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HAITI

ADDITIONAL COFINANCING FOR THE REHABILITATION OF BASIC ECONOMIC INFRASTRUCTURE PROGRAM

(HA-X1005)

PROPOSAL FOR A NON-REIMBURSABLE INVESTMENT FINANCING

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ADDITIONAL COFINANCING FOR THE REHABILITATION OF BASIC ECONOMIC INFRASTRUCTURE PROGRAM (HA-X1005)¹

EXECUTIVE SUMMARY

Beneficiary: Republic of Haiti

Executing agency: Ministry of Economy and Finance (MEF)

Amount and source of financing:		Approved financing	Proposed modification
	Program amount:	U\$S 77.8 million	U\$S 94.3 million
	IDB (FSO):	U\$S 70.0 million	U\$S 70.0 million
	CIDA Cofinancing ² :	U\$S 0.0 million	U\$S 16.5 million
	Local: (Government of Haiti)	U\$S 0.8 million	U\$S 0.8 million
	Local: (OPEC Cofinancing ³)	U\$S 7.0 million	U\$S 7.0 million

Program objectives: The program seeks to spur economic recovery and to improve the quality of life for the population through the rehabilitation of basic economic infrastructure in geographic areas with high economic potential, such that the public goods and services supported by infrastructure can be restored and incorporated into the investment horizon of the private sector, thus ensuring the availability of this infrastructure on a continuous basis.

Proposed modification: On February 22nd, 2007, the Canadian International Development Agency (CIDA) and the Bank entered into an Administration Agreement for the administration of a grant in an amount of CDN \$ 19.5 million (equivalent to U\$S 16.5 million) to cofinance activities within the Program, with no changes to its objectives or execution mechanism. The use of the new funds shall have an emphasis in the road sector, and a new component will be included in the Program, that will finance the technical support and institutional strengthening to facilitate the integration of actions that promote gender equality and the participation of women in the projects. (See amended cost table in Annex I). The use of resources of such contribution is subject to the approval of this modification to the Program and the execution between the Republic of Haiti and the Bank of a Non-reimbursable Financing Agreement.

Potential benefits: The proposed modification enables Haiti to increase the benefits of an existing Program that operates with great flexibility and in various areas of potential economic development and employment generation. The original design of the Program was intended as a facility to channel resources towards basic economic infrastructure projects, where cofinancing was easy to attract and be included in the operation.

Potential risks: No additional risks are expected.

¹ Operation HA-X1005, "Additional Cofinancing for the Rehabilitation of Basic Economic Infrastructure Program" increases amount of the HA-0093 Program (see document [PR-2788](#)), currently financed by the Bank's loan 1493/SF-HA approved by the Board on November 12th, 2003, by admitting the cofinancing of the operation as offered by the Canadian International Development Agency (CIDA), by means of a 19.5 million Canadian dollars grant, as described in the Administrative Arrangement (see Annex III).

² For the purpose of this document all amounts are expressed in U\$S, with an exchange rate of 1 CDN\$ = 0.846095 U\$S.

³ Cofinancing from OPEC counts towards the country's obligation to provide local counterpart.

I. BACKGROUND

- 1.1 **Political and economic situation.** During 2005 Haiti went through the process of organization of the legislative and presidential elections that finally culminated successfully, early in 2006, with the election in the first round of President René Garcia Préal. The process was then to be completed toward the end of that year with the municipal elections and the second round of the partial elections for Congress. The installation of the President and of Parliament in May of 2006, and the establishment of the new Government Cabinet, headed by the Prime Minister Jacques-Edouard Alexis in June of that year, initiated a new democratic era in the country.
- 1.2 Government presented before Parliament its General Action Plan that was approved by the great majority of the legislators. This reflects positive expectations regarding the political and institutional governance and the relations between the legislative and executive branches of Government. Such expectations have been supported by improvements in the economy that, even though slowly, and after having registered a fall of 3.5% of GDP in 2004, has initiated a phase of growth. In 2005 GDP grew 1.8% and the estimated final figures for 2006 suggest a growth of around 2.5%. Besides, after many years of continuous decrease, in 2006, per-capita GDP has registered an increment of 0.7%. During this period, various programs with the IMF and the decisive support of the international community and multilateral agencies, among which the Bank has played a predominant role, have supported the preservation of the macroeconomic equilibrium in Haiti. In the last two fiscal years two Post-Conflict Emergency Aid programs were implemented, and for 2007, the implementation of a new program of aid, "Poverty Reduction and Growth Facility" (PRGF), has been agreed.
- 1.3 However, the socioeconomic situation in Haiti continues to be very delicate. Two thirds of the 8 million people still live under the line of poverty. Life expectancy does not exceed 53 years, child mortality is of around 8%, HIV/AIDS affects about 5.6% of the population¹ and the level of illiteracy is of almost 50%. Haiti appears in the position 146 in the Index of Human Development, and has suffered in recent years natural disasters, which complicate even further the difficult social conditions. Besides, and in spite of some improvements, the problem of the internal security persists. In February of 2007 the mandate of the MINUSTAH was renewed by an additional period of 8 months.
- 1.4 **The country's strategy.** The strategy pursued by the Government of Haiti in order to manage the political situation, promote sustainable economic growth and achieve quick social and economic successes that enable the generation of a medium and long term plans, is based on the Interim Cooperation Framework (ICF²), which analyzed conditions

¹ Major improvements in this area have been recently announced, with figures yet to be confirmed.

