

DOCUMENT OF THE INTERAMERICAN DEVELOPMENT BANK

HAITI

TRANSPORT AND DEPARTMENTAL CONNECTIVITY

(HA-L1104)

GRANT PROPOSAL

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ELECTRONIC LINKS	
REQUIRED	
1.	Pluriannual Execution Plan (PEP) and Annual Operational Plan (POA)
2.	Monitoring and Evaluation Plan
3.	Environmental and Social Management Report (ESMR)
4.	Procurement Plan
OPTIONAL	
1.	Freight Logistics Statistics Yearbook for Latin America and the Caribbean (2014)
2.	Economic Evaluation Sample Project
3.	Environmental Assessment (EA)
4.	Resettlement Action Plan (RAP)
5.	Regional Integration Considerations
6.	SPF and SSF
7.	Climate Change Methodological Note for RN5 executive designs
8.	Road Transport in Haiti. Why it's important for the country?
9.	Gender Action Plan for transport projects in Haiti
10.	Engineering Designs Carrefour Joffre – Gros Morne
11.	Haiti's Road Maintenance Strategy
12.	Climate Change projections in LAC: Country focus Haiti
13.	Report of Consultation Results – RN5 Sample Project
14.	Project Operations Manual
15.	Memorandum of Understanding for force account works
16.	Bridge Prioritization Study

ABBREVIATIONS	
AITL	Toussaint Louverture International Airport
BSA	Blue Spot Analysis
CPA	Permanent Committee for Amicable Acquisition
DD	Departmental Directions
DTF	Distance to Frontier
EIB	European Investment Bank
EIRR	Economic Internal Rate of Return
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
EU	European Union
FER	Road Maintenance Fund
FM	Financial Management
GOH	Government of Haiti
GOM	Global Multiple-Works Operation
GRF	IDB Grant Facility for Haiti
IDB	Inter-American Development Bank
IMS	Information Management System
IRI	International Roughness Index
LNBT	<i>Laboratoire Nationale du Bâtiment et des Travaux Publics</i>
MEF	Ministry of Economy and Finance
MARNDR	Ministry of Agriculture, Natural Resources and Rural Development
MTPTC	Ministry of Public Works, Transport and Communications
OCB	Community Based Organization
OFNAC	National Office of Civil Aviation
NRS	National Road System
NRN	National Road Network
PAP	Population Affected by the Project
PSG	Project Specific Grant
RAP	Resettlement Action Plan
RMU	Road Maintenance Unit
RN	<i>Route Nationale</i> /National Road
TEC	Technical Coordinator
TKm	The service of moving one ton of payload over a distance of one kilometer
PMR	Project Monitoring Report
PSG	Project Specific Grant
UCE	Central Executing Unit
UNDP	United Nations Development Program
WB	The World Bank

PROJECT SUMMARY
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Financial Terms and Conditions				
Beneficiary: Republic of Haiti			Disbursement Period:	5 years
Executing Agency (EA): Ministry of Public Works, Transport and Communications (MTPTC)				
			Interest rate:	N/A
Source	Amount (US\$)	%	Credit Fee:	N/A
IDB (GRF):	225,000,000	79.5	Inspection and supervision fee:	N/A
			Amortization period:	N/A
Co-financing (European Investment Bank): ^(a)	28,990,000	10.2	Currency of Approval:	Dollars of the United States of America
Co-funding (European Union): ^(b)	23,190,000	8.2		
Local Counterpart: ^(c)	6,000,000	2.1		
Total:	283,180,000	100		
Project at a Glance				
Project objective/description: The program’s objective is to continue improving the quality, accessibility, and safety conditions of Haiti’s transport infrastructure through an increase in paved road coverage and the rehabilitation and upgrading of transport infrastructure and departmental roads connecting production centers to local markets. The program will also promote efficiency improvements in the sector by incorporating the works into road maintenance management systems and by building capacity at the MTPTC.				
Special contractual conditions prior to first disbursement of the grant proceeds: The Executing Agency (EA) will provide evidence to the Bank’s satisfaction of: (i) the entry into force of the program’s Operations Manual under the terms previously agreed upon with the Bank; (ii) the assignment of a full-time program director; (iii) the hiring or assignment validated by the Bank, for the MTPTC, of qualified personnel dedicated to manage the program, including a full-time planning, monitoring and evaluation coordinator, a full-time Technical Coordinator (TEC) for the construction and equipment of the control tower, a full-time TEC for the Bridge Upgrade Program, a full-time TEC for road works, and a full-time TEC for environmental and social issues (¶3.8); and (iv) see special contractual conditions in the Fiduciary Arrangements (Annex III).				
Special contractual conditions of execution: See special contractual conditions in the ESMR (REL#3).				
Exceptions to Bank policies: The following waivers are requested: a waiver of the Policies for the Procurement of Goods and Works (GN-2349-9) and the Policies for the Selection and Contracting of Consultants (GN-2350-9) financed by the Inter-American Development Bank with regard to two aspects: (a) eligibility of firms and individuals, so firms from any European Investment Bank (EIB) member country may participate in the bidding processes; and (b) recognition of the EIB’s sanctions imposed on firms and individuals that are not included on the IDB’s list of parties sanctioned for engaging in prohibited practices (¶3.11).				
Strategic Alignment				
Challenges ^(d) :	SI	<input type="checkbox"/>	PI	<input checked="" type="checkbox"/>
Cross-Cutting Themes ^(e) :	GD	<input checked="" type="checkbox"/>	CC	<input checked="" type="checkbox"/>
			IC	<input type="checkbox"/>

^(a) Joint co-financing through a direct loan from the EIB to the Government of Haiti up to the amount of €25,000,000 (equivalent to US\$28,990,000 as of August 2, 2018 exchange rate) and subject to its approval by the EIB Board of Directors.

^(b) Co-funding (Project Specific Grant - PSG) from the European Union (EU) up to the amount of €20,000,000 (equivalent to US\$23,190,000 as of August 2, 2018 exchange rate) and subject to its approval by the EU.

^(c) Counterpart funds in the amount of US\$6 million from the beneficiary to purchase equipment for the control tower of the Toussaint Louverture International Airport.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, Problem Addressed and Justification

- 1.1 **Economic and social context.** Haiti has undergone a process of deep economic and social evolution in the aftermath of the 2010 earthquake. This transformation has been supported by a significant donor-funded reconstruction and investment program, which has helped overcome social exclusion levels and achieve institutional upgrades. Building on the reconstruction effort, the Government of Haiti (GOH) issued a Strategic Development Plan¹ in May of 2012, aiming at building a new modern, diversified, resilient, competitive, and inclusive economy. The plan highlights areas of important economic opportunity for Haiti, including agribusiness, light manufacturing, and tourism.² The Government Road Map³ references tourism and agricultural development with the expansion of the country's road connectivity to foster growth outside of the capital to bring much-needed jobs to the country's less-developed regions. In particular, it mentions the rehabilitation of the National Road N°5 (RN5) and the linkage of Gonaïves with Port-de-Paix in the north of the country⁴ (§2.8-¶2.9).
- 1.2 Despite the country's comparative advantages - proximity and preferred access to major international markets and a dynamic diaspora-, Haiti is less integrated into the global shipping line network than many developing countries, and the cost of loading and unloading a standard container at Port-au-Prince is the highest of the Caribbean ports.⁵ The country's shortcomings in transport accessibility have acted as constraints for economic growth, people's access to services, and social development.⁶ Haiti's performance in the road sector is also weak with large parts of its territory poorly connected. Recent evidence indicates that only 38% of people living in rural areas have access to all-weather roads.⁷ According to the index developed by the Bank (see Figure 1 and [OEL#1](#)), the small percentage of paved roads and the low-road density are the two factors most strongly influencing its low position in the ranking. The limited coverage and low accessibility to paved roads not only affect Haiti's international competitiveness (¶1.4) but also its socioeconomic development.
- 1.3 Low road-coverage also restricts access to basic services and good-paying quality jobs. With the largest population in the Caribbean, the country has the highest percentage of people living below the poverty line.⁸ Poverty is particularly problematic in rural areas, where 37.8% of individuals live below the extreme

¹ [Plan stratégique de développement d'Haiti](#).

² In urban areas, unemployment affects 40% of the workforce. In rural areas, only 10% of the workforce is employed as waged workers; the remaining 90% does not have a steady source of income. [WB 2014](#).

³ [President Jovenel Moïse's Government Road Map](#).

⁴ [Map of Haiti](#).

⁵ Import cost per container in Haiti is US\$690/container vis-à-vis US\$145 for regional. Data from: the APN and [Guerrero and Abad, 2013](#).

⁶ Haiti ranks 163/187 (0.483) in the Human Development Indicator. See: [UNDP](#).

⁷ The country has low road coverage levels both in terms of the size of the population (0.4 km/1,000 inhabitants) and the surface area of the country (0.12 km/km²), compared to other countries like the Dominican Republic: 1.98 km/1,000 hab., 0.41 km/km²; El Salvador: 1.75 km/1,000 hab., 0.48 km/km²; Honduras: 3.34 km/1,000 hab., 2.31 km/km²; and Nicaragua: 3.92 km/1,000 hab., 1.64 km/km².

⁸ Haiti's poverty headcount ratio at US\$1.90 a day (2011 PPP) is 54%, followed by Honduras (19%) and Bolivia (7.7%) ([WB development indicators](#)).

poverty line and 74.9% below the moderate poverty line.⁹ The poorest regions in Haiti are the ones most distant and isolated from the capital (see Table 1).

Figure 1. Road Density in the Caribbean

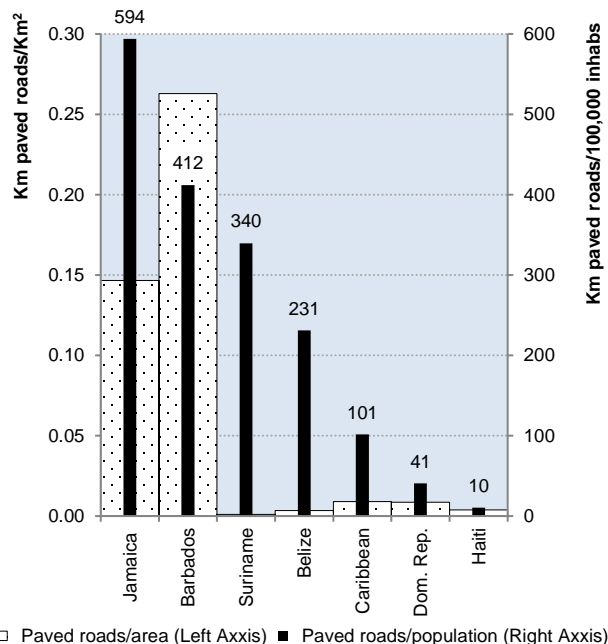


Table 1. Road density and selected socioeconomic indicators in Haiti

Departments	National	Depart.	Tertiary	Total		Share of national production		% of individuals below extreme poverty line
				Km	%	Livestock	Agricultural produce	
Artibonite	170	225	388	782	18%	27%	17%	39%
Ouest	130	172	297	599	14%	12%	10%	26%
Sud	112	148	256	516	12%	13%	7%	31%
Sud Est	105	138	238	481	11%	7%	3%	29%
Nord Ouest	98	129	223	450	10%	6%	7%	47%
Centre	97	128	221	446	10%	9%	9%	43%
Nord	85	112	193	389	9%	7%	14%	49%
Nord Est	57	75	130	262	6%	7%	10%	61%
Grand'Anse	48	64	110	223	5%	8%	13%	33%
Nippes	48	64	110	223	5%	5%	10%	22%
Total (Km)	950	1,255	2,166	4,370				
%	22%	29%	50%					

Source: Own calculations using data from the MTPTC, the Ministry of Agriculture, Natural Resources and Rural Development (MARNDR) and *Enquête sur les Conditions de Vie des Ménages Après Séisme* (IHSI. 2012).

