

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**HAITI**

**SUPPORT TO THE IMPLEMENTATION OF THE  
EDUCATION PLAN AND REFORM IN HAITI**

**(HA-L1060)**

**GRANT PROPOSAL**

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## ELECTRONIC LINKS

### REQUIRED

1. POA (Plan of activities for first disbursement and the first 18 months of implementation)  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36407832>
2. Monitoring and Evaluation Arrangements  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36401364>
3. Complete Procurement Plan  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36407838>
4. ESMR (Environmental and Social Management Report) (If required and as specified in the guidelines for OP-703 and Disaster Risk Management Policy)  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36407966>

### OPTIONAL

1. Economic Analysis  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36408107>
2. Haiti Education Sector Note  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36275381>
3. School district deprived of public schools  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36408203>
4. Sport for Development Pilot Project – Note  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36439750>
5. Haitian Education Plan 2010-2015  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36228454>

## ABBREVIATIONS

AECID	<i>Agencia Española Cooperación Internacional Para El Desarrollo</i>
AFD	<i>Agence Française de Développement / French Development Agency</i>
AOP	Annual Operation Plan
ASER	Annual Status of Education Report
BNC	<i>Banque Nationale de Crédit</i>
CDB	Caribbean Development Bank
CIDA	Canadian International Development Agency
COH	<i>Comité Olympique Haitien / Haitian Olympic Committee</i>
ECD	Early Childhood Development
EFA	<i>Education pour Tous / Education for All</i>
EMIS	Education Management Information System
ESMR	Environmental and Social Management Report
FAES	<i>Fonds d'Assistance Economique et Social / Fund for Economic and Social Assistance</i>
GoH	Government of Haiti
HRF	Haiti Reconstruction Fund
IHRC	Interim Haitian Reconstruction Commission
IHSI	<i>Institut Haïtien de Statistique et d'Informatique / Haitian Statistical and Computing Institute</i>
IMF	International Monetary Fund
INFP	<i>Institut National de Formation Professionnelle / National Institute of Professional Training</i>
IRP	Interactive Radio Program
MEF	Ministry of Economy and Finance
MENFP	Ministry of Education and Professional Training
MO	Manual of Operations
MOU	Memorandum of Understanding
MTPTC	<i>Ministère des Travaux Publics, des Transports et Communications / Ministry of Public Works and Telecommunication</i>
MYSCA	Ministry of Youth, Sports and Civic Action / <i>Ministère de la Jeunesse, des Sports et de l'Action Civique</i>
NGOs	Non-Governmental Organization
ORP	Office of Outreach and Partnerships
PEFA	Public Expenditure & Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Assessment Report
PNCS	<i>Programme National des Cantines Scolaires / National School Canteen Program</i>
PRODEV	Progress and Development Foundation
PSG	Project Specific Grant
SIIGPP	Système Intégré d'Information et de Gestion de Programmes et Projets
SMC	School Management Committee

TVET      Technical and Vocational Education and Training  
UCP      *Unité de Coordination des Projets* / Project Coordination Unit  
UNESCO    United Nations Educational, Scientific and Cultural Organization  
WB        World Bank

**PROJECT SUMMARY**  
**HAITI**  
**SUPPORT TO THE IMPLEMENTATION OF THE EDUCATION PLAN AND REFORM IN HAITI**  
**(HA-L1060)**

<b>Financial Terms and Conditions</b>				
Beneficiary: Republic of Haiti			Amortization period:	N/A
Executing Agency: Ministry of Education and Professional Training (MENFP) and Fund for Economic and Social Assistance ( <i>Fonds d'Assistance Economique et Social-FAES</i> )			Grace period:	N/A
			Disbursement period:	36 months
<b>Source</b>	<b>Amount US\$</b>	<b>%</b>	Interest rate:	N/A
IDB (GRF)	50,000,000	88%	Supervision and inspection fee:	N/A
Parallel financing (Southcom)	4,190,000	7%	Credit fee:	N/A
Co-financing (of component 3)	2,600,000	5%	Currency:	US\$
Total	56,790,000	100%		
<b>Project at a Glance</b>				
<b>Project objective/description:</b>				
This operation will contribute to the Bank five-year program supporting the following objectives of the Haitian Education Plan: (i) improving access to education; (ii) improving the quality of education; (iii) improving Technical and Vocational Education and Training (TVET) opportunities; and (iv) strengthening MENFP institutional capacities and governance (see ¶1.13).				
<b>Special contractual clauses:</b>				
<b>Conditions prior to first disbursement:</b> (i) The Ministry of Economy and Finance (MEF) and FAES shall enter into and provide the Bank a copy of, an agreement in form and substance satisfactory to the Bank, pursuant to which MEF will transfer resources from the Bank and local contributions, as applicable, to FAES for the execution of the project (¶3.1); (ii) MENFP shall provide, to the satisfaction of the Bank, an updated memorandum of understanding with FAES to account for the activities developed under this project (¶3.1); (iii) FAES, UCP and EFA shall approve, to the satisfaction of the Bank, revisions to their respective manual of operations to account for the activities presented in this project and also include, in the case of FAES and UCP, the environmental and social recommendations outlined in the ESMR (¶3.1); (iv) FAES must show evidence satisfactory to the Bank that its procurement unit is staffed with three procurement specialists (¶2.6); (v) UCP must show evidence satisfactory to the Bank that its procurement unit is staffed with one procurement specialist (¶2.6).				
<b>Special Execution Conditions:</b> (i) prior to the execution of Component 1, FAES must show evidence satisfactory to the Bank that: (a) it has extended its existing memorandum of understanding with the Ministry of Public Works, Transportation, and Communication (MTPTC) establishing the terms of its collaboration with the MTPTC's laboratory which is responsible for assessing the conformity of construction materials (¶3.2); and (b) it has contracted an independent engineering firm to ensure compliance with anti-seismic and hurricane-safe norms during the design and execution of new constructions (¶3.2); (ii) under Component 1, prior to contracting consultants to conduct the technical studies on the new construction sites and contracting firms for the rehabilitation works, the selection criteria applicable for the construction of new schools and the rehabilitation of schools financed by the Bank contribution must be met to the satisfaction of the Bank (¶3.2); (iii) under Component 1, prior to financing the equipment for 8 schools to be built by a partner, the Bank shall receive evidence to its satisfaction that such schools will be built (¶1.16); (iv) prior to the execution of the tuition waiver program of Component 2, EFA shall implement, to the satisfaction of the Bank, a new accounting system and prepare an accounting manual (Annex III ¶4.1.e); and (iii) prior to the execution of the sports center activity of Component 3, (a) all necessary co-financings, estimated at an amount of at least US\$2.6 million shall have been secured in a timely manner to the satisfaction of the Bank; and (b) FAES, the Ministry of Youth, Sports and Civic Action (MYSCA) and the Comité Olympique Haitien (COH) shall enter into and provide the Bank a copy of, a memorandum of understanding establishing the terms and conditions pursuant to which COH will be directly contracted by FAES to coordinate this activity under the supervision of MYSCA (¶1.26).				
<b>Exceptions to Bank policies:</b> N/A				
<b>Special Aspects:</b>				
1. Additional cofinancings are contemplated to support the components of this project without seeking further Board approvals, to the extent certain Board approved conditions are met (¶2.2 and ¶2.3).				
2. PNCS and COH will be hired directly pursuant to Bank procurement policies (¶3.6).				
<b>Project qualifies for:</b> SEQ <input checked="" type="checkbox"/> PTI <input type="checkbox"/> Sector <input checked="" type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/>				

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, justification

- 1.1 **Education in Haiti: main constraints and opportunity.** At the time of the earthquake, Haiti had just begun to recover from a series of hurricanes and other external shocks that impacted the country in 2008 and taxed a chronically underperforming education system. Limited access, uneven and low quality of education, as well as insufficient regulatory and supervision capacity of the public sector characterizes a system in which 90% of the supply comes through non-public providers. The earthquake exacerbated these challenges, rendering inoperable an estimated 25% of basic and secondary schools, 70% of technical and vocational centers and most universities. The education sector sustained damages and destruction estimated at US\$480 million. Parents' ability to pay for schooling was also affected, as the share of two income households has fallen from 66 to 17.5%. The Ministry of Education and Professional Training (MENFP) whose building collapsed, continues to operate with reduced staff in temporary structures or tents.
- 1.2 Despite a high demand for education, many Haitian children remain out of school, mainly due to an insufficient public supply of education (8% of the grade 1-9 schools) and the cost of private alternatives. About 500,000 primary school-aged children were out of school prior to the earthquake. The future of Haitian children is also undermined by the low transition and completion rates. About 94% of children enrolled in primary schools are over-aged, resulting in low net enrollment rates (estimated between 50 and 60% depending on sources) and high gross enrollment rate exceeding 120%. This specificity is explained by late entry (53% of grade 1-6 students), combined with high dropout rates (12%), resulting in low completion rates (79% at primary level; [DHS 2005](#)) and low literacy. At the preschool level, total enrollment represents two third of the school age population; this falls to 22% at the secondary level ([MENFP, 2010](#)).
- 1.3 For most children, non-public schools, representing around 90% of the supply of education and characterized by highly variable quality and cost, are the only option available when families can afford paying. The most recent estimate of the annual cost of tuition at non-public institutions (US\$120 at preschool, US\$160 at grade 1-9, and US\$350 at secondary level) represents a significant expense for the 76% of the population living on less than US\$2 a day, resulting in no education or a few years of schooling that does not prevent them from illiteracy. Indeed, the household socioeconomic level, besides its structure and the education of parents, are the most important determinants of schooling in Haiti ([World Bank, 2010](#)).
- 1.4 Children who have access to education are generally provided with a low quality education, especially in the 92% of non-public schools lacking accreditation. Haitian adults have the highest illiteracy rate (57%) of the Caribbean region. According to a study on 2,500 students, literacy skills are extremely poor in

French and not much better in Creole. Third graders are not able to read more than 25 words per minute while the international standard is set to 60. They deliver correct answers to less than 10% of the questions related to a short and simple text in French and 17% in Creole. The same study ([GoH, 2010](#)) also highlights that students owning at least one book perform significantly better in reading and up to five times better in comprehension. Such as for access, repetition and drop out, there is no significant gender difference in terms of literacy skills.

