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Haiti Covid-19 Response and Resilience Development Policy Operation (P171474)

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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT FOR A

PROPOSED GRANT

IN THE AMOUNT OF SDR 14.6 MILLION (EQUIVALENT TO US\$20 MILLION) TO

THE REPUBLIC OF HAITI

FOR THE

HAITI COVID-19 RESPONSE AND RESILIENCE DEVELOPMENT POLICY OPERATION

June 16, 2020

Urban, Disaster Risk Management, Resilience and Land Global Practice
Latin America and Caribbean Region

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Republic of Haiti

GOVERNMENT FISCAL YEAR

October 1 – September 30

CURRENCY EQUIVALENTS

(Exchange Rate Effective as May 31, 2020)

Currency Unit

US\$1.00 = 0.72885235 SDR

ABBREVIATIONS AND ACRONYMS

BRH	Central Bank of Haiti (Banque de la République d'Haïti)
CAD	Current Account Deficit
CDC	Center for Diseases Control
CEF	Extended Credit Facility
CPF	Country Partnership Framework
CCPC	Municipal Civil Protection Committee (<i>Comité Communal de Protection Civile</i>)
CDPC	Departmental Civil Protection Committee (<i>Comité Départemental de Protection Civile</i>)
CMGP COVID-19	Multisectoral Commission for the Management of the COVID-19 Pandemic (<i>Commission multisectorielle de gestion de la pandémie de Covid-19</i>)
CNIGS	National Center for Geospatial Information
CNGRD	National Committee for Disaster Risk Management (<i>Comité National de Gestion des Risques et des Désastres</i>)
COUN	National Emergency Operation Center (<i>Centre d'opération d'urgence national</i>)
COVID-19	Coronavirus Disease
CPI	Consumer Price Index
DGPC	Civil Protection General Directorate (<i>Direction Générale de la Protection Civile</i>)
DPC	Civil Protection Directorate (<i>Direction de la Protection Civile</i>)
DPF	Development Policy Financing
DPO	Development Policy Operation
DRM	Disaster Risk Management
DSA	Debt Sustainability Analysis
EDH	Electricité d'Haïti
FA	Financing Agreement
FCV	Fragile, Conflict, and Violence
FDU	Emergency Fund (<i>Fonds d'Urgence</i>)
FTCF	Fast Track COVID-19 Facility
GDP	Gross Domestic Product
GoH	Government of Haiti
GRS	Grievance Redress Service
IBRD	International Bank for Reconstruction and Development
IADB	Inter-American Development Bank

IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFMIS	Integrated Financial Information Management System
IHR	International Health Regulations
IMF	International Monetary Fund
JEE	Joint External Evaluation
LDP	Letter of Development Policy
LNSP	National Laboratory of Public Health
IPF	Investment Project Financing
MARNDR	Ministry of Agriculture, Natural Resources and Rural Development (<i>Ministère de l'Agriculture, Ressources Naturelles et Développement Rural</i>)
MAST	Ministry of Social Affairs and Labor (<i>Ministère des Affaires Sociales et du Travail</i>)
MEF	Ministry of Economy and Finance
MENFP	Ministry of National Education and Vocational Training (<i>Ministère de l'Éducation Nationale et de la Formation Professionnelle</i>)
MICT	Ministry of Interior and Local Authorities (<i>Ministère de l'Intérieur et des Collectivités Territoriales</i>)
MPCE	Ministry of Planning and External Cooperation (<i>Ministère de la Planification et de la Coopération Externe</i>)
MSP	Ministry of Public Health and Population (<i>Ministère de la Santé Publique et de la Population</i>)
MTPTC	Ministry of Public Works, Transport and Communications (<i>Ministère des Travaux Publics, Transports et Communications</i>)
NSPPP	National Social Protection and Promotion Policy (<i>Politique Nationale de Protection et Promotion Sociales</i>)
ODA	Official Development Assistance
PAHO	Pan-American Health Organization
PDNA	Post-Disaster Needs Assessments
PEFA	Public Expenditure and Financial Accountability
PGRAC	Disaster Risk Management and Climate Resilience Project
PROSYS	Strengthening Primary Health Care and Surveillance in Haiti Project
RCF	Rapid Credit Facility
SIMAST	MAST Integrated Beneficiary Registry (<i>Système d'Information du MAST</i>)
SMP	Staff Monitored Program
SNGRD	National Disaster Risk Management System
TA	Technical Assistance
TOFE	Table of Government Financial Operations
UNOPS	United Nations Office for Project Services
WB	World Bank
WBG	World Bank Group
WHO	World Health Organization

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REPUBLIC OF HAITI

HAITI COVID-19 RESPONSE AND RESILIENCE DEVELOPMENT POLICY OPERATION

TABLE OF CONTENTS

SUMMARY OF PROPOSED FINANCING AND PROGRAMERROR! BOOKMARK NOT DEFINED.

1. INTRODUCTION AND COUNTRY CONTEXT 6

2. MACROECONOMIC POLICY FRAMEWORK..... 8

2.1. RECENT ECONOMIC DEVELOPMENTS..... 8

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY 10

2.3. IMF RELATIONS 15

3. GOVERNMENT PROGRAM 16

4. PROPOSED OPERATION 18

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION 18

4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS..... 19

4.3. LINK TO CPF, OTHER BANK OPERATIONS AND THE WBG STRATEGY 26

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS..... 27

5. OTHER DESIGN AND APPRAISAL ISSUES..... 28

5.1. POVERTY AND SOCIAL IMPACT 28

5.2. ENVIRONMENTAL ASPECTS 29

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS 29

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY..... 32

6. SUMMARY OF RISKS AND MITIGATION 32

ANNEX 1: POLICY AND RESULTS MATRIX..... 35

ANNEX 2: FUND RELATIONS ANNEX..... 38

ANNEX 3: LETTER OF DEVELOPMENT POLICY..... 40

ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE 55

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SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

Project ID	Programmatic
P171474	No

Proposed Development Objective(s)

The development objective of the proposed DPO is to support the Republic of Haiti mitigate the impacts of the current COVID-19 outbreak and enhance resilience to natural hazards and health-related shocks.

Organizations

Borrower:	REPUBLIC OF HAITI
Implementing Agency:	MINISTRY OF ECONOMY AND FINANCE

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Financing	20.00
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DETAILS

International Development Association (IDA)	20.00
IDA Grant	20.00

INSTITUTIONAL DATA

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Overall Risk Rating

Substantial



Results

Indicator Name	Baseline (2020)	Target (2022)
Results Indicator 1: Number of laboratories evaluated to ensure biosafety compliance.	0	12
Result Indicator 2: Public Health surveillance system reorganized to be aligned with the public health priorities established by the country.	No	Yes
Result Indicator 3: Number of public COVID-19 designated facilities with personal protective equipment available for health staff.	5	12
Result Indicator 4: Social Registry (SIMAST) expanded to beneficiaries that have received support during COVID-19 pandemic and were not previously registered, and updated with the information for those who were.	400,000	530,000
Result Indicator 5: Number of Directorates fully functional and staffed implementing the National DRM Plan.	0	7
Result Indicator 6: Improved coordination and emergency services with National Emergency Operation Center (COUN) equipped and staffed with minimum functioning structure.	No	Yes
Result Indicator 7: Number of departments with allocated budget and minimum equipment allowing for an uninterrupted operation	0	10
Results Indicator 8: Percentage (%) of public schools for which a disaster risk assessment has been conducted.	0	10% of existing schools as of 2020 [of 3000 of total schools]
Results Indicator 9: Percentage (%) of public health infrastructure with updated map of exposure to floods in three Departments.	0	50% of existing health facilities as of 2020 (of 143 of total health facilities in the three departments)
Results Indicator 10: Disaster risk and epidemiological information, disaggregated by gender and age, made available through an official platform for investment planning and data sharing among sectors.	No	Yes
Result Indicator 11: Disaster Risk Financing Strategy developed.	No	Yes



Indicator Name	Baseline (2020)	Target (2022)
Result Indicator 12: Operational practices and procedures developed for the allocation, audit and evaluation of the National Emergency Fund (FDU).	No	Yes



IDA PROGRAM DOCUMENT FOR A PROPOSED COVID-19 RESPONSE AND RESILIENCE DEVELOPMENT POLICY
OPERATION TO THE REPUBLIC OF HAITI

1. INTRODUCTION AND COUNTRY CONTEXT

1. **The proposed single tranche US\$20 million COVID-19 Response and Resilience Development Policy Operation (DPO) will support the efforts of the Republic of Haiti to mitigate the impacts of the COVID-19 outbreak, while enhancing the country's resilience to natural hazards and health-related shocks.** The COVID-19 pandemic and its global economic impact present a major challenge for Haiti, the poorest and only fragile, conflict, and violence-affected (FCV) country in Latin America and Caribbean. Haiti has barely emerged from two years of socio-political instability and economic hardship. With its weak economic conditions, fragile health care system and ongoing fiscal distress, Haiti has limited resources to respond to the pandemic, which is rapidly worsening its economic outlook, particularly in light of the global recession. The situation is expected to further deteriorate as the outbreak accelerates. Coordinated and timely support by the international community will be crucial to help Haiti confront these multiple risks. This operation, together with other IDA investment project financing (IPF), constitutes an important part of that international support. The operation also supports actions to strengthen the institutional framework for Haiti's long-term resilience.

2. **With its high inequality and recurrent episodes of political and social instability, Haiti's overall economic and social performance remains weak.** Since March 2018, Haiti has been experiencing a protracted political crisis and civil unrest that has at times shut down most economic activity in the country even before COVID-19. As a result, Haiti's GDP contracted by an estimated 1.2 percent in HFY 2019 (the Haitian fiscal year is October 1 to September 30). The country's poverty level was an estimated 57 percent in 2017 (latest available data), down only slightly from 58.5 percent in 2012; its ranking on the Human Development Index was 169 out of 189 countries in 2019; and its infant mortality rate was 49.5 per 1,000 live births. Out-of-pocket spending for basic services (health, education, water) is a significant burden for the poor. Recent civil unrest has disrupted health services and education. Child malnutrition (stunting) has stagnated over the last decade at 20 percent of all Haitian children, on average, but rose to 34 percent of the poorest children in 2017, up from 31 percent in 2012.

3. **The COVID-19 outbreak presents further serious challenges to Haiti's fragile health care system.** While the confirmed cases of COVID-19 (3,941 as of June 12, 2020, including 64 deaths) remain relatively low compared to other countries in the region, daily cases data suggest that the outbreak is accelerating. Lack of testing, poor service delivery at health facilities, limited access to clean water and sanitation, and limited surveillance and response capacity all increase Haiti's vulnerability to the pandemic. The country has an estimated capacity of only 143 beds to address complex COVID-19 cases, and limit means of infection control. Furthermore, 64 percent of the population lives in urban areas, more than half of which are in high-density clusters dominated by informal and crowded housing (more than 70 percent of households live in vulnerable dwellings), making it difficult to implement social distancing.

4. **COVID-19 is expected to lead to significant economic losses and reversal of the limited gains in poverty reduction.** Growth is expected to decline to -4 percent in HFY 2020 due to a service sector contraction, supply chain disruptions, and a sharp decline in remittances, which account for nearly 40 percent of Haiti's GDP. Moreover, inflation is projected to reach over 20 percent during HFY 2020, affecting the purchasing power of families and pushing many back into poverty or extreme poverty: it is estimated that a 20 percent price increase would cause extreme poverty to rise from 23.8 to 31 percent.¹ Most Haitian households also are at risk of facing shocks: in 2012, nearly 75 percent of all households,

¹ Haiti: Analytics for a new challenging environment (2020) – World Bank (Poverty GP), forthcoming July 2020.



and 95 percent of the extreme poor, were economically impacted by at least one shock. The COVID-19 crisis has highlighted the insufficient coverage and outdated information of the social registry system, SIMAST, which limits the Government of Haiti's (GoH) capacity to quickly identify and reach vulnerable households. In the absence of a national shock-responsive social safety net, vulnerable households must rely on international humanitarian programs to mitigate these shocks.

5. **In addition to disease outbreaks, Haiti is also highly vulnerable to other natural hazards, including hurricanes, earthquakes, flooding, drought and landslides, many of which are becoming more severe due to climate change.** The 2010 earthquake resulted in the death of about 220,000 people and destroyed the equivalent of 120 percent of GDP. In 2016, Hurricane Matthew affected over 2 million people, resulted in over 500 deaths, displaced 175,000 people and caused damages and losses equivalent to around 32 percent of GDP. Between 1976 and 2012, damages and losses from hydro-meteorological events alone amounted to, on average, the equivalent of almost two percent of annual GDP. COVID-19 has further complicated the GoH's ability to cope with the hurricane season, which typically lasts from June through November, with the stress already placed on the health, financial, and emergency management systems. Over the long term, climate change will exacerbate the risks of both natural disasters and health emergencies, as rising temperatures and precipitation create conditions for the proliferation of infectious diseases.

6. **The Government has taken early actions to address the public health crisis and mitigate the impact of COVID-19.** On March 19, 2020, the GoH declared a state of emergency through a Presidential Decree that set forth containment measures.² To coordinate resources and planning to support these measures, the Government created a multi-sectoral commission to manage the pandemic, and the Prime Minister issued a *Circulaire* (No. 001) specifying the roles and responsibilities of each entity for implementing the different measures. The Ministry of Public Health and Population (MSPP) issued a Coronavirus Preparedness and Response Plan ("*Plan de Préparation et de Réponse du MSPP au Coronavirus*"), which the Bank is supporting with a US\$20 million grant for the Haiti COVID-19 Response Project (P173811). The Government has also launched an emergency social protection program to quickly provide emergency support to the vulnerable population through cash transfers and food distributions, also supported by the Bank through the Contingent Emergency Response Component (CERC) under the Municipal Development and Urban Resilience Project (P155201).

7. **The COVID-19 crisis is negatively affecting GoH's already fragile fiscal position.** The non-financial public sector (NFPS) deficit had risen to an estimated 3.6 percent of GDP in HFY 2019 against 2.9 percent in HFY 2018, due largely to a 22 percent drop in revenues in real terms, an increase in fuel subsidies to maintain fixed prices in gourdes (current value 98.86 Haitian gourdes per US dollar), and losses incurred by the electricity company. To contain the deficit, the Government slashed domestically financed capital spending by almost 70 percent and drastically cut social spending, which dropped to 2.5 percent of GDP in HFY 2019 from 3.3 percent of GDP in HFY 2018. As a result of currency depreciation and arrears accumulation, public debt jumped by 7 percentage points to 47 percent of GDP at end-September 2019. About 58 percent of public debt is external and subject to exchange rate valuation effects. The Debt Sustainability Analysis (DSA) nonetheless shows that public debt is still sustainable, but risk of debt distress is high because of institutional fragilities and exceptional vulnerability to natural hazards. The Government's COVID-19 response measures for actions taken between March 25 and April 15, 2020 will cause spending to increase by an estimated 1.6

² including closure of airports and borders for passenger transportation, limited mobility of citizens, curfew, closure of places for public gathering such as schools, restaurants and bars, prohibition of cultural and religious events and large gatherings, and mandatory quarantine of individuals originating from high risk areas. Additional measures include supplying hospitals with protective equipment and supplies and mobilizing patient isolation capacity from private hospitals and clinics to prevent COVID-19 infections among health personnel and individuals seeking care in health facilities.



percent of GDP. The fiscal deficit for HFY 2020 is expected to widen to 6.2 percent of GDP, as revenues fall and operational expenses rise.

8. **Coordinated support by the international community is crucial as Haiti’s fragility deepens in the face of multiple risks—socio-political, public health, economic, fiscal and natural hazards.** Without timely and decisive actions, these risks can reinforce each other and potentially lead to even deeper socio-economic crisis. Development partners³ such as United Nation agencies, International Monetary Fund (IMF), Inter-American Development Bank (IADB), European Union, and other donors active in strengthening resilience in Haiti have been coordinating and supporting COVID-19 response efforts through various initiatives. These include support to: (a) balance of payments and creation of fiscal space for essential expenditures under the IMF’s Rapid Credit Facility (RCF); (b) the health sector to provide clinical care and contain outbreaks; (c) emergency registrations and cash transfers; (d) agricultural programs to address food security concerns; (e) COVID-19 risk communication campaigns at the national and local levels; and (f) improvement of key water and sanitation infrastructure. This DPO is a key part of the coordinated international support, while also promoting Haiti’s longer-term resilience through institutional and policy reforms.

9. **The DPO is supporting important actions the GoH is taking in the areas of preparedness for pandemics, social protection, disaster risk management (DRM) and disaster risk financing to strengthen its resilience to natural hazards, including public health shocks.** For pandemic preparedness, Haiti completed a Joint External Evaluation (JEE) of capacities for the implementation of the International Health Regulations in July 2019⁴ in partnership with the World Health Organization (WHO), which provided critical recommendations to improve GoH’s preparedness to future public health emergencies. In social protection, the proposed National Social Protection and Promotion Policy (NSPPP) adopts an inclusive and comprehensive approach toward preparing a more effective social safety net. The new DRM Law will institutionalize proven approaches that have saved lives and reduced damage; and the new National DRM Plan (PNGRD) will facilitate planning and mitigation actions by sectoral agencies, decentralized institutions and communities. This DPO supports these critical policy actions, which will have a long-term impact on Haiti’s resilience.

