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Report No: PAD2340

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT AND RESTRUCTURING

IN THE AMOUNT OF SDR 14.6 MILLION
(US\$20 MILLION EQUIVALENT)
FROM CRISIS RESPONSE WINDOW RESOURCES

TO THE

REPUBLIC OF HAITI

FOR A

SUSTAINABLE RURAL AND SMALL TOWNS WATER AND SANITATION PROJECT

June 1, 2017

Water Global Practice
Latin American and the Caribbean Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30 2017)

Currency Unit = Haitian Gourde (HTG)
68.88 HTG = US\$1
0.73 US\$ = SDR 1

FISCAL YEAR
October 1 – September 30

ABBREVIATIONS AND ACRONYMS

AECID	Spanish Agency for International Development Cooperation
AF	Additional Financing
CAEPA	<i>Comité d'Approvisionnement en Eau Potable et Assainissement</i> (Drinking Water Supply and Sanitation Committee)
CERC	Contingent Emergency Response Component
CNMP	<i>Commission Nationale des Marchés Publics</i> (National Public Procurement Commission)
CPF	Country Partnership Framework
CRW	Crisis Response Window
DaLA	Damage and Loss Assessment
DINEPA	<i>Direction Nationale de l'Eau Potable et de l'Assainissement</i> (National Water and Sanitation Directorate)
DPC	<i>Direction de la Protection Civile</i> (Civil Protection Directorate)
DPEM	<i>Direction de la Passation et de l'Exécution des Marchés</i> (DINEPA's procurement department)
DRM	Disaster Risk Management
DSA	Debt Sustainability Analysis
EIRR	Economic Internal Rate of Return
EPAR	<i>Programme Eau Potable et Assainissement en Milieu Rural</i> (Haiti Rural Water Supply and Sanitation Project, previous Bank-financed operation)
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
FIRR	Financial Internal Rate of Return
FM	Financial Management
GoH	Government of Haiti
GBV	Gender-based Violence
GDP	Gross Domestic Product
GHG	Green House Gas
GRS	Grievance Redress Mechanism
IDA	International Development Association
IDB	Interamerican Development Bank
IP	Implementation Progress
NPF	New Procurement Framework
NPV	Net Present Value
O&M	Operation and Maintenance
OP	<i>Opérateur professionnel</i> (Professional Operator) <i>Offices Régionaux d'Eau Potable et Assainissement</i> (Regional Water and

OREPA	Sanitation Offices) Project Development Objective
PDO	
PMU	Project Management Unit
PPDO	Project Procurement Development Objective
PPSD	Project Procurement Strategy for Development
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SDR	Special Drawing Rights
STEP	Systematic Tracking and Exchanges in Procurement
UNFCCC	United Nations Framework Convention on Climate Change
WASH	Water, Sanitation and Hygiene
WSS	Water Supply and Sanitation

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Country Director:	Mary A. Barton-Dock
Senior Global Practice Director:	Guang Zhe Chen
Practice Manager/Manager:	David Michaud
Task Team Leader:	Jean-Martin Brault, Carl Christian Jacobsen

REPUBLIC OF HAITI
SUSTAINABLE RURAL AND SMALL TOWNS
WATER AND SANITATION PROJECT

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ADDITIONAL FINANCING DATA SHEET

Haiti

Sustainable Rural and Small Town Water Supply and Sanitation Additional Financing (P163194)

LATIN AMERICA AND CARIBBEAN

Water Global Practice

Basic Information – Parent									
Parent Project ID:	P148970	Original EA Category: B - Partial Assessment							
Current Closing Date:	30-Sep-2021								
Basic Information – Additional Financing (AF)									
Project ID:	P163194	Additional Financing Type (from AUS):		Scale Up					
Regional Vice President:	Jorge Familiar	Proposed EA Category:							
Country Director:	Mary A. Barton-Dock	Expected Effectiveness Date:		31-Oct-2017					
Senior Global Practice Director:	Guang Zhe Chen	Expected Closing Date:		30-Sep-2021					
Practice Manager/Manager:	David Michaud	Report No:		PAD2340					
Team Leader(s):	Jean-Martin Brault, Carl Christian Gyde Jacobsen								
Borrower									
Organization Name		Contact	Title	Telephone	Email				
Ministry of Economy and Finance, MEF		Jude Alix Patrick Salomon	Minister	011-509-2992-1010	jsalomon@mefhaiti.gov.ht				
Project Financing Data - Parent (HT Sustainable Rural and Small Towns Water and Sanitation Project-P148970) (in USD Million)									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P148970	IDA-D0680	Effective	26-May-2015	21-Jul-2015	16-Dec-2015	30-Sep-2021	30-Sep-2021		
Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed

P148970	IDA-D0680	Effective	XDR	36.30	36.30	0.00	5.21	31.09	14.34
Project Financing Data - Additional Financing Sustainable Rural and Small Town Water Supply and Sanitation Additional Financing (P163194)(in USD Million)									
<input type="checkbox"/>	Loan	<input type="checkbox"/>	Grant	<input checked="" type="checkbox"/>	IDA Grant				
<input type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee	<input type="checkbox"/>	Other				
Total Project Cost:		20.00			Total Bank Financing:		20.00		
Financing Gap:		0.00							
Financing Source – Additional Financing (AF)								Amount	
IDA Grant								0.00	
IDA Grant from CRW								20.00	
Total								20.00	
Policy Waivers									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							Yes		
Explanation									
In light of Haiti’s high level of debt distress and situation of urgent need following Hurricane Matthew, this Project Paper seeks the approval of the Executive Directors to provide SDR 14.6 million (US\$20 million equivalent) from the IDA Crisis Response Window CRW (CRW) for this proposed additional financing in the form of a grant, rather than on Haiti’s current IDA terms. Haiti is a yellow light country, eligible for a mix of grants and credits in FY17 under its regular allocation and under any CRW allocation. However, the post-disaster Joint Debt Sustainability Analysis (DSA) for Haiti, circulated to the Executive Directors on November 16, 2016, finds the country at high risk of debt distress following Hurricane Matthew. The provision of financing in the form of all grants for the proposed operation is appropriate, as the provision of credits would further heighten Haiti’s risk of debt distress at a time of urgent need. On the basis of the November 2016 DSA, in FY18, Haiti will become eligible again for 100 percent grant financing from IDA.									
Has the waiver(s) been endorsed or approved by Bank Management?							Yes		
Explanation									
The waiver was endorsed by Bank Management on May 13, 2017 and would be considered and approved by the Executive Directors in the context of their consideration of and approval of this Board package.									
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Bank Staff									
Name	Role	Title	Specialization	Unit					
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	(ADM Responsible)	Sanitation Spec.		
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Extended Team

Name	Title	Location

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Haiti	Departement du Sud	Departement du Sud	X		
Haiti	Departement du Nord-Ouest	Departement du Nord-Ouest	X		
Haiti	Departement de la Grand'Anse	Departement de la Grand'Anse	X		
Haiti	Departement de Nippes	Departement de Nippes	X		
Institutional Data					
Parent (HT Sustainable Rural and Small Towns Water and Sanitation Project-P148970)					
Practice Area (Lead)					
Water					
Contributing Practice Areas					
Additional Financing Sustainable Rural and Small Town Water Supply and Sanitation Additional Financing (P163194)					
Practice Area (Lead)					
Water					
Contributing Practice Areas					
Consultants (Will be disclosed in the Monthly Operational Summary)					
Consultants Required? Consultants will be required					

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an additional grant in an amount of SDR 14.6 million (US\$20.0 million equivalent) to the Republic of Haiti for the Sustainable Rural and Small Town Water Supply and Sanitation Project (P148970). The proposed Additional Financing (AF) would be financed by IDA's Crisis Response Window (CRW)¹, as part of a package of a US\$100 million of support from the World Bank to help the Government of Haiti (GoH) recover and rebuild after Hurricane Matthew, which struck the country on October 4, 2016. This event was described and the proposed World Bank response outlined in the Crisis Window Response Paper circulated to the Executive Directors on January 22, 2017 and considered at a technical briefing held on January 26, 2017. In this context, Management underlined that funding from ongoing projects was mobilized to respond to immediate needs in the affected areas and proposed providing funding in the form of grants for the above-mentioned package, consisting of four additional financing operations in the Transport and Disaster Risk Management (DRM) sectors, the Health Sector, the Water Sector, and the Agricultural Sector to be financed from the CRW. An estimated US\$2.2 billion are needed for reconstruction and rehabilitation. The proposed AF would significantly expand the scope and impact of the Parent Grant by scaling up activities under all components of the project to support post-Hurricane Matthew recovery and reconstruction in the most affected departments of Haiti.

2. **Concurrently, the Sustainable Rural and Small Town Water Supply and Sanitation Project would be restructured to:** (i) reallocate Grant proceeds between disbursements categories to align the respective disbursement and outstanding commitment amounts for each category; (ii) update the Results Framework to include additional project beneficiaries resulting from the activities to be financed under this AF; and (iii) amend the Project Financing Agreement to include the financing of resettlement compensation.

II. Background and Rationale for Additional Financing

A. Country Context

3. **Haiti remains extremely vulnerable to natural disasters with more than 90 percent of the population at risk.** On October 4, 2016, category 4 Hurricane Matthew struck Haiti's south-west coast, affecting over 2 million people, about 20 percent of the country's population. The Directorate of Civil Protection (*Direction de la Protection Civile*, DPC) of the GoH reported 546 deaths, 128 missing, 439 injured, 175,500 people living in temporary shelters, and immediate humanitarian assistance needs for 1.4 million people (about 12.9 percent of the population, including 750,000 requiring safe water for drinking, cooking, and personal hygiene). The passage of Hurricane Matthew also led to an increase of reported cholera cases in the southern peninsula, accounting for 67 percent of total reported cases, and 82 percent of deaths during the first week of October 2017. This natural catastrophe comes less than seven years after the devastating January 12, 2010 earthquake of magnitude 7.0 struck 25 km west of Port-au-Prince, Haiti's capital, which killed 220,000 people and displaced 1.5 million.