- 1.5 Though further analysis on the determinants of learning in Haiti is required, teachers' motivation and skills might explain a significant share of the low quality of education. Out of the 60,000 teachers at the grade 1-9 level, 80% teach without having received a relevant diploma and any initial training. The low qualification and motivation of teachers is mainly explained by the lack of training opportunities, the low level of remuneration (US\$150 to US\$225 monthly in the public sector, less in the private sector; [Leignel 2010](#)), combined with a lack of adequate space and materials, and supervision and support from the administration.
- 1.6 Technical and Vocational Training (TVET) opportunities for Haitians are scarce, mainly supply-side driven, and little is known about the quality of the training. Training centers are usually underequipped and operate in the absence of standards and regulations. The capacity of the *Institut National de Formation Professionnelle* (INFP, under the MENFP) to regulate the TVET sector has long been hampered by the lack of resources (US\$4 million annually) and shortcomings in management; for instance, until now INFP operates without a senior manager. Furthermore, the effectiveness of the training programs is undermined by their weak alignment with the private sector demand, while best practices encourage the involvement of entrepreneurs in the definition of programs, as well as on site trainings with workers directly learning the skills needed by the private sector ([IDB, 2010](#)).
- 1.7 The education sector governance rests on a Ministry which receives 10% of the total Government of Haiti (GoH) budget, controls 8% of the grade 1-9 schools, operates with highly centralized procedures and management, and has little regulatory power over both public and non-public schools. In addition to an insufficient budget allocation, MENFP has limited technical and administrative capacity to operate those resources. Since human resources management is restricted to routine administration ([MENFP, 2011](#)), the personnel is not necessarily distributed according to the needs of the education system and not held accountable for results. Decentralized offices have limited power and capacity to supervise and support schools, especially outside urban areas. Results of a recent institutional analysis highlight that better governance requires: (i) information systems for policy making and monitoring; (ii) a revised legal and organizational framework for management; (iii) operational norms and procedures; (iv) improved public capacity to regulate the non-public sector; and (v) the decentralization of capacities and decision making.

- 1.8 Planning, monitoring and evaluation are hampered by the scarcity of relevant, timely, and structured information. Basic statistics on the education system and the population, such as on the number of schools, their location, the number of teachers and students by level or the school age population,<sup>1</sup> are scarce and not reliable. The last population and school censuses were conducted in 2003 and the last household survey in 2000. A multi-donor effort is currently supporting the 2011 school census; preliminary results are expected by October 2011. Nevertheless, routine data collection and analysis still need to be implemented. Hence, reducing the knowledge gap on critical issues, such as the most cost-effective strategy to reach free and universal education, the determinants of education quality, the effectiveness of TVET programs and the sustainability of the education policy, among others, would considerably improve policy making and monitoring.
- 1.9 **Government strategy for the sector.** An opportunity has emerged out of the horrendous 2010 earthquake for the government to develop a comprehensive plan for education reform and long-term donors commitment. The plan, approved by the Interim Haitian Reconstruction Agency (IHRC) in October 2010, lays out the framework for achieving a tuition-free, well-managed education system open to all children and providing quality educational services. The 2010-2015 plan combines the reconstruction of educational infrastructure with lasting reforms of system management and accountability. The newly elected President of Haiti which top priority is education, has defined the following three priorities for the implementation of the Education Plan: (i) free education for 6-12 year old students combined with a special attention on 4-5 year old (preschool) kids, through an increase in the public supply of education, subsidies and partnership with the non-public sector; (ii) the provision of TVET opportunities nation-wide; and (iii) the reform of the current teacher training system. The implementation of this plan, estimated to cost US\$4.3 billion, implies a massive investment supported initially by grants from the international community and over time by a progressive rise in the GoH's contribution, as public finances are placed on a sounder footing and domestic revenues increase as a result of the IMF's Extended Credit Facility Program.
- 1.10 **Program strategy.** In 2010, the Bank pledged US\$500 million to support the government's education plan over the 2010-2015 period. Of this amount US\$250 million will be provided as grant resources from the IDB's Haiti Grant Facility and an equivalent amount will be co-financed by other donors. In November 2010, the Bank approved its first operation for US\$50 million (HA-L1049). In the first six months of implementation, US\$13 million has been disbursed from this operation and fund-raising efforts have generated an additional US\$31.4 million in co-financing from CIDA (CAD\$20m), the Haiti Reconstruction Fund (HRF, US\$10m) and Trinidad and Tobago First Citizens Bank (US\$1m), as well as 10 million Euros in parallel financing from *Agencia Española Cooperación*

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<sup>1</sup> Refer to the [UNESCO Institute of Statistics website on Haiti](#). All other countries provide data.

*Internacional Para El Desarrollo* (AECID) and US\$400,000 from the Barefoot Foundation. Out of 37 schools to be built within HA-L1049, 10 construction works, 20 technical studies and 7 site identification processes have already started ([school map](#)); 30,000 schools kits have been delivered; 70,000 other children have benefitted from free tuition for the past and current school year; consultants have been contracted to support MENFP in the implementation of the Education Plan. Since most of HA-L1049 resources will be absorbed in 2012 and the current operation will start disbursing in 2012, the strategy of overlapping operations allows for continuous and massive investments over time to respond to the reconstruction needs.

- 1.11 This operation will further support the transformation of the education system in Haiti by: (i) consolidating the necessary investments initiated within HA-L1049 (Grant 2464/GR-HA), in particular to increase education supply, subsidize education costs and strengthen MENFP executing and regulatory capacity; and (ii) intensifying qualitative improvements of the system, especially through innovative teaching and learning tools in the classrooms, learning measurement systems and public-private partnership for the management of TVET centers. Rigorous impact evaluation and monitoring to be conducted within this operation, will allow for further qualitative reforms within the next Bank's operations. The [Haiti Education Sector Note](#), especially its annex II, provides a more detailed framework of the IDB annual contribution to the Education Plan objectives.
- 1.12 **Consistency with Country Strategy and IDB-9.** The proposed project is fully aligned with the Country Strategy Update (2010-2011) (GN-2465-2), regarding the strategic objectives of improving the access and quality of education, reforming TVET and strengthening the MENFP's institutional capacity. Finally, the project will contribute to the following GCI-9 targets: (i) small and vulnerable countries; and (ii) poverty reduction and equity enhancement.

**B. Objective, components and cost**

- 1.13 This operation will contribute to the Bank's five-year program supporting the following objectives of the Haitian Education Plan: (i) improving access to education; (ii) improving the quality of education; (iii) improving TVET opportunities; and (iv) strengthening MENFP institutional capacities and governance. More specifically, HA-L1060 objectives are to: (i) increase the public supply of education benefitting 15,000 children annually; (ii) reduce education costs for 75,000 primary students; (iii) improve education quality through educational and technological innovations benefitting 13,500 children; (iv) improve TVET opportunities through a sustained investment effort and innovations in managing the sector and training centers benefitting at least 600 youth annually; and (v) increase MENFP's capacity to implement the Education Plan and regulate the education sector.

- 1.14 **Component 1. Increased public supply of education from preschool to grade 9 for 15,000 children annually** (US\$23.8 million). This component contributes to the objective of increasing public education supply. Key activities to be financed are: (i) the construction and equipment of 20 public schools in areas deprived of schools; (ii) the rehabilitation of 15 public schools damaged by the earthquake or needing upgrades and the equipment of eight schools financed by a partner; and (iii) the operational costs of two schools in a relocation area near Port-au-Prince. In total, this operation will benefit 45 schools and 15,000 children annually.
- 1.15 At the end of this operation, 20 new public schools will be functional in districts that are deprived of any type of school. Each school will operate with at least 11 teachers and 410 children in two preschool classrooms and nine grade 1-9 classrooms. All schools will have an administration building, including an office for the director and a working room for teachers, an equipped library, sanitary facilities, a school canteen and kitchen. Each school will also be equipped with energy and water systems, individual chairs and desks, and be accessible for disabled children. This operation will also finance the identification of 120 new sites for construction, on the basis of objective and consistent criteria, to prepare for co-financing and subsequent Bank operations.
- 1.16 Rehabilitation works and equipment will target 15 schools that have been damaged by the earthquake and needing upgrades for safety reasons or to comply with MENFP standards,<sup>2</sup> in particular ensuring that the schools offer continuous education from grade 1 to 6 at least. Ministry of Economy and Finance (MEF) and MENFP must commit to allocate the necessary administrative and teaching staff before the beginning of works for all new and upgraded schools. All new constructions will comply with building codes against natural disasters currently in use in Haiti and MENFP design guidelines. All school directors and committees benefitting from the project will be trained and provided with a maintenance plan. Additionally, equipment will be provided after eight schools are built with parallel financing from the partner Southcom (US Army).
- 1.17 The project will support the operation of two schools being built under prior project (HA-L1049) in the Zoranje area (near Port-au-Prince), where the Bank is also financing the construction of 400 houses for displaced population. A locally based NGO will operate the schools benefitting at least 800 preschool to grade 9 students. It is expected that by 2014, MENFP will be able to operate the two schools.
- 1.18 **Component 2. Tuition-free and quality primary education for more 75,000 children annually** (US\$8.8 million). The objective of this component is to support the demand for education by subsidizing households' education expenses, thus encouraging access and retention. This operation will contribute to the government's strategy to provide universal and free education to all 6-12 years

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<sup>2</sup> Following the [MENFP standards](#): (i) eight classrooms from preschool (25 students each) to grade 6 (40 students each); or (ii) 11 classrooms from preschool to grade 9.

