

HAITI

FISCAL SUSTAINABILITY I

(HA-L1029)

PROGRAMMATIC POLICY BASED GRANT (PBG)

GRANT PROPOSAL

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ELECTRONIC LINKS

REQUIRED

1. Policy Letter
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2058474>
2. Results Matrix
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2047370>
3. Means of Verification for the Conditionality of the First Operation of the Programmatic Series
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2065230>

OPTIONAL

1. Letter of Donors
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1936584>
2. List of IDB and World Bank support in the area of Economic Governance
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1996657>
3. AGD Strengthening - Action Plan 2009-2010
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2047980>
4. DGI Strengthening – Action Plan 2009-2010
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2048035>
5. Enhanced Heavily Indebted Poor Countries Initiative (E-HIPC) - (IMF)
Completion Point Document and Multilateral Debt Relief Initiative (MDRI)
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2048041>
6. Matrix of donor activities in the area of revenue administration reforms
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2048041>
7. Debt Sustainability Analysis (IMF)
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2048129>
8. Reforms achieved under Phase I (HA-L1017) approved 2007
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2048141>
9. Public Expenditure Management and Financial Accountability Review (PEMFAR)
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2060161>
10. Environmental and Social Strategy (ESS)
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1935453>

ABBREVIATIONS

AGD	<i>Administration Générale des Douanes</i>
BRH	<i>Banque de la République d'Haïti</i>
CARICOM	Caribbean Community Agreement
CDB	Caribbean Development Bank
CEMLA	<i>Centro de Estudios Monetarios Latinoamericanos</i>
CESI	Committee on Environmental and Social Impact
CIDA	Canadian International Development Agency
CP	Completion Point
CRI	Cash Recovery Index
CST	Special Accounts of the Treasury
DDP	<i>Direction de la Dette Publique</i>
DGI	<i>Direction Générale des Impôts</i>
DGTCP	<i>Direction Générale du Trésor et de la Comptabilité Publique</i>
DMN	Debt Management Unit
DSA	Debt Sustainability Analysis
DSNCRP	<i>Document de Stratégie Nationale pour la Croissance et la Réduction de la Pauvreté</i>
EDH	<i>Electricité d'Haïti</i>
ESS	Environmental and Social Strategy
FY	Fiscal Year
GDP	Gross Domestic Product
GoH	Government of Haiti
E-HIPC	Enhanced Heavily Indebted Poor Country Initiative
IDB	Inter-American Development Bank
IGF	<i>Inspection General des Finances</i>
IMA	Independent Macroeconomic Assessment
IMF	International Monetary Fund
IRO	Internal Revenue Office
LIC	Low Income Countries
MDRI	Multilateral Debt Relief Initiative
MEF	Ministry of Economy and Finance
MTPTC	<i>Ministère des Travaux Publics, Transports et Communications</i>
NIR	Net International Reserves
PBG	Policy Based Grant
PCR	Project Completion Report
PDM	Public Debt Management
PEMFAR	Public Expenditure Management and Financial Accountability Review
PIP	<i>Programme d'Investissement Public</i>
PMO	Prime Minister's Office
POD	Proposal for Operation Development
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SYDONEA	<i>Système Douanier Automatisé</i>
SYSDEP	<i>Système de Dépense public</i>
SYSDIP	<i>Système de Gestion du Programme d'Investissement Public</i>
TC	Technical Cooperation

PROJECT SUMMARY
HAITI
FISCAL SUSTAINABILITY I
(HA-L1029)

PROGRAMMATIC POLICY BASED GRANT

Financial Terms and Conditions			
Beneficiary: Republic of Haiti			
Executing Agency: Ministry of Economy and Finance			
Source	Amount	Currency:	US\$ dollars
IDB (Grant Facility)	US\$25 million		
Total	US\$25 million		
Project at a Glance			
<p>Project Objective:</p> <p>The proposed Program includes a sequence of two Policy-Based Grants (PBG). The proposed first PBG, non reimbursable Operation, will provide fungible resources in a single tranche for US\$25 million to support an agreed program of policy reforms aimed at improving fiscal sustainability. This first Operation will focus on enhancing revenues; increasing the efficiency and transparency of public sector spending and investment; and strengthening debt management by addressing constraints in the <i>Direction Générale des Impôts</i> (DGI), <i>Administration Générale des Douanes</i> (AGD), and the central government financial management and budget process. It draws upon the reforms, policies and activities supported under the first programmatic series that consisted of two operations approved by the Bank in 2007 and 2008, respectively; the Public Expenditure Management and Financial Accountability Review (PEMFAR); the Poverty Reduction and Growth Facility (PRGF) Framework; and the Growth and Poverty Reduction Strategy Paper (1) (PRSP).</p>			
<p>Special contractual clauses:</p> <p>The disbursement of the single tranche is subject to fulfillment of policy conditionalities according to the Chapter II and Annex II of this document.</p>			
Exceptions to Bank policies: None			
Project qualifies for: SEQ[] PTI[] Sector [] Geographic[] Headcount []			

1 In french *Document de Stratégie Nationale pour la Croissance et la Réduction de la Pauvreté. (DSNCRP)*

I. DESCRIPTION AND RESULTS MONITORING

A. Background and Justification

- 1.1 Since 2004, the Haitian authorities have made significant progress to stabilize the economy, through enhanced fiscal discipline and prudent monetary policy. Inflation was reduced from 40% at end-2003 to single digits in 2007. The exchange rate stabilized around 40 gourds per US\$ dollar. Dollarization has been moderated, and there has been a build up of international reserves which covered 2.9 months of imports in 2008 up from 1.5 in 2004. Most importantly, Gross Domestic Product (GDP), that had been declining year after year, showed three consecutive years of growth. From a negative growth of 3.5% in Fiscal Year (FY) 2004 to 3.7% in FY 2007, resulting in positive real per capita GDP growth for the first time in several years.
- 1.2 Since 2006, the Government of Haiti (GoH) has been implementing a macroeconomic and adjustment program supported by the International Monetary Fund (IMF) through the Poverty Reduction and Growth Facility (PRGF)¹. The PRGF-supported program focuses on sustaining macroeconomic stability through fiscal discipline and prudent monetary policy. Despite of severe shocks, authorities have maintained macroeconomic stability, but the global downturn is presenting new challenges.
- 1.3 The Government is also making improvements in poverty reduction. In spite of numerous challenges and limited financing, the Government launched the Poverty Reduction Strategy Program (PRSP) in January 2008. The PRSP presents the Government's long-term vision to foster growth, reduce poverty, and raise living standards. The first Annual Progress Report (APR) of its implementation was completed and highlights the progress achieved and challenges faced during that period in the areas of macroeconomic stability, economic governance, and social sector policies².
- 1.4 Furthermore, in the last few years, stronger fiscal policies were rewarded with greater external support, including an increase in grants from about 3% of GDP in FY 2006 to about 4% in FY 2008. This allowed Haiti to undertake much needed expenditures without reliance on Central Bank financing (which was substantial in earlier years), and to repay some outstanding Central Bank credit in FY 2006 and FY 2007.

