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Report No: 53072-HT

EMERGENCY PROJECT PAPER

ON A

PROPOSED IDA GRANT

IN THE AMOUNT OF SDR 41.9 MILLION
(US\$ 65.0 MILLION EQUIVALENT)

TO THE REPUBLIC OF HAITI

FOR AN

INFRASTRUCTURE AND INSTITUTIONS EMERGENCY RECOVERY PROJECT

March 1, 2010

Sustainable Development Department
Caribbean Country Management Unit
Latin America and the Caribbean Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective January 31, 2010)

Currency Unit = Special Drawing Rights
1.55419 SDR = US\$1
0.643421 US\$ = SDR 1

FISCAL YEAR
October 1 – September 31

ABBREVIATIONS AND ACRONYMS

ACDI	<i>Agence Canadienne de Développement International</i> (Canadian Agency for International Development)
BRH	<i>Banque de la République d'Haiti</i> (Bank of the Republic of Haiti)
CIAT	<i>Comité Interministériel d'Aménagement du Territoire</i> (Interministerial Commission for Territorial Development)
CNE	<i>Centre National d'Equipement</i> (National Equipment Center)
CNMP	<i>Commission Nationale des Marchés Publics</i>
DINEPA	<i>Direction Nationale de l'Eau Potable et de l'Assainissement</i> (National Directorate for Drinking Water and Sanitation)
EMP	Environmental Management Plan
ESMF	Environmental and Social Management Framework
EU	European Union
FER	<i>Fonds d'Entretien Routier</i> (Road Maintenance Fund)
FY	Fiscal Year
GOH	Government of Haiti
GSD	General Services Department
IADB	Inter American Development Bank
ICB	International Competitive Bidding
IDA	International Development Association
IHSI	National Statistics Institute
IMF	International Monetary Fund
MEF	Ministry of Economy and Finance
MINUSTAH	United Nations Mission for the Stabilization of Haiti
MTPTC	Ministry of Public Works, Transport and Communications
NCB	National Competitive Bidding
OP/BP	Operational Policy / Bank Procedures
PDNA	Post-Disaster Need Assessment
PPA	Project Preparation Advance
QCBS	Quality Cost Based Selection
RAP	Resettlement Action Plan
SBD	Standard Bidding Document
SEEUR	<i>Service d'Entretien des Equipements Urbains</i> (Urban Equipment Maintenance Department)
SNGRD	<i>Système National de Gestion des Risques et Désastres</i> (National Disaster Risk Management System)
SDR	Special Drawing Rights
TOR	Terms of Reference
UCE	<i>Unité Centrale d'Exécution</i> (Central Implementing Unit)
UCP	<i>Unité de Coordination de Projet</i> (Project Coordination Unit)
UN	United Nations
UNDP	United Nations Development Program
UNOPS	United Nations Operational Services
USAID	United States Agency for International Development

Vice President:	Pamela Cox
Country Director:	Yvonne Tsikata
Country Manager:	Eustache Ouayoro
Sector Manager:	Guang Zhe Chen
Task Team Leader:	Nicolas Peltier-Thiberge /
Co-Task Team Leader:	Luc Razafimandimby

HAITI
Infrastructure Emergency Recovery

CONTENTS

	Page
A. Introduction.....	6
B. Emergency Challenge: Country Context, Recovery Strategy and Rationale for Proposed World Bank Emergency Project.	7
C. World Bank Response; The Project.....	9
D. Appraisal of Project Activities.....	15
E. Implementation Arrangements and Financing Plan.....	20
F. Project Risks and Mitigating Measures	23
G. Terms and Conditions for Project Financing.....	25
Annex 1: Detailed Description of Project Components.....	26
Annex 2: Results Framework and Monitoring	33
Annex 3: Summary of Estimated Project Costs.....	35
Annex 4: Financial Management and Disbursement Arrangements.....	36
Annex 5: Procurement Arrangements	44
Annex 6: Implementation and Monitoring Arrangements	49
Annex 7: Project Preparation and Appraisal Team Members.....	51
Annex 8: Environmental and Social Safeguards Framework	52
Annex 9: Economic and Financial Analysis	55
Annex 10: Documents in Project Files	57
Annex 11: Statement of Loans and Credits.....	58
Annex 12: Country at a Glance	59
Annex 13: Map IBRD37644	61

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EMERGENCY OPERATION PROJECT PAPER DATA SHEET
Haiti
Infrastructure and Institutions Emergency Recovery Project
Latin America and Caribbean Region

Date: March 1, 2010 Country Director: Yvonne Tsikata Sector Manager: Guang Zhe Chen Project ID: P120895		Team Leaders: Nicolas Peltier-Thiberge, Luc Razafimandimby Sectors: General Transportation Sector (50%), Flood Protection (30%), Central Government Administration (20%) Themes: disaster management (100%), Environmental Category: A			
Recipient: Republic of Haiti Responsible Agencies: Ministry of Public Works, Transport and Communications, Ministry of Economy and Finance Implementing Agencies: <i>Unité Centrale d'Exécution (UCE), Unité de Coordination de Projet(UCP)</i>					
Type of operation: New operation <input checked="" type="checkbox"/> Additional financing <input type="checkbox"/> Existing financing (restructuring) <input type="checkbox"/>					
Financing type: Loan <input type="checkbox"/> Credit <input type="checkbox"/> IDA Grant <input checked="" type="checkbox"/> Other <input type="checkbox"/>					
Total amount: SDR 41.9 million			Expected implementation period: 3 years		
Expected effectiveness date: March 30, 2010			Expected/revised closing date: June 30, 2013		
Development objective: The Project Development Objective is to support the Recipient in its early sustainable recovery efforts from the effects of the Emergency, through selected interventions aiming at contributing to rebuilding key institutions and infrastructure.					
Short description: The proposed grant would contribute to financing costs associated with the recovery and reconstruction of Haiti following the 7.0 magnitude earthquake that occurred on January 12, 2010. The proposed support would help respond to the situation by: (i) restoring key economic and financial functions of the Recipient, (ii) carrying out emergency rehabilitation of selected public infrastructure, and (iii) providing institutional support, reconstruction planning and project management.					
Financing plan (US\$m.)					
Source		Local	Foreign		Total
Recipient					
Total IBRD/IDA		25	40		65
Trust funds					
Others					
Total		25	40		65
Estimated disbursements (Bank FY/US\$m.)					
	2010	2011	2012	2013	
Total IBRD/IDA	20	40	3	2	
Trust funds					

Does the emergency operation require any exceptions from Bank policies? Have these been approved by Bank management?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Are any critical risks rated “substantial” or “high”?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
What safeguard policies are triggered, if any?	OP/BP 4.01, Environmental Assessment OP/BP 4.04, Natural Habitats, OP/BP4.09 Pest Management, OP/BP 4.11, Physical Cultural Resources OP/BP 4.12, Involuntary Resettlement
Significant nonstandard conditions, if any: Condition of effectiveness: That the Operational Manual, including therein the Environmental and Social Management Framework, shall have been adopted on behalf of the Recipient satisfactory in form and substance to the Association.	

A. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide a grant in an amount of SDR 41.9 million (US\$65 million equivalent) to the Republic of Haiti for an Infrastructure and Institutions Emergency Recovery Project.

2. The proposed grant would contribute to financing costs associated with the recovery and reconstruction of Haiti's critical infrastructure and reestablishment of basic institutional capabilities following the 7.0 magnitude earthquake that occurred on January 12, 2010. The earthquake was the most powerful earthquake affecting Haiti in over 200 years and left in its wake unprecedented damages and casualties.

3. The proposed support would help respond to the situation by: (i) restoring key economic and financial functions of the Government of Haiti, with due attention to data recovery, revenue and expenditure management, accountability and transparency functions in the Ministry of Economy and Finance (MEF) as well as other related key Haitian institutions, (ii) carrying out emergency rehabilitation of selected public infrastructure, particularly in the transport sector to help maintain minimal economic activity and facilitate the transition to a broader reconstruction and rebuilding of the Haitian economy, and (iii) providing institutional support, reconstruction planning and project management. The Haitian Government also requested, and the World Bank is currently implementing, a Project Preparation Advance (PPA) to finance urgent recovery and project preparation activities.

4. The proposed project focuses on early recovery priorities agreed between the Haitian authorities and the World Bank. These priorities were identified during a World Bank mission that traveled to Haiti on January 19-23, 2010, and met with Senior Government officials. The pre-appraisal of the proposed project was then performed during a second World Bank mission that traveled to Haiti on February 1-5, 2010. During this mission, eligible sector-specific activities were agreed upon with the relevant ministries (Ministry of Public Works, Transport and Communications, Ministry of Economy and Finance, Central Bank, National Statistical Institute, the Public Procurement Agency, Supreme Audit Institution).

5. Project activities have been closely coordinated with other multilateral organizations and bilateral donors. In particular, proposed infrastructure investments were coordinated during a meeting of the Sector Coordination Group for Transport (*Groupe Sectoriel Transport*) which was hosted in Port-au-Prince by the World Bank on February 3, 2010. A joint World Bank – European Union – Inter-American Development Bank mission was also organized on February 1-5, 2010, in order to coordinate the support of these three donors to the Ministry of Economy and Finance. Additional coordination meetings were held in Port-au-Prince with other donors on specific reconstruction topics (e.g., USAID and US Corps of Engineers on debris management and port development, Spanish Aid Agency, US Treasury and the Canadian Agency for International Development on support to MEF, and French Development Agency on urban planning).

B. Emergency Challenge: Country Context, Recovery Strategy and Rationale for Proposed World Bank Emergency Project.

6. Haiti is the poorest country in the Western Hemisphere. Some 76 percent of its population of 9.6 million lives below the poverty line, with 56 percent in extreme poverty. Over the past decades, it has demonstrated a very high vulnerability to a significant number of economic and social crises, as well as to numerous exogenous shocks, such as adverse natural events and commodity prices. In 2004, Haiti was devastated by Hurricane Jeanne, which caused US\$170 million in damages, and claimed more than 4,000 lives. October 2007 brought Tropical Storm Noel, which caused flash floods and mudslides in the Western part of the country, causing 66 deaths and almost 15,000 families to lose their homes. In March 2008, the country endured political and social turmoil, as world prices for food and oil were rising. The hurricane season of that year brought the passage of four major storms and hurricanes, Fay, Gustav, Hanna and Ike, which hit Haiti over the course of one month. The combined toll of these storms on the population was some 793 killed, and 301 injured, with 1 million affected.

7. Despite such an adverse environment, the Haitian economy has shown several signs of positive performance: Economic growth averaged 2.5 percent per annum over the past three years, and economic performance through Fiscal Year (FY) 2009 (ending in September 2009) was even favorable, with a minimal impact of the global crisis and a post-hurricane rebound. This trend continued during October-December 2009. Growth reached 2.9 percent in FY2009, driven by strong agricultural and manufacturing output. Macroeconomic indicators improved as evidenced by annual inflation bottoming out at minus 4.7 percent in September; reduced fiscal deficit (excluding grants and externally financed projects) that was contained at 4.4 percent of GDP due to efficient fiscal consolidation. At the same time, textile exports have increased as a result of the HOPE Act and low import prices. Exports and resilient remittances helped reduce the external current account deficit to 3.2 percent of GDP, from 4.5 percent in FY2008.

8. The country's situation changed dramatically on January 12, 2010, when Haiti was shaken by a 7.0 magnitude (Richter Scale) earthquake, at a depth of 10 km, which was followed by several aftershocks, some as strong as 6.1 and 5.9 magnitudes. The epicenter was located in a highly populated area, *Léogâne* in the *Ouest* (Western) Province of Haiti, 17 kms south-west of *Port-au-Prince*. Estimates indicate that at least 3.5 million people have been affected and that the death toll will be over 200,000. The nearby cities of *Carrefour*, *Léogâne*, *Petit Goave*, *Cabaret*, *Grand Goave*, *Gressier* and *Jacmel* were also affected. The earthquake caused massive destruction of many public and private infrastructures, including hospitals, schools, Government buildings, houses and roads.

9. The capacity of the Government of Haiti has been severely hindered by both the loss of life of critical staff of various Ministries, and by partial or total collapse of its primary buildings including: the Presidential Palace, the Ministry of Economy and Finance, the Ministry of Public Works, Transport and Communications (MTPTC), the Ministry of Communication and Culture, the Ministry of Agriculture, and the Justice Palace. Other affected key public governance entities include the tax and customs administrations, the National Statistical Institute, the procurement regulatory agency, the Court of Accounts or the Road Maintenance Fund (FER). The Central Bank (BRH) sustained less damage and retained some levels of functionality. However, the

networked systems for public salary payments between the BRH and the Treasury on the one hand and between the BRH and commercial banks on the other hand, have been damaged.

10. However, some Haitian institutions have kept significant operational capacity and have been actively involved in the emergency response. The *Centre National d'Equipement* (CNE) removed most of the corpses in the days following the disaster and reopened most of the main urban streets. The *Service d'Entretien des Equipements Urbains* (SEEUR) was also involved in some debris removal activities. The *Direction Nationale de l'Eau Potable et de l'Assainissement* (DINEPA) has been distributing water to refugees. The Ministry of Public Works, Transport and Communications has constituted teams of engineers to assess damaged buildings and evaluate which ones would need to be destroyed due to safety concerns. To coordinate interventions, the Government of Haiti has established several crisis governance mechanisms.

11. This disaster represents a major setback for the Haiti, following sustained progress in macroeconomic stability, growth, and reform efforts in governance. Preliminary estimates (IMF, January 2010) suggest that GDP could decline by at least 10 percent in 2010 as a result of the earthquake.¹ The fiscal balance is projected to deteriorate very substantially. About 85 percent of total revenues are collected in the capital area, where most of the country's largest enterprises are located. In addition to staff losses among Government officials, revenue administration infrastructure has been destroyed or seriously damaged, including buildings and computer systems, which will further hamper revenue collection. Reconstruction needs will lead to substantial increases in Government spending; and actual spending will depend importantly on the availability of external aid.

12. The immediate relief response following the earthquake included financial resources from the international community and countries around the world, as well as the provision of search and rescue teams, medical staff and supplies, food and water. The World Bank announced a support in the amount of US\$100 million on January 13, 2010, and sent two missions to Haiti in the next four weeks following the earthquake to reestablish contact with the Haitian Government and evaluate early needs, identify possible early recovery interventions and rebuild its presence, after the evacuation of its staff from the damaged office in Port-au-Prince. The international community fully understands the importance of aid coordination and is working closely with the Haitian authorities in this regard, and has put in place mechanisms to ensure aid effectiveness.

13. The distribution of aid, essential in the early relief phase, is increasingly joined by the need to assess and rebuild key infrastructure enabling access to the damaged areas, restoring the authority of the State, allowing Haitians to return to normal productive activity, and avoiding temporary living and working arrangements from becoming permanent. Port-au-Prince's airport infrastructure was made functional very early with the help of the US military. One of the two piers of the Port-au-Prince port was found partially useable by the US Coast Guards and is now being used to disembark aid equipment and supplies. Key road and bridge infrastructure have

¹ The estimate will be confirmed by the Post-Disaster Needs Assessment (PDNA). Total damage caused by the earthquake is likely to be much larger than that of the 2008 hurricanes, which caused losses in the order of US\$900 million.

suffered significant spot damage and they need to be quickly repaired in order to maintain year-round access and handle increased traffic generated by aid flows.

14. The World Bank is a key partner of the Government of Haiti. Since January 2005, the World Bank has provided a total of US\$308 million for Haiti through IDA Grants. In addition, since 2003, the World Bank has granted more than US\$55 million in technical assistance. Since 1984, the World Bank has responded and assisted developing countries around the world with technical and financial resources in as many as 67 earthquakes. The World Bank has thus accumulated significant expertise in developing and implementing disaster recovery, reconstruction and risk reduction interventions after catastrophic disasters; it would use this experience to support the Haitian authorities in the post-earthquake reconstruction phase.

