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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

FOR A PROPOSED GRANT

IN THE AMOUNT OF SDR 14.3 MILLION
(US$20 MILLION EQUIVALENT)

TO THE

REPUBLIC OF HAITI

FOR A

FISCAL AND SOCIAL RESILIENCE DEVELOPMENT POLICY FINANCING

August 28, 2018

Macroeconomics, Trade and Investment Global Practice
Latin America and the Caribbean Region

REPUBLIC OF HAITI -- **GOVERNMENT FISCAL YEAR**
October 1 – September 30

CURRENCY EQUIVALENTS
(Exchange Rates Effective as of July 31, 2018)
Currency Unit = Gourde (HTG)
US$1.00 = Gourdes 67.08
US$1.00 = SDR 0.7118

ABBREVIATIONS AND ACRONYMS

ASYCUDA	Automated System for Customs Data
BNC	National Credit Bank (*Banque Nationale de Crédit*)
BRH	Central Bank of Haiti (*Banque de la République d'Haïti*)
CPF	Country Partnership Framework
DRM	Disaster Risk Management
ECF	Extended Credit Facility
EDH	Electricity of Haiti (*Électricité d'Haïti)*
EU	European Union
FNE	National Education Fund (*Fonds National d'Éducation*)
FSNIPH	National Solidarity Fund for the Integration of People with Disabilities (*Fonds de Solidarité Nationale pour l'Intégration des Personnes Handicapées*
FSRDPF	Fiscal and Social Resilience Development Policy Financing
FY	Fiscal Year
GDP	Gross Domestic Product
GRS	Grievance Redress Service
IADB	Inter-American Development Bank
IDA	International Development Association
IFMIS	Integrated Financial Information Management System
IMF	International Monetary Fund
LDP	Letter of Development Policy
MAST	Ministry of Social Affairs and Labor (*Ministère des Affaires Sociales et du Travail)*
MEF	Ministry of Economy and Finance (*Ministère de l'Economie et des Finances*)
PARDH	Action Plan for National Recovery and Development of Haiti (*Plan d'Action pour la Reconstruction et le Développement d'Haïti*)
PFM	Public Fiscal Management
PSDH	Haiti Strategic Development Plan (*Plan Stratégique de Développement d'Haïti*)
SDR	Special Drawing Rights
SMP	Staff-Monitored Program
TSA	Treasury Single Account
WBG	World Bank Group

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REPUBLIC OF HAITI

FISCAL AND SOCIAL RESILIENCE DEVELOPMENT POLICY FINANCING

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SUMMARY OF PROPOSED GRANT AND PROGRAM

REPUBLIC OF HAITI
FISCAL AND SOCIAL RESILIENCE DEVELOPMENT POLICY FINANCING

Recipient	Republic of Haiti
Implementation Agency	Ministry of Economy and Finance
Financing Data	IDA Grant amount: SDR 14.3 million (US$20 million equivalent)
Operation Type	Single-tranche standalone operation.
Pillars of the Operation And Program Development Objectives	The proposed operation is designed around two strategic pillars: (1) strengthen fiscal management; and (2) enhance the efficiency of social spending.
Result Indicators	• Customs duties as a percentage of GDP Baseline (2017): 3.5% / Target (2019): 4.0% • Number of annual updates of the data base on tax exemptions published in the MoF website Baseline (2017): 0 / Target (2019): 1 • Number of accounts of government entities integrated in the Treasury Single Account Baseline (2016): 0 / Target (2019): 872 • Percentage of beneficiaries of social programs registered in the SIMAST (located at MAST) that will be the backbone of the Unified Social Registry Baseline (2017): 15% / Target (2019): 30% • Number of students receiving school fee waivers financed by FNE Baseline (2017): 0 / Target (2019): 997,272 • Number of FSNIPH job placement program beneficiaries: Baseline (2017): 0 / Target (2019): 200
Overall risk rating	High
Climate and disaster risks:	Climate and disaster risks are described in the Environmental Aspects and Summary of Risks sections.
Operation ID	P162452

**IDA PROGRAM DOCUMENT FOR A
PROPOSED FISCAL AND SOCIAL RESILIENCE DEVELOPMENT POLICY FINANCING
TO THE REPUBLIC OF HAITI**

1. INTRODUCTION AND COUNTRY CONTEXT (INCLUDING POVERTY DEVELOPMENTS)

1. **The proposed operation is part of an international effort to help stabilize the macro-fiscal situation and preserve social stability following the social unrest resulting from the failed fuel price reform.** The proposed Fiscal and Social Resilience Development Policy Financing (FSRDPF) to the Republic of Haiti in the amount of SDR 14.3 million (US$20 million equivalent) is a single-tranche, standalone operation designed to maintain macro-fiscal stability in a context of severe and tightening fiscal constraints. As a part of the coordinated international effort, the EU provided US$35 million in budget support to Haiti in July as part of a new program that will run through 2021. In addition, a new three-year IMF ECF arrangement in the amount of US$90 million is also expected to be signed by November. Finally, a US$20 million IADB budget-support operation is scheduled for November.

2. **Since its inauguration in 2017, the current Government has undertaken a series of important structural reforms.** The implementation of the reform agenda has been continuous, albeit uneven in some politically sensitive policy areas. The authorities have made some progress in fiscal adjustment, electricity sector reform, and strengthening public financial management (PFM). The Government achieved all benchmarks agreed to under the staff-monitored program (SMP) with the International Monetary Fund (IMF), with only one reform, the elimination of energy subsidies, still not implemented.

3. **The social unrest resulting from the attempted elimination of energy subsidies tragically demonstrated Haiti's tense and polarized political climate.** In 2017, facing a decline in both concessional financing from Venezuela and donor assistance, the Haitian authorities agreed to eliminate fuel subsidies as part of an SMP with the IMF. The elimination of these subsidies was essential to preserve fiscal sustainability and public service delivery. However, the Government's attempt to remove the subsidies on July 6, 2018, sparked violent protests, prompting the authorities to halt the reform. Meanwhile, continued subsidy spending will constrain the Government's ability to provide public goods and services and could even lead to cuts in social spending.

4. **The operation was prepared on an accelerated timeline to help with the Government's current fiscal situation, which calls for a focused policy program and rapid financial assistance.** In a context of tight financing constraints, budget support can help stabilize Haiti's macro-fiscal framework and provide the authorities with the space to provide essential public services, bolstering social cohesion and political stability. Going forward, the operation lays the potential foundations for more ambitious reforms explicitly geared toward addressing the underlying causes of fragility and supporting efforts to build resilience.

5. **This operation will support the Government's efforts to increase revenue mobilization and enhance its capacity to protect poor and vulnerable households.** This operation is designed around two strategic pillars. The operation supports the Government's efforts to: (1) strengthen fiscal management, and (2) enhance the efficiency of social spending. The policy actions supported under Pillar 1 aim to raise domestic revenues from their current low levels while strengthening PFM to help ensure the efficient use of scarce resources. The measures supported under Pillar 2 are intended to enhance the impact of social protection policies and expand access to social services among poor and vulnerable households. The two

pillars are interdependent, as improved fiscal management is vital to expand the provision of social services, while more efficient social spending is necessary to ease fiscal pressures.

6. **The operation is closely aligned with the World Bank's Haiti Country Partnership Framework (CPF) for the period FY2016-19 discussed by the Board on September 29, 2015 and builds on strong analytical work and policy dialogue.** The CPF emphasizes the importance of adjusting to tighter fiscal constraints while protecting priority expenditures on health, education, and infrastructure. Its design also reflects the Government's development strategy, which aims to reinforce fiscal stability while gradually expanding the budgetary space for social spending and investment.

7. **This operation is also informed by the 2011 *World Development Report: Conflict, Security, and Development*, which provides the analytical foundation for World Bank-financed operations in fragile states and conflict-affected situations.** The overarching objective of this operation is to stabilize Haiti's macro-fiscal position while easing social tensions, and it operationalizes the World Development Report's findings by embracing a focused program based on achievable near-term goals. The proposed operation takes into account the limited institutional capacity and tense political environment, as its design leverages the lessons learned from years of World Bank engagement in fragile states. Its design reflects the importance of coordination between international financial institutions—in particular with the IMF—to sustain support to fragile countries and reduce financing volatility, as stable budget dynamics are critical to both long-term institutional development and the short-term continuity of essential public service provision.

8. **The overall risk of the operation is assessed as high.** While there is a strong consensus around the Bank-supported reform agenda, there are risks that could affect achievement of the Program Development Objectives. These risks include political and governance risks, domestic and external macroeconomic risks, and fiduciary and stakeholder risks. While the program's design incorporates risk-mitigation measures, some risks cannot be fully attenuated. However, management considers the short and long-term benefits of the operation to outweigh the risks.

9. **While the operation is expected to mitigate the immediate threat that severe financing constraints pose to Haiti's economic and social stability, more ambitious reform will be necessary to address Haiti's structural fiscal challenges over the short and medium term.** Increasing the Government's capacity to mobilize domestic tax revenues will be critical to maintain fiscal stability and protect growth-accelerating investments in infrastructure, education, and public health. However, continued political and social tensions and the limited mandate of the current caretaker government narrow the scope of possible reforms. In this context, the operation supports a highly selective set of achievable reforms focusing on customs administration, tax expenditures, and PFM. While deeper revenue-side measures could yield critical gains over the medium term, their inherent political sensitivity will require both a new Cabinet and sustained engagement through a longer operational series backed by harmonized donor support. Meanwhile, the country's abortive attempt to ease the burden of subsidy spending has demonstrated the extraordinarily careful and judicious approach that will be required to sustainably rationalize expenditures. Successfully implementing measures beyond those included in the proposed FSRDPF will necessitate a more circumspect approach than can be achieved in a standalone operation designed to address an urgent fiscal imbalance.

10. **Haiti is the poorest country in the Western Hemisphere and among the most economically unequal countries in the world.**[1] Due to the country's long history of political instability, repeated fiscal crises, and extreme vulnerability to a wide range of shocks, slow economic growth punctuated by frequent contractions has yielded a per capita income equivalent to just US$760 in 2017. Positive GDP growth rates have resumed since the earthquake, but due to Haiti's high population growth rate the increase in GDP per capita has been negligible, and economic growth remains insufficient to achieve substantial progress in poverty reduction. In 2012, the latest year for which poverty data are available, the overall poverty headcount rate was 59 percent, and the extreme poverty rate was 24 percent. Almost 6.3 million Haitians are unable to meet their basic consumption needs, while 2.5 million cannot cover their essential food needs. Poverty rates are higher in rural areas, and recent gains in poverty reduction have been heavily concentrated in urban centers. Progress in improving social development outcomes has been slow and uneven, and in 2016, Haiti ranked 163rd out of 188 countries on the UNDP Human Development Index.

11. **Successive administrations have achieved limited success in providing basic public goods and accountable governance.** Although Haiti has been an independent nation for over 200 years, it has failed to develop the impartial, effective institutions necessary to establish and maintain popular legitimacy. A 2006 World Bank Country Social Assessment found that "Haitian politics swing between two key dangers: capture by privileged elites who harness government to protect their dominant position in society; and populism that neglects the country's long-term institutional and economic development while paying lip service to the poor." The country's deep partisan divisions have contributed to a series of coups, insurrections, and clashes between political factions. While an abrupt increase in fuel prices was the proximate cause of the recent outbreak of violent demonstrations, the public's swift recourse to street protests reflects deep-seated frustration with a political system that is widely perceived to be unresponsive to normal democratic processes.

12. **Haiti's widespread poverty, tenuous fiscal balances, and volatile political situation are compounded by the country's exposure to natural disasters and other exogenous shocks.** With an estimated 96 percent of the population at risk from one or more type of natural hazard, Haiti is among the world's most disaster-exposed countries. Major threats include hurricanes, floods, erosion, droughts, earthquakes, and landslides. Between 1976 and 2012, the annual average economic losses from extreme weather events alone were estimated at almost 2 percent of annual GDP. Poor households are especially exposed to disasters: 80 percent of extremely poor households and 70 percent of moderately poor households experience an average of at least two shocks per year. Improved emergency-response and social safety nets systems will help shield poor households from the damaging effects of natural disasters.

13. **While macroeconomic stability was broadly preserved in the years immediately following the earthquake, a combination of domestic and external factors has steadily widened the fiscal deficit.** In the aftermath of the earthquake, supported by robust donor assistance, the authorities reduced the fiscal deficit and contained inflation.[2] However, donor assistance fell from 15.8 percent of GDP in 2010 to 4.6 percent in 2017, and as international aid returned to more normal levels, fiscal pressure intensified. Meanwhile, the ongoing crisis in Venezuela has lessened flows from Petrocaribe, which peaked at 4.0 percent of GDP in 2013. Reduced donor support and Petrocaribe flows are compounding Haiti's underlying fiscal vulnerabilities, promoting the Government to explore non-concessional borrowing sources and increasing its indebtedness. In the medium term, higher reliance on concessional and non-

[1] World Development Indicators

[2] The overall deficit including grants declined from 8.4 percent of GDP in FY2012-13 to 1.9 percent of GDP in FY2016-17. Inflation was kept in the one-digit run until 2015.

concessional indebtedness to finance public infrastructure needs, in place of grants, suggest heightened risks of debt distress.

14. **Low levels of domestic fiscal revenue and large unproductive expenditures are the country's major sources of endogenous macro-fiscal risk.** Weak revenue mobilization constrains public investment, undermining growth and exacerbating the economy's vulnerability to shocks. Haiti has one of the lowest domestic resource-mobilization rates in the Western Hemisphere, and its subsidy regime is a major drag on expenditure efficiency. At just 14 percent of GDP, domestic tax revenues finance less than three-quarters of total public spending. Tax expenditures at the border significantly reduce fiscal revenues, and in 2013 alone, tax expenditures reduced the total amount of sales tax revenue collected at the border by about 14 percent and the amount of ad valorem excise tax revenue by 19 percent. Unproductive expenditures and subsidies—including transfers to the national electric utility, Haiti Electricity (*Électricité d'Haïti*, EDH) and subsidized prices for gasoline, diesel, and kerosene—compound the Government's fiscal constraints. In FY2017, transfers to EDH and fuel subsidies totaled 3.5 percent of GDP, exceeding total expenditures on education, health, and social services, which amounted to just 3.0 percent of GDP.

2. MACROECONOMIC POLICY FRAMEWORK

2.1 RECENT ECONOMIC DEVELOPMENTS

15. **Real GDP growth has gradually recovered over the past year, driven largely by increasing remittance inflows and favorable agricultural conditions.** A weak agricultural sector slowed the GDP growth rate to 1.2 percent in FY2017, but growth is expected to pick up slightly to 1.6 percent in FY2018.[3] In a climate of sluggish output growth and limited gains in labor income, private consumption fueled by rising remittances has driven growth on the demand side. Inbound remittances now exceed 30 percent of Haiti's GDP, the second-highest ratio worldwide. Mirroring the increase in domestic consumption, the services sector—particularly commerce, restaurants, and hotels—has consistently driven growth on the supply side. Structural transformation has been minimal, and while the relative size of the agricultural sector has diminished, labor and other productive factors have largely reallocated to the informal services sector, which, like agriculture, suffers from low productivity and low levels of capital investment. Meanwhile, industrial and manufacturing output has stagnated as a share of GDP. Low economy-wide productivity largely reflects an unfavorable business and investment climate, weak governance, an uncertain political situation, persistent security challenges, and an inadequate supply of vital infrastructure, including electricity, water services, and roads. Rising consumer demand has been primarily satisfied by imports.

16. **Current spending has remained broadly unchanged in recent years, while capital investment has fallen.** Current expenditures increased marginally from 13.1 percent of GDP in FY2015 to 13.4 percent in FY2017, but public investment dropped from 12.9 percent of GDP to 7.4 percent, narrowing the fiscal deficit from 4.2 percent of GDP in FY2015 to 1.9 percent in both FY2016 and FY2017. The lack of revenue growth has prevented the Government from increasing social spending to offset the decline in donor assistance, leading to a drop in total spending in the social sectors. The public-sector wage bill is large by international standards, representing 6.5 percent of GDP, 45 percent of domestic revenue, and about half of current expenditures. Subsidies and transfers are a major component of current expenditures: transfers

[3] As a result of the July events, a downward adjustment to the GDP growth projection for 2018 from 1.8 percent to 1.6 percent has been adopted.

to cover the operational deficit of EDH amounted to 1.5 percent of GDP in FY2014 and 1.6 percent in FY2017, compounding the large and rising cost of fuel subsidies (Figure 1). In May 2017, the Government reduced its implicit subsidy on fuel products, causing retail fuel prices to rise by 19 percent. However, domestic retail fuel prices remain up to 50 percent below what international prices would call for.

