



Board of Executive Directors

No-Objection Procedure

Expires on 7 November 2018

PR-4626
24 October 2018
Original: English
Public
Simultaneous Disclosure

To: The Executive Directors
From: The Secretary
Subject: Haiti. Proposal for nonreimbursable financing for the project "Temporary Social Safety Net and Skills for Youth"

Basic Information: Loan type Global Multiple Works Operation (GOM)
Beneficiary Republic of Haiti
Amount up to US\$40,000,000
Source IDB Grant Facility

Inquiries to: Matilde Neret (extension 2794) or Dulce Baptista (extension 2058)

Remarks: The Executive Directors are requested to inform the Secretary, in writing, no later than **7 November 2018**, if they wish to interrupt this procedure. If no such communication is received by that date, the attached resolution will be considered adopted by the Board of Executive Directors, and a record to that effect will be made in the minutes of a forthcoming meeting.

Management has determined that this loan proposal meets the requirements for presentation by No-Objection Procedure, in accordance with Part III, Section 2 (paragraph 3.29 (b)) of the Regulations of the Board of Executive Directors and Part III, paragraph 3.5 of document GN-1838-3.

Reference: GN-1838-3(6/18), DR-398-18(8/18), GN-2915(2/18), GN-2915-2(8/18), AB-2565(5/07), AG-8/07, AB-2990(5/14), AG-9/14

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HAITI

TEMPORARY SOCIAL SAFETY NET AND SKILLS FOR YOUTH

(HA-L1137)

GRANT PROPOSAL

This document was prepared by the project team consisting of: Matilde Neret (SCL/SPH), Team Leader; Dulce Baptista (SCL/LMK), Co-Team Leader; Luis Tejerina, Marco Stampini, Alejandra Aguilar, Sheyla Silveira (SCL/SPH); Nicola Magri (CID/CID); Alexandre Bagolle (SCL/LMK); Javier Jiménez (LEG/SGO); Marise Etienne, Marie Orisme, Romina Kirkagacli (VPC/FMP); David Maier, Caroline Giffon (VPS/ESG); Alfred Metellus (CID/CID); and Said Suire (CID/CHA).

In accordance with the Access to Information Policy, this document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

CONTENTS

PROJECT SUMMARY	1
I. DESCRIPTION AND RESULTS MONITORING	2
A. Background, Problem Addressed, Justification	2
B. Objective, Components and Cost	8
C. Key Results Indicators	11
II. FINANCING STRUCTURE AND MAIN RISKS	12
A. Financing Instruments.....	12
B. Environmental and Social Safeguard Risks	12
C. Fiduciary Risk	13
D. Other Key Issues and Risks.....	14
III. IMPLEMENTATION AND MANAGEMENT PLAN	15
A. Summary of Implementation Arrangements	15
B. Summary of Arrangements for Monitoring Results	19

ANNEXES	
Annex I	Development Effectiveness Matrix (DEM) - Summary
Annex II	Results Framework
Annex III	Fiduciary Arrangements

ELECTRONIC LINKS	
REQUIRED	
1.	Pluriannual Execution Plan (PEP) and Annual Operational Plan (AOP)
2.	Monitoring and Evaluation Arrangements
3.	Procurement Plan
OPTIONAL	
1.	Cost Benefit Analysis
2.	Strategies MAST
3.	Lessons Entrepreneurship
4.	Costs for PMR
5.	Criteria for Selection Process Operators
6.	Relationship between Mitigation/Outputs
7.	Manual of Operations for Project
8.	Safeguard Policy Filter (SPF) and Safeguard Screening Form (SSF)

ABBREVIATIONS	
ALMP	Active Labor Market Policies
BRH	<i>Banque de la Republique d'Haiti</i>
CDD	Community Driven Development
IDB	Inter-American Development Bank
INFP	National Institute of Professional Training
EA	Executing Agency
ESHS	Environmental, Social, and Health and Safety
FAES	Social and Economic Fund (for its French acronym)
FY	Fiscal Year
ISTEAH	Sciences, Technology and Advanced Studies Institute (for its French acronym)
LAC	Latin-America and the Caribbean
LIS	Labor Intermediation Services
MAST	Ministry of Social Affairs and Labor (for its French acronym)
MOF	Manual of Operations for FAES
MOP	Manual of Operations for Project
NEET	Neither Employed nor in Education or Training
OEL	Optional Electronic Link
PLIS	Public Labor Intermediation Services
REL	Required Electronic Link
SIMAST	Information System of the MAST
TEP	Temporary Employment Program
TVET	Technical and Vocational Education and Training
UoO	University of Ottawa

PROJECT SUMMARY
HAITI
TEMPORARY SOCIAL SAFETY NET AND SKILLS FOR YOUTH
(HA-L1137)

Financial Terms and Conditions				
Beneficiary: Republic of Haiti			Amortization Period:	N/A
Executing Agency: Social and Economic Fund (FAES, for its French acronym)			Disbursement Period:	4 years
			Grace Period:	N/A
Source	Amount (US\$)	%	Interest rate:	N/A
IDB (Grant Facility)	40,000,000	100	Inspection and supervision fee:	N/A
Total:	40,000,000	100	Weighted Average Life (WAL):	N/A
			Currency of Approval:	Dollars of the United States of America
Project at a Glance				
<p>Project Objective/Description: The overall objective is to create a short-term social safety net for vulnerable urban youth and to create long-term opportunities for training and labor intermediation for youth. There are three specific objectives: (i) provide short term income opportunities to youth through short term employment in vulnerable neighborhoods; (ii) improve skills of youth living in vulnerable neighborhoods to create long term economic opportunities; and (iii) strengthen FAES' procurement, administration and project management capacity and the Ministry of Social Affairs and Labor (MAST) -for its French acronym- labor intermediation capacity.</p>				
<p>Special Contractual Clauses prior to the first disbursement: The Executing Agency (EA) will provide evidence to the Bank's satisfaction to four conditions: First, the entry into force the Manual of Operations for Project (MOP) in pursuant with terms previously agreed upon with the Bank. Second, that the conceptual design of biometric monitoring system has been completed. Third, that contract management and financial management systems have been integrated which include budget and procurement functions. And fourth, the EA will provide evidence that a project team has been assigned in pursuant with terms previously agreed upon with the Bank (¶3.14).</p>				
<p>Special Contractual Clauses of execution: The EA will deliver to the Bank's satisfaction within 90 days after each 12-month period, after operators have started to implement activities, the external technical auditor's report determining that selection criteria for community projects and beneficiaries and the verification of work or training has been followed according to the MOP. Within 12 months after the entry into effect of the non-reimbursable agreement with FAES, the EA will present a Manual of Operations for FAES (MOF) (approved by its Executive Board) that includes: an organigram, detailed description of roles, responsibilities, and procedures for the organizational structure at its central level and regional offices. It also includes a description for planning, budgeting, procurement, financial management, administration of goods and services, personnel management, monitoring and reporting, risk management and internal and external audit procedures (¶3.15).</p>				
Exceptions to Bank Policies: None.				
Strategic Alignment				
Challenges^(a):	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>	
Cross-Cutting Themes^(b):	GD <input checked="" type="checkbox"/>	CC <input type="checkbox"/>	IC <input type="checkbox"/>	

^(a) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(b) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, Problem Addressed, and Justification

- 1.1 **Macroeconomic context and poverty.** Haiti's economic growth slowed down to 1% in Fiscal Year (FY) 2017 (from 1.5% in FY 2016).¹ In addition, the rate of inflation remained high at 14% in FY 2017,² with a substantial depreciation of the gourde. The International Monetary Fund (IMF) expected growth to reach 2% in FY 2018. However, due to recent political instability, growth is expected to be lower than 2%.
- 1.2 Between 2001 and 2012, extreme poverty fell from 31% to 24% nationally³ and in urban areas extreme poverty decreased from 24% to 12%.⁴ Seventy percent of the urban population lives in underdeveloped, underserved areas due to demographic pressures and informal urban settlements.⁵ Urban precariousness is particularly relevant since Haiti is the fourth most urbanized country in Latin-America and the Caribbean (LAC).⁶
- 1.3 The population in Haiti is young and the young are the most vulnerable, particularly in urban areas where 41% of the total was between 16 and 35 years old in 2012. Urban youth suffer from high levels of inactivity, coupled with high levels of unemployment and extremely low levels of labor formality. In 2012, 34.5% of them were Neither Employed nor in Education or Training (NEET);⁷ the problem was most acute among young women, 42.3% of which were NEET. Youth have higher unemployment rates than adults, 18% versus 13%, and the unemployment rate among young women in urban areas is 22%. Out of those that are employed, only 24% had a job with a contract (11.3% for males, 7.5% for females).
- 1.4 The Government of Haiti is preparing a new fiscal reform program expected to be applied during 2019, in the context of a 3-year program with the IMF, to increase revenue mobilization and improve the quality of expenditures. This comes after years of steady reduction of government spending (a fall of 6.6% of GDP from 25.2 of GDP in 2014 to 18.6% of GDP 2017). An important element that the Government is considering in order to generate revenue is the elimination of fuel subsidies through an increase of fuel prices. The implementation of this measure could have an impact on the poor. While studies show that most of the resources destined for fuel subsidies go to the richest households, the same evidence indicated that the removal of subsidies has a stronger relative impact on the poor,⁸ mainly through increases in transportation and food prices. Any increase in food prices represent an important loss of welfare on the poorest households since food represents a large share of their budget.⁹ Urban households, especially youth, are affected more since they spend more on transportation than rural households. The

¹ *Banque de la Republique d'Haiti* (BRH).

² BRH.

³ IDB Group Country Strategy 2017-2021 (GN-2904). The latest available data for poverty is 2012.

⁴ Ibid.

⁵ Ibid.

⁶ *Haitian Cities: Action for Today, with an Eye for Tomorrow*. The World Bank, 2017.

⁷ Labor Markets and Social Security Information System, 2018.

⁸ IMF. 2015. Energy Subsidies in LAC: Stocktaking and Policy Challenges. WP/15/30.

⁹ Ibid.

reforms to be included in future fiscal policy packages must be accompanied by measures to mitigate social impacts, civil unrest and protect vulnerable groups who are already poor from becoming even poorer.

