

DEBT MANAGEMENT PERFORMANCE ASSESSMENT
(DEMPA)



HAITI
APRIL 2014

Contents

Acronyms	ii
Introduction.....	iii
Executive Summary	iv
Economic Developments and Outlook.....	1
Public Debt.....	2
DeMPA Assessment.....	4
Debt Management Performance Indicators	5
DPI-1 Legal Framework.....	5
DPI-2 Managerial Structure	7
DPI-3 Debt Management Strategy	8
DPI-4 Evaluation of debt management operations	9
DPI-5 Audit	10
DPI 6 Coordination with Fiscal Policy	11
DPI 7 Coordination with Monetary Policy	12
DPI-8 Domestic Market Borrowing	14
DPI-9 External borrowing	16
DPI-10 Loan Guarantees, On-Lending and Derivatives.....	17
DPI-11 Cash Flow Forecasting and Cash Balance Management	19
DPI 12 Debt Administration and Data Security	20
DPI 13 Segregation of Duties, Staff Capacity and Business Continuity	22
DPI 14 Debt Records.....	24
DPI 15 Debt Reporting.....	25
Annex 1 List of Persons Met.....	27

Acronyms

BANDES	Banco de Desarrollo Económico y Social de Venezuela	ECF	Extended Credit Facility
BMPAD	Bureau de Monétisation de l'Aide au Développement	EDH	Electricité d'Haïti
BNC	Banque National de Crédit	GDDS	General Data Dissemination System
BRH	Banque de la République d'Haïti	HIPC	Highly Indebted Poor Countries
CEMEP	Conseil de Modernisation des Entreprises Publiques	IDB	InterAmerican Development Bank
CEMLA	Center for Latin American Monetary Studies	IFAD	International Fund for Agricultural Development
CSCCA	Cour Supérieur des Comptes et du Contentieux Administratif	IGF	Inspection Générale de Finances
DAJ	Direction d'Affaires Juridique	IHSI	Institut Haïtien de Statistique et d'Informatique
DCE	Direction de Coopération Externe	INTOSAI	International Organization of Supreme Audit Institutions
DEE	Direction d'Etudes Economique	IMF	International Monetary Fund
DeM	Debt Management	MDRI	Multilateral Debt Relief Initiative
DeMPA	Debt Management Performance Assessment	MEF	Ministère d'Economie et de Finances
DGB	Direction Générale du Budget	MPCE	Ministère de Planification et de Coopération Externe
DGI	Direction Générale des Impôts	OPEC	Organization of Petroleum Exporting Countries
DMFAS	Debt Management and Financial Analysis System	PIP	Public Investment Program
DPI	Debt Performance Indicator	PDVSA	Petróleos de Venezuela
DRS	Debtor Reporting System	SYSDEP	Système de Gestion des Dépenses Publiques
DSA	Debt Sustainability Analysis	TSA	Treasury Single Account
DTD	Direction de Trésorerie et de la Dette		
DTDCP	Direction de Trésorerie et de la Dette et de Comptabilité Publique		

Introduction

In response to a request from the Government of Republic of Haiti, a World Bank mission team undertook a debt management performance assessment (DeMPA) mission to Port-au-Prince, Haiti between March 13 and 21, 2014. The mission comprised Zeinab Partow (Senior Economist, PRMED Team Leader, World Bank), Karen Bihr (Project Manager, UNCTAD, Implementing Partner), Mame Pierre Kamara (Consultant), Patrick van der Wansem (Consultant), Mamonjiarisoa Volatantely Randrianjanaka (World Bank and Ministry of Finance of Madagascar) and Evans Jadotte (Economist, LCSPE, World Bank). This report includes the results of the assessment.

The mission met with officials at the Ministry of Economy and Finance, the Central Bank of Haiti, the Ministry of Planning and External Cooperation, the Supreme Audit Institution, the Prime Minister's Office, as well as with financial sector entities. The team wishes to sincerely thank the authorities for their collaboration and support of the mission team, for the rich and substantive discussions that took place, and for their hospitality.

Executive Summary

The Ministry of Economy and Finance (MEF) has, in recent months, embarked upon an internal restructuring process, encompassing the debt management unit, and accompanied by an effort to reform the legal framework in a number of areas. The authorities requested technical assistance from the World Bank to support them in their effort to make the new debt unit operational. As part of the restructuring process, the debt management unit has been moved from the General Budget Directorate to the Treasury Directorate, and its internal structure has been modernized to reflect a new role and broadened responsibilities. The new role and responsibilities are described in a draft law on debt management which was sent to Parliament for approval, as well as in a draft law on the restructuring of the Treasury Directorate. The draft law on debt, if approved, would significantly raise the profile of the debt management unit, and would require important changes to current public debt management practices in government. Although both draft laws have been delayed in parliament for months due to difficult relations between the Executive and the Senate, the MEF has begun to move ahead with implementing the new structure of the debt management unit.

Public debt management in Haiti today is beset by serious difficulties. These include: a weak legal framework (in the absence of an approved new law), a high degree of fragmentation of responsibility and confusion regarding basic procedures; the absence of a debt management strategy; weak analytical capacity and failure to incorporate planning and analysis in debt management to any significant degree; data bases that are dispersed across institutions, managed in Excel sheets, and with no systematic reconciliation between institutions; no contingency planning; and minimal reporting or public dissemination of debt-related information.

If the draft law is approved, it would set the stage for implementation of concrete measures to begin to address some of these challenges. In the meantime, the debt unit is beginning to address some issues, including efforts to unify debt databases, clarify procedures, and extend its involvement to all areas of public debt management. In this they are assisted by the existence of a well-functioning Treasury Committee that includes all key stakeholders in government.

Looking forward, the mission identified three overarching challenges for debt management in Haiti: 1) the need to ensure readiness to implement the new law on debt where the debt unit will have a central and much expanded role in all areas of debt management; 2) unifying debt databases and defining responsibilities regarding the management of the DMFAS, including the systematic reconciliation between DMFAS and the Excel database currently in use, and between the different Excel databases in use at the Ministry of Economy and Finance and the Central Bank; 3) significantly strengthening the analytical capacity of the debt unit to enable a comprehensive understanding of debt sustainability and its importance in economic management.

Pending approval of the new organic law of the MEF, the government has introduced organizational changes permitted under the existing law. This has enabled the MEF to begin strengthening the debt unit, and to integrate debt and cash management within a single Directorate.

Economic Developments and Outlook

While economic growth remains modest at about 4 percent of GDP, the macroeconomic situation in Haiti has improved in recent years (Table 1). Inflation has been reduced and remains in the single digits and the external position is stronger. Fiscal deficits, while higher than originally projected, are controlled. Post-earthquake recovery has been slow, however, largely as a result of low absorptive capacity as well as governance issues in the execution capital expenditures and procurement contracts.

Table 1 Haiti: Selected Economic Indicators

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Real GDP Growth (%)	-5.5	5.5	2.9	4.3	4.0
Inflation, CPI e-o-p	4.7	10.4	6.5	4.5	5.7
Exchange Rate (avg. G/USD)	43.77	43.76	43.77	43.81	43.89
CA Balance, incl. grants (% of GDP)	-1.6	-4.4	-5.4	-6.4	-5.8
CA Balance, excl. grants (% of GDP)	-29.3	-23.5	-17.9	-15.3	-13.6
Export of Goods (% change)	2.2	36.3	2.2	11.4	7.5
Import of Goods (% change)	48.1	6.8	-4.2	7.7	2.0
Remittances (% of GDP)	22.5	21.0	20.4	21.0	-
FDI (% of GDP)	2.7	1.6	2.0	1.4	-
Overall Fiscal Balance, incl. grants (% of GDP)	2.2	-3.6	-4.8	-6.7	-6.7
Overall Fiscal Balance, excl. grants (% of GDP)	-5.0	-4.7	-5.0	-6.1	-7.0
Domestic Revenues (% of GDP)	11.8	12.8	12.8	12.7	13.2
Current Expenditures (% of GDP)	11.2	11.6	11.9	11.8	12.5
Capital Expenditures (% of GDP)	10.5	13.9	16.3	15.6	14.9

Source: MEF, IHSI, BRH, IMF and WB

Ensuring progress in addressing social needs without compromising fiscal and debt sustainability is perhaps Haiti's main economic challenge. The government has prioritized the attainment of macroeconomic stability and growth through efforts to increase domestic revenue and to reduce current spending in order to generate additional fiscal space for infrastructure and poverty-related spending. In a context of declining foreign assistance, preserving fiscal and external sustainability has become even more of a priority. From a growth standpoint, removing barriers to public investment and improving its quality are other areas prioritized by the authorities, through measures to improve public financial management and economic governance. Enhancing the business climate for private investment is another priority.

Greater domestic revenue collection is important for medium-term fiscal sustainability. Revenue mobilization remains well below potential and the authorities intend to pursue a number of measures to address this, including broadening the tax base, reducing tax expenditures and continuing the efforts to increase the efficiency of tax and customs administration. Aligning domestic petroleum prices with international levels is another goal, and would limit forgone revenue, although the absence of a well-

targeted social safety net makes this a challenging proposition without advances in targeted social spending and investment.

