

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**HAITI**

**INSTITUTIONAL STRENGTHENING AND REFORM OF THE TRANSPORT SECTOR I**

**(HA-L1088)**

**PROJECT PROFILE**

The project team consisting of prepared this document: Reinaldo Fioravanti (INE/TSP), Team Leader; Olivia Désinor (TSP/CHA), Alternate Team Leader; Rosana Brandao, Alejandro Taddia, Carlos Mojica, Jean Pol Armijos, Giovanna Mahfouz (INE/TSP); Michel Vallée (TSP/CHA); Nelly Wheelock (FMP/CHA); Nicolas Kotschoubey (VPS/ESG); Caroline Sipp (CDH/CDH); Louis-Francois Chretien (LEG/SGO); and Marie Edwige Baron (CDH/CHA).

Under the Access to Information Policy, this document is subject to Public Disclosure.

## PROJECT PROFILE

### I. BASIC DATA

<b>Project Name:</b>	Institutional Strengthening and Reform of the Transport Sector I	
<b>Project Number:</b>	HA-L1088	
<b>Project Team:</b>	Reinaldo Fioravanti (INE/TSP), Team Leader; Olivia Désinor (TSP/CHA), Alternate Team Leader; Rosana Brandao, Alejandro Taddia, Carlos Mojica, Jean Pol Armijos, Giovanna Mahfouz (INE/TSP); Michel Vallée (TSP/CHA); Nelly Wheelock (FMP/CHA); Nicolas Kotschoubey (VPS/ESG); Caroline Sipp (CDH/CDH); Louis-Francois Chretien (LEG/SGO); and Marie Edwige Baron (CDH/CHA)	
<b>Beneficiary:</b>	Republic of Haiti	
<b>Executing Agency:</b>	Ministry of Economy and Finance (MEF)	
<b>Financial Plan:</b>	IDB Grant Facility	US\$12 million
	Haiti Reconstruction Fund (HRF)	US\$10 million <sup>1</sup>
	Total:	US\$22 million
<b>Safeguards:</b>	Policies triggered: B.1; B.2; B.3; B.13	
	Classification:	Not Required (OP-703)

### II. GENERAL JUSTIFICATION AND OBJECTIVES

#### A. Background and Justification of the Program

- 2.1 **Macroeconomic Outlook.** Haiti's macroeconomic outlook has been affected significantly in the past few years by debt cancellation, and January 2010 earthquake. The general macroeconomic outlook has been, during that time, and continues today, of relative stability, although growth was interrupted by the earthquake (the economy shrank by 5.4% in real terms), and seemed to be sluggish to accelerate sustainably since that. For 2013, it is expected that economic growth will reach 3.4%, after a 2.8% in the previous year. Reconstruction efforts are commonly cited in explaining that performance, with help from manufacturing and services industries. A solvent economic policy, especially regarding monetary issues, has kept inflation and the foreign exchange rate in check. Single digit inflation is the norm in Haiti and 6% is expected for 2013 (6.5% in the previous year). The exchange rate remains stable, and has increased only marginally in the past years, and has passed from 42 HTG/US\$ in 2012 to 43.8 HTG/US\$ in 2013.
- 2.2 Fiscal and external deficits are, although not unusual under Haiti's circumstances, always a source of moderate concern. Haiti has sustained both at levels around 5% of Gross Domestic Product (GDP) recently, and scored an overall fiscal deficit (grants are considered here) of 5.5% in 2103 (up from 5.1% in 2012), and 5.8% external deficit (up from 4.5% in 2012). Although Haiti has low levels of debt after

---

<sup>1</sup> The French Republic contributed resources to the Haiti Reconstruction Fund (HRF), and requested that they be channeled to the Bank as co-financing for this operation. The approval from HRF is still pending.

the cancellation (and is currently not taking on more debt but for very specific and concessional sources, such as Petrocaribe), a low tax and narrow export base advise against debt accumulation. In fact, in the latest Debt Sustainability Analysis (early 2012, performed jointly by the World Bank (WB) and the International Monetary Fund (IMF) consider the risk of Haiti's debt distress as high.

