

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HAITI

WATER SUPPLY, SANITATION, AND HYGIENE PROJECT IN URBAN, PERIURBAN, AND RURAL AREAS OF HAITI'S GREATER NORTHERN REGION

(HA-L1135)

GRANT PROPOSAL

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CONTENTS

PROJECT SUMMARY

I.	PROJECT DESCRIPTION AND RESULTS MONITORING	1
A.	Background, problem, and rationale	1
B.	Objectives, components, and cost	8
C.	Key results indicators	11
II.	FINANCING STRUCTURE AND MAIN RISKS	14
A.	Financing instruments	14
B.	Environmental and social safeguard risks	15
C.	Fiduciary risks	15
D.	Other risks	16
III.	IMPLEMENTATION AND MANAGEMENT PLAN	16
A.	Summary implementation arrangements	16
B.	Summary of arrangements for monitoring results	18

APPENDIXES

Proposed resolution

ANNEXES	
Annex I	Development Effectiveness Matrix (DEM) – Summary
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

LINKS
REQUIRED <ol style="list-style-type: none">1. Multiyear execution plan (PEP) and annual work plan (AWP)2. Monitoring and evaluation plan3. Environment and social management report (ESMR)4. Procurement plan OPTIONAL <ol style="list-style-type: none">1. Economic analysis of the project2. Financial analysis3. Technical analysis4. Innovation5. Gender6. Project Operating Regulations7. Public Utilities Policy8. Bibliographical references9. Progress monitoring report (PMR)10. Investment projection11. Safeguard policy filter (SPF) and safeguard screening form (SSF) for classification of projects

ABBREVIATIONS

AECID	Agencia Española de Cooperación Internacional para el Desarrollo [Spanish Agency for International Development Cooperation]
CAEPAs	Comités d'approvisionnement en eau potable et d'assainissement [water supply and sanitation committees]
CBS	Container-based sanitation
CTE	Centre technique d'exploitation [technical operation center]
DINEPA	Direction Nationale de l'Eau Potable et l'Assainissement [National Water Supply and Sanitation Directorate]
EFD	Excreta flow diagram
ESMF	Environmental and social management framework
ESMP	Environmental and social management plan
ESMR	Environmental and social management report
IHSI	Institut Haitien de Statistique et d'Informatique [Institute of Statistics and Information Technology]
JMP	WHO/UNICEF Joint Monitoring Programme for Water Supply, Sanitation, and Hygiene
MEF	Ministry of Economy and Finance
MTPTC	Ministry of Public Works, Transportation, and Communication
OREPAs	Offices régionaux de l'eau potable et de l'assainissement [regional water and sanitation offices]
PEU	Project execution unit
SDG	Sustainable Development Goals
TEPAC	Technicien en eau potable et assainissement au niveau des communes [community water and sanitation technician]
URD	Unité rurale départementale [rural departmental unit]

PROJECT SUMMARY

HAITI WATER SUPPLY, SANITATION, AND HYGIENE PROJECT IN URBAN, PERIURBAN, AND RURAL AREAS OF HAITI'S GREATER NORTHERN REGION (HA-L1135)

Financial Terms and Conditions					
Beneficiary: Republic of Haiti			Amortization period:		N/A
			Disbursement period:		6 years
			Grace period:		N/A
			Interest rate:		N/A
			Credit fee:		N/A
Executing agency: National Water Supply and Sanitation Directorate (DINEPA), acting through the regional water and sanitation office (OREPA) for the Department of the North (OREPA-North)					
Source	Amount (US\$)	%	Inspection and supervision fee:		N/A
IDB (IDB Grant Facility):	125 million	100%	Weighted average life:		N/A
Total:	125 million	100%	Currency of approval:		United States dollars
Program at a Glance					
Project objective/description: The project objective is to improve the living conditions of households in Haiti's Greater Northern Region by: (i) strengthening sector regulation as well as technical and commercial management of the technical operation centers (CTEs); (ii) increasing access to water and sanitation services for urban residents and improving their hygiene practices; and (iii) increasing access to water and sanitation services for rural residents and improving their hygiene practices.					
Special contractual conditions precedent to the first disbursement of the financing: The beneficiary will provide evidence, to the Bank's satisfaction, that: (i) an agreement has entered into force among the Ministry of Economy and Finance (MEF), the Ministry of Public Works, Transportation, and Communication (MTPTC), and the National Water Supply and Sanitation Directorate (DINEPA), specifying the obligations of DINEPA as the project's executing agency and the arrangements among the parties for coordination of project execution, delegation of authority to the executing agency to request disbursement of the financing, and transfer of those resources to the executing agency; (ii) the project Operating Regulations have entered into force on the terms previously agreed upon with the Bank; (iii) an administrative arrangement for execution has entered into force between DINEPA and OREPA-North, specifying the responsibilities of the parties for project execution and transfer of the grant resources to OREPA-North; and (iv) a project execution unit (PEU) has been established within OREPA-North, and its key staff have been appointed for project execution, including a project leader, a procurement specialist, a financial analyst, an accountant, an environmental specialist, and a social specialist (see paragraph 3.3).					
Special contractual conditions for execution: Prior to the first disbursement for Components I and II, the beneficiary will provide evidence, to the Bank satisfaction, that: (i) the prices to be charged by the technical operation centers (CTEs) for house water connections in the project's target region has been approved and published on the terms previously agreed upon with the Bank; and (ii) the Cap-Haïtien project steering committee has been created. For other special contractual conditions, see the environmental and social management report (ESMR) and Annex III, Fiduciary Agreements and Requirements (see paragraph 3.4).					
Exceptions to Bank policy: None.					
Strategic Alignment					
Challenges: ^(a)	SI	<input checked="" type="checkbox"/>	PI	<input checked="" type="checkbox"/>	EI <input type="checkbox"/>
Crosscutting themes: ^(b)	GD	<input checked="" type="checkbox"/>	CC	<input checked="" type="checkbox"/>	IC <input type="checkbox"/>

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

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

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem, and rationale

- 1.1 Haiti has approximately 11 million inhabitants,¹ 23.5% of whom live on less than US\$1.90 a day.² Just 58% and 28% of the population has access to improved water and sanitation services, respectively,³ and the situation is much worse in rural areas and urban informal settlements.⁴ Diarrheal diseases are the fourth leading cause of premature death in Haiti,⁵ accounting for 190 of every 100,000 deaths, the highest rate in Latin America and the Caribbean (Troeger et al., 2017). Numerous studies have shown the importance of adequate access to water, sanitation, and hygiene in reducing child morbidity and mortality (Wolf et al., 2018). Worldwide, the economic losses stemming from lack of access to these services amount to US\$260 billion a year, which is equivalent to 1.6% of the GDP of the 130 countries analyzed (Hutton, 2012). These losses are primarily due to lower productivity, water hauling, and health expenditures.
- 1.2 **Sector deconcentration.** In 2009, the Government of Haiti launched a reform process with the enactment of the Framework Law (CL-01-2009-001),⁶ providing for separation of the regulatory, planning, and service delivery roles in the water and sanitation sector. Under this law, the National Water Supply and Sanitation Directorate (DINEPA) is an autonomous agency responsible for sector development, sector regulation, and coordination of actors. However, since its inception, DINEPA has acted as executing agency of investment projects financed by the Government of Haiti and the international community and has been unable to perform its regulatory role, which has been one cause of the lack of sector governance.⁷ The Framework Law confers planning authority and ownership of the water and sanitation systems on the regional water and sanitation offices (OREPAs), which delegate their operation to the water supply and sanitation committees (CAEPAs) in rural areas and the technical operation centers (CTEs) in urban areas (Figure 1). Rural departmental units (URDs) operating within the OREPAs are primarily responsible for assisting and monitoring the CAEPAs (Figure 1).

¹ Haitian Institute of Statistics and Information Technology (IHSI).

² World Bank.

³ WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply, Sanitation, and Hygiene, 2017.

⁴ Informal/disadvantaged/makeshift settlement/neighborhood are used interchangeably in this document.

⁵ Institute for Health Metrics and Evaluation.

⁶ The Framework Law was an essential component of Bank project 2381/GR-HA, which includes: (i) creation of a regulatory agency; (ii) diversification of service providers by type; and (iii) separation of planning, regulatory, system ownership, and service delivery roles.

⁷ Évaluation de la durabilité financière du secteur de l'eau et de l'assainissement en Haïti [Evaluation of the financial sustainability of the water and sanitation sector in Haiti], 2017.

Figure I. Deconcentration of water and sanitation sector roles in Haiti



- 1.3 The reform process has advanced slowly, primarily because the government has prioritized building infrastructure and responding to emergencies and natural disasters. Nonetheless, the Bank, through its operations, has supported the reforms and influenced the development of their legal framework. As early as in operation 4353/GR-HA, the Bank, in coordination with other donors, supported deconcentrating the execution of external investment financing through the OREPAs, in keeping with the spirit of the Framework Law. In addition, the Bank has supported the stabilization of the legal framework by assisting DINEPA in the preparation of the preliminary draft of a law establishing the policies and procedures for operation of the OREPAs and CTEs (technical cooperation operation ATN/OC-14379-HA).⁸
- 1.4 **Investment in CTEs.** A total of 24 technical operation centers (CTEs) are responsible for operating the drinking water systems in Haiti's urban areas. The country's CTEs, with the exception of those in Port-de-Paix, St. Marc, and Les Cayes, provide very poor water service, with: (i) insufficient revenue collection; (ii) very high losses; (iii) high personnel costs, accounting for more than 60% of their operating costs; and (iv) high vulnerability to contamination of water sources due to the proximity of the population.⁹ The absence of a clear institutional framework, combined with underfunding of the sector (mainly because resources were used in response to emergencies), meant that Haiti was one of the few countries in the region where access to urban residential water access declined from 1990 to 2010. Thanks to the joint efforts of DINEPA and donors, primarily the IDB and the Spanish Agency for International Development Cooperation (AECID), since 2010 most Haitian cities have been the beneficiaries of investment projects

⁸ The Ministry of Public Works, Transportation, and Communication (MTPTC) is required to submit the draft bill to the Council of Ministers for validation before its ratification by the legislature.

