

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**HAITI**

**INCREASING ACCESS TO QUALITY EDUCATION IN HAITI**

**(HA-L1077)**

**GRANT PROPOSAL**

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## CONTENT

PROJECT SUMMARY .....	1
I. DESCRIPTION AND RESULTS MONITORING.....	3
A. Background, problem addressed, justification.....	3
B. Objective, components and cost .....	7
C. Key results indicators .....	11
II. FINANCING STRUCTURE AND MAIN RISKS .....	12
A. Financing instruments.....	12
B. Environmental and social risks .....	12
C. Fiduciary risk.....	13
D. Other key issues and risks.....	14
III. IMPLEMENTATION AND MANAGEMENT PLAN .....	14
A. Summary of implementation arrangements.....	14
B. Summary of arrangements for monitoring results .....	17
C. Significant design activities post approval .....	17

### ANNEXES

ANNEX I:	Summary Development Effectiveness Matrix (DEM)
ANNEX II:	Results Framework
ANNEX III:	Fiduciary Arrangements

### ELECTRONIC LINKS

#### REQUIRED

1. Plan of Activities (POA) for first disbursement and the first 18 months of implementation  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37094294>
2. Monitoring and Evaluation Arrangements  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37093961>
3. Complete Procurement Plan  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37094286>
4. ESMR (Environmental and Social Management Report)  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37092943>
5. Safeguard Policy Filter Report and Safeguard Screening Form  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37130048>

#### OPTIONAL

1. Economic Analysis  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37093106>
2. Analysis of Project Cost  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37094251>
3. Haiti Education Sector Note  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37094090>
4. Haitian Education Plan 2010-2015  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37093635>
5. School Construction Status  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37121539>

## ABBREVIATIONS

AECID	Agencia Española Cooperación Internacional para el Desarrollo
AFD	Agence Française de Développement / French Development Agency
AOP	Annual Operation Plan
BNC	Banque National de Crédit
CDB	Caribbean Development Bank
CIDA	Canadian International Development Agency
DINEPA	Direction Nationale de l'Eau et de l'Assainissement / Water and Sanitation National Office
ECD	Early Childhood Development
EPT	Education pour Tous / Education for All
EMIS	Education Management Information System
ESMR	Environmental and Social Management Report
FAES	Fonds d'Assistance Economique et Sociale / Fund for Economic and Social Assistance
GoH	Government of Haiti
HRF	Haiti Reconstruction Fund
IDB	Inter-American Development Bank
IHRC	Interim Haitian Reconstruction Commission
IHSI	Institut Haïtien de Statistique et d'Informatique / Haitian Statistical and Computing Institute
IMF	International Monetary Fund
LNBTP	Laboratoire National du Bâtiment et Travaux Publics / National Laboratory for Buildings and Public Works
MEF	Ministry of Economy and Finance
MENFP	Ministry of Education and Professional Training
MO	Manual of Operations
MOU	Memorandum of Understanding
MSPP	Ministère de la Santé Publique et de la Population / Ministry of Public Health and Population
MTPTC	Ministère des Travaux Publics, des Transports et Communications / Ministry of Public Works and Telecommunication
NGOs	Non-Governmental Organization
PNCS	Programme National des Cantines Scolaires / National School Canteen Program
PSG	Project Specific Grant
SIIGPP	Système Intégré d'Information et de Gestion de Programmes et Projets
SMC	School Management Committee
TVET	Technical and Vocational Education and Training
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations International Children's Emergency Fund
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
UTE	Unité Technique d'Exécution
WB	World Bank
WFP	World Food Program

**PROJECT SUMMARY**  
**HAITI**  
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<b>Financial Terms and Conditions</b>				
Beneficiary: Republic of Haiti			Amortization period:	N/A
Executing Agencies: Ministry of Finance (MEF); Ministry of Education and Professional Training (MENFP); and Fonds d'Assistance Economique et Social (FAES).			Grace period:	N/A
			Disbursement period:	36 months
			Interest rate:	N/A
Source	Amount US\$	%	Supervision and inspection fee:	N/A
IDB (GRF)	50,000,000	100	Credit fee:	N/A
Total	50,000,000	100	Currency:	US\$
<b>Project at a Glance</b>				
<p><b>Project objective:</b> within the frame defined in the two previous operations, this operation will contribute to the Bank's five-year program supporting the following objectives of the Haitian Education Plan: (i) improving access to education; (ii) improving the quality of education; and (iii) strengthening the Ministry of Education and Professional Training (MENFP) institutional capacity and governance (¶1.13).</p>				
<p><b>Special conditions prior to first disbursement:</b> (i) the selection and contracting by the MEF through its Unité Technique d'Exécution (UTE), in accordance with terms of reference previously approved by the Bank, of a special team assigned to the UTE dedicated to the execution of this project, and which shall be comprised of, at least: (a) a deputy director, (b) a project manager, (c) a procurement specialist, (d) an administrative and financial director, (e) an accountant and (f) an environmental specialist; (ii) MEF and FAES shall sign and provide the Bank a copy of an agreement in effect and in form and substance satisfactory to the Bank, pursuant to which MEF will transfer resources from the Bank, as applicable, to FAES for the execution of the project; (iii) MEF and MENFP shall each approve respectively and to the satisfaction of the Bank, updates to the current manuals of operations realized by UTE and FAES on the one hand and Education pour Tous (EPT) on the other hand, in order to account for this project's activities and also include with respect to UTE, the environmental and social recommendations outlined in Section VIII of the ESMR; (iv) MENFP shall provide a copy, satisfactory to the Bank, of a valid memorandum of understanding (MOU) signed with MEF and referring to the agreement of transfer of resources signed between MEF and FAES; such MOU shall establish the terms of the respective collaboration and undertakings of each executing agency for the execution of this project; and (v) FAES shall provide a signed copy of all the construction and supervision contracts for the 39 schools to be built under operation HA-L1049 (Grant No. 2464/GR-HA) (¶3.1).</p>				
<p><b>Special conditions prior to the execution of: Component I and IV:</b> MEF through UTE must show evidence satisfactory to the Bank that: (i) it has signed a memorandum of understanding with the National Laboratory for Buildings and Public Works (LNBTP) establishing the terms of their collaboration; (ii) it has contracted an independent engineer consultant to ensure compliance with anti-seismic and hurricane safe norms during the design and execution of constructions; (iii) all new technical staff of UTE have been trained on Bank procurement's rules and procedures; and (iv) the environmental and social recommendations outlined in Section VIII of the ESMR have been implemented to the satisfaction of the Bank (¶3.3). <b>Component I only:</b> MENFP shall submit a list of eligible construction sites, including for each site: (i) the budget (human and financial resources) already available on-site prior to the construction works where applicable; (ii) a multi-annual estimation of the resources needed for the operation of the new school; and (iii) a written commitment to include these estimations in its annual general budget request to MEF (¶3.3). <b>Component II:</b> MENFP shall submit to the Bank a programming matrix for the following two years integrating data on all beneficiary schools and all sources of financing, including national sources, and a commitment to integrate this information in the monitoring matrix and execution reports (¶3.4). <b>Deworming campaigns under Component III:</b> FAES must show evidence satisfactory to the Bank that it has signed an agreement with the MENFP and Ministry of Public Health and Population (MSPP in French) defining the implementation, supervision and reporting mechanisms for this activity (¶3.5). <b>Components III and IV:</b> FAES shall, to the satisfaction of the Bank, present an institutional strengthening plan and show evidence that it contracted technical assistance to advise in the reform and strengthening of its procurement function (¶2.6).</p>				

<b>Special disbursement:</b> in order to enable the fulfillment by UTE of the general conditions prior to first disbursement of the grant, an initial disbursement for up to US\$500,000 will be made to the extent the Beneficiary fulfills to the Bank's satisfaction all the standard general conditions prior to disbursement set forth in grant agreements, except for the submission of the initial execution report (¶3.2 and see ¶4.8 of <a href="#">Annex III</a> ).
<b>Special Aspects:</b> additional co-financing up to the aggregate amount of US\$250 million is contemplated to support the components of this project without seeking further Board approval, to the extent certain Board approved conditions are met (¶2.2 and ¶2.3).
<b>Exceptions to Bank policies:</b> N/A
<b>Project qualifies for:</b> SEQ <input checked="" type="checkbox"/> PTI <input checked="" type="checkbox"/> Sector <input checked="" type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/>

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, justification

- 1.1 **Context and main issues.** Two years after the earthquake, the Government of Haiti (GoH) has undertaken considerable efforts to rebuild the country. In the education sector, the Bank continues to be the GoH's most significant supporter in terms of financing and leveraging of other donors' resources. After almost 18 months of effective execution, the program financed by the Inter-American Development Bank (IDB) for the reconstruction of the education sector is producing its first results, especially in the area of access to free education (tuition waivers, school kits and uniforms and, to less extent, school construction) and institutional strengthening (¶1.3 and ¶1.4). The Bank's program is designed to support the GoH's education plan developed after the earthquake, outlining the framework for a tuition-free education system to provide quality services ([HA-L1049](#) and [HA-L1060](#) grant proposals).
- 1.2 **IDB's financial commitment in Haiti's education sector.** In 2010, the Bank pledged US\$250 million in grant resources over a five-year period in support of the GoH's plan and an equivalent amount to be raised, to the extent possible, from other donors. To date, out of the US\$136 million approved, US\$41 million have been disbursed. The program includes two grant operations using IDB grant resources (HA-L1049, 2464/GR-HA and HA-L1060, 2643/G-HA, US\$50 million each), as well as US\$36 million in co-financing obtained from fund-raising efforts from the Canadian International Development Agency (CIDA, CAD\$20m), Haiti Reconstruction Fund (HRF, US\$15m), and First Citizens Bank of Trinidad and Tobago (FCBT&T, US\$1m). The program is also supported by approximately US\$20 million in parallel financing from Agencia Española de Cooperación Internacional para el Desarrollo (AECID, €10 million), the Swiss Agency for Development and Cooperation (SDC, US\$8.2m), and the Barefoot Foundation (US\$0.4m). Discussions with the Governments of Finland, France and other partners are expected to materialize in additional US\$15 million of co-financing for HA-L1060 by the end of 2012.