² International aid to Haiti increased in recent years, with international community contributions giving rise to a detailed diagnostic assessment of the situation and development of proposals and a plan of action for the country's recovery. This effort, embodied in the Interim Cooperation Framework (ICF) document, culminated in July 2004 with a meeting where the donor community offered and pledged resources to finance the proposed programs, valued at US\$ 1.09 billion, including \$260 million from the Bank, in addition to funds for operations in progress. The ICF was created as a forum to prepare and develop a comprehensive proposal to respond to the social and institutional crisis, reactivate the economy, and foster conditions for the country's growth. The ICF, led by the Government of Haiti with the active participation of 26 bilateral, multilateral, and United

in all sectors and mapped out a development strategy for Haiti, founded around four pillars: (i) strengthening political governance and national dialogue; (ii) strengthening economic governance and institutional development; (iii) promoting economic recovery; and (iv) improving access to basic services.

- 1.5 In order to create jobs and prosperity, economic recovery depends on macroeconomic stability, the rehabilitation of vital infrastructure, the development of the private sector, and the strengthening of agricultural activities while respecting and protecting the environment. As a result of the lack of investment and maintenance, the condition of basic economic infrastructure has deteriorated considerably. The Government's strategy aims at supporting the recovery of the private sector, the main provider of productive employment, and the small- and medium- size enterprises and industries, while placing great effort in the rehabilitation of damaged infrastructure, and at strengthening the authorities' national and local capacities to better identify vulnerable groups, provide them with assistance, and monitoring and improving social conditions.
- 1.6 Following the above mentioned ICF presented by the Government in 2004, and initially expected to have effect until September 2006, the Haitian Government, with the support of the international community carried out, in July 2006, the International Donor's Conference for the Social and Economic Development of Haiti with the objective of extending the ICF until September 2007, and presenting the new Government's vision and its short, medium and long term action plans. This new focus defines the features of the external cooperation for the next 5 years.
- 1.7 **The Bank's strategy in Haiti.** In the years 2005 and 2006 the Bank had a transition strategy in place, while the country had a transition Government and a political process aimed at having a transparent electoral process on its way. At present, a new strategy is being developed, and it will still consider infrastructure as a strategic axis of action. Given that the new Government has clearly indicated that the main drive for the Bank's action is infrastructure, and particularly the road sector, the Rehabilitation of Basic Economic Infrastructure Program will remain a key program in the Bank's strategy, and the Canadian contribution to the program, and its focus on road projects is very important and pertinent, especially when considering the debt reduction context and the need for a new financing strategy in Haiti.
- 1.8 The overall objective of the Bank's strategy is to consolidate the implementation of the ongoing portfolio and operations, to promote renewed private sector involvement and to help to revitalize production and improve the community's standard of living. To that end, assistance has been included for basic infrastructure development, agricultural revitalization, and social action programs, all of which lay the foundations for long-term development. The Program for Rehabilitation of Basic Economic Infrastructure was originally included in the transition strategy, as a mechanism for rehabilitating basic infrastructure and improving access to essential public services.
- 1.9 With the political transition complete, the new administration in office, and the experience gained during the previous ICF, the new Government has established the rehabilitation of infrastructure as a top priority, as a means to create jobs and improve the

Nations agencies, developed a diagnostic assessment of the situation and a detailed plan of action for each sector, which are now in full implementation.

living conditions of the Haitian people. Accordingly, this operation to provide additional funds for a program already in execution, which has infrastructure rehabilitation as a priority, is a direct response to the Government's request.

- 1.10 **Role of the Bank in the infrastructure sector.** The Bank continues to play a key role in the area of infrastructure, through leadership and/or major participation in the sector committees ("Tableaux Sectorielles") appointed to coordinate sector matters, within the ICF Coordination Mechanism, in the areas where it has substantial presence and comparative advantage (infrastructure/transport, water and sanitation, local development, agriculture and economic governance), and as a strong participant in the coordination mechanism established under the ICF.
- 1.11 The Bank is today the main source of capital project financing in Haiti and has historically financed infrastructure programs. In this sector, the Bank is financing three important programs:
- (i) the Road Rehabilitation and Maintenance Program (loan **991/SF-HA**), approved in 1997 and reactivated in 2003. This U\$S 50 million program targets rehabilitation and maintenance of some 300 km of rural roads, and was amended at the request of the Government of Haiti to include a section of RN1 and several sections of RN2 in the primary road network. The program has progressed in practically all bidding processes, almost all the planned resources are committed, several contracts are in full execution, and some U\$S 15 million have been disbursed.
 - (ii) the Transportation Infrastructure Rehabilitation Program (loan **1638/SF-HA**), approved in 2005, had the objective to support the reestablishment of the adequate conditions of road infrastructure, avoiding the collapse of the transportation system, in order to allow for the economic reactivation and the improvement of the quality of life of the Haitian population. The Program, totaling U\$S 78 million entirely financed by the Bank, finances investments in routes RN1 and RN2 of the primary network, and in the port and airport of Port au Prince, as well as studies and a program of institutional strengthening in order to develop a vision of the transportation sector for the medium and long terms. The procurement processes for these projects is currently under way.
 - (iii) the Program for Rehabilitation of Basic Economic Infrastructure (loan **1493/SF-HA**), which is described in the following paragraphs.
- 1.12 **The Program for Rehabilitation of Basic Economic Infrastructure.** This Program was approved in 2003, and seeks to improve the quality of life of the population through the improvement of several public services and deploying a financial instrument that can adapt to needs and priorities detected during the execution phase. The Program has instrumented mechanisms for drawing lessons from project performance, gradually incorporating them in order to improve effectiveness, and encouraged other international organizations to take part and serve to channel resources for rehabilitation into the country's basic economic infrastructure.
- 1.13 The Program seeks to spur economic recovery and to improve the quality of life for the population through the rehabilitation of basic economic infrastructure in geographic areas

