

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HAITI

**PRODUCTIVE INFRASTRUCTURE PROGRAM III
(HA-L1091/HA-G1035)**

**MODIFICATION OF GRANT PROPOSAL
(HA-L1091/HA-X1036)**

This document was prepared by the project team consisting of: Ana María Sáiz (FMM/CHA), Team Leader; Michael Donovan, Alternate Team Leader; José Brakarz, and Dianela Avila (IFD/FMM); Jesús Navarrete (FMM/CCO); Guisselle Velasquez (FMM/CHA); Ednoux Dormeus (CDH/CHA); Cedrick Joseph (CDH/CHA); Alfredo Rihm (INE/WSA); Carlos Faleiro Pajares (WSA/CHA); Stefanie Brackmann, Serge-Henri Troch, Crystal Fenwick, Melissa Barandiaran, Elizabeth Brito, Ernesto Monter, Graham Watkins, Soraya Senosier, and Andy Drumm (VPS/ESG); Taos Aliouat (LEG/SGO); José Luis Irigoyen and Laurence Telson (CDH/CDH); and Lila Mallory and Takady Konate (FMP/CHA).

In accordance with the Access to Information Policy, this document is subject to public disclosure.

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UPDATED ELECTRONIC LINKS
REQUIRED
<ol style="list-style-type: none"><li data-bbox="256 407 688 436">1. Pluriannual Execution Plan (PEP)<li data-bbox="256 464 938 493">2. Environmental and Social Management Report (ESMR)<li data-bbox="256 520 886 550">3. Request of modification by the Government of Haiti<li data-bbox="256 577 1149 606">4. Productive Infrastructure Program III. Approved Grant Proposal (PR-4241)

ABBREVIATIONS	
ESMR	Environmental and Social Management Report
HRF	Haiti Reconstruction Fund
MEF	Ministry of Economy and Finance
PIC	<i>Parc Industriel de Caracol</i>
PSG	Project Specific Grant
SONAPI	National Society of Industrial Parks
US-DOS	United States Department of State
USG	Government of United States
UTE	Technical Execution Unit

PROJECT SUMMARY
HAITI
PRODUCTIVE INFRASTRUCTURE PROGRAM III
(HA-L1091 /HA-G1035)
MODIFICATION OF GRANT PROPOSAL
(HA-L1091/HA-X1036)

Financial Terms and Conditions				
Beneficiary: Republic of Haiti			Disbursement Period:	2 years
Executing Agency: Ministry of Economy and Finance (MEF), through its Technical Execution Unit (UTE/MEF) and the National Society of Industrial Parks (SONAPI)				
Source	Original Amount (US\$)	Modified Amount (US\$)	Grace Period:	N/A
IDB (Grant Facility) (HA-L1091)	55,000,000	55,000,000	Supervision and Inspection Fee:	N/A
Government of United States (USG)	15,000,000	0	Interest Rate:	N/A
Haiti Reconstruction Fund (HRF) (HA-G1035)	0	15,346,534	Credit Fee:	N/A
Total	70,000,000	70,346,534	Currency of Approval:	US\$
Project at a Glance				
<p>Project Objective: the program's overall objective is to contribute to the economic development of Northern Haiti. The specific objective is to create formal employments in the North and Northeast Departments of Haiti by providing the necessary infrastructure for the establishment of firms in the <i>Parc Industriel de Caracol</i> (PIC).</p> <p>Proposal of Modification: (i) replace all references to the USG co-financing and HA-X1036 project number, with references to the HRF and project number HA-G1035, respectively; (ii) modify in the grant proposal, including its Annex III (Fiduciary Arrangements) and links (specifically, the Environmental and Social Management Report (ESMR), and the Pluriannual Execution Plan (PEP)), the amount of the co-financing from US\$15,000,000 to US\$15,346,534, and the estimated total project cost from US\$70,000,000 to US\$70,346,534; and (iii) replace references to execution arrangements for Project Specific Grant (PSG) with arrangements applicable to HRF co-financings.</p>				
Exceptions to Bank policies: None				