17. **The cutback of Venezuela's Petrocaribe arrangement and diminishing donor resources have exacerbated the Government's financing constraints.** Even before the reversal of the subsidy reform, Haiti's fiscal deficit was expected to widen substantially in FY2018. Public expenditures are rising to finance operating outlays, subsidies, and public debt service. Domestic fiscal revenue has remained broadly unchanged at about 14 percent of GDP in recent years, while external development assistance has declined, causing total revenue to fall from 19.7 percent of GDP in FY2015 to 18.9 percent in FY2017 (Table 1). Faced with rigid expenditure pressures and limited financing options, the Government has increasingly turned to the BRH to cover the fiscal deficit. By law, the BRH can finance the deficit in an amount equal to 20 percent of the previous year's total domestic revenue, which for FY2018 would represent about 2.5 percent of GDP.

Table 1: Haiti Selected Economic Indicators, 2012–2020

	2013/14	2014/15	2015/16	2016/17	2017/18f	2018/19f	2019/20f
Real Economy	*Annual percentage changes unless otherwise indicated*						
Nominal GDP (US$ millions)	8,777	8,724	7,971	8,408	9,538	9,904	10,960
Real GDP	2.8	1.2	1.5	1.2	1.6	2.4	2.4
Imports, goods & services	2.6	2.2	0.8	2.0	3.0	2.5	2.0
Exports, goods & services	4.5	3.6	0.7	-1.2	2.1	1.6	1.4
Inflation (average)	3.9	7.5	13.4	14.7	13.7	14.2	13.4
Fiscal Accounts	*Percentage of GDP unless otherwise indicated*						
Budgetary expenditure	24.5	24.0	20.9	20.8	21.3	21.4	21.1
Budgetary revenue	19.2	19.7	19.1	18.9	17.8	18.4	18.8
Budget balance	-5.3	-4.2	-1.8	-1.9	-3.5	-3.0	-2.4
Selected Monetary Accounts							
Base money (% change end of period)	0.8	31.4	3.2	23.4	10.2	8.2	11.0
Interest rate (end of period)	5.0	16.7	14.5	12.4	--	--	--
Balance of Payments	Percentage *of GDP, unless otherwise indicated*						
Current account balance	-8.5	-3.0	-1.0	-2.7	-4.4	-3.6	-3.0
Imports, goods & services	57.6	62.4	61.9	57.8	56.2	57.3	54.5
Exports, goods & services	20.6	22.9	23.0	21.9	21.2	21.8	21.5
FDI	1.1	1.2	1.3	4.4	2.1	2.2	2.0
Gross reserves (months of imports of GNFS)	5.3	5.2	5.3	5.2	4.9	4.7	4.5
Public debt	24.1	25.5	26.4	25.6	27.6	27.3	27.1
Exchange rate to US$ (average)	44.6	48.6	60.4	65.6	67.1		

Sources: Haiti Central Bank, IMF, WB.
Note: [1] Fiscal year is October 1 – September 30. e = estimate, f = forecast.

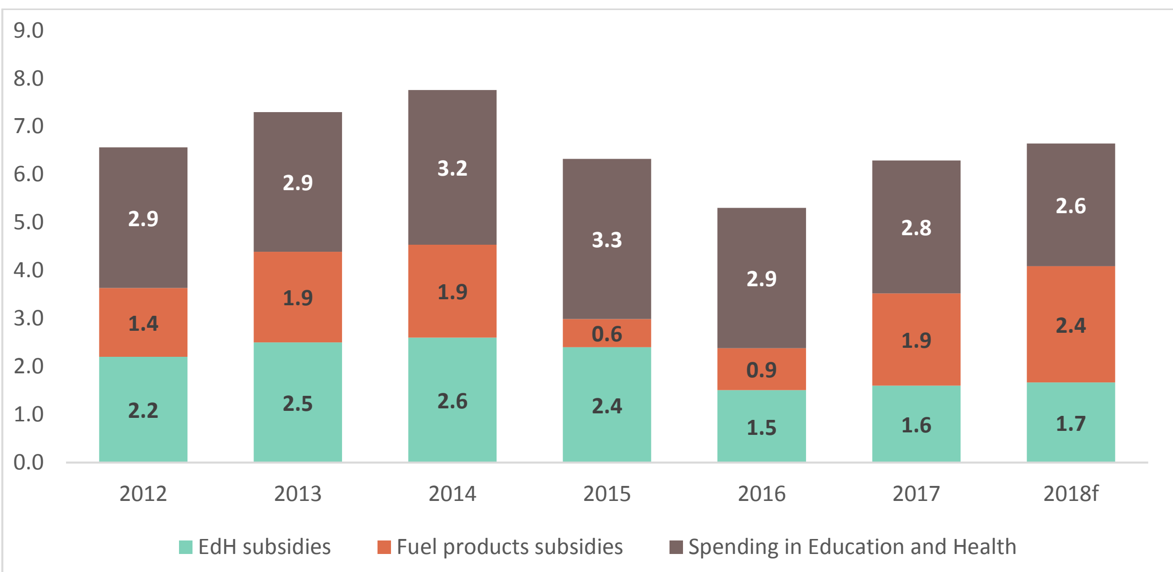
18. **Haitian monetary policy has focused on maintaining price stability, with the exchange rate serving as the nominal anchor**. Haiti's exchange-rate regime can be classified as a soft peg or "crawl-like"

arrangement. The Haitian gourde (HTG) has depreciated continuously, except during a short period in 2017 when large FDI inflows, interventions in the foreign-exchange market by the BRH, and a more stable political environment helped strengthen the gourde significantly. BRH interventions in the foreign-exchange market have aimed at smoothing short-term excess volatility while facilitating a gradual external adjustment.

19. **The annual inflation rate has been rising since 2016 and now averages about 14.0 percent.** Rising food prices in the wake of Hurricane Matthew, combined with fuel-price increases since May 2017, have intensified inflationary pressures. In 2018, BRH financing of the fiscal deficit further increased pressure on the gourde, increasing import prices.

20. **Recognizing the fiscal burden imposed by its subsidy regime, and as part of the SMP, the Haitian Government attempted to eliminate fuel-price subsidies on July 6, 2018.** Overnight, the pump price for gasoline rose by 38 percent, diesel by 48 percent, and kerosene by 51 percent. Although mitigation measures had been previously identified, violent protests erupted almost immediately, prompting the Government to reverse the fuel-price increase the following day. After announcing that the subsidies would be reinstated, Prime Minister Guy Lafontant resigned, and the coalition government was dissolved. However, the protests continued for another four days, leading to multiple deaths and causing more property damage than any episode of civil unrest in Haiti's recent history.

Figure 1: Energy Subsidies vs Social Spending (% of GDP)



Source: MEF and World Bank estimates.

21. **The reinstatement of fuel subsidies will have serious implications for the current fiscal year—which runs through September 30—as budget projections for FY2018 included anticipated revenue gains from the fuel-price adjustment.** Due to the reversal of the fuel-price reform, a financing gap of 0.6 percent of GDP was expected in the final quarter of the fiscal year. The disbursement of 0.4 percent of GDP in budget support from the European Union reduced the gap to 0.2 percent. This IDA operation in the amount of 0.2 percent of GDP will close the budget financing gap. This projection assumes that the BRH will finance the budget up to the legal limit of 20 percent of the previous year's domestic fiscal revenue. Failure to disburse this WBG budget support during the Haitian fiscal year would leave the authorities with the following options to close the gap: (i) breach the ceiling on central bank financing;

(ii) tap into the Petrocaribe escrow account;[4] or (iii) slash capital expenditure and social spending. As has happened in the past, expenditure cuts are likely to fall heavily on either social spending, which is already very low, or on public investment, with negative implications for both short- and long-term growth. In this difficult context, budget support from Haiti's development partners will be vital to mitigate the risk of a drastic and indiscriminate expenditure reduction.

Table 2: Key Fiscal Indicators (% of GDP)

					----Projections----		
	2013/14	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Total Revenue and Grants	**19.2**	**19.7**	**19.1**	**18.9**	**17.8**	**18.4**	**18.8**
Domestic revenue	12.8	14.1	14.4	14.3	13.6	14.2	14.5
Taxes	8.5	9.2	9.3	9.6	9.3	9.7	9.8
Customs duties	3.4	4.1	4.2	3.9	3.5	3.7	4.0
Other current revenue	0.8	0.8	0.9	0.8	0.8	0.8	0.7
Grants	6.4	5.6	4.7	4.6	4.2	4.2	4.3
Budget support	1.3	0.8	0.3	0.7	0.6	0.6	0.8
Project grants	5.1	4.8	4.4	3.9	3.6	3.6	3.5
Total Expenditure	**24.5**	**24.0**	**20.9**	**20.8**	**21.3**	**21.4**	**21.1**
Current expenditure	12.5	13.1	13.3	13.4	14.3	14.0	13.6
Wages	6.0	6.8	6.7	6.5	6.7	6.8	6.9
Goods and services	3.4	3.5	4.0	3.8	4.2	4.0	3.9
Interest	0.3	0.1	0.3	0.3	0.4	0.4	0.4
Transfers and subsides	2.9	2.6	2.3	2.8	2.9	2.8	2.4
Capital expenditure	11.9	10.9	7.6	7.4	7.0	7.4	7.5
Domestically financed	6.8	6.1	3.3	3.5	3.4	3.8	4.0
Of which: Petrocaribe	3.5	2.9	0.3	0.3	0.6	1.7	1.7
Foreign financed	5.1	4.8	4.4	3.9	3.6	3.6	3.5
Overall Balance including grants	**-5.3**	**-4.2**	**-1.8**	**-1.9**	**-3.5**	**-3.0**	**-2.4**
Overall Balance excluding grants	**-11.7**	**-9.8**	**-6.5**	**-6.5**	**-7.7**	**-7.2**	**-6.6**
Financing	**5.3**	**4.2**	**1.8**	**1.9**	**3.5**	**3.0**	**2.4**
External net financing	3.5	1.6	0.3	0.3	0.6	1.7	1.7
Of which: Petrocaribe	3.5	1.9	0.3	0.3	0.6	1.7	1.7
Domestic financing	1.8	2.3	1.6	1.6	2.9	1.3	0.7
Of which: BRH					2.4	1.0	0.4

Sources: Ministry of Economy and Finance and IMF estimates.

22. **On the external side, increasing food and fuel-product imports have offset the growth of remittance inflows, causing Haiti's external position to deteriorate.** Exports declined by 1.2 percent of GDP in FY2017, due largely to lower apparel exports, while imports rose by 2.0 percent. Consequently,

[4]The Haitian authorities are encountering processing difficulties with financial institutions in effecting regular payments to Venezuela under the Petrocaribe Agreement. An escrow account was created at the central bank (BRH) to deposit the outstanding payments that have accumulated since last year. Reports have arisen, which remain to be confirmed, that Venezuela and Haiti may have recently reached an agreement that allows Haiti to use part of these funds to invest in, inter alia, infrastructure and the agricultural sector.

the current-account deficit widened from 1.0 percent of GDP in 2016 to 2.7 percent in 2017. However, a more favorable political situation over 2017, combined with an exceptional one-time increase in foreign direct investment (FDI) related to the acquisition of a local petroleum distribution company, helped to keep foreign-exchange reserves above 5 months of imports.

23. **The banking sector remains relatively well-capitalized and profitable, but the gradual reduction of disaster-relief efforts may increase pressure on Haitian banks.** Limited access to credit is an important constraint on growth, and the credit supply is highly concentrated in the service, retail, and real estate sectors. Those sectors expanded significantly after the 2010 earthquake, particularly the hotel and restaurant sub-sector in Port-au-Prince. The ratio of non-performing loans (NPLs) to total loans declined from 3.4 percent in FY2016 to 2.9 percent in FY2017, while provisioning increased from 88 to 91 percent of NPLs over the same period.

24. **To address some of these challenges, the authorities agreed to an SMP with the IMF in February 2018 and had made some progress through July 2018**. Key challenges addressed under the program included improving the solvency and efficiency of the public electricity utility, EDH, and strengthening government revenues by phasing out domestic fuel subsidies. These measures were viewed as important to allow for increased spending on infrastructure and the social safety net, while containing monetary financing of the fiscal deficit. Other reforms included social measures to protect the most vulnerable, safeguards related to central bank operations, and a road map for tax reform. The authorities met almost all of the end-March quantitative criteria, including the ceiling for an adjusted deficit of 2.2 percent of GDP, and all but one of the end-March structural benchmarks. The one important reform the authorities were unable to implement was the fuel subsidy reform as noted earlier.

2.2 MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

25. **The authorities remain committed to fostering faster growth and establishing stable fiscal dynamics.** On August 7, the Government reiterated its commitment to prudent fiscal policies and structural reforms, especially in the areas of energy-sector liberalization, agricultural development, and the fight against corruption. The Government's medium-term growth strategy calls for greater domestic revenue mobilization, tighter control over current spending, and increased PFM efficiency, all of which are closely aligned with the objectives of the proposed operation. The authorities also remain committed to addressing critical bottlenecks to growth through reforms in the energy, agriculture, and infrastructure sectors.

26. **Against this backdrop, GDP growth is expected to accelerate slowly over the medium term.** Investment in the agricultural sector is expected to boost Haiti's annual GDP growth rate from 1.2 percent in FY17 to 1.6 percent in FY18. Growth is projected to reach 2.3 percent in FY19, then stabilize at 2.5 percent from 2020 through 2022. Long-term growth is expected to average about 2 percent, slightly above Haiti's historical average. However, falling levels of public investment due to the reduction of Petrocaribe resource inflows, the continuing decline in donor resources, and persistent political uncertainty are expected to hamper medium-term growth. Private consumption fueled by remittances will continue to drive growth on the demand side, while rising agricultural output and an increase in light manufacturing exports is expected to bolster growth on the supply side.

27. **Given the Government's tight fiscal constraints, capital investment and current spending are both expected to remain at 6 to 7 percent and around 14 percent of GDP, respectively.** Over the medium term, tax and customs administration reforms—including those supported by the operation—should help

improve revenue performance. Increasing domestic revenue from its current level of about 14 percent of GDP to a projected 15 percent by FY2021 could expand the fiscal space for public investment and social spending, which in turn could accelerate human-capital formation and contribute to more robust growth.