- 2.3 Bank's Sectorial Work and Strategy for the Transport Sector.** After the earthquake of January 2010, that caused considerable damage to the transport infrastructure, the Government of Haiti (GoH) and the Bank have agreed on an agenda for the period 2010-2015 with the purpose of rebuilding infrastructure and completing strategic projects to move Haiti onto a path of sustained development, capable of delivering both economic growth and solutions to enduring social and environmental problems. The transport sector strategy for the country focus on: (i) improving quality of the national road infrastructure; (ii) improving the institutional capacity of the transport sector; and (iii) improving international connectivity. During this period, the Bank has approved a total of US\$179.5 M for the sector in the form of investment grants, supporting an extensive program of road rehabilitation and also supporting institutional strengthening of the sector.
- 2.4 Justification of the Program.** To date, the Bank's efforts in the institutional strengthening and modernization of the transport sector have been done through technical support provided in every approved operation<sup>2</sup> and concentrated in both the road sector and in the maritime sector. Although the GoH shows commitment to modernize those sectors, the strengthening of the related institutions and the structural reforms have had limited results, mainly due to a lack of coordination among different initiatives, donors<sup>3</sup> and ministries. This Programmatic Policy Based Grant (PBG), complementary to the investment operations, provides an incentive structure to integrate the efforts and speed up the agenda of reform and strengthening of the transport sector. The Ministry of Economy and Finance (MEF) leads this effort in partnership with the Ministry of Public Works, Transport and Communications (MTPTC), with support from the Bank and in coordination with other donors.
- 2.5 Diagnostic of the Road Sector.** Road transport is the leading mode of transportation in Haiti and henceforth the improvement of the road infrastructure is a fundamental mechanism for economic development. The road sector is under leadership of the MTPTC and the main issues in the sector include:
- 1. Poor road condition & inadequate maintenance:** Despite investments financed by the Bank and other donors<sup>4</sup>, estimates by the Central Executing Unit (UCE)<sup>5</sup> indicate that currently only 15% of the total network is considered to be in good condition<sup>6</sup>. While the rehabilitation effort continues, maintenance

---

<sup>2</sup> Most relevant operations include: HA-L1054 (US\$1 million), HA-L1058 (US\$3 million).

<sup>3</sup> European Union (EU), for instance, provided support for the creation of a maintenance cell in the MTPTC.

<sup>4</sup> Since 2010, more than 200 km of primary network have been rehabilitated (20% of the primary network).

<sup>5</sup> UCE is under the MTPTC and is responsible for managing road projects financed by donors.

<sup>6</sup> This number was 9% in the assessment done by UCE right after the earthquake in 2010.

activities must be increased<sup>7</sup> to maintain the roads newly rehabilitated and to prevent further deterioration of the network. A road maintenance fund exists; however, the MTPTC lacks qualified personnel and adequate planning to manage and access the fund.

2. **Inadequate road safety conditions:** There are few official statistics regarding road accidents<sup>8</sup>, however, road safety is an issue in Haiti due to the poor condition of roads and vehicles, lack of signalization, transit regulations and enforcement. In the past years, the Bank has financed numerous activities tackling this issue<sup>9</sup>. Nonetheless, the MTPTC still lacks an adequate management structure responsible for road safety and also needs to improve its coordination with other ministries to implement a comprehensive program to improve road safety conditions.

2.6 **Diagnostic of the Port/Maritime Sector.** Due to the insular geographic characteristic of Haiti, maritime transport is a key factor in the economy, since it is the door to 85% of international foreign trade<sup>10</sup>. The inefficiencies of the port system are reflected in the cost of goods imported and in the cost of living for Haitians. The sector is led by the National Ports Agency (APN), under the MEF<sup>11</sup> and the main issues include:

1. **Lack of resources for rehabilitation of ports infrastructure:** The port of Port-au-Prince (PAP) concentrates 98% of the international trade, and currently operates at the limit of its capacity. The port was strongly affected by the 2010 earthquake and currently operates with barges as temporary berths, which implies low productivity and high tariffs<sup>12</sup>. Investments to improve the capacity and efficiency of the port of PAP are urgently needed and the National Ports Agency (APN) is prospecting complementary sources of financing for the reconstruction<sup>13</sup>, including non-sovereign loans. In order for APN to get external funding, lenders have required, among other things, a better visibility of the commercial and financial prospects for the agency and a clear path for a policy reform.
2. **Inefficiencies in the regulatory framework and in the market of private operators:** Existing contracts with private operators are short term and there is a lack of legal framework to support them, preventing investments, creating oligopolies and increasing tariffs. Studies commissioned by the Bank<sup>14</sup> and other donors<sup>15</sup> agree that in parallel to the reconstruction of the port of PAP, a

---

<sup>7</sup> Currently estimates also by UCE indicate that only 10% of the road network receives adequate maintenance.

