

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**HAITI**

**LOCAL DEVELOPMENT PROGRAM**

**(HA-0079)**

**LOAN PROPOSAL**

This document was prepared by the project team consisting of: Josep A. Gari (RE2/SO2), Project Leader; Amelia Cabrera (RE2/SO2); Marie Gaarder (RE2/SO2); Javier Jiménez Mosquera (LEG/OPR); Emma Naslund-Hadley (RE2/SO2); Ferdinando Regalia (RE2/SO2); Astrid Wynter (COF/CHA); Jorge Alfaro (consultant); and Aleksander Kawalec (consultant).

## CONTENT

### EXECUTIVE SUMMARY

|      |  |    |
|------|--|----|
| I.   | BACKGROUND.....  | 1  |
| A.   | General description of Haiti .....                                   | 1  |
| B.   | Population's access to basic social services .....                   | 1  |
| C.   | Poverty and development in rural areas .....                         | 3  |
| D.   | Local development and community planning .....                       | 4  |
| E.   | The Fund for Social and Economic Assistance (FAES) .....             | 4  |
| F.   | Social investment funds (SIFs): lessons learned .....                | 6  |
| G.   | Country's social and economic development strategies.....            | 7  |
| H.   | Bank's strategy in Haiti .....                                       | 7  |
| I.   | Program's strategy and justification .....                           | 8  |
| J.   | Donor coordination.....  | 9  |
| II.  | PROGRAM DESCRIPTION .....  | 10 |
| A.   | Objective.....   | 10 |
| B.   | Structure and contents .....   | 10 |
|      | 1. Component 1. Social development and assistance.....               | 10 |
|      | 2. Component 2. Productive and rural development .....               | 12 |
|      | 3. Component 3. Local governance and institutional development ..... | 14 |
| C.   | Cost, scope, financing and duration .....                            | 16 |
| III. | PROGRAM EXECUTION .....  | 18 |
| A.   | Borrower and executing agency .....                                  | 18 |
| B.   | Institutional and operational strategy .....                         | 18 |
| C.   | Community participation strategy .....                               | 24 |
| D.   | The Program's execution scheme.....                                  | 25 |
| E.   | Procurement procedures .....   | 27 |
| F.   | Disbursements and supervision .....                                  | 28 |
| G.   | Exceptions to the Bank's policies.....                               | 29 |
| H.   | Accounting and external audits .....                                 | 29 |
| I.   | Monitoring and impact evaluation.....                                | 30 |
| IV.  | VIABILITY AND BENEFITS.....  | 31 |
| A.   | Institutional and financial viability.....                           | 31 |
| B.   | Economic and technical viability .....                               | 31 |
| C.   | Social viability .....   | 32 |
| D.   | Environmental viability .....  | 32 |
| E.   | Beneficiaries and expected benefits .....                            | 33 |
| F.   | Poverty and social-equity classification (PTI/SEQ).....              | 34 |
| G.   | Risks .....  | 34 |
| H.   | Future prospects.....  | 35 |

## **ANNEXES**

|           |  |
|-----------|--|
| ANNEX I   | Logical Framework                        |
| ANNEX II  | Procurement Plan                         |
| ANNEX III | Coordination with Bank programs in Haiti |

## **BASIC SOCIOECONOMIC DATA**

The basic socioeconomic data for Haiti is available on the Internet at the following addresses:

<http://ops.iadb.org/idbloans/>

<http://www.iadb.org/res/index.cfm?fuseaction=externallinks.countrydata>

## INFORMATION AVAILABLE IN THE FILES OF RE2/SO2

### PREPARATION:

Alfaro, J. (2003). *Rapport sur le Programme de Développement Local (HA-0079)*. Haïti: Programme de Développement Local (HA-0079), Banque Interaméricaine de Développement, Washington D.C.

Kawalec, A. (2003). *Rapport d'identification du programme: Composante 2 Développement économique et productif rural*. Haïti: Programme de Développement Local (HA-0079), Banque Interaméricaine de Développement, Washington D.C.

Kawalec, A. (2003). *Aspects essentielles sur la planification participative* (manuscrit).

### EXECUTION:

*Manuel d'Opérations* [Manual of Operations]

## ABBREVIATIONS

|       | <b>English</b>                                  | <b>French</b>   |
|-------|---|---|
| ASEC  | Communal Section Assembly                       | Assemblée de la Section Communale                               |
| CASEC | Administrative Council of the Communal Section  | Conseil d'Administration de la Section Communale                |
| CBO   | Community-based organization                    | Organisation communautaire                                      |
| CDP   | Community development plan                      | Plan de développement communautaire                             |
| CE    | Cereal Equivalent                               | Équivalente Céréale   |
| CIDA  | Canadian International Development Agency       | Agence Canadienne de Développement International                |
| DAF   | Department of Administration and Finances       | Direction d'Administration et Finances                          |
| DCM   | Department of Control and Monitoring            | Direction de Control et Suivi                                   |
| DESP  | Department of Evaluation of Social Projects     | Direction d'Évaluation des Projets Sociaux                      |
| DPT   | Department of Promotion and Training            | Direction de Promotion et Formation                             |
| FAES  | Fund for Social and Economic Assistance         | Fonds d'Assistance Économique et Sociale                        |
| GDP   | Gross Domestic Product                          | Produit intérieur brut  |
| GOH   | Government of Haiti                             | Gouvernement d'Haïti  |
| GTZ   | German Agency for Technical Cooperation         | Agence Allemagne pour la Coopération Technique                  |
| IAU   | Internal Audit Unit                             | Unité d'Audit Interne   |
| IFAD  | International Fund for Agricultural Development | Fonds International pour le Développement Agricole              |
| LAC   | Latin America and the Caribbean                 | Amérique Latine et Caraïbe                                      |
| LU    | Legal Unit                                      | Unité Légal   |
| MDG   | Millennium Development Goals                    | Objectifs Millénaires pour le Développement                     |
| MENJS | Ministry of Education, Youth and Sport          | Ministère de l'Éducation Nationale, de la Jeunesse et des Sport |
| MSPP  | Ministry of Public Health and Population        | Ministère de la Santé Publique et de la Population              |
| NGO   | Non-governmental organization                   | Organisation non gouvernemental                                 |
| ODDG  | Office of the Deputy Director-General           | Bureau du Directeur Générale Adjointe                           |
| PAIP  | Program to Support Productive Initiatives       | Programme d'Appui aux Initiatives Productives                   |
| PMS   | Program Monitoring System                       | Système de Suivi du Programme                                   |
| SIF   | Social Investment Fund                          | Fonds d'Investissement Social                                   |
| SNEP  | National Potable Water Agency                   | Service National de l'Eau Potable                               |
| SSP   | Specialized service provider                    | Opérateur prestataire de services (OPS)                         |
| STD   | Sexually Transmitted Disease                    | Maladies sexuellement transmissibles                            |

|        | <b>English</b>   | <b>French</b>   |
|--------|--|---|
| TOR    | Terms of Reference                                     | Termes de Référence                                       |
| UBN    | Unmet Basic Needs                                      | Besoins essentielles insatisfaites                        |
| UCS    | Local health network                                   | Unité Communautaire de Santé                              |
| UEI    | Unit of Economic Initiatives                           | Unité des Initiatives Économiques                         |
| UN     | United Nations   | Nations Unies   |
| UNDP   | United Nations Development Programme                   | Programme des Nations Unies pour le Développement         |
| UNICEF | United Nations International Children's Emergency Fund | Fonds des Nations Unies pour l'Enfance                    |
| USAID  | United States Agency for International Development     | Agence des États Unis pour le Développement International |
| WFP    | World Food Programme                                   | Programme Alimentaire Mondial                             |
| WHO    | World Health Organization                              | Organisation Mondiale de la Santé                         |



**Inter-American Development Bank**  
Regional Operations Support Office  
Operational Information Unit

## Haiti

### Tentative Lending Program

#### 2003

| Project Number          | Project Name  | IDB US\$ Millions | Status |
|-------------------------|---|-------------------|--------|
| <a href="#">HA0016</a>  | Agricultural Intensification                                | 37.0              |        |
| <a href="#">HA0079</a>  | Local Development Program                                   | 65.0              |        |
| <a href="#">HA0093</a>  | Program for Rehabilitation of Basic Economic Infrastructure | 70.0              |        |
| <a href="#">HA0092</a>  | Public Finance Reform                                       | 25.0              |        |
| Total - A : 4 Projects  |   | 197.0             |        |
| TOTAL 2003 : 4 Projects |   | 197.0             |        |

#### 2004

| Project Number                    | Project Name                                       | IDB US\$ Millions | Status |
|-----------------------------------|--|-------------------|--------|
| <a href="#">HA0082</a>            | Institutional Strengthening Executive Branch       | 5.0               |        |
| <a href="#">HA0017</a>            | Vocational Education                               | 22.0              |        |
| <a href="#">HA1001</a>            | Government Financial Accountability and Governance | 25.0              |        |
| <a href="#">HA0087</a>            | Road Rehabilitation Program                        | 35.0              |        |
| <a href="#">HA1002</a>            | Nouveaux Cité Soleil                               | 50.0              |        |
| Total - A : 5 Projects            |  | 137.0             |        |
| <a href="#">HA1003</a>            | Rural Economy Development Program                  | 30.0              |        |
| Total - B : 1 Projects            |  | 30.0              |        |
| TOTAL - 2004 : 6 Projects         |  | 167.0             |        |
| Total Private Sector 2003 - 2004  |  | 0.0               |        |
| Total Regular Program 2003 - 2004 |  | 364.0             |        |

\* Private Sector Project



# HAITI

## IDB LOANS

APPROVED AS OF AUGUST 31, 2003

|   | US\$Thousand   | Percent |
|---|----------------|---------|
| <b>TOTAL APPROVED</b>                     | <b>748,636</b> |         |
| DISBURSED                                 | 586,535        | 78.34 % |
| UNDISBURSED BALANCE                       | 162,102        | 21.65 % |
| CANCELATIONS                              | 29,146         | 3.89 %  |
| PRINCIPAL COLLECTED                       | 129,523        | 17.30 % |
| <b>APPROVED BY FUND</b>                   |                |         |
| ORDINARY CAPITAL                          | 0              | 0.00 %  |
| FUND FOR SPECIAL OPERATIONS               | 742,304        | 99.15 % |
| OTHER FUNDS                               | 6,332          | 0.84 %  |
| <b>OUTSTANDING DEBT BALANCE</b>           | <b>457,012</b> |         |
| ORDINARY CAPITAL                          | 0              | 0.00 %  |
| FUND FOR SPECIAL OPERATIONS               | 456,592        | 99.90 % |
| OTHER FUNDS                               | 420            | 0.09 %  |
| <b>APPROVED BY SECTOR</b>                 |                |         |
| AGRICULTURE AND FISHERY                   | 55,608         | 7.42 %  |
| INDUSTRY, TOURISM, SCIENCE AND TECHNOLOGY | 22,882         | 3.05 %  |
| ENERGY                                    | 0              | 0.00 %  |
| TRANSPORTATION AND COMMUNICATIONS         | 211,162        | 28.20 % |
| EDUCATION                                 | 53,979         | 7.21 %  |
| HEALTH AND SANITATION                     | 189,405        | 25.29 % |
| ENVIRONMENT                               | 0              | 0.00 %  |
| URBAN DEVELOPMENT                         | 0              | 0.00 %  |
| SOCIAL INVESTMENT AND MICROENTERPRISE     | 154,462        | 20.63 % |
| REFORM AND PUBLIC SECTOR MODERNIZATION    | 50,642         | 6.76 %  |
| EXPORT FINANCING                          | 3,117          | 0.41 %  |
| PREINVESTMENT AND OTHER                   | 7,380          | 0.98 %  |

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





# HAITI

## STATUS OF LOANS IN EXECUTION AS OF AUGUST 31, 2003

(Amount in US\$ thousands)

| APPROVAL PERIOD               | NUMBER OF PROYECTS | AMOUNT APPROVED* | AMOUNT DISBURSED | % DISBURSED    |
|-------------------------------|--------------------|------------------|------------------|----------------|
| <b><u>REGULAR PROGRAM</u></b> |                    |                  |                  |                |
| Before 1997                   | 2                  | 77,000           | 60,915           | 79.11 %        |
| 1997 - 1998                   | 4                  | 145,900          | 0                | 0.00 %         |
| <b>TOTAL</b>                  | <b>6</b>           | <b>\$222,900</b> | <b>\$60,915</b>  | <b>27.33 %</b> |

---

\* Net of cancellations. Excludes export financing loans.

**LOCAL DEVELOPMENT PROGRAM  
(HA-0079)**

**EXECUTIVE SUMMARY**

|  |   |  |
|--|---|--|
| <b>Borrower:</b>                       | Republic of Haiti   |  |
| <b>Executing agency:</b>               | Fund for Social and Economic Assistance (FAES)  |  |
| <b>Amount and source:</b>              | IDB (FSO):  | US\$65.0 million                               |
|  | Local:  | US\$ 7.2 million                               |
|  | Total:  | US\$72.2 million                               |
| <b>Financial terms and conditions:</b> | Amortization Period:  | 40 years                                       |
|  | Grace Period:   | 10 years                                       |
|  | Disbursement Period:  | 5 years  |
|  | Interest Rate:  | 1% during the first 10 years and 2% thereafter |
|  | Supervision and Inspection:   | 1%   |
|  | Credit Fee:   | 0.5%   |
|  | Currency:   | U.S. dollar, Single Currency Facility          |
| <b>Objectives:</b>                     | <p>The overall objective of the Program is to improve the quality of life and income-generating capacities of the poorest and most vulnerable segments of the population.</p> <p>The specific objectives of the Program are to: (i) increase the number of households with access to basic social services, and expand social assistance to specific vulnerable population groups; and (ii) increase and diversify the income of poor communities. To succeed in those specific objectives, the Program will also aim at strengthening the capacity of communities to plan, formulate and manage projects, and improving the national capacity to foster social and economic development at the local level.</p>                                  |  |
| <b>Description:</b>                    | <p>To accomplish the stated objectives, the Program will finance activities in the following three components: (i) social development and assistance; (ii) productive and rural development; and (iii) local governance and institutional development.</p> <p>Component 1 will finance <b>social development and assistance</b> projects for poor households and for specific vulnerable groups in the following areas: education, water and sanitation, primary health care, nutrition, assistance to children and adolescents at risk, and other social projects. Projects on education, water and sanitation, and primary health care will include management plans with maintenance schemes, as well as training in technical, managerial</p> |  |

and organizational skills for the beneficiaries. Nutrition projects and projects providing assistance to children and adolescents at risk will be executed through specialized organizations that possess advanced methodologies, proven competency and established experience in the field. (See paragraphs 2.4 - 2.12)

Component 2 will finance **productive and rural development** projects aimed at increasing and diversifying the sources of income in poor rural and peri-urban communities. Projects suitable for financing will primarily derive from community development plans. The component will also place special emphasis on sustainable agriculture and environmental management as a critical force for improving the basis for agriculture, nutrition and livelihood in rural areas. (See paragraphs 2.13 – 2.19)

Component 3 will finance technical and operational assistance related to **local governance and institutional development**, which represent two major pillars in social and economic development. Technical assistance will serve to strengthen the capacity of communities and local governments to identify, assign priority, systematize and present their demands for services and support in response to their basic needs, basically through the elaboration of community development plans and the formulation of specific project proposals (paragraph 2.21). In addition, the Program will support FAES's institutional capacity to finance projects, de-concentrate its functions, and improve the effectiveness of targeting towards the poorest and most vulnerable segments of the population (paragraph 2.22). This component will also finance the evaluations of the Program, including the impact evaluations (paragraphs 3.38 - 3.41). Finally, the Program will cover maintenance costs of infrastructure projects under a set of special circumstances as specified in the Manual of Operations, so as to secure the sustainability of investments (paragraph 2.23).