with high economic potential such that the public goods and services supported by infrastructure can be restored and incorporated into the investment horizon of the private sector, thus ensuring the availability of this infrastructure on a continuous basis. To accomplish this aim, the specific objective is to design, develop, and implement a transparent, flexible mechanism to channel resources for rehabilitation of basic economic infrastructure works for public services in a poor state of repair, likely to have high impact on revitalizing the local economy, thus ensuring the operation, maintenance and sustainability of those infrastructure works.

- 1.14 The Program has served as a catalyst to allow for additional funds to cofinance infrastructure rehabilitation projects in Haiti, and this concept is specially important in the debt reduction context, where availability of Bank funds is limited. At the same time when this Program is being prepared, additional cofinancing funds from Spain have been offered, and a similar operation will be prepared. The Government has placed in this mechanism great expectation, given its flexibility and agility to commit new, additional resources. The Program finances two components:
- 1.15 **Component 1: Basic Economic Infrastructure Rehabilitation Facility** This component offers a Basic Economic Infrastructure Rehabilitation facility that provides resources to ministries and decentralized agencies to contract the repair, overhaul, or improvement of basic economic infrastructure, giving priority to projects that are included in their annual investment plans, which make a large impact on revitalizing the local economy, while undertaking medium sized contracts (US\$ 200,000 to US\$ 3 million) that can restore or improve the provision of public goods and services.
- 1.16 In order to respond flexibly to Haiti's needs and priorities, the facility has a multisector scope, so that it is able to finance projects for rehabilitating the country's economic infrastructure in sectors such as transportation and communications (ports, airports, passenger and cargo terminals, vehicle weigh stations, bridges, and roadway infrastructure), urban construction works (slaughterhouses, marketplaces, industrial parks), electrical power infrastructure (subject to written agreement between the MEF and the Bank), water management (irrigation ditches, basin protection), rural development (quarantine stations, collection centers), as well as individual projects involving drinking water, sewer systems, and solid waste management, which have a direct impact on the local economy. The resources under this component are committed in three equal segments, each segment corresponding to a stage of the Program. This mechanism limits the operation's implicit risks given that it allows for smaller and more manageable investment plans and avoids overloading the institutional apparatus.
- 1.17 The technical eligibility criteria for the inclusion of projects in the Program, is described in the existing Operating Manual, with indicators for ranking the proposals on the basis of: (i) economic importance; (ii) investment sustainability; (iii) sector and regional coherence; and (iv) environmental sustainability. Projects have to meet certain minimum levels to qualify in each one of the different qualification categories in a three-tiered, qualitative scale (unacceptable, acceptable, and best practices):
 - (i) the analysis of economic importance must follow the guidelines of cost-benefit analysis, and the projects must be self-contained, in the sense of producing their own benefits, independently of complementary projects;

- (ii) the projects to be evaluated have to include an investment sustainability plan, where project operation and maintenance models may be financed with Program resources;
 - (iii) sector coherence for a project is graded, encouraging the structuring of plans within the respective ministries and municipal governments; and
 - (iv) a simplified methodology for socioenvironmental analysis of projects has been developed and must be followed. This simplified analysis includes surveys taken among community members, beneficiaries, and users of the works in order to establish acceptance and generate a feeling of ownership.
- 1.18 Resources are available to the ministries and decentralized government agencies responsible for implementing, managing, and maintaining the country's basic economic infrastructure. These will be able to request funding for projects included in their list of priorities. To be eligible to participate in the program and have access to financing from the facility, line agencies are required to sign a memorandum of understanding (MOU) with the MEF, in which the logistical details of participation are regulated in accordance with the Operating Regulations and subject to the Bank's non-objection.
- 1.19 The facility also finances all environmental and social impact mitigation measures identified in the environmental and social management plans and, when necessary, fund broader complementary environmental and social impact assessments (ESIAs). A specific budget item, entitled "Environmental and Social Mitigation Costs" has to be included in each project's budget, and is reflected in the cost table for the Program (see Annex I).
- 1.20 **Component 2: Administration, auditing, evaluation, and monitoring.** This component finances various activities aimed at guaranteeing the transparency and sound management of resources, the preparation and assurance of technical quality of projects and project implementation, as well as evaluating the program's performance and outcomes. The component also finances the Technical Executing Unit (TEU), which has been operating for more than 2 years, and successfully manages the Program.
- 1.21 Program execution got off to a slow start, since the first year was mostly dedicated to explaining and promoting the use of the facility, receiving requests from the different ministries, and developing projects and designs, before moving to the bidding phase. In the meantime, additional support for the Program has been provided by the OPEC Fund for International Development (OFID), that provided US\$ 7 million in 2005. This contribution from OPEC counts towards the country's obligation to provide local counterpart, and is operationally administered by the Bank. Today, the Program has a significant portfolio of projects, several bidding processes underway, around US\$ 30 million resources committed, and almost US\$ 12 million already disbursed, is considered a successful instrument for development, and is having good results and impacts. For this reason, increasing the Program amount and the scope of its impact is considered relevant.
- 1.22 Given the nature of the Rehabilitation Facility the Program creates, and the flexibility with which it operates, it is not possible to specify specific outcomes. However, the additional funds provided will ensure the execution of 5 – 10 additional infrastructure rehabilitation projects, to be awarded in one year, at most, while keeping the initial objectives that by the end of the program, all of the works financed works are still