I. BACKGROUND

A. Grant Background Information

- 1.1 The present grant modification is in connection with the fourth operation in support to the establishment of an industrial park (*Parc Industriel de Caracol*, PIC) in Haiti's Northern region, "Productive Infrastructure Program III" (HA-L1091/HA-X1036), approved in 2014. Thus far, the Bank's support for the PIC includes five grants, totaling US\$241.5 million. The previous grants were approved in 2011, 2012, 2013 and a new grant, the fifth, was approved on December 14th, 2015 (HA-L1101).¹ The five grants mentioned above are financing the construction of the PIC's basic infrastructure, warehouses and ancillary facilities and support for the management of the 250-hectare industrial park. In addition, the Bank is also financing environmental, social and urban interventions intended to ensure overall sustainability of the PIC, which includes support for the surrounding cities to prepare for the additional population that may be attracted to the area given the establishment of the PIC and the development of the region. To date, the PIC has created 7,620 jobs.²
- 1.2 On December 11th, 2014, the Board of Executive Directors (the Board) approved the grant proposal "Productive Infrastructure Program III" (HA-L1091/HA-X1036) for the Republic of Haiti. The program's general objective is to contribute to the economic development of Northern Haiti. The specific objective is to create formal employments in the North and Northeast Departments of Haiti by providing the necessary infrastructure for the establishment of firms in the PIC.
- 1.3 The Board approved US\$55,000,000 from the IDB Grant Facility (HA-L1091; 3384/GR-HA) and US\$15,000,000 of co-financing from the Government of the United States (USG) (HA-X1036; GRT/AI-14794-HA) for an estimated total project cost of US\$70,000,000.
- 1.4 The co-financing was approved with the following explanatory note: "Co-financing in progress (subject to U.S. Congressional approval and availability of funds)." The approved grant proposal indicated that such co-financing was to be received in the form of a Project Specific Grant (PSG), to be used for the expansion of the PIC facilities (Component I – Provision of Infrastructure). Paragraph 2.1 of the approved grant proposal further read: "Consistent with the mechanism approved by the Board for the Bank supported Haiti Education Program (2464/GR-HA; 2643/GR-HA and 2863/GR-HA), it is proposed that Management may receive contributions from the USG in the form of a PSG administered by the Bank up to the aggregate amount of US\$15 million, without the preparation and approval of a separate project proposal. As in the case of the Haiti Reconstruction Fund (HRF) co-financing (GN-2586, paragraph 8.2), Management will not charge an

¹ Infrastructure Program (HA-L1055; 2552/GR-HA), approved on July, 2011; Productive Infrastructure Program (HA-L1076; 2779/GR-HA), approved on September, 2012; Productive Infrastructure Program II (HA-L1081; 3132/GR-HA), approved on December, 2013; and Productive Infrastructure Program IV (HA-L1101; 3623/GR-HA), approved on December 14th, 2015.

² SONAPI, PIC Update Q3 2015.

administrative fee for donor contributions co-financing a Bank approved operation with Haiti.”

- 1.5 On June 8th, 2015, the USG informed the Bank that instead of transferring funds directly to the Bank, they would contribute them through the HRF, with a preference that they be used by the Bank to finance expansion of the PIC facilities (Component I – Provision of Infrastructure), and that the exact total amount will be US\$15,346,534 instead of US\$15,000,000. The Minister of Economy and Finance of Haiti requested the Bank ([Request of modification by the Government of Haiti](#)) to amend the grant contract signed with Haiti (HA-L1091; 3384/GR-HA) to indicate that the co-financing will be channeled through the HRF, reflect the increased co-financing amount, and to include special provisions that govern the use of HRF funds.

B. Request for Modification and Rationale

- 1.6 In light of the above, the present proposal for modification recommends the following changes to the approved grant Productive Infrastructure Program III (HA-L1091; HA-X1036): (i) replace all references to the USG co-financing and HA-X1036 project number, with references to the HRF and project number HA-G1035, respectively; (ii) modify in the grant proposal, including its Annex III (Fiduciary Arrangements) and links (specifically the Environmental and Social Management Report - ESMR and the Pluriannual Execution Plan - PEP), the amount of the co-financing from US\$15,000,000 to US\$15,346,534 (the additional US\$346,534 available will be used to finance more infrastructure under Component I, while IDB resources in Component I will be reduced by that same amount and reassigned to the administrative costs of the program’s budget), and as a result update, the estimated total project cost from US\$70,000,000 to US\$70,346,534; and (iii) replace references to execution arrangements for PSG with arrangements applicable to HRF co-financings.
- 1.7 The current status of the grant facilitates this modification. While disbursement of resources from the IDB Grant Facility have started (US\$22.74 million disbursed as of January 31st, 2016), the co-financing funds will be needed to continue the construction of infrastructure in the coming months to meet confirmed demand for buildings from PIC tenants.