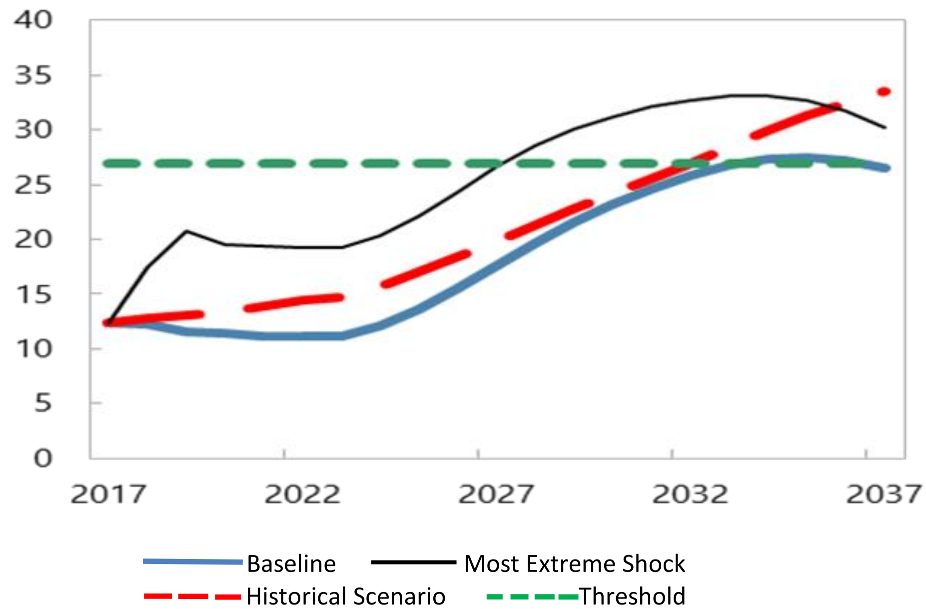
28. **Haiti is expected to remain at high risk of debt distress.** The country's public debt stock reached 25.6 percent of GDP at end-FY2017. Over 90 percent of Haiti's public debt is external, and Venezuela is the country's main creditor, holding 89.4 percent of Haiti's total debt stock. While the debt stock as a share of GDP is not high by international standards, the most recent Debt Sustainability Analysis (DSA), conducted in 2017, concluded that Haiti is at high risk of debt distress, based on the methodology of the joint Bank-Fund Debt Sustainability Framework for low-income countries. This assessment was based on a downward adjustment to the country's long-term growth trajectory, combined with an increase in projected borrowing to finance public investment in infrastructure, especially from non-traditional sources of financing, the decline of donor grant financing, and the impact of Hurricane Matthew. Moreover, the real exchange rate is projected to depreciate to its long-run equilibrium, contributing to an increase in the debt-to-GDP ratio.

29. **The inflation rate will remain high over the medium term.** BRH deficit financing will likely continue to weaken the gourde and pressure inflation. In addition, supply constraints in the food-crop sector are likely to continue to exert upward pressure on consumer prices despite an overall increase in agricultural output. The annual inflation rate is projected to remain at around 14 percent in FY2018 before declining marginally in FY2019 and should remain in double digits over the medium term.

30. **The current-account balance is expected to stabilize and then marginally improve over the medium term, supported by rising remittances and a modest increase in exports.** As the U.S. economy continues to strengthen, export growth and increasing remittances, which already exceed 30 percent of GDP, should help stabilize the current-account deficit at around 3.0 percent of GDP. Meanwhile, international reserves are expected to remain relatively strong at over five months of import coverage.

31. **Haiti's economic outlook remains subject to considerable downside risk**. Political instability poses a constant threat and could jeopardize efforts to attract investors and foster the growth of tourism and light manufacturing. Progress on the structural reform agenda has been slow, particularly in the energy sector, and improving the Government's fiscal performance will require the implementation of politically sensitive measures that are highly vulnerable to slippages and reversals. Meanwhile, frequent natural disasters continuously strain the country's coping mechanisms and represent a major source of exogenous risk.

Figure 2: The Projected Present Value of the Debt-to-GDP Ratio, Including Remittances, 2017-2037



Sources: IMF/WB Debt Sustainability Assessment 2017.

32. **The macroeconomic policy framework – supported by reforms implemented under the SMP – is deemed adequate for the proposed operation.** While Haiti is vulnerable to multiple risks and faces deep structural challenges, the Government's medium-term fiscal strategy to enhance revenue mobilization and maintain expenditure control is expected to curb the rising debt trajectory, and the operation is instrumental to the Government's medium-term strategy for fiscal consolidation. The new Government is expected to maintain the current administration's commitment to sustainable fiscal and debt dynamics, as the critical importance of fiscal stability is widely recognized. Recent political developments have not affected the BRH leadership, which should provide further consistency in monetary and exchange-rate policy.

2.3 IMF RELATIONS

33. **The authorities signed a six-month SMP with the IMF in February 2018.** The IMF was preparing to complete a first review of the SMP in July, when the failure of the fuel-subsidy reform prompted the staff to suspend the report. Rather than extending the SMP, IMF staff intend to move towards negotiations on an ECF arrangement that would incorporate any SMP preconditions as prior actions. While the IMF and the authorities had previously agreed on a US$46.1 million Rapid Credit Facility in November 2016 in response to Hurricane Matthew, the SMP was a significant achievement that followed several failed attempts to develop an agreement during 2017, as well as the lapsing of Haiti's ECF program after the first review in September 2015. The authorities continue to engage with the IMF and are committed to implementing key reforms. The operation will help the Government cover an urgent and unanticipated increase in financing needs without resorting to drastic expenditure cuts while the authorities continue to discuss an ECF arrangement.

34. **The World Bank and IMF collaborate closely in Haiti.** The operation complements the IMF's strategic approach and avoids redundancy. The World Bank benefits from IMF knowledge and expertise in the areas of fiscal and monetary policy, while the IMF relies on the World Bank's knowledge and

expertise in the areas of macroeconomic growth and sectoral performance, as well as social spending and social development programming.

3. THE GOVERNMENT'S PROGRAM

35. **The Government's strategic development plans have evolved significantly since the 2010 earthquake.** In the aftermath of the quake, the Government developed a new strategic document, the Action Plan for National Recovery and the Development of Haiti (*Plan d'Action pour la Reconstruction et le Développement d'Haïti*, PARDH). The PARDH organized the reconstruction agenda according to four dimensions: (i) territorial reconstruction, including rebuilding transportation systems, strengthening disaster-risk management (DRM), promoting regional development, and improving watershed management; (ii) economic reconstruction, including agricultural development, expanded access to finance, private-sector development, an increased electricity supply, and productive engagement with the diaspora; (iii) social reconstruction, including increased housing supply, more robust job creation, and enhanced social protection, education, and health services; and (iv) institutional reconstruction, including stronger democratic institutions, improved central government administration, and a more effective justice and security sector. In May 2012, the Government issued an updated Strategic Development Plan (*Plan Stratégique de Développement d'Haïti*, PSDH), which builds on the PARDH's vision. The PSDH is designed around the same four dimensions of reconstruction: territorial, economic, social, and institutional. It focuses on employment creation, the provision of basic services, regional development, social inclusion, sustainable growth, and administrative decentralization.

36. **The PSDH is a comprehensive development plan, but prioritization challenges remain, and the formulation of sector-level strategies is uneven.** The Government further detailed its policy priorities in its Memorandum of Economic and Financial Policies 2015-18 (the Memorandum), which emphasized the importance of maintaining macroeconomic stability by addressing barriers to both domestic and foreign investment, supporting private-sector development, increasing domestic revenue, and strengthening PFM and expenditure execution. The Memorandum's focus on maintaining macroeconomic stability is closely aligned with the objectives of the operation.

4. THE PROPOSED OPERATION

4.1 LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

37. **The Government's 2015-2018 Memorandum of Economic and Financial Policies prioritizes maintaining macroeconomic stability while increasing domestic revenue**. The operation directly supports these objectives through carefully selected prior actions, ongoing policy dialogue, and technical assistance (TA) linked to both the proposed FSRDPF and other World Bank-financed operations. The Memorandum also calls for reducing the deficit and improving PFM efficiency. The operation directly supports these goals, and its prior actions focus on achieving urgent short-term gains while laying the foundation for deeper reforms over the medium term. In support of the Government's program, the operation is designed around two pillars: (1) strengthening fiscal management; and (2) enhancing the efficiency of social spending.

38. **The design of the operation is informed by experience gleaned from previous development policy operations in Haiti, particularly the Economic Reconstruction and Growth Development Policy**

Grant (ERGDPG). The ERDGPG was implemented in a difficult post-disaster environment marked by low domestic administrative capacity, enormous financial, technical, and humanitarian assistance needs, and intense pressure to disburse the grant and provide meaningful financial and technical assistance. Although the ERGDPG did not meet its objectives, it established the groundwork for future engagement around budget support and yielded several lessons that remain highly relevant. The following insights from the experience of the ERGDPG are quoted from the operation's Implementation Completion and Results Report.

- **"Understanding the drivers of political economy is critical to the success of any program of reform. Persistent corruption and the power of entrenched interests represent a very difficult environment for meaningful reforms, despite the presence of reform champions."** Haiti's complex political economy has hindered previous operations, as vested interests have resisted reform efforts. In addition, Haiti's social, economic, and political volatility heightens the risk of political violence. As demonstrated by the recent social unrest, the balance of power remains fragile. Meaningful reform, particularly in sensitive areas such as tax policy, entails an inherent risk of destabilizing the political equilibrium, and the selection, sequencing, and implementation of the supported reforms must be carefully calibrated to reflect the local political economy. Furthermore, the reform program must be designed to sustain political will, overcome opposition from vested interests, and avoid policy reversals in critical areas. Section 4.2 highlights how these factors have been incorporated into the design of the FSRDPF.

- **"Another issue concerns the degree of involvement of the Bank in the Government operations. Supervision of the operation largely involved direct communications with the Ministry of Economy and Finance. Unfortunately, the administration's communication of program requirements to line ministries was seriously flawed."** Due to limited institutional capacity and conflicting political interests within the public sector, the Ministry of Economy and Finance (*Ministère de l'Economie et des Finances*, MEF) is often unable to ensure the commitment of line ministries or hold them accountable for fully implementing reforms. The unusually acute importance of building consensus and managing political relationships in Haiti requires that the World Bank engage with an expansive cross-section of government ministries and individual officials to maintain a unified commitment across the public sector. Under the FSRDPF, the World Bank's engagement with the administration is both broad and deep. While sustaining this level of engagement will require greater World Bank involvement than might be necessary in another context, it will be critical to the success of the operation.

4.2 PRIOR ACTIONS, RESULTS, AND ANALYTICAL UNDERPINNINGS

39. **The proposed prior actions have been selected to reflect Haiti's unique circumstances and prevailing political-economic environment and are designed to advance the Government's stated objectives in key policy areas.** In an environment marked by limited compliance, weak implementation capacity, and difficulty sustaining political will, the operation judiciously identifies prior actions in areas where the authorities have a clear and ongoing commitment to reform, where implementation efforts could be expected to be maintained over time, and where reforms can be institutionalized to limit the potential for backsliding or policy reversals.

40. **The FSRDPF's overarching goal is to increase revenue mobilization and enhance the efficiency of social spending.** Low levels of domestic revenue mobilization and inefficiencies in social spending

sharply limit the fiscal space available for urgently needed public investment and expanded social services. The proposed prior actions seek to mobilize more domestic resources and directly improve the delivery of social services, primarily in the health and education sectors.

Pillar 1: Strengthen Fiscal Management

41. **As noted above, Haiti has one of the lowest revenue-mobilization rates in the LAC region at just 14 percent of GDP.** As in many developing countries, trade-related taxes are the Haitian Government's most important source of tax revenue. As donor assistance continues to decline, the Petrocaribe arrangement reaches its end, and the reinstatement of fuel subsidies intensifies expenditure pressure, the need to increase domestic revenue mobilization is becoming increasingly urgent.

> ***Prior Action 1:*** *To improve the collection of customs revenue, the Recipient has installed the ASYCUDA in the Recipient's customs administration offices and industrial parks.*

42. **Rationale:** Revenue from customs duties amounts to about 4 percent of GDP. The ability of the Customs Administration (*Administration Générale des Douanes*) to collect these taxes efficiently and effectively, while avoiding leakages, is critical to overall revenue mobilization. Current customs processes and valuation assessments allow for considerable discretion and uneven enforcement by customs officers. The implementation of ASYCUDA at ports, airports, border checkpoints, and industrial parks will help automate customs processes and increase revenue generation by reducing discretion in import valuation, providing real-time information, and reducing the risk of fraudulent import declarations.

43. **Substance of Prior Action:** The implementation of ASYCUDA will commence with the integration of all border and port offices into the system, which will allow for real-time information sharing and revenue tracking. Some ASYCUDA components will be implemented immediately, while others will be phased in gradually. ASYCUDA's document-scanning, electronic-payment, and value-declaration applications will be installed first, reducing the scope for discretion and fraud in import valuation and declaration. The implementation of ASYCUDA is also expected to reduce smuggling and increase communications with the tax department to strengthen the auditing of tax and customs exemptions.

44. **Expected Outcomes:** Strengthening customs administration should boost customs revenues. While trade flows are sensitive to external factors, the revenue potential of improved customs processes is large, and the supported reforms should help increase customs revenue regardless of external conditions. Furthermore, changing trade flows and other independent variables can be quantitatively assessed and, to a degree, isolated to identify the direct impact of the supported measures.

> ***Prior Action 2:*** *To strenghten control over tax expenditures, the Recipient's Ministry of Economy and Finance has published on its website the amount of tax expenditures arising from customs and tax exemptions, disaggregated by economic sector, for the past five (5) years (2012, 2013, 2014, 2015, 2016, and 2017).*

45. **Rationale:** Tax expenditures are a major drain on domestic revenues and have negative implications for equity, economic competitiveness, and good governance. Publishing a full list of tax expenditures could greatly facilitate fiscal policy analysis by enabling the Government to fully assess the costs and benefits of preferential tax treatment. Increased scrutiny could also help improve oversight of taxpayers that benefit from tax and customs exemptions, slow the granting of tax and customs exemptions to new investors, stimulate an open dialogue around tax-expenditure policy, facilitate

objective assessments of the main tax-exemption instruments, and identify exemptions that lack a clear policy justification.

46. **Substance of Prior Action:** The Government will publish information on all tax expenditures for the preceding five years, disaggregated by economic sector. The 10 companies that receive the largest expenditures in each category, and the amounts they receive, will be specifically identified, and the remainder will be grouped together in the balance for the category. Going forward, the Government will publish all tax expenditures, including subsidies to EdH, fuel-price subsidies, and customs and tax exemptions, as an annex to the annual draft budget.

47. **Expected Outcomes:** The publication of tax expenditures is expected to increase awareness of the revenue foregone due to tax and customs exemptions, incentivize the oversight of exemption beneficiaries, slow the granting of new exemptions or other forms of preferential tax treatment, and discourage the granting of exemptions that lack a legal basis or policy justification. These outcomes will reduce the negative impact of tax and customs exemptions on domestic revenue mobilization. Over the medium term, enhancing the transparency of the tax regime will also strengthen the foundation for fiscal reform.

> ***Prior Action 3:*** *To generate savings from improved cash management, the Recipient has expanded the coverage of the Treasury Single Account by consolidating existing individual bank accounts held by entities and agencies within the administrative jurisdiction of the Recipient's central government into said Treasury Single Account.*

48. **Rationale:** Haitian government ministries, agencies, and institutions currently maintain over 800 bank accounts at multiple commercial banks. Given the constrained fiscal environment and the need to manage revenues and expenditures largely on a cash basis, this multitude of accounts poses a major challenge to cash management and budgetary transparency. The Government created a Treasury Single Account (TSA) in December 2016, but the authorities have not yet been able to fully consolidate all existing accounts into the TSA. The consolidation of the TSA entails closing the remaining ministerial accounts or integrating them in it, expanding the TSA to other government agencies that hold individual accounts, and then gradually extending the TSA to encompass autonomous administrative bodies and the Treasury's own special accounts.

49. **Substance of Prior Action:** Consolidating government accounts is essential to improve PFM and strengthen financial oversight. The authorities have already closed the accounts held by ministries and central government entities financed by the Treasury and launched an inventory of existing bank accounts across all government ministries, agencies, and institutions. The authorities are now in the process of identifying accounts from autonomous administrative bodies to be consolidated into the TSA.

50. **Expected Outcomes**: Consolidating government bank accounts into the TSA will help establish a unified framework for account administration, which will enable better cash management, generate fiscal savings and ensure tight control over PFM transactions by government agencies, all of which will contribute to strengthening fiscal discipline.

Pillar 2: Enhance the Efficiency of Social Spending

51. **Despite its high poverty rates, weak human development indicators, and extreme exposure to natural disasters, Haiti lacks an integrated social protection system, and expenditure inefficiency in the social sectors contributes to poor human development outcomes**. Numerous social protection programs

were launched following the 2010 earthquake, but these efforts were neither well-coordinated nor designed for long-term sustainability. By 2014, more than 20 safety-net programs were active in Haiti, with total funding equal to 1.3 percent of GDP. However, these programs were implemented by six different ministries and were largely funded by external resources that have since dried up. Without an overarching strategy or a strong government commitment, social protection spending has fallen dramatically as external financing has returned to pre-2010 levels, which are modest even by the standards of low-income countries. Only a small share of the population benefits from social protection programs, and many beneficiaries are from nonpoor households. Moreover, previous World Bank studies have shown that even when external support was at its peak, the mix of social protection programs was inadequate to meet the needs of the population. Many vulnerable groups were underserved, and key risks were either poorly managed or completely unaddressed. Haiti's deteriorating social safety net and continued vulnerability to both economic shocks and natural disasters underscores the urgency of strengthening social protection programs and focusing the country's limited resources on poor and vulnerable households.