- 1.5 **Challenges of labor market insertion and skill development.** Poor labor market insertion of youth in Haiti has three reasons. First, coverage and quality of education is low. Only 29% of children that begin the first grade of primary school reach final grade of upper secondary school.¹⁰ 50% of students are functionally illiterate (low reading comprehension capacity).¹¹ Only 25% of secondary education students pass official exams. Second, Haitians have insufficient information about labor market trends, vacancies available and rely on informal job search methods, such as asking friends, family, and employers, and/or by visiting companies in person. These informal methods are relatively less effective for the most vulnerable population.¹² There is a mismatch between skills required and skills offered by the labor force. It is estimated that 83,650 additional skilled workers are needed in Haiti's priority sectors, yet only 19,425 individuals are currently receiving training in these areas.¹³ Third, the country still has limited availability of employment training programs, entrepreneurship training and support for the youth.¹⁴ There is one center supporting entrepreneurship but is part of a private university with high training fees (about US\$450 per session). Haitian youths also lack opportunities to grow within a formal company before starting their own business.
- 1.6 **Temporary Employment Programs (TEPs)** aim at alleviating transitory poverty and are generally used during periods of slow growth, targeting informal and low-skill workers. The TEPs are self-targeted and have been relatively effective in smoothing at least partially temporary income fluctuations of large segments of the population.¹⁵ In the last two decades, several countries in LAC, among others Argentina, Colombia, El Salvador, and Peru have used them for this purpose.¹⁶ The evaluation of programs in Colombia¹⁷ and India I showed positive impact on consumption in the short term¹⁸ and in the case of India it also showed accumulation of nonfinancial assets over the medium term.¹⁹ TEPs have been commonly used in Community Driven Development (CDD) projects and reconstruction. In Haiti, the Social and Economic Fund (FAES) was created to

¹⁰ Investing in people to fight poverty in Haiti: Reflections for evidence-based policy making, Washington DC: World Bank, 2014.

¹¹ *L'Association Internationale pour l'Évaluation du Rendement Scolaire (IAEEA)*, Port au Prince: IDB, 2015.

¹² Mazza, Jacqueline (2016) Labor Intermediation Services in Developing Economies Adapting Employment Services for a Global Age, 2016.

¹³ *Rapport diagnostique de la formation technique et professionnelle en Haiti*, Institutions for Development, Port au Prince: IDB, 2013.

¹⁴ The Bank supported technical and vocational education system in Haiti in 2005 with project HA0017 (1627/SF-HA, 2385/GR-HA); and HA-L1060, (2643/GR-HA). The project focused on improving access (financing training to 10,000 youth), quality (training of trainers, rehabilitation of facilities and actualization of training materials) and governance (strengthening regulatory and normative functions of INFP).

¹⁵ Labor informality Bias of a Poverty Alleviation Program in Argentina, Gasparini, Haimovich, and Olivieri, 2009.

¹⁶ Ninno, C.,K. Subbarao y A. Milazzo, 2009 How to make Public Works work: A Review of Experiences. Social Protection Discussion Paper 905. World Bank. DC.

¹⁷ Evaluation of public Policy: Employment program, baseline data and impacts in the short term. Sistema Nacional de Evaluación de Resultados (SINERGIA), October 2004.

¹⁸ In Colombia in the short-term there was a 9% increase in consumption.

¹⁹ Deininger and Liu Y, 2013. Welfare and Poverty Impacts of India's National Rural Employment Guarantee Scheme: Evidence from Andhra Pradesh, Policy Research Working Paper (WPS6543).

coordinate labor intensive projects and has presence in all departments. It has played an important role in past decades in the implementation of TEP through CDD projects and the promotion of economic opportunities.

- 1.7 **Limited economic opportunities for youth.** More than 95% of businesses in Haiti operate informally.²⁰ In addition, Haiti ranks 189 out of 190 on the Ease of Doing Business Index. It can take up to 97 days to formally start a business. There were two recent pilot experiences (*Haiti Entreprendre*, March 2017 and *Haiti Créative*, October 2017) in Haiti implemented by the Bank.²¹ These pilots had the objective to identify high potential business ideas, assess skill level, and learn about the readiness of aspiring entrepreneurs to start their own business. Most applicants lacked knowledge on how to: develop a business plan, test their product or service in the market, effectively pitch a business idea in front potential partners and investors and legally incorporate the startup and 58% were NEET ([OEL#3](#)). Successful interventions to support aspiring entrepreneurs include a combination of training and mentoring. Participants in the pilots who had received some type of mentoring were able to present their business ideas in a more structured way.
- 1.8 **Active Labor Market Policies (ALMP) to improve labor market insertion of the youth.** Training and labor intermediation are ALMP used globally and seek to achieve sustainable and efficient labor insertion. When skills are a barrier to employment, especially among youth, training programs can be effective.²² Evaluations in the region show results, particularly in access to work, and the effects are maintained in the long run.²³ Best practices include: (i) demand driven training; (ii) availability of high quality training providers; (iii) emphasis on on-the-job training; (iv) support to school to work transition through labor intermediation; (v) provision of financial incentives to facilitate participation; and (vi) existence of monitoring and evaluation mechanisms. Available evidence also indicates the importance of including disciplines related to science, technology, engineering and mathematics, the acquisition of digital skills and the development of socio-emotional skills.²⁴ According to the literature socio-emotional training can increase productivity, earnings and employment retention.²⁵
- 1.9 Labor Intermediation Services (LIS) aim to improve labor supply and demand match services beyond the match itself and may include: (i) labor market information; (ii) job placement; (iii) training and other ALMP; (iv) administration of unemployment insurance; and (v) migration management. International evidence shows that labor intermediation is cost-effective²⁶ and that it helps the unemployed find better paying jobs, compared to the unemployed who use other search

²⁰ Private Sector Assessment of Haiti, IDB, 2014.

²¹ Both initiatives were funded with C & D resources to explore youth interest and skills level in entrepreneurship. The first pilot was coordinated by Competitiveness Technology and Innovation Division and the second by Haiti's Country Office with External Relations Office as part Haiti's Orange Economy assessment.

²² Ibarraran, Kluve, Ripani and Rosas-Shady, 2015. Experimental Evidence on the Long-Term Impacts of a Youth Training Program.

²³ Labor Sector Framework Document (GN-2741-7), October 28, 2016.

²⁴ Baptista D., Bosch M., García M., Jaar D., Ospino C., Pagés C., Ripani L., & Rucci G., 2018. "The Future of Work: Regional Perspectives", Chapter 5. Washington DC, IDB.

²⁵ Achyuta Adhvaryu, Namrata Kala, Anant Nyshadham. 2018. The Skills to Pay the Bills: Returns to On-the-job Soft Skills Training. National Bureau of Economic Research (NBER) Working Paper No. 24313.

²⁶ GN-2741-7.

methods,²⁷ and increase the probability of finding formal employment.²⁸ The characteristics for successful LIS include: (i) available response to specific barriers for labor market insertion, including a strategy for initiating and maintaining links with employers; (ii) provision of timely and relevant information to facilitate decision-making by labor market agents (employers, job seekers, students, workers, private employment agencies, and government); and (iii) maintain good governance and an effective management system for service delivery.²⁹

- 1.10 **Situation and challenges of ALMP in Haiti.** Training supply for youth faces two main challenges. First, there is low access to formal training programs, especially for vulnerable youth and women. Only 10% of training centers are formal.³⁰ Only 1% of workers have a formal Technical and Vocational Education and Training (TVET) qualification.³¹ Poverty, lack of money to pay fees and transportation costs limit the access of the most vulnerable to formal training centers. In addition, a male-dominated environment in training centers and entrenched gender norms have deterred female participation. Second, the training offer has low relevance and quality. Among formal training centers that maintain statistics on labor insertion of their graduates, 45% reported a labor market insertion rate of less than 10%.³²
- 1.11 Currently, Haiti does not incorporate features of successful training programs according to international best practices: (i) there is no system to identify skill requirements from employers and incorporate them in the training offer and content; (ii) although formal training centers are accredited by the National Institute of Professional Training (INFP), standards are not monitored and enforced;³³ (iii) most training centers do not have systems to manage internships and they lack adequate funding;³⁴ (iv) very few training centers offer LIS needed to support students to obtain employment, 75% of jobs obtained by training graduates are secured through personal networks;³⁵ (v) complete and accurate information regarding graduates' pathways to employment is not available; and (vi) there is no financial assistance available to vulnerable youth to help pay for food and transportation or to cover the opportunity cost of not working. Finally, exploring new training modalities that are effective in other countries is needed, such as apprenticeship programs, training in digital skills, and more emphasis on soft skills in training programs.

²⁷ Card, D., J Kluve y A. Weber, 2015. What Works? A Meta-Analysis of Recent Active Labor Market Program Evaluations. The National Bureau of Economic Research.

²⁸ Flores, Lima, R. 2010 Innovaciones en la Evaluación de Impacto del Servicio de Intermediación Laboral en Mexico. Technical note IDB-TN-118. Washington, DC.

²⁹ GN-2741-7.

³⁰ There are 447 formal training centers (public or private), registered with the *Institut National de Formation Professionnelle* and/or the *Ministères des Affaires Sociales et du Travail*.

³¹ Desroches, R. (2015) *La Formation Technique et Professionnelle, un Important Levier pour la Croissance Economique*, *Bulletin du SOCAPP*, N. 5, pp. 12-17.

³² Subrahmanyam, G. (2016) Haiti's TVET reforms: do they meet the needs of the country's 2030 vision? IDB.

³³ Aring, M., Tulchin, D., Schkolnik, M., Jadotte, E., & Isma, F. (2011) Haiti Workforce Development Assessment Report. United States Agency for International Development.

³⁴ Werquin, P. (2014) *Le renforcement de l'employabilité des diplômés de la formation technique et professionnelle à travers des services d'appui* (Port-au-Prince: IDB).

³⁵ Ibid.

- 1.12 **Challenges in Public Labor Intermediation Services (PLIS).** The Ministry of Social Affairs and Labor (MAST), through its Directorate of Manpower of Labor (DML), is responsible for the PLIS.³⁶ Currently, there is no database of jobseekers, employers and vacancies and there is no labor intermediation technological platform. A staff of 15 carry out limited activities at the PLIS and are restricted to Port-au-Prince and its proximity with no links to the 13 regional offices. The challenges to deliver PLIS³⁷ in Haiti are: (i) limited services to job seekers and employers, and a strategic approach to engage employers; (ii) limited production of labor market information (captures only government workers) and this information is not widely shared; (iii) absence of an institutional framework that coordinates actors; (iv) absence of strategic approach for the use of channels (in person, internet, and telephone) for service provision; (v) absence of human resources management strategy; and (vi) absence of performance-based management system for tracking jobseekers, vacancies and placements and information on costs and effectiveness of their interventions.
- 1.13 **Institutional challenges for FAES and challenges in targeting social protection programs.** FAES has faced recent staff and budget reductions which have undermined its capacity. Some of the activities that need strengthening include: (i) accounting and contract management systems need to be integrated to facilitate financial reporting and budget formulation to facilitate financial management functions; (ii) monitoring and supervision functions need strengthening particularly in Regional offices; (iii) procedures need updating; and (iv) archiving and correspondence system needs to be replaced. Strengthening these activities will help FAES regain its role as a strong institution. The MAST has a beneficiary information system (SIMAST) which already contains beneficiary information of several social programs (for example Kore Lavi and Kore Famni) and is supported by a group of development partners including the World Food Program and United States Agency for International Development (USAID). However, not all social programs information is currently entered, missing an opportunity to have a single registry of beneficiaries.
- 1.14 **Lessons learned.** Community involvement in the selection and decision-making process of CDD is important to ensure community engagement and promote maintenance for the projects.³⁸ Communities consultation is a key aspect in both Component I and II. In the case of training, evidence from other Bank interventions (DR-L1036, BO-L1051, CH-L1064, ME-L1142) shows that to improve access of the vulnerable and quality and relevance, it is necessary to: (i) identify barriers to participation; (ii) finance training and provide complementary economic support; (iii) guarantee employers participation; (iv) guarantee quality of training centers and courses; (v) ensure follow-up and mentoring during and after training; (vi) strengthen LIS and link them with programs; and (vii) implement monitoring and evaluation mechanisms that allow continuous improvements.³⁹ These lessons will be incorporated in training activities of Component II and labor intermediation

³⁶ Growing demand for LIS in Haiti has been demonstrated by development of LIS services in construction, Business Process Operation, Textile) and private agencies (e.g. Job Paw). Currently MAST does not integrate these initiatives limiting the outreach of LIS at no cost for the public.