15. In the initial phase following the earthquake, the World Bank-hosted Global Facility for Disaster Reduction and Recovery (GFDRR) became a leading contributor to the Post Disaster Needs Assessment to be performed in February / March, 2010. The United Nations, the EU and the World Bank, as well as the Inter American Development Bank (IADB), have pooled their technical resources to help Haitian authorities to: (i) estimate the overall impact of the earthquake on the economic development of the country, the affected areas and specific communities, (ii) develop a preliminary strategy for early, medium and long-term recovery and reconstruction, including the costing of the identified needs in all key sectors of the economy, and (iii) assist the Government with technical and policy advice to strengthen their national disaster risk management system and facilitate the coherent and effective implementation of the identified activities.

C. World Bank Response: The Project

Brief description of World Bank's emergency support strategy

16. The World Bank explored different options to respond to the emergency, in close collaboration with the Government. Some of the investments identified in the transport sector could have been financed by reallocating funds or processing additional financing to existing projects.² This reallocation option was discarded because most funds under these projects are already committed or the corresponding investments remain a high priority. These projects support the Government's objectives of developing growth areas outside Port-au-Prince, an important goal considering the fact that hundred of thousands refugees from the January 12 earthquake have sought refuge in Haitian secondary cities. A reallocation would thus have diverted regular IDA resources away from Haiti's medium term development program. Additional financing would also have introduced an excessive complexity to the development objectives and implementation arrangements of existing projects.

² The IDA portfolio in the transport sector currently consists of two operations for a total of US\$48 million. These are: Transport and Territorial Development Project (US\$16 million), including a US\$ 12 million additional financing in response to the emergency needs caused by the 2007 and 2008 hurricane seasons, and the Emergency Bridge Reconstruction and Vulnerability Reduction Project (US\$20 million).

Box 1. Disaster Recovery and Disaster Reconstruction

The impact of the 2010 Haiti 7.0 earthquake on the Government's ability to carry out its responsibilities has almost no parallel in recent history. Most of the main Government buildings have been destroyed; institutional memory has been lost with 30-40% fatalities of key public sector employees', and data has been damaged or lost due to the collapse of most Government buildings. International response to the earthquake by restoring basic human services have been on a scale that recognizes the monumental challenges the Government is facing.

Traditional responses to disasters have two distinct phases, **emergency** and **recovery**. The disaster recovery phase of **rehabilitation** and **reconstruction** begins soon after the emergency has ended. Haiti will require an extended recovery phase to ensure the restoration and improvement of facilities, livelihoods and living conditions of disaster-affected communities, including efforts to reduce disaster risk factors. Several organizations are working in collaboration to help the Government restore key functions by finding methods to house ministry employees and restarting public administrative services, particularly those provided by the Ministry of Economy and Finance.

The rehabilitation of critical infrastructure is required to allow for a long-term sustainable reconstruction program. For example, key access roads into Port-au-Prince must be repaired before rains wash away the damaged sections of the road, and the port and airport require repairs to allow the continued flow of vital supplies and reconstruction materials into the country.

With the ongoing emergency response in the country under the Government's overall responsibility, a full disaster reconstruction effort cannot take place yet, given the undermined public sector capacity. The Government needs to build and consolidate its capacity to plan and implement a reconstruction program.

This World Bank funded project is focused on the rehabilitation of key infrastructure, and is envisioned to be implemented before major long-term reconstruction activities commence. Without this, reconstruction efforts will stall, and in some cases could fail.

17. After consulting with the Government of Haiti, the World Bank opted for an early engagement through the proposed project but also through other initiatives. The areas of interventions selected (transport and institutional support to the Ministry of Economy and Finance) correspond to early recovery needs where the World Bank can bring added value, given its current involvement in these sectors. The World Bank's early involvement in the recovery phase will also help prepare the way for the subsequent reconstruction phase by establishing a platform for future interventions and scaling up, with due consideration to fiduciary and social and environmental safeguards issues.

18. In parallel, the World Bank will participate in a Post Disaster Need Assessment (PDNA) to help the Government assess the extent of the damages and identify priorities for reconstruction. The proposed project is being processed before the PDNA due to the urgency of the identified activities (some of which need to be completed before the rainy season which starts in May), but also considering that selected infrastructure investments do not preempt future reconstruction decisions; the roads and bridges identified will be essential regardless of which reconstruction scenario unfolds.

19. At present, the World Bank response to the Haiti earthquake is focusing on the following three strategic areas:

- Support of US\$100 million (a combination of IDA grants and Trust Funds) was announced on January 13, 2010, in order to help the Government of Haiti (GoH) in the early recovery and reconstruction phase. The proposed project is part of this early response and will contribute to restoring key functions of the State and rebuilding selected infrastructure.
- A restructuring of the World Bank portfolio in Haiti. Within the portfolio, there are 14 active IDA financed projects. Among the sectors addressed are disaster risk management, infrastructure, community-driven development, education, and economic governance. The World Bank is also managing in Haiti a number of non-lending technical assistance activities and trust funds that are currently being reviewed and adapted to best match the current needs. The total commitment of the current IDA-financed Haiti portfolio is valued at about US\$200 million, with approximately \$150 million potentially available for reallocation, with an eye to post-earthquake priorities. The restructured projects will all be subject to OP/BP 8.00: Rapid Response to Crises and Emergencies.
- Participating as one of the key contributors to the PDNA led by the GoH.

20. The World Bank is also supporting restoration of services that are essential for people's well-being and human capital development (particularly education and nutrition security) through already active instruments, in coordination with other partners. Several partners are doing temporary cash-for-work and other transfer programs, and the World Bank is providing technical support. The IDA-financed CDD projects (urban and rural) are already working with communities and have well-established mechanisms that could be used to channel some social support or develop consultation mechanisms with communities.

21. The World Bank is closely associated with other international initiatives supporting Haiti in the aftermath of the January 12 earthquake. These include debt cancellation initiatives (following attainment of the Heavily Indebted Poor Countries Completion Point in June 2009) and the cancellation of US\$1.2 billion of Haiti's debt. The World Bank is also participating in discussions on the establishment of new financing mechanisms (e.g., the creation of a Multi-Donor Trust Fund for Haiti reconstruction).

22. **Donor coordination.** In this early context, international donors' coordination mechanisms, as well as Government's arrangements for crisis management, have not yet stabilized and are not

expected to be fully formalized for several months. The preparation team has used all existing coordination mechanisms (Sector Coordination Groups, Aid Clusters) as well as bilateral discussions with other donors to ensure that the proposed interventions are consistent with the strategy of the other donors. In the transport sector in particular, the World Bank has closely coordinated with the *Groupe Sectoriel Transport*, an existing coordination mechanism which has successfully allowed the coordination among donors active in the transport sector. With respect to reinstating key economic and financial functions of the Government, the World Bank has been partnering intensively with other partners. Such coordination has already taken place with the harmonization of budget support in the past year. The World Bank participated in a joint mission with the EU and IaDB in early February 2010, to formulate project activities, and coordinate equipment support and recruitment of consultants to supplement and strengthen the Government's weakened capacity in expenditure tracking, monitoring, and financial accountability. Coordination of the technical assistance as part of the early responses is also under way and discussed among these key partners and the IMF.

Project Development Objectives

23. The Project Development Objective is to support the Recipient in its early sustainable recovery efforts from the effects of the Emergency, through selected interventions aiming at contributing to rebuilding key institutions and infrastructure.

Project Preparation Advance

24. Due to the exceptional nature of the emergency in Haiti and the lack of capacity on the ground, on January 19, 2010, World Bank Management authorized a World Bank-executed Project Preparation Advance (PPA) in the amount of US\$15 million. With this financing instrument, the World Bank may execute start-up emergency activities at the request of the Recipient country. The PPA will be refunded from the IDA Grant. Board approval is sought to waive the requirement that the refinancing date of the PPA should be the expected date of effectiveness of the Financing Agreement to be made for the operation under preparation (paragraph 5 of the World Bank's Operational Policy for Project Preparation Facilities (OP 8.10)), so that the refinancing date of the PPA can be delayed until the expected date of the PPA completion activities which shall be no later than the Closing Date specified in the Financing Agreement. Funds remaining unspent on the PPA advance can be reallocated to categories financing those activities executed by the Government under the Project.

25. The PPA activities are limited to technical assistance and small contracts for start-up goods and works necessary to enable the recipient to undertake the execution of subsequent project activities. The PPA will finance, *inter alia*, immediate recovery needs such as the acquisition and distribution of mobile solar-powered lanterns for affected communities, and provide immediate health and nutrition services to vulnerable populations affected by the earthquake (to be delivered by UN-partner organizations, who will periodically inform Government agencies of progress and results achieved). The PPA will also finance the acquisition of temporary housing equipments (prefab-premises and office space) in order to host selected Haitian institutions, particularly from or linked to the Ministry of Economy and Finance. Finally, the PPA will finance project preparation activities such as engineering designs or social

and environmental safeguards document, as well as technical support to the Government (e.g., with regard to damaged building assessments). On an exceptional basis, the acquisition of new construction equipment would be considered.

Summary of Project Components

26. The Project includes three components:

- **Component 1. Restoring key economic and financial functions of the Recipient (US\$10 Million).** This component includes provision of support pertinent to: (a) enable the reinstatement of MEF's basic functions, such as, *inter alia*, budget execution, including in respect of wages; budget monitoring and control; tax collection; and (b) carry out activities to assist in fully re-establishing, including through relocation or physical structure rehabilitation, and thereafter operationalizing, through, *inter alia*, provision of goods and equipment and technical assistance, key institutions of the Recipient, among which, *inter alia*, the Recipient's Central Bank ("*Banque de la République de Haiti*") ; Procurement Regulatory Agency ("*Commission Nationale des Marches Publics*"); National Statistical Institute ("IHSI"); Ministry of Planning and External Cooperation ("*Ministère de la Planification et de la Coopération Externe*") ; and Auditor General's Office ("*Cour Supérieure des Comptes et du Contentieux Administratif*").

Recovery of the key functions of the Ministry of Economy and Finance will help restore the Government's ability to carry out fundamental public finance functions and enable lead Government officials and ministries to plan and direct the long term reconstruction program. Preliminary activities proposed in this operation have been selected in close consultation with the Government and coordinated with other development partners, and they aim at addressing primarily urgent needs. These would include: (i) the provision of prefab-premises and office space to the Ministry of Economy and Finance and key governance entities such as the CNMP, the National Statistical Institute, and the Court of Accounts (in addition to the equipments financed under the PPA), as office space poses the most critical challenge to restore the working capacity of these institutions; (ii) the provision of equipment for these institutions to operate. Preliminary interventions would include the restoration of the information technology and systems between the Central Bank and the Treasury, and the Central Bank and commercial banks; the restoration of the information systems at the DGI; refurbishing the Ministry of Planning and the Court of Accounts; supporting the National Statistical Institute's effort to recover key data; and (iii) the provision of technical assistance addressing specific requests and needs to restore capacity to execute and control expenditures. These would include, among other, the provision of short-term human resources to temporarily strengthen the operational capacity of the Ministry of Economy and Finance and other key institutions. The Government has carried out a preliminary assessment of damages and estimated at about US\$24 million the financing requirements for restoring the basic functioning of these institutions. It is expected that an updated list on the basis of complementary assessments and additional consultations with other International Financing Institutions (such as the

EU and the IaDB) and donors will be circulated by the Government in the coming weeks. The design of the proposed project aims at maintaining a reasonable level of flexibility to allow for adjustment in the current crisis environment.

- **Component 2: Emergency Rehabilitation of Selected Public Infrastructure (US\$35 Million).** This Component will support: (a) rehabilitation or reconstruction activities of key institutional and transport infrastructure, including roads, bridges, administration buildings, operation of debris management sites through the piloting of sound social and environmental practices; and all studies and supervision activities in connection therewith; (b) strategic studies related, *inter alia*, to infrastructure reconstruction based on specific infrastructure designs intended to increase the resilience of rebuilt infrastructure.

A number of these infrastructure investments have already been identified (estimated cost of US\$15 million) and include: repair of national road no. 2 (RN2) between Carrefour and Miragoâne, repair of national road no. 4 (RN4) between Carrefour Dufort and Jacmel, repair of bridge Fauché on RN2, and cleaning of main drainage equipments in Port-au-Prince. These works are critical to give access to the damaged areas and to prevent further damages from flooding when the rainy season comes (in May). An unallocated reserve of US\$20 million will help finance additional infrastructure works to be prioritized by the GoH (through sectoral ministries and CIAT). Possible eligible investments include, *inter alia*: (i) bridge repairs (a preliminary short list has been prepared by MTPTC); (ii) the repair or rebuilding of Port-au-Prince airport's departure terminal; (iii) the operation of a debris management site, piloting sound social and environmental practices; and (iv) the reconstruction of selected public buildings. Strategic studies related to infrastructure reconstruction (e.g., in the port sub-sector) would also be eligible. Infrastructure designs would include "build back better" principles, and in particular seek to increase the resilience of rebuilt infrastructure.

- **Component 3: Institutional Support, Reconstruction Planning and Project Management (US\$5 Million).** This component will include provision of support pertinent to: (a) restore the functioning capacity of key institutions of the Recipient's crisis governance framework; (b) carry out planning activities for the short, medium and long-term reconstruction phases, including through the Recipient's Inter-ministerial Commission for Territorial Development ("*Commission Interministérielle pour l'Aménagement du Territoire*", which is an important Haitian institution contributing to the reconstruction planning); (c) carry out institutional strengthening activities to include, *inter alia*: finance training, reconstruction urban planning, capacity building in project management, construction supervision, quality assurance, monitoring and reporting, procurement support, and safeguards compliance and streamlining; (d) finance Project management activities, including through the appointment thereto of the Fiduciary Agent; (e) establish and operate an engineering clearinghouse in MTPTC to manage the technical knowledge deriving from assessments carried out in the Recipient's territory by national and international institutions and thereafter to disseminate good engineering practices and innovative solutions; and (f) assist the Recipient with preliminary basic

recovery activities essential to mitigate the Emergency and prepare for restoration activities considered under this Financing.

Key principles behind the proposed institutional strengthening and technical assistance package include: (i) importance of targeted institutions, as part of the GoH crisis governance and reconstruction planning framework; (ii) accountability and recruitment procedures; (iii) results expected; (iv) sustainability of expertise or competences; and (v) consistency with the other donor's interventions.

Eligibility for Processing under OP/BP 8.00

27. This project is an Emergency Recovery Loan (ERL) that will be processed under the Operational Policy / Bank Procedures 8.00 in response to Haiti's devastating 7.0-earthquake of January 12, 2010. The magnitude of this catastrophic event calls for immediate action. A streamlined ERL with simplified procedures is the most appropriate instrument to respond to this natural disaster.

Consistency with Country Strategy (CAS or ISN)

28. Economic recovery is a central axis of the 2009 Haiti Country Assistance Strategy (CAS) of which the transport sector and the management of disasters and risks as well as institutional strengthening are key components. The strategic importance of these areas for economic growth and social development is well recognized by the GoH and featured prominently in the Government's Poverty Reduction Strategy (November 2007).

Expected Outcomes

29. Expected outcomes for this project include: (i) estimated number of people benefiting from repaired infrastructure; (ii) the project positively influenced the reconstruction planning process of Port-au-Prince and surrounding areas strengthening public consultation mechanisms; (iii) MEF has restored internal control and audit, and is able to process payroll; and (iv) crisis governance institutions have been strengthened and are operating.