> ***Prior Action 4:*** *To improve the efficiency of social programs, the Recipient has designated its Ministry of Social Affairs and Labor as the institution responsible for the consolidation of the registries managed by the Fund for Social and Economic Assistance (Fonds d'Assistance Économique et Sociale) and the United Nations Development Programme (UNDP) into the Unified Beneficiary Registry (Registre Unique du Bénéficiaire).*

52. **Rationale:** The use of multiple beneficiary registries (currently 3) and the proliferation of social programs delivered by different government entities with overlapping objectives and target populations are incompatible with an efficient social protection system. Programmatic fragmentation and disconnected information systems hinder efforts to integrate and rationalize the social protection system. Improving the efficiency of social programs and the wellbeing of poor and vulnerable groups require coordinated support by multiple government entities. Adopting modern management tools would enhance planning, facilitate coordination, and reduce inefficiencies. To date, efforts to consolidate databases have been hampered by a lack of clear institutional leadership. However, the Government has shown an increased willingness to have the Ministry of Work and Social Affairs (*Ministère des Affaires Sociales et du Travail*, MAST) spearhead social protection programming and policy, and the MAST is currently leading a collaborative effort by the donor community to develop a national social protection strategy.

53. **Substance of Prior Action:** Clearly defined leadership will facilitate the consolidation and maintenance of a unified registry of social service and social protection program beneficiaries. Unifying the registry will be crucial to identify duplication and reducing fragmentation, and it will allow for a deeper analysis of the overall distribution of spending on social programs provided by multiple agencies. Identifying duplication, coverage gaps, and opportunities for program consolidation and harmonization will enable the creation of a more efficient and coherent social protection system. The designation of the MAST as the institution responsible for unifying the social registries is a critical first step in this direction. The MAST will incorporate new households into the registry as necessary, including households benefiting from programs implemented by other line ministries and institutions. It will also eliminate ineligible households and ensure that all households are uniquely identified.

54. **Expected Outcomes:** Consolidating the three existing beneficiary registries into a single registry managed and maintained by the MAST will improve the targeting of social protection programs, reduce duplication, and improve expenditure efficiency. A single registry will provide a foundation for integrated

social protection and help leverage complementarities to enhance the effectiveness of social assistance, education, health, infrastructure, labor, agriculture, and other programs. A single registry will also facilitate financial management and expenditure analysis in the social protection sector.

> ***Prior Action 5:*** *To stabilize education financing and improve transparency and accountability in the allocation of resources in the education sector, the Recipient has enacted a law establishing the National Education Fund (Fonds National d'Éducation) with a mandate, institutional and governance structures, and operating rules.*

55. **Rationale:** The National Education Fund (*Fonds National d'Éducation*, FNE) was established in 2012. It was primarily designed to facilitate education access by reducing the out-of-pocket costs borne by parents, thereby fulfilling the constitutional mandate of providing free access to education to all children. Spending on school uniforms, books, school kits, school nutrition and health programs, and transportation imposes a heavy financial burden on Haitian households, and these costs are the most frequently cited reason for not sending children to school. The FNE also supports poor families with school-aged children by providing funding and extending tuition waivers to private primary schools. However, until 2017, the FNE lacked a clear legal mandate, institutional structure, governance arrangements, and operational rules. The FNE's budget allocations were defined on an ad-hoc basis and lacked transparency and accountability, as the number of schools receiving funding and the number of students benefitting from FNE-financed programs were unknown. Due to lack of transparency and inadequate governance, the School-Fee Waiver Program (*Programme de Scolarisation Universelle Gratuité et Obligatoire*, PSUGO) was discontinued.

56. **Substance of Prior Action:** The Government created the FNE to mobilize domestic and external resources to expand access to formal education among poor households. To enhance the efficiency of the FNE, the Government has issued a law formally establishing the FNE and defining its mandate, published rules for the allocation of resources, specified the composition of its Board of Directors, and drafted its operational manual in consultation with stakeholders. As the FNE can finance a broad range of basic-education interventions, precisely defining the composition and role of its Board of Directors is critical to ensure that FNE resources are allocated efficiently.

57. **Expected Outcomes:** The reformed School-Fee Waiver Program (*Programme Spécial de Gratuité de l' Education*) is expected to be reactivated, and resources provided by the FNE are expected to increase the number of children from poor households receiving waivers.

> ***Prior Action 6:*** *To increase the supply of programs benefiting vulnerable groups, the Recipient has submitted to its Parliament, for approval thereof, draft legislation establishing and regulating the operations of the National Solidarity Fund for the Integration of People with Disabilities (Fonds de Solidarité Nationale pour l'Intégration des Personnes Handicapées).*

58. **Rationale:** The World Health Organization estimates that over 800,000 people in Haiti suffered from disability before the 2010 earthquake, which inflicted physical and psychological injuries on 300,000 people, likely causing a sharp increase in long-term physical and mental disabilities. Haitians with disabilities are often among the poorest in the country. They face limited employment prospects and suffer considerable social stigma. In addition, people with disabilities tend to have lower levels of education, and school enrollment rates among children with disabilities are below the national average. Before 2010, only two schools in Port-au-Prince provided services to children with disabilities, and both were destroyed in the earthquake. A 2012 law emphasized the importance of integrating people with

disabilities into the labor market and imposed a fine for discriminatory hiring practices, but it did not establish positive incentives to encourage firms to hire people with disabilities. While there are currently no government-funded programs designed specifically to assist people with disabilities, the law did provide fiscal advantages to those caring for people with disabilities.

59. **Substance of Prior Action:** The creation of the National Solidarity Fund for the Integration of People with Disabilities (*Fonds de Solidarité Nationale pour l'Intégration des Personnes* Handicapées, FSNIPH) is designed to strengthen the legal framework for disability assistance. The FSNIPH complements the 2012 law described above by providing financial incentives to promote the economic and social inclusion of disabled people. The passage of the law establishing the FSNIPH will incentivize the integration of disabled people into the labor force and expand their access to education and training opportunities.

60. **Expected Outcomes**: Funding provided through the FSNIPH is expected to increase the number of programs designed to serve the needs of disabled persons. The number of beneficiaries expected to benefit from programs funded by the FSNIPH are based on best estimates given successful implementation of planned programs.

Table 3: Prior Actions and Analytical Underpinnings

Prior Actions	Analytical Underpinnings
Pillar 1: Strengthen Fiscal Management	
Prior Action 1: To improve the collection of customs revenue, the Recipient has installed the ASYCUDA in the Recipient's customs administration offices and industrial parks.	*Customs Policy: Encouraging Domestic Production* (Government of Haiti, 2018) *Evaluation of the Revenue Mobilization Project* (Foreign Affairs Canada, 2018) *Terms of Reference for an EU Study on Tax Exemptions* (European Union, 2018) *Haiti Systematic Country Diagnostic* (World Bank, 2015) *Haiti Systematic Country Diagnostic, Trade Background Note* (World Bank, 2014) *Diagnostic Trade Integration Study* (World Bank, 2013)
Prior Action 2: To strenghten control over tax expenditures, the Recipient's Ministry of Economy and Finance has published on its website the amount of tax expenditures arising from customs and tax exemptions, disaggregated by economic sector, for the past five (5) years (2012, 2013, 2014, 2015, 2016, and 2017).	*Haiti Public Expenditure Review* (World Bank, 2016) *Haiti Systematic Country Diagnostic* (World Bank, 2015)
Prior Action 3*:* To generate savings from improved cash management, the Recipient has expanded the coverage of the Treasury Single Account by consolidating existing individual bank accounts held by entities and agencies within the administrative jurisdiction of the Recipient's central government into said Treasury Single Account.	*Haiti Public Expenditure Review* (World Bank, 2016) *Haiti Systematic Country Diagnostic* (World Bank, 2015)
Pillar 2: Enhance the Efficiency of Social Spending	
Prior Action 4: To improve the efficiency of social programs, the Recipient has designated its Ministry of Social Affairs and Labor as the institution responsible for	*Haiti Public Expenditure Review* (World Bank, 2016)

the consolidation of the registries managed by the Fund for Social and Economic Assistance (*Fonds d'Assistance Économique et Sociale*) and the United Nations Development Programme (UNDP) into the Unified Beneficiary Registry (*Registre Unique du Bénéficiaire*).	*Investing in People to Fight Poverty in Haiti* (World Bank, 2014)
Prior Action 5: To stabilize education financing and improve transparency and accountability in the allocation of resources in the education sector, the Recipient has enacted a law establishing the National Education Fund (*Fonds National d'Éducation*) with a mandate, institutional and governance structures, and operating rules.	*Providing an Education of Quality in Haiti (P155191). Program Appraisal Document (World Bank,2016)* *Haiti - Education for All Project - Phase II (P124134). Program Appraisal Document (World Bank, 2014)*
Prior Action 6: To increase the supply of programs benefiting vulnerable groups, the Recipient has submitted to its Parliament, for approval thereof, draft legislation establishing and regulating the operations of the National Solidarity Fund for the Integration of People with Disabilities (*Fonds de Solidarité Nationale pour l'Intégration des Personnes Handicapées*).	*Disability in post-earthquake Haiti: prevalence and inequality in access to services*. (Disability and Rehabilitation, 37:12, 1082-1089, DOI: 10.3109/09638288.2014.956186, 2014)

4.3 LINK TO THE CPF, OTHER BANK-FINANCED OPERATIONS, AND THE WBG STRATEGY

61. **The operation is directly linked to objectives set forth in the Haiti CPF**. The CPF specifically notes that, "Haiti now needs to adjust to tighter budget constraints... [as its] heavy reliance on donor and concessional financing makes these spending items (infrastructure, health and education) particularly vulnerable to the decline in aid and in international oil prices. These tighter constraints could put into question some of the recent progress achieved in poverty reduction and human development, making the country's balancing act between developmental needs and fiscal sustainability even more challenging." Thus, the objectives of this operation, to strengthen fiscal management and enhance the effectiveness of social spending, directly support these CPF priorities and the CPF identifies budget support as a means to achieve them.

4.4 CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

62. **Although the urgency of the Government's fiscal position required that the operation be developed swiftly, the proposed program supported by the FSRDPF was developed in consultation with relevant stakeholders.** The design of the FSRDPF reflects an ongoing dialogue with the Haitian authorities and the country's major external development partners. This consultative process played an equally important role in helping define a set of measures that could realistically be met in the current challenging political climate while laying the groundwork for more ambitious actions in the future.

63. **Most of the supported reform measures have been thoroughly discussed with Haiti's other development partners**. The discussion of measures to increase domestic revenue mobilization has involved the EU, the United Nations Conference on Trade and Development (UNCTAD), and Canada, all of which have active programs in this area. UNCTAD is involved in the implementation of ASYCUDA, while Canada engages with customs issues more broadly. Revenue mobilization is also a core responsibility of the IMF, and coordination with the IMF has been extremely close. Reforms in this area have been a major theme in discussions between the donor community and the authorities, and the delivery of development assistance, particularly budget support, has frequently hinged on progress in these areas. The supported

measures to strengthen Haiti's resilience to natural disasters reflect a growing consensus among the development partners active in this area, including the IADB and the EU, regarding the need to strengthen fiscal, infrastructural, and social resilience. Finally, the reforms to improve the efficiency of social spending are based on a common understanding within the donor community that improved targeting efficiency is vital to enhance the impact of social programs.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1 POVERTY AND SOCIAL IMPACT

64. **The operation is expected to have positive direct and indirect impacts on poverty reduction and equitable growth.** The two pillars of the operation are in line with the World Bank's twin goals of eliminating poverty and promoting shared prosperity. Some of FSRDPF prior actions contribute directly to these objectives by improving the efficiency of social spending, while others contribute indirectly by supporting fiscal reforms designed to create space for increased social spending and infrastructure investment. No element of the operation is expected to have negative, or even mixed, impacts on poor and vulnerable households, nor to have negative or mixed impacts on gender differentiated outcomes.

65. **The three prior actions included under Pillar 1 of the FSRDPF support measures designed to increase public revenue mobilization, thereby boosting the available resources for public investment and service delivery, with positive implications for both poverty and equity**. Total public spending on education, healthcare, and social services averages just 3.8 percent of GDP, well below the levels of comparable countries. Increasing revenue mobilization will be vital to boost social spending. While the reforms supported under Prior Actions 1 and 2 are designed to increase revenue collection, they are not expected to have any appreciable negative impact on consumption among poor households.

66. **The implementation of the ASYCUDA customs system supported under Prior Action 1 are not expected to affect negatively poor households or small cross-border traders.** Similarly, the reforms to the tax-exemption regime under Prior Action 2 are not expected to directly impact the poor, as the exemptions in question are extended to large corporations and wealthy taxpayers, not poor households. Prior Action 3 supports PFM reforms that are not expected to have any direct implications for poor households, though a more efficient public sector may have positive indirect impacts on poverty and equity over the long term.

67. **Because administrative fragmentation undermines the efficiency of Haiti's social-protection interventions, Prior Action 4 supports the creation of a Unified Social Registry to target more accurately social-protection programs.** Most of Haiti's poor households lack access to formal insurance mechanisms, and few have substantial personal savings. Instead, the poor use informal coping mechanisms to manage income disruptions, with negative implications for their long-term social and economic development outcomes. In times of financial stress, poor households often reduce the quality or quantity of food consumed, withdraw children from school to reduce education costs, spend whatever savings they may have accrued, or borrow through informal channels. By creating a consolidated registry of social-protection beneficiaries, the Government will be able to provide more responsive and efficient assistance to poor households, limiting their recourse to adverse coping mechanisms.

68. **The formal establishment of the FNE, supported by Prior Action 5, is expected to facilitate education access, particularly among poor households.** According to the 2010/11 school census, public

schools account for just 12 percent of all schools in Haiti. Only 1 in 5 children attends a public primary school, and 1 in 4 attends a public secondary school. However, an estimated 40 percent of children from poor households attend public schools, compared to just 22 percent of children from nonpoor households. Sending children to school imposes a substantial high financial burden on households, which must pay for uniforms, books, and transportation. Haitian parents frequently cite cost as the main reason for not sending their children to school. Establishing the FNE will ease the financial burden on households by supporting the constitutional mandate of providing free schooling to all.

69. **Prior Action 6 supports the creation of the FSNIPH, which will facilitate the social and economic integration of people with disabilities.** People with disabilities are often among the poorest and most vulnerable members of society. Many lack access to employment and to other sources of income and are highly exposed to income and health shocks. Establishing the FSNIPH will improve the health and employment prospects of people with disabilities, strengthening their economic resilience and the resilience of their households.

5.2 ENVIRONMENTAL ASPECTS

70. **None of the activities supported by the operation are likely to have any significant negative environmental effects**. Prior Actions 1, 2 and 3 relate to revenue mobilization and PFM. They are not expected to have any significant positive or negative environmental impacts. The same is true for Prior Actions 4-6, which focus on the provision of education and health services.

