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The World Bank

Report No:ICR000094

# IMPLEMENTATION COMPLETION AND RESULTS REPORT
( IDA-40290HA and IDA-H1420HA )

ON

AN ADJUSTMENT CREDIT (SDR24.3 MILLION)

AND

AN ADJUSTMENT GRANT(SDR 16.4 MILLION)

TO

THE REPUBLIC OF HAITI

FOR

AN ECONOMIC GOVERNANCE REFORM OPERATION

OCT 25, 2006

**Poverty Reduction and Economic Management Department (LCSPR**
**Caribbean Country Management Unit (LCC3C)**
**Latin America and Caribbean  Region (LCR)**

## CURRENCY EQUIVALENTS

( Exchange Rate Effective 09/28/2006 )

Currency Unit = HG$

HG$ 1.00 = US$ 0.026

US$ 1.00 = HG$ 38.1

Fiscal Year

October 1-September 30

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| AAN | National Airport Authority |
| AAP | Assessment and Action Plan |
| APN | National Port Authority |
| CAMEP | Metropolitan Water Authority |
| CNMP | National Procurement Commission |
| CSCCA | Supreme Audit Institution |
| CSO | Civil Society Organization |
| EDH | National Electricity company |
| EGRO | Economic Governance Reform Operation |
| EGTAG | Economic Governance Technical Assistance Grant |
| EPCA | Emergency Post-Conflict Assistance |
| EU | European Union |
| FER | Road Maintenance fund |
| FY | Fiscal Year |
| GDP | Gross Domestic Product |
| HIPC | Heavily Indebted Poor Countries |
| I-PRSP | Interim Poverty Reduction Strategy Paper |
| ICF | Interim Cooperation Framework |
| IDA | International Development Association |
| IDB | Inter-American Development Bank |
| IMF | International Monetary Fund |
| MEF | Ministry of Economy and Finance |
| NEPO | National Education Partnership Office |
| NFO | National Partnership Fund |
| NGO | Non- Governmental Organization |
| PIP | Public Investment Program |
| PRGF | Poverty Reduction and Growth Facility |
| SMP | Staff Monitored Program |
| TELECO | Telecommunications Utility |

| | |
|---|---|
| TSS | Transitional Support Strategy |
| ULCC | Anti-Corruption Unit |

| | |
|---|---|
| Vice President: | Pamela Cox |
| Country Director: | Caroline D. Anstey |
| Sector Manager: | Mauricio Carrizosa |
| Program Team Leader: | Antonella Bassani |

**Haiti**
**Haiti Economic Governance Reform Operation**

## CONTENTS

## 1. Basic Information

| | | | |
|---|---|---|---|
| Country: | Haiti | Program Name: | Haiti Economic Governance Reform Operation |
| Program ID: | P089873 | L/C/TF Number(s): | IDA-40290,IDA-H1420 |
| ICR Date: | 10/31/2006 | ICR Type: | Core ICR |
| Lending Instrument: | SAL | Borrower: | GOVERNMENT OF HAITI |
| Original Total Commitment: | XDR 40.7M | Disbursed Amount: | XDR 40.7M |
| **Implementing Agencies**<br><br>Ministry of Economy and Finance | | | |
| **Cofinanciers and Other External Partners** | | | |

## 2. Key Dates

| Process | Date | Process | Original Date | Revised / Actual Date(s) |
|---|---|---|---|---|
| Concept Review: | 08/19/2004 | Effectiveness: | 01/10/2005 | 01/10/2005 |
| Appraisal: | 11/10/2004 | Restructuring(s): | | |
| Approval: | 01/06/2005 | Mid-term Review: | | |
| | | Closing: | 12/31/2005 | 03/31/2006 |

## 3. Rating Summary

### 3.1 Performance Rating by ICR

| | |
|---|---|
| Outcomes: | Satisfactory |
| Risk to Development Outcome: | Satisfactory |
| Bank Performance: | Satisfactory |
| Borrower Performance: | Satisfactory |

| 3.2 Quality at Entry and Implementation Performance Indicators | | | |
|---|---|---|---|
| **Implementation Performance** | **Indicators** | **QAG Assessments (if any)** | **Rating:** |
| Potential Prob. Program at any time (Yes/No): | No | Quality at Entry (QEA): | None |
| Problem Program at any time (Yes/No): | No | Quality of Supervision (QSA): | None |
| DO rating before Closing/Inactive status: | Satisfactory | | |

| 4. Sector and Theme Codes | | |
|---|---|---|
| | **Original** | **Actual** |
| **Sector Code (as % of total Bank financing)** | | |
| General public administration sector | 75 | 75 |
| Telecommunications | 4 | 4 |
| Power | 5 | 5 |
| General transportation sector | 12 | 12 |
| General water, sanitation and flood protection sector | 4 | 4 |
| | **Original Priority** | **Actual Priority** |
| **Theme Code (Primary/Secondary)** | | |
| Macroeconomic management | Primary | Primary |
| Public expenditure, financial management and procurement | Primary | Primary |
| Other accountability/anti-corruption | Secondary | Secondary |
| Other public sector governance | Primary | Primary |
| Other human development | Secondary | Secondary |

| 5. Bank Staff | | |
|---|---|---|
| **Positions** | **At ICR** | **At Approval** |
| Vice President: | Pamela Cox | Pamela Cox |
| Country Director: | Caroline D. Anstey | Caroline D. Anstey |
| Sector Manager: | Mauricio Carrizosa | Mauricio Carrizosa |
| Program Team Leader: | Antonella Bassani | Auguste Tano Kouame |
| ICR Team Leader: | Antonella Bassani | |
| ICR Primary Author: | Clara Ana Coutinho Sousa | |

## 6. Program Context, Development Objectives and Design

### 6.1 Context at Appraisal

*(brief summary of country macroeconomic and structural/sector background, rationale for Bank assistance)*

Haiti is the poorest country in the Latin America and Caribbean region and among the poorest in the world. The impact of prolonged political conflict and violence, poor economic governance, cycles of high external assistance followed by withdrawal of economic support, and natural disasters has been severe. Real income per capita has declined on average by 2 percent annually over the past twenty years. Also, Haiti's pattern of socio-economic development has been characterized by marked inequalities in access to productive assets and public services, which, together with low growth, has resulted in widespread poverty.

Following the resignation on February 29, 2004 of President Jean Bertrand Aristide, a Transitional Government was created with a mandate to hold free and fair elections and hand over power to a new government in early 2006. Faced with the formidable challenges of deep-seated political instability and violence, weak institutions, and inefficient resource allocation and use, the Transitional Government requested international support for its Interim Cooperation Framework (ICF) presented at an international donors conference that took place in Washington in July 2004. In the ICF, the Government identified priority interventions and associated financing needs to support Haiti's path to economic, social and political recovery during the July 2004-September 2006 transition period. The ICF was based on four pillars: (i) strengthening political governance and promoting national dialogue; (ii) strengthening economic governance and contributing to institutional development; (iii) promoting economic recovery; and (iv) improving access to basic services. IDA played a key supporting role to the Government, along with other donors, in the preparation of both the ICF and the donors conference. The donor conference generated US$1.08 billion in new pledges for Haiti for 2004-06, including an exceptional IDA allocation of US$150 million.

Weaknesses in economic governance represent one of the most serious obstacles to economic growth and poverty reduction in Haiti. In the area of economic governance, the Transitional Government identified in the ICF an ambitious program of reforms focused on the following critical areas: (i) budget formulation, execution and reporting; (ii) ex-ante and ex-post financial controls; (iii) public procurement; (iv) strengthening of human resources for policy formulation and program implementation; and (v) public enterprise management. A sixth area of interventions highlighted anti-corruption efforts and the strengthening of capacity to monitor reform progress and public sector outputs.

The Economic Governance Reform Operation (EGRO) supported critical economic governance reforms identified by the Government in the ICF. The operation was a key component of IDA's program of re-engagement in Haiti as described in the Transitional Support Strategy (TSS) for FY05-06 discussed by the Board in January 2005. In support of the ICF, the strategy was designed to support interventions to deliver hope to the Haitian population and restore credibility in public institutions by helping the Government deliver quick wins in the provision of basic services and job creation and launch reforms that promote longer-term economic governance and institutional development.

**6.2 Original Program Development Objectives (PDO) and Key Indicators (as approved)**

The Economic Governance Reform Operations (EGRO) in the amount of SDR 40.7 million (US$61 million equivalent) supported the Government's implementation of critical economic governance reforms to increase transparency and efficiency in the use of public resources and external assistance. The key objectives were: (a) improvement of budgetary processes and financial controls; (b) strengthening of public procurement processes; (c) stepping up of anti-corruption efforts; (d) improving efficiency and transparency in the management of public enterprises and the Road Maintenance Fund; and (e) creating a mechanism for civil society to monitor economic governance reforms and supporting Government communications efforts to increase public understanding and raise awareness of governance reforms.

The preparation of the EGRO was carefully coordinated with the IMF, IDB and other donors. It was underpinned by the analysis of economic governance weaknesses contained in the Government's Economic Governance Strategic Group Sectoral Report (background paper for the ICF prepared by an inter-ministerial team supported by donors, including World Bank staff, in April-June 2004), as well as analytical work undertaken by IDA, IMF, IDB and other donors and institutions. Technical assistance for the implementation of the economic governance reforms supported by the EGRO was provided by IDA through a LICUS grant that was approved in September 2004 (US$1.5 million) and an Economic Governance Technical Assistance IDA grant (US$2 million) approved in May 2005.

The EGRO consisted of a credit of SDR 24.3 million (US$ 36.5 million equivalent) and a grant of SDR 16.4 million (US$ 24.5 million equivalent). The operation was disbursed in two tranches. The first tranche, of US$46 million equivalent (of which US$27.5 million equivalent in the form of credit and US$18.5 million equivalent in the form of a grant) was disbursed upon effectiveness in January 2005, based on actions taken by the Government prior to Board presentation. The second tranche was disbursed in March 2006, upon completion of the actions agreed with IDA, for an amount of US$15 million equivalent (of which US$ 9 million equivalent in the form of credit and US$6 million equivalent in the form of grant). Following the disbursement of the second tranche of the Credit, the government continued to implement follow-up actions and reforms in areas supported by EGRO.

The Government Letter of Development Policy (Annex 6 to the EGRO Program Document) included a number of outcome and benchmark indicators to help gauge progress toward achieving the objectives of the Government s program supported by the EGRO.

**6.3 Revised Program Development Objectives and Key Indicators (if applicable, as approved by original approving authority) and Reasons/Justification**

Credit objectives remained unchanged.

**6.4 Original Policy Areas Supported by the Program (as approved)**

The EGRO supported reform measures in the following main areas:

a. **Ensuring a sound macroeconomic framework**. A key element of the Government s strategy was the maintenance of a sound macroeconomic framework through satisfactory implementation of the macroeconomic stabilization program prepared in consultation with the IMF. Haiti's macroeconomic framework after the inauguration of the Transition Government was established under the Fund staff-monitored program (SMP) covering the period April-September 2004. Over the following two years, the authorities macroeconomic program was supported by the IMF Emergency Post-Conflict Assistance (EPCA), with disbursements in January and October 2005. The EGRO incorporated the maintenance of a sound macroeconomic framework as tranche release conditions, as well as the macroeconomic targets of the Government s macroeconomic stabilization program agreed with the IMF in the context of the Emergency Post Conflict Assistance as benchmark indicators.

b. **Fiscal management, budget processes and financial control**. To strengthen the role of the budget as an instrument of efficient and transparent management of public expenditures, the Government s agenda during 2004-06 included measures to ensure: (i) timely formulation and approval of budgets; (ii) reduction of the resources channeled through the *comptes courants* held by individual ministries and increasing transparency in their use; (iii) adequate internal controls; (iv) expansion of the automated system for budget information and management; and (v) wide dissemination of key budget execution data. The Government also planned to strengthen the preparation and execution of the public investment program and design and adopt a framework for a closer monitoring of the poverty content and impact of public expenditures. The EGRO included the following measures as tranche release conditions: (i) adoption of the budgets for FY2005 and FY2006, reflecting key objectives of the ICF, before the start of the fiscal year and regular public dissemination of key budget allocations and execution information; (ii) a drastic reduction in the use of discretionary spending through ministerial *comptes courants* and wide dissemination on their use; and (iii) strengthening the external audit function with a decree on the organization and functioning of the supreme audit institution, the *Cour Superieure des Comptes et Du Contentieux Administrative* (CSCCA).

c. **Public Sector Procurement**. Another element of the Government s economic governance reform agenda was improving transparency and efficiency in the procurement process and laying the foundations for deeper medium term procurement reforms. The EGRO included the following measures as tranche release conditions: (i) the adoption of a decree establishing the National Commission for Public Procurement (CNMP), defining thresholds of procurement contracts to be reviewed by the CNMP and re-affirming that public bids are the norm; (ii) the competitive recruitment of the CNMP members; (iii) the adoption of standard bidding documents; (iv) systematic dissemination of the results of tendered bids since December 2004 and the creation of a database of Government suppliers available to the public; and (v) the hiring of an international procurement consulting firm to help the CNMP strengthen procurement capacity in line ministries and lay the ground work for a longer term reform of the public procurement legislative framework.

d. **Anti-corruption strategy**. In line with its objective to improve the use of public resources, the Government s reform agenda included measures to fight corruption within the public sector. In this area, the EGRO I included the following measures as tranche release conditions: adoption of a decree authorizing the creation, for the first time in the country's recent history, of an Anti-Corruption Unit

(ULCC) charged with implementation of the OAS convention on corruption, development and implementation of a civil service code of ethics, and the design of a national strategy and institutional framework to fight corruption; the staffing of the ULCC on a competitive basis and the completion of a draft report on a comprehensive diagnostic survey on corruption practices in Haiti prepared with the assistance of the World Bank Institute as an input into the preparation of an anti-corruption strategy.

e. **Human resource management**. To lay the foundations for the development of a medium-term civil service reform program, the government planned to introduce an adequate incentive and accountability system to attract, maintain and motivate civil servants. The EGRO did not include specific tranche release conditions in this area whose objectives were medium and long-term in nature and where legislative changes were required for significant civil service reforms (which the Transition Government could not pursue given the lack of a Parliament). However, EGRO supported the Government efforts to start designing and implementing an efficient human resource management strategy and institutional framework to develop institutional capacity as an important element of its broader economic governance reform agenda and of legislative civil service reform efforts that could be pursued by the recently elected Government.

f. **Efficiency and transparency in the management of public enterprises and road maintenance**. To increase transparency and accountability in the management of public enterprises, the Government s economic governance reform agenda included undertaking financial audits and management reviews for the following key public enterprises: EDH, TELECO, CAMEP, APN and AAN. Although annual audits for public enterprises were required by law, they had not been systematically done or had received little follow-up. The objective of the Government was to re-establish a culture of annual audits in the major public enterprises and to assess ways to improve their organizational and managerial set up. The EGRO included as tranche release conditions the Government s launching of financial audits in at least three key public enterprises and the accounting rehabilitation of TELECO and EDH. The Government reform agenda also outlined measures to implement an efficient and sustainable mechanism for road maintenance in Haiti. The EGRO included as tranche release conditions measures to make the road maintenance fund (FER), which was created in 2004, fully operational.

g. **Public-private partnership and governance in the education and health sectors**. Another element of the Government s reform agenda was to improve the governance of the education sector (where private education accounts for 80 percent of enrollments) by establishing an Office of Public-Private Partnership (NEPO), developing procedures for the public financing of accredited private schools and initiating pilot financial transfers to a number of private schools serving poor households. In the health sector, the Government planned to issue a ministerial decree empowering public health facilities to sign contracts for provision of health services financed through micro-insurance agencies. The EGRO did not include specific tranche release conditions on these areas in order to ensure selectivity, although IDA provided technical and financial support to the Government for the creation of the NEPO and developing procedures for public financing of accredited schools.

h. **Civil society monitoring and communication around economic governance reforms.** In order to build demand for better governance and accountability and maximize its sustainability, the

EGRO supported the creation of a mechanism for civil society to monitor the implementation of economic governance reforms. EGRO also supported Government efforts to increase the understanding of and support by the population for such reforms, including through dissemination of key information on public expenditure, procurement and key governance reforms.

