DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HAITI

FISCAL SUSTAINABILITY II

(HA-L1034)

PROGRAMMATIC POLICY BASED GRANT (PBG)

GRANT PROPOSAL

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ELECTRONIC LINKS

REQUIRED

1. Policy Letter (original signed and translation)
   http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35137999
2. Results Matrix
   http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35110831
3. Means of Verification for the Conditionalities of the Second Operation of the Programmatic Series
   http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35110679

OPTIONAL

1. Revised Unified Conditionality Matrix
   http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35110719
2. Financing Needs FY2010/2011 by quarters (millions of US$)
   http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35114866
3. Aide Memoire Final Joint Mission (1-5 Feb, 2010)
   http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35114849
4. Government Group Report
   http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35114853
5. Urgent Public Financial Management (PFM) post earthquake
   http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35114861
6. A Summary of the Results of the Post-Disaster Needs Assessment (PDNA)
   http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35125896

ABBREVIATIONS

AGD	*Administration Générale des Douanes*
BRH	*Banque de la République d'Haïti*
CARTAC	Caribbean Regional Technical Assistance Centre
CDB	Caribbean Development Bank
CEMLA	*Centro de Estudios Monetarios Latinoamericanos*
CNE	*Centre National d'Equipement*
CRI	Cash Recovery Index
CSCCA	Collegiate Strength and Conditioning Coaches Association
DDP	*Direction de la Dette Publique*
DGI	*Direction Générale des Impots*
DGTCP	*Direction Générale du Trésor et de la Comptabilité Publique*
DINEPA	*Direction Nationale de l'Eau Potable et Assainissement*
DSA	Debt Sustainability Analysis
EC	European Commission
EDH	*Electricité d'Haïti*
FY	Fiscal Year
GDP	Gross Domestic Product
GoH	Government of Haiti
HIPC	Heavily Indebted Poor Country
IDA	International Development Association
IGF	*Inspection General des Finances*
IMA	Independent Macroeconomic Assessment
IMF	International Monetary Fund
MEF	Ministry of Economy and Finance
MTPTC	*Ministère des Travaux Publics, Transports et Communications*
NGO	Non-Governmental Organization
NIR	Net International Reserves
PaP	Port-au-Prince
PBG	Policy Based Grant
PCR	Project Completion Report
PDNA	Post-Disaster Need Assessment
PIP	*Programme d'Investissement Public*
SDR	Sprecial Drawing Rights
SYDONEA	*Système Douanier Automatisé*
SYSDEP	*Systeme de Dépense public*
ULCC	*Unité de Lutte contre la corruption*
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
WB	World Bank

PROJECT SUMMARY
HAITI
FISCAL SUSTAINABILITY II
(HA-L1034)
PROGRAMMATIC POLICY BASED GRANT

Financial Terms and Conditions		
Beneficiary:	Republic of Haiti	
Executing Agency:	Ministry of Economy and Finance	
Source	**Amount**	**Currency:** US$ dollars
IDB (Grant Facility)	US$50 million	
Total	US$50 million	

Project at a Glance

Project Objective:

The objective of this Program is to support the reestablishment of the functions of key fiscal institutions and, to the extent possible, to help advance structural reforms in the areas of revenues, efficiency and transparency of public sector spending and investment in order to foster fiscal sustainability, given the new context resulting from the earthquake of January 12th, 2010. This approach will enable the Bank to continue its long-standing fiscal sector collaboration with the Government of Haiti (GoH) while providing a vehicle for ongoing oversight of the implementation of the conditionalities agreed between the Government and Donors included in the Policy Matrix of the framework document and in the Unified Conditionality Matrix (¶1.28).[1]

This proposed second Programmatic Policy-Based Grant (PBG) non reimbursable operation will provide fungible resources in a single tranche for US$50 million for budgetary support. It will complement resources committed by other Donors to help the Haitian Government to comply with some of its financial obligations in the aftermath of the devastating earthquake.

Special contractual clauses:

A single tranche of US$50 million will be disbursed once the PBG operation is eligible for disbursement and the authorities, as it was agreed, provide the Bank with documentation supporting that the conditions described in Annex II have been fulfilled (¶2.2).

Project qualifies for: SEQ[X] PTI [ ] Sector [ ] Geographic[ ] Headcount [ ]

[1] It is important to state that even though the GoH has expressed its intention to complete the triggers included in the macro framework, its compliance has been delayed because of the earthquake. The completion will not affect the present operation.

I. DESCRIPTION AND RESULTS MONITORING

A. Background and Justification

1.1 Haiti had been growing at some of the highest growth rates in the Caribbean region in 2009 (2.9 percent), and, before the earthquake was projected to grow at the rate of 3.0 percent in 2010. Moreover, there was increasing optimism for the future due to advances in security; in more stable political processes; in the management and execution of the National budget; in plans for new tourist infrastructure and a successful IDB-Clinton Foundation private investor event in late 2009.

1.2 On January 12, 2010, a powerful earthquake of 7.0 category (Richter scale) struck Haiti, at a depth of 10 km, which was followed by several aftershocks, some as strong as 6.1 and 5.9 magnitudes. The epicenter was located in a highly populated area, Léogâne in the Ouest (Western) Province of Haiti, 17 km south-west of Port-au-Prince (PaP). Estimates indicate that at least 3.5 million people have been affected and that the death toll is over 200,000. The nearby cities of Carrefour and Jacmel were also affected. The earthquake caused massive destruction of numerous public and private infrastructures, including hospitals, schools, government buildings, houses and roads that resulted in billions of dollars in damages and losses. The recently completed Post-Disaster Needs Assessment (PDNA) estimates total needs of US$11.5 billion, and overall damages and losses by the earthquake are estimated to be US$7.9 billion, which represents 120 percent of the country Gross Domestic Product (GDP) in 2009. The prospects for growth reversed and it is likely that GDP will decrease in 2010 in the range of -8.5 to -10 percent, implying a total growth impact of -11.5 to -13 percent for the earthquake.[1] The capacity of the Haitian Government has been severely hindered by both the loss of life of critical staff of various ministries, and by the partial or total collapse of its primary buildings.[2]

1.3 Haiti's fiscal situation is very fragile. It needs additional budget support of US$340 million, according to International Monetary Fund (IMF) last estimates, to fill the exceptional fiscal gap for Fiscal Year (FY) 2010. Revenue for FY2010 is expected at only about 50 percent of budgeted levels. Many businesses suffered severe damages. In addition, the tax administration agency was weakened by the destruction of its management infrastructure and the loss of key personnel. At the same time, many recurrent expenses cannot be compressed and some need to increase. Most pressing expenses include wages, transfers to entities that have lost their revenue base (hospitals, schools, public utilities) as well as investment spending to prepare for the hurricane season and the beginning of the next school

[1] The Bank research indicates persistent growth impacts from such catastrophes for as much as a decade into the future, despite sharp increases in aid.

