

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HAITI

PRODUCTIVE INFRASTRUCTURE PROGRAM III

(HA-L1091/HA-X1036)

GRANT PROPOSAL

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CONTENT

PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING.....	2
A.	Background, Problem Addressed, Justification.....	2
B.	Objective, Components and Cost	9
C.	Key Results Indicators	10
II.	FINANCING STRUCTURE AND MAIN RISKS	11
A.	Financing Instruments	11
B.	Environmental and Social Safeguard Risks.....	12
C.	Fiduciary Risk.....	13
D.	Other Key Issues and Risks	13
III.	IMPLEMENTATION AND MANAGEMENT PLAN	14
A.	Summary of Implementation Arrangements	14
B.	Summary of Arrangements for Monitoring Results	16

ANNEXES	
ANNEX I	Development Effectiveness Matrix (Summary)
ANNEX II	Results Framework
ANNEX III	Fiduciary Arrangements
ELECTRONIC LINKS	
REQUIRED	
1.	Pluriannual Execution Plan (PEP) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39064637
2.	Monitoring and Evaluation Arrangements http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39064638
3.	Environmental and Social Management Report (ESMR) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39049235
4.	Procurement Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39064639
OPTIONAL	
1.	Presidential decree SONAPI 1981.10.22 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36838575
2.	Inter-institutional Agreement between UTE/MEF and SONAPI http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38760056
3.	Cumulative Impact Assessment http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37092181
4.	Haitian Hemispheric Opportunity Through Partnership Encouragement Act and Haiti Economic Lift Program Act 2010 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36838586
5.	Report by UTE on the PIC - January 2013 to December 2013 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38718918
6.	PIC Master Plan May 2014 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39070931
7.	Economic Evaluation http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39065348
8.	Safeguard and Screening Form for Screening and Classification of Projects (SSF) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39064636

ABBREVIATIONS

BNC	<i>Banque Nationale de Credit</i>
CFI	Center for Investment Facilitation
CIAT	<i>Comité Interministériel d'Aménagement du Territoire</i>
CODEVI	<i>Compagnie Développement Industriel</i>
DINEPA	National Directorate for Water Supply and Sanitation
EEEICM	<i>Enquête sur l'emploi et l'Économie informelle et la Consommation des ménages</i>
EHS	Environment, Safety and Health Management System
ELO	Electronic Link Optional
ELR	Electronic Link Required
ERR	Economic Rate of Return
ESCI	Emerging and Sustainable Cities Initiative
ESG	Environmental Safeguards Unit
ESMR	Environmental and Social Management Report
EU	European Union
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
GEF	Global Environmental Facility
HELP	Haiti Economic Lift Program Act of 2010
HOPE	Haitian Hemispheric Opportunity Through Partnership Encouragement Act
HRF	Haiti Reconstruction Fund
IHSI	<i>Institut Haïtien de Statistique et d'Informatique</i>
IRR	Internal Economic Rate of Return
MCI	Ministry of Commerce and Industry
MEF	Ministry of Economy and Finance
PAP	Port-au-Prince
PIC	<i>Parc Industriel de Caracol</i>
PN3B	<i>Parc National des Trois Baies, which includes caracol Bay</i>
PIM	<i>Parc Industriel Metropolitain</i>
PSG	Project Specific Grant
RN6	Route Nationale 6
SME	Small and Medium Enterprises
SONAPI	<i>Société Nationale des Parcs Industriels</i>
UNDP	United Nations Development Program
USAID	United States Agency for International Development
US-DOS	United States Department of State
USG	United States Government
UTE	Technical Execution Unit
WWTP-P	Waste Water Treatment Plant-Permanent

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Financial Terms and Conditions					
Beneficiary: Republic of Haiti					
Executing Agency: Ministry of Economy and Finance (MEF), through its Technical Execution Unit (UTE/MEF) and the National Society of Industrial Parks (SONAPI)					
		Disbursement Period:		2 years	
Source	Amount	Grace Period		N/A	
IDB (Grant Facility) (HA-L1091)	55,000,000	Supervision and Inspection Fee:		N/A	
Local	0	Interest Rate:		N/A	
Co-financing* (United States' Government-USG) (HA-X1036)	15,000,000	Credit Fee:		N/A	
Total	70,000,000	Currency of Approval:		US\$	
Project at a Glance					
Project Objective: The program's overall objective is to contribute to the economic development of Northern Haiti. The specific objective is to create formal employments in the North and Northeast Departments of Haiti by providing the necessary infrastructure for the establishment of firms in the <i>Parc Industriel de Caracol</i> (PIC).					
Special contractual conditions:					
Prior to the first disbursement of the Grant: (i) signature and effectiveness of a transfer agreement between MEF and SONAPI, whereby MEF will authorize transfer of resources to SONAPI for the execution of Component III of the project; (ii) signature and effectiveness of an inter-institutional agreement between MEF and SONAPI for the execution of the PIC projects, including assignation of roles and responsibilities; and (iii) approval by UTE/MEF and SONAPI of their respective updated manual of operations to reflect activities that will be financed by the project (¶3.1).					
Prior to first disbursement under Components I and III: The Beneficiary must to the satisfaction of the Bank:					
(a). Through SONAPI: (i) present the PIC Environment, Health and Safety (EHS) Management System Documents (procedures, instructions, manuals and guidelines); (ii) have started the implementation of the prioritized procedures, instructions, manuals and guidelines as described in Annex 1 of the Environmental and Social Management Report (ESMR); (iii) present a copy of the PIC Rules and Regulations which shall include the EHS requirements and show evidence that they have been communicated to all tenants of the PIC; (iv) have started the implementation of the Emergency Response Plan; (v) present evidence that the temporary solid waste facility is adequately managed with adequate resources allocated to it; (vi) have started the implementation of the hazardous waste management plan; (vii) present evidence that the EHS Management team is operational; and (viii) have contracted consulting services to support SONAPI in the preparation of the Water Safety Plan. (¶3.2a)					
(b). Through UTE/MEF: (i) present evidence that the socio-economic baseline study for the Caracol Bay has commenced, and that the amendment to the contract to carry out the socio-economic baseline study for the remainder of <i>Park National Trois Baies</i> (PN3B) has been signed; (ii) present a copy of the signed contract for the strategy to develop the Alternative Livelihoods Plan; and (iii) present evidence that the laboratory for the permanent domestic waste water treatment plant (WWTP-P) is fully operational. (¶3.2b)					
Additional conditions prior to first disbursement for Component III: SONAPI must to the satisfaction of the Bank contract an accountant dedicated to the PIC projects and located in Caracol. (¶3.3)					
Environmental and Social Clauses: The Beneficiary shall ensure compliance with all other EHS requirements set forth in Section V (C), (D) and (E) of the ESMR. (¶3.4)					
Exceptions to Bank policies: None					
Special Aspects: Co-financing by USG is contemplated to support Component I of this project without seeking further Board approval, to the extent certain Board approved conditions are met (¶2.1 and ¶2.2).					
Project qualifies for:	SEQ ☒	PTI ☒	Sector ☒	Geographic ☒	Headcount ☒

(*) Co-financing in progress (Subject to U.S. Congressional approval and availability of funds).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, Problem Addressed, Justification

- 1.1 The present grant corresponds to the fourth operation in support to the establishment of an industrial park (*Parc Industriel de Caracol*, PIC) in Haiti's Northern region. The previous grants were approved in 2011, 2012 and 2013.¹ To date, the PIC has created 4,156 jobs.² As the PIC plans to double employment levels by the end of 2015, the present grant operation reasserts the Bank's continuing support to the PIC and to the development of the region.
- 1.2 **The Country.** Haiti has 10.2 million inhabitants, 3 million of whom live in the metropolitan region of Port-au-Prince, and 1.8 million in the North and Northeast Departments.³ The main Northern cities and their estimated population in 2012⁴ are: Cap-Haïtien (population 261,864), Ouanaminthe (101,280), Trou-du-Nord (46,695), Fort-Liberté (32,861), Limonade (52,625), Terrier Rouge (28,938), and Caracol (7,362). Unemployment (estimated at 40.6% in 2010) and poverty (55% of the population lives on less than US\$1 per day and 71% on less than US\$2 per day) are critical problems facing the country.⁵ One of the government's priorities is to decentralize the country by promoting economic growth and generating local jobs in the North, one of the poorest and least populated regions. This requires creating conditions and infrastructure to attract private investment in order to increase the region's manufacturing base and export capacity.⁶
- 1.3 **Economic situation.** In the years after the earthquake, Haiti has managed to maintain macroeconomic stability and forecasts for the near future look encouraging. The Gross Domestic Product (GDP) for fiscal year (FY) 2013 was estimated at US\$8,458 billion. GDP growth in FY 2013 reached 4.3%, driven by output growth from construction, commerce and industry. It is expected to rise to 5.1% in 2014/15, supported by improved external demand. The fiscal deficit, at 6.7% of GDP in 2012/13, is expected to remain near this level in the current fiscal year.⁷ The country's current export revenues are insufficient to cover imports: businesses in Haiti exported US\$919 million in FY2013, and imported about US\$2.8 billion. Garments, coffee beans, mangos, cocoa beans, and essential oils constitute Haiti's main exports.⁸ Most of these products are exported to the USA

¹ Infrastructure Program (2552/GR-HA); Productive Infrastructure Program (2779/GR-HA), and Productive Infrastructure Program II (3132/GR-HA).

² SONAPI, PIC Update Q3 2014.

³ [Institut Haïtien de Statistique et d'Informatique](#) (IHSI). Census 2003.