<sup>8</sup> The Bank is currently preparing a project to finance a baseline for RN1 that will improve these statistics (HA-L1079).

<sup>9</sup> Including signaling in the RN-1, communication campaigns and a country strategy for road safety.

<sup>10</sup> Les Ports Maritime d'Haiti – *Autorité Portuaire Nationale* (APN), Edition, 2013.

<sup>11</sup> APN manages, operates and regulates all ports in Haiti. Other institutions in the maritime sector include SEMANAH- Haiti Maritime Navigation Services, under MTPTC, to regulate maritime services and maritime safety.

<sup>12</sup> Tariffs per container varies from US\$230 y US\$580, other ports in the region charge around US\$150, International Finance Corporation (IFC), 2011.

<sup>13</sup> APN has started a tender process for the reconstruction of the north berth using its own budget.

<sup>14</sup> Strategic Studies for Ports in Haiti – CTS, 2011 (HA-T1135).

<sup>15</sup> US Trade and Development Agency (USTDA) and International Financial Corporation (IFC).

sector reform is essential to increase the competitiveness of ports and must include: (i) improving of regulatory and operational functions; and (ii) the development of a stable regulatory framework that allows private participation.

3. **Lack of sector planning: Haiti has two main maritime ports:** the port of PAP, in the capital city and the port of Cap-Haitian (CH), located in the North region; in addition, there are about 12 private terminals that operate specific cargoes. Studies indicate the need for a national strategy for ports defining type of activities, planned capacity, and an adequate investment plan for the port system to enable the sector to respond to future demand and improve its efficiency and reliability.

2.7 **Strategic Alignment.** The program is consistent with the Bank's country strategy for the 2011-2015 period (GN-2646), which designates the transport sector as one of the six priority sectors to support Haiti, and demand that the Bank resources be directed to: (i) improve the quality of national road infrastructure; (ii) improve the institutional capacity of the transport sector; and (iii) improve international connectivity. The program is also consistent with two strategic priorities established in the Institutional Strategy for the Ninth General Capital Increase (GCI-9) (AB-2764), by: (i) financing investments in a small and underdeveloped country; and (ii) supporting regional and global integration and competitiveness.

## **B. Program Objectives and Expected Results**

2.8 **Program Objectives.** The overall objective of the program is to increase the efficiency and reliability of transportation services to satisfy the populations' needs and increase the country's competitiveness. The specific objectives are: (i) strengthen the institutional capacity of the road sector; and (ii) modernize the regulatory framework and strengthen the institutional capacity of the maritime sector.

2.9 The program is structured as a programmatic Policy Base Grant (PBG) to address the complex, medium-term structural and institutional issues in the sector, consisting of three individual operations, each with specific deliverables but contributing to the same overall objectives. The specific targets for each of the components in each of the operations will be defined in the Policy Matrix, supported by GoH's Policy Letter. This PBG will have the following components:

2.10 **Component 1. Macroeconomic Stability.** This component will give support to the GoH to maintain a solid macroeconomic framework in accordance with the country strategy. The Bank will prepare an Independent Macroeconomic Assessment (IMA) in conformity with the Bank's policies and procedures.

2.11 **Component 2. Strengthening of the Road Sector.** This component will seek to improve the efficiency and sustainability of road infrastructure management, by improving the capacity of the MTPTC focused on: (i) approving and implementing the institutional strengthening plan; (ii) establishing management structure responsible for maintenance activities (§2.5-1); (iii) establishing inter-ministerial mechanisms to develop and implement a road safety strategy (§2.5-2); and (iv) strengthening activities related to planning and asset management. Tentative

conditions for the first phase of the PBG include: (i) approval of an institutional strengthening plan by the MTPTC; (ii) advanced procurement process for road inventory; (iii) manual of operations for UCE; and (iv) creation of road safety cell.