⁹ More than 80% of the extreme poor live in rural areas, where 38% live in extreme poverty, compared to 12% in urban areas and 5% in Port-au-Prince. In the Nord-Ouest and Artibonite departments, moderate and extreme poverty rates are 82% and 60%, respectively (WB, 2012).

- 1.4 Low-income island economies are extremely dependent on the quality, frequency, and cost of transport to integrate them to markets that represent both outlets for their products and supply sources for imported goods. Efficiency access to transport, whether by road, by sea, or by air, therefore strongly affects the competitiveness of the economy.
- 1.5 Agriculture in Haiti consists of mainly small-scale farming and is adversely affected by the country's poor connectivity, high transport costs, and weather-related natural disasters.¹⁰ Better road connectivity could improve agricultural production in Haiti by increasing the area under cultivation.¹¹ It may also improve revenues for agricultural products in general, and for mango production in particular thanks to better access to markets.¹² Mango is Haiti's largest export crop and the main fruit grown in the country. Haiti was among the top ten mango-producing countries in the world until late 1980's, and was also one of the top ten mango-exporting countries until the early 1990's.¹³ However, Haiti's mango exports have not increased in the last two decades, mainly because 70-80% of the fruit produced is damaged *en route* from tree to export center, due to production and transformation practices and poor logistics.¹⁴
- 1.6 **The National Road System (NRS)** total length is 4,371 km, consisting of 950 km of national roads (21%), 1,255 km of departmental roads (29%) and 2,166 km of rural roads (50%) (see Table 2). After the 2010 earthquake, the GOH set, as a priority, the restoration of the National Road Network (NRN) and urban network to a state equivalent to pre-earthquake conditions. This meant continuous annual investment efforts, which have risen to US\$356.5 million between 2011-2016. The effects of this cumulative investment in improving road infrastructure in production areas, integrating department capitals via paved access, and developing integration corridors boosting the linkages and reliability between international seaports, are starting to be seen in international indicators such as the Distance to Frontier (DTF) ranking.¹⁵ This cumulative effort has also yielded significant improvements in the NRN's length increasing by 39.4% since 2004. The percentage of roads in acceptable or good condition has also increased for both paved and unpaved roads from 2004-2015 (see Table 3).

¹⁰ Lack of access to all-weather roads causes up to 30% of agricultural production losses in remote areas. High transport tariffs (US\$0.21 TKm) are the result of more than 50% of the country's territory being poorly connected by roads. Road transport tariffs are higher in Jamaica (US\$0.29 TKm), similar in Barbados (US\$0.21 TKm) and Suriname (US\$0.21 TKm), and lower in the Dominican Republic (US\$0.14 TKm), Belize (US\$0.07 TKm) and Honduras ([Freight Logistics Index](#)).

¹¹ Aggarwal, 2015; Ali, 2011; and Khandler, 2009.

¹² The literature highlights that better road infrastructure encourages modern agricultural production techniques and leads to technology adoption. Decreased transport costs have a positive effect on the quantity of local staples produced using modern techniques (Ali et al., 2015).

¹³ Assessment of Haitian Mango Value Chain (2010).

¹⁴ The francisque mango has a 14 days shelf life and should be cooled within three days of harvesting. [Technoserve. Haitian Mango Sector: An Industry at Crossroads \(2014\)](#).

¹⁵ Haiti has improved its DTF on trading across borders from 48.38 to 77.01 (2009-2016). In particular, the average time to export and import has been reduced by 11 and 18 days, respectively.

Table 2. NRS and jurisdiction responsibility

Network	Pavement	Gravel	Dirt roads	TOTAL	%
National	738	213	-	950	21
%	78%	22%	-		
Departmental	285	970	-	1,255	29
%	23%	77%	-		
Rural	-	-	2,166	2,166	50
TOTAL	1,023	1,183	2,166	4,371	
% of road type	23	27	50		

Source: MTPTC. 2015

Table 3. Status of the Road Network

Year	NRS evolution in Km		Acceptable or good condition*	
	2004	2015	2004	2015
Road system length	3,400	4,371	20%	29%
Paved	628	1,023	55%	62%
Unpaved	2,772	3,349	12%	29%
National network	690	950	N/A	37%
Departmental network	1,508	1,255	N/A	32%

Source: MTPTC 2016. *Acceptable or good condition defined as the International Roughness Index - IRI<5 for paved roads, and IRI<8 for unpaved roads.

- 1.7 However, the serviceability of the NRS has been impacted over time by low maintenance levels. A detailed diagnostic on road maintenance was contracted by the Ministry of Public Works, Transport and Communications (MTPTC) that identified resource allocation and institutional capacity as the main reasons for low road quality. The report proposed scaling up routine maintenance with community-based organizations¹⁶ and to implement maintenance contracts under the supervision of the Road Maintenance Unit (RMU).¹⁷ Funding for the Road Maintenance Fund (FER) budgeted in 2018 US\$13.5 million of which 84% was allocated to routine maintenance and 4% to periodic maintenance.¹⁸
- 1.8 A program under preparation by the Innovation in Citizens Services Division (IFD/ICS) seeks to strengthen the organization of the operating capacity of the MTPTC as a service provider, with focus on the RMU and the Departmental

¹⁶ Most of the routine maintenance is executed through Community Based Organizations (OCB) and by the DD of the MTPTC. Conducting routine maintenance through OCB contributes to job creation in the area of influence of the road. OCB are roots organizations typically contracted by the MTPTC for road segments of 5 km, but the process is politicized and cumbersome, and the OCB do not follow standards for the service they render.

¹⁷ RMU creation was a condition in the policy-based grant 3175/GR-HA.

¹⁸ In 2009, the FER received US\$3 million from the motor-fuel tax, while the budget needed for maintenance was estimated at US\$21.7 million for the entire road network (see [annex](#)).

- Directions (DD) to include financing to secure human resource needs, strengthen management capacity, and control equipment.
- 1.9 **Caravane for Change** is a government-led initiative to restore strategic infrastructure to increase agriculture production and improve food security by improving road quality and better irrigation in Haiti's vast rural areas. In October 2017 the GOH purchased US\$123 million of heavy machinery including loaders, excavators, bulldozers, compactors, and dump trucks. This equipment is distributed progressively in the DD of the MTPTC and the MARNDR. Works are executed by the MTPTC and includes dredging drains and irrigation canals; protecting flood-prone areas in villages and towns affected by periodic flooding; and maintaining departmental roads so farmers can get their produce to market.
- 1.10 **Adaptation to climate change.** Haiti is one of the countries with the highest natural disaster risk indexes in the world and with the lowest adaptation capacity.¹⁹ Even excluding the 2010 earthquake data, the number of emergency-related deaths relative to the population is very high.²⁰ Some of the factors for the risk rating are the complex dynamics generated by high climate-related risk factors in the country, including location, economic development, and urbanization patterns. First, Haiti is located along the Caribbean basin hurricane belt, with 80% of the country covered in mountains and containing over 30 watersheds and drainage basins, characterized by unstable slopes and severe soil erosion. Second, the haitian economy heavily relies on agriculture for 75% of the employment in low-income rural households,²¹ activities prone to climate disrupting-factors and particularly affected by natural disaster. Lastly, the urbanization rate in the country is the fastest in the hemisphere.²² Given the complex geography in the country, roads tend to cross flood-prone areas leaving road-side settlers exposed to higher vulnerability levels.
- 1.11 A quick vulnerability assessment was conducted for climate-related stress factors such as rain and the increase in the number of days with temperatures over 35°C ([OEL#12](#)). A comprehensive climate risk and resilience assessment has been launched to refine the criteria to be integrated in the road designs for the RN5 (§1.1, §2.8-§2.10). These studies consist of a qualitative assessment identifying potential failure modes and a quantitative analysis of risk. Analysis is based on a flood risk model including a complementary hydrological-hydraulic model incorporating climate change and a vulnerability model, to quantify the road's risk to floods and to quantify the expected economic losses associated to flood damages. These analysis provide key information so the drainage and alignment designs for the RN5 are climate resilient and are calculated using adequate hydraulic parameters ([OEL#7](#)).
- 1.12 Additionally, an "extreme weather vulnerability assessment" study, sometimes referred to as Blue Spot Analysis (BSA), will be carried out to inform how to integrate climate change-related risks into the process of prioritizing interventions to ensure service resilience of Haiti's road network. The BSA will support decision making between competing measures such as increase maintenance, larger

¹⁹ [Natural Disaster Hotspots, a Global Risk Analysis \(WB, 2005\).](#)

²⁰ Between 2014-2017 Haiti registered a higher number of disasters per 1,000 km² (5.0) compared to other countries: Dominican Republic (1.2), Jamaica (3.1), Nicaragua (0.5), and Honduras (0.6). [Haiti. Toward a new narrative: systematic country diagnostic \(WBG, 2015\).](#)

²¹ [Enquête sur les Conditions de Vie des Ménages après Seisme. \(IHSI, 2012\).](#)

²² [Enjeux et défis de la lutte contre la pauvreté dans le Transport Routier. MTPTC \(2010\).](#)

culverts, elevated roads, or redundant network links. The BSA will support the prioritization of the proposed Global Multiple-Works Operation (GOM) (§2.1), and thus will support the efforts to improve the resilience of Haiti's transport network in a context of scarce resources and rising climate uncertainty by prioritizing investments and proposing adaptation measures that perform well under a large set of scenarios.