- old by 2015. Key activities to be financed are: (i) tuition waivers for 35,000 children attending non-public schools; (ii) free school materials, uniforms and textbooks for 30,000 children; and (iii) teaching materials for 2,000 teachers.
- 1.19 As with HA-L1049, this operation will support the free enrollment of 35,000 children in 200 non-public schools for two additional years of primary education.<sup>3</sup> Since 2007, the tuition waiver program has consisted of the transfer of US\$90 per child to 1,223 non-public schools, comprised of US\$69 for administrative expenses, including teachers' salaries, and US\$21 for textbooks and learning materials. Reports indicate that beneficiary schools mostly comply with selection criteria, including accreditation, textbooks per child (three), class size (45 students per class), student enrollment targets, and fee abolition. Reports also note the need to improve program management to ensure timely payments, schools' support for compliance with technical standards and financial reporting, and the definition of sanctions. The program will use the same mechanisms as for HA-L1049, and contribute to the tuition waiver program along with the GoH, Caribbean Development Bank (CDB), Canadian International Development Agency (CIDA) and the World Bank (WB). In addition, technical assistance will be provided to develop a database<sup>4</sup> on beneficiary schools to improve targeting, retention, quality and accreditation.
- 1.20 Subsidizing education costs will be completed by the provision of basic school materials (school kits), uniforms (two per students) and textbooks (four per student) to 30,000 children from preschool to grade 6 in approximately 100 public and non-public schools, including 50 schools built under the Bank's operations and 50 other public schools offering education from grade 1 to 6 at least, and located in the poorest districts ([Poverty Map, 2004](#)). School kits and uniforms will be provided individually and comply with the standards defined by MENFP. Textbooks will be provided to schools that commit to implement the textbook rental system already implemented in some schools by MENFP, ensuring an average book life of three years. In the same schools, 2,000 teachers will be provided with teaching materials to improve their motivation.
- 1.21 **Component 3. Improved learning opportunities for 13,500 children annually** (US\$7.1 million). The objective of this component is to provide opportunities for improved literacy and mathematics skills in early grades through innovations. Key activities to be financed are: (i) an interactive radio program to assist teaching in language and math benefitting 12,000 children; (ii) a competitive fund for educational innovations benefitting at least 1,500 children; (iii) technical

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<sup>3</sup> The program started in 2007 in two departments (out of ten in Haiti) and 580 schools selected on a voluntary basis; it was extended in 2008 to six additional departments (for a total of eight out of ten) and 643 schools selected according to a competitive process. In summary, beneficiary schools need to show evidence of accreditation by MENFP, a qualified body of teachers and adequate infrastructure. Schools also sign a contract committing to use the subsidy to provide three textbooks per child and pay teachers' salary. Beneficiary children are selected by the schools.

<sup>4</sup> Compiling data from different sources, including the school census, reading assessment to be financed by the World Bank in 250 beneficiary schools, and technical/verification audits.

- assistance for the development of a national testing system; and (iv) extra-curricular activities for 6-14 years old in one sport center.
- 1.22 The quality of teaching and learning will be supported through alternative methods of delivering education, including radios or preloaded MP3 players (in remote areas). While the MENFP, with UNESCO and CIDA support, is developing a unified teacher training system to be operational by 2013, this program will provide a transitional solution to transform classrooms into interactive learning environments. Traditional math and reading lessons will be supplemented by half-hour programs broadcasted daily into classrooms and designed to guide teachers through the use of songs, dramas, and interactive learning activities. This program known in Haiti as *Edikasyon a Distans* and officially recognized by MENFP, will be reactivated after an interruption in 2008 due to lack of funding. Impact evaluations have shown that after two years, the average scores of beneficiaries in Haiti significantly exceeded those of non-beneficiaries in math and comprehension; students also spent more time on task. Teaching techniques, such as encouraging student participation, also improved.
- 1.23 At the end of the project, 12,000 children from grades 2-4 in 100 schools will have improved their literacy and math skills. This operation will support the upgrade of the interactive radio program, following a rigorous monitoring and evaluation protocol. For grades 2-4, the existing programs in math and Creole will be revised and implemented in 100 public and non-public schools randomly selected within one department. Technical support and training will be provided to MENFP-Radio Educative unit for the implementation of the program. Future operations and potential co-financing will support the development of the program for other grades, introduce the use of other interactive devices (mobile phones, tablet, etc.) and expand it to an increased number of schools.
- 1.24 Competitive Fund for Educational Innovations (the Fund). The objective of the Fund (US\$1 million) is to improve the quality of education through the use of digital technology in 20 schools built or rehabilitated under HA-L1049 and HA-L1060 and benefitting at least 1,500 children (two grades per school).<sup>5</sup> The selection process and supervision will be driven by a steering committee comprised of MENFP experts and technical partners' representatives. The Fund will finance proposals based on a competitive process and specific technical criteria, including demonstrated impacts on learning, applicability within the local context, number of beneficiaries and potential for scaling up. The selection process will be open to public institutions, Non-Governmental Organizations (NGOs), and private groups. Among other issues, proposals should include the definition of modalities for capacity building within MENFP, and monitoring and evaluation plans.

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<sup>5</sup> Within the framework of the National Education Technology Strategy under the reformulated HA-T1093.

- 1.25 This project will contribute to starting the development of a national testing system that would provide regular data on learning in Haitian schools. Technical assistance will be provided to MENFP to define the most cost-effective methodology. The testing system will inform general policy design. At the end of the project, the tools will have been developed and tested to enable implementation within the Bank's next operation and in coordination with other donors.
- 1.26 This operation will also support the development of extra-curricular sports activities in the Port-au-Prince area. The project aims at providing 7,500 children aged from 6 to 14 with enjoyable sport and activity-based learning opportunities that enhance their physical, cognitive and emotional development, in an existing sports center in Carrefour. The Bank, along with co-financing partners, will finance the rehabilitation of the center, equipment, operational costs and the provision of snacks. The Bank will finance the provision of nutritious snacks if, to its satisfaction: (i) all necessary co-financings have been secured in a timely manner to execute this activity; and (ii) FAES, Ministry of Youth, Sports and Civic Action (MYSCA) and *Comité Olympique Haitien* (COH) have entered into a memorandum of understanding (MOU) establishing the terms and conditions under which COH will be directly contracted by FAES to coordinate this activity under the guidance of a steering committee led by MYSCA. The pilot program is intended to inform the design of a national sport for development program.
- 1.27 **Component 4. Increased TVET opportunities for more than 600 youth annually** (US\$8.2 million). This component aims at improving TVET opportunities and employment for at least 600 youth annually and providing skilled workers for the Northern Industrial Park (NIP). Key activities to be financed under this component include: (i) technical assistance to INFP to develop and implement the national TVET policy; (ii) the engineering of training programs in key economic sectors; and (iii) construction, rehabilitation, equipment and management upgrades in six public centers, including three in the NIP area.
- 1.28 Technical and legal assistance will be provided to INFP to develop and start the implementation of the TVET national policy. The policy will identify the needs of the economy and effective implementing and coordination mechanisms of training programs across Ministries, with the involvement of the private formal and informal sector. In particular, this operation will continue the accreditation of private training centers started under Grant 2385/GR-HA (HA0017). A study will inform on the feasibility of a skills certification system (*validation des acquis de l'expérience*), aimed at certifying skills acquired empirically by workers in both formal and informal sectors. To improve the relevance of training, the project will finance market studies and technical assistance to develop new programs in five key sectors of the economy, involving relevant private sector stakeholders. New programs will provide for more flexibility by being organized by modules and greater efficiency by reducing their length and introducing double shifts in the centers.

- 1.29 This project will contribute to sustain the public provision of training and increase its relevance in six public centers. To increase the TVET supply, HA-L1060 will finance the construction and equipment of two centers in the north of the country, one in the south<sup>6</sup> and the rehabilitation of the center in Carrefour (Port-au-Prince). Each center will be equipped with at least four workshops meeting the needs of the local economy. To sustain and improve the effectiveness of the TVET supply, this operation will pilot the implementation of a new management model in four centers<sup>7</sup> consisting in: (i) an innovative scheme for management, involving the private sector; and (ii) a self-sustainable business model to be developed over a period of no more than two years and supported by decreasing subsidies for maintenance and operation costs. To improve policy design, this operation will support the development of a tracking study of trainees six months after graduation.
- 1.30 **Component 5. Strengthening MENFP's executing and regulating capacity** (US\$6.7 million). At the end of the project, it is expected that MENFP will count with: (i) a better implementing and regulatory capacity; (ii) an improved information system for policy design, implementation and monitoring; and (iii) a stronger coalition of public and private partners supporting the Education Plan. The project will mainly finance technical assistance to MENFP.
- 1.31 To improve MENFP execution capacities, technical support will be provided, in coordination with other donors, for the implementation and monitoring of the Education Plan. Grant resources will also be used to support MENFP in the implementation of an accountability system aligning individual and collective incentives with the plan objectives. A particular emphasis will be given to the definition of annual work plans and performance objectives, at the central and decentralized levels. To improve performance and accountability, this operation will support the creation of a pool of highly qualified General Inspectors responsible for auditing the education system and supporting the implementation of upgraded procedures and management schemes. In coordination with the WB and USAID, resources will be targeted to the revision of the legal framework and procedures for regulating and subsidizing non-public providers.
- 1.32 To improve policy design, monitoring and evaluation, HA-L1060 will also co-finance the design and operation of an upgraded information system using available and future school census data (2012, 2013 and 2014) and other available data. Technical assistance and training will be provided to MENFP on data collection and analysis to ensure greater availability and publicity of relevant data. Finally, technical assistance will be provided to ensure an adequate monitoring of the plan's performance, and deepen knowledge on critical issues such as the system internal efficiency, the sustainability of the education policy, and necessary pedagogical reforms, including the secondary level.