⁹ Évaluation de la durabilité financière du secteur de l'eau et de l'assainissement en Haïti [Evaluation of the financial sustainability of the water and sanitation sector in Haiti], 2017.

now at various stages of completion. Cap-Haïtien (in the Department of the North) and Gonaïves (in the Department of the Artibonite), respectively the country's second- and third-largest cities by population, are the two notable exceptions. The Government of Haiti has recently put high priority on these two cities, located in departments where improved access to water and sanitation would have a greater impact on reducing enteric diseases (World Bank, 2018). Activities have been coordinated with AECID in Cap-Haïtien, where its funding will be used to build part of the drinking water system in the city center, as well as a sludge treatment plant. With these two works completed first, both the water and the sanitation components of this project will have a faster impact.

- 1.5 **Water service in Cap-Haïtien.** Approximately 400,000 people¹⁰ live in Cap-Haïtien. The drinking water system in serviceable condition covers only 5% of the city area and has only 900 active registered users,¹¹ who receive highly intermittent service. Additionally, the CTE lacks the human resources to manage an increase in infrastructure and, therefore, in the number of customers. As a result, most of the population in Cap-Haïtien (96%)¹² gets its drinking water from informal private sector providers, primarily shops (74%) and trucks (11%). This leads to families allocating a significant part of their income to buy water, and consumption is very low for an urban setting (29 liters per person per day). Average monthly water expenditure is 1,253 Haitian gourdes (close to US\$20) per family, with households in disadvantaged neighborhoods incurring a higher expense (1,338 gourdes).¹³ The quality of the water provided by the informal private sector is not subject to any form of regulation, and analyses show that the water in 31% of households is contaminated by fecal matter. Yet the population trusts the quality of the water from these providers, since only 9%¹⁴ of households regularly treat their water.
- 1.6 **Results-based technical assistance in Cap-Haïtien.** Successful experience with the transformation of water companies in contexts similar to Cap-Haïtien's, such as in Dakar or Ouagadougou, has demonstrated the importance of optimizing capacity transfers in the business and technical areas, emphasizing the training of local personnel. The Bank's own experience in Haiti in supporting CTE operations corroborates this and offers a blueprint for using an external technical assistance contract with the Cap-Haïtien CTE to achieve the following results: (i) infrastructure built on schedule and to quality standards in year 1; (ii) financial break-even reached in year 3; and (iii) in the last year, local staff capable of managing a company with more than 16,000 house connections, 90% collection rate, and four employees per 1,000 connections. The results-based contract is designed to enable a team of international professionals to occupy positions of responsibility at the CTE with full decision-making authority within the operating regulations. This team will also coordinate supervision of the investment works. The transfer of

¹⁰ Data taken from the 2017 demographic study.

¹¹ Data provided by the Cap-Haïtien CTE.

¹² Data inferred from the Cap-Haïtien household surveys conducted by the Department of the North's community water and sanitation technicians (TEPACs) in 2017. A total of 1,518 surveys were conducted.

¹³ Idem.

¹⁴ Idem.

- capacity will be assured by hiring a local professional in each of the positions of responsibility and implementing a joint supervision arrangement that includes staff from the consulting firm and local supervisors from the project execution unit (PEU). Additional support will be provided by a specialized firm and by hiring the appropriate staff to assist DINEPA in monitoring and supervising contracts of this type.
- 1.7 **The urban sanitation challenge.** The findings of the surveys, combined with a diagnostic assessment of the entire sanitation chain¹⁵ using the excreta flow diagram (EFD) methodology,¹⁶ reveal the following issues: (i) high rate of open defecation in the disadvantaged areas of the cities (23% in Cap-Haïtien and 19% in Gonaïves); (ii) in Cap-Haïtien, only 1.4% of excreta are safely managed;¹⁷ and (iii) in Cap-Haïtien, the emptying of 95% of excreta from individual solutions is done manually by people under unsafe conditions.
- 1.8 Experience in other countries should be tested before being systematically applied in Haiti. Some of the experiences to be piloted include: (i) public-private partnerships (PPPs) with desludging companies or with transfer or treatment station operators (WSUP, 2017; Heymans, Eberhard, Ehrhardt, and Riley, 2016); (ii) in areas with a high incidence of open defecation, container-based sanitation (CBS) has proven effective (Tilmans et al., 2015); (iii) applying “condominial” technology (McGranahan, 2015); (iv) adding a user charge for sanitation to the water bill (WSUP, 2012).
- 1.9 **Water services in a rural context.** The Department of the North, with a total rural population of 528,302 (IHSI, n.d.),¹⁸ is divided into 82 communal sections.¹⁹ Sixty-one percent of the department’s population is supplied with at least one basic service²⁰ but with great geographic disparities; thus, in 24.4% of the communal sections, the proportion is less than 40%.²¹ Similarly, whereas the average time invested in collecting water is 23 minutes per trip in the department as a whole, it exceeds 30 minutes in 26.8% of the communal sections. Only 8% of rural households have a house water connection. Moreover, 77% of wells, most of them equipped with manual pumps, are in operation, as opposed to 38% of the sources and kiosks that depend on drinking water networks, highlighting the importance of selecting appropriate technologies and reinforcing the capabilities of the URDs to provide technical assistance for operation and maintenance.

¹⁵ Containment, emptying, conveyance, treatment, and disposal or reuse.

¹⁶ For more information: <https://sfd.susana.org/>.

¹⁷ “Safely managed drinking water services” as defined under the Sustainable Development Goals (SDGs); see: JMP, 2017.

¹⁸ Haitian Institute of Statistics and Information Technology (IHSI).

¹⁹ Communal sections are the smallest administrative units.

²⁰ As defined under the SDGs; see: JMP, 2017.

²¹ Data taken from the water and sanitation surveys conducted by TEPACs in 2017. A total of 13,322 surveys were conducted in the rural areas of the Department of the North, specifically in groups of homes (clusters) housing 250 to 10,000 inhabitants.

- 1.10 **Behavioral change.** Traditional approaches to behavioral change have not proven entirely effective (Curtis, Danquah, and Aunger, 2009). Accordingly, this project will develop specific tools by combining social science and marketing methodologies (Curtis et al., 2009). The strategies for identifying positive handwashing patterns,²² reducing open defecation in disadvantaged areas, and improving connectivity (technical cooperation operation ATN/OC-15079-HA) were developed by the London School of Hygiene and Tropical Medicine (LSHTM). Tools of this type will be employed in rural environments to reduce open defecation.²³ The connectivity analysis shows a strong demand for water services among the population and a willingness to pay in line with the current rates, the price of a water connection being the most significant limiting factor. This price will be adjusted on the basis of this analysis, and a communication campaign will be launched with a view to improving the payment culture.
- 1.11 **Gender.** Only 3% of the schools in Cap-Haïtien have a place where adolescent girls can practice menstrual hygiene with dignity,²⁴ perpetuating shame, fear, and even harassment (WaterAid WSSCC, n.d.). In the long run, these shortcomings have an impact on education, health, and leisure activities (Nallari, 2015). Furthermore, it is mostly women and girls who are responsible for providing water for the household,²⁵ yet their participation in the sector's development is very limited.²⁶ The time invested by women in these chores undermines their employment opportunities,²⁷ which become relegated to the informal sector (Jefe et al., 2017). In view of this, the project includes the following specific actions for women: (i) training in plumbing and electricity; (ii) economic empowerment through access to microcredit, enabling them to operate small condominal water networks; (iii) visibility and involvement in decision-making through direct representation of women's associations on the steering committee; and (iv) hiring of women for technical and line staff positions through incentive clauses for companies ([optional link 5](#)).
- 1.12 **Link to climate change.** Haiti is vulnerable to climate change impacts,²⁸ one of the main impacts being a decline in water availability due to increasing temperatures and decreasing precipitation. Consequently, in the context of its nationally determined contributions (NDCs), Haiti prioritizes management of water resources as a key action in terms of climate change adaptation.²⁹ The design of the

²² Only 9% of households in Cap-Haïtien and 3% in Gonaïves have a handwashing facility with water and soap.

²³ Data taken from the water and sanitation surveys conducted by TEPACs in 2017. A total of 13,322 surveys were conducted in the rural areas of the Department of the North, specifically in groups of homes (clusters) housing 250 to 10,000 inhabitants.

²⁴ Inferred from the inventory of public buildings taken by TEPACs in 2017.

²⁵ In both Cap-Haïtien and Gonaïves, 30% of women and girls are responsible for collecting water when the supply source is outside the home; only 11% of men and boys are responsible for this chore.

²⁶ Only 4% of the public water kiosks in the Department of the North are operated by a woman.

²⁷ In Gonaïves and Cap-Haïtien, there are twice as many households that have at least one man with an employment contract than households that have at least one woman with an employment contract.

²⁸ Haiti: Historical and future climatic changes. IDB, 2015.

²⁹ http://www4.unfccc.int/ndcregistry/PublishedDocuments/Haiti%20First/CPDN_Republique%20d%27Haiti.pdf.

Cap-Haïtien project uses the RCP4.5 climate change scenario developed by the Intergovernmental Panel on Climate Change (IPCC) to forecast the response of the aquifer that will supply the city of Cap-Haïtien in the short and medium term. The project envisages conducting a hydrogeological analysis for building a new well field, to diversify water resources and minimize the long-term impact of climate change. In addition, water resource management will be improved, to reduce physical losses.

