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Report No: ICR2188

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-H6090 TF-97532)

ON A

GRANT

IN THE AMOUNT OF SDR20.3 MILLION
(US$ 30.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF HAITI

FOR AN

EMERGENCY DEVELOPMENT POLICY OPERATION

Mach 22, 2012

Caribbean Country Management Unit
Poverty Reduction and Economic Management
Latin America and Caribbean Region

HAITI - GOVERNMENT FISCAL YEAR
October 1 – September 30

CURRENCY EQUIVALENTS
(Exchange Rate Effective as of January 2012)
Currency Unit = Haitian Gourde
US$1.00 = HT 41.17

Weights and Measures
Metric System

ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
CEM	Country Economic Memorandum
CIDA	Canadian International Development Agency
CNMP	National Procurement Commission (*Commission Nationale des Marchés Publics*)
CSCCA	Supreme Audit Institution (*Cour Supérieure des Comptes et du Contentieux Administratif)*
DPG	Development Policy Grant
DSNCRP	National Strategy for Growth and Poverty Reduction (*Document de Stratégie Nationale Pour la Croissance et la Réduction de la Pauvreté*)
EDH	National electricity company (*Electricité d'Haïti*)
ECF	Extended Credit Facility
EGRO	Economic Governance Reform Operation
EGTAG	Economic Governance Technical Assistance Grant
FER	Road Maintenance Fund
FIF	Financial Intermediary Fund
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
HOPE	Haitian Hemispheric Opportunity through Partnership Encouragement
HRF	Haiti Reconstruction Fund
IADB	Inter-American Development Bank
ICR	Implementation Completion Report
IDA	International Development Association
IHRC	Interim Haiti Recovery Commission
IGF	General Finance Inspectorate (*Inspection Générale des Finances)*
IMF	International Monetary Fund
ISN	Interim Strategy Note
IPPs	Independent Power Producers
JSAN	Joint Staff Advisory Note
LIC	Low Income Country
LICUS	Low Income Countries Under Stress
MDGs	Millennium Development Goals

MDRI	Multilateral Debt Relief Initiative
MEF	Ministry of Economy and Finance
MINUSTAH	UN Peacekeeping mission
MNE	Ministry of National Education
MTPTEC	Ministry of Public Works, Transport and Communications
PDNA	Post Disaster Needs Assessment
PDO	Program Development Objectives
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PFM	Public Financial Management
PMO	Prime Minister's Office
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SYSDEP	Expenditure Information System (*Système d'Informatisation des Dépenses)*
SYSGEP	Système de Gestion de l'Information sur les Programmes et Projets d'Investissement
ULCC	Anti-Corruption Unit (*Unité de Lutte contre la Corruption)*
UN	United Nations
UNDP	United Nations Development Program
USAID	United States Agency for International Development

Vice President:	Hasan A. Tuluy
Special Envoy:	Alexandre Abrantes
Sector Director:	Rodrigo A. Chaves
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REPUBLIC OF HAITI
Emergency Development Policy Operation (P118239)

CONTENTS

Data Sheet

Contents

DATA SHEET

A. Basic Information			
Country:	Haiti	Program Name:	Emergency Development Policy Operation
Program ID:	P118239	L/C/TF Number(s):	IDA-H6090,TF-97532
ICR Date:	01/25/2012	ICR Type:	Core ICR
Lending Instrument:	DPL	Borrower:	GOVERNMENTOF HAITI- MINISTRY OF FINANCE
Original Total Commitment:	USD 30.00M	Disbursed Amount:	USD 30.58M
Revised Amount:	USD 30.00M		
Implementing Agencies: Ministry of Economy and Finance			
Co-financiers and Other External Partners:			

B. Key Dates				
Process	**Date**	**Process**	**Original Date**	**Revised / Actual Date(s)**
Concept Review:	06/03/2010	Effectiveness:		08/23/2010
Appraisal:	06/25/2010	Restructuring(s):		
Approval:	08/05/2010	Mid-term Review:		
		Closing:	09/30/2011	09/30/2011

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Moderately Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Satisfactory
Borrower Performance:	Moderately Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	**Ratings**	**Borrower**	**Ratings**
Quality at Entry:	Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
Overall Bank Performance:	Satisfactory	**Overall Borrower Performance:**	Moderately Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating:**
Potential Problem 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:	Moderately Satisfactory		

D. Sector and Theme Codes		
	Original	**Actual**
Sector Code (as % of total Bank financing)		
Central government administration	75	75
Power	25	25
Theme Code (as % of total Bank financing)		
Other accountability/anti-corruption	12	12
Public expenditure, financial management and procurement	88	88

E. Bank Staff		
Positions	**At ICR**	**At Approval**
Vice President:	Hasan A. Tuluy	Pamela Cox
Special Envoy/Country Director:	Alexandre Abrantes	Yvonne M. Tsikata
Sector Manager:	Auguste Tano Kouame	Rodrigo A. Chaves
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ICR Team Leader:	Luc Razafimandimby	
ICR Primary Author:	Ana Lucia Armijos	

F. Results Framework Analysis

Program Development Objectives (from Project Appraisal Document)

The objective of the proposed operation is to support enhanced accountability and transparency in the management of public resources in the context of the country reconstruction. The operation supports the government's capacity to manage public resources efficiently and transparently. More specifically, the operation supports the following measures: (i) increasing transparency in budget transfers to the electricity sector; (ii) reinstating budget controls and external and internal audit processes; (iii) improving enforcement of the Law on Declaration of Assets; and (iv) reinforcing public procurement regulation and enhancing transparency in procurement practices.

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

(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 :	All invoice payments by the Ministry of Finance (MEF) to the Independent Power Providers (IPP) follow the rules described in the memorandum (MOU) signed by the MEF and the Ministry of Public Work (MTPTC)			
Value (quantitative or Qualitative)	No formal framework is in place to monitor the transfers to the IPPs and EDH, and the use of such transfers lacks transparency			A framework is in place to monitor the transfers to the IPPs and EDH through the implementation of the MOU.
Date achieved	08/05/2010			09/30/2011
Comments (incl. % achievement)	**Met.**			
Indicator 2 :	Data on payments to IPPs published on the Ministry of Finance's website and actual payments reconciled by the MTPTC and MEF			
Value (quantitative or Qualitative)	No formal framework is in place to monitor the transfers to the IPPs and EDH, and the use of such transfers lacks transparency			Payments had been reconciled but publication had been delayed.
Date achieved	08/05/2010			09/30/2011
Comments (incl. % achievement)	**Partially Met.** The reform aimed at publishing on a regular basis data of the government transfers to EDH. Data had always been published with delay. For instance, data through Sept. 2011were published in early January 2012. However, it should be noted that the time lag has been reduced gradually from almost six months in mid-2010 to three months at end-2011.			
Indicator 3 :	Improved compliance of audits of government accounts and budget review Law: (i) MEF submits to CSCCA 2009/10 government accounts no more than 8 months after end FY2010; (ii) CSCCA communicates to MEF the results of the audits of 2008/09 and 2009/10 government accounts by end Sept.2011			
Value (quantitative or Qualitative)	Submission of the results of external audits by the CSC/CA has experienced major delays following the quake.			The 2008-09 audit of government accounts were communicated to MEF by CSCCA at the beginning of Sept. 2011. With regards to

				the 2009-10 audits of government accounts, the CSCCA launched the verification activities in the field and is in the process of finalizing a preliminary audit report.
Date achieved	08/05/2011			09/30/2011
Comments (incl. % achievement)	**Partially Met.** The Treasury submitted to the Court of Account the 2009-10 government accounts within the statutory time – less than 8 months. Submission of the audit of 2009-10 delayed			
Indicator 4 :	IGF activities comply with its Action Plan. Selected reports include: (i) govt. & NGOs' project inventory; (ii) subsidies & transfers to education sector; (iii) analysis of CSCCA's audits; (iv) audits of accountants activities in MEF.			
Value (quantitative or Qualitative)	The operationalization of the internal audit body has been delayed and no audits have been carried out.			(i)NGOs inventory is completed. (ii) Final reports of education transfers have been distributed; (iii) CSCCA's audit reports have been reviewed by IGF for follow-up with relevant entities; (iv) interim reports of accountants activities in MEF have been sent to Treasury
Date achieved	08/05/2010			09/30/2011
Comments (incl. % achievement)	**Met.** Audit reports have been disseminated to the beneficiaries and the competent authorities.			
Indicator 5 :	The compliance rate with the Declaration of Assets Law of the members of the executive branch increased from 87 percent (as of May 2010) to 100 percent.			
Value (quantitative or Qualitative)	87 percent as of May 2010	100 percent		ULCC certified that all members of the executive branch have complied with the legal requirement.
Date achieved	08/05/2010	09/30/2011		09/30/2011
Comments (incl. % achievement)	**Met.**			
Indicator 6 :	The share of non-competitive procurement in total procurement has decreased to 45 percent, measured by the value of contracts awarded w/o competition as percentage of contracts that do not fall under emergency procedures.			
Value (quantitative or Qualitative)	56 percent in 2008	45 percent		As of Sept. 30, 2011data were not available to make an

				assessment. The Government recruited a consultant firm to support the CNMP in the data collection for 2008/09 and 2009/10. The firm has recently completed the report
Date achieved	08/05/2010	09/30/2011		09/30/2011
Comments (incl. % achievement)	**Not Met** Data systems on procurement in line Ministries were damaged following the earthquake that destroyed administrative buildings and ministries. It was expected that the CNMP would hire experts to help collect the data. However, the political stalemate following the presidential elections at end-2010 through the last quarter of 2011 slowed down significantly the process.			
Indicator 7 :	The Prime Minister has given prior authorization to all contracts awarded based on the Emergency Law accelerated procedures			
Value (quantitative or Qualitative)	Not applicable			A letter from the Prime Minister's office certifies that all the contracts under the emergency procedures have received the PM's prior authorization.
Date achieved	08/05/2010			09/30/2011
Comments (incl. % achievement)	**Met.** The list of contracts processed under the emergency procedures was submitted to the CNMP by the office of the Prime Minister			

(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 :	The MEF plans to organize a workshop involving all parties (MEF, MTPTEC, EDH) aimed at ensuring better implementation of the rules set by the instructions circulated by the Government on payments procedures to IPPs			
Value (quantitative or Qualitative)	No formal framework is in place to monitor transfers to IPPs and EDH			The MEF organized a workshop involving (MEF, MTPTEC,EDH) aimed at ensuring better implementation of the rules on payments procedures to IPPs set by the Government
Date achieved	08/05/2010			09/30/2010
Comments	**Met**			

(incl. % achievement)	

G. Ratings of Program Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	02/08/2011	Moderately Satisfactory	Moderately Satisfactory	30.58
2	04/17/2011	Moderately Satisfactory	Moderately Satisfactory	30.58
3	07/29/2011	Moderately Satisfactory	Moderately Satisfactory	30.58
4	11/02/2011	Moderately Satisfactory	Moderately Satisfactory	30.58

H. Restructuring (if any)

Not Applicable

Implementation Completion and Results Report for the Emergency Development Operation to the Republic of Haiti

1. Program Context, Development Objectives and Design

1. Haiti not only remains the poorest country in the Americas and one of the poorest in the World with a GDP per capita of US$661 as of 2010[1] but it is also one of the most unequal, with a Gini coefficient of 0.59. Over half of its population of 10 million lives on less than US$1 per day, and 78 percent live on less than US$2 per day. The country lags in social indicators, ranking 148 out of 172 in the 2010 Human Development Index and has suffered from repeated exogenous and political shocks that have threatened the survival of households. In 2008, rising food and fuel prices led to riots and the fall of the Government. Tropical storms and hurricanes that year caused losses estimated at $900 million (15% of GDP). Despite this, Haiti's economy saw modest but stable growth in the 2000s, with an average real growth of 2.2 % p.a. 2004-2009.