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<sup>6</sup> Cap Haitien and Jérémie (to be equipped) and Trou du Nord (to be built and equipped).

<sup>7</sup> In Cap Haitien, Gonaives, Carrefour and Jérémie.

1.33 The operation will also contribute to MENFP communication on results in order to keep the momentum around the Education Plan, within the civil society, the private sector and the international community. This activity will support the implementation of MENFP communication plan developed under HA-L1049. At the end of the project, eight short documentaries on critical issues in the education sector will have been produced for the national and international audience.

1.34 **Cost.** The total cost of this operation is US\$56.79 million of which US\$50 million will be financed by the Bank, US\$4.19 million by Southcom for the construction of eight schools and US\$2.6 million by partners to be identified for the development of the extra-curricular activities in Carrefour (see Table I-1 for details). As indicated, the project is open for additional co-financing arrangements.

**Table I-1: Cost table (in US\$)**

Categories	Source of financing		Total	%
	IDB	Parallel & Cofinancing		
<b>Component 1. Increased public supply of education</b>	<b>19,560,000</b>	<b>4,190,000</b>	<b>23,750,000</b>	<b>42%</b>
Construction of schools	14,349,025	4,190,000	18,539,025	33%
Rehabilitation and equipment of schools	5,070,975		5,070,975	8%
Operational expenses for schools in relocation areas	140,000		140,000	0%
<b>Component 2. Tuition-free and quality primary education</b>	<b>8,790,000</b>		<b>8,790,000</b>	<b>15%</b>
Tuition waiver program / school subsidy	6,300,000		6,300,000	11%
School kits and uniforms	1,850,000		1,850,000	3%
Textbooks	600,000		600,000	1%
Teachers' kits	40,000		40,000	0%
<b>Component 3. Improved learning opportunities</b>	<b>4,450,000</b>	<b>2,600,000</b>	<b>7,050,000</b>	<b>12%</b>
Interactive radio program	2,500,000		2,500,000	4%
Competitive Fund for Educational Innovations and technical assistance	1,200,000		1,200,000	2%
Development of a national testing system	350,000		350,000	1%
Extra-curricular activities in a sport center	400,000	2,600,000	3,000,000	5%
<b>Component 4. Increasing TVET opportunities</b>	<b>8,170,000</b>		<b>8,170,000</b>	<b>14%</b>
Development and implementation of a national TVET policy	510,000		510,000	1%
Implementation of an innovative management model in training centers	1,060,000		1,060,000	2%
Construction and rehabilitation of training centers	3,000,000		3,000,000	5%
Equipping of training centers	3,600,000		3,600,000	6%
<b>Component 5. Strengthening MENFP's executing and regulating capacity</b>	<b>6,680,000</b>		<b>6,680,000</b>	<b>12%</b>
Technical assistance for the implementation of the Education Plan	1,580,000		1,580,000	3%
Information systems, M&E of the Education Plan	1,430,000		1,430,000	3%
Implementation of the communication strategy	270,000		270,000	0%
Executing units costs	3,400,000		3,400,000	6%
<b>Audit, Monitoring and Evaluation</b>	<b>850,000</b>		<b>850,000</b>	<b>2%</b>
Financial audit	300,000		300,000	1%
Technical audit of the tuition waiver program	250,000		250,000	0%
Monitoring and evaluation	300,000		300,000	1%
<b>Contingency</b>	<b>1,500,000</b>		<b>1,500,000</b>	<b>3%</b>
<b>Total</b>	<b>50,000,000</b>	<b>6,790,000</b>	<b>56,790,000</b>	<b>100%</b>

### C. Key results indicators

1.35 At the end of the 30-month execution period of the project, it is expected that:  
 (i) 15,000 children from preschool to grade 9 benefit annually from additional and

improved learning space; (ii) 35,000 primary students will annually benefit from primary education for free (tuition waiver) and 30,000 at reduced cost (school kits); (iii) 12,000 children will increase their literacy skills and performance in math and 1,500 will receive improved technology-based education; (iv) 600 youth will benefit from TVET programs better aligned with the labor market demand; and (v) MENFP will have improved capacities to implement the Education Plan and regulate the education sector, both at the central and decentralized level.

## **II. FINANCING STRUCTURE AND MAIN RISKS**

### **A. Financing instruments**

- 2.1 The present operation is the second of five annual projects constituting the Bank's US\$250 million commitment to support the Haitian Education Plan. As for HA-L1049, a partnership strategy will be developed with Office of Outreach and Partnerships (ORP) to raise the targeted amount in co-financing. Partners such as the Happy Hearts Foundation and HRF have already expressed interest in co-financing this operation.
- 2.2 In November 2010, during its consideration of HA-L1049, the Board approved a proposal that allows Management to receive contributions from donors to support any approved component in the form of a Project Specific Grant (PSG) or through a trust fund contribution (including HRF), each administered by the Bank up to the aggregate amount of US\$250 million, without the preparation and approval of a separate project proposal. Consistent with the mechanisms created for HA-L1049, co-financing resources raised in support of this operation will be incorporated in accordance with the corresponding co-financing agreements and channeled towards HA-L1060 components, thus increasing their reach and impact. The approval of a separate project proposal would only be required if the above mentioned aggregate amount is exceeded or if a 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. As in the case of the 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.
- 2.3 The Board is therefore requested to authorize the President, or such representative as he shall designate, to enter into such agreements as may be necessary with donors and with the Republic of Haiti to receive, administer, and allocate to this operation any co-financing resources aimed at supporting and executing the components of this operation. Each operation presented to the Board will report on co-financing results to date.

## **B. Environmental and social safeguard risks**

- 2.4 This operation will have a net positive social impact as targeted communities benefit from an increased supply of quality education and professional training. This operation is classified as Category “B” according to the IDB’s Environmental Safeguards Policy. The key impacts and risks are associated with the construction and rehabilitation of 35 schools and two training centers in Components 1 and 4. These impacts are expected to be minor, highly localized, typical of small to medium scale construction sites, and readily manageable through the implementation of environmental, health and safety mitigation measures. Though, Haiti is prone to natural hazards and has historically lacked construction codes or agencies regulating the construction and rehabilitation of civil infrastructure. Given these considerations, the IDB reviewed the capabilities, processes, and tools for environmental and social impact assessment and management by the responsible executing agencies, FAES and UCP. The Environmental and Social Management Report (ESMR) describes recommended mitigation measures to be included in this operation, as well as monitoring and supervision activities to oversee environmental and social performance.

## **C. Fiduciary risk**

- 2.5 Based on an updated assessment of financial management and internal and external control systems done in August 2011, the proposed operation is expected to have a low fiduciary risk for components executed by FAES given the strength of its financial management and control systems, and experience in executing Bank projects. The same assessments completed in December 2010 and August 2011 for UCP and EFA respectively, concludes to a medium risk for both, due to weaknesses in financial reporting in the first case and a lack of appropriate computerized accounting software and information systems in the second. The ex-post methodology is recommended for the disbursement process for all three executing agencies/units. The fiduciary staff of the Bank will conduct at least two annual visits per executing agency and unit to review execution of financial plan, recording of transactions and overall management of project documentation.
- 2.6 In 2011, the Bank conducted an institutional assessment and a procurement analysis of FAES which recommended: (i) **the staffing of the procurement unit with three procurement specialists, as conditions prior to first disbursement;** and (ii) keeping FAES under ex-post review for procurement related duties. The specific thresholds for ex-post review are specified in an Aide-Memoire and in Annex III to this document. Supervision plans will be prepared accordingly and include semi-annual ex-post reviews of all procurement processes. **The procurement analysis of UCP concluded to the need of contracting one procurement specialist, as conditions prior to first disbursement.**

**D. Other key issues and risks**

**Table II- 1: Risks and mitigation**

Risk	Mitigating measure
Lack of financing hampers the Education Plan implementation and performance.	<ul style="list-style-type: none"> <li>• Technical assistance on sector financing and policy sustainability.</li> <li>• Support to MENFP’s communication policy to show achievements.</li> <li>• Partnerships and co-financing strategy developed with ORP.</li> </ul>
MENFP and executing agencies/units’ institutional capacity constrain execution and resource absorption.	<ul style="list-style-type: none"> <li>• Financial and technical assistance to MENFP and executing agencies/units’.</li> <li>• Institutional assessments of executing agencies.</li> <li>• Close coordination with other donors financing capacity building.</li> </ul>
Limited availability of data for progress monitoring.	<ul style="list-style-type: none"> <li>• Technical and financial support to the MENFP’s information system.</li> </ul>