operating and are maintained regularly, that at least one-third of the financed works have participatory mechanisms whereby users, residents, and beneficiaries are involved in their management and maintenance, and that at least 80% of residents, users, and beneficiaries express satisfaction with the rehabilitated works.

- 1.23 **The Canadian International Development Agency (CIDA).** CIDA is Canada's lead agency for development assistance. It has a mandate to work in partnership around the world support sustainable development in developing countries in order to reduce poverty, to contribute to a more secure, equitable, and prosperous world and to offer humanitarian assistance in areas of need.
- 1.24 CIDA's policies and programs are aimed at: (i) advancing Canadian values of global citizenship, equity, and environmental sustainability, as well as Canadian interests regarding security, prosperity, and governance; (ii) delivering a visible, durable impact on the world's key development challenges as identified in the Millennium Development Goals; (iii) focusing on reducing poverty through an effective and focused approach that matches Canadian resources and expertise to developing countries' needs in coordination with other donors; (iv) recognizing and promoting sustainable solutions to address the critical linkages between environmental degradation, poverty, and social inequity; and (v) mobilizing Canadians in dialogue and participation to contribute effectively to global poverty reduction.
- 1.25 Canada is coordinating its resources and activities in an integrated approach to address the current situation in Haiti, looking to strengthen good governance and democracy in Haiti, making the country more secure and addressing basic human needs. In July 2006, at the "Conférence internationale pour le développement économique et social d'Haïti", Canada committed 520 million CDN \$ over the next five years.
- 1.26 Haiti is the leading beneficiary of Canada's development assistance in the Americas. Canada has also achieved important results in Haiti's electric power sector, security, infrastructure, agriculture, microcredit, and collective achievements with other donor countries. These achievements relate to priorities defined by the transition government in the Interim Cooperation Framework. A new interest in supporting the reconstruction effort has resulted in CIDA's interest in participating in the infrastructure sector, taking advantage of the platform that the Bank's Rehabilitation of Basic Economic Infrastructure Program represents.
- 1.27 **The Government's request.** In a letter dated December 16th, 2006 (attached as Annex II), the Government of Haiti requested CIDA that priority be given to the funding and execution of the aforementioned Program, increasing the Program amount in the sum donated by the Canadian Government, via CIDA, to U\$S 94.3 million.

II. THE PROPOSED MODIFICATION

- 2.1 In agreement with the Government of Haiti and CIDA, the Bank proposes to modify the total amount for the Rehabilitation of Basic Economic Infrastructure Program (HA-0093, partially financed by IDB's Loan 1493/SF-HA) by U\$S 16.5 million, as offered by CIDA. The operation shall be considered under the terms of the COFAB (Cofinancing Grants Administered by the Bank) Agreement, maintaining the objectives and executing mechanism of the existing original Program. The use of resources of such contribution is

subject to the approval of this modification to the Program and the execution between the Republic of Haiti and the Bank of a Non-reimbursable Financing Agreement. The cost table resulting from the modification is attached as Annex I. The additional funds are to be incorporated as a grant by the Canadian Government to the Haitian Government. The proposed increase is consistent with the Bank's Country Strategy with Haiti.

2.2 The additional funds shall be used to:

- (i) finance additional projects, under Component 1 of the Program, with special focus and priority on the transportation sector, selected and approved following the same criteria and mechanisms as used in the on-going Program, and to be executed under the same terms and conditions used by the Technical Executing Unit (TEU) presently, which is described in Chapter III; and
- (ii) include a new component (Component 3) in the Program, aimed at the consideration of gender related issues in the different projects, that is described in the following paragraphs. This component originated in the Government's interest to promote such activities, and CIDA's expertise in the matter.

Component 3: Consideration of Gender Issues in the Program (CAD \$ 500,000 ≈ US\$ 420,000).

- 2.3 This new component will finance the technical support and the institutional strengthening to facilitate the integration of actions that promote gender equality and the participation of women in the projects financed by the Program.
- 2.4 This support will come in the form of: (i) inclusion of a gender specialist within the TEU, working closely with the rest of the professionals in the Unit; (ii) provision of resources for hiring studies and consultancy services that will help assure the inclusion of gender issues and social involvement in the design, execution and evaluation of the projects; and (iii) development and distribution of teaching materials, as well as learning events on gender and social participation for the MEF, TEU, line Ministries and other Government agencies.
- 2.5 The responsibilities of the gender team within the TEU will include, among others: (i) to develop an action plan for the cross integration of gender issues in the Program, (ii) to prepare guidelines to promote the local participation throughout the cycle of the projects, (iii) to carry out consultations with groups of local women in order to identify the main gender issues in the priority sectors covered by the Program; (iv) to support the participating Government agencies in the project identification and preparation process, to respond to the needs of both men and women; (v) to include a gender focus in the preparation of social and environmental management plans; (vi) to prepare the terms of reference and supervise the studies and consultancies to be hired; (vii) to coordinate the activities related to gender training and formation; (viii) to monitor the progress and execution of the components related to gender issues in the approved projects; and (ix) to participate in the evaluation of the specific results of gender related projects.
- 2.6 This component seeks to encourage a more active and proactive participation of both local women and men in the identification, execution and maintenance of the works. It will enable the consideration of gender issues in the projects financed by the Program, including actions to promote greater opportunities for temporary employment for women,

construction or rehabilitation of infrastructure, that can increase women's productivity and reduce work overloads, and the evaluation of specific results for both men and women.