5.3 PFM, DISBURSEMENT, AND AUDITING ASPECTS

71. **Public Expenditure and Financial Accountability (PEFA) assessments were carried out in 2007 and 2011**. The PEFA assessments provide a baseline from which to gauge the evolution of the country's PFM system, acknowledge progress, and identify persistent weaknesses. While some aspects of PFM have improved, several critical deficiencies remain. Progress has been observed on the modernization of the legal framework, the preparation and execution of the budget, the effectiveness of oversight and control systems, and the rationalization of cash management and the use of government bank accounts. However, compliance with reformed legal standards remains limited, and significant challenges remain. The content of budget documents remains incomplete, and the lack of a forward-looking perspective reduces the usefulness of the budget as a planning tool. The budget for recurrent spending is not fully aligned with the investment budget. Dialogue and coordination between the MEF, the Ministry of Planning, and the line ministries is insufficient. Not all revenues or aid inflows that finance spending by line ministries are accounted for in the budget. Finally, accounting and fiscal reporting are insufficient, particularly in terms of the accounting of final investment expenditures, the timely reconciliation of accounts, and the preparation of annual accounts. The Government launched a comprehensive PFM reform action plan in 2014. In May 2018, the IDA provided grant financing of USD 15 million to: (i) improve public financial management and reporting through introduction of a new Integrated Financial Information Management System (IFMIS); and (ii) enhance transparency and accountability by strengthening internal and external control institutions and oversight over public resources. The IFMIS system will help the Government (a) streamline and facilitate budget preparation and budget execution and control; (b) track, register, and account for all budget and financial transactions; and (c) produce more comprehensive, accurate, reliable, and timely budget reports and government financial statements.

72. **The most recent IMF safeguards assessment was conducted in 2016. The safeguards assessment concluded that there was need for improvement in some areas of governance, external auditing, and**

reserves management. In response to the recommendations of the safeguards assessment, the BRH has adopted a formal selection policy for external audits and begun rotating external auditors. The assessment also recommended adopting guidelines for internally and externally managed reserves. Other recommendations aim to strengthen oversight bodies.

73. **Disbursement, Reporting & Audit Arrangements**: The operation would consist of a single-tranche disbursement of SDR 14.3 million (US$20 million equivalent), provided on standard grant terms. The financing will be released upon effectiveness and provided that IDA is satisfied with: (i) the program being carried out by the Recipient; and (ii) the adequacy of the Recipient's macroeconomic policy framework. The Recipient is the Government of Haiti, represented by the Ministry of Economy and Finance. The operation would follow IDA's standard disbursement procedures for development policy operations and would not be linked to specific expenditures. Once the financing agreement becomes effective, and upon receipt of a withdrawal application, and provided IDA is satisfied with the program being carried out by the Government and with the appropriateness of the country's macroeconomic policy framework, the proceeds of the grant will be deposited by IDA into an account designated by the Government at the BRH, the designated account, where they will form part of the country's foreign exchange reserves. The Government will credit the local currency equivalent in its budget using the prevailing exchange rate. As a due diligence measure, IDA will obtain confirmation from the Government that the sum of the proceeds has been accounted for in the country's budget management system, including an indication of the exchange rate applied and the date of transfer. Confirmation will be expected within 30 days of disbursement. If, after being deposited in this account, the proceeds are used for excluded expenditures as defined in the Financing Agreement, IDA will require the Recipient to refund directly to IDA an amount equal to the amount of the payment promptly upon notice. Amounts refunded to IDA upon such a request will be canceled. IDA will request an audit of the dedicated account to be conducted following terms of reference and by an auditor acceptable to the Bank.

5.4 MONITORING, EVALUATION, AND ACOUNTABILITY

74. **The MEF will be responsible for coordinating and implementing the activities and reforms supported under the proposed FSRDPF as set forth in the Letter of Development Policy (LDP).** The MEF will be charged with reporting on progress, and IDA will confirm and verify the achievement of the prior actions. The confirmation and verification process may involve audits, statistical sampling, or other approaches deemed appropriate by IDA and will be an integral component of IDA's supervision of the operation.

75. **The MEF and other relevant government institutions will monitor performance indicators and report on the status of specified performance targets**. Haiti's external development partners increasingly engage in collaborative monitoring across multiple sectors with the Government's support. Other partners, including the IMF, will contribute to monitoring FSRDPF performance indicators. IDA will continuously monitor macroeconomic performance in collaboration with the IMF and other external development partners engaged in macroeconomic management.

76. **Grievance Redress**. Communities and individuals who believe they have been adversely affected by specific country policies supported as prior actions or tranche-release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local and national grievance-redress mechanisms, or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address pertinent concerns. Affected communities and individuals may submit their complaint to the World Bank's independent Inspection

Panel, which determines whether harm occurred, or could occur, as a result of the World Bank's noncompliance with its own policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the attention of the World Bank and World Bank management has been given an opportunity to respond. For information on how to submit complaints to the GRS, please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the Inspection Panel, please visit http://www.inspectionpanel.org

6. SUMMARY OF RISKS AND RISK MITIGATION

Table 4: Systematic Operations Risk-Rating Tool (SORT)

Risk Categories	**Rating (H, S, M or L)**
1. Political and governance	High
2. Macroeconomic	High
3. Sector strategies and policies	Substantial
4. Technical design of project or program	Moderate
5. Institutional capacity for implementation and sustainability	Substantial
6. Fiduciary	High
7. Environment and social	Moderate
8. Stakeholders	High
Overall	High

77. **The overall risk associated with the operation is high**. The sources of risk are diverse. Most risks have a substantial-to-high probability of occurring and a moderate-to-high anticipated impact on the achievement of the program objectives. While the program's design incorporates risk-mitigation measures, some risks cannot be fully attenuated. However, given both the critical near-term importance of the budget support provided through the operation and the longer-term implications of the supported reform agenda, management considers the potential benefits of the operation to outweigh the risks.

78. **Political and governance factors pose the greatest risks to the operation.** Haiti's political-economic context remains highly volatile. Public institutions are weak, and the political situation is a delicate balance of rival interests. While no elections are scheduled in the near-term, Haiti's history of political instability and civil unrest could lead to reform delays and reversals, as demonstrated by the recent experience with fuel-price subsidies. The operation mitigates political and governance risks by focusing on a narrow range of impactful but feasible reforms that rely on relatively uncontroversial policy actions. Reforms deemed excessively sensitive or contentious were excluded from the operation, though ongoing dialogue continues in several of these policy areas.

79. **The operation will be implemented in an environment of substantial macroeconomic risk.** Although macroeconomic stability has broadly improved over the past decade, Haiti is vulnerable to multiple sources of macroeconomic risk. Donor financing fell from 24.5 percent of GDP in 2010 to approximately 4.6 percent in FY17 and may continue to decrease, and the end of the Petrocaribe agreement compounds the decline in external support. Rising global oil prices pose an additional risk, particularly as domestic fuel prices remain heavily subsidized. Finally, Haiti's vulnerability to natural disasters poses serious threats to economic growth, fiscal stability, infrastructure, and social development. This operation seeks to mitigate some of these risks by strengthening the Government's

fiscal position and increasing its institutional resilience to shocks, but the overall macroeconomic risk remains substantial.

80. **Given the Government's severe capacity constraints and weaknesses in PFM, fiduciary risks are high**. Safeguards will be in place to ensure an appropriate and transparent transfer of resources under the operation. In the medium term, IDA-funded operations including, Supporting Governance and Oversight of Public Financial Management in Haiti (P162814), Supporting Budget Transparency in Haiti (P160322) and Additional Financing to the Haiti Statistical Capacity Building Project (P164093) should strengthen the country's systems and reduce risks. It is to be noted, however, that in DPOs, budget fungibility prevents fiduciary risks from being fully mitigated.

81. **The strong opposition to the elimination of energy subsidies in July indicates that risks regarding stakeholders who may be affected by the reforms supported by the operation are high.** While the selection of prior actions included in the policy program has taken into consideration local political economy factors, continued political and social tensions can block the successful implementation of the overall government reform agenda, even if the specific policy actions supported by the FSRDPF are unlikely to cause unintended consequences to stakeholders. This operation seeks to mitigate stakeholders' risks by assessing the scope to which potential opposition is likely to extend beyond the specific operation.

ANNEX 1: POLICY AND RESULTS MATRIX

FSRDPF Prior Actions	Indicators and Expected Results
PILLAR 1: STRENGTHEN FISCAL MANAGEMENT	
Prior Action 1: To improve the collection of customs revenue, the Recipient has installed the ASYCUDA in the Recipient's customs administration offices and industrial parks.	Customs duties as a percentage of GDP Baseline (2017): 3.5% Target (2019): 4.0%
Prior Action 2: To strenghten control over tax expenditures, the Recipient's Ministry of Economy and Finance has published on its website the amount of tax expenditures arising from customs and tax exemptions, disaggregated by economic sector, for the past five (5) years (2012, 2013, 2014, 2015, 2016, and 2017).	Number of annual updates of the database on tax exemptions on the MoF website Baseline (2017): 0 Target (2019): 1
Prior Action 3*:* To generate savings from improved cash management, the Recipient has expanded the coverage of the Treasury Single Account by consolidating existing individual bank accounts held by entities and agencies within the administrative jurisdiction of the Recipient's central government into said Treasury Single Account.	Number of accounts of government entities integrated in the Treasury Single Account Baseline (2016): 0 Target (2019): 872
PILLAR 2: ENHANCE THE EFFICIENCY OF SOCIAL SPENDING	
Prior Action 4: To improve the efficiency of social programs, the Recipient has designated its Ministry of Social Affairs and Labor as the institution responsible for the consolidation of the registries managed by the Fund for Social and Economic Assistance (*Fonds d'Assistance Économique et Sociale*) and the United Nations Development Programme (UNDP) into the Unified Beneficiary Registry (*Registre Unique du Bénéficiaire*).	Percentage of beneficiaries of social programs registered in the SIMAST (located at MAST) that will be the backbone of the Unified Social Registry Baseline (2017): 15 Target (2019): 30
Prior Action 5: To stabilize education financing and improve transparency and accountability in the allocation of resources in the education sector, the Recipient has enacted a law establishing the National Education Fund (*Fonds National d'Éducation*) with a mandate, institutional and governance structures, and operating rules.	Number of students receiving school fee waivers financed by FNE Baseline (2017): 0 Target (2019): 997,272
Prior Action 6: To increase the supply of programs benefiting vulnerable groups, the Recipient has submitted to its Parliament, for approval thereof, draft legislation establishing and regulating the operations of the National Solidarity Fund for the Integration of People with Disabilities (*Fonds de Solidarité Nationale pour l'Intégration des Personnes Handicapées*).	Number of FSNIPH job placement program beneficiaries: Baseline (2017): 0 Target (2019): 200

ANNEX 2: LETTER OF DEVELOPMENT POLICY

RÉPUBLIQUE D'HAÏTI

MINISTÈRE
DE L'ÉCONOMIE ET DES FINANCES

Le Ministre

No. DEE/BM/BM/392-Août18

Port-au-Prince, le......1 6 AOUT 2018

Monsieur Jim Yong KIM
Président de la Banque Mondiale
1818 H Street, NW
Washington, DC 20433

Réf : Accord de don de l'IDA de $ 20 millions de dollars américains en appui à la Résilience Fiscale et Sociale

Monsieur le Président,

J'ai l'avantage de vous transmettre, au nom du Gouvernement de la République d'Haïti, la lettre de politique relative à l'accord de don IDA qui vise à appuyer nos efforts pour asseoir les bases du développement et de la croissance à moyen et long terme à travers le renforcement de la mobilisation de recettes domestiques, de la transparence et de la gouvernance, notamment dans les secteurs de la protection sociale, de l'éducation et la gestion de risques et catastrophes.

Cette correspondance donne une description du contexte et des perspectives macroéconomiques, et présente les objectifs poursuivis et les réformes engagées dans le cadre de ce programme.

I. ORIENTATIONS DE LA POLITIQUE DU GOUVERNEMENT ET ÉVOLUTION RÉCENTE DE LA SITUATION MACRO-ÉCONOMIQUE

La république d'Haïti s'est dotée d'une vision qui est de faire d'Haïti un pays émergent à l'horizon de 2030. Dans cette perspective, l'action du Gouvernement vise prioritairement : (i) la lutte contre la corruption ; (ii) l'accès de la population à l'électricité; (iii) l'établissement de l'Etat de droit par le renforcement de l'appareil judiciaire et policier ; (iv) la promotion d'une croissance économique forte, inclusive et la création de l'emploi ; (v) la modernisation de la Gouvernance économique et notamment de la gestion des Finances Publiques ; et (vi) la protection de l'environnement.

Pour cela, depuis l'avènement au pouvoir du Président de la République en février 2017, un ensemble de réformes ont été engagées dans différents domaines pour soutenir le processus de transformation de notre économie et de notre société. Il faut souligner que la nécessité de renforcer les dépenses favorables à la croissance, dans les BTP par exemple, la reconstruction post-Matthew et surtout les programmes sociaux s'imposent dans le contexte actuel.

Sur le plan macroéconomique, l'évolution récente est plutôt encourageante même si des sources de fragilité liées à la situation intérieure et au contexte international continuent de peser sur l'évolution des principaux agrégats de notre pays.

La croissance économique s'est ralentie pour atteindre environ 1,2% au cours de l'exercice fiscal 2016-2017. Malgré les effets de l'ouragan Matthew qui a ravagé le pays au début de l'exercice, le secteur agricole s'est montré résilient avec une croissance de 0.8%, tandis que la construction a progressé de 0,9%. Par contre, les exportations du secteur textile et habillement vers les Etats-Unis d'Amérique ont chuté de 2,0%. Le secteur des services a progressé de 0,8% sous l'impulsion de la rubrique commerce, restaurants et hôtels. L'inflation a suivi sa tendance haussière pour se fixer à 15.4% en septembre en glissement annuel, due à la forte augmentation des prix des produits alimentaires domestiques et la hausse du coût du transport en commun. La dépréciation de la gourde s'est accélérée pour se situer à 8,0 %, sous l'effet des incertitudes liées aux élections. On est arrivé à contenir le déficit budgétaire à 2.0% du PIB. Le déficit du compte extérieur courant a atteint 2,7% du PIB, en raison principalement de la chute de la production dans le secteur textile et habillement. Ce déficit a été financé principalement par les Investissements Directs Etrangers qui ont connu une augmentation de plus de 250% par rapport à l'exercice 2015-2016. Les réserves nettes à la Banque centrale passant de 775 à 925 millions de dollar US$, gardaient ainsi un niveau raisonnable, soit l'équivalent de 4,5 mois d'importations.

II. PERSPECTIVES MACROECONOMIQUES POUR L'EXERCICE 2017-2018

Pour l'exercice 2017-2018, la croissance du Produit Intérieur Brut en termes réels était projetée pour se situer autour de 2,1%, soutenue par la bonne performance du secteur agricole, les activités BTP (Bâtiments et Travaux Publics). Toutefois, les récents évènements des 6 et7 juillet que le pays a subis après l'annonce de l'ajustement du prix des produits pétroliers pourraient compromettre les résultats escomptés, en raison de l'impact potentiel sur les services qui constituent un secteur de pointe pour le tourisme pendant la période estivale et du manque à gagner découlant de la fiscalité indirecte liée au secteur commercial. Les multiples arrêts de travail observés dans les usines d'assemblage laissent aussi entrevoir une faible performance des exportations à la fin de l'exercice, accentuant ainsi le déficit du compte extérieur courant qui devrait se situer autour de 4,0% à la fin de l'exercice. Le niveau de réserves nettes devrait se stabiliser autour de US$ 910 million, soit environ 3 mois d'importations. L'inflation devrait tourner autour de 13,5% en glissement annuel en septembre 2018. Le déficit budgétaire sera supérieur à 3,0% du PIB, compte tenu des pertes sur les recettes pétrolières dues au retrait de l'ajustement et des dépenses liées à la reconstruction post-Matthew. Ce déficit sera financé par l'émission de bons du trésor et par la Banque de la République d'Haïti (BRH).

Avec l'assèchement des ressources de Petrocaribe, la contrainte de financement se resserre. Les flux d'aide officiels revenant à leur niveau d'avant le séisme de 2010, et l'accumulation rapide de dette externe passant de moins de 700 millions en 2011 à 2.2 milliards de dollars à fin juin 2018, générée notamment dans le cadre de l'Accord Petrocaribe, nous pose le défi de développer des moyens de financements innovants pour notre économie et de cibler des investissements de qualité afin de maintenir une situation de croissance et d'endettement soutenable.