**Table I-1. Approved and disbursed program resources since 2010**

(US\$ million)	HA-L1049 (2010)					HA-L1060 (2011)			Total
	IDB	CIDA	HRF	FCBT&T	Total	IDB	HRF	Total	
<b>Approved</b>	50.0	20.0	10.0	1.0	<b>81.0</b>	50.0	5.0	<b>55.0</b>	<b>136.0</b>
<b>Disbursed</b>	16.3	12.9	5.9	0.6	<b>35.7</b>	5.4	0.0	<b>5.4</b>	<b>41.1</b>

- 1.3 **First results achieved to date.** Since school year 2010/2011, the program finances the free enrollment of 70,000 1-6 graders attending non-public schools through the tuition waiver program. For the current school year (2012/2013), 8 schools built by the partner Southcom and equipped under HA-L1060 will open for enrollment; 120,000 1-9 graders (6% of enrollment) will receive school kits and uniforms in October, reducing the cost of education for their families. During this school year, the second operation (HA-L1060) will start introducing a greater focus on education quality, especially through innovative learning tools in classrooms and public-private partnership for the management of Technical and Vocational Education and Training (TVET) centers. For school year 2013/2014

(one year after the original plan), 60 schools benefitting over 20,000 students are expected to be delivered. Indeed, out of 62 schools planned to be built under HA-L1049 and its respective co-financing, 21 school constructions have started and 39 are being procured. The construction of 20 additional schools and rehabilitation of 15 schools will start in 2013 under HA-L1060. Also, the IDB-supported program has contributed to the institutional strengthening of the Ministry of Education (MENFP) in data collection and implementation of the 2010-2015 Education Plan. In 2011 and 2012, the IDB program financially supported MENFP's first two school censuses since 2003 and provided technical assistance to support the implementation of the Education Plan.

- 1.4 **Program remaining challenges.** To date, the program has not been exempt from the cross-cutting challenge of implementation capacity in Haiti. Identified weaknesses ([refer to risk analysis](#)) in the areas of project management, procurement, supervision and quality control have resulted in delays and deliverables of insufficient quality. In the area of school construction, the rapid growth of demand after the earthquake has evidenced existing weaknesses, mainly the low availability of quality materials and the insufficient capacity of local construction and supervision firms and executing units to ensure compliance with quality standards, timelines and costs. In early 2012, two months after the launching of the construction of 28 schools, the Bank requested the suspension of all construction works after its supervision led to the identification of serious quality issues and risks, including non-compliance with anti-seismic and anti-cyclonic norms and environmental and social guidelines. Presently, an evaluation led by an independent consultant, is defining the technical corrections needed on each site and a roadmap to re-launch the works according to the above specified norms. This technical evaluation is expected to be completed by November 2012. Preliminary findings indicate the need for partial or full reconstruction of some schools will be necessary in order to comply with anti-seismic and anti-cyclonic norms and environmental and social guidelines (see [Annex 5](#) for detailed status of school construction). An evaluation of procurement processes will complement the technical analysis and inform on the quality of the past processes and on ways to translate the technical recommendations into revised or new contractual terms.
- 1.5 **Measures to address challenges.** Since early 2012, the Bank has increased both its supervision and technical assistance, especially towards the executing agency Fonds d'Assistance Economique et Sociale (FAES). The Bank decided to return to ex-ante supervision of FAES and to increase its supervision capacity by adding one infrastructure specialist and one additional education specialist to the local education team. At the same time, technical assistance is also provided to FAES to adopt a different construction and procurement strategy aimed at improving volume, quality, cost control and construction time. For the next waves of schools, procurement initiated in September 2012 is relying on an open international competition to encourage the adoption of effective construction solutions and comply with anti-seismic and anti-cyclonic standards. The IDB, jointly with the SDC and AECID, is also supporting MENFP in the development of standardized and adaptable school construction plans to strengthen the



construction and supervision modus operandi for concrete construction. From 2012, all schools built under the IDB program will follow one of the two strategies described above; their respective comparative advantages should start materializing in 2013. During this process of capacity building and to alleviate FAES' workload, GoH decided to implement all construction-related activities within the present operation through an executing unit of the Ministry of Finance (Unité Technique d'Exécution-UTE), specialized in the management of infrastructure projects. This option is aligned to the GoH's request to support capacity building within the public sector. If sustained, these efforts should pave the way for an improved absorption capacity in the medium term.

- 1.6 **Sector remaining challenges.** The first results have been achieved in a context of structural challenges that existed even prior to the earthquake. Despite a high demand for education, many Haitian children remain out of school, mainly due to an insufficient supply of affordable education (public schools represent only 12% of grade 1-6 schools) and the cost of private alternatives. For most children, non-public schools characterized by highly variable quality and cost are the only option available. The most recent estimate of US\$120 annual tuition at preschool, US\$160 at grade 1-9, and US\$350 at secondary level in private schools, contributes to limit education participation and literacy skills, especially for the 76% of the population living on less than US\$2 a day. A sustained investment in school construction and cost alleviation is still needed to achieve universal access to basic education.
- 1.7 School children are generally provided with a low quality education, especially in the 92% of non-public schools lacking accreditation. Haitian adults have the highest illiteracy rate (57%) of the Caribbean region. According to a study of 2,500 students ([GoH, 2010](#)), literacy skills are extremely poor in French and Creole. On average, third graders read 23 words per minute while the international standard is set to 60. They achieve correct answers in less than 10% of the questions related to a short and simple text in French and 17% in Creole. There are no significant gender differences in access, repetition, drop out, or acquisition of literacy skills. Though further analysis on the determinants of learning in Haiti is needed, teachers' skills likely explain an important share. Out of 60,000 teachers in grades 1-9, 80% have no relevant diploma or initial training. Teachers also lack training opportunities, materials and administrative support, as well as adequate remuneration.<sup>1</sup>
- 1.8 To facilitate learning, a school also needs to provide a safe and healthy environment for students. Instead of promoting children's health, many schools in Haiti expose children to health hazards such as diarrhea and intestinal worm infections. These conditions, mainly due to inappropriate sanitation and unsafe water sources, have been shown to hinder both the physical and intellectual development of children.<sup>2</sup> In Haiti, 60% of schools have no sanitation facilities

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<sup>1</sup> Average teacher salaries are US\$150 to US\$225 monthly in the public sector and lower in the private sector; [Leignel 2010](#).

<sup>2</sup> A study in school children in Kenya showed that 40% of hook-worm infections happen in schools and that de-worming program can reduce overall school absenteeism one quarter or more ([USAID, 2009](#)).

and 77% offer no access to drinking water. These conditions expose more than a million children to waterborne diseases during school hours. While diarrhea continues to be a common illness (approximately 4-6 episodes per child per year), the presence of cholera in Haiti has further added to the urgency to adopt appropriate hygiene measures at all levels, especially in schools.

- 1.9 The education sector governance rests on a Ministry which administers 10% of the total national budget, manages 12% of the grade 1-6 schools, operates with highly centralized procedures and management, and has little regulatory capacity over both public and non-public schools. In addition, since the collapse of its building during the earthquake, the Ministry is operating in temporary structures that affect productivity. Results of a recent institutional analysis ([MENFP, 2011](#)) also highlight additional structural challenges, including the need for: (i) information systems for policy making and monitoring; (ii) a revised legal and organizational framework for MENFP; (iii) operational norms and procedures; (iv) improved public capacity to regulate the non-public sector; and (v) the decentralization of capacities and decision making. Planning, monitoring and evaluation are hampered by the scarcity of relevant, timely, and structured information. Basic statistics on the education system and the population, such as the number of schools, their location, the number of teachers and students by level or the school age population, are scarce and not reliable. The last population census was conducted in 2003 and the last household survey in 2000. A multi-donor effort, including IDB, has been supporting the two subsequent school censuses since 2011. Though data collection has significantly improved, data management and analysis for decision making needs to be further supported.<sup>3</sup>
- 1.10 **Government strategy for the sector.** An opportunity has emerged from the 2010 earthquake for the government to develop a comprehensive plan for education reform and to secure donor commitment for the long term. The Education Plan, approved by the Interim Haitian Reconstruction Agency (IHRC) in October 2010, lays out the framework for achieving a tuition-free education system providing quality services by 2015. The [2010-2015 Plan](#) combines the reconstruction of educational infrastructure with lasting reforms of system management and accountability. In addition, the President of Haiti has included education among his top priorities. Soon after his election in 2011, he launched the Programme de Scolarisation Universelle (PSUGO) to subsidize the cost of education through cash transfers to public and non-public schools. The GoH is currently seeking Parliament's approval to create a National Fund for Education which would finance and implement this program. While these initiatives are important first steps toward expanding access to quality education for all Haitian children and represent an increased share of national financing of the Education Plan (the total cost of the Education Plan is estimated at US\$4.3 billion), they require stronger articulation across government levels, combined with improved clarity of objectives, priorities and measures to achieve them. In 2011, the government has

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<sup>3</sup> For further sector analysis and for a more detailed framework of the IDB annual contribution to the Haitian Education Plan objectives, see the [Haiti Education Sector Note](#) as well as [HA-L1049](#) and [HA-L1060](#) grant proposals.

also created new taxes on international phone calls and money transfers aimed at financing the education sector and sustaining the financial efforts supported by the donor community.