2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

10. **Haiti’s GDP growth has been anemic, even before the COVID-19 pandemic, keeping poverty incidence high.** Haiti has a long history of political instability and social unrest, while it is continuously battered by various natural hazards and shocks. This has constrained Haiti’s capacity to sustain growth over the long term. GDP growth averaged 0.8 percent between 2014 and 2019, well below population growth of 1.5 percent over the same period. In Haitian fiscal year (HFY) 2019 the country remained engulfed in a protracted political crisis, resulting in episodes of country lock downs that took a severe toll on the economy, with GDP estimated to have contracted by 1.2 percent, hampered by agriculture and the service sectors. With 53 percent of poor workers (2012 household survey) involved in agriculture, contraction of the agricultural sector will likely have a significant detrimental effect on the poor. Growing at 11.3 percent before the pandemic,⁵ the export-oriented garment and apparel sector – which employed 25 percent of formal labor and

³ United Nations Children’s Fund (UNICEF), International Organization for Migration (IOM), World Food Programme (WFP), United States Agency for International Development (USAID), IMF, Canada Cooperation, European Union, Inter-American Development Bank (IADB), Pan American Health Organization (PAHO), United Nations Office for Project Services (UNOPS), among others.

⁴ The JEE is a tool developed by WHO as part of measuring country status for the International Health Regulations (IHR); it helps identify critical gaps in country human and animal health systems, to prioritize opportunities for enhanced preparedness and response.

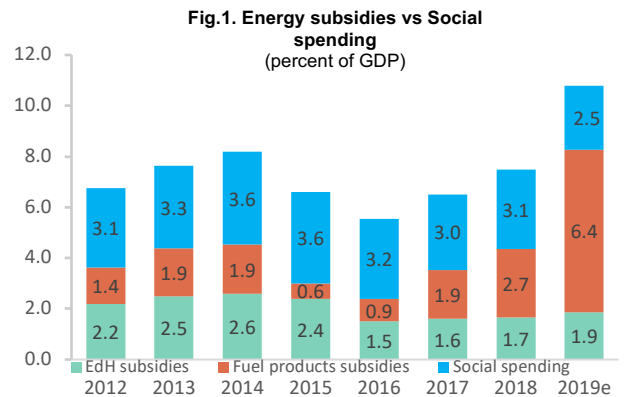
⁵ Valued in USD, f.o.b.



represented about 90 percent of merchandise export– had been the only bright spot of the economy, preventing a more acute decline of GDP HFY2019.

11. **The pre-COVID-19 current account deficit (CAD) narrowed on weak import demand and increased remittances.** Merchandise imports declined by 6.4 percent thanks in part to a decline in the fuel import bill but also to low demand for imported inputs because of the political crisis in 2019. Meanwhile, exports expanded by 11.4 percent on good performance of the garment and apparel sector. Remittances, principally coming from the US and the Dominican Republic (also Haiti’s top trading partners), expanded to 39.5 percent of GDP in 2019 compared to 33.3 percent in 2018. The CAD narrowed from 3.9 percent of GDP in 2018 to 1.4 percent in HFY2019.

12. **The fiscal deficit widened in 2019, despite drastic cuts in physical capital investment and social spending.** Fiscal revenue was strained by poor economic performance overall, with tax-to-GDP declining by 2.2 percentage points to reach 10.8 percent of GDP in HFY2019. Notwithstanding the decline in tax revenue, operational outlays rose. The public sector wage bill remained high by international standards, representing over half of all tax revenue and about 45 percent of current spending. The fiscal deficit widened to 3.5 percent of GDP, from 2.9 percent of GDP in HFY2018, limited by a drastic cut in physical capital investment and social spending. However, subsidies to the energy sector (including 1.9 percent of GDP going to the state electricity utility, EdH) increased to 8.3 percent of GDP in 2019, higher than spending in education (1.7 percent), health (0.7 percent) and social protection (0.1 percent), which together totaled 2.5 percent of GDP (see figure 1). This limits the fiscal space to invest in more productive and growth-enhancing sectors such as education and health, further constraining the government’s capacity to mobilize future fiscal revenues.



13. **The central bank (BRH) shifted to a somewhat more accommodative stance, depreciating the currency and accelerating inflation.** The scarcity of external financing pushed the government to turn to BRH monetization of the fiscal deficit in 2019. The BRH monetized the equivalent of 1.4 percent of GDP of the deficit, which it partially offset by raising its policy rate and depletion of net foreign reserves. The remaining deficit was covered either by accumulating arrears (1.9 percent) or by T-bills issuance (0.8 percent), which may have contributed to further crowding out of the private sector. This monetary policy stance prompted rapid depreciation of the currency (gourde) which lost more than 22 percent over fiscal year 2019 with respect to the US dollar. Given the high exchange rate pass-through, and the lag of the 2018 monetization and domestic food supply shortages during 2019, inflation remained in double digits, closing the fiscal year at over 20 percent in 2019.

14. **COVID-19 has severely disrupted economic activity in Haiti towards the end of Q2 HFY, compounding the political unrest in Q1.** Haiti started its 2020 fiscal year with the country going on lock down between October and December 2019, in the backdrop of social discontent and protests against poor governance and corruption after the release of a Court of Audits (CSCCA) probe on the use of the Petrocaribe fund. The country was recovering from the Peyi Lòk (country lock down in Haitian creole) when the first cases of COVID-19 were reported on March 19, 2020. The pandemic disrupted the raw material supply chain from China and the Dominican Republic, with severe negative impact on Haiti’s export-oriented garment and apparel sector which provides the country’s greatest number of formal jobs (55,000) and represents about 90 percent of total exports. Since the outbreak of the pandemic, the sector has lost about



one third of jobs and the factories that remain open are working at a fraction of their capacity and have been reoriented to the production of personal protective equipment (PPE) for the local and export markets. Remittances, which stood at 39.5 percent of GDP in 2019, represent a source of livelihood to many Haitian households. The global economic downturn, with major remittances sending countries going into confinement, prompted a decline of 7 percent in March 2020 year-on-year. International tourism, which represents about 6.2 percent of economic activity, came to an abrupt halt.

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

15. **The COVID-19 pandemic is expected to have a major adverse impact on the Haitian economy.** GDP is expected to contract by 4.0 percent in HFY2020 in the backdrop of the severe global economic recession. On the demand side, private consumption is expected to drop sharply as remittances decline due to the global economic downturn affecting more than a quarter of all households. Reduced tourism receipts and disruptions in Haiti's textile supply chains from China and the Dominican Republic will prompt a decline in exports. External demand for Haiti's garment exports is also expected to fall in the wake of a global economic downturn. Therefore, the current account balance is expected to deteriorate to -2.7 percent of GDP compared to -1.4 in 2019. The expected decline in imports, notwithstanding, will not be enough to compensate for the drop in remittances and merchandise export to contain the deterioration of external balances. However, lower imports will negatively affect fiscal revenues because two-thirds of revenues are collected at the border. The already weak internal revenue administration (DGI) capability will be further constrained by COVID-19. Overall, fiscal revenue is expected to fall by 0.6 percentage points to 10.2 percent of GDP, the lowest level since 2002. Consequently, the fiscal deficit is expected to widen to 6.2 percent of GDP (from a pre COVID-19 forecast of 3.0 percent of GDP), as revenues fall and operational expenses rise, in part to tackle the pandemic.

16. **A modest recovery is forecast for 2021.** Growth in 2021 is expected to rebound to 2.0 percent in the baseline scenario (see Box 1 for a discussion of a downside scenario). Inflation is expected to exceed 20 percent in 2020 and to stabilize around 18 percent over the medium term, with severe negative effects on the purchasing power of poor households. The CAD is expected to narrow in 2021 to around 1.0 percent of GDP, as remittances and exports rebound in the aftermath of COVID-19. On the demand side, private consumption is expected to pick up slightly thanks to higher remittances as Haiti's top remittances-sending countries (US, Canada and France) come out of recession, while the fiscal stimulus to tackle the disruptions caused by COVID-19 will also boost government consumption. Higher demand for Haitian products will lift exports, particularly in the garment and apparel sector. As the price of oil continue to increase due to pent up demand in the aftermath of the COVID-19 crisis, imports will pick up due to a higher fuel import bill and higher food import due to continued low productivity of the agricultural sector, which is expected to shrink. But both the industry and the services sectors will support growth in 2021.

17. **The fiscal deficit is projected to rise to 6.2 percent of GDP in 2020 as a result of the revenue impact of the pandemic and the higher public spending implied by the COVID-19 policy response.** Announced policy measures in response to the pandemic will result in an increase in government spending, a fall in revenues and a widening of the fiscal deficit, creating a financing gap of 0.7 percent of GDP. The extent of such impacts will depend on the severity of the pandemic, as well as on its duration. Over the medium term, the fiscal deficit is forecast to stabilize at around 3.0 percent of GDP. The authorities expect to mobilize resources primarily from the international financial institutions (IFIs) to bridge the financing gap, including the support of this operation, using the IMF Staff Monitored Program (SMP) under discussion as a catalyzer (see Table 2).



Table 1: Selected Macroeconomic Indicators, 2017–2023

	2017a	2018a	2019e	2020f	2021f	2022f	2023f
Real Economy	<i>Annual percentage changes, unless otherwise indicated</i>						
Real GDP growth	1.2	1.5	-1.2	-4.0	2.0	1.9	2.2
Imports (goods, valued in USD, f.o.b.)	13.6	24.0	-6.4	-13.5	6.5	4.2	4.1
Exports goods (goods, valued in USD, f.o.b.)	-0.9	8.8	11.4	-19.2	2.8	3.9	1.7
Inflation (average)	14.7	12.9	17.3	22.2	21.3	18.3	15.3
	<i>Percentage of GDP, unless otherwise indicated</i>						
External sector							
Current account balance (including grants)	-1.0	-3.9	-1.4	-2.7	-0.8	-0.5	-1.1
Current account balance (excluding grants)	-4.7	-8.2	-2.8	-6.5	-7.4	-4.2	-5.1
Imports, goods & services	55.8	58.7	59.7	52.5	55.9	55.3	55.3
Exports, goods & services	19.8	18.4	18.2	14.3	15.2	15.4	15.0
FDI	4.4	1.3	0.6	0.7	1.0	1.0	1.0
Remittances	34.3	35.9	39.5	35.2	39.5	38.7	38.5
Gross reserves (months of imports of GNFS)	5.0	4.8	5.6	4.9	4.7	4.7	4.8
Memorandum item:							
Nominal GDP (LCU billions)	552	632	725	859	1,063	1,282	1,511
Nominal GDP (US\$ millions)	8,409	9,658	8,708	8,582	8,755	9,133	9,559

Sources: Haiti Central Bank, IMF, WB.

a = actual, e= estimate, f = forecast.



Table 2: Selected Fiscal Indicators, 2017-2023

<i>Percentage of GDP</i>	2017a	2018a	2019e	2020f	2021f	2022f	2023f
Total Revenue and Grants	17.7	17.3	12.1	14.0	17.8	16.6	17.4
Domestic revenue	14.0	13.0	10.8	10.2	11.2	12.9	13.4
Taxes	9.7	9.0	7.3	6.9	8.1	9.3	9.5
Customs duties	3.9	2.7	2.6	2.3	2.5	3.0	3.3
Other current revenue	0.4	0.4	0.8	1.0	0.6	0.6	0.6
Grants	3.7	4.3	1.4	3.8	6.6	3.7	4.0
Budget support	0.6	0.5	0.0	0.7	1.2	0.4	0.8
Project grants	3.2	3.7	1.4	3.1	5.4	3.3	3.2
Total Expenditure	19.2	20.2	15.6	20.2	22.1	19.5	20.7
Current expenditure	12.2	12.7	12.3	15.6	14.0	12.5	12.7
Wages	6.1	6.0	5.5	5.4	5.6	5.7	5.8
Goods and services	3.8	4.0	3.1	3.2	3.3	3.6	3.6
Interest	0.3	0.3	0.5	0.3	0.4	0.4	0.3
o/w External	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Transfers and subsidies	3.7	3.8	4.4	7.0	5.0	3.1	3.2
Capital expenditure	5.3	6.2	2.1	4.2	7.8	6.7	7.7
Domestically financed	2.0	2.4	0.7	1.6	1.7	2.8	3.1
o/w Petrocaribe	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Foreign financed	3.3	3.8	1.4	2.6	6.1	3.9	4.6
Overall Balance (including grants)	-1.5	-2.9	-3.5	-6.2	-4.3	-2.9	-3.3
Overall Balance (excluding grants)	-5.2	-7.2	-4.9	-10.0	-10.9	-6.6	-7.3
Financing	1.5	5.5	3.5	6.2	4.3	2.9	3.3
External net	0.2	-0.5	-0.4	-0.7	-0.3	-0.6	0.3
Internal net	1.3	6.0	3.9	6.9	4.6	3.5	3.0
o/w BRH	1.7*	3.8	1.3	5.1**	3.3	1.2	1.2
o/w commercial banks	-0.7	1.5	0.7	1.1	1.3	2.3	1.8
Financing gap	0.3	0.7	0.0	0.7	0.0	0.0	0.0
Additional financing							
IDA	0.0	0.3	N/A	0.2	N/A	N/A	N/A
IDB	0.0	0.0	N/A	0.3	N/A	N/A	N/A
EU	0.3	0.4	N/A	0.2	N/A	N/A	N/A
Remaining financing gap	0.0	0.0	N/A	0.0	N/A	N/A	N/A
Gross public debt	38.3	39.9	47.7	52.3	50.3	47.6	45.8
External	24.2	23.5	27.4	27.9	26.0	24.0	22.9
Internal	14.1	16.4	20.3	24.4	24.3	23.6	22.9

Sources: Haiti Central Bank, IMF, WB.

Note: Fiscal year is October 1 – September 30. a = actual, e = estimate, f = forecast.

*Including IMF RCF of 0.5 percent of GDP.

** Including IMF RCF of 1.3 percent of GDP



Box 1. The Macroeconomic Impact of the COVID-19 Crisis under Alternative Scenarios

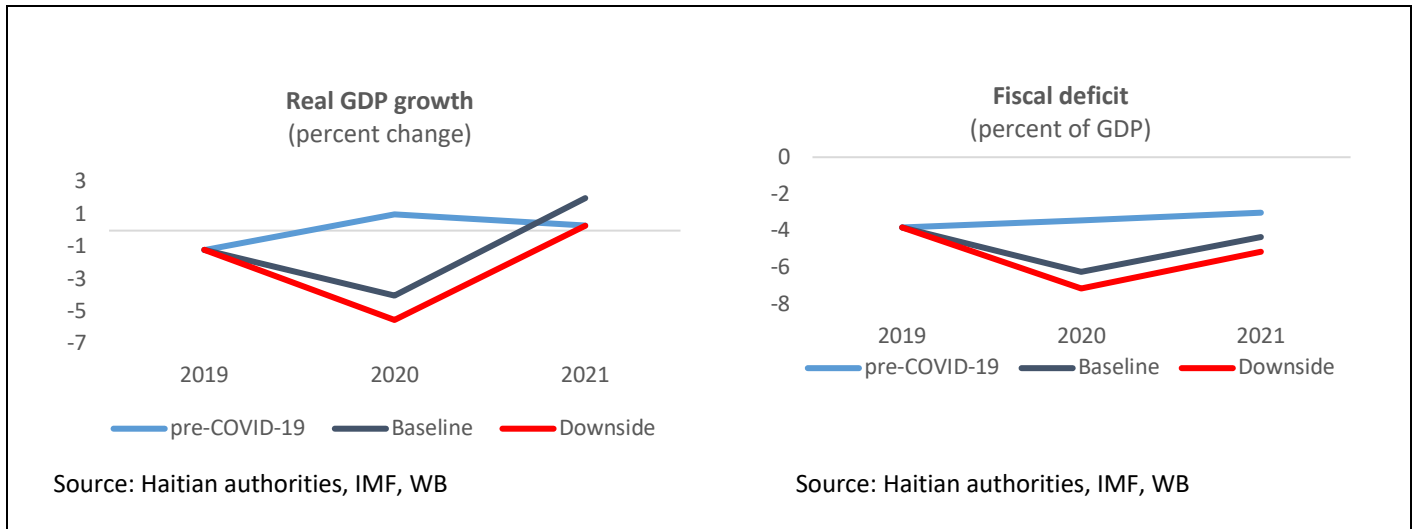
COVID-19 impact may be more severe in 2020 than what is envisaged in our baseline scenario and linger in outer years. A more severe global economic downturn will have direct consequences for growth in Haiti, given the country’s dependence on workers’ remittances. Also, on the external side, demand for Haitian garment and apparel products would be further subdued

A more severe global economic downturn will subdue external and domestic demand, amplifying the GDP slump from the -4.0 percent baseline to -5.5 percent in the downside scenario. As the pandemic lingers and the lockdowns are extended economic activities will remain subdued, plunging economies around the world into deeper recession and affecting demand for Haitian products. Domestically, given Haiti’s large and hard to reach informal sector (55 percent of economic activity) where two thirds of the workforce toil on a daily basis to make a living in crowded marketplaces, with no unemployment insurance or paid leave, respecting social distancing measures to curb the spread of the virus is extremely difficult. This is a real dilemma because informal workers’ subsistence is at risk if they do not work, while going to work puts their own health and that of others in jeopardy, complicating the prospects of flattening the COVID-19 curve and therefore making a prompt recovery more complicated.

The authorities’ recent extension of the state of health emergency (SHE) for an additional two months until end-July worsens the outlook further. The first declared cases of COVID-19 arrived late into Haiti (March 19, 2020). Two days later the authorities declared the state of health emergency. Along with social distancing measures, a series of cash transfers programs were enacted to provide support to vulnerable households and the garment and apparel sector workers for two months until end-May. In mid-May, the SHE was extended to end-July. This will entail further government spending increases, while the economic activities will remain subdued. The difficulty to respect the social distancing measures, given Haiti’s high and hard to reach informal sector, may lead to a prolonged duration of the pandemic, further exacerbating the first-round negative impacts of the crisis. The table and graphs below present the pre-COVID-19 forecasts and contrast them with the macroeconomic impacts in the baseline and downside scenarios.