[2] The impact of this extreme event is enormous, 80 percent of the schools, most of the hospitals and one quarter of the housing stock, were significantly affected. The building and the equipments of the *Direction Générale des Impots* (DGI) were totally destroyed.

year and to support agriculture. For this fiscal year, preliminary IMF estimates suggest total government expenditure in the order of 27 percent of GDP and a budget deficit between 6-8 percent of GDP.

1.4 Debt relief was extended on June 30th of last year as the country reached the Completion Point under the Heavily Indebted Poor Country (HIPC) Initiative but relief was only extended on the end---2004 stock. However, since the earthquake. Venezuela has indicated that it will give relief on all debts within the PetroCaribe scheme. The Bank has indicated that there will be relief both on the current stock of debt and also loans that continue to disburse will be converted to grant financing. Haiti's debt service to the Bank has been generously financed by bilateral creditors. The World Bank has also indicated that relief will be given on the small stock of International Development Association (IDA) debt outstanding. It is likely that other bilateral will move forward with debt relief initiatives. Given the very difficult economic situation facing the country and the projected budgetary shortfalls, it is appropriate to extend Policy Based Grant (PBG) funds to Haiti at this time

1.5 In this new context, this second operation of a programmatic series of PBG will help the country's economic recovery and rehabilitation. The first operation for the amount of US$25 million was approved by the Board of Executive Directors in August 26, 2009 and disbursed in September 2009. It was designed to improve revenues, increase the efficiency and transparency of public sector spending and investment, and strengthen debt management. At the time of its approval, the Haitian government had begun an ambitious reform program that sought to address the fundamental challenges in the fiscal management sector. As a result of the difficult circumstances described above, the Government of Haiti (GoH) has requested the Bank to accelerate the disbursement of the second operation of US$50 million, on the basis of a streamlined and revised version of the framework document Policy Matrix and the Unified Conditionality Matrix.[3] These documents retain some of the original conditions, eliminate those which are no longer relevant and include new ones based on the new reality.

B. Socioeconomic Framework[4]

1.6 Living conditions, which were already difficult, have deteriorated sharply as a consequence of the earthquake. About one million people are estimated to have become homeless or displaced. The long term effects of the disaster include a higher dependency ratio (given the number of persons with new disabilities) and a higher poverty rate, unless massive social relief investments are made.

1.7 Haiti's macroeconomic performance prior to the January 2010 earthquake was characterized by an ongoing recovery in economic activity from the effects of the

[3] On February 2, 2009, the Bank signed with the GoH and other Donors a partnership agreement for the coordination of budget support. This agreement promotes the adoption of a Unified Conditionality Matrix and seeks to bring all donors together around a common approach, to enhance best practices in the fiscal management area, and improve economic governance.

[4] The socio economic framework was obtained from the IMF Staff Report Haiti: Sixth Review Under the Extended Credit Facility, Request for Waiver of Performance Criterion, and Augmentation of Access.

external shocks of 2008 (the food and fuel crisis and four tropical storms/hurricanes). By the end of last year, macroeconomic indicators had stabilized. Economic growth was estimated at 2.9 percent for the FY2009/2010, one of the highest in the Caribbean region, spurred by growth in manufacturing and agricultural output. Haiti was experiencing deflation (an inflation rate of -4.7 percent for FY2009/10) against the +1.0 percent targets. The exchange rate had stabilized (at around 42 Gourdes/US$) and a process of dollarization in the financial system had been halted.

Table 1.1: Selected Social Indicators (prior to the earthquake)

Description	Human Development Index	Life expectancy at birth (years)	DPT immunization rate (% of children ages 12-23 months)	Prevalence of undernourishment (% of population)	Adult literacy rate (% of population above age 15)
Haiti	0.53	61	53	58	55
Low income countries	0.54	58	80	31	64
Latin America and the Caribbean	0.82	73	92	9	91

Sources: IMF from United Nation Development Program (UNDP), Human Development Report; World Bank, World Development Indicators.
Haiti ranks 149th over 182 in the 2009 Human Development Report.
Haiti uses the Creole literacy rate whereas other countries use the main European language.

1.8 Government expenditure amounted to 59 billion Gourdes (about US$1.4 billion) or some 20.6 percent of GDP, still low by international standards but a significant increase relative to previous years in Haiti. The fiscal deficit (excluding grants and externally funded projects) for 2009/10 was some 4.4 percent of GDP, lower than might have been expected due to delays in the disbursements of budget support allocations and associated cuts in expenditure. The shortfall in budget support amounted to about 40 percent of the total pledged, with an estimated 90 percent of disbursements being paid in the final week of the fiscal year.

1.9 The external current account deficit decreased from US$300 million in FY2008 (4.5 percent of GDP) to US$210 million in FY2009 (or some 3.2 percent of GDP). This reduction resulted from a growth in exports (albeit from a low base of only 8.4 percent of GDP), a reasonably steady inflow of remittances, and low import prices. International reserves coverage increased from 2.9 to 3.7 months of imports, assisted by a Special Drawing Rights (SDR) allocation.

1.10 The positive performance continued during the first quarter of FY2010 (October-December 2009). In November, inflation rose to 0.8 percent, owing to pressures from increases in the minimum wage, electricity, and customs tariffs. Political developments in October-November caused temporary pressures on the gourde, which prompted the central bank to sell foreign exchange (US$11.8 million in net terms). As a result, Net International Reserves (NIR) declined by US$16 million during the quarter. By the end-of December, fiscal deficit was lower than anticipated in the budget. A strong revenue performance (with the exception of petroleum taxes) and lower spending on wages and investment resulted in a small overall surplus.

C. Economic Estimation of the Impact of the Earthquake

1.11 Pre-earthquake projections for 2010 pointed at positive growth of about 3.6 percent and annual inflation of 8 percent. However, the current macroeconomic environment in Haiti is characterized by uncertainty. This uncertainty stems from the effects of the disaster and the ability of the government to effectively regroup to manage and coordinate recovery efforts, given the losses to government personnel---many civil servants lost their lives---and damages to government infrastructure. Moreover, the pending electoral agenda further fuels this uncertainty, given past episodes of political instability and civil unrest. The current President is constitutionally barred from serving a third term and the current tenure in office expires in February 2011.