- 1.13 The following will be included in the program to reduce the potential vulnerability of the works that will be financed: (i) a review of the technical studies of the representative sample to identify vulnerable geographic areas; (ii) an analysis of the vulnerability of infrastructure based on climate modeling with a resolution of 0.25 degrees (25 km) for the whole country; (iii) a review of MTPTC's guidelines and design criteria for roads and bridges and their application to engineer designs, to ensure that design parameters are applied in the case of slope stabilization, raising embankments, clearance, and size of drainage, taking the rainfall recurrence interval into account; and (iv) prioritizing interventions to ensure road network resilience and serviceability.
- 1.14 **Road safety.** A wide variety of risk factors, such as better road conditions and poor law enforcement, which allows driving at higher speeds, increase motorbike use without helmet, and an aging and ill maintained vehicle fleet, have led to an increase in road traffic accidents between 2009-2013.²³ An Accident Information System financed by the Bank is under implementation with the Central Department of Road Police to better determine the causes and to define specific interventions. The system includes incident mapping and statistical tools, digital questionnaires, and a mobile app for data collection. Additionally, with Bank support, in 2015 the MTPTC created the Road Safety Cellule and elaborated a five-year RN Safety Strategy. Following this strategy and leveraging the cross-cutting nature of road safety, the Bank is supporting the MTPTC's effort to coordinate a multi-sector round-table initiative with key stakeholders from different organizations, including other ministries, international donors, and civil society organizations.
- 1.15 **Air transport.** The Toussaint Louverture International Airport (AITL) runway is currently being rehabilitated with Bank's financing and completion of the works is expected in October 2018. The interventions include the extension and pavement of the runway, drainage system, and new lighting system to allow night operations. However, after the 2010 earthquake traffic control are conducted from mobile and temporary installations.
- 1.16 **Gender integration.** Despite the fact that Haitian women represent 52% of the population and head 44% of the households, they are 20% more likely to be unemployed and their wages are 32% lower than those of men.²⁴ This can be explained, in part, because women tend to be employed in informal (three out of four women) and low wage jobs, such as in domestic labor, in the agriculture sector and in the commercialization of agriculture products and manufactured goods. According to a United Nations Development Program (UNDP) study, women are over-represented in activities related to trade and in transporting agricultural and non-agricultural products to/from urban and rural markets. Working conditions for

²³ Progress in road safety in Latin America and the Caribbean 2010-2012. IDB.

²⁴ Sources: <http://databank.worldbank.org>. WB (2015); Haiti: Systematic Country Diagnostic; and UNDP (2015). *Entrepreneures dans l'économie haïtienne: des marches aux politiques publiques*.

women known as “*Madan Saras*” in these activities are challenging in terms of access to transport services, access to credit, and personal security (See [OEL#9](#)).

- 1.17 In previous transport operations, the Bank supported the MTPTC to put in place activities aimed at increasing women’s participation through training in non-traditional jobs and to reduce gender-based violence in communities located near civil works campsites. Empirical evidence has demonstrated that transport interventions in rural areas with specific gender components can result in an increase of women’s economic participation and income through improved access to markets, economic opportunities, and services.
- 1.18 **Bank’s sector involvement and lessons learned.** The Bank has supported the road sector through active participation in the administration, design, and financing of numerous projects, resulting in very rich sector knowledge and experience. During the past seven years, IDB’s transport investment-grant approvals totaled US\$378.5 million,²⁵ to rehabilitate national roads RN1, RN2, RN7 and RN8. This program will finance the construction of RN5, the last non-paved road of the NRN.
- 1.19 Key lessons learned include: (i) having executive designs prior to contracting the civil works to mitigate cost variations among the project’s budget, bidding price, and final cost of the works; (ii) supervision firm to be hired prior to the construction firm, with enough time for a satisfactory review of proposals and engineering designs; (iii) the need to start execution of the Resettlement Action Plan (RAP) in advance to the start of the civil works; (iv) the importance of ensuring that funds are available for expropriations before the start of civil works; and (v) the need to prioritize asset management techniques and investments. These lessons have been fully integrated into the design of this program by: (i) including as a requirement that executive designs should be used for all civil-works bidding processes; (ii) programming supervision services bidding and contracting before civil works; (iii) incorporating resettlement and compensation funding within the scope of the grant; and (iv) incorporating funding for adequate asset management and maintenance.
- 1.20 **Status of execution.** As of the first semester of 2018, progress in execution has been made with respect to road construction. About 154 km of the primary road network are currently under construction.²⁶ Works in the Gonaïves – Ennery road section (RN1) are in final phase of construction and rehabilitation of Plaisance – Camp Coq road section (RN1) and AITL’s runway are in full execution, while a contract to complete the Les Cayes – Jeremie road (RN7) has been signed. Despite the Bank’s efforts to fund institutional support and capacity-building, the increasing number of projects in execution has added pressure to the Central Executing Unit (UCE) of the MTPTC, illustrating that more effective execution capabilities are required to adequately manage the increasingly complex portfolio

²⁵ Approved operations, amounts and % disbursed (as of August 24th, 2018): 2348/GR-HA for US\$29 million (100%), 2663/GR-HA for US\$55 million (100%), 2794/GR-HA for US\$53 million (90.8%), 2898/GR-HA for US\$17.5 million (100%), 3085/GR-HA for US\$50 million (53.4%), 3175/GR-HA for US\$12 million (100%), 3190/GR-HA for US\$50 million (53.2%), 3474/GR-HA for US\$27 million (100%), 3570/GR-HA for US\$65 million (17.1%), and 3382/GR-HA for US\$20 million (47.1%).

²⁶ Gonaïves – Ennery (26.3 km), Ennery – Plaisance (23 km) and Plaisance – Camp – Coq (10.6 km) along RN1; Croix des Bouquets – Fonds Parisien (25.0 km) along RN8 and Camp Perrin – Jérémie (68.97 km) along RN7.

and the growing demand for the monitoring of social and environmental policies, before and during construction.²⁷

- 1.21 Since 2007 a set of actions aimed at strengthening institutional capacity at the MTPTC have been developed. These efforts focused on developing managerial and technical capacities at the MTPTC and the UCE to improve contractual practices, in depth training on FIDIC contracts, social and environmental management, and the implementation of a solid framework for involuntary resettlement. To continue these efforts, this program will expand institutional support to other areas such as asset management, safety practices in road designs, more efficient management practices of projects using drones and digital terrain models and a revamped maintenance management system.
- 1.22 The resettlement process has been identified by the Donor Community as the main execution bottleneck in road construction in Haiti. The Bank is currently working on four corrective measures. First, a data collection analysis was carried out to map the resettlement and compensation processes in the country. Second, institutional support is concentrated to support the Permanent Committee for Amicable Acquisition (CPA)²⁸ the main intergovernmental body in the expropriation process. To that end, an expropriation and compensation management firm has been hired to provide logistics support and implement improved procedures, including a two-step process of land tenure verification that has being matched with a new early-resolution process to the different cases encountered, facilitating subsequent payments to the population affected. Third, an information management system (IMS) has been commissioned to facilitate the exchange of information (survey of affected population, geocoded building inventory, processes monitoring, and grievances management) among the institutions involved (¶3.5). Lastly, expropriation costs will no longer be financed by the GOH but by the Bank. Additionally, with IDB financing, one of the MTPTC's cabinet member will be dedicated to monitor IDB-founded expropriation processes.
- 1.23 **Identification of the problem.** Despite the increase in investment in Haiti's road sector, a number of problems still persist: (i) low density and lack of availability of road infrastructure in good condition,²⁹ as well as limited land connections with port-cities along the coast, which affect access to/from the various production centers and raise transport costs; (ii) limited institutional capacity to coordinate the growing project portfolio; and (iii) challenges intrinsic to comprehensive road asset management, including the development of multiyear service-level maintenance contracts for the NRN and the capacity of the MTPTC to provide effective road maintenance by force account.
- 1.24 **Multi-sectorial impact and freight logistics.** The proposed program will contribute to improve agricultural productivity by reducing transportation costs and facilitating access to markets thus complementing efforts of operations approved

²⁷ The Public Expenditure and Financial Accountability Assessment Report contains the most recent assessment of Haiti's public financial management systems (FMS), the report highlights that the country's FMS and external control mechanisms require improvement to comply with EU-funded projects.

²⁸ The Expropriations for Public Utility law approved in September 1979 created the CPA to conciliate the general public interest with the interests of individuals affected by construction projects. The CPA's role is to evaluate the value of property expropriations, to reach agreements with the parties affected, and to ensure that adequate compensation is paid. The CPA coordinates with notaries to verify land titles and with the Ministry of Economy and Finance (MEF) to pay expropriation costs.

²⁹ Although 71% of the paved NRN can be classified as in good condition (IRI<3) it only represents 15% of the total network of the country.

by the Bank in the agriculture sector in the Artibonite and *Nord-Ouest* Departments (1646/SF-HA, 2390/GR-HA, 3260/GR-HA, 3622/GR-HA). In addition, flood mitigation measures financed by the Bank will help to prevent damage to the RN5 through flash flooding control. The program will generate synergies with IDB social programs in the Artibonite Department providing access to schools, health care, and services. Lastly, the program will contribute through sector studies in Component 4, to better understand key agriculture value chains and the logistic arrangements of transport services.

- 1.25 **Strategic alignment.** The program is included in the Operational Program Report (GN-2915) and is also aligned with Haiti's Country Strategy (2017-2021) (GN-2904), as enhancing transport infrastructure is one of the priorities for supporting improvements in the business climate. The Bank's program during 2011-2015 country strategy had a post-earthquake recovery focus with smaller annual operations that helped mitigate risks caused by an uncertain environment for project execution but created greater transaction costs during execution. To increase efficiency and effectiveness, GN-2904 focus in portfolio consolidation, concentrating approvals in fewer operations with larger amounts.
- 1.26 The program is consistent with the Update to the Institutional Strategy 2010-2020 (AB-3008) and will contribute to the Corporate Results Framework (GN-2727-6) through the indicator of roads built or upgraded. The program is strategically aligned with the development challenges of: (i) **productivity and innovation**, as road infrastructure rehabilitation will improve connectivity, reduce transport costs and travel times, and improve access to markets; and (ii) **economic integration** through road connection to sea ports. In addition, the program is strategically aligned with the cross-cutting themes of **climate change and environmental sustainability**, as the rehabilitation will increase road network resilience, and with **gender and diversity**, as the project will improve labor market outcomes for women's traders. According to the joint Multilateral Development Bank approach on climate finance tracking,³⁰ an estimated 50% of total IDB funding for this program is invested in climate change adaptation activities. This contributes to the IDBG's climate finance goal of 30% of combined IDB and the Inter-American Investment Corporation (IIC) operational approvals by year's end 2020.
- 1.27 The program is consistent with the IDB's Sustainable Infrastructure for Competitiveness and Inclusive Growth strategy (GN-2710-5), supporting the following principles: (i) infrastructure that supports economic growth, provides access, and fosters regional and global integration; and (ii) planning, building, and maintaining road infrastructure to support the delivery of quality services that promote the country's sustainable and inclusive growth. Lastly, the program is consistent with the Transport Sector Framework Document (GN-2740-7), by contributing to improve coverage, capacity, quality, and connectivity of infrastructure and associated transportation services.