Macroeconomic Projections under Alternative Scenarios

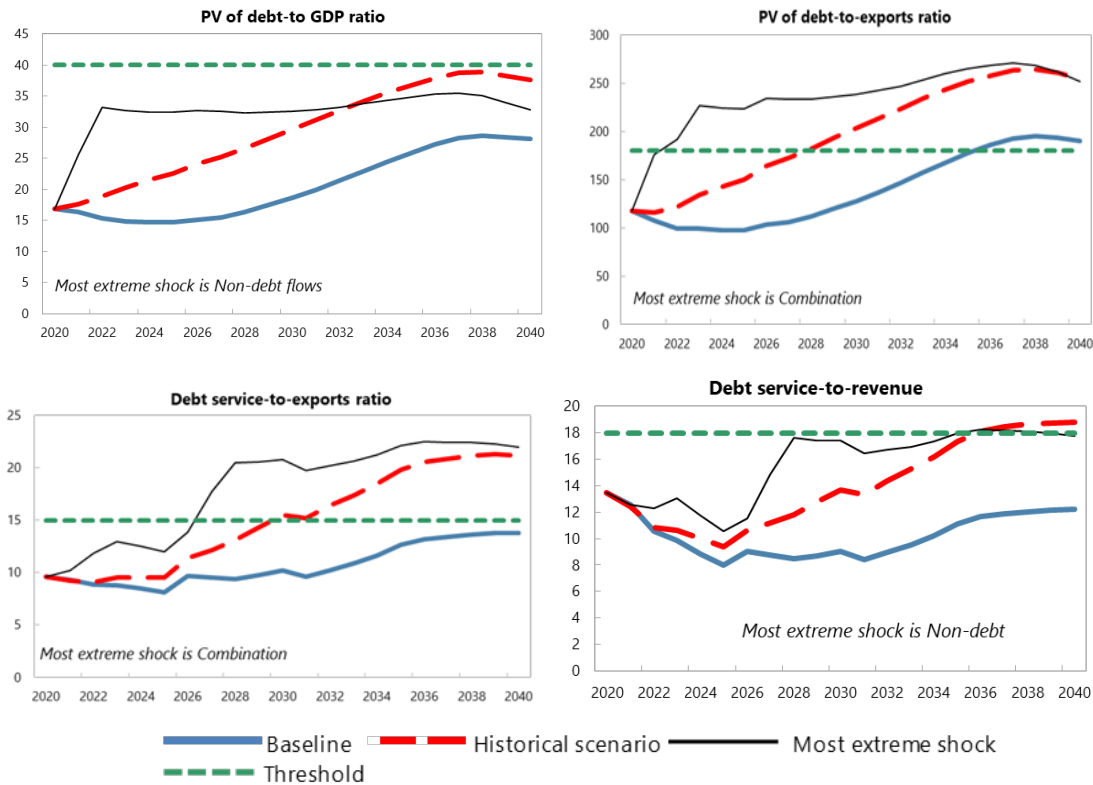
	Pre-COVID-19	Baseline	Downside risks
<i>Annual percentage changes, unless otherwise indicated</i>			
National accounts			
Real GDP	1.0	-4.0	-5.5
Consumption	0.4	-2.8	-3.8
Investment (percent of GDP)	28.6	23.5	21.0
Net exports	1.2	-0.4	-0.6
Inflation	14.2	22.2	27.0
External sector			
Current account balance (percent of GDP)	-2.9	-2.7	-2.2
FDI	1.1	0.7	0.5
Fiscal accounts (percent of GDP)			
Revenue	12.5	10.0	8.5
Expenditure	15.5	16.2	15.6
Non-financial public sector balance	-3.0	-6.2	-7.1
Public sector debt	47.7	52.3	56.7



18. **Public debt continued its upward trajectory, from 39.9 percent of GDP in 2018 to 47.7 percent at end-2019 and a projected 52.3 by end-HFY2020, but is deemed sustainable in the medium term.** The joint Bank-Fund debt sustainability analysis (DSA) finds that debt is sustainable over the medium term, but Haiti remains at high risk of debt distress. While most relevant ratios remain within acceptable levels over the medium term (see Figure 2) some thresholds tend to be breached in the longer term. Furthermore, while baseline projections exceed thresholds only in the case of debt-to-exports, worst-case shock scenarios and historical scenarios exceed thresholds in outer years. Maintaining debt sustainability will require sustained efforts on the fiscal front, including substantive fiscal consolidation efforts – efforts all the more pressing in light of the pandemic. The low-growth environment and susceptibility to natural disasters underscore the inherent risks to external shocks, which could significantly alter the debt trajectory and underline the importance of strengthening fiscal resilience. Finally, debt sustainability is compromised by relatively weak debt management capacity and lack of access to debt markets, the latter of which complicates the roll-over of debt and limits options should future needs for debt financing arise in the event of external shocks. Haiti received debt relief of US\$ 5.4 million from the IMF under the Catastrophe Containment and Relief Initiative (CCRI). Also, Haiti will likely be requesting debt relief from bilateral creditors.



Figure 2. Indicators of Public and Publicly Guaranteed External Debt Sustainability



Source: IMF and World Bank. Notes: External public and publicly guaranteed debt.

19. In the context of the COVID-19 crisis, compounded by ongoing political and social uncertainty, Haiti’s macroeconomic policy framework—anchored in the IMF-supported arrangement—is considered adequate for this operation, despite considerable downside risks. This is substantiated by the fact the Haiti’s moderate level of public debt and broadly stable debt trajectory over the next ten years point to medium-term debt sustainability, though Haiti continues to be at a high risk of debt distress. With the fiscal framework anchored in an IMF Rapid Credit Facility (RCF) and an upcoming Staff Monitored Program (SMP) based on a stronger set of policy reforms, fiscal indicators are expected to improve over what they would have been in the absence of an SMP. While substantive reform is yet to be implemented, the authorities have expressed commitment to adherence to SMP parameters. The authorities are admittedly constrained in their policy reform space, given the socio-political environment and the impact of the pandemic, though reform momentum is expected to accelerate over the short to medium term. Nonetheless, substantial risks and uncertainty remain.⁶

2.3. IMF RELATIONS

20. The IMF approved a US\$111.6 million disbursement under the Rapid Credit Facility, to help cover balance of payments needs stemming from the COVID-19 outbreak. This emergency support under the RCF will help fill the balance of payments gap and create fiscal space for essential health expenditures, income support to workers, and cash and in-

⁶ See para 80 below for mitigation measures.



kind transfers to households. In December 2019, the IMF concluded its Article IV consultation pointing, inter alia, to the necessity of containing the fiscal deficit and its monetary financing by the central bank, as well as improving revenue collection and redirecting current spending to growth-enhancing sectors as a means to diminish fiscal dominance and improve the macroeconomic framework. There was no specific policy commitment under the RFC, except that IMF staff encouraged the authorities to build on the draft of Social Protection and Advancement Program (*Politique Nationale de Protection et de Promotion Sociale*, PNPPS) to support their policy response to COVID-19. Meanwhile, the Article IV consultations approved by IMF Board in January, 2020, recommended various policy reforms, including containing the fiscal deficit and its financing by the central bank; improving domestic revenue collection and redirecting current spending to help create space for much needed social and capital expenditures; taking steps to strengthen the central bank's autonomy and legal framework in order to help reduce fiscal dominance; strengthening the social safety net; taking steps to tackle corruption and improve governance, and finally laying the ground for fuel price subsidy reform in the medium term.

21. **Discussions between the IMF and the Government of Haiti are ongoing around a Staff Monitored Program with a commitment to a stronger set of policy reforms than under the RCF.** This would pave the way for a potential Extended Credit Facility (ECF) program later in the year. Besides finalizing the HFY2020 budget and adopting and publishing a budget for HFY2021 that is consistent with agreed targets under the SMP, the policy areas of the program include, inter alia, resuming efforts to strengthen revenue mobilization and public finance management, including with targeted, feasible reform benchmarks; moving forward with the national plan for social protection, including in regards to its structure and accelerating implementation of a system of cash transfers; cessation of monetary financing of the deficit and limiting foreign exchange interventions to smooth excess volatility; taking further steps to address safeguards recommendations, strengthening the anti-corruption unit (ULCC) and implement the ULCC's 2009 strategy; completing a study by end of fiscal year 2020, assisted by Fund Technical Assistance, on reform of the fuel market and fuel prices, including public consultations.

3. GOVERNMENT PROGRAM

22. **Haiti has developed a National Preparedness and Response Plan to address COVID-19.** The Plan aims to: (a) strengthen the surveillance of the health system to quickly detect cases and take containment measures; (b) organize a national response by the health system to reduce the impacts of the pandemic in terms of morbidity, mortality, repercussions on the economy and disruption of essential services; (c) keep public and health professionals informed of the progress of the pandemic and of prevention measures; and (d) strengthen prevention measures and infection control in hospitals. The Plan lays out strategic lines of action based on the four phases of pandemic development, as defined by the World Health Organization (WHO). The World Bank, together with international partners, is providing financial and technical support to implement the key activities under this Plan.

23. **The GoH has also created a Multisectoral Commission for the Management of the COVID-19 Pandemic (CMGP COVID-19) to coordinate the COVID-19 health emergency response.** The CMGP was created through a Presidential Decree on April 3, 2020 to coordinate resources from donors, non-governmental organizations and the private sector; implementation of the responses remains the responsibility of the MSPP. The CMGP presented a budget estimated at US\$176 million for implementing the National Preparedness and Response Plan. In addition, the CMGP COVID-19 is supporting the MSPP in the response efforts through: (a) development of a communication strategy to strengthen coordination and community awareness messages; and (b) identification of public and private health institutions in each of the country's ten departments for COVID-19 management.



24. **In addition, the GoH has instituted a number of important measures to contain and mitigate the impacts of the pandemic:**

- On March 19, 2020, through a Presidential Decree, the GoH declared a Health Emergency, which has been extended until July 20, 2020. Mandated measures include the closure of international airports and land borders; closure of schools and industrial parks; limitations on social gatherings; a stay-at-home order; and a commitment to provide hospitals with medical equipment.
- On March 20, 2020 a general curfew from 8pm to 5am was put into force.
- On March 25, the Prime Minister issued *Circulaire* No. 001, providing guidelines for implementing the emergency measures of March 19. Most notably, the *Circulaire* announced that (a) public servants will be paid one month's salary in advance; (b) textile workers will receive financial support equivalent to half their monthly wages; and (c) parents of children benefiting from school feeding programs will receive food aid. Through this *Circulaire*, the Government also defines the institutional responsibilities of each ministry with regard to the implementation of COVID-19 response efforts.
- On March 31, 2020 the Government issued a *Circulaire* allowing for the exceptional reopening of the textile factories to produce medical materials, including masks, and has committed to purchasing 20 million masks produced by the local textile industry.
- As of May 11, 2020, the population is required to wear masks in all public spaces, although adherence is mixed. The population is regularly informed by official communications from MSPP on the number of COVID-19 cases and the sanitary and social distancing measures that must followed to reduce the risk of transmission.
- On May 15, 2020 the President announced that US\$18 million worth of equipment and material ordered by the Government for the COVID-19 response had arrived in Haiti. The shipments included personal protective equipment (face shields, surgical masks, N95 masks, and protective goggles), oxygen, oxygen generators, hospital beds and ventilators. More equipment is expected to arrive by June 2020.

25. **The Government approved the National Social Protection and Promotion Policy (NSPPP) to provide a strategic and legal framework for the social protection system**, with an emphasis on shock-responsive social protection programs, and establishing the Ministry of Social Affairs and Labor (MAST) as lead agency in identifying strategic priorities and coordinating social protection responses across ministries and with the Prime Minister's office. The NSPPP will allow for increased donor coordination, and harmonized targeting approaches through the use of the social registry SIMAST. The Government is using the social registry SIMAST to identify beneficiaries for the emergency cash transfers

26. **The Government is also moving toward strengthening its capacity for health preparedness and response more broadly.** In July 2019, Haiti completed the World Health Organization's Joint External Evaluation (JEE), the standard tool for assessing a country's capacity under International Health Regulations (IHR) to prevent, detect and respond to public health emergencies. The country scored poorly on technical areas related to managing emergencies, including a 2 (limited capacity) for "emergency preparedness", and a 1 (no capacity) for "systems to activate and coordinate countermeasures during public health emergencies," "activating health personnel," and "case management procedures." In April 2020, MSPP committed to implementing key recommendations arising from JEE on how to strengthen its response planning and improve the preparedness and emergency response capacities of local, regional and national authorities. The surveillance system as well as the general pandemic preparedness capacity are expected to be strengthened through the IDA-financed project "Strengthening Primary Health Care and Surveillance in Haiti" (P167512) and the "Haiti COVID-19 Response Project" (P173811), both currently under implementation.



27. **The COVID-19 pandemic has reinforced the urgency of strengthening Haiti’s resilience to shocks.** The GoH has identified resilience as a key cross-cutting, multisectoral priority and is proactively continuing its efforts, to prepare, manage and mitigate the effects of shocks. The new DRM System Presidential Decree elevates the Civil Protection Directorate (DPC), the key agency with the mandate for preparedness and emergency response, to a General Directorate with stronger leadership and budgetary autonomy; and also, formally establishes the National Disaster Risk Management System (SNGRD) with a stronger DRM coordination capacity. These actions solidify the progress made in the DRM sector since the 2010 earthquake. The Government is also working to mainstream multisectoral coordination on resilience, capacity building, and financial planning. The National Disaster Risk Management Plan (PNGRD) provides strategic guidance to sectors and administrative levels on how to apply the objectives of the new DRM System Presidential Decree to strengthen preparedness and emergency response to reduce fatalities during catastrophic events, promote the creation and the use of risk information for better decision-making, and enhance resilience at the sector level to reduce damage and losses resulting from shocks.

28. **In line with the PNGRD, the Ministry of Economy and Finance (MEF) has been actively strengthening risk financing mechanisms to better manage the fiscal impacts of shocks.** The MEF has increased its capacity to assess potential losses and its understanding of financial risks associated with shocks, and has conducted various Disaster Risk Financing and Insurance studies and evaluations. The GoH has several risk financing instruments but lacks a clear strategy to guide an optimal combination of instruments (see Table 3 in section 4.2). Over the last few months, MEF has quantified the economic and budgetary impact of disasters occurring in Haiti and has built a probabilistic model for hurricane and earthquake risks as a first step toward quantifying contingent liabilities associated with disasters. MEF has also explored the capacity of the domestic insurance market to transfer increased disaster risk from the public and private sector; and has recently conducted, with World Bank support, a systematic Post-Disaster Public Financial Management Review and identified areas for strengthening the FDU.⁷

4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

29. **The development objective of the proposed DPO is to support the Republic of Haiti mitigate the impacts of the current COVID-19 outbreak and enhance resilience to natural hazards and health-related shocks.** Policy actions under the DPO support key components of the GoH response to health and social impacts of COVID-19 crisis and actions to increase resilience to health and disaster shocks. Specifically, the proposed operation will support: (a) the strengthening of health emergency preparedness and response capacity through the implementation of the JEE recommendations; (b) the adoption of the National Social Protection and Promotion Policy and update/expansion of the Social Registry to include beneficiaries that have received support during COVID-19 pandemic but are not part of the registry; (c) the operationalization of the SNGRD and the new Civil Protection General Directorate (DGPC); (d) the development of DRM and health-informed sectoral plans in key sectors; and (e) the development of a Disaster Risk Financing Strategy.

30. **This DPO operation complements the recently approved the Haiti COVID-19 Response Project, supported by a US\$20 million IDA grant.** This health sector project aims to limit the transmission of COVID-19 through detection, infection control in health facilities, and access to high-quality care possible for people who become ill. The project supports enhanced testing, contact tracing, and the provision of laboratory and protective equipment for health care staff. It also supports communication activities to help community members understand what they can do to prevent

⁷ Banque Mondiale (2020 forthcoming). Examen de la Gestion Financière Publique Post-Désastre en Haiti.



spread and counter misinformation. These activities will help to enhance the effectiveness of the COVID-19 Preparedness and Response Plan developed by the MSPP.

31. **The design of this operation builds on the lessons learned from other IDA engagements, including DPOs and emergency response projects in other FCV countries.** Key lessons learned include:

- Thorough preparation and continuous technical and strategic support for the implementation of the program are key to achieving results;
- Development Policy Financing (DPF) in an FCV context plays an important role, along with an IMF program, in stabilizing economies and influencing the allocation of resources and management of public spending;⁸
- Reducing the disaster vulnerabilities of small states, many of which are highly exposed island states, requires a focus on policy and regulatory changes to shift incentives toward building resilience;⁹
- Social protection policies to support vulnerable populations are an effective emergency response mechanism;
- A DPO should integrate fiscal resilience within a broader disaster risk financing strategy.

32. In keeping with these lessons, the operation has integrated the following elements in its design: (a) sufficient preparatory work and stakeholder consultations to foster stakeholder ownership of the reform agenda; (b) technical support to enhance the GoH’s understanding of financial mechanisms; (b) technical assistance and supervision support during the life of the DPO to help the Government achieve its reform targets, while building local capacity; and (c) support for policy changes to incentivize resilience building in health, social protection and disaster risk management, including disaster risk financing.

4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

Prior Action 1: To strengthen its health emergency preparedness and response capacity, the Recipient has adopted recommendations of the Joint External Evaluation, as evidenced by the Ministry of Public Health and Population’s Circular to Central Directors No. BM-04/20 4370, dated April 17, 2020.