Notwithstanding the advances in macroeconomic management, the economic outlook is susceptible to important downside risks. External grants and concessional lending are vulnerable to a slower recovery in advanced economies, or to a further deterioration in the macroeconomic situation of Venezuela, on which Haiti substantially depends through the Petrocaribe Agreement. Commodity price shocks could also be a source of stress, particularly to the energy bill. On the domestic front, spending pressures (including for Petrocaribe-related spending, see Box 1) could further worsen the fiscal picture, reducing fiscal buffers and the country's capacity to react in case of shocks.

Box 1. Petrocaribe in Haiti

Venezuela has provided, since 2007, significant concessional financing to Haiti under the Petrocaribe Agreement. As of end-FY2013, the stock of Petrocaribe debt (accumulated entirely since 2010) stood at US\$1.2 billion, or 14.6 percent of GDP.

According to the terms of the agreement for the purchase by Haiti of oil products from *Petróleos de Venezuela*, when the price of imported oil products exceeds US\$100 per barrel, 60 percent of the bill is financed at 1 percent interest, 25 years' maturity, and 2 years of grace. The sale of these oil products in the domestic market generates considerable resources for the government, which are managed by the *Bureau de Monétisation du Programme d'Aide au Développement* (BMPAD) on behalf of the Haitian government.

Petrocaribe resources have been used to finance investment projects and to support the electricity sector. The resources have been a crucial source of financing in post-earthquake Haiti. A large reduction or stop would lead to substantial fiscal adjustment, constraining investment spending, financing to the electricity sector, and would impact domestic tax revenues.

A significant reduction, or sudden stop, of highly concessional flows from Venezuela would be particularly damaging to growth and debt sustainability. Public investment would fall, and difficulties to finance the electricity sector's deficit would emerge¹, and lower concessionality of financing would worsen debt indicators.

Public Debt

Looking ahead, a key concern for the Government of Haiti is the need to reduce debt accumulation. Haiti is assessed to be at high risk of external debt distress, partly explained by a narrow export base and low revenues. Reducing the primary deficit to levels consistent with debt sustainability, containing spending pressures and preserving fiscal buffers are top priorities for the government. Debt sustainability analysis indicates that Haiti's external debt profile is particularly vulnerable to shocks to borrowing conditions and the exchange rate, while a lower rate of growth would have a large negative impact on public debt. An ongoing Extended Credit Facility (ECF) with the International Monetary Fund (IMF) supports the government's economic program to secure and build upon the gains achieved and reforms undertaken to date.

The structure of Haiti's external debt has changed significantly in recent years. The share of debt owed to traditional development partners has dropped as a result of debt relief, while the share of non-Paris Club bilateral debt has grown, reflecting disbursements from Venezuela. After benefitting from the Highly Indebted Poor Country (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI),

¹ The deficit of Electricité d'Haïti (EDH, the State-owned power company) has necessitated elevated budgetary transfers in recent years, amounting to close to two percent of GDP last year.

Haiti received additional debt relief following the earthquake of 2010. The country's debt stock declined substantially, as most bilateral and multilateral partners have shifted to providing assistance on a grants-only basis. As noted above, the major new disbursements are those related to the concessional Petrocaribe agreement with Venezuela.

At the end of 2013, Haiti's stock of public sector debt amounted to US\$1.6 billion, (19.5 percent of GDP), composed almost exclusively of external debt on concessional terms. External debt amounted to just under US\$1.5 billion, while domestic debt was about US\$178 million, mostly in the form of Treasury bills largely held by commercial banks and including about US\$45 million in a publicly guaranteed debt to a commercial bank contracted by the State-owned electricity company EDH (*Electricité d'Haiti*). Tables 2 and 3 provide additional details on debt indicators and on the composition of external public debt.

Table 2 Haiti: Indicators of Public Debt

	2009/10	2010/11	2011/12	2012/13 est.	2013/14 proj.
Total public debt (% of GDP)	13.0	8.7	14.4	19.5	22.9
Total external debt (% of GDP)	13.0	8.7	13.5	17.4	19.8
Total public debt (USD millions)	1,171	887	1,270	1,649	2,158
o/w domestic	308	230	203	178	378
o/w Petrocaribe	134	462	841	1,235	1,595
o/w other external	729	195	226	236	185
External debt service (% of GDP)	0.1	0.0	0.1	0.3	0.4
External debt service (% of current CG revenues)	0.7	0.2	0.9	2.3	3.2

Source: BRH and IMF

Table 3 Haiti: External Debt, end-2013

	US\$ millions	In percent of	
		Total debt	GDP
Total	1474.8	100.0	17.4
Multilateral	135.9	9.2	1.6
IMF	57.8	3.9	0.7
IFAD	64.5	4.4	0.8
IDB	0.1	0.0	0.0
OPED	13.5	0.9	0.2
Official Bilateral	1338.9	90.8	15.8
Venezuela	1249.1	84.7	14.8
Petrocaribe	1235.0	83.7	14.6
BANDES	14.1	1.0	0.2
Taiwan, Province of China	89.8	6.1	1.1

Source: IMF

DeMPA Assessment

Scoring Methodology and Summary

The DeMPA comprises a set of 15 Debt Management Performance Indicators (DPIs) encompassing the spectrum of government debt management (DeM) operations, as well as the overall environment in which these operations are conducted. Each DPI has one or more dimensions linked to the subject of the DPI. Each of these dimensions is assessed separately. The scoring methodology assigns a score of A, B or C based on DeMPA criteria. The evaluation starts by checking whether the minimum requirement for that dimension has been met, corresponding to a score of C. A minimum requirement is the necessary condition for effective performance under the particular dimension being measured. If the minimum requirements set out in C are not met, then a D score is assigned, indicating that this may be a priority area for attention and strengthening. In cases where a dimension cannot be assessed, an NR (not rated or assessed) is assigned. The A score reflects the attainment of best, or sound, practice for that particular dimension of the indicator. The B score is an in-between score lying between the minimum requirements for effective performance and good practice.

The scope of the DeMPA is central government debt management activities and closely related functions such as the issuance of loan guarantees, on-lending, and cash flow forecasting and cash balance management. Thus, the DeMPA does not assess the ability to manage the wider public debt, including implicit contingent liabilities (such as liabilities of the pension system, losses of State-Owned Enterprises, etc.) nor debt of SOEs, if these are not guaranteed by the Central Government.

While the DeMPA does not provide recommendations on reforms and/or capacity and institution-building needs, the performance indicators do stipulate a minimum standard that should be met under all conditions. Consequently, if the assessment shows that the minimum requirements are not met, this will clearly indicate an area requiring attention.

Debt Management Performance Indicators

DPI-1 Legal Framework

Dimension	Score
The Existence, coverage, and content of the legal framework	D

The legal framework for public debt management in Haiti is in transition. A draft law on public debt was adopted by the Council of Ministers and submitted to parliament. It contains many elements that are in line with international best practices. In addition, there is a draft organic law of the Ministry of Economy and Finance (MEF) which, among other changes, proposes a reorganization of the ministry. Pending approval of the latter, the government has introduced organizational changes, including the integration of debt and cash management within a single Treasury Directorate by transferring the Debt Unit from the Budget General Directorate to Treasury. Below, the current legal framework as it relates to public debt management is reviewed. Box 2, below, summarizes some of the key relevant features of the draft law.² The scoring, however, refers solely to the legal framework as it stands today.

The current legal framework

The existing legal framework for financing operations and debt management is weak. While there is clear authorization in the primary legislation for the Minister of Finance to negotiate and sign all financial transactions on behalf of the State (*Loi Organique du MEF*, 13 March 1987, Article 3³), confusion continues in practice. There is significant confusion within and between ministries on responsibilities and regarding who actually can sign financing agreements.⁴ To give a few examples: the Legal Department (*Direction des Affaires Juridiques*, DAJ) at MEF is the principal party participating on behalf of the ministry in negotiating international loans and reviewing loan agreements. According to DAJ, the negotiation and signature of external loans is the sole prerogative of MEF. The perception of the Ministry of Planning (*Ministère de la Planification et de la Coopération Externe*, MPCE) is that it is the main counterpart to international creditors on investment projects and that it is the minister of planning who signs the loan agreements, generally, though not necessarily, alongside the minister of finance. According to the MPCE, the relevant line ministry generally also co-signs. That said, the mission's review of loan agreements indicates that most loans and financial agreements in recent years have been signed by the minister of economy and finance, although there are references to bilateral loans signed in the past by e.g. ambassadors and other ministers. A major exception are the contracts between Haiti and Petróleos de Venezuela (PDVSA) which are signed by the head of *Bureau de Monétisation du Programme d'Aide au Développement* (BMPAD), along the guidelines set by the main framework Petrocaribe Agreement was signed by President of Haiti in 2007. BMPAD is designated as the Buyer under Article 3 of the Petrocaribe Bilateral Agreement. As noted above, the contracts signed under the Petrocaribe agreement account for the bulk of Haiti's external debt today.