1.12 Preliminary estimates of GDP indicate declines in the range of 8.5 to 10 percent and a growth in inflation to 8.5 percent for FY2010. More recent forecasts (see electronic link Post-Disaster Needs Assessment-PDNA) suggest declines of a little less in GDP, of some 8.5–9 percent and increases in inflation to some 12 percent. It is estimated that exports will decrease significantly as a result of damages to firms in manufacturing, to agricultural production and the damage to trade infrastructure. If exports declined by some 20 percent, the current account deficit (excluding grants) may well expand to some 20 percent of GDP. Moreover, PaP is the administrative and commercial center of Haiti with more than three-quarters of total fiscal revenues generated in that area. Thus, the destruction of PaP has affected the ability of segments of the private sector to function and has also incapacitated the government from collecting revenues (even from entities unaffected by the disaster). It is estimated that government revenue (excluding grants) may contract by 40-50 percent in FY2010 and the deficit of the central government is expected to increase to 6-8 percent of GDP.

1.13 In the second half of the fiscal year some gradual recovery shall likely take place as a result of the reconstruction effort. The strength of the recovery will depend on the speed of foreign aid disbursement. However, analysis of countries that have suffered major catastrophes suggest that even after a period of 10 years of growth the country will still be about 30 percent below the level that would have achieved in the absence of the natural disaster (see electronic link). This analysis included increases in aid that follow such events. It, therefore, underlines the importance of ensuring that aid is made as effective and expeditious as possible.

1.14 Recovery efforts will be affected by a number of factors including: (i) the attainment of national and international consensus on the reconstruction and development strategy and the projects to be undertaken as components of that strategy; (ii) the availability of adequate financing; (iii) the necessary procurement of raw materials and human capital required for construction and the alleviation of bottlenecks and supply constraints for critical inputs; (iv) the establishment of the appropriate structures for coordination among Donors including Non-Governmental Organizations (NGO); and (v) the uncertainty in the political climate, given the upcoming elections and the possibility of changes in leadership in the Government.

D. Donors Coordination

1.15 The main priorities, following the initial phase of emergency rescue and relief, are to assist the authorities in re-establishing a working government and preparing an economic recovery and reconstruction plan**.** The Bank, in close coordination with other international economic agencies and bilateral Donors, has agreed to give budgetary support to help the GoH in the reconstruction process. In this regard, the World Bank (WB) has disbursed the first US$12.5 million out of a total of US$24.5 million grant approved on December 8th to support Haiti's economic governance reform agenda;[5] and the European Commission (EC) has disbursed €5 million. Both have indicated their willingness to provide additional financing, which would come in alongside the Bank-led support package.

1.16 As described in the framework document for the programmatic series (2175/GR-HA), the Unified Conditionality Matrix has served as a framework for the first Bank operation as well as for projects of other international financial institutions and Donors, including the World Bank and Caribbean Development Bank (CDB). The present grant will be based on a simplified version of that Matrix, which retains some of the main original conditions and includes new ones, based on the country's new reality.

1.17 A joint mission of the WB, EC and the Bank visited PaP on February 1st to the 5th of February and met with the fiscal and monetary authorities as well as other responsible entities. The mission had the following objectives: (i) compile an inventory of buildings, equipment and information systems that were destroyed during the earthquake; (ii) identify urgent needs for technical assistance in order to restore the capacity of the government in the fiscal and financial areas; (iii) estimate the financial needs; and (iv) agree with the authorities on the necessary conditions for disbursement of budget support.

1.18 This mission was a result of the partnership that was created in February of 2009 that formed the Budget Support Group (BSG) and led to the establishment of the Unified Conditionality Matrix. The mission demonstrated of the willingness of Donors to strengthen their partnership and coordination by providing technical and financial support to Haiti.

1.19 The Donors, in coordination with the authorities, have updated the Unified Conditionality Matrix to reflect the post disaster situation. This exceptional condition offers the opportunity both to accelerate certain reforms and to

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[5] This is the first operation in a series o f two programmatic single-tranche development policy grants. Additionally the Board of Directors of the WB approved a grant in an amount of US$12 million for the Transport and Territorial Development Project The proposed additional grant would help finance the costs associated with the(i) additional activities included as part of a project restructuring processed in 2008, in response to reconstruction needs generated by the hurricanes and tropical storms that struck Haiti in 2007 (Noel) and 2008 (Fay, Gustav, Hanna, Ike); and (ii) cost escalation of the road rehabilitation works initially included in the Transport and Territorial Development Project (TTDP).

introduce others that were not included in the original Matrix. This includes the establishment of a single treasury account, the issuance of treasury bills, and the integration of *Direction Générale des Impots* (DGI) and Ministry of Economy and Finance (MEF) information systems in the next few years.[6]

E. External Support and Fiscal Priorities

1.20 Sustainable public finances are thought to be one of the preconditions for recovering from the earthquake. The new situation has called for an increase and re-allocation of public expenditures. An immediate issue to be confronted is to improve the geographic distribution of social expenditures since the earthquake has forced the reallocation of people out of PaP.

1.21 The multilaterals have shown their willingness to finance public expenditure, increasing their share of budgetary financing, and bilateral Donors have sharply increased budgetary financing with emphasis on capital investments projects. Current figures for FY2009/2010, indicate total pledges for loans and grants reaching about US$402 million, only US$103 million of which are for budgetary support.

1.22 Cumulative external financing requirement for Haiti were reviewed by the IMF. Preliminary estimates of financing requirements for FY2010/2011 are projected to be about US$320 million (see Table 1.2 below). Budget support commitments as of the end of March amounted to about US$161 million---IDB: US$50 million; IDA: US$27 million; EU: US$67 million; and Bilaterals: US$17 million (see Table IMA Budget Financing Grant Support). These figures do not include further pledges committed at the Donors' conference on March 31, 2010, in New York..

6 These conditions are included in the Unique matrix as benchmarks for the FY 2011-2012.

Table 1.2: Financing Needs FY2010/2011 (millions of US$)

(Fiscal year ending September 30; in millions of gourdes)

	2007	2008	2009	2010	
	Actual	Est.	Rev.Proj	Budget	Proj.
Total revenue and grants	34,713	37,901	47,717	76,853	51,709
Domestic revenue	23,197	26,849	29,881	34,925	19,155
Domestic taxes	15,740	18,026	19,954	23,873	12,162
Customs duties	6,828	7,917	8,958	10,570	6,170
Grants	11,517	11,052	17,836	41,928	32,554
Budget support	2,720	3,485	3,873	3,168	7,403
Project grants	8,797	7,568	13,962	38,760	25,151
Total expenditure[1]	34,248	45,680	59,534	88,198	70,475
Current expenditure	18,864	26,935	30,641	31,700	32,723
Wages and salaries	8,087	11,716	13,396	16,031	14,830
Net operations[2]	3,027	8,416	7,159	8,698	6,674
Interest payments	2,420	1,768	2,242	1,559	1,383
External	720	928	1,106	420	178
Domestic	1,700	840	1,136	1,139	1,205
Transfer and subsidies	5,330	5,035	7,844	5,412	9,836
Capital expenditure	15,385	18,745	28,894	56,498	37,752
Domestic financed	3,546	5,611	10,959	9,054	12,601
o/w related to PetroCaribe spending	---	---	---	0	3,912
Foreign-financed	11,839	13,134	17,934	47,444	25,151
Overall balance	465	-7,778	-11,817	-11345	-18,766
Financing	-465	7,778	11,817	11,345	18,446
Unidentified financing (US$)	0	0	0	0	320

Sources: Ministry of Finance and Economy; and Fund staff estimates.