- 1.13 **Lessons learned.** The Bank has been supporting the sector in Haiti through a number of water and sanitation operations. The portfolio of executed operations includes the following: (i) 2190/GR-HA, 1813/SF-HA, and 2394/GR-HA in rural areas for a total amount of U\$25 million; (ii) 2190/GR-HA, 1010/SF-HA, 2381/GR-HA, and 900/OP-HA in medium-sized cities for US\$45.6 million; and (iii) 2351/GR-HA in Port-au-Prince for U\$50 million. The operations now in execution are 4353/GR-HA and 2946/GR-HA, both in Port-au-Prince, for a total amount of US\$100.5 million. Several lessons learned have been learned from these operations:³⁰ (i) enhancing the financial viability of companies by improving service is only feasible if there are trained staff operating quality infrastructure; (ii) the designs of works need to be ready prior to project approval, to avoid delays in execution; (iii) providing support to the operators (CTEs) in the form of equipment and staff and initially covering their operating costs ensures their operability while the investments are being completed; and (iv) effective supervision requires creating units comprised of permanently fielded individual experts, for better oversight and support of the works.
- 1.14 **Strategic alignment.** This operation is aligned with the IDB Group country strategy with Haiti 2017-2021 (document GN-2904), since it will support the development of human capital, concentrating its efforts on widening access to water and sanitation services. The project is consistent with the Update to the Institutional Strategy for 2010-2020 (document AB-3008) and aligned with the development challenge of social inclusion and equality, since the interventions are focused on expanding and improving services in areas with the country's highest poverty rates and lowest access rates. It is also aligned with the productivity and innovation area, since it promotes adequate infrastructure and affordable public services through the use of innovative mechanisms in bidding documents, educational campaigns, financing arrangements, and other factors. The operation is aligned with the crosscutting areas of: (i) climate change and environmental sustainability, by financing actions to reduce water losses in the networks using climate change scenarios and calibrated aquifer models to determine sustainable operating flows; and (ii) gender equality and diversity, by including activities to empower women and promote development with equity.
- 1.15 Approximately 14.08% of the project resources are invested in climate change adaptation activities, according to the [joint methodology of the multilateral development banks for estimating climate finance](#). These resources contribute to the IDB Group's goal of increasing the financing of climate change related projects to 30% of total approvals by year-end 2020.

³⁰ Lessons drawn mainly from 2190/GR-HA, 1010/SF-HA, 2381/GR-HA, 900/OP-HA, and the Water and Sanitation Sector Framework Document (document GN-2781-3).

- 1.16 Additionally, the project will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6) through the output indicator “households with new or upgraded access to drinking water.” The operation is also aligned with the IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5), particularly the priority action area “Promote access to infrastructure services,” and with the Sector Strategy: Institutions for Growth and Social Welfare (document GN-2587-2), which seeks to improve the effectiveness of the Bank in strengthening the institutional basis for development in the region. The project strengthens public expenditure management and finance by building the capacity of the State to provide basic public services that reduce inequality in access to sanitation. The strengthening of Haiti’s CTEs is in line with the strategy of harnessing public service delivery to meet citizen demand through operational models and tools that generate incentives to improve service quality and lower costs. In addition, the operation is consistent with the objectives of the Water and Sanitation Sector Framework Document (document GN-2781-3) under dimension of success 1 “Countries achieve universal access to water and sanitation while improving service quality.”
- 1.17 **Compliance with the Public Utilities Policy.** The proposed project and the sector objectives at the national level are consistent with the principles of the Bank’s Public Utilities Policy (document GN-2716-6) and satisfy the conditions of financial sustainability and economic evaluation. The works financed by the project are viable from a socioeconomic standpoint (see paragraph 1.29). With respect to financial sustainability, to ensure that the service generates sufficient funds to cover the systems’ operating and maintenance costs as soon as possible, the project will receive external assistance to support the Cap-Haïtien CTE operations for five years. The break-even point is expected to be reached after three years of operation, when the rate schedule will be reviewed. During those three years, the project will subsidize the CTE to cover its operating and maintenance costs. The new rates will be set based on the principles of maintaining financial position and promoting access in the delivery of sanitation services to the population ([optional link 7](#)).
- 1.18 **Innovation.** The region has ample experience in the introduction of innovations in the water and sanitation sector.³¹ This project introduces: (i) policy and behavioral change innovations in the form of bidding documents for the results-based contract in Cap-Haïtien, which is a supervision and operation hybrid, and the design of behavioral change campaigns combining social science and marketing techniques; (ii) innovation in financial services and business models by creating and formally organizing small-scale private operators of condominial water systems and by introducing CBS solutions into the services offered by the water company in Cap-Haïtien; and (iii) new technologies³² by incorporating the EFD as a diagnostic tool, developing and applying Sani-BID, the first module for decentralized sanitation design, and deploying prepayment water meters in disadvantaged neighborhoods.

³¹ IDB (2018a) <https://publications.iadb.org/handle/11319/8802>.

³² In its publication, The need for a sanitation revolution in LAC: conclusions from World Water Week (<https://publications.iadb.org/handle/11319/8891>), the Bank emphasizes the need for innovative ideas in sanitation to achieve the SDGs in this area.

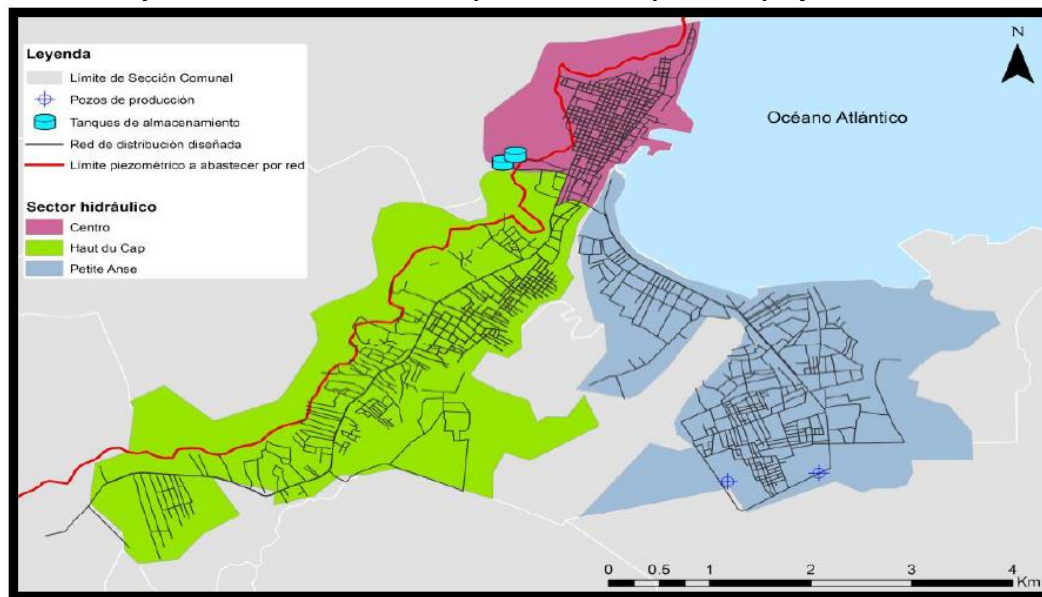
B. Objectives, components, and cost

- 1.19 **Project objectives:** The project objective is to improve the living conditions of households in Haiti's Greater Northern Region by: (i) strengthening sector regulation as well as technical and commercial management of the technical operation centers (CTEs); (ii) increasing access to water and sanitation services for urban residents and improving their hygiene practices; and (iii) increasing access to water and sanitation services for rural residents and improving their hygiene practices.
- 1.20 **Component I. Improvement of sector regulation and technical and business management of the CTEs (US\$10.02 million).** The objective of this component is to equitably strengthen regulations and the management of water and sanitation service operators. The component will finance: (i) structuring and implementation of results-based technical assistance for the Cap-Haïtien CTE; (ii) support for supervision of the technical assistance contract by OREPA-North and DINEPA; (iii) communication campaigns aimed at enhancing transparency;³³ (iv) design and implementation of a monitoring plan for developed water resources; (v) pilot project to provide training and credit access to women to support their entrepreneurial activities as operators; (vi) development of a sanitation strategy for Haiti's urban areas, drawing from the experience of pilot projects; and (vii) support in the form of equipment and human resources for the CTEs, OREPAs, DINEPA, and URDs to build capacity, as well as support for the processing of sector information. The bidding documents for the results-based technical assistance have been discussed extensively and agreed upon with DINEPA, and the final version is being prepared by a specialized firm.
- 1.21 **Component II. Priority investments in clean drinking water, sanitation, and hygiene in urban areas of Haiti's Greater Northern Region (US\$95.08 million).** The main objective of this component is to improve access to safely managed drinking water services³⁴ in Cap-Haïtien, Gonaïves, and other cities in northern Haiti. The sample consists of the water supply infrastructure of the city of Cap-Haïtien and accounts for 52% of the urban component. The bidding documents are being prepared for the first stage of these works for a total amount of US\$39 million. The works include: (i) 256 km of water networks; (ii) 11 km of conveyance lines; and (iii) drilling and equipping of wells. The component encompasses other actions, such as network intensification works in the amount of US\$3.2 million, to be implemented on force account with the support of a consulting firm in the Ouanaminthe, Les Cayes, Port-de-Paix, and Jacmel CTEs. The designs that are not part of the sample are in preparation and will be ready before June 2019. The individual and collective sanitation pilot projects will be implemented under this component, as will the improvement of sanitary facilities in Cap-Haïtien public buildings.

³³ The campaign is to inform the population about the cost of the connections and the existence of a customer assistance number for reporting complaints and requesting information.

³⁴ "Safely managed drinking water services" as defined under the SDGs.