### 6.5 Revised Policy Areas (if applicable)

Policy areas remained unchanged.

### 6.6 Other significant changes (in design, scope and scale, implementation arrangements and schedule, and funding allocations)

None.

## 7. Key Factors Affecting Implementation and Outcomes

| **7.1 Program Performance** | | | | | | |
|---|---|---|---|---|---|---|
| **Number of tranches:** | | | | | | |
| **Tranche** | **Amount:** | **Expected Release Date:** | **Actual Release Date:** | **Release** | **Floating** | **Restructured** |
| 1 | 46,850,000.00 | 01/07/2005 | 01/10/2005 | Regular | No | No |
| 2 | 15,000,000.00 | 02/28/2006 | 03/15/2005 | Regular | Yes | No |
| **Tranche Release binding Conditions** | | | | | | |
| **Tranche** | **Condition** | **Text of Condition** | | | | **Status:** |
| 1 | 2 | Sound macroeconomic framework maintained as evidenced for example by the successful implementation of the Government macroeconomic stabilization program supported by the IMF. | | | | Met |
| 1 | 3 | Budget for FY2004-05 adopted by Council of Ministers before beginning of fiscal year on October 1. Budget should incorporate key objectives as indicated in the four pillars of the Interim Cooperation Framework (ICF), particularly those relating to the economic governance program, and the objectives of the macroeconomic stabilization program. Civil society and donors consulted during budget preparation. Approved budget widely disseminated in the country through the Official Gazette and leaflets. | | | | Met |
| 1 | 4 | Adoption by Council of Ministers of a decree, | | | | Met |

| | | | |
|---|---|---|---|
| | | satisfactory to IDA, for the establishment of the CNMP (decree also establishes procedure for defining threshold of procurement contracts to be reviewed by the CNMP and re-affirms that public bids are the norm). Appointment of Coordinator of CNMP. Preparation of TORs satisfactory to IDA, for members of the CNMP. | |
| 1 | 5 | Non-salary current public expenditures disbursed through comptes courants not exceeding 15 percent for the fourth quarter of FY2003-04 (July-September) and 10 percent for the month of September 2004. Information on use of comptes courants in past fiscal year widely disseminated. | Met |
| 1 | 6 | Adoption by the Council of Ministers of the ministerial decree authorizing the creation of an Anti-Corruption Unit as an autonomous entity under the Ministry of Economy and Finance; finalization of TORs for the Unit; appointment of the Unit Director General; and key personnel in place. Publication of the Decree in the official gazette and dissemination to the public at large for example during a press conference. Letter sent to the IDA requesting partnership in preparing a comprehensive diagnostic survey on corruption practices in Haiti; TORs for the survey are agreed with IDA. | Met |
| 1 | 7 | Appointment of the FER Director General; appointment of members of Board of Directors; Board is operational. | Met |
| 1 | 8 | The Government has undertaken the following actions: CAMEP: Calls for bids have been launched to recruit international audit and management firms to conduct a financial audit of CAMEP as well as a management and technical audit in preparation for its reform and management improvement program. APN: Calls for bids have been launched to recruit international audit firms to conduct the financial audit of APN. EDH: Call for bid for selection of international firm has been issued for accounting rehabilitation. TELECO: Accounting rehabilitation of TELECO has been completed. | Met |

| | | | |
|---|---|---|---|
| 1 | 9 | Coordinator for Communication and Relations with Civil Society appointed by the Minister of Economy and Finance. Decision on the modules of the economic governance program to be monitored by civil society made, and information is published in local papers by Ministry of Economy and Finance. TORs for the Consultative Committee and Executive Secretariat approved by Minister of Economy and Finance (TORs will include responsibility of Executive Secretariat to publish the reports prepared by civil society organizations charged with monitoring of the economic governance program). | Met |
| 2 | 1 | Sound macroeconomic framework maintained as evidenced for example by the continued successful implementation of the Government macroeconomic stabilization program supported by the IMF. | Met |
| 2 | 2 | Satisfactory execution of the FY 2004-05 approved budget in accordance with its objectives and approved allocations. Key budget execution data widely disseminated to the local media. | Met |
| 2 | 3 | No more than 10 percent of cumulative non-salary current public expenditures since beginning of FY2004-05 disbursed through comptes courants. | Met |
| 2 | 4 | Approval and publication of new decree modifying the 1983 decree on the organization and functioning of the CSCCA, consistent with the new Loi Organique on the preparation and execution of Budget Laws, and satisfactory to IDA. | Met |
| 2 | 5 | Data collection from survey on corruption practices in Haiti has been completed and first draft report on said survey has been completed. | Met |
| 2 | 6 | Competitive recruitment of members of the CNMP completed; international procurement consultant/s hired; standard bidding documents adopted; systematic dissemination on the Internet and/or local newspapers of the results of tendered bids since December 2004; creation of database of Government suppliers available to the public through the CNMP. | Met |

| | | | |
|---|---|---|---|
| 2 | 7 | First road maintenance contract awarded since FER creation; contract published. | Met |
| 2 | 8 | The Government has undertaken the following actions for at least three of the five public enterprises included in the economic governance program: CAMEP: International audit and technical review firms selected for financial audit, management and technical audit. AAN and APN: International audit firms have been competitively selected and financial audits of APN and AAN initiated. EDH: Accounting rehabilitation of EDH is ongoing and has progressed satisfactorily as per agreed work program; international audit firm has been selected to conduct financial audit of EDH; the Government has authorized the launching of calls for bids to recruit an international firm to undertake an assessment of environmental liabilities as the first of a series of studies that will lead to the preparation of the Management Contract of EDH. TELECO: International firm has been selected to carry out financial audit; decision made on option for restructuring the sector, taking into account, inter alia, the results of a sector-wide review. | Met |
| 2 | 9 | Executive Secretariat hired through a competitive process. Timely provision of information requested by civil society organizations (which would have been competitively selected by the Executive Secretariat) in charge of the monitoring of selected modules of the economic governance program. Monthly discussions of monitoring results by Government, Executive Secretariat and civil society organizations selected for monitoring of economic governance program. | Met |

**Comments**

While the Government's economic reform program included a large number of measures covering the areas detailed in section 6.4 of this Implementation Completion and Results Report and listed in Annex 6 of the EGRO Program Document, the EGRO included as tranche release conditions a sub-set of these measures (detailed above) selected on the basis of their importance and expected Government's implementation capacity.

### 7.2 Major Factors Affecting Implementation

Implementation of the program of economic governance reforms supported by the EGRO was negatively affected by the difficult security situation, particularly in the run-up to the elections. This was particularly the case for the launching of the audits of public enterprises given that international firms' interest and willingness to bid for such audits was weakened by the difficult security environment. It should be noted that the Government made an extraordinary effort, with the support of IDA's staff, to pro-actively solicit the interest of international audit firms to bid for these contracts -- a demonstration of its commitment and determination to pursue its governance efforts in this area -- and as a result was able to recruit top audit firms for four public enterprises.

Program implementation was also affected by Government weak implementation capacity. Years of political instability, insecurity and low pay have led to the loss of skilled staff. The reversal of these constraints will take time, particularly given the budgetary constraints faced by Government which limit its ability to attract and maintain skilled civil servants over the short term. Despite these limitations, the Government and IDA ensured close coordination and regular monitoring of the reform program implementation, which allowed for timely identification of problems and bottlenecks and their rapid resolution. Notable in this respect was the presence of the EGRO first task manager in the field during January-October 2005 and, in addition to supervision missions, the practice of holding regular implementation review meetings (via phone and video conferences) between the Government inter-agency implementation team and IDA staff, with these meetings being held twice per month during the period November 2005 and March 2006.

Several factors have had a positive effect on project implementation. The technical assistance, both informal during the period in which the operation was designed and through the parallel Institutional Development TA Project and LICUS Grant on economic governance, was instrumental in helping the Government design and implement the reforms. Another positive factor was the linkages between the policies and reforms introduced under the IMF EPCA and those supported by EGRO, the close coordination between the donors supporting economic governance reforms (IDA, IMF, IDB, EU and Canada) and the resulting joint donor support for certain key reforms which added momentum for the Government to act.

### 7.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

The Ministry of Economy and Finance (MEF) was the principal executing agency and had responsibility for coordinating and overseeing all aspects of the EGRO supported program. Other ministries and agencies, notably the Prime Minister Office, the Ministry of Public Works, the ULCC, the CNIMP, the CMEP, the Ministry of Education, the Ministry of Health, the Ministry of Planning and External Cooperation, and public enterprises (EdH, TELECO, APN and CAMEP) also had key roles in executing the program, and worked with the MEF in implementing program components under their respective jurisdictions.

The Bank monitored implementation through regular supervision missions as well as the presence in the field of the first EGRO task team leader and frequent phone and video conference from Washington. EGRO, the LICUS grant and the Institutional Development TA Project preparation and supervision missions also provided technical assistance and advisory services, in close coordination with other donors.

The monitoring of the EGRO program was based on the use of a matrix to track reform implementation. This matrix identified pending reform measures, bottlenecks or pending problems, expected next steps and institutional responsibilities for follow-up (on both the Government and IDA sides). This matrix was updated regularly by the Government EGRO coordinator and IDA EGRO task team leader and was used by both teams during the regular implementation review meetings and supervision missions.

### 7.4 Expected Next Phase/Follow-up Operation (if applicable)

A second EGRO operation (EGRO II, of US$23 million also in two tranches) is currently under preparation, aimed at pursuing and deepening the reforms introduced in the area of economic governance with support of the first operation and envisaged under the ICF. A matrix of reforms to be supported by EGRO II has already been identified jointly by the Government and IDA and the Government is in the process of implementing the first tranche conditionalities. EGRO II is scheduled to be presented to the Board on January 2007.

## 8. Assessment of Outcomes

### 8.1 Relevance of Objectives, Design and Implementation

*(to current country and global priorities, and Bank assistance strategy)*

The EGRO objectives, design and implementation arrangement were highly relevant to Haiti. This is based on the following considerations. First, the operation aimed at the critical objectives of the Government economic governance program as presented in the ICF, and for which the Government demonstrated strong ownership. The EGRO was also a main component of IDA's program of re-engagement in Haiti as described in the TSS which focused on supporting reforms that promote longer-term economic governance and institutional development and delivering hope through quick wins such as improved basic services delivery and job creation.

Second, a relevant design was achieved through close collaboration with other donor agencies providing assistance in the areas targeted by EGRO, including the IMF, IDB, USAID, CIDA, EU and the French Cooperation Agency and complemented their efforts. This ensured that Government efforts were focused on a commonly agreed and supported reform agenda. An economic governance group (table sectorielle) led by the Government has been operating in Haiti to help coordinate donor work and to ensure it meets Haitian priorities.

Third, the operation recognized the high level of risk involved in the implementation of the reform program (including the difficult security situation, capacity constraints in the public sector, the political transition and commitment of future governments to sustain the reforms initiated by the Transition Government) and tried to mitigate these risks through the provision of significant technical assistance, close donor coordination, the involvement of civil society in monitoring governance reforms, and communication and outreach efforts. Also, its implementation was supported by a very close collaboration between the Government and IDA staff, and regular and frequent program implementation monitoring meetings and supervision missions. Finally, the operation relied heavily on earlier studies conducted by IDA and other institutions and supported additional work (such as the diagnostic survey of the state of governance and the perception of corruption in Haiti).

**8.2 Achievement of Program Development Objectives**
*(including brief discussion of causal linkages between policy actions supported by the operation and outcomes)*

Haiti embarked on its reform program after decades of political instability, in a context of severely eroded institutions and poor governance. During 2005 and 2006, the Haitian authorities made significant progress in the implementation of economic governance reforms. These have included actions to improve the legal framework, create and strengthen core public institutions, and enhance financial management processes and procedures, as summarized in 6.4. As a result, the EGRO development objectives and key indicators have been achieved satisfactorily. All EGRO Board conditions were implemented, some prior to Board presentation in January 2005 and others prior to the disbursement of the second tranche in March 2006. While there were slight delays in the implementation of EGRO second tranche conditions, this was mainly due to the country's difficult security environment.

After the disbursement of the second tranche, the Transition Government continued the implementation of its economic governance reform program in the areas supported by the EGRO. More importantly, the recently elected Government [1] has declared its commitment to continue the economic governance reform program started under EGRO. Already, it has agreed with IDA on a matrix of reforms to be supported by a follow-on EGRO II operation (under preparation) and EGTAG II (approved by the IDA Board in June 2006), and detailed it in the I-PRSP which it completed in August 2006. Priorities under EGRO II will focus on ensuring full and effective implementation of the new legal and institutional framework introduced under EGRO. This would be accomplished first by continuing the reforms initiated in the areas of budget management, public expenditure controls, procurement, human resource management, management of public enterprises and civil society monitoring. The Government is in the process of implementing the first tranche conditionalities of EGRO II which is scheduled to be presented to the Board on January 2007. Given the nature and depth of the governance problems in Haiti and the existing weak institutional capacity, results will be incremental and take time, but continued support for these reforms will be critical for the ability of the Government to effectively use domestic and external resources for social and economic development.