¹ For the fifth review, all quantitative performance criteria were met, and one out of two structural PCs and all three structural benchmarks were fully implemented prior to the end-March 2009 test date.

² For example, in the education sector, a satisfactory mechanism transferring subsidies to schools has been established, and is currently supporting an estimated 80,000 children. In the health sector, the immunization rates for DTP3 have increased from 47% in 2005-06 to 68% in 2007-08. And measles increased from 45% to 54% over the same period.

- 1.5 However, during the second half of 2008, a prolonged political stalemate constrained government operations³, while severe natural disasters caused damages estimated at about 15% of GDP. Economic growth, already affected by the international financial crisis, slowed to 1.2% in FY 2008 (from 3.7% in FY 2007) and inflation increased from 7% to about 20%. As a result, authorities are confronting greater challenges to respond to the humanitarian crisis and address urgent needs to rebuild infrastructure, requiring additional resources. Furthermore, there are significant financing requirements to address issues stated in the PRSP.
- 1.6 The overall fiscal deficit (excluding grants and foreign-financed investment) reached 2% of GDP in FY 2008, compared with 1.7% projected in the PRGF program. Domestic revenues reached 9.9% of GDP, less than the 10.6% projected, resulting from low international prices and weaker domestic spending. Nevertheless, PetroCaribe⁴ resources were used to finance the budget deficit removing the need for Central Bank's financing.
- 1.7 During the first quarter of 2009, despite a fiscal revenue shortfall of 0.3 % of GDP, the fiscal deficit was kept at 2.8% of GDP, below its PRGF projection of 4% of GDP. Public spending reached 1.5 percent of GDP below its estimated amount, due to delays in approving the FY 2009 budget. Growth is projected to rebound to 2% in FY 2009, and to 2.4% in FY 2010 helped mostly by donor-financed public investments and exports. Due to the sharp decrease in commodity prices and cautious monetary and fiscal management, inflation which peaked at 20% at the end of FY 2008 slipped back to single digits since January 2009, and was negative 0.14 in May. It is projected to be about 1% at end FY 2009 and within the low single digits in FY 2010.⁵
- 1.8 For the second half of 2009, authorities reaffirmed their commitment to maintain macroeconomic stability and, further, to address poverty and post-hurricane reconstruction priorities. Authorities are committed to maintain prudent fiscal and monetary policies, and specifically to seek grants and concessional loans to meet external financing requirements. It will strengthen revenue mobilization and develop alternative sources for domestic financing, such as Treasury bills, to meet the significant development needs⁶ (see Table 1 for projections).

³ Riots over rising food and fuel prices prompted the resignation of the Prime Minister in April of 2008, leading to a 5 month political stalemate that severely constrained government operations. The political crisis ended in September of 2008, when Parliament ratified President Preval's third proposed candidate for Prime Minister, Ms. Michele Pierre Louis.

⁴ The PetroCaribe initiative approved in 2007 consists in Venezuela offering 7000 barrels of oil a day. While the price follows the market, favorable terms of the purchase generates resources for the Government when the fuel is sold in the domestic market. 60% of the oil import bill is paid immediately, while the remaining 40% will be paid over 25 years with a grace period of two years and an annual interest rate of 1%. The Government assigned the funds generated by this arrangement to specific social and development-oriented investments. PetroCaribe related inflows during FY 2008 amounted to US\$201 million. These inflows constitute direct external debt of the central government and are being spent, mainly in post-hurricane reconstruction projects, and hurricane related relief. This fiscal year, with the sharp fall in petroleum prices, the amount of funds available from PetroCaribe at end May 09 was US\$71.17 million.

⁵ PRGF 5th review.

⁶ PRGF 5th review.

Table 1.1: Long-Term Macroeconomic Assumptions, 2009-29*

Table A1. Haiti: Long-Term Macroeconomic Assumptions, 2009-29 Fiscal Year Ending September 30										
	2009	2010	2011	2012	2013	2014	2019	2029	Averages	
									2009-18	2019-29
(Annual percentage change)										
National income and prices										
GDP at constant prices	2.0	2.4	3.2	3.3	3.4	3.7	4.5	4.5	3.5	4.5
GDP deflator	6.3	8.3	5.5	5.2	5.2	5.2	5.0	5.0	5.6	5.0
Real GDP per capita (local currency)	0.3	0.7	1.6	1.7	1.8	2.1	3.0	3.2	1.9	3.1
Consumer prices (period average)	5.1	7.7	5.0	5.0	5.0	5.0	5.0	5.0	5.3	5.0
External sector (value in USD)										
Exports of goods and non-factor services	-2.9	5.1	8.2	6.5	6.7	6.1	8.1	7.9	6.2	8.0
Imports of goods and non-factor services	-1.3	3.5	2.4	3.7	4.9	5.7	6.2	6.2	4.3	6.2
Central government (value in Gourdes)										
Total revenue and grants	29.1	21.0	-0.9	10.0	10.1	10.4	10.4	9.0	11.8	10.1
Central government revenue 1/	8.2	20.3	10.4	12.2	12.5	12.8	12.2	9.7	12.2	11.3
Central government primary expenditure	37.7	10.5	-2.4	11.2	10.5	9.3	9.7	9.2	11.3	9.9
(In percent of GDP, unless otherwise indicated)										
National income										
Nominal GDP (Gourdes, billions)	288	319	348	378	411	448	709	1,793	445	1,176
Nominal GDP (USD billions)	7.0	7.3	7.5	7.9	8.3	8.8	12.0	22.6	8.8	16.8
GDP per capita (US dollars)	710	721	734	757	785	818	1,036	1,713	820	1,347
External sector										
Non-interest current account deficit 2/, 3/	-2.8	-2.9	-2.8	-2.7	-2.6	-3.1	-3.1	-2.6	-2.9	-3.0
Exports of goods and non-factor services	11.5	11.7	12.2	12.4	12.6	12.6	13.6	15.6	12.5	14.6
Imports of goods and non-factor services	40.2	40.4	39.9	39.5	39.4	39.3	38.6	37.3	39.5	38.0
External current account balance 1/	-12.2	-11.9	-10.2	-9.3	-9.0	-9.2	-8.6	-6.3	-9.8	-7.4
External current account balance 2/	-2.9	-2.8	-2.5	-2.1	-2.1	-2.5	-3.1	-2.6	-2.7	-2.9
Liquid gross reserves (in months of imports of G&S)	3.1	3.1	2.9	2.9	3.0	3.2	3.0	2.7	3.1	2.9
Central government										
Central government overall balance 2/	-4.7	-2.9	-2.5	-2.8	-2.9	-2.8	-2.1	-2.0	-2.8	-2.0
Total revenue and grants	17.0	18.5	16.9	17.1	17.3	17.5	17.7	18.2	17.4	18.2
Central government revenue 1/	10.1	10.9	11.1	11.5	11.8	12.2	13.4	15.4	11.9	14.7
Central government primary expenditure	20.9	20.8	18.7	19.1	19.4	19.5	19.1	19.5	19.5	19.4
1/ Excluding grants										
2/ Including grants										
3/ Includes interest earned on foreign exchange reserves.										

