

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HAITI

**INSTITUTIONAL STRENGTHENING AND REFORM
OF THE WATER AND SANITATION SECTOR I**

(HA-L1090 – HA-G1032)

GRANT PROPOSAL

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1.	Ex Ante Economic Analysis http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38771346
2.	Project Profile (HA-L1090) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38238255
3.	Monitoring and Evaluation Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38771356
4.	Environmental and Social Management Report (ESMR) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38771368
5.	TC Document Support to the preparation of operation HA-L1090 (HA-T1194) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38745772
6.	Compliance of HA-L1090 program with the IDB Public Utilities Policy (GN-2716-6) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38771376
7.	<i>Le Moniteur, Journal Officiel de la République d'Haïti</i> , Framework Law on the organization of the sector of drinking water and sanitation sector, March, 2008 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38188546
8.	Legal Opinion dated April 2 nd , 2014 by Director of Legal Affairs of the Ministry of Economy and Finance of the Republic of Haiti http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38717791
9.	DINEPA, Implementation of new organizational structures, implementation plan, Haiti, December, 2009 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38188551
10.	DINEPA – Strategic Sector Plan for Water and Sanitation Sector, Haiti, update 2010 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38771380

ABBREVIATIONS

AECID	<i>Agencia Española de Cooperación Internacional para el Desarrollo</i> (Spanish Agency for International Development Cooperation)
AFD	<i>Agence Française de Développement</i> (French Agency for Development)
ATO	<i>Assistance Technique Opérationnelle</i> (Operational Technical Assistance)
CAEPA	<i>Comité d'Approvisionnement en Eau Potable et Assainissement</i> (Water Supply and Sanitation Committee)
CAMEP	<i>Centrale Autonome Métropolitaine d'Eau Potable</i> (Metropolitan Autonomous Public Water Utility)
CDC	Center for Disease Control
CEPA	<i>Comité d'Eau Potable et d'Assainissement</i> (Water and Sanitation Committee)
CTE	<i>Centre Technique d'Exploitation</i> (Technical Operation Center)
DINEPA	<i>Direction Nationale de l'Eau Potable et de l'Assainissement</i> (National Directorate for Water and Sanitation)
EA	Executing Agency
ESMR	Environmental and Social Management Report
FECASALC	Fondo Español de Cooperación para Agua y Saneamiento en América Latina y el Caribe (Spanish Water and Sanitation Cooperation Fund for Latin America and the Caribbean)
FY	Fiscal Year
GDP	Gross Domestic Product
GoH	Government of Haiti
HRF	Haiti Reconstruction Fund
HTG	Haitian Gourdes
IDB	Inter-American Development Bank
IMF	International Monetary Fund
MEF	Ministry of Economy and Finance
MTPTC	Ministry of Public Works, Transportation and Communications
NGO	Non-Governmental Agency
OMRH	<i>Office de Management des Ressources Humaines</i> (Human Resources Management Office)
OREPA	<i>Office Régional d'Eau Potable et d'Assainissement</i> (Regional Water and Sanitation Office)
PBG	Policy Based Grant
PPP	Public/Private Partnership
PUP	Public Utility Policy
SNEP	<i>Service National d'Eau Potable et d'Assainissement</i> - (National Public Water and Sanitation Utility)
SSP	Strategic Sector Plan
UNICEF	United Nations Children's Fund
URD	<i>Unité Rurale Départementale</i> (Rural Departmental Unit)
WB	World Bank
WHO	World Health Organization

PROJECT SUMMARY

HAITI

INSTITUTIONAL STRENGTHENING AND REFORM OF THE WATER AND SANITATION SECTOR I

(HA-L1090 – HA-G1032)

Financial Terms and Conditions	
Beneficiary: Republic of Haiti	
Executing Agency: Ministry of Economy and Finance (MEF)	
Source	Amount (US\$)
IDB (Grant Facility)	15,000,000
Haiti Reconstruction Fund (HRF)	14,000,000
Local	0
Total	29,000,000
Disbursement Period:	12 months
Project at a Glance	
Project Objective/Description: <p>The overall objective of the program is to improve water and sanitation coverage in Haiti. The specific objective is to speed up the reform process by improving the governance of the water and sanitation sector and the service provider's performance.</p> <p>The proposed program is the first operation of a Programmatic PBG consisting of a series of three operations to support the Government of Haiti (GoH) and seeks to address the policy, legal and institutional constraints that prevent an effective and sustainable implementation, output delivery and impact of the investment operations currently under execution and financed by the IDB and the Spanish Water and Sanitation Cooperation Fund for Latin America and the Caribbean (FECASALC), and expected for the following years in the water and sanitation sector.</p>	
Special contractual clauses: The disbursement of the single tranche of this operation is subject to presentation by the GoH of evidence satisfactory to the IDB that the conditions described in Annex II - Policy Matrix have been duly fulfilled in accordance with the Means of Verification Matrix (¶2.1).	
Exceptions to Bank policies: None	
Project qualifies for: SEQ [X] PTI [X] Sector [X] Geographic [] Headcount []	

I. DESCRIPTION AND RESULT MONITORING

A. Background, problem addressed and justification

- 1.1 The proposed program is the first Policy Based Grant (PBG) of a Programmatic PBG consisting of a series of three PBGs to support the Government of Haiti (GoH) to implement policy, institutional and legal reforms in the water and sanitation sector. This first PBG will draw upon the resources from the IDB Grant Facility in the amount of US\$15 million. An additional US\$14 million will be contributed through the Haiti Reconstruction Fund (HRF). The administrative process is currently under way.¹

1. Macroeconomic Outlook

- 1.2 Haitian economic growth has accelerated. The growth rate of the Gross Domestic Product (GDP) was 4.3% for Fiscal Year (FY) 2013, above estimates, and was driven among other things by a stronger performance of the agriculture sector (vs previous years). Economic stability has been assured by a solvent economic policy. Single digit inflation has been the norm in Haiti for the past few years and was 6.8% in FY2013 (average). The exchange rate remains stable, and has increased only marginally in the past years, from 42 HTG/USD in 2012 to 43.8 HTG/USD in 2013. The State is committed to assisting the most vulnerable through EDE PEP (Help the people), reaching to more than 3 million through the various programs in place by January 2014: support to mothers, students, aged and physically challenged people, free schooling, feeding programs, small credits to woman and in-kind donations to peasants. It is important to note that even though further work is still needed, much of the emergency issues following the earthquake have been dramatically improved (tents and rubble have been greatly reduced, and the cholera outbreak has been controlled), and public investment in infrastructure has been kept at high levels. In particular, this grant operation has an important role to play since it will provide the equivalent of 2.2% of GoH's total capital expenditures (considering both IDB's and HRF's funds combined, that is US\$29M). In that context, moderate fiscal and external deficits have emerged. Overall fiscal deficit was 6.7% in FY2103 (up from 4.8% in FY2012), and the current account deficit reached 6.5% (up from 5.4% in FY2012). It follows that low tax collection and narrow export base are two of the government's and international community's main sources of concern. In fact, following the Debt Sustainability Framework of the International Monetary Fund (IMF) and the World Bank (WB), Haiti's debt indicators projected into the future breach indicative safety threshold for many years, and by doing so, Haiti is automatically classified as a high risk country (despite not currently having difficulties regarding debt service). Highlighting short term stability, the IMF's board has recently

¹ A request has been presented by the HRF to participate, with additional financing up to US\$14,000,000, in IDB's Water Sector Budget Support operation, with funds to be channeled through IDB as a Partner Entity (HA-G1032). The formal process is expected to be completed by the HRF and all of its partners before the date of examination of this project by IDB Board of Executive Directors. HRF certification process includes: (i) submission of a project concept note by the council of ministers of Haiti to a multi-donor committee that administers the fund; (ii) approval by the committee; and (iii) submission of certification minutes from HRF committee to the Bank authorizing the utilization of funds.

approved (with one waiver) the 7th review of the program with Haiti on March 26, 2013. The Independent Macroeconomic Assessment ([IMA](#)) concludes in a similar fashion, that while there are risks and vulnerabilities (natural disasters or a sudden stop in PetroCaribe for example), it is considered appropriate to extend Policy Based Grants to Haiti at this time.