¹ Management informed the Executive Directors of its intention to allocate an indicative amount of US\$100 million equivalent to support Haiti's response to the impact of the Hurricane Matthew at a technical briefing on January 26, 2017. See the note entitled "IDA Crisis Response Window Support for the Republic of Haiti Emergency Recovery and Reconstruction Following the Impact of Hurricane Matthew" for additional information.

4. **Reconstruction needs were assessed at 25 percent of Gross Domestic Product (GDP) (US\$2.2 billion)**². The agriculture and housing/urban sectors were the hardest hit. Up to 90 percent of crops and livestock were lost in coastal areas, including staple food crops, but also cash and tree crops such as coffee, cocoa and vetiver. Thousands of structures were damaged and 75 percent of structures in the heaviest-hit communities in Grand'Anse³ were entirely destroyed. More than 100,000 houses were heavily damaged or destroyed, half of which were in Grand'Anse. Key roads and bridges were washed away. The area's already limited water, sanitation, and energy infrastructure was damaged. Although damages and losses appeared more modest in the education and health sectors, the population was significantly affected by the damage and destruction of schools and the interruption of services at damaged or destroyed health centers. Over 450,000 children were estimated to remain out of school, the vaccine cold chain was destroyed, and a sharp increase in suspected cholera cases has been recorded in affected departments (the number of cases has since dropped but the risk of cholera spikes remains high).

5. **This latest disaster has compounded Haiti's preexisting development challenges, increasing poverty and vulnerability, threatening livelihoods, and hampering already weak service delivery and human development outcomes.** It also exacerbated Haiti's underlying socioeconomic drivers of poverty, such as social divisions and inequity, fragility of political mechanisms, the Government's weak capacity, risks of political instability, and persistent volatility. Almost 60 percent of Haiti's population, or 6.3 million people, remain poor,⁴ and 24 percent (2.5 million) are extremely poor, with poverty highest in rural areas. The poorest regions, which are also the furthest from the capital, show extreme poverty rates exceeding 40 percent and have very limited access to basic services.

B. Situation of Urgent Need of Assistance or Capacity Constraint

6. **The proposed operation meets the criteria of OP 10.00 Paragraph 12 (Projects in Situations of Urgent Need of Assistance or Capacity Constraints) and was processed through condensed procedures because:** (i) Hurricane Matthew caused a national disaster and emergency; (ii) Haiti faces severe capacity constraints with under-resourced response systems in the Disaster Risk Management and Transport sectors which have limited ability to respond to all aspects of the disaster; and (iii) the shock caused by Hurricane Matthew threatens to deepen already widespread and entrenched poverty of the affected areas, among the poorest in the country.

7. **Hurricane Matthew, the first hurricane of this magnitude to make landfall in Haiti in 52 years, has caused large-scale disaster mostly in the southern part of the country.** The hurricane's high wind speeds, heavy rainfall, and devastating storm surge resulted in flooding, landslides, and extensive destruction of infrastructure and livelihoods, especially in the southern departments of Grand'Anse, Nippes, and Sud, where 80 percent, 66 percent, and 65 percent of people, respectively, are poor (under the national poverty line of US\$2.41 per day) and 36 percent, 30 percent, and 26 percent, respectively, are extremely poor (under the national extreme poverty line of US\$1.23 per day). Lesser damage was seen in coastal areas in other parts of the country.

8. **The GoH Damage and Loss Assessment (DaLA) of October 2016 estimated total losses and damages equivalent to 22 percent of the GDP (US\$1.9 billion).** This figure was later evaluated to be

² October 24, 2016: Rapid Damage and Loss Assessment of Hurricane Matthew, the Government of the Republic of Haiti with joint support from the World Bank and the Inter-American Development Bank.

³ Communities of Maniche, Camp Perrin, Chantal, Beaumont, Duchity, Moreau, and Chambellan.

⁴ Under the Haitian poverty line of US\$1.98 per day based on consumption.

32 percent of GDP by the Post-disaster Needs Assessment (PDNA)⁵, with damage and losses specific to the water and sanitation sector estimated at US\$59.32 million. In light of the magnitude of these damages and losses as well as Matthew’s impact on the GoH’s already limited capacity and resources and the urgent need for support in responding to the crisis, the use of expedited procedures to prepare this proposed AF is appropriate.

C. Sectoral and Institutional Context

9. **Access to and the sustainability of improved water services⁶ in Haiti are particularly vulnerable to natural disasters.** Basic services are already lacking with only 58 percent of Haitians having access to water (48 percent in rural areas) and 28 percent to improved sanitation facilities (19 percent in rural areas),⁷ and water points as well as gravity-fed pipes systems, which are used for water supply in small towns and rural communities of Haiti, are typically rendered either temporarily or permanently dysfunctional because of heavy rains or floods. The October 2016 DaLA estimated that nearly 90 out of 130 water supply systems, water catchments, kiosks, and clarification systems in the Southern Peninsula were affected to varying degrees by the hurricane, ranging from the need to reconnect pipes and chlorinators or protect sources to the need for full system rehabilitation. In addition, the National Water and Sanitation Directorate (DINEPA) reported that many small rural agglomerations affected by the passage of the hurricane particularly suffered from the large distances to water sources, requiring new solutions such as the construction of on-site boreholes to improve resilience in times of inclement weather, particularly in agglomerations which are more isolated or which lack all-weather connectivity to the national road network. Finally, actors involved in the emergency response after the passage of Hurricane Matthew highlighted the weaknesses in procuring and distributing chlorine across Haiti to ensure drinking water quality at the point of use (in dispersed rural areas) or at the point of distribution (small towns and urban areas).

10. **To secure safe, reliable, resilient and continuous water supply services to Haiti’s population, including those directly affected by Hurricane Matthew, DINEPA’s country-wide program of professional operators (OP) should be continued.** This service delegation approach deployed as part of the Rural Water Supply and Sanitation Program (EPAR) jointly financed by the World Bank and Inter-American Development Bank from 2009 to 2014 has helped improve the ability of service providers to cover operation and maintenance (O&M) costs. These results are the basis on which the ongoing Project was developed. In parallel, the AF will use lessons and recommendations from an ongoing evaluation of the performance of and institutional environment in which OPs are providing services,⁸ to continue scaling up this management model in Haiti.

11. **In order to continue efforts to stem water- and excreta-related diseases in the areas affected by Matthew, as well as across the country, the national response also needs to focus on constructing**

⁵ February 6, 2017: Post-Disaster Needs Assessment, the Government of the Republic of Haiti with joint support from the European Union, the Inter-American Development Bank, the United Nations agencies, and the World Bank.

⁶ Access to water and sanitation has been identified as one of 17 of the United Nation’s Sustainable Development Goals, and is defined as the access to an adequate amount of safe drinking water located within a convenient distance from the user’s dwelling.

⁷ Progress Report on Sanitation and Drinking Water - Update. WHO-UNICEF, 2015. Improved sanitation is defined as likely to ensure hygienic separation of human excreta from human contact.

⁸ This evaluation is part of the “Enabling local private sector participation in water and sanitation service delivery in rural areas and small towns of Haiti” (P159767) activity financed by the Public-Private Infrastructure Advisory Facility (PPIAF).

and rehabilitating sanitation facilities in schools, health facilities and public markets. Access to sanitation in rural areas and small towns remains low in Haiti,⁹ and the passage of the hurricane particularly affected public institutions and spaces in that regard: more than 700 schools and numerous health facilities suffered damage, including to their existing sanitation infrastructure, compounding the high risk of cholera and infectious disease outbreaks. To create a more conducive institutional environment to tackling the low access rates to sanitation facilities across the country, DINEPA has recently taken important strategic steps, including: (i) holding the Sanitation Sector Dialogue in May 2016 with all financial and technical partners active in Haiti, and presenting its sanitation roadmap focusing on behavior change, education and sanitation promotion, as well as on the provision of institutional sanitation; (ii) signing, in February 2016, a memorandum of understanding with the ministries of Health and Environment, defining their responsibilities with regards to sanitation and hygiene and paving the way for joint action in this sub-sector; and (iii) adopting a programmatic approach to sector planning, with its deconcentrated Regional Water and Sanitation Offices (OREPAs) playing a key role in its operationalization. Nevertheless, in order for the deconcentration to become fully effective, ownership of the planning tools developed in the last year needs to be further anchored at the regional level, and capacity in sanitation, as well as in social mobilization and fiduciary aspects needs to be reinforced.

12. **Given the difficult setting under which Haiti’s WSS sector operates, the implementation of the proposed AF is key to tackle the challenges exposed above and enable further development of reliable access to water, improved sanitation solutions, and stronger institutions.** Proposed works, which include and are not limited to small repairs to water supply systems, newly-constructed latrine blocks for public institutions and spaces, and an increased number of piped household water connections, will allow for unimproved access to water and sanitation rates to decrease, while providing the Haitian population with improved health and a clean environment. In addition, the proposed AF will be an opportunity to explore ways to increase the resiliency of WSS infrastructure and services in the face of inclement weather in Haiti.

D. Higher Level Objectives To Which the Project Contributes

13. **The proposed AF contributes to the achievement of the World Bank Group’s twin goals of ending extreme poverty and boosting shared prosperity by increasing access to basic services in the poorest rural areas of Haiti, particularly for communities affected by Hurricane Matthew.** It is consistent with the National Plan for the Elimination of Cholera in Haiti¹⁰ as well as the recently developed mid-term 2016-2018 Cholera Elimination Plan, which was presented to the United Nations’ High Level Committee on Cholera on August 30, 2016, by contributing to the elimination of cholera and other water and excreta related diseases.

14. The proposed AF is fully aligned with the World Bank Group’s Country Partnership Framework (CPF) for FY16-19 discussed by the Executive Directors on September 29, 2015. Activities to be financed under the proposed AF would support the Human Capital focus area, specifically Objective 7:

⁹ 25 percent of the Haitian population relies on individual on-site sanitation solutions, such as self-excavated or mason-constructed latrines, as sustainable collection and treatment of sewage are practically non-existent. In addition, due to low access to improved sanitation facilities, open defecation is frequent, particularly in rural areas where it stands at 35 percent. The GoH has adopted a no-subsidy policy for household sanitation.