B. Objective, Components and Cost

- 1.28 The program's objective is to continue improving the quality, accessibility, and safety conditions of Haiti's transport infrastructure through an increase in paved road coverage and the rehabilitation and upgrading of transport infrastructure and departmental roads connecting production centers to local markets. The program

³⁰ [Joint MDB approach on climate finance tracking](#).

will also promote efficiency improvements in the sector by incorporating the works into road maintenance management systems and by building capacity at the MTPTC.

- 1.29 **Component 1. National transport infrastructure interventions (US\$150.00 million).** This component will finance the: (i) rehabilitation and improvement of NRN segments (§2.8-§2.10); (ii) air transport infrastructure; (iii) social and environmental remediation and road safety measures; (iv) a maintenance contract program that will be initiated with a pilot for RN4 and other national roads previously rehabilitated with IDB financing; and (v) supervision of civil works by specialized firms.
- 1.30 This component includes US\$6 million in counterpart funds from the OFNAC to purchase equipment for the control tower of the AITL including: (i) Air Traffic System Message Handling System, which allow the transmission, processing and storage of aeronautical messages in connection with international networks; and (ii) the automated Air Traffic Management platform. This equipment will ensure better coordination with regional traffic management agencies and will improve billing of air space royalties, thus increasing financial resources for the Haitian Civil Aviation account. The intervention will include the construction and equipment of the tower as well as adequate operators' training in the use of the new systems. Due to the complexity of the work, a Building Information Modeling (BIM) approach will be used for the control tower construction management, with the support of a firm specialized in airport infrastructure projects.
- 1.31 **Component 2. Departmental and rural road network interventions (US\$42.00 million).** This component will finance: (i) rehabilitation and improvement of departmental and rural roads by traditional contracts; (ii) works carried out directly by the MTPTC on force account (§1.9); (iii) mitigation of social and environmental impacts; and (iv) supervision of all civil works. This component will follow the results of the technical cooperation ATN/OC-16301-HA named Support to the Definition of Rural Roads Projects in Haiti, that seeks to promote and improve the investment planning of Haiti's departmental and rural network through the development of a prioritization methodology, interventions, and contracting schemes.
- 1.32 This component will support the Caravan for Change (§1.9) to provide all-weather road access via force account³¹ to road sections located in the Northwest, North, and Northeast departments. Only the cost of fuel, materials, and limited per diem will be reimbursed under this procurement method. See [OEL#15](#) for execution details and the criteria for reimbursement that has been agreed upon with the GOH:³² only category C interventions are eligible; only fully finished 5 km road sections will be reimbursed; and works should be executed by the DD using government-owned equipment under the supervision of an engineer designated by the MTPTC. Quality control will be the responsibility of the *Laboratoire Nationale du Bâtiment et des Travaux Publics* (LNBTP).

³¹ Force account are construction, rehabilitation, repair or demolition services performed by government employees using government-owned equipment.

³² A Memorandum of Understanding has been signed that includes technical specifications, roads covered, and applicable unit costs.

- 1.33 Given the nature of the interventions, this program will not finance services provided by the LNBTP nor supplementary work force from the *Service de Construction des Routes* of the MTPTC.
- 1.34 **Component 3. Bridge upgrade program (US\$65.18 million).** This component will improve the resilience of selected road segments by providing strategic road connectivity to the NRN. The component will finance interventions in bridges located in national, departmental, and rural roads. Interventions have been prioritized accordingly to ease production access to markets, population served, and access to basic services (see [OEL#16](#)). This component will also finance engineering designs, technical and environmental studies, capacity building, and supervision of construction works by private firms. Interventions will consist of rehabilitation and repair of existing structures or the construction of new bridges. Bridges will be catalogued according with span; and a maximum 60-meters span for design-build contracts will be considered. Interventions will be grouped by lots and a risk and vulnerability assessments to ensure climate resilient interventions will be conducted with appropriate basin and flood modelling.
- 1.35 Capacity building will consist of support to establish a Bridge Management System and to strengthen the Bridge Management Unit at the MTPTC, with technical personnel and training on bridge assessment and asset management best practices.³³
- 1.36 **Component 4. Strengthening of road infrastructure sector (US\$18.0 million).** This component will finance sector studies, engineering designs, and socio environmental studies and will continue supporting the strengthening of the MTPTC (§1.16, §1.20-§1.21) and the RMU. This strengthening effort will help to ensure the long-term sustainability of the infrastructure investments financed by the Bank and other donors, as a more capable and response-ready maintenance team will be continually growing its capacity and expertise, allowing it to assume larger and more strategic responsibilities. This component will also finance the implementation of a road management system, the updated NRN inventory and a database for maintenance operations management.
- 1.37 This component will also support MTPTC's efforts to strengthen its operational capacity (§1.9) by providing asset and equipment management tools to ensure recently purchased equipment is maintained and life cycles extended beyond provider's guarantee. A training program for male and female equipment operators will be put in place to support government efforts.
- 1.38 Additionally, the program will provide financing for road safety through³⁴: (i) ramping up to cover the entire country of the Accident Information System (§1.14); (ii) road safety audits and engineering designs, critical spots treatment, road marking and signaling, and pedestrian facilities; and (iii) designing and implementing road safety campaigns.
- 1.39 Taking into account gender labor gaps and the situation of "*Madan Saras*" (§1.14), this program will put in place a pilot initiative aimed at improving transport services to respond to women's transport, economic, and security needs in the areas to be intervened.

³³ Bridges will be intervened with co-financing support from EIB and UE.

³⁴ These interventions will complement prior efforts in Haiti and will incorporate the IDB's road safety lessons learned.

- 1.40 **Administration costs (US\$8.00 million).** This component will finance: (i) administration costs; (ii) monitoring and evaluation; and (iii) financial, technical and socioenvironmental audits.

Table 4. Detailed budget by activity (US\$ million)

Components	IDB	Joint Co-Financing*	Co-Funding**	Local Counterpart***	Total	%
1. National transport infrastructure interventions	144.00	-	-	6.00	150.00	53.0
Road rehabilitation works	90.00	-	-	-	90.00	31.8
Control tower construction and equipment at AITL.	14.00	-	-	6.00	20.00	7.1
Performance-based maintenance	27.00	-	-	-	27.00	9.5
Socio-environmental mitigation and compensations	6.00	-	-	-	6.00	2.1
Civil works supervision	7.00	-	-	-	7.00	2.5
2. Departmental and rural road network interventions	42.00	-	-	-	42.00	14.8
Rehabilitation and maintenance works	25.00	-	-	-	25.00	8.8
Support to the Caravane for Change	10.00	-	-	-	10.00	3.5
Socio-environmental mitigation and compensations	5.00	-	-	-	5.00	1.8
Civil works supervision	2.00	-	-	-	2.00	0.7
3. Bridge upgrade program	13.00	28.99	23.19	-	65.18	23.0
Rehabilitation	4.00	-	7.13	-	11.13	3.9
Construction	8.00	26.99	10.5	-	45.49	16.1
Bridge management system	-	-	4.06	-	4.06	1.4
Civil works supervision	1.00	2.00	1.5	-	4.50	1.6
4. Strengthening of road infrastructure sector	18.00	-	-	-	18.00	6.4
Maintenance management system	1.50	-	-	-	1.50	0.5
Asset and equipment management system	3.50	-	-	-	3.50	1.2
Engineering and sector studies	8.00	-	-	-	8.00	2.8
Road safety and gender integration	5.00	-	-	-	5.00	1.8
Administration costs	8.00	-	-	-	8.00	2.8
Administration	5.15	-	-	-	5.15	1.8
Monitoring and evaluation	0.75	-	-	-	0.75	0.3
Technical and socioenvironmental audit	2.10	-	-	-	2.10	0.7
Total	225.00	28.99	23.19	6.00	283.18	100.0

* Joint co-financing through a direct loan from the EIB to the GOH up to the amount of €25,000,000 (equivalent to US\$28,990,000 as of August 2, 2018 exchange rate) and subject to its approval by the EIB Board of Directors.

** Co-funding (Project Specific Grant – [PSG]) up to the amount of €20,000,000 (equivalent to US\$23,190,000 as of August 2, 2018 exchange rate) and subject to the EU approval.

*** Counterpart funds in the amount of US\$6 million from the beneficiary to purchase equipment for the control tower of the AITL.

- 1.41 Table 4 provides the cost summary by investment categories and components. The budget includes all costs associated with risks mitigation measures identified in the Environmental and Social Management Plan (ESMP).
- 1.42 **Beneficiaries.** The direct beneficiaries of this operation are the users of Haiti's transportation network, including motorists on the north of the country in general and the RN5 in particular, men and women traders and adjacent communities of the northwest region.³⁵

C. Key Results Indicators

- 1.43 The complete set of output and results indicators is shown in the results framework. The output for civil works is measured by km of roads built or upgraded (rehabilitated). The results after project completion will be measured by the following indicators: (i) travel-time savings; (ii) reduction in travel costs; (iii) increase in the number of days per year roads are open; and (iv) reduction in number of road fatalities.
- 1.44 **Economic feasibility.** The economic feasibility for the project was analyzed for the sample of civil works to be included as part of Component 1 ([OEL#2](#)). A traditional cost-benefit methodology for transport infrastructure projects was used. The analysis considered benefits such as the reduction in: (i) operation costs; (ii) maintenance costs; and (iii) average travel times. The project is also expected to reduce the number of accidents and fatalities; however, these benefits were not included in the analysis due to baseline data uncertainty. The results from the economic analysis for the road segment civil works shows a Net Present Value of US\$31.4 million (using a discount rate of 12.0%) and an Economic Internal Rate of Return (EIRR) of 16.3%.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 **The operation.** Designed as a GOM investment grant, the program involves the financing of similar but independent projects, to be implemented in a period of five years. The GOM will provide financing for the rehabilitation, improvement and/or maintenance works of road segments and bridges in the primary/secondary networks, for which the first eligible sample project is clearly defined and represents approximately 31% of the program's budget. An additional set of road segments and other interventions will be identified during the execution of the program and will be required to meet the agreed criteria before financing is approved (§1.32).
- 2.2 **Program cost and co-financing.** This GOM involves the financing of similar but independent projects. A representative sample of projects has been selected (§2.8). The physical start of all works must be within two years of the grant agreement entry into force. The total program amount is US\$283,180,000.
- 2.3 The program will be financed as follows: up to the amount of US\$225,000,000 from the IDB's Grant Facility; up to the amount of €25,000,000 to be provided as a Joint

³⁵ Communities in the area of influence of the sample project: Limbé, Belle Hôtesse, and Carrefour du Nord and within the jurisdiction of Acul-du-Nord, Bas Limbé, Plaine-du-Nord and southern Cap Haïtien, influencing a population of approximately 180,000–220,000 people.