2. Structure and performance of the water and sanitation sector

- 1.3 Despite some efforts to modernize the sector and develop access to services, conditions of access to water and sanitation in Haiti are still the worst of the Western Hemisphere. The services provided are characterized by very low water coverage (about 77% of urban residents and 48% of rural residents), unreliable supply (less than four hours a day), and high rates of unaccounted for water of up to 90% in some systems and untested water quality.² For instance, in Port-au-Prince, a city of more than three million inhabitants, only 70% of the population has access to the service either through water kiosks or individual connections. Physical water losses amount to 30% of the water produced while commercial losses reach 53%, and 83%³ of the water produced is not billed. This figure ranges between 40% and 60% of water produced in many Latin American and Caribbean cities. Sanitation services are virtually non-existent with a 34% access to sanitation in urban areas and 17% in rural areas.⁴ There is no sewerage network in Haiti.
- 1.4 Investments in the sector have considerably increased since the initiation of the reform, which was impulsed by the Bank⁵ since 1998 and outlined in the Framework Law⁶ of 2009. These investments are supported by the Bank through operations targeting Port au Prince, secondary cities and rural areas in terms of water and sanitation services. These operations include also institutional support.⁷ The Spanish Water and Sanitation Cooperation Fund for Latin America and the Caribbean (FECASALC) is also an important contributor since 2009⁸. When created in 2009, the National Directorate for Water and Sanitation (DINEPA) had a portfolio of US\$60.6 million. As of now, it reaches more than US\$300 million⁹

² World Health Organization (WHO)/United Nations Children's Fund (UNICEF), Progress on drinking water and sanitation, 2013 update. Data provided by this report is from 2011.

³ EGIS, Mission report. Supervision of operational technical assistance to CTE RMPP, February 2013.

⁴ WHO/UNICEF, Progress on drinking water and sanitation, 2013 update.

⁵ Operation 2381/GR-HA (ex-1010/SF-HA) approved in 1998 for an amount of US\$54.0M and cofinancing by the Opec Fund for International Development (OFID) (operation 900/OP-HA for an amount of US\$6.6M).

⁶ *Loi Cadre portant organisation du secteur de l'eau potable et de l'assainissement*. The Framework Law was approved unanimously in Congress in January 2009 and published in March 2009. The Framework Law contemplates: (i) the creation of a regulation entity; (ii) the diversification in the nature of the service providers; and (iii) the separation of the functions of planning/regulation, ownership of the systems and operation of the services.

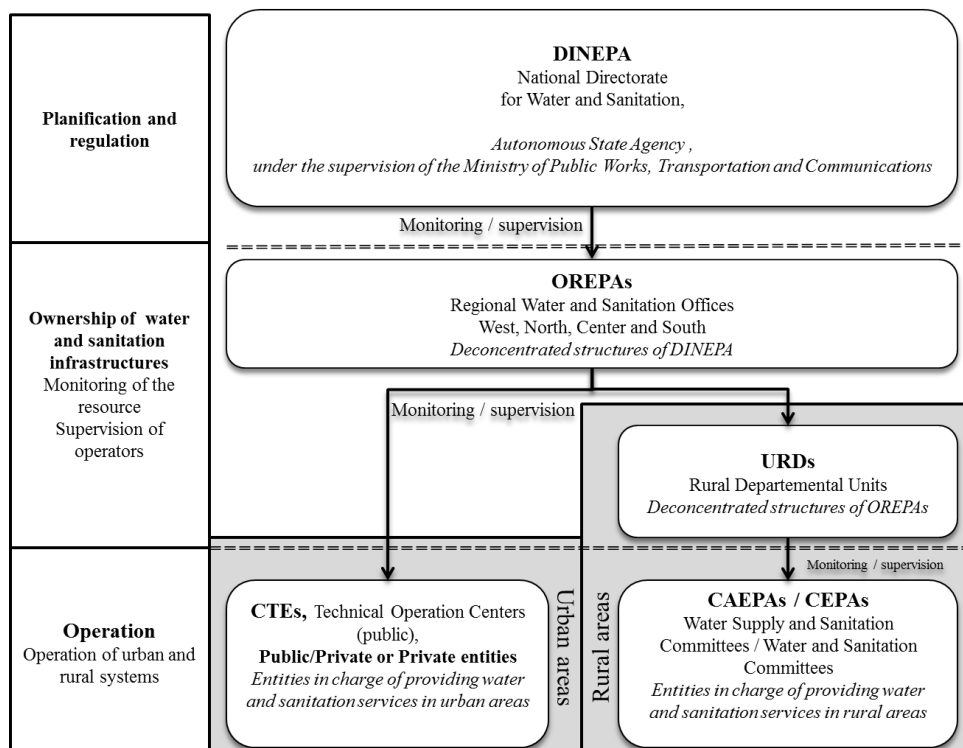
⁷ IDB administers a portfolio in the sector for a total approved amount of US\$215 million: (i) Drinking Water and Sector Reform; (ii) Water and Sanitation for Intermediate Cities; (iii) Rural Water and Sanitation Program; (iv) Rural Water and Sanitation Program (II); (v) Port au Prince Water and Sanitation Program; (vi) Port au Prince Water and Sanitation Program II; and, (vii) Emergency Response for the Containment of the Cholera.

⁸ The FECASALC supports the sector through (i) operations administrated by the Bank for an amount of US\$70.0M and, (ii) a US\$100.0M operation administrated by AECID (Spanish Agency for International Development Cooperation).

⁹ In addition to IDB and FECASALC supports, the Center for Disease Control (CDC), with a program to contain cholera (US\$2.5M), Swiss Cooperation through its Directorate for Development and Cooperation-DDC- (US\$1.65M) and UNICEF (US\$2.0M) also support DINEPA's investments in the sector. In total, DINEPA receives supports for an estimated amount of US\$323.6M. On the other hand, a national budgetary support to DINEPA's operating costs and investments totaled US\$6.5M for 2012/2013, which represents less than 2% of its portfolio.

and 43% of that amount is already disbursed. Nevertheless, lessons learned from the implementation of these investments demonstrated that they are not sufficient to guarantee the durability of water and sanitation services. The sector lacks effective institutional structures to ensure efficient use of public resources, delivery of quality and sustainable services, and solid sector oversight. The Framework Law contemplates that DINEPA will manage the transformation of the sector while maintaining its role as the policy setting and regulatory entity for the sector.¹⁰

Figure 1 - Organizational chart of the water and sanitation sector in Haiti



- 1.5 Yet, the implementation of the institutional reform has been very slow, due mainly to a lack of capacity from the GoH to move ahead with the reform process. Institutional support through IDB investment operations has not been sufficient to boost the reform process. That situation was exacerbated by the fact that DINEPA had to respond to the emergency situation created by the earthquake of January 2010 and an outbreak of cholera in October of that same year. The Programmatic PBG is now timely appropriate to address this challenge. In 2010, the two former public utilities, the National Public Water and Sanitation Utility (SNEP)¹¹ and the Metropolitan Public Water Utility (CAMEP)¹² were dissolved, as contemplated in the Framework Law, and four Regional Water and Sanitation Offices (OREPAs) were established as deconcentrated entities of DINEPA. The latter are the owners

¹⁰ Based on lessons learned from other countries where it was difficult to ensure the independence of the regulator, the Haitian authorities took the decision to organize the sector with the creation of an entity, DINEPA, responsible for planning and regulation, under the supervision of the Ministry of Public Works, Transportation and Communication (MTPTC).

¹¹ SNEP, which attended all of the country except Port-au-Prince.