30. Expected outputs include: (i) number and type of infrastructure rehabilitated, repaired, or rebuilt with due attention given to sustainability, social and environmental considerations; (ii) number of designs for infrastructure works in Port-au-Prince and surrounding areas; (iii) number of temporary offices and office equipment available to selected Government institutions, including the Ministry of Economy and Finance; (iv) number of solar-powered lanterns distributed to affected communities; and (v) number of beneficiaries of emergency health and food aid provided by contracted UN partners.

D. Appraisal of Project Activities

31. **Economic Benefits and Beneficiaries.** The economic benefits of the project are widely spread between the very short and longer terms. In the very short term, during the emergency phase, health and nutrition support contributed to immediate relief. In the short / medium term, infrastructure reconstruction and rehabilitation will enable economic activities to resume.

Institutional support and strengthening would help the GoH to further define its reconstruction strategy. Main beneficiaries will be people from the Port au Prince urban area as well as dwellers from other affected areas (e.g., Léogâne, Petit Goave, Jacmel). As the State institutions recover, the Haitian people at large will also benefit from the project. Further information on the project economic appraisal is provided in Annex 9.

32. Technical Appraisal

Technical aspects related to the proposed project include:

- Assessments: vertical infrastructure (buildings) and transport infrastructure assessments will be carried out. Intercity roads in the Port au Prince – Léogâne – Jacmel area have been damaged on many spots (cracks, landslides, etc.), some of them being severe; Port au Prince streets and urban roads have not been widely affected, even if a few bridges have been critically damaged. Structural assessment of buildings is critical as many people are currently sheltered in “tent cities” or in the streets. A quick and reliable assessment will enable informed decisions on demolition / rehabilitation / reconstruction.
- Debris management: the volume of debris to be evacuated is estimated between 20 and 60 million cubic meters (m³). Demolition and debris removal have already begun, in large part handled by the CNE. A pilot site for debris management and processing is envisaged to ensure that waste is adequately managed and processed. The World Bank is part of the debris management task force set up by the GoH and by other international partners.
- Temporary office space: Temporary offices will provide a short to medium term solution for some public institutions that have completely lost their physical assets. Temporary offices can be procured and assembled quickly, and present a high level of modularity. It will be important to identify the most adequate sites to install these temporary offices, in order to maximize effectiveness within public institutions.
- Transport infrastructure rehabilitation / reconstruction. On RN2 and RN4, it is estimated that a total of around 50 spots, each of them ranging in length from 50 to 300 m require repair. In simple cases, cracks have to be sealed whereas in more severe cases, the earthworks, the pavement and the drainage have to be reconstructed. RN4 (Carrefour Dufort – Jacmel) has especially suffered from landslides and at least two spots show critical damages. A few bridges have been affected; they will be repaired or, as the case may be, reconstructed applying anti-seismic norms (e.g., use of seismic stops).
- Urban planning: This activity intends to reconcile the shorter and longer terms. Self-reconstruction of housing is likely to start soon in the same unsafe areas; at the same time, the vision of the Government is to have a better-balanced urban development. To be effective, the urban planning process must be swift, realistic and pragmatic, lest soon-to-come self-reconstruction preempts future land-planning decisions.

33. **Financial Management Arrangements.** For PPA activities, fiduciary responsibilities will be directly handled by the World Bank through the Global Services Department (i.e., World Bank-executed). For Components 1, 2 and 3 of the Project under the Financing Agreement, the fiduciary responsibilities will be handled by the *Unité Centrale d’Execution* (UCE) of MTPTC

(components 2 and 3), and by the *Unité de Coordination de Projet* (UCP) of MEF (component 1). In the first 12 to 18 months after Project effectiveness, a fiduciary agent will be hired to manage fiduciary procedures on behalf of the GoH. Although seriously affected by the earthquake, both UCE and UCP have retained project management capacity and are estimated to be ready to take over the full fiduciary management of the proposed project within a 12 to 18-month timeframe. Both agencies are highly experienced in World Bank procedures and have a good track record in managing IDA resources.

34. **Retroactive Financing.** Retroactive financing is a priori not envisaged under the proposed Project due, in particular, to the availability of funds through the PPA. However, in case some works would need to be initiated prior to effectiveness and provided that the GoH is in capacity of advancing the funds and executing the activities in accordance with World Bank policies and procedures, eligible expenditures occurred on or after February 1st, 2010, could be eligible for retroactive financing under the proposed operation for an amount not exceeding SDR 6.44 million (US\$10 million equivalent).

35. **Procurement Arrangements:** Procurement for the proposed project would be carried out in accordance with the World Bank's Guidelines "Procurement under IBRD Loans and IDA Credits", dated May 2004, Revised October 1st, 2006 and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, Revised October 1st, 2006, and the provisions stipulated in the Grant Agreement. The various items under different expenditure categories are described in Annex 5.

36. **Environmental Aspects:** Haiti has an extremely fragile environment, and the damage caused by the earthquake to the physical and social environment has been extensive. Immediate environmental concerns include debris management including hazardous waste and release of polluting substances. There is hardly any forest cover left in the country, and the terrain is steep with unstable slopes. The need for fuel may lead to further deforestation as people cut down the remaining trees, and the likely damage to aquifers and groundwater is high. Given the need for urgent construction of new infrastructure, there is also a risk of inadequate capacity or time to undertake the required environmental and impact assessments.

37. The project will support the Government's capacity to manage environmental and social aspects. Senior international experts will advise the Government and help develop an initial Environmental and Social Management Framework (ESMF), based on a rapid assessment. The ESMF will contain key principles to ensure that project activities and the wider coordination efforts are: (i) environmentally and socially sustainable, and (ii) address existing and potential future risks, including project-induced risks from the reconstruction efforts. World Bank safeguards policies will apply to the project, and the ESMF will summarize key applicable policies as well as procedures to identify, minimize or mitigate any adverse impacts; consult with local communities and other key stakeholders such as civil society; and integrate environmental and social considerations into engineering designs and other activities. Since the project is processed under OP 8.00 as an emergency operation, the preparation of impact assessments and safeguards instruments, along with disclosure of documents, will be done following Board approval. Completion and disclosure of key safeguards instruments are expected within the first six months after the project has been approved; however, the Project Operational manual, to be prepared for Grant effectiveness, will include the ESMF core principles.

38. **Social Aspects:** On the social side, the injuries and loss of life, as well as destroyed housing and economic assets, have affected poor and rich alike. The poor, however, are particularly vulnerable and many will remain dependent on assistance for a considerable time. Their vulnerability to further shocks, whether economic or physical, such as rains or hurricanes, speaks to the urgency of the reconstruction effort. The social assessment process will analyze and address how the current situation and the proposed reconstruction efforts affect different groups, including gender aspects, impacts on children and the aged, and people with disabilities or injuries.

39. A particular area of concern is displacement of local populations. Large numbers of people have been internally displaced, and there is strong pressure to move people to smaller villages and towns, and reduce the congestion of Port au Prince. The capital has high numbers of slum dwellers and squatters, and the damage caused by the earthquake has created numerous refugee camps with thousands of occupants on public or private lands. Any reconstruction of housing or relocation of groups of people will need to be addressed with a great deal of caution, to ensure that not only property but also livelihood opportunities are restored. There may also be pressure to simply evict people on the basis of them being illegal occupants of public space. However, the project triggers OP 4.12, Involuntary Resettlement, and the ESMF will incorporate procedures to ensure that any displacement needed under the project is done consistently with OP 4.12.

40. There will also be strong pressure to take urgent decisions in a technocratic or autocratic manner, without participation or consultation with affected communities. However, the ESMF will incorporate procedures to disseminate information transparently, and to involve affected communities through a systematic consultation process. If well coordinated, this can be done without delaying the planned civil works, and will constitute an important element in the overall support and credibility of the reconstruction process, and in strengthening local level governance. The project will ensure that local populations are actively involved in the reconstruction effort. Experience shows this also reduces trauma, and ensures that solutions—including housing reconstruction—are more acceptable and viable. Where possible, therefore, community-led reconstruction rather than contractor-led reconstruction will be supported.

41. In the medium term, it is expected that the ESMF will form the basis of a coordinated framework for the Government and the international community to incorporate sound environmental and social principles into the broader reconstruction effort. Given the weak coordination and implementation capacity of the Government under the current circumstances, the project will require continued follow up and systematic implementation support in the area of environmental and social management.

42. **Lessons learned and reflected in the project design.** The proposed project design takes into account lessons learned from previous operations in Haiti and from World Bank wide experience with emergency response operations. A recent Independent Evaluation Group³ report

³ Independent Evaluation Group (World Bank). 2009: An Evaluation of World Bank Assistance for Natural Disasters. Since 1984, the Bank has financed a total of \$26 billion in disaster management activities. These more than 500 projects represent almost 10 percent of all Bank loan commitments during this period. Over 80 percent of Bank disaster financing has addressed rapid onset disasters – floods, earthquakes, tropical storms and fires.

on World Bank assistance for natural disasters derived key lessons for project design and implementation:

- a) **Simplified objectives and scope limited to a few specific sectors:** While needs are enormous in many sectors, complex multi-sector operations are difficult to implement in a low capacity environment such as Haiti, particularly under emergency procedures. The proposed project focuses on three main issues: (i) **strengthen the capacity** (including the provision of temporary offices) of the Ministry of Economy and Finance and its key entities, (ii) **rehabilitate key infrastructure**, such as *inter alia*, bridges, roads and Government buildings, and (ii) **strengthen the institutional capacity of selected crisis governance institutions and support reconstruction planning**.
 - b) **Use of reinforced existing implementing agencies:** building new institutional capacity in Haiti creates delays that are not compatible with the implementation of an emergency operation. The project could have been implemented using alternative arrangements (e.g., management contract with international NGOs or consulting firms); however, this would have weakened the project's longer-term objective of building capacity within Haitian Government institutions to manage and prevent future disasters. Finally, resorting to existing implementing agencies that are familiar with World Bank procedures is also a competitive advantage.
 - c) **Strong technical assistance package** to accompany implementation and build capacity: many GoH's institutions had shown signs of improved management before the earthquake but they have now lost staff and substantial physical assets. Their current capacity is therefore very limited. The proposed project includes a comprehensive technical assistance package to address this issue.
 - d) **Early engagement is key to success.** While there are risks associated with emergency operations, potential rewards are high. The proposed operation would therefore be processed under OP/BP 8.00 which allows the World Bank to respond swiftly to the needs expressed by the Government of Haiti.
 - e) **Emergency operations should complement other World Bank and donor post-crisis assistance.** Emergency operations are typically part of a broader assistance package with a specific focus on swiftly restoring key public services and rehabilitating key infrastructure. The proposed project would effectively complement the World Bank's portfolio restructuring which will take into account investment needs after the earthquake in other areas. To maximize the proposed operation's efficiency, it has been prepared in close collaboration with other development partners.
43. **Environmental category.** Although the identified infrastructure works are expected to have a limited environmental impact, this project was classified under **Environmental Category A** because of the wide ranging nature of activities needed in sensitive and damaged settings, and the possible cumulative impacts, as well as the social sensitivity and weak institutional capacity.
44. **Policy exception.** Due to the exceptional nature of the emergency in Haiti and the lack of capacity on the ground, on January 19, 2010 World Bank Management authorized a World

Bank-executed Project Preparation Advance (PPA) in the amount of US\$15 million. With this financing instrument, the World Bank may execute start-up emergency activities at the request of the Recipient country. The PPA will be refunded from the IDA Grant.

45. Board approval is sought to waive the requirement that the refinancing date of the PPA should be the expected date of effectiveness of the Financing Agreement to be made for the operation under preparation (paragraph 5 of the World Bank's Operational Policy for Project Preparation Facilities (OP 8.10)), so that the refinancing date of the PPA can be delayed until the expected date of the PPA completion activities which shall be no later than the Closing Date specified in the Financing Agreement. This waiver is requested for the following reasons:

- a) To avoid any time gap between the PPA-financed preparation phase and the IDA Grant-financed project implementation phase: with the proposed arrangement, the two phases will be overlapping and it will maximize the integration between project preparation and project implementation;
- b) To allow the contracts already awarded under the Bank-executed PPA to be fully executed under the PPA framework: most PPA-financed contracts will indeed be completed only after the expected Grant effectiveness date (March 30, 2010). Given the current situation in Haiti, the Bank-execution arrangements for the PPA provide a safer framework for these contracts to be executed successfully.

46. In addition, the audit reports on eleven Haiti projects became due on January 31, 2010 and are currently overdue. As provided in Annex A to BP 10.02, *Financial Management*, an exception has been granted by World Bank Management to proceed with approval of this emergency project due to the difficulties caused by the January 12, 2010 earthquake in submitting these audits within the stipulated deadlines. The World Bank will undertake a detailed assessment of the current status of the financial management arrangements for the projects and determine appropriate action, as soon as practical.

E. Implementation Arrangements and Financing Plan

47. The implementation capacity of Haitian institutions has been dramatically affected by the earthquake. Many civil servants have died or lost close family members. Offices and equipments have been destroyed or damaged. In particular, soon after the earthquake and during project preparation, a quick assessment was undertaken to evaluate the remaining capacities of the key implementing agencies for World Bank projects; Annex 6 provides further details. In order to start implementing the proposed project without waiting for the implementation capacity to be fully recovered, the proposed approach considers three phases: (i) an initial phase, until the PPA closing date, during which PPA activities will be World Bank-executed (PPA financed); (ii) after the grant agreement is effective, a second phase of up to a maximum of 18 months during which fiduciary responsibilities under the Financing Agreement will be handled by an externally-contracted fiduciary agent on behalf of the Government; and (iii) a third phase when all project management responsibilities under the Financing Agreement will be managed by Government agencies. The first two phases may overlap for a few months to avoid any gap between preparation activities (PPA-financed and World-Bank-executed) and implementation activities (Grant-financed and Recipient-executed).

48. The PPA authorized by World Bank Management on January 19, 2010 is World Bank-executed. The main justification for such an arrangement is that Haitian institutions who normally should implement the project (UCE and UCP) have undergone major disruptions in their standard business conditions and need time to restore fiduciary capacity. The World Bank executes the PPA through its General Services Department.

49. Component 1 will be implemented by the Project Implementation Unit of the MEF (UCP). This unit has been managing other World Bank-financed projects and is experienced in World Bank procedures. A fiduciary agent will be hired to handle fiduciary procedures (financial management and procurement) for Component 1, 2 and 3 during the first 12 months of project operation. After this period, the situation will be reassessed to determine whether sufficient capacity has been restored so that fiduciary responsibilities can be transferred back to the MEF/UCP or if the arrangement with the fiduciary agent is extended (possibly by six additional months).

50. Components 2 and 3 will be implemented by the Project Implementation Unit of the MTPTC (UCE). This unit has been managing other World Bank-financed projects and is experienced in World Bank procedures. The main offices of the UCE have been damaged by the earthquake but staff are safe and the archives have been recovered. The same fiduciary agent hired to handle fiduciary procedures (financial management and procurement) of component 1 will also handle components 2 and 3 before responsibilities can be transferred back to UCE.

51. **Simplified Procurement Plan.** A Simplified Procurement Plan has been prepared for the first 18 months of project implementation (see Annex 5).

52. **Fiduciary.** During the first 12 to 18 months of implementation, both financial management and procurement for components 1, 2 and 3 will be managed by the fiduciary agent, on behalf of the Government. All large procurement processes will be managed by the fiduciary agent and resulting contracts will be signed by Government authorities. Should Government systems for paying contractors still not be functioning at effectiveness, payments under contracts could be effected either by the fiduciary agent or by the World Bank itself, using the World Bank's direct payment disbursement procedure. As needed, the World Bank will use the procedure of direct payment. These fiduciary arrangements will be reassessed after 12 months of implementation and, depending on the result of this assessment, management of fiduciary activities transferred back to Government agencies.