- 1.11 **Program strategy.** This operation will further support the transformation of the education system in Haiti by: (i) consolidating the necessary investments initiated within the two previous operations to increase the supply of public education, subsidize the cost of private education, and strengthen MENFP's executing and regulatory capacity; and (ii) complementing and integrating a range of policy interventions within a national program focused on the quality of education, integrating existing interventions such as learning in the classrooms (developed under HA-L1060) and health interventions (developed under the present operation). Indeed, because this operation is part of a large commitment by the Bank to support the reconstruction of the education sector in Haiti, adequate implementation of this operation will inform the rest of the Bank's planned operations in the sector for Haiti.
- 1.12 **IDB Country Strategy (CS) and GCI-9.** The proposed project is fully aligned with the Bank's Country Strategy with Haiti 2011-2015 (GN-2646) and included in the 2012 Country Program Document (CPD), which is part of the 2012 Operational Program Report (GN-2661-2). The project contributes towards the CS strategic objective of improving access and quality of education by increasing the number of preschool to grade 9 students enrolled in schools free of charge (Component I and II) and by improving students' readiness to learn (Component III). The project also contributes towards the CS strategic objective of strengthening MENFP's institutional capacity, with an increased percentage of non-public schools accredited and an institutionalized information system operational and providing updated and timely data (Component IV). These indicators are included in both the CPD and the CS. Finally, the project will contribute to meet the following GCI-9 (AB-2764) lending targets: (i) small and vulnerable countries; and (ii) poverty reduction and equity enhancement.

**B. Objective, components and cost**

- 1.13 Within the frame defined in the two previous operations, this operation will contribute to the Bank's five-year program supporting the following objectives of the Haitian Education Plan: (i) improving access to education; (ii) improving the quality of education; and (iii) strengthening MENFP's institutional capacity. Specifically, this operation's objectives are to: (i) increase the public supply of education benefitting 8,200 children annually; (ii) provide tuition-free primary education to 35,000 grade 1-6 students annually; (iii) improve the learning readiness of 315,000 children through health interventions; and (iv) increase the capacity of GoH to implement the Education Plan and regulate the sector.
- 1.14 **Component I. Increased public supply of education from preschool to grade 9 for 8,200 children annually (US\$22.85 million).** This component contributes to the objective of increasing the public supply of education. Key activities to be financed are: (i) the construction and equipment of 20 public schools providing increased access to education for 8,200 children from preschool to grade 9; and

- (ii) technical assistance to MENFP for the development of norms, standardized plans and execution manuals for the construction of secondary schools.
- 1.15 At the end of this operation, 20 new public schools will be functional in areas where the public supply for education is insufficient. The specific criteria for the location of the schools will be defined during execution, based on data from the population census to be carried out in 2013. Each school will operate with at least 11 teachers and 410 children distributed across two preschool classrooms and nine grade 1-9 classrooms (K-9 schools). Schools will have an administration building, including a director's office and a working room for teachers, an equipped library, sanitary facilities, a school canteen and kitchen. Schools will also be equipped with energy and water systems, individual chairs and desks, and be accessible for disabled children. At least 5 of the 20 schools will be built using standardized plans for K-9 schools developed and tested by MENFP in 2012, with the support of its partners, including FAES and SDC. All new construction will comply with building codes against natural disasters currently in use in Haiti and MENFP design guidelines. All school directors and committees benefitting from the project will be trained and provided with a maintenance plan. The GoH will provide the necessary budget for the regular school operation and maintenance (¶3.3).
- 1.16 Given current efforts to improve access to primary education, this operation will support the government's capacity to ensure a smooth transition between primary and secondary education. In particular, HA-L1077 will finance technical assistance to: (i) complement the existing norms for the construction of schools to include the secondary level; and (ii) support MENFP's participation in a technical group which is developing three sets of standardized plans and execution manuals for the construction of primary schools; this technical assistance aid the development of a package for secondary schools. The construction of secondary schools will be considered in the future operations.
- 1.17 **Component II. Tuition-free primary education for 35,000 children annually (US\$7.2 million).** The objective of this component is to support the demand for education by subsidizing households' education expenses, thus promoting access and retention. This operation will contribute to the government's strategy to provide universal and free education to all 6-12 years old by 2015. Key activities to be financed are: (i) cash transfers to schools to subsidize tuition fees of 35,000 children attending non-public schools; and (ii) technical assistance to improve the design of the tuition waiver program, including an impact evaluation to be performed in 2012 and 2013.
- 1.18 As with HA-L1049 and HA-L1060, this operation will support the free enrollment of 35,000 children for two additional years of primary education. Since 2007, the tuition waiver program has consisted of the transfer of US\$90 per child per year, comprised of US\$69 for administrative expenses, including teachers' salaries, and US\$21 for textbooks and learning materials. The program is currently supporting approximately 205,000 children in 1,212 non-public schools, with funding from the GoH (PSUGO), Caribbean Development Bank (CDB), CIDA, IDB and the World Bank (WB). Supervision reports indicate that beneficiary schools mostly comply with selection criteria, including accreditation, textbooks per child (3),

- class size (45 students per class), and fee abolition. Reports also note the need to improve program management to ensure timely payments, technical assistance to ensure compliance with standards and financial reporting, and the definition of sanctions.
- 1.19 In order to improve the design and effectiveness of the tuition waiver program, MENFP's executing unit Education For All (EPT), with WB and IDB support, will implement an evaluation of the impact of the tuition waiver on: (i) retention (measured by dropout rates); (ii) quality of education (measured by learning outcomes standardized tests and repetition rates) in 108 beneficiary schools and 108 schools in a control group, taking the baseline in 2012 and end line in 2014, and (iii) possible spillover effects on neighboring schools and households expenses (measured by a household survey). Presently, data collection and analysis are being procured; implementation is expected to start in November of 2012. This operation will finance, jointly with the WB's, the cost of this study. The impact evaluation will be complemented by a process evaluation, financed under HA-T1172 (ATN/FC-13304-HA), that will analyze the procedures, practices and bottlenecks within the operation of the program. Under HA-L1077, technical assistance will be provided to MENFP to use all these additional inputs for the design of a more effective intervention.
- 1.20 **Component III. Improved learning opportunities for 315,000 children annually (US\$7.6 million).** The objective of this component is to increase the learning readiness of 315,000 children. Key activities to be financed are: (i) bi-annual deworming campaigns in 2,000 schools benefitting 300,000 K-9 children for two school years; (ii) the certification of 100 schools as Hygiene Friendly, benefitting at least 15,000 K-9 children; and (iii) technical assistance to further develop and structure the national program to improve the quality of education, focusing on literacy.
- 1.21 Via the national school deworming program, the project will have a positive impact on learning readiness of 300,000 K-9 children. This operation will finance bi-annual deworming campaigns in 2,000 schools over two school years. It has been shown that children have immediate educational and cognitive benefits from deworming ([Miguel and Kremer, 2003](#)). School deworming has repeatedly been selected as the top development intervention by the Copenhagen Consensus.<sup>4</sup> The pre-existing infrastructure of the educational system offers a cost-effective route to deliver health interventions. In order to gradually increase the participation of teachers in the campaigns, a teacher training curriculum will be designed and introduced. This intervention will reinforce the school feeding program implemented by the MENFP and funded by the WB and the World Food Program (WFP).
- 1.22 At the end of the project, 15,000 K-9 children will benefit from improved learning conditions, by being protected from water-borne diseases and promoting hygienic behaviors. This component will support the certification of 100 schools as

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<sup>4</sup> Copenhagen Consensus is a structured global dialogue process that establishes development priorities based on welfare economics.

- Hygiene Friendly according to international standards developed by UNICEF. This accreditation system mandates compliance with standards for basic infrastructure (latrines/sanitary block, hand-washing stations and drinking fountains) and implementation of the following practices: (i) appropriate use of sanitation facilities; (ii) hand washing with soap or ash at critical times (after using toilets, before eating); and (iii) drinking safe water that has been treated, stored, and retrieved properly. Manuals to guide the process related to teacher training are available in French and their customization to the Haitian context is in process. The initial works have been developed within the alliance Eau, Assainissement et Hygiène en Milieu Scolaire (EAHMS) launched in March of 2012 by the MENFP and consisting of governmental entities, such as the Ministry of Public Health and Population (MSPP) and the Water and Sanitation National Office (DINEPA), local and international NGOs and development partners such as the UNICEF, UNESCO and WFP. The alliance is currently consolidating data from an assessment on water and sanitation conditions of more than 500 schools nationwide which will be used in the planning and prioritization process ahead.
- 1.23 This component will also finance technical assistance to support MENFP in defining a national program to improve the quality of education, starting with the development of literacy skills. The Ministry has already initiated in 2012 the development of the concept and general objectives of this program, which would complement the national program focused on access to free education (PSUGO). HA-L1077 would support the design of a set of interventions and modalities for implementation. Several partners are already supporting the literacy agenda, including UNESCO, UNICEF, Save the Children, the WB, and USAID. In particular, the latter three institutions and the IDB (interactive radio program under HA-L1060) are implementing and evaluating the impact of different types of literacy interventions to inform the design of a national literacy program.
- 1.24 **Component IV. Strengthened MENFP's executing and regulating capacity (US\$9.4 million).** This component will finance technical assistance to MENFP and its executing units. At the end of the project, it is expected that MENFP will have a better implementing and regulatory capacity and an improved information system for policy design, implementation and monitoring. Key activities to be financed are: (i) the reconstruction of MENFP's facilities; (ii) technical assistance for the accreditation of 300 non-public schools based on revised criteria and procedures for accreditation; (iii) design and operation of an upgraded information system; and (iv) executing units costs and technical assistance for the implementation of the Education Plan.
- 1.25 To improve MENFP's execution capacity, this component will support the reconstruction of MENFP's offices. In addition, technical support will be provided, in coordination with other donors, for the implementation and monitoring of the Education Plan. This operation will also support the accreditation of 300 non-public schools in 2 years, including support to the revision of criteria and procedures for accreditation. To improve policy design, monitoring and evaluation, HA-L1077 will continue supporting the design and operation of an upgraded information system using available and future school

census data (2011, 2012, and 2013), the ongoing school mapping (under the two previous operations) and other available data. In addition, a student identification system will be developed and piloted in 40 schools in order to define the feasibility of such a system in a context of weak national population registries. Such a system would allow tracking students' trajectories in the education system, including in the tuition waiver program (¶1.18).