- 2.7 To measure the results of this component, the Program will integrate gender-specific indicators and targets into its monitoring and evaluation framework. Overall, it will aim to ensure that 30% of the new infrastructure projects financed by the Program integrate specific measures that promote women's participation and opportunities. To facilitate this process, it will ensure that specific priorities of local women and men are identified and integrated into project proposals, and that training on gender in infrastructure projects is provided for all participating governmental entities. In order to assess the impact of the gender-sensitive infrastructure projects on the local population, a gender empowerment index will be established to measure changes in at least two indicators: access to services and access to income-generating activities. This index, as well as the other indicators and benchmarks, will be refined and finalized with the assistance of an evaluation specialist who will be hired with the resources of this component. The Program's periodic reports and final evaluation will include the agreed upon gender indicators.
- 2.8 The approved Program's activities, conditions, and implementation approaches remain the same and the same operating manual and implementation mechanisms hold, with the only exception of the inclusion of this new component, and therefore no additional environmental analyses or considerations are necessary.
- 2.9 **Environmental and Social Impact.** Given that the kind of projects that may be financed by the Program remain the same, and the criteria for selection remains unchanged, both the Social and Environmental Strategy and the Environmental and Social Management Report originally approved for the Rehabilitation of Basic Economic Infrastructure Program are still valid.
- 2.10 The types of civil works that the Program finances normally have a direct, and in some cases an indirect, impact on the environment. For example, they may require the temporary or permanent relocation of families who live in the vicinity of the works or whose homes are in the right of way (these will be dealt with in the terms stated under Bank's Policy OP-710 on Involuntary Resettlement); works such as markets, slaughterhouses or quarantine stations present challenges in terms of solid and liquid waste management; irrigation and hydraulic management works may adversely affect the functioning of ecosystems associated with the bodies of water concerned.
- 2.11 For the purposes of identifying and mitigating the potential negative environmental consequences of the works to be financed with program resources, the Operating Regulations that are at present being used and which have been approved by the Bank, have incorporated environmental and social considerations throughout the project cycle to ensure that the Bank's environmental policies and local standards are adhered to. Preinvestment studies include environmental analyses and/or ESIA's (only if necessary) and one of the technical eligibility criteria for works is that they have no significant environmental impacts and/or incorporate proper mitigation measures. Environmental monitoring of the works has been entrusted to the TEU, where an environmental specialist is responsible for overseeing these procedures and criteria.

- 2.12 Program resources have also financed and will continue to finance, where necessary: (a) the preparation of terms of reference, ESIA's and detailed EMPs that might arise as a result or recommendation of the previous environmental and social analysis; and (b) all mitigation measures for the identified adverse socioenvironmental impacts, the cost of which is to be included as a specific item in the terms of the contract and/or project budgets. Based on the Bank's cumulative experience with the type of medium-sized, non-conflictive civil works that this program seeks to finance, it is estimated that 5% of the net cost of the works will be spent on environmental and social mitigation measures, and a specific line in the Program's Cost Table has been included (see Annex I), in order to account for these costs.
- 2.13 The following Table illustrates the cost composition for the Non Reimbursable Investment Financing provided in this operation. The complete cost Table for the Program, resulting from the approval of the new funds, can be seen in Annex I.

Components and Investment Categories	CIDA ⁽¹⁾ (in million U\$S)	(%)
1. Rehabilitation Facility	15.25	92.42%
1.1 Rehabilitation projects	14.25	
1.2 Environmental mitigation costs	0.00	
1.3 Maintenance plans	0.00	
1.4 Preinvestment window	0.00	
1.5 Project inspection and supervision	1.00	
2. Concurrent Costs	0.00	0.00%
2.1 Start up facilitation	0.00	
2.2 PNUD	0.00	
2.3 Audits and evaluations	0.00	
2.4 TEU and support for ministries and line entities	0.00	
3. Gender related component	0.42	2.55%
4. Unallocated costs	0.50	3.03%
5. Financial expenses	0.33	2.00%
5.1 Interest	0.00	
5.2 Administrative fee and credit fee	0.33 ⁽²⁾	
5.3 Inspection and supervision	0.00	
TOTAL	16.50	100.00%

Notes: (1) All CIDA contributions in CAD \$. Exchange Rate: 1 CAD = 0.846095 U\$S, as at February 6th, 2007.

(2) Corresponds to a 2% cost of administration of the Joint Financing Program.