Figure II. Main elements of the water supply system affected by the investments in the first phase of the Cap-Haïtien project



- 1.22 **Component III. Priority investments in clean drinking water, sanitation, and hygiene in rural areas of Haiti’s Greater Northern Region (US\$14 million).** The primary objective of this component is to improve the rural population’s access to basic water and hygiene services³⁵ and reduce the rate of open defecation through an intervention in 32 communal sections. To this end, the project will allocate US\$8 million to infrastructure works that are easy to operate and maintain, such as: (i) protection of sources; (ii) rehabilitation of 43 small, rural, gravity-fed water supply systems; and (iii) strengthening of the DINEPA hydrogeological unit and construction and rehabilitation of 148 wells on force account. The actions in 32 communal sections will take place entirely through solicitations open to nongovernmental organizations (NGOs) and companies. Designs have been prepared for 32 communal sections in the Department of the North (Figure III) that have been prioritized on the basis of vulnerability criteria ([optional link 3](#)), although activities may take place in other communal sections if they meet the eligibility criteria (see paragraph 2.4). This component also includes capacity-building for the OREPA in terms of management and technical assistance to rural projects.

³⁵ Basic water and hygiene service as defined under the SDGs.

Table 1. Project costs (US\$)

Component	IDB	Total	%
Component I: Improvement of sector regulation and technical and business management of the CTEs	10,020,000	10,020,000	8.0
Component II: Priority investments in clean drinking water, sanitation, and hygiene in urban areas of Haiti's Greater Northern Region	95,080,000	95,080,000	76.1
Component III: Priority investments in clean drinking water, sanitation, and hygiene in rural areas of Haiti's Greater Northern Region	14,000,000	14,000,000	11.2
Total components	119,100,000	119,100,000	95.3
Administration, monitoring, evaluation, and audits	1,600,000	1,600,000	1.3
Administrative expenditures	4,000,000	4,000,000	3.2
Complaint reporting system and stakeholder dialogue plan	300,000	300,000	0.2
Total additional	5,900,000	5,900,000	4.7
Total	125,000,000	125,000,000	100.0

C. Key results indicators

- 1.25 The Results Matrix (Annex II) lists all outcomes and outputs. 0 lists the main indicators.

Table 2. Main expected outcomes
Safely managed and basic drinking water service levels as defined under the SDGs³⁶

Outcome	Unit of measure	Baseline (2017)	At project end
CTEs included in the project that reach financial break-even (ratio of annual operating revenue to annual operating expenditures greater than 1)	%	33	83
Cap-Haïtien households with access to safely managed drinking water service	%	1	41
Households with access to basic drinking water service in the 32 communal sections included in the project	%	46	99

- 1.26 **Description of beneficiaries.** The urban component will benefit a total of 205,009 households, including in Cap-Haïtien, Gonaïves, and the cities with CTEs targeted with fast-impact measures (Jacmel, Ouanaminthe, Port-de-Paix, and Les Cayes). An additional 27,329 households are to be added pursuant to an initial proposal from DINEPA and OREPA, subject to meeting the eligibility criteria (see paragraph 2.3). The rural component will benefit a total of 45,332 households in

³⁶ For more information, see: JMP, 2017.

32 priority communal sections in the Department of the North, although alternative proposals may be assessed, if they meet the eligibility criteria (see paragraph 2.4).

- 1.27 **Technical viability.** An assessment was done of the proposed works under the projects comprising the urban and rural samples ([optional link 3](#)). Based on this assessment, the projects are considered to effectively meet the needs and priorities in terms of the proposed technological solutions. In the case of Cap-Haïtien, the water project includes a significant infrastructure component that, combined with results-based technical assistance, should make it possible by project-end to supply half the population through 16,000 house water connections, 256 condominiumal networks, and 91 water kiosks. In the case of the condominiumal networks, approximately 30 dwellings will be served through a single connection to the network, equipped with a prepayment meter. In Cap-Haïtien, sanitation pilot projects have been included that, once assessed, can be used to formulate an urban sanitation strategy in Haiti.
- 1.28 For rural areas, the project calls for rehabilitating small, gravity-fed water supply systems and rehabilitating and building manual pumps, which are considered the most appropriate technologies for this type of context given their low operating cost and sturdiness.
- 1.29 **Socioeconomic viability.** Since this is a global multiple works project, a cost-benefit analysis was done for the Cap-Haïtien intervention as representative of drinking water works in urban areas, while 32 projects were analyzed for rural areas. The benefits considered for all projects were the cost savings involved in discontinuing the use of alternative sources of water supply and the value of increased consumption of drinking water. The costs used were the investment and operating and maintenance costs for each of the projects. The analysis indicates that the urban project in Cap-Haïtien is economically viable, with an economic internal rate of return of 82.6% and a net present value of US\$276 million. In addition, all the analyzed rural projects are also viable, with internal rates of return in excess of 50%. These analyses were supplemented with a sensitivity analysis, which confirmed the robustness of the results ([optional link 1](#)). The projects that were not assessed will require an economic analysis prior to their execution. Only projects with a positive economic return will be financed.
- 1.30 **Financial viability.** DINEPA has improved its level of disbursements significantly since 2009. Financially, DINEPA's operations depend almost entirely on donor support, primarily from the IDB and the Spanish Cooperation Fund for Water and Sanitation in Latin America and the Caribbean (SFW). In 2012, the Bank formally asked the Government of Haiti to contribute to the financing of DINEPA's budget, and the government responded by contributing US\$3.7 million. In the last two years, the Haitian government has contributed 60 million gourdes, not enough to cover DINEPA's operating costs. However, this operation will multiply the number of water users and at the same time improve the CTEs. Thus, the 4% of the users' water bill allocated to the operations of OREPAs will represent a significantly higher figure, allowing the most important OREPA posts to be financed by the end of the operation. DINEPA, in its reduced role of regulator, will have to be financed by the public treasury based on a slight increase in its current budget.

- 1.31 DINEPA will execute the project through OREPA-North, which has limited experience in the execution of Bank-financed projects. To mitigate this risk, the Bank will finance support to OREPA-North in the technical, financial, and procurement areas. The support to OREPA-North will be ongoing through training and exchange of know-how, building on the capabilities acquired by OREPA-West in the deconcentrated execution of the third operation in Port-au-Prince.
- 1.32 Given the uncertain condition of the Cap-Haïtien CTE, the project will finance external support in the form of results-based technical assistance from a firm with international experience as an operator. The local staff of the specialized firm to be engaged will transfer to DINEPA upon conclusion of the project and will be financed with local resources. In addition, the Bank will subsidize a portion of the CTE operating and maintenance costs (US\$300,000) during the first three years. Based on the business plan, the CTE is expected to break even financially by year 4. At the same time, the existing rate structure will be adjusted on the basis of progress in service delivery and, especially, the expected rise in consumption. This adjustment will take effect in year 4.
- 1.33 Component III of the project will finance infrastructure works for gravity-fed water supply systems that have minimal operating and maintenance costs and account for 3% to 7% of total investments (approximately US\$0.20 per month).
- 1.34 **Institutional viability.** The DINEPA investment portfolio has grown from US\$54 million in 2009 to US\$300 million in 2018. At the same time, there has been an improvement in DINEPA's project and procurement management and supplier payment processing capacity. In 2014, DINEPA began to transfer certain functions to the OREPAs, although a memorandum of understanding still needs to be signed between OREPA-North and DINEPA. The modalities of execution of this project are consistent with the institutional reform described in the Framework Law. As part of this project, assessments were made of both DINEPA and OREPA-North using the Bank's Institutional Capacity Assessment System (ICAS), respectively yielding medium and high risk levels. To mitigate these risks, the Bank will finance support in financial management, procurement, and other areas, so that the executing agency can take on the responsibilities of project management, monitoring, and evaluation. Although DINEPA's portfolio has grown significantly, its workload will not increase, because the number of bidding processes will be limited as the works and consulting services are to be tendered in large lots. The new operation will be executed through OREPA-North, so no additional burden will be put on the ongoing operations executed through OREPA-West.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 Components II and III correspond to the global multiple works modality, financing works that are physically similar but independent of each other. Component I will be structured as specific works. The disbursement period will be 72 months, with a tentative disbursement schedule as presented in Table 3.

Table 3. Disbursement schedule (US\$)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
IDB	10,544,570	34,274,898	34,161,398	24,215,398	16,235,448	5,568,288	125,000,000
%	8.4	27.4	27.3	19.4	13.0	4.5	100.0

- 2.2 **Representative sample.** For Component II, the sample analyzed is the Cap-Haïtien water supply project, which represents 52% of the component's investments. The sample prepared for Component III is equivalent to 59% of the investment in 32 communal sections. A technical description of the two samples is provided in [optional link 3](#). The projects that form part of the sample were selected in accordance with eligibility criteria that must be met for all projects to be financed, as follows:
- 2.3 **Eligibility and selection criteria for urban projects under Component II.** Projects will require the Bank's no objection and will meet the following criteria: (i) located in urban areas with more than 10,000 residents; (ii) technically, economically, financially, legally, socially, and environmentally viable in accordance with criteria accepted by the Bank; and (iii) classified as category "B" or "C" under the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), in addition to satisfying the requirements of the environmental and social management framework (ESMF) and environmental and social management report (ESMR).
- 2.4 **Eligibility and selection criteria for rural projects under Component III.** Projects will require the Bank's no objection and will meet the following criteria: (i) integrated water supply, sanitation, and hygiene projects in communal sections located in OREPA-North, containing at least one cluster of 250 to 10,000 residents; (ii) priority interventions according to the baseline indicators for the communal section³⁷ within the relevant department, under the survey methodology followed by OREPA-North since 2017; (iii) technically, economically, financially, legally, socially, and environmentally viable in accordance with criteria accepted by the Bank; and (iv) classified as category "B" or "C" under Operational Policy OP-703, in addition to satisfying the requirements of the ESMF and ESMR.