II. PROPOSED MODIFICATIONS

- 2.1 This document only presents the sections where the original text of the Grant Proposal has been modified; no other changes have been made to the originally approved grant proposal ([PR-4241](#)).

A. Objective, Components and Cost

- 2.2 The program’s objective and components remain the same. Footnote 22 of paragraph 1.26 of the originally approved grant proposal ([PR-4241](#)) will be modified as follows:

- a. **Original.** “15 million co-financing from USG in progress (Subject to U.S. Congressional approval and availability of funds).”
 - b. **Proposed.** “US\$15,346,534 co-financing from HRF.”
- 2.3 The additional US\$346,534 of the co-financing from HRF will be assigned to Component I and the Bank’s funding under Component I will be reduced by that same amount (US\$346,534) which will be reassigned to the administrative costs of the program’s budget. Therefore, the following modification to section I-B (¶1.29) of the originally approved grant proposal ([PR-4241](#)) is proposed:
- a. **Original.** “The program will also finance the cost of administration, monitoring and evaluation, auditing, and contingencies (US\$3.5 million).”
 - b. **Proposed.** “The program will also finance the cost of administration, monitoring and evaluation, auditing, and contingencies (US\$3,846,534).”

B. Financing Instruments

- 2.4 The financing terms and condition from the Bank in the original grant remain unchanged. In order to reflect the above mentioned change in the co-financing amount assigned to Component I and the reallocation of US\$346,534 of IDB funding from Component I to the administrative costs set forth in the program’s cost table/budget, the following modifications are proposed to section II-A (¶2.1-2.3 and Table 1. Cost) of the originally approved grant proposal ([PR-4241](#)):
- 2.5 **Original.** “The financing instrument is a specific works, non-reimbursable investment grant of US\$55 million chargeable to the IDB Grant Facility. The program is also expecting to receive an additional US\$15 million from the United States Government (USG) in the form of a PSG, which will be used for the expansion of the PIC facilities (Component I). Consistent with the mechanism approved by the Board for the Bank supported Haiti Education Program (2464/GR-HA; 2643/GR-HA and 2863/GR-HA), it is proposed that Management may receive contributions from the USG in the form of a PSG administered by the Bank up to the aggregate amount of US\$15 million, without the preparation and approval of a separate project proposal. As in the case of the Haiti Reconstruction Fund (HRF) co-financing (GN-2586, paragraph ¶8.2), Management will not charge an administrative fee for donor contributions co-financing a Bank approved operation with Haiti.
- 2.6 Co-financing resources will be incorporated in accordance with the corresponding co-financing agreements and channeled through Component I thus increasing its reach and impact. The PSG will be administered by the Bank according to the “Report on Grant Cofinancing contributions (COFABs), Ad-Hocs and Local Counterpart Financing (CLFGs) and a proposal to unify them as PSG” (Document SC-114). As contemplated in these procedures, the commitment from the USG will be established through a separate administrative arrangement. The Board is therefore requested to authorize the President or such representative as he shall designate, to enter into such agreement or agreements as may be necessary to receive, administer, and

allocate to this operation the co-financing resources specified in paragraph ¶2.1 above, aimed at supporting and executing Component I of this operation.

- 2.7 The estimated total program cost amount to US\$70 million, originally distributed according to the following cost table:”

Table 1. Original Cost Table (US\$000)

Components	IDB	USG²⁷	Total	%
1. Provision of infrastructure in the PIC	47,000	15,000	62,000	88.5
2. Complementary urban projects	3,500	0.0	3,500	5.0
3. Operational support to SONAPI	1,000	0.0	1,000	1.5
Administrative costs	3,500	0.0	3,500	5.0
Total	55,000	15,000	70,000	100

²⁷Co-financing in progress (Subject to U.S. Congressional approval and availability of funds).