- 2.14 The inclusion of the new Component 3 in this operation (see ¶2.3) puts additional effort into contemplating gender issues in all the projects financed by the Program, as well as the creation of a sense of ownership among the users, beneficiaries, and neighbors of those works, which is considered a crucial factor in guaranteeing the sustainability of basic infrastructure works. The TEU has, as one of its responsibilities, to advise the line agencies regarding participatory mechanisms that involve the community of users, beneficiaries and neighbors in construction (in the case of labor-intensive works), maintenance, management, and care.

III. PROGRAM EXECUTION

- 3.1 **Beneficiary and executing agency.** The beneficiary is the Republic of Haiti, and the executing agency for the program is the Ministry of Economy and Finance (MEF). Ministries and decentralized agencies that have sector-level responsibility for investment in, management and maintenance of basic economic infrastructure, and sign a Memorandum of Understanding (MOU) with the executing agency may participate in the Program execution.
- 3.2 **Program execution and management.** A Technical Executing Unit (TEU) has been set up within the MEF to administer the Program, and various professionals are today working in the management of the Program and establishing the necessary liaison with the ministries and line agencies involved. Both the TEU and the liaison officials have received the necessary backing and were delegated the authority they need to carry out the Program.
- 3.3 The TEU's functions include: (a) promoting the possibilities offered by the Program within Government agencies, and analyzing each Ministry's investment plans; (b) receiving the requests for financing from the line agencies and approving those that satisfy the strategic program guidelines and technical eligibility; (c) preparing studies or hiring consultants to prepare studies that transform plans and ideas into specific projects, clear and well documented; (d) aiding the line Ministry's, in accordance with the terms of the respective MOUs, along the procurement processes that lead to the signature of the contracts to perform the requested works; (e) submitting to the Bank for its non-objection the projects in the investment plan that meet the Program eligibility criteria; (f) creating and updating a registry of contractors that are qualified to work on basic infrastructure rehabilitation projects; (g) managing the Program's finances, keeping all the accounts and records in accordance with generally accepted standards; (h) compiling and consolidating the records of eligible expenses that the line agencies participating in program execution have in their possession; (i) preparing Program financial reports and submitting them to the MEF and the Bank; (j) making available to the external auditing firm all documentation and information it needs to conduct its work; (k) reporting regularly to the Ministry of Economy and Finance on the progress of the Program and making suggestions on improving implementation and strategic guidance; (l) contracting consultants for evaluation and monitoring; (m) commissioning the external audit in accordance with Bank procedures; and (n) preparing and submitting to the Bank periodic reports on the status of the projects financed under the program and the annual work plans for use of program resources.
- 3.4 New specialists shall be incorporated in the TEU to take into consideration issues related to gender, as described in ¶ 2.4.
- 3.5 **Operating Regulations.** The Program is managed according to a set of rules, included in the Operating Manual, approved by MEF and the Bank, which describes, among others: (i) the technical eligibility criteria for projects and the application protocol; (ii) the procedures and deadlines for the line agencies' applications for inclusion in the investment plans; (iii) the nature of the prefeasibility studies; (iv) the project cycle; (v) the mechanisms for coordination between the ministries and decentralized entities; (vi) the mechanisms for paying contractors and consultants hired with program resources; and

- (vii) the program environmental management strategy and the methodology for socioenvironmental analysis.
- 3.6 Loan resources are disbursed as a revolving fund, which uses a separate bank account opened in the Bank of the Republic of Haiti (BRH), and where a maximum amount equivalent to 5% of the available resources is deposited³. The revolving fund is periodically replenished, in accordance with Bank procedures. Payments for works, related goods and services, and consulting services constituting an eligible program expense are made by the TEU. When the works, goods, and related services are contracted by the line agencies participating in the program, these request the TEU to pay the contractors. The Bank performs ex ante reviews for disbursements.
- 3.7 **Commitment and Disbursement period.** It is estimated that the new funds provided to the Program can commence disbursements within a period of six to twelve months, while projects are selected, prepared, bid and awarded. Since the total cost of the Program will be increased, the commitment and disbursement periods of the Program need to be amended in order to provide sufficient time for all resources to be executed and disbursed. A commitment period of two years and a disbursement period of 3 years is proposed for these additional funds. The commitment and disbursement periods of loan 1493/SF-HA will be amended accordingly. The resources of the new non-reimbursable investment financing shall be made available in a single segment⁴.
- 3.8 **Procurement of goods and services.** The procurement of works, goods and services for the Program is governed by the Ad-Hoc Annex approved for operation in Haiti, which will also be applicable to this operation.
- 3.9 **Monitoring and evaluation.** Operational and technical responsibility for the Program's execution lies with the Bank's Country Office in Haiti. The same evaluations provided for the original Program shall be undertaken for the new operation.
- 3.10 The ministries and line agencies taking part in the Program submit to the Bank, through the TEU, an annual maintenance report for the basic infrastructure in their area of responsibility. The terms of this report have been agreed upon together with the Bank and stated in the MOU signed by the MEF and the respective entity. This report must be submitted within the first quarter of each year, corresponding to the previous year, during the Program's execution period and the process shall be continued during the five years following the date of the last disbursement, with the aim of evaluating the strategy and level of maintenance activities and stimulating a culture of maintenance.
- 3.11 The annual maintenance report contains at least the following elements: (i) general information about the structure and responsibility of the entity(s) or unit(s) in charge of maintaining the infrastructure in that sector, number and type of personnel assigned, nature and quantity of maintenance contracts awarded, potential capacity for direct execution and available equipment; (ii) an evaluation of the execution of the previous

³ A new, separate, revolving fund, equivalent to 5% of the total contribution, shall be created for the purpose of managing the new funds provided by CIDA via this Program HA-X1005.