¹² CAMEP, which attended Port-au-Prince only.

of the water and sanitation infrastructure and are responsible for the implementation of sector policy and administrative operations in their territorial divisions. However, the OREPAs are currently very weak and their policies and operating procedures have not been defined by an organic law. The public water utilities in urban areas, currently called Technical Operation Centers (CTEs), act as service providers, though they do not have any legal existence yet.¹³ In addition, DINEPA should have progressively acted as a regulatory entity according to the Framework Law. However, the institution has actually been mostly involved in the execution of investment projects funded by donors or by the GoH.¹⁴

- 1.6 The sustainability of services provided to the population does not only depend on infrastructure investments, but also on an adequate management of services. The latter depends, in turn, on the completion of the reform process, which should allow for: (i) an effective separation between regulation/planning, ownership and operation; (ii) a diversification of the service providers; and (iii) decentralization. This model of reform is based on lessons learned from various experiences in the water and sanitation sector.¹⁵ This process should enable a resolution of certain challenges which are discussed in the next section.

3. Factors limiting population's access to water and sanitation

- 1.7 The reform process has initiated but has been evolving very slowly and the overall organization of the sector is still extremely centralized. This situation impacts negatively any improvement in the provision of sustainable water and sanitation services to the population. Thus, several challenges still exist such as: (i) the completion of the water and sanitation legal framework; (ii) strengthening of DINEPA in its functions of planning and regulation; (iii) the improvement of the service providers' performance; and (iv) the promotion and strengthening of the sanitation sub-sector to cover the sanitation needs of the population.

a) Incomplete legal framework

- 1.8 Today, the legal framework is incomplete. First, DINEPA's Board of Directors has not been created. The relevant authorities have only recently taken steps to implement it. In this context, all the decisions are taken by DINEPA's General Director, in consultation with the MTPTC¹⁶ whereas the Framework Law contemplates that the Board of Directors should supervise him, approve the sector policy, the annual plan, the budget, norms and any adjustment to tariffs and regulations.¹⁷ This situation is thus characterized by a lack of adequate governance in the decision-making process. Moreover, the Framework Law has allowed, indeed, for the separation of responsibilities between the planning and regulatory

¹³ Framework Law, Article 18.

¹⁴ These functions should be progressively assumed by the OREPAs, since the objective is to separate the regulatory and the execution functions and to have DINEPA as a regulatory entity.

¹⁵ Luis Andres, Jordan Schwartz, J.L. Guash, Uncovering the drivers of utility performance. Lessons from America and the Caribbean on the role of the private sector, regulation and governance in Power, Water, and Telecommunication sectors, The WB, 2013.

¹⁶ President of the Board of Directors according to the Framework Law, Article 7.

¹⁷ Framework Law, Article 8.

functions (DINEPA), ownership¹⁸ of the systems (OREPAs and the municipalities) and operational functions (public-currently called CTEs, public/private or purely private entities). It contemplates the preparation of an organic law, which would define the statutes, the operating rules and regulations of the then-established OREPAs. However, no activity has been initiated in that respect since 2009. The OREPAs were established in late 2010 and early 2011, as DINEPA's General Director had nominated the four OREPA directors. Today, OREPAs' performance depends on the profile and motivation of the three or four people who constitute each one of them. In addition, their financial viability depends almost exclusively on unreliable external financing¹⁹ since the mechanism to fund these structures by using a part of revenues from tariffs should be established by an organic law.

- 1.9 With respect to the operation of water and sanitation systems, the Framework Law allowed for the dissolution of the two former public operators, which were replaced by public, private or public/private entities.²⁰ Pursuant to the ratification of the Framework Law, DINEPA proceeded to change the names of the former SNEP and CAMEP offices in the cities to the CTEs. These entities still do not have any legal existence. For instance, the CTEs cannot have their own bank account and, in order to create one, they have to open it under the name of the OREPA on which they depend. From a legal point of view, they do not have any autonomy to fulfill their mission of operation for acquisitions, investments, human resources or budget.²¹ The lack of a legal structure constitutes, therefore, a major impediment to the establishment of sustainable entities in charge of operating water and sanitation services in urban areas. All the financial, organizational, technical and commercial supports provided by the Bank and the FECASALC²² to strengthen the CTEs will only be beneficial to the population if the CTEs are legally constituted and have adequate capacity (legal, financial, technical) to operate.
- 1.10 There is no formal relationship between the OREPAs and the public, private or public/private entities responsible for providing services in urban areas, whereas the Framework Law contemplates the possibility for an OREPA to delegate the management of a system to such entities.²³ The lack of a contractual instrument explicitly establishing the responsibilities of each party is limiting the ability to channel incentives to providers based on their performance commitments.
- 1.11 In the rural sector, the service providers are the Water and Sanitation Committee (CAEPAs) or Water and Sanitation Supply Committees or the Water and

¹⁸ Framework Law, Article 12 -20.

¹⁹ Financing of office space, salaries and other operating costs associated with the operation of offices, which represent approximately US\$500,000/year.

²⁰ Article 18, Framework Law.

²¹ The current transition period is very similar to the situation before the Reform, when the deconcentrated offices of SNEP were heavily dependent on the central SNEP and had very little autonomy to operate.

²² Support to CTE in intermediate cities is provided by operations 2190/GR-HA and GRT/WS-11814-HA. The CTE of Port-au-Prince is supported by operations 2351/GR-HA, GRT/WS-12277-HA and 2946/GR-HA.

²³ Article 18, Framework Law.

Sanitation Committees²⁴ (CEPAs), or private operators.²⁵ Since 2012, DINEPA has established entities deconcentrated from the OREPAs in each department (also in Ile de la Gonave, which is part of the Western Department), the Rural Departmental Units (URD), with the objective to assist those service providers and control their performance.²⁶ The role of these entities is to ensure compliance with the quality of service in rural areas, at the departmental level, on behalf of the OREPAs. They were created *de facto*, as the objective was to test this institutional scheme before providing them with any legal existence. They are also mainly supported by external financing from the Bank and the FECASALC,²⁷ but without any legal existence, their sustainability cannot be guaranteed.

b) Weak planning and regulation in DINEPA

- 1.12 Today, DINEPA is responsible for the development, planning and regulation of the sector, as stipulated by the law, but it is also an executing agency of investment projects financed by the GoH and the international community. While DINEPA is the key institution in the implementation of the reform, it also has execution responsibilities as long as the OREPAs have not been strengthened and are not able to operate adequately. To date, DINEPA is in charge of executing a US\$320 million portfolio, which makes it one of the top state agencies in terms of the financial resources it manages. DINEPA's multiple roles make it even more complex to define a strategy to strengthen it. That strategy should address three main deficiencies of the institution: (i) a poor control of its operating costs; (ii) a lack of updating of its sector and planning strategies; and (iii) the absence of tools to regulate the sector adequately.
- 1.13 Since its creation in 2009, DINEPA has been dependent on donors' financial support to operate. The main donors include the Bank, Spain, Switzerland, followed by United Nations Children's Fund (UNICEF), the Red Cross, WB and the CDC. The Bank has been financing almost entirely DINEPA's operating costs up until 2012, which made DINEPA's long-term sustainability questionable. However, in 2012, the Bank formally solicited a financial contribution from the GoH to cover part of DINEPA's operating budget. The GoH contributed US\$3.7 million (165 million Gourdes). While this contribution is expected to continue, DINEPA will also have to better control its operating costs to be more efficient. For instance, DINEPA's office space has become very limited at its headquarters and, as a result, the staff has been scattered among different rented offices, which makes work inefficient and significantly increases operating costs.

²⁴ CAEPAs are responsible for the management of water systems whereas CEPAs are responsible for water points (hand pumps).

²⁵ The Framework Law contemplates that the management and the maintenance of water and sanitation systems is the responsibility of the CAEPAs and/or CEPAs or private operators under the supervision of the OREPAs, which remain the owners of the systems. The Framework Law contemplates that the establishment and operation of CAEPAs and CEPAs will be defined in operation manuals to be established by the OREPA and validated by DINEPA (Article 20, Framework Law).

²⁶ Studies regarding the sustainability of projects in the rural sector have demonstrated that, in Haiti, regular follow-up activities with the operators were key factors for the sustainability of services. Bank projects in rural areas were designed based on these conclusions (see POD of projects HA-L1007 and HA-X1014).