**III. IMPLEMENTATION AND MANAGEMENT PLAN**

**A. Summary of implementation arrangements**

3.1 This operation will have two executing agencies, MENFP and FAES. FAES will execute all components with the exception of Component 4 and the payment of the Tuition Waiver Program (TWP) under Component 2. MENFP will execute the TWP within Component 2 through its executing unit EFA and Component 4 through its executing unit UCP. FAES, EFA and UCP will report to the MENFP, which will organize regular meetings with the Bank to review progress. **As conditions prior to first disbursement: (i) MEF must sign an agreement with FAES for the transfer of Bank and local resources to FAES for the execution of the project; (ii) FAES, UCP and EFA must approve updates to their current manual of operations to account for this project’s activities and also include, in the case of FAES and UCP, the environmental and social recommendations outlined in the ESMR; (iii) MENFP must update its existing MOU with FAES to account for the activities developed under this operation; and (iv) the procurement recommendations set forth in ¶2.6 above must be met.**

3.2 **Site selection and safety norms.** The site selection for the 20 new public schools financed by the Bank contribution will be performed by the MENFP and respond to the following criteria, among others: (i) absence of school in a district; (ii) availability of land for integration into the public domain; (iii) school age population from preschool to grade 9 in the district as per official statistics equal or greater than 800, assuming double shift; and (iv) formal commitment of MEF and MENFP to finance and allocate the required teaching and administrative personnel on site.<sup>8</sup> The selection of public schools for rehabilitation financed by the Bank contribution will respond to at least two of the following criteria: (i) evidence of safety risks at existing school; (ii) lack of classrooms to ensure continuous education from grade 1 to 6 at least; and (iii) lack of equipment to ensure proper learning conditions. As with HA-L1049, grant resources will be

<sup>8</sup> If criteria are not met, the resources will be redirected to the reconstruction of existing schools in poor conditions and already provided with the necessary personnel.

used to contract at least one structural engineer to ensure that all new construction meets the new requirements. FAES will also extend its MOU with the MTPTC's laboratory establishing the terms of its collaboration to review construction materials. Proof of compliance with these criteria and conditions will be a condition prior to the execution of Component 1.

- 3.3 **Competitive Fund for Educational Innovations.** Result-based contracts will be used for the transfer of funds to beneficiaries upon delivery. The operational details for the Funds' management will be developed in a specific manual of operation.
- 3.4 **Execution capacity.** In the event that additional co-financings representing more than 20% of the initial project cost are made available during project execution, the Bank and GOH will evaluate the executing agencies/units' readiness prior to disbursing the new resources and make recommendations for further institutional strengthening, if necessary. To finance institutional strengthening activities, co-financing will systematically include a budget line for project execution.
- 3.5 Procurement of works, goods and services, as well as contracts for consulting services will be executed in accordance with the Bank's procurement policies, rules and procedures (GN-2349-9 and GN-2350-9), complemented by the special procurement provisions to address the emergency caused by the 2010 earthquake (OP-387-3).
- 3.6 **Sole source contracts.** Sole source selection is proposed for the following partners and services: (i) the public agency *Programme National des Cantines Scolaires* (PNCS) for the distribution of school kits, uniforms, textbooks and teachers kits given its unique distribution network throughout the country, and for an amount not exceeding US\$100,000 from the Bank contribution;<sup>9</sup> and (ii) COH, a non-profit organization, given its unique expertise in the implementation of sports programs in Haiti, for the operation of the extracurricular activities of Component 3 for an amount to be determined according to the amount of co-financing raised for this activity; this contract will be signed only if the conditions set forth in ¶1.26 are met.<sup>10</sup> Refer to annex III, 5.4.
- 3.7 **Project financial management.** Project financial management will be executed according to OP-273-2. EFA, FAES and UCP will open separate bank accounts for the management of the grant and co-financing resources provided under this operation. Each executing unit will maintain proper financial management systems and will prepare an Annual Operation Plan, a procurement plan and a twelve-month detailed financial plan indicating cash flow needs for the project

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<sup>9</sup> PNCS was created in 1997 and placed under the MENFP authority. It has developed a unique distribution network of food, deworming pills and vitamins in the schools of the 10 departments of the country. PNCS has also already delivered schools kits within previous operations of the Bank, including HA-L1049.

<sup>10</sup> Sole source is justified by COH's experience in the implementation of similar activities with UN agencies funding at the national level, to the satisfaction of these agencies. Also, the COH has developed a long-term relationship with MYSCA in the implementation of similar programs.

execution and serving as the basis for advance of funds disbursements. Advances of funds will be for the equivalent of funding needs required for six months of project execution for FAES, four months for UCP and three months for EFA.

- 3.8 **Tuition Waiver Program (TWP).** Payments will be based on established EFA procedures for providing funding for the tuition program. Payment will be made in two tranches during the school year. Payment of the first tranche (60%) will be subject to the receipt of the approved school listing and will be deposited in the EFA Central Bank Account opened to that effect. EFA will then transfer funds from the Central Bank account to an account of the approved School Management Committees (SMC) opened at the *Banque Nationale de Cr dit* (BNC). Payment of the second tranche (40%) will be subject to the receipt of the verification agency reports as required by established EFA procedures. SMCs which have not complied with established procedures will be excluded in the second payment.
- 3.9 **Financial audits.** FAES will be responsible for contracting an external auditor eligible to the Bank to perform the audit of the program, including all co-financing resources, as follows: one annual financial audit including the review of procurement and disbursement processes of each executing agency/unit (FAES, EFA and UCP) to be submitted within 120 days of the end of each fiscal year, and a final financial audit to be submitted within 120 days after the last disbursement date. For the TWP executed by EFA, a financial audit of the use of funds by the SMCs, for schools financed by IDB and co-financing partners, will be performed based on agreed upon procedures and submitted to the Bank within 90 days following the disbursement of the second tranche.

## **B. Summary of arrangements for monitoring results**

- 3.10 Building on the Monitoring and Evaluation (M&E) arrangements developed under HA-L1049, FAES, UCP and EFA will present to the MENFP and to the Bank a biannual progress report on the indicators included in the results framework. A comprehensive set of monitoring and capacity building activities has been integrated into project design and funds have been budgeted accordingly. A number of individual evaluation frameworks are described in the M&E plan and include: (i) a plan for a rolling-out of the Bank's school construction intervention via the selection of at least 120 sites for schools to be financed in the next three Bank's operations; (ii) follow up surveys for graduates of TVET centers; and (iii) the impact evaluation of the interactive radio program, via testing of learning outcomes on treatment and control groups. In addition, the Bank will conduct quarterly missions to monitor progress.

## **C. Significant design activities post approval**

- 3.11 The following activities will be completed after approval: (i) collection of baseline data for missing values; (ii) development of the operational manual for the management of the Fund; and (iii) development of the operational manual for the implementation of the extracurricular activities in Carrefour.

Development Effectiveness Matrix Summary

Development Effectiveness Matrix			
Summary			
<b>I. Strategic Alignment</b>			
<b>1. IDB Strategic Development Objectives</b>		Aligned	
Lending Program	(i) Lending to small and vulnerable countries; and (ii) Lending for poverty reduction and equity enhancement.		
Regional Development Goals	(i) Extreme poverty rat, and (ii) Share of youth ages 15 to19 who complete ninth grade.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	(i) Students benefited by education projects (girls, boys), and (ii) Individuals (all, men, women, youth) benefited from programs to promote higher labor market productivity.		
<b>2. Country Strategy Development Objectives</b>		Aligned	
Country Strategy Results Matrix			
Country Program Results Matrix	GN-2617	The project is included in the 2011 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
<b>II. Development Outcomes - Evaluability</b>		Highly Evaluable	Weight
		8.4	10
<b>3. Evidence-based Assessment &amp; Solution</b>		5.6	25%
<b>4. Ex ante Economic Analysis</b>		8.5	25%
<b>5. Monitoring and Evaluation</b>		9.5	25%
<b>6. Risks &amp; Mitigation Monitoring Matrix</b>		10.0	25%
Overall risks rate = magnitude of risks*likelihood		Medium	
Environmental & social risk classification		B	
<b>III. IDB's Role - Additionality</b>			
The project relies on the use of country systems (VPC/PDP criteria)			
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment		yes	The executing unit have already integrated in their operational manuals environmental and social management tools to ensure social and environmental friendly constructions and rehabilitations of infrastructure. Energy will also mostly be provided to the schools via solar panels.
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			
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 document presents a proposal to finance with non-reimbursable funds a US\$50 million grant for Haiti, that is complemented with parallel financing and co-financing for an additional US\$6.79 million. The project contributes to support small and vulnerable countries, to reduce poverty and enhance social equity, and is aligned with the Bank's strategy in Haiti.

This project represents the second installment of five that the Bank has planned for its support of the education sector in Haiti after the 2010 earthquake. In the present context, this is a highly relevant project with potentially significant effects for the community. HA-L1060, in line with the Ministry's Plan, has four significant objectives: (i) improving access to education; (ii) improving the quality of education; (iii) reforming technical and vocational training; and (iv) strengthening MENFP institutional capacities and governance. The proposal describes the very challenging situation faced by the country in general and the education sector in particular, and presents a diagnosis of key aspects of the sector, the main issues to be solved and their contributing factors. The project has adequate logic, as for each component it very clearly specifies the objective to be accomplished, linking it to the Ministry's Plan. The results matrix includes adequate indicators for outputs and outcomes. The ex-ante cost benefit analysis is adequate. The analysis is done over prominent components of the project, the assumptions are clear and appropriate, as is the sensitivity analysis that is presented. The project includes an adequate monitoring and evaluation plan that proposes an experimental design for the impact evaluation of the radio/MP3 intervention. The risk matrix is adequate includes mitigation measures and related metrics to track their implementation.