³⁷ *Ministere des Affaires Sociales et du Travail, (2018). Etat des Lieu des Service de Placement et de Migration des Travailleurs. Direction de la Main D'Ouvre. Mimeo.*

³⁸ Haitian Cities: Action for Today, with an Eye for Tomorrow. The World Bank, 2017.

³⁹ GN-2741-7.

activities of Component III. In the case of entrepreneurship, the *Haiti Entreprendre* and *Haiti Créative* pilots confirmed that Haitian youth have entrepreneurial potential, but capacity building is necessary. Successful experience from other countries has shown the importance of a combination of co-working spaces, mentoring and training.⁴⁰ The entrepreneurship activities of Component II are built on these lessons.

- 1.15 **Project's strategy.** This project aims at supporting the GOH in implementing two complementary strategies: (i) a short-term social safety net through the provision of temporary employment for vulnerable urban youth, with labor generated by the implementation of CDD projects to mitigate the social impact of macroeconomic reforms; and (ii) ALMP, that is expected to increase the employability of the urban youth in the medium term. Moreover, the project also aims at strengthening the institutional capacity of FAES and MAST to build stronger foundations for social protection policies and AMLP in Haiti.
- 1.16 The project will target capital cities of departments with the most vulnerable youth population, where vulnerability is measured by the percentage of youth (16-35 years old) who are NEET (Table I.1). Due to training offer constraints, vocational training activities will be offered in Port-au-Prince and Nord-Est (despite having low level of NEET, labor demand from industrial parks is high). Within the targeted cities, municipalities and neighborhoods will be selected based on information on the percentage of youth that are NEET, collected by FAES in cooperation with local governments.

Table I.1. Percentage of youth (16-35 years old) that are NEET, by departments

Department	Males	Females	Total	Area of intervention
Artibonite	15	47	33	Gonaives
Centre	13	32	23	Excluded: relatively low level of NEET
Grand'Anse	27	29	28	Excluded: relatively low level of NEET + it already benefited from post-hurricane interventions
Nippes	33	39	36	Miragoane
Nord	33	40	36	Cap Haitien
Nord-Est	14	32	23	Fort Liberté. Included despite low level of NEET- labor demand from industrial parcs is high
Nord-Ouest	34	47	42	Port de Paix
Ouest	27	43	36	Carrefour Feuille, Cité de Soleil, Tabarre, Petit Goave, Delmas, Carrefour
Sud	18	41	29	Excluded: relatively low level of NEET
Sud-Est	19	22	21	
Total	25	42	35	

Source: Labor Markets and Social Security Information System, 2018 based on *Enquête sur les Conditions de Vie Après Séisme*, 2012. Note: areas of intervention are in bold letters.

⁴⁰ Mulisa, Victor; Anastaria Nedayvoda, and Ghia Zaatari. Creative Community Spaces. Spaces that are Transforming Cities into Innovation Hubs, 2017.

- 1.17 **Strategic alignment.** The program is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is strategically aligned with the development challenges of: (i) social inclusion and equality since the project targets vulnerable youth and promotes equal access to better job opportunities; and (ii) productivity and innovation by providing labor training which promote workers' productivity, and LIS (specially for women, youth and unskilled labor) which promote better matching between demand for workers and supply of job seekers. The program is also aligned with the cross-cutting theme of gender equality and diversity by promoting women's economic opportunities and productivity. Additionally, the program contributes to the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6) with the indicator beneficiaries of anti-poverty programs and beneficiaries of on-the-job training programs. This operation is included in the Update to Annex III of the 2018 Operational Program Report (GN-2915-2). Also, the project is aligned with the dialogue area of vocational training of the Country Strategy with Haiti 2017-2021 (GN-2904) and is relevant to the country development challenge of inclusion and poverty. Finally, it is consistent with the Labor Sector Framework Document (GN-2741-7), with the dimension for success "promote successful career paths while simultaneously enhancing productivity and social inclusion".⁴¹

B. Objective, Components and Cost

- 1.18 The overall objective is to create a short-term social safety net for vulnerable urban youth and to create long-term opportunities for training and labor intermediation for youth. There are three specific objectives: (i) provide short term income opportunities to youth through short term employment in vulnerable neighborhoods; (ii) improve skills of youth living in vulnerable neighborhoods to create long term economic opportunities; and (iii) strengthen FAES' procurement, administration and project management capacity and the MAST's labor intermediation capacity. The operation is structured in three components.
- 1.19 **Component I. Temporary safety net through temporary employment in small community development projects (US\$27.5 million).** To provide short term income opportunities to youth, this component will finance: (i) stipends for beneficiaries participating in the TEP; (ii) socioemotional skill training for beneficiaries; (iii) construction materials, tools and safety gear associated to implementing community development projects; (iv) electronic payment fees; (v) consultancy to develop the biometric system which will be used to monitor participation in the TEP; (vi) biometric scanners; (vii) training for using scanners; and (viii) administration fees charged by the operators who are in charge of facilitation of the consultation process to select the small projects, planning, costing, implementing, monitoring and reporting on community projects.
- 1.20 The small community development projects will be identified through a participatory process.⁴² Youth who are neither working nor studying between the ages of 18-35⁴³ who reside in selected vulnerable neighborhoods will improve their community surroundings while being temporarily employed. Each small

⁴¹ See paragraph 5.1 of GN-2741-7.

⁴² Municipalities are important stakeholders.

⁴³ Legal working age starts at 18 years old.

community development project to be funded will have a maximum value of US\$50,000 (exceptionally, up to US\$75,000 conditional on no objection by the Bank) designed to be intensive in the use of low skilled labor force. More specifically, the cost of labor will have to represent at least 70% of the total value of the project portfolio of each operator.

- 1.21 Eligible projects, which must be Category “C” according to IDB’s Environment and Safeguard Compliance Policy (OP-703), include: (i) new or improved corridors, sidewalks, public stairs (for urban roads); (ii) improved drainage infrastructure for urban roads; (iii) new or improved retaining walls⁴⁴ (likely to accompany sidewalks or the protection of some small works); (iv) new or improved threshold gabion;⁴⁵ (v) new or improved water kiosks, community cisterns and rainwater capture; (vi) new or improved point-to-point⁴⁶ water distribution pipes which require less than four weeks to complete; (vii) new solar streets lamps installed (such as in parks or other small public spaces); (viii) improvements in schools, health centers and day care centers (painting, fixing lighting, fixing windows, perimeter walls as well as new spaces for preparing meals); (ix) new or improved community/public areas, cultural and/or recreation places (open spaces, support to visual arts, music, theater, and sport for youth); and (x) neighborhood beautification (e.g., painting murals, painting of walls, fixing lighting, perimeter walls of public spaces, for example for cemeteries). Eligibility criteria for the works exclude activities in landslide or flood prone areas (unless the purpose of these projects is precisely to reduce occurrence or impacts of such events, as for instance repairs and constructions of gabions).
- 1.22 This component will fund more than 400 community development projects, generating 168,000 months of temporary employment,⁴⁷ with a target of at least 30% women among participants. Salaries will be paid prorated by the number of hours worked. During the consultation process, the community will provide inputs for eliminating barriers for participation of women in community projects and operators will work with the community to find solutions to be included in the project’s communication material. In addition, communication materials will state that no experience in construction is required.
- 1.23 **Component II. Training for youth (US\$7 million).** To improve skills, this component will finance two types of activities: (i) demand driven professional training for 1,700 youth to increase employability;⁴⁸ and (ii) training and support services to 260 young entrepreneurs.
- 1.24 For the professional training, eligible youth are: (i) those between 16 and 29 years old; (ii) youth who are looking for a job and not studying; (iii) having completed the minimum level of education required by the training program; (iv) living in the targeted vulnerable areas; and (v) at least 30% of the beneficiaries will be women. Participation in the program will be allowed only once.

⁴⁴ Limited to 3 meters in height.

⁴⁵ Ibid.

⁴⁶ Excludes new networks.

⁴⁷ In order to promote greater number of beneficiaries, youth cannot participate in more than one project and if youth work in small projects they cannot be part of training.

⁴⁸ This represents 2% of the 64,000 workers gaps.

- 1.25 This component will finance: (i) technical assistance to identify quality accredited training centers and courses⁴⁹ demanded by employers; (ii) training fees; (iii) stipends for meal and transportation of beneficiaries; (iv) electronic payments fees; and (v) operators' administration fees to support beneficiaries during training; and (vi) design of models for digital skills training and apprenticeship. Gender equality will be promoted among women to raise awareness of opportunities in traditionally male careers as well as in training centers on the importance of reducing biases. Mechanisms to promote demand driven training include: (i) identification of skills need of employers; (ii) training centers are required to adjust training content to respond to employer's needs; and (iii) internships to provide on the job experience.
- 1.26 Aspiring entrepreneurs between 18-29 will be able to submit proposals.⁵⁰ Entrepreneurship activities will include funding for: (i) consultancy to design an incubation program; (ii) managers for the incubation space and to support aspiring entrepreneurs; (iii) equipment for a co-working space; (iv) awareness campaigns; (v) trainers' fees; and (vi) allowance to aspiring entrepreneurs.
- 1.27 **Component III. Institutional strengthening for FAES and MAST (US\$2.7 million).** The objective is to strengthen FAES capacity in procurement, administration and project management and to strengthen MAST's labor intermediation capacity. For FAES, the component will finance: (i) a consultancy to support the elaboration of the Manual of Operations for FAES (MOF); (ii) consultancies to improve the project and contract management systems and to design the correspondence filing and archiving systems; (iii) training courses on procurement, project management; and (iv) ITE equipment and office furniture for the central office and three regional offices.
- 1.28 For MAST, the project will finance consultancies for: (i) designing a service offer and attention model for jobseekers; (ii) designing a service offer and engagement strategy for employers; (iii) developing strategic management plan, including human resources, performance management strategy and training of MAST's staff; (iv) designing the labor intermediation technology platform, including hardware and software; and (v) designing a labor markets information system including mechanisms to collect demand and supply side information, as well as to process and disseminate information. It will also purchase equipment for the PLIS ([OEL#2](#)).
- 1.29 This component will also support MAST in strengthening and updating the beneficiary information system SIMAST to ensure its capacity to include all the beneficiaries from this project. This information will be collected when registering beneficiaries using a form that calculates Haiti Deprivation Vulnerability Index (HDVI), which is a proxy means test. In addition, support will be provided to MAST to develop the social protection strategy which will include short and medium-term interventions.