³⁷ The main indicators to be considered are: access to water, open defecation, and concentrated and dispersed population.

B. Environmental and social safeguard risks

- 2.5 Based on the environmental and social analysis of the sample,³⁸ this operation has been classified as category “B” under Operational Policy OP-703, since its negative impacts are expected to be moderate and temporary, occurring primarily during the construction phase (dust, noise levels, soil pollution, potential erosion and sedimentation, traffic disruptions, possibility of accidents). There may be other impacts on soil, groundwater, and erosion during the operation phase, so environmental and social management plans (ESMPs) have been prepared. None of the projects included in the sample entails involuntary resettlement. For projects outside the sample, although no major resettlement is expected, a resettlement framework has been prepared and is included in the environmental and social management framework (ESMF). The ESMF also sets out a complaint reporting mechanism. These documents provide guidance for ensuring compliance with environmental and social safeguard requirements during the preparation of future projects and throughout the project’s execution. The ESMF will be incorporated into the project [Operating Regulations](#). The environmental and social analyses of the urban and rural samples, including their respective ESMPs and the project’s ESMF, were released in compliance with Bank policies. The consultation process was conducted from 1 to 15 October via a cascade methodology.

C. Fiduciary risks

- 2.6 The following risks and mitigation measures have been identified: (i) OREPA-North has no accounting system, which will result in unreliable reports and disbursement delays (high risk). To mitigate this risk, the ACCPAC accounting system will be implemented at OREPA-North; (ii) the DINEPA accounting system is not fully up and running, resulting in inadequate control and the loss or misuse of materials (medium-high risk). To mitigate this risk, the asset module will be installed, and the approved budgets integrated into the DINEPA accounting system; (iii) delays in activities due to short staffing at the OREPA-North administrative and financial unit and inadequate procedures for administrative and financial management and coordination and delegation of authority (medium-high risk). To mitigate this risk, DINEPA will prepare and draft a memorandum of understanding adapted to OREPA-North, as well as a manual of administrative and financial procedures, and will hire qualified staff; (iv) limited ability to take on workload due to short staffing and unfamiliarity with Bank policies on the part of some members of the procurement unit, leading to delays (medium-high risk). To mitigate this risk, two specialists will be hired (one for OREPA-North and one for DINEPA) and face-to-face training will be given on the Bank’s procurement policies; (v) unrealistic planning of procurement activities, affecting the project execution timetable (medium-high risk). To mitigate this risk, six-monthly workshops will be conducted with the counterparts to prepare and update the procurement plan; (vi) the procurement unit does not perform contract management functions, leading to errors in budgeting (medium-high risk). To mitigate this risk, contract management will be made a part of the duties of procurement unit members by establishing procedures within the unit, such as supplier performance evaluation,

³⁸ The proposed project is designed as a global multiple-works operation. As such, a sample including urban interventions (Cap-Haïtien) and rural interventions (Mapou and Bas Quartier) has been evaluated.

and regular inspection visits will be conducted to monitor contracting and contract management issues; and (vii) weak procurement record-keeping, leading to errors in contract management (medium-high risk). To mitigate this risk, an electronic record-keeping system will be introduced.

D. Other risks

- 2.7 **Development risk** (medium-high). The high price of the connection limits the number of customers, affecting coverage indexes and the financial viability of the water companies. The proposed mitigation measure is to limit the prices of the connections to make them affordable for the population, as a condition precedent to the first disbursement of Components I and II. The sustainability of the measure over time will be ensured through the improvement of CTE operations, creating a fund to subsidize the connections from the user charge revenue of the CTE.
- 2.8 **Public management and governance risks** (medium-high): (i) reluctance to effectively decentralize the sector's functions, causing delays in decision-making. This risk will be mitigated through constant communication among DINEPA, OREPA-North, and the Bank. It will be further mitigated by including, as an eligibility condition, the signing of a DINEPA internal agreement establishing the division of specific authority for procurement, procedures, and technical document approvals between OREPA-North and DINEPA. Enactment of the OREPA Law will also help to reduce this risk; (ii) imported goods are held longer than expected at customs, delaying project activities. To mitigate this risk, the implementation of decentralization arrangements by OREPA-North will be examined; and (iii) the Ministry of Public Works, Transportation, and Communication (MTPTC) fails to delegate signature authority to DINEPA, which is an autonomous agency, causing delays in supplier payments. In view of this risk, the Bank will request that signature authority be delegated, to streamline payments.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Execution arrangements.** The project's beneficiary will be the Republic of Haiti, and the executing agency will be the National Water Supply and Sanitation Directorate (DINEPA), acting through the regional water and sanitation office (OREPA) for the Department of the North (OREPA-North). With a view to gradually decentralizing functions and responsibilities to the OREPAs, DINEPA will supervise OREPA-North, which will be responsible for project procurements. This process has already been implemented successfully with OREPA-West under operation 4353/GR-HA. In addition, a steering committee is being formed for the Cap-Haïtien project. Comprised of representatives from civil society (including the private sector, women's association, and the Université d'État d'Haïti, Henri Christophe de Limonade Campus) and the city's mayoral office and delegates from the relevant ministries, the steering committee will coordinate project activities and meet quarterly during project execution. The rural component will be executed with the support of the rural departmental unit (URD) set up within OREPA-North as envisaged in the Framework Law.

- 3.2 **Executing agency.** The project staff will be part of OREPA-North and the project execution unit (PEU). The project coordinator will be the Director of OREPA-North, while the project leader, the fiduciary specialist, and the environmental and social specialists will be contracted for the PEU as part of the project. DINEPA and OREPA-North will sign a memorandum of understanding describing the roles and responsibilities of each of the parties, including the delegation of authority necessary to execute the project.
- 3.3 **Special contractual conditions precedent to the first disbursement of the financing:** The beneficiary will provide evidence, to the Bank's satisfaction, that: (i) an agreement has entered into force among the Ministry of Economy and Finance (MEF), the Ministry of Public Works, Transportation, and Communication (MTPTC), and the National Water Supply and Sanitation Directorate (DINEPA), specifying the obligations of DINEPA as the project's executing agency and the arrangements among the parties for coordination of project execution, delegation of authority to the executing agency to request disbursement of the financing, and transfer of those resources to the executing agency; (ii) the project [Operating Regulations](#) have entered into force on the terms previously agreed upon with the Bank; (iii) an administrative arrangement for execution has entered into force between DINEPA and OREPA-North, specifying the responsibilities of the parties for project execution and transfer of the grant resources to OREPA-North; and (iv) a PEU has been established within OREPA-North, and its key staff have been appointed for project execution, including a project leader, a procurement specialist, a financial analyst, an accountant, an environmental specialist, and a social specialist. These conditions are considered essential to ensure that the beneficiary is ready to begin project execution, with staff qualified to execute the project and detailed guidelines on operations and coordination.
- 3.4 **Special contractual conditions for execution:** Prior to the first disbursement for Components I and II, the beneficiary will provide evidence, to the Bank satisfaction, that: (i) the prices to be charged by the technical operation centers (CTEs) for house water connections in the project's target region has been approved and published on the terms previously agreed upon with the Bank; and (ii) the Cap-Haïtien project steering committee has been created. These conditions are to ensure the financial sustainability of the CTEs and guarantee access to water services for the population.
- 3.5 **Project Operating Regulations.** The execution of the operation will be governed by the project [Operating Regulations](#), the objectives of which include: (i) establish the project organizational structure and execution mechanism; (ii) delineate the activities and responsibilities of the various participants (CTEs, DINEPA, and OREPA-North); (iii) establish the fiduciary requirements and arrangements for procurement execution and financial management; (iv) describe the work areas and tools contributing to effective, efficient, and transparent execution of the project and to achieving the project objectives; (v) establish the project's risk mitigation actions; and (vi) a financial and administrative annex as stipulated in Annex III.

- 3.6 **Procurement.** Goods, works, and consulting services will be procured in accordance with the Policies for the Procurement of Works and Goods Financed by the IDB (document GN-2349-9) and Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9). The activities planned under this project are listed in, and governed by, the procurement plan ([required link 4](#)) and Annex III.
- 3.7 **Fiduciary agreements and disbursements.** OREPA-North will prepare and send disbursement requests sent to DINEPA for clearance prior to submitting them to the Bank for payment. For advances of funds, DINEPA will submit four-month financial plans to the Bank, including the cash flow needs of OREPA-North. For each fresh advance of funds, DINEPA will provide supporting documentation for at least 80% of the advance received. The disbursement function will be decentralized gradually to OREPA-North, based on its financial management capacity.
- 3.8 **Audits.** DINEPA will be responsible for hiring Bank-eligible external auditors to perform project audits, as follows: (i) for the first two years of execution, six-monthly audits of the project financial statements are to be delivered within 90 days after the close of each six-month period; (ii) for subsequent years, the frequency of delivery of audited financial statements (semiannually or annually) will depend on improvement in OREPA-North's financial management capacity, as determined by the financial supervision missions and risk assessment updates; and (iii) a final financial audit will be delivered within 120 days after the date of the last disbursement. The project audits will be financed with the project funds.
- B. Summary of arrangements for monitoring results**
- 3.9 **Monitoring.** The project will be monitored using the Bank's monitoring instruments and based on the annual work plan, multiyear execution plan, procurement plan, and plan for data compilation and preparation for the Results Matrix prepared by the executing agency and accepted by the Bank. The executing agency will deliver six-monthly reports, which will serve as a basis for the project monitoring reports and the project completion report and will include: (i) general information on activities; (ii) progress made with respect to the Results Matrix; (iii) a summary of the project's financial position; (iv) a cash flow estimate for the next six-month period; (v) in the annual reports, updated versions of the annual work plan and procurement plan; (vi) an analysis of problems encountered and corrective measures taken; and (vii) problems that may affect project execution.
- 3.10 **Evaluation.** Two independent evaluations will be conducted: (i) the first one, 18 months after disbursement eligibility, or once 20% of the financing has been disbursed, whichever occurs first; and (ii) a final evaluation, once 90% has been disbursed. The final evaluation will include an ex post socioeconomic evaluation, as established in the monitoring and evaluation plan. In addition, an impact assessment is envisaged, to identify the most cost-effective strategy for service delivery. A description of the methodology is provided in [required link 2](#).