### RESULTS FRAMEWORK

<b>Project objective</b>	This operation will contribute to the Bank five-year program supporting the following objectives of the Haitian Education Plan: (i) improving access to education; (ii) improving the quality of education; (iii) improving TVET opportunities; and (iv) strengthening MENFP institutional capacities and governance. More specifically, HA-L1060 will result in: (i) increased public supply of education benefitting 15,000 children annually; (ii) reduced education costs for 75,000 primary students; (iii) improved education quality through educational and technological innovations benefitting 13,500 children; (iv) improved TVET opportunities through a sustained investment effort and innovations in managing the sector and training centers benefitting at least 600 youth annually; and (v) increased MENFP's capacity to implement the Education Plan and regulate the education sector.
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Components	Base 2011	Year 1 (2012/2013 school year)	Year 2 (2013/2014 school year)	Target (end of project/2014)	Comments/Sources
<b>Component 1. Increased public supply of education from preschool to grade 9 for 15,000 children annually</b>					
<b>Outcomes</b>					
Gross enrollment rate from preschool to grade 9 in the districts (sections communales) targeted by the project.	TBD 2011	TBD 2012-2013	TBD 2013-2014	TBD 2013-2014	Baseline to be collected from the 2011 census / Annual censii, IHSI population projections and upgraded FAES reports.
Number of preschool to grade 9 students benefitting annually from additional and improved learning space.	4,000	6,200	15,000	15,000	Baseline to be confirmed / FAES ex-ante and ex-post evaluations of rehabilitated and newly construction schools.
Boys	2,000	3,100	7,500	7,500	
Girls	2,000	3,100	7,500	7,500	
<b>Ouputs</b>					
Number of new schools open for enrollment in areas deprived of school.	0	0	20	20	FAES progress report/PV of reception by MENFP, FAES and external supervision cabinets.
Number of rehabilitated schools open for enrollment in targeted areas (according to criteria defined in the POD).	0	5	10	15	
Number of schools equipped and open for enrollment.	0	8	0	8	
Number of schools open for enrollment in Zoranje.	1	2	2	2	

<b>Component 2. Tuition-free and quality primary education for more 75,000 children annually</b>					
<b>Outcomes</b>					
Average grade 1-6 retention/dropout rates in beneficiary schools.	TBD 2011	TBD 2012-2013	TBD 2013-2014	TBD 2013-2014	Baseline to be collected from the 2011 census/Improved EPT progress reports and school censii.
<b>Ouputs</b>					
Number of tuition waivers benefitting grade 1-6 students (same cohort over two school years).	35,000	35,000	35,000	35,000	EPT progress reports and technical verification/audit of the TWP.
Number of school kits (basic material), uniforms sets (2 uniforms per child) and textbooks sets (four per child) delivered to children from preschool to grade 6.	0	30,000	0	30,000	PNCS report and FAES reports.
Number of teacher kits delivered to schools.	0	2,000	0	2,000	PNCS report and FAES reports.
<b>Component 3. Improved learning opportunities for 13,500 children annually</b>					
<b>Outcomes</b>					
Learning outcomes for students (grade 2-4) benefitting from the interactive radio program (% of standard deviations).	TBD in Impact Evaluation (base 2012)	TBD in Impact Evaluation (IE)	-	TBD in IE	Data provided by the test implemented within the impact evaluation.
<b>Ouputs</b>					
Number of children (grade 2-4) benefitting from the interactive radio program.	0	0	12,000	12,000	Progress report from the IRP implementing agency and verification from Impact Evaluation data.
Number of children benefitting from the Fund for Educational Innovation in 20 schools built under HA-L1049 and HA-L1060.	0	0	1,500	1,500	FAES progress reports.
One diagnostic tool for learning achievements in French and Creole to be developed and tested for early grades (1-6).	0	0	1	1	FAES progress reports.
Number of children benefitting from three hour sessions of personal and physical development at least once a week activities.	0	3,000	7,500	7,500	COH reports and FAES progress reports.
<b>Component 4. Increasing TVET opportunities for more than 600 youth annually</b>					
<b>Outcomes</b>					
Number of certified trainees annually in the six TVET centers.	TBD	400	600	600	Trainees database of TVET centers.
% of trainees employed six months after training.	n/a	n/a	TBD 2013	TBD 2013	Graduate trainees tracking survey.

<b>Outputs</b>					
Bill ( <i>Projet de loi</i> ) on TVET policy and correlative financing law submitted to the Parliament.	0	0	1	1	UCP bi-annual progress reports.
TVET programs reengineered in five key economic sectors, redefining TVET curricula to the market labor demand and reducing training time.	0	5	0	5	
Public centers operating with a public-private board and financially sustainable.	0	0	4	4	Financially independent from subsidies i.e operational and administrative costs of TVET centers are integrated and centers are self-sufficient.
TVET centers rehabilitated or built, equipped and operational.	0	1	2	3	
Database with administrative data on TVET trainees available in all six centers.	0	1	1	1	
<b>Component 5. Strengthening MENFP's executing and regulating capacity</b>					
<b>Outcomes</b>					
Percentage of non-public schools accredited.	TBD 2011	TBD 2012-2013	TBD 2013-2014	TBD 2013-2014	Baseline to be collected from the 2011 census / Annual censii.
Institutionalized information system operational and providing updated and timely data.	0	1	1	1	Indicator is a proxy for the MENFP capacity to use relevant data for policy making and monitoring/ FAES progress reports.
<b>Outputs</b>					
Eight workplans monitored bi-annually corresponding to each one of the thematic working groups in charge of the Education Plan implementation.	0	4	8	8	Mid term evaluation report/bi-annual evaluation of the Education Plan progress and annual workplans implementation.
Annual Education Statistical Report produced and published.	Census	1	1	2	Censii and MENFP information system.
MENFP decree, revising the legal framework for the regulation of the non-public school and accreditation procedures, is prepared and circulated within the administration.	0	1	0	1	Progress report from MENFP / Mid term evaluation report.
Thematic video-documentaries on the education sector published on the internet.	0	3	5	8	Progress report from MENFP.

## FIDUCIARY ARRANGEMENTS

**COUNTRY:** CCB/CHA

**PROJECT N°:** HA-L1060 - **NAME:** Support to the Implementation of the Education Plan and Reform in Haiti

**EXECUTING AGENCY**<sup>1</sup>: Ministry of Education and Professional Training (MENFP), through Education for All (EFA) for the tuition waiver program within component 2 and *Unité de Coordination des Projets* (UCP) for component 4, and “*Fonds d’Assistance Economique et Sociale*” (FAES).

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### I. Executive Summary

1.1 The latest evaluation reports of the Republic of Haiti’s Public Financial Management (PFM) systems are: a) the Haiti – *Public Expenditure Management and Financial Accountability Review* (PEMFAR IDB – WB, January, 2008) and the “Haiti-Amélioration de la Gestion Financière et Comptable” (FMI, 2009). Additionally, a PEFA evaluation was conducted in 2007 and currently a new evaluation is being carried out at the request of the Government of Haiti (GoH) and with the financial and technical support of the European Commission (EC); results are expected in the third quarter of 2011. The latest assessment of the procurement system in Haiti was undertaken in the context of the 2007 PEMFAR and conducted in accordance with the methodology for assessment of national procurement systems based on the OECD/DAC-World Bank Working Group indicators. Country financial management systems and external control mechanisms, as evidenced by recent diagnostics, would require further improvements prior to conform to levels consistent with their utilization for the fiduciary management of IDB funded projects. To mitigate these weaknesses the Bank will continue in the foreseeable future to: (i) rely on special project execution units for all projects; and (ii) to conduct close operational supervision of executing agencies/units and activities to strengthen MENFP institutional capacity. External control will be performed for all Bank operations by independent audit firms acceptable to the Bank.

### II. Executing Agency’s Fiduciary Context

#### A. *Fonds d’Assistance Economique et Sociale* (FAES)

2.1 FAES has extensive experience in executing Bank financed projects. The *Direction Administrative et Financière* (DAF) is responsible for the administrative and financial management of FAES. Modified cash basis is used for accounting purposes. FAES has recently upgraded its accounting software with a new version of TOMPRO, FINPRONET. FAES will therefore be able to better monitor its budget execution. FAES

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<sup>1</sup> References to executing agencies throughout the document mean indistinctly such executing agencies or, to the extent applicable, their executing unit(s) named in this document.

is in the process of completing the implementation of SIIGPP which will ensure a closer monitoring of advances of the various projects including the management of contracts. FAES has in place a process for budget execution follow-up. The achievements are compared with the budget estimates on a quarterly basis.

- 2.2 On 1 May 2007, it was considered that FAES had the capacity to perform procurement related duties for goods, works and services in conformity with the Bank's procurement rules and procedures and FAES was placed under ex-post review rather than ex-ante for all procurement processes other than the international biddings. Also, FAES has created an internal workflow governing all procurement processes and ensuring compliance with Bank's rules and Procedures. These guidelines describe clearly all the steps of the procurement process, from checking the availability of funds until contract signature and monitoring. To date FAES counts with one Procurement Specialist based at its Head Quarters; an institutional analysis performed in July 2011 recommends that the procurement function should be reinforced to count with 3 procurement specialists.

## **B. Education for All (EFA)**

- 2.3 This operation will be the second IDB project executed by the MENFP through its executing unit EFA. The financial management of project resources is done by the Coordinator and the Financial Specialist of the EFA. They are assisted by, a Financial Specialist Assistant, two accountants and an internal control specialist. EFA does not have an information system (server). The accounting software currently used by EFA is the GESCOMPT. The latter presents limitation in the recording of transactions and the management of various operation components and lacks minimum information security requirements. To mitigate software shortcomings, EFA will be replacing GESCOMPT with TOMPRO which is the same software that was used by FAES. EFA uses double entry accounting for the recording of transactions. Aside from its operating manual, EFA does not have in place an administrative and accounting manual.
- 2.4 According to an evaluation performed in August 2011, all mechanisms are in place from the establishment of the procurement duties within the institution to contract management, contemplating all the different steps of the procurement process. It is also worth noting that the World Bank just finished a general evaluation where it was decided that EFA would be placed under ex-post procurement review starting August 2011. EFA counts with one procurement specialist and one procurement associate, both very familiar with Bank's rules and procedures. It should be noted that EFA will be responsible for only one procurement process under the present operation (recruitment of the firm for the technical verification of the tuition waiver program).