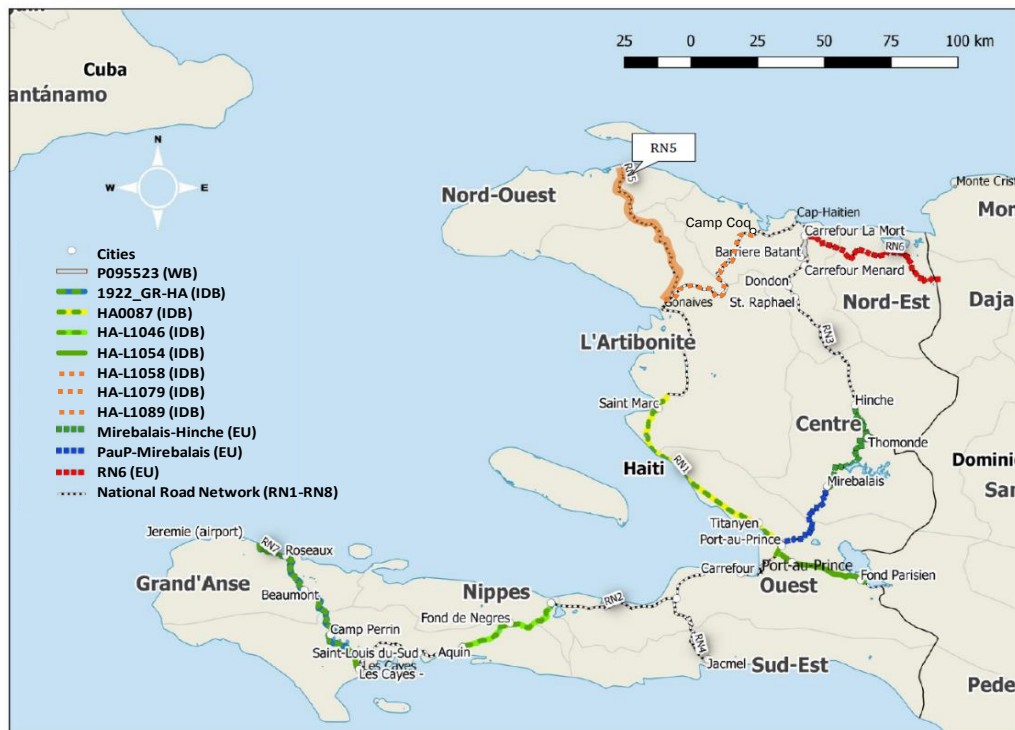
- Co-Financing through a direct loan from the EIB to the Government of Haiti; and up to the amount of €20,000,000 to be provided by the EU as co-funding (Project Specific Grant – [PSG]) and subject to its approval by the EU.
- 2.4 Non-reimbursable funding from the EU through a PSG will contribute to the project according to Table 4. In this case, the Bank would establish the commitment from EU through an administrative agreement without the requirement of preparing or approving a separate project proposal. Under such administrative agreements, the resources provided by the EU will be administered by the Bank. The Bank will not charge an administrative fee for the administration of these funds. The Board is, therefore, requested to authorize the President, or such representative as he shall designate, to enter into such agreements, as may be necessary, with EU and with the Republic of Haiti to receive, administer, and allocate to this operation the PSG resources aimed at supporting and executing Component 3 of this operation.
- 2.5 **Collaboration agreement with the EIB.** The statutes of the EIB limits it to financing up to 50% of eligible project costs. This implies that EIB always needs a partner for co-financing operations. Giving this arrangement, the Bank will enter into a Collaboration Agreement with the EIB whereby the Bank will support day to day activities on behalf of the EIB, including procurement, project implementation, supervision, and reporting.
- 2.6 **Eligibility criteria.** The program will not finance projects classified as “A” in the environmental and social risk classification. The GOM will provide financing for transport infrastructure and the rehabilitation, improvement and/or maintenance works of road segments in the primary/secondary networks with a geographic concentration of road interventions in the north of the country, for which the first eligible sample project is clearly defined and represents approximately 31% of the program’s budget. This sample project is in compliance with the program’s eligibility criteria defined by: (i) **geographical concentration** of projects that take advantage of development synergies with other IDB investments: (a) in the case of Component 2 have a geographical concentration in the north of the country; and (b) in the case of Component 3, have been included in the Bridge Prioritization Study; (ii) **priority intervention** to strengthen the resiliency of Haiti’s transport infrastructure; (iii) **finalized engineering** designs and Environmental and Social Impact Assessment (ESIA) and mitigation and RAPs; (iv) **minimal social and environmental impact** being classified as “B” or “C” in the Bank’s environmental and social risk classification; and (v) **social return** having an economic evaluation with favorable results and a minimal EIRR of 12%.
- 2.7 **Disbursement period.** Implementation is expected to be five years from the effective date of the grant contract (Table 5).

Table 5. Estimated schedule of disbursements (US\$ million)

	2019	2020	2021	2022	2023	Total
IDB	24.75	40.50	47.25	67.50	45.00	225.00
Co-Fin. + Local Count	6.40	10.46	12.22	17.46	11.64	58.18
Total	31.15	50.96	59.47	84.96	56.64	283.18
%	11.0	18.0	21.0	30.0	20.0	100.0

2.8 **Representative sample.** This operation will finance interventions along the RN5, which the GOH has identified as a strategic route providing connectivity between Port-au-Prince, Port-de-Paix and the northwest region. The RN5 segment between Gros Morne and Port-de-Paix will be presented as the program's sample and accounts for 31% of the total program cost.³⁶ This sample meets technical, economic, environmental, and social criteria (§2.6). An additional set of bridges and departmental and rural roads connecting production centers and markets will be identified during program execution and will be required to meet the same eligibility criteria.

Figure 2. Location of RN5 and other roads financed by IDB



2.9 The RN5 is a strategic corridor connecting export-oriented agricultural regions to the NRN and therefore to the main seaports of the country: Port-au-Prince, Gonaïves, and Cap Haitien. Considering the importance of agriculture in the RN5

³⁶ In 2007, the Bank financed the rehabilitation of a 22.5 km stretch between Carrefour Joffre and Gros Morne, but most of the works were destroyed after four consecutive cyclones hit the area in 2008. In 2010, the Bank provided US\$7.3 million in financing for the construction of two bridges along RN5, spanning over the rivers Mancelle and L'Acul.

influence area, the road has the potential to become an important corridor for international-bound products such as mangoes and avocados by connecting rural production centers to national and international markets. The rehabilitation of the RN5 will also contribute to expanding opportunities for small and medium enterprises to be inserted into value chains, through the reduction of travel times and transport costs.

- 2.10 Currently, RN5 presents low service levels and a high surface degradation.³⁷ Most of the road is not paved and has inadequate road alignment, poor signalization, aging and inadequate structures operating under hazardous conditions, and drainage problems. The geometry of the road presents factors that increase the risk of accidents and collisions between vehicles, both on and off the road, including narrow shoulders along the road and limited visibility at certain curves.

B. Environmental and Social Safeguard Risks

- 2.11 This program has been classified as category “B” as defined by the Environmental Safeguards and Compliance Policy (OP-703), due to confirmation during due diligence, based on the sample project of the operation, that negative environmental and social impacts are mostly local and short-term. These potential impacts are those typical to road construction (soil, vegetation, ground and surface water, air pollution, health and safety issues) as well as those related to maintaining the right of way which will, for the sample, result in the resettlement of 111 households (of which a majority will be resettled on the same plot) and expropriation of 8,2 hectares of land, in all cases effective mitigation measures are in place. Disaster risk (Type I) of the program is classified as moderate considering the combination of the frequency of natural disasters with the level of effect such disasters can have.
- 2.12 An ESIA and a RAP have been developed for the sample project in compliance with IDB policies and have been disclosed accordingly. An Environmental and Social Management Framework (ESMF), which includes a Resettlement Framework annexed, has been developed to assure compliance with IDB policies of each future project to be incorporated in the program. Measures and institutional and responsibility arrangements were designed taking into consideration lessons learned from past operations in Haiti to mitigate social and environmental risks during the execution phase and prevent situations of non-compliance.
- 2.13 ESIA and RAP for the sample project were both conducted under a participatory approach including various consultation rounds with key stakeholders and a gender perspective to include women’s participation ([OEL#13](#)). To this regard the project has incorporated training options to facilitate women accessing job opportunities.

C. Fiduciary Risks

- 2.14 Procurement activities will be conducted by the UCE to support the MTPTC. Given the need to build procurement capacity within MTPTC, the procurement risk level associated with this operation is considered medium. To mitigate procurement risk, the following measures are identified and will be supported by the Bank’s project team: (i) two full-time procurement officers will be hired at the UCE for the execution of all procurement activities foreseen under this operation; (ii) the roles and responsibilities as well as interaction with other agencies will be defined in the

³⁷ IRI for the segment Carrefour Joffre - Gros Morne IRI: 20 (optimal IRI between 1.5 to 3.5 for new pavements).

Operations Manual (¶3.7); (iii) MTPTC officers will be trained on Bank's procurement policies and procedures and on the different steps of the procurement cycle by the Bank's procurement team; and (iv) the Bank will closely supervise all procurement activities through ex ante supervision and regular inspection visits to closely monitor contracting processes and contract management aspects. (see Annex III).

- 2.15 As identified in the Public Expenditure and Financial Accountability (PEFA) country financial management systems and external control mechanisms, require further improvements to conform to levels consistent with fiduciary management of Bank funded projects. Therefore the Financial Management (FM) risk level is considered medium. To mitigate financial; management risks, two finance specialists will be appointed within UCE's team for the FM aspects with a direct reporting line to the Program Director.

D. Other Key Issues and Risks

- 2.16 **Risks.** Three medium development and public management risks were identified: (i) challenges to implement the ESMP, due to institutional capacity and the complex interaction between the MTPTC and the MEF; (ii) difficult coordination among government bodies, since the program will finance works ranging from national roads to bridges, departmental roads, and maintenance contracts; and (iii) execution delays due to frequent changes in public administration. The proposed program mitigates said risks by early engagement with a firm to support the MEF and the CPA (¶1.21), and by providing direct financial resources within the program's budget. Furthermore, semesterly accountability meetings will be held with the MEF, MTPTC and Ministry of Planning and External Cooperation to ensure government ownership and disclosure of grant implementation progress. The meetings would take place after the distribution of the semester reports and will represent an opportunity to review and validate the execution arrangements.
- 2.17 **Cost overruns.** This operation will be executed using executive designs instead of advanced engineering designs, which has been the previous practice in Haiti. The executive designs for the sample works were contracted with the main objective of mitigating risks associated with modifications in quantities and earth movement variations. Additionally, this operation will be monitored with innovative procedures that include drones and digital terrain models to assess quantities variations between project design and certification by the supervision firm. This operation will continue and complement efforts to reduce large cost variations and long addendum negotiations between the MTPTC and construction firms.
- 2.18 **Sustainability.** This operation will finance the development of maintenance contracts in segments rehabilitated with IDB financing. It will also continue supporting ongoing IDB efforts to strengthen the MTPTC to improve long-term sustainability of road projects and maintenance capabilities; as a direct result, road maintenance management will be modernized through the implementation of performance indicators and asset management best practices.
- 2.19 This operation will provide resources for the MTPTC's RMU to continue performing and/or coordinating maintenance activities as part of the activities proposed for Component 1, 2 and 4. These tasks will ultimately be translated into long-term sustainability with efficient asset management practices and a consistent and reliable sector strategy.

