DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HAITI

SUPPORT FOR PUBLIC FINANCE REFORM

(HA-0092)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Susana Sitja Rubio (RE2/SC2), Project Team Leader; Stephen Doherty (RE2/SC2); Astrid Wynter (COF/CHA); Ronan Le Berre (RE2/OD3); Javier Jiménez (LEG/OPR) and Lorena Rodríguez Bu (COF/CHO). Cristina Pando (RE2/SC2) produced the document.

CONTENTS

ANNEXES

BASIC SOCIOECONOMIC DATA

For basic socioeconomic data on Haiti, please refer to the following address:

http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata

Information Available in RE2/SC2 Technical Files

Preparation:

Structure Organique du Ministère de l'Economie et des Finances [Structure of the Ministry of Economy and Finance], Decree of 13 March 1987, Port-au-Prince, Haiti.

Document de Stratégie a Moyen Terme 2002-2006 [Medium-term strategy paper 2002-2006], Ministry of Economy and Finance, Haiti.

Trigo, Jacques. *Reforma de las Finanzas Públicas en Haití [Public Finance Reform in Haiti]*. Prepared by the Inter-American Development Bank and Haiti's Ministry of Economy and Finance, December 2002.

International Monetary Fund; Haiti: Staff-Monitored Program, August 2003, IMF Country Report No. 03/260.

Execution:

International Monetary Fund; Haiti: Staff-Monitored Program, August 2003, IMF Country Report No. 03/260.

ABBREVIATIONS

AGD	Customs Service [Administration Générale des Douanes]
BRH	Banque de la République de Haïti
CESI	Committee on Environmental and Social Impact
CSCCA	General Accounting Office [Cour Supérieure des Comptes et du Contentieux Administratif]
DEE	Department of Economic Studies [Direction des Etudes Economiques]
DGB	Budget Office [Direction Générale du Budget]
DGI	Internal Revenue Office [Direction Générale des Impôts]
GOH	Government of Haiti
IFMS	Integrated financial management system
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
MEF	Ministry of Economy and Finance
PCF	Post Conflict Fund
PCR	Project completion report
SMP	Staff-monitored program
UNDP	United Nations Development Programme

Haiti

Tentative Lending Program

2003

Project Number	Project Name	IDB US$ Millions	Status
HA0016	Agricultural Intensification	37.0	
HA0079	Local Development Program	65.0	
HA0093	Program for Rehabilitation of Basic Economic Infraestructure	70.0	
HA0092	Public Finance Reform	25.0	
	Total - A : 4 Projects	**197.0**	
	TOTAL 2003 : 4 Projects	**197.0**	

2004

Project Number	Project Name	IDB US$ Millions	Status
HA0082	Institutional Strengthening Executive Branch	5.0	
HA0017	Vocational Education	22.0	
HA1001	Government Financial Accountability and Governance	25.0	
HA0087	Road Rehabilitation Program	35.0	
HA1002	Nouveaux Cité Soleil	50.0	
	Total - A : 5 Projects	**137.0**	
HA1003	Rural Economy Development Program	30.0	
	Total - B : 1 Projects	**30.0**	
	TOTAL - 2004 : 6 Projects	**167.0**	

Total Private Sector 2003 - 2004	**0.0**
Total Regular Program 2003 - 2004	**364.0**

*** Private Sector Project**

HAITI

IDB LOANS

APPROVED AS OF AUGUST 31, 2003

	US$Thousand	Percent
TOTAL APPROVED	**748,636**	
DISBURSED	586,535	78.34 %
UNDISBURSED BALANCE	162,102	21.65 %
CANCELATIONS	29,146	3.89 %
PRINCIPAL COLLECTED	129,523	17.30 %
APPROVED BY FUND		
ORDINARY CAPITAL	0	0.00 %
FUND FOR SPECIAL OPERATIONS	742,304	99.15 %
OTHER FUNDS	6,332	0.84 %
OUSTANDING DEBT BALANCE	**457,012**	
ORDINARY CAPITAL	0	0.00 %
FUND FOR SPECIAL OPERATIONS	456,592	99.90 %
OTHER FUNDS	420	0.09 %
APPROVED BY SECTOR		
AGRICULTURE AND FISHERY	55,608	7.42 %
INDUSTRY, TOURISM, SCIENCE AND TECHNOLOGY	22,882	3.05 %
ENERGY	0	0.00 %
TRANSPORTATION AND COMMUNICATIONS	211,162	28.20 %
EDUCATION	53,979	7.21 %
HEALTH AND SANITATION	189,405	25.29 %
ENVIRONMENT	0	0.00 %
URBAN DEVELOPMENT	0	0.00 %
SOCIAL INVESTMENT AND MICROENTERPRISE	154,462	20.63 %
REFORM AND PUBLIC SECTOR MODERNIZATION	50,642	6.76 %
EXPORT FINANCING	3,117	0.41 %
PREINVESTMENT AND OTHER	7,380	0.98 %

* Net of cancellations with monetary adjustments and export financing loan collections.

HAITI

STATUS OF LOANS IN EXECUTION

AS OF AUGUST 31, 2003

(Amount in US$ thousands)

APPROVAL PERIOD	NUMBER OF PROYECTS	AMOUNT APPROVED*	AMOUNT DISBURSED	% DISBURSED
<u>REGULAR PROGRAM</u>				
Before 1997	2	77,000	60,915	79.11 %
1997 - 1998	4	145,900	0	0.00 %
TOTAL	6	$222,900	$60,915	27.33 %

* Net of cancellations. Excludes export financing loans.

SUPPORT FOR PUBLIC FINANCE REFORM

(HA-0092)

EXECUTIVE SUMMARY

Borrower:	Republic of Haiti	
Executing agency:	Ministry of Economy and Finance (MEF)	
Amount and source:	IDB (reimbursable FSO): Total:	US$25 million US$25 million
Financial terms and conditions:	Amortization period:	40 years
	Grace period:	10 years
	Disbursement period:	1.5 years minimum 2.5 years maximum
	Interest rate:	1% per annum during the grace period, and 2% thereafter
	Inspection and supervision:	1% of loan amount
	Credit fee:	0.5% per annum on the undisbursed balance
	Currency:	U.S. dollar or equivalent in convertible currencies other than Haitian

Objectives: The general objective of this policy-based loan (PBL) is to help Haiti enhance its governance through budget process reform to strengthen fiscal account management, allocate public resources more transparently and efficiently, and better comply with tax laws and regulations.

Description: The proposed policy-based loan fits into the State reform process which the Government of Haiti has undertaken in the area of public finance reform. The loan will support certain aspects of spending reform as it relates to the budget process and reducing discretionary spending.