(*) Fifth Review under the Three-Year Arrangement under the PRGF, and Requests for Waiver of Performance Criterion, Modification of Performance Criteria, and Extension of the Arrangement (IMF).

- 1.9 On June 30th, 2009, the IMF Board approved the fifth review of the PRGF program along with Haiti's Completion Point (CP) under the Enhanced Heavily Indebted Poor Country Initiative (E-HIPC). The next day the World Bank also approved Haiti's CP. Achieving the CP triggered the IDB debt forgiveness. Over a billion US\$ dollars of savings in debt service, mostly from the World Bank and the IDB⁷, was therefore freed, increasing space for investments in priority sectors. With such relief, debt indicators improved significantly, bringing the Net Present Value (NPV) of debt-to-revenue ratio from 188% in FY 2008 to 90% in FY 2009. Nevertheless, given Haiti's dependence on remittances⁸, and

⁷ Under the "IDB-2007" initiative, the IDB's Board of Governors has agreed to provide debt relief to Haiti over and above the HIPC Initiative, which would canceled all debt to the IDB accumulated prior to end-2004 that remains outstanding at the completion point. This additional relief would amount to a reduction in debt service of more than US\$486 million in nominal terms, or a further reduction in Haiti's debt stock of over US\$395 million.

⁸ Remittances only grew by 12.5% in FY08 in comparison with 14.9% the year before and a decrease of remittances of 5% is projected for FY09.

susceptibility to exports shocks, debt distress risk remains high, requiring extreme care for contracting new debt⁹.

B. Problem Addressed

- 1.10 Despite the many challenges faced by Haiti in the medium and long terms, key areas need to be addressed. Indeed, a key challenge for the GoH will be to increase domestic revenue to be able to reach and support higher levels of public spending that are required for investment in basic services. These investments are not only necessary to respond to the fragile social and economic situation that was aggravated by the multiple external shocks, including last year's natural disasters, but are also needed to fulfill E-HIPC commitments. The fall of oil prices is also subject to have a double negative impact on the funding of public expenditures: first, revenues from petroleum taxes—*ceteris paribus*—will contract and, second, the amount of credit that can be obtained through PetroCaribe will decrease¹⁰.
- 1.11 Moreover, the *Direction Générale des Impôts* (DGI) is hampered by both organizational problems and tax legislation inadequacies. The Government, with the support of the Canadian International Development Agency (CIDA), plans to modernize the DGI, the *Administration Générale de Douanes* (AGD), and to reform tax system. More specifically, the plan intends to: (i) reorganize and modernize the DGI; (ii) implement a series of administrative provisions aimed at enhancing tax collection and data management effectiveness of agencies; (iii) formulate and implement a human resource training and development program. In terms of legislation, the Government will seek to approve the new tax code in order to streamline the administrative procedures of the different categories of taxes.
- 1.12 Increasing custom revenues will require enhancing the AGD institutional capacity. The Government will seek to pass and apply a new legal and operational framework to fight corruption and contraband. It will support the strengthening of the already identified weaknesses of the agency, as described in the institutional diagnosis elaborated by the World Customs Organization. The diagnosis emphasized four areas: (i) unclear regulatory framework; (ii) poor decentralized presence and poor communications and coordination between customs offices; (iii) weak institutional capacity; and (iv) lack of anticorruption and anti-contraband strategies.

⁹ Haiti's debt stock increased by 46% between the decision point and completion point from US\$1.3 billion to US\$1.9 billion. The debt stock increased in 2008 because of new borrowings from Taipei China (use of the phrase "Taipei China" does not in any way reflect a position by the Bank or any of its member countries regarding issues of national sovereignty or diplomatic recognition), Province of China and the *República Bolivariana de Venezuela* (US\$50 million and US\$167 million respectively) and, furthermore, in 2009 primarily with disbursements from loans contracted prior to 2007 from the IDB and new loans from the IMF. It is also important to remark that the E-HIPC initiative, does not grant a "write-off" of external debt. Technically this Initiative is a swap of foreign debt service for domestic expenditures on poverty alleviation.

¹⁰ However, the fall of petroleum prices have a positive impact on inflation, on industrial production cost, and implies less pressure on current account, among other factors.

- 1.13 Before the measures to modernize tax and customs administration are implemented and take full effect, the revenue shortfall would be covered by a combination of adjustment in spending and increased Central Bank financing¹¹.
- 1.14 With regard to Expenditure Management, several budget strengthening activities were performed since 2007 to improve the budget preparation and execution at decentralized level. There is now a need to consolidate them and to take additional measures. The link between sector policies, strategies' priorities and the budget, needs to be strengthened and harmonized with the medium-term investment plans. Off-budget operations channeled through "own resources" collected by the Agencies, or through special accounts of the Treasury, need to be included in the budget. Moreover, budget and accounting classifications have to be harmonized to ensure proper consolidation of all budgetary operations.
- 1.15 The Government needs to implement a monitoring mechanism to fulfill its commitment to swap external debt service for financing (in domestic currency) poverty alleviation expenditures through the budget. Moreover, Haiti is vulnerable to external shocks so its weak export base and high dependency on remittances may prompt the country to require additional external financing. The present financial crisis, that affects both remittances and exports, stresses the need for continuing to support GoH in its efforts for strengthening and making Public Debt Management (PDM) more efficient.
- 1.16 Debt management functions and responsibilities are currently shared between the *Banque de la République d'Haïti* (BRH) and the MEF, with the BRH maintaining primary responsibility for debt data recording and reporting, and the MEF broadly in charge of front office functions and the authorization of debt service payments by the BRH in its capacity as the government's fiscal agent. The Government's current strategy for PDM consists on: (i) passing on PDM responsibilities from the BRH to the MEF; and (ii) transferring the *Direction de la Dette Publique* (DDP) from the Budget Department to the Treasury, that will become the *Direction Générale du Trésor et de la Comptabilité Publique* (DGTCP). As a result, the responsibilities of the DDP will include not only to forecast and service external debt, but also to communicate to the Budget Department and Treasury the amounts of external debt relief to be allocated domestically. The BRH and the MEF's specific responsibilities for debt management functions need to be further clarified and fortalized in legislation. Moreover, coordination and information sharing between the two institutions, and analytical capacity with respect to the preparation of annual debt management strategies should be improved.
- 1.17 Concerning Fiscal Transparency, although internal and external oversight functions were strengthened last year, the financial management decentralized model is still being improved with new functions that require more effective controls. Payments management will be transferred from the Treasury to Government Agencies. These Agencies will assume responsibility for their of