²⁷ 2392/GR-HA and GRT/WS-12147-HA.

In addition, DINEPA does not have an integrated accounting system which would ensure accuracy and reliability of accounting information.

- 1.14 In terms of planning, a Strategic Sector Plan (SSP) for the water and sanitation sector, prepared in 2008 and updated in 2010,²⁸ was validated by the GoH as a tool for investment planning, prioritization of investments and reform planning in the sector. It includes proposals for a five-year investment program and reform process. However, since 2012, DINEPA's efforts have been focused on the execution of several individual projects often lacking a broader strategic approach.
- 1.15 The regulatory framework is still extremely poor. The sector does not have a Public Utility Policy (PUP), which would define the general principles to guarantee its population's universal access to basic services, the expansion of these services according to the population's capacity to pay or the continuity and efficiency in the provision of services. In addition, there is no document that stipulates the obligations and rights of the service providers (quality control of the service, guarantee of continuity and quality, customer service, tariff collection, etc.) and of the users (connection to the network, payment of a tariff, maintenance of the installations, etc.). There is no tariff policy at the national level that defines the concepts of economic efficiency, financial viability and social equity, as required by the Framework Law. Such policy should define tariff structures by category of consumers, the type of services for which this principle would apply and identify all relevant costs of giving the service (operation and maintenance, administration, financial costs, and depreciation), the cost of capital, and tariff calculations based on long-term marginal cost of providing the service. The tariff policy, which should integrate ongoing experiences in Port-au-Prince, Saint Marc and Port-de-Paix and mechanisms to cover the operating costs of DINEPA and OREPAs, should also be clearly defined.

c) Very poor performance of service providers

- 1.16 Sustainability of the services requires competent service providers and sufficient revenues from the sale of water. However, today, service providers are characterized by: (i) a lack of internal structuring of CTEs in urban areas; (ii) a poor coverage of their operating and maintenance costs; (iii) inadequate human resources management; and (iv) a lack of supervision from DINEPA, with respect to private sector participation models of management currently under way.
- 1.17 As mentioned previously, the CTEs have been established *de facto* in urban areas pursuant to the dissolution of SNEP and CAMEP. Significant differences exist among CTEs, whether they benefit from investments or institutional strengthening activities or not. In certain urban centers that benefit from investments, there is currently no structure in place to ensure the adequate management of future services.²⁹

²⁸ See optional electronic link #10 ([IDBdocs38188452](#)).

²⁹ This is the case of the city of Ouanaminthe that benefits from investments financed by projects 2381/GR-HA and GRT/WS-12277-HA.

- 1.18 Regardless of consumer ability and willingness to pay, balanced financial management must be developed based on the tariff principles described above, and on the true capacity and willingness of operators to recover their costs. For the majority of water operators, tariffs are not high enough to cover operating and maintenance expenses. The collection rate³⁰ is quite low in the main cities (collection rates are estimated at 20%, 44% and 65% in Les Cayes, Port-de-Paix and Jacmel, respectively) whereas the collection rate is slightly higher in cities where there is private sector involvement in the management of the utility (Port-au-Prince and Saint Marc with 75% and 70% collection rates respectively).³¹
- 1.19 Water operators are currently unable to ensure services at an acceptable quality level. Given the gradual loss of their human resources and the fact that these companies have been managing shortages for more than 20 years, it is unrealistic to imagine that they can recover without substantial human and financial resources. It has been necessary over the past few years to introduce elementary techniques for metering, water loss reduction program and improvement in the commercial management, as well as the performance of the systems. But DINEPA, as the main promoter of the reform, still needs to follow-up on the CTEs, specifically in terms of strengthening of their human resources. In this regard, approximately 50 CTE employees throughout the country³² have reached or have already passed the retirement age and, due to a lack of financial resources, they are still working. This constitutes an obstacle to the satisfactory performance of the utilities in terms of their operating costs and productivity. A similar experience has taken place in the CTE of Port-au-Prince, which has had a very positive impact on the utility's performance.³³ With the support of the GoH, the private sector has been delegated the operation of the water services in Saint Marc since 2009. The services are provided based on a delegated management contract ("affermage"),³⁴ whereby the operator manages the provision of water services while the investments are financed by the GoH. In addition, since 2011 in Port-au-Prince, a private consortium acts as the advisor to the CTE based on an Operational Technical Assistance (ATO) contract.³⁵ However, DINEPA, as the regulatory agency, has not been able to follow-up on these public/private partnerships cases designed to strengthen the respective service providers.

(d) Very slow progress in sanitation

- 1.20 In the context of a quasi-absence of adequate sanitation services, most households are equipped with rudimentary latrines or simple dug hole on the property and more than 30% (43% in rural areas) have no privies.³⁶ DINEPA prepared a sanitation strategy in 2012 and has been trying to implement it. However,

³⁰ Amount paid by users/amount billed to users.

³¹ DINEPA, *Diagnostic des CTE*, 2012.

³² They are former SNEP and CAMEP employees.

³³ Activity supported by operation 2351/GR-HA (Port-au-Prince Water and Sanitation project).

³⁴ *Contrat de Délégation de gestion du Service Public d'Alimentation en Eau Potable de la Ville de Saint Marc* signed between the MTPTC and the *Société des Eaux de Saint Marc* (SESAM) on June 17th, 2009.

³⁵ *Contrat d'Assistance Technique Opérationnelle* signed between DINEPA and the Suez Environnement-AGBAR-United Water consortium on February 4th, 2011.

³⁶ WHO/UNICEF, *Progress on drinking water and sanitation*, 2013 update.

significant issues remain with respect to the operation of several wastewater treatment facilities that were previously built: the operation scheme and the financing of operation and maintenance costs need to be better defined. Moreover, the topic of sanitation and hygiene are cross-cutting themes for which several ministries³⁷ have responsibilities. Therefore, this requires a coordinated action from DINEPA at the ministry level.

4. Conceptual Overview

- 1.21 This is the first operation of a Programmatic PBG consisting of a series of three operations to support the GoH to address the policy, legal and institutional constraints that prevent an effective and sustainable implementation, output delivery and impact of the investment operations currently under execution and financed by the IDB and the FECASALC, and expected for the following years in the water and sanitation sector.
- 1.22 Given past history and experience with water and sanitation projects under execution as well as the current status of the reform process, the GoH is now in a position to benefit from the Bank's expertise in the sector to implement a Programmatic PBG, which will help advance with the reform and generate a sustainable framework for sector investments.
- 1.23 The overall strategy is to have after the three PBGs, an updated sector strategy, necessary sector policies, relevant implementation tools, and a legal framework in compliance with what the reform contemplated with the ratification of the Framework Law in 2009. The GoH could not commit to the voting of the Organic Law for OREPAs as this is not under their control. However, the GoH will make every effort possible to finalize the legal framework. The overall logic of this first PBG is to: (i) launch the preparation of the policies and strategies to be approved under the second operation; (ii) start with the preparation of the legal framework; and (iii) implement several measures while waiting for the new policies and the completion of the legal framework.
- 1.24 The proposed program has been designed in coordination with other donors and, essentially, with the effective coordination among the Spanish Agency for International Development Cooperation (AECID) and the French Agency for Development (AFD).³⁸ By bringing resources to implement part of the reforms and by contributing to the financing of the present operation or by aligning their

³⁷ MTPTC, Ministry of Public Health and Population, Ministry of Environment, Ministry of Interior and Local Authorities, and Ministry of National Education and Vocational Training.

³⁸ Since 2009, the IDB and Spain are the main donors in the sector. The Bank has provided a strategic support to the sector for the past ten years, not only by financing investments but also by promoting institutional changes (operation 1010/SF-HA, 2381/GR-HA, 900/OP-HA and ATN/MT-6097-HA). The Spanish Government has been very committed to Haiti's water and sanitation sector through AECID. In addition, the IDB has been coordinating efforts in the sector with other multilateral and bilateral institutions (the AFD, the European Union, the WB, UNICEF, the Swiss Cooperation, and the United Nations Development Plan (UNDP), in order to generate national consensus for the supply of water and sanitation services. More generally, the Bank is also coordinating its actions with different agents in the sector, including Non-Governmental Organizations (NGOs), through the *Table Sectorielle* (DINEPA-led thematic coordination group including donors, public sector and NGOs).

strategies, Spain, France, Switzerland, the WB and UNICEF will support the reform proposed in this program.