**Bank's country  
and sector  
strategy:**

The proposed Program is consistent with the Bank's country strategy in Haiti in that it will: (i) invest in human capital through the provision of education, health and nutrition services in poor communities; (ii) invest in social and economic infrastructures through the use of specialized service providers and local labor; (iii) increase income and employment through local productive initiatives; and (iv) promote community-based participation, planning and governance, involving communities, local governments, civil society and line ministries.

The new transitional strategy of the Bank in Haiti regards the proposed Program as a key operation. The Program will

complement, and its preparation was coordinated with other Bank programs in execution or preparation in Haiti (see Annex III).

In addition, the Program is in line with the Eight Replenishment mandate of the Bank, which emphasizes social investment funds (SIFs) as a way of addressing critical poverty problems. At the same time, the Bank's experience shows that greater sustainability of SIFs can only be reached if: (i) local participation throughout the project cycle is reinforced, particularly as regards to community planning and the maintenance of infrastructure; (ii) inter-institutional collaboration with line ministries is strengthened; and (iii) sound monitoring and evaluation activities are implemented. In addition, a planning of investments in the priority areas according to targeting tools, intense promotion and technical assistance to poor communities are necessary in order to counterbalance the dynamic of demand-driven investments.

**Coordination  
with other  
multilateral  
development  
institutions:**

During the preparation of the Program, the Bank's project team held working sessions with various international agencies involved in the social sectors in Haiti, such as CIDA, GTZ, USAID, and diverse agencies of the United Nations (see paragraph 1.32).

In addition, the Bank is regarding the potential of synergies on the productive development component with the Program to Support Productive Initiatives (PAIP), which is financed by the International Fund for Agricultural Development (IFAD) and executed by FAES. The Program and PAIP Program will share institutional and operational schemes.

Finally, it is recommended the selection of the United Nations International Children's Emergency Fund (UNICEF) to implement an integrated project to assist children and adolescents at risk (see paragraphs 2.9, 2.11 and 3.31).

**Environmental  
and social  
review:**

The Program will adopt a broad participatory approach, supporting communities to elaborate development plans, identify and formulate their project priorities, and engage fully in project implementation and management. The methodologies to be adopted in FAES are built on a set of experiences that have been validated by various international development organizations in eight communes in the country, and further distilled for the Manual of Operations of the Program to ensure full applicability. In addition, the Program places special emphasis in mainstreaming gender approaches (see paragraph 4.9).

No significant adverse environmental impacts are envisaged. Projects will generally be of small scale and will be required the necessary provisions to avoid or mitigate potential negative impacts on the

environment. The Manual of Operations includes various environmental criteria and requirements (see paragraph 4.10). In addition, Component 2 is particularly responsive to the poverty-environmental links in Haiti and, therefore, supports sustainable agriculture and environmental protection activities, among others.

**Benefits:**

The main benefit of the Program is the anticipated positive impact on the living conditions and income capacities of the beneficiary population, and in the general environmental quality in the beneficiary communities. Among the beneficiary population, women, children and the rural poor will be prioritized. It is anticipated that women and children will constitute a large majority of the beneficiaries of social assistance projects. Productive and rural development projects will benefit many self-motivated productive groups and communities. Furthermore, the Program will consolidate a new participatory model for local development, allowing communities to plan, prioritize and channel social and economic investments.

**Risks:**

The sustainability of the impacts generated under this Program could be threatened by a lack of coordination between FAES and line ministries. This risk is minimized by the ongoing establishment of formal working groups, and the Program's requirement that inter-agency agreements are updated. Furthermore, the tendency to respond to demand may perpetuate FAES's concentration of activities in the least remote communes or in those with greater project generating capacity. The Program has mechanisms designed to ensure pre-allocation of resources to the most needy communes, and to support project planning and formulation in the poorest and weaker communities.

**Special contractual clauses:**

Prior to the first disbursement, the Government of Haiti and FAES shall sign an agreement that stipulates the transfer of loan resources to FAES and the commitment of FAES to assume the obligations as executing agency, among other relevant provisions (paragraph 3.1).

Prior to the first disbursement, the Manual of Operations of the Program, previously agreed upon with the Bank, shall be approved by FAES's Board of Directors (paragraph 3.22).

Prior to the financing of activities under a specific sector in Component 1, FAES shall present to the Bank the updated interagency agreement with the pertinent ministry or agency governing the sector (i.e. education; health; and potable water) (paragraph 3.18).

Prior to the disbursement of resources for an integrated project providing assistance to children and adolescents at risk under

**Poverty-targeting and social equity classification:**

UNICEF's co-execution, FAES shall submit to the Bank the evidence of an agreement with UNICEF (paragraph 3.31).

Prior to disbursements to finance investments under components 1 and 2, FAES shall hire at least 10 new core professionals across its departments, as needed to initiate activities (paragraph 3.13).

This operation qualifies as a social equity enhancing project (SEQ), as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation qualifies as a poverty targeted investment (PTI).

**Exceptions to Bank policy:**

Given the extremely weak fiscal stance of the Government of Haiti and the fact that impoverished communities are often unable to mobilize the financial resources necessary to maintain service delivery, the loan will finance maintenance and recurrent costs when deemed necessary, making an exception to the Bank's policy on maintenance (OP-707) and to the Bank's recurrent cost financing guidelines that specify that project financing of recurrent costs should decrease over the life of the Program (AB-1704).

See procurement below.

**Procurement:**

Acquisition of goods and related services, and contracting of civil works financed with the project resources will be subject to Bank's procurement procedures and policies. International public bidding will be required for works that are equal or exceed US\$1,000,000; for the acquisition of goods and related services when equal or exceeds US\$200,000; and for consulting services that are equal or exceed US\$200,000.

All procurement below these limits will be done following national legislation and, in view of particular needs of the Program, the Government of Haiti and the Bank may mutually establish specific conditions and procedures, provided they are consistent with the Bank's procurement procedures and policies.

As an exception to the international public bidding procedure and in accordance with the criteria established in the Bank's Procurement Manual (GS-403), FAES could directly contract the services of UNICEF to implement an integrated project providing assistance to children and adolescents at risk (see paragraphs 2.9 and 2.11). The direct contracting of UNICEF is recommended on the basis of technical and institutional comparative advantages (see paragraph 3.31).

## I. BACKGROUND

### A. General description of Haiti

- 1.1 The Republic of Haiti, located in the Caribbean region, extends over 27,750 km<sup>2</sup> and has a population of about 8 million people. It is a mountainous country with a very variable climate. Haiti is the poorest country in the Western Hemisphere and one of the poorest countries in the world. Most of its population and sources of livelihood are rural. The country is administratively organized into 9 departments, 133 communes (municipalities) and 564 communal sections. The demographic structure indicates a young population (40% of the population is below age 15). These geographic and socio-economic features shape the options for development.
- 1.2 In Haiti, about 65% of the population and 80% of the rural population live below the absolute poverty line (US\$1 per day). Half the population is undernourished. The country ranked 150 of 175 countries in the 2003 United Nations (UN) Human Development Report. In fact, life expectancy at birth is below 50 years, adult illiteracy rate at age 15 and above is around 50%, and more than half the population lacks appropriate access to water. The gaps that need to be filled to reach the Millennium Development Goals (MDG) are wide.
- 1.3 Haiti's Gross Domestic Product (GDP) per capita (US\$461 in fiscal year 2000-01) is less than 10% of the Latin American and Caribbean (LAC) average. Despite a relatively modest population growth rate (1.9%)<sup>1</sup> compared to other countries with similar GDP per capita, Haiti has experienced negative per capita GDP growth averaging -2.5% in the last decade.

### B. Population's access to basic social services

- 1.4 **Education.** More than 50% of the population in Haiti cannot read or write (by comparison, the average illiteracy rate in LAC is 15%). Gross enrollment in primary education is just above 50% at the national level and 30% in rural areas (without any significant differences between boys and girls), compared to a LAC average of over 105%. The vast majority of the education services are provided by the private sector (over 80% of schools are private). While public spending on education totals 2.5% of GDP and is biased towards urban areas, private spending is estimated to be 5 times greater. Even poor households allocate a disproportionate amount of their income to education expenditures (15%). In remote rural areas, where net and gross enrollments are dramatically low, access to public primary schools is very scarce. In these areas, the unsatisfied demand for public basic education services is large for two reasons: (i) private costs of education (mainly fees) are considerably lower for children attending public schools than private schools; and (ii) quality of public schools is on average better

---

<sup>1</sup> In part due to emigration flows.

than that of most private schools. Publicly subsidized private education services basically do not exist.

- 1.5 **Water and sanitation.** Access to safe water is extremely low (less than 50%, both in urban and rural areas), leading to a high prevalence of infectious diseases. Access to sanitation is 27%, which is significantly below the Latin American average of 71%. A large portion of the population lacks access to pit latrines and is thus exposed to water pollution and related diseases. In response to the insufficient and unreliable services provided by the centralized structure of public water supply and sanitation, donors and non-governmental organizations (NGOs) have created a wide spectrum of collaborative arrangements. Nevertheless these tend to ignore cost recovery mechanisms to ensure sustainability.
- 1.6 **Health.** Health conditions in Haiti are among the poorest in the world. Life expectancy is 49 years, compared to a regional average of 70. Maternal and infant mortality rates are extremely high: maternal mortality is around 523 per 100,000 live births and infant mortality is about 80 per 1,000 live births. The health status and burden of disease have deteriorated in recent years, particularly due to the increasing prevalence of HIV/AIDS. The principal causes of death for children aged 1 to 5 are diarrhea (37%) and malnutrition (32%). Only about half the population has access to health services and the quality is generally poor. Physical infrastructure is dilapidated due to the low level of investments and the inadequate or absent maintenance of existing installations. Shortages of essential drugs and equipment further hamper the provision of services. Expenditures are inadequate – together, public and private spending totals US\$21 per capita compared to US\$38 in Sub-Saharan Africa and US\$202 in LAC. About 40% of the per capita spending on services and drugs is private. Health services in Haiti are provided through 650 health facilities, 30% of which are public and most of which are located in urban areas. NGOs provide 70% of health services in rural areas, and the coordinating and supervisory role of the Ministry of Public Health and Population (MSPP) is weak. However, as a strategy to confront these institutional weaknesses, the MSPP has set out to restructure the country's health facilities into networks of locally integrated public and private health systems.
- 1.7 **Vulnerable groups and social exclusion.** Among the most vulnerable groups in Haiti are the children and adolescents who either: (i) work as unpaid domestic servants, known as *restaveks*; (ii) depend on the streets for survival; or (iii) fall victim to international networks of human traffickers. There may be as many as 250,000 children working as unpaid child servants, 80% of whom are girls. Households where children are placed seldom uphold the agreement with the child's biological parents to provide nutrition and schooling. Although widespread, there are no reliable estimates on the number of street children in Haiti. At least 2,000 children are every year victims of trafficking into the Dominican Republic, where they are used as prostitutes, beggars, shoe-cleaners, agricultural workers, and domestic servants. All three groups are exposed to violence, labor and sexual exploitation, and HIV infection. There are no formal governmental programs to protect these children, which generally lack access to



basic health, education and proper nutrition. The only major initiative to reach out to these marginalized groups is spearheaded by the United Nations International Children's Emergency Fund (UNICEF) and its network of local NGOs.

### **C. Poverty and development in rural areas**

- 1.8 Although poverty affects the entire country, it is more accentuated in rural areas, where over 65% of the population lives, and where the average income is below US\$100 per year. Living conditions in rural areas are particularly harsh because of the absence, low quality or lack of access to basic social services, as well as the lack of basic infrastructure, the geographic isolation and the levels of socio-political exclusion.
- 1.9 Rural people depend largely on a depleted agricultural sector for subsistence. The productive potential of land is low due to environmental degradation, the mountainous geography, limited availability of agricultural land, and deficient technical assistance. Income sources are restricted. Productive associations have weak organizational, technical and financial capacities.
- 1.10 In rural areas, income is derived from different activities. Agricultural production (crops and livestock) is the most important livelihood activity. It varies across geographical areas, households and the availability of agricultural land. In the smallest farm holdings, the main activities among men are agriculture, artisan work and services. Women are frequently engaged in small-scale commerce, which many consider their critical income source, yet they also devote significant time and efforts to farming. Rural women largely suffer the poorest living conditions, and diverse factors impair their productive and income activities, such as poor infrastructure, limited access to credit and training, disproportionate land access insecurity, and overall gender inequalities. Female heads-of-household manage about a third of farm holdings. Moreover, the high levels of maternal malnutrition are the result of social exclusion, food insecurity and the short interval between pregnancies. The most vulnerable rural groups are frequently engaged in remunerated work as their livelihood base, such as in agriculture and transport. An additional income source among the rural poor is the temporary migration to more economically dynamic areas such as *Port-au-Prince* and the Dominican Republic.
- 1.11 Haiti has a significant food deficit. Average food needs in cereal equivalent (CE) are about 240 kg per person annually. On these premises, global food needs in the country are estimated at 1,9 million tones CE annually. The average national production is about 730,000 tones CE annually, which accounts for about 38% of national needs. Commercial imports and food aid represent around 24% of the national needs (300,000 and 150,000 tones CE, respectively). Consequently, there is a deficit of about 700,000 tones CE annually, which represents more than 35% of the national food needs. As a result, an important part of the population has a food consumption level below average needs, as food security and nutrition indicators already suggest. Therefore, investments in agricultural production and

environmental protection are required to address the urgent food security and nutrition needs in the country, particularly in rural areas.