¹⁰ a 10-year strategy to address the cholera epidemic and achieve universal access to WSS and health services,

Cholera Control in Priority Communes; as well as the cross-cutting objective of institutional capacity strengthening needed to underpin sector policies based on sustainable models of service delivery.

E. Project Background

15. **Parent Grant (D0680).** The Sustainable Rural and Small Towns Water and Sanitation Grant in the amount of SDR 36.3 (US\$50 million equivalent) was approved on May 26, 2015, became effective on December 16, 2015, and is scheduled to close on September 30, 2021. The Project Development Objectives (PDOs) are to: (i) increase access to improved WSS in targeted rural areas and small towns in zones affected by cholera; (ii) strengthen the Recipient's water and sanitation service delivery mechanism at the deconcentrated level; and (iii) improve the Recipient's capacity to respond promptly and effectively to an Eligible Emergency. The achievement of the PDOs is supported by the following project components: (1) Institutional Strengthening, Capacity Building and Project Management; (2) Water Supply and Sanitation; and (3) Contingent Emergency Response. The proposed AF will support all components of the project, as described in the Financing Agreement.

F. Status of Implementation

16. **The implementation of the Sustainable Rural and Small Towns Water and Sanitation Project is proceeding well, with the implementation progress (IP) rated “Moderately Satisfactory” while the achievement of PDOs is rated “Satisfactory”.** The Project is well-performing, it has been rated Moderately Satisfactory consistently over the last 12 months and is likely to achieve the PDO indicators. In particular, the Project has succeeded in providing 20,000 people with access to improved water sources (out of a target of 150,000), including in one community in which a cholera outbreak had been reported. Additionally, three Professional Operators (*Opérateurs professionnels* – OPs) have now been selected to operate piped systems sustainably (out of a target of 20).

17. **The Project has also demonstrated compliance with key loan covenants, including audit and financial management reporting requirements.** To date, the Project has disbursed 14.3 percent of the grant's proceeds and total disbursements are expected to reach close to 20 percent by July 2017 based on works planned to be initiated in the coming months. Overall, the Project is on track to meet its development objectives within the project lifespan. The Project has complied with World Bank environmental, social, and fiduciary safeguard requirements. There are no outstanding audit reports and all audit reports are satisfactory to the World Bank.

18. **Component 1: Institutional Strengthening, Capacity Building, and Project Management.** Under this component, DINEPA's deconcentration efforts have advanced with the transfer of a procurement specialist to one of the 4 OREPAs, and the upcoming recruitment of three more for the remaining OREPAs. Progress is further evidenced by the fact that DINEPA's general director has recently signed a delegation of authority allowing regional directors to manage their regional, departmental and communal payrolls. Furthermore, four of the five tools to be developed in support of DINEPA's national programming mechanism for deconcentrated service delivery are already well advanced - namely: (i) a national WSS baseline; (ii) a roadmap for universal WSS coverage by 2030; (iii) a Medium Term Expenditure Framework for the sector; and (iv) a 3-year rolling consolidated Program Budget. This progress in deconcentration efforts can be further illustrated by the implication of

DINEPA's structures, particularly at the departmental and communal levels, in identifying small towns in need of repairs after Hurricane Matthew.

19. **Component 2: Water Supply and Sanitation.** Works have been completed in three small towns and their OPs are being trained and put in place. Several detailed engineering designs, as well as technical and social feasibility studies are being finalized for over 30 communities in the Centre, Sud, Nippes and Grande Anse departments, including seven communities hosting bi-national markets along the border with the Dominican Republic. The number of studies will largely exceed the available funds under the Project, and the OREPAs are thus now engaged in a prioritization process which should lead to a number of WSS works being launched in May and June of 2017. In addition, the successful completion of the "*Dialogue Sectoriel sur l'Assainissement*" in May 2016 helped establish a clear vision and intervention principles for the sanitation sector. This, together with consultations undertaken in December 2016 with NGOs active in the sanitation sector, have introduced the concept of results-based contracting in sanitation, paving the way for future sanitation activities under the Project.

20. **Component 3: Contingent Emergency Response (CERC).** Funding under this component has supported the rehabilitation of the water supply system and sanitation facilities in Anse-a-Pitres (Sud-Est), in response to a cholera outbreak in camps hosting Haitian returnees from the Dominican Republic in late 2015. This component has also helped DINEPA respond to damages resulting from Hurricane Matthew pursuant to the triggering of the CERC on November 3, 2016 to provide over \$2 million in emergency financing for small and quick repairs needed to bring roughly 70 water supply systems damaged by Hurricane Matthew back into operation in the southern peninsula. The rehabilitation works are approximately 65 percent completed. This component is also financing ongoing consulting contracts, which have been expanded to include an evaluation of the additional longer-term rehabilitation needs of these systems, including damages caused by Matthew. These evaluations will help identify priority interventions to be financed under the proposed AF. Additional studies have also been initiated in small towns of the Nord-Ouest department, where damages to water supply systems were also reported.

G. Rationale for Additional Financing and Additional Benefits

21. **Following consultations with the Government, it was agreed that the proposed AF is the most suitable financing instrument to support the GoH in a timely manner.** The proposed AF would be a more efficient response than the preparation of a new emergency project. It would benefit from scaling up an existing operation that is aligned with the emergency needs in the sector. The use of expedited procedures for processing the proposed AF would allow quick preparation and mobilization of resources necessary to help DINEPA assess and rehabilitate water supply systems in rural areas and small towns affected by Hurricane Matthew. The consolidation of the proposed AF under the Sustainable Rural and Small Towns Water and Sanitation would maximize potential synergies, particularly from fiduciary, safeguards, and technical support already provided under the parent project, promote efficiencies, and ensure better streamlined overall project management and reporting. The AF will benefit from a fully operational project implementation and fiduciary team and institutional arrangements that are already in place, significantly accelerating the initiation of activities and ensuring continuity between immediate response activities under the Parent Grant and medium-term recovery and reconstruction under the AF.

22. **The proposed AF would complement other ongoing World Bank emergency response operations, such as the proposed three other CRW-funded AFs to:** (a) Relaunching Agriculture:

Strengthening Agriculture Public Services II Project – Additional Financing (P163081); (b) Additional Financing for the Disaster Risk Management and Reconstruction Project (P163199); and (c) Additional Financing for the Improving Maternal and Child Health Through Integrated Social Services Project (P163313).

23. **Climate co-benefits for the proposed operation are expected to be significant at 32.3 percent.** This corresponds mainly to the use of solar power in water supply systems whenever pumping will be necessary and cost-effective,¹¹ as well as to the inclusion of climate considerations in the engineering design process for water and sanitation systems. In addition, Component 3 would finance urgent repairs following a hydro-meteorological disaster and/or cholera outbreaks, when necessary. Haiti has signed and ratified several Multilateral Environmental Agreements, including the United Nations Convention on Biological Diversity, the United Nations Convention to Combat Desertification and the United Nations Framework Convention on Climate Change (UNFCCC). This commits the country to reducing Green House Gas (GHG) emission by 31 percent in 2030, and Haiti’s commitments focus in several areas, including integrated water and watershed management.

24. In Haiti, the water sources on which rural and small towns rely are often threatened by degradation in their watersheds, and relatively few of these towns have any significant storage infrastructure, nor the ability to treat raw water. As such, they are highly dependent on the regularity and quality of water flows, and inappropriate land uses in these watersheds is resulting in unreliable and low quality water supplies. According to the Global Facility for Disaster Reduction and Recovery’s [Think Hazard profile for Haiti](#), the country is at a high risk for hurricanes as well as for river and coastal floods, possibly due to climate change. Increasing number of extreme weather events, such as hurricanes, and natural disasters also negatively affect the availability of quality water resources. This threatens the well-being of water consumers and the viability of the professional operators the Project is supporting. In order to address these challenges, the AF would continue to support the piloting of innovative approaches for conserving and restoring the watersheds that supply water to the rural and small towns benefitting from project activities (including through reforestation, source protection, rainwater harvesting or water storage, where appropriate) under Component 1. Component 3 will continue to support the client to strengthen its ability to rapidly respond to future emergencies related to climate change and natural disasters. These activities will increase the client’s capacities to adapt to climate change risks and vulnerabilities. In addition, most water supply systems will be gravity-fed, but, whenever pumping will be necessary and cost-effective, the Project will give a strong preference to renewable energy, such as solar power. The need for this option will be determined during the engineering design stage.

25. **GHG accounting benefits are also expected to be generated under the proposed AF.** For both the project and baseline scenarios, water delivery will use gravity-fed systems. In addition, the Project will install solar photovoltaic systems for pumping, when deemed technically and economically appropriate as indicated by engineering designs to be developed. Grid-connected electricity will likely not be used in either scenario because of its poor reliability. If any grid-connected electricity is used, it would be negligible (rounding down to 0 percent of the total energy needs). As a result, both scenarios rely completely on zero-emissions sources (solar, gravity). The net and gross emissions are thus both 0 tCO₂-eq over the life of the Project. On average, the Project generates net emissions of 0 tCO₂-eq annually.

¹¹ Experience in rural areas and small towns of Haiti shows that this is the case in 10 to 20 percent of the water supply systems.

26. **The Project by design includes a number of citizen engagement initiatives through its support of Local Drinking Water Supply and Sanitation Committees (CAEPAs). DINEPA’s social mobilizers are in close contact with project beneficiaries to ensure that they are part of the decision-making process for the project activities.** Periodic consultations take place and minutes are recorded. These practices will be continued under the AF. In the Project, the Grievance Redress Mechanism falls under the tasks of DINEPA’s social mobilizers who are in charge of carrying out extensive communication and sensitization work with the local community before, during, and after the construction of the water systems. While the main objective of the social mobilizers is to introduce payment for water provision services, their constant presence in the community makes them the de-facto focal point to address any conflicts or grievances that may arise. The documentation and monitoring of grievance redress will be strengthened under the implementation of the AF through the provision of easy to use tools for documenting and monitoring grievances and sensitization on this issue by World Bank during field visits and safeguards trainings. In addition, the Project will continue to build on a DINEPA initiative launched in January 2015 which created a call center for its clients or central hotline called “5959”.