- 2.8 **Proposed.** “The financing instrument is a specific works, non-reimbursable investment grant of US\$55 million chargeable to the IDB Grant Facility. The program will count with an additional US\$15,346,534 million from the Haiti Reconstruction Fund (HRF), which will be used for the expansion of the PIC facilities (Component I). As in the case of all HRF co-financings (GN-2586, paragraph ¶8.2), management will not charge an administrative fee for donor contributions which are co-financing a Bank approved operation with Haiti.

- 2.9 The estimated total proposed program cost amounts to US\$70,347 million, distributed according to the following cost table:”

Table 1. Proposed Cost Table (US\$000)

Components	IDB	HRF	Total	%
1. Provision of infrastructure in the PIC	46,653	15,347	62,000	88.1
2. Complementary urban projects	3,500	0.0	3,500	5.0
3. Operational support to SONAPI	1,000	0.0	1,000	1.4
Administrative costs	3,847	0.0	3,847	5.5
Total	55,000	15,347	70,347	100

C. Execution Period and Disbursement Schedule

- 2.10 The projected execution and disbursement period indicated in paragraph ¶3.6 of the original grant proposal ([PR-4241](#)) will continue to be two years, but the following modifications to the disbursement schedule table are proposed to reflect the increased financing for this program:

- a. **Original.** “The projected execution and disbursement period will be two years from the effective date of the non-reimbursable financing agreement between the Bank and the Republic of Haiti. Disbursements will follow the schedule included in Table 2.”

Table 2. Original Disbursement Schedule

Components	Year 1 (2015)	Year 2 (2016)	Total
1. Provision of infrastructure for the PIC	21,250,000	40,750,000	62,000,000
2. Complementary urban projects	2,000,000	1,500,000	3,500,000
3. Operational support to SONAPI	500,000	500,000	1,000,000
Administrative Costs	1,250,000	2,250,000	3,500,000
Total	25,000,000	45,000,000	70,000,000

- b. **Proposed.** “The projected execution and disbursement period will be two years from the effective date of the non-reimbursable financing agreement between the Bank and the Republic of Haiti. Disbursements will follow the schedule included in Table 2.”

Table 2. Proposed Disbursement Schedule

Components	Year 1 (2015)	Year 2 (2016)	Total
1. Provision of infrastructure for the PIC	21,250,000	40,750,000	62,000,000
2. Complementary urban projects	2,000,000	1,500,000	3,500,000
3. Operational support to SONAPI	500,000	500,000	1,000,000
Administrative Costs	1,250,000	2,596,534	3,846,534
Total	25,000,000	45,346,534	70,346,534

D. Annexes and Electronic Links

- 2.11 Annex III (Fiduciary Arrangements) and the electronic links of [ESMR](#) and the [PEP](#) have been updated to reflect the update in the source of funds and the increase in the total cost of the program and its distribution.
- 2.12 The following modification is proposed to paragraph 5.4 of **Annex III** of the originally approved grant proposal ([PR-4241](#))
- a. **Original. “Procurement of Works.** The Bank will finance works in Components I and II. There will also be a co-financing from the US Government in the amount of US\$15 million for works in Component I.”
- b. **Proposed. “Procurement of Works.** The Bank will finance works in Components I and II. There will also be a co-financing from the Haiti Reconstruction Fund (HRF) in the amount of US\$15,346,534 for works in Component I.”
- 2.13 The following modifications are proposed to the [ESMR](#) (required electronic link #3) of the originally approved grant proposal ([PR-4241](#)):
- a. In the abbreviation section, delete the acronym USG and replace it with the acronym HRF defined as Haiti Reconstruction Fund.
- b. The following modification to the “Total Project Cost (in US Dollar)” line item in section I-A (Summary Table) is proposed:

- i. **Original.** “**Total Project Cost (in US Dollars)** US\$70 million, being US\$55 million from IDB and US\$15 million from USG¹.

¹ Co-financing in progress (Subject to U.S. Congressional approval and availability of funds).”

- ii. **Proposed.** “**Total Project Cost (in US Dollars)** US\$70,346,534, being US\$55 million from IDB and US\$15,346,534 from HRG.”