To accomplish its objective, the project will focus on institutional reforms in five target areas: (i) legislation to provide a legal framework for budget preparation, execution, monitoring and control; (ii) implementation of a new chart of accounts; (iii) implementation of new budgetary classifications; (iv) implementation of the information system plan; and (v) the quality of budgetary and financial management.

The Bank's country and sector strategy: The new activities agreed upon with the Haitian government fit into the Transition Strategy for Re-engagement, which was presented to the Programming Committee of Management on 3 September 2003, and approved by the Committee of the Whole on 7 October 2003. The strategy focuses on: (i) governance; and (ii) reactivating production and services targeted to the poorest groups.

This project dovetails with the governance focus of the transition strategy, which assigns the highest priority to using public-sector resources more effectively, efficiently, and transparently, starting with the MEF and core ministries, by supporting implementation of a viable, sustainable regulatory and operational framework for budget preparation, execution and control.

Environmental and social review: At its 26 September 2003 meeting, the Committee on Environmental and Social Impact (CESI) determined that, given the nature of the project, it has no direct environmental or social impact.

Benefits: The project's main benefit is that it supports Haiti in setting up a basic framework of rules and regulations for managing public finances more efficiently and transparently. Such actions pave the way for deeper administrative reforms in the medium and long term, laying the groundwork for capacity-building and institutional strengthening activities in the public-sector. This project is the focal point for actions to lend clarity to Haiti's public finances.

Risks: The main political risk in Haiti relates to the uncertainty surrounding the upcoming parliamentary elections, which must be held because the sitting Parliament's term is set to expire in January 2004. Resolution 822 of the Permanent Council of the Organization of American States calls upon the government to hold elections to give Haiti a working legislature. This electoral process is having difficulty getting off the ground, however, because the Provisional Electoral Council that is to organize them cannot be set up. Public debt contracts require ratification by Parliament, so the lack of one would stall resumption of the project pipeline. Such risk is mitigated by the fact that this loan is slated for consideration by the Board of Executive Directors in November 2003, when the current legislature will still be in special session, as it is now, at the Executive Branch's request. The same approach will be used to get the loan contract for this project approved by Parliament before it breaks again for a recess.

	The political risk in Haiti owing to the stagnated electoral process for the new Parliament creates uncertainty for proposed reforms requiring legislative approval. The project is so structured that disbursement of the first tranche will be contingent upon legislation being introduced to provide a legal framework for budget preparation, execution, monitoring, and control. The MEF sent the Budget Preparation and Execution Act to Parliament for consideration together with the 2003-2004 budget on 7 October 2003.
Special contractual clauses:	The project will be executed under the terms and conditions of the loan contract, as summarized in Annex I.
Poverty-targeting and social sector classification:	This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). This operation does not qualify as a poverty-targeted investment (PTI).
Exceptions to Bank policy:	None.
Procurement:	As a policy-based loan, no procurement considerations apply.
Coordination with other donors:	Haiti has signed an agreement with the IMF for a staff-monitored program (SMP) covering April 2003 to March 2004, to support the government's fiscal adjustment program. Meeting the SMP objectives could lead to an IMF poverty reduction and growth facility (PRGF) arrangement. At the government's request, a World Bank mission visited Haiti to identify additional governance measures that might be supported once World Bank activities resume, as well as to explore financing for the external audits or evaluations of five major public enterprises (EDH, Teleco, Camep, and the airport and harbor authorities) on which the SMP is contingent. The project team has been in contact with the IMF and World Bank teams working in Haiti, to make sure the project complements the two institutions' efforts, especially the IMF's staff-monitored program.

I. FRAME OF REFERENCE

A. Macroeconomic environment

1.1 The Haitian economy in the past two decades has been marked by falling per capita income and rising numbers of people living in extreme poverty. The economy has worsened further in the past three years with negative real GDP growth, a fiscal deficit rising to 5% of GDP by early 2003, inflation over 25%, and higher levels of domestic debt. Political difficulties, low levels of private-sector investment, and shrinking foreign aid other than humanitarian assistance have further darkened the outlook for Haiti. Assertive action is needed to achieve macroeconomic stability.

1.2 Tax revenues have represented 7% to 9% of GDP over the past 5 years, among the lowest ratios in the Caribbean or of nearly any developing country. Total taxes in Caribbean countries averaged between 24% (Belize) and 28% (Guyana) of GDP from 1980 to 1998. Yet Haiti's public spending is 9% to 10% of GDP, generating fiscal deficits that have been financed by the country's central bank, Banque de la République de Haïti, with resulting inflation.

1.3 Faced with a deteriorating microeconomic environment, in early 2003 the Haitian authorities took action to improve the country's fiscal and monetary situation. Measures included: (i) raising the domestic price of gasoline, eliminating the subsidy on petroleum products, and introducing a flexible pricing mechanism; and (ii) tightening the country's monetary policy, which drove up interest rates. This eased inflation, stabilized exchange rates, and led to a formal agreement between the Ministry of Economy and Finance (MEF) and the central bank to curtail monetary financing of the fiscal deficit.

1.4 The government signed an agreement with the International Monetary Fund (IMF) in June 2003 for a one-year staff-monitored program (SMP) covering April 2003 to March 2004. The SMP provides a framework for ongoing policy reform efforts with specific policy proposals for the first six months. The focus is on fiscal adjustment, geared mainly toward curtailing central-bank financing of the fiscal deficit. Other objectives include clearing IFI payment arrears, measures to improve transparency and governance, cuts in discretionary spending, and audits of five public corporations. The government's goal is to establish a track record of policy implementation toward a possible IMF poverty reduction and growth facility (PRGF) arrangement with fully restored international donor support. The authorities have sent Parliament a 2003-2004 draft budget consistent with the IMF program. Evaluation of the SMP as of mid-June 2003 found economic variables to be in line with the program targets.

1.5 In June 2003 the government asked Parliament to amend the 2002-2003 budget, to bring it into line with the budgetary targets set in the agreement with the IMF. Meeting the targets for the fiscal year ended 30 September 2003 (see Table 1 below) required action in the area of revenues and expenditures. Revenue measures included (i) widening the tax base through stricter exemption rules, expanding a 2% withholding tax at customs to apply to more imports, and increasing the verification fees on imported goods to 5%; (ii) raising excise taxes on alcohol and tobacco; and (iii) supporting strengthened tax and customs administration. On the expenditure side, the budget envisages: (i) a sizable cut in discretionary spending; (ii) restricting nonessential capital spending, focusing instead on social and economic infrastructure projects; and (iii) freezing public-sector wages through September 2003. In November 2003 the IMF will review whether the SMP fiscal targets and other conditions were met through end-September.