1.1 Context at Appraisal

2. **On January 12, 2010, a magnitude earthquake hit Haiti causing widespread damage and massive loss of life.** The earthquake caused unprecedented destruction of human and physical capital, with damages and losses estimated at 120 percent of 2009 GDP. The estimated death toll was 225.000 persons while 300.000 were injured or permanently disabled.[2] Most ministries, hospitals, and schools were destroyed or damaged, including the National Palace, the Supreme Court, the Law Courts, the Parliament and police facilities. Other affected key public entities included the Tax and Customs Administrations, the National Statistical Institute, the National Procurement Commission, the Court of Accounts (CSC/CA), and the Road Maintenance Fund (FER). The disruption of major economic, financial and governance activities and functions caused a critical slow down for the country following sustained progress in macroeconomic stability and public sector governance in the five years preceding the earthquake.

3. **The January 2010 earthquake was a major setback for Haiti but macroeconomic indicators have been more positive than expected over the post earthquake period.** The earthquake-triggered economic decline was less pronounced than anticipated owing to a stable agricultural output, resilient manufacturing industries, and reconstruction activities. In 2010 real GDP growth declined by 5.4 percent, while annual inflation remained in the single digit level closing the year with 4.7 percent inflation. The fiscal deficit for FY 2010 was lower than the previous year reflecting higher domestic revenues (11.9 percent of GDP compared to 11.2 of 2009), while current expenditures (11.6% of GDP) were kept broadly at the same level of 2009. However, the fiscal deficit (excluding grants) at 15.7 % of GDP in 2010 was much higher than in 2009. The external current account deficit was 2.6 percent of GDP, almost 1 percent lower than 2009. Finally, debt relief, including IADB, IMF, World Bank, and Venezuela following the earthquake, significantly helped lower the country's external indebtedness.

[1] IMF Staff Report for 2010 Art IV Consultation, July 2010
[2] Haiti Post Disaster Needs Assessment (PDNA), February 2010

4. **Haiti had an IMF program since 2006, which was on track at DPG appraisal.** The sixth and final review of the Extended Credit Facility (ECF) covering the period (November 2006-May 2010) was completed immediately after the earthquake (January 27, 2010) and in late May 2010, an IMF mission reached agreement with the Haitian authorities on a new three-year ECF-supported program. The new ECF arrangement supported macroeconomic policies aimed at facilitating the absorption of aid inflows and raising medium-term growth, in line with the authorities' objectives. At end-December 2010 most indicative targets were met, with the exception of the poverty-related spending, reflecting a slower than- expected policy response in the immediate aftermath of the earthquake.

5. **Haiti faced extraordinary reconstruction needs and its government benefited from strong support of development partners.** The March 2010 Post-Disaster Needs Assessment (PDNA), which included consultations with Parliament, civil society, the Haitian Diaspora, the private sector and the population, set damages and losses at US$7.8 billion and reconstruction needs at almost US$11.5 billion, of which $3.2 billion (about 120 percent of GDP) were needed in the first 18 months – the highest cost of a disaster relative to the affected country's economy in the last 35 years. The most affected sectors were housing, followed by commerce, private education, industry, food and transport. Following the PDNA the government developed an Action Plan for the Reconstruction and the Development of Haiti, which was presented to international donors at the UN in New York in March 2010. In support, donors pledged nearly US$10 billion, of which US$5 billion were pledged for the period 2010-2011.

6. **On April 15, 2010, the Senate approved an 18-month extension of the state of emergency that the President of Haiti decreed after the January earthquake.** The law significantly expanded the powers of the Executive branch to implement the reconstruction plan, authorizing the President to approve contracts without bids, to requisition private land and build camps for people displaced by the earthquake, and to evacuate the displaced from their camps in case of emergency. In order to ensure efficiency and coordination of reconstruction funds, the government created, under the Emergency State Law of April 2010, new institutional arrangements consisting of the Interim Haiti Recovery Commission and the Haiti Reconstruction Fund (HRF), for which the Bank was appointed fiscal agent. A Steering Committee made of government officials at the ministerial level and representatives of various stakeholders would ensure that projects approved for HRF are in line with the Government Action Plan (See Box 1)

7. **The earthquake had created political uncertainty and increased the risk of political instability.** Progress had been made in the functioning of democracy before the earthquake, including the political process towards legislative, presidential and municipal elections scheduled to be held in 2010. Elections for twelve of the thirty Senate seats took place in April 2009, with a run-off in June 2009 that favored Lespwa (President René Préval's party), strengthening its Senate presence. In late November 2009, the legislative election was moved to November 2010 together with the presidential ballot. The Parliament modified the 2008 electoral law so that President Préval would remain in office until May 14, 2011. This situation fueled political instability and civil unrest as a series of protests had taken place in Port-au-Prince and other cities in opposition to such decision. Officially, his five-year term ended on February 2011.

8. **Security had deteriorated in the months following the earthquake.** Although volatile, the security environment had improved significantly prior to the earthquake. With the help of the

UN Peacekeeping mission (MINUSTAH), the Haitian Police regained control of the two most dangerous slums in Port-au-Prince (Cite Soleil and Martisant) following the dismantling of gangs. Public demonstrations related mainly to poor living conditions, were peaceful and small. However, following the earthquake former gang leaders escaped from prison, posing a threat to security. The number of kidnappings increased and the National Police was substantially weakened and had not been able to respond appropriately due to limited law-enforcement capability.

9. **The earthquake further deepened Haiti's existing development challenges.** The disaster severely diminished already weak government capacity, threatened emerging progress in economic governance, endangered limited government service delivery and low domestic investment in infrastructure and human capital. The disaster had also threatened longstanding efforts to increase access to services for the most vulnerable, a critical developmental objective under the National Strategy for Growth and Poverty Reduction (DSNCRP) as well as Haiti's already weak prospects of reaching the MDGs. However, the exceptionally large reconstruction financing promised by donors opened a new chapter in Haiti's development dialogue and sharpened the focus of government, stakeholders, and development partners on improving the quality, sustainability, and results of reconstruction and development policies.

Box 1: Haiti's Reconstruction and Development Architecture

The government of Haiti has established a structure to oversee and coordinate reconstruction efforts.

Reconstruction is directed by the **Interim Haiti Recovery Commission (IHRC)**, which was created in April 2010 to implement the Government's Action Plan during the 18-month state of emergency. The commission was initially co-chaired by former U.S. President Bill Clinton (the U.N. special envoy for Haiti) and by Haitian Prime Minister Jean-Max Bellerive. The President of Haiti retains veto power. The Commission's decisions would be guided by a 20-member board comprised of government, private sector, civil society and the donor community. Over the 18 months of the emergency the IHRC will identify priorities and projects that best support the objectives of the Government's Action Plan. At the end of the emergency period, the Commission is expected to become the Haitian Development Authority (HDA), a more permanent development entity that would plan, sequence and coordinate projects over 10 or more years (See note)

The **Haiti Reconstruction Fund (HRF)** is a multilateral financing mechanism in which donors pool their resources to finance reconstruction projects and programs as well as provide budget support to the Government in a coordinated manner. The HRF has been established at the World Bank as a Financial Intermediary Fund (FIF). The World Bank would serve as a trustee for the FIF. The HRF was expected to channel as much as possible of the aid pledged by the international community for reconstruction over the next two years following the earthquake. The HRF finance investment to support reconstruction and development in accordance with the Government's Action Plan. Projects will be supervised by partner entities such as the Inter-American Development Bank, UN agencies and the World Bank. Governance of the HRF is led by a high-level Steering Committee chaired by a ministerial-level government representative and comprising representatives from key donors, partner entities and the trustee, which are responsible for approving all allocations of trust fund monies for projects and programs consistent with the Government's Action Plan..

Note: The IHRC mandate expired in October 2011. The GoH has expressed interest in seeking the renewal of the IHRC for another year while working to create the Haitian Development Agency. Due to political stalemate, the draft bill has not been submitted to Parliament yet. Since the IHRC's mandate expired, the Ministry of Planning has been working on a more permanent alternative coordination forum chaired by the Prime Minister and assisted by the Minister of Planning and the Minister of Finance. Civil society organizations, local authorities and members of the international community also participate in the process. The forum, called "*the Coordination Council on External Assistance*" is to guide and coordinate external assistance in support of the planning system, programming, implementation, monitoring and evaluation of national development.

1.2 Context during implementation

10. **Macroeconomic policies have been sound resulting in solid and improving macro indicators. IMF ECF second and third reviews have been satisfactory.** In 2011 growth reached an estimated 5.6 percent despite the cholera outbreak, political turmoil and a disappointing agricultural output due to adverse climatic conditions. Growth was driven by construction, manufacturing, and services which picked up significantly. The exchange rate has been stable despite significant capital inflows. The current account deficit has slightly widened as a result of a fall in official transfers but international reserves have remained high (equivalent of 5.3 months of imports) due to a better trade balance and a sustained high level of remittances. Inflation reached 10.4% (end of period) in FY11 compared to 4.7 in FY10, mainly driven by international commodity prices, despite the fact that prudent monetary policy and a flexible exchange rate policy has helped lower the impact of exogenous shocks on inflation. The current pressure on consumer prices is projected to gradually fade away in 2012 and 2013 with end-of-period inflation expected to cool down to 8.0 percent 2012 and 4.9 percent in 2013 (Table 1).

11. **The fiscal balance has been under control due to increasing revenues and efficient fiscal consolidation.** The fiscal deficit of 3.7 percent of GDP recorded in FY2011 was less than initially projected due to higher than expected domestic revenues and a reasonable management of current expenditures. Domestic revenues in 2011 were the highest Haiti has ever achieved (13.1% of GDP) thanks to stronger tax administration and improved tax policy. The economic recovery also contributed to expanding the tax base. Current expenditures increased slightly compared with the FY10 performance, by 0.5% of GDP, thanks to a well-managed fiscal consolidation, reflecting the Government's efforts aimed at limiting the wage bill and non-priority spending in a context of uncertain budget support disbursements. Overall capital expenditures increased significantly to support the reconstruction effort (from 10.8% of GDP in FY09 to 21.7% of GDP in FY11). However, the current provision of public goods still remains insufficient to support growth and poverty reduction.

12. **During FY2011 the current account deficit widened as a consequence of a fall in official transfers received.** The trade balance recorded a smaller deficit thanks to a very dynamic export sector stimulated by the HELP initiative. Although exports are a relatively small part of the external financing picture, the expansion of US trade access in textiles has opened the door for rapid export growth over the medium term. The sharp increase in imports recorded since the earthquake has been matched by inflows of official transfers, and to a lesser extent by exports, however in FY2011 imports grew at a slower pace due to limited public capital expenditures. Official grants, while at historically high levels, were inferior to 2010. Thanks to significant bilateral and multilateral debt relief initiatives, Haiti's debt burden has considerably shrunk in the aftermath of the earthquake. However, rapid debt build-up is expected over the medium term. As a result, Haiti's risk of debt distress is still assessed as high. The debt dynamics remain sensitive to external shocks pointing to the need for highly concessional borrowing, but also aggressive diversification of exports.