**D. Local development and community planning**

- 1.12 Local development has evolved in conceptual and practical terms into a process fully rooted in community participation, from planning to project management. Development experiences reveal that community participation is indispensable for the success and sustainability of projects. The Government of Haiti (GOH) is currently engaging in a participatory approach to local development, and has already prepared and endorsed a participatory methodology based on their experiences and on those of international donors in the country.
- 1.13 Social investment funds (SIFs) worldwide are often accustomed to a purely “demand-driven” approach, consisting in the appraisal and financing of projects submitted by any public institution, NGO or community-based organization (CBO) without necessarily requiring much reference to priorities determined by the beneficiary community itself. This approach has proved to be efficient and has produced some social benefits, yet not always in accordance with the priority needs of the beneficiary population and its poorest segments. It also neglects the importance of systematically inserting community planning in the project cycle.
- 1.14 Community planning provides an improved approach to local development, enhancing democracy and local engagement in the development process. It is a critical instrument for identifying and assigning priority to local projects, which could then be submitted to, or addressed by the myriad of international, public and NGOs interested in local development. Community participatory planning relies on adequate and practical methodologies, as well as specialized guidance, in order to ensure the democratic, autonomous and well-targeted deliberation of local collectivities. The main actors are community representatives, who are only those individuals whose livelihood relies significantly on the territory of the represented community. In addition, local governments should play a supporting role; in the case of Haiti, that would include municipalities, Communal Section Assemblies (ASECs), Administrative Councils of the Communal Section (CASECs), and other *élus locaux* (local leaders).

**E. The Fund for Social and Economic Assistance (FAES)**

- 1.15 The Fund for Social and Economic Assistance (FAES) is the primary and most active governmental agency to foster anti-poverty efforts in Haiti. It was created by Presidential Decree in June 1990 and placed under the oversight of the Ministry of the Economy and Finances. It is an administratively and financially autonomous institution that engages in the financing, but not in the implementation, of small-scale projects designed to provide low-income communities, both urban and rural, with basic social and economic infrastructure, and social services. Given the weaknesses of line ministries, the GOH relies significantly on FAES for executing small social and economic projects targeting

the poor and reaching the most remote communities. In the last decade, FAES received financing from the Bank, The World Bank, the UN and the Italian Cooperation, among others.

- 1.16 FAES channels investment resources in response to demands from public sector institutions (central and local), NGOs and CBOs, after due technical appraisal. For project implementation, FAES contracts diverse specialized service providers (SSPs), which may consist of individual contractors, private firms, appropriate non-profit organizations, and international development institutions. FAES relies on the professionalism of its staff, the operative versatility in place, and the accumulated experience to address pressing social and economic demands of poor communities across the country in reasonable time and ensuring minimum standards of quality.
- 1.17 FAES's targeting performance can be deemed satisfactory but should be strengthened. Despite deficient transportation infrastructure in most of the country, lack of regional offices and the absence of an adequate targeting mechanism, FAES succeeded in concentrating more than 40% of the resources of the Bank's loan 983/SF-HA in the 4 poorest departments. FAES's targeting mechanism needs to be strengthened by using the intermediate Poverty Map, and by improving this map with data from the 2002 national population census. The use of the intermediate Poverty Map will come at no cost for FAES, and will allow FAES to better channel resources towards the poorest communes and communities within communal sections.
- 1.18 FAES's financing of social infrastructure (primarily education and potable water) represented more than 70% of its total investments under the 983/SF-HA loan (Table I-1). These investments increased the access to basic social services but encountered sustainability problems. Although coordination with line ministries was intended to ensure service provision, the implementation of maintenance plans by communities or line ministries was often inadequate. In the potable water sector, infrastructure investments met required technical standards but provided limited technical training for local management committees, follow-up activities, maintenance plans, and enforcement of financing arrangements for service provision (e.g. service fee charges). In summary, FAES needs to improve maintenance plans, inter-institutional arrangements, community training, technical supervision, and follow-up activities to allow sustainability of the benefits provided by social infrastructure investments.<sup>2</sup>

---

<sup>2</sup> This evidence is drawn from the following reports: "*Ebauche de rapport préliminaire d'évaluation du programme de financement d'infrastructure et d'équipement scolaires - FAES II*" (Charles Tardieu, 2003); "Evaluation report for a new phase of FAES" (Michael Olivier, 2001); "Technical project auditing" (Aissata Traoré, 1999); and "Social evaluation of FAES" (Calixte Clérisme *et al.*, 1998). In addition, the project team conducted field visits to different communities in the western and southern areas of the country in July 2003. A new assessment of investments in the water sector is currently under way to strengthen FAES's future investments.

**Table I-1. Number of projects financed under the 983/SF-HA loan**

|                   | Education  | Health    | Potable water | Sanitation | Transport | Agriculture |
|-------------------|------------|-----------|---------------|------------|-----------|-------------|
| Infrastructure    | 143        | 5         | 103           | 1          | 2         | 42          |
| Social assistance | 54         | 30        | -             | -          | -         | -           |
| <b>TOTAL</b>      | <b>197</b> | <b>35</b> | <b>103</b>    | <b>1</b>   | <b>2</b>  | <b>42</b>   |

- 1.19 During the past five years, FAES also financed economic infrastructure projects in agriculture and transportation (see Table I-1). FAES is further expanding its activities in the rural economic sector through the *Program to Support Productive Initiatives* (PAIP Program), which is financed by the International Fund for Agricultural Development (IFAD).
- 1.20 To strengthen community participation and enhance the impact and sustainability of investments, FAES is adopting a participatory planning methodology based on the experience developed during a pilot program financed under the 983/SF-HA loan, as well as on lessons learned from participatory planning initiatives undertaken by various donors in recent years. This methodology is already available and is endorsed by the GOH, which collaborated in its development. Moreover, FAES is committed to increasing the share of projects for CBOs in its investment portfolio by gradually expanding the participatory methodology.

#### **F. Social investment funds (SIFs): lessons learned <sup>3</sup>**

- 1.21 The Bank's experience shows that greater sustainability of SIFs can only be reached if: (i) local participation throughout the project cycle is reinforced, particularly as regards maintenance; (ii) inter-institutional collaboration with line ministries is strengthened; and (iii) sound monitoring and evaluation activities are implemented. In addition, a planning of investments in the priority areas according to targeting tools, and intense promotion and technical assistance to poor communities are necessary in order to counterbalance the dynamic of demand-driven investments. Finally, the experience of SIFs with productive projects implemented through a top-down approach and consisting on the mere distribution of inputs does not produce enduring impacts, notably due to the lack of adequate planning, technical assistance, and ownership by the beneficiaries.
- 1.22 The assessment of SIFs suggests that FAES needs to enhance the sustainability of projects in order to improve the development impact of its interventions. Accordingly, the Program will strengthen the technical and administrative procedures for the identification, feasibility analysis, approval and execution of projects. In addition, it will require that projects develop financially and technically sound maintenance plans and service provision arrangements on the basis of shared financial and institutional responsibilities between FAES, sectoral governmental agencies, local governments and community organizations. Finally, special emphasis will be placed on strengthening: (i) community participation at

<sup>3</sup> For further details see *Note on Social Investment Funds: The IDB experience and proposed guidelines for future support* (2002).

all stages of the project cycle; (ii) community training plans to operate and maintain works; and (iii) supervision (including compliance with maintenance schemes and service provision agreements), monitoring and evaluation.

- 1.23 In addition, the Bank's experience with SIFs shows that, in order to channel resources towards poor communities and increase their welfare impacts, active steps should be taken to improve pre-allocation of financial resources to priority areas and sectors, and strengthen local capacity and participation. The Program will use the intermediate Poverty Map elaborated by the GOH to plan investments and guide promotion, participation and training activities. In addition, the gradual de-concentration of promotion and supervision activities to regional offices or specialized organizations should enhance FAES's targeting and impact performance.

#### **G. Country's social and economic development strategies**

- 1.24 A major tenet of the GOH's social sector strategies is achieving sustainable development with better standards of living for the population. For example, the MSPP has formulated a Plan of Priority Health Actions aimed at increasing the delivery of basic health services through the existing network of community health councils (UCS). Similarly, the Ministry of Education (MENJS) emphasizes, in its National Plan for Education and Training, which enjoys Bank's support, the importance of expanding access to basic education in depressed areas by building, repairing and expanding schools. Furthermore, the national potable water agency (SNEP) aims to improve water access in poor communities while minimizing adverse environmental effects.
- 1.25 Within this framework, FAES catalyses government development activities, rapidly responding with the provision of basic services to the poorest segments of the population. In addition, FAES is the only government agency seeking to systematically promote local participation in planning and project management.

#### **H. Bank's strategy in Haiti**

- 1.26 The overarching goal of the Bank's strategy in Haiti is poverty reduction, emphasizing: (i) investments in human capital to improve the standards of living and increase the opportunities of the population to participate in economic growth; and (ii) private sector development to increase employment opportunities, the provision of critical infrastructures and the supply of basic services. In addition, the new transitional strategy under preparation introduces the issue of governance as an essential element of the Bank's interventions in the country.
- 1.27 The proposed Program is consistent with the Bank's country strategy in that it will: (i) invest in human capital through the provision of education, health and nutrition services in poor communities; (ii) invest in social and economic infrastructures through the use of SSPs and local labor; (iii) increase income and employment through local productive initiatives; and (iv) promote community-

based participation, planning and governance, involving communities, local governments, civil society and line ministries. In addition, the Program is in line with the Eight Replenishment mandate of the Bank, which emphasizes SIFs as a way of addressing critical poverty problems, stating that “the harshest aspects of poverty can be mitigated through social investment funds and targeted assistance programs that offer protection for the most vulnerable segments of the population”. Finally, the new transitional strategy of the Bank in Haiti regards the proposed Program as a key operation.

- 1.28 A number of Bank programs in execution and/or preparation in Haiti are related directly or indirectly to the target population or investment sectors of this Program: *Organization and Rationalization of the Health Sector* (1009/SF-HA); *Basic Education Project* (1016/SF-HA); *Potable Water and Sanitation Sector Reform* (1010/SF-HA); *Basic Infrastructure Program* (HA-0093); and *Agricultural Intensification Program* (HA-0016). The proposed Program will complement these other loans (Annex III).

## **I. Program’s strategy and justification <sup>4</sup>**

- 1.29 Haiti needs to increase access and utilization of basic social services by the poorest segments of the population and improve the whole set of indicators related to the MDGs. For this purpose, FAES has been already successful in three major aspects: (i) an unmatched inter-sectoral executing capacity within the country in terms of number of projects funded; (ii) an ability to work in coordination with central and local government authorities, and with civil society and community organizations; and (iii) the introduction of a model of financing and delivering social infrastructure and services through private or specialized service providers. Furthermore, the Program will pay special attention to the lessons learned in SIFs (see paragraphs 1.21-1.23).
- 1.30 Greater emphasis is needed on integrated investments and participatory approaches at the community level to maximize the impact of interventions. Up to now, project identification has rarely been part of a community micro-planning exercise. The Program will support the gradual introduction of simple participatory planning instruments in accordance with the methodology endorsed by the GOH. Additionally it will promote social auditing as part of the monitoring and evaluation process.
- 1.31 To enhance the sustainability of social infrastructure projects and the population’s access to basic social services, income generation capacities of communities need to be improved. Consequently, the Program will support initiatives to raise and diversify income sources, particularly among the rural poor.

---

<sup>4</sup> The frame of reference described in previous sections, the partial assessments of the Program 983/SF-HA, and the lessons learned by the Bank in similar operations shape the design of the proposed Program. This section provides a summary of key considerations and actions for the Program.

**J. Donor coordination**

- 1.32 During the preparation of the Program, the Bank's project team held working sessions with various international agencies involved in the social sectors in Haiti: Canadian International Development Agency (CIDA), German Agency for Technical Cooperation (GTZ), United Nations Development Programme (UNDP), UNICEF, United States Agency for International Development (USAID), World Food Programme (WFP), and World Vision, among others. These sessions facilitated the exchange of information and laid the foundation for continuous coordination in the various areas of FAES's interventions. Furthermore, these meetings allowed for the identification of existing intervention methodologies that have proven to be effective in addressing some of the country's social problems, and upon which FAES can build.
- 1.33 The Bank is regarding the potential of synergies with the PAIP Program, which is financed by IFAD and executed by FAES, on productive development. The Program and PAIP Program will share institutional and operational schemes. That will represent a novel collaboration of international donors in Haiti and may set the grounds for further donor coordination under the government framework for a common poverty reduction goal.

## II. PROGRAM DESCRIPTION

### A. Objective

- 2.1 The overall objective of the Program is to improve the quality of life and income-generating capacities of the poorest and most vulnerable segments of the population.
- 2.2 The specific objectives of the Program are to: (i) increase the number of households with access to basic social services, and expand social assistance to specific vulnerable population groups; and (ii) increase and diversify the income of poor communities. To succeed in those specific objectives, the Program will also aim at strengthening the capacity of communities to plan, formulate and manage projects, and improving the national capacity to foster social and economic development at the local level. Indicators of expected impact are shown in Box II-1 and in the Logical Framework (Annex I).

#### Box II-1. Selected indicators of expected impact

- 400,000 beneficiaries from the three bottom quintiles of the community distribution have at least one fewer Unmet Basic Need.
- Consumption among beneficiary households of small and micro productive projects increases by 6% with respect to the control group and the base year.
- At least 70% of economic and productive projects profitable and continuing to function one year after technical assistance has stopped.
- In the beneficiary communities, compared to the control group, a statistically significant improvement in the following indicators will be verified: (i) infant mortality rates; (ii) primary school enrollment; (iii) incidence of water-born diseases; and (iv) malnutrition rates among children 0-5 year old. All data will be disaggregated by sex and by urban-rural location.

### B. Structure and contents

- 2.3 To accomplish the stated objectives, the Program will finance activities in the following three components: (i) social development and assistance; (ii) productive and rural development; and (iii) local governance and institutional development.

#### 1. Component 1. Social development and assistance (US\$37 million)

- 2.4 This Component will finance social development and assistance projects for poor households and for specific vulnerable groups in the following areas: (i) education; (ii) water and sanitation; (iii) primary health care; (iv) nutrition; (v) assistance to children and adolescents at risk; and (vi) other social projects.
- 2.5 **Education.** This line of projects includes: (i) construction and rehabilitation of pre-primary and primary school infrastructure, including school refectories, school playgrounds, water installations and sanitary equipment; (ii) school equipment for primary and pre-primary schools and school refectories; and (iii) the provision of teaching, pedagogical, and school library materials.