[1] Commitment basis except for domestically financed capital expenditure, reported on cash basis.

[2] Includes statically discrepancies.Source: based on data from the IMF.

F. Program Strategy

1.23 **The programmatic approach.** The framework document for the programmatic series (2175/GR-HA) described the reforms that the Bank was supporting over the period 2009-2010. These reforms were expected to generate a fiscal policy more consistent with the country's needs. The programmatic approach provides greater flexibility for supporting reforms and allows for adjustments to new information and to changing circumstances in the country's policy framework. It also allows for ongoing review of the scope of the reforms against established milestones ("trigger mechanisms"). The first operation under the Program, covering the period 2008-2009, established the policy reform framework for enhancing public sector finance, recognizing the progress achieved on improving budget preparation and execution, tax and customs administration, and access to transparent and timely information, as well as improvements on the energy and transport sectors. The second operation of the programmatic series establishes a framework based on the analysis of the new circumstances after the earthquake. The original measures included in the framework document approved in 2009 had to be reviewed given the fragile situation of the country finances after the tragedy.

G. The Country Strategy

1.24 After the earthquake key Haitian institutions have been actively involved in the emergency response, even though the capacity of the GoH has been severely hindered by both the loss of life of critical staff, and by the partial or total collapse of its primary buildings. The *Centre National d'Equipement* (CNE) has removed most of the corpses in the days following the disaster and reopened most of the key urban streets. The *Direction Nationale de l'Eau Potable et Assainissement* (DINEPA) has been distributing water to refugees. The *Ministère des Travaux Publics, Transports et Communications* (MTPTC) has constituted teams of engineers to assess damaged buildings and evaluate which ones would need to be destroyed due to security concerns. To coordinate interventions, the GoH has established several crisis governance mechanisms.

1.25 The Government's main priority, following the initial phase of emergency rescue and relief, is to re-establish a working government and prepare an economic recovery and reconstruction plan to rebuild the country's infrastructure and restore economic growth. On February 18, the Prime Minister of Haiti Jean-Max Bellerive launched the PDNA exercise, which analyzes the main challenges in the aftermath of the earthquake.

H. The Bank Strategy

1.26 The Board of Executive Directors approved the Bank Strategy for Haiti for FY2007-2011 in December 2007. This strategy includes the goals of the previous Transitional Support Strategy combining the promotion of long-term economic growth with good governance and institutional development, while helping the government to achieve quick results through basic service provision and job creation. The proposed PBG is consistent with the Bank´s Strategy since it supports the improvement of the country's capacity to promote economic growth and improve public institutional capacity. More importantly, the PBG is being prepared in response to the impact of the earthquake. In this context, it complements the Bank's effort to leverage the capacity of existing projects, including those that focus on education, transport and energy, and shelter, and to provide assistance quickly and effectively to the vast needs the country.

I. Program Objective and Strategy

1.27 In recent years, the Bank has been a key partner of the GoH. Since January 2004, the Bank has provided a total of US$524 million for Haiti through loans and grants. In addition, the Bank has over US$13 million in technical assistance grants in its portfolio. Today's active portfolio consists of 25 investment operations for a total of US$706 million and at least seven operations awaiting approval this year. The Bank has the largest portfolio of any multilateral organization in Haiti.

1.28 Given the new context resulting from the earthquake of January 12th, 2010, the objective of this Program is to support the reestablishment of the functions of key fiscal institutions and, to the extent possible, to help advance structural reforms in the areas of revenues, efficiency and transparency of public sector spending and investment in order to foster fiscal sustainability.[7] The proposal seeks to recognize the work accomplished by the GoH, postponing the conditions that require parliamentary approval and recovery of government agencies operations. This will enable the Bank to continue its long-standing fiscal sector collaboration with the GoH and provide a vehicle for ongoing oversight of the implementation of the agreed conditionalities among the Government and Donors included in the Policy Matrix of the framework document and the Unified Conditionality Matrix**.**

1.29 The GoH has expressed its intention to complete the progress made in the Fiscal Sustainability I Program. However, some of the triggers included in the Policy Matrix of the framework document are unattainable in the short run. Consequently, it will only be attributed to this new operation those actions that were accomplished before the earthquake and those that are being completed in the last few month after the tragedy.

1.30 **Macroeconomic Management.** As a general condition for the disbursement of the single tranche, the framework document indicated that the GoH would maintain a sound macroeconomic framework in accordance with the objective of the Program. Given the impact of the earthquake, this condition has been reviewed and updated according to the IMF's Haiti Sixth Review under the Extended Credit Facility prepared in February 2010**.** The GoH presented a Policy Letter agreeing with this condition. The Bank has prepared an Independent Macroeconomic Assessment (IMA) in conformity with Bank Procedures, and a Comfort Letter has been requested to the IMF.

1.31 **Internal Revenue.** The triggers included in the original framework document were: (i) submission to and approval by Parliament of the new tax procedural code; (ii) the new organizational structure defined in DGI Organic Law has been approved by Parliament and is being implemented; (iii) the new integrated tax management software has been acquired and is being installed; and (iv) the equipment and software for implementing the centralized tax database has been installed and the tax database is being generated. Given that the main building and systems of the DGI suffered massive damage, and included the loss of personnel, the triggers are deemed not pertinent and won't be fulfilled in the short term. The new condition for this operation is the preparation of a DGI modernization plan based on best practices.