33. **Rationale:** Haiti has the weakest health system in the Americas and faces recurrent health emergencies triggered by natural hazards and disease outbreaks, including cholera, diphtheria and COVID-19. The impacts of such events on the population are magnified by systemic deficiencies in the health system, poor water and sanitation, poor nutritional intake, and adverse natural and climate events. Moreover, these events often affect the capacity to deliver care just as the demand for care is increasing. Effective preparedness, including a functional surveillance system and the capacity to protect health personnel, is essential to ensure a rapid response and the continuous provision of care. Robust preparedness and response allow for a shorter emergency phase and quicker recovery, which can significantly limit the event’s social, economic and financial impacts. As a first step in meeting International Health Regulations (IHR) for preparedness and response, the Ministry of Health undertook, with the support of partners, a Joint External Evaluation in July 2019. This international standard diagnostic tool assesses the capacity of a health system to prevent, detect and rapidly respond to public health risks, and prioritizes measures for enhanced preparedness and response. The JEE highlighted the need for Haiti to strengthen its surveillance and laboratory systems, enhance infection control measures in health facilities, and strengthen its preparedness to face future epidemics. The COVID-19 pandemic has provided

⁸ World Bank Group Strategy for Fragility, Conflict and Violence (FCV) 2020–2025. World Bank (2019).

⁹ Lessons from Independent Evaluation Group (IEG) Evaluations, with a Focus on IDA Special Themes and Development Effectiveness. World Bank (2019).



further evidence of the urgent need to implement these improvements. This DPO provides the institutional framework needed to accelerate those efforts, which are already being supported by two IDA-financed projects: the Strengthening Primary Health Care and Surveillance in Haiti Project (PROSYS, P167512) and the Haiti COVID-19 Response Project (P173811).

34. **Substance of prior action:** Based on the findings and recommendations of the JEE, on April 17, 2020 the Ministry of Public Health and Population (MSPP) issued *Circulaire No. BM-04/20 4370* in which it committed to taking concrete steps to (a) evaluate laboratory infrastructure to ensure biosafety compliance and identify priority investments; (b) reorganize the Public Health surveillance system to be aligned with the public health priorities established by the country; and (c) promote ownership of the National Response Plan to Exceptional Situations of Health Emergencies and support its implementation. These initiatives aim at building an integrated system capable of effectively addressing outbreaks of a variety of infectious diseases.

35. **Expected results:** Support for implementation of the JEE recommendations under the DPO is expected to have three main results: (a) evaluation of laboratory infrastructure¹⁰ to ensure biosafety compliance; (b) reorganization of the Public Health surveillance system to be aligned with the public health priorities established by the country; and (c) availability of personal protective equipment (PPE) for health staff in public COVID-19-designated facilities. The activities required to achieve these results will be supported by TA and investment through the IDA-financed PROSYS (P167512) and the Haiti COVID-19 Response Project (P173811), in coordination with the Pan-American Health Organization PAHO/WHO and U.S. Centers for Disease Control (CDC).

Prior Action 2: To increase transparency and coordination in future social protection programs, including cash transfers, the Recipient has approved a National Social Protection and Promotion Policy, as evidenced by the Presidential Order, dated June 5, 2020, published in the Recipient's official gazette No. 102, Year 175th, dated June 12, 2020.

36. **Rationale:** Shocks such as the COVID-19 crisis affect the wellbeing of large segments of the population, but disproportionately impact the poorest and most vulnerable. While containment measures are necessary to save lives, they have had severe economic and social consequences. Social distancing measures have shut down large portions of the economy, especially labor-intensive sectors, thereby limiting or eliminating earning capacity, while also reducing access to support programs such as school feeding. The poor have limited resources and few coping strategies to absorb these shocks, and are at risk of falling deeper into poverty or extreme poverty. Moreover, the absence of a legal framework for the social protection system, and failure to establish the Ministry of Social Affairs and Labor (MAST) as the lead agency for coordination and planning of social protection responses, has led to an uncoordinated and underfunded response to the COVID pandemic. While some social protection programs have been used to respond to disasters in the past (including Hurricane Matthew in 2016), these mechanisms have been implemented during the current crisis in an ad hoc manner and with limited resources.

37. **Substance of prior action:** The NSPPP provides an ambitious strategic and operational framework for a rapid response to crises such as COVID-19, including protection of livelihoods of the poor and vulnerable. It also lays the foundations for a comprehensive social protection system that will help to reduce poverty, inequality and injustice, and support the efforts of the poor and vulnerable to graduate out of poverty and live better lives. The NSPPP focuses on

¹⁰ The evaluation will cover 12 institutions: the National Laboratory of Public Health (LNSP), all department-level hospitals, and the Laboratory of Saint Marc, which plays a key role in the national laboratory network.



support throughout the life cycle (children, working age, health and old age), as well as on responsiveness to shocks and risks such as climate change, with a particular emphasis on coordination with the newly established National Disaster Risk Management System (SNGRD). The NSPPP will provide the legal and institutional framework for adaptive social protection programs and emergency responses, including establishing the role of the Ministry of Social Affairs and Labor (MAST) as permanent secretariat of the newly established Inter-ministerial Committee for Social Protection and Promotion. In that capacity, MAST will take the lead in identifying strategic priorities and coordinating across ministries and with the Prime Minister's office.

38. **Expected results:** The NSPPP places the SIMAST social registry under the authority of MAST and emphasizes its role as a foundation for targeting beneficiaries, thereby contributing to increased transparency. As part of the mitigation measures, the GoH is implementing an emergency cash transfer program to cover around 130,000 poor and vulnerable households affected by the COVID-19 crisis, who will be registered in the SIMAST social registry. Progress in expansion and updating of the SIMAST with beneficiaries who received emergency cash transfers, with an increase from a baseline of 400,000 households in 2020 to 530,000 households by 2022, will inform the design of more effective programs to support the most vulnerable and poor populations and facilitate emergency responses in the future through a broader coverage and updated information.

Prior Action 3: To provide an institutional structure for effective disaster risk management, including emergency preparedness and response, the Recipient has approved the establishment, organization and operationalization of a National Disaster Risk Management System, as evidenced by the Presidential Decree, dated June 5, 2020, published in the Recipient's official gazette No. 103, Year 175th, dated June 15, 2020.

39. **Rationale.** The National Disaster Risk Management System (*Système National de Gestion des Risques et des Désastres* – SNGRD) has been operating in an ad hoc manner, with no legal framework and an absence of high-level leadership, since 2001. This has constrained the effectiveness of the disaster risk management function and made it difficult to convene sectors and territorial levels around the disaster risk management agenda. These difficulties have been compounded by the fact that sectors and territorial entities lack a dedicated budget for disaster risk management functions and are not required by law to ensure budgetary resources for disaster risk management.

40. Moreover, the Haitian Civil Protection Directorate (DPC), which functions as the operational arm of SNGRD at all administrative levels (departmental, municipal, local), has been low in the institutional hierarchy of the Ministry of Interior and Local Authorities (MICT) and has not had a dedicated and reliable budget to fulfill its strategic and operational functions. These functions include coordination, knowledge management, technical support, capacity building and mobilization of resources in support of SNGRD's preparedness and emergency response activities. Nevertheless, the DPC has been able to fulfill its critical responsibilities and ensure the operation of its 10 Departmental Civil Protection Committees (CDPC) and 140 Municipal Civil Protection Committees (CCPC) by relying on international funding and a broad network of local CCPC volunteers. However, the failure to establish the DPC as a General Directorate and provide reliable and appropriate financing for the Civil Protection Committees has led to an uncoordinated approach to disaster risk management, lack of sectoral and territorial engagement, low capacity to coordinate stakeholders and partners in emergency preparedness and disaster response, lack of an effective national early warning system, and insufficient provision of emergency shelters and safe havens to protect lives.

41. **Substance of prior action.** The establishment of a new legal and institutional structure for SNGRD, under the overall authority of the Interior Ministry (MICT), is an important step toward mainstreaming DRM in public institutions at all levels. The Decree enables SNGRD to coordinate the work of multiple agencies and stakeholders and create a



comprehensive, multi-hazard approach to DRM and health emergencies, and ensure the alignment of those efforts with the National DRM Plan (PNGRD). The Decree also strengthens coordination structures, legally requires sector ministries to include dedicated DRM resources in their annual budgets, and elevates the DPC to a General Directorate (as DGPC) with budgetary autonomy covering both operational and investment needs. Further, the Decree establishes seven directorates under the DGPC, each with clearly defined responsibilities for different aspects of DRM.¹¹ Additionally, the Decree establishes the territorial representations of the DPC at the departmental and municipal levels and mandates the participation of municipal authorities in the leadership of the CCPCs, to ensure their ownership of the DRM process. It also mandates the inclusion of women and people with disabilities in all stages of the decision making process.

42. Under the new structure, the Minister of Interior presides over SNGRD's National Committee for Disaster Risk Management (*Comité National de Gestion des Risques et des Désastres – CNGRD*), which is empowered to convene other ministries, municipal authorities and civil society for the purpose of planning, organizing and coordinating all actions aimed at evaluating and reducing risks and strengthening disaster preparedness and response. The DGPC coordinates the overall disaster risk reduction agenda with different sectors, administrative levels and civil society. In the event of a natural disaster, the Director of the DGPC is responsible for activating the National Emergency Operations Center (*Centre d'Operation d'Urgence National - COUN*), a high-level multi-sectoral committee in charge of emergency response and communications.

43. **Expected results:** With investment and technical support from the DPO, the GoH expects to achieve the following results: (a) number of Directorates fully functional and staffed and able to implement activities in line with the National DRM Plan; (b) improve coordination and emergency services, with the National Emergency Operation Center (COUN) equipped and staffed with minimum functioning structure; and (c) number of departments with allocated budget and minimum equipment allowing for an uninterrupted operation. Further, it is expected that DGPC, with its status as a General Directorate, will be able to provide long-term guidance and coordination to systematically strengthen planning and budgeting for DRM, and will have an operational and investment budget sufficient to carry out the functions specified in the Decree. This will strengthen the country's capacity for risk reduction, emergency preparedness and response, communication, capacity building, and operation of the COUN. This will guarantee (i) COUN staffed and operating effectively in times of emergencies, (ii) a better coordination in times of emergencies, (iii) stronger planning and budgeting, and (iv) CDPC working in all departments uninterrupted.

Prior Action 4: To improve disaster resilience and multi-sectoral coordination, the Recipient has approved a National Disaster Risk Management Plan 2019-2030, as evidenced by the Presidential Order, dated June 5, 2020, published in the Recipient's official gazette No. 103, Year 175th, dated June 15, 2020.

44. **Rationale:** The 2001 National DRM Plan established a framework for integrated DRM management that went beyond disaster response and emergency management and included preparedness and risk reduction. However, the plan did not provide sufficient direction on how to integrate DRM in sectors and at the different administrative levels. Nonetheless, Haiti has made continuous efforts to mainstream DRM in key sectors with the objective of promoting resilient planning and vulnerability reduction. Most notably, it has reduced the vulnerability of the transport sector through reconstruction and risk reduction investments, and has promoted the training of municipal staff and local practitioners on resilient construction practices. The Government has also supported the development of DRM plans in the health and education sectors. However, the sectors did not coordinate their efforts. Further, in the absence of

¹¹The DGPC structure includes seven directorates: (a) general; (b) administrative and budget; (c) risk reduction; (d) preparedness and response; (e) risk communications; (f) capacity building and simulation exercises; and (g) planning, monitoring and partnership.



SNGRD with a legal framework, sectors had few incentives to invest human and financial resources in strengthening DRM and demonstrated little participation in the National DRM System (SNGRD).

45. **Substance of prior action:** The new 2019-2030 National DRM Plan aims to sustainably enhance Haiti's resilience to natural hazards, including health shocks, based on an integrated and holistic approach that takes into consideration the long-term effects of climate change. The PNGRD specifies responsibilities for sectoral, national and decentralized institutions as well as communities, and specifies measures to: (a) improve the understanding of disaster risks and climate change effects within sectors and at all levels; (b) strengthen disaster risk governance to better manage those risks; (c) develop innovative risk financing mechanisms to support the resilience of communities and institutions; and (d) ensure effective disaster preparedness, response and recovery. Further, the PNGRD (e) guides and coordinates the DRM committees in key sectors, and calls for the integration of disaster risk financing and insurance considerations in sector planning. Finally, the PNGRD (f) supports development of a platform for disaster, climate, and epidemiological information to facilitate data sharing, risk assessments and improved targeting of vulnerable populations and communities. The new National DRM Plan also spells out targeted efforts for individuals and communities most vulnerable to disasters such as women, girls, and people living with disabilities. Availability of specific characteristics of these vulnerable groups through an official platform will provide public and private institutions access to reliable, disaggregated data to evaluate current gender approaches in health and DRM, identifying progress and gaps. It will also allow the development of new indicators to have a baseline to better identify and assess disaster and health-related risks to make informed decisions to reduce those risks. The Government is currently preparing a Gender and DRM strategy to provide clear guidelines and tools to sectors on how to integrate gender dimension in their planning process.

46. **Expected results:** Strengthening DRM in sectors will contribute to improving resilience, which has become more relevant given the current COVID-19 context. The expected results of this prior action will be measured using the following indicators: (i) percentage of public schools for which a disaster risk assessment has been conducted; (ii) percentage of public health infrastructure with updated map of exposure to floods in three Departments; and (iii) Disaster risk and epidemiological information, disaggregated by gender and age, made available through an official platform for investment planning and data sharing among sectors. All of these activities will include awareness raising on the long-term effects of climate change and the different adaptation and mitigation measures available.

Prior Action 5: To measure and optimize the management of contingent liabilities, the Recipient has established a ministerial committee charged with the development of a National Disaster Risk Financing Strategy, as evidenced by the Ministry of Economy and Finance's Letter No. DEE/BM/WB/191-juin 20, dated June 15, 2020.

47. **Rationale.** In the absence of a clear function within the Ministry of Economic and Finance (MEF) for evaluating and managing contingency liabilities arising from natural disasters, the Government has been financing these liabilities in an ad hoc manner, relying mainly on ex-post financing from bilateral and multilateral partners. However, the reliability and timing of such aid can be uncertain, leaving many essential post-disaster activities unfunded, exacerbating negative impacts on public health, drawing out recovery times and increasing costs. The GoH has identified different financial sources to finance ex-ante disaster preparedness (Table 3). However, its limited capacity to quantify these liabilities affects its ability to develop cost-effective instruments, including through public-private partnerships.

48. One of the main instruments available to provide liquidity after a disaster is the National Emergency Fund (FDU), However, in the absence of clear procedures for line ministries to apply for funding, allocations are made on an ad hoc basis. Further, the FDU has an almost nonexistent monitoring and evaluation system and no specific rules for recording and reporting disaster-related expenses. In addition, there are no clear procedures for soliciting external funding from



donors.

Table 3: Haiti Financing Source for Post-Disaster Response

Disaster risk	Financing source	Availability
Low frequency/ high severity (e.g., major earthquakes, hurricanes, tropical cyclones)	Donor assistance	Unpredictable and unreliable
	Emergency borrowing	Unpredictable
	Sovereign risk transfer	Caribbean Catastrophe Risk Insurance Facility (CCRIF SPC) based on parametric triggers
	Insurance of public assets	Not available
	Multilateral assistance	IMF's Conditional Rapid Credit Facility to ensure macroeconomic balance
Medium frequency/medium severity (e.g., heavy troughs, seasonal/heavy flooding)	Contingent credit/financing	Not available
	Special/disaster reserve funds	FDU
High frequency/ low severity (e.g., flash flooding, droughts, landslides)	Contingencies fund	The Decree on the Execution of the Law of Finance of HFY2005 allows additional appropriations in case of emergency; procedures were simplified by the Law on the Execution of the Law of Finance of HFY2016
	Budget reallocations	Allowed in a state of emergency but must be made within the framework of amending the Law of Finance
	Contingent budget appropriations	Sector ministries such as MEF, MPCE and MICT have contingency budgets they can use in emergencies (amounts unclear)

Source: Adapted from the forthcoming *Banque Mondiale (2020), Examen de la Gestion Financière Publique Post-Désastre en Haiti*.

49. **Substance of prior action.** The Ministerial Committee charged with developing the Disaster Risk Financing Strategy has, as an initial step and with World Bank support, conducted a systematic Post-Disaster Public Financial Management Review to clarify disaster liabilities and identify areas for strengthening FDU's capitalization, allocation of funds, transparency and access. The Committee is comprised of MEF's General Directorate of Treasury and Public Accounting, General Directorate of Budget, Directorate of Economic Studies, MPCE, and MICT. The technical secretariat of the committee is under the responsibility of the General Directorate of Treasury and Public Accounting, within MEF.

50. **Expected results.** Support under the DPO will assist the Government in developing a Disaster Risk Financing Strategy that uses best practice risk financing principles and tools to provide a comprehensive approach to financing post-disaster response, recovery and reconstruction (Table 4). This approach will help the Government determine the minimum financing needed for social protection programs to become more adaptive to disasters—i.e., able to scale up (increase benefit amounts) and scale out (to non-regular beneficiaries) assistance following disaster shocks.

51. The World Bank will also support the Government in developing sound operational practices and procedures for the National Emergency Fund (FDU); and in developing cost-effective risk financing insurance for specific sectors such as agriculture, including through public-private partnerships.