- 2.6 **Water and sanitation.** This line of projects includes basic water and sanitation projects – tailored to the population density and geomorphologic features – and related training and maintenance activities. In particular, the Program will finance water supply projects, including the construction, expansion and rehabilitation of residential distribution systems (such as rainwater collection systems, community connections, and public taps systems). In addition, the Program will finance sanitation projects, such as: household and community latrines; solid waste collection, recycling, and adequate disposal; and organic composting initiatives with sanitation and agricultural purposes.
- 2.7 **Primary health care.** Projects in this sector may finance the following: (i) rehabilitation, construction, expansion and equipment of primary health care centers with maternity beds in poor communities, providing an estimated 90% preventive and 10% curative care; (ii) provision of basic medical supplies, emphasizing mother and baby packages in accordance with MSPP guidelines; (iii) provision of medical supplies for reproductive health services, stressing prevention and control of HIV/AIDS and sexually transmitted diseases (STDs); and (iv) training in maintenance. As regards health services provided through the centers constructed or rehabilitated through the Program, FAES will enter into agreements with the MSPP. These agreements will stipulate either that: (i) the MSPP will finance the service; or that (ii) FAES will finance for a predetermined period the private provision of services (selected in coordination with the MSPP) with the stipulation that the MSPP will take on the financial responsibility thereafter.
- 2.8 **Nutrition.** The Program will finance nutrition activities intended to: (i) educate families about care and feeding practices, emphasizing adequate nutrition for pregnant women and children; (ii) promote and support exclusive breast feeding for the first 6 months of life; (iii) deliver vital micronutrients and supplementary feeding to children under five and lactating and pregnant women; and (iv) provide school nutrition packages, including food supplements, micro-nutrients, de-worming, and education on hygiene.
- 2.9 **Assistance to children and adolescents at risk.** The Program will finance integrated projects offering social services to the most vulnerable children, including street children, children that are victims of human trafficking, and children kept as unpaid domestic servants (paragraph 1.7). The projects will support the prevention, rehabilitation and social reintegration of these high-risk groups. Health services will be given priority, and will include general and reproductive health services, HIV/AIDS and STD education and treatment, as well as psychological attention. Other activities may include the provision of non-formal education and life skills training, cultural activities, and family sensitization.
- 2.10 **Other social projects.** Other types of projects besides those described above will also be eligible for financing under the Program, provided that FAES submits to the Bank for approval the specific criteria for their eligibility, selection and

supervision. The criteria will be based on experiences with a proven success record evaluated by FAES, in coordination with the agency governing the respective sector. The Program will not finance infrastructure primarily used for religious, political or law enforcement purposes, and related activities.

- 2.11 The formulation, appraisal and execution of social development and assistance projects will follow two main modalities. **Education, water and sanitation, and primary health care** projects will be required to: (i) derive from a community development plan, or clearly demonstrate consistency with community priorities through a social validation process; (ii) contain a management plan for the operation and maintenance of investments, stipulating the sharing of financial and institutional responsibilities between FAES, sector government agencies, local governments, and community organizations; and (iii) include activities to support beneficiary communities in technical, managerial and organizational skills, in order to ensure operation and maintenance. **Nutrition** projects and the project for **children and adolescents at risk** will be executed through major specialized organizations. In the case of nutrition projects, this modality is chosen for two reasons: (i) in accordance with the norms regulating the health sector, the primary health centers do not conduct systematic outreach, monitoring and supervision of nutrition initiatives; and (ii) several specialist organizations have extensive experience in conducting large-scale nutrition programs in Haiti, having established service provision networks through NGOs, CBOs and governmental institutions. As for the project providing assistance to children and adolescents at risk, this type of project generally does not emerge in community planning exercises, partly because the target groups are not empowered to voice their needs and priorities, and partly because this type of project is of a broader scale. It is recommended that UNICEF, a major specialized agency, be selected to carry out an integrated project to assist children and adolescents at risk due to its proven capacity and experience in working with the three target groups in an integrated manner and at a national level (see paragraph 3.31).
- 2.12 In the poorest communities, FAES could financially support maintenance and service plans on a case-by-case basis. This measure is justified by the extremely low income of the potential beneficiaries and the tight fiscal constraints of central and local governments. Maintenance and service delivery plans will be supervised and strictly monitored by FAES during project execution.

## **2. Component 2. Productive and rural development (US\$17 million)**

- 2.13 This component will finance productive and rural development projects aimed at increasing and diversifying the sources of income in poor rural and peri-urban communities. Projects suitable for financing will primarily derive from community development plans. The component will also place special emphasis on sustainable agriculture and environmental management as a critical force for improving the basis for agriculture, nutrition and livelihood in rural areas.

- 2.14 The following categories of eligible projects have been identified: (i) support to non-traditional agricultural activities, such as horticulture, crop diversification, and aviculture; (ii) agricultural and rural economic infrastructure, such as community markets, small water harvesting and irrigation systems, infrastructure and equipment for the processing, storage and commercialization of agricultural goods, rural access roads, footbridges, and retaining walls for protection against landslides and flooding; (iii) support to small and micro-enterprises in rural areas; (iv) support to non-agricultural income initiatives, such as artisan production; and (v) projects for the protection and sustainable management of natural resources, such as soil conservation, organic farming and re-vegetation initiatives. The Program will not finance projects that threaten the environment, worsen desertification, or support products that are under the specific responsibility of the Ministry of Agriculture or are illicit. Project beneficiaries will primarily be entire communities or specific community-based productive associations.
- 2.15 The Program may temporarily finance maintenance costs for certain public productive and economic infrastructure (e.g. rural access roads, community storage facilities), provided there is adequate justification. The financing of maintenance costs will not exceed 5% of the total investments under this component and 10% of the costs of each project.
- 2.16 The financing of productive and rural development projects will be based on community development plans (CDPs). CDPs are simple documents containing the priority projects and selected measures in the social and productive domains that communities identify and concur through a participatory exercise. Communities usually elaborate their CDPs with technical assistance and guidance from specialized organizations, and in close collaboration with their local governments. Exceptions to the requirement of consistency with CDPs may apply to: (i) projects that would not normally arise from a participatory planning exercise, but that receive full local support through a social validation process; and (ii) projects of regional or national scope that have clear benefits to poor communities and households, after appropriate consultations with professional and civil society organizations.
- 2.17 Every project proposal should, if applicable, contain: (i) training activities for the beneficiaries in technical, managerial and organizational capacities; (ii) an analysis of economic profitability, based on a simple methodology adapted for use by beneficiaries; (iii) a management plan that indicates the basic arrangements for the operation, administration and maintenance of the project's infrastructure and equipment; and (iv) a social and environmental analysis, including measures concerning ecological protection and gender equality. Accordingly, project appraisal will include compliance with: (i) minimum targets of expected returns of investments; (ii) basic environmental considerations; and (iii) criteria for the economic empowerment of women. The Program includes resources to support communities in the preparation of project proposals that derive from their CDPs.

- 2.18 Rural economic infrastructure projects of wide community benefit (e.g. a rural access road or a community market) will normally fall under the “ownership” of the municipality. When administration is required, a local committee composed of representatives from the community and the local government will administer the operation of such projects.
- 2.19 Certain productive projects may include the provision of small infrastructure and equipment to CBOs, such as a local co-operative and a women’s productive association. The approval of such projects will require: (i) that the beneficiary associations have legal status; (ii) a management plan that contains fair provisions to facilitate the access of other community members to the infrastructure or equipment provided, for instance through reasonable fees or membership obligations; and (iii) an agreement between FAES and the beneficiary CBO that stipulates the management plan and the obligations of the beneficiary association. The Program will finance technical support for the legalization of beneficiary CBOs. In cases where the legal status of the beneficiary organization is still in process or difficult to obtain, such organization may request the intermediation of the local government or a legal organization (these cases will require an agreement between FAES and the organization representing the beneficiaries stipulating the distribution of rights and responsibilities).

### **3. Component 3. Local governance and institutional development (US\$16 million)**

- 2.20 This component will finance technical and operational assistance related to local governance and institutional development, which represent two major pillars in social and economic investments. In particular, this component will serve to: (i) strengthen the capacity of communities and local governments to identify, prioritize, systematize and present their demands for services and support in response to their basic needs; and (ii) support FAES’s institutional capacity to finance projects, de-concentrate its functions, and improve the effectiveness of targeting towards the poorest and most vulnerable segments of the population. In addition, this component will contain a special fund to cover the maintenance of infrastructure projects in special circumstances (paragraph 2.23), to secure the sustainability of investments.
- 2.21 **Local governance.** The Program will finance a number of activities conducive to enhancing local governance as it pertains to the project cycle, particularly community participatory planning and the elaboration of community development plans preferably at the communal section level. These activities will aim at consolidating local development as a process with the full and leading engagement of communities. Community participatory planning will gradually become the basis for financing social projects (Component 1), and will be the basis for the financing of most productive projects (Component 2). Paragraphs 1.12 to 1.14, 3.20, 3.21 and 3.26 provide further details on the conceptual and operational aspects of community planning activities. In addition, the Program will finance technical assistance activities related to consolidating participatory

planning and project formulation, particularly: (i) activities to disseminate the participatory planning methodology and training of SSPs to apply such methodology; (ii) technical assistance to CBOs to develop project proposals, access legal status, or realize certain initiatives identified in their CDPs; and (iii) training of CBOs and project management committees in operational maintenance of infrastructure works, environmental protection, and project management, when not covered in project proposals.

**2.22 Institutional development.** The Program will finance a number of items primarily to: (i) improve the effectiveness of FAES's targeting to the poor and vulnerable segments of the population; (ii) support FAES with adequate staffing and equipment to meet the challenges of the execution of the Program; (iii) support FAES's de-concentration plan; and (iv) support thorough monitoring and evaluations. These include the following:

- a. Technical assistance to improve tools for targeting communities, including the development of an improved Poverty Map that allows for the identification of available social services provided by public and private entities.
- b. Technical assistance for the appraisal of specific projects for which FAES lacks the necessary expertise, including agriculture and the environment.
- c. Technical assistance to improve FAES's registry of SSPs, which is the basis for its contracting of providers of infrastructure, equipment, services and integrated interventions for social and economic development.
- d. FAES's administrative expenses pertaining to remuneration of consultants (contracted personnel) on a decreasing basis, operating expenditures, equipment, vehicles, and training of the technical personnel in areas relevant to the Program's operation.
- e. Implementation of the de-concentration of FAES through the creation of regional antennas or contracting of SSPs. Antennas are conceived as regional FAES offices with limited personnel to carry out promotion, evaluation (project appraisal) and supervision activities. The strategy adopted will be based on cost-efficiency criteria. The Program envisions the creation of a total of 5 antennas, in coordination with the IFAD-financed PAIP Program.
- f. Financing the Program's impact evaluations (including the elaboration of a baseline and 2 follow-up surveys), 2 operational evaluations, biannual beneficiary assessments, and the strengthening of the monitoring system.

**2.23 Maintenance.** The Program will finance maintenance of infrastructure under two special circumstances: (i) when a project is deemed important to address unmet basic needs but the community lacks the ability to pay for service charges or contribute satisfactorily in other ways to the maintenance; and (ii) when unforeseen circumstances cause major maintenance needs. This financing will be managed by FAES, as specified in the Manual of Operations. When financing

maintenance costs, FAES will promote a gradual transfer of the responsibility for maintenance to the community or relevant entity.

### C. Cost, scope, financing and duration

- 2.24 The total cost of the operation will be US\$72.2 million. The Bank will finance US\$65.0 million and the local counterpart will provide the remaining US\$7.2 million (Table II-1). The borrowing country will be using the 10 percentage points in additional financing. The GOH is committed to provide the local counterpart, which will probably be secured through IFAD financing of the PAIP Program, as well as other international donors. The execution of the Program will be of 5 years.

**Table II-1. Program cost (million US\$)**

| <b>PROGRAM COMPONENTS</b>   | <b>BID</b>          | <b>LOCAL</b>       | <b>TOTAL</b>        | <b>TOTAL (%)</b>      |
|---|---------------------|--------------------|---------------------|-----------------------|
| <b>A. Component 1. Social development and assistance</b>              | <b><u>36.65</u></b> | -                  | <b><u>36.65</u></b> | <b><u>50.8 %</u></b>  |
| 1. Education  | 11.00               | -                  | 11.00               | 15.2 %                |
| 2. Water and sanitation   | 6.00                | -                  | 6.00                | 8.3 %                 |
| 3. Primary health care  | 11.00               | -                  | 11.00               | 15.2 %                |
| 4. Nutrition  | 5.00                | -                  | 5.00                | 6.9 %                 |
| 5. Assistance to children and adolescents at risk                     | 2.15                | -                  | 2.15                | 3.0 %                 |
| 6. Other projects   | 1.50                | -                  | 1.50                | 2.1 %                 |
| <b>B. Component 2. Productive and rural development</b>               | <b><u>14.95</u></b> | <b><u>1.96</u></b> | <b><u>16.91</u></b> | <b><u>23.4 %</u></b>  |
| 1. Community economic infrastructure                                  | 8.25                | -                  | 8.25                | 11.4 %                |
| 2. Productive projects  | 6.70                | 1.96               | 8.66                | 12.0 %                |
| <b>C. Component 3. Local governance and institutional development</b> | <b><u>11.00</u></b> | <b><u>4.76</u></b> | <b><u>15.76</u></b> | <b><u>21.8 %</u></b>  |
| 1. Local governance   | 3.00                | 2.70               | 5.70                | 7.9 %                 |
| 2. FAES administration and technical assistance                       | 5.52                | 2.06               | 7.58                | 10.5 %                |
| 3. Maintenance of infrastructure                                      | 1.28                | -                  | 1.28                | 1.8 %                 |
| 4. Evaluations (see paragraph 2.22(f))                                | 1.20                | -                  | 1.20                | 1.7 %                 |
| <b>D. External audits</b>   | <b><u>0.50</u></b>  | -                  | <b><u>0.50</u></b>  | <b><u>0.7 %</u></b>   |
| <b>E. Contingencies</b>   | <b><u>0.77</u></b>  | -                  | <b><u>0.77</u></b>  | <b><u>1.1 %</u></b>   |
| <b>F. Finance charges</b>   | <b><u>1.13</u></b>  | <b><u>0.48</u></b> | <b><u>1.61</u></b>  | <b><u>2.2 %</u></b>   |
| 1. Inspection and supervision (1%)                                    | 0.65                | -                  | 0.65                | 0.9 %                 |
| 2. Interest (1% first 10 years, 2% thereafter)                        | 0.48                | -                  | 0.48                | 0.7 %                 |
| 3. Credit fee (0.5%)  | -                   | 0.48               | 0.48                | 0.7 %                 |
| <b>TOTAL</b>  | <b><u>65.00</u></b> | <b><u>7.20</u></b> | <b><u>72.20</u></b> | <b><u>100.0 %</u></b> |

- 2.25 The Program's total amount is justified by FAES's execution capacity (paragraph 2.26) and the GOH's need to improve the basic social indicators associated with the MDGs. The amount proposed for Component 1 takes into account the execution of the previous loan 983/SF-HA, line ministries' limited resources for infrastructure maintenance and service provision, and the need to reach a sustainable involvement of communities. The amount proposed for Component 2 is based on a gradual expansion of the financing of productive and rural economic infrastructure projects, having considered PAIP Program's execution scheme. This pace is considered in line with the communities' absorption capacity.