- 1.26 **Costs and Benefits.** The total cost of this operation is US\$50 million financed by the Bank (see Table I-2 for details). In addition, this operation will benefit from a strategic alliance with SDC in the area of school construction materializing into joint technical assistance to MENFP in the development of standardized construction plans, the secondment of an infrastructure specialist within the education team in Haiti country office, and the construction of 6 to 8 schools equivalent to US\$8.2 million in parallel financing over the project period. As indicated, the project is open for additional co-financing arrangements (¶2.2 and ¶2.3). The [ex-ante economic analysis](#) suggests that benefits of Components II and III are expected to outweigh costs; results on Component I will be subject to actual unit costs per school which have been defined to control for cost escalation during execution.

Table I-2. Cost table

Categories	Amount US\$	%
<b>Component I. Increased public supply of education from preschool to grade 9 for 8,200 children annually</b>	<b>22,850,000</b>	<b>46</b>
Construction of schools	22,700,000	45
Technical assistance for the definition of norms and standardized plans for the construction of schools	150,000	1
<b>Component II. Tuition-free primary education for 35,000 children annually</b>	<b>7,200,000</b>	<b>14</b>
Tuition waiver program / school subsidy	6,600,000	13
Improved design of the tuition waiver program	600,000	1
<b>Component III. Improved learning opportunities for 315,000 children annually</b>	<b>7,600,000</b>	<b>15</b>
Deworming campaigns in schools	4,400,000	9
Certification of Hygiene Friendly schools	2,800,000	5
Design of a national program to improve the quality of education	400,000	1
<b>Component IV. Strengthened MENFP's executing and regulating capacity</b>	<b>9,400,000</b>	<b>19</b>
Construction of a new infrastructure for MENFP's offices	4,280,000	9
Development of the MENFP information system	1,000,000	2
Accreditation of non-public schools	400,000	1
Technical assistance for the implementation of the Education Plan	500,000	1
Executing units costs	3,220,000	6
<b>Audit, monitoring and evaluation</b>	<b>800,000</b>	<b>2</b>
Financial audit	300,000	1
Monitoring and evaluation	500,000	1
<b>Contingency</b>	<b>2,150,000</b>	<b>4</b>
<b>Total</b>	<b>50,000,000</b>	<b>100</b>

### C. Key results indicators

- 1.27 At the end of the 30-month execution period of the project, it is expected that: (i) 8,200 children from preschool to grade 9 will annually benefit from additional learning space; (ii) 35,000 grade 1-6 students will annually benefit from tuition-free primary education; (iii) 315,000 preschool to grade 9 students will improve their readiness to learn; and (iv) MENFP will make decision based

on an institutionalized information system providing updated and timely data and increase its regulations capacity by accrediting up to 20% of non-public school.

## **II. FINANCING STRUCTURE AND MAIN RISKS**

### **A. Financing instruments**

- 2.1 The present operation is the third of five annual projects constituting the Bank's US\$250 million commitment to support the Haitian Education Plan. As with HA-L1049 and HA-L1060, the Office of Outreach and Partnerships (ORP) will work with the team to raise the targeted amount in co-financing.
- 2.2 In November 2010, during its consideration of HA-L1049, the Board approved a proposal that allows Management to receive contributions from donors to support any approved component in the form of a Project Specific Grant (PSG) or through a trust fund contribution (including HRF), each administered by the Bank up to the aggregate amount of US\$250 million, without the preparation and approval of a separate project proposal. Consistent with the mechanisms created for HA-L1049, co-financing resources raised in support of this operation will be incorporated in accordance with the corresponding co-financing agreements and channeled towards HA-L1077 components, thus increasing their reach and impact. The approval of a separate project proposal would only be required if the above mentioned aggregate amount is exceeded, or if a donor wishes to finance a component not included in a Board approved operation, or if a proposed co-financed operation falls outside established Bank policies and procedures. As in the case of the HRF co-financing (GN-2586, ¶8.2), Management will not charge an administrative fee for donor contributions co-financing a Bank approved operation with Haiti.
- 2.3 The Board is therefore requested to authorize the President, or such representative as he shall designate, to enter into such agreements as may be necessary with donors and with the Republic of Haiti to receive, administer, and allocate to this operation any co-financing resources aimed at supporting and executing the components of this operation. Each operation presented to the Board will report on co-financing results to date.

### **B. Environmental and social risks**

- 2.4 This operation will have a net positive social impact as targeted communities benefit from an increased supply of quality education and improved institutional capacity and governance of the education sector overall. This operation is classified as Category "B" according to the IDB's Environment and Safeguards Compliance Policy (OP-703), but is considered high risk due to: (i) outstanding potential environmental liabilities associated with a previous Operation (HA-L1049); (ii) Haiti's vulnerability to natural hazards; and (iii) a historical lack of construction codes or agencies to regulate the construction industry. The key negative impacts and risks are associated with the construction of 20 schools in Component I and offices in Component IV. These impacts are expected to be minor, highly localized,



typical of small to medium scale construction sites, and readily manageable through the implementation of environmental, health and safety mitigation measures.

- 2.5 IDB's supervision of previous operation HA-L1049 identified serious flaws in construction, and breaches in health and safety, resulting in the suspension of all construction activities and the decision to return to ex-ante supervision. These failures have been associated with a lack of institutional capacity in FAES. In response to these findings, GoH has appointed a new Executing Unit, UTE, to be responsible for all construction-related activities for Components I and IV of this project. UTE has proven to be a competent unit and is successfully working with the Bank on a number of other high-profile, complex projects, for example HA-L1055. Section VIII of the ESMR describes special contractual conditions related to the environmental and social aspects of the operation.

### C. Fiduciary risk

- 2.6 **Procurement.** All executing agencies of this operation, namely MEF and MENFP through UTE<sup>5</sup> and EPT, respectively, and FAES, will be placed under procurement ex-ante review. Given the recent issues regarding school construction (¶1.4 and ¶1.5) and the need for FAES to show evidence of improved institutional capacity, MEF through UTE will be responsible for the execution of Component I and all the works related activities as foreseen under Component IV. MENFP will execute Component II through its executing unit EPT. FAES will execute all other components and activities. For the reasons explained in [Annex III](#) to the present document, the procurement risk for the UTE is high, medium high for FAES and low for EPT. In order to maintain the same level of performance, UTE will contract to a new team specifically dedicated to this operation. As soon as all newly contracted technical staff of UTE will have been trained on Bank procurement's rules and procedures (condition prior to the execution of Component I and IV), risk level should be reviewed to medium or low. The risk for UTE is expected to be mitigated through trainings and from the experience acquired by the rest of the staff in the same executing unit. Prior to the execution of Components III and IV, FAES shall, to the satisfaction of the Bank, present an institutional strengthening plan and show evidence that it contracted technical assistance to advise in the reform and strengthening of its procurement function. All of the above are special execution conditions.
- 2.7 **Financial Management.** Based on an updated assessment of financial management and internal and external control systems, HA-L1077 is expected to have a low financial risk for components executed by UTE/MEF given the strength of its financial management and control systems, and experience in executing Bank projects. Updated assessments of FAES financial management systems and internal control processes conclude to medium risk because of weaknesses in monitoring and accountability due to lack of automated financial

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<sup>5</sup> UTE was established by ministerial circular within the MEF in January 2005 and is headed by a Director General who reports directly to the Minister of Economy and Finance. UTE/MEF has extensive experience in Bank financed operations and is at present successfully executing large infrastructure operations in Haiti such as the Industrial Park.

reports, weaknesses in budget executions, and lack of financial tool for the control and administration of fixed assets. Medium risk is also determined for EPT due weaknesses in cash flow planning and disbursements. The ex-post methodology is recommended for the disbursement process for all three executing units.

#### D. Other key issues and risks

**Table II- 1: Risks and mitigation**

Risk	Mitigating measure
Public Management and Governance & Development. MENFP and executing agencies/units' institutional capacity constrain execution and resource absorption.	<ul style="list-style-type: none"> <li>• Financial and technical assistance to MENFP and FAES.</li> <li>• Revised procurement and school construction strategy to attract more solid firms and new technological solutions.</li> <li>• Use of the standardized plans developed by the technical group on school construction.</li> <li>• UTE/MEF to alleviate FAES from school construction.</li> </ul>
Reputation & Development. School construction system not complying with expected timelines, costs volumes and quality standards (including anti-seismic and anti-cyclonic norms) due to weak local capacity (firms and EUs).	<ul style="list-style-type: none"> <li>• Same as above.</li> <li>• Ex-ante supervision of FAES since June 2012.</li> <li>• Strategic alliance with SDC; architect secondee within EDU/CHA team since August 1<sup>st</sup>, 2012.</li> <li>• Strengthen direct supervision by the MENFP/DGS.</li> <li>• Construction and supervision by international firms.</li> </ul>
Monitoring. Limited availability of data for progress monitoring.	<ul style="list-style-type: none"> <li>• Technical and financial support to the MENFP's information system, school census and school mapping.</li> </ul>