1.32 **Customs.** The triggers included in the original framework document were: (i) the new Customs Code has been approved by Parliament and is being implemented; (ii) a comparative analysis of tax projections and realizations and publish results should be prepared quarterly starting in FY2010; (iii) *Système Douanier Automatisé* (SYDONEA WORLD) has been installed in six principal customs

[7] The measures supported by the proposed grant are expected to have a positive impact on the government fiscal situation by providing the authorities with needed fiscal space to partially compensate for the lost revenues and contribute to continued basic service delivery for vulnerable groups, after the earthquake.

posts; (iv) all administrative and operational procedures are fully documented and operational in all custom offices; and (v) personnel trained on new procedures according to the requirements of the New Customs code. Given that the Parliament is not functioning and that some buildings have collapsed or become damaged, the conditions had to be modified and replaced. The new conditions for this operations are: (i) the preparation of a comprehensive reform plan for Customs administration; (ii) the publication in the MEF website a monthly report on *Administration Générale des Douanes* (AGD), volumes and values of imports products by big categories, including exonerated products; and (iii) the installation of SYDONEA WORLD in six principal customs posts it was met before earthquake.[8]

1.33 **Expenditure Management.** The triggers included in the framework document were: (i) limit to no more than 10 percent of total expenditures through current accounts and improve execution rate of investment budget (specially those investment projects financed by external resources); (ii) the new organizational structure of the *Direction Générale du Trésor et de la Comptabilité Publique* (DGTPC) has been implemented and documented with operational manuals; (iii) prepare a new integrated and multi-year *Programme d'Investissement Public* (PIP), based on sector strategies; (iv) budget and accounting codes are harmonized according to international standards; (v) define the expenditure ceilings amounts for each ministry at the beginning of the budget preparation process; (vi) develop an incentive mechanism for spending entities to keep the *Systeme de Dépense Public* (SYSDEP) updated (which tracks investment spending); and (vii) start publishing the execution of the budget on a quarterly basis that allows seeing what has been financed compared to what was programmed. Given the new circumstances, the conditions for this operation are: (i) limit to no more than 10 percent of total expenditures through current accounts;[9] (ii) harmonize budget and accounting codes through a manual bridge table; and (iii) monthly table of budget execution to be published on the web.

1.34 **Debt Management.** The triggers included in the framework document were: (i) *Direction de la Dette Publique* (DDP) defines clear objectives and a strategy for public debt management; (ii) the MEF develops and implements the interface SYGADE-SYSDEP; (iii) the GoH submits a new law on debt management to Parliament which is approved and complemented with appropriate rules and regulations; (iv) the GoH creates a Debt Management Committee composed by representatives of the MEF and *Banque de la République d'Haïti* (BRH) and Ministry of Planning;[10] and (v) DDP has the capacity to undertake at least once a year a Debt Sustainability Analysis (DSA) assessment and prepares its first DSA.

[8] By December 9, Haiti had complied with this trigger which was also the basis of a WB disbursement in January. Before the disaster there were 11 customs offices with SYDONEA but now at least three offices are out of use and some other systems are damaged.

[9] The target is calculated on a cumulative basis. The ceiling of the current accounts will be met year to date (starting October 1st, 2008) if expenditure executed through current accounts is less than 10 percent of nonwage budget appropriations at the time of approval. In FY2003 the use of current accounts reached unprecedented levels of 58 percent of total expenditures executed, since then its use has been reduced significantly.

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

Unfortunately none of the conditions for Debt Management have been fulfilled since all the technical assistances from the Bank, *Centro de Estudios Monetarios de Latino América* (CEMLA), Caribbean Regional Technical Assistance Centre (CARTAC) and United Nations Conference on Trade and Development (UNCTAD) have been delayed and missions postponed for now. However the Government has agreed to complete these conditions during the next fiscal year that starts in October.

1.35 **Fiscal Transparency.** The triggers included in the framework document were (i) revise the legal texts to eliminate the option of ex ante controls over public expenditure execution exercised by the *Inspection General des Finances* (IGF); (ii) submit the 2008 Audit reports of Collegiate Strength and Conditioning Coaches Association (CSCCA) to Parliament and Publication *des Comptes Généraux de l'État* according to the standard procedures and the law; (iii) adopt a law on asset declaration and submission of one annual compliance report on monitoring of asset declarations covering the preceding year; and (iv) implement the Anti-Corruption strategy. These conditions have not been fully completed; however, there have been some important progresses, for example the number of controllers has increased, and a report on the monitoring of asset declarations covering the preceding year has been submitted by *Unité de Lutte contre la corruption* (ULCC) at CSCCA and Parliament they have not yet approved the report. The implementation of the corruption strategy had started, but its further implementation had to be delayed given the tragedy. No new conditions will be included in this area.

1.36 **Transport.** The triggers included in the framework document were that the MTPTC shall present: (i) an optimized strategy and budget for the management and development of the road network during 2010-2015; (ii) a plan to increment funding for road maintenance in 2010-2015; and (iii) proof that at least 200 km of the road network in general are being maintained through annual contracts with microenterprises or community organizations. These conditions will be replaced by: (i) development of MTPTC strategy and budget for the management and development of the road network during 2010-2015; and (ii) a plan to increment funding for road maintenance in 2010-2015.

1.37 **Energy.** The triggers included in the framework document were: (i) publish and implement a new electricity tariff structure at economic and efficient cost-recovery levels, while protecting poorer households; (ii) *Electricité D'Haiti* (EDH) new business management systems are operating and four experts for the commercial, finance, technical and planning divisions has been hired to strengthen the capacities at the senior management level to strengthen the capacities at the senior management level; (iii) the new Energy Unit in the MTPTC has been organized and is monitoring the energy sector, discussing energy issues and proposing energy policies; and (iv) agree on a Cost Recovery Index (CRI) methodology and baseline numbers from which efficiency will be gauged in the future. These conditions had been delayed; however the Government has a commitment to fulfill them by 2011. Given the new reality only the first condition will remain, the rest will be modified by: (i) support the approval and implementation of a new electricity tariff structure at economic and efficient cost-recovery levels that will reduce transfers to the sector,[11] while protecting poorer households (this condition has been already met); and (ii) monthly publication in the MEF of a table that indicates the transfers to EDH since November 2009, including the ones done from November 2008 to October 2009.

1.38 The revised conditions are a significant step forward towards achieving the objectives of the Program. Given the new reality, this grant is supporting policy reforms that are more limited than originally envisioned. They are nonetheless important for continuing with the reforms that started before the earthquake and included in the framework document. The resources of this grant will give the GoH financial space to go on with the reconstruction and economic recovery of the country.

J. Key Results Indicators

1.39 The Results Matrix (see electronic link) describes the expected outcomes and indicators for the Program, with their respective baselines. The main indicators to measure results are: (i) 8.5 percent of inflation for FY2010; (ii) 5.8 percent central government deficit of GDP for 2010;[12] (iii) new modernization plan for DGI; (iv) new modernization plan for AGD; and (v) improved efficiency and sustainability of EDH's and the energy sector measured by its financial situation, the CRI and the elimination of subsidies to support operations expenditures (EDH's CRI should reach at least 65 percent from 31.7 percent in 2008).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financial Instruments

2.1 The proposed Program has been designed according to the programmatic approach. This is the second in a sequence of two PBG. This instrument allows for greater flexibility in deciding on reform measures in a difficult circumstances, in an institutional setting that requires coordination among various institutions, and in measuring outcomes for policy reforms more effectively.