- 2.20 This program will also support GOH initiatives (§1.9) by providing asset and equipment management tools to ensure equipment is maintained and life cycles are extended beyond providers' guarantee. Technical guidelines and software will be developed, and technical staff will be trained for the design and implementation of preventive and proactive equipment maintenance programs according to best practices. This will increase equipment performance and service life by spotting causes of failure and correcting the problems at the source. A gender training program for equipment operators, mechanics and logisticians will be put in place to support government efforts by assuring availability of more qualified personnel that will ensure efficient and safe use of heavy construction machinery.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of Implementation Arrangements

- 3.1 **Beneficiary and Executing Agency (EA).** The beneficiary will be the Republic of Haiti and the MTPTC will be the EA for the operation. Execution will be under direct supervision of the Minister of the TPTC, and will be supported by the UCE³⁸ and by the Ministry's administrative, public works, and transportation departments, as well as its technical units for project execution. Giving the identified fiduciary risk, the MTPTC will be responsible for contract signature and monitoring contracts and the UCE will be responsible for coordinating the bidding processes, preparing bidding packages, drafting contracts and all financial services given its experience with the execution of other IDB grants. All execution related to the EIB financing will be conducted by the UCE.
- 3.2 The UCE includes a management structure with a general coordinator, a financial specialist, accountants, and procurement specialist. Project managers are responsible to monitor contracts execution. At the start of program execution, the UCE and the MTPTC will review and send for non-objection the Pluriannual Execution Plan (PEP) which will include the overall financial plan, budgets, and cash flow needs, based on activities identified in the Annual Operating Plan.
- 3.3 The Minister will appoint a program director that will be responsible for strategic planning and overall management and supervision of the program (§3.8). He/she will manage the institutional relation and accountability with the donors and the Ministry. The program director's office will be strengthened (limited to the duration of the implementation of the program) by: (i) a full-time Planning, Monitoring and Evaluation Coordinator (PMEC); (ii) a full-time Technical Coordinator (TEC) for the construction and equipment of the control tower; (iii) a full-time TEC for the Bridge Upgrade Program; (iv) a full-time TEC for road works; and (v) a full-time TEC for environmental and social matters. The PMEC will be responsible for the day to day coordination of the program's execution. He/she will support the coordinators and project managers, coordinate the planning, monitor the results framework and prepare the technical reports. The TECs will be responsible for program execution, planning activities, and contract management. The social-environment coordinator will be responsible for ensuring compliance with IDB's policies and will manage the expropriation and compensation management firm contract and will oversee the

³⁸ The MTPTC also relies on the UCE for the execution of transport projects financed by the Bank and the WB.

- preparation and implementation of environmental and social management action plans, resettlement, gender mainstreaming, and road safety.
- 3.4 In order to improve execution and to speed up disbursements, the Bank will have swift access to all invoices sent by suppliers, including construction and supervision firms and other consulting services. The execution of the project's financial plan will be evaluated every six months and reported in the semiannual Project Monitoring Report (PMR). The financial plan will coincide with the Haitian fiscal year and will respect budget lines defined in the grant agreement (categories of investment).
- 3.5 To facilitate real-time expropriation and compensation monitoring, during the execution of Components 1, 2 and 3, the beneficiary will be required and have to ensure that all stakeholders involved, including the MTPTC, UCE, CPA and the notaries, record all transactions on an IMS acceptable to the Bank (§1.21). To that end and to better coordinate compensation and expropriation processes, the beneficiary will provide to the management firm access to all CPA's and notaries' data to effectively liaise with the UCE and the contractors in charge of the construction.
- 3.6 **Coordination with other agencies.** The Bank has coordinated its actions with other agencies through the existing forums of donors and through the MEF. Bank involvement has guaranteed additional donor-funded resources for the sector mainly from the EIB and the EU. In addition, the Bank has worked in close collaboration with the World Bank (WB) to coordinate bridge and road intervention and to support execution efforts.
- 3.7 **Operations manual.** As a GOM operation, execution will rely on a program Operations Manual ([OEL#14](#)) that includes: (i) roles and responsibilities of the parties for the execution of the program; (ii) technical, economic, and socioenvironmental eligibility criteria (§1.43); (iii) an ESMF that defines socioenvironmental impact analysis and monitoring requirements;³⁹ (iv) procurement-related provisions; (v) FM, accounting and internal control arrangements; and (vi) coordination mechanism and accountability with the MTPTC and third parties.
- 3.8 **Special contractual conditions prior to first disbursement of the grant proceeds: the Executing Agency (EA) will provide evidence to the Bank's satisfaction of: (i) the entry into force of the program's Operations Manual under the terms previously agreed upon with the Bank; (ii) the assignment of a full-time program director; (iii) the hiring or assignment validated by the Bank, for the MTPTC, of qualified personnel dedicated to manage the program, including a full-time planning, monitoring and evaluation coordinator, a full-time Technical Coordinator (TEC) for the construction and equipment of the control tower, a full-time TEC for the Bridge Upgrade Program, a full-time TEC for road works, and a full-time TEC for environmental and social issues.** These conditions are considered fundamental to guarantee that the beneficiary will be prepared to begin the execution of the project with a qualified team as well as detailed guidelines on operational and coordination aspects.

³⁹ Prior to the commencement of works, the beneficiary shall ensure compliance with the environmental, social, health and safety requirements as set forth in Annex B of the ESMR ([REL#3](#)).

- 3.9 **Supervision.** The technical supervision of the civil works will be contracted with specialized firms that will: (i) verify the quality of the civil works ensuring the achievement of technical specifications; (ii) certify the compliance of laboratory equipment for tests and necessary technical controls; (iii) measure and certify quantities and the progress of the activities of the contractors, including measures for the mitigation of environmental and social impacts; (iv) support the MTPTC in relation to general project management issues; (v) advise on the needs to improve levels of activities; and (vi) elaborate monthly reports of project progress, including issues related to the implementation of environmental and social mitigation measures.
- 3.10 **Procurement.** The procurement plan ([REL#4](#)), covering 60 months of project execution⁴⁰ starting on the date of eligibility of the program, will be agreed by the MTPTC and the Bank. The procurement plan will be updated with semester activity or whenever necessary or as required by the Bank. Procurement for the proposed project will be carried out in accordance with: (i) the Policies for the Procurement of Works and Goods financed by the Bank (GN-2349-9); and (ii) the Policies for the Selection and Contracting of Consultants financed by the IDB (GN-2350-9) of March 2011.
- 3.11 **Exceptions to Bank policy.** Given the involvement of the EIB in financing the project, the need to request the following has been identified: a waiver of the Policies for the Procurement of Goods and Works (GN-2349-9) and the Policies for the Selection and Contracting of Consultants (GN-2350-9) financed by the IDB with regard to two aspects: (a) eligibility of firms and individuals, so firms and individuals from any EIB member country may participate in the bidding processes; and (b) recognition of the EIB sanctions imposed on firms and individuals that are not included on the IDB's list of parties sanctioned for engaging in prohibited practices. A similar waiver has already been approved by the Bank's Board of Executive Directors in the context of the First Line of the Quito Metro operation (2882/OC-EC) and the First Line of Bogota Metro (CO-L1234).
- 3.12 Regarding the co-financing of the EU, the eligibility of firms and individuals from the EU members countries has been approved by the Board of Executive Directors in the Framework Agreement with EU (GN 2605-2) for every project co-financed by EU and IDB.
- 3.13 **Financial management** of the program will be in accordance with Bank's Management Guidelines (OP-273-6). Financial programming will be based on IDB's standard disbursement guide. The Bank will determine the supervision procedures it deems necessary to verify program execution including independent financial auditing.
- 3.14 **Technical audits.** Technical audits will be financed by the grant and will cover the entirety of the GOM. A technical audit is carried out to ensure high standard engineering practices as well as good supervision and project management. Audits will verify the compliance of contract clauses, ensuring alignment and coherence among the construction bidding documents, the receipts presented by the construction firm, and the amounts certified by the supervision firm.

⁴⁰ The first 18 months of project execution are counted from the date of publication of the general procurement notice or from the first specific procurement notice published following approval of the operation, whichever is earliest.

- 3.15 **Audit special requirements.** The UCE will be responsible for the recruitment of external auditors, eligible to the Bank, to perform financial and technical audits of the grant as follows: (i) annual financial audit of the program to be submitted within 120 days after the closure of each fiscal year; (ii) a final financial audit of the program to be submitted within 120 days after the date of the last disbursement; and (iii) technical audits as required by the program.

B. Summary of Arrangements for Monitoring Results

- 3.16 The monitoring and evaluation plan ([REL#2](#)) will be carried out during project execution in agreement with the goals and performance indicators identified in the Results Framework . The MTPTC and the UCE will verify the progress of the operation activities, for which it will: (i) periodically collect information about physical progress (activities), financial (available and invested funds) and road usage; and (ii) keep updated and accessible the relevant information about the execution of the operation activities and its resources. The MTPTC will ensure that the monitoring plan is carried out within the established parameters and timeframe. In order to accomplish this, the Team Leader will hold periodic meetings with the MTPTC to review the progress of the project.
- 3.17 **Semester reports.** In the months of August and February every year, a six-month progress report will be presented by the MTPTC describing the status of physical and financial progress and summarizing the reports from the supervision firms. Reports will be used to fill the PMR.
- 3.18 **Field visits and missions.** The Bank will perform periodic field supervision visits, with the goal of monitoring the progress in the execution of the different products. Furthermore, annual management missions with the purpose of analyzing the progress of the operation and dealing with specific issues will be carried out.
- 3.19 **Evaluation.** After 18 months from the date the grant becomes effective or after 20% of the commitment of grant resources, whichever comes first, the MTPTC will conduct an evaluation to include: (i) the initial results of the execution of the program; (ii) processes and results of the procurement processes for the civil works and consultancies; and (iii) evaluation of the progress of civil works.
- 3.20 Within 60 days after the last disbursement of the grant, a final evaluation will be carried out by the MTPTC, including: (i) results of the financial execution by component; (ii) accomplishment of the attained goals according to the Results Framework; (iii) compliance with contractual arrangements; (iv) detail of the cost of works; (v) lessons learned; (vi) evaluation of the socioenvironmental aspects; and (vii) an ex post cost benefit analysis. This methodology will be used to evaluate the program's effectiveness by replicating the methodology used to evaluate the project's economic feasibility ex ante. The analysis will study and evaluate the achieved benefits for which improvements are anticipated as identified in the Results Framework.