¹¹ The IMF proposed using up to a maximum of G 2 billion (US\$50 million) in new Central Bank financing in order to cover part of the fiscal gap caused by the shortfall in revenue and not covered by donor support.

expenditures, which will require enhanced control systems. These changes prompt the need to continue supporting the implementation of the control system ensuring that financial controllers have appropriate instruments and knowledge to perform this function. Implementing procedures to avoid redundant controls will foster operational efficiency and efficacy in the use of public resources.

- 1.18 More than 30% of the Bank's portfolio in Haiti is devoted to the transport sector, percentage that will likely increase in the future. The *Ministère des Travaux Publics, Transports et Communications (MTPTC)*, responsible for executing those resources, has already been institutionally challenged by the amount of foreign financing received by Haiti since 2004. There is therefore a need to strengthen MTPTC. Donors already agreed that it lacks a technical unit capable of developing strategies and properly executing them. With almost 800 km of roads already rehabilitated or under rehabilitation with grants from different sources, better tools and procedures are needed to ensure sustainability of these investments.
- 1.19 The production, transport and distribution of electricity are under the responsibility of *Electricité d'Haiti (EDH)*, a public commercial company supervised by the MTPTC. EDH provides electricity to less than 10% of the population. It suffers from a high number of illegal connections, causing losses estimated at around 40% of total output. Electricity tariffs (about G 6.5/KWh) have not been adjusted since 2005 and are no longer in line with costs (about G 13/Kwh at current oil prices). These losses are covered by government transfers to pay for oil and other operating costs. Despite efforts to enhance efficiency, only about 50% of the produced electricity is billed, and transfers are likely to increase rapidly. In addition, three new power plants have recently begun operations, and 70% of produced electricity comes from oil, with production costs highly sensitive to changes in oil prices. A new electricity tariff structure is required to increase and maintain electricity prices at cost recovery levels, reduce government transfers to the EDH, and improve fiscal sustainability.

C. The Country Strategy

- 1.20 The Government's medium-term fiscal strategy is to boost revenues to provide additional resources for investment spending in FY 2010 and beyond, and to enhance budgetary management in order to allow for more social spending and investment. In the short term, the priority for the GoH is to maintain critical spending for infrastructure rehabilitation and for PRSP implementation.

D. The Bank Strategy

- 1.21 The Board of Executive Directors approved the Bank Strategy for Haiti for FY 2007-2011 in December 2007. This Strategy includes the goals of the previous Transitional Support Strategy: combining the promotion of long-term economic growth with good governance and institutional development, while helping the government to achieve quick results through basic service provision and job

creation. This Program is consistent with the Bank's Strategy since it supports the improvement of the country's capacity to promote economic growth and improve public institutional capacity.

E. Program Objective and Strategy

- 1.22 In recent years, the Bank has been a key and reliable partner for Haiti by contributing yearly to the financing of its budgetary gap, first through Programmatic Policy Based Loans (PBL) and lately through PBG. The present Grant will contribute to economic recovery and growth by: (i) providing foreign exchange resources for imports of essential commodities; and (ii) providing financial resources to the Government's budget to finance priority public expenditures. By helping to close the financing gap in FY 2008-2009, and supporting measures to improve revenues, this Operation will also contribute to maintaining macroeconomic stability and low inflation.
- 1.23 The proposed Grant will provide fungible resources in a single tranche of US\$25 million to support the first stage of an agreed program of policy reforms aimed at improving fiscal sustainability¹². This Operation will be the first of a new programmatic series. It will focus on enhancing revenues, increasing the efficiency and transparency of public sector spending and investments, and strengthening debt management. It will address constraints in the efficiency of the DGI, the AGD and of the central government financial management and budget process. The program builds upon the reforms, policies, and activities supported under the first programmatic series that consisted of operations approved by the Bank in 2007 and 2008, respectively ([see electronic link](#)); the Public Expenditure Management and Financial Accountability Review (PEMFAR); the PRGF framework (5th review); and the Growth and OPRSP.
- 1.24 This Program will support the GoH's efforts to scale up some of the reforms that were already started under the first programmatic series. It will support the approval of two important codes (the tax and customs codes), the drafting of which was undertaken during the first programmatic series, which are essential to improving tax administration. The Program will strengthen budget preparation and execution, which was also addressed in the first programmatic series, as well as improve debt management and consolidate fiscal transparency. To accomplish the objectives described above, this Grant will focus on institutional reforms in the following eight target areas:
- 1.25 **Macroeconomic Management.** As a general condition for the disbursement of the single tranche, the GoH will maintain a sound macroeconomic framework in accordance with the objective of the Program. The GoH presented a Policy Letter detailing its agreement with this condition. On the other hand, the Bank will prepare an Independent Macroeconomic Assessment (IMA) in conformity with Bank Procedures.

¹² Cumulative external financing requirements for Haiti are reviewed on a regular basis as part of the PRGF arrangement with the IMF. Financing requirement for FY 2008-2009 are projected to be US\$142.9 million.