⁴⁹ Training duration, at least: 600 hours for technical skills, 72 hours of soft skills training. Internships duration at least three-months. All leading to certification.

⁵⁰ Same departments in Table I.1.

- 1.30 Gender equality will be mainstreamed in the PLIS development activities by carrying out: (i) a diagnostic assessment to determine the causes of gender barriers in the labor market; (ii) developing and implementing a gender strategy, including awareness-raising and skills development program for the PLIS staff as well as for businesses on the importance of reducing biases; (iii) organization of job fairs for women; and (iv) inclusion of wage negotiation in workshops for job seekers, targeted to women.
- 1.31 **Monitoring, Evaluation and Administration (US\$2.8 million).** This budget line will finance: (i) data collection platform for project implementation monitoring and reporting; (ii) financial audits; (iii) technical audits; (iv) middle term evaluation of intermediation activities; (v) final evaluation (before/after) of training activities; and (vi) project administration costs. The administration costs include hiring consultants to address the weaknesses found in the institutional analysis: two procurement specialists, one resource planning and administration specialist, one financial specialist, one accountant and three monitoring specialists as well as other consultants to support the implementation of the project.

C. Key Results Indicators

- 1.32 **Expected results** are: (i) improved short term income opportunities through the creation of short-term employment in vulnerable neighborhoods; (ii) increased training and intermediation opportunities for youth between 16 and 29 years old who live in vulnerable neighborhoods; and (iii) strengthened capacity of FAES and MAST. Expected impacts include increasing the percentage of beneficiaries in training that worked in the previous week. Outcomes include increasing beneficiaries 18-35 who receive income of temporary employment who have remained employed in one community participation project for its entire duration and youths who receive a training certificate.⁵¹
- 1.33 **Economic analysis.** A cost benefit analysis was performed covering the main investments supported by this operation, namely: (i) the creation of a temporary safety net through temporary employment for 28,000 youth; and (ii) the provision of professional training for 1,700 youth. The key assumption of the analysis is that successful participation (defined as delivery of the community projects created through temporary employment, and as graduation from training) will translate in higher future labor market earnings. The Net Present Value (NPV) of these investments, when using a social discount rate of 2%, is US\$1,299 million ([OEL#1](#)). The sensitivity analysis shows that the NPV ranges between -1,551 million and +4,149 million. The use of a social discount rate of 2% is based on the work of Evans (2008),⁵² which discusses the appropriate discount rate for long-term social projects. The author concludes that in many of these projects the net benefits are associated with environmental and social security, and must be discounted at low rates in the 0-2% range.

⁵¹ Certificates provided only if attendance requirements are met, if youth pass exams and if internships have been successfully completed. Social services and mentoring are included to support youth in meeting certification.

⁵² Evans, D. (2008). Social project appraisal and discounting for the very long term. *Economic Issues*, 13 (Part I), 61-70.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 The project will be financed by the Inter-American Development Bank (IDB) Grant facility with a total value of US\$40 million. The main characteristics of the financing instrument, a Global of Multiple Works, are met. The Community projects (works) are similar, independent of each other and a representative sample (equivalent to 30% of the total cost of project) was evaluated in *Carrefour Feuilles* and *Cité Soleil* to observe small community projects similar to those to be funded in Component I. Projects in the sample include: new sidewalks, stairs, retaining walls; improved gabions; new spaces for preparing meals in existing schools; new perimeter walls to enclose schools, and installation of benches. All additional projects will be similar in nature to the evaluated sample. See ¶1.21 for eligibility and exclusion criteria of subsequent projects. See Table II.1 below for project costs.

Table II.1. Detailed Budget (US\$)

Components	BID (US\$)	%
I. Temporary safety net through temporary employment in small community development projects	27,536,400	69.0
II. Training for youth	7,000,000	17.5
III. Institutional strengthening for FAES and MAST	2,709,200	6.7
Monitoring, Evaluation and Administration	2,754,400	6.8
TOTAL	40,000,000	100.0

- 2.2 Table II.2 below shows the projected disbursements of the project with a four-year implementation period. To implement the operation in this timeline, the design has relied on recent successful experiences which has included the use of operators, and pre-identified eligibility list for projects. Selection of operators was designed to ensure a fast start up and includes, among other things, selecting them based on their experience in managing cash transfer and CDD projects and current or recent presence in targeted communities. Also, eligibility criteria for small projects used in other experiences was simplified to ensure that execution timeline of all projects is less than six months. Finally, the neighborhoods to be selected will be geographically concentrated.

Table II.2. Disbursements (US\$)

	2019	2020	2021	2022	TOTAL
IDB	14,175,300	18,648,500	4,415,200	2,761,000	40,000,000
%	35.5	46.6	11.0	6.9	100.0
TOTAL	14,175,300	18,648,500	4,415,200	2,761,000	40,000,000

B. Environmental and Social Safeguard Risks

- 2.3 As per IDB's Environment and Safeguards Compliance Policy (OP-703), this program is classified as Category "C" considering its potential environmental and social impacts were reduced to minimal thanks to strict eligibility and execution criteria. The Program's net social and environmental impacts are likely to be positive, as communities will benefit from improved public spaces, schools and sanitary structures. With the appropriate Environmental, Social, and Health and

Safety (ESHS) safeguards in place, the negative ESHS potential impacts of the community projects (e.g., improved sidewalks, upgrading of existing community centers, and renovation of existing schools) are expected to be minimal, localized inside existing footprints, and typical of small rehabilitation works (some noise and dust, minor traffic disruptions, some pollution, small quantities of wastes and debris) mainly during construction.

- 2.4 Eligibility/exclusion criteria ensure that no resettlement or loss of livelihoods will occur for any future activities under the multiple works operation and exclude works in landslide or flood prone areas.⁵³ To ensure sustainability, the project will use operators for selecting the beneficiaries of the program following a list of transparent and clear criteria with a final sign-off by the respective target community. The implementing agency will equally approve the final list of selected beneficiaries and needs continuous strengthening to ensure sufficient capacity to fulfill its role in the program. Further, the health and safety risks to workers and community members as well as full compliance with the legal minimum age for workers associated with construction will have to be carefully managed. Robust stakeholder engagement activities are included as part of the project's implementation.

C. Fiduciary Risk

- 2.5 Based on the results of the institutional assessment, the overall risk is medium. This operation has two financial risks, four procurement risks and one risk that applies to both functions. All risks are medium. The two financial risks: (i) since the accounting system (TOMPRO) is not operational and financial reports are prepared manually (in Excel) there is a risk of having unreliable reports and since the budget is not included in TOMPRO (commitments are not recorded) it impedes effective budget formulation and monitoring; and (ii) there is a risk of project delays due to inadequate staffing in financial management, regional offices and Monitoring and Supervision Division (DSE). The four procurement risks which may lead to implementation delays and errors are: (i) a limited absorption capacity for the workload expected from this operation due to insufficient staff and knowledge of Bank's policies by some members of the procurement unit; (ii) unrealistic planning of procurement activities; (iii) the procurement unit is not carrying out contract management functions which may lead to errors in budgeting; and (iv) deficient archiving system in procurement may lead to errors in contract management. For both financial and procurement there is a risk of slow implementation and to make errors since the MOF as well as the administrative and accounting procedure manuals are obsolete and since the procurement unit functions are not included and therefore the unit has not formally been instituted.
- 2.6 To mitigate the financial risks the project will: (i) integrate the accounting (TOMPRO) and contract management (SIIGPP) systems (and complete its operationalization) to generate financial reports automatically (in Bank's format) and ensure an efficient and effective budgeting and contract supervision; (ii) strengthen financial management by recruiting an accountant (for the daily recording of transactions and reconciliation of accounts) and a financial controller to review and compile financial reports submitted by the operators and to submit

⁵³ Except works that precisely reduce impacts of such events.

disbursement requests to the Bank; and (iii) strengthen regional offices to ensure appropriate execution and monitoring of program activities (human resources and equipment) and support the DSE to monitor all project activities.

- 2.7 The mitigation measures for procurement risks are: (i) hire two procurement specialists (one senior) to ensure timely execution of procurement activities and strengthen knowledge of Bank's policies by organizing face-to-face and hands-on training with the procurement unit's personnel i.e evaluation criteria for selection process; (ii) organize semi-annual workshops with technical counterparts to update the procurement plan; (iii) integrate contract management as part of the procurement function by establishing procedures such as supplier performance evaluation; and (iv) establish an organized paper based and electronic filing system for procurement processes.
- 2.8 To mitigate the delays and avoid errors due to and outdated MOF, FAES needs to update its MOF to encompass all the procedures and execution mechanisms of all its divisions, including a code of ethics for the following points: (i) compliance with laws and regulations; (ii) confidentiality; (iii) conflicts of interest; (iv) good use of assets; (v) prohibited practices; (vi) gifts and gratuities; and (vii) mechanism for reporting illegal or unethical behavior.