Table 4: DPO Prior Actions and Analytical Underpinnings

Prior Actions	Analytical Underpinnings
Enhancing Resilience to Shocks in COVID-19 Context	
<p>Prior Action 1: To strengthen its health emergency preparedness and response capacity, the Recipient has adopted recommendations of the Joint External Evaluation.</p>	<p>WHO (2017) A Strategic Framework for Emergency Preparedness. This document provides the principles and elements of effective country health emergency preparedness. https://www.who.int/ihr/publications/9789241511827/en/</p> <p>MSPP, Haiti Joint External Evaluation (2020). This document is an assessment of Haiti’s capacity to prevent, detect and rapidly respond to public health risks whether occurring naturally or due to deliberate or accidental events.</p>
<p>Prior Action 2: To increase transparency and coordination in future social protection programs, including cash transfers, the Recipient has approved a National Social Protection and Promotion Policy.</p>	<p>Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures – A “Living Paper,” <i>World Bank Social Protection and Jobs Global Practice, v.6 May 15th, 2020</i> https://openknowledge.worldbank.org/bitstream/handle/10986/33635/Social-Protection-and-Jobs-Responses-to-COVID-19-A-Real-Time-Review-of-Country-Measures-April-24-2020.pdf?sequence=5&isAllowed=y</p> <p>World Bank (2016) Better Spending, Better Services, A Review of Public Finances in Haiti. This paper highlights the need for a framework for the social protection strategy and increased spending to avoid fragmented, small and poorly targeted programs.</p> <p>World Bank (forthcoming) Priority Areas and Interventions of Social Safety Nets in Haiti. This note takes stock of the social safety net programs in Haiti and their adequacy, and provide recommendations for future programs.</p>
<p>Prior Action 3: To provide an institutional structure for effective disaster risk management, including emergency preparedness and response, the Recipient has approved the establishment, organization and operationalization of a National Disaster Risk Management System.</p>	<p>World Bank (2020 forthcoming). World Bank Group FCV Strategy. Washington, D.C.</p> <p>UNISDR (2015). The Sendai Framework for Disaster Risk Reduction 2015-2030. https://www.unisdr.org/we/coordinate/sendai-framework</p> <p>World Bank (2013) Building Resilience: Integrating Disaster and Climate Resilience into Development. This paper highlights the importance of strengthening all aspects of climate and disaster resilience, including coordinating institutions, risk identification and reduction, preparedness, financial and social protection, and resilient reconstruction. https://openknowledge.worldbank.org/handle/10986/16639</p>
<p>Prior Action 4: To improve disaster resilience and multi-sectoral coordination, the Recipient has approved a National Disaster Risk Management Plan 2019-2030.</p>	<p>World Bank (2019) Lifelines: The Resilient Infrastructure Opportunity. The paper highlights that improving the resilience of infrastructure services is essential for raising and maintaining people’s quality of life and contribute to more resilient and prosperous societies. https://openknowledge.worldbank.org/handle/10986/31805</p>
<p>Prior Action 5: To measure and optimize the management of contingent liabilities, the Recipient has established a Ministerial Committee charged with the development</p>	<p>Groupe Banque mondiale, GFDRR (2017) Diagnostic sur l’impact économique et budgétaire des désastres en Haïti. This report shows the importance of establishing an institutional coordination mechanism for post-disaster public financing management in Haiti.</p>



Prior Actions	Analytical Underpinnings
of a National Risk Financing Strategy.	<p>Banque Mondiale (draft) Examen de la Gestion Financière Publique Post-Désastre (GFP-PD). République d’Haïti. Washington, D.C.</p> <p>World Bank (2016). Disaster Risk Finance as a Tool for Development: A Summary of Findings from the Disaster Risk Finance Impact Analytics Project. This report presents a case for disaster risk financing as a tool for Disaster Risk Management highlighting the importance of having Disaster Risk Financing Strategy.</p> <p><i>https://openknowledge.worldbank.org/handle/10986/24374</i></p> <p>Hallegatte S., Vogt-Schlib A., Bangalore M., Rozenberg J. (2017) Unbreakable: Building the Resilience of the Poor in the Face of Natural Disasters. This report emphasizes how better financial inclusion increases resilience and reduces the impacts of disasters on well-being. It also demonstrates that Financial instruments facilitate and accelerate post-disasters recovery and reconstruction.</p> <p><i>https://openknowledge.worldbank.org/handle/10986/25335</i></p> <p>Banque Mondiale (2019) (unpublished). Analyse du marché de l’assurance en Haïti : Caractéristiques et résilience face aux catastrophes naturelles. This reports advocates for a partial transfer of disaster fiscal risks to the insurance market and gives recommendations to make it efficiently.</p> <p>IMF (July 2019) Building Resilience in Developing Countries Vulnerable to Large Natural Disasters. The paper views disaster risk management through the lens of a three-pillar strategy for building structural, financial, and post-disaster resilience.</p>

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

52. **The Bank’s twin goals of promoting shared prosperity and ending extreme poverty require that households become less vulnerable and more resilient to shocks.** According to the Haiti Poverty Assessment 2014, economic vulnerability is extensive, with almost 70 percent of the population either poor or vulnerable to falling into poverty, and nearly 75 percent of all households economically impacted by at least one adverse event every year. Catastrophic events disproportionately affect the poorest and most marginal populations, the largest share of whom live in flood-prone and coastal areas. Indeed, in the poorest departments (Grande Anse, Nord-Est, and Nord-Ouest, all on the coast), about 80 percent of the population affected by an adverse climatic shock is poor.

53. **The DPO is aligned with the World Bank Group’s Country Partnership Framework (CPF) for the Republic of Haiti for World Bank FY16-FY19.** The CPF discussed by the Executive Directors on September 29, 2015 and the Performance and Learning Review (PLR) dated June 27, 2018 emphasize: (a) supporting poverty reduction through investments in human capital, including health; and (b) building resilience. The DPO is aligned with global commitments to strengthen pandemic preparedness, and with the Bank’s support for Haiti’s national DRM plans, strategy and institutions. It is also aligned with ongoing World Bank financing for investment operations in Haiti in the health, disaster risk management, urban development and social protection sectors.

54. **The World Bank country program has adjusted its portfolio quickly to respond to the COVID-19 crisis to protect lives and livelihoods and support recovery.** The Haiti COVID-19 Response Project (P173811) (US\$20 million grant, including US\$9.7 million from the Fast Track COVID-19 Facility) was approved by the Board on April 2, 2020. The Bank



has also reallocated US\$9.5 million in emergency funds from the Resilience Productive Landscape Project (P165551) to support greater food security; and is financing US\$20 million in emergency cash transfers through the Municipal Development and Urban Resilience Project (P155201). In addition to this DPO, the FY20 deliverables include the Additional Financing to the Rural Accessibility and Resilience Project (US\$33 million; Board June 18, 2020), which will support response and recovery through COVID-19- informed construction site management as well as community-based works and maintenance. The FY21 pipeline will further support economic recovery and resilience, with planned operations in digital development, private sector jobs and social protection. Finally, the proposed DPO is aligned with the ongoing Strengthening Disaster Risk Management and Climate Resilience Project (PGRAC – US\$35 million), which strengthens the national disaster risk management system (SNGRD) and improves disaster preparedness in selected municipalities.

55. **Climate co-benefits.** Haiti is one of the 10 countries in the world most vulnerable countries to climate change,¹² and this vulnerability is increasingly materializing: while the risk was an average of 0.6 disasters per year in the 1960s, the average increased to 1.5 in the 1980s and to 4.3 in the 2000s.¹³ This DPO will directly contribute to building Haiti’s resilience to shocks, disaster and climate change by assisting the Government in (a) strengthening the planning and implementing capacity of DRM institutions; (b) developing cost-effective risk financing instruments; and (c) developing adaptable social protection programs capable of scaling up and scaling out in response to natural disasters. All the Prior Actions supported by this operation directly strengthen Haiti’s adaptation to climate change by improving human, physical, and financial resilience to climate change-induced natural disasters. Prior Action #1 supports preparedness for health emergencies, which could be exacerbated by climate change. The social protection system supported by Prior Action #2 will allow adaptive social protection measures to be quickly deployed to the poor and vulnerable in the aftermath of climate-induced natural disasters. The legal foundation established under Prior Action #3 and the plan supported by Prior Action #4 will reduce the damage to life and property caused by climate-induced disasters, while Prior Action #5 will strengthen the financial capacity for climate adaptation.

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

56. **During preparation of this operation, consultations were undertaken with key stakeholders** in coordination with MEF, DPC/MICT, MSPP, MAST, the Ministry of Public Works, Transport and Communications (MTPTC), the Ministry of Agriculture, Natural Resources and Rural Development (MARNDR), and the Ministry of National Education and Vocational Training (MENFP). The process included the active participation of central government officials, local council authorities and civil society representatives through joint workshops, organized discussions, reviews and individual consultations. The process built upon on the consultations that MICT had conducted with officials from line ministries, departments, donors and civil society with regard to the DRM Law and the National DRM Plan 2019-2030.

57. The DPO also supports and complements the work of development partners, such as the European Union and the Caribbean Development Bank in Haiti’s DRM sector. It is closely coordinated with other international development partners in their support to Haiti to respond to COVID-19.

¹² Intergovernmental Panel on Climate Change (2013).

¹³ Haiti, Risk and Resilience Assessment. WB (2019).



5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

58. **Prior Actions under this DPO are expected to have positive poverty and social effects, particularly to offset the impact of the COVID-19 crisis.** Policies supported by this operation to mitigate the impacts of the COVID-19 crisis are expected to protect poor and vulnerable populations. The National Social Protection and Promotion Policy lays a critical foundation for a social protection system to help the poor. Providing emergency support to vulnerable populations affected by the pandemic is expected to have a positive impact on the welfare of the poorest by limiting the increase of extreme poverty incidence and the severity of poverty among the extreme poor as a result of the COVID-19 pandemic.

59. **Policies supported under this project are also expected to enhance the country's resilience to shocks and support social and economic development.** Strengthening the institutional framework is expected to have indirect positive effects increasing the GoH capacity to reduce the country's exposure to future shocks that affect disproportionately the most vulnerable groups. Actions in this DPO can also indirectly help reduce poverty by having in place an effective response system that can deploy in a timely manner to support the affected vulnerable populations after a shock. Measures for increasing efficiency in the mobilization and allocation of public resources are expected to strengthen the fiscal position of the government.

60. **Gender and citizen engagement.** Adverse natural events, including disease outbreaks, also increase the risk of gender-based violence and gender inequality. Women and girls are at far greater risk of experiencing physical and sexual violence in emergency settings and post-disaster environments such as camps and shelters.¹⁴ Moreover, the post-disaster recovery process for female-headed households, including access to health care, is more likely to be prolonged. With COVID-19, the situation becomes more complicated, as women confront difficulties in access to water, transportation and food assistance, and resources and efforts are diverted from response to violence against women and girls to immediate COVID-19 relief¹⁵. Domestic violence is likely to increase during social distancing.¹⁶ Policies under the proposed operation support the Government's COVID-19 response measures to protect vulnerable populations through support to the health sector response and emergency cash transfers. These transfers will have a direct positive impact on beneficiary households, including women and children, mitigating consumption/income stress in these households. Additionally, the operation will support the strengthening of the SIMAST by expanding it to beneficiaries that have received support during the COVID-19 pandemic and were not previously registered and updating current beneficiaries' information. Women will particularly benefit from this registration as female-headed households are given priority when identifying eligible beneficiaries for the emergency cash transfer. This will allow women heads of household to be part of this registry and to receive future benefits.

61. The operation will also support the integration of gender consideration in overall DRM actions at the national and sector level as mandated by the National DRM Plan for 2019-2030. One of the main challenges women face during emergency response is lack of safety in emergency shelters, due to limited capacity to enforce rules. As shelters do not have separate areas for women, they lack privacy and are at risk of sexual aggression. Women would be reluctant to evacuate, since shelters do not provide basic resources such as food, water, and first aid supplies. In particular, they do not offer supplies for women, such as feminine products or formula for infants. While the DPC's official shelter

¹⁴ State of World Population, UNFPA, 2012.

¹⁵ Impact of COVID-19 on violence against women and girls and service provision: UN Women rapid assessment and findings

¹⁶ UN Women: <https://www.unwomen.org/en/news/stories/2020/5/take-five-emanuela-paul-on-covid-19>.



management guidelines¹⁷ mandate the application of measures to reduce risks for women, these are not systematically enforced, given the lack of funding and capacity. As part of the World Bank technical assistance supporting this DPO, further analysis will be conducted to increase understanding of the gender gap in the DRM sector and identifying priority actions to address it. Moreover, the prior actions and results identified under this operation derive from a participatory process with key stakeholders. The multi-sectoral Commission for the effective coordination of the COVID-19 Pandemic, CMGP COVID-19, integrates mechanisms for civil society and the private sector to contribute and discuss emergency preparedness and response actions undertaken by the Government.

5.2. ENVIRONMENTAL ASPECTS

62. **It is anticipated that policy reforms supported through the proposed DPO are unlikely to have any negative significant impact on Haiti's environment and natural resources.** All the actions supported through the Operation are policy-oriented; they do not support direct investment in activities that could generate harmful environmental impacts or involve policy actions with significant environmental consequences. Haiti has a relatively adequate body of legislation in place to ensure sound environmental monitoring and protection, including for disaster risk management and waste management, the main linked areas of the policies enumerated in the Prior Actions. Nonetheless, due largely to institutional capacity and resource constraints, national legislative frameworks are poorly enforced

63. **The World Bank and other donors continue to provide continued capacity support to sectoral ministries for greater governance and enforcement capabilities, in line with enacted frameworks, in both the disaster risk management and healthcare management sectors.** For disaster risk management, MICT and its constituent DPC have developed strong capacity to manage potential negative environmental impacts resulting from their activities. For healthcare, and specifically medical or hazardous bio-waste management, the institutional framework is more fragmented which in turn has resulted in fragmented monitoring and oversight. The national framework consists of (a) the National Policy for Injections Safety and Medical Waste Management; (b) Norms and Procedures for Medical Waste Management; (c) Essential Package of Services (which defines more broadly the organization of health care and includes waste management); (d) the Strategic Plan for Injections Safety and Medical Waste Management 2009-2014 (still used as the reference framework); and (e) the Program for the Prevention of Infections and Waste Management. The World Bank finance health projects in Haiti have provided medical waste management technical assistance and there is concerted donor action to work with the Directorate for Environmental Protection and Community Health (DPSPE), the oversight agency for medical waste within MSPP, to enhance both the national institutional framework as well as DPSPE enforcement capacity. Preliminary efforts are underway to develop a comprehensive medical waste management strategy with the support of international partners active in the public health sphere.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

Fiduciary

64. **Haiti's public financial management system faces serious challenges in managing the country's budget resources appropriately and transparently.** Public Expenditure and Financial Accountability (PEFA) assessments were carried out in 2007 and 2011. While some aspects of PFM have improved in recent years, 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

¹⁷ *Guide de Gestion des abris d'evacuation*, Civil Protection Directorate, 2013



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 External Cooperation (MPCE), 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,¹⁸ the timely reconciliation of accounts, and the preparation of annual accounts.

65. **In terms of transparency, MEF’s website reports on budget execution.** The in-year budget execution currently reported in MEF’s website comprises a table covering operating and capital expenditures by ministries and institutions with highly aggregated data. MEF also prepares and periodically publishes the Table of Government Financial Operations (TOFE by its French acronym). Haiti also publishes available budget and financial information and data through the BOOST platform integrated in MEF’s website, although the information in the BOOST is not up to date. Various monthly and quarterly budget and financial reports continue to be issued and published. These reports, TOFE, expenditures by institutions, social expenditures, and budget execution have been regularly published for the last fiscal years. There have been significant improvements in the availability of capital expenditure data with the establishment and operationalization of the Treasury Single Account along with the Accounting Units in all line ministries, since January 2016. However, some concerns remain about report comprehensiveness and data accuracy, issues that cannot be overcome without upgrading and furthering the integration of the various financial and budget management applications and systems currently run by MEF.

66. **To address these challenges, the GoH launched a comprehensive PFM reform strategy in 2014** focused on: (a) Internal and external resources mobilization and local finances; (b) Budget reform and external audit; (c) Modernization of treasury and accounting; and (d) Integrated Financial Information Management System.

67. **A PFM reform Memorandum of Understanding was signed by the Government and eight PFM donors in June 2017¹⁹ to leverage and coordinate donor support. In this context, in June 2018 the World Bank provided an Investment Project Financing (IPF) of US\$15 million²⁰ and in September 2018²¹ a budget support of US\$20 million** in with one of its pillars²² being strengthening fiscal management. The IPF focus on: (a) strengthening public financial management and reporting through introduction of a new Integrated Financial Information Management System (IFMIS); and (b) enhancing 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.

68. **Despite these efforts, the PFM environment remains weak. Although HFY 2020 budget has been approved by the Council of Ministers on June 5, 2020,** the HFY2019 General Government budget has not yet been approved, neither

¹⁸ Republic of Haiti Evaluation of the Public Investment Management System in Haiti, Report #ACS12334, GGODR, LAC 2014.

¹⁹ In June 2017, the Government signed a Memorandum of Understanding with donors, providing a formal setting for high political dialogue around PFM reforms, with two annuals joint reviews of the PFM reform action plan’s implementation and results.

²⁰ Grant IDA D3110-HT under the Improving Haiti’s Public Financial Management and Statistical Information Project (P157531).

²¹ Fiscal Reform and Social Resilience Development Policy Financing P162452.

²² The operation’s second pillar is “enhancing the efficiency of social spending”.



has the draft budget bill for HFY2020 been submitted to Parliament.²³ Although the PFM reform strategy is operationalized through three-year action plans, the plan for 2018-2020 is still being prepared with the TA of the European Union. Furthermore, the latest joint review²⁴ of the PFM reform highlighted delays in the implementation of priority actions notably related to budget planning and budget execution as well as control, transparency and anti-corruption.

