernization and reform of the Maritime Sector	<p>#7. Modernization and Reform of the Maritime Sector, beginning with <b>the creation of a task force to coordinate the Port Reform</b>, including its mandate, responsibilities and the task force team assigned. The task force will include representatives from the APN and the Ministry of Finance, as well as advisors from the Donors.</p> <p><b>Responsible institution: APN.</b></p>	<p>#7. Modernization and Reform of the Maritime Sector through <b>an Intermediate Evaluation of the task force</b> performed by an external expert in port management and operation, to ensure that the task force is accomplishing its mandate, including the following:</p> <ul style="list-style-type: none"> <li>(i) Performance evaluation based on the Port Reform program and timeline.(ii) Lessons learned.</li> <li>(iii) Recommendations to adjust deviations from the Task force's mandate and responsibilities.</li> </ul> <p><b>Responsible institution: APN.</b></p>	<p>#7. Modernization and Reform of the Maritime Sector through <b>a Final Evaluation of the task force</b> performed by an external expert in port management and operation, to ensure that the task force is accomplishing its mandate, including the following:</p> <ul style="list-style-type: none"> <li>(i) Performance evaluation based on the Port Reform program and timeline.</li> <li>(ii) Lessons learned.</li> <li>(iv) Recommendations to adjust deviations from the Task force's mandate and responsibilities.</li> </ul> <p><b>Responsible institution: APN.</b></p>
	<p>#8. Reform of the legal and regulatory framework for Port's management and operation, through the <b>establishment of a Policy for Ports that will serve as input for the draft law</b> to enable the improvement of Port's governance and competitiveness and to induce private sector investment .</p> <p>The Policy for Ports will include the following aspects:</p> <ul style="list-style-type: none"> <li>(i) The institutional structure and mandate for the entities responsible for the Port Sector.</li> <li>(ii) The Port development strategy.</li> </ul> <p><b>Responsible institution: APN.</b></p>	<p>#8. Reform of the legal and regulatory framework for Port's management and operation, though the <b>submission to parliament of a Bill of Law for Ports</b>, to enable the improvement of Port's governance and competitiveness, to induce private sector investment.</p> <p>The Draft law will cover the following aspects:</p> <ul style="list-style-type: none"> <li>(i) The institutional structure and mandate for the entities responsible for the port sector.</li> <li>(ii) The Port development strategy.</li> </ul> <p><b>Responsible institution: APN.</b></p>	<p>#8. Reform of the legal and regulatory framework for Port's management and operation, through the <b>approval of the law and regulations for Ports and related decrees</b>.</p> <p>The approved law, regulations and decrees will cover the following aspects:</p> <ul style="list-style-type: none"> <li>(i) The institutional structure and mandate for the entities responsible for the port sector</li> <li>(ii) The Port development strategy.</li> </ul> <p><b>Responsible institution: APN.</b></p>

Policy Reforms and Objective	Commitments under Program I	Indicative Commitments for Program II	Indicative Commitments for Program III
<b>Component 4 - Modernization and Strengthening of Port Institutions</b>			
Promote more efficient, transparent and modern institutions to manage Ports.	<p>#9. Enhancement of transparency of Ports Institutions through the <b>strengthening of the APN's audit mechanism.</b></p> <p><b>Responsible institution: APN.</b></p> <p>#10. Modernization of Ports Institutions management through the <b>strengthening of the decision making process</b> by having a reliable inventory of APN's assets, liabilities, land ownerships, contract obligations, legal commitments, environmental and social aspects (État des lieux).</p> <p><b>Responsible institution: APN.</b></p>	<p>#9 Modernization of ports institutions through a plan for <b>reassignment of the assets and liabilities of the APN into the new planned Port entities.</b></p> <p>Responsibilities of new entities include:</p> <p>(i) Planning/ Management of the ports.</p> <p>(ii) Regulation of competition .</p> <p>(iii) Operations of public ports.</p> <p>(iv) Management of concessions and contracts with private operators.</p> <p><b>Responsible institution: APN.</b></p>	<p>#9. Modernization of ports institutions through the <b>implementation of the new Port entities.</b></p> <p>Responsibilities of new entities include:</p> <p>(i) Planning/ Management of the ports.</p> <p>(ii) Regulation of competition.</p> <p>(iii) Operations of public ports.</p> <p>(iv) Management of concessions and contracts with private operators.</p> <p><b>Responsible institution: APN.</b></p>
	<p>#11. Modernization of human resources management in Ports Institutions through the <b>assessment of the APN's employees' skills</b>, in order to carry out the tasks of the new planned entities that will be in charge of regulation and management of ports.</p> <p><b>Responsible institution: APN.</b></p>	<p>#10. Modernization of human resources management in Ports Institutions through a plan for <b>reassignment of the employees from APN to the new planned entities and the establishment of a training program</b> according to the needs identified for the new entities.</p> <p><b>Responsible institution: APN.</b></p>	<p>#10. Improve the human resources capacities to manage the Port Institutions through the <b>establishment of the new entities' human resources.</b></p> <p><b>Responsible institution: APN.</b></p>

# **INSTITUTIONAL STRENGTHENING AND REFORM OF THE TRANSPORT SECTOR I**

**HA-G1033**

## **CERTIFICATION**

I hereby certify that this operation was approved for financing under the Haiti Reconstruction Fund (HRF) through a communication dated May 13, 2014 from Nadine Schiavi (ORP/GCM). Also, I certify that resources from the Haiti Reconstruction Fund (HRF) have been committed by the HRF Steering Committee for up to US\$7,000,000 in order to finance the activities described and budgeted in this document. This certification, reserves resources for the referenced project for a period of six (6) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this document. Amounts greater than the certified amount, may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

Original signed

May 13, 2014

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Sonia M. Rivera  
Chief

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Date

Grants and Co-financing Management Unit  
ORP/GCM

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/14

Haiti. Nonreimbursable Financing \_\_\_/GR-HA to the Republic of Haiti  
Institutional Strengthening and Reform  
of the Transport Sector I

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the IDB Grant Facility (hereinafter referred to as the “Account”), to enter into such contract or contracts as may be necessary with the Republic of Haiti, as Beneficiary, for the purpose of granting it a nonreimbursable financing to cooperate in the execution of the project “Institutional Strengthening and Reform of the Transport Sector I”. Such nonreimbursable financing will be for an amount of up to US\$12,000,000, which form part of the Account, and will be subject to the Terms and Financial Conditions and the Special Contractual Conditions in the Project Summary of the Grant Proposal.

(Adopted on \_\_\_\_ 2014)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/14

Haiti. Nonreimbursable Financing GRT/HR-\_\_\_\_-HA to the Republic of Haiti  
Institutional Strengthening and Reform of the Transport Sector I

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, as Administrator of the Haiti Reconstruction Fund, hereinafter referred to as the “HRF”, to enter into such contract or contracts as may be necessary with the Republic of Haiti, as Beneficiary, and to implement the necessary actions for the purpose of granting it a nonreimbursable financing for an amount of up to US\$7,000,000 chargeable to the resources of the HRF, to cooperate in the execution of the project “Institutional Strengthening and Reform of the Transport Sector I”, as contemplated in document PR-\_\_\_\_\_.

2. That the authorization granted in paragraph 1 above will be effective only once the HRF has approved the use of US\$7,000,000 to finance the project and the Bank has received these resources from the HRF.

3. The resources contemplated in this Resolution will be in addition to the resources authorized in Resolution DE-\_/14 for the amount of US\$12,000,000 chargeable to the resources of the IDB Grant Facility.

(Adopted on \_\_\_\_ 2014)