² The MEF website provides a useful and effective link to all MEF-related primary and secondary legislation: <http://www.sdn.mefhaiti.gouv.ht/>

³ This law states that the Minister of Finance is enabled to negotiate and sign all contracts, agreements, conventions and treaties with economic implications and resulting in financial obligations for the State ("négocier et signer tout contrat, accord, convention et traite a incidence économique et entraînant des obligations financières pour l'Etat").

⁴ It should be noted that the bulk of external financing in Haiti takes the form of grants, also signed by the minister of finance.

With respect to domestic financing, treasury bonds (*bons du Trésor*) are the only form of financing that the government engages in, and in this area secondary legislation is clear regarding the MEF's authority and responsibilities (as stated in Presidential Decree of 27 September 2010, Articles 1, 2 and 6).

The constitution confers upon the National Assembly (both chambers together) the power to ratify international conventions or treaties (art. 98.3.3). This applies to international loan agreements between governments and with multilateral institutions – the only type of international borrowing that the government engages in.

The legal framework in Haiti does not make any reference to debt management purposes, objectives or to the requirement to develop a debt management strategy. There is also no mention of the power to extend guarantees.

Box 2: The Draft Debt Law

In February 2013, the President sent to Parliament a public debt law which clearly assigns debt management responsibilities to the Ministry of Finance. Approval of this law is still pending. Here we review the draft law – assuming that it will be put in place in the foreseeable future – against DeMPA criteria.

A key DeMPA criterion for rating the legal framework is the existence of a clear authority to borrow in both domestic and foreign markets. Article 4 of the draft law confers sole authority to engage in the issuing of loans and guarantees on behalf of the Central Government to the MEF. The MEF also sets, in collaboration with the relevant line ministries, the conditions and procedures for these transactions. The draft law does not elaborate any further on the procedures, but the empowerment of the MEF is clear. International borrowing continues to be subject to ratification by parliament under Art. 98.3.3 of the Constitution, as is currently the case.

The draft law also sets out an explicit objective for debt management in Article 11: to ensure that the financing needs of the public sector are met at the lowest possible cost in the medium and long term, while keeping risks at a prudent level. The adoption of a debt management strategy, with at least a three-year horizon, is also mandated, and which must be translated into annual financing plan and appended to the yearly budget law. The minister of economy and finance is responsible for the preparation of the strategy (through the Treasury and Public Accounts Directorate, *Direction de la Trésorerie, de la Dette, et de la Comptabilité Publique*, DTDCP, i.e the DeM office), which must then be approved by the Council of Ministers. The strategy itself must also be revised and updated annually and published alongside the budget law. The publication of the strategy helps to ensure accountability. Both objective and strategy are in line with international good practice, although the specification of the purposes for which the Central Government can borrow is absent.

Beyond this, the draft law elaborates on the responsibility for the issuance and management of guarantees and on-lent resources, including: the requirement of an annual risk assessment of the portfolio (Art. 25), provisions for information sharing and transmission of beneficiary annual accounts to the MEF (Art. 23) and the establishment of a guarantee and on-lending fund whose rules and procedures would be determined by a decree signed by the Minister of Economy and Finance (Art. 21 and 22). The draft law also calls for the creation of a public debt committee within the ministry, including representatives from various directorates and divisions within MEF (Chapter V). The Committee's main role is to provide advice on the debt management strategy and to monitor its implementation. The role of secretariat for the Committee would lie with the Treasury and Debt Department (*Direction de Trésorerie et de la Dette*, DTD). Subnational borrowing is contemplated in the draft debt law, which stipulates that the borrowing entity must report yearly to the MEF.

The draft public debt law establishes the requirement that the DTD produce an annual report on debt management activities, which should be made public, although it does not specify an obligation to send the report to Parliament or to evaluate the implementation of the medium-term debt management strategy.

Overall, the draft law aims to significantly strengthen the role of the DTD in debt management, including by requiring the unit's involvement in loan negotiations, introducing the obligation to undertake debt portfolio analyses and to develop a medium term debt management strategy.

Scoring: The existing legal framework is rated D. The minimum requirements for a score of C are not met as the purposes for which borrowing can be undertaken by the Central Government are not specified in primary legislation. In addition, the delegation to the Minister of Finance of the authority to commit the resources of the State is not clearly understood or implemented; it is not understood as conferring on the Minister sole authority, and this has generated confusion.

DPI-2 Managerial Structure

Dimension	Score
1. The managerial structure for central government borrowings and debt-related transactions	D
2. The managerial structure for preparation and issuance of central government loan guarantees	D

Dimension 1

The *Direction de Trésorerie et de la Dette* (DTD) in the DTDCP is the entity responsible for the management of the Central Government's domestic debt. A Treasury Committee comprising the DTD, DTDCP (beyond the DTD) and the Central Bank (*Banque de la République d'Haïti*, BRH) examines cash balance positions and proposes Treasury bond issues as deemed necessary. Following approval by the committee, the DTD handles the issuance and awarding of Treasury Bills, thus providing front office (and limited middle office) functions for domestic debt. It also provides, along with the BRH, the back-office functions related to domestic debt. These back office functions have in the past been largely performed by the BRH, but with the overhauling of the Ministry of Finance's structure and the efforts to modernize the DTD, these responsibilities are being transferred from the BRH to MEF. Nevertheless, considerable fragmentation in back office functions between the two institutions continues to exist (see DPIs 12 and 14).

With respect to external public debt, a number of entities have debt management responsibilities, including MEF, MPCE, BRH and BMPAD. Once line ministries identify donors or creditors to support a given project or program, the DAJ (in MEF) develops and negotiates the financing in coordination with the relevant line ministry and the MPCE (which is represented by the Directorate of External Cooperation, *Direction de Coopération Externe*, DCE). The DAJ also issues a legal opinion regarding the terms of any new loan agreement. The DTD does not participate in the negotiation process. Exchange of information between the various entities involved in the process is limited and not systematic. The DTD is frequently not informed when new financing is signed. In some cases, the DTD only becomes aware of the existence of the external obligation when payment notices are sent. For Petrocaribe loans, the BMPAD carries out front office functions, including the signing of sales contracts by the Director General.

Back Office functions for external financing are performed by the DTD and the External Debt unit of the BRH. The allocation of responsibilities amongst the two institutions remains ambiguous. Debt data recording responsibilities are split between the MEF and the BRH and are not formally defined nor documented. At the time a payment comes due, the DTD prepares the payment order which is sent to the BRH for payment. Middle Office functions are only marginally fulfilled by the DTD if it is requested to determine the repayment schedule during loan negotiations.

The DTD has already embarked on the organizational changes and new responsibilities envisaged under the draft debt law. MEF Circular number DT/823/09-13 of October 30, 2013 orders the DTD to establish its own structure pending the adoption of the above-mentioned draft laws and their implementation. The DTD has organized itself into three units or services: (i) the Treasury unit (*Service de la Trésorerie*) which is responsible for treasury and cash management, (ii) the Debt unit (*Service de la Dette*) which fulfills both front office and back office function (this is inconsistent with international good practices) and (iii) the Studies and Statistics unit (*Service des Etudes et de Statistiques*) plays the role of Middle Office.⁵

Dimension 2

There is no defined responsible entity (or entities) responsible for the preparation and management of loan guarantees, nor are there clear procedures. The DTD is only aware of the existence of two loan guarantees. As reflected in the existing guarantees, there is no credit risk analysis carried out prior to their granting.

Scoring: Dimension 1: With respect to domestic debt, considerable fragmentation in back office functions between the DTD and BRH continues to exist. Poor coordination and the lack of systematic and complete exchange of information between the various players involved in external debt management also indicate that the minimum requirements for this indicator are not met. A score of D is assigned to this dimension.

Dimension 2: The minimum requirements for this dimension are not met. Loan guarantees, although rare, do exist. However, there is no entity with the mandate and skill to assess and price the credit risk, mitigate the financial effects of a default or trigger event, monitor this risk during the term of the guarantee, coordinate the borrowings of the guarantee beneficiaries with central government borrowing, or to record these guarantees properly. The score for Dimension 2 is D.

DPI-3 Debt Management Strategy

Dimension	Score
1. The quality of the Debt Management Strategy document	D
2. The decision-making process, updating, and publication of the DeM strategy	N/R

Dimension 1

To date, the Republic of Haiti has no formal debt management strategy.⁶ In the case of domestic debt, borrowing remains largely limited to Treasury Bills with a maximum tenor of six months, while the external debt of the Central Administration consists largely of loans from Venezuela (Petrocaribe), Taiwan, province of China, the Organization of Petroleum Exporting Countries (OPEC), and the

⁵ The debt unit was relocated from the Budget General Directorate to the Treasury, which now has a stronger mandate in designing the government's financing strategy. While the new debt unit's (DTD) Back Office is fully staffed, the Middle and Front offices are not yet functional.