69. **Moreover, the GoH did not comply with the 2018 DPO's Financing Agreement's (FA) conditions regarding the confirmation of the deposits of the proceeds** into a local currency account, and further proof of usage of the funds. The delay in providing this information was 240 days over the FA's requirement (270 days versus 30 days after the withdrawal of the financing from the financing account).

70. **Based on the most recent IMF safeguards assessment of the BRH, dated August 2019, the World Bank concluded that the control environment at the Central Bank needs to be strengthened.** Since 2016 and based on previous IMF recommendation 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 aimed at strengthening oversight bodies. However, many improvements still need to occur to ensure a sound foreign exchange control environment.

71. **The procurement Legal Framework has been improved with the adoption of the procurement decree in 2009 and the preparation and adoption of subsequent documents through 2017.** The national bidding documents have been posted in the National Procurement Commission (CNMP) website. The institutional Frame is still not well defined. Weak institutional capacity and lack of accountability compound governance and transparency challenges, notably in public financial management overall, public procurement, and tracking of public spending. Lack of capacity and competitiveness in the domestic supply market, which is characterized by vested interests and cartels in key productive sectors is a notable challenge. The Bank is supporting Haiti's public procurement reforms and capacity-strengthening of CNMP in order to enable the Bank to rely more extensively on the national procurement system for the procurement of contracts under the Bank's IPF portfolio. Most significantly, the Bank is currently supporting CNMP in implementing its 2018-2023 the strategic plan which aims to: (a) modernizing the procurement law, (b) establishing procurement units in lines ministries, (c) streamlining procurement procedures by introducing IT tools; and (d) training procurement specialists to support line ministries.

Disbursement and reporting

72. **The operation would follow IDA's standard disbursement procedures for DPO's and would not be linked to specific expenditures.** Within 30 days of the disbursement date the Recipient will provide a written confirmation to the World Bank of the receipt of funds. The Recipient will confirm that: (a) the proceeds were received into a dedicated account of the government that is part of the country's foreign exchange reserves (including the date and the name/number of the government's bank account in which the amount has been deposited); and (b) an equivalent amount has been accounted for in the country's budget management system (including the Chart of Accounts name/dedicated local currency, the date, and the exchange rate used).

73. **The proceeds cannot be used for excluded expenditures and will not be tied to any specific purchases.** The proceeds of the operation would not be used to finance expenditures excluded under the General Conditions for

²³ 2017-2018 budget is publicly available on MEF website.

²⁴ Government and Donors in May 2019.



International Bank for Reconstruction and Development (IBRD) and IDA Financing: DPF (General Conditions). If, after being deposited in a government dedicated account, the proceeds of the operation are used for excluded expenditures as defined in the General Conditions, the Recipient will be required to refund the amount directly to the World Bank. Any such amounts refunded to the World Bank shall be cancelled.

External Auditing of the Grant Dedicated Account

74. **The GoH will hire an independent external auditor acceptable to the Bank to perform an audit of the dedicated accounts.** The audit will be conducted in accordance with International Standards on Auditing and with the terms of reference acceptable to the Bank. The audit report will be approved by MEF before it is submitted to the Bank. The audit report will be submitted to the Bank within six months of the end of the Recipient’s fiscal year in which the disbursement is made. The audits will confirm that the funds disbursed by the World Bank have been deposited into the Foreign Currency Dedicated Account, form part of the country’s foreign exchange reserves, and that an equivalent amount has been either credited to a Local Currency Dedicated Account of the government available to finance budgeted expenditures or used for budgeted payments made in foreign currency, and categorization of these payments. The auditor will also confirm the following:

- (a) Validate the transfer and deposit transactions into the dedicated accounts relating to the funds;
- (b) Verify that no funds are kept in or paid into the dedicated accounts other than those disbursed by the Bank for this particular operation;
- (c) Confirm that all payments out of the dedicated accounts were not made for any excluded expenditures as defined in the Financing Agreement;
- (d) Ensure that MEF follows adequate disbursement procedures as per GoH standards, including accuracy of the exchange rate prevailing at the date of conversion from the United State dollar to the HTG, and deposit to the Central Treasury Account used to finance budget expenditures (i.e., items included in the government’s approved budget for the period) within 30 days of the receipt of funds in the dedicated accounts.

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

75. **Grievance Redress.** Communities and individuals who believe that they are 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/national grievance redress mechanisms, or the WB’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit <www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit <www.inspectionpanel.org>.

6. SUMMARY OF RISKS AND MITIGATION



76. **The overall risk associated with the operation is ‘Substantial’.** The sources of risks 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, the potential benefits of the operation are considered to outweigh the risks.

77. **Political and governance factors pose the greatest risks to the operation and rated as ‘Substantial’.** Haiti’s political-economic context remains highly volatile. Public institutions are weak, and the political situation is a delicate balance of rival interests. 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. Other mitigation measures include maintaining a close and coordinated dialogue on reform actions among the government, across a broad range of stakeholders, and development partners.

78. **The operation will be implemented in an environment of ‘High’ macroeconomic risks.** Haiti is vulnerable to multiple sources of macroeconomic risk. Donor financing fell from 24.5 percent of GDP in 2010 to 1.4 percent of DGP in 2019. The stop of the Petrocaribe agreement with Venezuela also compounded the decline in external assistance. In addition, resumption of economic activity as confinement is relaxed will likely raise international prices of oil which remains heavily subsidized in Haiti, limiting the government’s fiscal space. The COVID-19 crisis and Haiti’s vulnerability to natural hazards pose serious additional challenges to macro stability and could further reduce fiscal space for a timely response and recovery efforts. This operation seeks to partly mitigate these risks by strengthening the country’s institutional capacity and resilience to shocks, which, in doing so, would indirectly reduce pressure on the government’s fiscal position. Limited fiscal space could affect the capacity of the Ministry of Health to fully conduct and operationalize the new surveillance and lab systems which require significant investments, particularly in equipment, human resources and technical assistance, or to ensure adequate personal protective equipment (PPE) or other critical supplies in designated health facilities. To mitigate this risk, the two IDA-financed health projects (PROSYS and the COVID Response Project) will complement this operation to support the health system.

79. **Given the Government’s severe weaknesses in the PFM system and the Central Bank foreign exchange control environment added to the numerous fiduciary issues found with the last budget support (P162452), the fiduciary risk is High.** The two last budgets were never submitted to Parliament, the PFM reform strategy implementation is experiencing significant delays, including priority actions on the fundamentals of public financial management (budget planning, execution and control) as well as on the transparency and anti-corruption agenda. Furthermore, the control environment at the Central Bank remains weak. Finally, the GoH did not comply with the fiduciary measures laid out in the Financing Agreement for the 2018 DPO with a significant delay (270 days instead of 30 days) to fulfill fiduciary reporting obligations. The mitigation measures, which include policy actions taken by the Government as well as under the additional Financing to the Haiti Statistical Capacity Building Project (P157531), are expected to mitigate this risk in the medium term. For the execution of the DPO, the FM mitigation measures as appropriate for high fiduciary risk DPOs include the use of dedicated accounts, specific reporting requirements and an audit of the dedicated accounts as described in Section 5.3.

80. **COVID-19 Risk is rated ‘Substantial’.** The targeting and distribution processes for cash transfer beneficiaries



present a risk of COVID spreading. To mitigate this risk, social distancing and crowd limitations will be enforced at distribution sites, in addition to all workers wearing appropriate PPE. Distribution cycles will also be limited to the minimum necessary number, and mobile money will be relied on as much as feasible to avoid physical distributions of cash. MSPP personnel and DPC volunteers will be present on site to enforce the COVID spreading mitigation measures and lead communication on COVID prevention for all beneficiaries. Additionally, an adjusted SIMAST registration methodology is being developed to mitigate COVID spreading, including by relying on phone surveys. Depending on the duration and magnitude of the COVID-19 impact in Haiti, the expected results of this operation under PA1 could be delayed as a results of limited staff mobility and limited financing available. As the COVID-19 response continues to absorb a high amount of financial and human resources from the government and partners in the health sector, changes envisioned in this operation could be affected by competing critical needs to ensure a minimum level of services, at the expense of longer-term reforms. To mitigate this risk, the two IDA-financed health projects (PROSYS and the COVID response Project) will, as much as possible, provide resources to ensure core health system functions are supported as well as the initiatives supported through this operation.

Table 5: Summary Risk Ratings

Risk Categories	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● High
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● High
7. Environment and Social	● Moderate
8. Stakeholders	● Moderate
9. Other	● Substantial
Overall	● Substantial



ANNEX 1: POLICY AND RESULTS MATRIX

Prior Actions	Results Indicator	Baseline [2020]	Target [2022]	Lead Entity
<i>Enhancing Resilience to Shocks in COVID-19 Context</i>				
<p>Prior Action 1: To strengthen its health emergency preparedness and response capacity, the Recipient has adopted recommendations of the Joint External Evaluation.</p>	<p>Results Indicator 1: Number of laboratories evaluated to ensure biosafety compliance.</p>	0	12	MSPP
	<p>Result Indicator 2: Public Health surveillance system reorganized to be aligned with the public health priorities established by the country.</p>	No	Yes	MSPP
	<p>Result Indicator 3: Number of public COVID-19 designated facilities with personal protective equipment available for health staff.</p>	5	12	MSPP
<p>Prior Action 2: To increase transparency and coordination in future social protection programs, including cash transfers, the Recipient has approved a National Social Protection and Promotion Policy.</p>	<p>Result Indicator 4: Social Registry (SIMAST) expanded to beneficiaries that have received support during COVID-19 pandemic and were not previously registered, and updated with the information for those who were.</p>	400,000	530,000	MAST



Prior Actions	Results Indicator	Baseline [2020]	Target [2022]	Lead Entity
<p>Prior Action 3: To provide an institutional structure for effective disaster risk management, including emergency preparedness and response, the Recipient has approved the establishment, organization and operationalization of a National Disaster Risk Management System.</p>	<p>Result Indicator 5: Number of Directorates fully functional and staffed implementing the National DRM Plan.</p>	0	7	MICT
	<p>Result Indicator 6: Improved coordination and emergency services with National Emergency Operation Center (COUN) equipped and staffed with minimum functioning structure.</p>	No	Yes	
	<p>Result Indicator 7: Number of departments with allocated budget and minimum equipment allowing for an uninterrupted operation</p>	0	10	
<p>Prior Action 4: To improve disaster resilience and multi-sectoral coordination, the Recipient has approved a National Disaster Risk Management Plan 2019-2030.</p>	<p>Results Indicator 8: Percentage (%) of public schools for which a disaster risk assessment has been conducted.</p>	0	10% of existing schools as of 2020 [of 3000 of total schools]	MENFP
	<p>Results Indicator 9: Percentage (%) of public health infrastructure with updated map of exposure to floods in three Departments.</p>	0	50% of existing health facilities as of 2020 (of 143 of total health facilities in the three Departments)	MSPP
	<p>Results Indicator 10: Disaster risk and epidemiological information, disaggregated by gender and age, made available through an official platform for investment planning and data sharing among sectors.</p>	No	Yes	National Center for Geospatial Information (CNIGS) /MPCE



Prior Actions	Results Indicator	Baseline [2020]	Target [2022]	Lead Entity
Prior Action 5: To measure and optimize the management of contingent liabilities, the Recipient has established a Ministerial Committee charged with the development of a National Risk Financing Strategy.	Result Indicator 11: Disaster Risk Financing Strategy developed.	No	Yes	MEF
	Result Indicator 12: Operational practices and procedures developed for the allocation, audit and evaluation of the National Emergency Fund (FDU).	No	Yes	



ANNEX 2: FUND RELATIONS ANNEX

Press Release No. 20/171
April 17, 2020

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Approves US\$111.6 Million Disbursement to Haiti to Address the COVID-19 Pandemic

The IMF Executive Board approves the twentieth request for emergency financial assistance to help its member countries address the challenges posed by COVID-19.

The approval of the Board will make available US\$111.6 million in emergency financing to help Haiti address the challenges posed by COVID-19.

IMF financing support provides resources to the authorities for essential health-related expenditures and income support to ease the impact of COVID-19 on the population.

To address the pandemic, Haiti's government announced measures to support workers and households, including paying salaries and providing food and cash transfers to the public.

The Executive Board of the International Monetary Fund (IMF) approved a disbursement to Haiti under the Rapid Credit Facility (RCF) equivalent to SDR 81.9 million (US\$111.6 million, 50 percent of quota) to help cover balance of payment needs stemming from the outbreak of the COVID-19 pandemic.

The pandemic has worsened an already weak economic outlook for Haiti. An expected sharp drop in remittance flows, reduction in textile exports, and drop in FDI will put significant strain on the balance of payments. Additional direct health and social expenditures, together with a further drop in fiscal revenues will add to the fiscal deficit and financing needs. IMF support will help cover some of this need and allow the government to ease the impact on the population, such as paying salaries of some teachers and workers, providing cash transfers and food rations to households, and providing subsidies to the transport and sanitation sectors.

Following the Executive Board discussion. Mr. Tao Zhang, Deputy Managing Director and acting Chair, made the following statement:

COVID-19 poses a major challenge for Haiti, a country in a fragile situation with very limited healthcare services, just emerging from two years of socio-political instability and worsening economic hardship. Measures are being taken by the government to stop the spread of the virus and to cushion the economic impact of the shock.



IMF emergency support under the Rapid Credit Facility will help fill the balance of payments gap and create fiscal space for essential health expenditures, income support to workers, and cash and in-kind transfers to households.

To address the crisis, scarce budgetary resources will need to be allocated to critical spending on disease containment and increased social assistance to the most vulnerable. To ensure the appropriate use of emergency financing, the authorities should prepare monthly budget execution reports on COVID-19 expenditures and undertake an ex-post financial and operational audit of COVID-related operations. While providing adequate liquidity support to the financial sector, the central bank should contain monetary financing of the deficit and limit foreign exchange interventions to smoothing volatility.

Expeditious donor support is needed to close the remaining balance of payments gap and ease the adjustment burden. The IMF intends to further support Haiti through a Staff Monitored Program to help start the process of restoring macroeconomic stability and sustainability, building a better social safety net, and tackling governance weaknesses and corruption.”



ANNEX 3: LETTER OF DEVELOPMENT POLICY



RÉPUBLIQUE D'HAÏTI

MINISTÈRE
DE L'ÉCONOMIE ET DES FINANCES

Le Ministre

No. DEE/BM/WB/188-juin 20

Port-au-Prince, le 12 JUIN 2020

Monsieur David MALPASS
Président
Groupe Banque Mondiale
En ses bureaux.

RÉPUBLIQUE D'HAÏTI : Opération à l'appui des politiques de
développement pour la Réponse à la COVID-19 et la Résilience
Lettre de Politique de Développement

Monsieur le Président,

1. J'ai l'honneur de vous transmettre au nom de la République d'Haïti, la lettre de politique de développement relative à l'Opération à l'appui des politiques de développement pour la Réponse à la COVID-19 et la Résilience (DPO). L'obtention de ce don devient pressante avec la pandémie de COVID-19 qui sévit dans le monde et notamment en Haïti, où l'on a déclaré l'état d'urgence sanitaire le 19 mars 2020. Ce don IDA sur deux ans vient compléter le don IDA pour l'appui à la réponse à la COVID-19 dans le secteur santé et vise à soutenir nos efforts en cours dans le cadre de la réponse à la COVID-19 ainsi que de la résilience aux chocs. Le programme en question inclut notamment : (i) l'adoption des recommandations de l'Évaluation externe conjointe du Règlement sanitaire international de l'Organisation Mondiale de la Santé (OMS) et la mise en œuvre de certaines recommandations clés; (ii) l'adoption de la Politique Nationale de Protection et de Promotion Sociales (PNPPS) et la mise à disposition d'informations concernant les financements et bénéficiaires de programmes de protection sociale ainsi que la mise à jour du Système d'Information du Ministère des Affaires Sociales et du Travail afin d'y intégrer des populations bénéficiaires d'assistance d'urgence COVID-19 ; (iii) la mise en place du cadre institutionnel concernant le Système National de Gestion des Risques de Désastre et la création de la Direction Générale de la Protection Civile (DGPC), ainsi que certaines activités clés de renforcement institutionnel de la DGPC; (iv) l'adoption du Plan National de Gestion des Risques de Désastres (PNGRD) visant à promouvoir la résilience des secteurs aux chocs, y compris la COVID-19 et la conduite d'analyses de risques dans les secteurs clés; et (vi) le renforcement de la capacité financière à gérer les impacts budgétaires liés aux chocs en développant une stratégie pour le Financement des risques de désastres et les procédures opérationnelles du Fonds d'Urgence (FDU).

2. Cette correspondance présente (i) une description du contexte et des perspectives macroéconomiques à la lumière de la pandémie, (ii) articule les objectifs poursuivis dans le cadre de la réponse d'urgence





COVID-19 et du renforcement de la résilience d'Haïti aux chocs, et (iii) résume les réformes et les stratégies que le Gouvernement s'engage à mettre en œuvre dans le cadre de ce programme.

I. ORIENTATION DE LA POLITIQUE DU GOUVERNEMENT ET EVOLUTION RECENTE DE LA SITUATION MACROECONOMIQUE

3. La République d'Haïti s'est dotée d'une vision pour transformer le pays en pays émergent à l'horizon 2030. Dans cette perspective, les actions du Gouvernement visent prioritairement à : (i) lutter contre la corruption ; (ii) assurer à la population l'accès universel à l'électricité ; (iii) établir un Etat de droit par le renforcement de l'appareil judiciaire et policier ; (iv) promouvoir une croissance économique inclusive accompagnée de la création d'emplois ; (v) moderniser la Gouvernance économique et notamment la gestion des Finances publiques ; et enfin (vi) protéger l'environnement.

