I. Introduction and Context

Country Context

1. Two-and-a-half years after the earthquake that struck near Port-au-Prince, and as emergency response and early reconstruction activities are phasing out, Haiti and its partners are focusing more on the structural issues that hamper the country’s development and building institutions that can deliver investments and services to the 10 million citizens, of whom over half live in absolute poverty (less than US$1 per day) and 78 percent live on less than US$2 a day. Responding to short term imperatives, enhancing values of physical assets while pursuing medium term objectives, remains a critical challenge for the government and donors alike.

2. In the years before the earthquake, the country faced a sharp rise in basic food and fuel prices
(riots brought down the government in 2008), exceptionally difficult weather conditions (four consecutive hurricanes in 2008), which caused a loss of 15 percent of Gross Domestic Product (GDP), and a decline in remittances and trade, due to the global economic crisis. The earthquake deepened many of Haiti’s challenges. In the aftermath of the earthquake, the March 2010 Post-Disaster Needs Assessment (PDNA) evaluated total damages and losses at US$7.9 billion, or 120 percent of GDP, and reconstruction needs at US$11.3 billion. The destruction of public and private infrastructure (schools, hospitals, houses, electricity, water, telecommunications, offices, and storage and manufacturing facilities), many of which are critical because of the centralized nature of the economy, disrupted the entire country and significantly worsened poverty and social conditions. In addition, the devastating impact of the earthquake refocused attention on the need for decentralization and the importance of new regional economic growth centers.

**Sectoral and Institutional Context**

3. Haiti’s comparative advantages can support sustainable economic growth. Such advantages include an abundant and competitive workforce, proximity to major markets, free-trade agreements with the United States, Europe, and Canada, unique cultural and touristic assets, and a sound and liquid financial system. The economic revitalization of traditional sectors such as agriculture, textile, and tourism and the emergence of new economic activities such as light manufacturing, assembly, new agricultural products and agro-industry could significantly improve growth and support Haiti’s move toward long term development in the North of the Country. This Project would support the decentralization of growth using the concept of “growth poles” which has been used successfully in other countries such as Madagascar, Cameroon and Mozambique. The growth pole in the North has very good prospects and has been identified by the Government and the private sector as one promising quick results in terms of production, jobs and growth.

4. The North has world-class cultural and natural heritage assets which can be harnessed for tourism development, including the National Historic Park (a UNESCO World Heritage site) with the famed Citadel Laferrière, the nearby Palace of Sans Souci, the historic city core of Cap Haïtien, as well as picturesque beaches and cultural events. One of the beaches (Labadie) was conceded to Royal Caribbean Cruises International (RCI) over 25 years ago, when tourism was the dominant economic activity in the North. RCI has contributed a large proportion of tourist revenue to Haiti since 1986, paying the Haitian government US$10 per tourist. In 2011, over 700,000 tourists disembarked in Labadie. Despite the tourist fee, direct linkages to the local economy are minimal, due to the fact, that tourists do not leave the Labadie enclave. With such a huge captive market (with pent-up demand according to RCI surveys), there is enormous potential to connect these tourists with the world class touristic assets and experiences that are within easy reach. Moreover, the area could also attract important numbers of visitors from the Dominican Republic (where there is also a substantial pent-up demand), United States of America, and Canada, as well as from Port au Prince.

**Relationship to CAS**

5. The proposed Project is an element of the Haiti Interim Strategy Note FY 13-14 (ISN2 – 71885 – HT), approved in September 2012. The Strategy programs a second tranche of the US$500 million allocated to Haiti from the IDA 16 Crisis Response Window. The strategic objectives are to: (i) reduce vulnerability and increase resilience, (ii) encourage sustainable reconstruction, (iii) build human capital, and (iv) revitalize the economy. Strengthening governance is a crosscutting theme. The Project constitutes a key instrument for the achievement of the fourth strategic objective. It is also consistent with the ISN’s clear focus on regional development providing critical inputs for sustained inclusive private-sector led growth. The Project also responds directly to the government’s
priorities to promote investments, facilitate the creation of sustainable jobs, and promote economic decentralization. The activities complement and are coordinated with other Bank projects, leveraging, for example, the Bank’s work on roads, business environment and the International Finance Corporation’s (IFC) advisory work to promote foreign investments.

II. Proposed Development Objective(s)

Key Results (From PCN)
Activities will be further focused on a limited number of investments with clear and limited objectives, (i) matching Labadie potential to local touristic spots and circuits, (ii) enhancing attractiveness and management of destinations, (iii) increasing the direct benefits and opportunities for local population. Additional activities could be added based on implementation of the original project.