- 1.26 **Internal Revenue.** In this area, the Operation focuses on increasing domestic revenues to expand spending capacity and fulfill E-HIPC commitments. The main actions contemplated will be aimed at strengthening the institutional capacities of the tax administration agencies and improving the efficiency of their functions, streamlining the tax system, and obtaining approval by Parliament of the new DGI Organic Law and the new tax code. This code will consolidate all tax administration and procedures in one single law (currently, each tax law includes its own procedural regulations that overlap, and above all disrupts a streamlined management of the tax system). Implementation of modernization strategies and action plans for the internal revenue service, included in this Program, benefit from the CIDA's¹³ Revenue Generation Program. A comprehensive reform plan for revenue administrations has been prepared and will be implemented in the short term.
- 1.27 **Customs.** This Operation aims to increase collections through greater customs control at ports of entry. A comprehensive reform plan for Customs administration has been prepared for the medium term, financed by the CIDA Revenue Generation Project. This Operation will support: (i) strengthening customs control throughout the country, particularly at the provincial ports; (ii) installation of the *Système Douanier Automatisé* (SYDONEA) World in three principal ports of entry; and (iii) the approval of the new Customs Code. This new code introduces most needed changes in conformity with the Caribbean Community (CARICOM) agreement (the transaction value system, the establishment of clear duty/tax liability throughout the trade chain, a new penalty structure, and the introduction of record keeping requirements).
- 1.28 **Expenditure Management.** This Operation seeks to improve the efficiency of public expenditures and investment, by supporting the development and implementation of a management investment system (SYSDIP)¹⁴. Furthermore, it will support increasing the relative weight of the expenditure allocated to public investment and improving the targeting and execution of investments in priority sectors, by defining expenditure ceilings thresholds and preparing a new integrated and multi-year *Programme d'Investissement Public* (PIP) based on sector strategies to protect priority programs, particularly those which contribute to poverty reduction according to the DSNCRP, and PEMFAR recommendations. It will also support limiting current account spending to no more than 10% of non-wage current expenditure¹⁵, and support the publishing of quarterly report on execution of the budget in a manner that allows greater transferency in budget execution.

¹³ Revenue Generation, project number: A033349-001 for \$18,000,000 Canadian dollars of which \$8,000,000 will be administered by IDB to strengthen the DGI. This project aims to support the Haitian Government in increasing its ability to generate revenue by providing consistent, long-term technical assistance to its income tax and customs administrations. The goal is to create mutually beneficial linkages where investment projects supply necessary financing and technical knowledge for specific outputs and outcomes, while the PBG provides additional incentive to complete the work in the investment projects.

¹⁴ SYSDIP *Système de Gestion du Programme d'Investissement Public*.

¹⁵ The target is calculated on a cumulative basis. The ceiling of the current accounts will be met year to date (starting October 1st, 2008) if expenditure executed through current accounts is less than 10% of nonwage budget appropriations at the time of approval. In FY 2003 the use of current accounts reached unprecedented levels of 58% of total expenditures executed, since then its use has been reduced significantly.

- 1.29 **Debt Management.** This Program will support the strengthening of public debt management and of internal and external controls, by assisting the GoH to centralize all information on public external and domestic debt in a single database and setting up the *Direction de la Dette Publique* (DDP) at the Ministry of Economy and Finance (MEF). Given that Haiti has reached CP, DDP have to perform Debt Sustainability Analysis (DSA). They might use the thresholds defined by the Low Income Countries (LIC) methodology, since CEMLA technical assistance contemplates training on the low income countries DSA Templates that are used by the World Bank and the IMF for assessing debt sustainability¹⁶. In this area, the Program seeks to capitalize on the existing support and Technical Assistance (TA) provided by the UNCTAD-DMFAS Program that has installed a system where the centralized database on public debt is recorded and updated. The Program will also take advantage of Technical Cooperation (TC) provided by the *Centro de Estudios Monetarios Latinoamericanos* (CEMLA) on training and supplying computerized tools for carrying DSA within the E-HIPC and LIC framework, and the submission to and the approval by the Parliament of the law on the *Direction Générale du Trésor et de la Comptabilité publique*. This is of capital importance to improve the legal and regulatory framework for public debt management in Haiti.
- 1.30 **Fiscal Transparency.** This Operation will support three strategic lines of actions: (i) the deployment of the financial inspectors of the *Inspection Generale des Finances* (IGF)¹⁷ in main government agencies, (ii) the implementation of the new Financial Disclosure of Public Officials Law approved in February of 2009, which seeks to achieve the publications of public officials declarations, according to the terms established in the Inter-American Convention on Anticorruption¹⁸, (iii) the Submission of the CSCCA Audit reports for 2005, 2006, and 2007 to Parliament and Publication *des Comptes Généraux de l'État* according to the standard procedures and the law, and (iv) approval and implementation of the Anti-Corruption strategy.
- 1.31 **Transport.** This Operation will support the MTPTC to redirect efforts and resources, both from the national budget and from donor's grants, to enhance their capabilities to program, develop, and maintain the road network. At the same time, this Program's conditionalities will contribute to the creation of at least 1,500 jobs in the road maintenance industry, with a direct investment of at least US\$2 million in 2011/2012. The Bank will contribute to MTPTC's institutional strengthening with almost US\$7 million in 2004-2012, through other investment operations.

¹⁶ The template that is used by the World Bank and the IMF is delivered by the World Bank to country users free of charge.

¹⁷ The IGF hold powers of control, audit and inspection of entities under the management of the public sector or that benefit from the public funds. The objective is to ensure: (i) the conformity of the expenditures with the laws and regulations; (ii) the accuracy of the financial and budgetary reports; and (iii) the effectiveness of operations.

¹⁸ The Inter-American Convention on Anticorruption; that includes legal aspects to insure that secrecy banking laws will not be a barrier for the enforcement of the law when this information is solicited or shared by a court or competent authority, prepared, consulted with stakeholders and presented for approval by the corresponding body.

- 1.32 **Energy.** During the first two quarters of this fiscal year, transfers to the sector reached US\$62 million or 73% of the budget allocation. At current supply levels and oil prices, they could reach US\$104 million for the fiscal year. Compared to Treasury-financed investment of US\$74 million, energy transfers are unsustainable, due to subsidized electricity prices and inefficiencies. This Program will support: (i) the implementation of new business management systems to improve efficiency (Client Management, Technical Service Management, Accounting and Resource Management Systems); (ii) the organization within the MTPTC of an Energy Unit with a high level official responsible for monitoring the energy sector; (iii) the discussion of energy issues and proposal of energy policies; and (iv) the approval and implementation of a new electricity tariff structure at economic and efficient cost-recovery levels that will reduce transfers to the sector,¹⁹ while protecting poorer households.

F. Key Results Indicators

- 1.33 The Results Matrix ([see electronic link](#)) describes the expected outcomes and indicators for the Program, with their respective baselines. The main results of this Program are focused on managing public debt, enhancing revenues, and increasing the efficiency of public sector spending.
- 1.34 The PEFA indicators will serve as a basis for the monitoring and evaluation of the proposed Program as set in the Unique Conditionality Matrix. Also, some indicators are based on those that the Government has agreed on its commitments to the DSNCRP, or to the PRGF with the IMF.
- 1.35 The main indicators to measure results are: (i) % of inflation for FY 2010; (ii) % central government deficit of GDP for 2010²⁰; (iii) fiscal revenues in terms of GDP projected to reach 11% of GDP for FY 2010; (iv) new Tax Code approved by Parliament; (v) share of poverty reduction spending for FY 2010 budget, projected to be at least 50%; (vi) quarterly statistical reports on public debt, including external and domestic debt denominated in foreign currency, published on regular basis following GDDS standards in 2010; (vii) improved efficiency and sustainability of EDH's and the energy sector measured by its financial situation, the Cash Recovery Index (CRI) and the elimination of subsidies to support operations expenditures (EDH's CRI should reach at least 65% from 31.7% in 2008).