Progress in the implementation of the main components and objectives of the reform program supported by the EGRO is summarized below:

### A. Ensuring a sound macroeconomic framework

During 2004-06, Haiti made significant progress toward strengthening macroeconomic stability (see Table 1).The economy gradually recovered from the shocks experienced in 2004 (political turmoil and severe floods), and annual GDP growth is expected to increase to 2.5 percent in FY2006 from 1.8 percent in FY2005[2]. However, recurring security problems have adversely affected economic activity, donor project implementation and other inflows of foreign exchange. With increased revenues and tighter expenditure controls, the central government overall deficit (including grants) was reduced from 3.5 percent of GDP in FY2003 to a projected 1.1 percent in FY2006. This has largely eliminated recourse to central bank financing of the central government deficit. This substantial fiscal adjustment has also helped reduce end-of-period inflation from 37.8 percent in FY2003 to a projected 12.4 percent in FY2006. During 2004-06, the authorities' macroeconomic program was supported by the IMF's Emergency Post Conflict Assistance program, with disbursements in January 2005 (SDR10.23 million or US$15.6 million) and October 2005 (SDR10. 25 million or US$14.7 million). The EPCA remains on track, and key end-September 2006 quantitative targets were met. An IMF PRGF arrangement covering the next three years is scheduled to be discussed by the IMF Board in November 2006.

Haiti: Selected Economic and Financial Indicators

(Fiscal year ending September 30)

| | 2003 | 2004 | 2005 | | 2006 | |
|---|---|---|---|---|---|---|
| | Actual | Actual | Prog. | Actual | Prog. | Prel. |
| (Annual percentage change) | | | | | | |
| GDP at constant prices | 0.4 | -3.5 | 2.5 | 1.8 | 2.5 | 2.5 |
| Real GDP per capita | -1.7 | -5.4 | | -0.2 | | 0.8 |
| Consumer prices (end-of-period) | 37.8 | 21.7 | 12.0 | 14.8 | 10.0 | 12.4 |
| (In percent of GDP) | | | | | | |
| Central government overall balance (including grants) | -3.5 | -2.5 | -1.2 | -0.7 | -2.3 | -1.4 |
| Current account balance (including grants) | -1.5 | -1.3 | | 1.3 | | -0.1 |
| (Changes in percent of beginning-of-period broad money) | | | | | | |
| Broad Money (including foreign currency deposits) | 39.8 | 9.1 | 12.8 | 20.3 | 6.6 | 9.1 |
| (In millions of U.S. dollars, unless otherwise indicated) | | | | | | |
| Net International Reserves 1/ | 38.8 | 54.5 | 85.4 | 70.6 | 83.6 | 125.7 |
| Liquid gross reserves 2/ | 157.1 | 207.4 | 271 | 228.5 | 264.7 | 330.8 |
| In months of imports of the following year | 1.2 | 1.4 | 1.7 | 1.4 | 1.4 | 1.8 |

Sources: Ministry of Economy and Finance; Bank of the Republic of Haiti; and Fund staff estimates.

1/ Includes commercial bank's foreign deposits with BRH.

2/ Gross reserves excluding capital contributions to international organizations

## B. Improvement of budget management and financial controls

Budget Preparation and Execution (including comptes courants). Considerable progress was achieved. Basic budgetary procedures have been restored through: (1) timely preparation and adoption of the annual budget and improved alignment of budget allocations with poverty reduction and economic recovery priorities; (2) better budget execution monitoring which resulted, inter alia, in the significant reduction in the use of discretionary accounts (comptes courants); and (3) more budget transparency through public dissemination of budget allocations and expenditures.

Following several years of budgets being approved with delays, the FY2005, FY2006 and FY2007 budgets were approved on time before the beginning of the fiscal year on October 1. These budgets and their execution reflected key objectives of the Interim Cooperation Framework, particularly those relating to the economic governance program and of the macroeconomic stabilization program. Also, the FY2006 and FY2007 budgets were prepared according to the budget nomenclature for all revenues and expenditures which was recently adopted. The approved budgets have been disseminated publicly (by posting them on the Ministry of Economy and Finance's web site, and through newspaper articles, the official gazette and leaflets) and key budget execution data have also been widely disseminated.

Efforts made by the Government to reduce drastically and regulate stringently the use of public agencies' discretionary spending through ministerial current accounts have resulted in better budget execution monitoring. The percentage of cumulative non-salary current public expenditures disbursed through comptes courants (i.e. Ministries' own accounts where, in the past, budgetary resources were channeled and used non-transparently for discretionary expenditures at the spending agency level) was reduced from 62 percent during October 2003-March 2004 to less than 15 percent for the period July-September 2004 and to less than 10 percent since September 2004 (with October being the beginning of FY2005). Information on the use of the comptes courants has been disseminated to the public and information on their use has been regularly shared with IDA. In addition, a survey of domestic payment arrears of the central government has been completed and a strategy to address them is being formulated. Also, the Government has caught up with the delays in the preparation of the Treasury accounts.

Financial Control. The external audit function was strengthened with the adoption of a decree on the organization and functioning of the CSCCA (Supreme Audit Institution). The CSCCA ex-ante control functions were removed, allowing it to focus on ex-post auditing and thereby eliminating some duplication of functions and potential conflicts of interest. The LICUS and EGTAG are supporting the training of CSCCA auditors in their new ex-post control functions. The CSCCA is catching up on delays in the auditing of the Government accounts (it has finalized the audit report for FY2002, has almost completed the one for FY2003 and plans to complete the audit of FY2004 before end CY2006). In addition, a decree on the creation of the General Finance Inspection has been adopted to ensure the good functioning of internal controls in the administration and a chart of account has been adopted. Also, the statutes on financial comptrollers are being better defined, notably to improve their independence. The first batch of recruitment of public accountants was completed with recruits for 9 ministries and units (the Ministries of Public Works, Health, Education, Interior, Internal Revenue Department, Justice, Prime Minister office, Presidency, Planning and External Cooperation and Social Affairs) currently completing their training and expecting to start their function in October 2006. Follow-on batches of recruitments are planned for October 2007 and the following three years. The recruitment of financial comptrollers has been delayed due to the poor quality of the first applicants. A new recruitment effort is ongoing with the objective of posting them in the first quarter of FY2007.

Public Investment Program (PIP). The current budget and the investment budget have been unified. Also, the Aid Coordination Unit in the Prime Minister's Office, and more recently the Ministry of Planning, has been tracking more frequently the disbursement of donor project funding. The PIPs for FY2005 and FY2006 were broadly consistent with the framework and objectives of their respective current budgets and the 2004 ICF. The ICF preparation process provided an input from donors and some civil society organizations for the preparation of these PIPs. Weaknesses however remain, notably with respect to inclusiveness of foreign financed expenditures, especially for projects financed by external grants and executed by NGOs. This is because the Haitian authorities continue to have difficulties in obtaining detailed and frequent expenditure information from some donors on projects whose execution does not require the co-signing of the Government. Also, while human resource needs for investment programming and monitoring in the Ministry of Planning and key sectoral ministries were identified in 2004, covering those needs fully was not possible due to resource constraints and other human resource recruitment priorities. The Government is targeting these areas for further improvement. Since 2005, technical assistance has been provided for the preparation of public investment programs to the Government by EGTAG I.

Monitoring of Poverty-Related Expenditures. A Poverty Map published by the Ministry of Planning and External Cooperation in 2004 identified four sectors with a high impact on poverty (education, health, water and sanitation). Next, the Government completed in September 2006 an Interim Poverty Reduction Strategy which further developed its poverty reducing expenditure priorities. In addition, it identified specific expenditures targeted to poverty for the use of HIPC resources in the FY2007 budget (see HIPC Decision Point document, September 2006). A recent Public Expenditure Management assessment (Assessment and Action Plan, AAP) to strengthen the capacity of Haiti to track poverty reducing public spending was prepared jointly by IDA/IMF staff in consultation with the authorities in June 2006. The AAP concluded that the recently introduced budget and accounting classifications allow monitoring of budget allocations and expenditures following institutional, sectoral, administrative (including development projects) and economic (expenditure types) dimensions. The budget is also presented in the budget law annexes following a functional classification with 10 broad categories (such as education and health). The AAP presented recommendations to improve the budget classification along functional and program lines in order to better track poverty expenditures. The Government intends to adopt a an automated system to track poverty related expenditure and publicly disseminate quarterly reports on the execution of these expenditure according to the AAP recommendations and consistent with the planned expansion of the automated system for budget information and management (SYSDEP) (see HIPC Preliminary Document, September 2006).

Expansion of Automated System for Budget Information and Management. Haiti has an automated financial management system, SYSDEP, which checks the availability of expenditure appropriations committed and authorized for payment. In 2005, following an evaluation of alternative systems, the Ministry of Finance decided to retain SYSDEP and sought donor assistance to expand its coverage and add additional modules. At that time, SYSDEP was installed in five Ministries (Finance, including Treasury, Planning, Health, Public Works, Interior and Local Government) as well as the CSCCA. Since then, SYSDEP has been expanded to the Ministries of Agriculture and Natural Resources, Education, Commerce and Industry, Tourism, the Prime Minister's Office, the Presidency, the Haitian Institute for Statistics, the ULCC, the Tax Directorate and the Customs Administration. Also, an interface has been introduced to connect the SYSDEP with the fiscal revenue collection system in the MEF, thus covering more than 50 percent of spending and revenue collection agencies. The Government is also in the process of installing the infrastructure needed to connect SYSDEP to 17 additional sites by end 2006, including the other remaining ministries, the Parliament and the Police.

**C. Improvement of public procurement processes**

In early 2005, the Government adopted a new Procurement Decree to establish the National Commission for Public Procurement (CNMP), re-affirm the use of competitive procurement methods as the norm and introduce other good practices in public procurement. The creation of the CNMP, which is now operational, has strengthened the institutional framework for procurement and is helping to introduce more effective procurement controls in the public administration. The recent hiring of an international procurement consulting firm will allow the CNMP to perform an extended range of its mandated functions, in particular those associated with strengthening procurement capacity in line ministries which is ongoing. The CNMP has also conducted a series of workshops with public sector procurement officials to publicize the new decree and the Commission's role in implementing it. In addition, the CNMP has produced standard bidding documents for civil works which were adopted through a communication signed by the Prime Minister requiring all public sector entities to apply them. Finally, clear advances in transparency have been achieved through the publication of lists of government contracts awarded and a supplier database, both available through the CNMP website. While not all procurement contracts currently go through the CNMP due to a significant number of sole-source contracts contemplated by the law, the oversight of the CNMP has increased and the Prime Minister plans to issue a directive to all purchasing agencies before end CY2006 to request the approval of the CNMP for all contracts of more than US$1 million and thus ensure increased compliance with existing regulations. In addition, a new Procurement Law is being drafted to further strengthen the legal framework in line with international best practice and the Government plans to submit it to the Parliament for approval in CY2007.

**D. Stepping up of anti-corruption efforts**

An Anti-Corruption Unit (ULCC) was created by decree and staffed as an autonomous entity under the Ministry of Economy and Finance with the objective of developing and implementing a strategy to improve governance and fight corruption in the public sector. As part of this, in December 2005 the Unit, which is currently operational, completed a detailed comprehensive diagnostic survey (households, public, private and the NGO sectors) on the state of governance and the perception of corruption in Haiti; a report on the results of the survey has been prepared and preparation of a national anti-corruption strategy is starting based on the results of the survey. A Steering Committee was established with twenty representatives from civil society and Government to follow up on this effort. The Committee is expected to play a major role in the dissemination of the survey results (planned for October 2006) and contribute in the elaboration of the anti-corruption strategy. The Anti-Corruption Unit has also prepared a draft Law for Public Sector Employees' Asset Declaration which is expected to be submitted to Parliament in the coming months. The Unit is also developing a staff training plan that focuses on international best practices, and lessons learned from the successful and less successful efforts around the globe. IDA continues to provide technical assistance to support the ULCC's anti-corruption public sensitization efforts and the drafting of a freedom of information law.

**E. Human Resource Management and Institutional Capacity-Building**

Initial steps have been taken toward setting in place the foundations for a modern, merit-based, career civil service. Both a new civil service law and a law for the organization of the central administration were drafted and enacted by decree in July 2005. A Coordination Unit was set up in the Prime Minister Office with a mandate to oversee human resource functions, as a first step to promoting the implementation of a new civil service law. A census of employment in selected ministries has been completed, partly on an attendance list basis. With support from EGTAG I, this unit has drawn up an action plan for meeting short and medium term human resource needs. It has also initiated contacts with existing training institutes and with donors interested in providing training to develop a coordinated program aimed at meeting the most urgent needs and ensuring that this is done in the most efficient fashion. In addition, civil service salaries were increased by 30 percent in 2004, consistent with the macroeconomic program, to partly compensate for the significant erosion of salaries due to high inflation of previous years. The Transition Government also managed to attract experts from the Haitian diaspora under an OAS funded program which greatly helped address immediate skill needs in targeted positions. Recruitment and training programs have been conducted with priority on selected agencies (e.g. police, public accountants, newly created agencies such as the ULCC, CNMP and revenue collection agencies). In a significant effort to increase transparency, the FY2007 budget included in an annex a fairly comprehensive list of Government employees with their respective remunerations (this annex is also available in the MEF website).

**F. Improving efficiency and transparency in the management of public enterprises and the Road Maintenance Fund**

To improve the management and transparency of key public enterprises, and with the support of the World Bank Group (IDA and IFC), the IDB, Canada and the EC, the Government hired international audit firms on a competitive basis to undertake financial audits for the national port authority (APN), the telecommunications utility (TELECO), the national electricity company (EDH) and the metropolitan water utility (CAMEP). The audit of the ports authority (APN) has been completed and APN has prepared and is implementing an action plan to address the audit's recommendations. The audits of TELECO and EDH have also recently been completed. The Government is in the process of relaunching the bid for the financial audit of CAMEP after the selected firm decided to withdraw its offer due to security concerns. In addition, the Government has also hired an international audit firm on a competitive basis to undertake an administrative audit review of CAMEP and has selected an international firm, also competitively, to undertake its technical review. The staff of the Conseil de Modernisation des Entreprises Publiques (CMEP) was strengthened to coordinate the audit firm selection and contract preparation process. While monthly progress reports were not prepared by the CMEP as planned, its representatives participated regularly in EGRO monitoring review meetings and provided regular information on the audit hiring process as input for the EGRO monitoring matrix. The Government also undertook an accounting rehabilitation of TELECO and EDH.