- 1.25 Operations currently under execution and funded by the Bank and other donors in the sector will finance all the technical assistance needed by DINEPA and the MTPTC to comply with the reform measures as contemplated with these series of PBGs. In addition, a technical cooperation operation (HA-T1194)³⁹ in the amount of US\$400,000 was approved on April 21st, 2014. It will finance the required studies over the next 18 months such as the proposals for the Organic Law of OREPAs, the public utility policy, the tariff policy and the updating of the SSP for the Water and Sanitation sector in Haiti.

5. Strategic Alignment

- 1.26 In the Haitian National Water and Sanitation Strategy for 2010-2025, the issues previously mentioned are identified as the key constraints to develop the water and sanitation sector. Likewise, the operation is consistent with the decade-long sector strategy being implemented by the Bank, which focuses on improving sustainable and quality access to water and sanitation services. This operation will address institutional weaknesses and constraints that affect a sustainable implementation and output delivery of the IDB-financed sector operations currently under execution and expected for the following years. It is consistent with the Bank's Country Strategy for Haiti for 2011-2015 (GN-2646), which sets the water and sanitation sector as a priority sector. It is also fully consistent with the six objectives set out in the country strategy and detailed in the chapter on the Bank's intervention in the water and sanitation sector. This operation is included in the 2014 Country Program Document for Haiti (GN-2756).
- 1.27 This operation is also aligned with three of the priorities of the Bank's General Increase in Resources (GCI-9) in that: (i) it targets small and vulnerable countries; (ii) it contributes to reducing poverty and promoting equity (78% of Haitian population is living with less than US\$2/day); and (iii) it supports climate change initiatives, sustainable energy and environmental sustainability through a better management of infrastructure and of water as a natural resource. The operation will contribute to the regional goal of decreasing the incidence of waterborne diseases (per 100,000 inhabitants). It also emphasizes an important issue highlighted in the December 2012 report of the Office of Evaluation and Oversight (OVE), which supports good governance by strengthening the public water utilities to operate existing infrastructure and manage it sustainably. Moreover, this project is aligned with the new IDB Infrastructure Strategy (GN-2710-5), particularly with the priority action area of "promoting the ongoing improvements in infrastructure governance to enhance efficiency in the delivery of infrastructure services".
- 1.28 This proposed operation complies with the conditions for financial sustainability and economic evaluation stipulated in the Public Utilities Policy (GN-2716-6)⁴⁰ and is consistent with the principles of that policy. It also contemplates the

³⁹ See optional electronic link #5 ([IDBdocs38664349](#)).

⁴⁰ See optional electronic link#6 ([IDBdocs38716177](#)).

preparation of a public utility policy for the water and sanitation sector, which will include the following principles: (i) financial sustainability with coverage of the operation and maintenance costs with revenues from the utilities and coverage of investment costs from the GOH; and (ii) socioeconomic sustainability of investments. The tariff policy to be prepared as part of the program will include a social tariff as well as a program focused on access to basic services by low income population segments.

B. Program objectives and description

- 1.29 **Program objectives.** The overall objective of the program is to improve water and sanitation coverage in Haiti. The specific objective is to speed up the reform process by improving the governance of the water and sanitation sector and the service providers' performance. The Policy Matrix establishes a series of commitments to policy, legal and institutional reforms for the entire program, structured in five components.
- 1.30 **Component I. Macroeconomic Framework.** This Component seeks to ensure that the GoH maintains a solid macroeconomic framework that is consistent with the objectives of the proposed operation and the policy letter referred to in ¶3.3.
- 1.31 **Component II. Completion of the water and sanitation legal framework.** This Component aims at completing the legal framework of the reform towards decentralization and separation of functions. (1) The first objective is to support the establishment of DINEPA's Board of Directors in order to ensure a sustained operation of the institution, in accordance with its Framework Law. This proposed first PBG operation will include the designation of DINEPA's Board members by the President of the Republic and the submission of the list of members to the Senate for ratification.⁴¹ (2) The second objective is to allow for a better definition of the status and operating procedures of the institutions of the sector: (a) it will support the preparation of an organic law that will: (i) define the statutes, policies and operating procedures of the OREPAs;⁴² (ii) establish the public entities in charge of providing water and sanitation services in urban areas (CTEs);⁴³ (iii) establish the deconcentrated bodies of the OREPAs in charge of the rural areas at departmental level (URDs); and (iv) define the models of contracts between OREPAs and public, private or public/private entities in charge of providing water and sanitation services.⁴⁴ For the proposed first PBG, the organic law bill will be prepared. (b) Moreover, this Component will support the establishment of operating manuals of the OREPAs defining the procedures for the creation and operation of the CAEPAs and CEPAs. For the first PBG, an inventory of

⁴¹ The 7 members of the Board consist of: (i) the Minister of TPTC; (ii) a representative of the MEF; (iii) a representative of the Minister of Interior and Local Authorities; (iv) a member of the *Fédération des Chambres de Commerce et d'Industrie d'Haiti*; (v) a representative of the Minister of Environment; (vi) a representative of the Minister of Public Health and Population; and (vii) the seventh member is the Executive Secretary of DINEPA (See Legal Opinion dated April 2nd, 2014 by Director of Legal Affairs of the Ministry of Economy and Finance of the Republic of Haiti, see optional electronic link#8 ([IDBdocs38717791](#))).

⁴² Framework Law, Art.13.

⁴³ Framework Law, Art.18.

⁴⁴ Framework Law, Art. 18.

DINEPA's available documentation related to the creation and operation of the CAEPAs and the CEPAs will be established by DINEPA.

- 1.32 **Component III. Strengthening DINEPA's competencies in its functions of planning and regulation.** This Component aims at strengthening DINEPA's competencies in its functions of planning and regulation. (1) The first objective is to optimize and improve control over DINEPA's operating costs. It was agreed with the Haitian authorities that, within the framework of this operation: (a) DINEPA will submit to MTPTC a statement of its operating expenses for the FY 2012-2013; (b) the institution will also submit an estimated budget for operating and investments costs for the FY 2014-2015; (c) DINEPA will complete the installation of its integrated accounting system; and (d) the administrative process will start for the identification of a site that meets with DINEPA's criteria for the construction of DINEPA's headquarters. (2) The second objective is to establish the tools that will strengthen DINEPA's competencies in its function of planning, in order to provide DINEPA with an updated SSP to address the population's needs in a sustainable manner. It was agreed that this first PBG operation will finance the preparation of an updated SSP which will include: (i) DINEPA's action plan for the 2015-2019 period; (ii) the definition of a mechanism for the prioritization of investments; and (iii) a financing plan for the sector (including the operating needs and investments) for the 2015-2019 period. (3) The third objective is to strengthen DINEPA's competencies in its function of regulation. Strengthening activities for DINEPA are contemplated in several strategic areas: the definition of a PUP for the water and sanitation sector. This first operation will include the approval of a roadmap by DINEPA in order to define a PUP for the sector. (4) The fourth objective is the establishment of a set of technical guidelines to better regulate action by the various actors in the sector and ensure the sustainability of water and sanitation services. This first operation will include: the approval of the guidelines by the MTPTC and their publication on DINEPA's website. (5) The fifth objective is to provide the sector with a tariff policy based on economic efficiency, financial, environmental and social sustainability. This first operation will include: the preparation of a tariff policy at the national level.
- 1.33 **Component IV. Improvement of service providers' performance.** This component aims at improving service providers' performance. (1) The first objective of this Component is to define standard operating procedures and internal organization for the public entities in charge of providing water and sanitation services in urban areas (CTEs). As part of this first PBG operation, it was agreed that: a CTE will be established in the city of Ouanaminthe.⁴⁵ That CTE will have technical, administrative and financial responsibilities. (2) A second objective is to establish guidelines for the entities in charge of providing water and sanitation services in urban areas in order to recover the operating costs of water services in the cities targeted by the investment programs. For this first operation, it was agreed: to approve tariff adjustments for the cities of Port-au-Prince and St. Marc. (3) A third objective is to strengthen CTE's human resources. A first critical

⁴⁵ The water system is currently under construction and scheduled to be completed in 2014.

step consists of: the implementation of a retirement plan for relevant employees. It was agreed that during the course of the first PBG, DINEPA will coordinate with the Human Resources Management Office (OMRH)⁴⁶ for the preparation of a retirement plan. (4) The last objective of this component is to adapt the current contracts of Public/Private Partnerships (PPP), based on lessons learned, in order to optimize service providers' performance and improve monitoring and evaluation by DINEPA of these PPP contracts under execution. It was agreed that this first PBG would include: the review of the two PPP contracts currently under execution: (i) the revision of the delegated management contract for the city of Saint Marc, and (ii) the renewal of the ATO II3 for Port-au-Prince's CTE.