III. ORIENTATION ET DYNAMIQUE DES RÉFORMES EN APPUI A LA CROISSANCE

Dans le cadre de la poursuite de l'objectif primordial d'accélération de la croissance économique, le Gouvernement s'engage à mener une politique prudente en matière de finances publiques et d'endettement et améliorer la qualité des dépenses afin de préserver la stabilité macroéconomique. Dans ce cadre, le Gouvernement cherchera en priorité : à accroître les recettes fiscales afin de créer de l'espace budgétaire pour financer les dépenses prioritaires ; et à poursuivre le renforcement de la gestion des finances publiques et de la gouvernance économique pour améliorer la planification et la mise en œuvre du budget, mieux contrôler l'utilisation des ressources publiques et rehausser la productivité des dépenses publiques. En outre, pour créer les conditions d'une croissance plus robuste et plus durable, le Gouvernement est déterminé à favoriser le développement du secteur privé en opérant les réformes structurelles indispensables, notamment dans les secteurs de l'énergie et de la finance, ainsi que d'autres réformes relatives à l'environnement des affaires.

La réforme de la gestion des Finances Publiques, entamée depuis juin 2014, suit son cours avec l'appui des partenaires techniques et financiers. Le Gouvernement a adopté et mis en exécution un plan d'action de réforme des finances publiques (PARFIP) pluriannuel couvrant six domaines principaux :

1. ***La mobilisation des recettes***. Dans ce domaine, le Gouvernement vise essentiellement à améliorer la politique fiscale et à renforcer les administrations fiscale et douanière, en mettant l'accent sur la lutte contre la fraude et l'évasion fiscale. Ceci s'est traduit par des actions de réformes qui ont pour but : (i) de moderniser le cadre légal et règlementaire, notamment le code général des impôts et le code douanier assortis de textes d'application; (ii) d'accélérer la mise en place d'un nouveau système informatisé de gestion des impôts à la DGI ainsi que le développement et la mise en œuvre de nouvelles fonctionnalités et l'extension de SYDONIA au niveau des postes de douanes; (iii) de renforcer les contrôles aux frontières, incluant la mise en place d'infrastructures douanières , et; (iv) d'automatiser les procédures d'échange pour le traitement croisé des informations des administrations fiscales et douanières. En outre, la rationalisation des opérations de la Direction des Grands Contribuables est initiée et inclut la segmentation des contribuables avec l'opérationnalisation de la Direction traitant des petites et moyennes entreprises.

2. ***Contrôle des dépenses improductives et renforcement des piliers sociaux.*** L'Etat haïtien consentit des dépenses très élevées au titre de subvention à l'électricité d'Haïti (EdH) et sur les produits pétroliers, ceci aux dépens des secteurs de l'éducation et de la santé qui constituent le pilier du développement. Au cours de l'exercice fiscal 2016-2017, les dépenses fiscales consenties par l'Etat au titre de subvention au secteur énergie (EdH et produits pétroliers) représentaient 3.5 pour cent du PIB. Tandis que pour la même année les dépenses totales du Trésor public dans les secteurs sociaux, à savoir, Ministère de l'Education Nationale et de la Formation Professionnelle (MENFP), Ministère de la Santé et de la Population (MSPP) et Ministère des Affaires Sociales et du Travail (MAST)

n'atteignaient que 3.0 pour cent du PIB. Dans la perspective de créer de l'espace fiscal pour accroître les dépenses dans les secteurs sociaux clés, le Gouvernement a déjà entrepris une série de réformes pour améliorer la performance financière de l'EdH en vue de réduire, voire à terme éliminer, les subventions de l'entreprise étatique. Par exemple, des mesures au sein de la Direction commerciale de l'EdH ont permis d'améliorer le taux de facturation de l'entreprise qui est passé de 39 pour cent en moyenne à 43 pour cent en moyenne pendant les trois premiers trimestres de l'exercice en cours. Tandis que nous avons aussi amélioré le taux de recouvrement de 83 pour cent à 87 pour cent en moyenne sur la même période.

A moyen terme, notre but est d'atteindre un taux de facturation d'au moins 65 pour cent tout en maintenant le taux de recouvrement autour de 90 pour cent. Dans la même visée, un régulateur (ANARSE) a été créé dans le but de rompre le monopole de l'EdH et libéraliser le secteur. Des appels à manifestation d'intérêt ont été recueillis de 42 firmes nationales et internationales différentes et plusieurs ont été présélectionnées pour la production, transfert et commercialisation de l'électricité. Le processus est déjà bien avancé et nous espérons avoir des retombées positives très prochainement. Pour ce qui est des subventions aux produits pétroliers, nous avons tiré une leçon importante de la tentative infructueuse d'aligner les prix domestiques aux prix internationaux. Nous travaillons sur une stratégie de communication pour mieux conscientiser la population sur le bien-fondé de cette réforme, et l'approche qui sera désormais adopté est graduelle. En même temps, le Gouvernement travaille déjà pour renforcer la gouvernance dans le secteur de la protection sociale de façon a bien cibler la population vulnérable, susceptible d'être impactée négativement par une mesure d'augmentation des prix des produits pétroliers, pour les protéger avec l'aide de programmes sociaux conçus à cet effet.

3. ***La gestion du budget et des investissements publics***. Le Gouvernement entend améliorer le cadre de gestion budgétaire et de l'investissement public afin d'augmenter le taux d'exécution et la qualité des dépenses d'investissement. Ainsi, le Gouvernement s'est engagé à introduire progressivement une gestion budgétaire plus orientée sur les résultats en mettant en œuvre la Loi relative à l'Elaboration et à l'Exécution des Lois de Finances (LEELF) adoptée le 04 mai 2016. En outre, le Gouvernement, avec l'appui des partenaires techniques et financiers, est en train de développer et mettre en œuvre le cadre légal et réglementaire indispensable pour institutionnaliser le nouveau Système National de Planification (SNP) qui clarifiera les responsabilités des différentes entités et les modalités de mise en œuvre et de gestion des investissements publics. Enfin, pour accompagner la mise en place du nouveau SNP, le Gouvernement va élaborer et entreprendre un plan de renforcement institutionnel du Ministère chargé de la planification et des Unités d'Etude et de Programmation (UEP) au niveau des principaux ministères dépensiers.

4. ***La gestion de la trésorerie et de la comptabilité***. Avec l'appui technique et financier du FMI et de la Banque mondiale, le Gouvernement a pu fermer plus de 800 comptes bancaires et établir le Compte Unique du Trésor (CUT) après plusieurs années de travaux. Le CUT fonctionne depuis décembre 2016 avec un réseau de quatorze postes comptables couvrant tous les ministères et institutions au niveau central. De plus, le poste

comptable du département du Sud est déjà opérationnel et celui du Nord est en phase de mise en œuvre. A terme, le Gouvernement envisage de consolider le CUT en y soumettant toutes les transactions bancaires de l'Etat central et des collectivités territoriales. En ce sens, le Gouvernement poursuivra le travail d'inventaire exhaustif des comptes d'institutions publiques hébergés dans les banques commerciales, aux fins de les consolider et de les intégrer au CUT. En plus, le Gouvernement compte doter chacun des dix départements du pays de leur poste comptable départemental, de manière à déconcentrer et rendre plus transparente la gestion des ressources publiques. Enfin, le Gouvernement compte consolider la réforme de la comptabilité publique, en mettant à jour le Règlement Général sur la Comptabilité Publique de l'Etat, et en modernisant le système et l'organisation comptable de l'Etat, afin de garantir la comptabilisation de toutes les transactions et le reporting exhaustif de toutes les opérations financières de l'Etat. Dans cette perspective, le Gouvernement va aussi finaliser la transformation de la Direction du Trésor en Direction générale.

5. ***Les contrôles internes et externes, y compris l'amélioration de la transparence et de la lutte contre la corruption.*** Dans ce domaine, le Gouvernement s'est fixé l'objectif de renforcer la gouvernance et la transparence dans l'utilisation des ressources publiques, en mettant un accent particulier sur la consolidation des principales institutions chargées du contrôle externe et interne, de la passation des marchés publics et de la lutte contre la corruption. La Cour Supérieure des Comptes et du Contentieux Administratif (CSCCA) a élaboré et commencé la mise en œuvre de son plan de renforcement institutionnel 2017-2021, avec l'appui des partenaires techniques et financiers. Le nouveau texte de la loi organique de la CSCCA a été finalisé, suite à une large concertation interne et externe, et sera déposé à l'Assemblée nationale aussitôt que le contexte politique le permet. Ce nouveau texte devrait permettre à la CSCCA de mettre en œuvre les responsabilités et obligations de contrôle sur l'utilisation des ressources publiques que lui impose la Constitution. Au terme de la mise en œuvre de son plan de renforcement institutionnel, la CSCCA devrait être dotée des outils, méthodes, procédures et ressources humaines nécessaires, pour être en mesure de juger les comptes annuels des comptables publics, auditer les organismes publics autonomes et conseiller le Parlement et les autorités dans la gestion des ressources publiques. Concernant l'Inspection Générale des Finances (IGF), le MEF a entrepris plusieurs actions en vue de renforcement de ses capacités avec l'appui de la Banque mondiale et de l'Union européenne, au cours des quatre dernières années. Pour les prochaines années, le Gouvernement compte réviser le cadre légal et réglementaire de l'IGF, et renforcer les capacités des inspecteurs à conduire les audits et garantir la mise en œuvre des recommandations issues des rapports.

Pour ce qui est de la passation des marchés publics, le Gouvernement a récemment adopté une série de textes sur l'état d'urgence et les dossiers d'appel d'offres allégés. La révision du code des marchés publics est prévue pour les prochaines années pour, entre autres, séparer les fonctions de contrôle et de régulation à la CNMP, rendre le Comité de Règlement des Différends plus stable et plus fonctionnel, et surtout simplifier les procédures actuelles de passation de marché afin de nous permettre d'accélérer la mise en œuvre des projets d'investissement publics et de réaliser nos ambitions de développement. En outre, le Gouvernement envisage la mise en place des unités de passation de marchés dans les principaux ministères dépensiers pour combler les déficiences actuellement notées dans la mise en œuvre des projets et programmes publics. Enfin, la lutte contre la corruption figure en priorité dans la politique du Gouvernement et a été introduite dans toutes les feuilles de route remises aux nouveaux ministres en février 2017. Une orientation majeure du Gouvernement est de renforcer les organes de lutte contre la corruption notamment l'ULCC, en la dotant d'un statut juridique qui lui garantit une plus grande indépendance vis-à-vis des différents acteurs publics, et les pouvoirs nécessaires pour faire poursuivre et juger les personnes soupçonnées de corruption, comme le recommande la Convention des Nations Unies contre la Corruption. Dans ce cadre, une attention particulière sera donnée à la révision des textes comme (i) la loi portant organisation et fonctionnement de l'ULCC ; (ii) la protection des dénonciateurs et témoins ainsi que l'accès à l'information; (iii) et la déclaration de patrimoine.

6. ***Le système d'information***. Le Gouvernement considère la mise en place d'un système d'information performant est un objectif essentiel dans le PARFIP en raison de l'impact qu'il peut avoir sur l'efficacité, l'efficience et la transparence dans la gestion des ressources publiques. Aussi, le Gouvernement a élaboré et adopté un schéma directeur informatique (SDI) pour le Ministère des Finances depuis 2013 et a commencé sa mise en œuvre. Au cours des dernières années, la mise en œuvre du SDI a progressé, et la plupart des projets majeurs sont en cours de réalisation, notamment pour ce qui concerne : (i) la mise en place du nouveau système de gestion des impôts (SGF avec l'appui du Canada) qui va remplacer TAX SOLUTION; (ii) l'amélioration de SYDONIA à l'AGD (avec le soutien de la CNUCED) qui intègre de nouvelles fonctionnalités de contrôle et permet une meilleure gestion des risques ; (iii) et la mise en œuvre d'un nouveau système intégré de gestion du budget, de la trésorerie, de la solde et des pensions qui permettra de couvrir, comptabiliser et rapporter l'ensemble des transactions financières de l'État (avec l'appui de la Banque mondiale et de la BID), et de mieux contrôler l'utilisation des ressources publiques et de mieux informer les décisions économiques du Gouvernement. De même, des avancées notables sont enregistrées dans la modernisation et le fonctionnement du réseau informatique, avec l'appui de l'USAID et de la Banque mondiale. En outre, le Gouvernement a mis en place et est entrain de consolider la Direction des Systèmes d'information qui a bénéficié de nouveaux locaux et du recrutement d'experts informaticiens qualifiés.

   Dans le futur proche, le Gouvernement envisage de doter la DSI du cadre légal et réglementaire adéquat qui lui permettrait de disposer de manière durable, des pouvoirs indispensables ainsi que des ressources humaines et financières satisfaisantes pour un bon fonctionnement des systèmes informatiques du MEF. En outre, le Gouvernement compte renforcer les actions transversales qui conditionnent un fonctionnement efficace et une utilisation optimale des ressources et applications informatiques. A cet égard, le Gouvernement, à travers le Comité de pilotage du SDI, va prendre durant cette année, les décisions liées en particulier : (i) au back-up et au stockage des données du MEF; (ii) aux outils d'échanges de données [UXP] ; (iii) et à l'harmonisation et au renforcement des différents référentiels et nomenclatures tels que le NIF, la classification budgétaire et comptable, etc.

IV. Renforcement des capacités dans la gestion de risques et désastres

Selon une étude de la Banque mondiale, 93 pour cent de la superficie du pays et 96 pour cent de la population haïtienne sont exposées à au moins deux menaces chaque année, allant de cyclones aux sécheresses, en passant par les glissements de terrain, tremblements de terre et les inondations. Pour la période 1976-2014, les pertes et dommages associés aux évènements hydrométéorologiques à eux seuls ont été estimés à US$ 150 millions en moyenne par an, soit 1,7 % du PIB. Fort de ce constat, le Gouvernement s'engage à faire du renforcement de la capacité et de gestion des risques et désastres et la prévention des catastrophes dans le pays un pilier de sa politique de développement. Pour la mise en place d'un cadre institutionnel et règlementaire permettant de répondre de façon agile aux aléas naturels, aux fins de renforcer le Système National de Gestion de risque et désastre (SNGRD), le Gouvernement soumettra au Parlement, dès que le contexte politique le permet, le projet de loi créant le SNGRD incluant la création de la Direction Générale la Direction de Protection Civile (DGPC) et l'adoption du Plan National de Gestion de Risques et Désastres (2016-2030).

V. IV. LES RÉFORMES ENVISAGÉES DANS LE CADRE DE CE PROGRAMME ET STRATÉGIES DE MISE EN ŒUVRE

Ce programme va appuyer les efforts du Gouvernement pour renforcer les actions de l'État dans trois (2) domaines principaux, à savoir la gouvernance économique et l'efficience des dépenses sociales. Certaines des actions dans chacun des deux domaines sont expliquées plus bas :

Pilier 1 : Viabilité budgétaire et renforcement de la gestion des ressources publiques.