¹⁹ FMI benchmark for the 5th review of the PRGF.

²⁰ According to IMF projections for GDP Growth, inflation and central government deficit for 2010.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financial Instruments

- 2.1 The proposed Program has been designed following the programmatic approach, with a sequence of two PBGs. This instrument allows for greater flexibility in deciding on reform measures in an institutional setting that requires coordination among various institutions, and in measuring outcomes for the first interventions in order to target subsequent policy reforms more effectively.
- 2.2 The first PBG would be followed by a subsequent PBG Operation on verifiable progress on the reform agenda and improvements in sector performance. The sequencing of programmatic grants will provide the opportunity to mitigate the risks of policy slippage, by maintaining a high-level dialogue with the Government and sustaining pressure for results in the sector. The triggers for the second described in the Policy Matrix (Annex II) aim at completing the reforms started in this Operation.
- 2.3 Total amount of the PBG's represents US\$55 million from the resources of the Grant Facility. A single tranche of US\$25 million will be disbursed once the first PBG Operation is eligible for disbursement and the authorities, as it was agreed, provide the Bank with documentation supporting that the conditions described in Annex II have been fulfilled. This Operation would be followed by a second operation in 2010 for about US\$30 million, for which this document has established the corresponding triggers. The amounts proposed for this Operation are in line with the Government's ongoing reforms in the fiscal sector. The reform process is gradual, and takes into account the country's budget support financing needs, as it was established in the IMF PRGF.

B. International Donor Coordination Mechanisms

- 2.4 On the 2nd of February 2009, the Bank signed with the GoH and other donors²¹ a partnership agreement for the coordination of budget support. This agreement promotes the adoption of a Unique Conditionality Matrix and seeks to bring all donors together around a common approach, to enhance best practices in the fiscal management area, and improve economic governance. This partnership agreement makes it possible for donors to agree with the GoH on a policy agenda with clear steps and actions to be supported by various sources of funding, while still offering the possibility of entering into bilateral agreements with the GoH to address donor specific concerns. This Program is meant to be part of the Multi-Donor Budget Support agreement, and would allow a multi-year commitment on the part of the Bank to support Haiti's two year recovery plan. It is also consistent with the framework of DSNCRP that was finalized in 2007.

²¹ Initial signatories of the partnership agreement are: the World Bank, The IMF, the Bank, the European Commission, France and Spain.

- 2.5 The Unique Conditionality Matrix will serve as a framework for this operation and for that of other international financial institutions and donors, including The World Bank and Caribbean Development Bank (CDB)²². While the proposed grant is tied to only a subset of the conditions included in the Unique Conditionality Matrix, there is an overall consistency with the policy areas set forth in it.
- 2.6 Beyond the conditionalities presented in the Policy Matrix, the Bank's team has made efforts to establish the viability and sustainability of the reforms, by working together with the Haitian Authorities, and by coordinating and exchanging information with other key donors. This has led to joint efforts with the IMF, the World Bank, and Caribbean Development Bank (CDB). More specifically, the team has coordinated with the World Bank and CDB staff working in Haiti, and has agreed on complementary activities to ensure that the MEF and other key agencies are advancing reforms in a consistent manner. The CDB will use the Bank's Policy/Results Matrix for disbursing a US\$10 million Grant operation in a single tranche simultaneously with the IDB.

C. Environmental and Social Safeguard Risk

- 2.7 According to the Environment and Safeguards Compliance Policy (GN-2208-20 y OP-703) the Bank doesn't require an ex-ante classification for PBG's. Given the nature of this Operation, no direct social or environmental impacts are foreseen.

D. Other Key Issues and Risks

- 2.8 Despite the authorities' commitment to prudent macroeconomic policies, there are some identified risks to the Program supported by the proposed PBG, including:
- a. *Economic*. The current global financial crisis and economic downturn are expected to reduce economic growth, resulting in additional strain on government financing needs, and pressuring the currency. While current economic risks are substantial, declining oil and food prices should help mitigate external financing requirements. In addition, lower inflation should help limit the negative impact of slower growth on the poor.
 - b. *Weather-related shocks*. Haiti is highly vulnerable to natural disaster risks-particularly floods and hurricanes-that pose significant threats to economic growth poverty reduction, and public investment plans.
 - c. *Political*. The government's capacity to uphold the reform momentum and agenda is highly dependent upon the Parliament's diligence in examining and approving submitted legislations and the maintenance of social and stability throughout the period that include an important electoral agenda.

²² The CDB and the World Bank are preparing budget support programs complementary to this operation for up to US\$ 10 million and up to US\$ 12,5 million respectively. Although the CDB is not a signatory to the partnership agreement, it has expressed its willingness to abide by its stipulations and objectives.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary Implementation Arrangements

- 3.1 The beneficiary will be the Republic of Haiti, which has designated the MEF as Executing Agency for the Program. The MEF will be responsible for: (i) satisfying the Program conditionalities; (ii) delivering reports and evidence of compliance with the grant terms; (iii) supporting the compliance process and the terms of this grant and others under execution and in the pipeline that would help make the reforms implemented under this Program sustainable; and (iv) receiving the grant proceeds. As stated by the General Conditions governing this Policy Based Grant, the borrower must deposit the loan proceeds in a separate, special account and provide the Bank with evidence that such an account has been opened prior to the first disbursement.
- 3.2 As a policy-based Grant, no procurement considerations apply. The Bank may require disbursement audits or audited financial statements on how the Grant proceeds are used. Such audits would be conducted by independent auditors selected by the Bank, under Bank-approved terms of reference.

B Summary of Arrangements for Monitoring Results

- 3.3 The monitoring and evaluation of the Program will be based on a multi-donor effort²³, given that the Program Policy Matrix is based on the Unique Conditionality Matrix. The beneficiary and the Bank have agreed to monitor Program execution through follow-up meetings, the dates of which will be agreed upon between the parties. Upon completion of the first Operation, the Project Team will prepare a simplified version of the Project Completion Report (PCR), which will be used as input for policy conditions for the second operation, including any adjustments to the triggers proposed in the program's Policy Matrix to meet its medium-term targets.
- 3.4 The Executing Agency is responsible for collecting all necessary data for monitoring and evaluation. The authorities are responsible for the costs associated with the collection and processing of this data, as part of the investments being undertaken with external financing in the sector. It is expected that this Program and the operations related to the sector outlined in this document, will provide the necessary resources to maintain pertinent information to follow-up the outcomes of this Program and its impact on an ex-post basis.

