

SECONDARY AND TERTIARY ROADS REHABILITATION AND MAINTENANCE PROGRAM

(HA-0075)

EXECUTIVE SUMMARY

BORROWER: Republique d'Haiti

EXECUTING AGENCY: Ministere des Travaux Publics, Transports et Communications (MTPTC)

AMOUNT AND SOURCE: IDB: US\$50,000,000 (FSO)

Cofinancing: US\$04,000,000 (OPEC) Local counterpart funding: US\$01,000,000 Total: US\$55,000,000

FINANCIAL Amortization period: 40 years TERMS AND Grace period: 10 years CONDITIONS: Disbursement period' 4 years

Interest rate: 1% 1st ten years and 2% thereafter Inspection and supervision: 1%

Credit fee: 0.5%

COFINANCING: The Organization of Petroleum Exporting Countries (OPEC)

Amortization period: 17 years Grace period: 5 years Disbursement period: 4 years Interest rate: 2%  
Inspection and supervision: 1% Credit fee: no

OBJECTIVES: Development goal, The Program will contribute to the GOH's rural development strategy, which revolves around four goals: (i) to facilitate the integration of isolated rural areas into the national community; (ii) to improve access to basic social services for the rural population; (iii) to support rural economic activity by facilitating the transportation of goods; and (iv) to contribute to the development of tourism by facilitating access to sites of interest.

Purpose of the Program. The purpose of the Program is to improve the country's secondary and rural infrastructure in a sustainable way.

DESCRIPTION: The proposed Program will be a four year program consisting of two components: an investment component will finance the rehabilitation and maintenance of selected road networks, while an institutional component will support the development of an institutional framework to ensure the sustainability of investments.

The investment component includes: (i) the rehabilitation and maintenance of 200 km of secondary roads; and (ii) the rehabilitation and maintenance of 300 km of tertiary roads. The institutional component includes: (i) technical assistance to the MTPTC to facilitate Program execution; (ii) community development assistance to local stakeholders for the management of the tertiary network; and (iii) technical assistance and training for private companies and communities involved in rehabilitation and maintenance works.

ENVIRONMENTAL The Environmental Management Committee, at its CLASSIFICATION: meeting of July II, 1996, classified this as a Category III operation. The Committee on Environment and Social Impact approved the Program's Environmental Summary at its session of February 4, 1997.

BENEFITS: The Program is expected to: (i) rehabilitate 14.5% of the country's secondary network and 11.6% of the country's tertiary network, serving a total of 750,000 rural residents; (ii) improve the planning and programming capacity of the MTPTC; (iii) strengthen the local branches of the MTPTC; (iv) build local capacity and motivation for tertiary road management; and (v) strengthen small enterprises and community groups participating in road works.

Indicators of these achievements include: (i) the percentage of completion of the investment plan; (ii) the number of Decentralized Program Offices operational; (iii) the number of Triennial Maintenance Plans signed and duly implemented; and (iv) the number of contracts signed and executed by small companies and community groups.

These outputs will contribute to the sustainable improvement of the secondary and tertiary road networks, as measured by the percentage of these networks in good condition and by the amount of national and local resources allocated to their maintenance.

Finally this sustained improvement of the road infrastructure will have an impact on the global socio-economic indicators linked to the development goals of the Program. The Program will have a significant impact on the rural population of the targeted areas, 80% of which is below the poverty level. Although not gender specific, the Program will also have a significant impact on women, since they play the leading role in the transportation and marketing of agricultural products.

**RISKS:** Execution capacity of the MTPTC. An important determinant of Program success will be the execution capacity of the MTPTC, which, given the weakness that presently characterizes Haitian institutions, may raise some concern. Three factors mitigate this concern:

(a) The two road programs that the MTPTC are presently managing are now well under way and the MTPTC has gained positive experience in project management through them. 70% of the resources of both programs have already been committed.

(b) It is important to stress that the MTPTC's contribution to program preparation has been very significant thanks to the presence, within the MTPTC, of a core group of highly motivated and competent professionals. This group represents an important source of human capital for the future regeneration of the Ministry and efforts will be made within the Program to strengthen it.

(c) While overall program execution will be coordinated by the MTPTC through the Central Executing Unit, the proposed Program will rely intensively on local structures (Decentralized Program Offices and Local Coordination Structures). The expansion of the absorption base through the involvement of local stakeholders is indeed one of the surest means to increase the country's overall absorption capacity.

**Program sustainability.** As past experience has demonstrated, the major issue confronting this type of program upon completion is that of maintenance. To address this issue, it is proposed to set up a Road Fund with revenues from a fuel levy, vehicle registration fees and traffic fines.

Resources from the Road Fund will be complemented, on the tertiary network, by the contribution of local stakeholders. This contribution, although modest, is important to build competencies and a sense of ownership at the local level, at a time when the responsibilities and the resources of local authorities are being redefined. Local commitment to maintenance will therefore be a major criterion for the selection of tertiary road projects.

THE BANK'S The Bank's strategy in Haiti revolves around two COUNTRY AND complementary objectives: (i) the improvement of SECTOR STRATEGY: living conditions and (ii) the development of the productive economy. The present Program will serve the first objective by integrating rural areas into the national community and facilitating access to social services, and the second objective by supporting agriculture production and tourism.

The proposed Program attempts to simultaneously address three important fields of Bank intervention - decentralization, rural development and transport - and will look for synergies with other Bank's programs related to these three fields.

EIGHTH The proposed Program is a poverty targeted investment REPLENISHMENT (PTI) since Haiti is a country where the poverty head POVERTY TARGETING: count ratio is above 50%. Consequently, Bank financing has been increased to 90% of the overall amount of the operation, in application of paragraph 2.93 of the 8th replenishment document (AB-1704).

SPECIAL Conditions prior to first disbursement: CONTRACTUAL

CONDITIONS: 1. The Borrower shall submit evidence that it has presented the draft law for the creation of the National Road Maintenance Fund to the Parliament before the approval by the Parliament of the loan contract for the proposed Program. (see paragraph 1.17 and 4.10)

2. The Borrower must submit evidence of having established and adequately staffed the Central Executing Unit (CEU) within the Roads Directorate; (see paragraph 2.13)

3. The Borrower must submit evidence of having established and adequately staffed the Environmental Unit; (see paragraph 2.17)

4. The Borrower must submit evidence that the agreement with OPEC for complementary financing has entered into effect; (see paragraph 2.27)

5. The Borrower must submit evidence that the Program's operating regulations have entered into effect; (see paragraph 3.3)

Other special contractual conditions:

6. Prior to the signature of the first rehabilitation contract to be financed by the Program, the Borrower must submit evidence that the law for the creation of the Road Fund has entered into effect; (see paragraph 4.10)

7. The contract will also specify conditions related to: the timing for contracting the Program's technical assistance (see paragraphs 2.14 to 2.19); the level of resources to be disbursed by the National Road Maintenance Fund every Program year (see paragraphs 1.15, 3.24 and 4.10); program monitoring and evaluation procedures (see paragraphs 3.24 thru 3.31); the presentation of the Program's certified financial statements to the Bank (see paragraph 3.32); and the use of Bank procurement procedures for works, goods and consultant services (see paragraph 3.33 to 3.38).