⁴ IHSI (2012) in *Comité Interministériel d'Aménagement du Territoire* (CIAT) Master Plan.

⁵ E. Lefebvre, 2010.

⁶ Currently Haiti exports represent 22.6% of GDP, 90% of which is from the apparel sector (CIA, World Fact Book, 2012).

⁷ [International Monetary Fund, 2014, Haiti. Seventh Review Under the Extended Credit Facility, IMF Country Report No. 14/105.](#)

⁸ IHSI, 2011: *L'Enquête sur l'emploi et l'Économie informelle et la Consommation des ménages.*

- (72.9%), to the Dominican Republic (8.8%) and Canada (3.3%). The active workforce is estimated at 4.1 million people, of which 66% are in the agricultural sector, 9% in the industrial and manufacturing sectors, and 25% in the service sector. An estimated two-thirds of the active workforce operates in the informal sector. The per capita GDP evaluated at purchasing parity power is estimated at US\$1,700 in 2013.⁹
- 1.4 Sustained economic growth is extremely important to create jobs and alleviate poverty in the country. This requires high levels of investment particularly from the private sector to increase manufacturing and export capacity. After dropping to single digits after the earthquake, private investment reached 11.7% of GDP in 2012.
- 1.5 **Regional imbalances.** Haiti suffers from profound regional imbalances, with metropolitan Port-au-Prince (PAP) accounting for more than 66% of Haiti's GDP. The capital concentrates around 80% of the country's industrial, commercial and financial activities and 88% of the financial sector.¹⁰ Social services coverage suffers the same regional imbalances. Outside of PAP, the most significant manufacturing center is the *Compagnie Développement Industriel* (CODEVI), an industrial park established in 2003 and owned by a textile company from Dominican Republic. It is located on the Dominican Republic–Haiti border in the Northern Corridor and employs 7,000 Haitian workers.
- 1.6 **Regional growth poles.** The intensive rural migration to the cities in the last two decades affected negatively the metropolitan area of PAP, resulting in slum formation, pressures on public services, and an increase in traffic congestion. A key priority of Haiti's National Recovery Action Plan is to create economic centers outside the capital to bring jobs to its less developed regions, such as the Northern growth pole. Between the PIC and CODEVI, over 10,000 manufacturing jobs have been created in the region. Energy requirements are being addressed with the power plant located within the PIC (which is providing electricity to households in Caracol for the first time, and is now expanding to Limonade, Trou-du-Nord and Terrier Rouge). Tourism-related entrepreneurial activity is on the rise and transportation connections are improving: The Cap Haïtien international airport has been upgraded and has already started to receive direct flights from Miami by American Airlines, and with the help of United States Agency for International Development (USAID); the Government of Haiti has started a project to rehabilitate the port of Cap Haïtien.
- 1.7 **Problems of the Northern region.** The axis of this region is the Northeastern corridor, located along National Road 6 (RN6), extending from Cap-Haitian to Ouanaminthe, at the border with the Dominican Republic. The corridor offers potentially adequate logistics: it has a maritime port in Cap-Haitian, with access

⁹ [World Bank Databank](#).

¹⁰ Post Disaster Needs Assessment (PDNA), 2010; MEF/Banque de la République d'Haïti 2010; Survey of the Groupe Croissance S.A., 2011.

to the United States by sea (approximately 72 hours to Miami) and by air; vast stretches of land are under state ownership and, if properly managed, it has sufficient capacity to accommodate economic and population growth without compromising its natural resources.

- 1.8 This region, however, is extremely deficient in basic infrastructure such as secondary roads, energy, water, sewage, and housing. In addition, local governance is lagging in service delivery, land management, and fiscal capacity. High levels of poverty and inadequate employment opportunities have led to the degradation of farmland, fisheries, mangroves, forests, underground and surface water, which are visible and have been confirmed by recent studies (see Cumulative Impact Assessment, [ELO 3](#)). However, as the efforts of donors and the Government of Haiti channel projects into the region, including the PIC and the recently built University of Limonade, private investments are beginning to take root. This has led an increase in population—the area towns surrounding the PIC are projected to grow by 6% a year¹¹—and accompanying pressures on natural resources.
- 1.9 **The *Parc Industriel de Caracol (PIC)*.** To address the lack of infrastructure and facilities for industrial activities in the country, the Government of Haiti, along with the United States Department of State (US-DOS) and the Bank, agreed in September of 2008, to support the establishment of the PIC in the Northern part of the country. The PIC addresses key obstacles faced by manufacturers in doing business in Haiti by providing: (i) modern infrastructure and buildings to house industrial activities; (ii) reliable utilities (water, sanitation, electricity); (iii) logistics support and secure road access to the park; and (iv) a professionally managed, operated and maintained industrial park.¹² The US Government contribution includes the legal framework to enable the export of garments products from Haiti to the United States (HOPE and HELP acts)¹³ and has financed a 10 megawatt power plant that provides electricity for the park and surrounding communities, among other investments.

¹¹ This includes Caracol, Terrier Rouge, Trou-du-Nord, and Limonade. AIA Legacy - American Institute of Architects (2012), Cap Haïtien - Ouanaminthe Development Corridor Regional Comprehensive Plan, Volume I, Washington, DC. At the national level, Haiti's urban population is growing at the fastest rate in Latin America and the Caribbean with an annual rate of 2.4% (United Nations, *World Urbanization Prospects: The 2014 Revision*, ST/ESA/SER.A/352).

¹² The literature suggests that Export Processing Zones (EPZs) are important ways of attracting foreign investments and creating local jobs. Dorsati, M. (1999). *A Review of the Role and Impact of Export Processing Zones*. Washington, World Bank, Policy Research Working Paper 2238, and Bost, F. *Are Economic Zones Good for Development?* In OECD - West African Challenges, No. 4, Nov. 2011. The record is mixed with regard to the development impacts and backward linkages of the EPZs, which depend on several country-specific characteristics. Referring to West Africa, Bost asserts that: "While the free zones of West Africa have shown only modest results [in terms of development] the jobs created in those zones would not have come to be without those zones".

¹³ Haitian Hemispheric Opportunity through Partnership Encouragement Act II law (HOPE) and Haitian Economic Lift Program Act (HELP - [ELO4](#)). These acts give duty-free access to knit and woven products made in Haiti to the US market (200 million square meter equivalent for each, until 2020). Better Work Haiti (BWH) verifies the compliance -under the HOPE legislation- of products to be exported to US market.

- 1.10 Thus far, the Bank's support for the PIC includes three grants, totaling US\$145.5 million, as well as the current fourth operation, and a final grant proposed for 2015. The grants financed the construction of the PIC's basic infrastructure, warehouses and ancillary facilities and support for the management of the 250-hectare industrial park. Besides financing the PIC, the Bank is also funding environmental, social and urban interventions intended to ensure overall sustainability of the PIC, which includes support for the surrounding cities to prepare for the additional population that may be attracted to the area given the establishment of the PIC and the development of the region.
- 1.11 **First PIC operation: Infrastructure Program (2552/GR-HA).** The operation consisted of a grant of US\$55 million, approved by the Board on July 25, 2011. This project financed the PIC basic infrastructure and initial buildings including: (i) four factory buildings/warehouses; (ii) an administration building, a 45-room dormitory and a canteen for the anchor garment tenant; (iii) park infrastructure (a perimeter wall, a water treatment plant, a temporary domestic waste water treatment plant, a temporary solid waste facility, an access road, 1.5 kilometers of internal roads and other utility networks); and (iv) social and environmental mitigation and compensation plans, studies and works. This project is 99% disbursed and will be completed by the end of 2014.
- 1.12 **Second PIC operation: Productive Infrastructure Program (2779/GR-HA).** This second grant of US\$50 million was approved by the Bank on September 12, 2012. It finances: (i) four industrial buildings; (ii) smaller buildings to accommodate boilers, industrial laundry, worker canteens, one residential hall and one administration building; (iii) a domestic Waste Water Treatment Plant-Permanent (WWTP-P) and a solid waste management facility; (iv) a portion of PIC's operations and maintenance, including environmental, social, health and safety activities; (v) subsidy for the worker's transportation system; (vi) social and environmental studies and mitigation activities including the establishment of an agency to protect the Caracol Bay; and (vii) technical assistance and complementary urban investments for cities surrounding the PIC. Currently, the grant is more than 70% disbursed, with all of the physical works already contracted and expected to be completed by the end of 2015.
- 1.13 **Third PIC operation: Productive Infrastructure Program II (3132/GR-HA).** This third grant of US\$40.5 million was approved by the Bank on December 16, 2013. It is expected to finance: (i) the construction of additional industrial and other services buildings, roads and utility networks; (ii) small urban projects outside the PIC; and (iii) support for environmental and social mitigation activities. Eligibility for the first disbursement was granted in April, 2014, and 60% of its funds are already committed. Civil works and full disbursement is expected to be concluded by mid 2015.
- 1.14 **PIC achievements.** The PIC has been built at a fast pace and has achieved significant results: state of the art facility, rapid job creation, one of the main industrial job creators in the country in the past few years, and success in

descentralizing economic activity. To date, approximately 90,000 sq. meters has been built, including 10 factory buildings, 10 ancillary structures (for residences, canteens, and administration offices), a domestic WWTP-P, and a potable water plant. As of September, 2014 the park had three tenants (in apparel, paint and fragrance manufacturing) which exported US\$57 million the first three quarters of 2014.¹⁴ At least two more companies have signed a tenancy agreement and are pending startup.¹⁵ These include a company that manufactures sisal fiber products¹⁶ and a Haitian apparel company. This demonstrates that the PIC is attractive to investors both foreign and national. As of September 30, 2014, the PIC had generated 4,156 jobs,¹⁷ of which approximately 75% are female workers. According to the projections gathered from SONAPI, 6,800 new jobs will be created by firms operating in the PIC by 2016, meaning that the demand for rental space has outpaced the supply of existing buildings. Of the 6,800 new jobs, a total of 4,400 jobs will be generated by one of the companies already operating in the PIC. The remaining 2,400 new jobs will be created by the two new companies that have already signed a rental contract and will settle in the park when the buildings financed by this operation are completed.