D. Other Key Issues and Risks

- 2.9 Three medium risks have been identified: (i) the number of youth willing to work exceeds temporary jobs available and creates discontent in communities causing project delays; (ii) given large infrastructure gaps in urban areas, communities might have expectations for more costly projects causing delays in project selection; and (iii) that there might not be enough engagement of the private sector with training and labor intermediation activities, which limits the creation of long-term economic opportunities. To mitigate these risks: (i) a communication strategy will be developed and both number of jobs available and selection criteria will be communicated within communities before works start; (ii) the community will be informed of the types of works eligible and the consultation methodology will include mechanisms to manage expectations; and (iii) strategies will be designed to secure the engagement of private sector with both training and labor intermediation as well as communication strategy to engage stakeholders throughout the implementation.
- 2.10 **Sustainability.** Youth will acquire technical skills, soft skills and on the job experience in the project. FAES will be strengthened with systems and procedures. Training model for technical and entrepreneurship activities know-how will be transferred to the country, such as knowledge exchanges between the operators and FAES to transfer project management skills and from the operators to MAST and INFP (e.g. ability to analyze demand for skills and training offer).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of Implementation Arrangements

- 3.1 The beneficiary of the project will be the Republic of Haiti. The project will be implemented through FAES, which was created by decree in 1990 as an autonomous organization within the Ministry of Finance with the mission to finance short-term labor intensive projects to improve the living conditions of the population. FAES has long tradition of implementing CDD. It has an office in Port-au-Prince, five central units and five regional offices.⁵⁴
- 3.2 A project team will be assigned in FAES which will be responsible for carrying out all the operational and fiduciary obligations for all components (including procurement, financial management and social and environmental safeguards), necessary for the project implementation as well as maintaining communication with the Bank. The project team will be supported by specialized consultants. Project team tasks and responsibilities will be described in the Manual of Operations for Project (MOP).
- 3.3 For Component I and II, the implementation requires diverse activities and multi-disciplinary expertise such as, consultation methodologies; project planning and monitoring; identifying risk and their corresponding mitigation measures; monitor and reporting, financial reporting. Component II also requires a participatory process to engage communities in vulnerable areas and since FAES has experience in doing so, it was deemed appropriate that FAES will be responsible for the coordination of these activities. The entrepreneurship activities of Component II will be carried out by University of Ottawa (UoO) with L'ISTEAH. For Component III, MAST will be in charge of the technical implementation of strengthening of the labor intermediation activities.
- 3.4 For Component I and II, while FAES strengthens its institutional capacity, at first FAES will contract Operators.⁵⁵ Once FAES capacity has been strengthened (in particular with regards to contract management, procurement functions and procedures) and once its MOF has been approved, a different implementation mechanism where FAES has a greater role in the implementation, will be adopted. For Component I, operators will: (i) carry out a consultation process to identify and prioritize community projects in neighborhoods; (ii) estimate the costs and timeline for completion of the community projects; (iii) identify and register beneficiaries; (iv) verify attendance through the use of biometric fingerprint scanners; (v) request and process electronic payments for the beneficiaries; and (vi) monitor progress and prepare activity, and physical and financial reports. All beneficiaries will be included in the beneficiary registry.
- 3.5 Eligibility criteria⁵⁶ for operators in Component I include, among others: (i) previous similar experience managing and implementing community development projects or cash transfer projects; (ii) presence on the ground (current or within last

⁵⁴ FAES units are: administrative and financial; social projects; monitoring and evaluation; promotion and institutional strengthening and economic initiatives.

⁵⁵ The Operators are among others, Non-Governmental Organizations, and other non-for-profit organizations.

⁵⁶ See [OEL#5](#).

- 24 months) in target communities; (iii) experience leading participatory methodologies to engage community members in the planning, development and monitoring of the activities; (iv) capacity to plan, coordinate, monitor, and draft reports according to Bank's requirements; and (v) implementation of at least one previous similar contract, of at least US\$1 million in value, successfully achieved.
- 3.6 Agreements between FAES, operators and municipalities will be signed. The agreements will describe the roles in the consultation process, selection of small community projects and identification of beneficiaries.
- 3.7 The responsibilities of operators regarding training activities in Component II include: (i) participate in the demand for skills analysis and of the training offer; (ii) consolidate a catalogue of training centers and courses; (iii) prepare the diagnostic of training needs of eligible candidates; (iv) verify that youth pre-identified by the community comply with the eligibility criteria; (v) register beneficiaries; (vi) contract out and pay training centers; (vii) provide mentoring and complementary soft skills training; (viii) verify that beneficiaries are participating in the training; (ix) make payments to beneficiaries (including internship); (x) monitor, prepare activities and financial reports; (xi) share the list of training graduates with MAST to include in the job seeker registry; (xii) share know how of the training model with INFP and MAST; and (xiii) develop partnerships the productive sector for internships and employment opportunities.
- 3.8 Eligibility criteria of operators for training activities of component II will include: (i) experience in implementing similar programs; (ii) experience with youth residents in similar vulnerable areas; and (iii) monitoring, reporting and evaluation capacities. The detailed list of selection criteria will be included in the MOP.
- 3.9 For training activities FAES will sign agreements with MAST and INFP to coordinate selection of training centers and verify that training centers are officially registered. Once INFP and MAST have reviewed the list of centers and confirmed that they comply with the quality, FAES will inform the operators the list of centers to be used. Centers will be both private and public.⁵⁷ Training Centers are in charge of: (i) confirming that candidates meet minimum course requirements; (ii) adapting training content based on private sector needs; (iii) delivering training; (iv) evaluating skills acquisition; and (v) certificating beneficiaries who successfully completed the program.
- 3.10 Once FAES has approved its MOF, FAES will: (i) start facilitating the consultation process; (ii) estimate costs and timeline of projects; (iii) contract and supervise small construction firms to implement community projects; (iv) select the beneficiaries in a consultation process; (v) verify attendance of beneficiaries with biometrics; (vi) process electronic payments; and (vii) monitor, supervise and report all activities.
- 3.11 The UO will implement the entrepreneurship activities. The UO will rely on a Haitian Institute of Sciences, Technology and Advanced Studies (ISTEAH) to host

⁵⁷ To comply with criteria to ensure quality and relevance all centers need to have: (i) links with companies; (ii) training content adjustment mechanisms; (iii) training provision as indicated in footnote 49; (iv) labor market integration support; and (v) mentoring throughout training.

the co-working space in Port-au-Prince and to ensure continuity of the intervention (after project completion). Satellite workshops and other outreach activities will be carried out in other areas. The UO and ISTEAH have already been collaborating and both have networks of experts and investors that can be engaged to support the Incubation Program. They will sign an agreement to detail role and responsibilities.

- 3.12 In the case of Component III, MAST will receive technical support from *Pôle Emploi* to design and implement the activities indicated in [\(OEL#2\)](#). FAES will procure all goods and services for MAST and an agreement between MAST and FAES will be signed once the operation is eligible. MAST will be responsible for: (i) coordinating the realization of technical assistance activities; (ii) providing inputs for monitoring and final reports, procurement plan, Pluriannual Execution Plan (PEP) and Annual Operational Plan (AOP); and (iii) technical approval of outputs and requesting FAES to make payments. MAST should share the information about vacancies with operators participating in the program and should add graduates of training courses to the job seeker registry. Coordination with the private sector will be promoted through the design and implementation of an engagement strategy as indicated in [\(OEL#2\)](#).
- 3.13 The detailed implementation of all activities will be guided by the MOP, whose terms and conditions will be approved by the Bank. The MOP includes norms and procedures for planning, managing financial and fiduciary aspects, procurement, audits, monitoring, reporting and evaluation. It also, includes the institutional arrangements of the project.
- 3.14 **Special Contractual Conditions prior to the first disbursement. The Executing Agency (EA) will provide evidence to the Bank's satisfaction to four conditions: First, the entry into force of the MOP in pursuance of terms previously agreed upon with the Bank** which is necessary to ensure that norms, procedures, roles and responsibilities of all actors are clearly defined. It will need to include a description of: formulation, approval and execution of activities; formats for disbursement requests and justification of funds; monitoring, reporting and evaluation activities; environmental safeguards; and code of ethics. Any modifications thereafter will require Bank's non-objection. **Second, that the conceptual design of biometric monitoring system has been completed** and is required to develop the project's reports (to monitor the participation of registered youths in each of the community projects and training related activities) which operators will use for payment requests and audits. **Third, that contract management and financial management systems have been integrated which include budget and procurement functions.** This is necessary to record and monitor contract commitments and to have automated, up to date budget information to mitigate the risk of having unreliable reports that impede effective budget formulation and monitoring. **And fourth, the EA will provide evidence that a project team has been assigned in pursuance of terms previously agreed upon with the Bank.** This is necessary to ensure timely start up to coordinate all activities.
- 3.15 **A Special Execution Condition:** The EA will deliver to the Bank's satisfaction within 90 days after each 12-month period, after operators have started to implement activities, the external technical auditor's report determining that

selection criteria for community projects and beneficiaries and the verification of work or training has been followed according to the MOP. Since FAES monitoring functions are in construction, this is necessary to verify compliance and identify correction mechanisms (if needed). Within 12 months after the entry into effect of the non-reimbursable agreement with FAES, the EA will present a Manual of Operations for FAES (MOF) (approved by its Executive Board) that includes: an organigram, detailed description of roles, responsibilities, and procedures for all the organizational structure at the central level and regional offices. It also includes description for planning, budgeting, procurement, financial management, administration of goods and services, personnel management, monitoring and reporting, risk management and internal and external audit procedures. This is necessary both for institutional strengthening and to explore other implementing mechanisms.

- 3.16 **Procurement.** The project team will follow the Policies for the procurement of works and goods financed by the Bank (GN-2349-9), and the Policies for the selection and contracting of consultants financed by the Bank (GN-2350-9). In accordance with the institutional analysis, the procurement process included in the procurement plan will be reviewed ex-ante. Other fiduciary arrangements are included in Annex III.
- 3.17 **Single source selection.** The project will single source four contracts: UoO (US\$2 million), Public Labor Intermediation Service of France (US\$420,000), Simprints (US\$180,000), Dimagi (US\$150,000), all of which have been selected in accordance to Policies for Selection and Contracting of Consultants Financed by the IDB (GN-2350-9), paragraph 3.10(d). UoO was selected because of its exceptional expertise in designing and supporting implementation incubation programs; established connections with Haitian trainers; expertise to mobilize its network of professors who are French speaking; extensive knowledge of Haitian culture; and existing collaboration with ISTEAH who will be in charge of implementing the incubation programs after the project finalizes.
- 3.18 The Public Labor Intermediation Service of France has a unique and exceptional knowledge and experience in the implementation of institutional strengthening of LIS, in countries with low resources and low institutional capacity. It has long track record of successfully supporting the development of PLIS in French speaking countries. It has developed a special methodology and rely on an extensive network of internal experts who have provided technical assistance to LAC and have completed a similar task with Chile and is currently providing technical support to México.
- 3.19 To implement the biometric monitoring of beneficiaries, Simprints and Dimagi will work together. Simprints is a nonprofit specializing in algorithms for populations with blurred fingerprints due to manual work and has experience in implementing the solution in developing French speaking countries. They use open source license, are inter-operable and comply with ISO 19749-2. Dimagi, a social enterprise, already has experience in integrating solutions with Simprints, has exceptional knowledge of FAES information system and has worked in other open-source projects in Haiti with satisfactory results. Both companies have expertise, have worked together with satisfaction in countries with similar

socioeconomic conditions, as well as having qualified personnel and cost- efficient solutions.