⁶ MEF staff in the DGB, DTDCP, the Economic Studies Department (*Direction des Etudes Economiques*) and the Internal Audit Department (*Inspection Générale de Finances*, IGF) have participated in recent years in training courses on the elaboration of a medium term debt management strategy from institutions such as the Centre for Latin American Monetary Studies (CEMLA) and Debt Relief International.

International Fund for Agricultural Development (IFAD). In the case of many donors, only grant financing is given.

Even in an informal sense, guidelines indicating the direction in which certain key indicators (e.g. debt maturing over the next 12 months, proportion of debt denominated in foreign currencies) are expected to evolve are absent. There does not appear to be an identification or measurement of costs and risks to the portfolio, nor any targets or target ranges for key risk indicators. With the transition of the DTD to a full-fledged DeM office, middle office functions, including the elaboration of a medium term debt management strategy, will be strengthened.

Dimension 2

Scoring: In the absence of a debt management strategy there cannot be an assessment of the quality of implementation of a strategy. Dimension 1 is scored D; dimension 2 is not rated.

DPI-4 Evaluation of debt management operations

Dimension	Score
Level of disclosure, in an annual report or its equivalent, of government DeM activities, central government debt, evaluation of outcomes against stated objectives, and compliance with the government's DeM strategy	D

The DTD regularly prepares an annual report on government debt. The report contains, among other elements, quantitative information on external and domestic debt outstanding and its service, Haiti's contributions to international organizations, Treasury transfers to some entities, and information on training received by debt staff. The annual report is sent to the Budget Director General, and is considered an internal report. Annual reports are not forwarded to the National Assembly, nor to the Council of Ministers, nor made publically available. There is no legal obligation to make the report on debt management activities public.

The BRH prepares an annual report of its activities as called for in article 8/17 (Act of 17 August 1979 creating the Central Bank of Haiti). The annual report provides a comprehensive overview of national economic and monetary conditions. Some information on public debt is included in the report, namely regarding the structure and evolution of the stock of outstanding debt, debt service, and loan disbursements, but not on the debt management operations, as assessed in this DPI. The BRH Annual Report is presented to the BRH Board of Governors for approval, although there is no requirement to send it to the National Assembly. The 2011 annual report is available on the BRH website. The 2012 report is still being finalized, and the 2013 report is under preparation.

Scoring: As there is no report submitted annually to the National Assembly that provides details of government DeM activities and outstanding central government debt, or evaluates debt management operations, the minimum requirements are not met, and a "D" is given to this indicator.

DPI-5 Audit

Dimension	Score
1. Frequency of internal and external audits of central government DeM activities, policies, and operations, as well as publication of external audit reports	D
2. Degree of commitment to address the outcomes of internal and external audits	N/R

Dimension 1

Haiti has an external audit institution: The Superior Court of Audits and Administrative Disputes (*La Cour Supérieure des Comptes et du Contentieux Administratif*, CSCCA) which is an administrative and financial jurisdiction established by Decree of 23 November 1983, as well as an internal audit institution: the Inspection Générale des Finances (IGF) created by decree of 17 March 2006, but which has been operational since 2009. The BRH also has its own internal audit office.

The Constitution of Haiti (1987) underscores the CSCCA's independence, and grants it the power to execute its mission without need to recur to any other authority. Its budget, however, is allocated by the Ministry of Economy and Finance.

The CSCCA's responsibilities are broad and comprise control, audit, verification, and administrative and financial adjudication (Article 5). Its two key missions are: 1) to audit the activities of the public administration, and the accounts of the Authorizing Officers (*Ordonnateurs*, usually ministers) and public accountants; and 2) to assist Parliament and Government in monitoring the implementation of accounting laws and regulations for the Budget and the Public Accounts, in order to fulfill obligations regarding accountability in local and central government accounts (Article 15).

The CSCCA has approved the finance settlement bill for the 2005/06 budget (*Loi de Règlement*) transmitted to the Parliament. It issued a judgment of non-conformity with the bills of 2007/2008, while no action was taken on those of 2009/2010, 2010/2011, and 2011/2012.

While the Constitution (Art. 200.4) indicates that the CSCCA must be consulted and give its opinion regarding compliance (Article 5 of the Decree) of all financial and commercial draft contracts, agreements and conventions in which the State participates, it is the Legal Affairs Department (DAJ) of the MEF, which provides judgment on compliance of loan contracts. To date, the CSCCA has only undertaken procedural and public accounts audits, but it has not yet implemented a performance audit of any part of the public administration.⁷

The IGF, on the other hand, does not have its own budget, and fills an audit advisory role to the MEF on which it depends hierarchically. In this capacity, it is charged with producing recommendations in all areas under its jurisdiction (Art. 3). Its relatively broad responsibilities include two key roles (Article 2 of the Decree): to monitor, control, and conduct the technical, administrative, financial and accounting ex-ante and ex-post audits throughout the public administration; and to examine all questions, execute any mission on public finance, public accounting, public investment programs, public procurement, as well as those concerning the budgetary and financial discipline.

IGF carries out audits of high risk investments projects and programs, based on information it receives on irregularities noted in the management of a particular public entity management, or by

⁷ The mission took note of a CSCCA report published in 2006, which includes information on debt forecasts and payments, debt outstanding by type of debt and by external creditor.

implementing its own annual work program, or on instruction of the Minister of Economy and Finance. IGF has so far made accounting, organizational and financial audits; it has not yet executed a performance audit of a public entity.

Haiti is not a member of the International Organization of Supreme Audit Institutions (INTOSAI), and the debt portfolio, according to the control and audit institutions (CSCCA, IGF, and BRH audit department) is not currently perceived as risky; an audit of debt management operations is therefore not included in the institutions' working plans. None of these institutions has conducted an audit of public debt management.

Dimension 2

While this dimension cannot be rated due to the lack of any audits of debt management activities over the past five years, it is notable that the recommendations of other CSCCA and IGF audit reports have not been systematically applied. IGF has established an Internal Audit Unit whose mission is to follow up on recommendations made in its own reports as well as those made in by the CSCCA.

Scoring: Dimension 1: D. An external audit of government DeM activities, policies, and operations has not taken place within the past five years; the minimum criteria are therefore not met.

Dimension 2: The score is N/R. As no audit of debt management activities has been undertaken, it is not possible to evaluate decision makers' commitment to addressing audit outcomes.

DPI 6 Coordination with Fiscal Policy

Dimension	Score
1. Coordination with fiscal policy through the provision of accurate and timely forecasts of total central government debt service under different scenarios	C
2. Availability of key macro variables and an analysis of debt sustainability, and the frequency with which it is undertaken	D

Coordination with fiscal policy and information exchange is facilitated by the Treasury Committee (*Comité de Trésorerie*), a group chaired by the Treasury, and comprising the BRH, the Tax General Directorate (*Direction Générale des Impôts*, DGI), Customs, the Budget Directorate (*Direction Générale du Budget*, DGB), MPCE, and the Economic Studies Unit (*Direction des Etudes Economiques*, DEE, Ministry of Finance). The Debt Unit participates as part of Treasury. The Committee meets weekly to monitor receipts and expenditures, developments on the debt front, as well as general macroeconomic conditions.

Dimension 1

Forecasts of central government debt and debt service are prepared by the DTD. These forecasts are provided to the Budget Directorate as part of yearly budget preparation. The mission was provided with copies of the forecasts supplied by the DTD to the DEE, which according to the DEE are provided on a timely basis during the budget preparation process. These included a three-year (i.e. the submission for the 2013-2014 budget included forecasts through 2015-16) forecast of domestic and external debt service, with each of these categories further split into its major components (i.e. for domestic credit the sub-categories included: interest payments to the BRH, the payment of interest on the debt of the *Electricité d'Haïti* towards the *Banque Nationale de Crédit* (BNC) which was

guaranteed by the State, and interest payments to holders of Treasury bonds; for external debt, debt service by creditor was included). Forecasts of debt service are reasonably accurate (to about 10 percent). Sensitivity analyses of central government debt service to interest or exchange rate changes are not carried out, however.

Dimension 2

A committee charged with defining the macroeconomic framework that underlies macroeconomic projections (*Commission de Cadrage*), composed of the DEE (chair), the DGB, MPCE, and the Statistical Institute prepares and updates, at least once a year, the key macroeconomic variables including actual results and forecasts. The information on the macroeconomic framework is shared between the DEE and the Debt Unit. This is used to prepare debt service forecasts by the Debt Unit, which are provided to the DGB in a timely fashion. Beyond the weekly coordination and information sharing meetings of the Treasury Committee and the exercises linked to budget preparation, there are no other periodic or regular reports or communications produced by DEE during the year which update/fine-tune total debt service forecasts for a better appreciation of the evolution of the debt portfolio risk.

MEF staff has benefited from training in Debt Sustainability Analysis (DSA) in recent years, and two DSAs have been prepared: in January 2010 and February 2011, in partnership with the Bank and the IMF. Nevertheless, no independent, in-house DSA is prepared in the MEF.