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

3.1 The Beneficiary is the Republic of Haiti and there will be three Executing Agencies MEF and MENFP through UTE and EPT, respectively, and FAES (¶2.6). UTE, EPT and FAES will report on progress to MENFP, which will organize regular meetings with the Bank to review progress. **As special conditions prior to first disbursement: (i) the selection and contracting by the MEF through its Unité Technique d'Exécution (UTE), in accordance with terms of reference previously approved by the Bank, of a special team assigned to the UTE dedicated to the execution of this project, and which shall be comprised of, at least, (a) a deputy director, (b) a project manager, (c) a procurement specialist, (d) an administrative and financial director, (e) an accountant and (f) an environmental specialist; (ii) MEF and FAES shall sign and provide the Bank a copy of an agreement in effect and in form and substance satisfactory to the Bank, pursuant to which MEF will transfer resources from the Bank, as applicable, to FAES for the execution of the project; (iii) MEF and MENFP shall each approve respectively and to the satisfaction of the Bank, updates to the current manuals of operations realized by UTE and FAES on the one hand and Education pour Tous (EPT) on the other hand, in order to account for this project's activities and also include with respect to UTE, the environmental and social recommendations outlined in Section VIII of the ESMR; (iv) MENFP shall provide a copy, satisfactory to the Bank, of a valid memorandum of understanding (MOU) signed with MEF and referring to the agreement of transfer of resources**

**signed between MEF and FAES; such MOU shall establish the terms of the respective collaboration and undertakings of each executing agency for the execution of this project; and (v) FAES shall provide a signed copy of all the construction and supervision contracts for the 39 schools to be built under operation HA-L1049 (Grant No. 2464/GR-HA).**

- 3.2 **Special disbursement.** To enable the fulfillment by UTE of the general conditions prior to first disbursement of the grant, an initial disbursement for up to US\$500,000 will be made to the extent the Beneficiary fulfills to the Banks satisfaction all the standard general conditions prior to disbursement set forth in grant agreements, except for the submission of the initial execution report. Such special disbursement will finance activities pre-approved by the Bank for up to a period of 6 months that will enable UTE to fulfill the conditions prior to first disbursement of the grant and shall include: expenses for the technical personal and material conditions required to fulfill the above mentioned conditions (see ¶4.8 of [Annex III](#)). All procurement activities corresponding to this special disbursement will be the responsibility of UTE in accordance with terms of reference previously approved by the Bank and Bank's procedures.
- 3.3 **Refer to Section VIII of ESMR.** Prior to the execution of Components I and IV MEF through UTE must show evidence satisfactory to the Bank that: (i) it has signed a memorandum of understanding with the National Laboratory for Buildings and Public Works (LNBTP) establishing the terms of their collaboration; (ii) it has contracted an independent engineer consultant to ensure compliance with anti-seismic and hurricane safe norms during the design and execution of constructions; (iii) all new technical staff of UTE have been trained on Bank procurement's rules and procedures; and (iv) the environmental and social recommendations outlined in Section VIII of the ESMR have been implemented to the satisfaction of the Bank. Prior to the execution of Component I only, MENFP shall submit a list of eligible construction sites, including for each site: (i) the budget (human and financial resources) already available on-site prior to the construction works where applicable; (ii) a multi-annual estimation of the resources needed for the operation of the new school; and (iii) a written commitment to include these estimations in its annual general budget request to MEF. This last condition aims at ensuring that the IDB-supported investment be sustained by the corresponding financial commitment of the GoH to finance the operation of the schools built under this program. All of the above are special execution conditions.
- 3.4 **Prior to the execution of the tuition waiver program of Component II.** MENFP shall submit to the Bank a programming matrix for the following two years integrating data on all beneficiary schools and all sources of financing, including national sources, and a commitment to integrate this information in the monitoring matrix and execution reports. This is a special execution condition.
- 3.5 **Prior to the execution of the deworming campaigns of Component III.** FAES must show evidence satisfactory to the Bank that it has signed an agreement with the MENFP and MSPP defining the implementation, supervision and reporting mechanisms for this activity. This is a special execution condition.

- 3.6 **Execution capacity.** In the event that additional co-financings representing more than 20% of the initial project cost are made available during project execution, the Bank and GoH will evaluate the executing agencies/units' readiness prior to disbursing the new resources and make recommendations for further institutional strengthening, if necessary. To finance institutional strengthening activities, co-financing will systematically include a budget line for project execution.
- 3.7 **Procurement.** Procurement of works, goods and services, as well as contracts for consulting services will be executed in accordance with the Bank's procurement policies, rules and procedures (GN-2349-9 and GN-2350-9), complemented by the special provisions for Haiti in force from 1 January 2012 to 31 December 2014, as described in GN-2654, unless decided otherwise by the Bank. There will be no exception to Bank' rules.
- 3.8 **Project financial management.** Project financial management will be executed according to OP-273-2. EPT, UTE and FAES will open separate bank accounts for the management of the grant and co-financing resources provided under this operation. Each executing unit will maintain proper financial management systems and will prepare an Annual Operation Plan, a procurement plan and a twelve-month detailed financial plan indicating cash flow needs for the project execution and serving as the basis for advance of funds disbursements. Advances of funds will be for the equivalent of funding needs required for four months for FAES, three months for EPT and six months for UTE. Refer to [Annex III](#).
- 3.9 **Tuition Waiver Program (TWP) will be executed as in the previous operations.** Payments will be based on established EPT procedures for providing funding for the tuition program. For this activity, disbursement will be made in two tranches during the school year. Disbursement of the first tranche (60%) will be subject to the receipt of the approved school listing and will be deposited in the EPT Central Bank Account opened to that effect. EPT will then transfer funds from the Central Bank account to an account of the approved School Management Committees (SMC) opened at the Banque National de Cr dit (BNC). Payment of the second tranche (40%) will be subject to the receipt of the verification agency reports as required by established EPT procedures. SMCs which will have complied with established procedures will receive the second payment.
- 3.10 **Financial audits.** MEF through UTE will be responsible for contracting an external auditor eligible to the Bank to perform the audit of the program, including all co-financing resources, as follows: one annual financial audit including the review of procurement and disbursement processes of each executing agency/unit (FAES, UTE and EPT) to be submitted within 120 days of the end of each fiscal year, and a final financial audit to be submitted within 120 days after the last disbursement date. For the TWP executed by EPT, a financial audit of the use of funds by the SMCs, for schools financed by IDB and co-financing partners, will be performed based on agreed upon procedures and submitted to the Bank within 90 days following the disbursement of the second tranche.

**B. Summary of arrangements for monitoring results at the program level**

- 3.11 Building on the Monitoring and Evaluation (M&E) arrangements developed under HA-L1049 and HA-L1060, FAES, EPT and UTE will present to MENFP and the Bank biannual progress reports on the indicators included in the results framework. A comprehensive set of monitoring and capacity building activities has been integrated into project design and funds have been budgeted accordingly. A number of individual evaluation frameworks are described in the M&E plan and include: (i) the impact evaluation of tuition waiver program; (ii) the EFA process evaluation; (iii) the mid-term evaluation; (iv) the final evaluation; and (v) ex-post economic analysis.
- 3.12 In addition, a mid-term evaluation of the entire education program in Haiti will be carried out before April 2013 in order to inform on the effectiveness of ongoing operations and the preparation and design of the next operation. In particular, the mid-term evaluation will provide inputs to the Bank on the critical outputs and disbursement rates that should be achieved before the Bank approves additional grant resources to the program. Triggers for the preparation of a new operation informed by the mid-term evaluation include *inter alia*: (i) that more than 50% of approved resources for the program (including co-financing) must have been disbursed; (ii) the first schools delivered must have been adequately staffed by GoH; and (iii) the education quality agenda will have been initiated, including the training of 605 teachers under HA-L1049, the implementation of the interactive radio program and the tuition waiver program impact evaluation. The envisaged milestones will serve as the point of departure to integrate the current individual M&E frameworks for each grant operation into a single program framework. This integral framework will be designed and implemented under HA-L1077, and be consistent with the medium term comprehensive approach of the Bank in the education sector in Haiti.

**C. Significant design activities post approval**

- 3.13 The following activities will be completed after approval: (i) continued support to the MENFP and coordination with the WB on the design and implementation of the impact evaluation of the tuition waiver program; and (ii) continued support to FAES in the design and implementation of its short term plan for institutional strengthening.

Development Effectiveness Matrix			
Summary			
<b>I. Strategic Alignment</b>			
<b>1. IDB Strategic Development Objectives</b>		Aligned	
Lending Program	(i) Lending to small and vulnerable countries, and (ii) Lending for poverty reduction and equity enhancement.		
<b>Regional Development Goals</b>			
Bank Output Contribution (as defined in Results Framework of IDB-9)	Students benefited by education projects (girls, boys).		
<b>2. Country Strategy Development Objectives</b>		Aligned	
Country Strategy Results Matrix	GN-2646	(i) Improved access and quality of education, and (ii) Strengthened MENFP institutional capacity and governance system.	
Country Program Results Matrix	GN-2661-4	The operation is included in the 2012 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
<b>II. Development Outcomes - Evaluability</b>		Highly Evaluable	Weight
		9.3	Maximum Score
			10
<b>3. Evidence-based Assessment &amp; Solution</b>		8.7	10
<b>4. Ex ante Economic Analysis</b>		8.5	10
<b>5. Monitoring and Evaluation</b>		10.0	10
<b>6. Risks &amp; Mitigation Monitoring Matrix</b>		10.0	10
Overall risks rate = magnitude of risks*likelihood		Medium	
Environmental & social risk classification		B	
<b>III. IDB's Role - Additionality</b>			
The project relies on the use of country systems (VPC/PDP criteria)			
The project uses another country system different from the ones above for implementing the program			
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	HA-T1147, HA-T1171, HA-T1172.
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.		Yes	Impact Evaluation of the Tuition Waiver program will help to better understand its effects and improve its design.