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change and Environmental Sustainability	
Country Development Results Indicators	-Households with new or upgraded access to drinking water (#)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2904	Widen access to water and sanitation services
Country Program Results Matrix		The intervention is not included in the 2018 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		Párrafo 1.17
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution	8.5	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	4.0	
3.3 Results Matrix Quality	1.5	
4. Ex ante Economic Analysis	9.0	
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	0.0	
5. Monitoring and Evaluation	10.0	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	7.5	
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		
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	HA-T1212

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

The specific objective of the Project is: to improve access to potable water, increase water consumption and reduce the water carrying costs of the urban and rural population in the north of Haiti; and increase the number of CTE with financial balance, and increase their revenue collection and reduce their personnel costs.

The POD presents the problems to be addressed by the project as well as the factors causing them. The magnitudes of the problems are provided and the proposed interventions are linked to the problems identified in the diagnosis.

The results matrix does not have vertical logic because the output indicator "Communication and marketing campaigns to improve access to sanitation and hygiene" does not have a corresponding outcome indicator.

The specific objective of the project states what will be undertaken by the project. It does not say why these works need to be undertaken. The objective should specify what sector problems the project will attempt to address through the its interventions. This is included as outcome indicators in the results matrix. For example, in addition to increasing the population with access to water, the time involved in carrying water will be either reduced or eliminated and water consumption of project beneficiaries will increase. The same occurs with Component 1. As presented by the results indicators in the matrix, the problems that the project intends to address include the financial equilibrium of the CTE as well their tariff collection. In addition, the objective mentions sanitation, however, except for small pilot projects, the operation does not include interventions in sanitation.

Not all the output indicators are SMART as for example, the indicator "installations of water, sanitation and hygiene in public buildings constructed and rehabilitated" which also has installation as a unit of measure. It is not clear what is meant by "hygiene" in this context and how it can be "installed". Likewise, the term "installation" is not an accurate unit of measure since it is not clear what will be measured with regards to "hygiene." In addition, for Component II one indicator states that the pilots projects will be implemented, however, it is not clear what is meant by implemented "and how this will be measured.

The project was analyzed using a cost-benefit analysis. The economic benefits include the carrying costs of water and the increase in water consumption. The costs reflect the real resource costs to the economy and the assumptions used were clearly presented. A sensitivity analysis was undertaken using the assumptions that have the greatest impact over the economic rate of return.

The project has a monitoring and evaluation plan. The operation will be evaluated using a reflexive methodology as well as an ex post cost benefit analysis. In addition, an experimental impact evaluation will be undertaken in order to identify the most cost-effective strategy to provide water services to the population in the north of Haiti and use the result of the evaluation to provide information for policy decisions with regards to scaling it up in the project. The impact evaluation will involve a sample of 80 pilot networks in which two alternative management models will be considered: i) management of the network using a private operator; and ii) management of the network through a local water committee. The objective of the evaluation is the compare the effectiveness of both management models taking into account indicators regarding connectivity, water consumption and operational efficiency of the water system.

RESULTS MATRIX

Project objective:	The project objective is to improve the living conditions of households in Haiti's Greater Northern Region by: (i) strengthening sector regulation as well as technical and commercial management of the technical operations centers (CTEs); (ii) increasing access to water and sanitation services for urban residents and improving their hygiene practices; and (iii) increasing access to water and sanitation services for rural residents and improving their hygiene practices.
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Outcome 1: Improvement of sector regulation and technical and business management of the CTEs											
Indicator	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	At project-end	Comments/Mean of verification
6 CTEs that reach the financial break-even point ¹	Institutions (CTE)	33	2018	2		3			5	5	Quarterly and consolidated annual reports by the regulator
Percentage revenue collection at the Cap-Haïtien CTE	Percentage	31	2018	31	70	80	90	90	90	90	Idem
Number of Cap-Haïtien CTE employees per 1,000 connections	Employees	11	2018	11	6	6	5	5	4	4	Idem
Number of CTEs in Haiti that report information in accordance with regulator requirements	Percentage	4	2018	17	33	42	58	75	83	83	Idem
OREPA-North has investment planning for three CTEs and the rural areas in two departments	Planning	0	2018			1	2	1	1	5	Midterm and final audits
Women forming part of the technical staff of the Cap-Haïtien CTE in management and line staff positions	Percentage	10	2018			30				50	Idem
CTEs that incorporate sanitation management ² into their business plan	Business plan	0	2018	1	1					2	Business plans approved by the OREPA

¹ Financial break-even: Ratio of annual operating revenues to annual operating expenditures is greater than one.

² Sanitation management refers to a 14% rate incorporated into the water bill.

Outcome 2: Improvement of household access to water and sanitation services, water service quality, and hygiene practices in cities in northern Haiti											
Indicator	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	At project-end	Comments/Mean of verification
Households in Cap-Haïtien with access to safely managed drinking water service ³	Percentage	1	2017			11			41	41	Initial, midterm, and final household surveys
Households ⁴ with access to safely managed drinking water service in five project cities	Percentage	13	2017			19			35	35	Idem
Water collection time in urban households benefited through a network connection in Cap-Haïtien ⁵	Minutes per 20 liters	14	2017						0	0	Idem
Drinking water consumption in beneficiary households in Cap-Haïtien ⁶	Liters/person /day (lpd)	28.7 ⁷	2017						55	55	Idem
Households in Cap-Haïtien with access to basic water service through the network kiosks ⁸	Percentage	2	2017			5			9	9	Idem
Households ⁹ with access to basic water service through the network kiosks in five project cities	Percentage	1	2017			6			10	10	Idem
Public buildings ¹⁰ with at least basic water, sanitation, and hygiene (including menstrual hygiene ¹¹ in schools) services in Cap-Haïtien	Percentage	0	2017			49			51	100	Idem

³ According to the Sustainable Development Goals (SDGs), access to safely managed drinking water means access to an improved source of drinking water located inside the home, available when needed, and free from fecal contamination and priority chemical pollutants. The estimated average is 2.1 households per connection.

⁴ Does not include households in Cap-Haïtien.

⁵ This indicator will be surveyed for each of the project's beneficiary cities.

⁶ Idem.

⁷ Current demand is 42 lpd; however, only two thirds of the water consumed is potable.

⁸ According to the SDGs, basic access means drinking water from an improved source, provided collection time is not more than 30 minutes for a round trip.

⁹ Does not include households in Cap-Haïtien.

¹⁰ Public schools, public health facilities, and markets.

¹¹ Menstrual hygiene: Girls and women have a private space and a properly managed basic infrastructure (trash cans that are regularly emptied and do not have an offensive smell) to take care of their menstrual needs.

Outcome 3: Improvement of household access to water and sanitation services, water service quality, and hygiene practices in rural areas in northern Haiti											
Indicator	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	At project-end	Comments/Mean of verification
Households with access to basic water service in 32 communal sections	Percentage	46	2017			66			99	99	Initial, midterm, and final household and water point surveys
Water collection time for beneficiary rural households in the 32 communal sections	Minutes per 20 liters	>30							15	15	Idem
Drinking water consumption in beneficiary households in the 32 communal sections ¹²	lpd	25.6 ¹³							48	48	Average in the 32 communal sections analyzed. Final survey
Public buildings ¹⁴ with at least basic water, sanitation, and hygiene (including menstrual hygiene in schools) services in the 32 communal sections	Percentage	2	2017			67			100	100	Initial, midterm, and final surveys of public buildings
Component I: Improvement of sector regulation and technical and business management of the CTEs											
Output	Unit of measure	Associated outcomes	Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	At project-end	Comments/Mean of verification
Communication and transparency campaigns implemented for connectivity to the water system	Campaign	R1	600,000		1		1			2	Quarterly progress reports and consolidated annual reports
Registry of water network clients in six CTEs updated	CAD/GIS database	R1	128,000		3	2			1	6	Idem
Commercial software installed at the CTEs	Software	R1	100,000		10					10	Idem
CTEs provided with equipment and personnel	Institutions (CTE)	R1	542,000		2	2				4	Midterm and final audits
Results-based contract to manage the Cap-Haitien CTE for 64 months signed and in effect	Contract	R1	5,000,000	1						1	Quarterly progress reports and midterm and final audits

¹² This indicator will be surveyed for each of the project's beneficiary communal sections.

¹³ The demand is 32 lpd, but only 80% is potable.

¹⁴ Public schools, public health facilities, and markets.