Table 1
Haiti: Central Government Budget 2002/2003 (SMP)
(in percent of GDP)

	Original Budget	I October-March (Estimate)	II April-September (Program)	Year FY 2002-2003 (Program)	III October 2003-March 2004 (Targets)
Revenue	**8.7**	**8.1**	**8.7**	**8.3**	**9.6**
Of which: petroleum taxation	...	0.0	1.8	1.0	
Expenditure	**12.3**	**13.6**	**11.3**	**12.4**	**11.5**
Wages and salaries	3.7	3.5	3.1	3.3	
Net operations	2.5	4.0	3.2	3.6	
Transfers and subsidies	1.2	1.4	1.0	1.2	
Capital outlays	4.1	3.7	3.1	3.4	
Elections	0.1	0.0	0.0	0.0	
Deficit	**-3.8**	**-5.5**	**-2.7**	**-4.1**	**-2.4**
(*Central bank financing*)	(2.3)	(5.0)	(1.9)	(3.5)	(1.8)

Source: International Monetary Fund SMP.

1.6 Macroeconomic conditions have stabilized in recent months, showing marked improvement since the start of the year. As of September 2003, tight fiscal policy had helped stabilize the gourde and sharply reduced inflation to 14% in August (annualized). The gourde has hovered around G43 to the dollar, and the annualized inflation rate declined from 55% in March to 15% in July. Net international reserves stood at US$42 million at end-September. Petroleum price adjustments and measures to increase revenues shrank the fiscal deficit in the second half of the fiscal year, despite problems with low levels of financing from abroad in early 2003. The deficit is expected to stay on target (2.4% of GDP) for the second half of the SMP (October 2003 to March 2004), with central bank financing at 1.8% of GDP. This target will be reflected in the deficit financing agreement to be entered into between the MEF and central bank under the SMP.

B. Public-sector institutional capacity

1.7 One of the main challenges facing Haiti's reform process is a lack of institutional capacity at government agencies. Institutional capacity is a key driver of change, and yet this shortcoming has been exacerbated by years of scant investment in institutional strengthening, political instability, brain drain, and low levels of investment in education (2% of GDP, compared with 5% in other low-income countries). This has led to institutional weakness in key parts of the central government, a largely unresponsive public sector in need of skilled human resources and an incentive structure that fosters leadership for new ways of addressing citizens' most pressing needs.

1.8 Chief among the reasons for Haiti's weak institutional capacity is the low skill level of the country's human resources. In 2003 Haiti ranked 145th out of 175 on the UNDP human development index. The adult illiteracy rate is 50.8% (age 15 and up), and life expectancy is the shortest of any country in the Western Hemisphere at 49.1 years. This, coupled with low wages, makes it difficult to hire skilled people for government jobs. Serious human resource limitations in the public sector make a clear regulatory framework for public finance management even more necessary as a foundation for sector training programs.

1.9 Efficient public resource management is essential for building fiscal-policy-making capacity within the government, and for the reforms embarked on by the government under the IMF staff-monitored program to be sustainable. Transparency in public resource management, clear funding priorities, and economic policies that aggressively attack macro- and fiscal-level problems are key governance factors. Within the central government, the lack of institutional capacity takes the form of ministries that fail to prepare strategic or operational plans, and whose budget performance has gone unchecked as a result of Haiti's weak fiscal coordination and tax regulations, hampering oversight.

1.10 Under a 13 March 1987 decree,[1] Haiti's Ministry of Economy and Finance sets the government's overall economic, social, and monetary policy; issues economic projections and studies of economic trends; coordinates budget preparation; sets government accounting standards; and is involved in public investment program development. Its other responsibilities include monitoring budget execution, collecting taxes, and managing public spending and government property.

1.11 The MEF in this context has embarked on a process to strengthen its institutional function as the coordinating agency for public finance, spearheading economic and management reforms to streamline and modernize Haiti's public sector. Initially, these reforms include an expenditure management process aimed at bringing the

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[1] Structure Organique du Ministère de l'Economie et des Finances [Structure of the Ministry of Economy and Finance], decree of 13 March 1987, Port-au-Prince, Haiti.

national budget into line with total revenues and expenditures, curtailing the use of current accounts for discretionary spending, as a key step toward developing a design methodology for efficient fiscal policy. The public finance reform process entails: (i) better budget preparation for more transparent resource allocation; (ii) better budget execution, expenditure monitoring, and financial reports for internal control and evaluation of budget performance; and (iii) stricter external audits, specifically, strengthening the institutional capacity of the General Accounting Office [Cour Supérieure des Comptes et du Contentieux Administratif] (CSCCA). This expenditure management process will be supported by a new, consolidated regulatory framework for budget preparation and execution.

C. Public finance management

1.12 The MEF has issued a medium-term strategy paper for 2002-2006,[2] laying out the major strategic focus of its economic policy. Public finance is one of the main areas targeted with these objectives: (i) improve budgetary rules and procedures; (ii) observe the principle of budgetary unity and universality; (iii) increase transparency in the management and control of public resources and spending; (iv) shorten deadlines for budget and treasury operations; (v) do away with current accounts for budgetary resources and the current accounts in which revenues termed “own resources”[3] are deposited, but not those earmarked for investment projects (special accounts); (vi) raise tax receipts by reducing tax fraud and evasion; (vii) eliminate ambiguities in income tax and customs legislation.

1.13 With the aid of a senior consultant,[4] the MEF has identified the institutional and policy weaknesses limiting its ability to perform its functions efficiently and achieve its objectives. The main points of the institutional assessment are described below.

1. Budget

1.14 *Budget preparation*. The budget is the main tool for channeling resources to the social sectors of health, nutrition, education, and caring for society’s most vulnerable groups. While a medium-term development plan and strategy does exist, budget preparation in Haiti does not yield an annual workplan with specific targets and objectives for each sector ministry to accomplish during the year in terms of

[2] Document de Stratégie a Moyen Terme 2002-2006 [Medium-term strategy paper 2002-2006], Ministry of Economy and Finance, Haiti.

[3] “Fonds propres (own resources)” are revenues collected by a variety of institutions and include fines collected by police, National Archives fees for birth certificates, soil analysis fees collected by the Ministry of Public Works, a range of fees and commissions in the court system, earnings of public corporations such as the telecommunications company, and taxes collected by local governments.

[4] Trigo, Jacques. *Reforma de las Finanzas Públicas en Haití [Public Finance Reform in Haiti]*. Prepared by the Inter-American Development Bank and Haiti’s Ministry of Economy and Finance, December 2002.

spending and activities. Such structural weakness, coupled with limited resources owing in part to the light tax burden, leads to great inflexibility in spending allocation, since over 85% of all government spending goes to wages, rent, telephone, electricity, mail, water, and debt service. In 2002-2003 public-sector salaries and wages were an estimated 3.5% of GDP, and a nominal increase of 25% above current levels is expected for the 2003-2004 budget.