- 2.26 FAES has gained a reputation as an effective executing agency. The Bank approved its last financing for FAES in November 1996 (loan 983/SF-HA), which is almost completely disbursed (96%). During the 1997-2000 period, prior to the suspension of disbursements due to the non-accrual status of the GOH, FAES financed projects for an average value of US\$9.5 million per year (including approximately 11% operational costs). This amount represents a lower bound estimate of FAES's sustainable execution capacity for two reasons: (i) FAES appraised a much larger number of projects than those approved by the end of the year 2000, mainly because of lack of financing; and (ii) FAES is in the process of geographically de-concentrating part of the project cycle activities to regional offices or local SSPs. This de-concentration should allow FAES to strengthen its outreach to the most remote regions, improve its operational efficiency (i.e. reduce project cycle execution time) and enhance its targeting to the poor.

### **III. PROGRAM EXECUTION**

#### **A. Borrower and executing agency**

- 3.1 The borrower will be the Republic of Haiti, which will execute the Program through the *Fonds d'Assistance Economique et Sociale* [Fund for Social and Economic Assistance] (FAES). Created by Presidential Decree in June 1990, FAES is an administratively and financially autonomous institution possessing full legal capacity and placed under the oversight of the Ministry of the Economy and Finances. Consequently, prior to the first disbursement, the GOH and FAES shall sign an agreement that stipulates the transfer of loan resources to FAES and the commitment of FAES to assume the obligations as executing agency, among other relevant provisions.
- 3.2 The main functions of the FAES under the Program are to: (i) promote the Program's activities; (ii) carry out the project appraisal process according to technical standards in accordance with the governmental institutions that have the normative responsibility for the sectors where FAES intervenes; (iii) select and contract, according to Bank procedures, project co-execution agencies (specialized service providers or SSPs) for works, equipment and services; (iv) procure goods and services according to Bank's procedures; (v) perform supervision, monitoring and control of the execution of financed projects; (vi) handle the financial management of the Program, including expense audits, authorize payments to co-executing agencies in accordance with the conditions specified in the Manual of Operations; (vii) keep detailed accounts of all expenditures for each project financed by FAES, and consolidated accounts for the Program as a whole; (viii) operate specific and separate bank accounts, under the name of the Program, to manage the funds from the Bank and the local counterpart; (ix) prepare and present disbursement requests and justification of expenditures to the Bank, and maintain a proper file of supporting documentation; (x) maintain suitable systems for contract administration, financial records and transactions; (xi) prepare and present to the Bank the consolidated financial statements of the Program, including the semi-annual operational and financial audit reports required by the Bank, as well as the semi-annual reports on the status of the revolving fund; and (xii) prepare and present to the Bank periodic reports on project execution and annual plans for the use of resources of the Program.

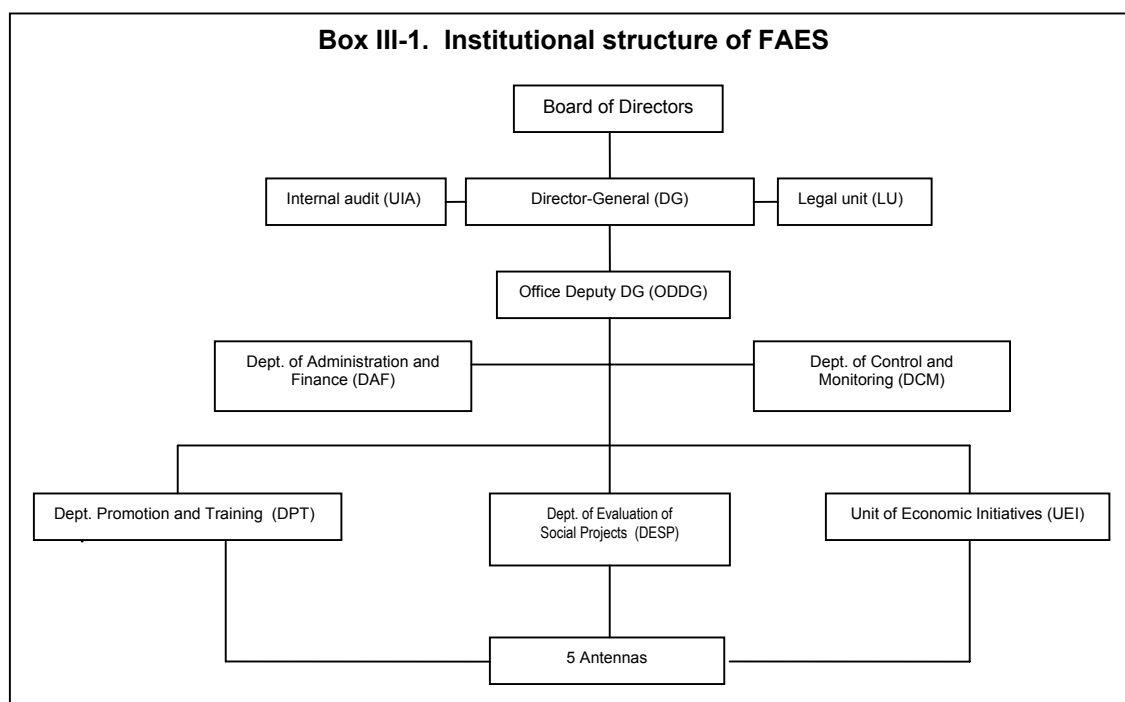
#### **B. Institutional and operational strategy**

- 3.3 FAES's institutional and operational structure is being adapted to the new requirements of the Program. FAES's original institutional structure was organized around four key activities of the project cycle: promotion, evaluation, financing and control. Each financing request file went through three departments: "promotion", "evaluation", and "control and follow up". While this scheme provided an assembly-line dynamic to the project cycle that presented some advantages (for example it allowed quick handling by FAES of a large



number of project financing requests), it also produced a lot of segmentation in the operational dynamics. This prevented FAES from achieving an integral view of each project through all stages of the project cycle, especially between the appraisal and the monitoring of the execution of projects. An example of this is that those responsible for *ex ante* project appraisal did not receive systematic feedback on problems identified during project execution for some project categories.

- 3.4 During the Program's preparation, an institutional and operational assessment of FAES was conducted.<sup>5</sup> It stresses the need to: (i) reinforce the overall oversight of the project cycle; (ii) increase the integration between project appraisal and the monitoring of project execution; (iii) enhance overall planning to improve the allocation of resources to the poorest communities; (iv) strengthen the capacity to monitor and assess the impact of financed projects; (v) gradually de-concentrate part of the project cycle activities to antennas, and outsource, especially in the most remote communities, some of the activities (such as promotion and monitoring) to SSPs; and (vi) establish participatory planning in the project cycle. The adjustments envisioned in FAES's operational and institutional structure were designed to meet these challenges (see Box III-1). These adjustments are consistent with the Presidential Decree that established FAES and require no modifications to the institutional framework already approved by FAES's Board of Directors.



<sup>5</sup> This assessment is based on the “*Rapport sur le Programme de Développement Local (HA-0079)*” (Jorge Alfaro, 2003); the “*Evaluation report for a new phase of FAES*” (Michael Olivier, 2001); and a series of missions of the project team to Haiti from July to September 2003.

- 3.5 **FAES's headquarters.** The supreme authority of FAES is its Board of Directors, made up of nine members: three members of the government (the Minister of the Economy and Finance, who acts as Chairman, the Minister of Planning and External Cooperation, and the Minister of Social Affairs); five members of NGOs representing various sectors (education, health, environment, agriculture and productive activities, and women in development); and the Director-General of FAES, who acts as Secretary. The Board of Directors defines the policies, regulates and supervises the general operation of the institution, and approves FAES's Manual of Operations, the annual plan of operations and budget, and the semi-annual financial reports of the institution.
- 3.6 The Director-General is responsible for articulating the different technical and administrative areas of FAES. He will have the overall responsibility for ensuring that the goal and objectives of the Program are met and are in accordance with the stipulations of the Manual of Operations and the Loan Contract.
- 3.7 The Office of the Deputy Director-General (ODDG) will report directly to the Director-General and will be responsible for overseeing the whole project cycle: promotion, evaluation (project appraisal), financing, monitoring, and control. Accordingly, the ODDG will oversee the five core departments of FAES: Department of Promotion and Training (DPT); Department of Evaluation of Social Projects (DESP); Unit of Economic Initiatives (UEI); Department of Control and Monitoring (DCM); and Department of Administration and Finances (DAF). All these departments, with the exception of the DAF, have mainly technical responsibilities.
- 3.8 The Department of Promotion and Training (DPT) will disseminate the purpose and objectives of FAES, and will prepare the terms of reference (TOR) and supervise the technical assistance contracted to support project requesters, especially local governments, CBOs, and communities themselves. This technical assistance will serve in the preparation of the documents and technical files required for the submission to FAES of applications for project financing, in accordance with the criteria defined in the Manual of Operations. The DPT will also be responsible for elaborating the TOR and supervising the contracted technical assistance required to: (i) support the preparation of simple community development plans (CDPs), preferably at the communal section level, in an effort to expand participatory planning in the project cycle; and (ii) train CBOs, local governments and communities for the management (operation and maintenance) of financed projects. The core technical team of the DPT will include a director, 4 professionals and an assistant.
- 3.9 The Department of Evaluation of Social Projects (DESP) and the Unit of Economic Initiatives (UEI) will be responsible for the appraisal (*ex ante* project evaluation) of social and economic projects, respectively. The core team of the DESP will include a director, an assistant to the director, a secretary, and 5 professionals (2 engineers or architects with experience in social infrastructure in poor communities; an environmental specialist; an economist; and a social

scientist). The UEI will include a director, an assistant to the director, a secretary, and 5 professionals (2 agronomists or related specialists; a rural economist; an infrastructure specialist; and an environmental specialist). Occasionally, to strengthen FAES's appraisal capacity, *ad hoc* technical assistance may be contracted to support the work of the DESP and UEI. The DESP and the UEI will also be in charge of the supervision of project execution and the monitoring of the compliance of communities and local and central government agencies with all maintenance and service provision agreements. At least 2 professionals in the DESP and 2 professionals in the UEI will carry out these activities with the support of external technical assistance outsourced by FAES to SSPs. Project dossiers, once appraised by the DESP and the UEI, will be submitted to the Approval Committee. This Committee is headed by the Director General and composed of all FAES's directors and the coordinator of the UEI.

- 3.10 The Department of Control and Monitoring (DCM) will be responsible for the overall planning of FAES's activities, especially in relation to the pre-allocation of resources by municipality (see paragraph 3.23). The DCM will also monitor the compliance of the DESP and the UEI with the criteria used to prioritize the appraisal of project proposals. In addition, the DCM will operate and maintain FAES's automated systems, including the automated accounting system and the program monitoring system. Finally, the DCM will be in charge of evaluating outcomes and impacts of projects by outsourcing impact evaluation activities to independent external evaluators. The DCM will have a director, an assistant to the director and 5 professionals (a planning specialist, an analyst, and 3 professionals in charge of the automated accounting system, the program monitoring system, and the information technology network).
- 3.11 The Department of Administration and Finances (DAF) administers the financial, human, and material resources necessary for the operation of FAES. The DAF will be responsible to carry out all the procurement processes – with the exception of the selection of contractors – for works, goods and services in accordance with the TOR agreed with the other technical departments and units of FAES (DESP, UEI, DPT and DCM). The selection of contractors will be carried out by an Adjudication Committee. The Adjudication Committee will be headed by the Deputy Director-General and will be composed of representatives from the DESP, UEI, DPT, DCM and the Legal Unit, as well as the procurement experts of the DAF. The DAF will be in charge of managing all the contracting. Additionally, the DAF will be responsible for ensuring proper compliance with generally accepted accounting standards and principles, and the application of the administrative and financial procedures established in the Manual of Financial and Administrative Procedures. The DAF is supported by a new electronic accounting system, which is deemed adequate. Internal procedures have been refined to ensure constant reliability and accuracy of financial transaction records. The human resources of the DAF will include a director, an accounting chief, 2 accounting assistants, a professional responsible for the logistics involved in the

FAES's operation, a human resources officer, an administrative officer, and at least two procurement specialists.

- 3.12 The Director-General will have two supporting units: the Legal Unit (LU) and the Internal Audit Unit (IAU). The LU, with 2 professionals and an office assistant, will be responsible to monitor the parties' compliance with contractual obligations, among other functions described in the Manual of Operations. The IAU, which has been operating during the last five years, reports directly to the Director-General and will constantly monitor the effectiveness of the control procedures and mechanisms in place. The IAU may hire an auditing assistant with accounting skills to support all auditing processes of FAES and the Program.
- 3.13 A special condition for the disbursement to finance investments under Components 1 and 2 will be the requirement that FAES hires at least 10 new core professionals across its departments, as needed to initiate activities.
- 3.14 **Antennas (FAES's regional offices)** will be an important institutional structure in the expansion of FAES. In addition to the 2 antennas that are now starting to operate, FAES will open 3 new antennas during the execution of the Program. The antennas will increase the capacity of FAES to handle proposals for project financing, strengthen outreach to the most remote regions, improve FAES's operational efficiency (i.e. reduce project cycle execution time), and enhance targeting to the poor. In the areas under their competence, the antennas will conduct promotion activities and appraise projects whose estimated value is less than US\$20,000. Their technical personnel will consist of a manager, a promoter, 2 evaluation experts (for social and economic project appraisal, respectively), a technician for control and monitoring of project execution, and an administrator. On the basis of their capacity, the antennas will gradually take over promotion, evaluation, and control and monitoring functions of the DESP and the UEI. At a later stage, the Approval Committee, with the Bank's agreement, may progressively delegate the project approval responsibility to the antennas.
- 3.15 It is expected that by the end of the second year of the Program's execution, FAES will have a technical team of approximately 68 professionals (at headquarters and the antennas). FAES administrative and operational costs are expected to decrease from approximately 18% of the Program's total disbursements in the first year to 8% in the fourth year of Program execution. The average administrative and operational costs are expected to be approximately 11% of the Program's total resources over the life of the Program.
- 3.16 **Communities** will be the beneficiaries of all investments financed under the Program. Communities, with support from NGOs, civil society organizations and local governments, will act as project requesters. Communities will participate in projects through activities such as: (i) identify and prioritize project proposals within community development plans (CDPs) achieved by means of a participatory process; (ii) prepare and submit to FAES project proposals in accordance with the technical and eligibility requirements specified in the Manual

of Operations; (iii) identify and select the members of a management committee for each project, which FAES will use as a main channel for consultations; (iv) contribute to the allocation of resources, either in kind or in cash, for the implementation of projects, when deemed necessary or recommendable for project ownership; and (v) contribute to operation and maintenance of works and services in coordination with local governments, including collecting fees, when applicable, through existing or newly created organizations,<sup>6</sup> and in collaboration with central and local government agencies. Communities will receive technical assistance and training from SSPs contracted by FAES to support them in the realization of the mentioned activities.