Progress made within the telecom sector has proven particularly noteworthy. Following a comprehensive accounting rehabilitation and major management reorganization of TELECO, the Government recently concluded a sector-wide review indicating its intention to increase private sector involvement and intends to prepare a new telecoms law to update the sector's legal framework in line with international changes. A newly licensed mobile private operator has entered the market and has negotiated an IFC investment which was recently presented to the Board. As regards the electricity sector, the Government, EDH, and donor community signed a Memorandum of Understanding in October 2005, committing all parties to a series of measures to strengthen governance and increase the efficiency and transparency of investments in the electricity sector. The Government is also introducing a mechanism for monitoring budgetary transfers to the electricity sector; it also launched a competitive bidding process for petroleum purchases for the sector. The IDA-financed US$ 6.0 Electricity Loss Reduction Project, which was approved by the Board in Q1 FY07, will provide support to improve the quality of electricity services in Port-au-Prince and to strengthen the financial and operational performance of EDH. Efforts to mobilize resources for the audit of AAN from donors have so far been unsuccessful. The Government is committed to pursue with the audits of this institution as soon as resources are mobilized.

The Government took a number of measures to strengthen the Road Maintenance Fund (FER) which was created by law in 2003 with the objective of becoming the corner stone of the road maintenance strategy in Haiti: members of the FER Board were appointed, the list of roads whose maintenance will be financed by FER was published, budget allocations were made to ensure its functioning and the FER has reached basic institutional capacity with the recruiting of key staff and the definition of its operational procedures. Also, the first road maintenance contract to be financed by FER was awarded and the contract was signed in early 2006. As of March 2006, other routine maintenance contracts to be financed by FER were under preparation with the financial support of the EU. An IDA-supported Transport and Territorial Development project approved by the Board in late FY2006 is expected to build on and further the progress that has been achieved in this area.

**G. Institutional Arrangements for Enhanced Public-Private Partnerships and Good Governance in Education and Health**

After many years of lack of attention to sound sector social policies and given the limited public sector resources, the private sector (including NGOs) has played a critical role in providing basic education and health services. Rather than attempting to reclaim for the public sector a role that it cannot fulfill satisfactorily for lack of resources and capacity, in 2005 the authorities decided to strengthen the partnership between the public sector and private providers while strengthening the regulatory capacity of the public sector. This entails improving transfers to private schools based on transparent criteria and an accountability mechanism, and allowing public health facilities to sign services agreements with private health insurance agencies especially outside the capital city.

However, delays were encountered in the implementation of these measures. In 2006, the Government drafted legislation for the creation of the National Education Partnership Office (NEPO) and the National Partnership Fund (NPF) and submitted it to Parliament for approval in early October 2006. The NEPO is designed to promote policy dialogue and operational coordination between the public and non-public education sectors, including supervision and evaluation of non-public schools by the State while the companion NPF would provide a public financing mechanism to help poor families pay for the school fees of their children in non-public schools. This is the first real education sector governance structure which encompasses all key education stakeholders, promoting not just effective dialogue between the public and non-public sectors but also accountability and transparency in the use of public education funds, particularly those channeled through the National Partnership Fund.[3] While the Government has reiterated the importance of promoting policy dialogue and operational coordination between the public and non-public health sectors, limited progress has been made on this.

**H and I. Civil society monitoring mechanism and communication and outreach on economic governance reforms**

In 2005 the Government set up a mechanism for civil society to monitor the Government's program of economic governance reforms. The creation of such a mechanism required significant capacity building on both the Government and civil society organizations side due to the novelty of such an approach in Haiti, and thus encountered some initial delays. However, as a result of important efforts from all parties involved, the civil society monitoring mechanism was operational by early 2006 and regularly monitoring reports have been prepared on progress made in the implementation of governance reforms.

As part of this effort, in April 2005, a workshop was held in Port-au-Prince attended by civil society organizations and relevant government entities to jointly define the monitoring framework and indicators. In June 2005, a Consultative Committee was established consisting of twelve reputable members of eight sectors of civil society, including the private sector, academia, grassroots and women organizations, and the churches. In November 2005, the Consultative Committee competitively hired a Haitian think tank (ECOSOF) as its Executive Secretariat. Five civil society organizations (CSOs) were also competitively hired to monitor the five components of the economic governance program. The Consultative Committee has been meeting on a regular basis with representatives from the Ministry of Economy and Finance to discuss progress made in the setting up of the monitoring mechanism. The first monthly discussion of monitoring results by the Executive Secretariat and CSOs was held on February 16, 2006, and by the Government, the Consultative Committee and Executive Secretariat was held on March 2, 2006, and other meetings have followed since. The summary of the CSOs' monitoring reports has been published on the Ministry of Economy and Finance website. A workshop with civil society organizations and Government relevant agencies and ministries was held in June 2006 to review the experience with such a mechanism to date and identify adjustments in its functioning to improve its effectiveness. As a recommendation of the workshop, going forward the CSOs' monitoring reports will be prepared on a quarterly basis to better reflect the pace of reforms and improve their quality. Some of the observations contained in the CSOs' reports have informed the design of the components of EGRO II and thus affected Government's policies.

The EGRO also supported Government efforts to increase understanding and raise awareness of governance reforms. The Ministry of Economy and Finance appointed a civil society and communication coordinator, and prepared a draft communication strategy. The Government prepared a proposal for a LICUS grant to finance the implementation of the strategy. Also, the Minister of Economy and Finance held press briefings and interviews and articles on economic governance themes were published to raise awareness about the governance reform program; it circulated the ICF in French and Creole and the economic governance thematic report; and the Ministry's website is now updated more regularly and its users have increased in numbers.

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[1] Presidential and Parliamentary elections took place in early 2006. The new coalition government headed by Prime Minister Alexis received almost unanimous approval in Parliament in June 2006.

[2] The Haitian fiscal year runs from October 1 to September 30. For example, FY2005 refers to the fiscal year 2004.

[3] The NEPO is expected to be governed by an eight-member Board of Directors which will include representatives from non-public education service providers, parents' associations, teachers' unions, the Ministry of Finance and the Ministry of Education.

**8.3 Justification of Overall Outcome Rating**
*(combining relevance and achievement of PDOs)*

Rating: Satisfactory

Objectives, design and implementation were relevant to Haiti's priorities and to the Bank strategy. The operation's objectives were achieved and the sustainability of the reforms implemented is likely over the medium-term. The Government has continued implementation of the reforms in the context of a follow-on IDA Operation (EGRO II) supporting the second phase of the economic governance reform program

**8.4 Overarching Themes, Other Outcomes and Impacts**
*(if any, where not previously covered or to amplify discussion above)*

**(a) Poverty Impacts, Gender Aspects, and Social Development**

The EGRO supported the Government's efforts to improve the allocation, efficiency and effectiveness of public expenditure, improve transparency and accountability in the public sector and increase the country's absorption capacity for external resources. These efforts are expected to have a positive impact on public service provision and improved environment for private sector activity, growth, employment creation and poverty reduction.

**(b) Institutional Change/Strengthening**
*(particularly with reference to impacts on longer-term capacity and institutional development)*

**The development and strengthening of core institutions for economic governance was an important component of the EGRO**. Specific areas where the EGRO has had an impact include: the strengthening of the CSCCA, though the adoption of a decree which clarifies its attributions and the hiring and training of technical staff; the establishment of the CNMP, which is now operational and is helping to introduce more effective procurement controls in the public administration; the financial, technical and organizational auditing of several SOEs; the creation and staffing of the Anti-Corruption Unit (ULCC), as part of the Government plan to develop and implement an anti-corruption strategy; strengthening of the FER, to improve efficiency and transparency in the management of road maintenance; and the establishment of a Consultative Committee to develop and implement a mechanism for civil society to monitor the economic governance program as well as strengthen civil society organizations involvement and expertise on issues of economic governance, thus helping to create demand in the country for governance reforms.

**(c) Other Unintended Outcomes and Impacts (positive or negative, if any)**

**8.5 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops**
*(optional for Core ICR, required for ILI, details in annexes)*

## 9. Assessment of Risk to Development Outcome

Rating: Satisfactory

**Given Haiti's history of political instability and fragile security situation, as well as weak institutional capacity, risks to the development outcome remain significant.** However, recent developments in Haiti indicate that the governance reforms supported by the EGRO program are being pursued and deepened for the following reasons: (i) the government commitment to and ownership of the project are strong as indicated by the commitment shown during implementation of the program and recent endorsement to the reforms by the newly elected government; and (ii) donor support for the program objectives and activities is well coordinated. The level of donor coordination is high and the commitment to support Haiti remains strong as evidenced in the July 2006 donor conference. The mechanisms now in place to broaden citizen understanding of the reform process and involve civil society in the monitoring of progress will also be critical to sustain the reforms introduced with EGRO support.

## 10. Assessment of Bank and Borrower Performance

*(relating to design, implementation and outcome issues)*

### 10.1 Bank Performance

### (a) Bank Performance in Ensuring Quality at Entry

*(i.e., performance through lending phase)*

Rating: Satisfactory

**Bank performance in ensuring quality at entry was satisfactory**. IDA supported the Government in the identification of its economic governance program conducted in the context of the 2004 ICF. In fact, IDA staff were the focal point for the donor community for the economic governance pillar of the ICF and for the preparation of the background paper on economic governance which defined the Government's program of reforms for 2004-06. Such program informed the design of EGRO, ensured Government's ownership of these reforms and offered a framework for donors' increased coordination around the reforms supported by EGRO. Also, the EGRO program design owes much to a number of studies (e.g., the Country Procurement Assessment Review) which informed the focus and content of the reforms.

Collaboration with the IMF has been close and an active dialogue and close coordination in the identification of technical assistance needs were conducted with other donors such as the IDB, Canada and EU (also involved on economic governance in Haiti), in particular in the areas of audits of key public enterprises (EDH and CAMEP) for which these donors provided financing. IDA also heavily supported the Government's efforts to introduce a mechanism for civil society to monitor economic governance reforms, by providing technical assistance for the definition of the monitoring framework and for an assessment of the functioning of the mechanism through workshops with interested parties.

As such, the EGRO was fully consistent with one of the key pillar the Government's own development strategy and the TSS. IDA is perceived by the authorities as supportive and understanding of the challenges faced by the country in pursuing its economic governance agenda, notably the human resource capacity constraints.

**(b) Quality of Supervision**

*(including M&E arrangements)*

Rating: Satisfactory

**Bank quality of supervision was satisfactory**. After the disbursement of the first tranche, the Bank remained fully engaged with the authorities, providing technical assistance and closely monitoring the implementation of the program. In order to address capacity bottlenecks, IDA complemented the assistance under the EGRO with technical assistance provided by an Economic Governance LICUS grant and two Economic Governance Technical Assistance Grants.

IDA staff, which included specialists for each of the reforms targeted, also worked closely with the Government staff and partner donors (EU, Canada and IDB) throughout the implementation of the reform program (even after disbursement of the EGRO second tranche) to help address implementation bottlenecks as these emerged. Also, IDA set up, jointly with the Government, a supervision and monitoring mechanism which relied on frequent and regular reviews of reform implementation status via phone and video conferences with the Government's team (which during November 2005 and March 2006 took place twice per month), weekly updating of an implementation tracking matrix and regular missions by team members. While the original assumption of the timing of the second tranche proved out to be optimistic, the supervision and monitoring arrangement jointly set up with the Government ensured that the implementation bottlenecks were addressed and second tranche conditions were fully met.

As indicated above, the work with the authorities continues, as a follow-on EGRO II is under preparation to support the second phase of the Government economic governance reform program, thus providing continuity and sustained support for these reforms.

**(c) Justification of Rating for Overall Bank Performance**

Rating: Satisfactory

**The overall performance of the Bank is considered satisfactory**. IDA staff supported the Government's own identification of reforms (through the ICF process), provided extensive technical assistance relating to the preparation and implementation of the EGRO supported program and helped leverage that of other donors, ensured coordination with the IMF and these donors, and ensured close monitoring of EGRO program implementation through frequent and regular reviews.

**10.2 Borrower Performance**

**(a) Government Performance**

Rating: Satisfactory

**Borrower performance is rated satisfactory**. Despite limited capacity and a challenging political and security situation, the Government made committed efforts to implement the reforms supported by the EGRO. In particular, it should be noted that the Government made an extraordinary effort, with the support of IDA's staff, to pro-actively solicit the interest of international audit firms to bid for public enterprise audit contracts -- a demonstration of its commitment and determination to pursue its governance efforts in this area -- and as a result was able to recruit top audit firms for four public enterprises. Also, despite the difficult country environment, the Government implemented all the EGRO tranche release conditions and several of the other reforms included in the program.

**(b) Implementing Agency or Agencies Performance**

Rating: Satisfactory

| Implementing Agency | Performance |
|---|---|
| Ministry of Economy and Finance | The Ministry of Economy and Finance (MEF) was the principal executing agency and had responsibility for coordinating and overseeing all aspects of the EGRO supported program and to coordinate the work of other ministries and agencies, notably the Prime Minister Office, the Ministry of Public Works, the ULCC, the CNMP, the CMEP, the Ministry of Education, the Ministry of Health, the Ministry of Planning and External Cooperation, and public enterprises (EdH, TELECO, APN and CAMEP).<br><br>Although some delays were encountered in the first half of 2005 in the implementation of the EGRO supported program, due to difficulties in recruiting international firms for the audit of public enterprises (largely due to the difficult security situation), the staff in the MEF tightened monitoring and coordination of the EGRO program in the second half of the year and, with the support of a detailed implementation matrix, provided sound leadership to address bottlenecks or pending problems, and ensured high level Government attention for the most complex issues. |

**(c) Justification of Rating for Overall Borrower Performance**

Rating: Satisfactory

On the whole, the Government's reform program was well focused and designed and has been implemented under difficult circumstances. Identification and implementation of the program had to take into account the possible impact on the program of a fragile political situation, a serious shortage of skills in the public sector, possible external shocks, and weak economic management in the preceding years. Macroeconomic stability was restored and Haiti is on track with the IMF supported EPCA program. All EGRO conditions have been met and several other reform measures covered by the Government's program have been implemented. The authorities continue to implement measures to improve economic governance, in preparation for EGRO II.

## 11. Lessons Learned

*(both operation-specific and of wide general application)*

**Choice of lending instrument**. The decision to do a two-tranche structural adjustment operation was adequate in view of the possible risks affecting the operation, the period required by the Government to implement this first phase of governance reforms and the need to test the Government's sustained commitment to the reform program. The Government was satisfied with this choice of lending instrument and has requested that the follow-on operation, EGRO II, use the same instrument (a two-tranche DPL). This will allow IDA to support the Government program in 2006-07 until the full Poverty Reduction Strategy Paper, with its medium-term reform program, is finalized in late 2007, thus allowing the use of annual PRSCs afterwards.

**Client commitment**. The successful implementation of the Government's program followed from its ownership and degree of commitment. The preparation of the Interim Cooperation Framework that preceded the design of the EGRO (including its economic governance reform program) helped strengthen the Government's ownership and commitment to the EGRO supported program and to its medium-term sustainability. Also, the emphasis on communication on and monitoring by civil society of these reforms had a positive impact on the Government's commitment to its implementation.