- 1.34 **Component V. Promotion and strengthening of the sanitation sub-sector.** This Component aims at promoting and strengthening the sanitation sub-sector. (1) The first objective is to support the effective establishment of DINEPA's sanitation strategy. As part of this first PBG, it was agreed that: (a) a national tariff will be published for the disposal of excreta in the treatment stations; and (b) operation manuals for the stations of Saint Marc and Titanyen will be approved by DINEPA. (2) The second objective is to promote a better coordination among the different national and local authorities involved (MTPTC, Ministry of Public Health and Population, Ministry of Environment, Ministry of Interior and Local Authorities, Ministry of National Education and Vocational Training). For this first operation: the sanitation strategy will be disseminated among the relevant ministries and MTPTC will organize a presentation and discussion workshop on the sanitation strategy with members of each one of those ministries.

C. Results matrix indicators

- 1.35 The program will boost the implementation of the water and sanitation sector reform. The reform is expected to have impacts on water supply and sanitation coverage: (i) increase in the water coverage in urban and rural areas that will be accounted for by the percentage of population that have access to water service in urban and rural areas; and (ii) increase in the sanitation coverage in urban and rural areas that will be accounted for by the percentage of population that have access to improved sanitation⁴⁷ services in rural and urban areas. Also, the following outcomes are expected: (i) an improved governance of the water and sanitation sector that will be accounted for by the number of DINEPA's Board of Directors meetings held and the level of implementation of the updated Strategic Sector Plan; and (ii) an improved performance of the service providers that will be accounted for by the operating margin of the Port-au-Prince CTE, the average operating margin in all the other CTEs, the labor productivity index in Port-au-Prince CTE, and the average of operating margin of the existing treatment stations for excretas ([Results Matrix](#)).

⁴⁶ OMRH depends from the *Bureau du Premier Ministre* (office of the Prime Minister), responsible for management of human resources in government entities. The proposed retirement plan will target employees who have reached or passed retirement age and will not affect the service providers' performance.

⁴⁷ As defined in the Joint Monitoring Program, WHO/UNICEF, Progress on drinking water and sanitation, Annual reports.

D. Economic rationale

- 1.36 The reform program should facilitate sector governance and specifically, improve decision making from all institutions involved. Of main interest are those decisions related to proper and efficient use of funds for investments. A total of \$995 million have been identified as needed investments in DINEPA's Quinquennial Sector Plan (2011-2015). Even though funds may be available, the history of investment spending in Haiti indicates a very low ability to execute promptly the resources. Annual investments have been approximately \$19 million per year since 1990.
- 1.37 By improving governance, it is expected that the investment program can actually be carried out in a shorter period of time (15 years), rather than without the program (20 years or perhaps more). This acceleration of the investment program generates benefits associated to increased number of served population in Haiti, both of water and sanitation and increase in water availability, as physical losses are reduced. For measuring benefits from water service improvements' willingness to pay, measures have been established through the use of estimated demand curves for water services both in urban and rural areas. The Simulation Model for Public Works (SIMOP) has been used to establish these benefits and compute the project's results. These show that by accelerating the investment program, a rate of return of 26% is obtained with a net present value (at 12% discount rate) of \$101 million. Sensitivity analysis shows that the feasibility of the program is still maintained when basic assumptions are changed.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financial instruments and contractual conditions

- 2.1 This program is the first PBG of a Programmatic PBG consisting of a series of three PBGs to support the GoH to implement policy, institutional and legal reforms in the water and sanitation sector. The programmatic modality was selected since the operation will need to respond to unfolding events during implementation (CS-3633). The second operation is planned for 2015, contingent upon progress with the completion of the associated triggers. The third operation is contemplated for 2016. This first PBG will draw upon the resources of the IDB Grant Facility in the amount of US\$15 million and from HRF in the amount of US\$14 million, with disbursement scheduled for June 2014, upon execution of the respective contract and fulfillment of the general policy reform conditions agreed upon with the GoH and included in the Policy Matrix, Results Matrix, and Verification Matrix.

B. Environmental and social safeguard risks

- 2.2 In accordance with Directive B.13 on Environmental Policy and Safeguards Compliance, policy-based operations are not classified. The reforms of the proposed operation are not expected to have direct environmental and social negative impacts. The program is also expected to have positive social and environmental impacts, described in the Environmental and Social Management Report (ESMR).

C. Other key issues and risks

- 2.3 Risks identified include: (i) execution risk. Due to the nature of the operation, policy conditions are all expected to be fulfilled prior to its presentation for approval by the IDB Board of Executive Directors. Thus, the operation is expected to disburse in totality upon Board approval; (ii) decreased level of commitment due to a change in government. The Bank and the GoH have agreed on the policies included in the Policy Letter that will be presented by the MEF; and (iii) monitoring and accountability. All conditions are expected to be met after Board approval and all funds are expected to be disbursed soon thereafter. In addition, frequent meetings among the MEF, the MTPTC, DINEPA and the Bank have been taking place to ensure disbursement is made as scheduled. The general risk qualification is medium. Mitigation measures are detailed in the Risk Matrix.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Beneficiary and Executing Agency (EA).** The Beneficiary is the Republic of Haiti while the EA will be the MEF. The Policy Matrix has been agreed upon with and will be monitored through the MEF. The EA will work together with the MTPTC and DINEPA to accomplish the conditions agreed upon in the Policy Matrix. A steering committee consisting of a representative of the MEF, one of the MTPTC, one of DINEPA, and one of IDB as observers has already been constituted. It is led by the MEF. Meetings are held on a bimonthly basis in order to monitor the fulfillment of the conditions.⁴⁸ The MEF will: (i) prepare reports providing evidence that the conditions have been met, and any other reports that the IDB may need to approve the disbursement; (ii) support the actions required as triggers for the second PBG; and (iii) once the disbursement of the program is completed, gather and prepare the required information and performance indicators so that the IDB and the GoH can follow-up, measure and evaluate the results of the program.

B. Supervision and evaluation of results

- 3.2 The Beneficiary is responsible for the gathering of information and data required for monitoring and evaluation. The MEF will fund the costs incurred for collection and processing of the information. The MEF, MTPTC and DINEPA will be responsible for the preparation and delivery of progress and performance reports. The Monitoring and Evaluation Plan describes the evaluation methodology, the indicators to be assessed, the institution responsible for data collection, and the budget.

C. Policy Letter

- 3.3 The IDB has agreed with the GoH on the macroeconomic and sector policies included in the Policy Letter presented by the MEF, describing the main components of the GoH's strategy for the program and reaffirming its commitment to implement the activities agreed upon with the Bank.

⁴⁸ For more information, [see optional electronic link #3](#).

Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Lending Program		i) Lending to small and vulnerable countries; ii) Lending for poverty reduction and equity enhancement; and iii) Lending to support climate change initiatives, renewable energy and environmental sustainability.		
Regional Development Goals		Incidence of waterborne diseases (per 100,000 inhabitants).		
Bank Output Contribution (as defined in Results Framework of IDB-9)		i) Percentage of households with new or upgraded water supply, and ii) Households with new or upgraded sanitary connections.		
2. Country Strategy Development Objectives		Aligned		
Country Strategy Results Matrix		GN-2646	i) Improvement in the management of the operator of Port-au-Prince, and ii) Improvement in management of the operators of secondary cities (Cap Haitien, Jérémie, Fort Liberté and Miragoane).	
Country Program Results Matrix		GN-2756	The intervention is included in the 2014 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)				
II. Development Outcomes - Evaluability		Evaluable	Weight	Maximum Score
		7.8		10
3. Evidence-based Assessment & Solution		7.7	33.33%	10
3.1 Program Diagnosis		2.6		
3.2 Proposed Interventions or Solutions		2.4		
3.3 Results Matrix Quality		2.7		
4. Ex ante Economic Analysis		10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0		
4.2 Identified and Quantified Benefits		1.5		
4.3 Identified and Quantified Costs		1.5		
4.4 Reasonable Assumptions		1.5		
4.5 Sensitivity Analysis		1.5		
5. Monitoring and Evaluation		5.6	33.33%	10
5.1 Monitoring Mechanisms		1.5		
5.2 Evaluation Plan		4.1		
III. Risks & Mitigation Monitoring Matrix				
Overall risks rate = magnitude of risks*likelihood		Medium		
Identified risks have been rated for magnitude and likelihood		Yes		
Mitigation measures have been identified for major risks		Yes		
Mitigation measures have indicators for tracking their implementation		Yes		
Environmental & social risk classification		B.13		
IV. IDB's Role - Additionality				
The project relies on the use of country systems				
Fiduciary (VPC/PDP Criteria)				
Non-Fiduciary				
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:				
Gender Equality				
Labor				
Environment				
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		Yes	The Bank has provided technical support through HA-T1094 (US\$400,000).	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan				

The document presents the problems of the sector and their dimensions. However, the factors that have caused delays in the reform process are not clearly spelled out. The proposed interventions are linked to the problems identified in the diagnosis. Evidence of the effectiveness of the interventions based on existing evaluations in other or similar contexts (internal validity) are not presented, nor is the information about the applicability of the intervention in Haiti (external validity).

The results matrix has vertical logic. With the exception of some of the output indicators all indicators are SMART, have baselines, targets and sources of information.

The project was analyzed using a cost-benefit analysis. The economic benefits were adequately quantified and the costs reflect real resource costs to the economy. The assumptions used were presented and a sensitivity analysis of the assumptions was performed.

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

POLICY MATRIX

Component objectives	Institutions in charge	Conditions for the 1 st Policy Based Grant (2014)	Proposed Trigger Mechanisms for 2 nd Policy Based Grant (2015)	Proposed Trigger Mechanisms for 3 rd Policy Based Grant (2016)
Component I - Macroeconomic Framework				
To maintain a stable macroeconomic framework.	MEF	#1.1 To maintain a stable macroeconomic framework, consistent with the program objectives.	#2.1 To maintain a stable macroeconomic framework, consistent with the program objectives.	#3.1 To maintain a stable macroeconomic framework, consistent with the program objectives.
Component II - Completion of the water and sanitation legal framework				
To provide DINEPA ¹ with a Board of Directors in order to ensure a sustained operation of the institution, in accordance with its Framework Law.	Presidency	#1.2. Designation of DINEPA's Board members by the President of the Republic and submission of the list of members to Senate for ratification.	2.2 Appointment of members of DINEPA's Board of Directors by presidential decree.	#3.2. Effective functioning of the Board of Directors.
To provide the sector with a better definition of the status and operating procedures of its institutions.	DINEPA in coordination with MTPTC	#1.3. Preparation of the organic law bill that will: (i) define the statutes, policies and operating procedures of the OREPAs ² ; (ii) establish the public entities in charge of providing water and sanitation services in urban areas (CTEs ³); (iii) establish the deconcentrated bodies of the OREPAs in charge of the rural areas at departmental level (URDs ⁴); and, (iv) define the models of contracts between OREPAs and public, private or public/private entities in charge of providing water and sanitation services.	#2.3. Transmission by DINEPA of the draft legislation to MTPTC.	#3.3. Transmission of the bill by the Presidency to the legislature for ratification

¹ *Direction Nationale de l'Eau Potable* (National Directorate for Water and Sanitation).

² *Offices Régionaux d'Eau Potable et d'Assainissement* (Regional Water and Sanitation Offices), Framework Law, Art. 13.

³ *Centres Techniques d'Exploitation*, (Technical Operation Centers), Framework Law, Art. 18.

⁴ *Unités Rurales Départementales* (Rural Departmental Units).

Component objectives	Institutions in charge	Conditions for the 1 st Policy Based Grant (2014)	Proposed Trigger Mechanisms for 2 nd Policy Based Grant (2015)	Proposed Trigger Mechanisms for 3 rd Policy Based Grant (2016)
	DINEPA	#1.4. Establishment of an inventory of DINEPA's available documentation related to the creation and operation of the CAEPAs ⁵ and CEPAs. ⁶	#2.4. Preparation of operating manuals of the OREPAs defining the procedures for the creation and operation of the CAEPAs and CEPAs.	#3.4. Validation of draft manuals by DINEPA's Board of Directors and entry into effect.
Component III – Strengthening of DINEPA's competencies in its functions of planning and regulation				
To optimize and improve control over DINEPA's operating costs	DINEPA	#1.5. Submission to MTPTC of the statement of DINEPA's operating expenses and its deconcentrated organs (OREPA, CTE, and URD) for FY2012-2013.	#2.5. Submission to MTPTC of the statement of DINEPA's operating expenses and its deconcentrated organs (OREPA, CTE and URD) for FY 2013-2014.	#3.5. Submission to MTPTC of the statement of DINEPA's operating expenses and its deconcentrated organs (OREPA, CTE and URD) for FY 2014-2015. ⁷
	MEF	#1.6. Submission of DINEPA's estimated budget for operating and investment costs for FY 2014-2015. #1.7. Completion of the installation of DINEPA's integrated accounting system.	#2.6. Submission of DINEPA's estimated budget for operating and investment costs for FY 2015-2016. #2.7. Consolidated DINEPA's financial statements for the first quarter of FY 2014-15.	#3.6. Submission of DINEPA's estimated budget for operating and investment costs for FY 2016-2017. ⁸ #3.7. Audit of DINEPA's financial statements for FY 2014-2015 by an independent firm deemed acceptable by the Bank.
		#1.8. Start of the administrative process for the identification of a site that meets DINEPA's basic criteria for the construction of DINEPA's headquarters .	#2.8. Provision of a land for the construction of DINEPA's headquarters.	

⁵ *Comité d'Approvisionnement en Eau Potable et Assainissement* (Water Supply and Sanitation Committees).

⁶ *Comité d'Eau Potable et d'Assainissement* (Water and Sanitation Committees).

⁷ The ultimate purpose of this commitment is to have DINEPA present such a statement on a regular basis.

⁸ Please see footnote #7.