53. **Works execution.** Civil works to be financed under the proposed project will be implemented primarily through contracts with private Haitian or international construction firms. However, since the capacity of the private sector in Haiti is very limited and has been diminished significantly by the earthquake, alternatives for execution of smaller works may also be needed. In particular, some urgent small value works that do not require major technical expertise (e.g., drainage clearing) could be executed through force account and partially financed by the proposed project. In such cases, the works could be carried out by Haitian institutions such as the *Centre National d'Equipement* (CNE), which (as mentioned in para. 10) has demonstrated some capacity in this area in the immediate aftermath of the earthquake, or by the smaller *Service d'Entretien des Equipements Urbains* (SEEUR). Before authorizing force account in a specific case, the World Bank will establish: (i) that the agency has sufficient managerial capacity and

possesses the required technical and financial controls to report to the World Bank on expenditures; (ii) that the agency's own personnel and equipment are adequate to carry out the works; and (iii) that appropriate supervision and control measures are in place to mitigate the risks associated with the use of the force account method for procurement. Another alternative to supplement the decimated private sector might be to call upon UN agencies, such as MINUSTAH and United Nations Operational Services (UNOPS), which already have civil works equipment and expertise mobilized in neighborhoods targeted by the project. In 2008-09, the World Bank successfully piloted such cooperation with UN agencies by channeling funds from a Low Income Country Under Stress (LICUS) grant through the UNDP and UNOPS for the rehabilitation of a city street in the Port-au-Prince slum of Martissant.

54. **Disbursements.** Disbursements will be made in accordance with procedures outlined in the Disbursement Handbook for World Bank Clients and will allow for the use of advances, reimbursement, direct payment, and issuance of Special Commitment. Two designated accounts will be authorized for the implementation of these activities: (i) designated account A, managed by UCP, will be used for the implementation of component 1; and (ii) designated account B, managed by UCE, will be used for the implementation of activities under components 2 and 3.

55. **Governance and anti-corruption.** Haiti ranks very low in international rankings for governance and corruption though it moved up in the rankings in 2009. The significant additional flows of aid that are expected in response to the earthquake may increase the risk of corrupt practices and affect aid effectiveness. To mitigate this risk, the proposed project will channel funds through two implementing agencies that have a satisfactory track record in managing IDA resources. In addition, fiduciary processes will be handled by a fiduciary agent during the first 12 to 18 months of execution. The World Bank expects to have an expanded presence on the ground (including Financial Management and Procurement specialists, as well as project staff).

56. **World Bank supervision, monitoring and evaluation.** Speed, technical soundness and strong coordination will be needed to implement the proposed project. Consequently, the proposed project will require exceptional supervision efforts and resources, with a strong team both in headquarters and in Haiti. Supervision will be ensured monthly, at least during the first four months of implementation in order to jumpstart critical works before the rainy season. The Haiti portfolio already receives additional financing above the norm for supervision; this will continue and will be augmented as necessary. The World Bank is restoring its local presence in Haiti and is identifying alternative office space.

57. **Closing date and implementation schedule.** The proposed project would be implemented over a three year period, with a closing date of June 30, 2013. Disbursements are scheduled to be front-loaded in FY10 and FY11. The contracts for the identified infrastructure works are all expected to be signed during the first three months of implementation.

F. Project Risks and Mitigating Measures

Risk	Risk Mitigation Measure(s)	Risk Rating after Mitigation
Overall country risk		High
Government institutions have not recovered sufficient capacity to implement the proposed project or their capacity is overwhelmed by the additional funds for reconstruction	A phased approach will be used through which project activities under the PPA would be World Bank-executed, then a fiduciary agent would handle the fiduciary arrangements during 12 to 18 months while a robust institutional strengthening program is being implemented. Fiduciary responsibility would be transferred back to Haitian implementing agencies only when there is sufficient guarantee that they have sufficient capacity.	Substantial
Project activities duplicate or are not coordinated with the interventions of other donors.	Project design has been discussed with the other donors in the <i>Groupe Sectoriel Transport</i> and institutional support to MEF was closely coordinated with other key donors (IaDB, EU) through a joint identification/pre-appraisal mission.	Moderate
The crisis management framework remains unclear with several Haitian institutions overlapping or duplicating responsibilities, or State authority, functionality and operational capacity fail to be reestablished.	The World Bank has worked very closely with senior Haitian authorities to help them set up their crisis governance arrangements. The proposed project would complement other World Bank initiatives to continue build up the Government's institutional capacity. Infrastructure investments to be financed by the project will be prioritized by the Government, based on the technical assessments to be performed as part of the PPA.	High
Private sector capacity is insufficient to execute the works	Project provides for a range of execution alternatives, including partnering with UN agencies and the possible use of <i>force account</i> when adequate capacity exists within Government agencies.	High
The massive flows of aid and the urgency in disbursing them increases the risks of poor governance and corruption	The project will be World Bank-executed in the PPA phase and fiduciary responsibilities will be handled by a fiduciary agent. Implementing agencies have a sound track record in managing	Substantial

Risk	Risk Mitigation Measure(s)	Risk Rating after Mitigation
Overall country risk		High
	IDA funds. The ESMF will also explore social accountability mechanisms.	
Road contract management, either implemented by the private sector or through force account, is affected by poor governance or corruption	The hiring of a fiduciary agent in the first 12 to 18 months of implementation, when most road contracts are expected to be signed should reduce the risk. Intensified supervision will be implemented, as well as the use of technical and/or operational audits whenever necessary.	Substantial
Safeguards aspects are not taken into consideration in the early reconstruction phase due to limited Government capacity and/or the emergency needs	A highly experienced entity is being hired to help the Government streamline the social and environmental dimensions in project execution and reconstruction planning.	High
World Bank supervision capacity is overwhelmed and/or Bank procedures are not agile enough to ensure a swift execution	Exceptional human and budget resources will be granted to the project supervision team.	Moderate
World Bank liability is engaged because technical assessments or designs prove insufficient to address with Haiti's vulnerability challenges	The World Bank has partnered with world-class experts in building damage assessments and is hiring experienced engineering firms to prepare designs. The engineering clearinghouse envisaged under component 3 should help disseminate sound engineering practices.	Moderate
The reconstruction planning activities financed under Component 3 fails to influence reconstruction priorities	The World Bank will strengthen the capacity of a Haitian institution which is coordinating all relevant ministries (CIAT) and should play a pivotal role in the reconstruction planning process. However, the World Bank is less able to influence the evolution of political dynamics and developments that might affect the effectiveness of CIAT.	High
Overall risk rating		High

G. Terms and Conditions for Project Financing

58. Following GoH's official request for financial support, the proposed project will be financed through a SDR41.9 million (US\$65.0 million equivalent) IDA Grant. These funds were drawn from IDA 15, SDR25.8 million (US\$40.0 million equivalent) from an exceptional emergency allocation and SDR16.1 million (US\$25.0 million equivalent) from the crisis response window.

Annex 1: Detailed Description of Project Components
HAITI: Infrastructure and Institutions Emergency Recovery Project

1. The proposed Project builds on the Project Preparation Advance.

Project Preparation Advance (US\$ 15 Million)

2. The PPA was approved in order to finance immediate recovery needs as well as to finance project preparation activities and institutional strengthening activities. In order to leave enough time to the Haitian institutions affected by the January 12 earthquake to reconstitute basic management capacity, the PPA is executed by the World Bank, through its General Services Department (GSD). The PPA activities are limited to technical assistance and small contracts for start-up goods and works necessary to enable the Recipient to undertake the execution of subsequent project activities.
3. With regard to immediate recovery needs, examples of eligible activities include, *inter alia*:
 - The acquisition and distribution of solar-powered lanterns to be distributed to poor communities affected by the earthquake (estimated cost of US\$1 million).
 - The provision of immediate health and nutrition services to vulnerable populations affected by the earthquake. Such services will be delivered by UN-partner organizations (estimated cost of US\$4 million). A reporting mechanism will be established so that the relevant Haitian agencies are adequately informed of the progress and results of these activities.
4. With regard to project preparation activities, examples of eligible activities include, *inter alia*:
 - The contracting of an engineering firm to survey damaged transport infrastructure and prepare technical designs or specifications, as well as bidding documents for identified infrastructure works (see subcomponent 2.1 below).
 - The preparation of the project's operational manual, including the Environmental and Social Management Framework (ESMF).
 - A preliminary study of urban planning for the reconstruction of Port-au-Prince.
 - Design studies and technical specifications, as well as bidding documents, for other infrastructure investments.
 - A feasibility analysis for the selection and operation of a debris management site piloting sound social and environmental practices.
5. With regard to institutional strengthening activities, examples of eligible activities include, *inter alia*:
 - Computerized communication or information systems for selected Haitian institutions (e.g., Central Bank).
 - Reestablishment of the connection between the Ministry of Economy and Finance, the Central Bank, and commercial banks to process public salary payments. The Central Bank requested an urgent assistance to establish a network (WiMAX) to be used in the

short term as the main payment system infrastructure and in the long term as a back-up to the fiber optic cable.

- Technical support and office equipment for selected Haitian institutions (e.g., CIAT).
- Consultancies or technical assistance to promote sound social and environmental practices.
- Technical support to MTPTC on damaged buildings' assessment (building on World Bank experience after the Gujarat and Pakistan earthquakes). Particular attention will be granted to transparency (the assessment should build capacity for the monitoring of future housing reconstruction programs), to the credibility of assessment teams (partnership with a leading post-disaster engineering firm), and to grievance mechanisms in case beneficiaries challenge the results of the assessment. The project will also use the lessons and recommendations from the World Bank Housing Reconstruction Handbook.
- The acquisition of fully equipped, temporary offices for selected public administrations (in particular from the MEF), with due attention paid to resilience to natural disasters.
- Under exceptional circumstances and with proper justification, the acquisition of small or heavy construction tools and equipments needed to strengthen the force account capacity of Government institutions that are engaged in sound or improved management practices. Small equipments would be procured through the use of sole source or shopping procedures. Heavy equipments would be procured through shopping or International Competitive Bidding (ICB).
- Communication support to the Government.

6. The proposed project consists of three components:

Component 1. Restoring Key Economic and Financial Functions of the Recipient (US\$ 10 Million)

7. This component includes provision of support pertinent to: (a) enable the reinstatement of MEF's basic functions, such as, *inter alia*, budget execution, including in respect of wages; budget monitoring and control; tax collection; and (b) carry out activities to assist in fully re-establishing, including through relocation or physical structure rehabilitation, and thereafter operationalizing, through, *inter alia*, provision of goods and equipment and technical assistance, key institutions of the Recipient, among which, *inter alia*, the Recipient's Central Bank ("*Banque de la République de Haiti*") ; Procurement Regulatory Agency ("*Commission Nationale des Marches Publics*"); National Statistical Institute ("IHSI"); Ministry of Planning and External Cooperation ("*Ministère de la Planification et de la Coopération Externe*") ; and Auditor General's Office ("*Cour Supérieure des Comptes et du Contentieux Administratif*").

8. ***Execution of Critical Budget Expenditures – Accounting; Internal Control; Procurement (estimated cost: US\$1 million).*** The objective is to restore the Government's ability to execute budget expenditures. Key activities would include but are not limited to: (i) capacity support to Governments' internal control and audit, procurement, monitoring of payroll execution; quantification of available human resources; and other critical aspects related to budget execution; (ii) full operationalization (including harmonization) of the accounting system between Ministry of Economy and Finance and spending units; (iii) support to Government

procurement capacity through the recruitment of local consultants assigned to the '*Commission Nationale des Marches Publics*' for a period of 18 months.

9. ***Provision of Equipment and Assistance to Restore Information Technology and Systems for Public Finance and Banking System (estimated cost: US\$3.5 million)***. The objective is to address the needs of the Ministry of Economy and Finance, the Central Bank, the Court of Accounts, and the National Statistical Institute in terms of office equipment, Communication and Information Technology equipment and systems to help these institutions operate. Most critical needs currently identified would include, but are not limited to: (i) provide assistance to assess the quality of the loan portfolio in the banking system and for the design of a credit guarantee scheme; and (ii) refurbish, the Ministry of Economy and Finance and the Ministry of Planning and External Cooperation, in general, and more specifically the Tax Administration (General Directorate of Taxes), the '*Commission Nationale des Marches Publics*', the Courts of Accounts, and the National Statistical Institute. Data management expenditures tracking (including donor funded projects) and the information system in Tax offices features in the priority list established by the Government.

10. ***Provision of Prefab-Premises for Public Finance Institutions (estimated cost: US\$5.5 million)***. The provision of office space is the most critical challenge to restore the working capacity of the public finance institutions. This component, together with the additional office spaces acquired under the PPA, will contribute to financing the provision of prefab office space for at least 500 of the 830 office spaces needed, including the Tax Administration Office, the National Statistical Office, the Court of Account, and the Ministries of Finance and Planning in general.

Component 2: Emergency Rehabilitation of Selected Public Infrastructure (US\$ 35 Million)

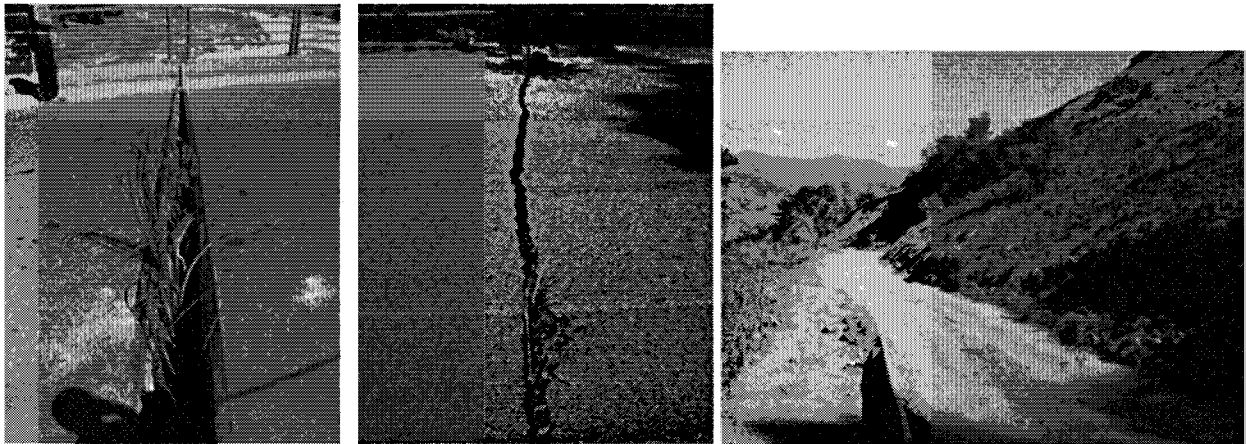
11. This component will support: (a) rehabilitation or reconstruction activities of key institutional and transport infrastructure, including roads, bridges, administration buildings, operation of debris management sites through the piloting of sound social and environmental practices; and all studies and supervision activities in connection therewith; (b) strategic studies related, *inter alia*, to infrastructure reconstruction based on specific infrastructure designs intended to increase the resilience of rebuilt infrastructure. A number of these key infrastructure investments have already been identified and possible investment alternatives have been explored for the remaining unallocated amount.

Identified Priority Infrastructure Investments (US\$15 Million)

12. Based on early reconnaissance missions, road infrastructures have suffered less than buildings. Many urban roads in Port-au-Prince have now been cleared and traffic has been restored. The conditions of several bridges still need to be fully assessed but it is already known that there are a number of important bridges that have been damaged. Two key roads (roads national no. 2 and no. 4) that are essential to give access to the damaged areas need to be urgently repaired. At least one bridge has been significantly affected on National Road No. 2

(Pont Fauché). On national road no. 4, important volumes of rubble coming from landslides are significantly affecting traffic conditions between Carrefour Dufort and Jacmel.