2.2 **A single tranche of US$50 million will be disbursed once the PBG operation is eligible for disbursement and the authorities, as it was agreed, provide the Bank with documentation supporting that the conditions described in Annex II have been fulfilled.**

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[11] IMF benchmark for the 5th Review of the Poverty Reduction and Growth Facility (PRGF).

[12] According to IMF projections for GDP Growth, inflation and central government deficit for 2010.

B. Environmental and Social Safeguard Risk

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

C. Other Key Issues and Risks

2.4 Despite the authorities' commitment to prudent macroeconomic policies, there are some identified risks to the Program supported by the proposed PBG, including:

a. **Economic**. The economic downturn produced by the earthquake will reduce economic growth, resulting in additional strain on government financing needs, and pressuring the currency.

b. **Institutional Capacity.** Government institutions have not recovered sufficiently to administer more resources or their capacity is overwhelmed by the additional funds that they will need to manage for reconstruction. These limitations will increase the risk of achievement of the Program objectives, including administration of resources.

c. **Weather-related shocks.** Haiti continues to be highly vulnerable to natural disasters that could pose more threats to economic growth and poverty reduction.

d. **Political.** The government's capacity to uphold the reconstruction and economic recovery is highly dependent upon external aid flow and the re-establishment of a working government that could be affected by political changes and instabilities.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary Implementation Arrangements

3.1 The beneficiary will be the Republic of Haiti, which has designated the MEF as Executing Agency for the Program. The MEF will be responsible for: (i) satisfying the Program conditionalities; (ii) delivering reports and evidence of compliance with the grant terms; (iii) supporting the compliance process and the terms of this grant and others under execution and in the pipeline that would help make the reforms implemented under this Program sustainable; and (iv) receiving the grant proceeds. As stated by the general conditions governing this PBG, the borrower must deposit the loan proceeds in a separate, special account and provide the Bank with evidence that such an account has been opened prior to the first disbursement.

3.2 As a PBG, no procurement considerations apply. The Bank may require disbursement audits or audited financial statements on how the grant proceeds are used. Such audits would be conducted by independent auditors selected by the Bank, under Bank-approved terms of reference.

B. Execution Period and Disbursement Schedule

3.3 The operation disbursement will take place in a single tranche. The single tranche of US$50 million will be eligible for disbursement once the grant is approved, considered eligible and the authorities provide the Bank with documentation, as agreed, that the conditions described in Annex I have been satisfied.

C. Monitoring and Evaluation

3.4 There are no substantial changes in the monitoring and evaluation mechanisms approved in the framework document in the programmatic series in 2009 (detailed in III.F of the original document). The monitoring and evaluation of the Program will be based on a multi-donor effort, given that the Program Policy Matrix is based on the Unified Conditionality Matrix. The beneficiary and the Bank have agreed to monitor Program execution through follow-up meetings, the dates of which will be agreed upon between the parties after Program has been completed to make sure that the original objective has been met. However, as a result of the post-earthquake situation and the fact that the reconstruction plan is under design, with important impacts on the macroeconomic framework, instead of completing a simplified Project Completion Report (PCR) for the first phase, it has been agreed with the GoH to prepare a PCR after the series is completed. This will better reflect the challenges posed by the earthquake and the Program's accomplishments than otherwise. The Results Matrix has been updated accordingly, and all indicators have means of verification that will allow for the final evaluation to take place. Given the nature of this intervention, the evaluation plan will track the accomplishment of the policy measures set forth in the policy matrix to verify that the intended outputs are accomplished, and will monitor the outcomes to ensure that the objectives are being met.

IV. POLICY MATRIX

4.1 The Policy Matrix (Annex II) sets out the reform objectives for the 2010 period with the respective triggers for this second operation. The Structural Benchmarks Matrix 2009–2010 (Annex III) presents the objectives, actions, and trigger mechanisms of the Program identified in the dialogue with the authorities during the preparation of the first operation, as well as the present status given the new circumstances.

Development Effectiveness Matrix
Summary

Indicator	Score	Maximum Score
I. Strategic Relevance	Low-High	
1. IDB Strategic Development Objectives	4,7	10
Country Diversification	2,2	2
Corporate Initiatives	0,0	2,5
Harmonization and Alignment	0,5	3,5
Beneficiary Target Population	2,0	2
2. Country Strategy Development Objectives	7,8	10
Country Strategy Sector Diagnosis	4,2	6
Country Strategy sector objective & indicator	3,6	4
II. Development Outcomes - Evaluability	Partial Satisfactory	
3. Evidence-based Assessment & Solution	6,1	10
4. Evaluation & Monitoring Plan	5,3	10
5. Cost-Benefit or Cost-Effectiveness	0,0	10
6. Risks & Mitigation Monitoring Matrix	7,5	10
III. IDB´s Role - Additionality		
7. Additionality	10,0	10
Technical Assistance provided prior the project	3,0	3
Improvements in management of financial, procurement, monitoring or statistics internal controls	4,0	4
Improvements in environmental, health and labor performance	3,0	3

I. Strategic Relevance: This program is in a D country in the Caribbean. It is a PBG. The program is not aligned with Bank´s corporate initiatives. Financial management system will be used. The program is aligned to the country strategy.

II. Evaluability: The project is clear in its objectives and there is consistency in its logic of intervention. It presents the factors that contribute to the development of the problem but there is not empirical evidence of the problem and factors. There are not specific indicator.
The project has defined mechanism for monitoring and budget for this activity. A reflexive (before and after) evaluation will be conducted, but there is not specific evaluation plan. There is not economic analysis.
Mitigation measures have been identified but there are not indicators to follow up the implementation of there mitigation measures.

III. Additionality: The Bank has provided technical assistance to support the government in this sector: HA-T1083 Strengthening the Internal Debt Sustainability Analysis Unit. The implementation of this project will contribute to improvements in management.

POLICY MATRIX 2010

Problem	Objective of the Program	Actions Taken	Conditionalities 1st Policy Based Grant Operation	New Program conditions according to the revised unique matrix
	Maintain macroeconomic stability.		Sound macroeconomic framework maintained in accordance with the objectives of this Program.	Macroeconomic framework according to Haiti: Sixth Review Under the Extended Credit Facility[1] completed on January 22nd.
Internal Revenue: Cumbersome tax legislation structure and organizational deficiencies prevent the DGI from achieving the government's revenue objectives.	Broadening the tax base and strengthening tax administration (through, a reduction in collection costs and measures to reduce tax evasion).	Consultant to prepare the new tax code was hired. New organic law for the DGI was prepared. An institutional and IT strengthening Master Plan 2009-2013 has been developed.	The new tax procedural code has been drafted and submitted to MEF authorities. The new and reviewed DGI Organic Law has been sent to the Parliament for approval.	Preparation of a DGI modernization plan base on best practices.
Customs: The lack of information has exacerbated structural and control weaknesses that can facilitate fraud, smuggling, and another illicit activities.	Strengthening Customs Administration.	The new Customs Code has been prepared and submitted to the Parliament for its approval.	SYDONEA World system has been installed in three principal ports of entry: Cap Haïtien, Saint Marc and Port au Prince (air and Sea Ports).	Publication in the MEF website a monthly report on AGD (volumes and values of imports products by big categories including the exonerated products.)