Table 1: Macroeconomic Indicators and Medium-Term Projections

	2009	2010 Pre-quake	2010	2011 Est.	2012 Proj.	2013 Proj.
	Annual percentage change					
Output and Prices						
Real GDP growth	2.9	3.6	-5.4	5.6	7.8	6.9
Inflation (end of period)	-4.7	6.9	4.7	10.4	8.0	4.9
	Percent of GDP					
Central government finances						
Total revenue and grants	17.9	16.2	29.7	29.8	29.5	26.1
Domestic revenue	11.2	11.4	11.9	13.1	13.6	13.9
Grants	6.7	6.0	17.8	16.8	15.9	12.2
Total expenditure	22.5	19.4	27.4	33.5	37.3	31.8
Current Expenditures	11.7	10.8	11.3	11.8	11.4	10.1
Capital expenditure	10.8	8.6	16.1	21.7	25.9	21.7
Overall balance	-4.6	-2.0	2.4	-3.7	-7.7	-5.8
Excluding grants	-11.3	-8.0	-15.5	-20.5	-23.7	-18.0
Total public debt (end of period)[3]	27.7	30.7	17.1	10.3	15.1	17.9
External sector						
Current account balance	-3.5	-2.6	-2.6	-3.5	-4.5	-5.5
Excluding grants	-9.5	-9.8	-29.9	-23.1	-22.9	-19.9
Exports of goods and services	14.2	13.6	12.2	13.7	15.0	15.5
Imports of goods and services	-42.8	40.7	-62.3	-55.1	-54.6	-50.9
Current transfers (net)	25.0	24.4	47.3	37.3	34.7	29.6
o/w official (net)	6.0	7.2	27.3	19.6	18.4	14.4
Capital and financial account balance	7.6	2.6	15.3	7.7	2.3	4.8
Overall balance of payments	-1.7	-2.1	15.7	2.3	-2.2	-0.8
Memorandum items						
Nominal GDP(millions of Gourdes)	266,559	316,577	264,039	297,687	345,680	390,339
Gross investment rate (% of GDP)	27.4	28.6	25.4	28.0	32.6	30.5

Source: Government of Haiti, March 2012 IMF Macro-Framework.

[3] Includes external PS debt, CG domestic debt, but exclude BRH bonds

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

13. The Emergency Development Policy Grant (DPG) for the Republic of Haiti, was approved by the Bank on August 5, 2010. This is the Bank's fourth DPG supporting the Republic of Haiti, after its successful reengagement with the donor community in 2005. The grant is a single-tranche operation supporting the FY2009-10 budget, with an additional co-financing of US$25 million by the Haiti Reconstruction Fund (HRF), of which the Bank is the partner agency. Both operations supported maintaining sound economic governance in the post-earthquake period and strengthening the reforms started before the earthquake.

The Program Development Objectives were the following:

14. The operation supported policies in three areas deemed critical at strengthening checks and balance mechanisms in view of the negative impact of the earthquake on governance and oversight institutions; and important at supporting the consolidation of gains achieved in public finance management and public sector governance over the few years preceding it. .

- The component on transparency in budget transfers supported the government's capacity to manage public resources efficiently and transparently. More specifically, the operation had the objective of increasing transparency and monitoring of financial transfers to the electricity sector;

- The public finance management component supported the re-establishment of budget controls and of external and internal audit processes;

- The public sector governance component was intended to enforce anti-corruption laws and reinforce public procurement aimed at (i) improving transparency in public affairs through the enforcement of the Law on Declaration of Assets; and (ii) reinforcing public procurement regulation and enhancing transparency in procurement practices

The Key Outcome Indicators expected to be achieved by September 2011, are as follows:

I. Transparency in Transfer Management

(i) All invoice payments by the Ministry of Finance (MEF) to the Independent Power Providers (IPP) follow the rules described in the joint-memorandum signed by the MEF and the Ministry of Public Works (MTPTC).

(ii) Data on payments to IPPs published on the Ministry of Finance's website and actual payments are reconciled by the MTPTC and the MEF.

II. Public Finance Management: Budget Control

(iii) Improved compliance of external audits and the Budget review Law submission within the statutory timeframe: (a) the MEF submits to the Court of Accounts the 2009-10 government accounts no more than 8 months after the end of the FY2010; and (b) the Court of Accounts communicates to the MEF the results of audits of the 2008-09 and 2009-10 government accounts by September 30, 2011.

(iv) All IGF activities comply with the plan of action adopted by the Ministry of Finance (MEF) (2010-14); and the following reports will be given to competent and concerned authorities: (a) an inventory of government and NGOs' projects; (b) the audits of subsidies in the education sector and the transfers by the MEF; (c) the analysis of audit reports issued by the Court of Accounts; and (d) the audits of public accountants' activities in the MEF.

III. Public Sector Governance: Anti-Corruption and Public Procurement

(v) The anti-corruption unit (ULCC) sends a report to the Court of Accounts showing that compliance rate with the Declaration of Assets Law of the members of the government increased from 87 percent (as of May 2010) to 100 percent.

(vi) The share of non-competitive procurement in total procurement decreases from 56 percent (as of 2008) to 45 percent. This indicator is measured by the value of contracts awarded without competition as a percentage of all contracts that do not fall under the accelerated procedures invoked by the State of Emergency Law.

(vii) The Prime Minister has given prior authorization to all contracts awarded by under the Emergency Law's accelerated procedures.

1.4 Revised PDO (as approved by original approving authority) and Key Indicators, and Reasons/Justification

N/A

1.5 Original Policy Areas Supported by the Program (as approved)

15. The DPG supported policies and reforms for strengthening the legal and regulatory framework to improve accountability and transparency in the context of the Haiti's reconstruction. The overall goal of the program was to help the country strengthen checks and balance mechanisms in view of the negative impact of the earthquake on governance and oversight institutions while consolidating the gains achieved in governance over the few years preceding the earthquake. The operation supported the government's Action Plan, which outlines the priorities for Haiti's reconstruction. The objective of the program was to support key policy actions under three components: (i) transparency in the management of the transfers; (ii) public finance management, in particular budget control and audits; and (iii) public sector governance understood as anti-corruption and procurement.

Component 1: Transparency in the Management of Transfers

16. **This component of the operation supported the government efforts to enhance transparency and monitoring of financial transfers in the electricity sector.** In 2009, the

government designed policy reforms to improve EDH management and reduce fiscal inefficiencies through a two-pronged effort: (i) improving the financial situation of the utility; and (ii) strengthening institutional capacity in the sector. Unfortunately, the earthquake damaged previous efforts to address weak billing, increase revenue collection, and improve delivery, further aggravating the EDH operating capacity and its financial situation[4]. Unable to generate revenues, EDH has relied on fiscal transfers from the Treasury, amounting to US$100 million on average annually over the past years. As a result of the earthquake due to a drop in the number of customers in Port-au-Prince and the difficulty for EDH to deploy teams in the capital to bill for electricity, revenues were approximately 30 percent of their December 2009 level. Therefore transfers were expected to increase, contrary to previous forecasts, thereby putting further strain on the budget. Given the impact of the earthquake on the electricity sector, the FY09-10 amount of transfers already increased from a budgeted amount of US$50 million to an adjusted amount of US$72.6 million. For FY10-11, it was projected to reach $110 million (approximately 76% of the budget support) but has actually reached $190 million (30% in excess of total budget support).

17. **The management of transfers to the electricity sector lacked transparency and required rapid corrective action in view of the projected amounts.** The specific prior actions supported by this component of the operation include:

- The strengthening of the monitoring of payments to the electricity sector, evidenced by the issue of a joint memorandum from the MEF and the MTPTC (under whose authority EDH operates) describing: (i) the procedures to be followed by the MEF and EDH for payments of IPPs pursuant to the IPPs' respective contracts currently under implementation; and (ii) MEF and EDH's respective obligations in this procedure.

- The publication on the MEF's website of the monitoring table – consolidated by MTPTC – for the period October 2009 through March 2010. The table includes monthly data on: (i) payments made by the State to each IPP, as well as transfers to cover EDH fuel costs, (ii) payments made by EDH to each IPP, (iii) energy produced by each IPP, and (iv) the amounts billed by each IPP during the period.

18. **By the end of the operation, the identified policy reforms were expected to contribute to lasting enhanced transparency and monitoring in the management of the transfers to the electricity sector.** In particular, it was expected that: (i) all invoice payments by the Ministry of Finance (MEF) to the Independent Power Providers (IPP) would have followed the rules described in the joint-memorandum signed by the MEF and the Ministry of Public Works and reconciled by both entities; and (ii) data on payments to IPPs would have been published on the Ministry of Finance's website.

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[4] Electricity supply by the National Electricity Company (EDH) has been largely insufficient relative to demand. Overall, less than 20 percent of the Haitian population and only a few areas had access to electricity before the earthquake.

Component 2: Public Finance Management: Budget Controls

19. **This component of the DPG was aimed at reinstating budget controls and external and internal audit processes.** Over recent years, the government had achieved significant progress in budget control, including the completion of the audits of the FY2003-2007 government accounts and submission of the corresponding Budget Review Laws to Parliament. Meanwhile, the progress made in external control since 2006 was slowed by the impact of the earthquake on the CSC/CA following the destruction of its offices. In conjunction with the DPG, the Bank had planned support to the Court of Accounts to complete the submission of the audit reports to the MEF and Parliament[5]. With respect to internal audit, in 2006, the IGF was established as a decentralized entity of the MEF to be responsible for the internal audit function of the public sector. Although the functioning of this internal audit body was not significantly disrupted by the earthquake, it had to revise its action plan and work program in order to adjust to the impact of the earthquake on government institutions and the corresponding challenges.

20. **The prior actions in this component represented critical steps for ensuring timely production of Government accounts and their submission for external audits as well as re-establishing internal control procedures in Haiti's.** They include:

- The CSC/CA has communicated to MEF the results of the external audit of the government accounts (October 2007 to September 2008);

- The MEF has submitted the 2008-09 central government accounts to the Supreme Audit Institution (CSC/CA); and

- The Ministry of Finance has adopted a revised action plan for 2010-2014 and a manual of internal control procedure for use by inspectors of IGF.

21. **By the end of this operation, it was expected that:** the compliance of external audits and Budget Review Law submission with the statutory timeframe would have been improved. In particular, it was expected that (i) the 2009-10 government accounts would be submitted by the MEF to the Court of Accounts, no more than eight months after the end of the FY2010; and (ii) the results of the audits of the 2008-09 and 2009-10 government accounts would be communicated by the Court of Accounts to the MEF by September 30, 2011. With regard to internal audits, it was expected that IGF would have complied with the audit action plan endorsed by the Ministry of Finance (2010-14), and audit reports would be disseminated to the beneficiaries and competent authorities. The audit reports should include at least: (i) the inventory of government and NGOs' projects; (ii) audits of subsidies in the education sector and the transfers by the MEF; (iii) analysis of audit reports issued by the Court of Accounts; and (iv) audits of public accountants activities in the MEF.