Pictures: Spot Damages on National Roads No. 2 and 4.



13. This sub-component would finance the following infrastructure works, as well as the corresponding supervision activities and, as needed, associated technical studies or technical assistance. These works are critical to give access to the damaged areas and to prevent further damages from flooding when the rainy season comes (in May).

- *Repair of national road no. 2 (RN2) between Carrefour and Miragoâne.*
- *Repair of national road no. 4 (RN4) between Carrefour Dufort and Jacmel.*
- *Repair of bridge Fauché on RN2, complementary to the bridge Chalon reconstruction, financed by the Emergency Bridge Reconstruction and Vulnerability Reduction Project.*
- *Cleaning of drainage system of Port-au-Prince.*

14. Although the proposed investments have been closely coordinated with the other donors, there still exists the possibility that part of or all of the identified investments be executed without the need for World Bank-financing (e.g. repair by military teams). In such case, the corresponding amount would be reallocated to this component.

15. The sustainability of road investments will be ensured through a partnership with the Haitian Road Maintenance Fund (FER). The World Bank and other donors (in particular the EU) have provided support and technical assistance to the FER since its creation in 2004. National Roads no. 2 and 4 are part of the priority list of road infrastructure whose maintenance should be financed by FER. A periodic maintenance of RN4 has been financed by FER in 2006. The FER has been affected by the earthquake, with some staff being injured and the offices being damaged. However, it has already started rebuilding its capacity. As needed, targeted assistance to FER would be envisaged under component 3 or through other World Bank operations, in particular to formalize the maintenance arrangements on RN2 and RN4.

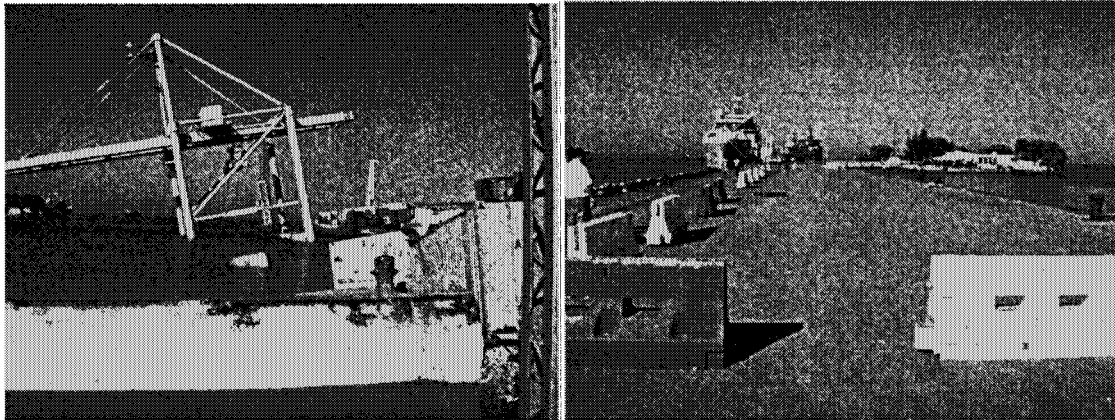
Un-Allocated Resources for Priority Infrastructure Works (US\$20 Million)

16. The unallocated resources would help finance additional infrastructure works to be prioritized by the GoH (through sectoral ministries and CIAT). Prioritization criteria would include: (i) urgency to execute works and potential safety threats to vulnerable population groups; (ii) costs of works and availability of resources; (iii) consistency with broader sector policies and reconstruction planning instruments; and (iv) coordination with other donors.

Possible eligible investments include, *inter alia*:

- ***Bridge repairs.*** The MTPTC has already identified a list of possible bridge repair investments, including: (i) bridge on Rivière Blanche; (ii) bridge Millet; (iii) bridge Delmas 31; and (iv) Dalot on Bourdon road, Bellevue area.
- ***Airport infrastructure.*** The repair of Port-au-Prince airport's departure terminal is envisaged. Commercial airlines are reportedly financing repairs on the arrival area of the terminal.
- ***Port infrastructure.*** It is highly unlikely that the proposed project will have the resources to finance any infrastructure in the port sector. The extent of the damage on physical infrastructure, the need for a revamped management and organization of the National Port Authority and the possible relevance of a green field project in place of the existing port terminal suggest that any intervention in this sub-sector will be highly complex and costly. In addition, in the short-term, the US military is restoring emergency port capacity. However, some strategic studies in the port sector may be considered as eligible under this component.
- ***Debris disposal and management.*** The US Army Corps of Engineers and the Haitian authorities have estimated the volume of debris to be removed from the damaged areas to be 10-60 million cubic meters. Such volume will require a long time and significant resources (total estimated cost of US\$1 billion, including demolition, transport, disposal and partial recycling) to be treated. Important social and environmental aspects are also associated. The optimization of debris management is one of the most urgent tasks to be completed by Haitian authorities who, under the technical guidance of the US Army Corps of Engineers, have started the identification of possible disposal and management sites. A debris management task force has been created for this purpose by the GoH and by international partners. The World Bank is part of this task force. The proposed project envisages financing the operation of one pilot debris disposal and management site, with the inclusion of sound social and environmental practices. Such possibility will be explored in close coordination with the GoH, as well as with US agencies who have taken a leading role on the issue of debris management.
- ***Reconstruction or repair of damaged public buildings.*** As reconstruction responsibilities among international development partners become clearer, this subcomponent may finance reconstruction of critical damaged public buildings, provided that such interventions are consistent with broader sector policies' consideration.

Pictures: Damaged Port-au-Prince Port Infrastructures



17. Infrastructure designs would include “build back better” principles, and in particular seek to increase the resilience of rebuilt infrastructure.

Component 3: Institutional Support, Reconstruction Planning and Project Management (US\$5 Million)

18. This component will include provision of support pertinent to: (a) restore the functioning capacity of key institutions of the Recipient’s crisis governance framework; (b) carry out planning activities for the short, medium and long-term reconstruction phases, including through the Recipient’s Inter-ministerial Commission for Territorial Development (“*Commission Interministérielle pour l’Aménagement du Territoire*”, which is an important Haitian institution contributing to the reconstruction planning); (c) carry out institutional strengthening activities to include, *inter alia*: finance training, reconstruction urban planning, capacity building in project management, construction supervision, quality assurance, monitoring and reporting, procurement support, and safeguards compliance and streamlining; (d) finance Project management activities, including through the appointment thereto of the Fiduciary Agent; (e) establish and operate an engineering clearinghouse in MTPTC to manage the technical knowledge deriving from assessments carried out in the Recipient’s territory by national and international institutions and thereafter to disseminate good engineering practices and innovative solutions; and (f) assist the Recipient with preliminary basic recovery activities essential to mitigate the Emergency and prepare for restoration activities considered under this Financing.

19. With regard to the support to key Haitian institutions that are part of the GoH crisis governance framework, examples of eligible activities include, *inter alia*:

- Support to the Crisis Cabinet and its secretariat, provided this institution is formally designated as the key strategic entity to lead the reconstruction effort on the GoH side.
- Constitution of an engineering clearinghouse in MTPTC in order to manage the technical knowledge generated by national and international institutions that are currently conducting technical assessments in Haiti and to disseminate good engineering practices and innovative solutions. This clearinghouse could become the GoH counterpart of an envisaged “engineering cluster” in the donors communities.

- Support to FER, in particular on definition of maintenance arrangements for RN2 and RN4.
 - Communication activities, both to manage the international media's attention in the immediate aftermath and at various milestones and to address high expectations for early relief and recovery among the affected population.
20. With regard to the support to key Haitian institutions that are involved in the reconstruction planning, examples of eligible activities include, *inter alia*:
- Support to the Inter-ministerial Commission for Territorial Development (CIAT)
 - Design and implementation of GIS-based information systems
 - Organization of public consultation activities
 - Design and implementation of a coordination/consultation mechanism across sectors and with other donors to support a long-term vision
 - Targeted assistance to the GoH to assess the potential benefits and implementation alternatives of a reinforced decentralization process in Haiti
21. With regard to the support to key Haitian institutions that are in charge of the project's management activities, examples of eligible activities include, *inter alia*:
- Hiring of a fiduciary agent for the initial 12 to 18 months
 - Auditing costs
 - Safeguards compliance, including costs generated by the resettlement of refugees
 - Additional operational costs incurred by UCE and UCP
 - Acquisition of temporary offices and office equipments

Annex 2: Results Framework and Monitoring

HAITI: Infrastructure and Institutions Emergency Recovery Project

PDO	Project Outcome Indicators	Use of Project Outcome Information
<p>To support the Recipient in its early sustainable recovery efforts from the effects of the Emergency, through selected interventions aiming at contributing to rebuilding key institutions and infrastructure.</p>	<p>Estimated number of people benefiting from repaired infrastructure.</p> <p>Project influenced the reconstruction planning process for Port-au-Prince and surrounding affected areas so that public consultation mechanisms are strengthened.</p> <p>MEF restored internal control and audit, and able to process payroll.</p> <p>Crisis governance institutions strengthened and operating.</p>	<p>Assess the impact of proposed project on affected populations.</p> <p>Assess impact of proposed project of strategic reconstruction planning of Port-au-Prince.</p> <p>Assess impact on the institutional capacity of the MEF.</p> <p>Assess impact on capacity of the Haitian Government in leading the reconstruction through its crisis governance institutional framework.</p>
Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
<p>Project Preparation Advance</p>	<p>Number of individuals receiving and using immediate recovery supplies;</p>	<p>To assess the rate and level of delivery of recovery supplies</p>
<p>Component 1 Restoring key economic and financial functions of the Recipient.</p>	<p><i>Revenue:</i> the information system of the General Directorate of Taxes is operational.</p> <p><i>Budget Execution and control:</i> Government accounts are reviewed by the Court of Accounts less than 8 months after the end of the fiscal year.</p> <p><i>Payment system:</i> The processing of public servants' salaries is fully restored and</p>	<p>To assess progresses in restoring basic functions of the MEF.</p>

	the registry of civil servants is updated.	
Component 2: Emergency rehabilitation of selected public infrastructure.	<p>km of roads rehabilitated or repaired to agreed standards (IDA CORE INDICATOR).</p> <p>Number of infrastructure built with due attention paid to sustainability as well as social and environmental aspects.</p> <p>Estimated number of days of work generated by infrastructure repair or reconstruction.</p> <p>All bridge reconstruction or repairs financed under the project include seismic stops or equivalent design solutions aiming at improving the resilience to future disasters.</p>	<p>To measure project's impact to bring access to damaged areas.</p> <p>To assess the quality of the infrastructure rebuilt (build back better).</p> <p>To assess the indirect impact of the project on job creation.</p> <p>Check use of appropriate technical standards to reduce the vulnerability of rebuilt or repaired infrastructure.</p>
Component 3: Institutional support, reconstruction planning and project management	<p>Crisis governance institutions received institutional strengthening support.</p> <p>CIAT has become an institution capable of influencing the reconstruction planning process with due attention being paid to social and environmental issues.</p> <p>Reconstruction planning alternatives consulted with relevant stakeholders.</p> <p>Fiduciary agent hired.</p>	<p>To ensure effective support to crisis governance institutions.</p> <p>To ensure that a sustainable planning process is initiated for the reconstruction phase.</p> <p>To measure impact on participatory processes for reconstruction planning.</p> <p>Transitional operational arrangements are active.</p>

Annex 3: Summary of Estimated Project Costs

HAITI: Infrastructure and Institutions Emergency Recovery Project

The following cost table has been drafted, based on available information at appraisal stage. This table includes estimated costs that may vary during implementation.

Project Activities	Amount (US\$)
Component 1. Restoring key economic and financial functions of the Recipient	10,000,000
Execution of critical budget expenditures – Accounting; Internal control; Procurement	1,000,000
Provision of equipment and assistance to restore information technology and systems for public finance and banking system	3,500,000
Provision of prefab-premises for public finance institutions	5,500,000
Component 2. Emergency Rehabilitation of Selected Public Infrastructure	35,000,000
<i>Identified Priority Infrastructure Works</i>	<i>15,000,000</i>
RN4 rehabilitation / reconstruction (works, supervision)	5,900,000
RN2 rehabilitation / reconstruction (works, supervision)	4,850,000
Pont Fauché (works, supervision)	3,200,000
Drainage cleaning-up in Port au Prince (works, supervision)	1,050,000
<i>Non-Identified Infrastructure Works</i>	<i>20,000,000</i>
Unallocated	20,000,000
Component 3. Institutional Support, Reconstruction Planning and Project Management	5,000,000
Port au Prince reconstruction planning studies, including data acquisition	1,000,000
Support to crisis governance	1,000,000
Support to CIAT	1,000,000
Procurement and financial management agent	1,000,000
Operational costs implementing agencies, audits	1,000,000
Project Preparation Advance refund	15,000,000
GRAND TOTAL	65,000,000

Annex 4: Financial Management and Disbursement Arrangements
HAITI: Infrastructure and Institutions Emergency Recovery Project

Country Issues

1. Until the earthquake, Haiti had undertaken some reforms to strengthen its fragile public financial management systems and address serious issues generated over the years by periods of political instability, as well as mismanagement and corruption.
2. However, the earthquake has reversed many of the fragile advances undertaken by Haiti. Government agencies have lost staffs in the disaster, including some occupying high responsibilities, physical infrastructure have been destroyed or damaged and, in many cases, the institutional memory has been lost with the destruction of archives.
3. The international community has rallied to the cause of repairing this damage and to the need to rebuild Government structures. The country's development partners have also expressed their interest in helping the Government to strengthen capacity in public administration. However, the extent of the damages caused by the earthquake suggests that it will take a long time to recover full institutional capacity and yield substantial improvements in the management of public funds.

Summary Project Information

PROJECT DEVELOPMENT OBJECTIVE AND DESCRIPTION SUMMARY

4. The Project Development Objective is to support the Recipient in its early sustainable recovery efforts from the effects of the Emergency, through selected interventions aiming at contributing to rebuilding key institutions and infrastructure. In addition to a project preparation advance to finance immediate recovery needs, the proposed support would help respond to the situation by: (i) restoring key economic and financial functions of the Recipient, (ii) carrying out emergency rehabilitation of selected public infrastructure, and (iii) providing institutional support, reconstruction planning and project management.

INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

5. Overall policy oversight and coordination of the project will be assured by the Ministry of Economy and Finance (MEF) and the Ministry of Public Transport (MTPTC), possibly through the CIAT or other crisis governance institution. The activities financed under Component 1 will be implemented by the Project Implementation Unit of the MEF while those under Components 2 and 3 will be implemented by the Project Implementation Unit of the MTPTC (UCE).
6. The MEF and the MTPTC have sufficient experience in World Bank procedures gained through their implementation of World Bank financed projects. However, the capacity of both institutions to assure financial management responsibilities has severely been weakened. As a result of this, a fiduciary agent (FA) will be recruited to undertake the financial management responsibilities of the project. Their duties will include some aspects of capacity building to

ensure that the capacities of the implementing agencies are rehabilitated to a degree where they can resume full financial management responsibilities. It is expected that the FA will be hired for a 12-month period, renewable by 6 months.

Summary Risk Analysis

7. An effective financial management system will be vital for the project because of the emergency nature of the activities it is to finance. The objectives of the project's financial management system will be: to ensure that project funds are used only for their intended purposes in an efficient and economical way; to enable the disbursement of project funds for the rapid implementation of project activities; to ascertain that funds are properly managed and flow smoothly, adequately, regularly and predictably to implementing agencies; to enable the preparation of accurate and timely financial reports; to assist in building the capacity of the beneficiaries in terms of financial management; to stimulate accountability through a strong flow of information on project activities; to enable project management to monitor the efficient implementation of the project; and to safeguard the project assets and resources. The table below identifies the key risks that management may face in achieving these objectives and provides a basis for determining how management should address these risks.