[1] IMF PRGF Program performance through end-December 2009 was broadly satisfactory

Problem	Objective of the Program	Actions Taken	Conditionalities 1st Policy Based Grant Operation	New Program conditions according to the revised unique matrix
			Two customs control post located in commercial roads are operational.	SYDONEA WORLD has been installed in six principal customs posts:[2] Preparation of an AGD modernization plan base on best practices
Expenditure Management: There are some conceptual and information weaknesses within the public financial management system.	Achieving strategic allocation of resources. Strengthen the role of the budget as an instrument for efficient and transparent management of public expenditures. Improve public information on budgetary expenditure allocation and disbursements.	The MEF has developed some capacities in budget execution by improving registry procedures, budget classification and the chart of accounts, as well as information systems.	Limit current account spending to no more than 10% of non-wage current expenditure. A module for the *Système de Gestion du Programme d'Investissement Public* (SYSDIP) has been developed and implemented. The link with the Central Bank for the automatic transfer of the current account information to the Treasury has been developed and submitted to the Central Bank for its testing and approval.	Limit to no more than 10% of total expenditures through current accounts. Budget and accounting codes are harmonized through a manual bridge table. Monthly web publication of the table of budget execution.

[2] By December 09 Haiti had complied with this trigger which was also the basis of a WB disbursement in January. Before the disaster there were 11 customs offices with SYDONIA but now at least three offices are out of use and some other systems are damaged.

Problem	Objective of the Program	Actions Taken	Conditionalities 1st Policy Based Grant Operation	New Program conditions according to the revised unique matrix
Transport Infrastructure –Road Sector: Management of road assets and development of the road network needs to be improved.	Reduce and ultimately eliminate structural weaknesses identified in the MTPTC (improve the road network analysis and planning capabilities; establish a sound, permanent and effective "maintenance function").	A strategy for road maintenance has been developed by MTPTC.	Strategy for road maintenance has been developed and approved by MTPTC. Proposal to reorganize MTPTC has been prepared and approved by the Minister.	Preparation of a new strategy for road maintenance.
Energy sector: Electricity transfers due to subsidized electricity prices and inefficiencies are unsustainable.	Achieving long term and sustainable development of the electricity sector and limit treasury transfers to the EDH to those required to support investments to increase supply and production quality and efficiency.	Important efforts and investments to reduce losses and improve the quality and reliability of the electricity supply are being implemented.	EDH is implementing new business management systems to improve efficiency.	Publish and implement a new electricity tariff structure at economic and efficient cost-recovery levels, while protecting poorer households.

STRUCTURAL BENCHMARKS MATRIX 2009 - 2010

Problem	Objective of the program	Actions Taken	Conditionalities 1st Policy Based Grant Operation	Triggers Mechanisms for second Policy based Operation	STATUS
	Maintain macroeconomic stability.		Sound macroeconomic framework maintained in accordance with the objectives of this Program.	Sound macroeconomic framework maintained.	Macroeconomic framework according to Haiti: Sixth Review Under the Extended Credit Facility[1] completed on January 22nd.
Internal Revenue: Cumbersome tax legislation structure and organizational deficiencies prevent the DGI from achieving the government's revenue objectives.	Broadening the tax base and strengthening tax administration (through, a reduction in collection costs and measures to reduce tax evasion).	Consultant to prepare the new tax code was hired. New organic law for the DGI was prepared. An institutional and IT strengthening Master Plan 2009-2013 has been developed.	The new tax procedural code has been drafted and submitted to MEF authorities. The new and reviewed DGI Organic Law has been sent to the Parliament for approval.	Submission to and approval by Parliament of the new tax procedural code. The new organizational structure defined in DGI Organic Law has been approved by Parliament and is being implemented. The new integrated tax management software has been acquired and is being installed. The equipment and software for implementing the centralized tax database has been installed and the tax database is being generated.	Tax procedural code and DGI Organic Law submitted to parliament but pending approval. Buildings, equipment and systems acquired, installed but destroyed.
Customs: The lack of information has exacerbated	Strengthening Customs Administration.	The new Customs Code has been prepared and submitted to the	SYDONEA World system has been installed in three principal ports of entry: Cap Haïtien, Saint Marc	The new Customs Code has been approved by Parliament and is being implemented[2].	Customs Code pending Parliament approval.

1 IMF PRGF Program performance through end-December 2009 was broadly satisfactory
2 Delayed was approved by lower chamber but Senate has done slight modification which implies a new vote necessary from lower chamber.

Problem	Objective of the program	Actions Taken	Conditionalities 1st Policy Based Grant Operation	Triggers Mechanisms for second Policy based Operation	STATUS
structural and control weaknesses that can facilitate fraud, smuggling, and another illicit activities.		Parliament for its approval.	and Port au Prince (air and Sea Ports). Two customs control post located in commercial roads are operational.	A comparative analysis of tax projections and realizations and publish results should be prepared quarterly starting in FY10. SYDONEA WORLD has been installed in six principal customs posts. All administrative and operational procedures are fully documented and operational in all custom offices. Personnel trained on new procedures according to the requirements of the New Customs code. All customs offices are connected to the nationwide intranet customs network. A result oriented managerial model with performance indicators, is being implemented for nationwide operations.	Equipments, systems and installations for this task were destroyed. Complied. Equipments, systems, and many documents destroyed. Many trained official have deceased.
Expenditure Management: There are some conceptual and information weaknesses within the public financial	Achieving strategic allocation of resources. Strengthen the role of the budget as an instrument for	The MEF has developed some capacities in budget execution by improving registry procedures, budget classification and the	Limit current account spending to no more than 10% of non-wage current expenditure. A module for the *Système de Gestion du Programme*	Limit to no more than 10% of total expenditures through current accounts and improve execution rate of investment budget (specially those investment projects financed by external resources).	Complied.