- 3.20 **Disbursements.** Program financial management will be guided by OP-273-6. Disbursements will be made by direct payment and advance of funds for the financing of activities derived from annual operating and procurement plans. For disbursement of advance of funds, FAES will submit to the Bank financial plans covering cash flow need for periods of up to four (4) months. Disbursement supervision will be ex-post.
- 3.21 **Retroactive financing.** The Bank may finance retroactively under the grant, eligible expenses incurred by the beneficiary prior to the date of grant approval, up to US\$8 million (20% of the proposed grant amount) provided that all the requirements are substantially similar to those requirements set out in the grant agreement requirements. These expenses must have been incurred or on after June 18, 2018 (approval date of the Project Profile) and under no circumstances shall expenditures incurred more than 18 months prior to the grant approval date be included. Expenses include hiring personnel and operators as well as funding activities to reach eligibility.
- 3.22 **Audit.** FAES will be responsible for the recruitment of external auditors eligible to the Bank to perform the financial audit of the program as follows: (i) for the first two years of the execution semi-annual audits of the financial statements of the program will be required and submitted within 90 days after the close of each semester; and (ii) for subsequent years, the frequency of presentation of the audited financial statements (semi-annual or annual) will be based on financial management capacity of the FAES determined from the financial supervision missions and the update of the risk assessment. Financial Audits will be funded by project funds.

B. Summary of Arrangements for Monitoring Results

- 3.23 FAES is responsible for overall execution and oversight of the project. Planning of activities will be included in a pluri-annual plan, and annual plans. The plans will be prepared with the inputs of operators and MAST. Operators will prepare and update quarterly plans. FAES will carry out workshops to collect information to prepare semi-annual and annual reports to be submitted to the Bank.
- 3.24 **Evaluation.** The project will conduct a Before and After evaluation for the training activities ([REL#2](#)). Baseline data will be collected through an enrolment which will include employment situation, hours worked, and income. A follow up survey will be conducted six months after the internship.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity	
Country Development Results Indicators	-Beneficiaries of targeted anti-poverty programs (#)* -Beneficiaries of on-the-job training programs (#)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix		
Country Program Results Matrix	GN-2915-2	The intervention is included in the 2018 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		It is relevant to the country development challenge of inclusion and poverty
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution	9.3	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	3.6	
3.3 Results Matrix Quality	2.7	
4. Ex ante Economic Analysis	9.0	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	3.0	
4.2 Identified and Quantified Benefits and Costs	3.0	
4.3 Reasonable Assumptions	0.0	
4.4 Sensitivity Analysis	2.0	
4.5 Consistency with results matrix	1.0	
5. Monitoring and Evaluation	7.0	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	4.5	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation		
Environmental & social risk classification	C	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)		
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The overall objective of the program is to create a short-term social safety net for vulnerable urban youth as well as creating opportunities for training and labor intermediation for youth. The evaluability objectives of the program are: (i) provide short term income opportunities to youth through short term employment in vulnerable neighborhoods; (ii) improve skills of youth living in vulnerable neighborhoods to create long term economic opportunities; and (iii) strengthen Social and Economic Fund's (FAES) procurement, administration and project management capacity and the Ministry of Social Affairs and Labor (MAST) -for its French acronym- labor intermediation capacity. In order to achieve these objectives, the program has three components (that matches the specific objectives) with specific activities including: creating temporary employment in small community development projects, providing training for youth and conduct activities to strengthen FAES and MAST. The diagnosis presents the main problems to be addressed by the project as well as evidence on the effectiveness of the interventions in different contexts. However, there is no discussion on the applicability of the intervention in the specific context of the vulnerable population in Haiti.

The program is expecting to benefit 28,000 vulnerable youths with the temporary works and, additionally 1,700 vulnerable youths with the training component. The vertical logic presented in the POD is consistent, covering the inputs, outputs, results and impact. The results matrix includes indicators for the main outputs, results and impacts of the program. The indicators in the results matrix meet the SMART criteria overall and include the baseline and target values. Impact indicators include and index on pro-social behavior among beneficiaries, youth beneficiaries of training that worked during last week, and percentage of startups (of graduated entrepreneurs) that are still in operation 12 months after the graduation of the entrepreneur. Results indicators include: beneficiaries 18-35 who receive income from temporary employment and who have remained employed in one community project for its entire duration, youth 16-29 participating in a skills development program who receive a certificate, youth 18-29 who graduated from the Incubator, as well as several indicators related to a score to measure institutional strengthen. There are also outcome indicators related to the registration of job seekers and firms in the labor intermediation platforms, as well as job seekers referred to a job.

The Monitoring and Evaluation activities have been planned and budgeted. The program presents an economic analysis that shows the economic viability of the project, with some caveats. These are that the discussion on some of the assumptions is not sufficiently supported by evidence, and, as the report acknowledges, given the sensitivity analysis, the some of the assumptions made are a threshold that the project must achieve in order to be economically desirable. The Project will implement a midterm process evaluation of execution of the activities of strengthening of the labor intermediation services, and a before and after evaluation of training activities of Component II. No impact evaluation is proposed for the project.

RESULTS MATRIX

Project Objective:	The overall objective is to create a short-term social safety net for vulnerable urban youth and to create long-term opportunities for training and labor intermediation for youth. There are three specific objectives: (i) provide short term income opportunities to youth through short term employment in vulnerable neighborhoods; (ii) improve skills of youth living in vulnerable neighborhoods to create long term economic opportunities; and (iii) strengthen FAES' procurement, administration and project management capacity and MAST's labor intermediation capacity.
---------------------------	---

EXPECTED IMPACT

Indicators	Unit of Measure	Baseline	Baseline Year	2019	2020	2021	2022	End of Project (EOP)	Means of Verification	Observations
IMPACT #1: SOCIOECONOMIC INTEGRATION OF YOUNG PEOPLE INCREASES										
1.1 Pro-social behavior among beneficiaries.	Standardized Scale	Unavailable ¹						+ 0.05 sd	Document analyzing the results of the data.	Scale is a sub-set of 5 questions drawn from the strengths and Difficulties scale.
Women	Standardized Scale							+ 0.05 sd	Ibid.	Ibid. Pro-gender.
1.2 Youth beneficiaries of training that worked during last week.	%	Unavailable ²						+0.20 sd	Follow-up survey.	Ages 16-29. Target based on previous experience in similar projects in Haiti.
Women	%							+0.20 sd	Ibid.	Ibid. Pro-gender.
1.3 Percentage of startups (of graduated entrepreneurs) that are still in operation 12 months after the graduation of the entrepreneur.	%	0	2018	0	5	10	13	15	Survey 12 months after graduation of each cohort.	Operating in the market: Firm sales 30 days prior to survey.

¹ This indicator was specifically created for the project, baseline data will be collected during the execution.

² Ibid.

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline Value	Baseline year	2019	2020	2021	2022	EOP	Means of verification	Observations
OUTCOME #1: SHORT-TERM INCOME OPPORTUNITIES CREATED										
1.1. Beneficiaries 18-35 who receive income from temporary employment and who have remained employed in one community project for its entire duration	%	0	2018	80	80	80		80	Semester reports	Note 1.
Women	%	0	2018	80	80	80		80		Ibid, Pro-gender.
OUTCOME #2: EMPLOYABILITY OF VULNERABLE YOUNG PEOPLE IMPROVED										
2.1 Youth 16-29 participating in a skills development program who receive a certificate	%	0	2018	80	80	80	80	80	FAES project monitoring reports	Note 1.
Women	%	0	2018	80	80	80	80	80		Ibid, among women. Pro-gender.
2 2 Youth 18-29 who graduate from the Incubator	%	0	2018	40	40	40	40	40		Note 1.
Women	%	n / a	2018	40	40	40	40	40	Ibid	Ibid, among women. Pro-gender.

Indicators	Unit of measure	Baseline Value	Baseline year	2019	2020	2021	2022	EOP	Means of verification	Observations
OUTCOME #3: FAES' PROCUREMENT, ADMINISTRATION AND PROJECT MANAGEMENT CAPACITY STRENGTHENED, AND MAST'S LABOR INTERMEDIATION CAPACITY STRENGTHENED										
3.1 Institutional assessment score of system of administration and procurement of goods and services.	%	41.9	2018					61	SABS questionnaire of the SECI instrument	Baseline from the institutional assessment carried out in June 2018.
3.2 Institutional assessment score of planning of activities.	%	50	2018					62	SPA questionnaire of the SECI	Ibid. Includes activities for annual plans, timeline, risk management and project monitoring.
3.3 Job seekers registered in Labor Intermediation Technological Platform (LITP).	Number of persons	0	2018				2,000	2,000	LITP	Reports will be available once Platform (output 3.11 has been implemented).
3.4 Firms registered in the LITP.	Number of firms	0	2018				20	20		Ibid.
3.5 Jobseekers referred to a job offer.	Number of persons	0	2018				500	500		Ibid.
3.6 New households registered in the Information System of the MAST (SIMAST).	Number	255,000	2018	11,019	16,203	778		283,000	SIMAST	Information for each participant's household in component I will be included in SIMAST.

OUTPUTS

Outputs	Unit of measure	Baseline Value	Baseline year	2019	2020	2021	2022	EOP	Means of verification	Observations
COMPONENT I. Temporary safety net through temporary employment in small community development projects										
1.1. Beneficiaries 18-35 years old who receive income	Number	0	2018	11,019	16,203	778	0	28,000	Biometric information system (BIS)	Contributes to CRF indicator Beneficiaries of anti-poverty programs. Legal working age: 18. Youth work in community projects.
Women	Number	0	2018	3,306	4,861	233	0	8,400		Ibid between women. Target: based on recent community development projects. Pro-gender.
1.2 Community Development projects completed.	Number	0	2018	170	250	12	0	432	FAES project monitoring reports	Completed: when FAES receives reception acts
1.3 Biometric information system designed.	Number	0	2018	1				1		BIS: for registering beneficiaries and monitoring compliance.
COMPONENT II. Training for youth										
2.1 Beneficiaries registered in training programs between 16-29 years of age.	Number	0	2018		710	990		1,700	FAES project monitoring reports	Contributes to CRF: Beneficiaries of on-the-job training programs.
Women	Number	0	2018		213	297		510		Target of 30% of women: based on previous experiences in Haiti. Pro-gender.
2.2 Apprenticeship model designed.	Report	0	2018			1		1	Consultancy reports	
2.3 Digital skills training model designed.	Report	0	2018			1		1		

Outputs	Unit of measure	Baseline Value	Baseline year	2019	2020	2021	2022	EOP	Means of verification	Observations
2.4 Incubation program for starting an income generating activity designed and adapted.	Report	0	2018	1	1	1	1	1*	FAES project monitoring reports	Description of six-month curriculum, training modules included. * Note 2.
2.5 Training Managers for incubation program hired, managing the space and providing services to participant youth entrepreneurs.	Number	0	2018	2	2	2	2	2*		Services include: beneficiary selection, identification of potential trainers, training of trainers and management of training space facilities. * Note 2.
2.6 Co-working space established and equipped.	Number	0	2018	1				1		Existing space will be adapted. Operational: when it is equipped, and all services are under contract.
2.7 Awareness campaigns launched to identify participants in incubation training program.	Number	0	2018	1	2	2	2	7		Campaigns launched: when social media broadcast is implemented via posts on different channels.
2.8 Trainers hired to teach courses and specialized modules to entrepreneurs.	Number	0	2018	5	7	9	11	11*		Courses: marketing, incorporation of companies, accounting, and legal issues. * Note 2.
2.9 Selected youth receiving an allowance to participate in training incubation program.	Number	0	2018	30	70	80	80	260		Panel selects youth based on business proposal quality. To ensure full-time engagement monthly allowance for transportation and food provided.