Output	Unit of measure	Associated outcomes	Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	At project-end	Comments/Mean of verification
DINEPA reports prepared on CTE production and billing	Report	R1	750,000	2	5	5	5	5	5	27	Quarterly and consolidated annual reports
Groundwater and surface water monitoring plan and Balan aquifer model prepared	Report	R1	120,000						2	2	Idem
OREPA-North provided with equipment and personnel	Institution (OREPA)	R1	1,200,000	1						1	Midterm and final audits
Pilot project implemented to increase women's participation in the operation and management of water and sanitation systems	Report	R1	100,000			1			1	2	Certificate of acceptance by the PEU
Haiti urban sanitation strategy and sanitation master plans prepared	Plans	R1+R2	570,000			1			3	4	The strategy and plans are validated by the OREPA and DINEPA
Subtotal Component I			10,020,000								

Component II: Priority investments in clean drinking water, sanitation, and hygiene in urban areas of Haiti's Greater Northern Region											
Output	Unit of measure	Associated outcomes	Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	At project-end	Comments/Mean of verification
Connections ¹⁵ installed at CTEs covered by the project	Connection	R1+R2	6,060,000	812	4,124	15,341	13,832	10,267	5,947	50,323	Consolidated annual reports of the regulator
Conveyance lines installed in Cap-Haïtien	Meters	R1+R2	3,380,000			7,110		4,205		11,315	Idem
Water tanks built	Tank	R1+R2	2,400,000		2		1			3	Idem
Distribution network built in Cap-Haïtien	Kilometers	R1+R2	28,340,000	66	100	90				256	Idem
Condominial water systems built in Cap-Haïtien	System	R1+R2	2,320,000			50	63	63	75	251	Idem
Kiosks built in Cap-Haïtien	Kiosk	R1+R2	1,260,000		9	14	18	23	27	91	Idem
Sanitation pilot projects ¹⁶ implemented in Cap-Haïtien	Pilot project	R1+R2	3,980,000			3				3	Acceptance by OREPA-North
Pilot sanitation projects implemented in other cities of northern Haiti	Pilot project	R1+R2	1,000,000			1				1	Idem
Water, sanitation, and hygiene facilities built or rehabilitated in public buildings	Facility	R2	800,000			70			70	140	Certificates of acceptance of works with appraisals
Drinking water systems built in urban areas of northern Haiti	System	R1+R2	32,020,000			2	2	2		6	Idem
Behavioral change campaigns implemented to reduce open defecation in disadvantaged areas and foster hygiene practices	Campaign	R2	1,200,000		1		1			2	Quarterly progress reports

¹⁵ Includes residential, condominium, and business connections.

¹⁶ Pilot projects for semicollective sanitation in the city center, pilot project to incorporate container-based sanitation (CBS) solutions into the services provided by the CTE, pilot project for sludge management.

Component III: Priority investments in clean drinking water, sanitation, and hygiene in rural areas of Haiti's Greater Northern Region											
Output	Unit of measure	Associated outcomes	Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	At project-end	Comments/Mean of verification
Water points ¹⁷ built or rehabilitated	Water point	R3	2,500,000		25	45	80			150	Certificates of acceptance of works with appraisals
Water, sanitation, and hygiene facilities built or rehabilitated in public buildings	Facility	R3	3,100,000		53	141	141			335	Idem
Communication and marketing campaigns implemented to improve access to sanitation and hygiene	Campaign	R3	2,000,000		9	15	8			32	Quarterly progress reports
Subtotal Component III			14,000,000								
Total components			114,750,000								
Administrative expenditures (PEU)			4,000,000								
Complaint reporting and dialogue plan			300,000								
Impact assessment			950,000								
Audits			500,000								
Midterm evaluation			50,000								
Final evaluation			100,000								
Total additional			10,250,000								
Grand total			125,000,000								

¹⁷ Water point: well, source, kiosk, or catchment.

FIDUCIARY ARRANGEMENTS

COUNTRY: Republic of Haiti
PROJECT NUMBER: HA-L1135
NAME: Water, sanitation and hygiene in urban, peri urban and rural areas in Haiti's North Region
EXECUTING AGENCY: DINEPA
FIDUCIARY TEAM: Marise E. Salnave and Marie Marcelle Orisme Roc Passard

I. EXECUTIVE SUMMARY

- 1.1 This operation in the amount of US\$125 million from the IDB Grant Facility will include urban water and sanitation interventions in Cap Haitian and some peri urban and rural areas in Northern Haiti.
- 1.2 The latest evaluation of the public financial management systems of the Republic of Haiti is contained in the Public Expenditure and Financial Accountability (PEFA) assessment report conducted in 2011 and published in February 2012. The Government of Haiti has shown continued commitment in improving the country system and has adopted, in May 2014, the Public Financial Management reform strategy which focuses on: (i) continuing the implementation of a Single Treasury Account (STA) with the support of IMF; (ii) reaffirming the role of public accountants in the monitoring of expenses in all line ministries, and (iii) improving the monitoring of public debt. Despite these measures, the country financial management systems and external mechanism would require further improvements prior to conforming to levels consistent with their utilization for the fiduciary management of Bank's funded programs. As a result, no country systems will be used for the financial management of the program.
- 1.3 An evaluation of the National Procurement System was performed in 2013, applying the methodology established by the Organization for Economic Cooperation and Development (OECD). Recommendations were presented in an action plan for its modernization. Based on the current situation and the need to align the national system to international standards and best practices, the Bank's procurement policies will be used to govern procurement activities foreseen under this operation. Therefore, to mitigate these weaknesses, the Bank will continue to: (i) rely on special program executing units for the execution of all projects while at the same strengthening institutional capacities; and (ii) implement special fiduciary arrangements for project implementation and conduct close supervision of project executing units. External control will be performed for all Bank operations by independent audit firms acceptable to the Bank and in accordance with its financial reporting and audit guide.

II. EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 DINEPA will be responsible for the implementation and the overall administration of the project, including: (i) planning and reporting of technical and fiduciary aspects; (ii) financial and accounting management; (iii) execution of procurement activities; (iv) supervision of firms and service providers; (v) monitoring and evaluation; and (vi) compliance with grant agreement's contractual conditions. DINEPA has extensive experience in execution of Bank financed projects. Modified cash basis and ACCPAC system is used for accounting purposes. However; financial reports are still prepared using Excel spreadsheets. Accounting services are concentrated at DINEPA with limited delegation for payments to CTE-RMPP and OREPA-Ouest based on delegation of mechanism and to OREPA-North for operating expenses. Consistent with the Water and Sanitation Framework Law, a progressive decentralization of essential functions will be transferred to OREPA-North, including disbursement and procurement functions, through a delegation of authority process taking into consideration OREPA-North's institutional capacity and related strengthening action plan.
- 2.2 OREPA-North is a deconcentrated entity of DINEPA that owns the water and sanitation system and supervises the water utilities responsible to deliver services in urban and rural areas of the North, North East and North West regions. OREPA-North was created in 2011 and is headed by a Director who reports directly to the Director General of DINEPA. The Administrative Unit consists of an administrator, an accountant and an administrative assistant. The OREPA North oversees the financial operations of the CTE and CAEPA through its departmental units responsible for rural areas (URDs). The OREPA-North has limited experience in the execution of projects.
- 2.3 The increase of responsibilities due to new operations that DINEPA will be execute has increased the level of risk for the procurement execution. DINEPA actually has a Procurement Unit fairly trained to execute the existing IDB projects. However, based on the last diagnostic of the institutional capacity conducted in October 2018 and the Bank's supervision, DINEPA needs strengthening for the level of effort required due to the increase of projects to execute.
- 2.4 OREPA-North has no experience in executing Bank financed projects. However, there is a procurement unit with one procurement specialist working on low complexity processes funded by World Vision and AECID. Until now, the level of activity has been relatively low and, according to the latest institutional assessment undertaken in September 2018, capacity building is needed in all areas of procurement management to meet the level of activity envisaged under the project to be achieved as part of the ongoing strengthening program. OREPA-North would oversee procurement processes.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 An institutional assessment of DINEPA and OREPA-North financial management and internal control processes was completed during the months of September and October 2018. Based on the results, the Bank considers DINEPA and OERPA's overall risk rating to be medium to high. The financial risks and their corresponding mitigation measures are listed below:

Risks	Mitigation Measures
OREPA-North does not have an accounting system and financial reports are prepared manually which, due to the increase in transactions, can result in unreliable reports and delayed disbursements.	Implementation of ACCPAC to allow for the monitoring and execution of approved budget and the automatic generation of financial reports in format requested by the Bank.
DINEPA accounting system (ACCPAC) is not fully operational as project budgets are not included and financial reports are prepared manually resulting in delays in the presentation of financial reports and ineffective budget monitoring with possible delays in disbursements. Inadequate monitoring of materials and equipment with risk of loss or inappropriate usage.	Integrate project approved budget in accounting system and perform the timely recording of transactions in a uniform and clear manner according to project chart of accounts and budget categories, generate financial reports automatically and complete the installation of the fixed assets module.
There is risk of project delays due inadequate staffing in the administrative and financial unit of OREPA-North, the lack of adequate administrative and financial management procedures and inadequate coordination and delegation of authority.	Strengthen financial management of OREPA-North by recruiting an accountant for the daily recording of transactions and reconciliation of accounts, and a financial analyst for the supervision and monitoring of the water utilities of the North, North East and North West regions.
	Approval and implementation by DINEPA and OREPA-North of an administrative, financial and accounting procedure manual to ensure appropriate execution and monitoring of program activities.
	Approval of a “ <i>Protocole d’Accord</i> ” between DINEPA and OREPA which describes the roles and responsibly of each party, including a delegation of authority for the execution mechanism of project.

- 3.2 From a procurement standpoint and based on the September and October 2018 institutional assessments of DINEPA and OREPA-NORD, the procurement risk level is considered as medium to high. These risks, which may lead to delays in procurement activities, are foreseen under this operation. To mitigate these risks, mitigation measures were identified:

Risks	Mitigation Measures
A limited absorption capacity for the workload expected for this new operation due to insufficient staff and knowledge of Bank's policies by some members of the procurement unit may lead to delays.	Hiring two additional procurement specialists (for OREPA-NORTH and for DINEPA) to ensure timely execution of procurement activities.
	Strengthen knowledge of Bank's policies by organizing face to face and hands-on trainings with the procurement unit's personnel i.e. evaluation criteria for selection processes.
Unrealistic planning of procurement activities may affect the timeliness of project execution.	Organizing semiannual workshops with the technical counterparts to prepare and update the procurement plan.
The procurement unit is not carrying out contract management functions which may lead to errors in budgeting.	Integrate contract management as part of the procurement function by establishing procedures within the Procurement Unit, such as supplier performance evaluation.
	Conduct regular inspection visits to closely monitor contracting processes and contract management aspects.
A deficient procurement filing system may lead to errors in contract management.	Establish an organized paper based and electronic filing system for procurement processes.