- 1.15 Other results of the PIC are: (i) the total annual payroll for the current year will be approximately US\$10 million (based on the figures for the third quarter of 2014); (ii) the park generates US\$73,100 per month in rental revenue; (iii) the PIC provides transportation free of charge for approximately 78% of its workers, subsidized by the tenants, with a fleet of 38 buses; (iv) the economic impact on the surrounding municipalities has been positive with the establishment of approximately 123 new businesses in Caracol and Trou-du-Nord;¹⁸ and (v) with support of the PIC operations the Government of Haiti has established the *Parc National des Trois Baies* (PN3B) in February, 2014, which is intended to protect the bays, mangroves and coral reefs of Limonade, Caracol and Fort Liberté bays (see ¶2.14 and 4.70 of the Environmental and Social Management Report (ESMR) ([ELR4](#)).
- 1.16 **PIC management support.** SONAPI is both the regulator and manager of the national policy of export-oriented industrial and manufacturing areas. It is an autonomous public agency with its own legal personality, as well as administrative and financial autonomy. SONAPI currently manages the *Parc Industriel Metropolitain* (PIM), in PAP, which has 23 operating companies generating 13,027 of the 36,530 textile sector jobs in Haiti.¹⁹ As of May 1st, 2014, SONAPI assumed responsibility for the PIC's operation and management. With

¹⁴ SONAPI, PIC Update Q3 2014.

¹⁵ These two companies are expected to generate 2,400 jobs.

¹⁶ The producer of sisal fiber products located in the PIC is considering planting 4,000 hectares of sisal in the region, which could be harvested by local farmers, and woven and thread into sisal products in the company's PIC facilities.

¹⁷ SONAPI, PIC Update Q3 2014. Includes permanent and construction jobs.

¹⁸ SONAPI, PIC Update Q2 2014.

¹⁹ SONAPI, PowerPoint Presentation.

the addition of PIC management to its responsibilities, SONAPI requires institutional strengthening to ensure its capacity to adequately manage the PIC. With funds available in a previous operation (2779/GR-HA) and with the help of a Bank's specialist, the Bank is assisting through a full assessment and the implementation of initial strengthening activities focusing on: (i) business development and client management capacities; (ii) separating financial and administrative units to improve transparency; (iii) upgrading the human resources unit; and (iv) preparing organizational manuals, rules and regulations, and creating a documentation and filing system. The PIC financial sustainability will also be strengthened through the development of a new expansion model whereby tenants will be responsible for financing their own facilities, thus reducing the need for additional grant funds (see ¶2.14).

- 1.17 This grant proposal aims to continue to support the institutional strengthening processes already underway. Currently, SONAPI's fiduciary and environmental, health and safety units are being revamped to manage the Bank's project. On another level, institutional arrangements regarding SONAPI's role and that of the Ministry of Commerce and Industry (MCI) and the Center for Investment Facilitation (CFI) will be reviewed to avoid conflicting oversight of the industrial parks. Finally, USG is helping SONAPI to hire and train staff for negotiation with tenants and client management.
- 1.18 **Other projects in the Northern Region.** The PIC is not an isolated investment, but is rather part of a broader and concerted strategy of developing the North of Haiti. Other donors are providing: (i) over US\$60 million for tourism development (World Bank); (ii) a hospital 1 km south of the PIC, agriculture and support to the private sector (European Union-EU); (iii) US\$120 million for housing projects, local worker training and port improvements (US Government); (iv) solid waste management (*Agence Française de Développement* - AFD); and (v) The University of Limonade (Dominican Republic). The Government of Haiti has expanded and modernized the Cap-Haïtien international airport and is building a bridge to facilitate access to its port, making a significant impact in the region's accessibility and mobility. A program with the National Directorate for Water Supply and Sanitation (DINEPA), funded by the Spanish Agency for Development Cooperation and administered by the Bank, will provide water and sanitation for some towns located near the PIC. The United Nations Development Program (UNDP), with Global Environmental Facility (GEF) funds, is co-financing with the Bank (2779/GR-HA) the first marine protected area in Haiti. USAID has committed US\$87 million for agricultural projects in Northern Haiti, which will include major environmental assessments for all six watersheds that flow into the PN3B, along with mangrove restoration and other environmental work.
- 1.19 Besides the PIC, the Bank has the following operations that support the sustainable development of the Northern region: (i) a pilot program for the Generation and Development of Productive Fabric in Areas Prioritized for Economic Development, in support of small and medium enterprises (SME) (2827/GR-HA); (ii) watershed management in the region (2187/GR-HA);

- (iii) technology transfer to small farmers (2562/GR-HA); (iv) land tenure regularization (2720/GR-HA); (v) construction of school infrastructure in Northern Haiti according to new construction codes that adhere to earthquake, flood and hurricane requirements (2464/GR-HA); (vi) construction of 1,000 houses along the Northern corridor (2318/GR-HA); and several technical cooperations.²⁰
- 1.20 The Bank is also developing through the Emerging and Sustainable Cities Initiative (ESCI), in partnership with the *Comité Interministériel d'Aménagement du Territoire* (CIAT), a sustainability plan for four municipalities closest to the PIC—Limonade, Trou-du-Nord, Terrier Rouge, and Caracol—which together contain approximately 135,000 inhabitants. ESCI's work (ATN/OC-13813-HA and ATN/SS-13812-HA) involves: (i) an assessment of the region's vulnerability to risks and natural hazards (flooding, seismicity, hurricanes, and drought); (ii) an urban growth study, urban and demographic growth projections and related spatial distribution and impact; (iii) a mobility plan which prioritizes key mobility projects; and (iv) a living conditions survey of 3,000 households and 800 PIC workers to assess the park's impact on their quality of life.
- 1.21 Lessons learned from the previous Bank operations in Haiti, particularly those in support of the PIC include: (i) securing engineering designs prior to contracting the civil works reduce eventual cost variations between the project budget and the final costs; (ii) the need to have a good management team and systems in place for addressing environmental, health and safety issues in the park (for example in July 2014 SONAPI hired the EHS manager which is leading the preparation and implementation of the EHS system); and (iii) the need to ensure adequate in-site supervision by the Bank for complex projects such as this. The present operation incorporates these lessons by employing standard designs for the buildings that will be financed in this new phase, providing funds for supporting park management by SONAPI, particularly in technical support for environmental, social, health and safety activities, and by establishing an intensive supervision program for this operation.
- 1.22 **Country strategy and strategic alignment.** The program is consistent with the Action Plan for Reconstruction and Recovery of the Government of Haiti and, in particular, its priorities of employment generation and environmental protection. The proposed program is also consistent with the Bank's Country Strategy with Haiti 2011/2015 (GN-2646), by promoting private sector investment and contributing to the development of Haiti's Northern region. The program will contribute to the lending program priorities of the Ninth General Increase in the Resources of the Inter-American Development Bank (AB-2764) (GCI-9): (i) lending to small and vulnerable countries; and (ii) lending for poverty

²⁰ Tourism development near Cap Haïtien (ATN/ME-12283-HA); Urban Growth Management in the Vicinity of the Caracol Industrial Park (ATN/SF-11979-HA); Institutional Strengthening to Increase the Technical Capacity of the Government of Haiti (ATN/FI-13845-HA); Mitigating the Social Impacts of the Caracol Industrial Park (ATN/KP-13789-HA); Construction of the road from the PIC to Caracol (3085/GR-HA); and Mitigating the Environmental Impacts of the PIC in the Caracol Bay (ATN/OC-14580-HA).

reduction and equity enhancement, since the program benefits residents of a poverty area. It will also contribute to the regional development goals of: (i) social policy for equity and productivity, by increasing formal employment reducing and thus helping to reduce extreme poverty; (ii) infrastructure for competitiveness and social welfare, by providing electricity to households in the areas surrounding the PIC; (iii) competitive regional and global international integration, since it promotes trade openness (as most of the PIC's production is for export) and foreign direct investment to the country; and (iv) protecting the environment, responding to climate change, promoting renewable energy, and enhancing food security.

- 1.23 **Program strategy.** The program's overall strategy is to provide the basic conditions for the attraction of private investment to the country, particularly for the Northern region. These conditions are provided by the industrial park, which provides both logistical, infrastructural and cost advantages for manufacturing.²¹ Private sector investments will continue to generate employment opportunities for the local population and increase the country's export capacity and revenues.
- 1.24 **Private sector development strategy in Haiti.** The Bank seeks to promote private investment to create jobs and to achieve medium-term sustainable growth. Bank interventions focus on: (i) improving the institutional framework for local and foreign investment through regulatory reforms; (ii) promoting the formalization of new and existing SMEs; (iii) supporting SMEs as national strategic sectors; and (iv) promoting investment in appropriate business infrastructure, such as the PIC.