1.15 In Haiti, the MEF runs the budget preparation process under economic policy guidelines approved by the prime minister, setting out the macroeconomic framework for the coming fiscal year, the macroeconomic policy objective, and the budget preparation procedures and timetable. Currently, the budget preparation timetable is set each year. A new regulatory framework for budget preparation and execution would establish a budget preparation timetable, procedures for each step in the process, and deadlines for each action. The budget would be sent to Parliament on 30 June of each year and voted on, on 2 September. Such a timetable would reduce the delays that have occurred in the past and provide a reasonable amount of time for the budget to be approved and disseminated before the start of the fiscal year.

1.16 The proposed regulatory framework would also restrict Parliament's discretionary authority when making decisions on the Annual Budget Act. Parliament can amend the preliminary draft Annual Budget Act, but cannot reduce the revenues or increase the expenditures stated in it. Any amendments would also have to preserve the economic and financial balance established in the economic policy presented by the government.

1.17 It is worth pointing out that a simpler, clearer timetable for budget preparation and approval would prevent what occurred from 1997 to 2000, when the Annual Budget Act for each of those years was the 1996-1997 budget. By law, if Parliament failed to approve a new budget, the last budget approved was to be used by default. The law provided for the budget sent to Parliament by the Executive Branch to be implemented in the event that the proposed budget was not voted on as a whole. Obviously, this kept the Annual Budget Act from reflecting the administration's policies or strategic priorities for the country.

1.18 Haiti also lacked a consolidated framework for structuring expenditures, applicable both to the central government and to local governments and autonomous agencies of the central government. The MEF's proposed reforms would require these to prepare budgets and keep accounting records in accordance with MEF-issued budgetary rules, regulations, and procedures. Such budgetary and accounting requirements would only be mandatory for local governments and autonomous entities controlled by the **central government**. Public enterprises are not part of the central government; rather, they are governed by the commercial code. Their financial statements therefore must comply with the same accounting standards as private companies.

1.19 *Budget execution*. One area in which broad discretionary authority has been exercised is budget execution, due mainly to two factors: (i) some revenues go unreported to the Treasury, and therefore unrecorded in the budget; and (ii) ”current accounts” used for expenditures at the central government ministries do not report the nature of an expenditure for budget execution purposes.

1.20 In Haiti, not all revenues are included in the budget. A number of institutions collect extrabudgetary revenues known as “own resources” and deposit them in current accounts (see paragraph 2.10). The Budget Office [Direction Générale du Budget] (DGB) is unaware of how these “own resources” are spent, and therefore cannot say whether they are used as effectively as possible, or what impact they may have.

1.21 The budget also includes funds spent through central-bank current accounts administered by line ministries, which do not report the nature of the expenditure to the budget. This makes it impossible to assess the funds’ economic and financial impact, or even conduct internal or external audits. In terms of budget execution, current accounts represent an estimated 300 million gourdes each month, or over 30% of annual public expenditures.

1.22 *Budget evaluation*. Haiti’s government agencies are fairly unsystematic in how they submit their requests to the Budget Office, providing no information on targets or expected outcomes. A lack of information linking budget execution to pre-established targets and objectives makes budget performance difficult to evaluate consistently.

1.23 Modern budget performance evaluation systems are based on annual workplans developed as part of the budget preparation process. These workplans clearly state objectives and expected outcomes, so that efficiency and effectiveness can be assessed. The evaluation process is very useful for making adjustments during a budget year and setting new policies for the following year’s budget. Budget preparation and execution can achieve their greatest impact only by providing training and putting mechanisms in place for evaluating public policies as part of the Haitian public sector’s management responsibilities.

1.24 Measures and mechanisms for ongoing, systematic budget monitoring, control, and evaluation through regular reports will help detect key operations and activities straying off target. One necessary step toward a monitoring, control, and evaluation mechanism is the development of computer systems to record expenditures, so that the MEF can stay current with budget execution.

2. Treasury

1.25 An efficient payments and treasury management system would require all revenues and expenditures to be routed through the Treasury Office, which is not currently the case. The existing system also has shortcomings in terms of information the treasury needs to operate. For example: (i) the Internal Revenue Office has three computer systems for monitoring a given tax; (ii) the central bank delivers information on taxes the day after collection for the Port-au-Prince metropolitan area, whereas Banque Nationale de Crédit takes 45 days to deposit tax receipts for the rest of the country; (iii) revenues are difficult to verify, because invoices are sent to the treasury one month late; and (iv) there is no way of determining how much floating debt government agencies are carrying.

1.26 Efficient, flexible treasury operations would call for dispensers of funds to "draw" on the treasury for payments into the bank accounts of creditors or end payees using an electronic funds transfer mechanism, which Haiti currently lacks. The same applies for the collection of mechanism would be used to collect revenues through the private banking system, making it easier for taxpayers to make payments. What is needed is a computer system linking the treasury in real time to the agencies authorizing payments and to the financial system, where creditor and payee accounts are located and tax payments originate.

1.27 The long-term goal for treasury enhancements must include a system that efficiently combines the advantages of decentralized collections, spending, and payment authorizations with centralized resources and electronic funds transfers via the financial system. For Haiti this would mean fewer current accounts, depositing "own revenues" into treasury accounts and their inclusion in the budget, and shorter reporting times for tax receipts, to bring financial planning more into line with real-time revenue levels. These and other reforms will be needed, if the single account methodology is to be gradually implemented.

3. Government accounting

1.28 One of the major weaknesses identified in the country's financial management is the absence of an accounting standard applicable to all government agencies. Neither does accounting in Haiti follow double-entry or financial accounting standards, making it nearly impossible to monitor government property or prepare and issue reliable financial reports. The lack of parity among ministries prevents information from being aggregated. Moreover, the single-entry accounting system does not satisfy existing legal requirements.

1.29 Accordingly, the MEF has introduced a government chart of accounts (PCGE) for government accountants to use as a guide in recording all government financial operations. This chart of accounts is not for use by public corporations, which are governed by the Commercial Code. The chart is intended to harmonize and standardize accounting treatment based on generally accepted accounting principles, and includes the financial reports needed for greater transparency in public finance management.

1.30 Establishing accounting standards will require training at the central government level and at the level of local/municipal governments and autonomous agencies of the central government.

4. Information system for public expenditure management

1.31 The MEF has been implementing the expenditure module of a prospective integrated financial management system. The first phase of implementation with funding from France was a pilot of the system at the MEF. In phase two, the technological platform was put into operation at four ministries in the same complex as the MEF: planning, interior, health, and public works. In phase three, the platform will be installed throughout the rest of the central government via a client-server system.