⁴ The Bank's 1493/SF-HA Loan resources are made available to the Borrower in three segments, to allow for the incorporation of lessons learned and the preparation of projects.

year's maintenance plan; and (iii) the maintenance plan for the next fiscal year, with a justification for the assigned priorities, the type of activities, the timeline for execution, and financial and physical resources.

- 3.12 With the increase of the amount of the Program, and CIDA's involvement, the Bank will inform CIDA about monitoring missions in order for them to have the opportunity to participate in these missions and, in addition to the annual maintenance report, IDB will provide copies of the Program's progress reports on a regular basis.
- 3.13 **External audit.** The TEU and all the official participating entities will adopt an accounting system and maintain records in accordance with generally accepted accounting practices. The executing agency is to submit to the Bank the audited yearly financial statements of the Program, including the contribution, throughout its duration, within 120 calendar days of the end of each fiscal year during the period of program execution. A final audit report will be submitted within 120 days after the final disbursement.
- 3.14 All contracts and expenditures are subject to an external audit, conducted by an independent public accounting firm acceptable to the Bank, which will be selected and will conduct the audit according to Bank policies.

IV. RECOMMENDATION

- 4.1 **Recommended modifications.** Management recommends that the Board: (i) approve the modifications to the Program, increasing its amount by U\$S 16.5 million with cofinancing resources to be provided as a grant by CIDA, replacing the cost table with the one in Annex I; (ii) authorize the use of the resources provided by CIDA for the financing of the activities described herein, on a non-reimbursable basis; (iii) approve the extension of the commitment and disbursement periods of loan 1493/SF-HA to establish a single date for the end of execution of both operations; and (iv) authorize the President of the Bank, or his designee, to enter into such agreements as are necessary with the Republic of Haiti, for implementing these proposals. This will increase the capacity of the Program to deliver infrastructure projects and is consistent with its original objective of attracting additional funds.

**REHABILITATION OF BASIC ECONOMIC INFRASTRUCTURE
(HA-0093)**

PROPOSED INCREASE OF THE PROGRAM AMOUNT

Program Cost Table Resulting from the Proposed Modification

Table II-1 Total cost of the program and financing (in U\$S millions)						
Components and Investment Categories	IDB	CIDA ⁽¹⁾	Local Counterpart		Total	(%)
			(GoH)	(OPEC)		
1. Rehabilitation Facility	62.50	15.25	0.00	7.00	84.75	89.87%
1.1 Rehabilitation projects	52.00	14.25	0.00	5.00	71.25	
1.2 Environmental mitigation costs	3.00	0.00	0.00	0.00	3.00	
1.3 Maintenance plans	2.00	0.00	0.00	1.60	3.60	
1.4 Preinvestment window	2.00	0.00	0.00	0.10	2.10	
1.5 Project inspection and supervision	3.50	1.00	0.00	0.30	4.80	
2. Concurrent Costs	3.90	0.00	0.30	0.00	4.20	4.45%
2.1 Start up facilitation	0.00	0.00	0.00	0.00	0.00	
2.2 PNUD	0.25	0.00	0.00	0.00	0.25	
2.3 Audits and evaluations	0.90	0.00	0.00	0.00	0.90	
2.4 TEU and support for ministries and line entities	2.75	0.00	0.30	0.00	3.05	
3. Gender related component	0.00	0.42	0.00	0.00	0.42	0.45%
4. Unallocated costs	2.00	0.50	0.00	0.00	2.50	2.65%
5. Financial expenses	1.60	0.33	0.50	0.00	2.43	2.58%
5.1 Interest	0.90	0.00	0.00	0.00	0.90	
5.2 Administrative fee and credit fee	0.00	0.33 ⁽²⁾	0.50	0.00	0.83	
5.3 Inspection and supervision	0.70	0.00	0.00	0.00	0.70	
TOTAL	70.00	16.50	0.80	7.00	94.30	100.00%
Percentages	74.23%	17.50%	0.85%	7.42%	100.00%	

Notes: (1) All CIDA contributions in CAD \$. Exchange Rate: 1 CAD = 0.846095 U\$S, as at February 6th, 2007.

(2) Corresponds to a 2% cost of administration of the Joint Financing Program.

REHABILITATION OF BASIC ECONOMIC INFRASTRUCTURE
(HA-0093)

PROPOSED INCREASE OF THE PROGRAM AMOUNT

Letter of Request from the Government



REPUBLIQUE D'HAÏTI

MINISTRE
DE LA PLANIFICATION
ET DE LA COOPERATION EXTERNE

PALAIS DES MINISTRES

REF.....MPCE/DAA/ACDI.

No.....253-844.....