[5] The Haitian government's system of public expenditure controls, include administrative, jurisdictional, and parliamentary oversight which falls under the sphere of the General Finance Inspectorate (IGF); the Superior Court of Audits and Administrative Disputes or the Court of (CSC/CA); and the Parliament, respectively

Component 3: Public Sector Governance: Anti-corruption and Public Procurement

22. This component supported measures to: (i) advance transparency in public affairs through strengthening the monitoring mechanisms of the declaration of assets; and (ii) reinforce procurement regulation and transparency in procurement practices. The empirical evidence had shown that during emergency and reconstruction processes, opportunities for corrupt practices increase, especially in fragile environments, which requires the strengthening of measures to fight corruption. In the case of Haiti, the oversight capacity of governance institutions including the control and audit bodies and procurement regulations have been weakened, leaving the state with limited capacity even though the country is equipped with multiple instruments to fight corruption. In general, the effective implementation of anti-corruption measures has been slow and difficult. The poor enforcement of the Declaration of Assets Law is particularly striking, despite the fact that the Government has highlighted the need to ensure the effectiveness of this law in its governance program presented in New York in March 2010.

23. **The earthquake caused significant damage to the procurement system.** Following the adoption of a Procurement Law in 2009 and subsequently the enactment of the first key implementing decrees, it was expected that progress would continue at an accelerated pace as the procurement regulatory body, the *Commission Nationale de Marches Publics* (CNMP)[6], was finalizing the rest of the implementing decrees and preparing their dissemination. However, as a result of the earthquake, the office of the procurement regulatory body was destroyed and the procurement units in line ministries were weakened. The equipment and data were damaged following the collapse of ministries and other public buildings, and the procurement system had been barely effective. Therefore, reinforcing procurement regulation and strengthening the CNMP's capacity was a priority for the country. During the preparation of the DPG, the CNMP already had new offices and Bank technical assistance projects had been providing support to make the CNMP operational through: (i) provision of equipment and furniture; and (ii) capacity building support.

24. **Consistent with these objectives, the DPG prior actions under this component included actions to:**

(i) Advance transparency in Public Affairs through enhanced enforcement of the Declaration of Asset Law such as:

- The Anti-Corruption Unit (ULCC) has submitted a progress report on the Asset Declaration Compliance, including specific recommendations for action, to the MEF, the Senate, and the Court of Accounts.

[6] The roles of the *Commission National des Marchés Publics* (CNMP) are, inter alia, to introduce effective procurement control, strengthen capacity within line ministries, develop procurement policy, draft procurement legislation, and standardize procurement procedures

(ii) Reinforce public procurement regulation and enhance transparency in procurement practices through the following:

- The CNMP has restored its website containing information on procurement bids and contracts awarded;
- The recruitment of the new members of the CNMP has been advertized in local newspapers; and,
- The government has issued an instruction to Ministries and other public contracting authorities to clarify that the use of accelerated procurement procedures under the State of Emergency Law must receive prior authorization from the Prime Minister.

25. **By the end of the operation, it was expected that**: (i) the anti-corruption unit (ULCC) would have sent a report to the Court of Accounts showing that the compliance rate with the Declaration of Assets Law of all the senior members of the Executive Branch has increased from 87 percent (as of May 2010) to 100 percent by September 2011; (ii) the Prime Minister would have given prior authorization to all contracts awarded by invoking the Emergency Law's accelerated procedures; and (iii) compliance with the procurement code would have been improved, as evidenced by a decrease in the share of non-competitive procurement in total procurement, from 56 percent (as of 2008) to 45 percent by September 2011.

1.6 Revised Policy Areas (if applicable)

N/A

1.7 Other significant changes

N/A

2. Key Factors Affecting Implementation and Outcomes

2.1 Program Performance

26. The grant was approved on August 5, 2010 and the additional financing of US$25 million by the Haiti Reconstruction Fund (HRF) was approved on August 10, 2010. Both operations became effective on August 23, 2010. The operation builds on the economic governance reforms started before the earthquake and is in line with the Government's Action Plan and the short-term governance program presented to the international community in March 2010. The Government committed itself to take substantial actions prior to the approval of the operation, which in fact complied as indicated in Table 2 below.

Table 2 Prior Actions and Status of Reforms

Prior Actions	Status
To enhance transparency and monitoring of financial transfers in the electricity sector: 1. The government strengthened the monitoring of payments to the electricity sector, as evidenced by the issue of a joint memorandum from the MEF and the MTPTC (under whose authority EDH is) describing: • the procedures to be followed by MEF and EDH for payments of IPPs pursuant to the IPPs' respective contracts under implementation • MEF and EDH's respective obligations in this procedure 2. The MEF has published on its website the monitoring mechanism table – consolidated by MTPTC – for the period from October 2009 through March 2010. At a minimum, the table includes updated monthly data on: • payments made by the State to each IPP, as well as transfers to cover EDH fuel costs; • payments made by EDH to each IPP; • energy produced by each IPP; • The amounts billed by each IPP during the period.	Completed
To reinstate budget controls: 1. T he CSC/CA has communicated to MEF the results of the external audit of the government accounts (October 2007 to September 2008).The MEF has submitted the 2008-09 central government accounts to the Supreme Audit Institution (CSC/CA)The Ministry of Finance has adopted a revised action plan for 2010-2014 and a manual of internal control procedure for use by inspectors of IGF	Completed
To advance transparency in public affairs through enforcement of the dispositions of the declaration of asset law: 1. The Anti-Corruption unit (ULCC) has submitted a progress report on Asset Declaration Compliance, including specific recommendations for action, to the MEF, the Senate and the Court of Account	Completed
To reinforce procurement regulation and enhance transparency in procurement practices: 1. The CNMP has restored its website containing information on procurement bids and contracts awarded. 2. The recruitment of the new members of the CNMP has been advertized in local newspapers **3.** The Government has issued an instruction to Ministries and other public contracting authorities to clarify that the use of accelerated procurement procedures under the State of Emergency Law must receive prior authorization from the Prime Minister	Completed

2.2 Major Factors Affecting Implementation

27. **The political situation in Haiti following the tumultuous presidential election in November 2009 proved to be a significant factor affecting the operation implementation.** The Presidential and Legislative Elections launched in November 2010 ended in May 2011 with the installation of Michel Joseph Martelly as President. However, it was not before October 2011 that a new Government took office. Between November 2010 and October 2011, government activities had been slowed down significantly. In addition, the Head of the project unit implementation of the Bank Infrastructure and Institutions Recovery Emergency Project died in the second semester of 2010, and his replacement took time. This project was designed to provide much needed technical assistance activities to support key reforms under the Emergency DPO, such as the collection of procurement data and the production of the audits of government accounts by the Court of Accounts. The compound effect of these two factors has impacted negatively on these two components.

2.3 Analytical Underpinnings

28. **The operation under review drew on a wide range of analytical work carried out by the government and the Bank in recent years**. Most notably, the overall design of the operation was based on the government's DSNCRP itself, which was developed through a participatory process and reviewed in detail in the Joint Staff Advisory Note (JSAN) prepared by the Bank and the Fund in September 2009. It also drew on Technical Notes prepared on key issues of economic governance which received the financial support of the World Bank under the First Economic Governance Technical Assistance Grant (EGTAG1) in 2005: (i) debt management; (ii) anti-corruption; (iii) budget control systems; (iv) procurement; (v) budget preparation and execution; and (vi) public human resources management. These notes have been prepared in partnership with the government of Haiti and experts financed by the World Bank under EGTAG1. They summarize, on each issue, the legal and institutional framework, the main achievements and weaknesses, and the challenges and opportunities ahead.

29. **The PEMFAR and its follow-up action plan provided the technical basis for the policy actions that were proposed under the public financial management and procurement components**. The review acknowledged progress made in strengthening fiscal discipline and improving the efficiency of the public financial management (PFM) and procurement systems over the period 2005-08. The study identified progress in budget preparation and execution and in particular the improvements resulting from the implementation of the expenditure information system SYSDEP. In the area of procurement, the establishment of the CNMP helped to standardize tender documentation and improve the management of procurement processes. The report identified as remaining challenges the budget's limitation in terms of a forward-looking perspective and poor link with sector policies; the lack of cash-flow planning and the weak capacity of line ministries; the need to link the different information systems; and the opportunity to further improve the PFM regulatory framework. Policy recommendations in the area of budget preparation included further linking budget and policy planning, incorporating extra-budgetary funds into the budget; and communicating expenditure ceilings to the ministries at the beginning of the budget preparation process. In the area of budget execution and control, recommendations

focused on accelerating recruitment of financial controllers, public accountants, and financial inspectors, and continuing the process of reducing discretionary accounts.

30. **The Country Economic Memorandum (CEM) prepared by the Bank in 2006, which identified poor economic governance as one of the main constraints to growth and poverty reduction**. The CEM highlighted the important advances to increase transparency and efficiency in the use of public resources and external assistance. These included changes in the legal framework for budget formulation and execution, the setting up of critical institutions and agencies, and efforts at disseminating basic information. The report's recommendations focused on the need for full implementation of the new legal framework, and the capacity building necessary to achieve the implementation especially with regards to revenue, expenditure and human resource management. Gradually, coverage of the framework could then be extended to offices handling financial management and planning functions in sector ministries. The findings and recommendations of the CEM with regards to economic governance reform were subsequently incorporated into the EGRO series and the Emergency DPG.

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

31. **Design.** As in the first two budget operations, monitoring and evaluation arrangements relied on the government with the aim of strengthening government capacity and institutions. The Ministry of Economy and Finance (MEF) was the agency responsible for coordination and implementation of the activities and reforms under this operation as set out in the Letter of Development Policy. Similarly, the MEF was in charge of reporting progress. The review of goals of the reforms program supported by this operation is largely based on relevant indicators. In parallel, collaborative monitoring has progressed among donors with the government's support in public sector and economic governance, and all governance-related areas including transparency and the fight against corruption.

32. **The results framework included seven outcome indicators under three policy areas, expected to be achieved by the end of September 2011.** The outcomes were well designed and measured. However, in one case, the data on procurement from line Ministries were not available at Operation inception given that the procurement data management systems at the CNMP and line ministries were damaged following the earthquake that destroyed the main administrative buildings, therefore the timeframe for the procurement outcomes proved to be too optimistic.

33. **Implementation, Monitoring and Evaluation, & Utilization. Bank staff monitored the outcomes of the program carefully as the operation evolved.** The reviews were largely based on the monitoring indicators and the goals of the program. At the same time, the overall status of the government's program was monitored under the review of the joint-matrix of Haiti's partners to determine whether country conditions and the specific policy actions of the proposed operation are met.

34. **The Bank monitored implementation through regular supervision missions as well as through the presence in the field of a Bank economist and the preparation of progress reports sent to the Ministry of Finance and the Prime Minister.** The progress reports and aide-memoires regularly reminded and identified pending reform measures or bottlenecks,

expected next steps and institutional responsibilities for follow-up (on both the Government and Bank sides). A first Bank mission visited Haiti in September 2010, a few weeks after the operation became effective. The mission reported that progress towards meeting the development objective was not significant at that moment and that close monitoring and ongoing dialogue with the client were expected to lead to progress. A second Bank supervision mission visited the country in January 31- February 4, 2011 and found that overall, limited progress had been made towards meeting the development objectives. The Bank supervision mission of May 18-27, 2011, found that overall progress had been made towards achieving the operation's objectives. In particular, efforts had been made in the areas of procurement and asset declarations for senior state officials. Public Finance Management reforms were on track and the lagging reforms included measures to enhance transparency in the management of public transfers in the electricity sector. On the declaration of assets, the anti-corruption unit (ULCC) certified that all Ministers and Secretaries of State from the out-going government were in compliance with this legal requirement. A Bank Economic Mission that visited Haiti in August 2011 also met with the authorities at MEF to review progress made in the implementation of measures under the development policy operation prior to its closing at end-September. The mission identified pending actions and problems needed to be addressed by the authorities and the Bank before the closing of the operation such as, launching the bid to recruit the firm to provide accounting support to the EDH to implement the financial model, and issuing the letter from the Prime Minister's office certifying that all the contracts under the emergency procedures have received the PM's prior approval, both of which were fulfilled by the closing date of the operation. The last supervision mission that visited Haiti on September 22- 27, 2011 prepared a comprehensive ISR and provided information on each indicator as detailed in Annex 1 of this report.