B. Objective, Components and Cost

- 1.25 The program's overall objective is to contribute to the economic development of Northern Haiti. The specific objective is to create formal employments in the North and Northeast Departments of Haiti by providing the necessary infrastructure for the establishment of firms in the PIC. The program's direct beneficiaries will be the workers employed at the PIC and the firms established there, with benefits spilling-over to the surrounding communities of the North and Northeast departments. The program has three main components:
- 1.26 **Component I. Provision of infrastructure in the PIC (US\$62²² million).** This component will finance, among others: (i) factory buildings to accommodate industrial activities and ancillary structures to meet the needs of current tenants and new tenants that will be established at the PIC (*e.g.*, productive warehouses, canteens, and dormitories); (ii) on site infrastructure and equipment within the

²¹ Industrial parks have been successful in promoting private investments in other parts of the country. According to SONAPI, Haiti currently has 10 industrial parks, employing a total of 36,530 persons.

²² 15 million co-financing from USG in progress (Subject to U.S. Congressional approval and availability of funds).

PIC, notably the expansion of the roads and utility networks; and (iii) civil works' supervision.

- 1.27 **Component II. Complementary urban projects (US\$3.5 million).** This encompasses the financing of strategic urban, transport and other small scale projects in the communities surrounding the PIC. These projects include a bus depot next to the PIC; a bicycle lane connecting the PIC to Caracol and street paving in several streets in the three urban areas surrounding the PIC.²³ This component also includes funds to support the establishment of the management structure of the PN3B, consisting of basic infrastructure, equipment and personnel needed for the first year following the first disbursement (See [ELR2](#) and [ELR5](#) for more details).
- 1.28 **Component III. Operational support to SONAPI (US\$1 million).** This component will provide funds to SONAPI to cover part of the PIC's current operational expenses, while the park's revenues increase as rent holidays expire and tenants expand their rented areas. Funds will be used for the PIC's operation and maintenance, and include personnel and equipment necessary for the implementation of the EHS system and mitigation measures.²⁴
- 1.29 The program will also finance the cost of administration, monitoring and evaluation, auditing, and contingencies (US\$3.5 million).

C. Key Results Indicators

- 1.30 The overall impact of the operations supporting the PIC is to increase the GDP growth in North and Northeast Departments of Haiti. The present operation's goals include to: (i) add 6,800 new workers to the PIC by 2018; (ii) add 4,420 incremental direct jobs created by firms in the PIC and filled by women by 2018; (iii) add US\$7.14 million annually in salaries paid to workers by 2018; and (iv) to increase social security contributions, rents and services paid by employers/tenants of the PIC. The specific product indicators can be found in the program's Results Matrix (Annex II).
- 1.31 **Economic viability.** The economic viability of this operation was determined by a cost-benefit analysis. The economic costs include the investment costs of this program plus the incremental operation and maintenance costs that will result from increasing the PIC with this operation. The economic benefits include: (i) the differential between the wages paid to local labor and the shadow wage; (ii) the difference between payments by foreign firms for public utilities and locally purchased inputs and the opportunity cost of these public utilities and

²³ These projects are at the conceptual stage, with pre designs that allowed for initial budgeting. They are low complexity works, which will be detailed previous to their contracting.

²⁴ The Environmental, Health and Safety system requires the establishment of a series of health measures such as a local infirmary, monitoring of potable water quality and waste water treatment, fire equipment, pest control, a gender action plan, as well as a team of specialist to monitor those systems and services.

locally purchased inputs; (iii) all tax payments by firms; and (iv) net profit income that goes to local equity shareholders in the PIC firms.

- 1.32 The Economic Evaluation ([ELO7](#)) developed has been estimated for the current operation considering its specific costs and benefits. The Economic Rate of Return (ERR) of the base case was calculated at 13.8% (using a discount rate of 12%). To verify the resilience of this baseline scenario, a sensitivity analysis was run for three alternatives. These updated results reaffirm the economic benefits of expanding the PIC by creating additional formal employment, increasing the household income of workers as well as social security and medical coverage payments, and increasing revenue to the local economy through rental payments by foreign firms. Increasing the PIC is also likely to generate positive externalities such as: (i) increased spending in the local economy; (ii) creation of new businesses and other economic activity in the area of influence; and (iii) will contribute to the overall economic growth of Haiti's northern region.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 The financing instrument is a specific works, non-reimbursable investment grant of US\$55 million chargeable to the IDB Grant Facility. The program is also expecting to receive an additional US\$15 million from the United States Government (USG) in the form of a Project Specific Grant (PSG), which will be used for the expansion of the PIC facilities (Component I). Consistent with the mechanism approved by the Board for the Bank supported Haiti Education Program (2464/GR-HA; 2643/GR-HA and 2863/GR-HA), it is proposed that Management may receive contributions from the USG in the form of a PSG administered by the Bank up to the aggregate amount of US\$15 million,²⁵ without the preparation and approval of a separate project proposal.²⁶ As in the case of the Haiti Reconstruction Fund (HRF) co-financing (GN-2586, paragraph 8.2), Management will not charge an administrative fee for donor contributions co-financing a Bank approved operation with Haiti.
- 2.2 Co-financing resources will be incorporated in accordance with the corresponding co-financing agreements and channeled through Component I thus increasing its reach and impact. The PSG will be administered by the Bank according to the "Report on COFABS, Ad-Hocs and CLFGS and a proposal to unify them as PSG" (Document SC-114). As contemplated in these procedures, the commitment from the USG will be established through a separate administrative arrangement. The Board is therefore requested to authorize the President or such representative as he shall designate, to enter into such agreement or agreements as may be

²⁵ Subject to U.S. Congressional approval and availability of funds.

²⁶ The approval of a separate project proposal would only be required if the mentioned aggregate amount is exceeded or if the donor wishes to finance a component not included in a Board approved operation or if a proposed co-financed operation falls outside established Bank policies and procedures.

necessary to receive, administer, and allocate to this operation the co-financing resources specified in paragraph 2.1 above, aimed at supporting and executing Component I of this operation.

- 2.3 The estimated total program cost amounts to US\$70 million, distributed according to the following cost table:

Table 1. Cost Table (US\$000)

Components	IDB	USG²⁷	Total	%
1. Provision of infrastructure in the PIC	47,000	15,000	62,000	88.5
2. Complementary urban projects	3,500		3,500	5.0
3. Operational support to SONAPI	1,000		1,000	1.5
Administrative costs	3,500		3,500	5.0
Total	55,000	15,000	70,000	100

B. Environmental and Social Risks

- 2.4 In accordance with the Bank's Environment and Safeguards Compliance Policy (OP-703) and this operation is classified as Category "A" because of the potential to cause significant environmental and associated social impacts during construction and operation, specifically: (i) potential uncontrolled development surrounding the PIC; (ii) direct and indirect ecological degradation of natural and critical natural habitat; and (iii) negative impacts on local livelihoods and cumulative impacts in the Northern corridor. The potential impacts of the current grant operation are incremental in nature as the PIC enters into its final phases of development. If not adequately addressed, there is a reputational risk for the IDB as well as a risk of policy non-compliance.
- 2.5 So far, the Bank's support to the PIC has contributed to enhance the environmental, social, health and safety and labor aspects of the operation of the industrial park. In addition, two important achievements are worth highlighting: (i) the support provided to the Ministry of Environment that led to the declaration of the Three Bays National Park; and (ii) support provided to the CIAT for the preparation of a Northern Regional Master Plan and assistance in establishing a Northern Regional Planning Authority.
- 2.6 Nevertheless, delays in the implementation of several mitigation measures developed for the previous grant operations imply potential negative environmental and social risks. The underlying causes for the limited advancement in implementing environmental and social mitigation measures are: (i) the strained capacities of the Government of Haiti; and (ii) the delays in implementing institutional mechanisms needed to ensure the region's sustainable and planned development. In addition, several environmental and social analyses are still pending, including those required to develop socio-economic and biological baselines and disaster risk management, all of which are requirements of the previous operations. The results of these studies may indicate the need for additional mitigation measures.

²⁷ Co-financing in progress (Subject to U.S. Congressional approval and availability of funds).

- 2.7 In respect to exception to Directive B.11 of OP-703 required for approval of the previous operation (3132/GR-HA), the domestic WWTP-P commenced operations July 24, 2014, when the first line began receiving waste water. Since that date, 100% of domestic waste water produced in the PIC has been sent to the domestic WWTP-P, and the two temporary plants have neither received waste water nor discharged it into the environment.²⁸
- 2.8 A full description of the risks and mitigation measures proposed and implemented so far, as well as grant conditions, is presented in the ESMR (See [ELR4](#)).

C. Fiduciary Risk

- 2.9 Based on an updated assessment of financial management and internal and external control systems, the proposed operation is expected to have a low fiduciary risk for components executed by UTE/MEF given the strength of its financial management and control systems, and experience in executing Bank projects. The 2014 assessment completed by SONAPI determined that the level of development of its financial management systems and internal control processes present medium risk, due to: (i) weaknesses in monitoring and accountability; (ii) the lack of integrated financial management systems; (iii) the lack of fiduciary experience in implementing a Bank project; and (iv) weaknesses in internal controls that stem from the location of accounting functions in PAP, while activities take place in Caracol. As a mitigation measure, an accountant will be hired to work at the PIC site plus the additional contractual condition mentioned in paragraph ¶3.3. The ex post methodology is recommended for the disbursement process for both executing agencies.
- 2.10 The Bank has determined a medium risk for UTE/MEF and a medium high risk for SONAPI regarding procurement activities.