19 DEC. 2006
Port-au-Prince, le.....16 DEC. 2006.....

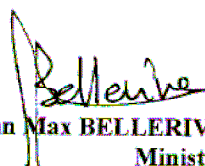
Monsieur François MONTOUR
Représentant Résident
De l'ACDI en Haïti
En ses Bureaux.-

Monsieur le Représentant,

Dans le cadre des efforts engagés pour améliorer les conditions de vie de ses citoyens et pour faire face à ses engagements auprès de ses partenaires internationaux, spécialement la Banque Interaméricaine de Développement (BID), le Gouvernement Haïtien sollicite de l'Agence Canadienne de Développement International (ACDI) deux Appuis Budgétaires ciblés :

- Un Appui Budgétaire d'un montant d'environ **Huit Millions de dollars Canadiens (8 MCDN)** pour payer une partie du service de la dette à la BID.
- Un Appui dans les infrastructures économiques en co-financement du programme d'infrastructures économiques de base financé par la BID d'un montant de **Vingt Millions de dollars Canadiens (20 MCDN)**.

Le Gouvernement Haïtien remercie le Gouvernement Canadien pour son Appui continu à côté du peuple Haïtien et profite de l'occasion pour lui renouveler l'assurance de sa haute considération.


Jean Max BELLERIVE
Ministre

**REHABILITATION OF BASIC ECONOMIC INFRASTRUCTURE
(HA-0093)**

PROPOSED INCREASE OF THE PROGRAM AMOUNT

Administrative Agreement between CIDA and IDB

ADMINISTRATIVE ARRANGEMENT

February 22, 2007

With reference to the **COOPERATION FRAMEWORK AGREEMENT** (the "Framework Agreement") dated as of March 10, 2002 between the Government of Canada ("CANADA") duly represented by the Minister of International Cooperation, acting through the Canadian International Development Agency ("CIDA"); and the Inter-American Development Bank (the "IDB"), I am pleased to inform you of the intention of CANADA to make available a grant contribution (the "Contribution") of nineteen million five hundred thousand Canadian dollars (CDN\$19,500,000), to be administered by the IDB, to co-finance the IDB program in the Republic of Haiti called "Additional Cofinancing For the Rehabilitation of Basic Economic Infrastructure Program", (the "Program"), as provided in the project document HA-X1005 (the "Project Document"), in connection with "Program of Rehabilitation of Basic Economic Infrastructure"(HA-0093). Five hundred thousand Canadian dollars (CDN\$500,000) from the Contribution will be used in connection with a "Gender Equality Mainstreaming Plan" for the Program.

The terms of the Framework Agreement will apply to the Contribution. The IDB will administer the Contribution in accordance with the provisions of the Framework Agreement, except as otherwise provided herein. The financial reporting will be expressed in Canadian dollars.

CANADA and the IDB agreed that the following terms and conditions will also apply to the administration of the Contribution by the IDB:

1. The Contribution is for a Joint Financing Program ("JFP") and will be used exclusively for the purposes set forth in the attached Program Document.
2. As indicated in the Program Document, for the implementation of the activities to be financed with the Contribution, the Bank will provide such resources to the executing agency indicated therein, and the Contribution will be focused towards the road sector.
3. Promptly following the date hereof, CIDA will deposit the Contribution, in one single installment, upon request from the IDB, into an account identified by the IDB.
4. The IDB will not be responsible for any foreign exchange rate risk in the receipt, conversion or administration of the Contribution.
5. Pursuant to Section 7.3.7 of the Framework Agreement, the cost of administration of the JFP will be 2% (two percent) of the Contribution, which will be charged at the time the Contribution is received from CIDA.
6. Pursuant to Section 8.1.2 c) of the Framework Agreement, CIDA may request that the IDB have its external auditors issue a special report related to this Administrative Arrangement, based on agreed-upon procedures. In such case, the IDB will pay its external auditors for such services, on behalf of CIDA, and CIDA will reimburse the IDB promptly after the IDB notifies CIDA in writing thereof.

7. In coordination with the appropriate authorities of Haiti, CIDA will participate in the monitoring missions of the Program. CIDA will cover its own expenses associated with any such missions. IDB will share with CIDA progress reports available under the Program.

8. This Administrative Arrangement may be made publicly available by the IDB subject to its policies and procedures regarding the disclosure of information.

9. IDB's use of the resources of the Contribution and its engagement in the activities of the Program as contemplated herein or any additional activities, shall be subject to the formalization of all required internal approvals, including an agreement with the executing agency.

The officers responsible for coordination of all matters related to this Administrative Arrangement are:

For CIDA:
Director-General
Americas Branch

For the IDB:
Chief, Cofinancing Division
Financial Support Services Subdepartment
Regional Operations Department 2

I would like to propose that this letter, upon your confirmation where indicated below, will constitute an administrative arrangement between CIDA and the IDB. CIDA and IDB agree that this letter does not constitute an international treaty.

Sincerely yours,

Claude Boucher
Ambassador of Canada
to the Republic of Haiti

Confirmed and agreed:
Inter-American Development Bank

Anna McInnis
Representative in Haiti

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/07

Haiti. Nonreimbursable Investment Financing ATN/___-____-HA.
Additional Co-Financing for the Rehabilitation of
Basic Economic Infrastructure 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 contract or contracts as may be necessary with the Republic of Haiti, and to adopt such other measures as may be pertinent for the execution of the nonreimbursable investment financing proposal contained in document AT-_____ with respect to the additional co-financing for the rehabilitation of basic economic infrastructure program.
2. That up to the amount of CAD\$19,500,000 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources granted by the Government of Canada and administered by the Bank, pursuant to the Administrative Arrangement entered into between the Government of Canada and the Bank on February 22, 2007.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

(Adopted on ____ 2007)

LEG/OPR/RGII/IDBDOCS#909563
HA-X1005