2.5 Expected Next Phase/Follow-up Operation (if any):

35. The new Government has expressed its interest that the Bank continues to provide budget support in a context of a DPO. The budget support operation has been included in the Interim Strategy Note (ISN) for the period FY2012-2013. In fact, the Bank plans on delivering a series of budget support operations starting in FY11-12 through FY13-14. Looking forward, this operation will serve as a basis for future DPOs which will also seek to support measures that favor a better reconstruction and building back.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

36. **The objectives of the DPG program remain as relevant to date as they were when the operation was prepared.** The objectives of the DPG continue to be a priority today. It supported policy measures in areas deemed critical for continued progress in transparency of budget transfers, economic governance, public financial management and procurement. The DPG addresses short-term challenges after the earthquake but also aims to consolidate the gains achieved under the previous operations still in need of significant reform efforts. Areas that remain of interest in the current context include enhancing transparency of transfers in the electricity sector given the need for ensuring adequate monitoring and oversight of public resources and the increasing production on the part of the private sector, strengthening budget

controls and audits, the need for enforcing the dispositions of the procurement Law and the declaration of asset law. Haiti is highly vulnerable to external shocks. As the structural as well as the temporary external conditions are problematic and are likely to remain so for the foreseeable future, Haiti must use its resources more efficiently, including in the public sector, to become more competitive and enhance economic growth .

3.2 Achievement of Program Development Objectives

37. **The Program Document of the Emergency DPG states that this Grant is a single-tranche operation supporting the FY2009-10 budget, aimed at maintaining sound economic governance in the post-earthquake period and strengthening the reforms started before the earthquake.** First, the operation supports the implementation of the Government Action Plan for National Recovery and Development of Haiti presented to the international community in March 2010, aimed at re-building the country. Second, it supports the government's program for enhancing transparency and accountability mechanisms, especially in view of the massive pledges made by donors to support the reconstruction process. As stated in the program, the DPG supported specific reforms expected to help strengthen the legal and regulatory frameworks and systems to enhance accountability and transparency in the context of reconstruction and beyond. As such, the operation serves as a bridge toward a possible new series of budget support operations.

38. **Annex 1 of this report details the status of the outcomes as of the closing of the operation, and also lays out the key next steps taken by the Government, which highlight the actions the government is implementing as part of its governance program**. The key next steps as described in the policy matrix do not necessarily form the indicative triggers for a follow-on operation. Presenting the status of key steps helps understand the sequence of reforms planned by the Government, the rationale for the choice of the prior actions, and its links with the broad governance objectives in the medium term.

Objective 1: To enhance transparency and monitoring of financial transfers in the electricity sector.

39. **As part of the effort to enhance transparency in the management of transfers, the government strengthened the monitoring of payments to the electricity sector** by issuing a joint memorandum from the MEF and the MTPTC (under whose authority EDH operates) describing the procedures to be followed by MEF and EDH for payments of IPPs pursuant to the IPPs' respective contracts under implementation. Meanwhile, as a prior action to the approval of the operation, the MEF published on its website the monitoring mechanism table – consolidated by MTPTC – for the period from October 2009 through March 2010 comprising: payments made by the State to each IPP, as well as transfers to cover EDH fuel costs; payments made by EDH to each IPP; energy produced by each IPP; and amounts billed by each IPP during the period. As a follow-on action, all invoice payments by the MEF to the Independent Power Providers (IPP) had to follow the rules described in the above mentioned joint memorandum.

40. **At the closing of the operation, the government and EDH succeeded in placing enhanced controls on payments to IPPs, and furthermore, Bank staff noted compliance with the Memorandum signed between the MEF and MTPTEC, under which monitoring and analysis of invoices are now made at two levels.** First, EDH analyzes the bill to ensure its compliance with contractual terms and its relevance to meter readings. Then MTPTC proceeds with a second layer of control before MEF proceeds with payment. It should be noted that the verification has saved EDH an estimated US$10 million since January 2011. However, Bank staff also noted that the controls are not systematized and are done on an ad hoc basis due to the absence of designated units in charge of such controls, and the implementation of the MOUs.

41. **Another component of this objective was the requirement that the MEF had to publish in its website the actual payments to IPPs, reconciled by the MTPTC and MEF which was moderately satisfactory.** The reform aimed at publishing monthly government transfers to EDH through September 2011. Although at the time of the final supervision mission, data for June and July 2011 were compiled at the MTPTC, they had not been published until January 2012. Lack of systematized data analysis and communication between the three entities due to the absence of designated responsible units and staff has caused such delay.

42. **Key Next Step**. The Bank is providing technical assistance to EDH to strengthen the transparency of financial flows in the electricity sector. This technical assistance includes a component on the audit of the data of the monitoring mechanism. The terms of reference of the technical assistance have been finalized and the bid has been launched.

The Transparency in Transfers Management component is therefore rated as *moderately satisfactory*.

Objective 2: To reinstate budget controls and external and internal audit processes.

43. With respect to public financial management, the government implemented key prior actions aimed at re-establishing budget controls and auditing processes: (i) the CSC/CA communicated to MEF the results of the external audit of the government accounts (October 2007 to September 2008); (ii) the MEF submitted the 2008-09 central government accounts to the Supreme Audit Institution (CSC/CA); and (iii) the MEF adopted a revised action plan for 2010-2014 and a manual of internal control procedures for use by inspectors of IGF.

44. Progress has been made, and the outcome indicators and its current status are as follows:

1 *Improved compliance of external audits and Budget Review Law submission within the statutory timeframe): (i) The MEF submitted to the Court of Accounts the 2009-10 government accounts no more than 8 months after the end of the FY2010, in May 2011(Met); (ii) The Court of Accounts communicates to the MEF the results of the audits of the 2008-09 and 2009-10 government accounts by September 30, 2011 (Partially Met).* The 2008-09 audit of government accounts were communicated to MEF by CSCCA at the beginning of Sept. 2011. With regards to the 2009-2010 audits of government accounts, the CSCCA launched the verification activities in the field and is in the process of finalizing a preliminary audit report.

2 *IGF activities comply with its Action Plan. Selected reports include: (i) the inventory of government and NGOs' project (Met).* The report was submitted in December 2011; *(ii) audits of subsidies in the education sector and transfers by the MEF (Met).* Final reports have been distributed in October 2011; *(iii) analysis of audit reports prepared by the Court of Accounts (Met).* The CSCCA's audit reports have been reviewed by IGF for follow-up with relevant entities; and *(iv) audits of public accountants' activities in the MEF (Met).* Interim reports have been sent to Treasury and have been submitted to the directorates of MEF for transmission to the concerned entities to collect their comments towards the finalization of reports. The IGF is still awaiting feedback from the concerned parties.

45. **Key Next and Ongoing Steps**. To sustain efforts aimed at fully restoring public expenditure management control and effectiveness, the government had implemented activities including: (i) adopting, and disseminating a procedural manual for the preparation and execution of the budget. The manual is currently available at the MEF website; and (ii) starting deployment of inspectors in line ministries to monitor the implementation of the recommendations of internal audit reports completed by the IGF. To that end IGF expects to establish a plan with timeline defined for each beneficiary in the finalized audits and a team will ensure follow-up of the recommendations with the institution concerned.

This public financial management component is rated as moderately satisfactory.

Objective 3: To advance transparency in public affairs through enforcement of the dispositions of the declaration of asset law.

46. With respect to public sector governance management, understood as anti-corruption, the Anti-Corruption unit (ULCC) has submitted a progress report on Asset Declaration Compliance, to the MEF, the Senate and the Court of Accounts as a prior action towards increasing the compliance rate with the Declaration of Assets Law of the members of the government (executive branch), which in May 2010 was 87 and was expected to increase to 100 percent by of September 30, 2011. *ULCC has certified that all members of the government, that is, Ministers members of the Cabinet have complied with this legal requirement (Met)*

47. **Key Next and Ongoing Steps.** The government has intensified efforts aimed at strengthening the implementation of Declaration of Assets Law to fight corruption. First, continues to send reminders to those who have not yet completed their Asset Declarations, but this is beyond the scope of this operation as it concerns pubic officials other than the members of the executive branch. Second, the Code of Ethics has been submitted to Parliament. The ULCC held a meeting with Parliament in September 2011 to discuss the content of the Law and its importance in the fight against corruption.

The enforcement of the dispositions of the declaration of Asset Law by all members of the executive branch has been *satisfactory*.

Objective 4: To reinforce procurement regulation and enhance transparency in procurement practices.

48. **In relation to improving public governance through strengthening public procurement, several prior actions have been taken such as:** CNMP has restored its website containing information on procurement bids and contracts awarded; it has recruited new members for the CNMP; and, the Government has issued an instruction to Ministries and other public contracting authorities to clarify that the use of accelerated procurement procedures under the State of Emergency Law must receive prior authorization from the Prime Minister. Notwithstanding these actions, the results expected by September 30, 2011 have not been fully met. The status of the result indicators are as follows:

1. *The share of non-competitive procurement in total procurement has decreased from 56 percent (as of 2008) to 45 percent. It is measured by the value of contracts awarded without competition as a percentage of all contracts that do not fall under the accelerated procedures invoked by the State of Emergency (Not Met*). The data on procurement from line ministries were no available following the earthquake. The Government has recruited a consultant firm (Cardno) to support the CNMP with the data collection for 2008-09 and 2009-10. The firm completed the report in January 2012.
2. *The Prime Minister has given prior authorization to all contracts awarded based on the Emergency Law accelerated procedures (Met).* A letter from the Prime Minister's office to the Bank certified that all the contracts have received the PM's prior authorization.

49. **Key Next and Ongoing Steps.** Various actions toward making the Procurement Law fully effective include the following: (i) the Government adopted ten pending implementing decrees for the application of the Procurement Law which were signed by the Council of Ministers before the departure of President Préval. These decrees have been published in the Official Journal, although only after the closing date of the operation[7]; (ii) for FY2010-2011 five institutions – the Port Authority (APN), the Ministry of Agriculture, the Ministry of Justice, the Ministry of Education, and the Metropolitan Water Office (CAMEP) – have sent their annual procurement plans to CNMP. According to CNMP, the quality of the plans needs improvement. To that end, in January 2012, the Cabinet jointly with the CNMP organized a workshop to ensure the submission of procurement plans and to clarify the procedures for implementation. This new practice will help reduce waste and fraud and enhance the budget process.