Scoring: Dimension 1: C. The minimum requirements for this dimension are met. Timely, reasonably reliable forecasts of total central government debt service are provided by the Debt Unit as part of the yearly budget preparation. A score of B is not attained as no sensitivity analysis of the base case to interest or exchange rate shocks is undertaken.

Dimension 2: D. At the time of budget preparation, macroeconomic variables are shared in a timely fashion with the Debt Unit, but the government has not yet independently produced a DSA.

DPI 7 Coordination with Monetary Policy

Dimension	Score
1. Clarity of separation between monetary policy operations and DeM transactions	C
2. Coordination through regular information sharing on current and future debt transactions and the central government's cash flow with the central bank	A
3. Extent of the limit to direct access of resources from the central bank	C

Dimension 1

There is clear separation between monetary policy operations and debt management transactions in that the Central Bank does not issue government securities in the domestic market. MEF itself issues Treasury bonds (*bons du Trésor*), while the Central Bank issues the BRH bonds. There is therefore little chance of confusion in the market regarding the purpose for which each transaction is undertaken. Market participants confirmed that there was no risk of confusion regarding the purpose of the various issues, although there is some competition for financing between the two types of bonds. There is no

formal agency agreement between the MEF and the BRH, and given that the BRH does not act as the government's agent in the market, there is no need for one. There is little or no perception of conflict of interest.

Dimension 2

As noted above, the BRH does not act as the government's agent in issuing Treasury bonds. Nevertheless, the DTD and BRH take part in weekly Treasury Committee meetings, assuring a good flow of information regarding current and future debt transactions and cash flow. Minutes of these meetings, shared with the mission, reflect this sharing of information. Tables include the evolution of revenues, expenditures, Treasury bond issuances, debt interest and amortization payments and comparisons of these with forecasts, as well as cash balances and changes to these, all on a monthly basis for the next 12 months.

Dimension 3

The Central Bank Law (*Loi du 17 août 1979 créant la Banque de la République d'Haïti*, Articles 41-45) states that temporary financing from the Central Bank to the State is possible. The duration of such financing may not exceed 180 days (Article 43). In terms of amount, these statutory advances cannot exceed 20 percent of total public revenues of the previous fiscal year (article 45). There has not been any direct borrowing from the Central bank in recent years.⁸

Scoring: Dimension 1: C. The minimum requirement is met as there is clear separation between monetary policy operations and debt management transactions emanating from the fact that the Treasury issues its own bonds for the purposes of debt management, while the BRH issues its own bonds for monetary policy operations.

Dimension 2: A. Coordination between the MEF and the BRH is good. There is weekly information-sharing at the Treasury Committee, where the Central Government's cash flows with the BRH as well as current and future debt transactions are discussed.

Dimension 3: C. The minimum requirement on the government's access to BRH resources is met. Access to financing from the BRH has a ceiling imposed by legislation and these ceilings are followed in practice. The maximum tenor is 180 days. A B rating would require a maximum tenor of three months.

⁸ There is an on-going debate between the MEF and the BRH on the existence and size of past advances that the BRH claims to have made to the Ministry. The stock of advances is on the order of HTG 44 billion; the latest advances were made in 2005-6. The Minister of Finance has requested a complete audit of what the BRH claims is owed to them. This audit had not taken place at the time the mission was in Port-au-Prince, and these "advances" have not been included in the assessment of this indicator due to their age and to the lack of agreement on their existence and size..

DPI-8 Domestic Market Borrowing

Dimension	Score
1.The extent to which market-based mechanisms are used to issue debt ; the publication of a borrowing plan for T-bills and T-bonds; and the preparation of an annual plan for the aggregate amount of local currency borrowing in the domestic market, divided between the wholesale and retail markets	D
2. The availability and quality of documented procedures for local currency borrowing in the domestic market	D

Dimension 1

All domestic financing by the government is done through marketable instruments. Apart from the Treasury bonds, no other private sector financing is obtained by the Central Government. The other sources of financing can include advances from the BRH, although this has not happened since 2005-6⁹, or a drawdown of central government deposits at the BRH (currently standing at around 30 billion gourdes or \$670 million); see DPI 11 on the latter topic.

Operations in the domestic primary market are not predictable, as borrowing plans are only published a few days in advance of the auction. Two of the largest banks, Sogebank and BNC, noted that although the auction process runs smoothly (see dimension 2 below), last-minute auction announcements mean that the banks have often already allocated their liquidity for the month, hindering or limiting their participation in auctions.

Dimension 2

Procedures for the domestic issuance of treasury bonds at the DTD are well defined in writing and this was attested to by market participants.¹⁰ Secondary legislation (the Decree of 30 September, 2010) describes bond characteristics, their issuance and who is allowed to subscribe, as well as the secondary market. There is no central depository, although the decree enables the minister of Finance to assign one as well as a supervisory body. The Information Note (*Note d'Information*) of 12 May 2011 describes operational procedures for the auctions:

1. Parliament approves the annual budget and financing needs, which are translated into monthly, seasonally adjusted projections (to some degree even with daily details);
2. The Treasury Committee submits a proposal to the Minister of Finance for issuance of Treasury bonds, based on the realized and projected liquidity needs. The Committee meets weekly to review the latest cash flow results and to compare these to the monthly projections. Despite having access to many of the key elements needed for projections (with the exception of the actual expenditures of some line ministries), the Committee has not transformed these projections into a borrowing plan. Decisions on issuance are made at short notice. Auctions are infrequent. Since 2010, only ten Treasury bond issuances have been made, with a maximum maturity of 6 months.

⁹ See DPI 7 for further details.

¹⁰ Treasury bonds and BRH bonds are referred to as securities in Haiti although there is no explicit securities law in place, no security identification number issued, nor a listing at the stock exchange. These are effectively loans. The holdings are registered with the MEF. The BRH also keeps records based on auction results. There is a stock exchange of sorts, but it does not play a formal role as such.

3. A formal letter is sent to the BRH, informing them and requesting them not to intervene in the market around the time of the auction.
4. An announcement note is published to inform market participants; this must happen at least 2 working days before the auction; the announcements that can be found on the MEF website are quite dated (the most recent announcement to be found on the website is for September 2013, although auctions have taken place in 2014);
5. A ‘dealing room’ is reserved, generally at the civil servant pension fund; BRH is also present.
6. On auction day, bids can be submitted (on paper, supported by email) from 10:00 am until 11:30 am;
7. Upon analysis of the bids, an adjudication proposal is made and sent for approval up the hierarchy and to the Minister. This is a multiple price auction;
8. The adjudication results are to be announced before 12:30 pm the same day.
9. There is a possibility for non-competitive buying of the bonds after the auction, for settlement on the same day as the auction (T+2).

The auction procedures are formally well-described in writing, although flexibility is exercised in terms of their implementation. Bid proposals are accepted until 11:45 am; the auction results are sometimes announced later than 12:30 pm (up until 4:00 pm of the same day), depending on the availability of the Minister. Finally, although one bidder cannot be granted more than 40 percent of all accepted bids, in practice the number of bidders is frequently too small to apply this rule.

Treasury bonds are explicitly guaranteed by the BRH. The explanation given for this practice is historical: in the 1950s, the government defaulted on Treasury bond (called *bons de liberté*) payments under the pretext that bond holders “voluntarily” renounced the redemption of the bonds. This memory of default apparently has financial parties still distrusting government issues to some degree.

Scoring: Dimension 1: D. The minimum criteria are not met. Although all domestic financing is done through marketable instruments, there is no borrowing plan published one month ahead of issuances that contains issue dates and instruments.

Dimension 2: D. The minimum criteria are not met as several provisions of the auction procedures and other regulations are not followed in practice, including provisions for the timing of acceptance of bids, announcement of results and the fact that a single bidder can be granted more than 40 percent of accepted bids. If procedures exist but are not followed, DeMPA requires rating these procedures as non-existent. Nevertheless, a positive aspect is that the terms and conditions, borrowing procedures, and criteria for access to the primary market for all Treasury bills are publicly available on the MEF website.

DPI-9 External borrowing

Dimension	Score
1. Degree of assessment of the most beneficial or cost-effective borrowing terms and conditions (lender or source of funds, currency, interest rate, and maturity)	D
2. Availability and quality of documented procedures for external borrowings	D
3. Availability and degree of involvement of legal advisers before signing of the loan contract	A

Dimension 1

As noted in DPI 1, Article 3 in the Decree of 13 March 1987 on the reorganization of the MEF establishes the responsibility of the Ministry for negotiating and signing all contracts, loans or agreements involving the resources of the State. In addition, one of the responsibilities of MPCE is also to participate in the negotiation of financial and technical bilateral or multilateral cooperation agreements and to coordinate their implementation. In reality, procedures are somewhat less clear.

In practice, the Department of Public Investment of the MPCE prepares the public investment plan (PIP) with all projects approved by the government. The PIP draws on the identification by line ministries of investment projects as well as of the creditors or donors willing to participate in financing. Negotiation of the individual loan agreement follows and involves MEF, MPCE and the relevant line ministry. The BRH has also often been a member of the negotiating team, and has received, in the past, a mandate to negotiate loans agreements, e.g. with the InterAmerican Development Bank (IDB) and with Taiwan, Province of China.