4. Pour y parvenir, un ensemble de réformes ont été engagées dans divers domaines depuis l'élection du Président de la République, Son Excellence Monsieur Jovenel **MOISE** en février 2017. Celles-ci visent à soutenir le processus de transformation de notre économie et de notre société. Dans le contexte actuel, il convient de souligner la nécessité fondamentale d'augmenter les dépenses favorables aux vecteurs de croissance tout en continuant de renforcer stratégiquement la résilience et de réduire la vulnérabilité de notre pays face aux chocs, y compris les chocs sanitaires, les désastres naturels et les changements climatiques. Il est primordial dans ce cadre d'adopter une stratégie de réduction des risques, de préparation et de réponse adéquate concernant les secteurs santé, protection sociale et gestion des risques et désastres. Il est par ailleurs important de souligner que tous ces efforts sont en grande partie financés et accompagnés par votre institution ainsi que d'autres partenaires techniques et financiers ; le Gouvernement et le peuple Haïtien y sont grandement reconnaissants. Cependant, la pandémie de COVID-19 risque de fragiliser les acquis passés et de dérailler les réformes futures si elle n'est pas prise en compte dans toutes les activités du Gouvernement.

5. Sur le plan macroéconomique, l'évolution récente de la conjoncture dans le pays a affecté la croissance. Les sources de fragilité liées à la situation politique, au contexte international et maintenant à la pandémie de COVID-19, rendent difficile l'assainissement du cadre macro-économique.

6. Le Produit Intérieur Brut (PIB) a connu une croissance négative estimée à -1,8 pourcent au cours de l'exercice 2018/19, du fait de l'instabilité qui perdure depuis la tentative infructueuse du Gouvernement de supprimer la subvention aux prix de l'essence en juillet 2018. Malgré les effets de l'ouragan Matthew, qui a ravagé le pays en octobre 2016, les secteurs agricoles, de la construction et des services se sont montrés résilients. Nous avons réussi à maintenir le déficit budgétaire à 3,6 pour cent du PIB mais l'inflation a poursuivi sa tendance à la hausse, atteignant en moyenne 17,3 pour cent au cours de l'exercice 2018/19, principalement à cause de la forte hausse des prix des produits alimentaires sur le marché intérieur. Ceci est notamment dû à la dépréciation de la gourde qui a perdu 29 pour cent de sa valeur vis-à-vis du dollar des EU par rapport à l'exercice 2017/18 du fait de la pression sur la balance des paiements. Cependant, le déficit de la balance courante extérieure a été réduit à 2,5 pour cent du PIB, après avoir atteint 3,7 pour cent durant l'exercice 2017/18.

7. Après l'arrêt des flux de trésorerie dans le cadre de l'Accord PetroCaribe depuis l'exercice 2017/18, ce déficit a été financé principalement par les dons étrangers, qui sont en baisse depuis l'exercice 2017/2018 pour ne représenter que 1,4 pourcent durant l'exercice 2018/19, des financements internes



représentant 2,6 pourcent du PIB et compensé par la Banque de la République d'Haïti (BRH) à hauteur de 1,4 pourcent du PIB dont les réserves brutes ont conservé un niveau raisonnable supérieur à l'équivalent de 4 mois d'importations.

II. PERSPECTIVES MACROÉCONOMIQUES POUR L'EXERCICE 2019/20

8. Pour l'exercice 2019/20, une chute de 3.6 pour cent du PIB est estimée vu la situation politique et la pandémie de COVID-19. Cette décroissance du PIB risquerait de se détériorer si Haïti venait à subir de nouveaux chocs exogènes tels que de sévères désastres naturels surtout à partir de la saison cyclonique qui commence le 1^{er} juin. Par ailleurs, les récents événements d'octobre 2019, qui rappellent ceux de juillet 2018, concernant les produits pétroliers pourraient maintenir cette baisse tendancielle de la croissance compromettant ainsi des résultats plus positifs en raison de l'impact potentiel que pourrait afficher les secteurs porteurs de croissance comme ceux de la construction et des services alors que celui du tourisme est en veilleuse à cause la crise liée à la COVID-19. De plus, les arrêts dans les usines d'assemblage comme cela a été le cas jusqu'à présent pourraient se traduire également par une mauvaise performance probable des exportations durant l'année, ce qui augmenterait le déficit du compte courant extérieur qui est projeté d'atteindre environ 2.7 pour cent à la fin de l'année. Les réserves brutes au sein de la Banque Centrale permettraient d'assurer au moins 4 mois d'importations, supérieur au 3 mois généralement admis. Par ailleurs, le taux d'inflation risque de terminer l'exercice fiscal à 22 pour cent, voire augmenter sous les effets de la COVID-19. Le déficit budgétaire sera financé par l'émission de bons du Trésor et des emprunts de la BRH. Ainsi, la politique monétaire conciliante de la BRH et le renforcement de la gestion fiscale par notre ministère avec l'aide de l'IDA et du Fonds monétaire international (FMI) chercheront à réduire à moyen terme les déséquilibres macroéconomiques qui se sont accentués depuis l'exercice 2017/2018 et qui se sont exacerbés avec la COVID-19. Ceci s'est traduit par un décaissement du FMI au titre de la Facilité de Crédit Rapide (FCR) de 111,6 millions de dollars des EU à partir d'avril 2020 pour aider à couvrir les besoins de la balance des paiements résultant de la pandémie de COVID-19. Notre pays a aussi bénéficié d'une remise de dette de 3.9 millions de DTS au titre du Fonds Fiduciaire d'Assistance et de Riposte aux Catastrophes (CCRT en anglais).

9. Toutefois, au fur et à mesure que la pression sur la balance des paiements augmentera, les contraintes de financement s'accroîtront. Avec les flux d'aide publique revenant à leurs niveaux antérieurs au tremblement de terre de 2010 et l'accumulation rapide de la dette extérieure, qui est équivalente à 24,7 pour cent du PIB pour l'exercice 2018/19, principalement générées dans le cadre de l'Accord PetroCaribe, nous sommes ainsi obligés de développer des moyens innovants pour financer notre économie et cibler des investissements porteurs de croissance afin de maintenir une croissance durable et une trajectoire d'endettement gérable malgré la crise occasionnée par la COVID-19 survenue après une série de désastres dévastateurs. Bien sûr, ceci ne pourrait pas être envisagé sans maintenir l'effort de gestion des risques de désastre (GRD) afin de prévenir la perte en vies humaines, préserver nos stocks, et redémarrer les activités économiques post-désastres et post-COVID-19 le plus rapidement possible.

10. Dans le contexte de la propagation de la pandémie de COVID-19 et de la préparation du budget 2019-2020, nous avons négocié un Programme de référence (SMP) avec les Services Techniques du FMI. Ce Programme, qui joue un rôle catalytique pour les autres Partenaires Techniques et Financiers (PTF), témoigne de la volonté des autorités haïtiennes à progresser dans la mise en œuvre de politiques et réformes nécessaires pour maintenir la stabilité macroéconomique. Le SMP, d'une durée de neuf (9) mois, s'articule autour de trois grandes priorités : renforcer les institutions et le cadre des politiques



économiques, développer le filet de protection sociale, et améliorer la transparence et la gouvernance. Nous comptons ainsi poser les bases solides d'une discussion pour un nouvel accord de prêt avec le FMI financé sur une tranche supérieure de crédit, à la fin de l'exécution du Programme de référence, soit en mars 2021.

11. S'agissant des mesures visant à promouvoir la transparence et renforcer la gouvernance, les principales actions se porteront sur :

- i. Le renforcement de l'indépendance de l'Unité de Lutte Contre la Corruption (ULCC) à travers une révision de sa loi organique ;
- ii. La mise en place du Comité de pilotage de la stratégie nationale de lutte contre la corruption ;
- iii. Le contrôle strict des déclarations de patrimoine par l'ULCC selon les dispositions de la loi du 12 février 2008.
- iv. L'amélioration de la transparence en matière de finances publiques, notamment en ce qui concerne la passation des marchés publics ;
- v. La publication de rapport périodique et détaillé sur l'utilisation des fonds consacrés à la lutte contre la COVID-19.

12. L'appui de la Banque mondiale de 20 millions de dollars des EU pour le Financement de Politique de Développement concernant la Résilience Fiscale et Sociale est déjà en cours depuis l'exercice 2017/18 et aura des retombées directes sur la GRD par la consolidation et la mise à jour du registre social SIMAST permettant la programmation de programmes de protection sociale réactifs aux chocs. Ainsi, cette intervention s'inscrit dans le cadre plus général du Système National de Gestion des Risques et Désastres (SNGRD) que le Gouvernement aimerait asseoir légalement, institutionnellement, financièrement et procéduralement à tous les niveaux afin de renforcer la GRD dans le futur. Cette intervention s'inscrit également dans le cadre de la Politique Nationale de Protection et de Promotion Sociales (PNPPS) encadrant la gestion du SIMAST ainsi que la mise en œuvre d'un système de protection sociale réactif aux chocs coordonné avec le SNGRD.

III. RÉFORMES ENVISAGÉES DANS LE CADRE DE CE PROGRAMME ET STRATÉGIES DE MISE EN ŒUVRE

13. Le programme DPO complètera les efforts du Gouvernement pour renforcer l'action de l'État dans 5 activités principales décrites ci-dessous :

Activité 1 : Cadre sanitaire

14. Par le biais d'un arrêté présidentiel daté du 19 mars 2020, le Gouvernement a déclaré l'état d'urgence en raison de la pandémie de COVID-19 et a exigé des mesures d'intervention spécifiques pour protéger la santé et le bien-être de la population. Le 25 mars 2020, une Circulaire (no. 001) a été publiée par le Premier ministre, décrivant les rôles et les responsabilités de chaque entité pour la mise en œuvre des mesures introduites par l'arrêté instaurant l'état d'urgence. De plus, le 31 mars 2020, à la suite de la circulaire No.001, une circulaire de soutien et de communication (no. 005) a été publiée décrivant les mesures nécessaires à la production de matériel et d'équipement médicaux et sanitaires.



15. En particulier, une mesure clé comprend le renforcement des mesures de prévention des infections dans les établissements de santé pour empêcher le personnel de santé et d'autres personnes d'être contaminés par des patients atteints par la COVID-19. Par ailleurs, l'appui de la Banque mondiale d'avril 2020 de 20 millions de dollars des EU au secteur de la santé pour parer à la pandémie de COVID-19 est essentiel pour soutenir les mesures du Gouvernement établies dans la Déclaration de l'état d'urgence et la Commission multisectorielle chargée de coordonner les ressources et le processus de planification stratégique de la réponse.

16. De manière plus générale, Haïti est confronté à des flambées récurrentes de maladies, telles que le choléra et plus récemment la COVID-19, dont les impacts sur la population sont aggravés entres autres par des carences chroniques du système de santé, une mauvaise qualité de l'eau et de l'assainissement, ou une mauvaise nutrition. Les événements naturels et climatiques augmentent le risque d'épidémies telles que la diphtérie ou les maladies d'origine hydrique, car ces événements affectent souvent l'accès aux services de santé, y compris les services de vaccination, et ils peuvent déclencher des déplacements de populations qui facilitent la propagation des maladies. Une préparation efficace comprenant la capacité de détecter une épidémie par le biais d'un système de surveillance fonctionnel, est essentielle pour assurer une prestation continue des soins et une capacité d'intervention rapide. Compte tenu de ces risques, le Ministère de la Santé Publique et de la Population a entrepris, avec l'appui de ses partenaires, notamment l'Organisation Panaméricaine de la Santé (OPS) de l'OMS, une évaluation externe conjointe de l'application du Règlement Sanitaire International.

17. L'activité 1 consiste à mettre en œuvre certaines recommandations du rapport d'évaluation externe conjointe : (i) l'évaluation de l'infrastructure de laboratoires afin d'assurer la protection du personnel, de la population et de l'environnement ; et (ii) la réorganisation de la surveillance épidémiologique du système de santé qui sera alignée sur les priorités de santé publique établies par le pays. Cette réorganisation sera aussi soutenue par le projet de santé (PROSYS) financé par la Banque mondiale en coordination avec l'OPS et des Centres pour le contrôle et la prévention des maladies (*Centers for Disease Control and Prevention* CDC). L'activité 1 vise également la mise à disposition d'équipements de protection individuelle dans les établissements publics désignés pour traiter les patients atteints de COVID-19.

Activité 2 : Cadre de réponse sociale

18. Des chocs tels que la crise de COVID-19 affectent le bien-être de larges segments de la population avec un impact disproportionné sur les ménages les plus pauvres et vulnérables. Bien que des mesures de confinement soient nécessaires pour sauver des vies, elles ont de graves conséquences économiques et sociales. Les mesures impliquant la distanciation sociale ont ralenti l'activité économique, en particulier les secteurs à forte intensité de main-d'œuvre, limitant ou supprimant ainsi la génération de revenus ainsi que de transferts des travailleurs émigrés, tout en réduisant l'accès à des programmes tels que les cantines scolaires. Les pauvres disposent de ressources et de mesures d'adaptation très limitées pour faire face à ces chocs. Dans le cadre des mesures d'atténuation, le Gouvernement est en train de mettre en œuvre des transferts monétaires et de vivres. Ces mesures d'atténuation bénéficient notamment de l'appui de la Banque Mondiale à travers l'activation de Composante de réponse d'urgence contingente du Projet de Développement Municipal et de Résilience Urbaine à hauteur de 19 millions de dollars des EU, qui soutiendra la mise en œuvre de transferts monétaires d'urgence pour les ménages les plus vulnérables, le soutien aux volontaires de la Direction de la Protection Civile et aux autorités locales, ainsi que la mise





en place d'enregistrements d'urgence pour le Système d'Information du Ministère des Affaires Sociales et du Travail. Le Gouvernement a par ailleurs annoncé le lancement d'un programme d'urgence ambitieux visant à transférer 3 000 Gourdes à 1.5 millions de ménages à travers la plateforme MonCash, ainsi que la distribution de vivres pour un million de ménages parmi les plus vulnérables.

19. L'existence d'un cadre légal entourant ce type de programmes, qu'ils soient d'urgence ou à moyen terme est cruciale afin d'assurer leur coordination et leur transparence, notamment entre les différents acteurs impliqués, ainsi qu'avec le Système National de Gestion des Risques et Désastres (SNGRD). La Politique Nationale de Protection et de Promotion Sociales (PNPPS) inclut ainsi, outre les axes correspondant au cycle de vie, un axe spécifique dédié à la protection sociale réactive aux chocs. La mise en place de mécanismes assurant une mise en œuvre transparente, tant concernant le nombre de bénéficiaires, leur ciblage, que les montants de bénéfices distribués, est une priorité afin d'assurer la qualité de ces programmes. C'est ainsi qu'il est nécessaire d'enregistrer les bénéficiaires de transferts monétaires d'urgence, identifiés notamment à travers le ciblage communautaire, dans le SIMAST afin de permettre un meilleur suivi de transferts et faciliter l'intégration de ces bénéficiaires dans de futurs programmes de protection sociale. De même, le Gouvernement devra mettre en place un mécanisme assurant la plus grande transparence quant aux financements liés non seulement à la réponse d'urgence, notamment à travers la plateforme MonCash ainsi que les distributions de vivres, mais également tous les autres programmes de protection sociale mis en œuvre à travers diverses institutions et financés par le Gouvernement. La mise à disposition de ces informations est essentielle à la coordination de ces programmes, et sera effectuée en collaboration avec la Banque mondiale ainsi que d'autres partenaires techniques et financiers.

20. En raison des progrès réalisés dans l'expansion et la mise à jour du registre social auprès des bénéficiaires de transferts monétaires d'urgence, la couverture du SIMAST augmentera de 400 000 ménages couverts en 2020 à 530 000 ménages d'ici 2022. Ces progrès permettront aussi de concevoir les programmes de façon plus efficace dans le cadre de la mise en œuvre de la Politique Nationale de Protection et de Promotion Sociales afin de soutenir les populations les plus vulnérables. Ce renforcement du SIMAST permettra également de faciliter les interventions d'urgence à l'avenir grâce à une couverture plus large et à une mise à jour de l'information en continu.

Activité 3 : Cadre Institutionnel du Système National de Gestion des Risques et des Désastres (SNGRD)

21. Cette activité vise à renforcer le cadre juridique et de politique de la GRD. Dans le cadre de ce pilier, l'opération proposée appuiera la mise en œuvre du Décret portant création du Système National de Gestion des Risques et Désastres (SNGRD), au travers duquel est également créée la Direction générale de la protection civile (DGPC), qui remplacera l'actuelle Direction de la Protection Civile (DPC) au sein du MICT. Relevant du Ministère de l'Intérieur et des Communautés Territoriales, la DPC gère le SNGRD, qui est une structure ad hoc fonctionnant sans cadre juridique dont l'envergure est toutefois multisectorielle. La faible représentation horizontale, le manque de capacités techniques et le budget restreint pour chaque secteur limitent son opérationnalisation et l'intégration de la GRD au sein du Gouvernement. Néanmoins, la DPC, qui est largement représentée verticalement au sein des 10 comités départementaux de la protection civile et de 140 comités municipaux de la protection civile, est la clé de la GRD car elle rassemble un large éventail de parties prenantes tout en exerçant les fonctions de coordination, de gestion des connaissances, de soutien technique, de renforcement des capacités et de mobilisation du SNGRD avec un budget opérationnel direct très limité. Pour couvrir le déficit financier,





la DPC s'appuie généralement en espèce sur un financement international et en nature sur un vaste réseau de volontaires locaux pour s'acquitter de ses responsabilités essentielles en matière de préparation et réponse d'urgence. L'absence de cadre juridique pour le SNGRD et le statut de la DPC en tant que direction ont conduit à une approche non-coordonnée de la gestion, de financement et d'engagement sectoriel des risques de désastre.