IV. POLICY MATRIX

- 4.1 The Policy Matrix sets out the reform objectives for the 2009-2010 period, with the respective conditions for this first Operation, and triggers for the second

²³ Also, in the area of revenue, the project team and the GOH will include an analysis of the outcomes as they relate to the execution of the CIDA Program Revenue Generation. The evaluation must take into account how the actions undertaken under this program impacted the policy decisions and outcomes associated with this Program.

Operation. The trigger mechanisms identified in the dialogue with the authorities will become conditions precedent to disbursement for the second and final Operation of this programmatic series.

GRANT PROPOSAL
HAITI
Fiscal Sustainability I
(HA-L1029)
PROGRAMMATIC POLICY BASED GRANT
POLICY MATRIX 2009 - 2010

Problem	Objective of the program	Actions Taken	Conditionalities 1st Policy Based Grant Operation	Triggers Mechanisms for second Policy based Operation	Key expected outcomes in the medium term of the Program
	Maintain macroeconomic stability.		Sound macroeconomic framework maintained in accordance with the objectives of this Program.	Sound macroeconomic framework maintained.	Macroeconomic Sustainability.
Internal Revenue: Cumbersome tax legislation structure and organizational deficiencies prevent the DGI from achieving the government's revenue objectives.	Broadening the tax base and strengthening tax administration (through, a reduction in collection costs and measures to reduce tax evasion).	Consultant to prepare the new tax code was hired. New organic law for the DGI was prepared. An institutional and IT strengthening Master Plan 2009-2013 has been developed.	The new tax procedural code has been drafted and submitted to MEF authorities. The new and reviewed DGI Organic Law has been sent to the Parliament for approval.	Submission to and approval by Parliament of the new tax procedural code. The new organizational structure defined in DGI Organic Law has been approved by Parliament and is being implemented. The new integrated tax management software has been acquired and is being installed. The equipment and software for implementing the centralized tax database has been installed and the tax database is being generated.	DGI operates nationwide with adequate organizational structure and modern tax management instruments. Increased efficiency in tax collection and enforcement efforts. Updated and improved information about tax collection activities. Increased revenue collection at least 1% of GDP by 2010.

Problem	Objective of the program	Actions Taken	Conditionalities 1 st Policy Based Grant Operation	Triggers Mechanisms for second Policy based Operation	Key expected outcomes in the medium term of the Program
Customs: The lack of information has exacerbated structural and control weaknesses that can facilitate fraud, smuggling, and another illicit activities.	Strengthening Customs Administration.	The new Customs Code has been prepared and submitted to the Parliament for its approval.	SYDONEA World system has been installed in three principal ports of entry: Cap Haïtien, Saint Marc and Port au Prince (air and Sea Ports). Two customs control post located in commercial roads are operational.	The new Customs Code has been approved by Parliament and is being implemented. A comparative analysis of tax projections and realizations and publish results should be prepared quarterly starting in FY10. SYDONEA WORLD has been installed in six principal customs posts. All administrative and operational procedures are fully documented and operational in all custom offices. Personnel trained on new procedures according to the requirements of the New Customs code. All customs offices are connected to the nationwide intranet customs network. A result oriented managerial model with performance indicators, is being implemented for nationwide operations.	All customs offices are interconnected with the nationwide customs network. The AGD operates according to basic international standards. Increased tax collection, reducing the gap between the customs tax collection projections and the real collection by 20%.
Expenditure Management: There are some conceptual and information	Achieving strategic allocation of resources.	The MEF has developed some capacities in budget	Limit current account spending to no more than 10% of non-wage current	Limit to no more than 10% of total expenditures through current accounts and improve	Budget execution and payment of non wage expenditures are fully decentralized.

Problem	Objective of the program	Actions Taken	Conditionalities 1 st Policy Based Grant Operation	Triggers Mechanisms for second Policy based Operation	Key expected outcomes in the medium term of the Program
weaknesses within the public financial management system.	<p>Strengthen the role of the budget as an instrument for efficient and transparent management of public expenditures.</p> <p>Improve public information on budgetary expenditure allocation and disbursements.</p>	execution by improving registry procedures, budget classification and the chart of accounts, as well as information systems.	<p>expenditure.</p> <p>A module for the <i>Système de Gestion du Programme d'Investissement Public</i> (SYSDIP) has been developed and implemented.</p> <p>The link with the Central Bank for the automatic transfer of the current account information to the Treasury has been developed and submitted to the Central Bank for its testing and approval.</p>	<p>execution rate of investment budget (specially those investment projects financed by external resources).</p> <p>The new organizational structure of the DGTPC has been implemented and documented with operational manuals.</p> <p>Prepare a new integrated and multi-year PIP, based on sector strategies.</p> <p>Budget and accounting codes are harmonized according to international standards.</p> <p>Define the expenditure ceilings amounts for each Ministry at the beginning of the budget preparation process.</p> <p>Develop an incentive mechanism for spending entities to keep the SYSDEP updated, (which tracks investment spending).</p> <p>Start publishing the execution of the budget on a quarterly basis that allows seeing what has been financed compared to what was programmed to be financed and allocated to a sector.</p>	<p>Improved fiscal discipline and strategic allocation of resources to alleviate poverty.</p> <p>Optimization of the use of domestic and external resources, especially those that have an impact in poverty reduction.</p> <p>Integrated and multi-year PIP, based on sectoral strategies is prepared.</p>

Problem	Objective of the program	Actions Taken	Conditionalities 1 st Policy Based Grant Operation	Triggers Mechanisms for second Policy based Operation	Key expected outcomes in the medium term of the Program
Public Debt Management Debt management is being effectively entrusted to the MEF and since the Ministry will start issuing debt instruments, it is necessary to strengthen the DDP within the MEF.	Strengthen Government public debt management capacity.	BRH has transferred the responsibility of maintaining the database to MEF at the <i>Direction de la Dette Publique</i> (DDP). ¹ The DDP updates its database at every payment cycle, ensuring that the authorities' database is as much as possible in line with the creditors.	The debt management software SYGADE for centralized public debt database has been installed and it is operational at BRH and DDP in the MEF. DDP maintains the database and publish on quarterly basis reports on external and foreign currency denominated debt following the General Data Dissemination System (GDDS) ² format. .	DDP will define clear objectives and a strategy for public debt management. Develop and implementation of the interface SYGADE-SYSDEP. The new law on debt management has been submitted to Parliament and approved and has been complemented with appropriate rules and regulations, procedures and function manuals as well as individual job descriptions for all DDP staffs. Creation of a Debt management Committee composed by representatives of the MEF and BRH and Ministry of Planning. ³ DDP has the capacity to undertake at least once a year a DSA assessment and prepares its first DSA.	DDP has been set at MEF and the necessary staffs, with the required qualification have been allocated. Payments and disbursements of public debt are recorded in SYGADE in due time and debt service is ordered avoiding arrears. Conciliation of figures has been carried out with creditors and the database in SYGADE lined up accordingly. Quarterly statistical reports on public debt, including external and domestic debt denominated in foreign currency are published on regular basis following GDDS standards. DSA assessment is produced at least once a year by DDP.