Ce pilier vise à renforcer la bonne gouvernance économique à travers l'augmentation des recettes domestiques, l'amélioration de la gestion des ressources publiques, le renforcement de la transparence et la reddition de comptes :

a) **Augmenter les recettes douanières par le renforcement et l'extension de SYDONIA** : Différentes applications pour l'évaluation des importations et la collecte des droits et taxes ne sont pas automatisées, ce qui peut donner lieu à des abus dans le traitement des dossiers. De ce fait, les recettes douanières représentent environ 4% du PIB et sont en dessous de leur potentiel à cause de l'application sélective et discrétionnaire des mesures en vigueur. L'extension de SYDONIA, l'interconnexion de tous les postes frontaliers, les bureaux des ports, les parcs industriels et en perspectives les zones franches, avec l'opérationnalisation des fonctionnalités de scannérisation, de paiement électronique et de déclaration de valeurs, permettra de dématérialiser les procédures douanières et augmenter les recettes, en même temps qu'elle fournira à l'Administration Générale des Douanes (AGD) le moyen de disposer en temps réel des informations sur la collecte de recettes. De plus, le Gouvernement s'engage à mettre en œuvre les fonctionnalités suivantes : 1) Déclaration de valeur en Douane ; 2) le paiement électronique, à travers au moins une banque commerciale, et; 3) la numérisation des documents. Aussi, tout port, poste frontalier, parc industriel ou zone franche nouvellement créé ou mis en place sera automatiquement à SYDONIA.

b) **Renforcer la transparence dans la gouvernance des exonérations fiscales** : dans le cadre du code des investissements de 2002, l'Etat haïtien octroie des exonérations qui, selon une étude de la Banque mondiale, équivalent à 60 pourcent de l'impôt sur le revenu. Dans un premier temps, le Gouvernement a publié sur le site du Ministère de l'Economie et des Finances (MEF) sur une base mensuelle les exonérations octroyées entre 2012 et 2017 en matière de dégrèvements fiscaux et douaniers par secteur. A compter de l'exercice fiscale 2019-2020, le Gouvernement adoptera une résolution pour publier toutes les dépenses fiscales (incluant, le cas échéant, les subventions à l'EdH, les subventions aux prix des produits pétroliers, les exonérations en matière de dégrèvements fiscaux et douaniers) dans un document annexe au projet de Loi de finances (LdF) de chaque exercice fiscal. Les dépenses fiscales publiées couvriront celles de l'exercice fiscal écoulé et les prévisions pour l'exercice fiscal dont le projet de LdF est déposé au Parlement. Dans un second temps, le Gouvernement analysera minutieusement l'impact de ces exonérations sur la création d'emploi et de richesse dans l'économie pour décider sur leur raison d'être.

c) **Améliorer la gestion des ressources publiques** : La mise en place du CUT après la fermeture de plus de 800 comptes bancaires et la mise en place des postes comptables représente un pas décisif dans la gestion des ressources publiques. Toutefois, des comptes bancaires de l'État hébergés à la BNC et d'autres banques commerciales privées doivent être rapatriés au CUT pour assurer la couverture totale de toutes les transactions de l'État. En conséquence, le Gouvernement s'engage à faire le dénombrement desdits comptes, aux fins de les consolider et de les intégrer dans le CUT.

Pilier 2 : Améliorer l'efficience des dépenses sociales

Ce pilier vise à renforcer la gouvernance des dépenses sociales, à travers la mise en place d'un cadre institutionnel pour la gestion des bases de données des bénéficiaires des programmes sociaux, l'établissement du Fonds national d'éducation et l'adoption de la loi établissant et régulant le fonctionnement du Fonds de Solidarité Nationale pour l'Intégration des Personnes Handicapées (FSNIPH) :

a) **Consolidation de la base de données des bénéficiaires de programmes sociaux** : plusieurs partenaires de développement interviennent dans le secteur de protection sociale à travers différents programmes et projets, chacun utilisant leur propre registre. Ceci ne permet pas de faire le suivi à un niveau centralisé des différents programmes et leurs bénéficiaires, afin d'éviter des doublures tant au niveau de ces programmes et projets et de leurs bénéficiaires. Fort de ce constat, le Gouvernement a pris les dispositions pour consolider les différentes bases de données en une seule qui servira de Registre Unique de Bénéficiaire (RUB), dont la responsabilité incombe exclusivement au Ministère des Affaires Sociales et du Travail (MAST).

b) **Etablissement du Fonds national d'éducation** : La constitution de 1987 amendée, en son Article 32.1, fait de l'éducation une charge de l'Etat qui doit mettre l'école gratuitement à la portée de tous. Pourtant, plus de 80% de l'offre scolaire est assurée par des entités non publiques représentant des coûts énormes pour la population et en particulier pour les ménages les plus pauvres. Fort de ce constat, l'Etat haïtien a publié la loi portant création, organisation et fonctionnement du Fonds National d'Education (FNE) en vue de mobiliser des ressources diverses pour aider le Ministère de l'Éducation Nationale et de la Formation Professionnelle (MENFP) et les autres acteurs institutionnels du système national d'éducation à atteindre l'objectif étatique d'éducation obligatoire, gratuite et universelle.

c) **Adoption de la loi sur le fonctionnement du Fonds de Solidarité Nationale pour l'Intégration des Personnes Handicapées (FOSNIPH)** : Selon l'Organisation Mondiale de la Santé (OMS) plus de 800.000 personnes en Haïti souffraient d'un handicap quelconque avant le séisme de 2010, ce qui est venu accentuer ce phénomène. Selon le rapport de la Banque mondiale sur la pauvreté, les personnes handicapées en Haïti sont en général moins éduquées, et donc les plus pauvres. Les personnes souffrant d'un handicap quelconque ont une mobilité réduite à cause de manque d'infrastructures adéquates. Fort de ce constat, le Gouvernement a adopté la loi sur le fonctionnement du Fonds de solidarité nationale pour l'intégration des personnes handicapées (FOSNIPH), en vue de faciliter leur insertion sur le marché du travail et d'améliorer les conditions de celles qui y sont déjà.

Le Gouvernement apprécie l'engagement de la Banque Mondiale pour la conduite de cette opération, et renouvelle son engagement à poursuivre la mise en œuvre de sa politique de renforcement de la gouvernance et de la transparence.

Assuré de l'attention que vous accorderez à cette requête, le Gouvernement de la République d'Haïti vous présente, **Monsieur le Président,** l'expression de sa haute considération.

Jude Alix Patrick **SALOMON**
Ministre de l'Économie et des Finances

LETTER OF DEVELOPMENT POLICIES (TRANSLATED)

Dr. Jim Yong Kim
President of the World Bank
1818 H Street, NW
Washington, DC 20433

Re: **IDA Grant of US$20.0 million to strengthen Fiscal and Social Resilience**

Dear Dr. Kim,

On behalf of the Government of the Republic of Haiti, I am pleased to provide you with the Letter of Development Policy concerning the IDA grant agreement that aims to support our efforts to lay the foundations for medium- and long-term growth by strengthening domestic revenue mobilization, transparency and governance, especially in the social protection, education, and risk and disaster management sectors.

This letter provides a description of the macroeconomic context and outlook and describes the goals pursued and the reforms undertaken as part of this program.

I. GOVERNMENT'S POLICY DIRECTIONS AND RECENT MACROECONOMIC DEVELOPMENTS

The Government of Haiti has a vision of turning Haiti into an emerging country by 2030. With this goal in mind, the Government's action aims primarily to (i) combat corruption, (ii) provide universal access to electricity; (iii) establish the rule of law by bolstering the legal and policing systems; (iv) promote strong, inclusive economic growth and job creation; (v) modernize economic governance in particular public finances management; and (vi) protect the environment.

In order to achieve the above, since the new Government came to power in February 2017, a set of reforms has been undertaken in various areas aimed at supporting the process of transforming our economy and our society. In the current context, the vital need to increase growth-promoting expenditure, in the building sector for example, on reconstruction post-Matthew, and especially on social programs should be highlighted.

On the macroeconomic level, recent developments are rather encouraging even though sources of weakness linked to the domestic situation and the international context continue to weigh on the development of the main aggregates of our country.

Economic growth slowed to 1.2 percent over the course of FY 2016/17. Despite the effects of Hurricane Matthew, which ravaged the country early in the year, the agricultural sector proved to be resilient, with growth of 0.8 percent, while construction grew by 0.9 percent. However, exports by the textile and clothing sector to the United States of America fell by 2.0 percent. The services sector grew by 0.8 percent driven by trade, restaurants, and hotels. Inflation continued its upward trend, reaching 15.4 percent in September year-on-year due to the sharp increase in domestic food prices and the rise in the cost of public transport. The gourde depreciated rapidly by 8.0 percent as a result of the uncertainties surrounding the elections. We managed to contain the budget deficit at 2.0 percent of GDP. The external current account deficit reached 2.7 percent of GDP, mainly because of the decline in production in the textile and clothing sector. This deficit was financed mainly by foreign direct investments, which increased by over 250 percent compared with FY 2015/16. Net reserves at the Central Bank rose from US$775 million to US$925 million, thus retaining a reasonable level at the equivalent of 4.5 months of imports.

II. MACROECONOMIC OUTLOOK FOR FY 2017/18

For FY 2017/18, GDP growth in real terms was projected to reach around 2.1 percent, supported by the good performance of the agricultural sector and construction. Nevertheless, the recent events of July 6 and 7 following the adjustment of oil products could jeopardize expected results because of the potential impact on services, which make up a key sector for tourism during the summer season and the loss of revenue from indirect taxation linked to the commercial sector. The multiple stoppages at assembly plants also mean a likely poor performance of exports at the end of the year, increasing the exterior current account deficit, which should stand at around 4.0 percent at the end of the year. Net reserves should stabilize at around US$910 million, representing 3 months of imports. Inflation is expected to be around 13.5 percent year-on-year in September 2018. The budget deficit will exceed 3.0 percent of GDP as a result of the loss of oil earnings following the cancellation of the adjustment and spending related to post-Matthew reconstruction. This deficit will be financed by the issue of Treasury Bills by the *Banque de la République d'Haïti* (BRH).

As PetroCaribe's resources dry up, the financing constraint will increase. With official aid flows returning to levels prior to the 2010 earthquake and the rapid accumulation of external debt, which rose from US$700 million 2011 to US$2.2 billion at end-June 2018, mainly generated under the PetroCaribe Agreement, we are faced with the challenge of developing innovative means for financing our economy and targeting quality investments in order to maintain a sustainable growth and debt path.

III. DIRECTION AND DYNAMIC OF REFORMS TO SUPPORT GROWTH

Pursuing our main aim of stepping up the pace of economic growth, the Government has undertaken to implement a cautious policy in terms of public finances and debt and to improve the quality of expenditure in order to preserve macroeconomic stability. In this context, the Government will seek, as a priority, to increase tax revenues in order to create fiscal space to finance priority expenditure and to continue to strengthen public finance management and economic governance in order to improve budget planning and implementation, better control the use of public resources, and improve the effectiveness of public spending. Additionally, seeking to create conditions for more robust and sustainable growth, the Government is determined to encourage private sector development by introducing indispensable structural reforms, especially in the energy and finance sectors, along with other reforms relating to the business environment.

<u>The reform of public finance management, which commenced in June 2014,</u> is ongoing with support from our technical and financial partners. The Government has adopted and implemented a multi-year action plan to reform public finances (PARFIP) that covers six main areas:

1. ***Revenue mobilization***. In this area, the Government is aiming essentially to improve the taxation policy and bolster the tax and customs departments by focusing on combating fraud and tax evasion. This has led to reforms that are aimed at (i) modernizing the legal and regulatory framework, in particular the General Tax Code and the Customs Code along with implementing provisions; (ii) speeding up the roll-out of a new computerized system for managing taxation in

the tax department (DGI) as well as developing and implementing new functionalities and extending ASYCUDA to customs posts; (iii) stepping up border controls, including the implementation of customs infrastructure, and; (iv) automating exchange procedures for transversal processing of information from the tax and customs authorities. Additionally, the rationalization of operations in the Large Taxpayers Department has been initiated and includes taxpayer segmentation with operationalization of the Department responsible for small to medium enterprises.

2. ***Control of unproductive expenditure and strengthening of social pillars.*** The Haitian Government allocates considerable amounts of expenditure to subsidizing the electricity company *Eléctricité d'Haïti* (EdH) and oil products, to the detriment of education and health, which constitute the backbone of development. Over the course of FY 2016/17, tax expenditures allocated by the Government to subsidize the energy sector (EdH and oil products) accounted for 3.5 percent of GDP, whereas for the same year, total government expenditure on the social sectors, i.e. the Ministry of National Education and Vocational Training (MENFP), the Ministry of Health and Population (MSPP), and the Ministry of Social Affairs and Employment (MAST) only amounted to 3.0 percent of GDP. Seeking to create fiscal space to increase expenditure in the key social sectors, the Government has already undertaken a series of reforms to improve the financial performance of EdH with a view to reducing, and over the long term eliminating, subsidies to this State-owned company. For example, measures taken within the EdH sales department have led to an increase in the company's billing rate, which rose from an average of 39 percent to an average of 43 percent over the first three quarters of the year underway. We also improved the collection rate from 83 percent to 87 percent on average over the same period. Medium term, our goal is to achieve a billing rate of at least 65 percent, while maintaining the collection rate at around 90 percent. Similarly, a regulator (ANARSE) was created with the aim of breaking EdH's monopoly and opening up the sector. Expressions of Interest have been received from 42 national and international companies, and several have been pre-selected for the generation, transfer, and marketing of electricity. The process is already well under way, and we hope to see positive impacts very soon. With regard to oil product subsidies, we have learned an important lesson from the unsuccessful attempt to align domestic prices with international prices. We are working on a communications strategy that will raise people's awareness of the merits of this reform, and a gradual approach will be adopted from now on. At the same time, the Government is already working on strengthening governance in the social protection sector so as to accurately target the most vulnerable people who are likely to be negatively impacted by measures to increase the prices of oil-based products, so as to protect them through social programs that have been designed for this purpose.

3. ***Management of the budget and of public investments.*** The Government intends to improve the framework for managing the budget and public investments in order to increase the implementation rate and the quality of spending on investments. Accordingly, the Government has undertaken to gradually introduce a more results-based budget management system by implementing the Law on the Drafting and Implementation of Budgets (LEELF) adopted on May 4, 2016. Furthermore, the Government, with the support of our technical and financial partners, is in the process of developing and implementing the legal and regulatory framework that is indispensable for institutionalizing the National Planning System (SNP), which clarifies the responsibilities of the various entities and the methods for implementing and managing public investments. Finally, to support the implementation of the new SNP, the Government will draw

up and implement a plan that will institutionally strengthen the Ministry responsible for planning and the Study and Programming Units (UEPs) at the main spending ministries.

4. ***Cash and accounting management.*** With technical and financial support from the IMF and the World Bank, the Government was able to close over 800 bank accounts and set up the Treasury Single Account (TSA) after several years' work. The TSA has been up and running since December 2016 with a network of 14 accounting positions covering all ministries and institutions centrally. Additionally, the accounting position of the Sud department is already operational and that of the Nord department is in the implementation phase. Long term, the Government plans to consolidate the TSA by submitting all central government and local authority banking transactions to it. Continuing in this vein, the Government will pursue the comprehensive inventorying of public institution accounts at commercial banks in order to consolidate them and integrate them into the TSA. Furthermore, the Government intends to set up a departmental accounting position for each of the 10 departments in the country in order to decentralize the management of public resources and to make it more transparent. Finally, the Government plans to consolidate the reform of public accounting by updating the General Regulations on its Public Accounting and by modernizing its accounting system and organization in order to guarantee that all government transactions are properly booked and all financial operations are fully reported. With this in mind, the Government will also finalize the transformation of the Treasury Department into a General Directorate.

5. ***Internal and external controls, including the improvement of transparency and the fight against corruption.*** In this area, the Government has set itself the goal of strengthening governance and transparency in the use of public resources by focusing specifically on the consolidation of the main institutions responsible for external and internal control, the awarding of government contracts, and the fight against corruption. The Superior Court of Accounts and Administrative Disputes (CSCCA) has drawn up and started to implement its 2017-21 institutional reinforcement plan with the support of our technical and financial partners. The new text of the CSCCA organic law has been finalized following wide internal and external consultation and will be tabled in the National Assembly as soon as this is feasible given the political context. This new text will enable the CSCCA to implement responsibilities and obligations to control the use of public resources imposed on it by the Constitution. In terms of the implementation of its institutional reinforcement plan, the CSCCA must be given the necessary tools, methods, procedures, and human resources so that it is in a position to assess the annual accounts drawn up by public accountants, audit the autonomous public bodies, and advise Parliament and the authorities on public resources management. With regard to the General Inspectorate of Finances (IGF), the Ministry of the Economy and Finance (MEF) has undertaken several actions over recent years with a view to strengthening its capacities with the support of the World Bank and the European Union. Over the coming years, the Government intends to revise the legal and regulatory framework of the IGF and improve inspectors' abilities to conduct audits and guarantee the implementation of recommendations that come out of reports. With regard to the awarding of government contracts, the Government recently adopted a series of provisions on the state of emergency and streamlined tender procedures. There are plans to revise the Government Contracts Code over the coming years in order, among other matters, to separate the control and regulation functions at the CNMP, make the Disputes Settlement Committee more stable and more functional, and most importantly, simplify existing procedures for awarding contracts so that we can speed up the implementation of public investment projects and achieve our development ambitions. Furthermore, the Government is planning to set up contract awarding units in the main spending

ministries in order to address shortcomings that currently exist in the implementation of public projects and programs. Finally, the fight against corruption is a priority in the Government's policy and has been included in all the roadmaps provided to new Ministries in February 2017. One of the Government's major focuses is to strengthen the anti-corruption bodies, in particular the ULCC by giving it legal status and guaranteeing it greater independence vis-à-vis the various public stakeholders and the necessary powers to prosecute and try those suspected of corruption, as recommended in the United Nations Convention Against Corruption. In this context, special attention will be paid to provisions such as (i) the law on the organization and functioning of the ULCC; (ii) the protection of whistleblowers and witnesses along with access to information; and (iii) the declaration of assets.