- 2.12 **Component 3. Institutional & Regulatory Reform of the Port Sector.** This component will seek to increase the efficiency and sustainability of the port sector by supporting a policy reform focused on: (ii) developing an institutional and operational strategy for ports (¶2.6-3); (iii) defining guidelines for the improvement of regulatory and operational activities; and (iii) establishing policies for a balanced and efficient participation of the private sector (¶2.6-2). Tentative conditions for the first phase of the PBG include: (i) the creation of a task force to undertake the reform; and (ii) a policy note by APN outlining the main aspects of the reform.
- 2.13 **Component 4. Modernization and Strengthening of Maritime institutions.** This component will promote more efficient institutions to manage the sector, focused on: (i) increasing transparency on financial and commercial aspects (¶2.6-1); and (ii) creating mechanisms to strengthen the human capital of existing institutions. The tentative conditions for the first phase of the PBG are: (i) financial audit of APN; and (ii) the inventory of personnel and skills.

### III. TECHNICAL ISSUES AND SECTOR KNOWLEDGE

- 3.1 **Risks.** Some stakeholders (donors, ministries, private sector, etc.) may not agree on the content of the new regulatory framework for the port sector in a timely manner; mechanisms of coordination have been planned through a series of workshops with key stakeholders. Regarding the risk of non-accomplishment of the conditions, the institutions in charge have available resources approved in previous operations for technical support (HA-L1058 and HA-T1177).
- 3.2 **Coordination with other donors.** The French Government, through the *Agence Française de Développement* (AFD) agreed to channel part of their contribution to the HRF to this PBG (US\$10 million). AFD will contribute in the definition of the policy matrix and will be involved in the consultation processes.

### IV. SAFEGUARDS AND FIDUCIARY SCREENING

- 4.1 **Environmental Aspects.** In accordance with Directive B.13 on Environment and Safeguards Compliance Policy (OP-703), policy based operations are not classified. Given the nature of the program, no negative associated environmental or social impacts are expected.

### V. RESOURCES AND TIMETABLE

- 5.1 Annex V details the timetable for program preparation, indicates the milestone to be achieved and administrative costs, estimated in the amount of US\$58,880. The approval of the Project Operation Development (POD) by Operations Policy Committee (OPC) is estimated to April, 2014 and the Loan Proposal on May, 2014.

CONFIDENTIAL

<sup>1</sup> The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.

### SAFEGUARD POLICY FILTER REPORT

PROJECT DETAILS	
<b>IDB Sector</b>	Transport
<b>Type of Operation</b>	Policy Based Grant (PBG)
<b>Additional Operation Details</b>	
<b>Investment Checklist</b>	Generic Checklist
<b>Team Leader</b>	Fioravanti, Reinaldo Daniel (INE/TSP) (reinaldof@iadb.org)
<b>Project Title</b>	Institutional Strengthening and Reform of the Transport Sector I
<b>Project Number</b>	HA-L1088
<b>Safeguard Screening Assessor(s)</b>	Kotschoubey, Nicolas (nicolask@iadb.org (VPS/ESG)
<b>Assessment Date</b>	2013-11-15

SAFEGUARD POLICY FILTER RESULTS		
<b>Type of Operation</b>	Grant Operation	
<b>Safeguard Policy Items Identified (Yes)</b>	Activities to be financed by the project are in a geographical area and sector exposed to natural hazards* (Type 1 Disaster Risk Scenario).	(B.01) Disaster Risk Management Policy– OP-704
	Operation for which (Type 1) disaster risk is most likely to be low.	(B.01) Disaster Risk Management Policy– OP-704
	The Bank will make available to the public the relevant Project documents.	(B.01) Access to Information Policy– OP-102
	The operation is in compliance with environmental, specific women’s rights, gender, and indigenous laws and regulations of the country where the operation is being implemented (including national obligations established under ratified Multilateral Environmental Agreements).	(B.02)
	Operation for which ex-ante impact classification may not be feasible. These loans are: Policy-based loans, Financial Intermediaries (FIs) or loans that are based on performance criteria, sector-based approaches, or conditional credit lines for investment projects.	(B.13)
<b>Potential Safeguard Policy Items (?)</b>	No potential issues identified	
<b>Recommended Action:</b>	Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s), including B13, for guidance. No project classification required. Submit Report and PP (or equivalent) to ESR.	
<b>Additional Comments:</b>	B.13 Potential Risks: No specific risks. It is recommended that: (i) the Background Study being prepared include an overview of environmental and waste management practices in the port; and (ii) the new APN law being drafted include reference to national environmental legislation and international conventions that Haiti is signatory to.	