27. **The proposed AF will continue activities implemented under the Parent Grant in alignment with the World Bank Group’s gender strategy by addressing gaps between men and women in priority strategic areas of: (i) voice and agency, and (ii) endowments.** To this date, the Project has completed a gender qualitative assessment (July 2016) and is currently conducting a complementary random, gender-disaggregated household survey (since April 2017), after which a workshop will be organized to discuss results with DINEPA staff.

28. *Voice and Agency.* The qualitative assessment revealed that women’s representation in CAEPAs was low and their voice was weakened by their lower socio-economic status and heavy reproductive responsibilities. It also found that along the border with the Dominican Republic, gender-based violence (GBV) persists, and women’s trading activities are curtailed by banditry and violence. Actions to be taken under the Project, including the AF, are:

- Reduce gaps in women’s participation and representation in water and sanitation decision making by involving women in project implementation activities. A national gender indicator on women’s representation in the CAEPA will be considered with DINEPA for nation-wide monitoring;
- Women form 30 percent of beneficiaries engaged in project orientation and consultations of each new project, benefit from training opportunities and are an active part of the professional operator (OP) management model, either as the OP or as a member of the management team, including in water, sanitation and hygiene (WASH) for public markets;
- Target GBV by engaging women in ‘security committees’ to ensure that they can have a voice in the management of market services including security, and that they have a voice in positioning water kiosks and public toilets at points that are safe.

29. *Endowments.* The qualitative assessment highlighted gaps between girls and boys in education, influenced by weaknesses in WASH in schools. In separate discussions with girls in schools, the adolescent girls explained that they left school if they had their menses. Absence of doors meant absence of privacy on toilets, and combined with the lack of water was a constraining factor to their full

participation during the school day. Potential actions to be taken in collaboration with Education and Health are:

- WASH in schools: (i) incorporate participatory designs generated by girls and boys for school WASH. The Project will test and scale suitable toilet construction and water supply in schools in partnership with other actors in the Center department; (ii) include hygiene promotion activities, including education on menstrual hygiene management for girls; and (iii) adopt Facility Management Plans by school administrations to ensure that toilets do not fall back into unhygienic conditions, but demonstrate standards that enable sustained access;
- WASH and Health: (i) generate appropriate WASH and cholera prevention messages to women, men, boys and girls, traders and health professionals; and (ii) address challenges faced by women in the supply chain and marketing of water treatment products.

H. Policy Waiver

30. **In light of Haiti’s high level of debt distress and situation of urgent need following Hurricane Matthew, this project document seeks the approval of Executive Directors to provide IDA resources from the CRW (US\$20 million equivalent) for this proposed additional financing in the form of all grants, rather than on Haiti’s current IDA terms.** Haiti is a yellow light country, eligible for a mix of grants and credits in FY17 under its regular allocation and under any CRW allocation¹². However, the post-disaster Joint Debt Sustainability Analysis (DSA) for Haiti, circulated to Executive Directors on November 16, 2016, finds the country at high risk of debt distress following Hurricane Matthew. The provision of financing in the form of all grants for the proposed operation is appropriate, as the provision of credits would further heighten Haiti’s risk of debt distress at a time of urgent need. On the basis of the November 2016 DSA, in FY18, Haiti will become eligible again for 100 percent grant financing from IDA.

III. Proposed Changes

Summary of Proposed Changes	
The proposed AF would scale up the Project’s development impact by expanding the scope and financing of activities under each of the three components by: (i) financing small repairs to bring water supply systems back into operation; and (ii) rehabilitating water supply systems in rural areas and small towns affected by Hurricane Matthew. The level II restructuring will entail: (i) reallocating grant proceeds between disbursements categories to align the respective disbursement and outstanding commitment amounts for each category; (ii) updating the Results Framework to include additional project beneficiaries resulting from the activities to be financed under this AF; and (iii) amending the Project Financing Agreement to include the financing of resettlement compensation.	
Change in Implementing Agency	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Project's Development Objectives	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Results Framework	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]

¹² Under the CRW’s implementation framework for IDA17, the terms of assistance for CRW financing are identical to those under which regular IDA assistance is provided to a particular country.

Change in Safeguard Policies Triggered	Yes [] No [X]
Change of EA category	Yes [] No [X]
Other Changes to Safeguards	Yes [X] No []
Change in Legal Covenants	Yes [] No [X]
Change in Loan Closing Date(s)	Yes [] No [X]
Cancellations Proposed	Yes [] No [X]
Change in Disbursement Arrangements	Yes [] No [X]
Reallocation between Disbursement Categories	Yes [X] No []
Change in Disbursement Estimates	Yes [X] No []
Change to Components and Cost	Yes [X] No []
Change in Institutional Arrangements	Yes [] No [X]
Change in Financial Management	Yes [] No [X]
Change in Procurement	Yes [] No [X]
Change in Implementation Schedule	Yes [] No [X]
Other Change(s)	Yes [] No [X]

Development Objective/Results

Project's Development Objectives

Original PDO

The proposed objectives of the Project are to: (i) increase access to improved water supply and sanitation in targeted rural areas and small towns in zones affected by cholera; (ii) strengthen the Recipient's water and sanitation service delivery mechanism at the deconcentrated level; and (iii) improve the Recipient's capacity to respond promptly and effectively to an Eligible Emergency.

Change in Results Framework

Explanation:

The Results Framework will be adjusted to reflect the intended outcomes of repairs and rehabilitation works under Component 2. It is estimated that approximately 385,000 people will benefit from small repairs to and rehabilitation of water supply systems and improved water sources through new household connections and water kiosks. This increase is reflected in the "Direct Project Beneficiaries" PDO Indicator, where it is further disaggregated by gender. Expected results to be achieved by the AF are additional to the benefits of the Parent Grant, and are included in the Results Framework, where relevant.

A detailed list of these additional results is included below:

- 300,000 people to benefit from small and quick repairs to water supply systems;
- 85,000 people gaining access to improved water sources through new household connections and water kiosks, as a result of rehabilitation works;
- At least 5 additional professional operators trained under the AF;
- At least 20 latrine blocks for public institutions or spaces constructed or rehabilitated with management and maintenance arrangements in place.

Compliance

Other Changes to Safeguards

Explanation:

The proposed AF will include expenditures that may occur due to possible involuntary resettlement, and an amendment to the Financing Agreement of the Parent Grant will also be made to reflect this change. As part of the Parent Grant and the AF's water supply systems rehabilitation efforts, it is foreseen that small pieces of land will be used for the placement of new kiosks or fountains, or for small tanks or wells. Resettlement costs resulting from these activities are proposed to be included as part of the project due to insufficient local government resources and bureaucratic difficulties in the central government for channeling resources to the local level. Such costs could include replacement or repair costs for lost or damaged infrastructure, restoration or repair costs of community infrastructure, and compensation of business interruption and loss of economic income. Following the Preparation of Investment Project Financing and OP/BP 10.00 instructions, the Bank approved on May 1, 2017 the financing of Resettlement Compensation of up to US\$200,000 under the Parent Project and AF. An amendment to the Parent Grant's Financing Agreement will be made to include these expenses.

Covenants - Additional Financing (Sustainable Rural and Small Town Water Supply and Sanitation Additional Financing - P163194)

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
IDWT	DINEPA Subsidiary Agreement (Schedule 2, Section I.B.1)	To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to DINEPA under an amended Subsidiary Agreement between the Recipient, acting through the MTPTC and the MEF, and DINEPA, under terms and conditions approved by the Association.	31-Oct-2017	<input type="checkbox"/>		New
IDWT	Financial Management, Financial Reports and Audits (Schedule 2, Section II.B.4)	The Recipient shall not later than six (6) months after the Effective Date recruit an external auditor based on terms of	30-Apr-2018	<input type="checkbox"/>		New

		reference acceptable to the Association to carry out the annual audits of such Financial Statements referred to in Section 4.09(b) of the General Conditions.				
IDWT	Safeguards (Schedule 2, Section I.G.2)	Prior to the carrying out of any works under the Project, the Recipient shall cause DINEPA to: (i) carry out an environmental and social screening and assessment of the proposed activities; (ii) carry out a resettlement screening and assessment of the proposed activities, if need be.	31-Oct-2017	<input type="checkbox"/>		New
IDWT	Safeguards (Schedule 2, Section I.G.2)	Prior to the carrying out of any works under the Project, the Recipient shall cause DINEPA to, as applicable, prepare plans for environmental management or resettlement, acceptable to the Association, all in accordance with the ESMF and the RPF.	31-Oct-2017	<input type="checkbox"/>		New
IDWT	Sub-Grants (Schedule 2, Section I.D.1)	For purposes of carrying out Part 1 (c)(iii) of the Project, the	31-Oct-2017	<input type="checkbox"/>		New

		Recipient shall cause DINEPA to: (i) select an OP in accordance with criteria and procedures acceptable to the Association, as set forth in the Project Operations Manual; and thereafter (ii) enter into a Sub-grant Agreement with the selected OP under terms and conditions acceptable to the Association.				
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Conditions

Source Of Fund	Name	Type
IDWT	Subsidiary Agreement (Article IV, Section 4.01 (a))	Effectiveness

Description of Condition
The Subsidiary Agreement has been amended on behalf of the Recipient, and DINEPA, on terms and conditions acceptable to the Association.

Source Of Fund	Name	Type
IDWT	Project Operations Manual (Article IV, Section 4.01 (b))	Effectiveness

Description of Condition
The Project Operations Manual has been revised, updated and adopted by the Recipient and DINEPA, in form and substance satisfactory to the Association.