The diagnostic is limited by the scarce information available in the country. The proposed solution is based on experience in other countries. Regarding strategic alignment, the project will contribute to the construction of new or improved schools open for enrollment. Regarding evaluability, it is not possible to establish the dimension of the proposed solution. The results matrix does not include impact indicators. Some of the output and outcome indicators are not specific enough to be SMART. Output and outcome indicators include baseline and target values. Outputs have annual targets and costs are grouped by annual output amounts.

The cost-benefit analysis excludes one of the four components and subcomponents that fund technical assistance. One component of the loan will finance an impact evaluation with random allocation to evaluate the tuition waiver program.

The main risks identified are limited institutional capacity to deliver proper project progress and environmental and social safeguards not applied. The mitigating actions focus around institutional strengthening by activities such as hiring specialists, creating and improving manuals, providing financial and technical assistance, etc.

## RESULTS FRAMEWORK

<b>Project objective:</b>	Within the frame defined in the two previous operations, this operation will contribute to the Bank's five-year program supporting the following objectives of the Haitian Education Plan: (i) improving access to education; (ii) improving the quality of education; and (iii) strengthening the Ministry of Education and Professional Training (MENFP) institutional capacity and governance. More specifically, this operation's objectives are to: (i) increase the public supply of education benefitting 8,200 children annually; (ii) provide tuition free primary education to 35,000 grade 1-6 students annually; (iii) improve the learning readiness of 315,000 children through health interventions; and (iv) increase the capacity of GoH to implement the Education Plan and regulate the education sector.
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Components	Base 2012	Year (2013/2014 school year)	Year (2014/2015 school year)	Target (end of project/ January 1 <sup>st</sup> , 2016)	Comments/Sources
<b>Component I. Increased public supply of education from preschool to grade 9 for 8,200 children annually</b>					
Outcomes					
Number of preschool to grade 9 students benefitting from additional learning space.	0	0	0	8,200	Unité Technique d'Exécution (UTE) bi-annual monitoring report.
Boys	0	0	0	4,100	
Girls	0	0	0	4,100	
Outputs					
Number of new preschool-to-grade 9 schools open for enrollment.	0	0	0	20	UTE bi-annual monitoring report.
Number of set of norms, standardized plans and execution manuals for the construction of secondary schools designed and published.	0	0	1	1	
<b>Component II. Tuition-free primary education for 35,000 children annually</b>					
Outcomes					
Number of grade 1-6 students benefitting from tuition-free education (¶1.19 and ¶3.9 of POD).	35,000 <sup>1</sup>	35,000	35,000	35,000	Education pour Tous / Education for All (EPT) bi-annual monitoring report & independent verification.
Outputs					
Number of financial transfers per beneficiary schools done during the school year.	1	2	2	2	EPT bi-annual monitoring reports & independent verification.
Impact evaluation of the tuition waiver program.	0	0	1	1	Design and implementation of baseline in 2012 and 2013; results in 2014. Impact Evaluation supported by the World Bank and

<sup>1</sup> Cohorts of students will be the beneficiaries of this component, so that the number of beneficiaries remains constant over time.



Components	Base 2012	Year (2013/2014 school year)	Year (2014/2015 school year)	Target (end of project/ January 1 <sup>st</sup> , 2016)	Comments/Sources
					IDB.
<b>Component III. Improved learning opportunities for 315,000 children annually</b>					
Outcomes					
Number of students from preschool to grade 9 with improved readiness to learn. <sup>2</sup>	0	315 000	315 000	315 000	Fonds d'Assistance Economique et Sociale / Fund for Economic and Social Assistance (FAES) bi-annual monitoring report.
Outputs					
Number of deworming campaigns carried out in selected schools.	0	2	2	4	FAES bi-annual monitoring report.
Number of schools certified Hygiene Friendly. <sup>3</sup>	0	25	75	100	FAES bi-annual monitoring report.
National program to improve the quality of education, and primarily literacy, designed.	0	0	1	1	FAES bi-annual monitoring report.
<b>Component IV. Strengthened MENFP's executing and regulating capacity</b>					
Outcomes					
Percentage of non-public schools accredited	8%	12%	20%	20%	FAES bi-annual monitoring report.
Institutionalized information system operational and providing updated and timely data.	0	0	1	1	Indicator is a proxy for the MENFP capacity to use relevant data for policy making, design and monitoring. FAES bi-annual monitoring report.
Outputs					
New infrastructure to host the Ministry of Education is under construction.	0	-	1	1	UTE bi-annual monitoring report.
Number of schools accredited by the MENFP.	0	100	200	300	FAES bi-annual monitoring report.
School map used in decision making regarding the localization of schools to be built during 2014/2015 school year.	0	1	1	1	FAES bi-annual monitoring report.

<sup>2</sup> Numerous studies have shown that children in schools with better sanitary conditions, and better health conditions, will, on average, have higher academic achievement (see [Kramer and Miguel, 2004](#); Bobonis et al, 2006, among others).

<sup>3</sup> The Hygiene Friendly certification refers to a UNICEF's program – Water, Sanitation and Hygiene (WASH) – which defines standards for schools in low-cost settings to provide water supply, sanitation, hygiene and waste management (UNICEF, 2010b). Schools are certified as Hygiene Friendly if the following practices are put in place: (i) appropriate use of sanitation facilities; (ii) hand washing with soap or ash at critical times (after using toilets, before eating); and (iii) drinking safe water that has been treated, stored, and retrieved properly.



## **FIDUCIARY ARRANGEMENTS**

<b>COUNTRY:</b>	Republic of Haiti
<b>PROJECT N°/ NAME:</b>	HA-L1077. Increasing Access to Quality Education in Haiti
<b>EXECUTING AGENCY:</b>	Ministry of Economy and Finance through its technical project unit UTE-MEF, Ministry of Education and Professional Training (MENFP) through Education For All (EPT in French) and Fund for Economic and Social Assistance (FAES).
<b>FIDUCIARY TEAM:</b>	Marise E. Salnave (FMP/CHA) and Emilie Chapuis (FMP/CHA).

### **I. EXECUTIVE SUMMARY**

- 1.1 The proposed program constitutes the third installment of the Bank's US\$250 million commitment to Haiti's Education Plan. The present Annex III is grounded on existing diagnoses of public financial management and procurement systems of the Republic of Haiti, the conclusions of the Bank's supervision of the projects executed by the Fund for Economic and Social Assistance (Fond d'Assistance Economique et Social – FAES), Education for All (Education pour Tous – EPT) and the Technical Project Unit of the Ministry of Finance (Unité Technique d'Exécution – UTE/MEF). UTE/MEF will execute all activities related to Component I and the construction of facilities to host the Ministry of Education financed under Component IV. MENFP will execute Component II of the present operation through its executing unit EPT. FAES will execute all other activities such as foreseen under this operation.
- 1.2 The latest evaluation of the public financial management systems of the Republic of Haiti is contained in the Public Expenditure and Financial Accountability (PEFA) assessment report conducted in 2011 and published in February 2012. The latest assessment of the procurement system in Haiti was undertaken in the context of the 2007 PEMFAR (Public Expenditure Management and Financial Accountability Review) and conducted in accordance with the methodology for assessment of national procurement systems based on the OECD/DAC–World Bank Working Group indicators. Country financial management systems and external control mechanism, as evidenced by the recent diagnostic, would require further improvements prior to conform to levels consistent with their utilization for the fiduciary management of Bank's funded projects. To mitigate these weaknesses the Bank will continue to: (i) rely on special project execution units for the execution of all projects; and (ii) to implement special fiduciary arrangements for the implementation of its projects and to conduct close operation supervision of project execution units. External control will be performed for all Bank operations by independent audit firms acceptable to the Bank in accordance with the Bank's financial reporting and audit guide.

## **II. EXECUTING AGENCIES FIDUCIARY CONTEXT**

### **A. Fund for Economic and Social Assistance (FAES)**

- 2.1 FAES has experience in executing Bank financed projects. The Direction Administrative et Financière (DAF) is responsible for the administrative and financial management of FAES and consists of several units, including procurement, administrative, human resources and accounting.
- 2.2 The increased volume of activity experienced by FAES has shown the need for additional personnel in its accounting unit. Modified cash basis is used for accounting purposes. Last year FAES has upgraded its accounting software with a new version of Trompo, Finpronet. The Système Intégré d'Information et de Gestion de Programmes et Projets (SIIGPP) used to monitor the different projects and contracts managed by FAES is not integrated to the accounting software. For budget execution and cash flow planning standard Excel format suggested by the Bank are used. According to the latest institutional assessment, strengthening is needed in the monitoring of budget execution, in the management of assets and in the supervision of works and monitoring of contracts.
- 2.3 This operation is the third installment of the Haiti education program (€1.1). To date, US\$136 million have been approved under the program. Bank supervision of the first operation (HA-L1049) has raised concerns in terms of procurement capacity and achievements. As a result, the Bank placed FAES under ex-ante review in June 2012 requesting, the reform of the procurement function within FAES to increase capacity. Given the findings of the Bank supervision regarding school construction and while FAES undertakes all necessary action through a reinforcement plan, another Bank Executing Agency, the UTE/MEF will be in charge of all construction related activities under HA-L1077. The expected changes in FAES through the implementation of a strengthening plan and the recruitment of international technical assistance should increase its general execution capacity and should have positive results.