- 3.17 **Legally constituted community-based organizations (CBOs)** will be requesters and co-executing agencies of activities to be financed under Component 2. CBOs will: (i) identify and prioritize micro-projects within a community development plan; (ii) prepare simple pre-feasibility studies, including a management plan for micro-projects, the content of which is detailed in the Manual of Operations; (iii) be informed about the selection of contractors carried out by FAES; (iv) be consulted before FAES's last payment to contractors; and (v) implement the management plan and assume its specific obligations to operate the infrastructure or equipment provided. FAES will also contract SSPs to provide CBOs with the necessary technical assistance and training to carry out activities (i), (ii) and (iv).
- 3.18 **Local and central government agencies** may act as requesters and co-executing agencies of specific projects or projects integrated into a CDP to be financed under Components 1 and 2. In this case, they will be primarily responsible for: (i) preparing pre-feasibility studies and project proposals to be submitted to FAES, which should comply with the technical criteria specified in the Manual of Operations; (ii) participating, if possible, in the selection of contractors and being consulted by FAES before the final payment to contractors is issued; (iii) monitoring project execution; and (iv) managing and operating the work or services in coordination with the communities and in accordance with the maintenance plans detailed in project proposals. Local governments will receive technical assistance and training from SSPs contracted by FAES to carry out activities (i), (iii) and (iv). Interagency agreements between FAES and central government agencies will ensure that: (i) project financing is in accordance with sector policies, and projects meet the technical standards of the respective sector; (ii) there is no duplication of interventions; and (iii) detailed maintenance and service operation plans are included in the project financing proposals and sufficient guarantees are provided. As a special condition, prior to the financing of activities under a specific sector in Component 1, FAES shall present to the Bank the updated interagency agreement with the pertinent ministry or agency governing the sector: i.e. MENJS (education), MSPP (health), and *Ministère des Travaux Publics, Transports et Communication* (water and sanitation).

---

<sup>6</sup> These community-based organizations will not need to be legally constituted.

- 3.19 **Specialized service providers (SSPs)** will provide the works, goods and services for the execution of the projects to be financed under Component 1, Component 2, and local governance activities in Component 3. They comprise a wide range of agencies, such as qualified individual professionals, NGOs, private firms, and international organizations. They will be hired by FAES according to Bank procedures and the terms set out in the Program (paragraphs 3.30 - 3.31).

### C. Community participation strategy

- 3.20 The Program will place special emphasis on the full participation of communities and local governments in the development process, particularly in planning and in project implementation and management. Although FAES, as most SIFs, has typically used a “demand-driven” approach (paragraph 1.13), the Program will finance activities oriented towards community planning, and will establish an execution mechanism that stimulates a shift towards community planning as the basis for project identification, submission, appraisal and financing. Community planning will provide an improved approach to local development, enhancing democracy and local engagement in the development process (paragraph 1.14). Accordingly, FAES will support the elaboration, and recognize the priorities of CDPs. The GOH has already a participatory methodology, which has been adapted for the practical purposes of the execution of this Program. This methodology is described in the Manual of Operations.
- 3.21 The Program will have two simultaneous modalities in the project cycle: (i) appraisal of projects that arrive from different sources, under the “demand-driven” approach, provided a social validation process has been conducted; and (ii) appraisal of projects identified in CDPs. At the appraisal and approval stages, projects identified by means of participatory planning will be given priority over projects requested by central and local government agencies. By the end of the Program’s execution, it is expected that at least 30% of investments financed under Components 1 and 2 will have been identified through participatory planning (Table III-1). In an effort to strengthen cooperation with other organizations and communities engaged in participatory planning in the country, FAES will recognize CDPs and accordingly finance their priority demands, provided they demonstrate consistency with FAES’s participatory methodology.

**Table III-1. Gradual implementation and institutionalization of participatory planning**

| Aim  | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 (*) |
|--|--------|--------|--------|--------|------------|
| Number of communal sections that elaborated a CDP under FAES financing | 10     | 20     | 30     | 30     | 30         |
| % of investments destined to CDP-based projects (**)                   | 5      | 10     | 15     | 20     | 30         |

(\*) Since the Program is due to be completed in year 5, CDPs financed in that year will serve FAES to channel alternative funding or invite donors.

(\*\*) Includes CDPs supported by either FAES or other agencies using the official participatory methodology. This percentage applies to social and economic projects of community scale (e.g. excluding projects destined to vulnerable groups).

#### **D. The Program's execution scheme**

- 3.22 The **Manual of Operations** will govern the Program's execution. It contains the necessary terms and conditions for executing each component, the stages of the project cycle, and the functions and obligations of the entities involved. It also includes the following technical information: (i) the criteria for project eligibility and appraisal; (ii) criteria for the selection of SSPs; (iii) standardized documents for project financing requests; (iv) project appraisal tools, including environmental assessment and gender mainstreaming criteria; (v) standard technical requirements for each family of infrastructure projects; (vi) model contracts; (vii) methodological tools for the elaboration of a CDP, community project proposals, and pre-feasibility reports; and (viii) the profiles of the essential professionals required for the execution of the Program. A condition precedent to first disbursement of loan resources shall be the entry into effect of the Program's Manual of Operations (i.e. approval by FAES's Board of Directors), previously agreed upon with the Bank.
- 3.23 FAES will carry out **targeting** of its promotion, investments and training interventions using the available Poverty Map, which ranks the 135 communes (municipalities) according to a multidimensional Unmet Basic Needs (UBN) index. FAES will prioritize communes belonging to the lowest two quintiles of the UBN index distribution (based on the intermediate Poverty Map). The Manual of Operations contains a pre-assigned allocation of the resources of Components 1 and 2 based on the constructed UBN index for every commune in the country. This allocation will guide FAES's promotion efforts and investments. Given the lack of a reliable targeting mechanism for communal sections within each commune, FAES through its promoters will hold meetings with representatives of communities, local government authorities and civil society organizations to identify priority areas of intervention.
- 3.24 The **project cycle** will be divided into three phases: (i) pre-investment, (ii) execution, and (iii) monitoring and follow up. Community development plans should gradually be the basis for the project cycle, and a requisite for the majority of community projects under Component 2.
- 3.25 The pre-investment stage begins with the promotion and training activities carried out by the DPT. The DPT will be responsible, either directly or through the regional antennas, for identifying (in coordination with local governments and other relevant stakeholders) priority geographical areas of intervention within each commune (municipality).
- 3.26 Community planning, preferably at the communal section level, will be the basis for project identification and financing. To conduct participatory planning, the DAF, in accordance with the TOR agreed with the DPT, will contract SSPs. The main responsibilities of these SSPs will be to: (i) act as facilitators, ensuring a democratic and transparent process; and (ii) provide basic guidance to community members about their social and economic diagnosis and the identification of

feasible project types. The Manual of Operations contains the methodological elements for participatory planning. Projects that do not derive from CDPs will be required to show proof of a local validation process, which is also defined in the Manual of Operations. Specific projects may be excluded from compliance with CDPs and social validation, such as projects of regional scope, productive chain projects, and those targeted to excluded groups (e.g. children and adolescents at risk).

- 3.27 FAES's basic criteria for assessing the eligibility of project proposals are: (i) the ratio of committed and pre-assigned resources by commune; (ii) the use of participatory planning in the identification of the project; (iii) the Unmet Basic Needs index, based initially on the intermediate Poverty Map; and (iv) submission date. The DESP and the UEI will conduct the appraisal of social and economic projects, respectively. The appraisal will include: (i) field visits, which will serve to verify information provided by the requester and identify key constraints; and (ii) a complete technical, institutional, financial, environmental, and socio-economic evaluation, in compliance with the standards specified in the Manual of Operations. Activity (i) will be outsourced to SSPs. Activity (ii) will be carried out directly by FAES's personnel and could occasionally be supported by outsourced technical assistance, for instance when advanced environmental assessments or specific evaluation skills are required. Appraisers will use periodically updated unit costs and the information in each project's technical files to estimate a project's total costs, including the costs of the management and maintenance plans. Eligible projects will be channeled through the antennas or directly through the DESP or the UEI to the Approval Committee (see paragraph 3.9). A list of appraised projects will be prepared for submission every two weeks to the Approval Committee. Projects that do not meet the eligibility or selection criteria will be rejected or a reformulation requested.
- 3.28 Once the technical project proposal is approved, the DAF will be responsible for: (i) carrying out the procurement process, in coordination with the DESP and the UEI; and (ii) contracting services and works, and purchasing equipment, according to the terms agreed upon with the requesters (central and local governments, CBOs) and the Bank's rules. The selection of contractors will be under the responsibility of the Adjudication Committee (see paragraph 3.11). Technical training for local governments and CBOs responsible for the maintenance and operation of projects will also be contracted by the DAF according to the TOR agreed with the technical departments (DPT, DESP, UEI). Technical assistance will include training in organizational management, administration, operation and maintenance of works, and environmental conservation. The DAF will outsource to SSPs the supervision of project execution in accordance with the terms agreed upon with the DESP and the UEI. These SSPs will operate under the supervision of the DESP and the UEI. In the case of infrastructure works, the contractors, requesters, and municipality will sign a project completion certificate at the end of the project to be approved by FAES. The works will be transferred to the municipality or a CBO with legal



status, which will be responsible for operation and maintenance in coordination with the management committee. For some projects, such as family cisterns, the management committee will sign an agreement with FAES to ensure that all community members will benefit.

- 3.29 DAF, in accordance with the terms agreed upon with the DESP and the UEI, will contract SSPs to monitor the compliance of communities, local governments and government agencies with their commitments to participate in the maintenance and service provision agreements. The supervision of SSPs will be the responsibility of the DESP, the UEI or antennas when applicable.

#### **E. Procurement procedures**

- 3.30 Acquisition of goods and related services, and contracting of civil works financed with the project resources will be subject to Bank's procurement procedures and policies. International public bidding will be required for works which are equal or exceed US\$1,000,000; for the acquisition of goods and related services when equal or exceed US\$200,000; and for consulting services which are equal or exceed US\$200,000. All procurement below these limits will be done following national legislation and, in view of particular needs of the Program, the GOH and the Bank may mutually establish specific conditions and procedures, provided they are consistent with the Bank's procurement procedures and policies.
- 3.31 As an exception to the international public bidding procedure and in accordance with the criteria established in the Bank's Procurement Manual (GS-403), FAES could directly contract the services of UNICEF to implement an integrated project to assist children and adolescents at risk (see paragraphs 1.7, 2.9, and 2.11). The direct contracting of UNICEF is recommended on the basis of the following technical and institutional comparative advantages:<sup>7</sup> (i) UNICEF is a specialized agency with demonstrated capacity to undertake the implementation and responsibility of this specific initiative; (ii) UNICEF has developed an integrated methodology, involving prevention, rehabilitation and social reintegration activities for the three inter-related high-risk groups (street children, children that are victims of human trafficking, and children kept as unpaid domestic servants) that allows close tracking and follow-up of the children across groups; (iii) UNICEF's advanced and integrated methodology has already provided good results in Haiti and in other countries; (iv) UNICEF has a unique experience among governmental and non-governmental organizations in Haiti in working with children and adolescents at risk on a national scale; (v) UNICEF has established a well-functioning service provision network through NGOs and CBOs to attend to children and adolescents at risk that facilitates efficiency and coordination of interventions and activities; and (vi) UNICEF has collaborated successfully with FAES in the past, executing national immunization projects. UNICEF will undertake all program activities in conformity with the Bank's

---

<sup>7</sup> The project team carried out an assessment on the experience and capacity of UNICEF's Office in Haiti in August and September 2003.

procurement policies and procedures. The recently approved Model Contract between the Bank and UNDP will lay the foundations for the collaboration. Prior to the disbursement of resources for an integrated project providing assistance to children and adolescents at risk under UNICEF's co-execution, FAES shall submit to the Bank the evidence of an agreement with UNICEF.

## F. Disbursements and supervision

- 3.32 The period of execution of the program will be 5 years with 48 months for the commitment of resources, defined as the signature of a contract for a project, and 60 months for their disbursement both starting from the effective date of the Loan Contract. The disbursement schedule is presented in Table III-2.

**Table III-2. Annual disbursement schedule (million US\$)**

| Sources      | Total       | Year 1      | Year 2       | Year 3       | Year 4       | Year 5       |
|--------------|-------------|-------------|--------------|--------------|--------------|--------------|
| IDB          | 65          | 7.41        | 13.02        | 15.96        | 15.53        | 13.06        |
| LOCAL        | 7.2         | 0.81        | 1.49         | 1.70         | 1.72         | 1.48         |
| <b>TOTAL</b> | <b>72.2</b> | <b>8.22</b> | <b>14.51</b> | <b>17.66</b> | <b>17.25</b> | <b>14.54</b> |
|              | 100.0 %     | 11.4 %      | 20.1 %       | 24.5 %       | 23.9 %       | 20.1 %       |

- 3.33 After 10 contracts or a total of disbursements of US\$150,000, the Bank and FAES will consider the conduction of *ex post* revisions of disbursements and will agree on the conditions. After a short probationary period, the *ex post* revision of contracts is justified for operational and technical reasons. In the first place, FAES has been an executing agency for the Bank in Haiti for two loans and for over a decade. Secondly, the external, independent audit reports of FAES have always indicated sound management of resources and has not shown any signal of corruption. Finally, the volume of micro-projects and activities up to about US\$30,000 is estimated to be extremely high, which would involve an excessive and unwarranted workload for both the Bank's Representation and FAES if *ex ante* revisions were systematically required. That would delay the execution of the Program and undermine one of the most distinctive features of FAES – its operational capacity, which precisely justifies its existence as an institution and the Program's choice of FAES as executing agency for this Program.
- 3.34 The Bank's Country Office in Haiti will supervise the Program, with support from the project team at headquarters, paying particular attention to the compliance with the conditions set forth in the Manual of Operations for the preparation and execution of projects. Periodic inspection visits and annual administration missions to identify and remedy any problematic aspects in the execution of the Program are anticipated. The yearly evaluations will be based on the information of the audit reports (paragraph 3.37), the semestral execution reports prepared by FAES, and the monitoring and impact assessments (paragraphs 3.38- 3.40).

## **G. Exceptions to the Bank's policies**

- 3.35 Given the extremely weak fiscal stance of the GOH and the fact that impoverished communities are often unable to mobilize the financial resources necessary to maintain service delivery, the loan will finance maintenance and recurrent costs when deemed necessary, making an exception to the Bank's policy on maintenance (OP-707) and to the Bank's recurrent cost financing guidelines that specify that project financing of recurrent costs should decrease over the life of the Program (AB-1704).