¹ Currently the Central Bank of Haiti and the MEF are jointly responsible for debt management in Haiti. However, this responsibility, within the new law on the "Direction Générale du Trésor et de la Comptabilité Publique" will be shifted to MEF, BRH remaining the financial agent of the government.

² The principal goal of the GDDS is to assist countries in the development of their overall statistical systems. The emphasis is on the quality of the data and the dissemination practices for economic, financial, and socio-demographic statistics. The GDDS focuses on assisting countries to formulate comprehensive, but prioritized, plans for improvement of compilation and dissemination practices; see <http://dsbb.imf.org/Applications/web/gdds/gddsfaq/>. Regarding external debt, a set of tables of the IMF Guide for Users and Compilers of External Debt Statistics are required.

³ This committee will have to perform executive debt management functions: define rules and regulations, objectives and strategy as well as support to the DDP to carry out its duties.

Problem	Objective of the program	Actions Taken	Conditionalities 1 st Policy Based Grant Operation	Triggers Mechanisms for second Policy based Operation	Key expected outcomes in the medium term of the Program
					DDP in coordination with BRH, the financial agent, issues domestic debt on behalf of the Treasury.
Fiscal Transparency Weaknesses of control systems and lack of clear anticorruption strategies are reducing the fiscal transparency and the efficacy of the use of public resources.	Enhance transparency and financial accountability by applying the legal control provisions as specified in the organic Budget Law to create an environment conducive to an efficient control of public expenditures.	Development of internal and external control systems; by the Creation of the IGF by Decree in 2006 to begin controlling, auditing, and inspection public sector, mixed and private entities that benefit from public funds.	<p>Financial controllers have been recruited, trained and deployed in the main Ministries: (Health, Education, Public works and Agriculture).</p> <p>Submission of the 2005-2006 and 2007 Audit reports of CSCCA to Parliament and Publication <i>des Comptes Généraux de l'État</i> according to the standard procedures and the law.</p> <p>Approval and initiation of implementation of the new law Financial Disclosure of Assets for Public Officials.</p> <p>Approval of the Anti-Corruption strategy by Government by the Counsel of Ministries.</p>	<p>Revise the legal texts to eliminate the option of ex ante controls over public expenditure execution exercised by the IGF, and streamline IGF staff to focus on operational activities.</p> <p>Submission of the 2008 and 2009 Audit reports of CSCCA to Parliament and Publication <i>des Comptes Généraux de l'État</i> according to the standard procedures and the law.</p> <p>Adoption of a law on asset declaration and submission of one annual compliance report on monitoring of asset declarations covering the preceding year. The report should be approved by the CSCCA and Parliament</p> <p>Implementation of the Anti-Corruption strategy.</p>	<p>Reduced corruption and waste means greater returns on public and private investments.</p> <p>Audit reports of <i>des Comptes Généraux de l'État</i> are published according to the standard procedures and the law.</p> <p>Annual compliance report on monitoring of asset declarations covering the preceding year is approved by the CSCCA and Parliament.</p> <p>The Anticorruption Strategy is validated and implemented.</p>

Problem	Objective of the program	Actions Taken	Conditionalities 1 st Policy Based Grant Operation	Triggers Mechanisms for second Policy based Operation	Key expected outcomes in the medium term of the Program
Transport Infrastructure –Road Sector: Management of road assets and development of the road network needs to be improved.	Reduce and ultimately eliminate structural weaknesses identified in the MTPTC (improve the road network analysis and planning capabilities; establish a sound, permanent and effective “maintenance function”).	A strategy for road maintenance has been developed by MTPTC.	Strategy for road maintenance has been developed and approved by MTPTC. Proposal to reorganize MTPTC has been prepared and approved by the Minister.	MTPTC shall present: (i) an optimized strategy and budget for the management and development of the road network during 2010-2015; (ii) a plan to increment funding for road maintenance in 2010-2015; and (iii) proof that at least 200 km of the road network in general are being maintained through annual contracts with microenterprises or community organizations.	Improved capacity of MTPTC to manage and develop the road network in a more efficient and rational way. Improved capacity of MTPTC to interact with other branches of the GOH and with donor and development agencies. Guarantee rationality and durability of investments.
Energy sector: Electricity transfers due to subsidized electricity prices and inefficiencies are unsustainable.	Achieving long term and sustainable development of the electricity sector and limit treasury transfers to the EDH to those required to support investments to increase supply and production quality and efficiency.	Important efforts and investments to reduce losses and improve the quality and reliability of the electricity supply are being implemented.	EDH is implementing new business management systems to improve efficiency.	Publish and implement a new electricity tariff structure at economic and efficient cost-recovery levels, while protecting poorer households. EDH new business management systems are operating and four experts for the commercial, finance, technical and planning divisions has been hired to strengthen the capacities at the senior management level to strengthen the capacities at the senior management level. The new Energy Unit in the	Improved efficiency and sustainability of EDH’s and the energy sector. Maintain the CRI at a minimum that ensures that what is being gained with the tariff increase is not lost by weak billing and cash recovery Eliminate transfers to the EDH to cover recurrent expenditures.

Problem	Objective of the program	Actions Taken	Conditionalities 1 st Policy Based Grant Operation	Triggers Mechanisms for second Policy based Operation	Key expected outcomes in the medium term of the Program
				MTPTC has been organized and is monitoring the energy sector, discussing energy issues and proposing energy policies. Agree on a Cost Recovery Index (CRI) methodology and baseline numbers from which efficiency will be gauged in the future.	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/09

Haiti. Nonreimbursable Financing ___/GR-HA to the Republic of Haiti
Fiscal Sustainability I

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 Account, 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 a fiscal sustainability I program. Such nonreimbursable financing will be for an amount of up to US\$25,000,000 or its equivalent in other currencies, except that of Haiti, that forms part of the Account, and will be subject to the Terms and Conditions and the Special Contractual Clauses of the Project Summary of the Project Report.

LEG/SGO/HA-2060594-09
HA-L1029