6. ***The information system.*** The Government considers that the implementation of an information system is a vital objective of the PARFIP given the impact it could have in the effectiveness, efficiency, and transparency of public resources management. Furthermore, the Government has drawn up and adopted an IT master plan (SDI) for the Ministry of Finance since 2013 and has commenced implementation thereof. Over recent years, the implementation of the SDI has progressed and most of the major projects are currently being developed, in particular those that concern (i) the setting up of a new tax management system (SGF with the support of Canada) that will replace TAX SOLUTION; (ii) the improvement of ASYCUDA at the General Customs Authority (AGD) (with the support of the CNUCED), which integrates new control functionalities and enables better risk management; and (iii) the implementation of a new integrated system for managing the budget, cash, the balance and pensions which will make it possible to cover, record, and report all of the Government's financial transactions (with the support of the World Bank and the IBD), and to better control the use of public resources and better inform economic decisions made by the Government. Similarly, considerable progress has been recorded in the modernization and the functioning of the IT network, with the USAID and the World Bank. Additionally, the Government has set up and is in the process of consolidating the Information Systems Department (DSI), which was provided with new premises and has hired qualified IT staff.

7. In the near future, the Government intends to provide the DSI with an appropriate legal and regulatory framework that will give it long-term powers which, along with satisfactory human and financial resources, are indispensable for the proper functioning of the MEF's IT systems. Additionally, the Government intends to strengthen crosscutting actions that condition the efficient functioning and optimal utilization of IT resources and applications. In this regard, during the course of this year, the Government will, through the SDI steering committee, take decisions relating specifically to (i) the backup and storage of the MEF's data; (ii) data exchange tools [UXP]; and (iii) the harmonization and strengthening of the different references and nomenclatures such as the NIF, and the budget and accounting classification, etc.

8. **Increasing capacities for risk and disaster management.** According to a World Bank study, 93 percent of the country's surface area and 96 percent of the population are exposed to at least two threats every year, ranging from cyclones to droughts, and including landslides, earthquakes, and floods. For the 1976-2014 period, losses and damage associated with hydro-meteorological events alone were estimated at an average of US$150 million per year, or 1.7 percent of GDP. On this basis, the Government has undertaken to make the increase of capacities for managing risks and disasters and the prevention of catastrophes in the country a pillar of its development policy. For the purpose of putting in place an institutional and regulatory framework that will enable it to respond in an agile manner to natural hazards, in order to strengthen the National System for

Managing Risks and Disasters (SNGRD), the Government will, as soon the time is right from a political standpoint, submit to Parliament the draft law setting up the SNGRD. This draft law includes the creation of the General Directorate of Civil Protection (DGPC) and the adoption of the National Plan for Managing Risks and Disasters (2016-2030).

IV. REFORMS ENVISAGED WITHIN THE FRAMEWORK OF THIS PROGRAM AND STRATEGIES TO BE IMPLEMENTED

This program will leverage government efforts to bolster State actions in two (2) primary areas: economic governance and efficient social spending. Some of the actions in each of these two areas are explained below.

Pillar 1: **Budget viability and strengthening public resources management**

This pillar aims to strengthen good economic governance by increasing domestic revenue, improving public resources management, increasing transparency and accountability:

a) **Increase customs revenue by strengthening and extending ASYCUDA**: The various applications for valuing imports and collecting duties and taxes are not automated, which could result in errors when files are processed. Accordingly, customs revenue accounts for 4 percent of GDP, which is below potential revenue due to the selective and discretional application of existing measures. The extension of ASYCUDA, the interconnection of all border posts, industrial parks and future free zones, with implementation of scanning, electronic payment, and declaration of values functionalities, will make it possible to dematerialize customs procedures and increase revenue and at the same time, provide the General Customs Authority (AGD) with real-time access to information on revenue collection. Furthermore, the Government undertakes to implement the following functionalities: (i) declaration of customs value; (ii) electronic payment through at least one commercial bank; and (iii) digitalization of documents. Additionally, any port, border post, industrial park, or free zone that is newly created or set up will be automatically linked to ASYCUDA.

b) **Increase transparency in the governance of tax exemptions**: Within the framework of the 2002 Investments Code, the Haitian Government grants exemptions which, according to a study by the World Bank, are equal to 60 percent of income tax. Initially, the Government published exemptions granted between 2012 and 2017 in terms of tax and customs relief by sector on the MEF website on a monthly basis. From FY 2019-20, the Government will adopt a resolution to publish all tax expenditure (including, if applicable, EdH subsidies, oil product price subsidies, exemptions in terms of tax and customs relief) in a document appended to the draft budget for each fiscal year. Tax expenditure published will cover figures for the past year and forecasts for the fiscal year set out in the draft budget tabled in Parliament. Next, the Government will carefully analyze the impact of these exemptions on the creation of jobs and wealth in the economy in order to decide whether they should be continued.

c) **Improve public resources management**: The establishment of the TSA following the closure of over 800 bank accounts and the setting up of accounting positions is a decisive step in the management of public resources. However, government bank accounts at the BNC and other private commercial banks must be repatriated to the TSA in order to ensure full coverage of all government transactions. Consequently, the Government undertakes to make a list of the said accounts in order to consolidate them and integrate them into the TSA.

Pillar 2: Improved efficiency of social spending

This pillar aims to strengthen the governance of social spending by setting up an institutional framework for managing the databases of social program beneficiaries, establishing the National Education Fund, and adopting the law establishing and regulating the function of the National Solidarity for the Integration of the Disabled Fund (FSNIPH):

a) **Consolidate the database of social program beneficiaries**: Several development partners are active in the social protection sector through various programs and projects, with each of them using their own register. This means that there is no centralized monitoring of the different programs and their beneficiaries which would avoid duplication, both in terms of these programs and projects and of their beneficiaries. With this in mind, the Government has taken steps to consolidate the different databases into a single register, which will serve as the Single Register of Beneficiaries (RUB), which falls under the exclusive responsibility of the Ministry of Social Affairs and Employment (MAST).

b) **Establish the National Education Fund**: Article 32.1 of the 1987 Constitution (as amended) makes education a responsibility of the Government, which must provide free schooling that is accessible to all. However, 80 percent of schooling is provided by non-State entities and represents a major expense for people, especially for very poor households. Consequently, the Haitian Government published the law for the establishment, organization, and functioning of the National Education Fund (FNE) with a view to mobilizing diverse resources to help the Ministry of National Education and Vocational Training (MENFP) and other institutional stakeholders in the national education system achieve the Government's objective of obligatory, free, and universal education.

c) **Adopt the law on the functioning of the National Solidarity for the Integration of the Disabled Fund (FOSNIPH)**: According to the World Health Organization (WHO), over 800,000 people in Haiti were in some way disabled before the 2010 earthquake, which only exacerbated the problem. According to the World Bank report on poverty, disabled people in Haiti are generally less well-educated and thus poorer. People who are in some way disabled have reduced mobility as a result of the lack of appropriate infrastructure. Accordingly, the Government adopted the law on the functioning of the National Solidarity for the Integration of the Disabled Fund (FOSNIPH), with a view to facilitating their integration in the workplace and improving the conditions of those who are already employed.

The Government appreciates the World Bank's involvement in carrying out this operation and reiterates its commitment to pursue the implementation of its policy to improve governance and transparency.

The Government of the Republic of Haiti thanks you for your consideration of this request.

Sincerely yours,

Jude Alix Patrick **Salomon**
Minister of Economy and Finances
Republic of Haiti

ANNEX 3: FUND RELATIONS NOTE

Haiti—Assessment Letter for the World Bank

August 9, 2018

1. **The government of President Jovenel Moïse took office in February 2017 with a program of public investment and structural reforms aimed at laying the foundation for faster sustainable growth.** In March 2018, the government agreed with Fund staff on a set of policies that were supported by a Staff Monitored Program (SMP). The goal of the program is to promote poverty alleviation by increasing economic growth while preserving macroeconomic stability. Key fiscal challenges include improving the solvency and efficiency of the public electricity utility (EDH) and strengthening central government revenues by phasing out the sizable subsidies for imported fuel. These measures would allow for increased spending on public infrastructure and a social safety net, while containing monetary financing of the fiscal deficit. Other key reforms include social measures to protect the most vulnerable, safeguards related to central bank operations, and a road map for tax reform.

2. **The authorities have made good progress under the SMP.** The authorities met almost all of the end-March quantitative performance criteria, and all but one of the end-March structural benchmarks (although the unmet structural benchmark was later implemented). The government met the end-March ceiling for an adjusted deficit of 2.2 percent of GDP for the fiscal year-to-date. Expenditure for hurricane reconstruction during this period, which is excluded from the calculation of the adjusted deficit, is estimated at 0.6 percent of GDP, resulting in an unadjusted year-to-date deficit of 2.8 percent of GDP. The end-March NIR floor of US$ 825 million was also met, at US$ 832 million in March. Increases in global oil prices prevented achievement of the end-March ceiling for the fuel stabilization fund, which was calculated using February WEO oil price projections that proved to be too low. The authorities met the end-March structural benchmarks for publication of the FY2017/18 EDH budget and promulgation of a tax reform roadmap, and published a hurricane expenditure report, thereby implementing an additional end-March benchmark, in May. The average billing rates of EDH rose from 39 percent in August December 2017 to 47 percent in January - May 2018, showing progress toward the end-June benchmark of 50 percent. There has also been progress towards meeting an end-August structural benchmark requiring the shortlisting of bidders to replace two expired electricity supply contracts,

3. **One reform the authorities were unable to implement was the elimination of the subsidies on fuel prices by end June 2018.** The authorities had developed a package of measures to mitigate the social and political impact of the fuel price reform that have been strongly supported through technical advice by other donors, including the European Union, Inter- American Development Bank, and the World Bank. Nonetheless, on July 6, the government announced an increase in prices for gasoline (38 percent), diesel (47 percent) and kerosene (51 percent) to be effective immediately, but then suspended the price hikes and the accompanying mitigating measures before they were implemented amid widespread protests that

had quickly turned violent. Subsequently, the Prime Minister, Jack Guy Lafontant, resigned as members of Parliament expressed dissatisfaction with the government's performance, calling attention not only to the fuel price reform failure and the handling of its aftermath, but also to a lack of progress in fighting corruption, and to claimed mismanagement of public finances.

4. **The political situation has stabilized following the early July demonstrations, and a new government is likely to be named soon.** It is generally expected that President Moïse will name a new prime minister within the next one or two weeks, and that the process of filling out the new government would begin immediately thereafter. The authorities have indicated that they wish to continue their engagement with the Fund and other donors, and that they remain committed to a program of reform accompanied by needed social measures.

5. **Against this background, Haiti's macroeconomic situation is expected to remain broadly stable.** Real GDP growth is projected to rise to 2.0 percent in FY 2017/18 (fiscal year ends in September), the fastest rate in four years, supported by recovery of the agricultural sector from the effects of Hurricane Matthew, and a rise in public investment. Inflation has fallen from a post-hurricane high of 15.8 percent in June 2017 to 12.7 percent y/y in May 2018 and is projected to end the fiscal year at 13 percent y/y. In FY 2017/18, the current account deficit is expected to remain unchanged at 4 percent of GDP, as increases in remittances and aid flows more than offset a decline in net exports. The current account deficit will be financed primarily by external loans to the public sector, foreign direct investment, and private loans. The stock of net international reserves is projected to end the fiscal year at US$ 912 million in September. The external position is broadly consistent with fundamentals and desirable policy settings.

6. **The fiscal position is still expected to benefit from several of the measures under the SMP.** Non-fuel sources of revenue registered gains in the first half of FY 2017/18 relative to the previous year, with improved collection rates in indirect taxes, such as sales taxes, customs duties, and excise taxes, and direct taxes including income taxes. The projected improvement in EDH's billing rate from 40 to 50 percent is expected to generate revenue gains equivalent to 0.25 percent of GDP in FY 2017/18, as newly-billed customers are encouraged to regularize their accounts. By end-September, EDH aims to achieve a billing rate of 65 percent, through a set of measures including the installation of radio controlled meters and the adoption of a fixed usage fee for consumers who obtain electricity from shared unmetered connections. Achievement of a 65 percent billing rate would reduce EDH's losses by 0.9 percent of GDP a year.

7. **On this basis, the underlying nonfinancial public sector (NFPS) budget deficit (which excludes hurricane reconstruction spending) is projected to reach 2.6 percent of GDP in FY2017/18, 0.2 percent of GDP wider than the target under the SMP.** The gap between this projection and the SMP target is fully attributable to the revenue losses arising from the maintenance of fuel subsidies. Staff expects that the government will curtail planned public investment somewhat in response to the revenue shortfall. The government will undertake additional extraordinary expenditure of 0.8 percent of GDP for reconstruction from Hurricane Matthew, bringing the overall deficit to 3.4 percent of GDP. The deficit will be financed through external concessional loans. Financing from the central bank would still broadly fall within the

limits under the SMP, although this projection assumes that financing from donors would still reach about US$90 million by the end of the fiscal year.

8. **The Fund remains committed to working with the authorities to reach agreement on policies that could be supported by an ECF.** The authorities have demonstrated a strong commitment to reform, by making good progress under most reforms under the SMP. Moreover, prior to the adoption of the SMP, the authorities maintained demand policies that broadly preserved macroeconomic stability. An essential component of a Fund-supported program would be the adoption of measures that would develop an effective social safety net. The government will also need to adopt fiscal revenue measures, streamline non-essential current expenditures, and continue with steps to strengthen EDH and pursue other governance reforms. A more robust revenue base would allow for a stronger social safety net and additional public investment, while helping to reduce the need for central bank financing of the deficit. Other key measures to boost growth over the medium term include regulatory and administrative reforms to improve investment incentives and promote exports, comprehensive energy sector reforms to reduce costs and diversify the energy supply, and improvement of public health and sanitation.

ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

Actions	Significant positive or negative environment effects	Significant poverty, social or distributional effects positive or negative
Prior Action 1: To improve the collection of customs revenue, the Recipient has installed the ASYCUDA in the Recipient's customs administration offices and industrial parks.	No	No
Prior Action 2: To strenghten control over tax expenditures, the Recipient's Ministry of Economy and Finance has published on its website the amount of tax expenditures arising from customs and tax exemptions, disaggregated by economic sector, for the past five (5) years (2012, 2013, 2014, 2015, 2016, and 2017).	No	No
Prior Action 3: To generate savings from improved cash management, the Recipient has expanded the coverage of the Treasury Single Account by consolidating existing individual bank accounts held by entities and agencies within the administrative jurisdiction of the Recipient's central government into said Treasury Single Account.	No	No
Prior Action 4: To improve the efficiency of social programs, the Recipient has designated its Ministry of Social Affairs and Labor as the institution responsible for the consolidation of the registries managed by the Fund for Social and Economic Assistance (*Fonds d'Assistance Économique et Sociale*) and the United Nations Development Programme (UNDP) into the Unified Beneficiary Registry (*Registre Unique du Bénéficiaire*).	No	Positive
Prior Action 5: To stabilize education financing and improve transparency and accountability in the allocation of resources in the education sector, the Recipient has enacted a law establishing the National Education Fund (*Fonds National d'Éducation*) with a mandate, institutional and governance structures, and operating rules.	No	Positive
Prior Action 6: To increase the supply of programs benefiting vulnerable groups, the Recipient has submitted to its Parliament, for approval thereof, draft legislation establishing and regulating the operations of the National Solidarity Fund for the Integration of People with Disabilities (*Fonds de Solidarité Nationale pour l'Intégration des Personnes Handicapées*).	No	Positive