1.32 The proposed system will reduce the number of days required to process payments and enter receipts, since transactions will have to be entered into the system only once for all agencies involved. This, in turn, will cut transaction costs and make the budget system more uniform, and error and fraud less likely to occur. It will also enhance monitoring and evaluation capacity by generating more reliable and trustworthy data, contributing to a more transparent process.

1.33 Haiti's infrastructure constraints, both physical and in terms of telecommunications and electricity, call for a simple system using basic technology. This is a realistic approach that seeks to limit the risk associated with these constraints and acknowledges that need for a computerized budget system to support greater efficiency and effectiveness in spending.

D. Short- and medium-term objectives of fiscal reform

1.34 The medium-term objectives of fiscal reform in Haiti should be to set up a public finance management system that can: (i) provide useful, timely, and reliable information for decision-making; (ii) enable the government to operate economically, efficiently, and effectively; and (iii) enhance transparency in the management of government resources. Meeting these objectives will require a set of policies, principles, standards, manuals, procedures, methods, information technology tools, and changes at institutions, and in the management structures, involved in planning, management, and control of government funds.

1.35 The first step toward sustainability of these medium-term objectives is reform of the regulatory framework for financial management, amending the rules governing the budget, treasury, public credit, and accounting, as well as the authority and responsibilities of the governing bodies for each of these and other areas of public finance management. The main goal should be the institutional strengthening of public finance management, to ensure fiscal discipline and proper use of public resources.

1.36 The government is working to improve budget preparation, monitoring, and execution, as well as the regulatory framework for public finances. It has introduced a proposed Budget Preparation and Execution Act in Parliament, implemented a new computer system for public expenditures, and established new budgetary classifications for revenues and expenditures. The principal innovations over current budgetary practices are as follows:

(i) There is to be a single text setting out the major principles of government accounting and budget preparation, execution, and control. This would establish a regulatory framework flexible enough to be amended and introduce new accounting rules and procedures as a way of adapting to technological advances.

(ii) The budget approval process is to be streamlined with a timetable for budget preparation and submittal to the legislature for review and approval in the time and manner established. This would prevent what occurred in the past, when four consecutive budgets (1997-1998 thru 2000-2001) failed to win Parliamentary approval.

(iii) From the time the Act enters into effect, local governments and autonomous agencies of the central government are to be required to have a budget and keep their accounts in accordance with MEF budgetary rules, regulations, and procedures. This would also enhance transparency in the running of subnational governments and autonomous agencies of the central government.

(iv) A National Treasury is to be set up under the MEF with the authority to issue public debt instruments (treasury bills and bonds) and sell them on capital markets. Such new treasury authority would have to be coordinated with the central bank for purposes of managing monetary policy. The National Treasury would also be responsible for government financial planning and managing government resources in treasury accounts.

(v) A new budget control system is to be established with the CSCCA conducting only ex post audits, thus eliminating the current conflict of interest associated with conducting both ex ante and ex post audits. At the same time, the legal foundation is to be laid for an internal control body to oversee budget execution within the Executive Branch. Such internal administrative control is to be exercised by a corps of specialized employees assigned to government agencies but accountable to the MEF.

(vi) An annual workplan is to be developed as a basis for program budgeting that reflects a poverty reduction strategy. The workplan would identify investment, training, staffing, and procurement needs to address such priority areas for Haiti as health, education, and basic sanitation.

E. Related actions

1.37 Haiti has signed an agreement with the IMF for an SMP covering April 2003 to March 2004, to support the government's fiscal adjustment program. Meeting the SMP objectives could lead to an IMF poverty reduction and growth facility (PRGF) arrangement. The SMP specifies targets and structural adjustments for the first six months. A mission during the week of 23 September to review the first part of the program and set targets for the second six-month period found that the government had met the June 2003 targets, even exceeding expectations in some instances.

1.38 At the government's request, a World Bank mission visited Haiti to identify additional governance measures that might be supported once World Bank activities resume, as well as to explore financing for the external audits or evaluations of five major public enterprises (EDH, Teleco, Camep, and the airport and harbor authorities) on which the SMP is contingent. The World Bank mission conducted pre-audits of these five enterprises and recommended that three of them be audited, and restructuring measures undertaken at EDH and Teleco, where the accounting records were such that no effective audit could be performed. The nonreimbursable Post Conflict Fund (PCF) is expected to partially finance these audits and other activities in the area of economic governance, such as decentralization, procurement and contracting. A technical assistance program should be submitted to the PCF for consideration by late November.

1.39 Rounding out these actions, the government has stated its intention of entering into talks with donors to develop an interim poverty reduction strategy.

F. The Bank's country and sector strategy

1.40 With the resumption of Bank activities in Haiti, the Board of Executive Directors approved a reformulation of Investment Sector Loan 989/SF-HA, updated four investment loans (education, health, water and sanitation, and roads), and began the process of identifying new activities.

1.41 The new activities agreed upon with the Haitian government fit into the Transition Strategy for Re-engagement, which was presented to the Programming Committee of Management on 3 September 2003, and approved by the Committee of the Whole on 7 October 2003. The strategy focuses on: (i) governance; and (ii) reactivating production and services targeted to the poorest groups.

1.42 This project dovetails with the governance focus of the transition strategy, which assigns the highest priority to using public-sector resources more effectively, efficiently, and transparently, starting with the MEF and core ministries, by supporting implementation of a viable, sustainable regulatory and operational framework for budget preparation, execution and control. The proposed project will support the ongoing governance reforms of the ISL approved in July, which extended beyond financial sector reforms to foster greater transparency and control in the public sector through support for a new budget process and control of ministry current accounts.

1.43 This project is the focal point for resumption of the Bank's activities in Haiti, since proper public finance management will make better information available on the execution of externally funded projects and help set strategic priorities for investment financing. The institutional strengthening activities of the four loans reformulated this year, and the three investment loans pending approval, will also support implementation of this new regulatory and operational framework at the ministries most relevant for the country's fiscal management.

1.44 The project proposed here would achieve its objectives by rounding out a series of activities being financed with current and future technical assistance. Technical cooperation for institutional strengthening initiatives (ATN/SF-8157-HA) is currently supporting MEF capacity-building at the Department of Economic Studies [Direction des Etudes Economiques] (DEE), to enhance its ability to track performance and impact indicators and analyze fiscal policy implications. These actions include training and hiring additional DEE staff and conducting a series of economic studies for the fiscal reform effort being spearheaded by the MEF. Other planned actions will involve the Budget Office, treasury and accounting. The project will also fund actions to improve resource management at line ministries.

1.45 Institutional development facility loan HA-0082, which is currently in the 2004 project pipeline, will support actions to build MEF capacity as the coordinating agency for public finance in Haiti. Specifically, it will support follow-up activities to satisfy the conditions on release of the second tranche of this project, such as supporting expansion of the information system plan. HA-0082 will also support administrative reforms to raise revenues as a necessary step before implementing PBL-based policy reforms. Such a PBL, which is to be identified and submitted to the Bank for consideration in mid-2004, will focus on raising both excise tax and customs revenues.