**Institutional capacity**. Experience with the implementation of the EGRO has shown that the choice of its tranche conditionalities was judiciously selective, focusing on those measures that were likely to make the greatest impact, were critical to the successful achievement of the program objectives and enjoyed broad Government support. The overall governance reform program, containing measures additional to the EGRO tranche conditions and detailed in Annex 6 presenting the Letter of Development Policy outlined by the Government, however proved ambitious with respect to the country's existing institutional capacity. Thus, while most of these measures have been implemented, delays have been encountered in the areas of public-private partnership in the education and health sectors, and the hiring of technical and managerial personnel in public sector entities, with the exception of key agencies, due to financing and available skill constraints. Although the design of the EGRO anticipated that weak institutional capacity represented a critical risk for the implementation of the reform program, and judiciously selected the EGRO tranche release conditions, experience during the last two years has highlighted how severe this problem is and the significant amount of technical assistance and realistic time frames needed for implementation. In this respect, the timely delivery of technical assistance by the international community has been and remains critical to making sufficient progress in the reform program. Also, it confirms the need to continue to pursue the reform program incrementally.

**Donor coordination**. As mentioned earlier, close coordination among donors in the provision of financial and technical assistance greatly contributed to the outcome of the reform program. Going forward, and as the economic governance reform program enters its second and more complex phase, it will be critical that coordination with the other donors active in this area continues and be further strengthened.

The lessons detailed above are being taken into account for the preparation of EGRO II.

## 12. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

### (a) Borrower/implementing agencies

### (b) Cofinanciers

### (c) Other partners and stakeholders

*(e.g. NGOs/private sector/civil society)*

## Annex 1. Results Framework Analysis

### Program Development Objectives (from Program Document)

The Economic Governance Reform Operations (EGRO) in the amount of SDR 40.7 million (US$61 million equivalent) supported the Government's implementation of critical economic governance reforms to increase transparency and efficiency in the use of public resources and external assistance. The key objectives were: (a) improvement of budgetary processes and financial controls; (b) strengthening of public procurement processes; (c) stepping up of anti-corruption efforts; (d) improving efficiency and transparency in the management of public enterprises and the Road Maintenance Fund; and (e) creating a mechanism for civil society to monitor economic governance reforms and supporting Government communications efforts to increase public understanding and raise awareness of governance reforms.

The preparation of the EGRO was carefully coordinated with the IMF, IDB and other donors. It was underpinned by the analysis of economic governance weaknesses contained in the Government's Economic Governance Strategic Group Sectoral Report (background paper for the ICF prepared by an inter-ministerial team supported by donors, including World Bank staff, in April-June 2004), as well as analytical work undertaken by IDA, IMF, IDB and other donors and institutions. Technical assistance for the implementation of the economic governance reforms supported by the EGRO was provided by IDA through a LICUS grant that was approved in September 2004 (US$1.5 million) and an Economic Governance Technical Assistance IDA grant (US$2 million) approved in May 2005.

The EGRO consisted of a credit of SDR 24.3 million (US$ 36.5 million equivalent) and a grant of SDR 16.4 million (US$ 24.5 million equivalent). The operation was disbursed in two tranches. The first tranche, of US$46 million equivalent (of which US$27.5 million equivalent in the form of credit and US$18.5 million equivalent in the form of a grant) was disbursed upon effectiveness in January 2005, based on actions taken by the Government prior to Board presentation. The second tranche was disbursed in March 2006, upon completion of the actions agreed with IDA, for an amount of US$15 million equivalent (of which US$ 9 million equivalent in the form of credit and US$6 million equivalent in the form of grant). Following the disbursement of the second tranche of the Credit, the government continued to implement follow-up actions and reforms in areas supported by EGRO.

The Government Letter of Development Policy (Annex 6 to the EGRO Program Document) included a number of outcome and benchmark indicators to help gauge progress toward achieving the objectives of the Government s program supported by the EGRO.

**Revised Program Development Objectives (if any, as approved by original approving authority)**

Credit objectives remained unchanged.

**(a) PDO Indicator(s)**

| Indicator | Baseline Value | Original Target Values (from approval documents) | Formally Revised Target Values | Actual Value Achieved at Completion or Target Years |
|---|---|---|---|---|
| **Indicator 1 :** | Satisfactory implementation of reforms related to budget preparation and execution, financial management and financial control. | | | |
| Value (quantitative or Qualitative) | Budgets were not prepared or were approved with significant delays for 5 years. Weak financial control mechanisms and practices. No audit of budget. Extensive use of comptes courants (see text). | Budgets prepared and managed according to provisions of new organic law. Budget execution data published regularly. Reduced use of comptes courants. Government accounts prepared regularly. | | Budgets prepared and managed according to provisions of new organic law. Budget execution data published regularly. Reduced use of comptes courants. Government accounts prepared regularly. |
| Date achieved | 12/31/2004 | 01/06/2006 | | 09/27/2006 |
| Comments (incl. % achievement) | | | | |
| **Indicator 2 :** | Satisfactory implementation of reforms related to anti-corruption and procurement practices. | | | |
| Value (quantitative or Qualitative) | Corruption is pervasive; Public procurement is done in a scattered manner, giving opportunity for corruption. | Functional anti-corruption unit. Functional public procurement commission. | | Functional anti-corruption unit. Functional public procurement commission. |
| Date achieved | 12/31/2004 | 12/31/2005 | | 09/27/2006 |
| Comments (incl. % | | | | |

| | | | | |
|---|---|---|---|---|
| achievement) | | | | |
| **Indicator 3** | Satisfactory implementation of reforms related to management of road maintenance fund and transparency in the management of public enterprises. | | | |
| Value (quantitative or Qualitative) | Road network is in very bad condition in both urban and rural areas. Public enterprise management is not transparent. | First road maintenance contract procured transparently. Accounting rehabilitation of EDH and TELECO completed and financial audits of at least three key public enterprises completed. | | First road maintenance contract procured transparently. Accounting rehabilitation of EDH and TELECO completed and financial audits of at least three key public enterprises completed. |
| Date achieved | 12/31/2004 | 01/06/2006 | | 09/27/2006 |
| Comments (incl. % achievement) | | | | |
| **Indicator 4 :** | Satisfactory implementation of reforms related to internal and external communication as well as monitoring of economic governance reforms by civil society. | | | |
| Value (quantitative or Qualitative) | Communication around economic governance issues is very weak. Civil society monitoring is inexistent. | Regular and quality communication around economic governance measures and results. Regular reporting by civil society monitoring mechanism. | | Ongoing communication around economic governance measures and results. Regular reporting by civil society monitoring mechanism. |
| Date achieved | 12/31/2004 | 01/06/2006 | | 03/15/2006 |
| Comments (incl. % achievement) | | | | |

**(b) Intermediate Outcome Indicator(s)**

| Indicator | Baseline Value | Original Target Values (from approval documents) | Formally Revised Target Values | Actual Value Achieved at Completion or Target Years |
|---|---|---|---|---|
| **Indicator 1 :** | Audit of Government accounts for 2001-02 completed and for 2002-03 started; | | | |

| | | | | |
|---|---|---|---|---|
| | comptes courants reduced to less 10% of non-salary current exp. | | | |
| Value (quantitative or Qualitative) | No audits of Government accounts; comptes courants exceed 60% of non-salary current exp. | Audit of Government accounts for 2001-02 completed and for 2002-03 started; comptes courants reduced to less 10% of non-salary current exp. since Sept. 2004. | | Audit of Government accounts for 2001-02 completed and for 2002-03 started; comptes courants reduced to less 10% of non-salary current exp. since Sept. 2004. |
| Date achieved | 12/31/2004 | 01/06/2006 | | 09/27/2006 |
| Comments (incl. % achievement) | | | | |
| **Indicator 2 :** | Corruption survey completed. Board members of procurement commission selected. Large procurement contracts reviewed by commission. Procurement procedures modernized. | | | |
| Value (quantitative or Qualitative) | No comprehensive data exist on perception, sources and characteristics of corruption. No oversight of procurement practices across government. | Corruption survey results produced and disseminated. Capacity for public procurement strengthened, adequate oversight provided by procurement commission, procurement procedures modernized. | | Corruption survey results produced and dissemination starting. Capacity for public procurement strengthened, adequate oversight provided by CNMP and updating of procurement legal framework ongoing. |
| Date achieved | 12/31/2004 | 01/06/2006 | | 09/27/2006 |
| Comments (incl. % achievement) | | | | |
| **Indicator 3 :** | FER fully functional; firms selected to carry out financial audits of at least three of the largest public enterprises; account rehabilitation of TELECO and EDH completed. | | | |
| Value (quantitative or Qualitative) | No workplan was available for implementing road maintenance. No firm identified for financial audits of | At least a road maintenance contract awarded competitively and ongoing. Firms selected competitively for financial audits of | | At least a road maintenance contract awarded competitively and ongoing. Firms for financial audit of three key public enterprises |

| | | | | |
|---|---|---|---|---|
| | public enterprises. | public enterprises (EDH, TELECO and APN). | | selected and contracted, and audits completed (EDH, TELECO and APN). |
| Date achieved | 12/31/2004 | 01/06/2006 | | 09/27/2006 |
| Comments (incl. % achievement) | | | | |
| **Indicator 4 :** | Civil society monitoring mechanism functional; monitoring reports prepared and published. Economic governance reforms communicated to population; budget allocations/execution data is disseminated. | | | |
| Value (quantitative or Qualitative) | No civil society monitoring in place. No budget execution data published. | First civil society monitoring report is published. Budget execution data published on MEF webpage regularly. Communication of economic governance reforms is ongoing. | | First civil society monitoring report is published. Budget execution data published on MEF webpage regularly. Communication of economic governance reforms is ongoing. |
| Date achieved | 12/31/2004 | 01/06/2006 | | 09/27/2006 |
| Comments (incl. % achievement) | | | | |

## Annex 2. Restructuring (if any)

Not Applicable

## Annex 3. Bank Lending and Implementation Support/Supervision Processes

### (a) Task Team members

| Names | Title | Unit | Responsibility/Specialty |
|---|---|---|---|
| **Lending** | | | |
| Antonella Bassani | Lead Economist and Sector Lead | LCSPR | Task team leader |
| **Supervision/ICR** | | | |
| Katherine A. Bain | Team Leader | LCSPR | Civil society monitoring |
| Franka Braun | Junior Professional Associate | LCSPR | Civil society monitoring |
| Charles L. Cadet | Consultant | LCSPE | Budgetary processes |
| Maryse Calixte | E T Temporary | LCCHT | Team support |
| Samuel C. Carlson | Sr Education Spec. | LCSHE | Education and health |
| Susana Carrillo | E T Consultant | WBIGP | Anti-corruption |
| Joelle Dehasse | Senior Operations Officer | AFCSN | Communications |
| Regine Durand | Consultant | LCSPE | Budgetary processes |
| Auguste Tano Kouame | Asst. to the President | EXC | Former task team leader |
| Patricia E. Macgowan | Sr Procurement Spec. | LCSPT | Procurement |
| Richard Mathelier | Consultant | LCSFW | Water |
| Juan Navas-Sabater | Sr Telecom. Spec. | CITPO | Telecoms |
| Ahmadou Moustapha Ndiaye | Lead Financial Management Spec | LCSFM | Financial management |
| Mark Nelson | Sr Operations Off. | WBICD | Anti-corruption |
| Nicolas Peltier-Thiberge | Senior Infrastructure Economis | LCSFT | Transport |
| Benjamin Santa Maria | Consultant | LCSPS | Public sector reform |
| Manuel Schiffler | Senior Economist | LCSFW | Water |
| Clemencia Torres De Mastle | Senior Regulatory Economist | LCSFE | Electricity |

### (b) Ratings of Program Performance in ISRs

| No. | Date ISR Archived | IP | DO | Actual Disbursements (USD M) |
|---|---|---|---|---|
| 1 | 04/30/2005 | Satisfactory | Moderately Satisfactory | 46.85 |

| | | | | |
|---|---|---|---|---|
| 2 | 12/26/2005 | Satisfactory | Satisfactory | 46.85 |

**(c) Staff Time and Cost**

| Stage of Project Cycle | Staff Time and Cost (Bank Budget Only) | |
|---|---|---|
| | No. of staff weeks | USD Thousands (including travel and consultant costs) |
| **Lending** | | |
| FY05 | 38 | 267.73 |
| FY06 | | 0.00 |
| FY07 | | 0.00 |
| **Total:** | **38** | **267.73** |
| **Supervision/ICR** | | |
| FY05 | 23 | 78.74 |
| FY06 | 51 | 197.78 |
| FY07 | | 4.00 |
| **Total:** | **74** | **280.52** |

## Annex 4. Beneficiary Survey Results (if any)

## Annex 5. Stakeholder Workshop Report and Results (if any)

## Annex 6. Summary of Borrower's ICR and/or Comments on Draft ICR

The ICR was transmitted to the Government on September 12, 2006, for comments and inputs. On September 29, 2006, the Government provided the bank with some input to update factual information on a few issues discussed on the ICR and complimented the Bank for the clarity of the ICR. No specific text for this section was provided.