D. Other Key Issues and Risks

- 2.11 **Institutional viability.** SONAPI is the owner of the PIC and of other public sector industrial parks in Haiti, and as stated previously, it manages only one additional park in PAP. Currently, SONAPI's core managerial functions are being strengthened through a technical assistance project financed through the previous grant (2779/GR-HA). Some progress in the strengthening of SONAPI's organization and improvement in human resources capacity can already be observed, due also to its leadership's commitment to institutional reform. The present grant continues to support SONAPI's management of the PIC.

²⁸ As long as the project does not discharge waste water into the environment, the exception will not be necessary. Compliance with directive B.11 will be ensured as the beneficiary, in coordination with the Bank, will engage an independent firm to verify the following: (i) the domestic WWTP-P is operating effectively; (ii) ongoing compliance with the standards established for the PIC; (iii) the beneficiary has acquired the necessary knowledge and capacity to operate and maintain the domestic WWTP-P; and (iv) the monitoring plan has been implemented. Based on the most recent projections, this is expected to occur in December 2015.

- 2.12 **Main risks.** The Risk Assessment Matrix (see Appendix) presents the main risks associated with the PIC and the corresponding mitigation measures. Despite the PIC readiness to host corporate tenants, macroeconomic and political instability in the country could affect their willingness to establish in the park. This risk can be mitigated by an adequate PIC management by SONAPI but its capacity building will still take some time.
- 2.13 The rapid growth and success of the PIC is not devoid of social and environmental risks. It seems that some of the early concerns, such as slum formation and food shortages, have not materialized thus far. However, as the PIC advances in its internal expansion, some of the challenges previously identified still deserve attention, particularly concerning the full implementation of the environmental and social mitigation measures, and strengthening the country's capacity to operate the PIC, among others.
- 2.14 An additional issue is related to the PIC's financial sustainability. Regarding the park's operating costs, current revenues are nearly US\$ 1 million annually, and increasing rapidly as tenants increase their activities. As a result, the PIC is projected to reach a positive operating margin in the next few years. Regarding the park's expansion, the risk associated with the delay of receiving co-financing funds is small, since the only consequence for the project would be a reduction in the targets of Component I and would not compromise its objectives. Regarding the park's long term expansion, in addition to continuing to seek financing for the park's productive infrastructure, SONAPI is also preparing a financing strategy to allow new tenants to build their own facilities.
- 2.15 **Gender issues.** Currently a majority of PIC workers (65%) are women. A review of labor conditions at the PIC show specific issues related to gender, such as: (i) occupational safety and health (bathroom and sanitary facilities, clinic and dispensary, for instance); and (ii) maternity leave. Most of these issues will be addressed by the Environmental Health and Safety plan currently under preparation, assisted by the technical cooperation to mitigate the social impacts of the Caracol Industrial Park (ATN/KP-13789-HA). Details on the social mitigation measures can be found in the ESMR (see [ELR4](#)).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of Implementation Arrangements

- 3.1 **Beneficiary and executing agency.** The beneficiary is the Republic of Haiti. The program's executing agencies will be the MEF through its UTE and SONAPI. The Program will have two executing agencies: (i) UTE/MEF responsible for all construction and supervision of construction activities (Components I and II); and (ii) SONAPI in charge of PIC operation and management (Component III). As in the previous operations, the MEF, the supervisory authority of the UTE, will sign all contracts requested by the UTE/MEF that are financed by this operation; and

SONAPI will sign its own contracts. Coordination among the two executing agencies is assured by their respective field staff operating jointly at the PIC site and by the monthly meetings that include IDB staff. **Special contractual conditions prior to the first disbursement of the Grant include: (i) signature and effectiveness of a transfer agreement between MEF and SONAPI, whereby MEF will authorize transfer of resources to SONAPI for the execution of the Component III of the project; (ii) signature and effectiveness of an inter-institutional agreement between MEF and SONAPI for the execution of the PIC projects,²⁹ including assignation of roles and responsibilities; and (iii) approval by UTE/MEF and SONAPI of their respective updated manual of operations to reflect activities that will be financed by the project.**

3.2 Special contractual conditions prior to first disbursement under Component I and Component III. The Beneficiary must to the satisfaction of the Bank:

- a. Through SONAPI: **(i) present the PIC Environment, Health and Safety (EHS) Management System Documents (procedures, instructions, manuals and guidelines); (ii) have started the implementation of the prioritized procedures, instructions, manuals and guidelines as described in Annex 1 of the ESMR; (iii) present a copy of the PIC Rules and Regulations which shall include the EHS requirements and show evidence that they have been communicated to all tenants of the PIC; (iv) have started the implementation of the Emergency Response Plan; (v) present evidence that the temporary solid waste facility is adequately managed with adequate resources allocated to it; (vi) have started the implementation of the hazardous waste management plan; (vii) present evidence that the EHS Management team is operational; and (viii) have contracted consulting services to support SONAPI in the preparation of the Water Safety Plan.**
- b. Through UTE/MEF: **(i) present evidence that the socio-economic baseline study for the Caracol Bay has commenced, and that the amendment to the contract to carry out the socio-economic baseline study for remainder of *Park National des Trois Baies* has been signed; (ii) present a copy of the signed contract for the strategy to develop the Alternative Livelihoods Plan; and (iii) present evidence that the laboratory for the permanent domestic WWTP-P is fully operational.**

3.3 Additional conditions prior to first disbursement for Component III. SONAPI must to the satisfaction of the Bank contract an accountant dedicated to the PIC projects and located in Caracol.

²⁹ The “PIC projects “ or “PIC operations” refer to the Bank financed PIC operations to this date, as described in paragraphs 1.11 through 1.13 above, in addition to the present operation.

- 3.4 **Environmental and Social Clauses.** The Beneficiary shall ensure compliance with all other EHS requirements set forth in Section V (C), (D), and (E) of the ESMR (See [ELR4](#)).
- 3.5 **Procurement.** Procurement of goods, works and non-consulting services as well as consultancies will be conducted by the MEF/UTE and SONAPI in accordance with the Policies for the Procurement of Works and Goods Financed by the IDB (GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-9). The Bank will review ex ante all contracts in accordance with said policies, except for the arrangements in which supervision will be ex post (see Annex III). The Bank's policies will be complemented by the special Procurement Provisions for Haiti, as applicable.
- 3.6 **Execution period and disbursement schedule.** The projected execution and disbursement period will be two years from the effective date of the non-reimbursable financing agreement between the Bank and the Republic of Haiti. Disbursements will follow the schedule included in Table 2.

Table 2. Disbursement Schedule

Components	Year 1 (2015)	Year 2 (2016)	Total
1. Provision of infrastructure for the PIC	21,250,000	40,750,000	62,000,000
2. Complementary urban projects	2,000,000	1,500,000	3,500,000
3. Operational support to SONAPI	500,000	500,000	1,000,000
Administrative Costs	1,250,000	2,250,000	3,500,000
Total	25,000,000	45, 000,000	70,000,000

- 3.7 **External audits.** Both UTE/MEF and SONAPI will be responsible for the recruitment of external auditors acceptable to the Bank to perform the audit of their program as follows: (i) annual financial audit of the program to be submitted within 120 days after the closure of each fiscal year; (ii) semiannual ex post review of procurement process to be submitted within 60 days following the close of each semester for UTE/MEF; and (iii) a final financial audit of the program to be submitted within 120 days after the date of the last disbursement.

B. Summary of Arrangements for Monitoring Results

- 3.8 **Evaluation.** A reflexive evaluation that will cover all PIC projects will be performed in two stages: (i) a baseline study; and (ii) a final evaluation upon completion of the PIC projects. This evaluation will be complemented by an ex post cost benefit analysis that will use the model developed previously for the ex ante economic evaluation. A full description of the methodology, indicators, timetables and other details of this evaluation plan can be found in the Monitoring and Evaluation Arrangements ([ELR3](#)). The third operation (3132/GR-HA), in is allocating US\$130,000 for this evaluation. In addition US\$50,000 will be added by this operation to complement the evaluation.
- 3.9 **Reporting.** The project team will be responsible for the submission to USG of the agreed project reporting, in compliance with the stipulations of the Contribution, including reporting to the USG, within the agreed timelines, on unused resources after project termination.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives		Aligned	
Lending Program	i) Lending to small and vulnerable countries y ii) Lending for poverty reduction and equity enhancement.		
Regional Development Goals	i) Extreme poverty rate; ii) Share of formal employment in total employment; iii) Percent of households with electricity; iv) Trade openness (trade as percent of GDP); v) Foreign direct investment net inflows as percent of GDP; and vi) Proportion of terrestrial and marine areas protected to total territorial area (%).		
Bank Output Contribution (as defined in Results Framework of IDB-9)	i) Individuals (all, men, women, youth) benefited from programs to promote higher labor market productivity; ii) Number of jobs added to formal sector; iii) Km of electricity transmission and distribution lines installed or upgraded; iv) Regional and sub-regional integration agreements and cooperation initiatives supported; v) Number of people given access to improved public low-carbon transportation systems; and vi) Number of projects with components contributing to improved management of terrestrial and marine protected areas.		
2. Country Strategy Development Objectives		Aligned	
Country Strategy Results Matrix	GN-2646	Promote private sector investment in order to create jobs, achieve sustainable growth and reduce poverty.	
Country Program Results Matrix	GN-2756-2	The intervention is included in the 2014 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability		Highly Evaluable	Weight
		9.1	Maximum Score
3. Evidence-based Assessment & Solution		9.7	33.33%
3.1 Program Diagnosis	3.0		10
3.2 Proposed Interventions or Solutions	4.0		
3.3 Results Matrix Quality	2.7		
4. Ex ante Economic Analysis		10.0	33.33%
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0		10
4.2 Identified and Quantified Benefits	1.5		
4.3 Identified and Quantified Costs	1.5		
4.4 Reasonable Assumptions	1.5		
4.5 Sensitivity Analysis	1.5		
5. Monitoring and Evaluation		7.5	33.33%
5.1 Monitoring Mechanisms	2.5		10
5.2 Evaluation Plan	5.0		
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood		Medium	
Identified risks have been rated for magnitude and likelihood		Yes	
Mitigation measures have been identified for major risks		Yes	
Mitigation measures have indicators for tracking their implementation		Yes	
Environmental & social risk classification		A	
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/PDP Criteria)			
Non-Fiduciary			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality	Yes	It is expected that the majority of those employed (65%) will be women. So far the majority of those employed in the PIC are women.	
Labor	Yes	ILO standards and worker rights will be observed by SONAPI and the firms investing in the park.	
Environment	Yes	The project is setting high environmental standards. Additionally, a management structure will be established to protect the Parc National des Trois Baies (PN3B).	
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	The Bank has supported the country with the Technical Cooperations HA-T1179, HA-T1180, HA-T1181, and HA-T1182.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan			