Risk

Risk Category	Rating (H, S, M, L)
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial

7. Environment and Social					Moderate					
8. Stakeholders					Substantial					
9. Other					Substantial					
OVERALL					Substantial					
Finance										
Loan Closing Date - Additional Financing (Sustainable Rural and Small Town Water Supply and Sanitation Additional Financing - P163194)										
Source of Funds					Proposed Additional Financing Loan Closing Date					
IDA Grant from CRW					30-Sep-2021					
Change in Disbursement Estimates (including all sources of Financing)										
Explanation:										
The expected estimates indicated in the table below refer to both the revised Parent Grant and projected AF disbursements. Parent Grant estimates have been revised to reflect the change in pace of implementation due to the passage of Hurricane Matthew as well as to delays in finalizing engineering designs and procuring corresponding works.										
Expected Disbursements (in USD Million)(including all Sources of Financing)										
Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual	7.00	13.70	20.50	20.60	8.20	0.00	0.00	0.00	0.00	0.00
Cumulative	7.00	20.70	41.20	61.80	70.00	0.00	0.00	0.00	0.00	0.00
Allocations - Additional Financing (Sustainable Rural and Small Town Water Supply and Sanitation Additional Financing - P163194)										
Source of Fund	Currency	Category of Expenditure	Allocation				Disbursement % (Type Total)			
			Proposed				Proposed			
IDWT	USD	(1) Goods, works, non-consulting services, consulting services and Operating costs for the Project	18,500,000.00				100.00			
		Total:	18,500,000.00							
IDAT	USD	(2) Emergency Expenditures under the CER Part of the Project	1,450,000.00				100.00			
IDAT	USD	(3) Resettlement compensation and assistance for Displaced Persons under Parts 2 and	50,000.00				100.00			

		3 of the Project		
		Total:	1,500,000.00	

Reallocation between Disbursement Categories

Explanation:

A reallocation is proposed between disbursement categories to align the respective disbursement and outstanding commitment amounts for each category, particularly with regard to disbursements under the CERC.

Ln/Cr/TF	Currency	Current Category of Expenditure	Allocation		Disbursement % (Type Total)	
			Current	Proposed	Current	Proposed
IDA-D0680	XDR	GP CW NCS CS IOC	33,396,000.00	32,870,700.00	100.00	100.00
IDA-D0680		Emergency Exp und CER part	726,000.00	2,551,000.00	100.00	100.00
IDA-D0680		PPF REFINANCING	2,178,000.00	768,800.00	0.00	100.00
IDA-D0680		Designated Account	0.00	0.00	0.00	0.00
IDA-D0680		Designated Account	0.00	0.00	0.00	0.00
IDA-D0680		Resettlement compensation	0.00	109,500.00	0.00	100.00
		Total:	36,300,000.00	36,300,000.00		

Components

Change to Components and Cost

Explanation:

Component 1 - Institutional Strengthening, Capacity Building and Project Management (US\$2 million): Under this component, resources will be used to develop hydrogeological studies to help consolidate knowledge on groundwater resources across the country, including the potential impacts of climate change on their recharge, storage and quality, and enable the rehabilitated systems under the AF to be more resilient and robust. In addition, by continuing to strengthen sector planning and deconcentration, the AF will help with building DINEPA's capacity to mobilize resources in priority areas, including for emergencies such as hurricanes, floods and cholera outbreaks. The AF will also finance a national workshop to reflect on the response of its different deconcentrated structures to Hurricane Matthew and how they can draw lessons from this experience to improve planning and infrastructure and service resiliency, and will continue to support the piloting of innovative approaches for conserving and restoring the watersheds that supply water to the small towns benefitting from project activities.

Component 2 - Water Supply and Sanitation (US\$14 million): The proposed AF will expand the project

area and works financed under Component 2 to zones affected by Hurricane Matthew, including the Nord-Ouest department. These additional funds will focus on small repairs to bring water supply systems back into operation and ensure full rehabilitation of water supply systems in rural areas and small towns affected by the hurricane. Moreover, the construction or rehabilitation of additional latrine blocks for public institutions or spaces will ensure the continued efforts of this component to increase access to safe water and sanitation in schools, health facilities and public spaces such as public markets, to help curb the spread of water- and excreta-related diseases such as cholera in zones hit by the hurricane. In addition, the AF will finance DINEPA's chlorine needs for small town water supply systems across the country and help with consolidating its procurement and distribution.

Component 3 - Contingency Emergency Response (US\$4 million): Additional funds will be allocated to Component 3 in order to further strengthen the Client's ability to rapidly respond in the event of an eligible emergency. The increased cost for this component comprise additional funds for future emergencies, as well as funds that were committed in response to needs identified by DINEPA following the passage of Hurricane Matthew. The Bank notified the Minister of Economy and Finance, through a letter dated March 29, 2017, that all withdrawal conditions under Category (2), as stated in Section IV, Annex 2 of the Financing Agreement, had been satisfied and therefore all withdrawal operations relative to Category (2) were authorized.

Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
Institutional Strengthening, Capacity Building and Project Management	Institutional Strengthening, Capacity Building and Project Management	17.35	19.35	Revised
Water Supply and Sanitation	Water Supply and Sanitation	31.65	45.65	Revised
Contingent Emergency Response	Contingent Emergency Response	1.00	5.00	Revised
	Total:	50.00	70.00	

Other Change(s)

Implementing Agency Name	Type	
National Water and Sanitation Directorate (DINEPA)	Implementing Agency	

Change in Procurement

Explanation:

Procurement, under the proposed AF, will continue to be carried out by the DINEPA with support from OREPA's at the department level. Procurement will be executed in accordance with the 'World Bank Procurement Regulations for Borrowers under Investment Policy Financing' (July 2016) ('Procurement Regulations'), as well as the provisions stipulated in the Procurement Plan and the Operations Manual.

Experience to date shows limited procurement capacity of DINEPA in particular in the management of large contracts as confirmed by the procurement capacity assessment carried out in March 2017. To maintain sound procurement processes, procurement transactions of the Parent Grant and the AF for each fiscal year will be audited by independent auditors, acceptable to the World Bank, in accordance with appropriate procurement audit principles. The procurement audit report will be furnished to the World Bank, along with other information concerning procurement records, and documentation and reviews.

In accordance with new Procurement practices, a Project Procurement Strategy for Development (PPSD) has been prepared for the AF. It identifies the appropriate selection methods, market approach, and type of review by the World Bank. Most activities under the proposed project will be carried out through either national or international competition. A Procurement Plan, acceptable to the World Bank, has also been prepared. Procurement arrangements are described in the Operations Manual.

IV. Appraisal Summary

Economic and Financial Analysis

Explanation:

As the type of interventions to be financed under the AF will be substantially of the same nature as those under the Parent Grant, and as the assumptions and expected impacts used in the Parent Grant's cost-benefit analysis are still valid, there will be no changes made under the AF. The following summarizes the results from the Parent Grant's economic and financial analysis.

As in the case of the Parent Grant, the AF will increase sustainable access to water supply and sanitation (WSS) in targeted rural areas and small towns, contributing to the higher level objective of improved health in Haiti, particularly by curbing the spread and severity of cholera in selected zones. The impacts of increased access to WSS on public welfare are multi-faceted and may be indirect; however, by providing better access to improved WSS to poor households, benefits – from the easily identifiable and quantifiable (value of water and willingness to pay for water, cost savings and consumer surplus) to the more intangible and difficult to measure (living standards, health, well-being, environmental protection) can be substantially increased. The assessment of the water benefits was based on, and will continue to be based on: (i) the actual willingness-to-pay as a proxy of the value of water; (ii) the cost savings accruing to beneficiaries; and (iii) the surplus accruing to (previously unconnected) beneficiaries. Water costs include: (i) direct investment costs and an allocated portion of project management costs and institutional support costs; and (ii) incremental operating costs of water facilities. The assessment of sanitation benefits is based on the cost savings accruing to households who would be offered the possibility of adequately emptying their latrines instead of being obliged to build a new latrine. Related costs include the initial investment in sludge handling and removal and the operating costs of facilities. The Economic Internal Rate of Return (EIRR) of the water-related activities was estimated at 11 percent and their Net Present Value (NPV) using a discount rate of 10 percent is estimated at U\$1.9 million. The EIRR and NPV of the sludge handling and removal activities were estimated at 11.9 percent and US\$0.1 million, respectively. The sensitivity analysis shows that the project outcome is above all sensitive to investment cost overruns.

The financial impact of project activities was assessed by the Financial Internal Rate of Return (FIRR) derived from the costs-benefits analysis. Financial calculations were carried out from the perspective of DINEPA and OPs and take into account the financial revenues and costs in the with/without project situations, including taxes and excluding non-cash generating benefits. The FIRR was estimated at 1.8 percent, which evidences the need to continue to subsidize the development of the rural water supply sector. The difference between the EIRR and the FIRR is attributable to the substantial portion of economic benefits that accrue to the consumers (cost savings and consumer surplus), which amount to one

third of total economic benefits.

Improvements in sustainability of service development and delivery will result from: (i) the increased predictability of sectoral resources that would be facilitated by the shift to a programmatic approach. By planning ahead under this approach, adequate resources for investments, staff and O&M costs can be secured to achieve sector objectives and consolidate progress; and (ii) the enhanced and socially-acceptable O&M cost recovery policies that would be implemented by the OPs. This policy seeks to break the vicious circle of declining service quality for lack of dedicated management (as opposed to community management widely perceived as having failed at being sustainable for rural water supply in Haiti) and maintenance, reduced willingness to pay and further reduction of funds available for repairs and expansions.

Technical Analysis

Explanation:

Similar to the Parent Grant, the AF will rely on approaches, methodologies, technical designs and technologies appropriate for the Haitian context, as reflected in DINEPA's 2013 WSS technical guidelines. These include:

Water supply. The Project will meet water supply needs through: (i) spring-fed gravity piped networks; and/or (ii) individual or collective boreholes (using hand pumps, or solar or electric power) depending on the specific conditions in each community. DINEPA is familiar with these technical options which offer high quality water with a minimum of complexity and treatment, and, as operating costs and maintenance requirements are minimal, are thus suitable for management by local OPs and Water and Sanitation Committees (CAEPAs).