This public procurement component is rated *moderately satisfactory*

3.3 Justification of Overall Outcome Rating
Rating*: Moderately Satisfactory*

50. **The objectives of the Emergency DPG remain relevant, and progress was made in the implementation of key parts of the Program.** In particular, these include the

[7] In addition to the four implementing decrees adopted in 2009

implementation of a framework to monitor the transfers to the IPPs and to EDH, including the reconciliation of data by MTPTC and MEF, and the publication on the MEF's website, albeit with some delay, of data on payments to IPPs and actual payments. It is also important to underline the progress made in reinstating budget controls by external and internal audit bodies, respectively the CSCCA and the IGF, and in strengthening the monitoring mechanisms of the declaration of assets. However, there were shortcomings in the achievement of other Program objectives. As of September 2011, it has not been possible to measure if the share of non-competitive procurement in total procurement has decreased from 56 percent (as of 2008) to 45 percent, due to lack of information.

3.4 Overarching Themes, Other Outcomes and Impacts
(a) Poverty Impacts, Gender Aspects, and Social Development

There were no gender aspects in this operation, and given the short period covered by the Program, it's not possible to attribute any specific poverty impact to the DPG

(b) Institutional Change/Strengthening

51. **The Emergency DPG is contributing in various ways to strengthening institutions in Haiti.** First, the issue of a joint memorandum from the MEF and the MTPTEC to strengthen the monitoring of payments to the electricity sector and implementing a framework to monitor the transfers to the IPPs and EDH will help improve the performance and efficiency of public resources and institutions. Second, the submission to the Court of Accounts of the government accounts no more than 8 months after the end of the fiscal year; and the Court of Accounts communicating MEF the results of the audits of the 2008-09 and 2009-10 government accounts by September 30, 2011, would enhance transparency and efficiency in the public financial management. Third, the 100 percent compliance rate with the Declaration of Assets Law of the members of the government will help advance transparency in public affairs. Fourth, decreasing the share of non-competitive procurement in total procurement will reinforce procurement regulation and enhance transparency in procurement practices. However, institutional impacts are still limited and challenges remains in this area. For instance, only 50% of the members of the judiciary and 35% of the members of the legislative body have made their Asset Declaration for FY2011-2011.

(c) Other Unintended Outcomes and Impacts (positive or negative, if any)
N/A

3.5 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops
The Bank has not organized a survey or a workshop with stakeholders.

4. Assessment of Risk to Development Outcome
Rating: Moderate

52. Since the preparation and design of this Emergency Development Policy Operation, a number of substantial risks were identified that could affect the medium and long-term success of development outcomes. There were risks related to: macroeconomic framework stability; political and security situation; natural disasters; and institutional capacity constraints, all of

which are addressed below. However, the risks that development outcomes would not be maintained are rated moderate as the Government has demonstrated commitment to the reform program and the actions supported by the DPG have been embedded as part of a longer-standing policy dialogue that has been carried out through various lending operations

53. **Macroeconomic Stability**. The macroeconomic risks associated with the operation have been abated as the government demonstrated ownership and a credible commitment to enhance the efficiency of the domestic resources. The fiscal balance during the implementation of this operation has been under control due to increasing revenues and efficient fiscal consolidation. In fact, domestic revenues in 2011 were the highest Haiti has ever achieved (13.0% of GDP) thanks to stronger tax administration and improved tax policy. In addition, the international community has pledged to increase its aid in the form of budget support to supplement government resources.

54. **Political and Security Situation.** Originally, the political and security risks were related to the institutional void created by the postponement of the legislative election, and the difficulty in managing the organization of the legislative and presidential elections. After a tumultuous process, the Presidential and Parliamentary Elections launched in November 2010 ended with a Presidential victory for Michel Martelly in May 2011, while the opposition Party won most seats in the Parliament, forcing a government of "cohabitation" The former Government team, in mid October 2011, handed over to the new cabinet team after a transition period of five months. However, political uncertainty remains a concern. The political climate remains contentious and the current situation raises fears that further political gridlock could hamper reconstruction activities in 2012. Despite the peaceful transition, President Martelly's first months in office have been marred by: (i) delays in naming a Prime Minister, which ended after a five-month long political vacuum, and had slowed down the recovery process significantly; (ii) a stalled constitutional reform effort; (iii) a recently-revealed and open conflict between the President and the Prime Minister, and; (iv) a controversy with Parliament after the arrest of a Deputy.[8] The arrest of a lawmaker in service further strained the already difficult relationship between the Executive Branch and Parliament. Meanwhile, a Senate commission is investigating the nationality of thirty-nine members of the government including the President.

55. **Natural Disaster Risk**. Natural disaster risks are reflected in the country's exposure to natural disasters, including potential serious after-shocks as well as hurricanes and flash floods. However, support from the Bank and other donors in the area of disaster management had been a mitigating factor for natural disaster risks

56. **Institutional Capacity Constraints**. The risks related to weak capacity reflect capacity constraints to prepare, implement, and oversee reforms. These could jeopardize the government's

[8] Since his swearing-in, President Martelly faced opposition from the new Parliament over the appointment of a Prime Minister. On June 21, 2011, the Chamber of Deputies formally rejected the candidacy of his Prime Minister-designate, Daniel-Gérard Rouzier. The President's subsequent choice, Bernard Gousse, was also rejected on August 2, 2011, following a heated debate in the Senate.

efforts and undermine the expected impact of the Emergency DPG. To reduce the risk posed by weak institutional capacity, the operation focused on sustaining government reforms that have started generating positive results. Finally, several technical assistance programs supporting government capacity, including Bank technical assistance, are being implemented and particularly the Bank's Infrastructure and Institutions Emergency Recovery project in the ongoing portfolio.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: Satisfactory

57. **While the Emergency Development Policy Operation was not a continuation of the EGRO series, it used some of its critical triggers.** The areas of focus do not differ significantly from those addressed in the previous operation (EGRO III) to ensure continuity. The operation also paid attention to issues where there has been government's strong buy-in. Thus, the areas of focus included the strengthening of budget controls and audits, the establishment of transparency in the management of transfers in the electricity sector, and procurement. These areas were also aligned with the governance program announced and presented by the government in New York, in March 2010, which was strongly supported by Haiti's partners.

(b) Quality of Supervision (including M&E arrangements)

Rating: Satisfactory

58. **Supervision missions regularly visited Haiti and provided assistance to the Government to take the required actions towards the expected outcomes by end September 2011.** Supervision took place through the presence in the field of a Bank Economist and frequent missions of the operation's task team leader as well as the preparation of several aides-memoires and follow-up notes sent to the Ministry of Finance and the Prime Minister to permanently emphasize the pending actions, bottlenecks and next steps to follow. The supervision and monitoring mechanism relied on frequent and regular reviews of reform implementation status. The last supervision mission, which visited Haiti from the 22 to the 27 of September, 2011 discussed the status of the Emergency DPG and agreed with the Government on the closure of the operation taking place on September 30, 2011. As mentioned before, substantial progress has been made in implementing the reforms supported by the operation. Some key actions remain to be taken to ensure the objectives of the Operation are fully met. It was expected that by the time of the completion of the Implementation Completion and Results Report, most of these pending or lagging activities would be completed.

5.2 Borrower Performance

(a) Government Performance
Rating: Moderately Satisfactory

59. **Borrower performance is rated moderately satisfactory.** The Government had full ownership of the DPG program and remained committed to its implementation, despite the fact that the implementation capacity had been negatively affected by the political situation, which slowed significantly the pace of implementation of reforms. Moreover, in spite of the challenging political and security situation during an election year the Government made important efforts to accomplish all the reforms supported by this operation. However, as mentioned above there were shortcomings in the implementation of other elements of the DPG.

(b) Implementing Agency or Agencies Performance
Rating: Moderately Satisfactory

60. **The MEF was the principal executing agency and was responsible for the overall coordination of the operation as set out in the Letter of Development Policy.** Similarly, the MEF was in charge of reporting progress and coordinating actions among other concerned entities, including the MTPTC, EDH, CNMP and CSCCA. Although delays were encountered in the implementation of the DPG-supported program, the staff in the MEF continued monitoring and coordination of the program with the support of Bank Staff. They kept providing leadership to address bottlenecks or pending problems, and ensuring attention to the most complex issues.

(c) Justification of Rating for Overall Borrower Performance
Rating: Moderately Satisfactory

61. **As described above, substantial progress was made in implementation of key parts of the Program**. However, there were shortcomings in meeting the targets of some outcome indicators due to several constraints and weak implementation capacity. At the same time, Government is staying the course in implementing the Program components, and it has restated its intention to achieve its Development Objectives in full. Overall, the Government's reform program was well focused but had been implemented under extremely difficult circumstances, despite identification of the technical constraints and technical assistance in these areas. The fragile political and security situation and the impact of the earthquake and its aftermaths also played a role in these shortcomings.

62. **In the period of the implementation of the Emergency DPG program the macroeconomic situation improved faster than anticipated.** The progress made reflects the authorities' efforts to quickly restore state institutions while implementing prudent macroeconomic policies and the sizeable budget support from donors. Macroeconomic stability was restored and Haiti is on track with the IMF supported Extended Credit Facility (ECF) approved on July 21, 2010 and debt stock relief for under the Post-Catastrophe Debt Relief Trust Fund (PCDR). The program has been on track despite the difficult post-earthquake environment and delays in the electoral agenda. The IMF just completed in March 2012 satisfactory second and third reviews of its ECF programs.

6. Lessons Learned

63. **In small countries, policy based programs need to be relatively simple and straightforward, in particular in a country with high risk of occurrence of major natural disasters such as Haiti.** The rationale for a single-tranche operation was supported by the possible risks affecting the operation, the period required by the Government to implement the reforms, the need to test the incoming Government's sustained commitment to the reform program, and the knowledge that implementation capacity is not strong. Thus it has been useful to have a noncomplex and straightforward program that supported reform implementation.

64. **The policy actions supported by this operation reflect:** On the one hand the recognition of the difficult environment from which Haiti had only recently emerged after the devastating earthquake which struck the country on January 12, 2010, significantly worsening the poverty and living conditions of the population and exacerbating the country's development challenges; and on the other hand, the progress made over the past years with the support of the preceding economic governance reform operations. However, institutional building and strengthening of legal and regulatory frameworks continue to be key factors underpinning budget support operations to ensure proper management of aid inflows.

65. **Countries that have experienced major natural disasters need strong institutional support to back up critical reforms aimed at restoring institutional functions as fast as possible**. Progress in public financial management, such as budget control and auditing processes, and procurement procedures have benefited from technical assistance, without which it would have been difficult to make headways. This is a lesson drawn from experience in every country that has suffered natural disasters.