Component objectives	Institutions in charge	Conditions for the 1 st Policy Based Grant (2014)	Proposed Trigger Mechanisms for 2 nd Policy Based Grant (2015)	Proposed Trigger Mechanisms for 3 rd Policy Based Grant (2016)
To provide DINEPA with an updated Strategic Sector Plan (SSP) to address the population's needs in a sustainable manner.	DINEPA in coordination with MTPTC	#1.9. Preparation of the updated SSP, which will include : (i) DINEPA's action plan for the 2015-2019 period; (ii) the definition of a mechanism for the prioritization of investments; (iii) and, a financing plan for the sector (including the operating needs and investments) for the 2015-2019 period.	#2.9. Approval of the updated SSP by DINEPA's General Director.	#3.8 Implementation of priority actions as described in the SSP.
To strengthen DINEPA's competencies in its function of regulation.	DINEPA in coordination with MTPTC	#1.10 Provide the sector with a Public Utility Policy (PUP) for water and sanitation. Approval of a roadmap by DINEPA in order to define a PUP for the sector.	#2.10. Policy approved by the MTPTC ⁹ and effective.	#3.9. Monitoring report of policy implementation.
To establish a set of technical guidelines to better regulate actions by the various actors in the sector and ensure the sustainability of water and sanitation services.	DINEPA in coordination with MTPTC	#1.11. Approval of the technical guidelines by MTPTC and their publication on DINEPA's website.	#2.11. Completion of training and workshops on the technical guidelines to the stakeholders in the water and sanitation sector.	#3.10. Updating of the technical guidelines to include lessons learned from dissemination.
To provide the sector with a tariff policy based on economic efficiency, financial, environmental and social sustainability.	DINEPA in coordination with MTPTC	#1.12. Preparation of a tariff policy at the national level.	#2.12. Policy approved by the MTPTC ¹⁰ and effective.	#3.11. Monitoring report of policy implementation

⁹ According to the Framework Law, it should be approved by DINEPA's Board. The president of DINEPA's Board of Directors is the Minister of TPTC. In absence of the Board, it is recommended to have the policy approved by the MTPTC.

¹⁰ Please see footnote#9.

Component objectives	Institutions in charge	Conditions for the 1 st Policy Based Grant (2014)	Proposed Trigger Mechanisms for 2 nd Policy Based Grant (2015)	Proposed Trigger Mechanisms for 3 rd Policy Based Grant (2016)
Component IV – Improvement of service providers’ performance				
To define standard operating procedures and internal organization for the public entities in charge of providing water and sanitation services in urban areas (CTEs).	DINEPA	#1.13. Establishment of the CTE in the city of Ouanaminthe, which will have technical, administrative and financial responsibilities.	#2.13. Development of CTEs’ rules and procedures (including chart type, job profile type, standardized salary grid).	3.12. CTEs rules and procedures effective and implemented nationwide.
To establish guidelines for the entities in charge of providing water and sanitation services in urban areas in order to recover operating costs in the cities targeted by the investment programs.	DINEPA in coordination with MTPTC	#1.14. Adjustment of water tariffs in application by the entities in charge of providing water services in Port-au-Prince and Saint-Marc.	#2.14. Development of the business plans for the financial equilibrium (operating costs /revenues) of the entities in charge of providing water services in Port-au-Prince, Port-de-Paix, Saint-Marc, Jacmel, Les Cayes and Ouanaminthe and approval of the new tariff.	#3.13. Adjustment of the business plans and tariffs in relation with the tariff policy approved in year 2 of programmatic PBG.
To strengthen CTE’s human resources by implementing a retirement plan for relevant employees.	DINEPA in coordination with MTPTC	#1.15. Coordination between DINEPA and OMRH ¹¹ for the preparation of a retirement plan.	#2.15. Approval of a retirement plan.	#3.14. Completion of the retirement plan.
To adapt the current contracts of Public/Private Partnerships (PPP) based on lessons learned, in order to optimize service providers’ performance, and, improve monitoring and evaluation by DINEPA of these contracts under execution.	DINEPA	1.16. Review PPP contracts currently under execution: (i) revision of the delegated management contract for the city of Saint-Marc; and, (ii) renewal of the Operational Technical Assistance contract (ATO II) for Port au Prince’s	#2.16. Effective monitoring and evaluation, by DINEPA of the PPP contracts under execution (FY 14-15).	#3.15. Effective monitoring and evaluation, by DINEPA of the PPP contracts under execution (FY 15-16).

¹¹ *Office de Management des Ressources Humaines* (Human Resources Management Office).

		CTE.		
Component objectives	Institutions in charge	Conditions for the 1 st Policy Based Grant (2014)	Proposed Trigger Mechanisms for 2 nd Policy Based Grant (2015)	Proposed Trigger Mechanisms for 3 rd Policy Based Grant (2016)
Component V - Promotion and strengthening of the sanitation sub-sector				
To effectively establish DINEPA's sanitation strategy.	DINEPA	#1.17. Publication of a national tariff for the disposal of excreta in the treatment stations. #1.18. Approval of the operating manuals for the treatment stations of Saint-Marc and Titanyen.	#2.17. Development of business plan model for the treatment stations at the national level.	3.16. Financial audits of the treatment stations in operation.
To promote a better coordination among the different national and local authorities involved	DINEPA in coordination with MTPTC	#1.19. Dissemination of the sanitation strategy among the relevant ministries (MSPP, ¹² MDE, ¹³ MICT, ¹⁴ and MENFP. ¹⁵) and organization by MTPTC of a presentation and discussion workshop on the sanitation strategy with members of each one of those ministries.	#2.18. Preparation of a Memorandum of Understanding to be signed by DINEPA/MTPTC, MDE and MSPP in relation with the completion of the norms for waste water discharge. #2.19 Preparation of a Memorandum of Understanding to be signed by DINEPA/MTPTC and MSPP in relation with hygiene and sanitation services.	#3.17. Signature of the memorandum of understanding. #3.18. Signature of the memorandum of understanding.

¹² Ministère de la Santé Publique et de la Population (Ministry of Public Health and Population).

¹³ Ministère de l'Environnement (Ministry of Environment).

¹⁴ Ministère de l'Intérieur et des Collectivités Territoriales (Ministry of Interior and Local Authorities).

¹⁵ Ministère de l'Education Nationale et de la Formation Professionnelle (Ministry of National Education and Vocational Training).

INSTITUTIONAL STRENGTHENING AND REFORM OF THE WATER AND SANITATION SECTOR I

HA-G1032

CERTIFICATION

I hereby certify that this operation was approved for financing under the Haiti Reconstruction Fund (HRF) through a communication dated May 13, 2014 from Nadine Schiavi (ORP/GCM). Also, I certify that resources from the Haiti Reconstruction Fund (HRF) have been committed by the HRF Steering Committee for up to US\$14,000,000 in order to finance the activities described and budgeted in this document. This certification, reserves resources for the referenced project for a period of six (6) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this document. Amounts greater than the certified amount, may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

(original signed)

May 13, 2014

Sonia M. Rivera
Chief

Date

Grants and Co-financing Management Unit
ORP/GCM

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/14

Haiti. Nonreimbursable Financing ___/GR-HA to the Republic of Haiti
Institutional Strengthening and Reform
of the Water and Sanitation Sector I

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the IDB Grant Facility (hereinafter referred to as the “Account”), to enter into such contract or contracts as may be necessary with the Republic of Haiti, as Beneficiary, for the purpose of granting it a nonreimbursable financing to cooperate in the execution of the project “Institutional Strengthening and Reform of the Water and Sanitation Sector I”. Such nonreimbursable financing will be for an amount of up to US\$15,000,000, which form part of the Account, and will be subject to the Terms and Financial Conditions and the Special Contractual Conditions in the Project Summary of the Grant Proposal.

(Adopted on ____ 2014)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/14

Haiti. Nonreimbursable Financing GRT/HR-____-HA to the Republic of Haiti
Institutional Strengthening and Reform
of the Water and Sanitation Sector I

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the Haiti Reconstruction Fund, hereinafter referred to as the “HRF”, to enter into such contract or contracts as may be necessary with the Republic of Haiti, as Beneficiary, and to implement the necessary actions for the purpose of granting it a nonreimbursable financing for an amount of up to US\$14,000,000 chargeable to the resources of the HRF, to cooperate in the execution of the project “Institutional Strengthening and Reform of the Water and Sanitation Sector I”, as contemplated in document PR-_____.

2. That the authorization granted in paragraph 1 above will be effective only once the HRF has approved the use of US\$14,000,000 to finance the project and the Bank has received these resources from the HRF.

3. The resources contemplated in this Resolution will be in addition to the resources authorized in Resolution DE-___/14 for the amount of US\$15,000,000 chargeable to the resources of the IDB Grant Facility.

(Adopted on ____ 2014)