Management of water supply systems. As under the Parent Grant, CAEPAs will enter into delegation contracts with OPs who will operate and maintain the water supply system and collect payments. The OP program is at the heart of the Project, and this focus on cost recovery, commercial performance and capacity to set dedicated maintenance funds aside will help DINEPA improve sustainability and resilience of water service delivery in rural areas and small towns, including in those affected by the hurricane. In addition, the AF will finance a workshop to reflect on DINEPA's emergency response mechanisms and their efficiency, and to draw lessons from this experience with Hurricane Matthew to improve design, as well as rehabilitation and construction of water supply infrastructure. This workshop will help improve DINEPA's technical guidelines by recommending complementary physical and non-physical measures to improve infrastructure and service resiliency in the face of inclement weather. These recommendations will be taken into account for the designs and works to be financed under the AF.

Institutional sanitation. Latrine blocks to be built in schools and markets will follow DINEPA's technical guidelines and take into account gender-specific needs. DINEPA will also provide technical guidance to the MSPP in equipping health facilities in WSS in the selected communities. Management of institutional sanitation facilities by OPs will also be tested.

In addition, the post-Matthew assessments conducted with the GoH and field visits conducted jointly by the Haiti water team and DINEPA have provided important information in the identification of communities in the southern peninsula and along the northwest coast which require repairs and rehabilitation. While the AF will focus on small towns, other partners have focused on rural areas (UNICEF and multiple NGOs, for example) and on larger urban areas (IDB and AECID). Four tenders are under preparation both for the South and North regions. This includes two drilling campaigns for around 100 boreholes, launched as open tender for both geophysical studies and drilling. Small repairs and extensions for damaged piping systems are under preparation and will be launched with quotation requests

(Quality and Cost-Based Selection). Finally, it is estimated that by the end of July 2017, DINEPA will have close to 30 detailed engineering designs for water systems ready for bidding, and gradually launch construction of these systems by the end of 2017.

Social Analysis

Explanation:

Thus far, the Project has not had any adverse social impacts, no involuntary resettlement impacts have been identified, no Resettlement Action Plans (RAPs) have been prepared and no voluntary land donation has occurred to date. The proposed AF involves an amendment to the Financing Agreement of the Parent Grant to include expenditures that may occur due to possible involuntary resettlement due to the placement of new kiosks or fountains, or for small tanks or wells, in currently inhabited or occupied areas.

Resettlement impacts may also occur as a result of the rehabilitation of water supply systems in rural areas and small towns affected by Hurricane Matthew. The existing Resettlement Policy Framework (RPF) was updated, consulted and disclosed on DINEPA's website before appraisal (on May 3, 2017). Following these consultations, an updated version including an account of the feedback provided during consultations was disclosed on the Bank's website on May 5, 2017. During project implementation, the involuntary resettlement impacts will be screened upfront through a checklist as part of the sub-project Environmental and Social Management Plans (ESMPs). If impacts are detected, RAPs or abbreviated RAPs will be prepared and implemented before the start of works. The Project has a good presence in the field via social mobilization teams, and by design includes a number of citizen engagement initiatives through its support of local water and sanitation committees (CAEPAs). Social mobilizers are in close contact with project beneficiaries to ensure that they are part of the decision-making process for the project activities. An emphasis will be placed on improving the participation of women in CAEPAs. These practices will be continued under the proposed AF. The documentation and monitoring of grievance redress will also be strengthened under the proposed AF. Because activities to be financed under the proposed AF are similar in nature and impact as the ones under the Parent Grant, the proposed AF will be covered by the current RPF.

Environmental Analysis

Explanation:

Environmental safeguards under the Parent Grant are currently assessed as Moderately Satisfactory due to long delays for the finalization of the Environmental and Social Management Framework (ESMF).

Beyond this, safeguard implementation has been smooth. Two ESMPs were developed for works in the Sud-Est and Ouest departments and were disclosed on the Bank's and DINEPA's websites, and have been satisfactorily implemented under the supervision of a capable environmental specialist recruited by DINEPA. The ESMPs covered the following types of works: repairs to and rehabilitation of water supply systems, installation of chlorination points, pipe works, and the construction of latrine blocks. Current works under the Parent Grant have not resulted in any influx of labor.

The AF will finance similar works, but particularly in areas hit hard by Hurricane Matthew (Sud, Grande and Nippes, as well as the Nord-Ouest department). Similarly, these works will repair or rebuild existing water transport infrastructure as well as sanitation infrastructure in schools, health centers, and markets. The proposed AF will also set aside funding to finance DINEPA's chlorine needs for small towns in all departments of Haiti, and support DINEPA in its procurement, distribution and storage of the product. The list of localities to benefit from rehabilitation and repair activities will be finalized during implementation. The proposed AF is slated as a Category B project, similar to the Parent Grant and will be covered by the current ESMF, due to the similar nature of the proposed activities. To ensure best practice, as well as reflect the new project areas, the existing ESMF was updated, consulted and disclosed on DINEPA's website on May 3, 2017. Following these consultations, an updated version including an account of the

feedback provided during consultations was disclosed on the Bank's website on May 5, 2017. As needed, ESMPs will also be developed once the detailed designs are complete and the exact sites determined.

Projects on International Waterways (OP/BP 7.50). This policy was triggered for the Parent Grant which fell under the exception to the notification requirement under OP 7.50 because it only finances and will continue to finance ongoing schemes (water supply systems) that: (i) will not adversely change the quality or quantity of water flows to the Dominican Republic; and (ii) will not be adversely affected by the Dominican Republic's possible water use. Under the proposed AF, the Project will intervene only in areas affected by Matthew (Sud, Nippes, Grande Anse and Nord-Ouest departments), and will not involve the use of water or potential pollution on any international waterway.

Risk

Explanation:

The overall risk rating of the proposed AF is commensurate with the overall risk to implementation of the Project and is assessed as “Substantial”, driven mainly by:

(i) Political and Governance risk is rated as “Substantial”: Haiti's fragility and high degree of political instability continue to present a risk for the Project. The Bank will continue to work closely with partners on the ground to identify ways to deliver results.

(ii) Macroeconomic risk is rated as “Substantial”: As economic growth continues to decelerate, revenue mobilizations remain weak in the wake of Hurricane Matthew when more needs have arisen, macroeconomic risk remains of high significance to the Project.

(iii) Sector Strategies and Policies risk is rated as “Substantial”: Haiti has now taken important steps towards establishing a clear vision and intervention principles for the sanitation sector (“*Dialogue Sectoriel sur l'Assainissement*” in May 2016 and consultations in December 2016 with NGOs active in the sanitation sector), but the operationalization of this vision has yet to happen. This may continue to delay the implementation of sanitation-related activities. The Bank is pursuing discussions with DINEPA and financial and technical partners in order to jointly develop a strategy and action plan to scale up gender-sensitive sanitation and hygiene interventions in rural areas and small towns. These discussions include the piloting of results-based contracts to roll out sanitation activities in the Centre Department.

(iv) Institutional Capacity for Implementation and Sustainability risk is rated as “Substantial”: Although DINEPA's deconcentration efforts have generally advanced (for example, a procurement specialist was transferred to one of the 4 OREPAs, and 3 more are being recruited for the remaining OREPAs), DINEPA continues to have limited capacity in sanitation, social mobilization and financial management at the deconcentrated level. Component 1 will continue to strengthen these aspects, and additional consultants will be hired when needed.

(v) Fiduciary risk rated as “Substantial”: Financial Management risks continue to exist at the country level and there is a capacity risk associated with the devolution of FM responsibilities to DINEPA's deconcentrated structures. The Project will continue to use the existing FM framework in place at DINEPA for on-going projects financed by the Inter-American Development Bank, Spanish Agency for International Development Cooperation, UNICEF and the Swiss Agency for Development and Cooperation.

(vi) Stakeholders risk is rated as “Substantial”. Multisectoral aspects: The lack of collaboration between WSS and health actors may put at risk the achievement of the objectives related to sanitation and hygiene activities. The Project will build on existing collaboration mechanisms at the local level and provide joint

training for these actors.

Communities: The lack of up-front buy-in by communities for new WSS management models, as well as the existence of different models or tariffs in neighboring communities may put at risk the sustainability of volumetric billing and the viability of the OP model. The Project recognize the importance of social mobilization to collaborate and communicate with communities before, during and after works are executed. Additionally, a number of communities considered under the previous operation, but which had originally rejected the principles of intervention, have since observed the improved level of service in the EPAR beneficiary communities and have requested support to implement the OP model. In parallel, the Project will also use lessons and recommendations from an ongoing evaluation of the performance of and institutional environment in which OPs are providing services, to continue scaling up this management model in Haiti, including considerations for citizen engagement and communication.

(vii) Other risk rated as “Substantial” is associated with sector sustainability given DINEPA's dependency on external assistance, which remains relevant for the AF. The Project will continue to work with DINEPA, Ministry of Public Works, Transportation and Communications, Ministry of Economy and Finance, as well as other ministries and FTPs to address the long-term sustainability of the current DINEPA structure. The Project has taken important steps towards this long-term goal as evidenced by recent progress on developing tools in support of DINEPA’s national programming mechanism for deconcentrated service delivery, including (i) a national WSS baseline; (ii) a roadmap for universal WSS coverage by 2030; (iii) a Medium Term Expenditure Framework for the sector; and (iv) a 3-year rolling consolidated Program Budget.

Climate and disaster risks. An assessment of the potential exposure of AF activities to climate and geophysical hazards performed using the Climate and Disaster Risk Screening Tool established that current and future potential impact due to exposure from climate and geophysical hazards on project subsector/components will pose moderate risks to the Project. The exposure to climate and geophysical hazards at the project location can be summarized as follows: (i) moderate risk for current extreme temperatures based on actual increments of 0.45 °C, and high risk for future extreme temperature based on an expected increase of annual average temperature by 0.5 °C to 2.3 °C by 2060; (ii) moderate risk for current extreme precipitation and flooding given that mean annual rainfall has decreased by 5mm per month per decade since 1960, and low risk for the future as rainfall projections are expected to decrease; (iii) moderate risk for current droughts as these are frequently experienced in the Nord-Ouest, Artibonite, Nord-Est and Centre departments due to erratic rainfall patterns coupled with limited water management infrastructure; (iv) moderate risk for strong winds associated with hurricanes and tropical storms. The wind speed from tropical cyclones is expected to increase but estimates are highly uncertain; (v) moderate risk for current landslides as years of deforestation have left the upper reaches of the western basins bare; (vi) and high risk for other hazards such as hurricanes and cyclones given that Haiti has been hit by 6 hurricanes over the last 30 years.