Problem	Objective of the program	Actions Taken	Conditionalities 1st Policy Based Grant Operation	Triggers Mechanisms for second Policy based Operation	STATUS
management system.	efficient and transparent management of public expenditures. Improve public information on budgetary expenditure allocation and disbursements.	chart of accounts, as well as information systems.	*d'Investissement Public* (SYSDIP) has been developed and implemented. The link with the Central Bank for the automatic transfer of the current account information to the Treasury has been developed and submitted to the Central Bank for its testing and approval.	The new organizational structure of the DGTPC has been implemented and documented with operational manuals. Prepare a new integrated and multi-year PIP, based on sector strategies. Budget and accounting codes are harmonized according to international standards. Define the expenditure ceilings amounts for each Ministry at the beginning of the budget preparation process.[3] Develop an incentive mechanism for spending entities to keep the SYSDEP updated, (which tracks investment spending). Start publishing the execution of the budget on a quarterly basis that allows seeing what has been financed compared to what was programmed to be financed and allocated to a sector.	Equipments, systems, and many documents destroyed. Many trained official have deceased. Not yet complied. Complied. Not yet complied. Not yet complied Not yet complied

3 Delayed the system isn't operational. Will be done at end of fiscal year within the Cash Management Plan (Summer 10)

Problem	Objective of the program	Actions Taken	Conditionalities 1st Policy Based Grant Operation	Triggers Mechanisms for second Policy based Operation	STATUS
Public Debt Management					
Debt management is being effectively entrusted to the MEF and since the Ministry will start issuing debt instruments, it is necessary to strengthen the DDP within the MEF.	Strengthen Government public debt management capacity.	BRH has transferred the responsibility of maintaining the database to MEF at the *Direction de la Dette Publique* (DDP).[4]	The debt management software SYGADE for centralized public debt database has been installed and it is operational at BRH and DDP in the MEF.	DDP will define clear objectives and a strategy for public debt management.	Not yet complied.[7]
		The DDP updates its database at every payment cycle, ensuring that the authorities' database is as much as possible in line with the creditors.	DDP maintains the database and publish on quarterly basis reports on external and foreign currency denominated debt following the General Data Dissemination System (GDDS)[5] format.	Develop and implementation of the interface SYGADE-SYSDEP.	Equipments, systems, and many documents destroyed. Many trained official have deceased.
				The new law on debt management has been submitted to Parliament and approved and has been complemented with appropriate rules and regulations, procedures and function manuals as well as individual job descriptions for all DDP staffs.	Pending Parliament approval.
				Creation of a Debt management Committee composed by representatives of the MEF and BRH and Ministry of Planning.[6]	Not yet complied.

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

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

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

Problem	Objective of the program	Actions Taken	Conditionalities 1st Policy Based Grant Operation	Triggers Mechanisms for second Policy based Operation	STATUS
				DDP has the capacity to undertake at least once a year a DSA assessment and prepares its first DSA.	Equipments, systems, and many documents destroyed. Many trained official have deceased.
Fiscal Transparency Weaknesses of control systems and lack of clear anticorruption strategies are reducing the fiscal transparency and the efficacy of the use of public resources.	Enhance transparency and financial accountability by applying the legal control provisions as specified in the organic Budget Law to create an environment conducive to an efficient control of public expenditures.	Development of internal and external control systems; by the Creation of the IGF by Decree in 2006 to begin controlling, auditing, and inspection public sector, mixed and private entities that benefit from public funds.	Financial controllers have been recruited, trained and deployed in the main Ministries: (Heath, Education, Public works and Agriculture). Submission of the 2005-2006 and 2007 Audit reports of CSCCA to Parliament and Publication *des Comptes Généraux de l'État* according to the standard procedures and the law. Approval and initiation of implementation of the new law Financial Disclosure of Assets for Public Officials.	Revise the legal texts to eliminate the option of ex ante controls over public expenditure execution exercised by the IGF, and streamline IGF staff to focus on operational activities. Submission of the 2008 and 2009 Audit reports of CSCCA to Parliament and Publication *des Comptes Généraux de l'État* according to the standard procedures and the law[8]. Adoption of a law on asset declaration and submission of one annual compliance report on monitoring of asset declarations covering the preceding year. The report should be approved by the CSCCA and Parliament.	Not yet complied. Pending Parliament approval. Partially complied. Report prepared but has not been approved yet.

[7] Given the new circumstances (CEMLA, CARTAC and UNCTAD) postponed TA mission programmed for end January because of earthquake And IDB TC HA-1083 Strengthening DDP did not star implementation (was approved on Dec 2009).

[8] Report submitted by ULCC at CSCCA and Parliament. They have not yet approved the report.

Problem	Objective of the program	Actions Taken	Conditionalities 1st Policy Based Grant Operation	Triggers Mechanisms for second Policy based Operation	STATUS
			Approval of the Anti-Corruption strategy by Government by the Counsel of Ministries.	Implementation of the Anti-Corruption strategy.	Started but not yet completed.
Transport Infrastructure –Road Sector: Management of road assets and development of the road network needs to be improved.	Reduce and ultimately eliminate structural weaknesses identified in the MTPTC (improve the road network analysis and planning capabilities; establish a sound, permanent and effective "maintenance function").	A strategy for road maintenance has been developed by MTPTC.	Strategy for road maintenance has been developed and approved by MTPTC. Proposal to reorganize MTPTC has been prepared and approved by the Minister.	MTPTC shall present: (i) an optimized strategy and budget for the management and development of the road network during 2010-2015; (ii) a plan to increment funding for road maintenance in 2010-2015; and (iii) proof that at least 200 km of the road network in general are being maintained through annual contracts with microenterprises or community organizations.	Not yet complied.
Energy sector: Electricity transfers due to subsidized electricity prices and inefficiencies	Achieving long term and sustainable development of the electricity sector and limit treasury	Important efforts and investments to reduce losses and improve the quality and reliability of the electricity supply are	EDH is implementing new business management systems to improve efficiency.	Publish and implement a new electricity tariff structure at economic and efficient cost-recovery levels, while protecting poorer households.	Complied.

Problem	Objective of the program	Actions Taken	Conditionalities 1st Policy Based Grant Operation	Triggers Mechanisms for second Policy based Operation	STATUS
are unsustainable.	transfers to the EDH to those required to support investments to increase supply and production quality and efficiency.	being implemented.		EDH new business management systems are operating and four experts for the commercial, finance, technical and planning divisions has been hired to strengthen the capacities at the senior management level to strengthen the capacities at the senior management level. The new Energy Unit in the MTPTC has been organized and is monitoring the energy sector, discussing energy issues and proposing energy policies.[9]	Not yet complied
				Agree on a Cost Recovery Index (CRI) methodology and baseline numbers from which efficiency will be gauged in the future.	Not yet complied.

[9] The bid to recruit these experts was launched in international newspapers. EDH was about to receive and open bids for experts.