<i>Risk:</i>	<i>Rating</i>	<i>Mitigation:</i>
The project management may lack sufficient financial management capacity to perform the necessary FM functions	H	<ul style="list-style-type: none"> The services of a Fiduciary Agent will be procured from a firm of international consultants to undertake FM functions, including accounting, disbursement and procurement. The FA will also provide capacity building support to implementing agencies.
Funds may not be used in an efficient and economical way and exclusively for purposes intended due to the emergency nature of the activities to be implemented.	H	<ul style="list-style-type: none"> An independent audit of the project's transactions will be carried out on an annual basis The project's financial management procedures will be documented in a Financial and Accounting Procedures Manual Crisis Governance Institutions (possibly CIAT) will provide overall policy guidance relating to management of project funds, and will ensure the follow up of audit findings and recommendations
Given that the financial and banking sector was largely damaged, there may not exist satisfactory means through which make timely disbursement of funds to implementing agencies and beneficiaries.	H	<ul style="list-style-type: none"> Where required, informal fund transfer networks and mechanisms will be explored and used, provided their legal and functional integrity is beyond reasonable doubt Where necessary, direct payments will be made to the largest extent possible to suppliers on behalf of project beneficiaries.
<i>Risk Rating – H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible Risk)</i>		

8. **Strengths:** The relatively low volume of high value transactions should help to mitigate the financial management risks associated with this project. In addition, the recruitment of a fiduciary agent to maintain the project's accounting system and to help restore the financial management capacity of the key implementing agencies is a key strength of the proposed financial management arrangements. Furthermore, the recruitment of an independent external auditor should help to provide the assurance on the use of funds.

9. **Weakness:** The current state of the institutional and governance structures in Haiti poses an obvious weakness with respect to financial management. It will take some time to restore this capacity to what it was before the earthquake.

Flow of Funds

BANK ACCOUNTS

Proceeds of the Grant will be disbursed into the following Designated Accounts:

- Designated Account A : Denominated in US dollars, disbursements from the Grant will be deposited on this account to finance activities implemented by the MEF.
- Designated Account B : Denominated in US dollars, disbursements from the Grant will be deposited on this account to finance activities implemented by the MTPTC.

DISBURSEMENT OF FUNDS TO THE PROJECT

10. Disbursements of the proceeds of the Grant to the project will be done based on unaudited Interim Financial Reports (IFRs). These would include information on financial transactions and indicate progress in procurement, contract management and physical progress.

11. An advance will be made into the Designated Account at the inception of the project. The advance will be meant to cover project expenditures for 6 months as indicated in the initial six-month cash flow forecast. After every subsequent quarter, the project will submit IFRs which include a cash flow forecast for the following 6 month period. The cash request at the reporting date will be the amount required for the forecast period as shown in the approved IFRs less the balance in the Designated Account at the end of the quarter. Subsequent disbursements of the Grant will be made in respect of this request.

12. The Direct Payment method will also be retained as one of the disbursement options. Under this method and upon the request by the implementing agencies, direct payments will be made by the World Bank to suppliers for works, goods and services. The Disbursement Letter will stipulate the minimum application value for direct payments. Withdrawal applications for such payments will be accompanied by relevant supporting documents such as copies of the contract, contractors' invoices and appropriate certifications.

Fiduciary Agent

13. A Fiduciary Agent (FA) will be recruited by the National Crisis Coordination and Technical Secretariat and will be responsible for contracting, procurement, disbursement and financial management functions required under the project for a period of 12 to 18 months. Detailed Terms of Reference will spell out the specific responsibilities of the FA.

OVERALL RESPONSIBILITIES

14. The FA will support the two implementing agencies (UCE and UCP) in all aspects of financial management, accounting, contracting and procurement related to the Grant. In particular, the agency will be responsible for the following: re-establishing the MEF's and MTPTC's computerized financial management system needed to administer the project, the disbursement of funds, maintaining up-to-date accounting records and ledgers, and recording

financial transactions for all activities pertaining to the Grant for which the FA is given responsibility, financial reporting, and ensuring that a proper internal control system is in place to achieve accountability for all the Grant transactions.

15. The team leader of the FA will report to the Program Coordinators in UCE and UCP on day-to-day transactions. At a minimum, the FA will prepare quarterly unaudited Interim Financial Management Reports (IFRs) and periodic annual financial statements for the Grant. In addition, ad-hoc reports may reasonably be requested by the World Bank.

16. The FA will be a firm with relevant experience and will be hired after an international procurement process. It is envisaged that the FA's team will be led by a senior manager with suitable qualifications and experience in public administration, accounting, or project management. He/she will be supported by professional staff as necessary to assist with accounting, disbursement and expenditure review. The ToRs for the firm will provide an indication of the staffing resources required, but discretion will be given to the firm to determine the optimum structure and staff required to fulfill its obligations.

17. The Terms of Reference will form the basis of invitations for expressions of interest, bids and later, the contract signed with the successful candidate. This contract will specify the nature, level, mix, and standards of services expected to be delivered from the FA. In situations where the contractor fails to perform, it will be liable for any resulting delays or damages, and this could lead to the termination of the contract. This will help enhance the control of Program resources.

Other Financial Management Arrangements

FINANCIAL AND ACCOUNTING PROCEDURES MANUAL

18. The accounting systems, policies and procedures employed in accounting and managing for funds will be documented in the project's Financial and Accounting Procedures Manual (FAPM) that will be prepared by the FA. This will be used by: staff as a reference manual; the World Bank to assess the acceptability of the project accounting, reporting and control systems; and by the auditors to assess project accounting systems and controls and in designing specific project audit procedures.

19. Specific procedures will be documented for each significant accounting function. They will be written to depict document and transaction flows, and will cover the following aspects: flow of funds; record keeping and maintenance, the chart of accounts, formats of records and books of account; authorization procedures for transactions; planning and budgeting; financial reports(including formats, linkages with Chart of Accounts and procedures for reviewing these); and auditing arrangements.

20. In addition, the Project Implementation Plan will document the arrangements that have been made for recording project impacts, outcomes, outputs, and inputs that are required to assess progress toward the achievement of project objectives.

PLANNING AND BUDGETING

21. A project budget and a disbursement schedule have been drawn up and are included in this Emergency Project Paper. It is from this disbursement schedule (as may be subsequently revised) that annual work plans and budgets will be drawn. These will be prepared by the implementing agencies and will be submitted to MTPTC and MEF (possibly through CIAT) for approval.

STAFFING

22. The main implementing agencies will retain staffing resources that are adequate with their level of operations and activities and are sufficient to allow coordination with the FA whose responsibility will be to maintain accounting records relating to project financed transactions on behalf of the implementing agencies.

23. Training and capacity building plans will also be designed and implemented to ensure that the relevant functions are transferred from the FA to the main implementing agencies at the end of the FA's contract.

RECORD KEEPING AND MAINTENANCE

24. At the national level, the FA will be responsible for maintaining the project's records. These records will be available for inspection to World Bank supervision teams, and to the Auditors.

FINANCIAL REPORTING

25. Financial reports will be designed to provide quality and timely information to project management, implementing agencies, and various stakeholders on project performance.

26. Formats of the various periodic IFRs to be generated from the financial management system will be developed to ensure that they meet the project's information needs. These will include financial statements (e.g. sources and application of funds; expenditure classified by project components, disbursement categories, expenditure types and implementing agencies, and comparisons with budgets). Additional information required by the World Bank Loan Department for disbursement purposes will also be included such as a Designated Account activity statement and information on contracts above and below the prior review threshold.

27. Annual Financial Statements will include: a Statement of Sources and Uses of Funds showing all the sources of project funds, expenditures analyzed by project component and credit category; Notes in respect of significant accounting policies and accounting standards adopted by management and any supplementary information required to enhance analysis; a Special Account Activity Statement; and an Implementation Report containing a narrative summary of the implementation progress for the project. The reports, whose formats will be developed by Grant Effectiveness, will be submitted for audit within three months after the end of the fiscal year.

AUDIT ARRANGEMENTS

Internal Auditing

28. The Grant's activities will be subject to the internal audit arrangements established within the MEF and the MTPCP, provided internal auditing capacity is restored. The role of the internal auditors will be to ensure that the project's financial procedures and regulations relating to the management of project resources are adhered to. The internal auditor will perform inspections of accounting procedures used by the FA to ensure that they conform to the established procedures and guidelines.

29. The manual of accounting procedures will contain a description of the roles and responsibilities of the IAD, and a description of a line of reporting that guarantees the requisite level of independence.

External Auditing

30. A firm of auditors will be contracted to carry out the audit of the financial statements of the project. This firm will meet the World Bank's requirements in terms of independence, qualifications and experience. In the first year, the audit will be carried out on a semi annual basis. This is in order to address the increased fiduciary risks during this period while the capacity of the implementing agencies is being rebuilt. The more frequent basis will also allow the project implementing agencies to take advantage of the auditor's feedback to improve the functioning of the internal control system. From the second year, the audit will be carried out on an annual basis. The selection of the successful firm will be based on Terms of Reference that are acceptable to the World Bank. The TORs will also set out the scope of the audit. The audited financial statements together with the auditor's report and management letter covering identified internal control and accounting system weaknesses will be submitted to the World Bank within six months after the end of each financial reporting period. A single audit opinion will be issued with respect to the financial statements. Any firm of auditors subcontracted to carry out the audit

Follow up of Audit Issues

31. The duties of the MEF will include the review of audited financial statements and internal and external audit findings. This committee will be mandated to require corrective action to be taken by the main implementing agencies and the FA to address any weaknesses in the financial management system or incidences of non-compliance with procedures. The MEF will also use the results of the audits in monitoring the performance of the FA and of the key implementing agencies. This arrangement will ensure the satisfactory follow-up of audit findings.

Supervision Plan

33. A supervision mission will be conducted at least every six months. The mission's objectives will include that of ensuring that strong financial management systems are maintained for the project throughout its life. A review will be carried out regularly to ensure that expenditures incurred by the project remain eligible for Grant funding. The Implementation Status Report (ISR) will include a financial management rating for the component. This will be determined by the financial management specialist after an appropriate review.

Annex 5: Procurement Arrangements

HAITI: Infrastructure and Institutions Emergency Recovery Project

1. **Procurement Arrangements:** Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004, Revised October 1, 2006; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 Revised October 1, 2006, and the provisions stipulated in the Legal Agreement. The procedures and provisions, described in the World Bank OP8.00, will also be applicable. The various items under different expenditure categories are described in general below. For each contract to be financed by the Grant, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Recipient and the World Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.
2. **Procurement of Works:** Works procured under this project are expected to consist almost exclusively of emergency rehabilitation works, including the construction of temporary administrative offices, reconstruction of administrative buildings and the reconstruction of a number of roads and bridges to restore access. This procurement will be carried out using the World Bank's standard bidding documents (SBD) for all international competitive bidding (ICB) and SBD agreed with the World Bank for other procurement methods.
3. Civil works will be executed primarily through contracts with private Haitian or international construction firms. However, since the capacity of the private sector in Haiti is very limited and has been diminished significantly by the earthquake, alternatives for execution of certain works may also be needed. In particular, where there is no other viable alternative to respond to the emergency, some urgent small value works that do not require major technical expertise (e.g.: drainage clearing) could be executed through force account and partially financed by the proposed project. In such cases, the works could be carried out by Haitian institutions such as the *Centre National d'Equipement* (CNE), or the *Service d'Entretien des Equipements Urbains* (SEEUR). Before authorizing force account in a specific case, the World Bank will establish: (i) that the agency has sufficient managerial capacity and possesses the required technical and financial controls to report to the World Bank on expenditures; (ii) that the agency's own personnel and equipment are adequate to carry out the works; and (iii) that appropriate supervision and control measures are in place to mitigate the risks associated with the use of the force account method for procurement.
4. Another alternative to supplement the decimated private sector might be to call upon UN agencies such as MINUSTAH and UNOPS which already have civil works equipment and expertise mobilized in neighborhoods targeted by the project. In 2008-09 the World Bank successfully piloted such cooperation with UN agencies by channeling funds from a LICUS grant through the UNDP and UNOPS for the rehabilitation of a city street in the Port-au-Prince slum of Martissant.

5. **Procurement of Goods:** Goods procured under this project would include, *inter alia*: (i) prefabricated offices for targeted core public entities, as required to rehabilitate the functionality of these entities; (ii) office equipment and IT goods for those entities; (iii) tools and equipment to restore minimum direct intervention capacity for MTPTC; (iv) construction materials for rural villages housing reconstruction, as required by resettlement recommendations. The procurement will be done using the World Bank's SBD for all ICB and SBD agreed with the World Bank for other procurement methods.

6. **Procurement of Non-Consulting Services:** Non-consulting services for project execution, such as equipment rentals, vehicles rentals, surveyors, etc. would be acquired in accordance with the World Bank's Procurement Guidelines. This procurement would also be carried out using the World Bank's SBD or SBD agreed with the World Bank.

7. **Selection of Consultants:** Consulting services will be required, *inter alia*, for engineering assessments, design and supervision of construction, preparation of urban plans for the City of Port-au-Prince, re-establishment of Government functions, training and capacity building, project management, procurement and fiduciary support to the implementing agencies.

8. Short lists of consultants for services estimated to cost less than US\$100,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

9. Where teams of consultants are not required, individual consultants would be hired to provide specialized advisory services, training and support to project implementation.

10. **Operating Costs:** These costs would include consumable goods required to implement the project, and other project-related expenditures for utilities, maintenance of office equipment, salaries, per diems, transportation and logistics expenditures to conduct training and capacity-building. Operating costs financed by the project would be procured using the implementing agencies' administrative procedures which were reviewed and found acceptable to the World Bank.

Assessment of the Agency's Capacity to Implement Procurement

11. Procurement activities for all three project components will be carried out initially by a Fiduciary Agent competitively selected, with assistance from the World Bank, and contracted by the Ministry of Public Works, Transport and Communications (MTPTC). The Fiduciary Agent will be in charge of procurement activities on behalf of both the *Unité Centrale d'Exécution* (UCE – project implementation unit of the MTPTC) and the *Unité de Coordination des Projets* (UCP – project coordination unit in the Ministry of Economy and Finance) for at least the first 12 months of project implementation. After this period, the situation will be reassessed to determine whether the capacity of the UCE and UCP has been sufficiently strengthened to enable them to implement procurement activities for their respective components.

12. Before the January 2010 earthquake, UCP and UCE were already implementing World Bank (and other donors') projects. Although seriously affected by the earthquake, *both UCE and*

UCP have retained project management capacity and, with the planned technical assistance, are expected to be ready to take over the full fiduciary management of the proposed project within a 12 to 18-month timeframe. The procurement teams in UCP and UCE are experienced in World Bank procedures and well equipped to execute procurement according to the World Bank Guidelines. However, the overall public procurement system in Haiti remains relatively weak; despite recent reforms in the legal and institutional framework for procurement. This generally risky environment for procurement creates serious obstacles to project implementation which have only been exacerbated by the January 2010 earthquake. Consequently, the overall project risk for procurement is HIGH.

A. Procurement Plan

13. The Recipient, at appraisal, developed a simplified procurement plan for project implementation which provides the basis for the procurement methods. This plan has been agreed between the Recipient and the Project Team on February 18, 2010. It will also be available in the project's database and in the World Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

B. Frequency of Procurement Supervision

14. Supervision would be carried out primarily through the prior review by the World Bank of procurement actions. In addition, day-to-day procurement supervision would be supplemented by supervision missions carried out either by World Bank staff or short term consultants at least six times a year, during the first year of implementation.

C. Details of the Procurement Arrangements Involving International Competition

15. Goods and Works and Non Consulting Services.

(a) For a list of contract packages which will be procured following ICB and Direct contracting please see the simplified procurement plan below.