Development Effectiveness Matrix		
Summary		HA-L1104
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Economic Integration -Gender Equality and Diversity -Climate Change and Environmental Sustainability	
Country Development Results Indicators	-Roads built or upgraded (km)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2904	Enhance key transport infrastructure
Country Program Results Matrix	GN-2915-2	The intervention is included in the 2018 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution	8.0	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	3.6	
3.3 Results Matrix Quality	1.4	
4. Ex ante Economic Analysis	10.0	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	3.0	
4.2 Identified and Quantified Benefits and Costs	3.0	
4.3 Reasonable Assumptions	1.0	
4.4 Sensitivity Analysis	2.0	
4.5 Consistency with results matrix	1.0	
5. Monitoring and Evaluation	8.5	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	6.0	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	B	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)		
Non-Fiduciary	Yes	Statistics National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Technical assistance was offered through operation HA-T1236. Gender Equality: The Involuntary Resettlement Plans will contribute to women economic empowerment through design of indemnization measures and equitable economic rehabilitation,providing ownership of the new housing in their favor. Additionally, studies will be prepared and programs will be designed to improve women access to transportation services. Environment: Geographical and climate conditions will be considered to reduce vulnerability of the works being financed.

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

This is a US\$ 225 million operation, co-financing works with total costs of US \$ 283.18 million. The objective of the project is to contribute to improving the quality, accessibility, and safety conditions of Haiti's transport infrastructure. The program will increase the paved road coverage and the rehabilitation and upgrading of transport infrastructure and departmental roads connecting production centers to local markets. Despite the recent increase in investment in the road sector in Haiti, a series of problems persist: (i) low density and lack of availability of road infrastructure in good condition, as well as limited land connections with port-cities along the coast, affecting access to and from the various production centers and increasing transportation costs; (ii) limited institutional capacity to coordinate the growing project portfolio; and (iii) challenges intrinsic to the integral management of road assets, including the development of multi-year maintenance contracts.

The ex-ante economic analysis of the intervention is appropriate, with reasonable and standard assumptions for this type of project, and with reasonable sensitivity analyzes. The net present value of the project is US \$ 31.4 million, with an internal rate of return of 16.3%.

The project proposes an evaluation plan based on an ex-post cost-benefit analysis that is well presented and developed. This type of analysis does not allow the ex-post effectiveness to be measured, but the efficiency of the project at its end.

RESULTS MATRIX

Project Objective:	The program's objective is to continue improving the quality, accessibility, and safety conditions of Haiti's transport infrastructure through an increase in paved road coverage and the rehabilitation and upgrading of infrastructure and departmental roads connecting production centers to local markets. The program will also promote efficiency improvements in the sector by incorporating the works into road maintenance management systems and by building capacity at the MTPTC.
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline Value	Baseline Year	End of Project	Means of verification	Observations
IMPACT: Trading across borders in Haiti (Ranking)						
Indicator	Distance to Frontier	77	2018	TBD	Doing Business Report	

EXPECTED OUTCOMES

Indicators	Unit of Measure	Baseline Value	Baseline Year	End of Project	Means of verification	Observation
OUTCOME No 1: Increased accessibility of primary road network						
Indicator No.1 Paved road density in the Artibonite Department	[km paved roads/ 100,000 inhabitants]	10.03	2015	11.40	IHSI and supervision reports.	Artibonite Department: Total Population 1,727,524 Km of asphalted roads 173.26
Indicator No.2. Paved road system total length	[km paved roads]	1023	2015	TBD	Reports from MTPTC.	
Indicator No.3 Average travel times in road section	Motorcycle	1:50	2017	0:34	The Highway Development and Management Model (HDM-4). This outcome will be measured in the final	
	Auto	1:50	2017	0:33		
	Pick-up	1:50	2017	0:33		
	Tap-Tap	1:50	2017	0:33		
	Bus	1:53	2017	0:39		

Indicators	Unit of Measure	Baseline Value	Baseline Year	End of Project	Means of verification	Observation
Gros Morne - Port de Paix [hours:min]	Truck C2	1:52	2017	0:41	evaluation through the ex post cost-analysis.	
	Truck C3	1:51	2017	0:37		
	Truck C5	1:57	2017	0:42		
Indicator No.4 Annual traffic in road section Gros Morne - Port de Paix [#]	Motorcycle	285,065	2018		This outcome will be measured in the final evaluation through the ex post cost- analysis.	
	Autos	29,565	2018			
	Pick-up	31,755	2018			
	Tap-Tap	730	2018			
	Bus	1,825	2018			
	Truck C2	26,280	2018			
	Truck C3	6,570	2018			
	Truck C5	365	2018			

Indicators	Unit of Measure	Baseline Value	Baseline Year	End of Project	Means of verification	Observation
OUTCOME No. 2: Increased road quality						
Indicator No.5 International Roughness Index (IRI) Gros Morne - Port de Paix	[m/km]	20	2018	2	Measures longitudinal road profile through specialized equipment (rough meter). This outcome will be verified through supervision reports.	
Indicator No.6 Vehicle operating cost (V.O.C) Gros Morne - Port de Paix [US\$ constant/vehicle km]	Motorcycle	0.080	2017	0.057	The HDM-4. This outcome will be measured in the final evaluation through the ex post analysis.	
	Auto	0.329	2017	0.184		
	Pick-up	0.432	2017	0.232		
	Tap-Tap	0.450	2017	0.209		
	Bus	0.692	2017	0.320		
	Truck C2	0.965	2017	0.478		
	Truck C3	2.085	2017	1.012		
	Truck C5	2.378	2017	1.135		
OUTCOME No.3: Increased road safety						
Indicator No.7 Number of accidents per year Gros Morne - Port de Paix	[#]	TBD	TBD	-10%	Reports by Direction Centrale de la Police Routière	
OUTCOME No.4: Promotion of efficiency improvements into the road sector						
Indicator No.8 Average travel times of road maintained	Auto [hours:min]	TBD	TBD	TBD	HDM-4. This outcome will be measured in the final evaluation through the ex post cost-benefit analysis.	
Indicator No.9 Average vehicle operational costs of road maintained	Auto [US\$ constant/vehicle km]	TBD	TBD	TBD	HDM-4. This outcome will be measured in the final evaluation through the ex post cost-benefit analysis.	

OUTPUTS

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1 2019	Year 2 2020	Year 3 2021	Year 4 2022	Year 5 2023	End of project	Means of verification	Observations
Component No.1: National transport infrastructure interventions											
Output No.1: National roads built or upgraded (rehabilitated)	[km]	0	2018	-	-	-	-	45.3	45.3	Certificate of acceptance of work. Oversight Reports.	
Output No.2: Control tower at Intl. Airport Toussaint Louverture built and equipped	[#]	0	2018	-	-	-	-	1	1	Certificate of acceptance of work. Oversight Reports.	
Output No.3: Roads maintained	[km]	0	2018	20	50	75	75	54.55	274.55	Certificate of acceptance of work. Oversight Reports.	Periodic Maintenance for RN2 (190.55 km) RN1 (Bon Repos - Saint Mar, 84.00km) estimated at US\$55,000/km.
Output No.4: Technical and socioenvironmental audits	[#]	0	2018	1	2	2	3	-	8	Consultant report	

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1 2019	Year 2 2020	Year 3 2021	Year 4 2022	Year 5 2023	End of project	Means of verification	Observations
Component No.2: Departmental and rural road network interventions											
Output No.1: Secondary and rural roads built or upgraded (rehabilitated)	[km]	0	2018	20	20	35	35	20	130	Certificate of acceptance of work. Oversight Reports.	The cost/km considered is US\$1,000,000/km for building or upgrading - major works (30 km) and US\$50,000/km for rehabilitation by force account (100 km) based on actual costs in executing contracts.
Component No.3: Strengthening of road infrastructure sector											
Output No.1: Road maintenance system designed and implemented	[#]	0	2018	-	-	1	-	-	1	Semester report	
Output No.2: Asset and Equipment Management System designed and implemented	[# of officials receiving training on maintenance systems]	0	2018	5	10	10	-	-	25	Semester report	
Output No.3: Road safety baseline assessment	[#]	0	2018	1	-	-	-	-	1	Consultant report	
Output No.4: Road safety campaigns designed and implemented	[#]	0	2018	1	1	1	1	1	5	Consultant report	
Output No.5: Gender studies	[#]	0	2018	1	1	-	1	-	3	Consultant report	

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1 2019	Year 2 2020	Year 3 2021	Year 4 2022	Year 5 2023	End of project	Means of verification	Observations
<u>Component No.4:</u> Bridge upgrade program											
Output No.1: Bridges built or rehabilitated	[#]	0	2018	1	3	2	2	-	8	Supervision Reports	Number of bridges based on the available budget and the average estimated cost for bridges of less than 200 m of span provided by the MPTC.
Output No.2: Bridges maintenance system design and implemented	[#]	0	2018	-	-	1	-	-	1	Consultant report	

FIDUCIARY ARRANGEMENTS AND REQUIREMENTS

Country: Republic of Haiti (RH)
Project No: HA-L1104
Name: Transport and Departmental Connectivity
Executing Agency (EA): Ministry of Public Works, Transportation and Communications (MTPTC)
Prepared By: Takady Konate and Romina Kirkagacli (FMP/CHA)

I. EXECUTIVE SUMMARY

- 1.1 This document is based on information collected from existing diagnoses of public financial management systems and procurement systems of the GOH. The MTPTC, on behalf of the government of the Republic of Haiti, has applied for financing (hereinafter called “funds”) from the IDB, “the Bank”, toward the cost of the project HA-L1104 named “Transport and Departmental Connectivity” for US\$225 million. The project is expected co-financing of US\$52.18 million from the EIB and the EU; and a local contribution of US\$6 million. The total projected financing amount is US\$283,180,000.
- 1.2 The MTPTC will be the Executing Agency (EA); supported by its administrative, public works, and transportation departments, and its technical units for project execution. The Central Execution Unit (UCE) will be responsible for the financial aspect of the new operation. The most recent institutional capacity evaluation of the UCE concludes that the fiduciary system in use at the time of the analysis does not entirely comply with the characteristics required for the implementation of projects financed by the Bank. The overall financial management risk rating is medium, particularly in planning, internal controls, contract, operational, and inventory management, and archives.
- 1.3 **Public financial management, public procurement and the general context.** The most recent assessment of the public financial management systems of the Republic of Haiti is contained in the PEFA assessment report conducted in 2011 and published in February 2012. Country financial management systems and external control mechanisms, as evidenced in recent diagnostics, would require further improvements to conform to levels consistent with fiduciary management of Bank funded projects.
- 1.4 An evaluation of the National Procurement System (NPS) was performed in 2013, applying the Organization for Economic Co-operation and Development/Development Assistance (OECD/DAC) methodology and indicators. A certain number of weaknesses were identified and an action plan for the modernization of the national procurement system is currently being implemented. Based on the current situation and the need to align the system to international best procurement practices and standards, no country systems will be used, and the Bank’s procurement policies will govern procurement activities foreseen under this program.