66. **The Program Policy Matrix needs to be concise, with few measures and outcome indicators that are clearly defined and deemed within the control of the government with strong support from donors.** Such an approach requires prioritizing reforms within a reasonable timeframe based on agreed prior actions and targets between the Government and donors. It also requires sustained dialogue within a common framework. Drawing from that lesson, this operation was prepared in consultation with the donor community. In effect, a joint-mission of donors involved in budget support took place in May 2010 to coordinate the policy actions underpinning the government's reform program and budget support operations in the aftermath of the earthquake.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/Implementing agencies
N/A

(b) Co-financiers
N/A

(c) Other partners and stakeholders
N/A

Annex 1 Emergency Development Policy Operation – Policy Matrix

Objectives	Prior Actions	Outcomes Indicators Expected by September 2011	Status of Reforms by end September 2011	Key Next Steps	Status
I. Transparency in Transfers Management					
To enhance transparency and monitoring of financial transfers in the electricity sector	The government has strengthened the monitoring of payments to the electricity sector, as evidenced by joint memorandum from MEF and MTPTC (under whose authority EDH is) describing: • The procedures to be followed by MEF and EDH for payments of IPPs pursuant to the IPPs' respective contracts under implementation. • MEF and EDH's respective obligations in this procedure The MEF has published on its website the monitoring table – consolidated by MTPTC – for the period from October 2009 through March 2010. At a minimum, the table includes updated monthly data on: • payments made by the State to each IPP, as well as transfers to cover EDH fuel costs; • payments made by EDH to each IPP; • energy produced by each IPP; and • amounts billed by each IPP during the period.	(1) All invoice payments by the Ministry of Finance (MEF) to the Independent Power Providers (IPP) follow the rules described in the joint memorandum signed by the MEF and the Ministry of Public Work (MTPTC) 2) Data on payments to IPPs published on the Ministry of Finance's website and actual payments reconciled by the MTPTC and MEF	**Met** A framework is in place to monitor the transfers to the IPPs and EDH through the implementation of the MOU. At the time of the last mission (Sept 27) staff noted compliance with the Memorandum signed between the MEF and MTPTC. Monitoring and analysis of invoices are now made at two levels. First, EDH analyzes the bill to ensure its compliance with contractual terms, its relevance to the meter readings, and if appropriate endorse for payment. **Partially Met.** The reform aimed at publishing on a regular basis monthly data of the government transfers to EDH. At the time of the Sept. supervision mission, data for June and July was compiled at the MTPTC for publication by Sept. 30. Such a gap was due to the lack of systematized data analysis and communication between the three entities, and the absence of a responsible unit and staff. Data had been published with delay. For instance, data through Sept. 2011were published in early January 2012 .It should be noted that the time lag has been reduced gradually from almost six months in mid-2010 to three months at end-2011.	An independent firm has carried out an audit of the published monitoring tables	**Ongoing.** The Bank is providing technical assistance to EDH to strengthen the transparency of financial flows in the electricity sector. This technical assistance includes a component on the audit of the data of the monitoring mechanism. The terms of reference of the technical assistance have been finalized and the bid was launched.

Objectives	Prior Actions	Outcomes Indicators Expected by September 2011	Status of Reforms by end September 2011	Key Next Steps	Status
II. Public Finance Management: Budget Controls					
To reinstate budget controls	The CSC/CA has communicated to MEF the results of the external audit of the government accounts (October 2007 to September 2008) The MEF has submitted the 2008-09 central government accounts to the Supreme Audit Institution (CSC/CA) The Ministry of Finance has adopted a revised action plan for 2010-2014 and a manual of internal control procedure for use by inspectors of IGF	(1) Improved compliance of external audits and budget review Law submission within the statutory timeframe: i) The MEF submits to the Court of Accounts the 2009-10 government accounts no more than 8 months after the end of the FY2010 (ii)The Court of Accounts communicates to the MEF the results of the audits of the 2008-09 and 2009-2010 government accounts by September 30, 2011.	**Partially Met** **Met** MEF submitted the 2009-10 government accounts to the CSC/CA on May 4, 2011. **Partially Met** The 2008-09 audit of government accounts were communicated to MEF by CSCCA at the beginning of Sept. 2011. With regards to 2009-10, the Treasury submitted to the CSCCA the 2009-10 government accounts within the statutory time – less than 8 months audit reports. The CSCCA launched the verification activities in the field and is in the process of finalizing a preliminary audit report.	The Ministry of Finance has adopted and disseminated a procedural manual for the preparation and execution of the budget.	**Met** The procedural manual for the preparation and execution of the budget has been finalized and is available on the MEF website
		(2) The IGF activities comply with the plan of action endorsed by the MEF (2010-14) and audit reports are disseminated to the beneficiaries and the competent authorities, including at least	**Met** The IGF has carried out administrative and financial audits in North and North East region to assess the MEF regional offices. Interim reports have already being submitted to the directorates of MEF for transmission to the concerned entities to collect their comments towards the finalization of reports.	The IGF has started deploying inspectors in line ministries to ensure enforcement of recommendations of the internal audit reports	**Ongoing.** The IGF plans to establish a monitoring and evaluation plan with timeline defined for each beneficiary in the finalized audits. A team of the IGF will ensure the follow-up of the recommendations with the institution concerned.
		• the inventory of government and NGOs' projects;	**Met** With regards to the registry of NGOs, the implementation of this activity is completed. Data has been collected and the report was submitted in December 2011.		

Objectives	Prior Actions	Outcomes Indicators Expected by September 2011	Status of Reforms by end September 2011	Key Next Steps	Status
		• audits of subsidies in the education sector and the transfers by the MEF; • analysis of audit reports issued by the Court of Accounts; • audits of public accountants activities in the MEF	**Met** Regarding the audit of transfers in the education sector, final reports were distributed in October 2011. **Met** The CSCCA audit reports have been reviewed by IGF for follow-up with relevant entities. **Met** Regarding the audit of activities of public accountants in MEF various interim reports have been sent to the Treasury. The IGF is still awaiting feedback from the concerned parties to finalize its report.		
		III. Public Sector Governance: Anti-Corruption and Public Procurement			
To advance transparency in public affairs through enforcement of the dispositions of the declaration of asset law. **To reinforce procurement regulation and enhance transparency**	The Anti-Corruption unit (ULCC) has submitted a progress report on Asset Declaration Compliance, including specific recommendations for action, to the MEF, the Senate and the Court of Account The CNMP has restored its website containing information on procurement bids and contracts awarded The recruitment of the new members of the CNMP has been advertized in local newspapers The Government has issued an instruction to Ministries and other public contracting	(1) The compliance rate with the Declaration of Assets Law of the members of the government increased from 87percent (as of May 2010) to 100 percent. (2) The share of non-competitive procurement in total procurement has decreased from 56 % (as of 2008) to 45%. It is measured by the value of contracts awarded without competition as a percentage of all contracts that do not fall under the State of Emergency accelerated procedures	**Met** ULCC has certified that all members of the executive branch have complied with this legal requirement **Not Met** Data systems on procurement in line Ministries were damaged following the earthquake that destroyed administrative buildings and ministries. It was expected that the CNMP would hire experts to help collect the data. However, the political stalemate following the presidential elections in end-2010 through the last quarter of 2011 slowed down the process significantly. **Met**	The government has started enforcing sanctions as per the Law to defaulters The Code of Ethics is completed but has not yet been adopted by the Council of Ministers. The Government has adopted	**Ongoing**. ULCC reported that 100% of the senior officials of the Government have made their Asset Declaration. However, the challenge remains as for FY 2010-11 only 50% of the judiciary and 35% of the legislature have made their Asset Declaration. **Ongoing.** The approval of the Code of Ethics is conditioned by the vote in Parliament. The ULCC held a meeting with the Parliament in September to discuss the content of the Law and its relevance in the fight against corruption. **Ongoing.** Ten implementing decrees for the application of

Objectives	Prior Actions	Outcomes Indicators Expected by September 2011	Status of Reforms by end September 2011	Key Next Steps	Status
in procurement practices	authorities to clarify that the use of accelerated procurement procedures under the State of Emergency Law must receive prior authorization from the Prime Minister	(3) The Prime Minister has given prior authorization to all contracts awarded based on the Emergency Law accelerated procedures	A letter from the Prime Minister's office certifies that all the contracts under the emergency procedures have received the Prime Minister prior authorization. The list of contracts processed under the emergency procedures was submitted to the CNMP by the office of the Prime Minister	pending implementing decrees Key Institutions have prepared procurement plans. The CNMP has received them and are awaiting approval.	the Procurement Law were signed by the Council of Ministers under President Preval. These decrees are published in the Official Journal. **Met** For FY2010-11, five out of a total of sixty institutions (Port Authority, Ministries of Agriculture, Justice, and Education; and the Metropolitan Water Office) have sent their annual procurement plan to CNMP. In January 2012, the Cabinet and the CNMP organized a workshop to ensure the submission of procurement plans and clarify the procedures for implementation

Annex 2: Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Auguste Tano Kouame	Sector Manager	LCSPE	Sector Manager
Alexandre V. Abrantes	Special Envoy	LCCHT	Special Envoy
Jasmin Chakeri	Senior Economist, Acting Lead Economist and Sector Leader	LCSPR	Sector Leader
Luc Razafimandimby	Senior Economist, Acting Lead Economist and Sector Leader	LCCHT	Task Team Leader
Joseph Kizito Mubiru	Senior Financial Management	LCSFM	Public Financial Management
Sophia Guerrier-Gray Counsel	Paralegal	LEGLA	Legal
Joseph Irvens Denis	Economist	LCSPE	Public Sector Reform
Yao Wottor	Senior Procurement Specialist	LCSPT	Procurement
Patricia Chacon Holt	Program Assistant	LCSPE	Team Support
Silvia Gulino	Program Assistant	LCSPE	Team Support

(b) Staff Time and Cost

Stage	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		96,373.03
Supervision/ICR		183,276.19
Total:		279,649.22

Annex 3. Governance Program of the Government of Haiti

Introduction

5.1. The January 12, 2010 earthquake in no way shook the determination of the Haitian government to continue its quest to build a State that aspires to and demonstrates the highest degree of transparency and accountability in managing the funds entrusted to it by taxpayers and its international financial partners.

5.2. This note is aimed at reaffirming the commitment of the Haitian government to manage public resources properly and apply the highest standards of transparency and accountability to the use of these resources during this critical phase of reconstruction of the national economy and sweeping reform of the Haitian society.

5.3. The note is composed of two parts. The first part takes stock of the significant strides made in the area of economic governance prior to the January 12 earthquake, and the second lists the activities that the government pledges to undertake to build on and even surpass the gains made in the past.

I. Progress Made Prior to the Earthquake

5.4. Significant progress was made with the implementation of economic governance measures in the six years preceding the January 12 earthquake. This progress relates, in particular, to budget preparation, budget execution monitoring, and internal and external auditing of public expenditure.

5.5. The law on the preparation and execution of budget laws has been adopted, providing, inter alia, a budget preparation timetable. Budget preparation has been strengthened through the implementation of a consultative process between the Ministry of Economy and Finance (MEF) and the sectoral ministries, as well as coordination between the Ministry of Planning and External Cooperation (MPCE) and the Ministry of Economy and Finance, with a view to better linkage of investment expenditure and current expenditure. The various civil society sectors have been included in the drafting process and have been informed of budget choices. For several years, the draft budget has been submitted to Parliament in a timely manner. Measures have been adopted with a view to making the budget available to the public on the MEF's website, via pamphlets, and in the print media.

5.6. The public expenditure oversight systems have been strengthened by the establishment and commencement of operations of the Inspectorate General of Finance [*Inspection Générale de Finances* IGF]. In addition, public accountants and financial comptrollers have been assigned to all ministries and government agencies and current account use has been reduced from 60 percent of current expenditure, excluding salaries, in 2004 to the historic level of 3 percent in 2009. SYSDEP and SYSGEP, two public expenditure automated management systems, are used on a regular basis to ensure close and integrated management of current and investment expenditure. Budget execution reports, prepared on a periodic basis in accordance with international accounting standards, are published monthly and annually. Since 2005, national revenue accounts have been prepared in fewer than eight months after the end of the fiscal year and transmitted for the opinion of the Superior Court of Auditors and Administrative Law Disputes [*Cour Supérieure des Comptes et du Contentieux Administratif* CSCCA] prior to submission to Parliament.

