

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.:
AB5465

Project Name	Infrastructure and Institutions Emergency Recovery Project
Region	LATIN AMERICA AND CARIBBEAN
Sector	General transportation sector (50%); Flood protection (30%); Central government administration (20%)
Project ID	P120895
Borrower(s)	Republic of Haiti
Implementing Agency	
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Environment Category	<input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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Country and Sector Background

1. Haiti is the poorest country in the Western Hemisphere and one of the most disadvantaged in the world. Some 76 percent of its population of eight 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 some US\$169.5 millions in damages, and took 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 14,776 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 the storms on the population was some 793 killed, and 301 injured, with 1 million affected.

2. Despite such an adverse environment, the Haitian economy has shown several signs of positive performance: The economic growth averaged 2.5 percent per annum over the past three years. The economic performance through Fiscal Year (FY) 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) which 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.
3. The country's situation changed dramatically on January 12, 2010, when Haiti was shaken by a 7.3 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 and Jacmel were also affected. The earthquake caused massive destruction of numerous public and private infrastructures, including hospitals, schools, government buildings, houses and roads.
4. The capacity of the Haitian Government has been severely hindered by both the loss of life of critical staff of various Ministries, and by the partial or total collapse of its primary buildings. However, some Haitian institutions have kept significant operational capacity and have been actively involved in the emergency response. The *Centre National d'Équipement* (CNE) has removed most of the corpses in the days following the disaster and reopened most of the key urban streets. The DINEPA has been distributing water to refugees. The Ministry of Public Works, Transport and Communication (MTPTC) has constituted teams of engineers to assess damaged buildings and evaluate which ones would need to be destroyed due to security concerns. To coordinate interventions, the Government of Haiti has established several crisis governance mechanisms.
5. This disaster represents a major setback for 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 earthquake¹. The fiscal balance is projected to deteriorate very substantially. About 85% 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

¹ This estimate is comparable to the loss of GDP suffered by other countries following major natural disasters. It is too early to present estimates of the total damage caused by the earthquake, but it is likely to be much larger than that of the 2008 hurricanes, which caused losses in the order of US\$900 million (15 percent of GDP).

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.

6. 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 US\$100m 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 is well aware of the importance of aid coordination to ensure aid effectiveness and several coordination initiatives already took place.

Objectives

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

Rationale for Bank Involvement

8. The World Bank has been a key partner of the Government of Haiti. Since January 2005, the Bank has provided a total of US\$308 million for Haiti through IDA Grants. In addition, since 2003 the World Bank has given more than US\$55 million in technical assistance grants. Since 1984, the World Bank has responded and assisted developing countries with technical and financial resources in as many as 67 earthquakes. The Bank has thus accumulated expertise in developing and implementing disaster recovery, reconstruction and risk reduction interventions in catastrophic disasters in various countries, and it can use this experience in supporting Haitian authorities in the post-earthquake reconstruction phase.
9. In the initial phase following the earthquake, the World Bank-hosted Global Facility for Disaster Reduction and Recovery (GFDRR) has also been a leading contributor to the Post Disaster Needs Assessment to be performed from February 8 to 29, 2010. The World Bank, the United Nations and the European Union pooled their technical resources to help Haitian authorities to: (i) estimate the overall impact of the earthquake on the socio-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 through the technical and policy assistance to strengthen their national disaster risk management system and facilitate the coherent and effective implementation of the identified activities.
10. The Bank is also closely associated to other international initiatives supporting Haiti in the aftermath of the January 12, 2010 earthquake. They include in particular debt cancellation initiatives and the establishment of new financing mechanisms (e.g. Creation of a Multi-Donor Trust Fund).