ASSESSOR DETAILS	
<b>Name of person who completed screening:</b>	Kotschoubey, Nicolas (nicolask@IADB.ORG)
<b>Title:</b>	Environment Specialist (VPS/ESG)
<b>Date:</b>	2013-11-15



## ENVIRONMENTAL AND SOCIAL STRATEGY (ESS)

1. Given the nature of the program, which involves institutional strengthening activities, there are no associated environmental or social risks. Based on the results of the Safeguards Policy Filter Report and Screening Form (see Annex II), no project classification is required according to the B.13 policy directive.
2. The Environmental and Social Strategy (ESS) of the program consists of:
  - (i) Ensuring that the Inventory/Audit (“*Etat des Lieux*”) being prepared includes an assessment of environmental and waste management practices in the port, including but not limited to capacity and procedure for oil spill response; management of solid waste; management of perishable/toxic waste or contaminants imported by ship (procedures for quarantine and destruction), etc.
  - (ii) Ensuring that the new APN law being drafted includes reference to:
    - a. national environmental legislation e.g. the 2005 Law on the environment, including Environmental Impact Assessment (EIA), and the implications for port operations; and
    - b. international conventions that Haiti is signatory to, and the implications for port operations, as applicable (e.g. United Nations Convention on the Law of the Seas (UNCLOS), Basel Convention on Controlling transboundary movements of hazardous wastes and their disposal, London Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter, Cartagena Convention for the Protection and Development of the Marine Environment in the Wider Caribbean Region, International Convention for the Control and Management of Ships Ballast Water & Sediments).
3. The ESS recommends strengthening the capacity of relevant agencies (APN, SEMANAH) to ensure their ability to fulfill their mandate regarding environmental aspects, including the capacity to monitor and supervise.
4. With the above points taken into consideration, no further environmental assessment is required for this project.

## COMPLETED AND PROPOSED SECTOR WORK

Study	Description	Date	Reference
1. Institutional Strengthening Program for the road sector (Spanish).	Three year plan for strengthening of road management activities at the MTPTC, R. Suarez.	09/2013	<a href="#">IDBDOCS-#38020293-Institutional Strengthening Plan</a>
2. General Development Plan of the International Port at Port-au-Prince.	Development Plan for the International Port at Port au Prince, ALATEC.	10/2010	<a href="#">IDBDOCS-#38234891-1 Plan de Development Port PAP ALATEC Oct 2010</a>
3. Study of Potential Port Projects in Haiti in the Post January, 2010 Earthquake.	Proposes a set of recommendations for decision making on the sector in the post-earthquake, analyses different solutions for the development of a permanent port infrastructure in Port-au-Prince metropolitan area, IFC – Halcrow.	10/ 2011	<a href="#">IDBDOCS-#38235045-2 Study on Potential Port Project in Haiti IFC Halcrow March 2011</a>
4. Port Development Strategy in Haiti.	Assesses the operational, legal and institutional framework and produces a port strategy for Haiti, CTS consulting.	12/ 2011	<a href="#">IDBDOCS-#38235145-3 Port development Strategy in Haiti CTS December 2011</a>
5. Support For Development of a Strategy For The Port Sector.	Discusses port projects, plans and goals for the port sector including institutional and legal reforms, Paul Woodbury.	11/ 2011	<a href="#">IDBDOCS-#38235069-4 Support for Development of a Port Strategy Haiti by Paul Woodbury Dec 2011</a>
6. Proposed Short and Medium Term Strategy for the Port Sector in Haiti	Summarizes the main strategic actions for the port sector in the country. It presents the key strategic actions across three main areas: civil works, regulatory and institutional reform, and small projects, Paul Woodbury.	02/ 2012	<a href="#">IDBDOCS-#38235073-5 Proposed Short-Medium Term Port strategy Haiti Dunkerley Febr 2012</a>
7. Etats de Lieux of APN	Inventory of commercial, financial and personnel assets and liabilities in APN.	08/ 2014	To be developed during 2014.

CONFIDENTIAL

<sup>1</sup> The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.