## Annex 7. Comments of Cofinanciers and Other Partners/ Stakeholders

## Annex 8. List of Supporting Documents

Haiti CPAR, 1999.
Haiti Interim Poverty Reduction Strategy Paper, August 2006.
Minutes of EGRO Concept Review Meeting
Minutes of EGRO ROC Review Meeting
EGRO Program Document, Report No. 30882-HT.
Transitional Support Strategy for the Republic of Haiti, Dec. 2004.
Project Appraisal Document of the Economic Governance Technical Assistance Project, May 2005.
Project Appraisal Document of the Economic Governance Technical Assistance II Project, June 2006.
Haiti-Economic Governance LICUS Grant, 2005.
EGRO Aide-memoires, 2005-2006; and EGRO II (June 2006)
EGRO Program Concept Document, August 2004.
IMF Staff Reports, 2004-2006.
EGRO Development Credit Agreement, December 2005.
EGRO Release of Floating Tranche Board Memo-Full Compliance, March 2006.
Haiti Enhanced HIPC Initiative Preliminary Document, August 2006.
Haiti Country Economic Memorandum, June 2006.
Haiti Gestion des Depenses Publiques: Evaluation et Plan d

# Annex 9. Additonal Annexes

# 9.1 Table A1 – Haiti Economic Governance Reforms Supported by EGRO, 2004-2005

| Policy Area | Government's Program Actions Expected to be Taken (EGRO Tranche Release Conditions are in bold) | Output, Outcome and Benchmark Indicators | Status of Actions | Overall Impact Assessment |
|---|---|---|---|---|
| **A. Macroeconomic Framework** | | | | |
| | **Sound macroeconomic framework maintained as evidenced for example by continued successful implementation of the Government's macroeconomic stabilization program supported by the IMF**. | Macroeconomic targets met under Government's macroeconomic stabilization program for example as per indicators selected in said program supported by the IMF. | The Government's macroeconomic management and the implementation of the first and second IMF EPCA programs have been satisfactory (see details in ICR sections 8.2). The IMF Board will consider a request from the Haitian Government for a PRGF arrangement in November 2006. | Satisfactory |
| **B. Budget Management and Financial Controls** | | | | |
| **Budget Preparation and Execution** | **Budget for fiscal year 2004-05 adopted by the Council of Ministers before beginning of the fiscal year on October 1. Budget should incorporate key objectives as indicated in the four pillars of the Interim Cooperation Framework (ICF), particularly those relating to the economic governance program and the objectives of the macroeconomic stabilization program. Civil society and donors consulted during budget preparation.**<br><br>**Approved budget has been widely disseminated in the country through the official gazette and leaflets.**<br><br>**Satisfactory execution of the FY 2004-005 approved budget in accordance with its objectives and approved allocations.**<br><br>**Key budget execution data widely disseminated to the local media** | Monthly executed expenditures in FY 2004-05 are in accordance with the key objectives of the ICF and with the macroeconomic stabilization program.<br><br>Steps followed in the budget execution (expenditure request, approvals, internal control steps) are in accordance with provisions of the new Organic Budget Law.<br><br>Mailing of budget leaflets; press conferences by Authorities; press articles in local papers showing wide dissemination of budget related data and information. Monthly expenditure data posted on website of MEF. | The 2004-05 and 2005-06 budgets were timely prepared and adopted. Allocations were better aligned with poverty reduction objectives. The budgets incorporated the priorities of the ICF and were in line with the objectives of the macroeconomic stabilization and economic governance programs and execution was broadly satisfactory. Civil society and donors were consulted during FY2004-05 budget preparation, and FY2004-05 and FY2005-06 budget allocations and expenditures were widely disseminated, including on MEF website. Budget execution conducted in accordance with new Organic Budget Law. | Satisfactory |

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|---|---|---|---|---|
| **Public Investment Program (PIP)** | The investment program for FY2004-05, satisfactory to the World Bank, is consistent with the framework and objectives of the national budget approved in September 2004, and links Government investment spending with projected donor disbursements within the framework of the ICF.<br><br>Identification of human resource needs for investment expenditure programming and monitoring in the MPCE and in the programming units of key sector Ministries (Health, Education, Agriculture and Public Works); provision of resources to cover these needs included in the institutional capacity building components of sectoral ministries' investment programs.<br><br>Identified additional human resources for the investment expenditure programming and monitoring are posted at the MPCE and in the programming units of the key sectoral ministries (Health, Education, Agriculture, Public Works).<br><br>FY 2005-06 investment program prepared taking into account the needs expressed by civil society and potential beneficiaries during consultation workshops and a national forum with civil society participation. | Qualified technical staff posted in the 5 key Ministries (Ministries of Planning, Health, Education, Agriculture, and Public Works); including in the programming units where relevant.<br><br>Adequate technical assistance in place for the preparation of the FY2005-06 public investment program.<br><br>Consultations organized to elicit beneficiaries' input.<br><br>Draft public investment program available by June 2005 and reflecting outcome of consultations. | PIPs for FY2004-05 and FY2005-06 were broadly consistent with framework and objectives of their respective current budgets and the 2004 ICF. The ICF preparation process provided input from donors and some civil society organizations for preparation of these PIPs. The Aid Coordination Unit in the Prime Minister's Office, and more recently the Ministry of Planning, has been tracking more frequently the disbursement of donor project funding. Weaknesses however remain, notably with respect to inclusiveness of foreign financed expenditures. While human resource needs for investment programming and monitoring in the MPCE and key ministries were identified in 2004, covering those needs fully was not possible due to resource constraints and other human resource recruitment priorities. Since 2005, technical assistance has been provided for preparation of PIPs to Government by EGTAG I. | Partially satisfactory |
| **Monitoring of Poverty-related Expenditures** | Adoption by MEF and MPCE of a timetable for the gradual implementation of a poverty reduction public expenditure programming and monitoring system.<br><br>Dissemination of a timetable on steps to be taken toward the monitoring of poverty-reducing expenditures.<br><br>Choice of option in terms of the SYSDEP does reflect the need for information on monitoring poverty-related public expenditures. | Decision made on the option for an integrated Financial Management System clearly indicates how decision took into account, and will meet, needs for monitoring poverty-related public expenditures.<br><br>Timetable under execution. | Poverty Map published in 2004 identifying four sectors with a high impact on poverty; completion of I-PRSP in September 2006 further developing Government poverty reducing expenditure priorities; specific expenditures targeted to poverty for the use of HIPC resources identified in the FY2007 budget; budget is presented in budget law annexes following a functional classification with 10 broad categories (such as education and health). Government is working towards adopting an automated system to track poverty related expenditure and publicly disseminate quarterly reports on the execution of these expenditures according to the June 2006 AAP recommendations and consistent with the planned expansion of SYSDEP for poverty related expenditure tracking. | Partially satisfactory |

| | | | | |
|---|---|---|---|---|
| ***Comptes Courants*** | **Non-salary current public expenditures disbursed through *comptes courants* not exceeding 15% for the period July-September 2004 and 10% for the months of September 2004.**<br><br>**No more than 10% of cumulative non-salary current expenditures since beginning of FY 2004-05 disbursed through *comptes courants.***<br><br>**Information on use of *comptes courants* in past fiscal year widely disseminated.**<br><br>Criteria for use of comptes courants adopted by GoH and disseminates to all public sector spending agencies through a letter of Minister of Economy and Finance the authorizing officers.<br><br>Information on use of *comptes courants* in FY 2004-05 regularly disseminated through the population as part of budget information dissemination.<br><br>Monthly production of statistical data on the use of *comptes courants* per spending agency and per account number, specifying the object of the advance made on each *compte courant*; the information produced for each month is shared with IDA before the 15th of the following month. | Use of *comptes courants* kept at below 10% of non-salary current public expenditures.<br><br>Criteria on use of *comptes courants* are complied with by spending ministries.<br><br>Articles in local papers, or widely distributed leaflets on causes and evolution of the usage of *comptes courants*, and on efforts to contain their use in the future. | The percentage of cumulative non-salary current public expenditures disbursed through *comptes courants* was reduced from 62 percent during October 2003-March 2004 to less than 15 percent for the period July-September 2004 (10 percent in September 2004) and to less than 10 percent since October 2004 (the beginning of FY2005). This was achieved through strict control to increase compliance with the procedures defined by MEF for the use of discretionary accounts under specific conditions. Information on the use of the *comptes courants* has been disseminated to the public and information on their use has been regularly shared with IDA. | Satisfactory |

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|---|---|---|---|---|
| **Financial Control** | Adoption by the Council of Ministers and publication of the *Arrête portant règlement général de comptabilité Public* (public accounting implementation regulation) in the official gazette.<br><br>**Approval and publication of new decree modifying the 1983 decree on the organization and functioning of the CSCCA consistent with the new *Loi Organique* on the preparation and execution of the Budget Laws, and satisfactory to IDA.**<br><br>Recruitment and posting of public accountants and financial comptrollers for at least the Ministries of Public works, Health, Education, Interior, Internal revenue Department, and the respective Offices of the President and the Prime Minister.<br><br>Adoption by Minister of Economy and Finance of statutes on public accountants and financial controllers<br><br>Adoption by MEF and publication of the Decree authorizing the establishment of the Office of Public Finance Inspection.<br><br>Satisfactory progress in the implementation of the CSCCA training program; adoption of the new organization chart of the CSCCA and filling of key posts.<br><br>Finalization of the audit report for FY2001-02; preparation of FY2002-03 audit started. | Accountants and financial comptrollers posted in key ministries and agencies.<br><br>Government general accounts are regularly prepared by the MEF and sent to CSCCA for audits as per new *Loi Organique* on the preparation and execution of Budget Laws.<br><br>CSCCA training program started and ongoing.<br><br>Training program for other Government staff involved in budget process and financial control has started and is on-going.<br><br>Audit of Government account of 2001-2003 completed and regular practice of producing annual audit established. | The Decree was adopted by the Council of Ministers on March 9, 2006, and published on March 14, 2006. The decree modifies the 1983 decree on the organization and functioning of the CSCCA, consistent with the new *Loi Organique*. The LICUS Grant and EGTAG I are supporting training of CSCCA auditors. The Government has caught up with the delays in the preparation of the Treasury accounts.<br>The CSCCA is catching up on delays in auditing of the Government accounts (it has finalized audit report for FY2002, has almost completed the one for FY2003 and plans to complete the audit of FY2004 before end CY2006).<br>Decree on creation of the General Finance Inspection and a chart of accounts have been adopted; the statutes on financial comptrollers are being better defined, notably to improve their independence.<br>The first batch of recruitment of public accountants was completed with recruits for 9 ministries and units currently completing training and expecting to start in October 2006. The recruitment of financial comptrollers was delayed by poor quality of the first applicants and new recruitment effort is ongoing. | Satisfactory |
| **Automated System for Budget Information and Management** | Internal review of SYSDEP (including comparison with other countries) and analysis of options, as well as decision of MEF regarding its expansion or its replacement with a system that is more adapted to the current constraints and future needs. | Report issued by the MEF on the analysis of SYSDEP possible options for expansion or replacement.<br><br>Decision regarding option to be adopted is shared with Bank and made public.<br><br>New IFMS system put in place or SYDEP expanded to cover of at least 50% of spending and revenue collection agencies. | In 2005, following evaluation of alternative systems, MEF decided to retain SYSDEP and sought donor assistance to expand it. Since then, SYSDEP has been extended from five Ministries and CSCCA to ten additional Ministries and agencies. Also, an interface was introduced to connect the SYSDEP with fiscal revenue collection system in the MEF—thus covering more than 50 percent of spending and revenue collection agencies. The Government is installing the infrastructure needed to connect SYSDEP to 17 additional sites by end 2006, including the other remaining ministries, the Parliament and the Police. | Satisfactory |

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|---|---|---|---|---|
| **C. Public Procurement** | **Adoption by Council of Ministers of a decree, satisfactory to IDA, for the establishment of the CNMP (decree also establishes procedure for defining threshold of procurement contracts to be reviewed by CNMP and reaffirms that public bids are the norm). Appointment of Coordinator of CNMP. Preparation of the TORs satisfactory to IDA for members of CNMP.**<br><br>Broad dissemination of the new decree to all entities involved in public procurement and to the larger population.<br><br>**Competitive recruitment of members of the CNMP completed; international procurement consultant/s hired; standard bidding documents adopted; systematic dissemination on the Internet and/or local newspapers of the results of tendered bids since December 2004; creation of database of Government suppliers available to the public through CNMP.** | 100% of all eligible procurement contracts going through the CNMP.<br><br>Capacity for public procurement is in place, at least in the Ministries of Public Works, Health, Education, and Interior and in the respective offices of the President and the Prime Minister.<br><br>Updating of regulatory and legal framework initiated. | All five members of the CNMP, including coordinator, were recruited, their TORs prepared and started work.<br>Adoption in early 2005 of a new Procurement Decree to establish the CNMP, re-affirm use of competitive procurement methods as the norm and introduce other good practices in public procurement.<br>International procurement consulting firm was hired competitively in Febr. 2006 and is supporting CNMP in various functions, including strengthening procurement capacity in line ministries which is ongoing. CNMP also conducted workshops with public sector procurement officials to publicize new decree and the Commission's role in implementing it.<br>Standard bidding documents were prepared by the CNMP and adopted through a communication of Prime Minister. Publication of lists of government contracts awarded and a supplier database regularly ongoing (both available through CNMP website). New Procurement Law is being drafted. | Satisfactory |

| D. Anti-Corruption Initiatives | | | | |
|---|---|---|---|---|
| | **Adoption by Council of Ministers of ministerial decree authorizing creation of an Anti-Corruption Unit as an autonomous entity under MEF; finalization of the TORs for the Unit; appointment of the Unit's Director general and key personnel in place.**<br><br>**Publication of the Decree in the official gazette and dissemination to the public at large for example during a press conference.**<br><br>**Letter sent to IDA requesting partnership in preparing a comprehensive diagnostic survey on corruption practices in Haiti (to complement and deepen the earlier study undertaken by heritage Foundation – Haiti in 2003); TORs for the survey are agreed with IDA.**<br><br>A brochure on the code of ethics and fight against corruption in the public sector to be elaborated by the unit, adopted by the Council of Ministers, and published and disseminated.<br><br>Finalization of the Anti-Corruption Unit's procedures manual and internal regulations.<br><br>Establishment of a follow-up system to track corruption cases that are referred to the Unit and the monthly publication of statistics on its activities.<br><br>Data collection from survey on corruption practices in Haiti has been completed and first draft report on said survey has been completed. | Anti-corruption unit functioning well; internal process is in place; work program and operational plan clearly established.<br><br>Corruption cases identified by the Anti-corruption Unit are referred to judicial authorities for prosecution and follow-up.<br><br>Survey on corruption practices completed and main conclusions incorporated in medium-term anti-corruption strategy.<br><br>Preparation of longer term anti-corruption strategy initiated. | The ULCC was created by decree (which was published and disseminated), staffed as an autonomous entity under the MEF and is currently operational. In December 2005 the Unit completed a comprehensive diagnostic survey on state of governance and perception of corruption in Haiti; a report on the results of the survey was prepared and its dissemination is planned for November 2006, and preparation of a national anti-corruption strategy is starting. The Anti-Corruption Unit also prepared a draft Law for Public Sector Employees' Asset Declaration expected to be submitted to Parliament in the coming months. The Unit is developing a staff training plan on international best practices and lessons. IDA is providing technical assistance to support the ULCC's anti-corruption public sensitization efforts and the drafting of a freedom of information law. | Satisfactory |

| E. Human Resource Management and Institutional capacity Building | | | | |
|---|---|---|---|---|
| | Staffing and human resource management plan for the successful implementation of the ICF to be adapted by the Council of Ministers and disseminated to the public; the plan will include new recruitment criteria and objectives as well as a training program and compensation incentives for highly-skilled employees; the plan will also indicate financing sources for its implementation; the action plan will indicate the institutional arrangements to be put in place to manage staffing and human resource capacity building throughout the Government.<br><br>At least 200 technical and managerial staff have been hired.<br><br>At least 10% of technical staff out of the total have received training in local training institutions. | Technical and managerial personnel (including individuals from the Haitian Diaspora) hired for the successful implementation of ICF.<br><br>Adequate training program being delivered to existing staff and managers. | A new civil service law and a law for the organization of the central administration were enacted by decree in July 2005. A Coordination Unit was set up in the Prime Minister's Office to oversee human resource functions and promote implementation of the new civil service law. A census of employment in selected ministries was completed. The unit also drew up an action plan for meeting short and medium term human resource needs. It also initiated contacts with existing training institutes and with donors interested in providing training to develop a coordinated program aimed at meeting training needs. Civil service salaries were increased by 30 percent in 2004 and 15% in early 2005 to partly compensate for the significant erosion of salaries due to high inflation of previous years. The Government also managed to attract experts from the Haitian diaspora under an OAS funded program which helped address some immediate skill needs in targeted positions. Recruitment and training programs have been conducted with priority on selected agencies (e.g., police, public accountants, newly created agencies such as the ULCC and CNMP, revenue collection agencies). In a significant effort to increase transparency, the FY2007 budget included in an annex a fairly comprehensive list of Government employees with their respective remunerations. | Satisfactory |