Another office involved in the mobilization of external borrowing is BMPAD, by virtue of the fact that 60% of the invoice value of petroleum products shipments is used to finance development projects.¹¹ BMPAD sends to the DGB in MEF (though not to the DTD) a promissory note (“*note d’engagement*”) for each shipment and an amortization table with key technical and financial information, including the financed amount, interest rate, grace period, and equal consecutive annual payments.

The Ministry of Economy and Finance does not prepare an annual borrowing plan that is consistent with the PIP or with investment decisions.

There is no assessment of the terms or conditions of external borrowing. The DTD does not currently possess sufficient analytical skills to conduct analyses of costs and risks or to propose alternatives to traditional financing. As noted above, the DTD is not involved in the loan contracting or negotiating process. The variation in financing terms is currently very limited, as external financing in Haiti is

¹¹ A cash portion is payable within 90 days from the date of the bill of lading, interest-free for the first 30 days, and at 2% interest between the 31st and the 90th day. The remaining portion, which is financed on the terms noted above, rises with the price of petroleum products. Currently, as the price of oil is between USD 100 and 150, the cash portion represents 40% of the invoice value of the cargo, with 60% being financed. The repayments are made on the third anniversary of the date of each shipment’s bill of lading.

contracted almost exclusively on grant terms or as loans with a degree of concessionality of at least 35 percent. Creditor terms and conditions are well known and considered as given or set, and the possibilities for negotiating or benefiting from more favorable terms than those offered by traditional donors are limited. This explains perhaps the passive role of the DTD, although the situation is expected to change if the draft debt law is approved.

Dimension 2

Written procedures describing the steps and responsibilities in the contracting of external borrowing are not available.

A procedures manual for budget preparation was developed in MEF in 2011 and establishes and details the various stages of budget preparation and the responsibilities of all relevant participating entities. The BRH also has a procedures manual organizing administrative work procedures. But there are no written procedures specifying how to record loan agreements or which unit carries the responsibility for this. Debt managers input information they received from their hierarchy in DMFAS or in an Excel database without recourse to clearly defined written procedures.

Dimension 3

All loan contracts are analyzed from the beginning of negotiations by the DAJ. This unit has a staff of six lawyers, three of whom are specialists in contract law. The DAJ provides legal opinion and advice and evaluates potential risks. Any agreement loan signed by the Minister of Economy and Finance or by an Ambassador of Haiti under an official mandate has to be approved by the Parliament and examined by the President of the Republic, and then published in the official gazette "*Le Moniteur*".

Scoring: Dimension 1: D. There is no yearly borrowing plan for external borrowing and no assessment of the most beneficial or cost-effective terms and conditions for external borrowing that are obtainable from potential creditors and markets. Dimension 2: D. There are no documented procedures for external borrowing and no terms sheet is prepared. Staff from the DTD is not involved in loan negotiation. Dimension 3: A. The involvement of legal advisers from the start of negotiations until the conclusion of the loan agreement is considered good practice.

DPI-10 Loan Guarantees, On-Lending and Derivatives

Dimension	Score
1. Availability and quality of documented policies and procedures for approval and issuance of central government loan guarantees	D
2. Availability and quality of documented policies and procedures for on-lending of borrowed funds	D
3. Availability of a DeM system with functionalities for handling derivatives and availability and quality of documented procedures for the use of derivatives	N/R

Dimension 1

There are currently no legal provisions regarding the authority to issue loan guarantees, nor any written policy and defined procedures. To date, there appear to have been only two guarantees granted: the first issued in 1982 for the State flour mill (*La Minoterie d'Haïti*) and another in October 2012 in support of the State power company, EDH.

The EDH guarantee was issued through a letter signed by the Minister of Economy and Finance to a State-owned commercial bank the National Bank of Credit. The amount of the guarantee, which has been called, is 2 billion gourdes (USD 45 million) repayable over three years including one year of grace and at an interest rate of 5 percent. The government currently pays the interest, while EDH reimburses the principal. The guarantee is recorded in the Excel database of the DTD, but it appears neither in the BRH debt database nor with the *Conseil de Modernisation des Entreprises Publiques* (CEMEP), the entity responsible for monitoring State enterprises. The DTD was not formally involved in the EDH debt guarantee process. The cabinet of the Minister of Finance has led and managed the process.

The Haitian government issued another guarantee to a public company, the *Minoterie d'Haïti*, which then became the *Moulins d'Haïti*, for \$653,000 from the IDB in February 25, 1982 at an interest rate of one percent. This guarantee is recorded in the debt database (DMFAS and Excel) at both the BRH and the DTD.

With regard to sub-national entities, local governments can borrow domestically or externally to finance development projects as long as they meet the prerequisites as defined in a decree of February 2006 which include: i) proving their ability to repay, ii) obtaining the approval of the municipal assembly, iii) consulting the public in a referendum if the repayment of the loan will result in the creation of new taxes, and iv) obtaining authorization from the Central Government. The mission was informed that no external or domestic debts have been contracted by local governments to date.

Dimension 2

There are no active on-lending operations; the same cancellations that Haiti benefited from as part of the HIPC initiative were applied to on-lent resources.

The authority legally empowered to negotiate and sign on-lending agreements is the MEF, via the DAJ, which prepares a draft on-lending agreement that is then signed between the Minister of Economy and Finance and the beneficiary. No formal procedures defining the terms and conditions for on-lending of loans or for risk assessment is in place in Haiti. Documentation regarding the procedures followed in the past is not available.

Dimension 3

This dimension is not evaluated because the Haitian government has not made use of derivatives.

Scoring: Dimension 1: A score D is assigned, given the lack of policies and procedures for the approval and issuance of loan guarantees.

Dimension 2: A score D is assigned, due to the non-existence of documented policies and procedures for the approval and lending of borrowed funds.

Dimension 3: This dimension is not rated (score N/R) as the instruments are not used.

DPI-11 Cash Flow Forecasting and Cash Balance Management

Dimension	Score
1. Effectiveness of forecasting the aggregate level of cash balances in government bank accounts	C
2. Effectiveness of managing the aggregate cash balance in government bank accounts, including the integration with the domestic debt borrowing program	D

Dimension 1

Over the past two years, the MEF has made significant progress in its cash management. Since January 2012, a Treasury Committee is in place that meets every Wednesday. All the major spending and receipts entities are represented in the Committee (see DPI 6). Secretariat responsibilities are carried out by the Treasury Unit (*Service de Trésorerie*), which is one of the three units comprised in the DTD.

The Committee prepares monthly cash flow projections for the current fiscal year. The Treasury tracks the realizations on a daily basis and reports this in the weekly meetings (“*compte rendu*”), preparing monthly forecasts of the weekly level of cash balances. This way, the Committee can keep a close eye on the difference between actual and projected expenditures and revenues. These differences sometimes lead to expenditure adjustments by the DGB, or to revisions of the projections (undertaken on a quarterly basis).

DTDCP seems to be satisfied with the functioning of the Treasury Committee and an improvement in liquidity management has been noted. Generally, any liquidity needs lead to a proposal from the Committee for issuance of Treasury bonds (See DPI 8). Some postponement in budgeted expenditures or, in case where contracts are already in place, short payment delays, may result, but this is not considered a problem by Treasury staff.

While the Treasury Committee represents a great improvement in terms of collaboration and information sharing, it follows an accounting, rather than a treasury management, approach. This is reflected by the stated perception that revenues and expenditures, when financial operations are taken into account, are always ‘in balance’. While it may appear to be a fine line, the tables used should reflect better the balance *before* financing or treasury operations, upon which action needs to be taken.

Moreover, the available projections subsequently would enable the preparation of an initial monthly financing plan for the entire year. Of course with many uncertainties, like in most countries, but the weekly Treasury Committee meetings should allow a gradual sharpening of those projections as they come closer. Such a financing plan can lead to an issuance calendar, perhaps initially for internal purposes. Such a calendar can also build in intra-year financing to cover seasonal effects. Many of the ingredients are already available to the Committee, which can take these some steps further.

Dimension 2

There is a project underway to implement a Treasury Single Account (TSA). Currently, government entities hold numerous (close to 500) current accounts at the Central Bank; these are not fungible, i.e.

transfers cannot be made between accounts.¹² There are very significant deposits in these decentralized current accounts, reaching a total of about 30 billion gourdes (US\$670 million). These were accumulated as a result of under-spending. In addition to the fact that these cannot be consolidated into the Treasury Account, the Central Bank considers drawdown from these deposits to be monetary financing of the government and is therefore not permitted.

The BRH has kept a system of ledgers on expenditures and receipts of the government (“*grands livres auxiliaires*”). These accounts indicate that the government owes HTG 45 billion (US\$1 billion) to the BRH in accumulated advances made a decade or more ago (before 2004). There are no loan agreements referring to these advances and they have become a contentious issue between the two institutions. Nevertheless, there seems to have been an incipient agreement reached last year between the government and the BRH to securitize this debt in the domestic market for Treasury bonds.