The POD presents the problems to be addressed by the project as well as the factors causing them. The project's beneficiaries are clearly spelled out. The magnitudes of the problems are presented and the proposed interventions are linked to the problems identified in the diagnosis.

The results matrix has vertical logic. All the impact, outcomes and outputs are clearly stated and have indicators. All indicators are SMART, have targets and sources of information. All outcome indicators have baselines with the exception of one indicator. The impact indicator is missing the baseline.

The project was analyzed using a cost-benefit analysis. The economic benefits were clearly quantified and the costs reflect real resource costs to the economy. The assumptions used are clearly presented and a sensitivity analysis was performed undertaking variations in key assumptions.

The project has a monitoring and evaluation plan. The evaluation plan follows the DEM guidelines. The operation will be evaluated using a reflexive methodology and an ex-post cost-benefit analysis.

RESULTS FRAMEWORK

Program Objective	The program's overall objective is to contribute to the economic development of Northern Haiti. The specific objective is to create formal employments in the North and Northeast Departments of Haiti by providing the necessary infrastructure for the establishment of firms in the PIC.
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Indicators	Unit	Baseline (2013)	Target Level (2016)	Source and Means of Verification	Observations
IMPACT: Increased economic development in Northern Haiti					
GDP growth in North and Northeast Departments of Haiti	Annual growth rate	TBD	8.8%	Institut Haïtien de Statistique et d'Informatique (IHSI). Direction des Statistiques Economiques (DSE).	GDP growth for Haiti in fiscal year 2013 reached 4.3%. The figures for the Northern region will be calculated through the baseline study.
OUTCOMES					
Haitians employed by firms operating in the PIC	Jobs	3,000	9,800 (2018)	Published every three months in SONAPI quarterly report and based on tenants' hiring records.	The number of incremental jobs generated by this project is projected to be 6,800. Given that there is a lag between project completion and the hiring process it is expected that the entire 6,800 additional worker will be in place in 2018.
Haitian women employed by firms in the PIC	Women	1,950	6,370 (2018)	SONAPI semiannual reports figures supplied by tenants' employment records.	According to the anchor tenant, it is expected that minimum of 65% of its total workforce will be female. This will be monitored by the Bank with all tenants.
Number of firms operating at the PIC	Firms	3	7	SONAPI Signed Tenancy Occupancy Agreements.	There are currently five signed tenancy agreements.
Total Salaries paid to Haitian workers in PIC	US\$ per year	US\$4.3 million	US\$13.9 million (2018)	SONAPI semiannual reports.	Average salary of US\$5 per day per worker, and 284 working days per year, as calculated in the economic analysis.
Social security payments made by PIC firms for Haitian workers	US\$ per year	US\$383,400	US\$1.3 million (2018)	SONAPI semiannual reports.	Corresponds to 9% of the worker's salary.
Rental payments by international PIC tenant firms	US\$ per year	US\$.65 million	US\$0.86 million	SONAPI semiannual reports.	It's a non-linear jump because SAE-A's rent-free 4 year period will end in April, 2016.

Indicators	Unit	Baseline (2013)	Target Level (2016)	Source and Means of Verification	Observations
Services (transportation, water, sanitation) payments (by international PIC tenants firms)	US\$ per year	US\$.23 million	US\$0.49 million	SONAPI semiannual reports.	
Passengers utilizing the transfer station/depot	Passengers per year	3,000	9,550 (2018)	SONAPI semiannual reports.	The buses use the depot as a transfer station for PIC workers and as night depot for parking.
Bicycles using the bicycle lane per day	Bicycles per day	0	250	SONAPI semiannual reports.	
Number of illegal settlements in the 3protected areas	Settlements	0	0	UTE semiannual reports.	
Number of accidents reported at the PIC	annual number of accidents	29/1000 employees	20/1000 employees	SONAPI semiannual reports.	
Women using lactation rooms in PIC	# per year	0	1,900 (2018)	SONAPI semiannual reports	
Average Property value of properties facing paved roads	\$/m2	TBD	Base+30%	SONAPI semiannual reports	
SONAPI staff trained in management of the PIC	#staff	0	10	SONAPI semiannual reports.	

PRODUCTS	Unit	Base (2014)	Year 1 (2015)	Year 2 (2016)	Target (2016)	Source and Means of Verification	Observations
Component I. Provision of infrastructure in the PIC							
1.1 Industrial Warehouses (11,700 and 5,000 sq.m.) built	Building	0	4	3	7	UTE Semiannual Report.	There are three types of buildings (11,700 and 5,000, up to 4,000 and 200 sq.m.) which are built according to the demand. Their uses are flexible, to be determined by the specific needs and characteristics of their tenants manufacturing processes.
1.2 Auxiliary/smaller scale buildings up to 4,000 sq.m.) built	Building	0	3	1	4	UTE Semiannual Report.	
1.3 Annex buildings (200 sq.m.) built	Building	3	4	0	4	UTE Semiannual Report.	
1.4 General use buildings built (dormitories, canteens, and sanitary facilities)	Building	6	2	1	3	UTE Semiannual Report.	
1.5 Internal Roads constructed	Linear meters	2,000m	600 m	600 m	1,200 m	UTE Semiannual Report.	
Component II. Complementary urban projects							
2.1 Bus transfer/depot for PIC workers built	Depot	0		1	1	UTE Semiannual Report.	Bus terminal and depot provides a transportation hub for the PIC workers to their homes in the surrounding cities.
2.2 Bicycle lane from PIC to Caracol built	Lane	0	1	0	1	UTE report, based on consultants completed study.	Bicycle lane serves mostly PIC workers, creating a safe route for those already using bicycles and promoting its use by other workers.
2.3 Urban streets paved	Linear Mts	0	250	250	500	UTE report, based on consultants completed study.	The cities surrounding the PIC are receiving increasing numbers of residents. The street paving is part of the program's mitigation measures to support the improvement of their infrastructure so they can better cope with this population influx.

PRODUCTS	Unit	Base (2014)	Year 1 (2015)	Year 2 (2016)	Target (2016)	Source and Means of Verification	Observations
2.4 Three bays National Park management unit established	Management Unit	0	1	0	1	UTE and SONAPI progress reports.	Consist of basic infrastructure, and staffing needed through 2015. Product will be considered executed upon verification of the formal establishment of the unit and staff hired. This park is one of the mitigation measures promoted by the program to control the effects of added stress on natural resources motivated by the population growth in the area.
Component III. Operational support to SONAPI							
3.1 Environmental, health and safety system implemented	System implemented	0	1	0	1	SONAPI reports.	The adequate implementation of the system will be verified by the Bank's ESG team.
3.2 Gender Plan Implemented	plan	0	1	.	.	SONAPI semiannual reports	This plan will address different topics related to gender. The Bank's ESG division will verify implementation.
3.3 Workshops to train SONAPI staff in management of the PIC	Workshops conducted	0	2	0	2	SONAPI reports	

Notes:

1. The Matrix of Indicators will show the base level values, expected year values, and target values of each indicator;
2. The right hand column can be used for description of output / outcomes and choice of indicator and other explanatory notes

In the Monitoring and Evaluation Plan this Matrix will be complemented by a detailed account of the arrangements (including institutional responsibilities, operating regulations, terms of reference, hiring of consultants, budgeting) showing how the data will be collected, verified, analyzed and reported to the Bank. The data sources and rationale behind the base line and target values will also be described.