| F. Efficiency and Transparency in the management of Infrastructures and Public Enterprises. | | | | |
|---|---|---|---|---|
| **Road Maintenance Fund (FER)** | *FER Governance*:<br>**Appointment of the FER Director General; Appointment of members of Board of Directors; Board is operational.**<br><br>*FER Budget:*<br><br>-FER operational expenditures (minimum of G21m) allocated in the FY 2004-05 budget. Opening of a "FER account" at the Central Bank.<br>-Board approval of projected budgets and programs over three-year period;<br>-Monthly reports of tax agencies on tax revenues collected on behalf of FER.<br><br>The FER is fully operational and in particular the following actions have been implemented:<br><br>*Eligible roads:*<br>-publication of MTPTC decision regarding roads eligible for FER financing.<br><br>*FER Procedures:*<br>-FER Board approval of internal regulations;<br>-Board approval of model conventions regarding FER interventions.<br><br>*Financial Control:*<br>-Board approval of external auditor.<br><br>***FER Activities:***<br>**FER has awarded and published its first road maintenance contract since its creation.** | FER fully functional; key decisions of its Board made public.<br><br>Road maintenance work ongoing with private firms hired through competitive bidding undertaking road maintenance work.<br><br>Official statement on roads eligible for FER financing. | Members of the FER Board and Director General were appointed, the list of roads whose maintenance is to be financed by FER was published, budget allocations were made to ensure its functioning and the FER reached basic institutional capacity with the recruiting of key staff and the definition of its operational procedures. Also, the first road maintenance contract to be financed by FER was awarded and the contract was signed in early 2006 following a competitive bidding process and published on the MEF website. Since late 2005, the Ministry of Economy and Finance also started transferring to the FER budgetary resources for road maintenance. Other routine maintenance contracts to be financed by FER are under preparation with the financial support of the EU. An IDA-supported Transport and Territorial Development project approved by the Board in late FY2006 is building on and furthering the progress that has been achieved in this area. | Satisfactory |

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| **Overall coordination of pre-audit, audit, and management contract preparation in public enterprises** | Letter of Prime Minister designating *Conseil de Modernisation des Entreprises Publique*s (CMEP) as the institution in charge of coordinating the pre-audit, audit and management contract preparation process in the public enterprises, building on existing multi-donor technical coordination arrangements.<br><br>Technical staff hired or designated by CMEP to ensure monitoring, technical coordination and technical interface with international donors in connection with activities of pre-audit, audit, and arrangement contract preparation in each public enterprise.<br><br>Monthly progress reports prepared by CMEP detailing status of work in each public enterprise. Monthly reports will detail the status of financing arrangements and disbursement of funds for pre-audit, audit, and management contract preparation; hiring of firms; status of work. | Technical staff of CMEP in place in sectors for which pre-audit or audit has been launched in respective public enterprises.<br><br>Monthly progress reports shared with the Bank.<br><br>Satisfactory progress in the public enterprise audit process as detailed below. | The staff of the *Conseil de Modernisation des Entreprises Publiques* (CMEP) was strengthened to coordinate the audit firm selection and contract preparation process. While monthly progress reports were not prepared by the CMEP as planned, its representatives participated regularly in EGRO monitoring review meetings and provided regular information on the audit hiring process as input for the EGRO monitoring matrix. Progress in the public enterprise audit process was satisfactory as explained below. | Satisfactory |
| **Management of CAMEP (urban water utility)** | Calls for bids have been launched to recruit international audit and management firms to conduct a financial audit of CAMEP as well as a management and technical audit in preparation for its reform and management improvement program.<br><br>International audit and technical review firms selected for financial audit, management and technical audit. | CAMEP financial, management and technical audits final or progress reports shared with the IDB and IDA.<br><br>Assessment note by CMEP on audit process following report format agreed with Bank.<br><br>Satisfactory follow-up actions taken on the recommendations of auditors. | Following a competitive bidding process, the Government selected international firms to conduct the financial audit, administrative audit and technical review of CAMEP; however, despite the Government's best efforts, the firm selected for the financial audit decided subsequently not to sign the contract due to security concerns. The Government is in the process of re-launching the bid. The administrative and technical audits are expected to start shortly. | Satisfactory |

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| **National Airport Authority (AAN) and National Port Authority (APN** | Calls for bids have been launched to recruit international audit firms to conduct the financial audit of AAN and APN.<br><br>International audit firms have been competitively selected and financial audits of APN and AAN initiated. | Financial and management audits final or progress reports shared with Bank.<br><br>Assessment note by CMEP on audit process following report format agreed with Bank.<br><br>Satisfactory follow-up actions taken on the recommendations of auditors. | Following a competitive bidding process, the Government selected an international audit firm to conduct the financial audit of APN and the financial audit has been completed. APN has prepared an action plan to implement the audit's recommendations and is implementing it.<br><br>The Government was not able to proceed with the financial audit of AAN because of lack of available donor funding. It has reconfirmed its commitment to proceed with the audit as soon as financing is secured. | Satisfactory |
| **EDH (Electricity)** | Call for bid for selection of international firm has been issued for accounting rehabilitation.<br><br>Accounting rehabilitation of EDH is ongoing and has progressed satisfactorily as per agreed work program.<br><br>International audit firm has been selected to conduct financial audit of EDH.<br><br>The Government has authorized the launching of calls for bids to recruit an international firm to undertake an assessment of environmental liabilities as the first of a series of studies that will lead to the preparation of the Management Contract of EDH. | Accounting rehabilitation completed and good financial accounting reestablished.<br><br>Assessment note by CMEP on accounting rehabilitation and audit process following report format agreed with Bank.<br><br>First study leading to management contract launched, with consultant mission in the field.<br><br>Satisfactory follow-up on audit reports and recommendation of studies. | The account rehabilitation is completed. An international audit firm was selected competitively for the financial audit and this has been recently completed. On July 20, 2005, the Government authorized the launching of call for bids to recruit an international firm to undertake an assessment of environmental liabilities to pave the way for a Management Contract for EDH.<br>Also, the Government, EDH, and donor community signed a Memorandum of Understanding in October 2005, committing all parties to a series of measures to strengthen governance and increase the efficiency and transparency of investments in the electricity sector. The Government is introducing a mechanism for monitoring budgetary transfers to the electricity sector; it also plans to introduce a competitive bidding process for petroleum purchases for the sector. | Satisfactory |

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| **TELECO (Telecommunications)** | Accounting rehabilitation of TELECO has been completed.<br><br>International firm has been selected to carry out financial audit.<br><br>Decision made on option for restructuring the sector, taking into account inter alia, the results of a sector-wide review. | Accounting rehabilitation completed and good financial accounting reestablished.<br><br>Assessment note by CMEP on accounting rehabilitation and audit process following report format agreed with Bank.<br><br>Completed sector-wide review.<br><br>Government decision on restructuring of the sector made and shared with the Bank.<br><br>Adequate follow-up on recommendations of audit and sector review. | The accounting rehabilitation of TELECO has been completed. Following a competitive bidding process, the Government selected an international audit firm to conduct the financial audit of TELECO, the audit has been completed and an action plan is being prepared to address audit findings. Also, the Government prepared a Letter of Telecom Sector Policy reviewing the current situation and future prospects of the telecommunications sector and outlining its option for restructuring of the sector. | Satisfactory |

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| **G. Institutional arrangements for enhanced public-private partnerships and good governance in Education and Health** | | | | |
| **Educational Sector Governance** | Budgetary allocation made for the National Partnership Office (with a minimum of G3.5 m) in the FY2004-05 budget for Ministry of Education, Youth and Sports.<br><br>Ministerial Decree adopted and published in the official government gazette, establishing the National Private/Public Partnership Office.<br><br>The Coordinator of the Partnership Office has been designated by the Minister of Education. | Public transfers to at least 10 private schools that qualify within the framework of the Partnership and according to budget parameters of FY04-05.<br><br>Evaluation reports of transfers prepared and disseminated by the Partnership Office. | In 2006, the Government drafted legislation for the creation of the National Education Partnership Office (NEPO) and the National Partnership Fund (NPF) and has submitted it to Parliament for approval in early October 2006. The NEPO is designed to promote policy dialogue and operational coordination between the public and non-public education sectors, including supervision and evaluation of non-public schools by the State while the companion NPF would provide a public financing mechanism to help poor families pay for the school fees of their children in non-public schools. | Partially satisfactory |

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| **Health Sector Governance** | Finalization of action plan leading to Ministerial Decree authorizing public health facilities to enter health service provision contracts with micro-insurance organizations and other public sector organizations.<br><br>Ministerial decree adopted and disseminated in the major print media outlets authorizing public health agencies (including those operating outside Port-Au-Prince) to sign health service provision contracts with micro-insurance organizations and other public sector organizations.<br><br>Written confirmation by NGO charged with monitoring this action that the micro-insurance scheme is operational as detailed in the Decree. | First contracts between micro-insurance organizations and provincial public health service providers signed. | While the Government has reiterated the importance of promoting policy dialogue and operational coordination between the public and non-public health sectors, limited progress has been made in this area. | Unsatisfactory |

| H. Civil society Monitoring and Assessment o Economic Governance Reform | | | | |
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| | **Coordinator for Communication and Relations with civil society appointed by the Minister of Economy and Finance.**<br><br>**Decision on the modules of the economic governance program to be monitored by civil society made, and information is published in local papers by Ministry of economy and Finance.**<br><br>**TORs for the Consultative Committee and Executive Secretariat approved by Minister of Economy and Finance (TORs will include responsibility of the Executive Secretariat to publish the reports prepared by civil society organizations charged with monitoring of economic governance program).**<br><br>**Executive Secretariat has been hired through a competitive process.**<br><br>**Timely provision of information requested by civil society organizations (which would have been competitively selected by Executive Secretariat) in charge of the monitoring of specific modules of the economic governance program.**<br><br>**Monthly discussions of monitoring results by Government, Executive Secretariat and civil society organizations selected for monitoring of economic governance program.** | All components of civil society monitoring mechanism in place.<br><br>Progress reports prepared by Civil Society Organizations and Executive Secretariat and published by the Executive Secretariat.<br><br>Adequate government follow-up on the recommendations from civil society organizations. | The monitoring framework and indicators were jointly defined by civil society organizations and government entities in April 2005. The Consultative Committee was established in June 2005 and through a competitive process ECOSOF was hired as the Executive Secretariat in November 2005. The Consultative Committee has been discussing progress made in the setting up of the monitoring mechanism with the MEF on a regular basis. The summary of the civil society organizations' monitoring reports has been published on the MEF website. | Satisfactory |

| I. Communication and Outreach on Economic Governance | | | | |
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| | TORs for professional communications firm to facilitate the design and implementation of a communication program are approved by Minister of Economy and Finance.<br><br>Competitive bid for hiring the communications firm is launched in local papers.<br><br>Distribution of economic governance thematic report of ICF in Creole and French (to targeted groups).<br><br>Satisfactory implementation of communication strategy on economic governance reforms as evidenced by civil society monitoring report. The strategy will cover: (1) an internal communication program aimed at public sector agencies and institutions involved in the reform program; and (2) a mass media strategy which encompasses the definition of the target groups, the geographical coverage, and the communications media (such as interim bulletins, print media, brochures, fliers, radio, TV and the web). | Economic Governance Thematic Report broadly distributed by MEF.<br><br>Regular press briefings, interviews, and written articles by MEF in local media on key aspects of Government's economic governance program.<br><br>Internal communications activities (e.g. workshop, internal memos) organized aimed at public sector agencies.<br><br>Improved public understanding of economic governance issues. | The Ministry of Economy and Finance appointed a civil society and communication coordinator, and prepared a draft communication strategy. The Government prepared a proposal for a LICUS grant to finance the implementation of the strategy (which was approved and is ongoing). Also, the Minister of Economy and Finance held press briefings and interviews and articles on economic governance themes were published to raise awareness about the governance reform program; it circulated the ICF in French and Creole and the economic governance thematic report; and the Ministry's website is now updated more regularly and its users have increased in numbers. Workshops were also held on selected issues (anti-corruption, procurement procedures, etc.). | Satisfactory |

## 9.2 Table A2 – Haiti Economic Governance Reforms Supported by EGRO, 2004-2005 (Critical actions are in bold)

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| Policy Area | Reform Objectives | Program Actions Expected to be Taken by December 2004 | Program Actions Expected to be Taken by May 2005 |
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| **A. Macroeconomic Framework** | Continue to maintain a sound macroeconomic framework as evidenced for example by continued successful implementation of a macroeconomic stabilization program supported by follow-on IMF assistance. | **Sound macroeconomic framework maintained as evidenced for example by the successful implementation of the Government's macroeconomic stabilization program supported by the IMF.** | **Sound macroeconomic framework maintained as evidenced for example by continued successful implementation of the Government's macroeconomic stabilization program supported by the IMF.** |
| **B. Budget Management and Financial Controls** | | | |
| | ***Budget Preparation and Execution***<br><br>Strengthen the role of the Budget as an instrument of efficient and transparent management of public expenditures.<br><br>Improve public information on budgetary allocation and expenditure disbursements. | **Budget for fiscal year 2004-05 adopted by the Council of Ministers before beginning of the fiscal year on October 1. Budget should incorporate key objectives as indicates in the four pillars of the ICF, particularly those related to economic governance program and the objectives of the macroeconomic stabilization program. Civil society and donors consulted during budget preparation.** | **Satisfactory execution of the FY 2004-05 approved budget in accordance with its objectives and approved allocations.**<br><br>**Key budget execution data widely disseminated to the local media.** |