(b) All contracts will be subject to prior review by the World Bank.

Consulting Services.

(a) For a list of Consulting Assignments with short-list of international firms please see the simplified procurement plan below

(b) All consultancy services contracts will be subject to prior review by the World Bank.

(c) **Short lists composed entirely of national consultants:** Short lists of consultants for services estimated to cost less than \$100,000 equivalent per contract, may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

D. Thresholds for Procurement Methods and Prior Review

16. Recommended thresholds for use of the procurement methods specified in the legal agreement, and for World Bank prior review of procurement actions, are identified in the table below. These thresholds, as well as the requirement for prior World Bank review of all contracts, are common to all World Bank projects in Haiti and have served as the basis for the agreed Procurement Plan. Specific contracts which are subject to prior review are detailed in the Procurement Plan agreed at negotiations.

Expenditure Category	Contract Value (Threshold) US \$ thousands	Procurement Method	Contracts Subject to Prior Review
1. Works	>1,000	ICB	All
	100-1,000	NCB	All
	<100	Shopping	All
	Regardless of value	Direct Contracting	All
	Regardless of value	UN	All
	Regardless of value	FA	All
2. Goods, non-consulting services	>100	ICB	All
	25-100	NCB	All
	<25	Shopping	All
	Regardless of value	Direct Contracting	All
	Regardless of value	UN	All
3. Consulting Services - 3.A Firms	Regardless of value	QCBS, QBS, FBS, LCS	All
	<100	CQS	All
	Regardless of value	Single Source	All
- 3.B Individuals	Regardless of value	Comparison of 3 CVs in accordance with Chapter V of the Guidelines	All

ICB(*) = International Competitive Bidding

NCB = National Competitive Bidding

FA = Force Account

DC = Direct Contracting

UN = Procurement from United Nations agencies

(*) or ICB with accelerated procedures

QCBS = Quality- and Cost-Based Selection

QBS = Quality-Based Selection

LCS = Least-Cost Selection

FBS = Fixed Budget Selection

CQS = Selection Based on Consultants' Qualifications

Simplified Procurement Plan.

The agreed simplified procurement plan is presented below.

Contract	Type	Amount (US\$)	Procurement method	Estimated Date of award
Execution of critical budget expenditures – Accounting; Internal control; Procurement	Consultant services	1,000,000	TBD	ND
Provision of equipment and assistance to restore information technology and systems for public finance and banking system	Consultant services, Goods	3,500,000	TBD	ND
Provision of prefab-premises for public finance institutions	Goods	5,500,000	TBD	ND
Component 2. Emergency Rehabilitation of Selected Public Infrastructure				
<i>Identified Priority Infrastructure Works</i>				
RN4 – Works	Works	4,500,000	ICB	May-2010
RN4 – Supervision	Consultant services	400,000	CQS or SSS	May-2010
RN2 – Works	Works	5,500,000	ICB	May-2010
RN2 – Supervision	Consultant services	350,000	CQS or SSS	May-2010
Pont Fauché – Works	Works	3,000,000	ICB	May-2010
Pont Fauché - Supervision	Consultant services	200,000	CQS or SSS	May-2010
Cleaning drainage Port-au-Prince - Works	Works	1,000,000	ICB or TBD	May-2010
Cleaning drainage Port-au-Prince - Supervision	Consultant services	50,000	CQS or SSS	May-2010
<i>Non-Identified Infrastructure Works</i>				
Works and studies to be identified	Works, goods, non-consultant services	20,000,000	TBD	ND
Component 3. Institutional Support, Reconstruction Planning and Project Management				
Port au Prince land-planning study, including data acquisition	Consultant services	1,000,000	QCBS	Jul-2010
Support to crisis governance - Consultants	Consultant services	800,000	Comparison of 3 CVs	Apr-2010
Support to crisis governance - Goods	Goods	200,000	Shopping	Jul-2010
Support to CIAT - Consultants	Consultant services	500,000	Comparison of 3 CVs	Apr-2010
Support to CIAT - Goods	Goods	500,000	Shopping	Jul-2010
Procurement and financial management agent	Consultant services	1,000,000	QCBS	Jun-2010
Audits	Consultant services	200,000	QCBS	Jul-2010
Operational costs implementing agencies		800,000	TBD	ND

Annex 6: Implementation and Monitoring Arrangements

HAITI: Infrastructure and Institutions Emergency Recovery Project

1. The proposed project will be implemented by two existing implementing agencies that are highly experienced in managing IDA resources. These are the *Unité Centrale d'Exécution* (UCE), under MTPTC and the *Unité de Coordination de Projet* (UCP), under the MEF. Although these two entities have been seriously affected by the earthquake, they have retained some implementation capacity and should be able to restore sufficient capacity in short-term in order to be able to continue implementing existing World Bank-financed projects and, with the help of a fiduciary agent, absorb the additional responsibility of implementing the proposed project. These two units are also managing funds from other donors (mostly the IaDB).
2. Specifically, as of February 8, 2010, almost all the UCE staff (about 15 professional and support staff) had resumed working, although some of them had been injured, lost close relatives or lost their personal assets. The UCE main offices have been damaged and the building is unsafe but staffs were able to relate in a smaller building that is part of the same complex. Most UCE archives have also been recovered. The UCE is implementing all IDA-financed projects in the transport sector, including in response to recent natural disaster emergencies (hurricane Noel in 2007, hurricane and tropical storms Fay, Gustav, Hanna and Ike in 2008). Regarding the UCP, one of the four professionals has been killed in the earthquake. UCP offices were not damaged but they offer little additional office space to expand.
3. In order to start implementing the proposed project without waiting for the implementation capacity to be fully recovered, the proposed approach considers three phases: (i) an initial phase, until the PPA closing date, during which PPA activities will be World Bank-executed (PPA financed); (ii) after the grant agreement is effective, a second phase of up to a maximum of 18 months during which fiduciary responsibilities under the Financing Agreement will be handled by an externally-contracted fiduciary agent on behalf of the Government; and (iii) a third phase when all project management responsibilities under the Financing Agreement will be managed by Government agencies. The first two phases may overlap for a few months to avoid any gap between preparation activities (PPA-financed and World-Bank-executed) and implementation activities (Grant-financed and Recipient-executed). The World Bank executes the PPA through its General Service Department (GSD).
4. Component 1 will be implemented by the Project Coordination Unit of the MEF (UCP). This unit has been managing other World Bank-financed projects and is experienced in World Bank procedures. A fiduciary agent will be hired to handle fiduciary procedures (FM and Procurement) in the first 12 months of project operation. After this period, the situation will be reassessed to determine whether sufficient capacity has been restored so that fiduciary responsibilities can be transferred back to the MEF or if the arrangement with the fiduciary agent is extended (eg. by 6 additional months).
5. Components 2 and 3 will be implemented by the Project Implementation Unit of the MTPTC (UCE). This unit has been managing other World Bank-financed projects and is experienced in World Bank procedures. The same fiduciary agent as describe above will also handle fiduciary procedures (FM and Procurement), for activities related to Components 2 and 3, in the first 12 months of project operation. After this period, the situation will be reassessed to

determine whether sufficient capacity has been restored so that fiduciary responsibilities can be transferred back to the MPTC or if the arrangement with the fiduciary agent is extended (eg. by 6 additional months).

Annex 7: Project Preparation and Appraisal Team Members
HAITI: Infrastructure and Institutions Emergency Recovery Project

World Bank staff and consultants who worked on the project included:

Name	Title	Unit
Solange Alliali	Sr. Counsel	LEGLA
Oscar Apodaca	Program Assistant	GFDRR
Alexandre Arrobbio	Sr. Public Sector Specialist	LCSPP
Trish Barrett	Consultant	LCSUW
Reynaldo Bench	Sr. Port Specialist	ETWTR
Anthony Bigio	Sr. Urban Specialist	MNSSD
Pierre Bonneau	Head Guadeloupe Road Agency, seconded French Government	
Max Bonnefil	Consultant (Airport)	LCSTR
Christine De Mariz Rozeira	Economist	LCSPP
Olivier Devoret	Project Management Analyst	LCSTR
Dell' Anna Sergio	Jr. Professional Officer	GFDRR
David Freese	Sr. Finance Officer	LOAFC
Ross Gartley	Operations Officer	LCSUW
Grégoire Gauthier	Transport Engineer	LCSTR
Reidar Kvam	Regional Safeguards Adviser	SAT
Trish MacGowan	Consultant	LCSPT
Licette Moncayo	Program Assistant	LCSTR
Joseph Mubiru Kizito	Sr. Financial Management Specialist	LCSFM
Nicolas Peltier-Thiberge	Sr. Infrastructure Economist, co-TTL	LCSTR
Luc Razafimandimby	Sr. Country Economist, co-TTL	LCSPP
Joaquin Toro	Sr. Disaster Risk Management Specialist	LCSUW
Yao Wottor	Sr. Procurement Specialist	LCSPT

Advisors and Quality Assurance:

Name	Title	Unit
Alan Carroll	Country Operations Adviser	LCC3C
Guang Zhe Chen	Sector Manager	LCSUW
Francis Ghesquiere	Lead Disaster Management Specialist	LCSUW
Jose Luis Irigoyen	Senior Manager (Peer Reviewer)	AFTSN
Abhas Jha	Lead urban Specialist (Peer Reviewer)	EASIN
Lixin Gu	Sr. Infrastructure Specialist (Peer Reviewer)	EASIN
Sumir Lal	Manager (Peer Reviewer)	EXTOC
Mara Warwick	Country Sector Coordinator (Peer Reviewer)	ECSSD
Christina Malmberg Calvo	Sector Leader	LCSSD
Aurelio Menendez	Sector Manager	LCSTR
Christoph Pusch	Lead Disaster Management Spec. (Peer Reviewer)	SASDU

Annex 8: Environmental and Social Safeguards Framework

HAITI: Infrastructure and Institutions Emergency Recovery Project

1. Haiti has an extremely fragile environment, and the damage caused by the earthquake to the physical and social environment has been extensive. Immediate environmental concerns include debris management including hazardous waste and release of polluting substances. There is hardly any forest cover left in the country, and the terrain is steep with unstable slopes. The need for fuel may lead to further deforestation as people cut down the remaining trees, and the likely damage to aquifers and groundwater is high. Given the need for urgent siting and construction of new infrastructure there is also a risk of inadequate capacity or time to undertake the required environmental and impact assessments.
2. On the social side, the injuries and loss of life, as well as destroyed housing and economic assets, have affected poor and rich alike. The poor are however particularly vulnerable, and many will remain dependent on assistance for a considerable time. Their vulnerability to further shocks, whether economic or physical such as rains or hurricanes, speaks to the urgency of the reconstruction effort. A systematic social assessment will analyze and address how the current situation and the proposed reconstruction efforts affect different groups, including gender aspects, impacts on children and the aged, and people with disabilities or injuries.
3. A particular area of concern is displacement of local populations. Large numbers of people have been internally displaced, and there is strong pressure to move people to smaller villages and towns, and reduce the congestion of Port Au Prince. The capital has high numbers of slum dwellers and squatters, and the damage caused by the earthquake has created numerous refugee camps with thousands of occupants on public or private lands. Any reconstruction of housing or relocation of groups of people will need to be addressed with a great deal of caution, to ensure that not only property but also livelihood opportunities are restored. There may also be pressure to simply evict people on the basis of them being illegal occupants of public space. The project will address any needed displacement in a manner consistent with the World Bank's policy on Involuntary Resettlement (see below).
4. There will also be strong pressure to take urgent decisions in a technocratic or autocratic manner, without adequate participation or consultation with affected communities. The project will establish procedures to disseminate information transparently, and to involve affected communities through a systematic consultation process. If well coordinated this can be done without delaying the planned civil works, and will constitute an important element in the overall support and credibility of the reconstruction process, and in strengthening local level governance. The project will therefore ensure that local populations are actively involved in the reconstruction effort. Experience shows this also reduces trauma, and contributes to solutions -- including housing reconstruction -- being more acceptable and viable. Where possible, community led reconstruction rather than contractor led reconstruction will be supported, possibly using the community-based mechanisms developed by other World Bank projects and activities (e.g., Community Driven Development project).

World Bank Safeguard Policies

5. World Bank safeguards policies apply to the project. The project will support the Government's capacity to manage environmental and social aspects, including but not limited to safeguards. Senior international experts will advise the Government and help develop an Environmental and Social Management Framework (ESMF), based on an initial rapid environmental and social assessment as well as on other safeguards instruments existing for other World Bank projects in Haiti. The ESMF will contain key principles to ensure that project activities and the wider coordination efforts: (i) are environmentally and socially sustainable, and (ii) address existing and potential future risks, including project-induced risks from the reconstruction efforts. The ESMF will summarize key applicable policies as well as procedures to identify, minimize or mitigate any adverse impacts; consult with local communities and other key stakeholders such as civil society; and integrate environmental and social considerations into engineering designs and other activities. Components and specific activities supported under the project will be screened and assigned appropriate environmental categories, following procedures established in the ESMF.

6. The ESMF will define responsibilities and procedures to screen, assign appropriate environmental categories, and guide the preparation of sub-project specific EAs and EMPs for activities supported under the project. For sub-projects already identified for support, as well as for future ones, the ESMF will be translated into environmental assessments (EAs) and environmental management plans (EMPs) prior to the start of specific works. The ESMF will incorporate procedures to ensure that any displacement needed under the project is done consistently with OP 4.12.

7. The Project as a whole is categorized as a Category "A" project, with high risks. This is because of the wide ranging nature of activities needed in sensitive and damaged settings, and potential cumulative impacts. The categorization is also based on high social sensitivity in a society which has seen much conflict and civil unrest, and because of weak institutional capacity. Since the project is processed under OP 8.00 as an emergency operation, the preparation of impact assessments and safeguards instruments, along with disclosure of documents, will be done following Board approval. Completion and disclosure of key safeguards instruments are expected within the first six months after the project has been approved. However, core principles of the ESMF will be included in the Project operation manual, to be prepared for Grant effectiveness.

8. Policies triggered under the project include:

- OP/BP 4.01, Environmental Assessment
- OP/BP 4.04, Natural Habitats
- OP/BP 4.09, Pest Management
- OP/BP 4.11, Physical Cultural Resources
- OP/BP 4.12, Involuntary Resettlement

9. The Ministry of Public Works, Transport and Communications will be formally responsible for safeguards management under the project. Their capacity to coordinate and manage safeguards issues is low, and as with other project activities, the implementation capacity will therefore have to be built up gradually in phases. Initial project activities will be World Bank-executed under the PPA, and the World Bank is in the process of recruiting experts to work with the Government who have extensive experience in disaster-related environmental and social management. A robust institutional strengthening program will be supported, and full responsibility for safeguards management will be transferred back to Haitian implementing agencies only when there is sufficient guarantee that they have sufficient capacity. This will require consistent supervision and implementation support from qualified environmental and social experts.

10. The project will establish a set of transparent mediation and grievance redress mechanisms. Ongoing consultations with affected and concerned groups will address potential disagreements or conflicts related to the reconstruction effort, and independent mechanisms such as advisory panels will be established. Their functioning will be monitored as part of project supervision.

11. In the medium term it is expected that the ESMF will form the basis of a coordinated framework for the Government and the international community to incorporate sound environmental and social principles into the broader reconstruction effort. The project will therefore coordinate with other Government agencies, the international community, as well as with civil society and the private sector, to develop a shared and consistent approach incorporating key principles not only of the World Bank's safeguards policies but also good practice standards from other agencies. Equal emphasis will be put on: (i) policies and procedures, (ii) strengthening implementation capacity, and (iii) citizen engagement.