Scoring: Dimension 1: The score for the first dimension is C. Monthly projections of the weekly level of cash balances are prepared. Moreover, in practice, there is daily monitoring of the Treasury accounts and the weekly meetings of the Treasury Committee. For a B score, weekly forecasts of the aggregate level of overnight cash balances in central government bank accounts would be needed. Dimension 2: The score for the first dimension is D. There is no target liquidity position and deposits with the central bank are not remunerated. The central government therefore does not manage its cash through investment in the market or with the central bank at market rates. Good practice cash balance management would require a TSA as well as a resolution of the gross surplus position noted above.

DPI 12 Debt Administration and Data Security

Dimension	Score
1. Availability and quality of documented procedures for the processing of debt service	C
2. Availability and quality of documented procedures for debt data recording and validation, as well as storage of agreements and debt administration records	D
3. Availability and quality of documented procedures for controlling access to the central government’s debt data recording and managerial system	D
4. Frequency and off-site, secure storage of debt recording and management system backups	D

Dimension 1

The processing of all external debt payments falling due the following month starts in the MEF about two weeks before the end of the current month. The DTD produces a list of the upcoming payments from the DMFAS database, which is checked against Excel records as well as a payment schedule sent by the BRH on a monthly basis. The debt officer verifies in the SYSDEP (*Système de Gestion des*

¹² The US Treasury, through a resident adviser, is assisting MEF in the process of understanding and validating the sources of thousands of transactions in these accounts.

Dépenses Publiques) that the payments are correctly programmed in their respective credit lines and prepares the payment order (requisition). The requisition is validated by the chief of the DTD, and signed in the following order by: i) the Minister of Finance (or interim), ii) the financial controller, who also electronically approves the requisition in the SYSDEP and iii) the Treasury accountant. At each stage, the relevant authorizing entity verifies the conformity of the payment, the compliance with regulations, as well as the availability and coherence of the credit line assigned to the payment. Once the approval process is complete, the Treasury unit prints and sends the checks (for each creditor) to the BRH for effective payment by wire transfer on the respective due dates.

Payment of Treasury bills is made outside of the SYSDEP process via a wire order prepared by the *Service de la Dette* and approved by the Director of the Treasury and the Minister of Economy and Finance. Occasionally, the MEF issues wire orders signed by the Minister of Finance for external debt payments, when credit lines are not available or are insufficiently provisioned in the SYSDEP. Once the payment procedure is initiated it takes one to two days to complete and payments are usually processed and made on time. There are no formal procedures for the monitoring and control of debt service arrears, and the settlement of occasional arrears is discussed internally. Although infrequent, when a technical delay for debt service payments occurs at the MEF, the BRH makes a “paiement/débit d'office” on the due date, and subsequently informs the DTD of this action.

The payment process is described in the Manual of Procedures for Budget Execution (*Manuel de Procédures d'Exécution du Budget*) (2011) at the MEF. At the BRH, an operations and administration manual (*Manuel d'Opérations et d'Administration*, 1998) describes the payment procedures for InterAmerican Development Bank multi-currency loans and the elaboration of the monthly payment schedule to be provided to the MEF.

Dimension 2

Debt data recording responsibilities in the DMFAS system are split between the MEF and the BRH and are not formally defined nor documented. The MEF records the Petrocaribe general data in the DMFAS, while the BRH records the Petrocaribe loan payments as well as all other external loan information. Data recording in Excel for external and domestic debt is duplicated as each institution manages its own database. The MEF updates its external debt Excel data using payment reports sent monthly by the BRH. There is no systematic validation of the debt databases between the MEF and the BRH, but ad hoc reconciliations are conducted with creditors.

The DAJ keeps all original loan agreements, copies of which were in the past stored at the DGB (home to the Debt Office prior to reorganization). Most copies of international agreements at the MEF were lost during the 2010 earthquake and during a fire a few months later, and only domestic debt documents could be retrieved. Copies of the Petrocaribe general agreement and yearly renewal contracts are now kept in locked cabinets at the *Service du Trésor*, as well as T-Bills issuance information. The BRH keeps all agreements negotiated and signed by the BRH, as well as a copy of other contracts and debt administration records since 1994 in various cabinets and in a locked room at the *Département des Affaires Internationales*. The documentation prior to 1994 was sent to the BRH's Archive department, which is a dedicated archiving facility located in a nearby building.

Dimension 3

Access to the DMFAS system (version 5.3), which is installed on two computers at the BRH and on three computers at the MEF, requires a user name and password. There is no active management of DMFAS user profiles at the MEF. Since DMFAS 5.3 was installed the number of active DMFAS

users has decreased to two. At the BRH, the *Direction Informatique* manages the DMFAS user profiles based on requests signed by the Director of the *Département des Affaires Internationales*. Access to the databases in Excel files is not protected in either institution.

Dimension 4

The MEF's IT unit (the *Unité Informatique et de Technologie*) is located in a separate building and hosts all the Ministry's servers and systems in an air-conditioned room with restricted access (digit code). Daily back-ups of the DMFAS database are automatically made in a file and placed on the server to be retrieved by the BRH, which also maintains a DMFAS database as a back-up. Some years ago, the BRH database administrator carried out a cold back up on a daily basis, however the procedure was interrupted at the end of 2013 due to the transfer of the server hosting the DMFAS to a technological center in Boutilier in the vicinity of Port-au-Prince. The Boutilier center is a secured location with anti-fire features. The Excel databases at the MEF are backed-up by the staff on flash disks and through email attachments.

Scoring: Dimension 1 is rated C. Procedures manuals for the processing of debt service are available and are followed. A score of B requires that the procedures manuals be updated every two years, which is not the case.

Dimension 2 is rated D. There are no documented procedures for the recording and processing of debt operations, and there are no procedures for the safe storage and filing of agreements and debt administration records.

Dimension 3 is rated D. There are no written procedures for controlling access to the government's database systems and access to the Excel databases is not secured.

Dimension 4 is rated D. The maintenance and technical support of the DMFAS system are very weak and no written procedures are in place in either institution; the back-up procedures for the Excel and DMFAS databases are fragile. Hence this dimension does not meet the minimum requirements for effective debt management.

DPI 13 Segregation of Duties, Staff Capacity and Business Continuity

Dimension	Score
1. Segregation of duties for some key functions, as well as the presence of a risk monitoring and compliance function	D
2. Staff capacity and human resource management	D
3. Presence of an operational risk management plan, including business continuity and disaster-recovery arrangements	D

Dimension 1

There is a clear separation between officers in charge of negotiating borrowing contracts at the MPCE and those processing and approving debt payments at the MEF. However, some Front-Office and

Back-Office functions overlap. The debt officers in the *Service de la Dette* conduct Treasury bill issuances, update the Excel debt database for both domestic and external debt as well as the Petrocaribe payment orders in DMFAS, and initiate the payments in the SYSDEP. The data entered is normally cross-checked by another staff member in the BRH but not systematically at the MEF. Currently there is no monitoring and evaluation officer at either the MEF or the BRH.

Dimension 2

Due to the reorganization of the DTD as well as staff turnover, there is currently a shortage of personnel dedicated to debt management operations (currently just three staff members). The authorities estimate that the final Back Office, Middle Office and Front Office structure will require a total of 11 staff members. Debt management capacity needs to be strengthened, especially in knowledge of the DMFAS system which is currently weak; capacity strengthening in debt analysis is also urgent. At the BRH, there are six debt officers including the head of *Service de la Dette Externe*, which is considered sufficient for the office's mandate.

A section in the *Manuel de Procédures d'Exécution du Budget* (version 2011) describes in general terms the main functions of the different MEF departments and key personnel involved in the settlement of debt service payments. There are, however, no job descriptions or terms of reference available for debt managers. There are no individual training plans or staff performance assessments. At the BRH, broad terms of reference for *Service de la Dette Externe* staff are available. A yearly training program for each staff member is submitted to the BRH Training Institute director and staff performance assessments are conducted twice a year. Internal regulations deal with professional and ethics principles.

A section of the Constitution of 1987 that covers aspects of the civil service (*De la fonction publique*), as well as Chapter 3 of the decree (2005) revising the general statutes for the public service on the responsibilities and obligations of civil servants (*Des devoirs et obligations*) provide principles and expected work ethics for civil servants.

Dimension 3

There are no business continuity or disaster recovery plans at the MEF. A steering committee was working on a business recovery plan for the MEF but the 2010 earthquake interrupted the project. The BRH has apparently produced a contingency plan manual, although this is not readily available and the mission was not provided with a copy.

Scoring: Dimension 1: D. As the segregation of duties is not clear and there is no officer in charge of monitoring of risks and compliance to regulation, this dimension does not meet the minimum requirement.

Dimension 2: This dimension receives a score of D due to the current lack of adequately trained staff, as well as due to the lack of job descriptions that are periodically reviewed and updated.

Dimension 3: D, due to the absence of a written business continuity and disaster recovery plan.