### **B. Ministry of Education and Professional Training (MENFP) through EPT**

- 2.4 The financial management unit of EPT includes two accountants, a consultant for the management and monitoring of school subsidies, a financial specialist assistant and a financial management specialist. A new internal auditor was recruited for a period of 12 months under the supervision of the Program Coordinator to monitor the school subsidies program of school grants and educational centers. Modified cash basis is used for accounting purposes. A new accounting software (TOMPRO) was recently installed. The standard Excel format suggested by the Bank is used for budget execution and cash flow planning.
- 2.5 EPT will be executing Component II of the present operation which consists in distributing subsidies to a predetermined universe of beneficiaries. The Bank approved HA-L1060 in 2011 when EPT: (i) had recently been placed under ex-post supervision following a World Bank analysis which IDB confirmed; and (ii) counted with two procurement specialists. The Bank is not expecting any

changes in the supervision modalities since all mechanisms to discharge procurement duties are in place. It is not expected to represent a limitation to EPT's execution capacities under HA-L1077 because the expected volume of procurement activities placed under EPT's responsibility will be very low. It is expected that EPT will only conduct two procurement processes under this new operation. They are not complex in nature.

**C. Ministry of Economy and Finance through its technical project unit UTE-MEF**

- 2.6 The UTE was established by ministerial circular within the MEF in January 2005 and is headed by a Director General who reports directly to the Minister of Economy and Finance. He is seconded by: (i) an administrator, who also serves as the financial specialist and supervisor of the entity's accountant; (ii) a technical team composed, among others, of two procurement specialists; and (iii) administrative and support staff. UTE/MEF will be executing all activities such as foreseen under Component I and the construction of the new facilities for the Ministry of Education under Component IV. For the execution of this new project, due to the increasing volume and complexity of projects assigned to UTE/MEF, the latter will be setting up a special team under the supervision of UTE/MEF and which will benefit from the experience of the UTE/MEF and which will be comprised of a deputy director, a project manager, a procurement specialist, an administrative and financial director, an accountant and an environmental specialist. The hiring of the special team will be financed by funds advance under the special disbursement clause.
- 2.7 UTE/MEF uses modified cash basis is used for accounting purposes. The accounting of the projects managed by UTE/MEF is done using the ACCPAC software system. The UTE/MEF only has the general ledger module of ACCPAC integrated management system which limits its functionality. The system generates financial reports of income and expenses by project and funding source, however financial information is exported to Excel for the preparation of financial statements required by the Bank. According to the latest institutional assessment performed in December 2011 confirms the existence of a satisfactory level of capacity for the financial management of projects.
- 2.8 UTE/MEF has extensive experience in bank financed operations and is at present successfully executing large infrastructure operations in Haiti such as the Caracol Industrial Park. The procurement function of the UTE was established specifically to execute bank financed projects. Capacity to execute according to Bank' rules has been established. Considering that the volume and complexity of projects managed by the UTE has increased considerably since the 2010 earthquake in particular, the level of risk for procurement has also increased. Since the beginning of the year, the procurement function was strengthened by incorporating additional procurement specialists who will receive further procurement training. In order to ensure proper execution of the present operation, HA-L1077, and due to the additional volume of work that will be placed under UTE/MEF's responsibility, the UTE/MEF will create a new project management

unit specifically dedicated to this operation. It includes the recruitment of a procurement specialist who will be trained in Bank's rules and procedures.

### **III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS**

#### **A. Fund for Economic and Social Assistance (FAES)**

- 3.1 The latest assessment of FAES's institutional capacity from the first quarter of 2012 determined that the level of development of its financial management systems and internal control processes present medium risk and identified the following weaknesses: (i) additional personnel is needed in its accounting unit to adapt to the increase in operational volume. Mitigation measure: hiring two additional accountants to strengthen the accounting unit; (ii) financial reports are prepared manually which increases the possibility of errors in financial reporting as new accounting software does not automatically generate financial reports. Mitigation measures: setting up parameters in financial management system to allow the automatic generation of financial reports; (iii) exchanges gains and losses are not automatically calculated by financial system. Mitigation measure: implementing a foreign exchange module; (iv) strengthening of budget execution to ensure that activities are implemented as planned and within the approved budget. Mitigation measures: FAES will produce a comparison every four months of the activities performed and expenses incurred in relation to activities and estimated budget presented in Annual Operation Plan (AOP). We also recommend that FAES performs on a quarterly basis the conciliation of expenditures reported in FAES books and expenses reported in WLMS the bank to detect differences and make the necessary corrections; (v) lack of a financial tool to control and administrate fixed assets. Mitigation measure: FAES will implement with the technical and financial support to FAES in the updating of procedures for the administration of fixed assets and implementation of a financial tool for the management of fixed assets.
- 3.2 FAES will be the main executing agency for HA-L1077. In 2011, the Bank performed regular procurement supervision although, until June 2012, FAES was under ex-post review. The said procurement supervision concluded: (i) a high risk in terms of procurement planning; (ii) a high risk in terms of implementation of the procurement processes; and (iii) a high risk in terms of procurement execution capacities. As a consequence, the Bank recommended that FAES be placed under ex-ante review proposing an action plan for the return to ex-post review. The main reasons why the risk has been found to be high are: (i) lack of communication between the interested entities within the Government itself; (ii) low absorption capacity in terms of institutional structure and functioning; (iii) need to reinforce the procurement unit by recruiting an international technical assistance to assist the procurement function; (iv) need for procurement training of both the procurement unit itself as well as technical staff; (v) need to increase quality control to guarantee efficiency and economy of all procurement related activities; and (vi) need to create and/or update a data base of prequalified construction and supervision companies and unit construction costs to be used as a reference for all construction activities. At present, FAES and the Bank agreed

that FAES will present an institutional strengthening plan which will also include a section on the strengthening of the procurement function as a whole. This specific recruitment will be considered a special execution condition.

**B. Ministry of Education and Professional Training (MENFP) through EPT**

3.3 On June 25, 2012 an inspection visit was performed by the Bank to ensure that the recommendations made for the strengthening of EPT financial management unit were implemented. As recommended by the Bank during the last assessment, a reorganization of the different tasks among the financial units personnel was implemented as to have a “maker and a checker for all processes” and an accounting software was installed. Financial management staffs have received training in February 2012 and a 3rd mission of the consultant responsible for the implementation of the system is scheduled for October 2012. Users are not quite adept with the new system. Mitigation: Additional training should be provided. Further improvement to the system is needed for the system to be able to automatically generate of financial reports required by the Bank. The Bank has also identified the following weaknesses: (i) weaknesses in the monitoring of the schools subsidies program particularly in determining the number of students’ beneficiaries of the program. Mitigation: We recommend strengthening the supervision of school grant program (timely scheduled field visits) including the timely confirmation of the number of students in a timely manner to ensure that funds disbursed through grants to schools correspond to actual numbers thus reducing the gap between the actual number of students and estimates determined by MENFP; and (ii) weaknesses in the timely planning of disbursements. Mitigation: We recommend that measures be taken to improve the planning of disbursement of funds for the payment of grants to schools. Based on the above, the Bank considers the overall risk rating of the EPT to be medium.

3.4 EPT will be responsible for only one procurement process. Given the existing structure and the nature of the procurement duties that will be performed by EPT under this operation, there is no anticipated risk of procurement management and execution. EPT has adequate capacity to perform them in accordance with the Bank’s rules and procedures, and given also the nature of the procurement process, EPT will be placed under a supervision ex-ante.

**C. Ministry of Economy and Finance through its technical project unit UTE-MEF Technical Project Unit of the Ministry of Finance (UTE/MEF)**

3.5 As confirmed by the latest assessment of UTE/MEF institutional capacity performed in December 2011 by the firm of Joseph & Associates, the fiduciary risks for financial management is evaluated as low impact and severity. Nonetheless, the following risks were identified: (i) organizational structure that needs to be adapted to the increased operational volume. Mitigation measure: UTE/MEF will set up a separate entity as stated in point 2.6 for the execution of this project. Training of personnel will be assumed by current UTE/MEF staff with the support of fiduciary staff; (ii) lack of integrated management systems to ensure continued quality and reliability of management information. Mitigation measure: UTE/MEF will be implementing with financing

- from HA-L1076<sup>1</sup> an integrated financial management system which will be also used for the management of resources under HA-L1077; and (iii) lack of formal procedures for administration of fixed assets. Mitigation measure is to provide technical and financial support to the UTE for the adoption of a policy and procedures for administration of fixed assets.
- 3.6 The general workload of the UTE/MEF is extremely high and all human resources will dedicate to UTE/MEF's normal activity. To execute all construction activities foreseen in this operation, i.e. construction of 20 schools and the rehabilitation of the Ministry of Education's facilities, the UTE/MEF will recruit additional resources as described in section 3.2 above. This entails a high level of risk in terms of procurement. To mitigate this risk: (i) the newly recruited technical team, and the Procurement Specialist will need to be trained in Bank procurement rules and procedures; and (ii) the said recruitment will be a special execution condition.

#### IV. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF CONTRACT

- 4.1 Special Execution Condition: FAES should present a strengthening plan including a section for the reform of the procurement function and recruit technical assistance for that specific activity. The UTE/MEF will recruit personnel to conduct the execution and fiduciary aspect related to the activities under its supervision.
- 4.2 Special Accounts and authorized signatures: FAES, EPT and UTE/MEF will open separate bank accounts at the Central Bank of Haiti for the management of grant resources and also for additional resources from co-financing partners.
- 4.3 Listings of authorized signatures are to be provided to Bank for each executing unit.
- 4.4 FAES, EPT and UTE/MEF will have to update their chart of accounts to reflect current operation.
- 4.5 **Special condition to first disbursement.** FAES, EPT and UTE/MEF will update their manual of operations to reflect activities that will be financed by HA-L1077 resources. In addition, MENFP shall provide a copy, satisfactory to the Bank, of a valid memorandum of understanding signed with MEF and referring to the agreement of transfer of resources between MEF and FAES; such MOU shall establish the terms of the respective collaboration and undertakings of each executing agency for the execution of this project.
- 4.6 Exchange rate valid at the day of transaction will be used to record all expenses made in local currency. The Central Bank exchange rate will be used at the reference rate.
- 4.7 **Audit special requirements.** External auditors eligible to the Bank will be hired to perform the audit of the program as follows: (i) one annual financial audit of the program (FAES, EPT and UTE/MEF) including an annual review of procurement and disbursement processes of each executing unit; and (ii) a final financial audit of the program (FAES, EPT and UTE/MEF) to be submitted

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<sup>1</sup> Productive Infrastructure Program.

within 120 days after the date of the last disbursement. For Component II executed by EPT, an independent verification of the use of funds by the SMCs for schools financed by Inter-American Development Bank (IDB) and co-financing will be performed based on agreed upon procedures by the audit firm to be submitted to the Bank within 90 days following the disbursement of the second tranche of school subsidies. UTE/MEF will be responsible for the audit process and the hiring of the audit firm.