## **C. *Unité de Coordination des Projets (UCP)***

- 2.5 UCP is the executing unit for one of Bank projects (2385/GR-HA) since November 2005. The financial management and procurement services are managed by the: *Coordination Administrative and Financière*. The accounting software currently used by UCP is QuickBooks. Modified cash basis is used for accounting purposes. The auditors expressed a qualified opinion on the financial statements for the period ending December

31, 2010 and June 30, 2011. This decision is based on the fact that the auditors noted unexplained differences for an amount of \$2,625 between the expenditure presented in the statement of investments and the cumulated expenses sent to Bank for period ending December 31, 2010. According to the auditors this is mainly due to weaknesses in internal control in the preparation of disbursement requests sent to the Bank and errors in the recording of the expenditure. UCP is currently addressing auditor's comments.

- 2.6 UCP has extensive experience in managing Bank financed procurement activities under project 2385/GR-HA which amounts to US\$22 millions. An evaluation was performed during the preparation of the present operation in order to better assess UCP's capacity to execute all procurement duties foreseen under Component 4. The results of the analysis show that UCP has the structural capacity to undertake all procurement duties corresponding to Component 4 of the operation. Indeed, the procurement function is incorporated in the Administrative and Financial Coordination and the procurement responsibilities are clearly defined through the already existing operation manual that will be updated for the execution of the present operation. As of today, since UCP does not count with a procurement specialist, UCP will have to recruit a new procurement specialist and ensure his/her training to Bank procurement procedures within the best delays.

### **III. Fiduciary risk evaluation and mitigation actions**

#### **A. *Fonds d'Assistance Economique et Sociale (FAES)***

- 3.1 An update of the financial management and internal control assessment performed in September 2010 was completed on August 30th, 2011 by Financial Specialist and based on results; Bank believe that the proposed operation is expected to have low fiduciary risk for components executed by FAES due to the strength of its financial management systems and internal and external control procedures and FAES lengthy experience in the execution of Bank projects. Bank recommends that ex-post review methodology continued to be used for procurement and disbursements purposes.
- 3.2 The FAES will be the main Executing Agency who will perform procurement related activities under all project components, except for the tuition waiver program in Component 2 and Component 4. On 8 September 2010, an analysis was performed by the Bank to evaluate FAES's procurement capacities and it was found that FAES had the capacities to be placed under ex-post supervision. The decision was renewed on February 2011 under Grant 2464/GR-HA. It is therefore recommended that FAES remained under ex post review for the execution of this operation in order to maintain coherence with the modalities of execution of the other operations. The same conditions will apply. Given the workload placed on the institution as a whole, the recruitment of at least two additional procurement specialists should be anticipated as preliminary condition to the first disbursement. It is essential that the present context be considered as presenting a medium risk to the good execution of the operation and more specifically of the procurement processes.

**B. Education for All (EFA)**

3.3 An assessment of EFA financial management and internal and external control procedures was completed by Financial Specialist on August 31, 2011. Based on the results, the Bank considers EFA overall risk rating to be medium due to lack of appropriate computerized accounting software and information systems. The Bank recommends that ex-post review methodology to be used for disbursements purposes.

Risks identified	Mitigating measures
<ul style="list-style-type: none"> <li>Absence of internal control mechanisms in current structure where one accountant manages all aspects pertaining to financial management for one project.</li> </ul>	<ul style="list-style-type: none"> <li>EFA has hired during the month of August 2011 a Financial Specialist Assistant and is in the process of reorganizing its accounting unit. Instead of having an accountant per project, there are currently distributing accounting functions among the two Accountants, the Financial Specialist Assistant and the Financial Specialist. An accounting manual will also be in place by the end of the year.</li> </ul>
<ul style="list-style-type: none"> <li>Unreliable financial accounting and financial reporting due to the lack of appropriate computerized accounting system and information systems.</li> </ul>	<ul style="list-style-type: none"> <li>EFA is currently in the process of implementing new accounting software (TOMPRO) which will be used for the financial management of funds. Implementation is scheduled to start during the month of September 2011. Servers have been purchased on should be installed within two months. An IT specialist is also to be hired.</li> <li>Quarterly financial reports including budget execution will be required. The operation's AOP and financial plans will be used as a basis for the monitoring of project execution.</li> <li>Bank Fiduciary staff will conduct at least two inspection visits to review the recording of transactions and the proper documentation of financial records.</li> </ul>

Bank recommends that ex-post review methodology to be used for disbursements purposes.

3.4 As mentioned above, EFA will be responsible for only one procurement process. Given the existing structure and the nature of the procurement duties that will be performed by EFA under this new operation, there is no specific anticipated risk in terms of procurement management and execution. EFA has adequate capacity to perform in accordance with Bank's rules and procedures, and given also the nature of the procurement process that will be taking place, EFA will be placed under a supervision ex-ante.

**C. *Unité de Coordination des Projets (UCP)***

3.5 An assessment of UCP's financial management and internal and external control procedures was completed by fiduciary financial management specialist on December 14, 2010. Based on the results, the Bank considers UCP overall risk rating to be medium in the following areas:

Risks identified	Mitigating measures
<ul style="list-style-type: none"> <li>Weak financial reporting due to undocumented adjustment accounting entries and incorrect accounting entries.</li> </ul>	<ul style="list-style-type: none"> <li>Recruitment of qualified accountant. The Executing Unit has recently replaced its accountant and is in the process of correcting several incorrect accounting entries.</li> <li>Bank Fiduciary staff will conduct at least two inspection visits per year to review the recording of transactions and the proper documentation of financial records.</li> </ul>

Bank recommends that ex-post review methodology to be used for disbursements purposes.

- 3.6 Based on the experience the Bank has had with that specific Executing Agency and the results of the said analysis, the Bank considers UCP overall risk rating to be medium in the following areas:

Risks identified	Mitigating measures
<ul style="list-style-type: none"> <li>• Execution of the procurement processes.</li> </ul>	<ul style="list-style-type: none"> <li>• Recruitment and training of qualified procurement specialist who will need to familiarize with Bank procurement rules and procedures.</li> <li>• Bank Procurement Specialist will assist in the training phase and will perform supervision as needed in order to ensure good and efficient execution of the operation.</li> </ul>

The Bank recommends that ex-ante review methodology be used for procurement purposes.

#### IV. Aspects to be considered in the Special Conditions of Contract

- 4.1 Special conditions precedent to first disbursement:
- a. Special Accounts and authorized signatures: FAES, EFA and UCP will open separate bank accounts at the Central Bank of Haiti for the management of grant resources and also for additional resources from co-financing partners.
  - b. Listings of authorized signatures are to be provided to Bank for each executing unit.
  - c. All Executing Units will have to update their chart of accounts to reflect current operation.
  - d. FAES, EFA and UCP will update their manual of operations to reflect current activities and HA-L1060 resources.
  - e. Implementation of the accounting system and preparation of an accounting manual for EFA will be required as a condition to first disbursement for Component 2.
  - f. FAES will have to recruit two procurement specialists. UCP will have to recruit one procurement specialist, as prior condition for disbursement.
- 4.2 **Audit special requirements:** External auditors eligible to the Bank will be hired to perform the audit of the program as follows: (i) one annual financial audit of the program (FAES, EFA and UCP) including an annual review of procurement and disbursement processes of each executing unit to be submitted within 120 days following the closing of each fiscal year; (ii) an independent verification of funds disbursed by the Bank and Co-financing partners for school subsidies provided under Component 2 to be submitted to the Bank within 90 days following the disbursement of the second tranche of school subsidies; and (iii) a final financial audit of the program (FAES, EFA and UCP) to be submitted within 120 days after the date of the last disbursement. FAES will be responsible for the audit process and the hiring of the audit firm. Bank recommends that the audit firm which performs the audit of HA-L1049 also be used for the audit of HA-L1060.

#### V. Fiduciary Arrangements for Procurement Execution

##### A. Procurement Execution

- 5.1 All project related procurement activities will be performed by FAES, UCP and EPT following Bank's Procurement Policies: Policies for the Procurement of Goods and

Works financed by the Inter-American Development Bank (GN-2349-9) and Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank (GN-2350-9) and the *Disposiciones Especiales sobre adquisiciones para atender la emergencia causada por el terremoto del 12 de enero de 2010 en la Republica de Haiti* (OP-387-1).