FIDUCIARY ARRANGEMENTS

Country: Republic of Haiti
Project No.: HA-L1091
Name: Productive Infrastructure Program III
Ministry of Economy and Finance through the
Executing Entities (EE): Technical Executing Unit (UTE/MEF)
Société Nationale des Parcs Industriels (SONAPI)
Date: September 2014
Prepared by: Nelly C. Wheelock and Takady Konate

I. EXECUTIVE SUMMARY

- 1.1 The present grant corresponds to the forth operation in support to the establishment of an industrial park (Park Industrial de Caracol, PIC) in Haiti's Northern region. The PIC aims to address key obstacles faced by manufacturers in doing business in Haiti by providing: (i) modern infrastructure and buildings to house industrial activities; (ii) reliable utilities (water, sanitation, electricity); (iii) logistic support and secure road access to the park; and (iv) a professionally managed, operated and maintained industrial park. The program has two executing agencies: the Ministry of Finance through its Technical Executing Unit (UTE/MEF) and Societe Nationale des Parcs Industries (SONAPI).
- 1.2 The most recent evaluation of public financial management systems in the Republic of Haiti, the PEFA assessment report, was conducted in 2011 and published in February 2012. Country financial management systems and external control mechanisms, as evidenced by this recent diagnostic, would require further improvements to conform to levels consistent with fiduciary management of Bank funded projects. To mitigate these weaknesses the Bank will continue to (i) rely on special project execution units for the execution of all projects; (ii) implement special fiduciary arrangements for the implementation of its projects; and (iii) conduct close operation supervision of project execution units. External control will be performed for all Bank operations by independent audit firms acceptable to the Bank in accordance with the Bank's financial reporting and audit guide.
- 1.3 In 2013, an assessment of the National Procurement System was performed applying the national procurement systems evaluation methodology of the OECD/DAC-World Bank Working Group indicators. This assessment was conducted by the National Procurement Commission (CNMP for its acronym in French) with IDB support. The assessment results indicate that important reforms need to be done and to this end, a Strategic Action Plan for the modernization of the system was prepared; however, soon execution is not foreseen since as of today this plan has not been approved by the highest authorities. Furthermore, the mandate of the National Procurement Commission expired in March 2014 and a new Commission was just recently appointed. Based on all these facts the Bank

doesn't envision the use of country systems for the procurement execution of this project.

II. EXECUTING AGENCY FIDUCIARY CONTEXT

A. UTE/MEF

- 2.1 The Ministry of Economy and Finance (MEF) through its Technical Execution Unit (UTE/MEF) will be responsible for Component I and Component II. UTE/MEF was established by ministerial circular within the MEF in January 2005 and is headed by a Director General who reports directly to the Ministry of Finance. He is seconded by: (i) an executive director; and (ii) an administrator, who also serves as the financial specialist and supervisor of the entity's four accountants. As per its operational structure, the financial and the procurement units oversee all projects and one manual of operation for all operations handled by the UTE with dedicated annexes for each operation. UTE/MEF uses modified cash method for accounting purposes and the general ledger module of ACCPAC accounting software, which generates financial reports by project and funding sources, to record financial transactions. UTE/MEF has extensive experience in executing bank financed operations including large infrastructure projects in Haiti such as the Caracol Industrial Park (2552/GR-HA, 2779/GR-HA), road rehabilitation project 2383/GR-HA and school constructions for Education projects (2643/GR-HA and 2863/GR-HA).
- 2.2 The increased volume of activity experienced at the UTE/MEF has shown the need to supplement existing staff with the contracting of several additional consultants to strengthen different areas. An analysis of the proposed modification of the organizational chart, which is expected to lay the foundations for an organizational restructuring to build up UTE/MEF's capacity to meet additional responsibilities assigned by the MEF, is underway.
- 2.3 Based on a recent update of the procurement institutional capacity of UTE/MEF, the Bank was able to confirm that important improvements have been made in terms of the reorganization of the procurement function; consequently, the UTE/MEF can with very little additional effort assume the execution of Components I and II for project HA-L1091.

B. SONAPI

- 2.4 This will be the first time SONAPI acts directly as an executing agency for a bank financed project. In the past SONAPI performed under the leadership of the Ministry of Commerce and Industry (MCI). SONAPI will be responsible for the execution of Component III.
- 2.5 In April 2014, an institutional assessment of SONAPI's financial management systems was conducted by the Bank fiduciary team. SONAPI meets many fiduciary requirements: (i) an organigram defining roles and responsibilities in PIC management; (ii) a policies and procedures manual; (iii) an operation manual;

- (iv) an adequate and skilled team; and (v) a dedicated unit for fiduciary matters. SONAPI does not have an integrated financial management system and uses QuickBooks to record financial transaction. The assessment reported that disbursements are paid from Port-au-Prince for activities in Caracol, increasing the risk of lost financial records and archives.
- 2.6 Since April 2014, a procurement institutional capacity assessment is ongoing and some important reforms are on the way. The procurement function was decentralized and now SONAPI is consolidating all procurement under a central unit that will manage all investment contracts. This new structure must be in place before this operation starts execution.
- 2.7 **Organizational structure and administrative policies.** SONAPI has an organigram for the PIC program. It is headed by a General Manager who reports directly to the Director General of SONAPI. The General Manager will be supported by: (i) a Deputy Manager who manages PIC operations; (ii) an accountant; (iii) a technical team; and (iv) administrative and support staff. As a special contractual condition, it is recommended that SONAPI contracts an accountant based in Caracol prior to the first disbursement for Component III.
- 2.8 Based on the assessments and the ongoing reforms, including a strengthening action plan for the Executing Unit, SONAPI's fiduciary systems can be considered as acceptable to implement Bank financed projects.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

A. UTE/MEF

- 3.1 Fiduciary risks that would affect the project are assessed as low impact and severity for the financial management system. The most recent audit of Bank funded project 2384/GR-HA for FY2013 did not reveal any significant internal control deficiencies, and auditors gave an unqualified opinion as to project financial statements.
- 3.2 Policies and procedures for financial management of the entity are defined in its operating manual. The manual is currently being revised and updated to include all operations and adapt to the increased work volume experienced by the entity.
- 3.3 The accounting of the projects managed by the UTE/MEF is done in accordance with the modified cash method and by means of the general ledger module of the ACCPAC system.¹ The UTE/MEF has only the general ledger module of the ACCPAC integrated management system which limits its functionality. The system generates financial reports of income and expenses by project and funding source, however they are reprocessed using Excel for further generation of financial reports such as cash flow and financial planning required by the MEF

¹ Name of the software used.

and the Bank. Given that the UTE/MEF is an entity subordinated to the MEF, it does not produce institutional accounts.

- 3.4 The evaluation of institutional capacity of the UTE done by an independent consulting firm in December, 2011 and updated in September 2014, confirmed the existence of a satisfactory level of capacity for the financial management of projects. The current accounting staff has the training and experience to properly perform its financial management responsibilities arising from the implementation of the proposed project.
- 3.5 Based on the recent update of the procurement institutional capacity of UTE/MEF, the Bank has determined a medium risk for the execution of this operation.

B. SONAPI

- 3.6 Based on the results of the evaluation, the Fiduciary Financial Management risks that may affect the project are assessed as medium impact.
- 3.7 SONAPI already has its own procedure and operating manuals. It is recommended that SONAPI's manuals be updated to reflect the new project assigned and to meet the Bank's requirements. The entity has hired two specialists in procurement and finance to strengthen its internal controls. SONAPI fiduciary team will be trained by the Bank to ensure a good understanding of the Bank processes and requirements.
- 3.8 SONAPI has a local office in Caracol; however, financial transactions are centralized in Port-au-Prince. Documents and payments travel from/to Caracol, creating a high risk in losing financial documents, payments and contracts in the process. It is recommended that an accountant be hired in Caracol with access to QuickBooks for data entry and record keeping in Caracol. It is also recommended that a delegation of Authority be given to the PIC Director to sign checks for the program. As a condition prior to the first disbursement, a local bank account in Cap Haitien should be opened to minimize risk of losing financial records. The bank account in Caracol will be replenish by SONAPI's project accounts from PaP and should be reconciled monthly before replenishment.
- 3.9 Through the procurement capacity evaluation, the Bank has initially determined a medium high risk for the execution of Component III of this operation. The following mitigating measures are currently being implemented by SONAPI: (a) the reorganization of the Procurement Function; (b) the update of the Manual of Operations that will include a chapter for the Procurement function; and (c) organization of the procurement filing system. The Bank will be supporting all these initiatives through technical assistance.

IV. ISSUES TO BE CONSIDERED SPECIAL CONDITIONS OF CONTRACT

A. Special conditions

- 4.1 In order to move forward the contract negotiations by the project team, herein are those fiduciary arrangements that must be considered in the special conditions:
- a. Special Accounts: UTE/MEF and SONAPI will open separate bank accounts at the Central Bank of Haiti for the management of grant resources.
 - b. UTE/MEF and SONAPI will update their manual of operations to reflect activities that will be financed by HA-L1091 resources.

B. Special conditions prior to first disbursement

- 4.2 Regarding fiduciary arrangements, SONAPI must to the satisfaction of the Bank contract an accountant dedicated to the PIC projects and located in Caracol.
- 4.3 **Audit special requirements.** UTE/MEF will be responsible for the recruitment of external auditors acceptable to the Bank to perform the audit of their program as follows: (i) annual financial audit of the program to be submitted within 120 days after the closure of each fiscal year, including ex-post review of disbursement and procurement; (ii) semiannual ex-post review of procurement process, when not submitted as part of the annual audit to be submitted within 60 days following the close of each semester for UTE/MEF and in line with GOH fiscal year; and (iii) a final financial audit of the program to be submitted within 120 days after the date of the last disbursement.