1.46 Actions to strengthen fiscal management on the revenue side will begin with a technical cooperation operation to support revenue collection agencies (TC-0210058). The operation will map out reforms at the Customs Service [Administration Générale des Douanes] and the Internal Revenue Office [Direction Générale des Impôts], along with activities to produce better information and train staff in high-priority areas for the success of reform processes and possible tax and customs policy reforms. It will also support simplification of methods for gathering information on revenues, which will be crucial for better control of budget execution and meeting fiscal deficit reduction targets.

II. THE PROJECT

A. Objectives and description

2.1 The general objective of this policy-based loan (PBL) is to help Haiti enhance its governance through budget process reform to strengthen fiscal account management, allocate public resources more transparently and efficiently, and better comply with tax laws and regulations.

B. Structure

2.2 The proposed policy-based loan fits into the State reform process which the Government of Haiti has undertaken in the area of public finance reform. The loan will support certain aspects of spending reform as it relates to the budget process and reducing discretionary spending.

2.3 To accomplish its objective, the project will focus on institutional reforms in five target areas:

2.4 *Budget Preparation and Execution Act*. Actions in this target area will concentrate on introducing legislation to provide a legal framework for government accounting and budget preparation, execution, monitoring, and control, to serve as a general outline to be followed in developing a public sector financial information system.

2.5 The specific objectives of the proposed reforms are: (i) to introduce a timetable for the process of budget preparation and submittal to the legislature for review and approval in the time and manner established; (ii) to require local governments and autonomous agencies of the central government to have a budget and keep their accounts in accordance with MEF guidelines; (iii) to place responsibility for treasury operations at the MEF; (iv) to set up an internal audit body within the Executive Branch to oversee budget execution; and (v) to establish a new budget control system with the General Accounting Office [Cour Supérieure des Comptes et du Contentieux Administratif] (CSCCA) conducting only ex post audits, not ex ante audits. Such a bill was introduced in Parliament together with the 2003-2004 budget on 7 October 2003.

2.6 *Government chart of accounts*. Actions in this area will seek to standardize the treatment of accounting entries across the government and bring them into line with international accounting standards for the public sector. The new chart of accounts will introduce the double-entry system for enhanced financial analysis and control of transactions within the government. It will also begin to lay the groundwork for accrual accounting for Haitian government assets.

2.7 The specific objectives of these actions are: (i) to draft a document describing the consolidated account format (Government Accounting Manual); (ii) to promote the consolidated treatment of locally raised revenues; (iii) to introduce the double-entry system for enhanced analysis and control of government finances; and (iv) to institute the tools necessary for accrual accounting.

2.8 *Budgetary classifications for revenues and expenditures*. The general objective for this target area is to rework budgetary classifications to reflect revenues and expenditures in line with the new chart of accounts. These new classifications will more clearly and more transparently identify the source of tax and nontax revenues and the nature of goods and services procured by the government. They will also improve inventory management and treasury oversight. Greater transparency will contribute to better internal and external control and yield useful information for measuring the impact of government spending.

2.9 *Information system for public expenditure management*. Actions in this target area will computerize the public expenditure system for better management and control of spending using real-time information. At the same time, actual cash on hand can be known at any time for realistic cash flow management. This could provide the basis for a budget monitoring system to track initial-budget targets and objectives in real time.

2.10 The specific objectives for this target area are: (i) to enhance and integrate the management and monitoring of central-government budget execution, clearly identifying the nature of each expenditure; (ii) to determine the status of budget appropriations and actual cash on hand for each central government agency; (iii) to limit expenditures to the amount approved in the Annual Budget Act; (iv) to allocate directly to the budget any advances made to institutions for emergency expenditures; (v) to enable central government agencies to monitor and control their budget performance; and (vi) to report such information as is necessary for electronic ex post audits of budgetary transactions by the CSCCA.

2.11 *Quality of budgetary and financial management*. The general objective for this target area is to make budgetary and financial management more transparent at central government agencies, emphasizing restrictions on the use of current accounts and setting up a governing oversight body. Starting in the second half of the 2003-2004 fiscal year, current-account use will be curtailed at ministries and other national-level public-sector agencies. To help improve financial management, the MEF will support actions to strengthen the CSCCA, which performs ex post audits of government agencies in Haiti.

2.12 **Disbursements**. Loan disbursement in two tranches is proposed. A first tranche of US$10 million will be eligible for disbursement once Parliament ratifies the loan and the authorities provide the Bank with documentation, as agreed, that the conditions described in Annex I have been satisfied. In anticipation of this program, the Government of Haiti has already satisfied one of the proposed conditions precedent to disbursement of the first tranche. A second tranche of US$15 million will be eligible for disbursement once the respective conditions described in Annex I have been satisfied. The tranche release date would be no sooner than 18 months after the loan contract enters into effect, consistent with Bank policy for policy-based loans.

2.13 For submittal to the Board of Executive Directors, this loan proposal must be accompanied by an evaluation letter from the IMF on the status of the SMP.

C. Conditionalities

2.14 The measures contemplated under the program must be implemented within a macroeconomic environment conducive to the program objectives. An enabling macroeconomic environment will be a condition precedent to disbursement of each of the two tranches of the financing.

a. Budget Preparation and Execution Act

2.15 *First Tranche*. Legislation is introduced in Parliament to provide a legal framework for budget preparation, execution, monitoring and control.

2.16 *Second Tranche.* Legislation is enacted and enters into force, providing a legal framework for budget preparation, execution, monitoring and control.

b. Government chart of accounts

2.17 *First Tranche*. Submittal of a government accounting manual containing the new accounting principles consistent with international standards.

2.18 *Second Tranche.* The two conditions on this tranche are that: (i) central government staff of at least seven local governments and autonomous agencies of the central government receive training in the implementation and use of the chart of accounts; and (ii) the new chart of accounts is implemented for fiscal years other than 2003-2004.

2.19 The government has prepared an action plan to provide training to the central government and to staff of certain local governments and autonomous agencies of the central government. The plan could be supported by resources under ATN/SF-8157-HA, as the authorities may deem necessary.

c. Budgetary classifications for revenues and expenditures

2.20 *First Tranche*. The new budget classifications for expenditures are implemented and in use for the 2003-2004 budget year.

2.21 *Second Tranche*. The new budget classifications for revenues are implemented and in use for budget years other than 2003-2004.

d. Information system for public expenditure management

2.22 *First Tranche.* The information system for public expenditure management has been implemented in at least five ministries, including the Ministry of Public Health.

2.23 *Second Tranche*. The information system for public expenditure management has been expanded to include at least six central-government agencies, including the Ministry of Education.