Outputs	Unit of measure	Baseline Value	Baseline year	2019	2020	2021	2022	EOP	Means of verification	Observations
COMPONENT III Institutional strengthening for FAES and MAST										
3.1 FAES Operations Manual updated and approved.	Study	0	2018		1			1	FAES Memo	To be approved by FAES' Executive Board.
3.2 FAES Central Level and Regional Offices equipped.	Offices	0	2018	3	1			4	FAES monitoring reports	Central level Regional offices: Center, NE and NW will be equipped.
3.3 Training courses carried out.	Courses	0	2018	2	3			5		Courses on: procurement, project management, data management, human resource management, and social engineering.
3.4 Project and contract management system integrated with accounting system.	System	0	2018	1				1		SIIGPP: project and contract management system. TOMPRO: accounting system.
3.5 Correspondence, filing and archiving systems designed.	System	0	2018		2	1		3	Consultancy reports	Includes procedures for information management.
3.6 SIMAST updated.	System Version	1	2018		1			1	MAST report	Updated: when beneficiary information of component I and II have been registered.
3.7 Social Protection Strategy developed	Strategy	0	2018	1				1	Strategy document	
3.8 Service offer and attention model for jobseekers designed	Strategy	0	2018			1		1	Consultancy Reports	
3.9 Service offer and engagement strategy for employers designed.	Strategy	0	2018			1		1		
3.10 Strategic management plan,	Strategy	0	2018				1	1		

Outputs	Unit of measure	Baseline Value	Baseline year	2019	2020	2021	2022	EOP	Means of verification	Observations
including human resources and performance management strategies designed.										
3.11 LITP implemented.	Platform	0	2018			1		1	Report of MAST systems	
3.12 Office of the Public Labor Intermediation Service equipped and operating.	Office	0	2018			1	1	1*	Physical inspection	Outputs 3.8, 3.9, 3.10 and 3.13 will be implemented when the PLIS office is operating. * Note 2.
3.13 Labor market information system designed.	Study	0	2018		1			1	FAES/MAST Report	

Notes: 1. See corresponding Numerator and Denominator in Monitoring and Evaluation Plan ([REL#2](#)).

2. EOP is not cumulative.

FIDUCIARY ARRANGEMENTS

COUNTRY: Republic of Haiti.
PROJECT N°: HA-L1137.
NAME: Temporary Social Safety Net and Skills for Youth.
EXECUTING AGENCY: Social and Economic Fund (FAES).
FIDUCIARY TEAM: Marise E. Salnave, Marie Orisme, and Romina Kirkagacli (VPC/FMP).

I. EXECUTIVE SUMMARY

- 1.1 The objective of this operation is to create a short-term social safety net for vulnerable urban youth and to create long-term opportunities for training and labor intermediation for youth. There are three specific objectives: (i) provide short term income opportunities to youth through short-term employment in vulnerable neighborhoods; (ii) improve skills of youth living in vulnerable neighborhoods to create long term economic opportunities; and (iii) strengthen FAES' procurement, administration and project management capacity and strengthen MAST's labor intermediation capacity. The operation is structured in three components. The Executing Agency will be FAES and the total amount is estimated at US\$40,000,000 financed by the IDB Grant Facility.
- 1.2 The latest evaluation of the Public Financial Management Systems of the Republic of Haiti is presented in the Public Expenditure and Financial Accountability (PEFA) Assessment Report conducted in 2011 and published in February 2012. The Government of Haiti has shown continued commitment to improve the country system and has adopted, in May 2014, a Public Financial Management Reform Strategy including an Action Plan 2014-2016. The actions identified to consolidate basic public financial management functions focus on: (i) continuing the implementation of a Single Treasury Account (STA) with the support of the IMF; (ii) reaffirming the role of public accountants in the monitoring of expenses in all ministries; and (iii) improving the monitoring of public debt. Despite these measures, the country's financial management systems require further improvements to conform to levels consistent to the fiduciary management of Bank's funded programs. As a result, no country systems will be used for the financial management of this program.
- 1.3 An evaluation of the National Procurement System was performed in 2013, applying the methodology established by the Organization for Economic Co-operation and Development (OECD). Recommendations were presented in an action plan for its modernization. Based on the current situation and the need to align the national system to international standards and best practices, the Bank's procurement policies will be used to govern procurement activities foreseen under this operation. Therefore, to mitigate these weaknesses the Bank will continue to: (i) rely on special program executing units for the execution of all projects while at the same strengthening institutional capacities; and (ii) implement special fiduciary arrangements for project implementation and conduct close supervision of project executing units. External control will be performed for all Bank operations by independent audit firms acceptable to the Bank and in accordance with its financial reporting and audit guide.

II. EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 FAES will be responsible for the execution and administration including: planning of activities; reporting technical and fiduciary aspects; supervision of organizations, consulting firms, goods and service providers and consultants; financial and accounting

management; risk management; monitoring and evaluation; assurance that the environmental and social management plan is being successfully implemented.

- 2.2 FAES has experience in executing Bank financed projects. The Financial Unit in FAES is responsible for financial management and is composed of: a Financial Director, a Chief Accountant and four Accountants. Considering the expected volume of transactions under this operation, additional personnel will be needed. Modified cash basis is used for accounting purposes. TOMPRO system is used for accounting purposes; however financial reports are currently prepared using Excel spreadsheet. SIIGPP system is used for contract management. Interconnection of TOMPRO and SIIGPP is required to allow for efficient and effective budgeting and contract supervision. TOMPRO will also need to be adapted to allow for automatic generation of financial reports in Bank's requested formats.
- 2.3 In terms of procurement management, FAES has a Procurement Unit which is directly under the supervision of FAES Director General. The team is composed of a Procurement Director, a Procurement Specialist, a Technical Assistant and an Administrative Assistant. The Unit handles procurement activities of two other IDB-funded operations as well as operations funded by the World Bank and national processes initiated by the Ministries of Public Health and Education. The Procurement Cycle Management which consists of: planning; preparation of bidding documents; management of bidding processes (from advertising to bids opening); bid evaluation; contract award; and preparation and signing of contracts, is managed by this unit.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1. An institutional assessment of FAES financial management and internal control processes was completed during May and June, 2018. Based on the results, the Bank considers FAES' overall risk rating to be medium. The two financial risks and their corresponding mitigation measures are listed below:

Risks	Mitigation Measures
Since the accounting system TOMPRO is not operational and financial reports are prepared manually (in Excel) there is a risk of having unreliable reports and since the budget is not included in TOMPRO (commitments are not recorded) it impedes effective budget formulation and monitoring.	Integrate the accounting (TOMPRO) and contract management (SIIGPP) systems (and complete its operationalization) to generate financial reports automatically (in Bank's format) and ensure an efficient and effective budgeting and contract supervision.
There is risk of project delays due inadequate staffing in financial management division, Regional offices and Monitoring and Supervision division (DSE)	Strengthen financial management by recruiting an accountant (for the daily recording of transactions and reconciliation of accounts), and a financial controller to review and compile financial reports submitted by operators and submit disbursement requests to the Bank.
	Strengthen regional offices to ensure appropriate execution and monitoring of program activities (human resources and equipment).
	Support the DSE to monitor all project activities.

- 3.2. From a procurement standpoint and based on the June 2018 institutional assessment, FAES showed some areas for improvement in the management of procurement activities.

The current procurement risk is considered as medium to high. The following four risks which may lead to delays and errors and mitigation measures were identified:

Risks	Mitigation Measures
A limited absorption capacity for the workload expected for this new operation due to insufficient staff and knowledge of Bank's policies by some members of the procurement unit may lead to delays	Hiring two additional procurement specialists (one senior) to ensure timely execution of procurement activities.
	Strengthen knowledge of Bank's policies by organizing face to face and hands-on trainings with the procurement unit's personnel i.e evaluation criteria for selection processes.
Unrealistic planning of procurement activities may affect the timeliness of project execution.	Organizing semi-annual workshops with the technical counterparts to update the Procurement Plan (PP).
The procurement unit is not carrying out contract management functions which may lead to errors in budgeting.	Integrate contract management as part of the procurement function by establishing procedures within the Procurement Unit, such as supplier performance evaluation.
A deficient procurement filing system may lead to errors in contract management.	Establish an organized paper based and electronic filing system for procurement processes.

- 3.3. For both financial and procurement there is a risk of slow implementation and to make errors since FAES' Manual of Operations (MOF) and the Administrative and Accounting Procedure Manuals are obsolete (dating from 2009 and 2002 respectively) and since the procurement unit functions are not included and therefore the unit has not yet been formally instituted. To mitigate the delays and avoid errors, a MOF needs to be updated encompassing all the procedures and execution mechanisms of all its divisions, including a code of ethics for the following points: (i) compliance with laws and regulations; (ii) confidentiality; (iii) conflicts of interest; (iv) good use of assets; (v) prohibited practices; (vi) gifts and gratuities; and (vii) mechanism for reporting illegal or unethical behavior.

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

- 4.1 **Special Accounts and authorized signatures.** FAES will open two special accounts (one in US dollars and one in Haitian gourdes) at the Bank of the Republic of Haiti (BRH) for the management of program resources and send authorized signatures to the IDB via the Ministry of Finance (MEF). In addition, for the execution of Component I and the training activities of Component II each Operator will have to open a bank account in Haitian gourdes, to be used exclusively for this operation, either at *Sogebank* or *Banque Nationale de Credit* (BNC). The Institution will depend on the choice of the mobile payments service provider; the operators accounts will be used also to receive advances from FAES for the execution of activities and to pay the beneficiaries.
- 4.2 **Hiring of Fiduciary Staff.** The following personnel will be hired: (i) an accountant responsible for the daily recording of all transactions and reconciliation of project accounts; (ii) a financial controller responsible of revising the financial reports submitted by the various operators and preparing the disbursement requests and the justifications for the advance of funds; and (iii) two additional procurement specialists for the timely execution of procurement activities.