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| | | **Approved budget has been widely disseminated in the country through the official gazette and leaflets.** | |
| | ***Public Investment Program (PIP)***<br><br>Rationalize the organization, execution, evaluation and monitoring of public sector investment program through the reinforcement of the institutional capacities of the MPCE and of the programming units of key sectoral Ministries as well as through the creation of a coordination mechanism between the MPCE, the MEF and the Office of the Prime Minister. | The investment program for FY2004-05, satisfactory to the World Bank, is consistent with the framework and objectives of the national budget approved in September 2004, and links Government investment spending with projected donor disbursements within the framework of the ICF<br><br>Identification of human resource needs for investment expenditure programming and monitoring in the MPCE and in the programming units of key sector Ministries (Health, Education, Agriculture and Public Works); provision of resources to cover these needs included in the institutional capacity building components of sectoral ministries' investment programs. | Identified additional human resources for the investment expenditure programming and monitoring are posted at the MPCE and in the programming units of key sectoral Ministries (Health, Education, Agriculture, Public Works).<br><br>FY 2005-06 investment program prepared taking into account the needs expressed by civil society and potential beneficiaries during consultation workshops and a national forum with civil society participation. |
| | ***Monitoring of Poverty-related expenditures***<br><br>Define a framework for monitoring the impact of public sector budget and programs on poverty in order to ensure that public expenditures are targeted | Adoption by MEF and the MPCE of a timetable for the gradual implementation of a poverty reduction public expenditure | Choice of option in terms of the SYSDEP does reflect the need for information on monitoring poverty-related public |

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| | toward the reduction of poverty and the promotion of economic growth. | programming and monitoring system.<br><br>Dissemination of timetable on steps to be taken toward the monitoring of poverty-reducing expenditures. | expenditures. |
| | ***Comptes Courants***<br><br>Reinforce the transparency and control of public expenditures with the objective of reducing to the barest minimum the percentage of expenditures that are channeled through agencies discretionary accounts, thanks to increased efforts to drastically reduce and stringently regulate their use. | **Non-salary current public expenditures disbursed through *comptes courants* not exceeding 15% for the period July-September 2004 and 10% for the month of September 2004.**<br><br>**Information on use of *comptes courants* in past fiscal year widely disseminated.**<br><br>Criteria for use of comptes courants adopted by GoH and disseminates to all public sector spending agencies through a letter of Minister of Economy and Finance to the authorizing officers. | **No more than 10% of cumulative non-salary current expenditures since beginning of FY 2004-05 disbursed through *comptes courants.***<br><br>Information on use of *comptes courants* in FY 2004-05 regularly disseminated through the population as part of budget information dissemination.<br><br>Monthly production of statistical data on the use of *comptes courants* per spending agency and per account number, specifying the object of the advance made on each *comptes courant*; the information produced for each month is shared with IDA before the 15th of the following month. |
| | ***Financial control***<br><br>Enhance transparency and financial accountability by applying the legal control provisions as specified in the Organic Budget Law in order to create an environment conducive to efficient ex-ante and ex-post control of public expenditures. | Adoption by the Council of Ministers and publication of the *Arrêté portent règlement général de Comptabilité Publique* (public accounting implementation regulation) in the official gazette. | **Approval and publication of new decree modifying the 1983 decree on the organization and functioning of the CSCCA, consistent with the new *Loi Organique* on the preparation and** |

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| | | | **execution of Budget Laws, and satisfactory to IDA.**<br><br>Recruitment and posting of public accountants and financial comptrollers for at least the Ministries of Public Works, Health, Education, Interior, Internal revenue Department and the respective Offices of the President and the Prime Minister.<br><br>Adoption by Minister of Economy and Finance of statutes on public accountants and financial comptrollers.<br><br>Adoption by Minister of Economy and Finance, and publication of the Decree authorizing the establishment of the Office of Public Finance Inspection (*Inspection Générale des Finances*).<br><br>Satisfactory progress in the implementation of the CSCCA training program; adoption of the new organization chart of the CSCCA and filling of key posts.<br><br>Finalization of the audit report for FY 2001-02; preparation of FY 2002-03 audit started. |
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| | ***Automated System for budget Information and Management***<br><br>On the basis of the evaluation | | Internal review of SYSDEP (including |

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| | and adaptability of SYSDEP for the medium and long term, make a decision regarding its expansion or its replacement with a system that is more adapted to the current constraints and future needs, and implement the selected option. | | comparison with other countries) and analysis of options, as well as decision of Minister of Economy and Finance regarding its expansion or its replacement with a system that is more adapted to the current constraints and future needs. |
| **C. Public Procurement** | Improve in the short-tern, transparency and efficiency in the public sector procurement process through the creation of an Interim National Procurement Board (CNMP).<br><br>Strengthen the capacity of public and private sector agents and officials involved in public procurement.<br><br>Design an institutional framework for a long-term reform that includes decentralized public procurement | **Adoption by Council of Ministers of a decree, satisfactory to IDA, for the establishment of the CNMP (decree also establishes procedure for defining threshold of procurement contracts to be reviewed by CNMP and reaffirms that public bids are the norm). Appointment of Coordinator of CNMP. Preparation of the TORs satisfactory to IDA for members of CNMP.**<br><br>Broad dissemination of the new decree to all entities involved in public procurement and to the larger population. | **Competitive recruitment of members of the CNMP completed; international procurement consultant/s hired; standard bidding documents adopted; systematic dissemination on the Internet and/or local newspapers of the results of tendered bids since December 2004; creation of database of Government suppliers available to the public through CNMP.** |
| **D. Anti-Corruption Initiatives** | Creation of an Anti-Corruption Unit charged with corruption prevention, information, dissemination, corruption awareness and administrative investigation. In the medium term, the mandate of such a unit could be expanded upon review and approval of Parliament. | **Adoption by the Council of Ministers of the ministerial decree authorizing the creation of an Anti-Corruption Unit as an autonomous entity under the Ministry of Economy and Finance; finalization of the TORs for the Unit; appointment of the Unit's Director general and key personnel in place.** | A brochure on the code of ethics and fight against corruption in the public sector to be elaborated by the unit, adopted by the Council of Ministers, and published and disseminated.<br><br>Finalization of the Anti-Corruption Unit's procedures manual and internal regulations.<br><br>Establishment of a |

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| | | **Publication of the Decree in the official gazette and dissemination to the public at large for example during a press conference.**<br><br>**Letter sent to IDA requesting partnership in preparing a comprehensive diagnostic survey on corruption practices in Haiti (to complement and deepen the earlier study undertaken by Heritage Foundation – Haiti in 2003); TORs for the survey are agreed with IDA.** | follow-up system to track corruption cases that are referred to the Unit and the monthly publication of statistics on its activities.<br><br>**Data collection from survey on corruption practices in Haiti has been completed and first draft report on said survey has been completed.** |
| **E. Human Resource Management and Institutional capacity Building** | For the efficient implementation of the ICF, design and implement an efficient human resource management strategy as well as an action plan to develop institutional capacity.<br><br>Attract and retain highly qualified senior technical and management public sector personnel, and reduce the high turnover rate.<br><br>Design and embark on nationwide consultations to develop a framework for a long-term civil service reform. | Staffing and human resource management plan for the successful implementation of the ICF to be adopted by the Council of Ministers and disseminated to the public; the plan will include new recruitment criteria and objectives as well as a training program and compensation incentives for highly-skilled employees; the plan will also indicate financing sources for its implementation; the action plan will indicate the institutional arrangements to be put in place to manage staffing and human resource capacity building throughout the Government. | At least 200 technical and managerial staff have been hired.<br><br>At least 10% of technical staff out of the total have received training in local training institutions. |
| **F. Efficiency and Transparency in** | **Road Maintenance Fund (FER)** | *FER Governance*: **Appointment of the** | The FER is fully operational and in |

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| **the management of Infrastructures and Public Enterprises.** | The FER is fully operational and becomes an effective and sustainable mechanism for ensuring the maintenance of Haiti's roadways. This is a necessary condition to ensure that Haitian transport infrastructure rehabilitation be realized at the national level in a sustainable fashion. | **FER Director General; Appointment of members of Board of Directors; Board is operational**.<br><br>*FER Budget*:<br>FER operational expenditures (minimum of G21m) allocated in the FY 2004-05 budget. Opening of a "FER account" at the Central Bank. | particular the following actions have been implemented:<br><br>*Eligible roads:*<br>-publication of MTPTC decision regarding roads eligible for FER financing.<br><br>*FER Procedures:*<br>-FER Board approval of internal regulations;<br>-Board approval of model conventions regarding FER interventions.<br><br>*Financial Control:*<br>- Board approval of external auditor.<br><br>*FER Budget:*<br>-Board approval of projected budgets and programs over a three-year period;<br>-Monthly reports of tax agencies on tax revenues collected on behalf of FER.<br><br>***FER Activities:***<br>**FER has awarded and published its first road maintenance contract since its creation.** |
| | **Overall coordination of pre-audit, audit, and management contract preparation in public enterprises** | Letter of Prime Minister designating *Conseil de Modernisation des Entreprises Publique*s (CMEP) as the institution in charge of coordinating the pre-audit, audit and management contract preparation process in the public enterprises, building on existing multi-agency and multi-donor technical coordination | Technical staff hired or designated by CMEP to ensure monitoring, technical coordination and technical interface with international donors in connection with activities of pre-audit, audit, and management contract preparation in each public enterprise.<br><br>Monthly progress reports prepared by CMEP detailing status |

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| | | arrangements. | of work in each public enterprise. Monthly reports will detail the status of financing arrangements and disbursement of funds for pre-audit, audit, and management contract preparation; hiring of firms; status of work. |
| | **Management of CAMEP (urban water utility)**<br><br>Enhance transparency in the management of CAMEP through financial and management audits.<br><br>Strengthen CAMEP's governance, notably through the reactivation of CAMEP's Board of Directors. | Calls for bids have been launched to recruit international audit and management firms to conduct a financial audit of CAMEP as well as a management and technical audit in preparation for its reform and management improvement program. | International audit and technical review firms selected for financial audit, management and technical audit. |
| | **National Airport Authority (AAN) and National Port Authority (APN)**<br><br>Improve the governance and management of ports and airports, modernizing them and upgrading them to comply with international security norms as well as deliver quality, competitive services to users. | Calls for bids have been launched to recruit international audit firms to conduct the financial audit of AAN and APN. | International audit firms have been competitively selected and financial audits of APN and AAN initiated. |
| | **EDH (Electricity)**<br><br>Promote transparency in EDH by conducting an accounting rehabilitation and a financial audit aimed at preparing it for increased private sector participation in its management and ensure its technical and financial viability.<br><br>Strengthen the regulatory framework and the regulatory role of the state. | Call for bid for selection of international firm has been issued for accounting rehabilitation. | Accounting rehabilitation of EDH is ongoing and has progressed satisfactorily as per agreed work program.<br><br>International audit firm has been selected to conduct financial audit of EDH.<br><br>The Government has authorized the launching of calls for bids to recruit an international firm to |

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| | | | undertake an assessment of environmental liabilities as the first of a series of studies that will lead to the preparation of the Management Contract of EDH. |
| | **TELECO (Telecommunications)**<br><br>Promote transparency in TELECO by conducting an accounting rehabilitation and a financial audit aimed at preparing it for increased private sector participation in its management and ensure its technical and financial viability.<br><br>Strengthen the regulatory framework and the regulatory role of the state. | Accounting rehabilitation of TELECO has been completed. | International firm has been selected to carry out financial audit.<br><br>Decision made on option for restructuring the sector, taking into account inter alia, the results of a sector-wide review. |
| **G. Institutional arrangements for enhanced public-private partnerships and good governance in Education and Health** | **Educational Sector Governance**<br><br>Establishment of a Private/Public Partnership Office to improve the quality and equity of primary education and strengthen the mechanisms for public subsidization of private school and education institutions in poor communities, reducing the cost of schooling for poor families and enhancing transparency in the subsidy and transfer mechanism. | Budgetary allocation made for the National Partnership Office (with a minimum of G3.5 m) in the FY2004-05 budget for Ministry of Education, Youth and Sports. | Ministerial Decree adopted and published in the official government gazette, establishing the National Private/Public Partnership Office.<br><br>The Coordinator of the Partnership Office has been designated by the Minister of Education. |
| | **Health Sector Governance**<br><br>Authorize public health agencies (including those functioning outside Port-Au-Prince) to sign service provision contracts through micro-insurance agencies, while defining the legal and regulatory framework and reinforcing the contract | Finalization of action plan leading to ministerial Decree authorizing public health facilities to enter health service provision contracts with micro-insurance organizations and other public sector | Ministerial decree adopted and disseminated in the major print media outlets authorizing public health agencies (including those operating outside Port-Au-Prince) to sign |

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| | regulating capacity of the Ministry of Health. | organizations. | health service provision contracts with micro-insurance organizations and other public sector organizations.<br><br>Written confirmation by NGO charged with monitoring this action that the micro-insurance scheme is operational as detailed in the decree. |
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| **H. Civil society Monitoring and Assessment of Economic Governance Reforms** | Establish a Monitoring Group made up of groups and individuals who represent various sectors of Haitian civil society; the group will be attached to the MEF. This group will have the task of monitoring and evaluating the implementation of economic governance reforms, including FY04-05 budget execution, and contributing to the elaboration of the FY05-06 budget.<br><br>Reinforcing civil society capacity in the use of methodologies for the monitoring and evaluation of economic governance reforms.<br><br>Enhance transparency and facilitate public access to information on public expenditure management through the print and electronic media as well as build the capacity of civil society and the mass media to analyze and disseminate budget data and public expenditure management information. | **Coordinator for Communication and Relations with Civil Society appointed by the Minister of Economy and Finance.**<br><br>**Decision on the modules of the economic governance program to be monitored by civil society made, and information is published in local papers by Ministry of economy and Finance.**<br><br>**TORs for the Consultative Committee and Executive Secretariat approved by Minister of Economy and Finance (TORs will include responsibility of the Executive Secretariat to publish the reports prepared by civil society organizations charged with monitoring of economic governance program).** | **Executive Secretariat has been hired through a competitive process.**<br><br>**Timely provision of information requested by civil society organizations (which would have been competitively selected by Executive Secretariat) in charge of the monitoring of specific modules of the economic governance program.**<br><br>**Monthly discussions of monitoring results by Government, Executive secretariat and civil society organizations selected for monitoring of economic governance program**. |

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| **I. Communication and Outreach on Economic Governance Reform** | Increase the population's understanding and support for reforms pursued in the economic governance program. | TORs for professional communications firm to facilitate the design and implementation of a communication program are approved by minister of Economy and Finance.<br><br>Competitive bid for hiring the communications firm is launched in local papers.<br><br>Distribution of economic governance thematic report of ICF in Creole and French (to target groups). | Satisfactory implementation of communication strategy on economic governance reforms as evidenced by civil society monitoring report. The strategy will cover: (1) an internal communication program aimed at public sector agencies and institutions involved in the reform program; and (2) a mass media strategy which encompass the definition of the target groups, the geographical coverage, and the communications media (such as interim bulletins, print media, brochures, fliers, radio, TV and the web). |