2.24 The information system plan will focus on implementation of the expenditure module at these agencies. To confirm that this condition has been satisfied, the authorities must present each agency's public spending request identifying the agency, the nature and purpose of the expenditure, and the amount approved.

e. Quality of budgetary and financial management

2.25 *First Tranche.* The two conditions on this tranche are that: (i) all inactive current accounts at the central government level, with the exception of project-related accounts, have been closed and the balances transferred to the Treasury's consolidated account; (ii) the CSCCA members have been appointed.

2.26 *Second Tranche*. Current accounts are restricted to one per ministry or other national-level public sector agency; agreed requirements for current account use have been adopted and implemented.

2.27 To confirm that the conditions relating to current accounts have been satisfied, the MEF must submit reports based on information provided by the Banque de la République de Haïti (BRH).

III. PROJECT EXECUTION

A. Borrower and executing agency

3.1 The borrower will be the Republic of Haiti, which has designated the Ministry of Economy and Finance (MEF) as executing agency for the program.

B. Project execution and management

3.2 The MEF will be responsible for: (i) satisfying the project conditionalities; (ii) delivering reports and evidence of compliance with the loan terms; (iii) manage execution of the approved project (ATN/SF-8157-HA) supporting the compliance process and the terms of this loan and others in the pipeline that would help make the reforms implemented under this project sustainable; and (iv) receive the loan proceeds.

3.3 The borrower will be responsible for: (i) maintaining, through the executing agency, accounting and financial records on how the loan proceeds are used, as well as demonstrating that such proceeds were used for the purposes of the loan (reforms, policy change, etc.); (ii) retaining supporting documentation on disbursements and the satisfaction of conditions precedent to the disbursement of each tranche, as the project report dictates (such documentation must be made available for inspection by the Bank and/or external auditors); (iii) preparing and presenting disbursement requests to the Bank; and (iv) upon request, preparing financial statements on the use of funds.

3.4 As Bank regulations dictate, the borrower must deposit the loan proceeds in separate, special accounts and provide that Bank with evidence that such accounts have been opened prior to the first disbursement.

C. Procurement

3.5 As a policy-based loan with no formal restrictions on the use of resources, no procurement considerations apply. The fast-disbursing funds from the sector loan will be used partly to support the borrower's balance of payments. The procedures for sector loans to be followed in this instance, as established in document GN-2001-2, do not call for international competitive bidding. Funds shall be disbursed once the borrower has presented evidence satisfactory to the Bank that all contractual obligations have been met.

3.6 **External audits.** The Bank may require disbursement audits or audited financial statements on how the loan proceeds are used. Such audits would be conducted by independent auditors selected by the Bank under Bank-approved terms of reference.

D. Execution period and disbursement schedule

3.7 The loan disbursement period will be no less than 18 months, as the Bank's Board of Governors has indicated for policy-based loans (AG-1/02).

E. Technical supervision

3.8 RE2/SC2 will be responsible for technical supervision of the project with support from the Bank's Country Office in Haiti.

F. Evaluation

3.9 Annex II describes the expected outcomes and impact indicators for the project. The set of indicators will be assessed in a final evaluation to be conducted under terms of reference agreed upon between the borrower and the Bank, which will serve as the basis for the project completion report (PCR). The borrower will agree to cover all costs associated with gathering the necessary data, and promises to make such data available. For the time being, however, the borrower has made no commitment to allocate additional resources for the evaluation.

IV. VIABILITY AND RISKS

A. Institutional viability

4.1 While political uncertainty and scant investment in institutional strengthening have further weakened Haiti's institutional capacity, it is worth noting that the government has used that limited institutional capacity to accomplish substantial and difficult economic reforms. The key to this operation is that it dovetails with the economic reforms being spearheaded by the Ministry of Economy and Finance (MEF). The MEF has shown the necessary leadership to continue meeting economic targets by entering into a staff-monitored program (SMP) with the IMF and meeting its intermediate goals. The proposed reforms will further strengthen the MEF's position as the coordinating agency for public finance in Haiti, and provide a single, viable regulatory framework for budget process reform that has been lacking until now.

4.2 The Bank also has already approved a series of projects, and more are in the pipeline, aimed mainly at supporting the MEF's institutional strengthening activities. Those activities focus on developing policy-making and impact measurement capacity, coordinating the budget process, implementing new legislation, and training staff working on both the revenues and the expenditures sides (see paragraphs 1.41 to 1.47). Other, related Bank operations are supporting institutional strengthening activities at key ministries, better enabling them to comply with budgetary rules and regulations enacted by the MEF.

B. Environmental impact

4.3 At its 26 September 2003 meeting, the Committee on Environmental and Social Impact (CESI) determined that this project has no direct environmental or social impact.

C. Benefits

4.4 The project's main benefit is that it supports Haiti in setting up a basic framework of rules and regulations for managing public finances more efficiently and transparently. Such actions pave the way for deeper administrative reforms in the medium and long term, laying the groundwork for capacity-building and institutional strengthening activities in the public-sector. This project is the focal point for actions to lend clarity to Haiti's public finances.

D. Risks

4.5 The main political risk in Haiti relates to the uncertainty surrounding the upcoming parliamentary elections, which must be held because the sitting Parliament's term is set to expire in January 2004. Resolution 822 of the Permanent Council of the Organization of American States calls upon the government to hold elections to give Haiti a working legislature. This electoral process is having difficulty getting off the ground, however, because the Provisional Electoral Council that is to organize them cannot be set up. Public debt contracts require ratification by Parliament, so the lack of one would stall resumption of the project pipeline. Such risk is mitigated by the fact that this loan is slated for consideration by the Board of Executive Directors in November 2003, when the current legislature will still be in special session, as it is now, at the Executive Branch's request. The same approach will be used to get the loan contract for this project approved by Parliament before it breaks again for a recess.

4.6 The political risk in Haiti owing to the stagnated electoral process for the new Parliament creates uncertainty for proposed reforms requiring legislative approval. The project is so structured that disbursement of the first tranche will be contingent upon legislation being introduced to provide a legal framework for budget preparation, execution, monitoring, and control. The MEF sent the Budget Preparation and Execution Act to Parliament for consideration together with the 2003-2004 budget on 7 October 2003.