## **H. Accounting and external audits**

- 3.36 For the purpose of regular monitoring of Program execution and the performance of the participating entities, FAES will hire, with loan resources, an independent auditing firm acceptable to the Bank to perform annual and semi-annual financial and operational audits of the Program, as well as financial audits of FAES, in accordance with Bank requirements as follows: *Bank policies and audits of projects and agencies* (AF-100), *Guide for the preparation of financial statements* (AF-300), and *Terms of reference for external audits of projects* (AF-400). The auditing firm will be selected and contracted following the standard bid process for auditing firms defined by the Bank (document AF-200). The auditing firm will be contracted by the executing agency for a minimum of three years, subject to a termination clause if the Bank or FAES finds its performance to be unsatisfactory.
- 3.37 The TOR to be prepared for the external audits will include not only the financial and operational aspects of the audit, but also the following aspects: (i) progress in the execution of the Program's financial plan; (ii) the financial commitments of the three components of the program; (iii) the execution of the local counterpart; (iv) the status of disbursements made, including the review of the supporting documents; (v) compliance on the part of the entities involved with norms and procedures, including environmental standards, stipulated in the Manual of Operations and the Loan Contract; (vi) the performance of the executing agency, including an assessment of FAES's compliance with operational benchmarks (such as the percentage of operational costs over the total value of committed resources) and its targeting performance; (vii) compliance with the agreements between FAES and the co-executors; (viii) physical inspection site visits to the communities and projects; (ix) review of the original documentation supporting the expenses submitted with the disbursement requests; and (x) an audit of the FAES's management of the funds for maintenance of works and equipment. The audit reports will be presented to the Bank according to the following timetable: (i) semiannual reports, within 60 days of the end of each semester of the fiscal year; and (ii) annual reports, within 120 days after the close of each fiscal year. Recommendations resulting from the above reports will be binding and must be carried out immediately by FAES.

## I. Monitoring and impact evaluation

- 3.38 The Program will reinforce FAES's capacity to monitor project results by supporting the implementation of an outcome-oriented **Program Monitoring System** (PMS). The DAF will contract the services of SSPs to identify and implement the changes to its monitoring system to convert it into an outcome-based PMS, according to terms of reference agreed upon with the DCM and the Bank. The PMS, which will be managed by the DCM, will be fed with information systematically collected at the communal section level before, during and after project execution. This periodical collection of data will also be outsourced by FAES. The information of the PMS will be used as a basis for FAES's semiannual progress reports to the Bank on Program execution. The PMS will also systematize the information on local diagnostics carried out during community participatory planning.
- 3.39 Additionally, the Program will finance impact and operational evaluations, as well as qualitative beneficiary assessments. In the first place, it will finance an intermediate and a final **impact evaluations** with community control groups that will be chosen to exploit the expected gradual geographical expansion of the Program and the time gap between project identification and execution in each community. Baseline data (i.e. before the execution of projects) in the first sample of intervention and control communities will be collected through a household survey during the first year of the Program's execution. The intermediate impact evaluation (first follow up survey) will be carried out after approximately 36 months or when at least 40% of Program resources have been disbursed. This evaluation will measure impacts on, among others, the following indicators: (i) infant mortality rates; (ii) primary school enrollment; (iii) incidence of water-born diseases; and (iv) child malnutrition. Program impacts will be measured by double difference between beneficiary and control groups before and after the intervention. The final evaluation (second follow up survey) will take place, with the same methodology, after approximately 54 months of Program execution or when at least 80% of Program resources have been disbursed. To carry out the impact evaluation design and implementation, the DAF (in accordance with the TOR agreed upon with the DCM and the Bank) will contract the services of independent consulting firms. In addition, the DAF will outsource two independent **operational evaluations** (intermediate and final) of the Program approximately at the same time of the two rounds of impact evaluations, as well as bi-annual **qualitative beneficiary assessments**, according to terms of reference agreed upon with the DCM and the Bank.
- 3.40 The information derived by the PMS, the impact and operational evaluations, and the beneficiary assessments will be the basis for the Program's mid-term and final evaluation reports that FAES will present to the Bank.
- 3.41 The baseline, the two follow up surveys and the Project Completion Report will provide the necessary data to carry out an *ex post* evaluation of the Program.

## **IV. VIABILITY AND BENEFITS**

### **A. Institutional and financial viability**

- 4.1 FAES has gained a reputation as an effective executing agency (see paragraph 2.26). Given the weaknesses of line ministries, the GOH relies significantly on FAES for executing small social and economic projects targeting the poor and reaching the most remote communities. FAES has been the primary and most active governmental agency to foster anti-poverty efforts in Haiti. The Bank approved its last financing for FAES in November 1996 (loan 983/SF-HA), which is almost completely disbursed (96%). In the last decade, FAES received financing from a wide range of donors, such as the World Bank, UN agencies, and bilateral cooperation organizations.
- 4.2 To secure efficient coordination with line ministries, FAES has agreements in place with all relevant line ministries (education, health, and transportation and public works). In preparation of the Program, FAES is updating these agreements and activating formal working groups to coordinate efforts and devise action plans to ensure maintenance of infrastructure and provision of services. FAES is also defining stricter criteria to ensure that all financed projects are based on a plan to secure their medium-term sustainability with local community participation.
- 4.3 For the purposes of this Program, the counterpart will be largely secured through IFAD financing of the PAIP Program. The PAIP Program, which is also executed by FAES, finances projects similar to those under Component 2 and will share the operative and institutional lines of the Program. This arrangement will prevent disruptions in disbursements if national budgetary constraints occur.

### **B. Economic and technical viability**

- 4.4 The Program has a comprehensive Manual of Operations that comprises the institutional, operational, technical and strategic elements needed for its execution. A series of technical annexes will provide practical support, particularly as it pertains to technical standards for infrastructure, targeting, community participation, the environment, and gender issues.
- 4.5 To secure the economic viability of investments, each project will establish the population's ability to pay for services, and will be based on the minimum cost alternative. For investments in economic infrastructure, criteria for least cost alternatives will be used, particularly energy requirements, management capacity, and ease of maintenance.
- 4.6 The economic viability of productive projects will be ensured through the requirement of business plans, detailing market access and a cost-benefit analysis. To be considered viable, the rate of return should be greater than 12%. In order to

serve a greater percentage of the needy population and ensure the local capacity to absorb economic investments, a maximum cost of US\$20 per inhabitant in the impact area of a productive micro-project is anticipated for the first year. Through the project time and with adequate experience of beneficiaries, the investment may increase up to US\$50 per inhabitant and per year. Technical assistance will help beneficiary communities and groups in the preparation of these basic economic and management schemes.

### **C. Social viability**

- 4.7 To assure the social viability of the investments, the Program has been developed based on a series of consultations with various development actors as well as beneficiaries in order to learn from their experience with regard to the types of investments the Program should prioritize and the approaches it should implement.
- 4.8 The Program will adopt a broad participatory approach, supporting communities to elaborate development plans, identify and formulate their project priorities, and engage fully in project implementation and management. The methodologies to be adopted in FAES are built on a set of experiences that have been validated by various international development organizations in eight communes in the country, and further distilled for the Manual of Operations of the Program to ensure full applicability. Based on those pilot experiences, it is anticipated that the Program will generate, at the level of the beneficiary communities, the necessary synergy for organizing the population, promoting citizen participation, and improving the sustainability of the projects to be funded.
- 4.9 Women's participation in social validation and community development planning processes will be guaranteed through a 40% quota. To ensure that women dare voice their priorities and needs – including sensitive topics such as reproductive health needs – separate planning meetings will take place with women beneficiaries prior to the community planning meetings. Similarly, to promote women's participation in community decision-making and as leaders of community-based projects, a 30% quota will be used in combination with leadership trainings for women focusing on project preparation and management.

### **D. Environmental viability**

- 4.10 No significant adverse environmental impacts are envisaged. Projects will generally be of small scale and will require the necessary provisions to avoid or mitigate potential negative impacts on the environment. The Manual of Operations, currently under final revision, includes various environmental criteria and requirements, including as follows: (i) basic environmental criteria for the formulation and appraisal of social infrastructure projects, including an environmental classification system for project types and a set of related measures; (ii) inclusion of environmental and public health considerations in the technical standards for social infrastructure; (iii) a set of internationally-

recognized environmental and health measures for community water and sanitation projects; (iv) a strategy for natural resource management with a focus on productive and rural development projects; (v) specific environmental criteria for the formulation, appraisal and implementation of productive and rural development projects; and (vi) a set of supplementary environmental actions and recommendations for productive and rural development projects.

- 4.11 Component 2 will place special emphasis on environmental aspects, ensuring prevention of foreseeable negative impacts and supporting projects that have positive effects on the environment. In this sense, the design of this component is particularly responsive to the poverty-environmental links in Haiti, thus supporting sustainable agriculture and environmental protection activities, among others. Furthermore, FAES has a strategy document to guide its productive and economic projects (*Environmental screening and scoping note*) that is currently under revision for the Program and will be part of the technical annexes of the Manual of Operations.
- 4.12 Despite its severe staff reduction, FAES has currently environmental experts among its personnel. The planned professional force will comprise environmental specialists, particularly in the departments in charge of social and economic project appraisal and monitoring (see paragraph 3.9).

#### **E. Beneficiaries and expected benefits**

- 4.13 The main benefit of the Program is the anticipated positive impact on the living conditions and income capacities of the beneficiary population, and in the general environmental quality in the beneficiary communities.
- 4.14 Among the beneficiary population of Component 1, women and children will be prioritized, and it is anticipated that they will constitute a large majority of the beneficiaries of social assistance projects. Specifically, the following investments are expected to improve health indicators and reduce mortality rates: (i) maternity beds and basic mother-infant health packages; (ii) reproductive health services, emphasizing HIV/AIDS and STDs prevention and control; (iii) food supplements and micro-nutrients to an estimated 25,000 children of 0-5 years of age and pregnant and lactating women; and (iv) potable water infrastructure and pit latrines benefiting an estimated 80,000 people. Apart from providing potable water, the investments in water-taps and wells will have the additional benefit of avoiding that women and children walk long distances to fetch water. This is particularly important for young children, as carrying water on their heads for long distances stunts their growth, and hinders school attendance.
- 4.15 Investments in pre-primary and primary school infrastructure and equipment are expected to benefit approximately 130,000 children, increasing enrollment and literacy rates. The investments targeting children at risk are expected to have a significant impact on an estimated 5,000 beneficiaries. Specifically, Component 1 will provide children and adolescents that depend on the street, are victims of

human trafficking or are kept as unpaid domestic servants with rehabilitation and social reintegration services, skills training, non-formal education, cultural activities, family sensitization, and reproductive, psychological and general health services.

- 4.16 It is anticipated that the investments in economic infrastructure and productive activities will enhance the income-generating capacity and local environment of approximately 80,000 beneficiaries. The component will place particular emphasis on the economic empowerment of women, supporting women's income-generating activities. At least 30% of the participants in the productive projects will be women, and criteria for gender mainstreaming – including an assessment of the impact on women's livelihoods – will be applied in the appraisal of all productive project proposals.
- 4.17 Another benefit of the Program will result from the consolidation of a new participatory model for providing social and economic services, allowing communities to plan, prioritize and channel social and economic investments. Participatory planning will also represent a space for communities to: (i) concur in a common development diagnosis and action plan; (ii) prioritize social and economic investments; (iii) deliberate and reach compromises on schemes for the management of infrastructure and equipment investments, including maintenance; and (iv) elaborate CDPs to become the basis to better dialogue and negotiate with development agencies.

#### **F. Poverty and social-equity classification (PTI/SEQ)**

- 4.18 The Program automatically qualifies as a **poverty targeting investment (PTI)** because it is a social investment program. Furthermore, the Program qualifies as a **social equity-enhancing project (SEQ)**, in accordance with the indicative targets mandated by the Bank's Eight Replenishment (AB-1704). The rationale for qualifying as PTI/SEQ comprises the following aspects, among others: (i) the Program's beneficiaries are primarily the poorest segments of the population; (ii) the Program will target investments to the poorest communes and communal sections of the country; (iii) the Program will finance projects targeting socially excluded groups, such as children and adolescents at risk; and (iv) the Program will mainstream a gender approach. The Program specifies explicit performance indicators to measure poverty reduction and social equity enhancement (see Annex I).

#### **G. Risks**

- 4.19 The sustainability of the impacts generated under this Program could be threatened by a lack of coordination between FAES and line ministries. To minimize this risk, FAES is already establishing formal working groups to coordinate efforts and devise action plans to ensure maintenance of infrastructure and provision of services. Inter-agency agreements will be revised as condition for first disbursement in each respective sector (see paragraph 3.18). The Bank's



Country Office will participate in the donor sectoral working groups that already exist for each of the sectors in which FAES will finance projects under this Program. FAES is also defining stricter criteria to ensure that all financed projects contain management plans with maintenance schemes, prepared through local community participation, in order to enhance medium-term sustainability.

- 4.20 Financing of recurrent costs associated with service provision in the health and education infrastructure projects, as well as financing of projects on nutrition and providing assistance to highly vulnerable population groups, represents a challenge to the GOH. Current and projected budgetary constraints in the health and education sectors represent a risk to the sustainability of Component 1 of the Program. To mitigate this risk in the short term, an exception to the Bank's recurrent cost financing guidelines has been requested (see paragraph 3.35), which will allow for full financing of services in the poorest communities and for the most vulnerable population segments, where beneficiaries are unable to pay and where governmental contributions fall short. In the medium term, the GOH will increase allocations to the health and education sectors, consistent with macroeconomic stability goals.
- 4.21 The tendency to respond to demand may perpetuate FAES's concentration of activities in the least remote communes or in those with greater project generating capacity. The Program has mechanisms designed to ensure pre-allocation of resources to the most needy communes, and to support project planning and formulation in the poorest and weaker communities.
- 4.22 Local interest groups may influence the outcomes of participatory planning efforts. This risk will be mitigated by a carefully designed practical methodology and the adequate training of contracted SSPs responsible for carrying out participatory planning activities.

## **H. Future prospects**

- 4.23 The Program will overall enhance the country's capacity for local development through the use of improved tools for targeting the poorest and most vulnerable segments of the population, as well as with the institutionalization of a practical participatory approach. That will catalyze both national and international efforts for the goal of poverty reduction in Haiti.