- 4.3 **Complete the operationalization of the accounting system** to ensure the monitoring and execution of approved budget and the automatic generation of financial reports in the format requested by the Bank. Interconnection between SIIGPP and TOMPRO are required for the operationalization of the accounting system.
- 4.4 **Special Audit Requirements and presentation of financial reports:** FAES will be responsible for the recruitment of external auditors acceptable to the Bank to perform the financial audit of the project as follows: (i) for the first two years of the execution: semi-annual audits of the financial statements of the program will be required and submitted within 90 days after the close of each semester; and (ii) for subsequent years: the frequency of presentation of the audited financial statements (semi-annual or annual) will be based on financial management capacity of the FAES determined by the financial supervision missions and the updating of the risk assessment. Financial Audits will be funded with the operation funds. For the audit of financial statements, the Haitian fiscal year will be used.

V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 The procurement fiduciary arrangements establish the conditions applicable to all procurement execution activities in the project for which FAES will be responsible.
- 5.2 **Procurement Execution.** Project procurement will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by IDB (GN-2349-9); the Policies for the Selection and Contracting of Consultants Financed by IDB (GN-2350-9); and with the provisions established in the grant contract. In addition, the Borrower is required to prepare and submit to the Bank, a draft General Procurement Notice as well as an initial PP which will be updated in accordance with the applicable sections of the Policies and the Grant Agreement.
- 5.3. **Procurement of Works, Goods and Non-Consulting Services.** The contracts for Works, Goods, and Non-Consulting Services¹ generated under the operation and subject to International Competitive Bidding will be executed using the Standard Bidding Documents (SBDs) issued by the Bank. The processes subject to National Competitive Bidding (NCB) will be executed using National Bidding Documents satisfactory to the Bank. The use of Shopping as a procurement method shall follow the procedures outlined in the Policy and will consist in the price comparison of at least three quotes. The technical specifications review, during the preparation of the selection process, is the responsibility of the project sector specialist. Procurement of Information Technology (IT) Systems. Procurement of IT systems will be done in compliance with the policies mentioned above.
- 5.4 **Selection and Contracting of Consultants.** The consulting services contracts will be executed using the Standard Request for Proposals (SRFPs) issued or agreed to by the Bank. The revision of the Terms of Reference (ToR) for the selection of consulting services is the responsibility of the project sector specialist. Operators will need to carry out multiple and diverse activities with multi-disciplinary expertise in difficult social environments and with community participation. Based on the nature of the contract with operators for Component I and training activities of Component II, it is recommended that GN-2350-9 paragraph 3.16 is considered.
- 5.5 **Single Source Selection** may be permitted with appropriate justification to be provided by FAES upon submission of the PP. The project will single source four contracts:

¹ Policies [GN-2349-9](#) paragraph 1.1: The services different to consulting services have a similar process as procurement of Goods.

University of Ottawa (US\$2m), Public Labor Intermediation Service of France (US\$420,000), Simprints (US\$180,000), and Dimagi (US\$150,000), all of which have been selected in accordance to GN-2350-9, paragraph 3.10(d).

- i. The University of Ottawa was selected because of its exceptional expertise in designing and supporting implementation incubation programs; its established connections with Haitian trainers; its expertise to mobilize a network of professors who are French speaking; its extensive knowledge of the Haitian context and culture; and its existing collaboration with ISTEAH who will continue to implement incubation programs after the project finalizes.
- ii. The Public Labor Intermediation Service of France has a unique and exceptional knowledge and experience in the implementation of institutional strengthening of labor intermediation services in countries with low resources, low institutional capacity, and has long track record in French speaking countries. It has developed a special methodology and rely on an extensive network of internal experts who have provided technical assistance to LAC.
- iii. To implement the biometric monitoring of beneficiaries, Simprints and Dimagi will work together. Simprints is a nonprofit specializing in algorithms for populations with blurred fingerprints due to manual work and has experience in implementing the solution in developing French speaking countries. They use open source license, are inter-operable and comply with ISO 19749-2.
- iv. Dimagi, a social enterprise, has previously worked with Simprints to integrate solutions. It has exceptional knowledge of FAES information system and has worked in other open source projects in Haiti with satisfactory results. Both companies have expertise, have worked together with satisfaction in countries with similar socioeconomic conditions, as well as having qualified personnel and cost-efficient solutions.

- 5.6 **Selection of Individual Consultants.** Individual Consultants are selected based on their qualifications for the assignment. This will be carried out in accordance with procedures in GN-2350-9 Sections 5.1-5.4. Consultants shall be selected through comparison of qualifications of at least three candidates among those who have expressed interest in the assignment or have been approached directly by the Borrower.
- 5.7 **Recurrent Expenses.** This category includes the cost of salaries of FAES personnel and other recurrent costs required for supporting program administration in its implementation.
- 5.8 **Retroactive Financing.** The Bank may finance retroactively under the grant, eligible expenses incurred by the beneficiary prior to the date of grant approval, up to US\$8 million (20% of the proposed grant amount) provided that all the requirements are substantially similar to those requirements set out in the grant agreement requirements. These expenses must have been incurred or on after June 18, 2018 (approval date of the Project Profile) and under no circumstances shall expenditures incurred more than 18 months prior to the grant approval date be included. Expenses include hiring personnel and operators as well as funding activities to reach eligibility.

Table 1. Regular threshold amounts for Haiti (In thousands of US\$)

Works			Goods			Consulting Firms
ICB*	NCB**	PC***	ICB	NCB	PC	Short List with local firms only
≥1.000	≥100<1,000	<1.00	≥100	≥25<100	<25	<100

* ICB: International Competitive Bidding

** NCB: National Competitive Bidding.

*** PC: Shopping.

Table 2. Main Procurement Activities

Activity	Procurement Method	Estimated Date	Estimated Amount US\$
Consulting Services			
Selection of operators for Component I	SBQC	2018	27,500,000
Selection of operators for training for Component II	SBQC	2018	4,000,000
University of Ottawa (Component II): design and implementation of Incubation Training Program for Youth	SSS	2019	2,000,000
POLE EMPLOI (Component I): Design and provide technical support for the implementation of Public Labor Intermediation Service	SSS	2019	420,000

- 5.3 **Procurement Plan (PP).** FAES will prepare the PP of this operation which will indicate the procedure to be used for the procurement of Goods, the contracting of Works and Services, and the method of selecting Consultants, for each contract or group of contracts. It will also indicate the cases requiring prequalification, the estimated cost of each contract or group of contracts and the requirement for prior or post review by the Bank. The PP will be posted on the Bank's website (www.iadb.org/procurement) and will be updated annually or whenever necessary, or as required by the Bank.
- 5.4 **Procurement Supervision.** With regards to all procurement processes, the Bank's supervision for this operation will be ex-ante. Any change to the supervision method will be indicated in the updated versions of the PP to be agreed between FAES and the Bank.
- 5.5 **Records and Files.** As required by the Bank, FAES shall establish a set of guidelines to keep organized records of all documents starting with the PP and (including all documents: from the procurement process and contract management phase, through the end of contract execution).

VI. FINANCIAL MANAGEMENT

- 6.1 **Programming and Budget.** FAES will prepare annually an Annual Operation Plan (AOP), a PP and a twelve-month detailed Financial Plan (FP). The FP will respect the budget lines defined in the Grant Agreement. The execution of the project's FP will be evaluated every four months.
- 6.2 **Accounting and Information Systems.** TOMPRO system will be used for management of project funds. Detailed annual budget including sub-components and activities will be included in accounting system to facilitate the comparison of Actual vs Budget forecast and the production of financial reports by source of funds.
- 6.3 **Disbursements and Cash Flow.** The financial management of the operation will be guided by OP-273-6. Disbursements will be made by direct payment and advance of funds method for the financing of activities derived from AOP and PP. For the disbursement of advance

of funds, FAES will submit to the Bank FP indicating the cash flow needed for periods of up to four months. The supervision of disbursements will be ex-post. FAES will also be responsible for the funding of the Operators accounts for the execution of activities and payment of beneficiaries based on advancement of works or services rendered according to: (i) the payment terms defined in the contracts signed with FAES and (ii) the procedures defined in the Grant Manual of Operations. The justification of advance of funds will be submitted by FAES to the Bank on a quarterly basis, within 20 days after the end of each quarter, and will include the justification reports received from the Operators. Payments to the beneficiaries will be made using Mobile Phone solutions and will be based on the number of working or training days. For the calculation of the payments for beneficiaries of component I, the daily national minimum wage as well as the type of work done will be considered. As far as the regional offices are concerned, advance of funds will be provided by FAES for operating and supervision costs; the expenses incurred will also have to be included in the justification submitted by FAES. For each new advance, FAES will need to justify 80% of cumulated advance received. The exchange rate on the date of the conversion of the currency in which the disbursement is made will be used to record all expenses made in local currency; the Central Bank of Haiti exchange rate published on that date will be used as the reference rate.

- 6.4 **Internal Control and Audit.** FAES will maintain adequate internal control systems and mechanisms. The internal audit unit of FAES will assure the supervision of the financial execution of the operation. Strengthening of the internal audit unit is recommended to ensure completion of the internal audit plan and to follow up to the audit recommendations.
- 6.5 **External Control and Reporting.** Audits of financial statements of the project will be performed in accordance with International Audit Standards and Bank's Guidelines for Financial Reports and External Audits; the audits costs will be financed by the operation and are estimated at US\$250,000. The operation financial statements will correspond to the Haitian fiscal year. An independent audit firm will carry out the audits of the project as specified in section 4.5 above based on specific ToR.
- 6.6 **Financial Supervision Plan.** Disbursement supervision will be conducted quarterly on an Ex-post basis upon submission of the justification reports for the advance of funds; the supervision will review the execution of the FP, all supporting documents, the recording of financial transactions and the implementation of audit recommendations. For the following years, the frequency of the visits is subject to change based on findings during supervision missions.
- 6.7 **Execution Mechanism.** FAES will maintain proper financial management systems and will prepare on a yearly basis: (i) an AOP; (ii) a PP; and (iii) twelve-month FP indicating cash flow needs. Disbursements will be executed as stated in point 6.3 (Disbursement and Fund Flows) above.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/18

Haiti. Nonreimbursable Financing ____/GR-HA to the Republic of Haiti
Temporary Social Safety Net and Skills for Youth

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the IDB Grant Facility (hereinafter referred to as the "Account"), to enter into such contract or contracts as may be necessary with the Republic of Haiti, as beneficiary, for the purpose of granting it a nonreimbursable financing to cooperate in the execution of the project "Temporary Social Safety Net and Skills for Youth". Such nonreimbursable financing will be for an amount of up to US\$40,000,000, which form part of the Account, and will be subject to the Terms and Financial Conditions and the Special Contractual Conditions in the Project Summary of the Grant Proposal.

(Adopted on ____ 2018)