- 4.8 **Special disbursement.** UTE/MEF shall be strengthened with a special team dedicated for the execution of this project, such team will under the supervision of UTE/MEF to benefit from its the experience shall be comprised of , at least, a deputy director, a project manager, a procurement specialist, an administrative and financial director, an accountant and an environmental specialist. The hiring of the special team including administrative expenses will be financed by an initial disbursement for up to US\$500,000 to the extent the Beneficiary fulfills to the Bank’s satisfaction all the standard general conditions prior to disbursement set forth in grant agreements, except for the submission of the initial execution report.

## V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 The procurement fiduciary arrangements establish the conditions applicable to all procurement execution activities in the project.

### A. Procurement execution

- 5.2 All project related procurement activities will be performed following the Bank’s Procurement Policies: Policies for the Procurement of Goods and Works financed by the Inter-American Development Bank (GN-2349-9) and Policies for the Selection and Contracting of Consultants financed by the IDB (GN-2350-9) and the Procurement Provisions for Haiti (GN-2654).

- i. **Procurement of works, goods and non-consulting services.** The contracts for Works, Goods, and Non-Consulting Services<sup>2</sup> generated under the project and subject to International Competitive Bidding will be executed through the use of the Standard Bidding Documents (SBDs) issued by the Bank. The processes subject to National Competitive Bidding (NCB) will be executed through the use of National Bidding Documents agreed to by the Bank. The technical specifications review during the preparation of the selection process, is the responsibility of the project sector specialist. There is no direct contracting anticipated at this point.
- ii. **Selection and contracting of consultants.** The consulting services contracts generated under this project will be executed through the use of the Standard Request for Proposals (SRFPs) issued or agreed on by the Bank. The Terms of Reference (TOR) review for the selection of consulting services is the responsibility of the project sector specialist.

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<sup>2</sup> Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (GN-2349-9) Paragraph 1.1: The services different to consulting services have a similar process as procurement of Goods.

- iii. **Selection of individual consultants.** It will be made in accordance with Bank’s Procurement rules and procedures and will consist in evaluating the capacity of at least three candidates against set and agreed TORs.

**B. Thresholds (miles US\$)**

Works			Goods <sup>3</sup>			Consulting Services	
International Competitive Bidding	National Competitive Bidding	Shopping	International Competitive Bidding	National Competitive Bidding	Shopping	International Advertising	100% National Short List
= / >1,000	100-1,000	<100	= / >100	25 -100	<25	>200	<100

- 5.3 However, the thresholds applied procurement activities under this operation will follow the ones established in the Special Procurement Provisions for Haiti such as detailed in GN-2654.

**HAITI – Thresholds in force since 1 January 2012 (Thousands US\$)**

Works		Goods		Consulting Services
International Competitive Bidding	National Competitive bidding/Price Comparison	International Competitive Bidding	National Competitive bidding/Price Comparison	Short list of national firms only
≥1.000	<1.000	≥100	<100	<100

**C. Main procurement activities**

Activity	Procurement Method	Estimated Date	Estimated Amount US\$
<b>Goods</b>			
Equipment and furniture (classes, canteen, library, etc.).	ICB	Jan 2014	2,400,000
<b>Works</b>			
School construction (20 schools)	ICB	Jan 2013	14,500,000
Drinking Water and Energy	ICB	Jan 2014	2,000,000
Reconstruction of the Ministry of Education's facilities	ICB	Jan 2014	3,600,000
School upgrading / works	ICB	Jan 2013	2,150,000
<b>Services</b>			
N/A			
<b>Firms</b>			
Supervision of construction works	ICB/QCBS	Jan 2013	1,700,000
Delivery contract of deworming kits in 2,000 pre-selected schools in the 10 Departments of the country	ICB/QCBS	Jan 2013	4,000,000
Design/adaptation to created standardized school plans and designs	ICB/QCBS	Jan 2013	600,000

\*To access the 18 month procurement plan, click [here](#)

**D. Procurement supervision**

- 5.4 All procurement activities under this operation will be subject to ex-ante review. EPT will be conducting sensitive procurement activities, i.e. distribution of subsidies to schools nationwide. At the request of the team leader, EPT will remain under ex ante review. UTE/MEF is presently under ex-ante supervision and will remain as such. Finally, as described in the present Annex III, FAES is presently under ex-ante review as a consequence of the procurement supervision mission performed in March of 2012. However, it has been agreed that the Executing Agency would return to ex-post review upon satisfactory completion of

<sup>3</sup> Including different services other than consulting.



a number of conditions listed in the Procurement Supervision Report of March 2012. Should FAES return to ex-post review, the thresholds that will be applied will be identical to the ones agreed before the change in supervision modalities.

**E. Records and files**

- 5.5 The Executing Agencies will be required to keep files and track records of all procurement related activities financed by the Bank in their office in accordance with the Bank's Procurement Rules and Procedures and to the Project's Operational Rules in such a way that it be available for supervision visit by the fiduciary team.

**VI. FINANCIAL MANAGEMENT**

**A. Programming and budget**

- 6.1 Programming and budget planning, execution and monitoring at the project level will rely on IDB's project financial management formats and procedures. FAES, EPT and UTE/MEF will prepare annually, an AOP, a procurement plan and a twelve-month detailed financial plan. The financial plans will coincide with the Haitian fiscal year and will respect the budget lines defined in the grant agreement (investment categories). The execution of the project's financial plans will be evaluated every six (6) months.

**B. Accounting and information systems**

- 6.2 Financial Management systems used by each executing unit will be applied for the financial management of the project.

**C. Disbursements and funds flows**

- 6.3 Project financial management will be executed according to OP-273-2. FAES, EPT and UTE/MEF will prepare annual planning of project cash flow. FAES cash flow planning will be updated every four months and for EPT projected cash flow follow will be reviewed on a quarterly basis. UTE/MEF cash flow plan will be updated semi-annually. Cash flow will be based on activities derived from AOP and Procurement Plan and payment terms agreed with suppliers.

**D. Internal control and audit**

- 6.4 The internal audit unit of FAES is comprised of only one agent. Due to the increase in the volume of activities, additional staffing should be considered. We recommend the development of a charter for the internal audit unit including its objectives and responsibilities. We also recommend that the audit unit reports directly to the Board as opposed to the General Manager of FAES. In addition, within the first 6 months following first disbursement of the grant (excluding special disbursement), FAES manual of operations shall be updated to include a section on code of ethics and conduct; procedures for the back-up of financial information and a contingency plan to ensure a timely treatment of ongoing financial and accounting information; the development of a charter for the internal audit unit including its objective and responsibility. In the case of EPT, an internal auditor was recruited for a period of 12 months under the direct supervision of the Program Coordinator with the task of monitoring rigorously the school subsidies

program and to ensure the financial control at the level of the unit. For UTE/MEF the internal control environment is considered appropriate for the implementation of the project. However it may be improved through the development of: (i) a code of ethics and conduct to explicitly address the issue of managing potential conflicts of interest; (ii) the implementation of an integrated management system; and (iii) the adoption of policy and procedures for administration of fixed assets.

**E. External control and reporting**

- 6.5 Audits will be performed in accordance with Bank’s Guidelines for Financial Reports and External Audits. UTE/MEF will be responsible for contracting an external auditor eligible to the Bank to audit the program as per described in Section IV (Aspects to be considered in special conditions) above as per AF-200 (SRFPs) for selection of external auditors. Financial audit cost including the independent verification of SMC used of funds for schools financed by IDB and co-financing partners is estimated at US\$300,000. The Bank will co-finance the technical verification of School Management Committees (SMC) use of funds according to EPT procedures which is estimated to cost US\$250,000. The project financial statements will correspond to the fiscal year. The firm will carry out an audit on the basis of specific TOR to be agreed between FAES, EPT, UTE/MEF and the Bank.

**F. Financial supervision plan**

- 6.6 FAES: Bank Fiduciary staff will conduct semi-annual financial inspection visits to review the execution of the financial plan. EPT: Bank Fiduciary staff will conduct at least two financial inspection visits to review the execution of the financial plan. Annual inspection visit will be performed by financial management specialist for UTE/MEF.

**G. Execution Mechanism**

- 6.7 Each executing unit will maintain proper financial management systems and will prepare an AOP and Procurement Plan and a twelve-month financial plan indicating cash flow needs for the execution of project’s activities stemming from AOP and procurement plans. The twelve-month financial plan will be the basis for advance of funds disbursements, which will cover the funding needs of four months of project execution for FAES, three months for EPT and six months for UTE/MEF. For the tuition subsidies, payments will be based on the procedures established in the EPT. Payment will be made in two tranches (60% and 40%) each school year. Payment of the first tranche (60%) will be subject to the receipt of the approved school listing and will be deposited in the EPT Central Bank Account opened to that effect. The EPT would then transfer funds from the Central Bank account to accounts of the approved SMC opened at Banque Nationale de Crédit (BNC). Payment of the second tranche (40%), will be subject to the receipt of an interim financial report and the integrated technical report of the SMC as required by established EPT procedures. The SMC which have not complied with established procedures will be excluded in the second payment.