HAITI
(HA-0092)
SUPPORT FOR PUBLIC FINANCE REFORM

Objective	Measures already taken	Conditions on first tranche	Conditions on second tranche
MACROECONOMIC ENVIRONMENT			
Macroeconomic stability	IMF staff-monitored program covering April 2003 to March 2004	The macroeconomic environment established is consistent with the project objectives.	The macroeconomic environment established remains consistent with the project objectives.
BUDGET PREPARATION AND EXECUTION ACT			
Legislation is introduced to provide a legal framework for budget preparation, execution, monitoring, and control.	The Finance Law Preparation and Execution Act is drafted.	Legislation is **introduced** in Parliament to provide a legal framework for budget preparation, execution, monitoring, and control, including at least the following: a. A timetable for the process of budget preparation and delivery to the legislature for review and approval in the time and manner established; b. Local governments and autonomous agencies of the central government must have a budget and keep their accounts in accordance with budgetary rules, regulations, and procedures of the Ministry of Economy and Finance (MEF); c. The MEF is responsible for management of treasury operations at the central government level; d. The legal foundation is laid for an internal audit body within the MEF to oversee execution of the national budget (ex ante); e. The budget control system of the General Accounting Office [Cour Supérieure des Comptes et du Contentieux Administratif] (CSCCA) is modified to conduct only ex post audits.	Legislation is **enacted and enters into force**, providing a legal framework for budget preparation, execution, monitoring, and control, including at least the following: a. A timetable for the process of budget preparation and delivery to the legislature for review and approval in the time and manner established; b. Local governments and autonomous agencies of the central government must have a budget and keep their accounts in accordance with MEF budgetary rules, regulations, and procedures of the Ministry of Economy and Finance (MEF); c. The MEF is responsible for management of treasury operations at the central government level; d. The legal foundation is laid for an internal audit body within the MEF to oversee execution of the national budget (ex ante); e. The budget control system of the General Accounting Office [Cour Supérieure des Comptes et du Contentieux Administratif] (CSCCA) is modified to conduct only ex post audits.

Objective	Measures already taken	Conditions on first tranche	Conditions on second tranche
		MEANS OF VERIFICATION MEF provides a written statement that the legislation has been introduced.	MEANS OF VERIFICATION Publication of the legislation in Haiti's official gazette, "Le Moniteur."
GOVERNMENT CHART OF ACCOUNTS			
Standardize the treatment of accounting entries across the government and bring them into line with international accounting principles.	Design the chart of accounts	Delivery of a government accounting manual containing the new accounting principles consistent with international standards. MEANS OF VERIFICATION MEF directive approving the principles for use by the central government, local governments, and autonomous agencies of the central government, and disseminating the government accounting manual.	1. Central government staff of at least 7local governments and autonomous agencies of the central government receive training in the implementation and use of the chart of accounts; 2. The new chart of accounts is implemented for fiscal years other than 2003-2004. MEANS OF VERIFICATION MEF report on training and professional development of 200 trainers to train staff on the new chart of accounts. At a minimum, the report will state the number of staff trained, the training period, and modules taught. MEF directive setting the date for the government accounting manual to go into effect.
BUDGETARY CLASSIFICATIONS FOR REVENUES AND EXPENDITURES			
Rework budgetary classifications to reflect revenues and expenditures in line with the new chart of accounts.	Design new budgetary classifications. MEF directive on use of the new classifications for the 2003-2004 budget year.	The new budgetary classifications for expenditures are implemented and in use for the 2003-2004 budget year. MEANS OF VERIFICATION Number of budget items affected by a new budget breakdown.	The new budget classifications for revenues are implemented for budget years other than 2003-2004 MEANS OF VERIFICATION Publication of the fiscal year budget in Haiti's official gazette, "Le Moniteur."

Objective	Measures already taken	Conditions on first tranche	Conditions on second tranche
		Number of previously misclassified budget items altered to fit the new classifications.	Itemized report of revenues collected by the Customs Service [Administration Générale des Douanes] and Internal Revenue Office [Direction Générale des Impôts] using the new budgetary classifications.
INFORMATION SYSTEM FOR PUBLIC EXPENDITURE MANAGEMENT			
Computerize the public expenditure system for better management and control of spending.	Design the information system plan for public expenditure management. Implement the plan at 5 ministries.	The information system for public expenditure management has been implemented in at least five ministries, including the Ministry of Public Health. MEANS OF VERIFICATION For each agency, 5 copies of public spending requests identifying the agency, the nature and purpose of the expenditure, and the amount approved.	The information system for public expenditure management has been expanded to include at least 6 central-government agencies, including the Ministry of Education. MEANS OF VERIFICATION For each agency, 5 copies of public spending requests identifying the agency, the nature and purpose of the expenditure, and the amount approved.
QUALITY OF BUDGETARY AND FINANCIAL MANAGEMENT			
Make budgetary and financial management more transparent at central government agencies.	MEF order closing all current accounts at Banque de la République de Haïti (BRH). Agreement between the MEF and BRH to curtail central bank financing of the fiscal deficit. Appointment of CSCCA members.	1. All inactive current accounts at the central government level, with the exception of project-related accounts, have been closed and the balances transferred to the Treasury's consolidated account. 2. The CSCCA members have been appointed. MEANS OF VERIFICATION Delivery of an MEF report based on information provided by the BRH, containing the number of inactive current accounts closed and the amount of balances transferred to the Treasury's consolidated account.	Current accounts are restricted to one per ministry or other national-level public sector agency; agreed requirements for current account use have been adopted and implemented. MEANS OF VERIFICATION Delivery of an MEF report based on information provided by the BRH, containing the number of inactive current accounts closed at each agency.

Objective	Measures already taken	Conditions on first tranche	Conditions on second tranche
		Delivery of a copy of Haiti's official gazette, "Le Moniteur," publishing the names of the appointed CSCCA members.	MEF directive stating the criteria for agency use of the current account. Delivery of an MEF report based on information provided by the BRH and from the budget execution reports of at least 10 agencies.

BASELINES AND PERFORMANCE INDICATORS
SUPPORT FOR PUBLIC FINANCE REFORM (HA-0092)

Indicator	Baseline October 2003	Performance Indicator FY 2003/2004 and September 2004 to March 2005
1. Macroeconomic environment		
a. Deficit as % of GDP	2.4	< 2.4
b. Central bank financing as % of GDP	1.8	< 1.8
2. Legal framework for the budget		
a. Date budget approved by Parliament	FY 2003/2004 ? October	FY 2004/2005 prior to October 2004
b. Number of local governments and autonomous agencies of the central government that have budgets and keep their accounts in accordance with MEF regulations.	0	7
3. Government chart of accounts		
a. Staff trained at central-government level	?	
b. Staff trained at level of local governments and autonomous agencies of the central government	0	
c. Type of accounting	Single-entry	Double-entry
4. New budgetary classifications		
a. Number of budget items existing (Unbundling of budget items)	(pre-implementation)	(post-implementation)
5. Information system plan		
a. Number of agencies connected to expenditure module	5	11
6. Quality of budgetary and financial management		
a. Number of inactive current accounts at BRH		
b. Balance transferred to Treasury's consolidated account		
c. Number of current accounts at central bank		