- c. The following modification is proposed to paragraph 2.3 of section II-A, and to footnote 5:

- i. **Original.** “This grant operation (HA-L1091) in the amount of US\$70 million (IDB funds of US\$55 million and USG funds of US\$15 million, will continue to finance infrastructure for PIC tenants, including expansion for the anchor tenant, as well as PIC operations, through the following components:

Component I – Provision of infrastructure in the PIC (US\$62 million)⁵.

⁵ US\$15 million co-financing from USG in progress (Subject to U.S. Congressional approval and availability of funds).”

- ii. **Proposed.** “This grant operation (HA-L1091) in the amount of US\$70, 346,534 (IDB funds of US\$55 million and HRF funds of US\$15, 346,534, will continue to finance infrastructure for PIC tenants, including expansion for the anchor tenant, as well as PIC operations, through the following components:

Component I – Provision of infrastructure in the PIC (US\$62 million).”

- 2.14 The following modification is proposed to paragraph 2.4 of section II-A:

- a. **Original.** “This grant operation will also finance the costs of administration, monitoring and evaluation, auditing, and contingencies (US\$3.5 million).”
- b. **Proposed.** “This grant operation will also finance the costs of administration, monitoring and evaluation, auditing, and contingencies (US\$3,846,534).”

- 2.15 All other annexes and electronic links remain as approved in the original grant proposal ([PR-4241](#)).

III. RECOMMENDATION

- 3.1 In accordance with the Table of Authority for the Administration of Operations with Sovereign Guarantee – Investment Loans (OA-420), footnote 5, applicable to this grant proposal, and Substantial and Fundamental Changes to Operations

(OA-430), item 2, the approval of the Bank's Board of Executive Directors is required for substantial changes in key financial terms such as an increase in the amount of the financing, as in this case. Specifically, the proposal is to increase the total cost of the project covered with co-financing resources administered by the Bank, and to reflect the change in the source of funds.

- 3.2 Based on the evidence and documentation submitted by the beneficiary, in the opinion of the project team, the proposed changes are justified, and this proposed modification is therefore presented to the Board for approval.

PRODUCTIVE INFRASTRUCTURE PROGRAM III

HA-G1035

CERTIFICATION

I hereby certify that this operation was approved for financing under the **Haiti Reconstruction Fund (HRF)** through a communication dated February 10, 2016 from Nadine Schiavi (ORP/GCM). Also, I certify that resources from the Haiti Reconstruction Fund (HRF) have been committed by the HRF Steering Committee for up to **US\$15,346,534** in order to finance the activities described and budgeted in this document. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount, may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

Original Signed

02/12/2016

Sonia M. Rivera
Chief
Grants and Co-financing Management Unit
ORP/GCM

Date

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/16

Haiti. Nonreimbursable Financing ___/_____-HA to the Republic of Haiti
Productive Infrastructure Program III
(Amendment and restatement to Resolution DE-196/14)

WHEREAS:

1. On December 11, 2014, the Board of Executive Directors, hereinafter referred to as the "Board", approved, pursuant to Resolutions DE-195/14 and DE-196/14, the "Productive Infrastructure Program III," as described in document PR-4241.
2. The signature of a Contribution Agreement as described in Resolution DE-196/14 is no longer contemplated.

The Board of Executive Directors

RESOLVES:

1. That this resolution shall supersede and replace Resolution DE-196/14 in its entirety.
2. To approve the modification of the Productive Infrastructure Program III, as described in document PR-____-__.
3. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the Haiti Reconstruction Fund, hereinafter referred to as "HRF," to enter into such contract or contracts as may be necessary with the Republic of Haiti, as Beneficiary, and to implement the necessary actions for the purpose of granting it a nonreimbursable financing for an amount of up to US\$15,346,534 chargeable to the resources of the HRF, to cooperate in the execution of the Productive Infrastructure Program III, as described in document PR-____-__.
4. That the resources contemplated in this Resolution will be in addition to the resources authorized in Resolution DE-195/14 for the amount of US\$55,000,000 chargeable to the resources of the IDB Grant Facility.

(Adopted on ___ _____ 2016)