Description

11. The Project includes three components.
12. Component 1. Re-establishing key economic and financial functions of the Government (US\$ 10 Million). This component includes (i) the reinstatement of the Ministry of Finance's basic functions, such as budget execution, monitoring and control; and tax collection; and (ii) activities to help fully operationalize key institutions such as the Central Bank, the Procurement Regulatory Agency (*Commission Nationale des Marchés Publics* – CNMP) and the National Statistical Institute (IHSI) that was partially destroyed during the earthquake. Recovery of the key functions of the Ministry of Finance and of these institutions 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 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). ; (ii) the provision of equipment for these institutions to operate; and (iii) the provision of technical assistance addressing specific requests and needs to restore capacity to execute and control expenditures.
13. Component 2. Emergency Rehabilitation of Selected Public Infrastructure (US\$ 35 Million). This component includes the emergency rehabilitation or reconstruction of key public infrastructure, including roads, bridges, government administration buildings, debris management sites, as well as related studies and supervision. A number of these key infrastructure investments have already been identified (sub-component 3.1., estimated cost of US\$15m). These are: 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, 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. An unallocated reserve of US\$20m will help finance additional infrastructure works to be prioritized by the Government of Haiti. Possible eligible investments may include: (i) bridge repairs; (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 would also be eligible. Infrastructure designs would include "build back better" principles, and in particular seek to increase the resilience of rebuilt infrastructure.
14. Component 3. Institutional Support, Reconstruction Planning and Project Management (US\$5 Million). This component will support the functioning capacity of key Haitian institutions that are part of the Government of Haiti crisis governance framework. It will also contribute to supporting planning activities for the short, medium and long-term reconstruction phases. An important Haitian institution that should contribute to the reconstruction planning is the Inter-ministerial Commission for Territorial Development (CIAT). The areas covered by the proposed institutional strengthening activities 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. This component will also finance project management activities. Support to the constitution of an engineering clearinghouse in MTPTC is also envisaged under this component 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.

The Project will also refund a US\$15 million Project Preparation Advance (PPA). This PPA was approved by the World Bank to 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). The PPA also finances 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 finances 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 buildings' assessments).

Financing

Source:	(US\$m.)
BORROWER/RECIPIENT	0.0
IDA Grant	65.0
	Total 65.0

Implementation

15. The implementation capacity of Haitian institutions has been dramatically affected by the earthquake. 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 of 2-3 months until the grant agreement is signed, during which project activities will be Bank-executed; (ii) a second phase of a maximum of 18 months during which fiduciary responsibilities will be handled by an externally-contracted fiduciary agent on behalf of the Government; and (iii) a third phase when all project management responsibilities will be managed by Government agencies. In parallel to the successive three phases, an aggressive institutional strengthening program will be implemented in order to restore and build up the capacity of Haitian institutions.

16. Component 1 will be implemented by the Project Implementation Unit of the MEF (Unité de Coordination des Projets). This unit has been managing other Bank-financed projects and is experienced in Bank procedures. A fiduciary agent will be hired to handle fiduciary procedures in the first 18 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.

17. Components 2 and 3 will be implemented by the Project Implementation Unit of the MTPTC (Unité Centrale d'Exécution). This unit has been managing other Bank-financed projects and is experienced in Bank procedures. The main offices of the UCE have been damaged by the earthquake but staffs are safe and archives have been recovered. A fiduciary agent will be hired to handle fiduciary procedures in the first 18 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 MTPTC or if the arrangement with the fiduciary agent is extended.

Sustainability

18. The project's closing date is June 30, 2013. Although the project is being processed as an emergency operation, a three year execution period is proposed to allow for additional time to consolidate the sustainability of technical assistance program.

Lessons Learned from Past Operations in the Country/Sector

19. The proposed project design takes into account lessons learned from previous operations in Haiti and from Bank-wide experience with emergency response operations. Those include in particular the following.
20. Simplified objectives and scope limited to a few specific sectors: While needs are enormous in many other sectors than just transport, complex multi-sector operations are difficult to implement, particularly under emergency procedures.
21. Use of reinforced existing implementing agencies: building new institutional capacity in Haiti is likely to create delays that are not compatible with the implementation of an emergency operation.
22. Strong technical assistance package to accompany implementation and build capacity: the proposed project includes a comprehensive technical assistance package to address this issue.
23. Early engagement is key to success. While there are risks associated with emergency operations, potential rewards are also higher. The proposed operation intends to respond swiftly to the needs expressed by the Government of Haiti.
24. Emergency operations should complement other 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 effectively complements the Bank's portfolio. To maximize the proposed operation's efficiency, it has been prepared in close collaboration with other development partners.

Safeguard Policies (including public consultation)

25. 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 because of the social sensitivity and of the weak institutional capacity.

26. Among the 10 existing safeguard policies, 5 have been triggered to ensure the adoption of measures to adhere to these policies. These are OP/BP 4.01 on Environmental Assessment, OP/BP 4.04 on Natural Habitats, OP/BP 4.09 on Pest Management, OP/BP 4.11 on Physical Cultural Resources and OP/BP 4.12 on Involuntary Resettlement.
27. In response to the three first policies, an Environmental and Social Management Framework will be drafted and the fifth policy will lead to the adoption of a Resettlement Management Framework.

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