DPI 14 Debt Records

Dimension	Score
1. Completeness and timeliness of central government debt records	D
2. Complete and up-to-date records of all holders of government securities in a secure registry system	D

Dimension 1

External and domestic debt information is fragmented among a multitude of databases at the MEF and the BRH, i.e. a shared DMFAS database and Excel sheets. The MEF enters the Petrocaribe promissory notes in the DMFAS system within one month of their effective date. Prior to the 2010 earthquake, information and operations on active external loans as well as payments of Petrocaribe promissory notes was , recorded on a monthly basis in the DMFAS by the BRH, based on disbursement and payment statements received monthly from all creditors. The BRH has, however, been experiencing technical difficulties in accessing the DMFAS database since the earthquake, and for this reason it was reported that the database has not been updated since at least mid-2013. Each institution updates its own Excel records for both external and domestic debt on a monthly basis. There is no systematic reconciliation between the MEF and BRH databases. There are currently no active on-lent loans or guaranteed loans, but older ones are registered in DMFAS.

Dimension 2

The DTD in the MEF and the *Département de Contrôle de Crédit* in the BRH each maintain their own file on government securities in Excel. There is no registry per se, but information on issuances outstanding per bondholder institution and payment schedules is available. After the auction, bidder institutions receive a notification of the auction results and the information is recorded in Excel at the MEF and the BRH. There is an informal yet regular exchange of information on T-Bill issuance results and scheduled payments between the BRH and MEF, but no systematic reconciliation between the two files is conducted. At the MEF, one staff member at the DTD manages the domestic Excel database and at the BRH, three staff of the *Département de Contrôle de Crédit* update the information whenever there is an operation. Access to the Excel file is not password protected in either institution. As only T-Bills are issued and the investor base is narrow (currently no more than five institutions), with no secondary market transactions, the Excel file database is currently used in place of an actual registry to keep track of T-Bills transactions and bondholders. As noted above in DPI 8, Treasury bills in Haiti are not tradable, and thus are loans rather than securities; a registry is therefore perhaps not essential given current market characteristics. Nevertheless, it is important to note that the Excel database is not a system suitable for efficient and secure management and book-keeping of debt securities (especially if the investor base and the number of issuances are to expand in the future).

Scoring: Dimension 1: D. Due to a lack of ownership of the Debt Management and Financial Analysis System (DMFAS), inconsistent updating and absence of systematic data validation between the various databases, the debt information cannot be considered reliable or complete. This dimension does not meet the minimum requirement. Dimension 2: D. No registry system exists, and the Excel

files being currently used as a de facto registry cannot be considered secure, although they do appear to be up-to-date.

DPI 15 Debt Reporting

Dimension	Score
1. Meeting of statutory and contractual reporting requirements of central government debt to all domestic and external partners	D
2. Meeting of statutory and contractual reporting requirements for total nonfinancial public sector debt and loan guarantees to all domestic and external entities	NR
3. Quality and timeliness of the publication of a debt statistical bulletin or its equivalent covering central government debt	D

Dimension 1

There are no statutory reporting requirements on central government debt in Haiti. Since 2013, the *Service de la Dette* at the MEF has produced a yearly Annual Report on the execution of government debt that is disseminated internally (see DPI 4). The MEF produces other internal reports with information on outstanding debt, disbursements and effective debt service payment on a quarterly and ad hoc basis. These reports are submitted to the Director General of the Treasury and to the Minister. Until 2012, the MEF published a yearly report on its website on outstanding public external debt, disaggregated by creditor and by month.

As mandated in its organic law, the BRH produces an Annual Report on its fiscal activity (see DPI 4). This report contains a 5-page section on public external debt, i.e. outstanding debt by creditor type, by currency and by economic sector, disbursements, debt service, arrears and debt relief received during the fiscal year. The report is available on the BRH website and is disseminated to government institutions and other stakeholders (banking system, creditors etc). The BRH also publishes on its website a quarterly statistical bulletin on balance of payment and public finances that includes some information on public debt (one table on total public sector debt, and another on external public debt). The *Service de la Dette Externe* produces reports on outstanding debt, disbursements and projected disbursements and debt service which are sent monthly and quarterly to the line ministries, the IMF and other services at the BRH as described in the *Manuel d'Opérations et d'Administration* (1998).

Haiti has a statutory obligation to report to the World Bank Debtor Recording System (DRS) and does so through the BRH. The government also subscribes to the General Data Dissemination System (GDDS) but has not yet started to report. Overall, the government's statutory reporting obligations are minimal and the MEF does not currently publish any debt information.

Dimension 2

Under the current legal framework, subnational governments and public enterprises do not contract debt with external creditors nor do they issue domestic debt. As in dimension 1, there are no statutory reporting requirements on non-financial public sector debt in Haiti.

Dimension 3

The MEF published a first debt statistical bulletin in 2009, but its production was discontinued following the 2010 earthquake. Due to data validation problems, especially inconsistencies between the debt information from the BRH and the DMFAS database, no debt statistical bulletin is currently produced. Although the Annual Report published by the BRH contains valuable information on public external debt, it lacks fundamental information such as disbursement and debt service projections, debt stock by residual maturity and interest rate, debt ratios and risk indicators.

Scoring: Dimension 1: D, due to the fact that international reporting requirements are not all met. Dimension 2: Not rated (N/R), as subnationals and non-financial public enterprises do not contract external or domestic debt. Dimension 3: This dimension is scored D as no statistical bulletin on debt is produced.

Annex 1 List of Persons Met

Name	Title and Institutional Affiliation
<i>Ministry of Economy and Finance</i>	
Wilson Laeau	Minister
U. Pressoir Exceus	Cabinet du Ministre, Directeur
Patrick J. A. Salomon	Inspection Générale des Finances (IGF), Directeur General
Guy Romero Latry	IGF, Directeur
Jean Shanon Beaublanc	IGF, Inspecteur
Neslin Darbouze	IGF, Inspecteur
Yves Netty Jolin Jean	IGF, Inspecteur
Pierre Eroid Etienne	Directeur Général, MEF
Jean Donat André	DGT, Directeur Général Adjoint, chargé de la DTDCP
Michelet Comeau	Directeur Général Adjoint, MEF
Michel Marie Perpétue	Direction du Trésor, Directeur
Guerda Pierre Toussaint	Direction de la Trésorerie et de la Dette (DTD), Directeur
Charles Ernest Chatelier	Direction du Trésor, Assistant Directeur
Maxime Carneus	DTD, Assistant Directeur
Marie Neltha Fetiere	DGS, Chargée Miss.
Alcide Dominick	DTD, Assistant Chef de Service
Jacques Nelson	Direction du Trésor, Charge Miss.
Cloiseau Maxonne	DTD, Technicien
Georges Legagneur	Direction Général du Budget (DGB)
Wendell Pierre-Louis	DGB
Lesly Etienne	Direction des Affaires Juridiques, Directeur
Marcelin Bonne Année	Direction des Etudes Economiques (DEE), Economiste
Guerda Nelson	DEE, Economiste
Daniel Chalne	DEE, Economiste
Moise Celicourt	DEE, Economiste
Gabriel Duval Saint B.	DEE, Economiste
Philippe Thadal	DEE, Economiste
Serge J. Felix	Unité Informatique et de Technologie, Directeur
Ronald Sterling	Unité Informatique et de Technologie, Ingénieur
<i>Bureau de Monétisation des Programmes d'Aide au Développement (BMPAD)</i>	
Michaël Lecorps	Directeur General
<i>Central Bank of Haiti</i>	
Jean Edwige	Direction des Affaires Internationales (DAI), Directeur

Mathieu Fortunat	Direction de Contrôle de Crédit (DCC), Directeur
Antoine C. Grand'Pierre	Direction Audit Interne, Directeur
Erol Saint Louis	Monnaie et Analyse Economique, Assistant Directeur
Fritz Henry Fleurimé	Direction Audit Interne, Assistant Directeur
Delinois Ducasse	DAI
Jean-Herve Joseph	DAI, Dette Externe, Chef de Service
Stanley Reginald Baron	Service Dette Extérieure, Analyste
Nerlyne Jean Baptiste	Service Dette Extérieure, Gestionnaire

Ministry of Planning and External Cooperation

Louis Michelot Pierre	Coopération Externe, Directeur
-----------------------	--------------------------------

Prime Minister's Office

Conseil pour la Modernisation des Entreprises Publiques (CMEP)

Yves R. Bastien	Coordonnateur
-----------------	---------------

Commercial Banks

Sogebank

Pierre-Louis Claude	Directeur General
Philippe Herby Rivière	Directeur Exécutif Trésorerie & Operations Internationales

Banque Nationale de Crédit

Fernand Robert Pardo	Vice-Président du Conseil d'Administration
----------------------	--

La Cour Supérieure des Comptes et du Contentieux Administratif

Joseph Cherissaint
Francois Jerome
Hansy Latortue
Jean-Leon Policard
Pierre Albert Maurice
Jean Claude Rozier
Herns Diomette