The PDO will be assessed towards the proposed following outcome indicators
1. Number of Project Beneficiaries of which female
2. Surface of enhanced cultural, touristic and natural attractions
3. Number of people benefiting from improved access to services of which female
4. Visitor satisfaction with the management of Cultural heritage Sites

III. Preliminary Description

Concept Description
The Project activities in this region will focus on investing in conserving and managing existing cultural and natural sites that can drive and service high potential tourist demand. Besides conservation and management, the Project will support restorations of historic buildings and gardens, which will enhance the attractiveness of the destination and increase the carrying capacity of the region, while reducing pressure on fragile assets such as the Citadel, with a truly sustainable approach to tourism development. It will also support a program of local investments in the communes surrounding the park and in Cap Haitian poor neighborhoods. In parallel, the enabling business environment for the private sector involvement in tourism will be improved and targeted sector investment opportunities will be promoted and facilitated.

Complementing Haiti’s national “Brand Haiti” Project, word of mouth has and will continue to become one of the strongest tools reshaping the country perception inside and out. Following decades of instability and the 2010 earthquake, exposing tourists to an attractive destination will provide unique experiences shared in user accounts on-line, in tourism blogs, and via highly influential travel websites (e.g., TripAdvisor). An improved image has exponential effects, reaching far beyond the industry and spurring trust in local and foreign direct investment. Investments supported by the Project will focus on the National Historic Park (NHP) as surrounding communities as well as in the City of Cap Haitian. Other locations in the North may be added during the Project second phase.

Component 1 – Developing touristic sites and circuits through selected investments in the PNH National Historic Park (NHP) and Cap Haitien
This component will provide support to the Government to restore, conserve and manage existing cultural and natural sites that can drive and service potential tourist demand. Besides conservation and management, the Project will support the restorations of historic buildings and other landmarks, which will enhance the attractiveness of the destination and increase the carrying capacity of the region, while reducing pressure on fragile assets such as the Citadel, with a truly sustainable approach to tourism development.

Investments supported by this component will focus on the National Historic Park (NHP), Milot entrance as well as the City of Cap Haïtien. Other locations in the North may be added during the Project’s second phase. The Project will involve local communities of these areas in the design and implementation of activities related to tourism in order to ensure, that the local population benefits from opportunities created by the increased economic activity.

In the National Historic Park and Entrance of Milot, beginning in Phase I, the Project will support emergency works to deal with the imminent risks to the integrity of the Citadel and the Palace of Sans Souci as determined by UNESCO in April 2012. In parallel hereto, ongoing efforts to establish a financially sustainable Park Authority and to develop a management plan will be supported. The Park Authority is to be established according to Haitian law. Key provisions for the legal instrument have already been drafted. A Park Management plan will be completed in coordination with a broad range of stakeholders. The Project will fund the costs of the management structure on a decreasing basis.

Once the Park Authority is established, additional investments will be made for conservation works, restoration of gardens, general beautification, presentation to the public, improved sanitation, and improved visitor experience. This will result in a Park which can support more tourists and provides attractions of various types which in turn will appeal to a broader range of tourists and encourage longer visits, while maintaining the carrying capacity of the Citadel and expanding that of the lower portion of the Park. Once the sites in the Park are improved and operating on a sustainable manner, the Project will help identify an incipient network of viable tourism destinations which could be supported in later stages of the Project.

The Project objective in Cap Haïtien is to help conserve and upgrade the city’s picturesque historic core. For this it will use a blend of financing and technical assistance instruments to promote a network-oriented approach, focusing on some squares and main sites. Activities will focus on promising compact areas including landmark buildings located in urban nuclei, inter alia: (i) historic buildings such as the Maison Anthenor Firmin in the vicinity of the central square; (ii) former prison, which could house a number of cultural, memorial and touristic related activities; (iii) the waterfront. Improvements will unveil unique assets that are currently closed, underutilized, or close to collapse. Conservation and rehabilitation works will also focus on the streets connecting these assets, enhancing the livability of a city core. The Project will link with the Business Development and Investment Project to encourage owners of buildings registered as heritage to conserve and adaptively reuse them for tourism. The project will support the preparation of updated building regulation for the city center.