- 1.5 To mitigate these weaknesses, the Bank will continue to: (i) implement special fiduciary arrangements at its projects; and (ii) conduct close operation supervision of project execution units. External control will be performed for all Bank operations by independent audit firms acceptable to the Bank in accordance with the Bank's financial reporting and audit guide.

II. EXECUTING AGENCY FIDUCIARY CONTEXT

A. Organizational structure and administrative policies

- 2.1 The MTPTC will be the EA in charge of the execution of this program under the supervision of a Program Director (PD), supported by technical and fiduciary staff. The fiduciary team will consist of procurement and financial specialists. Financial Management systems of the UCE/MTPTC, current EA for transport projects, will be used for this operation.

B. Procurement

- 2.2 Procurement activities will be conducted by the UCE to support the MTPTC. Given the need to build procurement capacity within the MTPTC, the procurement risk level is medium. To mitigate it, the following measures are identified and will be supported by the Bank's project team: (i) full-time procurement officers will be hired at the UCE for the execution of all procurement activities foreseen under this operation; (ii) the roles and responsibilities as well as interaction with other members of the project team will be defined in the Operations Manual; (iii) MTPTC officers will be trained on Bank's procurement policies and procedures and on the different steps of the procurement cycle by the Bank's procurement team; and (iv) the Bank will closely supervise all procurement activities through ex ante supervision and regular inspection visits to monitor contracting processes and contract management aspects.

C. Financial Management

- 2.3 The risk level is considered as medium. To mitigate the risk, finance specialists will be appointed within UCE's team for the financial management aspects with a direct reporting line to the PD.
- 2.4 The Finance Specialists will use the existing system at UCE to track and record all transactions. The accounting, recordkeeping, and financial reporting are carried out using TOMPRO. The modified cash-based accounting method will be used to record expenses when paid and revenues when received. An archiving system will be established to keep all financial records of the operation.

III. ISSUES TO BE CONSIDERED SPECIAL CONDITIONS OF CONTRACT

- 3.1 **Special contractual conditions prior to first disbursement of the grant proceeds. The Executing Agency will provide the evidence to the Bank's satisfaction that the MTPTC has hired for the UCE (a) two finance specialists; and (b) two procurement specialists.**
- 3.2 **Financial audit special requirements.** The MTPTC will be responsible for the recruitment of external financial auditors eligible to the Bank to perform the financial audit of the program as follows: (i) annual financial audit reports to be

submitted within 120 days after the close of the fiscal year; and (ii) a final audit report to be submitted 120 days after the date of last disbursement. Exchange rate valid at the day of transaction. The Central Bank of Haiti exchange rate will be used as the reference rate.

IV. AGREEMENTS AND REQUIREMENTS FOR PROJECT PROCUREMENT

- 4.1 **Procurement execution.** The procurement plans, covering the entire project execution period¹ starting on the date of eligibility of the project, has been agreed by the MTPTC and the Bank. The procurement plans will be updated semiannually, or whenever necessary, as required by the Bank; all revisions of the procurement plan will require Bank no objection.
- 4.2 Procurement for the proposed project will be carried out in accordance with the Policies for the Procurement of Works and Goods financed by the Bank (GN-2349-9), of March 2011; and the Policies for the Selection and Contracting of Consultants financed by the Bank (GN-2350-9), of March 2011.
- 4.3 **Procurement of works, goods, and non-consulting services.** Good, works and non- consulting services requiring International Competitive Bidding (ICB) will be contracted using the Standard Bidding Documents (SBDs) issued by the Bank. Procurement subject to National Competitive Bidding (NCB) will be undertaken using national bidding documents agreed with the Bank or satisfactory to the Bank in the absence of an agreement. The procurement activities using the method of shopping must be executed according to paragraph 3.5 of the policy GN-2349-9. All technical specifications, scope of works and bill of quantities of these processes will be reviewed by the project team leader or sector specialist.
- 4.4 **Procurement of works.** The Bank has considered the following arrangements for the procurement of works as well as other contracts foreseen in the procurement plan: (i) road rehabilitation works on the primary road network; (ii) construction of an airport control tower and related equipment; (iii) performance-based maintenance works; (iv) rehabilitation and maintenance works on the secondary and rural road network; (v) rehabilitation and construction of bridges; and (vi) other transport infrastructures as required.
- 4.5 **Works conducted using the Force Account method.** Specific road sections of the secondary and rural road networks will be rehabilitated using the force account method as per clause 3.8 of GN-2349-9. A justification for this use of such method, on each of the specific segments, detailing that all the conditions stated in the abovementioned clause are met, and a draft agreement will be submitted to the Bank's for prior no-objection. The agreements will reference to the applicability of the Bank's procurement policies and should include the prohibited practices provisions and integrity audit clause. The Bank will assess MTPTC's capacity to ensure proper internal control and monitoring to conduct such works and an external supervision will monitor closely the execution of the works (quality, timeframe, agreed costs).
- 4.6 **Selection and contracting of consulting firms.** The selection and recruitment of consulting firms required by the project and subject to the methods of Selection Based on Quality (SBQ) and other selection methods provided in Section III of the

¹ The start date of project execution is counted from the date of publication of the general procurement notice, or the first specific procurement notice published following approval of the loan, whichever is earlier.

Policies for the Selection and Employment of Consultants financed by the Bank (GN-2350-9) will be executed applying the standard documents of Request for Proposals (RFP) issued by the Bank. All terms of reference will be reviewed by the project team leader or sector specialist.

- 4.7 **Selection of consulting firms.** The Bank has considered the following arrangements for consulting firms as well as other contracts foreseen in the procurement plan: (i) civil works supervision of national, secondary and rural road network; (ii) civil works supervision for the bridge upgrade program; (iii) engineering and sector studies; (iv) technical assistance to the MTPTC; (v) financial audits; (vi) technical, environmental and social audits; and (vii) evaluation of the program.
- 4.8 **Individual consultants.** National and international individual consultants will be selected according to Annex V of the procurement policies document GN-2350-9.
- 4.9 **Recurrent expenses.** The following recurrent expenses, also known as operational costs, could be financed by the Bank if required and approved by the Team Leader: (i) all expenses required and agreed with the Bank for the execution of the project;² (ii) all individual consultant contracts required for the execution of the project; and (iii) per diem (if any).
- 4.10 **Project procurement thresholds table.** The threshold amounts applicable to this operation are as follows:

Table 1. Regular threshold amounts for Haiti

Haiti - Limit amounts (in thousands of US\$)							
Works			Goods			Consulting	
ICB	NCB	PC	ICB	NCB	PC	International	100% National
≥ 1.000	100<1.000	<100	≥ 100	25<100	<25	>100	<100

- 4.11 **Procurement supervision.** Procurement activities foreseen under this operation will be subject to ex ante review by the Bank. Any change in the supervision method will be indicated in the revised Procurement Plan agreed between the EA and the Bank.
- 4.12 **Records and files.** The EA will keep organized records of all documents starting with the procurement plan and including all documents from the procurement process and contract management phase, through the end of contract execution. The Bank's operational team will maintain organized electronic files for all steps in which it will be involved.

V. ARRANGEMENTS FOR PROJECT FINANCIAL MANAGEMENT

- 5.1 **Programming and budget.** The financial programming, planning and monitoring of budget execution of the MTPTC will be initially supported by the utilization of TOMPRO. At the start of the project, the MTPTC will prepare a Pluriannual

² Office rent, automobile rent to perform supervision tasks, public service expenses and communication, translations, bank charges, office supplies, advertisement, photocopies mail, etc.

Execution Plan (PEP) which will include the overall financial plan of the project which will include budgets and cash flow needs, based on activities identified in the Annual Operating Plan (AOP). The execution of the project's financial plan will be evaluated every six months and reported in the semiannual Project Monitoring Report (PMR). The financial plan will coincide with the Haitian fiscal year and will respect budget lines defined in the grant agreement (categories of investment).

- 5.2 **Accounting, financial reporting and financial management system.** Since 2014, UCE began implemented TOMPRO which comes with the following standard modules: (i) general accounting; (ii) budgeting; (iii) grants management; (iv) asset management; (v) financial statements; and (vi) contracts management, including commitment reports. The MTPTC will utilize this already existing system for the financial management of this operation.
- 5.3 **Disbursements and cash flow.** The project financial management may be guided by OP-273-6. The MTPC will prepare annual planning of the project cash flow, which will be the basis for advance of funds disbursements and will update it every four months. Direct payments to suppliers to be made in a currency other than the local currency (Gourdes) will be processed by the Bank. Advance of funds will be for the equivalent of four (4) months financial needs and will be subject to ex post supervision. As per OP-273-6 for each new advance, the EA will need to justify 80% of advance received.
- 5.4 **Financial control and reporting.** Audits will be performed in accordance with Bank's Guidelines for Financial Reports and external audits as described in Section IV. Financial audit cost will be financed by the Bank grant and estimated at US\$350,000. The program financial statements will correspond to the fiscal year. In addition, the following will be monitored: (i) timetable and disbursement; (ii) updated procurement plan and annual working plans; and (iii) financial report and updated financial projections.
- 5.5 **Financial supervision plan.** Fiduciary staff of the Bank will perform periodic supervision visits to the MTPTC, which are aimed at reviewing the implementation of the mitigation actions, the execution of financial plan and project files.
- 5.6 **Execution mechanism.** The MTPTC will maintain proper financial management systems and will prepare an AOP and procurement plan and a 12-month financial plan indicating cash flow needs for the execution of project's activities.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/18

Haiti. Nonreimbursable Financing ___/GR-HA to the Republic of Haiti
Transport and Departmental Connectivity

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the IDB Grant Facility (hereinafter referred to as the "Account"), to enter into such contract or contracts as may be necessary with the Republic of Haiti, as beneficiary, for the purpose of granting it a nonreimbursable financing to cooperate in the execution of a project for transport and departmental connectivity. Such nonreimbursable financing will be for an amount of up to US\$225,000,000, which form part of the Account, and will be subject to the Terms and Financial Conditions and the Special Contractual Conditions in the Project Summary of the Grant Proposal.

2. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreements as may be necessary with the European Union, and to take such additional measures as may be pertinent, to receive, administer and approve the use of nonreimbursable financing resources to be provided by the European Union, up to the amount of €20,000,000, as described in Document PR-_____.

(Adopted on _____ 2018)