- 5.2 **Procurement of Works, Goods and Non-Consulting Services:** The contracts for Works, Goods, and Non-Consulting Services<sup>2</sup> generated under the project and subject to International Competitive Bidding will be executed through the use of the Standard Bidding Documents (SBDs) issued by the Bank. The processes subject to National Competitive Bidding (NCB) will be executed through the use of National Bidding Documents agreed to by the Bank. The technical specifications review during the preparation of the selection process, is the responsibility of the project sector specialist.
- 5.3 **Selection and Contracting of Consultants:** The consulting services contracts generated under this project will be executed through the use of the Standard Request for Proposals (SRFPs) issued or agreed to by the Bank. The terms of reference review for the selection of consulting services is the responsibility of the project sector specialist.
- 5.4 **Direct Contracts:** The justification for the two foreseen direct contracts is given below in accordance with the Bank's Procurement Rules and Procedures.
- i. **PNCS:** The public agency National School Feeding Program (*Programme National de Cantine Scolaires - PNCS*) will be for contracted on a sole source basis for the distribution of school kits, uniforms, textbooks and teachers kits. The total amount of this contract will not exceed US\$100,000 from the Bank contribution. PNCS was created in 1997 and placed under the authority of the MENFP. It has developed a unique distribution network of food, deworming pills and vitamins in the schools of the 10 departments of the country. PNCS has also already delivered schools kits within previous operations of the Bank, including HA-L1049 (in execution). PNCS provides distribution services under programs financed by the Education For All Fund, the World Food Program and the World Bank (school canteens). PNCS contract is expected to be signed by June 2012 for a delivery of the materials in the schools before the beginning of 2012/2013 school year.
  - ii. **COH:** The Comité Olympique Haitien (COH), a non-for-profit organization, will be for contracted by FAES on a sole source basis for the implementation of the sports program in Carrefour (Component 3). Bank resources for this activity (not exceeding US\$400,000) will be eligible as soon as the co-financing required for the implementation of the entire program have been secured. Bank resources will finance the nutritious snacks provided to the beneficiaries; co-financing will finance the rehabilitation of the infrastructure, the sports equipment for the beneficiaries and the program implementation by COH (sports and educational program development and trainers salaries). The amount of COH's contract will be determined according to the amount of co-financing raised for this activity. COH will be responsible for the coordination of the activities related to Sports Center in Carrefour only, while FAES will

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<sup>2</sup> Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (GN-2349-9) paragraph 1.1: The services different to consulting services have a similar process as procurement of Goods.

be responsible for all fiduciary aspects (disbursement / procurement) of the program. Sole source is justified by COH's experience in the implementation of similar activities with UN agencies funding at the national level, to the satisfaction of these agencies. Also, the COH has developed a long-term relationship with Ministry of Youth, Sports and Civic Action (MYSCA) in the implementation of similar programs. For further information, please refer to the Annex II of the optional link of the main document on the sport center activities. The contract is expected to be signed in June 2012 and end in June 2014.

- 5.5 **Selection of Individual Consultants:** The selection will be made in accordance with Bank's Procurement rules and procedures and will consist in evaluating the capacity of at least three candidates against set and agreed Terms of References.

## B. Thresholds (miles US\$)

Works			Goods <sup>3</sup>			Consulting Services	
International Competitive Bidding	National Competitive Bidding	Shopping	International Competitive Bidding	National Competitive Bidding	Shopping	International Advertising	100% National Short List
= / >1,000	100-1,000	<100	= / >100	25 -100	<25	>200	<100

- 5.6 However, the thresholds applied to the procurements of this operation follow the ones established in the Appendix 1 of the *Disposiciones Especiales sobre adquisiciones para atender la emergencia causada por el terremoto del 12 de enero del 2010 en la Republica de Haiti* (OP-387-1).

ICB (Works)	Shopping or NCB(Works)	ICB (Goods)	Shopping or NCB (Goods)	International Advertising (Consulting Services)	Short List 100% National(Consulting Services)
=> 1.000.000	<1.000.000	=> 250.000	<250.000	>200.000	<100.000

## C. Main Procurement Activities

Description	Cost US\$	Procurement method	Control (Ex-ante/ Ex-post)	Dates	
				Publication	End of contract
Water and Energy	1,700,000.00	ICB	Ex-ante	Jan-13	Apr-13
School textbooks	600,000.00	DC	Ex-ante		
Equipment of 3 centers	3,600,000.00	ICB	Ex-ante	Apr-12	Jul-12
Construction Works	9,500,000.00	ICB	Ex-ante	Jul-12	Apr-13
Rehabilitation Works	3,000,000.00	ICB	Ex-ante	Jul-12	Apr-13
Construct. & Rehad of two centers	2,900,000.00	ICB	Ex-ante	Jul-12	Apr-13
Material distribution	100,000.00	DC	Ex-ante		Oct-12
Update of the program and implementation	2,000,000.00	SBQC	Ex-ante	Mar-12	Jun-14
Implementation of technology solutions in 20 schools.	700,000.00	SBQC	Ex-ante	Apr-13	Jun-14
Technical and legal assistance for the development and implementation of the TVET policy.	105,000.00	SIC	Ex-ante	Mar-12	Mar-13
International technical assistance for the implementation of the Plan.	210,000.00	SIC	Ex-ante	Feb-12	Jun-14

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

<sup>3</sup> Including different services other than consulting.

## D. Procurement Supervision

- 5.7 As explained above, procurement related activities performed by FAES will be subject to an ex-post review in conformity with the dispositions agreed by FAES and the Bank on 9 February 2011. Procurement activities performed by EFA and UCP will be subject to an ex-ante review.

**Threshold for Ex-Post Review**

Works	Goods	Consulting Services	Individual Consultants
= / < US\$1,000,000	= / < US\$250,000	= / < 200,000	= / < 30,000

## E. Special Stipulations

- 5.8 **Measures to reduce the probability of corruption:** Use of IDB standard bidding documents and IDB approved standard documents in Haiti knowing that all contract models include special provisions addressing the issue of the prevention and sanction of fraud and corruption in Bank financed activities.
- 5.9 **Records and Files:** The executing agencies/units will be required to keep files and track records of all procurement related activities financed by the Bank in their office in accordance with the Bank's Procurement Rules and Procedures and to the Project's Operational Rules in such a way that it be available for supervision visit by the fiduciary team.

## VI. Financial Management

### A. Programming and Budget

- 6.1 Country budgets for investment and current expenditures are elaborated separately. Budget execution is affected mainly by the lack of cash-flow planning and monitoring and the weak capacity of the line ministries. Programming and budget planning, execution and monitoring at the project level will rely on IDB's project financial management formats and procedures.

### B. Accounting and Information Systems

- 6.2 One of the major weaknesses of the PFM systems in Haiti is that the country lacks a sound accounting system, including clear standards and a related automated system. A double entry system of accounting is observed by the Service Central de Comptabilité. Financial management systems used by the executing units and FAES will be applied for the financial management of the project.

### C. Disbursements and Funds Flows

- 6.3 The use of a Single Treasury Account is not implemented in Haiti. The implementation of a Single Treasury Account is currently been considered. Such innovation would allow for improved management of the government's cash position on a daily basis. Project financial management will be executed according to OP-273-2. Each executing unit will open separate bank accounts (US\$ and Gourdes) at the Central Bank for the management of the grant resources provided under this operation, as well as additional resources from

co-financing partners. Listing of authorized signatures on those accounts are to be provided to the Bank. All executing agencies/units will use the exchange rate valid at the day of disbursements to record all expenses made in local currency. The Central Bank exchange rate will be used as the reference rate.

**D. Internal Control and Audit**

- 6.4 The internal audit units of FAES is comprised of only one agent. Due to the increase in the volume of activities, additional staffing should be considered. We also recommend that the audit unit report directly to the Board as opposed to the General Manager of FAES. In the case of EFA, an internal control specialist was recruited in September 2010 who reports directly to the Coordinator and ensures mainly the financial control at the level of the Unit. UCP does not have an internal audit unit due to the size of the executing unit. External control will be performed for all Bank operations by independent audit firms acceptable to the Bank.

**E. External Control and Reporting**

- 6.5 The Court Superieur des Comptes et du Contencieux Administratif (CSCCA), has the constitutional mandate to exercise external control over the government PFM. The CSCCA has developed an audit manual with the support of foreign consultants but does not formally apply International Standards on Auditing. The effectiveness of the CSCCA was severely affected by the January 2010 earthquake. External control will continue to be performed for all Banks financed projects by independent public accountant firms acceptable to the Bank. Audits will be performed in accordance with Bank's Guidelines for Financial Reports and External Audits. FAES will be responsible for contracting an external auditor eligible to the Bank to perform the audit of the program as per described in Section IV (Aspects to be considered in special conditions) above. Financial audit cost including the independent verification of SMC used of funds for schools financed by IDB and co-financing partners is estimated at US\$300,000. Bank will also be co-financing the technical verification of SMC use of funds according to established EFA procedures which is estimated to cost US\$250,000.

**F. Financial Supervision Plan**

- 6.6 **FAES:** Bank Fiduciary staff will conduct annual financial inspection visits to review execution of financial plan. **EFA:** Bank Fiduciary staff will conduct at least two financial inspection visits to review execution of financial plan and to make sure that project documentation is properly kept. **UCP:** Bank Fiduciary staff will conduct at least two financial inspection visits to review the recording of transactions and the execution of financial plan and to make sure that project documentation is properly kept.

**G. Execution Mechanism**

- 6.7 Each executing agency/unit will maintain proper financial management systems and will prepare an annual operation plan (AOP) and procurement plan and a twelve-month detailed 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 serve as the basis for advance of funds disbursements. Disbursement of advances of funds will

be for the equivalent of funding needs required for six months of project execution for FAES, four months for UCP and three months for EFA. For the tuition subsidies, payments will be based on established procedures of the EFA for providing funding for the tuition programs. Payment will be made in two tranches (60% and 40%) each school year. Payment of the first tranche (60%) will be subject to the receipt of the approved school listing and will be deposited in the EFA Central Bank Account opened to that effect. The EFA would then transfer funds from the Central Bank account to accounts of the approved School Management Committees (SMC) opened at Banque National de Credit (BNC). Payment of the second tranche (40%), will be subject to the receipt of an interim financial report and the integrated technical/verification report of the verification agency as required by established EFA procedures. SMC which have not complied with established procedures will be excluded in the second payment.