Component 2. Support to inclusive local investments in the micro-region and Cap Haitian

To insure inclusive growth, the Project will also support investments in the adjacent communes of the PNH and in particular in Milot and Dondon (core of the micro region) to develop their infrastructures and facilities as needed for tourism development and to promote the tourist value chain (e.g. artisan market, access, water and sanitation and lighting and support to local services,
such as handicrafts, food products, supplying hospitality and guiding services in the micro-region). These two towns are gateways to the Park, and tourists will go through them to access the sites that the Project will conserve and upgrade. The project will also includes local investments in neighborhoods outside the city core in Cap Haitien. The implementation of these investments will be done following a participatory programmatic approach developed under two previous projects: the Territorial Development project and the Urban CDD project. Pre-identified potential eligible investments include: a small bridge in Dondon, street lighting, paving of streets, sidewalks, relocation of the traditional brick furnace to the artisan zone in Milot, school and health services, cleaning of the rivers, public square, facades embellishment, trees planting, water network extension, sanitation and drainage, embellishment of the artisan market close to the palace, sanitation of cultural sites and improvement of access, and studies for the solid waste management plan in the communities.

Component 3 – Support to development of touristic activities and services
The objective of the Component is to provide support to enhance attractiveness and management of the North as a touristic destination. It will support:
(1) Technical assistance to the newly created Destination Management Organization to serve the tourism value chain and to support local cultural and tourism initiatives, enhancing attractiveness and management of touristic destinations, outreach and promotion activities. This will include the financing of specialized consultants e.g. in tourism promotion and management, finance specialist, training specialist.
(2) Matching grants to local organizations, individuals and small entrepreneurs to support (a) activities requiring strict adherence to conservation and city & regional development standards, e.g., renovation of ‘historically-classified’ houses in historic perimeters, for the purpose of creating “bed and breakfast”, small restaurant or shop capacities.; and (b) income generating activities relating to the tourism value chain in the larger sense, e.g., support to the organization of cultural events (Fetes Champêtres, fêtes de la mer, historic shows and (b) renovation of non-historic houses dedicated to developing B&Bs, restaurants, curio shops, conditioning of local products.
(3) Capacity building and training for tourism services to complement the program financed by IDB
(4) Tourism survey and studies.

Component 4 – Risk and emergency response contingency reserve
This component will support public and private entities involved in the Project if a natural hazard or man-made disaster occurs. Given that this Project area is exposed to several hazards, particularly geotechnical (earthquakes, tsunamis, soil liquefaction, landslides), hydro-meteorological (wind/hurricanes, cyclone, tsunami), and climate-change effects (sea level rise, coastal erosion), the government may request a re-allocation of Project funds to support response efforts, including reconstruction of public and private buildings. This component will support the carrying out of emergency recovery and rehabilitation sub-projects or the implementation of a subsidy scheme for eligible beneficiaries affected by the emergency. Additional funds may also be made available through this window for the same purpose.

If this component is triggered, all expenditures and safeguards will be in accordance with BP/OP 8.00 and will be appraised, reviewed, and found to be acceptable to the Bank before any disbursement is made. If not disbursed 12 months before the closing date, the currently allocated amount of US$1 million can be made available to finance activities under the other Project
Component 5 – Project implementation, evaluation and monitoring

The Project will be implemented by the (Unite Technique d’Execution) at the Ministry of Economy and Finance (MEF). This component will finance goods, operating costs, and services needed to ensure effective Project implementation, supervision, and financial management, as well as needed expenses to ensure proper monitoring and supervision. This component will strengthen management capacity in the areas of management, procurement, and financial management. In addition, the Project will support some of the institutions and agencies involved in the different Project activities, such as ISPAN.

The Project will involve local partners including the Ministry of Tourism, the Ministry of Culture, the Haitian Cultural Heritage Institute (ISPAN), the local governments of Cap Haïtien, Milot, Dondon, Chambers of Commerce, the private sector (e.g., heritage buildings owners, local hotels, restaurants and tour operators, and MSMEs), local Destination Management Organizations and local communities and associations. IADB has welcomed the Bank’s support for these initiatives in the North, as the investments under this Project will complement and create a critical mass with those they are planning to finance in tourist reception facilities and roads to the natural and cultural heritage assets, and the establishment of a Northern Region Tourism Management Organization. Comprehensive consultations during Project design have been carried out with UNESCO and ICOMOS, which have expressed their interest in following a joint approach to implement the Project. Additional Project partners include the City of Suresnes in France, along with AFD and the City of New Orleans, universities in Paris, and New Orleans.

The Project will take a phased approach, focusing first on activities with the prospect of a quick impact while the groundwork for interventions that need further preparation is laid. The first phase of implementation will last 24 months after which a midterm review will define the expansion of activities and the introduction of new activities in the second half of the project.

IV. Safeguard Policies that might apply

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