IV. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF THE CONTRACT

- 4.1 **Project Operations Manual.** DINEPA, in collaboration with OREPA-North, will prepare an annex to DINEPA's integrated Operations Manual (OM) which shall set out the procedures to be followed by DINEPA and OREPA-North regarding planning and reporting of activities, financial management, audits, procurement and contracting, and monitoring and evaluation of activities related to this new operation.
- 4.2 **Special Accounts and authorized signatures.** DINEPA will open two special accounts (one in US dollars and one in Haitian gourdes) at the Bank of the Republic of Haiti (BRH) for the management of program resources. A third account in Haitian gourdes, will be opened at the *Banque Nationale de Credit* (BNC) in Cap-Haitien for payments of expenses to be executed by OREPA-North. The accounts will be used exclusively for the management of project funds. DINEPA will send authorized signatures for each account to the IDB via the Ministry of Finance (MEF).
- 4.3 **Hiring of Fiduciary Staff.** In addition to the fiduciary staff to be hired for the PEU as provided for in special contractual condition (iv) prior to first disbursement of the project summary and paragraph 3.3 of the project document, the assignment of the procurement specialist for DINEPA will also be required as a condition prior to first disbursement.

- 4.4 **Audit special requirements:** DINEPA will be responsible for the recruitment of external auditors eligible to the Bank to perform the audit of the program as follows: (i) for the first two years of the execution due to the complete and decentralized execution mechanism and the institutional capacity of OREPA-North: semiannual audits of the financial statements of the program will be required and submitted within 90 days after the close of each semester; (ii) and for subsequent years the frequency of presentation of the audited financial statements (semi-annual or annual) will be based on improved financial management capacity of the OREPA-North determined by the financial supervision missions and the updating of the risk assessment; (iii) a final financial audit to be submitted within 120 days after the date of the last disbursement. Audits of the program will be financed by project funds.

V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 The procurement fiduciary arrangements establish the conditions applicable to all procurement execution activities in the project.
- 5.2 **Procurement Execution.** The procurement plans, covering the entire project execution period starting on the date of eligibility of the project, have been agreed by the executing agencies 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's non-objection.
- 5.3 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), and the Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank (GN-2350-9), complemented by the special procurement provisions for Haiti, while in place.
- 5.4 **Procurement of works, goods and non-consulting services.** Goods and works 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 upon 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 Policies 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.
- 5.5 **Procurement of Information Technology (IT) Systems.** For the procurement of Information Technology in Component 2, the appropriate procurement method and bidding documents will apply.
- 5.6 **Procurement of non-consulting services.** The Executing Unit will use the standard procurement document prepared and agreed with the Bank for these types of services. For training, all contracts related to logistics will be contracted as non-consulting services.
- 5.7 **Selection and Contracting of Consultants:** The selection and recruitment of consulting firms required by the project subject to any of the methods provided in the 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. The terms of reference review for the selection of consulting services is the responsibility of the project sector specialist.

- 5.8 **Selection of Individual Consultants.** Individual consultants, national and international, will be selected according to Annex V of the GN-2350-9.
- 5.9 **Training.** Training will be provided to Executing Agencies in charge of procurement Management.
- 5.10 **Recurrent Expenses.** This category includes the cost of salaries of personnel and other recurrent costs required for supporting program administration in its implementation.
- 5.11 **Advance contracting and retroactive financing.** Not applicable to this project.

Table 1. Regular threshold amounts for Haiti

HAITI – LIMIT AMOUNTS (IN THOUSANDS OF US\$)						
Works			Goods			Consulting Firms
ICB ²	NCB ³	PC ⁴	ICB	NCB	PC	Short List with local firms only
≥1.000	≥100<1,000	<1.00	≥100	≥25<100	<25	<100

Main Procurement Activities

Activity	Procurement Method	Estimated Date	Estimated Amount 000'US\$
Cap Haitian construction water Network	ICB	6/30/2019	28,800,000
Other cities water systems construction	ICB	10/1/2020	27,980,000
Rural water construction works	ICB	1/30/2020	11,000,000
Firms			
PPP Cap Haitian consultancy firm	ICB	6/30/2019	7,000,000
Individuals			
Supervision unit	CCN	9/30/2019	1,095,000

*To access the 18-month procurement plane, click [here](#)¹

- 5.12 **Procurement Supervision.** With regards to all procurement processes, the Bank's supervision for this operation will be ex ante. Any change to the supervision method will be indicated in the updated versions of the PP to be agreed DINEPA/OREPA-NORD and the Bank.
- 5.13 **Records and Files.** All records and files will be maintained by the PEU according to accepted best practices and kept for up to three years beyond the end of the operation's execution period.

¹ To create the hyperlink, click on the right button; edit Hyperlink, and include the IDBDocs number at the end of the link.

VI. FINANCIAL MANAGEMENT

A. Programming and Budget

- 6.1 OREPA-North will prepare an Annual Operation Plan (AOP), a procurement plan and a twelve-month detailed financial plan, which will be approved by DINEPA. The financial plan will respect the budget lines defined in the grant agreement (categories of investments). The execution of the project's financial plans will be evaluated every six months and reported in the semiannual Project Monitoring Report (PMR).

B. Accounting and Information Systems

- 6.2 The ACCPAC software will be used for the management of project resources which is the system used by DINEPA. ACCPAC will be installed at OREPA-North and should be interconnected with DINEPA to allow the timely processing and monitoring of transactions and the preparation of financial reports. Detailed annual budget, including subcomponents and activities, will be included in the accounting system to facilitate the comparison of actual vs budget forecast at the end of each month and the production of financial reports by source of funds. Cash basis accounting will be used for the preparation of unaudited semi-annual and annual audited financial statements in accordance with international accounting standards.

C. Disbursements and Funds Flows

- 6.3 Project financial management will be executed according to OP-273-6. OREPA-North will prepare annual planning of project cash flows in accordance with AOP, which will be submitted to DINEPA for approval. Direct payment and advance of funds methodology will be used for the disbursement of project funds based on activities derived from the annual operating plans and procurement plans. Disbursement request will be prepared by OREPA-North and sent to DINEPA for approval prior to submission to IDB for payment. For disbursement of advances of funds, DINEPA will submit to the bank financial plans for a period of four months and will incorporate cash flow needs of OREPA-North. Advances to OREPA-North will be provided by DINEPA and incurred expenses will be justified monthly. For each new advance, DINEPA will need to justify 80% of the advance received. Justification of advance of funds will be submitted by DINEPA to the Bank on a quarterly basis within 20 days of the end of each quarter and will include the justification reports received from OREPA-North. The decentralization of the disbursement function to the OREPA-North will be made gradually based on increased financial management capacity determined from financial supervision missions and the update of the risk assessment. The exchange rate on the date of the conversion of the currency in which the disbursement is made will be used to record all expenses made in local currency; the Central Bank of Haiti exchange rate published on that date will be used as the reference rate.

D. Internal Control and Audit

- 6.4 OREPA North and DINEPA will maintain adequate internal control systems and controls. The internal control environment of OREPA North will be strengthened with the implementation of the ACCPAC accounting system for preparation of financial reports and monitoring of budget execution; the implementation of an administrative and financial procedure manual and the hiring of the accountant and financial analyst. In the case of DINEPA, internal control will be strengthened with the continuing implementation of the ACCPAC accounting system for the preparation of financial reports and the monitoring of budget execution. DINEPA should also complete the implementation of the inventory module and finalize approval of its administrative, financial and accounting procedure manual. In addition, the internal auditor of DINEPA should perform at least semiannual inspection visits to OREPA North.

E. External Control and Reporting

- 6.5 Audits of financial statements will be performed in accordance with International Audit Standards and Bank's Guidelines for Financial Reports and External Audits and will be financed by IDB grant and estimated at US\$350,000. The project financial statements will correspond to the Haitian fiscal year. An independent audit firm will carry out the audit of the project as specified in section 4.4 above, based on specific terms of reference.

F. Financial Supervision Plan

- 6.6 During the first year of execution, fiduciary staff will perform inspections every four months for both DINEPA and OREPA-North to review the execution of financial plan, supporting documents, recording of financial transactions and implementation of audit recommendations. For the following years, the frequency of visits is subject to change based on findings raised during supervision missions.

G. Execution Mechanism

- 6.7 DINEPA and OREPA-North will maintain proper financial management systems and prepare an AOP and PP and a twelve-month financial plan indicating cash flow need. Disbursements will be executed as stated above.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/18

Haiti. Nonreimbursable Financing ___/GR-HA to the Republic of Haiti
Urban, Periurban, and Rural Water, Sanitation, and Hygiene Project
in Haiti's Greater Northern Region

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the IDB Grant Facility (hereinafter referred to as the "Account"), to enter into such contract or contracts as may be necessary with the Republic of Haiti, as beneficiary, for the purpose of granting it a nonreimbursable financing to cooperate in the execution of the Urban, Periurban, and Rural Water, Sanitation, and Hygiene Project in Haiti's Greater Northern Region. Such nonreimbursable financing will be for an amount of up to US\$125,000,000, which form part of the Account, and will be subject to the Terms and Financial Conditions and the Special Contractual Conditions in the Project Summary of the Grant Proposal.

(Adopted on ___ 2018)