The assessment also concluded that the non-physical components, in combination with the water sector development context, significantly reduce the impacts of hazards. This screening tool will be used to: (i) strengthen the consideration of climate and disaster risks in project design activities; (ii) inform technical feasibility studies, assessments and designs; and (iii) encourage local stakeholder consultations and dialogues to enhance resilience measures and overall success of the Project. In addition, the Contingent Emergency Response component will be used as a mechanism for rapid response in the event of an eligible emergency.

V. World Bank Grievance Redress

31. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Revised Results Framework and Monitoring Indicators

Haiti: Sustainable Rural and Small Towns Water Supply and Sanitation Additional Financing (P163194)

Project Name:	Sustainable Rural and Small Town Water Supply and Sanitation Additional Financing (P163194)	Project Stage:	Additional Financing	Status:	FINAL
Team Leader(s):	Jean-Martin Brault	Requesting Unit:	LCC8C	Created by:	Jean-Martin Brault on 15-Feb-2017
Product Line:	IBRD/IDA	Responsible Unit:	GWA03	Modified by:	Jean-Martin Brault on 08-May-2017
Country:	Haiti	Approval FY:	2017		
Region:	LATIN AMERICA AND CARIBBEAN	Financing Instrument:	Investment Project Financing		
Parent Project ID:	P148970	Parent Project Name:	HT Sustainable Rural and Small Towns Water and Sanitation Project (P148970)		

Project Development Objectives

Original Project Development Objective - Parent:

The proposed objectives of the Project are to: (i) increase access to improved water supply and sanitation in targeted rural areas and small towns in zones affected by cholera; (ii) strengthen the Recipient's water and sanitation service delivery mechanism at the deconcentrated level; and (iii) improve the Recipient's capacity to respond promptly and effectively to an Eligible Emergency.

Proposed Project Development Objective - Additional Financing (AF):

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	A national programming mechanism for deconcentrated WSS service delivery is operationalized, as evidenced by tools in place	<input type="checkbox"/>	Number	Value	0.00	1.00	5.00
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			
No Change	Required functions deconcentrated to targeted OREPA	<input type="checkbox"/>	Number	Value	0.00	0.00	6.00
				Date	30-Sep-2015	28-Aug-2015	30-Sep-2021
				Comment			
Revised	Piped water systems managed sustainably by a professional operator (OP) under the Project	<input type="checkbox"/>	Number	Value	0.00	2.00	25.00
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			This end target includes 20 under the Parent Grant and 5 under the AF
New	Piped water systems managed sustainably by a professional operator (OP) in zones affected by Hurricane Matthew	<input type="checkbox"/>	Number	Value	0.00	0.00	5.00
			Sub Type	Date	14-Jun-2017	14-Jun-2017	30-Sep-2021
			Breakdown	Comment			
Revised	Number of people in rural areas provided with access to Improved Water Sources under the Project	<input type="checkbox"/>	Number	Value	0.00	0.00	235000.00
				Date	30-Sep-2015	28-Aug-2015	30-Sep-2021
				Comment			This end target includes 150,000 people under the Parent Grant and 85,000 under the AF

New	Number of people in rural areas provided with access to Improved Water Sources in zones affected by Hurricane Matthew	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	0.00	85000.00
				Date	14-Jun-2017	14-Jun-2017	30-Sep-2021
				Comment			
Revised	People in rural areas provided with access to Improved Water Sources - female	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00		117500.00
				Date	30-Sep-2015		30-Sep-2021
				Comment			
No Change	People provided with access to improved sanitation services	<input checked="" type="checkbox"/>	Number	Value	0.00	0.00	30000.00
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			
No Change	People provided with access to “improved sanitation facilities”- rural	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00		30000.00
				Date	30-Sep-2015		30-Sep-2021
				Comment			
No Change	People in rural areas provided with access to “improved sanitation facilities” - female	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00		15000.00
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			
No Change	Priority cholera communes targeted under the Project	<input type="checkbox"/>	Number	Value	0.00	0.00	6.00
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			
Revised	Direct project beneficiaries	<input type="checkbox"/>	Number	Value	0.00	45000.00	685000.00
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			This end target includes 300,000 beneficiaries under the Parent

							Grant and 385,000 under the AF
New	Project beneficiaries of small repairs and rehabilitation works following the passage of Hurricane Matthew	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	0.00	385000.00
				Date	14-Jun-2017	14-Jun-2017	30-Sep-2021
				Comment			
No Change	Female beneficiaries	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	0.00	50.00
No Change	Project beneficiaries in localities on the border with the DR including bi-national markets	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	0.00	75000.00
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			

Intermediate Results Indicators

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Departments covered by WSS baseline information	<input type="checkbox"/>	Number	Value	0.00		10.00
				Date	30-Sep-2015		30-Sep-2021
				Comment			
No Change	DINEPA conducts an annual joint Government/ partners sector review	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Sep-2015	28-Aug-2015	30-Sep-2021
				Comment			
No Change	Grievances registered related to delivery of project benefits addressed (%)	<input type="checkbox"/>	Percentage	Value	0.00	0.00	80.00
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			
No Change	Grievances related to delivery	<input type="checkbox"/>	Number	Value	0.00	0.00	100.00

	of project benefits that are addressed-(number)		Sub Type Supplemental				
No Change	At least one OREPA uses the baseline developed under the Project to prioritize interventions and inform DINEPA's Program Budget	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			
No Change	At least one OREPA has installed an accounting system which facilitates the consolidation of financial information at the central level	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Sep-2015	28-Aug-2015	30-Sep-2021
				Comment			
No Change	CAEPAs that include at least 20 percent female representation in project area	<input type="checkbox"/>	Percentage	Value	0.00	4.00	70.00
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			
No Change	DINEPA supports the design of a Regional joint monitoring mechanism for pandemics is established, as evidenced by triannual meetings with the MSPP and biannual meetings with DR representatives	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			
No Change	A fecal sludge management service chain for rural areas and small towns is defined	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Sep-2015	28-Aug-2015	30-Sep-2021
				Comment			
Revised	People benefitting from consolidation work (small repairs and expansions)	<input type="checkbox"/>	Number	Value	0.00	0.00	400000.00
				Date	30-Sep-2015	28-Aug-2015	30-Sep-2021
				Comment			This end target includes 100,000 people

							under the Parent Grant and 300,000 under the AF
New	People benefitting from consolidation work (small repairs and expansions) in zones affected by Hurricane Matthew	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	0.00	300000.00
				Date	14-Jun-2017	14-Jun-2017	30-Sep-2021
				Comment			
Revised	People benefitting from consolidation work - female	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00		200000.00
				Date	30-Sep-2015		30-Sep-2021
				Comment			
Revised	New piped household water connections that are resulting from the project intervention	<input type="checkbox"/>	Number	Value	0.00	200.00	7750.00
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			This end target includes 6,750 connections under the Parent Grant and 1,000 under the AF
New	New piped household water connections that are resulting from project interventions in zones affected by Hurricane Matthew	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	0.00	1000.00
				Date	14-Jun-2017	14-Jun-2017	30-Sep-2021
				Comment			
No Change	Improved community water points constructed or rehabilitated under the Project	<input type="checkbox"/>	Number	Value	0.00		135.00
				Date	30-Sep-2015		30-Sep-2021
				Comment			
No Change	People trained to improve	<input type="checkbox"/>	Number	Value	0.00	0.00	75000.00

	hygiene behavior/sanitation practices under the Project			Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			
No Change	People trained to improve hygiene behavior/sanitation practices - female	<input type="checkbox"/>	Number	Value	0.00	0.00	37500.00
			Sub Type	Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
			Breakdown	Comment			
No Change	Communities where DINEPA and MSPP local structures have jointly been trained or collaborated in water supply, hygiene promotion and sanitation themes and activities	<input type="checkbox"/>	Number	Value	0.00	0.00	20.00
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			
No Change	Students and teachers benefitting from improved sanitation facilities in public schools under the Project	<input type="checkbox"/>	Number	Value	0.00	0.00	20000.00
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			
No Change	Students and teachers benefitting from improved sanitation facilities in public schools - female	<input type="checkbox"/>	Number	Value	0.00		10000.00
			Sub Type	Date	30-Sep-2015		30-Sep-2021
			Breakdown	Comment			
Revised	Latrine blocks for public institutions or spaces constructed or rehabilitated with management and maintenance arrangements in place under the Project	<input type="checkbox"/>	Number	Value	0.00	0.00	80.00
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			This end target includes 60 blocks under the Parent Grant and 20 under the AF
New	Latrine blocks for public institutions or spaces	<input type="checkbox"/>	Number	Value	0.00	0.00	20.00
			Sub Type	Date	14-Jun-2017	14-Jun-2017	30-Sep-2021