12. Beyond the management and streamlining of social and environmental dimensions in project design, the proposed ESMF will explore the possibility of using social accountability mechanisms (e.g., social audits, citizen report card). In similar circumstances, such mechanisms have been found to help measure citizen satisfaction with restored services and also partially mitigate the risks of corruption and elite capture.

Annex 9: Economic and Financial Analysis

HAITI: Infrastructure and Institutions Emergency Recovery Project

1. **Project objectives and components.** The project objective is to support the Recipient in its early sustainable recovery efforts from the effects of the Emergency, through selected interventions aiming at rebuilding key institutions and infrastructure. The project builds on a PPA and includes the following three components:

- Component 1: Restoring Key Economic and Financial Functions of the Recipient;
- Component 2: Emergency Rehabilitation of Selected Public Infrastructure;
- Component 3: Institutional Support, Reconstruction Planning and Project Management.

2. No quantified economic and financial analysis has been carried out as part of the preparation of the proposed emergency response project. However, for each of the above-mentioned components, a qualitative assessment of the benefits related to the proposed project activities is provided thereafter.

3. **Project Preparation Advance.** Most activities included in the PPA address emergency measures. The benefits stemming from the activities included in this component are: (i) contributing to relieve life-threatening situations – health and nutrition support; (ii) preventing the catastrophe from scaling up, by preparing the execution of selected emergency works, before the next rainy season starts – drainage clean-up, assessments, infrastructure design.

4. **Component 1.** The information collected during the appraisal missions have shown that the Ministry of Economy and Finance (MEF) is not currently able to undertake its normal functions; MEF staff death toll is not known yet but most MEF buildings were destroyed / damaged and archives were lost. No recovery is possible if MEF is not able to resume quickly its activities; the benefits stemming from supporting the MEF are: (i) resuming fiscal revenues; (ii) helping the other line ministries to resume working, especially civil servants payroll functions; (iii) contributing to enhance the effectiveness of the international community financial support to help the country recover.

5. **Component 2.** This component is divided into two sets of activities: (i) already identified transport infrastructure works and (ii) not yet identified transport infrastructure works. Are included in the former category road repairs on RN2 and RN4 and one key bridge. Benefits stemming from this transport infrastructure reconstruction are: (i) the infrastructures will be rebuilt with better standards, using anti-seismic norms – a new construction code for Haiti is currently being financed by another World Bank project; (ii) RN2 and RN4 are among the most circulated roads in Haiti, as they provide access to the South and South-East of the country. Repairing these roads is also key to facilitate land access to the cities of Jacmel, Léogâne and Miragoane, severely stricken by the earthquake.

6. For the transport infrastructure works that have not been identified yet, a specific methodology will be implemented during project implementation to ensure that selected

investments are appropriate. The methodology principles are the following; selected investments should be:

- Designed based on a rational and efficient option analysis including technical, financial, social, environmental and safety considerations;
- Consistent with the Government of Haiti strategy and the national reconstruction plan, once available;
- Given first priority if they address restoration of destroyed or damaged services or facilities, especially those for vulnerable groups, for which no other sources of reconstruction financing are available;
- To the extent possible, in accordance with national standards, procedures and codes;
- Designed to ensure sustainable service delivery, including the financing of equipment and capacity building;
- Able to be completed prior to the Grant Closing Date set forth in the Grant Agreement.

7. **Component 3.** Institutional support is a key cross-cutting dimension to deal with, as many assets have been lost. This support focuses not only on skills / knowledge but also on basic institutional infrastructure needs. As shown in the first weeks after the disaster, effective coordination proves to be essential. Benefits stemming from this component are: (i) fostering Government of Haiti recovery process and project appropriation, enabling it to develop a strategic vision; (ii) help reconciling immediate needs with longer run plans.

8. **Build Back Better principles.** Infrastructure designs will aim at improving the resilience of the corresponding infrastructure to future natural disasters. This includes evaluating the risks, conducting cost-benefit analysis, and using appropriate technical solutions (eg. seismic stops for bridges). It is expected that the constitution of the “engineering clearing house” within MTPTC will help identify and disseminate innovative and sound building practices. Through other IDA-financed operations, the World Bank is also financing the rewriting of Haiti’s construction code. Particular attention will be granted to the dissemination of these technical norms within construction designers and contractors, as well as to the general public, considering that self-construction practices are wide-spread in Haiti.

Annex 10: Documents in Project Files
HAITI: Infrastructure and Institutions Emergency Recovery Project

Power point presentation “Haiti earthquake emergency: A first Glance at the Situation”, BBL, Jan. 28, 2010.

Aide memoire of pre-appraisal mission (Feb. 1-5, 2010) signed between MTPTC and WB

Minutes of *Groupe Sectoriel Transport*, hosted by the WB in Port-au-Prince, on Feb. 3, 2010

Joint aide memoire WB-EU-IaDB signed with MEF (Feb. 5, 2010)

Annex 11: Statement of Loans and Credits
HAITI: Infrastructure and Institutions Emergency Recovery Project

Project ID	FY	Purpose	Original Amount in US\$ Millions					Difference between expected and actual disbursements		
			IBRD	IDA	SF	GEF	Cancel.	Undisb.	Orig.	Frm. Rev'd
P115261	2009	HT: Emergency School Reconstruction	0.00	5.00	0.00	0.00	0.00	4.50	1.45	0.00
P114292	2009	HT Emerg Bridge Reconst & Vulnerab Reduc	0.00	20.00	0.00	0.00	0.00	17.64	6.50	0.00
P113623	2009	HT Strength. Mgmt of Agr Pub Serv GFRP	0.00	5.00	0.00	0.00	0.00	5.42	0.57	0.00
P111667	2009	HT Avian Human Influenza Emergency	0.00	1.56	0.00	0.00	0.00	1.22	0.78	0.68
P106699	2008	HT Urban CDD / PRODEPUR	0.00	15.70	0.00	0.00	0.00	12.05	0.22	0.00
P106621	2008	HT Meeting Teacher Needs for EFA	0.00	6.00	0.00	0.00	0.00	4.68	-0.76	0.00
P104690	2007	HT Catastrophe Insurance Project	0.00	9.00	0.00	0.00	0.00	0.35	0.01	0.00
P099918	2007	HT (APL1) Education For All	0.00	25.00	0.00	0.00	0.00	16.92	1.80	0.00
P098531	2007	HT Electricity Project	0.00	11.00	0.00	0.00	0.00	9.59	4.05	0.53
P089839	2007	HT Rural Water and Sanitation	0.00	5.00	0.00	0.00	0.00	3.23	1.81	0.00
P095523	2006	HT Transport and Territorial Devopment	0.00	28.00	0.00	0.00	0.00	24.51	7.11	0.00
P095371	2006	HT Economic Governance TAG II	0.00	2.00	0.00	0.00	0.00	1.74	1.53	0.00
P093640	2006	HT CDD Project (PRODEP)	0.00	46.00	0.00	0.00	0.00	11.61	-0.16	1.05
P090159	2005	HT Emergency Recov.& Disaster Management	0.00	19.40	0.00	0.00	0.00	7.49	-0.22	4.28
Total:			0.00	198.66	0.00	0.00	0.00	120.95	24.69	6.54

HAITI
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2006	Digicel Haiti	15.00	0.00	0.00	0.00	15.00	0.00	0.00	0.00
1998	MicroCredit	0.00	0.27	0.00	0.00	0.00	0.27	0.00	0.00
Total portfolio:		15.00	0.27	0.00	0.00	15.00	0.27	0.00	0.00

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic.
Total pending commitment:		0.00	0.00	0.00	0.00

Annex 12: Country at a Glance

HAITI: Infrastructure and Institutions Emergency Recovery Project

Haiti at a glance

9/24/08

POVERTY and SOCIAL

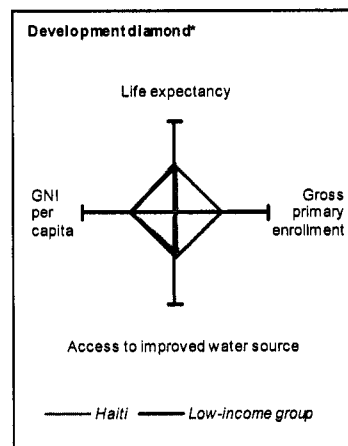
	Haiti	Latin America & Carib.	Low-income
2007			
Population, mid-year (millions)	9.6	563	1296
GNI per capita (Atlas method, US\$)	560	5,540	578
GNI (Atlas method, US\$ billions)	5.4	3,18	749

Average annual growth, 2001-07

	Haiti	Latin America & Carib.	Low-income
Population (%)	16	13	2.2
Laborforce (%)	2.7	2.1	2.7

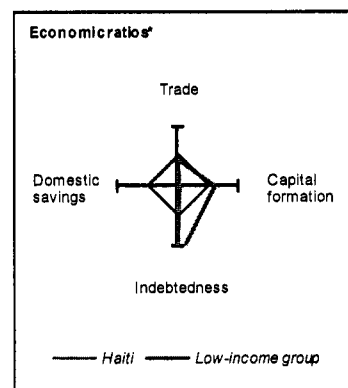
Most recent estimate (latest year available, 2001-07)

	Haiti	Latin America & Carib.	Low-income
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	45	78	32
Life expectancy at birth (years)	60	73	57
Infant mortality (per 1000 live births)	60	22	85
Child malnutrition (% of children under 5)	19	5	29
Access to an improved water source (% of population)	58	91	68
Literacy (% of population age 15+)	..	90	61
Gross primary enrollment (% of school-age population)	..	118	94
Male	..	120	100
Female	..	118	89



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

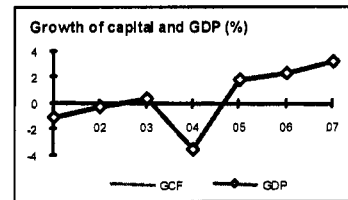
	1987	1997	2006	2007
GDP (US\$ billions)	2.2	3.2	5.0	6.1
Gross capital formation/GDP	14.3	24.7	28.9	..
Exports of goods and services/GDP	15.7	10.5	14.1	..
Gross domestic savings/GDP	4.8	8.6	-0.3	..
Gross national savings/GDP	..	16.9	..	..
Current account balance/GDP	..	-7.2	-0.9	..
Interest payments/GDP	0.4	0.4	0.3	..
Total debt/GDP	40.7	27.4	24.0	..
Total debt service/exports	..	5.5	8.4	..
Present value of debt/GDP	..	..	18.7	..
Present value of debt/exports	..	..	18.7	..



	1987-97	1997-07	2006	2007	2007-11
(average annual growth)					
GDP	-2.7	0.3	2.3	3.2	..
GDP per capita	-4.6	-1.3	0.7	1.4	..
Exports of goods and services	-1.6	..	..	..	..

STRUCTURE of the ECONOMY

	1987	1997	2006	2007
(% of GDP)				
Agriculture	..	22.4	..	..
Industry	..	33.8	..	..
Manufacturing	..	11.5	..	..
Services	..	43.8	..	..
Household final consumption expenditure	85.7	83.5	91.3	..
General gov't final consumption expenditure	9.5	7.9	9.0	..
Imports of goods and services	25.1	26.6	43.3	..



	1987-97	1997-07	2006	2007
(average annual growth)				
Agriculture	2.9	..	..	..
Industry	-9.5	..	..	..
Manufacturing	-2.5	..	..	..
Services	0.9	..	..	..
Household final consumption expenditure	..	..	..	..
General gov't final consumption expenditure	..	..	..	..
Gross capital formation	-11.8	..	..	..
Imports of goods and services	4.3	..	..	..

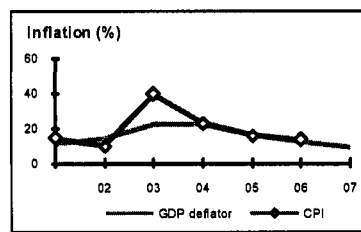
Note: 2007 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

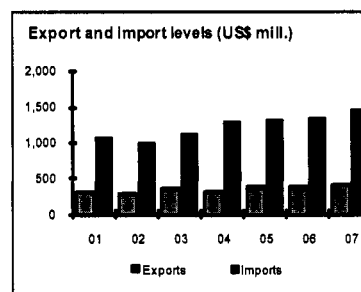
PRICES and GOVERNMENT FINANCE

	1987	1997	2006	2007
Domestic prices				
<i>(% change)</i>				
Consumer prices	-11.4	20.4	13.0	..
Implicit GDP deflator	-2.7	9.6	12.4	9.3
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	..	9.0	13.3	..
Current budget balance	..	0.9	3.5	..
Overall surplus/deficit	..	-0.4	-2.1	..



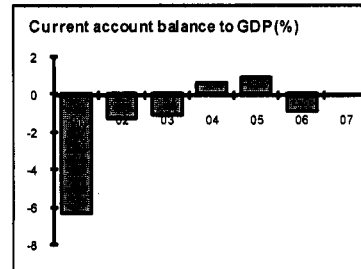
TRADE

	1987	1997	2006	2007
<i>(US\$ millions)</i>				
Total exports (fob)	198	196	384	420
Coffee	34	13	..	..
Sisal and sisal strings	9	1	..	..
Manufactures	132	159	336	370
Total imports (cif)	315	707	1,329	1,451
Food	72	200	..	..
Fuel and energy	48	75	..	..
Capital goods	67	92	5,489	5,723
Export price index (2000=100)	..	..	..	..
Import price index (2000=100)	..	..	..	..
Terms of trade (2000=100)	..	..	..	..



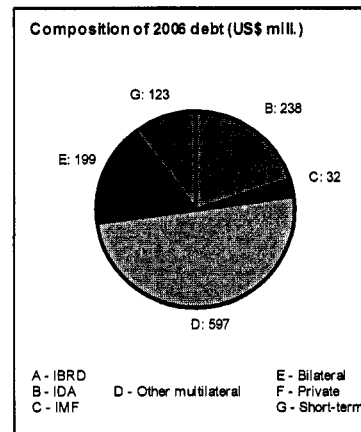
BALANCE of PAYMENTS

	1987	1997	2006	2007
<i>(US\$ millions)</i>				
Exports of goods and services	..	380	675	..
Imports of goods and services	..	881	2,067	..
Resource balance	..	-501	-1,392	..
Net income	..	13	-20	..
Net current transfers	..	256	..	..
Current account balance	..	-232	-45	..
Financing items (net)	..	259	..	..
Changes in net reserves	..	-28	..	..
Memo:				
Reserves including gold (US\$ millions)	26	266	..	..
Conversion rate (DEC, local/US\$)	5.0	16.7	40.4	36.9



EXTERNAL DEBT and RESOURCE FLOWS

	1987	1997	2006	2007
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	879	884	1,189	..
IBRD	0	0	0	0
IDA	279	285	238	518
Total debt service	65	36	57	..
IBRD	0	0	0	0
IDA	3	7	11	18
Composition of net resource flows				
Official grants	108	133	301	..
Official creditors	74	41	29	..
Private creditors	-2	0	0	..
Foreign direct investment (net inflows)	5	4	160	..
Portfolio equity (net inflows)	0	0	0	..
World Bank program				
Commitments	63	0	0	0
Disbursements	48	0	0	0
Principal repayments	1	4	9	15
Net flows	48	-4	-9	-15
Interest payments	2	2	2	4
Net transfers	45	-6	-11	-18











Note: This table was produced from the Development Economics LDB database.

9/24/08

MAP SECTION

HAITI INFRASTRUCTURE AND INSTITUTIONS EMERGENCY RECOVERY PROJECT

-  **COMPONENT 2: IDENTIFIED INFRASTRUCTURE REPAIRS**
-  CITIES AND TOWNS
-  DEPARTMENT CAPITALS
-  NATIONAL CAPITAL
-  MAIN ROADS
-  RAILROADS
-  DEPARTMENT BOUNDARIES
-  INTERNATIONAL BOUNDARIES

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