5.7. In the area of revenue, ongoing efforts to improve the management of the tax and customs administrations facilitated an increase in taxes to 11.2 percent in 2009 compared to an average of 10 percent over the past decade. A new customs code has been approved by the Chamber of Deputies. The process of drafting a tax code with a view to aligning it with regional standards has started. Sydonia World has been installed in the main customs offices with the aim of enhancing their effectiveness and reducing cases of fraud and under billing. At the same time, the mandate of the SGS, the company responsible for inspecting merchandise prior to loading, has been expanded in provincial customs offices in order to help ensure effective management of the flow of merchandise and revenue collection.

5.8. A National Public Procurement Commission [*Commission Nationale des Marchés Public* CNMP] has been established to better regulate and normalize public procurement procedures and help build capacity in the area of the procurement of goods and services in sectoral ministries. This entity, even more so than the establishment of the legal framework, has facilitated some improvement in procurement practices, as a result of the various training and dissemination sessions organized. Available statistics indicate that the share of procurement not subject to bidding relative to total government procurement fell from 85 percent in 2004 to 56 percent in 2008. In addition, a few months prior to the earthquake, an important step was taken with the adoption by Parliament in June 2009 of the new procurement law. Four important implementing decisions have been signed and published.

5.9. The establishment of the Anti-Corruption Unit [*Unité de Lutte contre la Corruption* ULCC] has contributed greatly to raising awareness among government employees and the general population of the costs and risks associated with corruption and the ways and means of preventing it.

5.10. After adoption of the law on asset disclosure, it was noted that a significant majority of government employees complied with the provisions of this law. After going through their disclosure statements, a report was submitted by the ULCC to the CSCCA and the Anti-Corruption Commissions of both chambers.

II. Actions to be Taken to Preserve and Strengthen the Progress Made in the Area of Economic Governance

5.11. The government is cognizant of the importance accorded by the Haitian people and Haiti's international financial partners to the proper use of public funds, transparency, and accountability in the management of resources provided to the government for Haiti's reconstruction and development. During the March 16-17 technical meeting held in the Dominican Republic, the government, through its representatives, reiterated the importance to be accorded to sound and transparent management of the resources that will be mobilized through Haiti's taxpayers and partners.

5.12. Consequently, in the post-earthquake period, the government is resolute in its desire to preserve and even build upon the gains made in the area of economic governance. Although the earthquake dealt a severe blow to key institutions and logistical resources in place prior to January 12, the government quickly focused on salvaging the main equipment and servers that were not completely destroyed and mobilized assistance from its chief partners to get pre-earthquake management and oversight systems up and running again.

5.13. The Haitian government is taking the following actions:

A. Short term (6 months)

- Reaffirming the government's commitment to the medium-term reforms set forth in the joint budget support matrix adopted by the Ministry of Economy and Finance and donors prior to the earthquake. Conducting a monthly review and possible updating of matrix. Making the matrix available to input from possible new partners.
- Making it mandatory for all public procurement in excess of the amount set forth in the implementing decision to the public procurement law to be subject to competitive bidding or to substantiation by the CNMP, in the case of exceptions to this rule.
- Building the intervention capacity of the Inspectorate General of Finance and the CSCCA by making technical assistance available to them.
- Making the transfer of budget resources to public enterprises, in particular the EDH, fully transparent and making transparency and accountability mandatory for these enterprises in the use of these transfers as well as their own resources.
- Having the government prepare the supplementary budget reflecting the new needs arising from the earthquake and the funding provided by the international community to support public expenditure.
- Publishing periodically the list of projects directly financed by donors or with the government's own resources.
- Having all government employees responsible for funds earmarked for Haiti's reconstruction meet asset disclosure requirements.
- Managing multi-donor funds in such a way as to ensure speedy disbursements and verification of all expenditures.
- Publishing a monthly note on the implementation of economic governance measures, intended to provide information and assurances to the people of Haiti and the country's financial partners. The note will assess measures implemented, results obtained, and difficulties encountered in their application.

B. Medium term (6-12 months)

- Providing the financing and technical assistance necessary for the functioning of all institutions that play a key role in the sound, responsible, and transparent management of public finances, namely, the specialized agencies of the MEF (in particular the IGF), the CSCCA, the CNMP, and the ULCC.
- Ensuring that a public accountant and a financial comptroller are assigned to all agencies.
- Strengthening the role of civil society in public expenditure monitoring.
- Strengthening the legal system so as to enable it to fully discharge its role in combating corruption.

Annex 4. Summary of Borrower's ICR and/or Comments on Draft ICR

Annex 5. List of Supporting Documents

Emergency Development Policy Operation in the amount of SDR 20.3 million to the Republic of Haiti. Report No. 54732-HT, July 9, 2010

Interim Strategy Note for the Republic of Haiti for the period FY12-FY13. Report No. October 7, 2011

Country Assistance Strategy for the Republic of Haiti for the period FY09-FY2012 May 4, 2009

Third Economic Governance Reform Operation in the amount of SDR 8 million to the Republic of Haiti. Report No. 49499-HT, November 9, 2009

Emergency DPG Aide Memoire February 2011

Emergency DPG Aide Memoire May 2011

Emergency DPG Aide Memoire July 2011

Emergency DPG Aide Memoire August 2011

Emergency DPG Aide Memoire September 2011

IMF Staff Report for the 2010 Article IV Consultation and Request for a Three-Year Arrangement Under the Extended Credit Facility, Julio 8, 2010

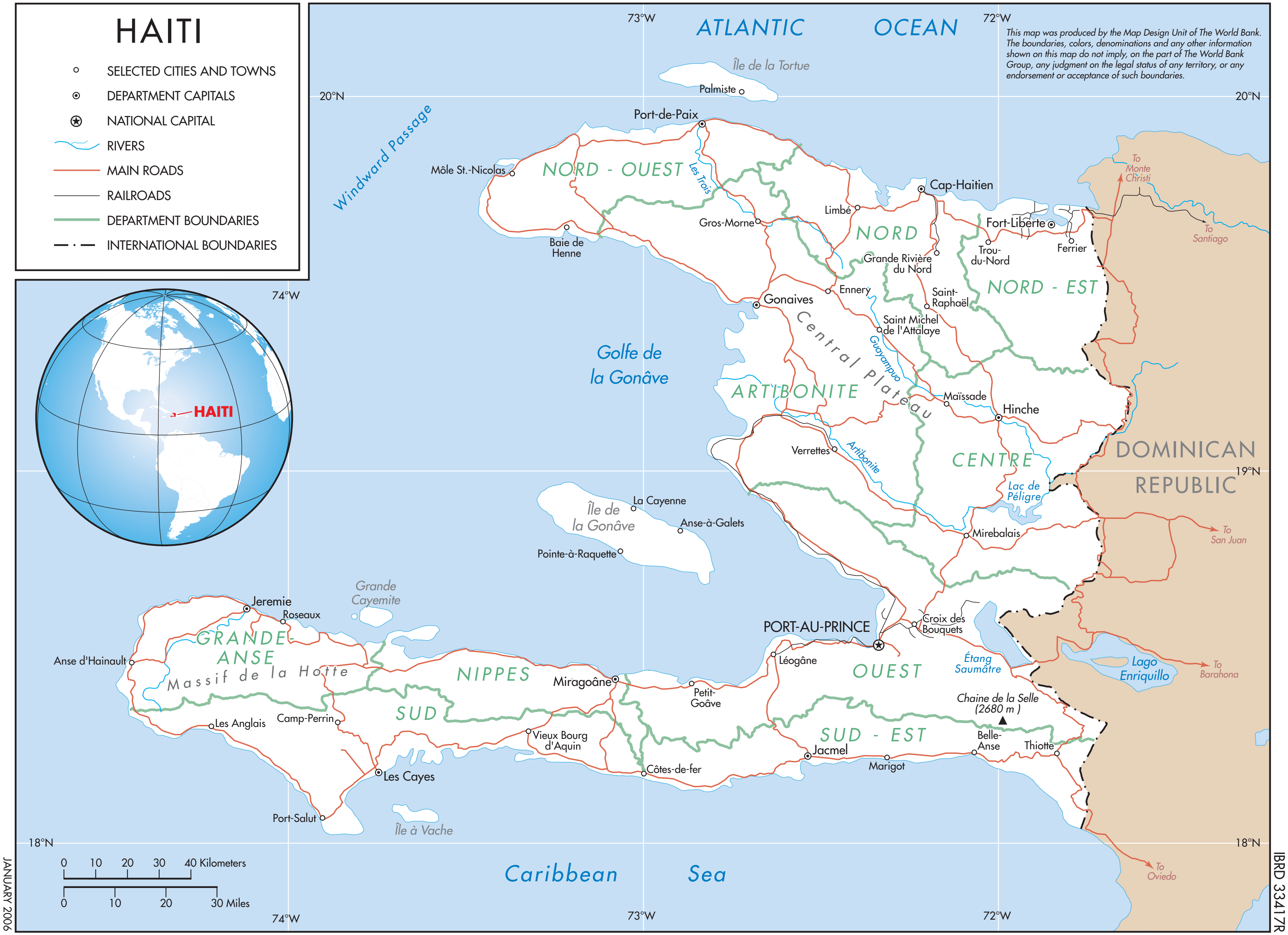
IMF First Review Under the Extended Credit Facility Arrangement, April 25, 2011

Implementation Status & Results for Haiti Emergency Development Policy Operation, December 22, 2010

Implementation Status & Results for Haiti Emergency Development Policy Operation, March 21, 2011

Implementation Status & Results for Haiti Emergency Development Policy Operation, June 21, 2011

Implementation Status & Results for Haiti Emergency Development Policy Operation October 31, 2011


HAITI
SELECTED CITIES AND TOWNS
DEPARTMENT CAPITALS
NATIONAL CAPITAL
RIVERS
MAIN ROADS
RAILROADS
DEPARTMENT BOUNDARIES
INTERNATIONAL BOUNDARIES
HAITI
ATLANTIC OCEAN
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73°W
72°W
74°W
20°N
19°N
18°N
Windward Passage
Île de la Tortue
Palmiste
Port-de-Paix
Môle St.-Nicolas
NORD - OUEST
Les Trois
Cap-Haïtien
Limbé
Gros-Morne
Baie de Henne
NORD
Fort-Liberté
Trou-du-Nord
Ferrier
Grande Rivière du Nord
NORD - EST
To Monte Christi
To Santiago
Ennery
Gonaïves
Saint-Raphaël
Saint Michel de l'Attalaye
Central Plateau
Guayamouc
Golfe de la Gonâve
ARTIBONITE
Maïssade
Hinche
Verrettes
Artibonite
CENTRE
Lac de Péligre
DOMINICAN REPUBLIC
Île de la Gonâve
La Cayenne
Anse-à-Galets
Pointe-à-Raquette
Mirebalais
To San Juan
Grande Cayemite
Jeremie
Roseaux
GRANDE-ANSE
Massif de la Hotte
Anse d'Hainault
PORT-AU-PRINCE
Croix des Bouquets
Léogâne
OUEST
Étang Saumâtre
Lago Enriquillo
To Barahona
NIPPES
Miragoâne
Petit-Goâve
Chaine de la Selle (2680 m)
SUD
Les Anglais
Camp-Perrin
Vieux Bourg d'Aquin
SUD - EST
Jacmel
Belle-Anse
Thiotte
Côtes-de-fer
Marigot
Les Cayes
Port-Salut
Île à Vache
To Oviedo
Caribbean Sea
0 10 20 30 40 Kilometers
0 10 20 30 Miles
JANUARY 2006
IBRD 33417R