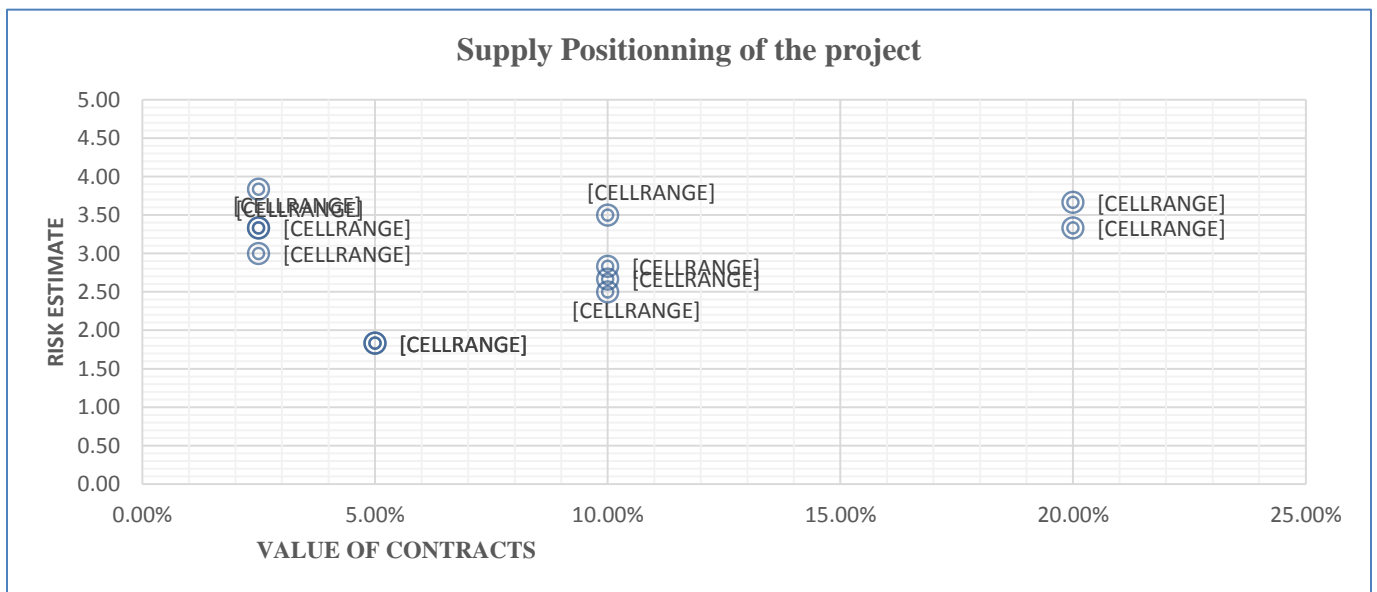
	constructed or rehabilitated with management and maintenance arrangements in place in zones affected by Hurricane Matthew		Breakdown	Comment			
No Change	Female and youth beneficiaries rating safety in access to water and sanitation services as satisfactory or better	<input type="checkbox"/>	Percentage	Value	0.00	0.00	70.00
				Date	30-Sep-2015	31-Mar-2017	30-Sep-2021
				Comment			
No Change	Households with latrine built during project implementation and of which use is verified	<input type="checkbox"/>	Number	Value	0.00	0.00	1900.00
				Date	30-Sep-2015	28-Aug-2015	30-Sep-2021
				Comment			

Annex 2: PPSD – Executive Summary for Procurement Plan

Haiti: Sustainable Rural and Small Towns Water Supply and Sanitation Additional Financing (P163194)

1. **General:** Procurement for the proposed Project will be carried out in accordance with the “World Bank’s Procurement Regulations for Borrowers under Investment Policy Financing” dated July 1, 2016. As per the requirements of the World Bank’s New Procurement Framework (NPF), the first draft of a comprehensive Project Procurement Strategy for Development (PPSD) was carried out and identified the appropriate selection methods, market approach and type of review by the World Bank. The objective was to improve procurement efficiency. Most activities under the proposed Project will be carried out through National or International Competition. An acceptable Procurement Plan was also prepared. Procurement arrangements for the Contingent Emergency Response Component are described in the Operational Manual. For International Competition, in addition to World Bank Standard and Sample Bidding Documents, the DINEPA will use standard bidding documents agreed with the CNMP (*Commission Nationale des Marchés Publics*).
2. **Project Procurement Development Objectives (PPDO):** To increase procurement efficiency and ensure value for money that contributes towards enhancing reliability and continuity in drinking water supply services in the Grand South Region affected by Hurricane Matthew.
3. **Project Procurement Result Indicators:** the following indicators will measure the achievement of the PDO: (i) Bidding processes initiated as per Procurement Plan with no substantial delays and no rebidding, (ii) No substantial cost and time overrun of the contracts, and (iii) Successful implementation of Key Performance Indicators in the key contracts.
4. **Procurement institutional Arrangements:** Procurement and contract management implementation will be the responsibility of DINEPA’s Project Coordinator and DINEPA’s Procurement Department (DPEM). Project implementation teams have been established. The project implementation teams will be supported by the Project Management Unit (PMU) at the DINEPA to be responsible for overall project coordination and reporting. The DPEM will be responsible to ensure proper quality of the design, procurement and construction management and supervision.
5. **Client Capability and PMU Assessment:** Project implementation will be the responsibility of the DINEPA under the “Ministère des Travaux Publics, Transports et Communications” who will be responsible for procurement, contract management, financial management, disbursement, safeguards, and monitoring and evaluation. Project implementation has been established. The project implementation teams will be supported by the OREPAs at the department level. The PMU will be responsible for overall project coordination and reporting, including monitoring compliance with safeguards, fiduciary, legal and other covenants. The PMU will be supported by an international consulting firm. It is envisaged that the PMU will take the lead on the institutional strengthening and capacity building.

6. PMU staffs have limited experience in handling contracts financed by the World Bank. The New Procurement Framework (NPF) is also new and procurement staffs involved in the Project will be trained on the different features of NPF and the Systematic Tracking and Exchanges in Procurement (STEP) system. The field level officers managing the contracts needs comprehensive contract management training.
7. **Procurement risks analysis** : Procurement main risks are in particular inherent to the following: (i) weak capacity of the implementing agency in procurement and management of large contracts; (ii) high risk and weak control environment, Haiti’s ability to manage public resources is undermined by poor security, outdated practices; (iii) limited local market with a few regional/international bidders with the required experience may result in lesser competition and higher bid prices, and (iv) delays in implementation due to the overall context conditions in Haiti, (v) delay in implementation from the Bidder’s side and time/cost over-run. Based on the overall assessment of the implementing agency and the information available on the procurement environment in Haiti, the overall procurement risk is judged to be high.
8. **Key procurement under the proposed project**: The total value of the Project is US\$20.0 million, of which US\$0.5 are allocated to project management, approximately US\$16 million for procurement of water supply and sanitation works, including US\$2.0 million for well drilling campaigns, and US\$3.5 million for consulting services, as shown in the procurement plan below.



9. **Market Analysis**: Owing to the economic conditions and instability of the country, the possibility of attracting big reputable international companies could be limited. However,

communicating and consulting with the potential bidders would be important to have competition from the region.

10. **Civil Works:** The rehabilitation of the damaged potable water networks by the Hurricane Matthew and in the Grand Sud and Nord-Ouest regions, well drilling works, are civil works anticipated under the Component 2 and will be implemented by the DINEPA. In addition, Construction of new water supply systems will be executed after the completion of the feasibility studies. As per PPSD, appropriate procurement methods will be selected and mentioned in the procurement plan.
11. **Goods and Non-Consulting Services:** It is envisaged that the PMU will procure office equipment and furniture for its staff. Contracts will be of small value and will use request for quotation procedures.
12. **Selection of Consultants:** There are a number of important consultancy services under component 1 and 2 for hiring consulting firms to conduct all relevant feasibility studies, leading to the various works planned for this project, for improving the institutional knowledge and preparedness with regards to all aspects of water security and urban water management and other technical assistance activities to improve the capacity of OREPAs' staff in implementing the project. As per PPSD, appropriate procurement methods will be selected and mentioned in the procurement plan.
13. **Procurement Thresholds and Prior Review Thresholds.** The Procurement Plan shall set forth those contracts, which shall be subject to the World Bank's Prior Review for high risk environment. All other contracts shall be subject to Post Review by the World Bank.

Spending category	Contract value (threshold) Thousand US\$	Procurement method	Contracts subject to prior checking by World Bank
1. Work	>3,000	ICB	All
	between 1,000 and 3,000	NCB	None
	≤1,000	RFQ	None
2 Goods	>500	ICB	All
	≤500	RFQ/NCB	None
	≤150	RFQ	None
3. Consultants 3. A National Firms	> 300		>200
	≤300		>100
	No limit	DC	
3. B Consultants	No limit	Comparison of 3 CV	>100 and specific missions

14. **High risks procurement activities and contracts:** High risk contracts during the course of the implementation of the additional financing.

Type of procurement	Prior review High risk in US\$ million
Works (well drill, construction of new water supply systems and equipment, rehabilitation of damaged water networks)	16.00
Consulting Services (Feasibility Studies, Supervision of the execution of works, mobilization and underground water studies)	3.50
Total	19.50

Procurement Plan

#	Contract type Description	Budget Estimate Million US\$)	Procurement method	Bank's Review (Prior / Post)
1	Works	16.00		
1.1	Drilling campaign in prioritized zones		RFQ	Post
1.2	Rehabilitation of water systems damaged by Hurricane Matthew in the southern peninsula and the Nord-Ouest department		RFQ	Post
1.3	Construction works of new water systems in the southern peninsula, the Nord-Ouest and other prioritized zones.		NCB / RFB	Prior
1.4	Connection to schools, health facilities, public spaces such as market places in the departments affected by Matthew		RFQ	Post
1.5	Construction and rehabilitation of latrine blocks in identified schools, health facilities, public spaces such as market places in departments affected by Matthew		RFQ	Post
2	Consulting Services	3.50		
2.1	Consultancy for feasibility studies for water systems in the South Region, and north-west departments		QCBS	Post
2.2	Consultancy for the diagnostic of water systems to rehabilitate due to the damages caused by Hurricane Matthew in the South Region, and the Nord-Ouest department		QCBS	Post
2.3	Sanitation promotion campaign		QCBS	Post
2.4	Work supervision		QCBS / QBS	Prior
2.5	Hire consultant/firm for groundwater study		QCBS / QBS	Prior
Total		19.50		

Acronyms:

ICB = International Competitive Bid
 NCB = National competitive Bid

QCBS = Quality and Cost-Based Selection
 QBS = Quality Based Selection

DC= Direct Contracting
RFB: Request for Bid

RFQ = Request for Quotations