**LOCAL DEVELOPMENT PROGRAM  
(HA-0079)  
LOGICAL FRAMEWORK**

| OBJECTIVES   | INDICATORS <sup>1</sup>  | MEANS OF VERIFICATION   | ASSUMPTIONS   |
|--|--|---|---|
| <b>GOAL</b>  |  |   |   |
| Improve the quality of life and income-generating capacities of the poorest and most vulnerable segments of the population.  | <i>By the end of the Program:</i><br>400,000 beneficiaries from the three bottom quintiles of the community distribution have at least one fewer Unmet Basic Need. <sup>2</sup>  | <ul style="list-style-type: none"> <li>National and departmental statistics.</li> <li>Independent impact evaluation studies.</li> <li>FAES information and monitoring system.</li> </ul>              |   |
| <b>PURPOSE</b>   |  |   |   |
| An increased number of households have access to basic social services; vulnerable population groups have expanded access to social assistance; poor communities have increased and diversified incomes; and marginalized communities have a strengthened capacity to plan, formulate and manage projects. | <i>By the end of the Program:</i><br>In the beneficiary communities, compared to the control group, a statistically significant improvement in the following indicators will be verified: <ul style="list-style-type: none"> <li>Infant mortality rates</li> <li>Primary school enrollment</li> <li>Incidence of water-born diseases</li> <li>Malnutrition rates among children 0-5 year old</li> </ul> (data disaggregated by sex and urban-rural location).<br>At least 70% of economic and productive projects profitable and continuing to function one year after technical assistance has stopped.<br>Consumption among beneficiary households of small and micro productive projects increases by 6% with respect to the control group and the base year. | <ul style="list-style-type: none"> <li>FAES information and monitoring system.</li> <li>Independent impact evaluation studies.</li> <li>Field visits and beneficiary satisfaction surveys.</li> </ul> | Institutional, political and economic conditions remain stable. |

<sup>1</sup> A comprehensive base-line study will be undertaken during the first six months of Program execution, providing specific benchmarks at the level of communal section against which to measure the development impact.

<sup>2</sup> The intermediate Poverty Map defines an Unmet Basic Need as an “extremely weak”, “very weak” or “below average” access to basic services in one of the following four sectors: education, health, water, and sanitation.

| OBJECTIVES  | INDICATORS <sup>1</sup>   | MEANS OF VERIFICATION  | ASSUMPTIONS  |
|---|---|--|--|
| <b>COMPONENTS</b>   |   |  |  |
| <b>1. Social development and assistance</b><br><br>Basic social services provided in targeted communities, with maintenance plans in place; and prevention and reintegration services available for children and adolescents at risk. | <i>By the end of the Program:</i> <ul style="list-style-type: none"> <li>• Between 90 and 110 primary health care centers have been constructed, expanded, or rehabilitated, and are providing services to at least 230,000 women and children.</li> <li>• At least 130,000 children in targeted communities benefit from adequate standards for education facilities, equipment and materials.</li> <li>• Between 90 and 120 preprimary and primary schools have been rehabilitated or expanded and are providing education services.</li> <li>• At least 100 potable water and sanitation provision projects have been created and are in operation and benefit at least 80,000 households.</li> <li>• At least 25,000 children between 0-5 years of age and lactating and pregnant women have benefited from food-supplements and micronutrients.</li> <li>• At least 5,000 children and adolescents at risk (i.e. those depending on the streets, those working as unpaid domestic servants, and those victims of trafficking) have received integrated social assistance.</li> </ul> | <ul style="list-style-type: none"> <li>• FAES information and monitoring system.</li> <li>• Independent impact evaluation studies.</li> <li>• Field visits and beneficiary satisfaction surveys.</li> </ul>  | Management plans and inter-institutional arrangements between FAES, line ministries and beneficiary communities are effective. |
| <b>2. Productive and rural development</b><br><br>Productive and income generating activities in poor communities increased and diversified.  | <i>By the end of the Program:</i> <ul style="list-style-type: none"> <li>• At least 600 small and micro productive projects are operating in targeted communal sections benefiting 80,000 individuals.</li> <li>• At least 150 community economic infrastructure works have been constructed and are in use, benefiting 30,000 households.</li> <li>• At least 300 productive associations have received training in organizational, technical and managerial capacities, including at least 100 associations led by women.</li> </ul>  | <ul style="list-style-type: none"> <li>• FAES information and monitoring system.</li> <li>• Independent impact evaluation studies.</li> <li>• Field visits and beneficiary satisfaction surveys.</li> <li>• FAES information and monitoring system.</li> <li>• Independent impact evaluation studies.</li> </ul> |  |

| OBJECTIVES  | INDICATORS <sup>1</sup>  | MEANS OF VERIFICATION   | ASSUMPTIONS |
|---|--|---|-------------|
|   | <ul style="list-style-type: none"> <li>• At least 100 productive associations, including at least 30 associations led by women, become legalized.</li> <li>• 75% of members in beneficiary communities express satisfaction with the projects engaged in.</li> </ul>   | <ul style="list-style-type: none"> <li>• Field visits and beneficiary satisfaction surveys.</li> <li>• Documentation of legalized organizations.</li> </ul>   |             |
| <p><b>3. Local governance and institutional development</b></p> <p>(a) Targeted communities have a strengthened capacity to plan, formulate and manage projects.</p> <p>(b) FAES has an improved capacity to efficiently target and reach the three most marginalized quintiles of the population.</p> <p>(c) The community-based social and economic projects financed under the Program are sustainable in the medium term.</p> | <p><i>By the end of the Program:</i></p> <ul style="list-style-type: none"> <li>• The number of communes that have engaged in local planning processes (at the commune section level) has increased from 8 to 38.</li> <li>• At least 200 community organizations have received training and technical assistance in project preparation, management, and maintenance.</li> <li>• At least 500 women have been trained in leadership skills.</li> <li>• At least 25,000 communal section representatives, including at least 10,000 women, have been directly involved in participatory planning exercises.</li> <li>• FAES Program Monitoring System has been converted into an outcome-based system with systematically collected information at the communal section level.</li> <li>• The number of antennas of FAES has increased from 2 to 5.</li> <li>• The administrative and operational costs of FAES reduced from 15 to 8% of disbursements.</li> <li>• At least 80% of the community projects financed under the Program have prepared and implemented management plans with maintenance schemes.</li> </ul> | <ul style="list-style-type: none"> <li>• FAES information and monitoring system.</li> <li>• Independent impact evaluation studies.</li> <li>• Field visits and beneficiary satisfaction surveys.</li> <li>• Revision of copies of community plans.</li> <li>• Reports and institutional evaluations.</li> <li>• Reports and institutional evaluations.</li> </ul> |             |

**LOCAL DEVELOPMENT PROGRAM  
(HA-0079)  
PROCUREMENT PLAN**

| PRINCIPAL PROJECT PROCUREMENT <sup>1</sup>   | Source of Financing |                 | Procurement Method <sup>2</sup> | Prequalification (Yes/No) | Specific Procurement Notice |
|--|---------------------|-----------------|---------------------------------|---------------------------|-----------------------------|
|  | BID (%)             | Local/Other (%) |                                 |                           | Tentative Publication Date  |
| <b>WORKS</b>   |                     |                 |                                 |                           |                             |
| Rehabilitation, construction or expansion of primary health care centers with maternity beds. US\$6.30 million (approx. 100 contracts/projects).   | 100%                | 0               | NCB/LS                          | No                        | 2004 to 2010                |
| Construction and rehabilitation of pre-primary and primary school infrastructure, including refectories, playgrounds, water & sanitary installations. US\$6.20 million (approx. 100 contracts/projects). | 100%                | 0               | NCB/LS                          | No                        | 2004 to 2010                |
| Basic water and sanitation infrastructure. US\$6.00 million (approx. 200 contracts/projects)   | 100%                | 0               | NCB/LS                          | No                        | 2004 to 2010                |
| Other infrastructure projects. US\$1.50 million (approx. 30 contracts/projects).   | 100%                | 0               | NCB/LS                          | No                        | 2004 to 2010                |
| Rural economic infrastructure (e.g., markets, irrigation, storage and rural access roads). US\$8.25 million (approx. 65 contracts/projects).   | 100%                | 0               | NCB/LS                          | No                        | 2004 to 2010                |
| Infrastructure for small & micro-enterprises and environmental management. US\$0.96 million (approx. 48 contracts/projects).   | 80%                 | 20%             | NCB/LS                          | No                        | 2004 to 2010                |
| Periodic maintenance of works (technical assistance, materials and equipment). US\$1.28 million.   | 100%                | 0               | NCB/LS                          | No                        | 2004 to 2010                |
| <b>GOODS</b>   |                     |                 |                                 |                           |                             |
| Purchase of medical equipment & supplies. US\$1.68 million (approx. 65 contracts/projects).  | 100%                | 0               | ICB/NCB                         | No                        | 2004 to 2010                |

<sup>1</sup> Every item will comprise several contracts, the exact amount and size of which will vary according to the specific project size and the possibility of bundling several projects into one contract (an approximate number of contracts is included for orientation purposes). As this is a social and economic investment fund intended to serve poor communities throughout the country, projects and contracts are expected to be of small scale (most contracts will probably fall between US\$10,000 - 80,000).

<sup>2</sup> The size of each individual contract will determine the type of procurement method (see paragraph 3.30).

| PRINCIPAL PROJECT PROCUREMENT <sup>1</sup>   | Source of Financing |                 | Procurement Method <sup>2</sup> | Prequalification (Yes/No) | Specific Procurement Notice |
|--|---------------------|-----------------|---------------------------------|---------------------------|-----------------------------|
|  | BID (%)             | Local/Other (%) |                                 |                           | Tentative Publication Date  |
| Purchase of school equipment for schools, school refectories, school libraries, and teaching materials. US\$4.82 million (approx. 400 contracts/projects). | 100%                | 0               | ICB/NCB                         | No                        | 2004 to 2010                |
| Purchase of goods/equipment to support micro-enterprises and for environmental management. US\$1.90 million (approx. 260 contracts/projects).              | 83%                 | 17%             | NCB/LS                          | No                        | 2004 to 2010                |
| Purchase of 8 vehicles for FAES use. US\$0.28 million.   | 73%                 | 27%             | ICB                             | No                        | 2004/2005                   |
| Equipment for FAES including IT systems & training. US\$1.80 million.  | 73%                 | 27%             | ICB/NCB                         | No                        | 2004 & 2005                 |
| <b>SERVICES</b>  |                     |                 |                                 |                           |                             |
| Delivery of nutrition packages and capacity building. US\$5.00 million (approx. 3 contracts/projects).   | 100%                | 0               | ICB/NCB                         | Yes                       | 2004 to 2010                |
| Delivery of basic community health packages and capacity building. US\$3.00 million (approx. 30 contracts/projects).                                       | 100%                | 0               | NCB/LS                          | Yes                       | 2004 to 2010                |
| Delivery of services to children and adolescents at risk. US\$2.15 million.  | 100%                | 0               | ICB <sup>3</sup>                | No                        | 2004                        |
| Integral packages for small & micro-enterprises and environmental management. US\$5.80 million (approx. 640 contracts/projects).                           | 75%                 | 25%             | NCB/LS                          | No                        | 2004 to 2010                |
| Strengthening of local governance & community participation. US\$5.70 million (approx. 65 contracts/projects).   | 53%                 | 47%             | ICB/NCB/LS                      | No                        | 2004 to 2008                |
| FAES administration including personnel, equipment, material & facilities. US\$5.50 million (approx. 90 professional and support personnel contracts).     | 73%                 | 27%             | NCB/LS                          | No                        | 2004 to 2010                |
| Evaluations (baseline, mid-term, final). US\$1.20 million (approx. 3 contracts).   | 100%                | 0               | ICB/NCB                         | Yes                       | 2004, 2006, 2009            |
| Audits. US\$0.50 million (approx. 3 contracts).  | 100%                | 0               | NCB                             | Yes                       | 2004, 2007                  |

ICB International Competitive Bidding  
NCP National Competitive Bidding  
LS Local Shopping

<sup>3</sup> The direct contracting of UNICEF is recommended (see paragraph 3.31).

**LOCAL DEVELOPMENT PROGRAM  
(HA-0079)  
COORDINATION WITH BANK PROGRAMS IN HAITI**

|  |
|--|
| <b>Organization and Rationalization of the Health Sector (1009/SF-HA) (HA-0045)</b>  |
| The proposed Program and the loan <b>Organization and Rationalization of the Health Sector</b> (1009/SF-HA), which will be executed through the MSPP, will reinforce one another. In common investment areas, they will complement in the following ways: (i) FAES will primarily focus on the provision of infrastructure, where it has a comparative advantage; (ii) FAES will largely focus on very remote areas, as it is better equipped to mobilize resources to isolated locations; and (iii) a working group will be created between FAES and the MSPP to enhance synergies and avoid duplication.   |
| <b>Basic Education Project (1016/SF-HA) (HA-0038)</b>  |
| The <b>Basic Education Project</b> (1016/SF-HA) finances mainly the improvement of local management capacities and quality strengthening of education through in-service teacher training, among other activities. The school construction and rehabilitation activities under 1016/SF-HA will be coordinated with FAES. Under the proposed Program, FAES's infrastructure investments in education will be targeted to areas where: (i) communities have prioritized these investments; (ii) maintenance and provision of services are ensured with the participation of the MENJS and local communities; and (iii) similar activities are not already carried out by the MENJS or others. That will be easily ensured because the MENJS is already in the process of identifying the list of schools that will be rehabilitated under the loan 1016/SF-HA. Finally, the loan 1016/SF-HA will finance the strengthening of the Department of School Infrastructure, which will play an important role in the supervision and maintenance of all public schools rehabilitated or constructed by FAES.  |
| <b>Potable Water and Sanitation Sector Reform (1010/SF-HA) (HA-0014)</b>   |
| The <b>Potable Water and Sanitation Sector Reform</b> loan (1010/SF-HA) will primarily finance the strengthening of the normative framework of the water sector, the rehabilitation of water systems in five major urban areas, and a limited number of rural and peri-urban water systems. FAES's investments in the sector will instead focus on small-scale water and sanitation projects and will target remote areas. FAES will follow the norms of the sector and will sign an inter-institutional agreement with the national water agency (SNEP).  |
| <b>Basic Infrastructure Program (HA-0093)</b>  |
| The <b>Basic Infrastructure Program</b> (HA-0093), which is under preparation, will finance economic infrastructure. Although the proposed Program may also finance economic infrastructure (aside from social and other rural infrastructure), there are relevant differences. For example: (i) HA-0093 will finance medium and large-scale infrastructure (normally from US\$200,000 up to US\$1,000,000), while the proposed Program will finance small economic projects (normally below US\$100,000) that derive from community development planning efforts; (ii) HA-0093 will invest in the sectors of transport, communications, industrial infrastructure, urban improvement, and electricity, while the proposed Program will rather focus on agricultural, productive and small-scale commercial infrastructure at the community level and primarily in rural areas; and (iii) HA-0093 will seek to invest in areas of high economic potential aiming at intense economic reactivation, while the proposed Program will instead focus on poor and marginalized communities with the aim of catalyzing a steady economic development (i.e. raise income in poor households). |
| <b>Agricultural Intensification Program (HA-0016)</b>  |
| The <b>Agricultural Intensification Program</b> (HA-0016) will mainly conduct irrigation and drainage rehabilitation, and minor agricultural assistance projects, specifically in the low basin of the Artibonite Department. To avoid redundancy, the proposed Program will not finance agricultural assistance and irrigation infrastructure in the Artibonite Department  |