V. AGREEMENTS AND REQUIREMENTS FOR PROJECT PROCUREMENT

- 5.1 Procurement for the proposed project will be carried out in accordance with the Policies for the Procurement of Works and Goods financed by the Bank (GN-2349-9), of March 2011; and the Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank (GN-2350-9), of March 2011, complemented by the special procurement provisions for Haiti while in place.
- 5.2 The procurement plan will include the life of project execution starting on the date the Grant Agreement for this project enters into effect. Prior to execution, each executing agency will prepare separate procurement plans and these will be agreed with the Bank. The procurement plans will be updated semiannually with the semester activity project report, or whenever necessary or as required by the Bank.
- 5.3 **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. For contracts of goods, works and non-consulting services in which the procurement method of Price Comparison is applied, the executing agencies will use models of documents agreed with the Bank.
- 5.4 **Procurement of Works.** The Bank will finance works in Components I and II. There will also be a co-financing from the US Government in the amount of US\$15 million for works in Component I.
- 5.5 **Procurement of non-consulting services.** The Executing Agencies will use the standard document agreed by the Bank for this type of services.
- 5.6 **Selection and Contracting of Consultants.** The selection and recruitment of consulting firms required by the project and subject to the methods of Selection Based on Quality and Cost (SBQC) and other selection methods provided in Section III of the Policies for the Selection and Employment of Consultants financed by the Bank (GN-2350-9) will be executed applying the Bank's Standard Documents of Request for Proposals (RFP).
- 5.7 **Recurrent Expenses.** The following recurrent expenses, also known as operational costs, will be financed by the Bank: (i) all expenses required and agreed with the Bank for the execution of the project; (ii) all executing unit individual consultants contracts required for the execution of the project; and (iii) per diem (if any) and wire transfers if agreed with the Bank. Operational costs do not include the salaries of public workers.
- 5.8 **Domestic preferences.** If needed, the clause of domestic preferences will apply. Bids offering goods originating in the borrower's country will receive a 15% price preference in contracts requiring international competitive bidding, as established in Appendix 2 of the procurement policies GN-2349-9.
- 5.9 **Project procurement thresholds table:** The threshold amounts agreed by the Bank for Haiti have been modified through Procurement Provisions for Haiti, which apply during the term of the Bank's strategy in Haiti 2010-2015. Any modification of these provisions will apply immediately to the procurement execution of this operation and if it ceases to have effect, the procurement of this operation would then run under the regular thresholds.

Table 1. Regular threshold amounts for Haiti

HAITI – LIMIT AMOUNTS (IN THOUSANDS OF US\$)							
Works			Goods			Consulting	
ICB	NCB	PC	ICB	NCB	PC	International	100% National
≥1.000	100<1.000	<100	=>100	25<100	<25	>200	<100

Table 2. Threshold amounts under procurement provisions for Haiti

HAITI – LIMIT AMOUNTS (IN THOUSANDS OF US\$)					
Works		Goods		Consulting	
ICB ²	NCB ³ /PC ⁴	ICB	NCB/PC	International	100% National
≥1.000	<1.000	≥100	<100	>200	<100

5.10 **Procurement supervision.** Based on the risk, all contracts will be subject to prior (ex ante) and some will be under ex post review by the Bank; in both cases, in accordance with Appendix 1 of the policies. This may change if during the supervision of the execution of the project the Bank determines that the risk has changed. The thresholds here defined apply only to the procurement supervision and have no implication over the revision of the technical aspects done by the Team Leader over the procurement processes. The technical supervision will be defined by the Team Leader. All contracts under ex post procurement supervision will be reviewed during the Audit of operation.

5.11 **Supervision arrangements for the executing agency of SONAPI.** All procurement supervision will be ex ante except for the contracts under the methods and thresholds defined for ex post here below:

<u>Ex post – Price Comparison</u> Contracts of Works ≤ US\$200 thousand Contracts of Goods Contracts of Non consulting services	<u>Ex post – Individual Consultants</u> Contracts of Consultancies
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5.12 **Supervision arrangements for the executing agency of UTE/MEF.** All procurement supervision will be EX ANTE, except for the contracts under the methods and thresholds defined for ex post here below:

<u>National Competitive Bidding</u> The first three NCBs will be supervised EX ANTE and the rest will be supervised EX POST <u>Ex post – Price Comparison</u> Contracts of Works ≤ US\$200 thousand Contracts of Goods Contracts of non-consulting services	<u>Ex post – Individual Consultants</u> Contracts of Consultancies
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5.13 **Records and files.** The Executing Units will keep centralized procurement records by contract and in an orderly manner. This filing method will include all documents starting with the procurement plan, including all documents from the procurement process and contract management through the end of execution, including copies of amendments, copies of warranties and copies of payments.

² ICB: International Competitive Bidding

³ NCB: National Competitive Bidding.

⁴ PC: Shopping.

5.14 Main Procurement Activities – UTE/MEF

Activity	Procurement Method*	Estimated Date	Estimated Amount US\$
Works			
Infrastructure PIC	ICB	2015	43,800,000
Internal roads	ICB	2015	7,000,000
Urban projects	ICB	2015-2016	2,800,000
Consulting firms			
Supervision of works	SBQC	2015-2016	3,400,000
Urban projects studies	SBQC	2015	400,000
Water treatment studies	SBQC	2015	300,000
Technical assistance - Parc des 3 Baies	SBQC	2016	320,000
Audit	LCS	2015-2016	80,000
Individuals			
Project management specialists	QNII	2015-2016	2,300,000

(*) To access the 18 month procurement plan, [click here](#).

5.15 Main procurement activities - SONAPI

Activity	Procurement Method	Estimated Date	Estimated Amount US\$
Goods			
Equipment, furniture and materials	PC	2015-2016	130,000
Consulting firms			
Technical assistance	SQC	2015-2016	150,000
Audit	LCS	2015-2016	100,000
Individuals			
Project Management specialists	QNII	2015-2016	560,000

560,000 *Access to the 18 month procurement plan

VI. ARRANGEMENTS FOR PROJECT FINANCIAL MANAGEMENT

- 6.1 **Programming and Budget.** For the financial programming, planning and monitoring of budget execution of Component I and II, UTE/MEF, will be supported by the utilization of ACCPAC accounting module. At the start of the project the UTE will prepare a comprehensive financial annual plan covering the total expected execution time and it will be an integral part of the overall operation plan (AOP). The execution of the project's financial plan will be evaluated every six months and reported in the semiannual project monitoring report (PMR). SONAPI, responsible for Component III, will provide annually an AOP, procurement plan and a twelve-month detailed financial plan. The execution of SONAPI program plan will be evaluated quarterly until SONAPI has a practical understanding of the Bank programs. The financial plan will coincide with the Haitian fiscal year and will respect categories of investment defined in the grant budget.

- 6.2 **Accounting, financial reporting and financial management system.** The general accounting module of ACCPAC financial management system is currently used by the UTE/MEF to record financial transactions and produce reports and financial statements. SONAPI uses QuickBooks as its electronic system to generate financial reports of income and expenses by funding source.
- 6.3 **Disbursements and cash flow. Project financial management may be guided by OP-273-2.** The UTE/MEF and SONAPI will prepare annual planning of the project cash flow and will update projects semi-annually for UTE/MEF and quarterly for SONAPI. The projected cash flow of the project will be based on activities planned, the procurement plan and payment terms agreed with suppliers and project beneficiaries. The projected annual cash flow will be the basis for determining the advances of funds to be disbursed by the Bank to the Executing Agencies. For each new advance of funds, each EA will need to justify 80% of the advance already received. Disbursement supervision will be ex-post for both EA. Exchange rate valid at the day of transaction will be used to record all expenses made in local currency; the Central Bank of Haiti exchange rate will be used as the reference rate.
- 6.4 **Financial Control and Reporting.** Audits will be performed in accordance with Bank's Guidelines for Financial Reports and External Audits as described in Section IV. Financial audit cost will be financed by IDB grant and estimated at US\$100,000. The program financial statements will correspond to the fiscal year. UTE/MEF will also conduct ex-post verification of procurement processes on the basis of specific terms of reference to be agreed between the UTE and the Bank.
- 6.5 **Financial Supervision Plan.** Fiduciary staff of the Bank will perform periodic inspection visits to UTE/MEF and SONAPI, which are aimed at reviewing the capacity of the project and the execution of financial plan.
- 6.6 **Execution Mechanism.** Each EA will maintain proper financial management systems and will prepare an AOP and procurement plan and a twelve-month financial plan indicating cash flow needs for the execution of project's activities stemming from AOP and procurement plans. The twelve-month financial plan will be the basis for advance of funds disbursements, which will cover the funding needs of six months of project execution for UTE/MEF and three months for SONAPI. The frequency of advances is based on the risk level of UTE/MEF (low risk) and SONAPI (medium risk).

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/14

Haiti. ___/_____-HA. Nonreimbursable Financing to the Republic of Haiti
Productive Infrastructure Program III

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized in the name and on behalf of the Bank to enter into such agreement or agreements as may be necessary with the Republic of Haiti, as Beneficiary of the Productive Infrastructure Program III described in document PR-____, and to adopt such other measures as may be pertinent to receive, administer and allocate the use of nonreimbursable co-financing resources from the United States of America to support the financing and execution of Component I of such program.

2. That up to the sum of US\$15,000,000 is authorized for the purposes of this resolution chargeable to the resources granted by the United States of America in accordance with the Contribution Agreement to be entered into between the United States of America and the Bank.

3. That the authorization granted in paragraph 1 above will be effective only once the Bank and the United States of America have entered into the Contribution Agreement referred to in paragraph 2 of this resolution.

(Adopted on__ _____ 2014)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/14

Haiti. Nonreimbursable Financing ___/GR-HA to the Republic of Haiti
Productive Infrastructure Program III

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 agreement or agreements 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 Productive Infrastructure Program III. Such nonreimbursable financing will be for an amount of up to US\$55,000,000, which form part of the Account, and will be subject to the Terms and Financial Conditions and the Special Contractual Conditions in the Project Summary of the Grant Proposal.

(Adopted on__ _____ 2014)