22. En accélérant l'adoption du projet de décret portant création du SNGRD et de la DGPC, le programme contribuera à la mise en œuvre du cadre institutionnel renforcé de GRD en légalisant le SNGRD et en créant la DGPC. Ceci inclura la définition des prérogatives institutionnelles de toutes les parties prenantes dans le SNGRD, y compris la DGPC contribuant ainsi à une politique informée et à la prise de décision au niveau ministériel accompagnée d'une allocation adéquate de ressources pour réduire les risques de désastres naturels. En particulier, cette activité mènera à (i) la mise en opération des différentes directions techniques administratives de la DGPC au niveau national, (ii) le renforcement des coordinations départementales de la DGPC, et (iii) le renforcement de la capacité du Centre d'Opérations Urgences National (COUN).

Activité 4 : Plan National de Gestion des Risques et des Désastres (PNGRD) et Préparation et Réponse des Secteurs

23. En accélérant l'adoption du PNGRD (2019-2030), le programme permettra d'améliorer la préparation et la réponse dans des secteurs clés. Cette activité vise à renforcer les capacités de planification et de coordination du Gouvernement en matière de GRD. Le PNGRD 2019-2030 vise à renforcer durablement la résilience d'Haïti aux aléas naturels, y compris les chocs sanitaires fondés sur une approche intégrée et holistique qui tient compte des effets à long terme du changement climatique. Le plan spécifie les responsabilités des institutions sectorielles, nationales et décentralisées ainsi que des collectivités. Plus précisément, la PNGRD met en évidence des mesures visant à : (i) améliorer la compréhension des risques de désastre dans les secteurs et aux niveaux national et décentralisé; (ii) renforcer la gouvernance des risques de désastre afin de mieux gérer ces risques; (iii) soutenir la résilience des communautés et des institutions et la réduction des risques par le développement et l'utilisation de mécanismes financiers innovants; et (iii) assurer efficacement la préparation, la réponse et le relèvement en cas de désastre. Le plan vise également l'intégration de la gestion des risques de désastre dans leur processus de planification et d'investissement au sein des secteurs.

24. Le renforcement de la gestion des risques de désastre dans les secteurs contribuera à améliorer la résilience dans le contexte de la COVID-19. La réalisation de cette action antérieure sera mesurée à l'aide des indicateurs suivants : (i) évaluation des risques de catastrophe dans l'infrastructure scolaire ; (ii) analyse de l'exposition aux inondations des infrastructures publiques de santé dans trois départements ; et (iii) la mise à disposition d'informations épidémiologiques et de risques de catastrophes par le biais d'une plate-forme officielle de planification des investissements et de partage de données au sein des secteurs.

Activité 5: Renforcement de la Capacité Financière à Gérer les Impacts Budgétaires

25. Le Gouvernement compte mettre en place d'importantes structures institutionnelles et de considérer des actions clés afin de renforcer sa capacité financière à mieux gérer les risques budgétaires et à mieux se préparer et à faire face aux désastres. Ces actions permettront de mettre en œuvre des mécanismes





financiers et de renforcer la capacité du Gouvernement à adopter une approche ex ante pour réduire et financer les risques budgétaires liés aux risques naturels.

26. En fait, le Gouvernement manque d'une stratégie pour financer les interventions d'urgence destinées aux secours, en passant par le relèvement et enfin la reconstruction. À l'heure actuelle, les activités de secours et de reconstruction de l'État sont financées de manière ponctuelle à l'aide d'une combinaison d'instruments disponibles et reposent largement sur le financement des partenaires internationaux. Bien que les partenaires aient toujours démontré leur engagement à aider notre pays, le calendrier peut être incertain, laissant les activités essentielles après un désastre telles que les besoins en assainissement d'urgence non-financées, exacerbant ainsi les maladies transmissibles. Le renforcement de la capacité financière est nécessaire pour que le Gouvernement renforce sa résilience aux conséquences financières des désastres. Organiser le financement, élaborer des politiques, des cadres juridiques et institutionnels et renforcer les capacités à l'avance peuvent permettre d'obtenir des fonds et de les utiliser efficacement pour un relèvement rapide et une intervention immédiate à la suite d'un choc économique provoqué par des aléas naturels. Le Gouvernement peut également acheminer une aide d'urgence aux ménages par le biais de mécanismes de protection sociale, ce qui permet une réaction plus rapide, plus transparente et plus résiliente en cas de désastre. En outre, au niveau sectoriel, il serait aussi judicieux de mettre en place des partenariats public-privé durables comme par exemple, l'assurance agricole dans le cadre d'une gestion plus large des risques agricoles visant à protéger les agriculteurs, les éleveurs et les pêcheurs.

27. Cette activité appuiera le Gouvernement pour : (i) l'élaboration d'une stratégie de financement des risques de désastre ; et (ii) l'élaboration de règles opérationnelles pour l'utilisation du Fonds d'Urgence. La stratégie nationale de financement des risques de désastre du Gouvernement renforcera la transparence et la prise de décisions concernant les différents instruments et programmes actuels et potentiels qui contribueront à financer les interventions en cas de désastre et de reconstruction, tout en tenant dûment compte des coûts et des avantages. La stratégie fournira une approche plus globale du financement de la réponse après un désastre, en fournissant une variété d'instruments de financement des risques différents pour différentes gammes d'impacts. Un financement des risques de désastre servira également de base à l'extension des programmes de protection sociale. Appliquer les principes et les outils de financement des risques de désastre peut permettre aux programmes de protection sociale de s'adapter en facilitant l'extension de l'assistance aux bénéficiaires après le choc d'un désastre. Des règles claires et opérationnelles pour le Fonds d'Urgence renforceront l'efficacité et la transparence des dépenses post-désastre et post-COVID-19.

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.

Michel Patrick **BOISVERT**
Ministre de l'Economie et des Finances



June 12, 2020

Translation of the LDP

Mr. David **MALPASS**
President
World Bank Group
In his office.

Mr. President

**REPUBLIC OF HAITI: HAITI COVID-19 RESPONSE AND RESILIENCE DEVELOPMENT POLICY OPERATION
Development Policy Letter**

1. On behalf of the Republic of Haiti, I have the honor of forwarding to you, the letter development policy relating to Haiti Covid-19 Response and Resilience Development Policy Operation (DPO). Obtaining this grant is becoming urgent with the COVID-19 pandemic that is raging around the world, particularly in Haiti, where a state of health emergency was declared on March 19, 2020. This two-year IDA grant complements the IDA grant in support to the COVID-19 response in the health sector, as well as our efforts to strengthen resilience to shocks. The program includes: (i) the adoption of the recommendations of the Joint External Evaluation of the International Health Regulations of the World Health Organization (WHO) and implementation of some key recommendations; (ii) the adoption of the National Social Protection and Promotion Policy (PNPPS) and the provision of information on funding and beneficiaries of social protection programs and the updating of the Information System of the Ministry of Social Affairs and Labor to include populations receiving emergency assistance in response to COVID-19; (iii) the establishment of the institutional framework for the National Disaster Risk Management System and the creation of the General Civil Protection Directorate (DGPC), as well as some key institutional strengthening activities of the DGPC; (iv) the adoption of the National Disaster Risk Management Plan (PNGRD) to promote sectors' resilience to shock, including COVID-19, and conducting risk analysis in key sectors; and (vi) strengthening the financial capacity to manage the budgetary impacts of shocks by developing a strategy for Disaster Risk Financing and the operational procedures for the Emergency Fund (FDU).

2. This correspondence presents (i) a description of the macroeconomic context and outlook in light of the pandemic, (ii) articulates the objectives of the COVID-19 emergency response and strengthening of Haiti's resilience to shocks, and (iii) summarizes the reforms and strategies that the Government is committed to implementing under this program.

I. DIRECTION OF GOVERNMENT POLICY AND RECENT EVOLUTION OF THE MACROECONOMIC SITUATION

3. The Republic of Haiti has a vision to transform the country into an emerging country by 2030. With this in mind, the Government's actions are primarily aimed at: (i) combating corruption; (ii) ensuring universal access to electricity for the population; (iii) establishing the rule of law by strengthening the judiciary and police; (iv)



promote inclusive economic growth with job creation; (v) modernizing Economic Governance, including the management of public finance; and finally (vi) protect the environment.

4. To achieve this, a series of reforms have been undertaken in various areas since the election of President Jovenel Moses in February 2017. These are intended to support the transformation of our economy and society. In the current context, the fundamental need to increase pro-growth spending while continuing to strategically strengthen resilience and reduce our country's vulnerability to shocks, including health shocks, natural disasters and climate change, should be emphasized. It is essential in this context to adopt a strategy of risk reduction, preparedness and adequate response for the health, social protection and disaster risk management in sectors. It is also important to note that all these efforts are largely funded and supported by your institution as well as other technical and financial partners; the Government and the people of Haiti are greatly grateful. However, the COVID-19 pandemic risks undermining past gains and derailing future reforms if it is not taken into account in all Government activities.

5. On the macroeconomic front, recent economic developments in the country have affected growth. The sources of fragility related to the political situation, the international context and now the COVID-19 pandemic make it difficult to re-establish the macro-economic framework.

6. Gross Domestic Product (GDP) experienced an estimated -1.8 percent negative growth in the 2018/19 fiscal year, reflecting the continuing instability since the Government's unsuccessful attempt to eliminate the gas price subsidy in July 2018. Despite the effects of Hurricane Matthew, which devastated the country in October 2016, the agricultural, construction and services sectors have been resilient. We managed to keep the budget deficit at 3.6 percent of GDP, but inflation continued its upward trend, averaging 17.3 percent in the 2018/19 financial year, mainly due to the sharp rise in food prices in the domestic market. This is due in particular to the depreciation of the gourde, which lost 29 percent of its value against the US dollar compared to the 2017/18 financial year due to the pressure on the balance of payments. However, the external current account deficit was reduced to 2.5% of GDP, after reaching 3.7% in the 2017/18 financial year.

7. After the end of cash flows under the PetroCaribe Agreement since the 2017/18 financial year, this deficit was financed mainly by foreign donations, which have been declining since the 2017/2018 financial year to represent only 1.4 percent in the 2018/19 financial year, domestic financing accounting for 2.6 percent of GDP and offset by the Bank of the Republic of Haiti (BRH) at 1.4 percent of GDP whose gross reserves remained reasonably above the equivalent of 4 months of imports.

II.MACROECONOMIC OUTLOOK FOR THE 2019/20 FINANCIAL YEAR

8. For the 2019/20 fiscal year, a 3.6 percent fall in GDP is estimated given the political situation and the COVID-19 pandemic could deteriorate if Haiti were to suffer further external shocks such as severe natural disasters especially from the hurricane season that begins on June 1. In addition, the recent events of October 2019, reminiscent of those of July 2018, concerning petroleum products could maintain this trend decline in growth thus jeopardizing more positive results because of the potential impact that growth-enhancing sectors such as construction and services could have, while tourism is on the back burner due to the COVID-19 crisis. In addition, shutdowns at assembly plants as has been the case so far could also result in a likely poor export performance during the year, which would increase the external current account deficit, which is projected to reach about 2.7% by the end of the year. Gross reserves within the Central Bank would ensure at least 4 months of imports, more



than the 3 months generally allowed. On the other hand, the inflation rate is likely to end the fiscal year at 22 percent or even increase under the effects of COVID-19. The budget deficit will be financed by the issuance of treasury bills, the BRH and bonds. Thus, the conciliatory monetary policy of the BRH and the strengthening of fiscal management by our ministry with the help of IDA and the International Monetary Fund (IMF) will seek to reduce in the medium term the macroeconomic imbalances that have increased since the 2017/2018 financial year and which have been exacerbated with COVID-19. This resulted in the IMF disbursing US\$111.6 million under the Rapid Credit Facility (RTF) from April 2020 to help cover the balance-of-payments needs resulting from the COVID-19 pandemic. Our country has also benefited from a debt forgiveness of SDR 3.9 million under the Disaster Assistance and Response Trust Fund (CCRT).

9. However, as the pressure on the balance of payments increases, funding constraints will increase. With public aid flows returning to pre-earthquake levels in 2010 and the rapid accumulation of external debt, which is equivalent to 24.7% of GDP for the 2018/19 financial year, mainly generated under the PetroCaribe Agreement, we are thus obliged to develop innovative ways to finance our economy and target growth-enhancing investments in order to maintain sustainable growth and a manageable debt trajectory despite the crisis caused by COVID-19 following a series of devastating disasters. Of course, this could not be envisaged without maintaining the Disaster Risk Management (DRM) efforts to prevent loss of life, preserve our stocks, and restart post-disaster and post-COVID-19 economic activities as quickly as possible.

10. In the context of the spread of the COVID-19 pandemic and the preparation of the 2019-2020 budget, we negotiated a Staff-Monitored Program (SMP) with IMF Technical Services. This program, which plays a catalytic role for other Technical and Financial Partners (TFPs), demonstrates the Haitian authorities' willingness to make progress in implementing policies and reforms necessary to maintain macroeconomic stability. The nine-month (9) month-long SMP focuses on three main priorities: strengthening institutions and the economic policy framework, developing the social safety net, and improving transparency and governance. We intend to lay the solid foundation for a discussion for a new loan agreement with the IMF financed on a higher tranche of credit at the end of the Implementation of the Staff Monitoring Program in March 2021.

11. In terms of measures to promote transparency and strengthen governance, the main actions will focus on:

- i. Strengthening the independence of the Anti-Corruption Unit (ULCC) through a revision of its organic law;
- ii. The establishment of the Steering Committee of the National Anti-Corruption Strategy;
- iii. The ULCC's strict control of declarations of assets under the provisions of the act of 12 February 2008.
- iv. Improving transparency in public finances, including public procurement;
- v. The publication of periodic and detailed reports on the use of funds for the fight against COVID-19.

12. The World Bank's support of US\$20 million for Development Policy Financing for Fiscal and Social Resilience has already been underway since the 2017/18 financial year and will have a direct impact on DRM by consolidating and updating the SIMAST social register to enable the programming of shock-responsive social protection programs. Thus, this intervention is part of the broader framework of the National Risk and Disaster Management System (SNGRD) which the Government would like to establish legally, institutionally, financially and procedurally at all levels in order to strengthen the DRM in the future. This intervention is also part of the National Social Protection and Promotion Policy (PNPPS) framework for the management of SIMAST and the implementation of a social protection system responsive to shocks coordinated with the SNGRD.



III. REFORMS ENVISAGED AS PART OF THIS PROGRAMME AND IMPLEMENTATION STRATEGIES

13. The DPO program will complement the Government's efforts to strengthen state action in five main activities described below:

Activity 1: Health framework

14. Through a presidential decree (Arête) dated 19 March 2020, the Government declared a state of emergency due to the COVID-19 pandemic and demanded specific intervention measures to protect the health and well-being of the population. On 25 March 2020, a Circular (No. 001) was issued by the Prime Minister, outlining the roles and responsibilities of each entity for the implementation of the measures introduced by the decree establishing the state of emergency. In addition, on 31 March 2020, following Circular No.001, a support and communication circular (no. 005) was issued outlining the measures necessary for the production of medical and medical equipment.

15. In particular, a key measure includes strengthening infection prevention measures in health facilities to prevent health care workers and others from being infected with COVID-19 patients. In addition, the World Bank's April 2020 support of US\$20 million to the health sector to address the COVID-19 pandemic is essential to support the Government's measures established in the Declaration of State of Emergency and the Multi-Sector Commission to coordinate resources and the strategic planning process for the response.

16. More generally, Haiti is facing recurrent outbreaks of diseases, such as cholera and more recently COVID-19, whose impacts on the population are exacerbated by chronic health system deficiencies, poor water and sanitation quality, or poor nutrition. Natural and climatic events increase the risk of epidemics such as diphtheria or water-borne diseases, as these events often affect access to health services, including immunization services, and can trigger population displacements that facilitate the spread of disease. Effective preparedness, including the ability to detect an epidemic through a functional surveillance system, is essential to ensure ongoing delivery of care and rapid response capacity. In light of these risks, the Ministry of Public Health and Population, with the support of its partners, including the PAN American Health Organization (PAHO) of WHO, has undertaken a joint external assessment of the implementation of the International Health Regulations.

17. Activity 1 involves implementing some of the recommendations of the Joint External Assessment Report: (i) the evaluation of laboratory infrastructure to ensure the protection of staff, the public and the environment; and (ii) the reorganization of epidemiological surveillance of the health system that will be aligned with the public health priorities set by the country. This reorganization will also be supported by the World Bank-funded Health Project (PROSYS) in coordination with PAHO and the *Centers for Disease Control and Prevention* (CDC). Activity 1 also aims to provide personal protective equipment in public facilities designated to treat patients with COVID-19.

Activity 2: Social Response Framework

18. Shocks such as the COVID-19 crisis affect the well-being of large segments of the population with a disproportionate impact on the poorest and most vulnerable households. Although containment measures are needed to save lives, they have serious economic and social consequences. Measures involving social distance



have slowed economic activity, particularly labor-intensive sectors, thereby limiting or eliminating income generation and transfers of migrant workers, while reducing access to programs such as school canteens. The poor have very limited resources and accommodations to deal with these shocks. As part of the mitigation measures, the Government is implementing cash and food transfers. These mitigation measures benefit in particular from the support of the World Bank through the activation of the US\$19 million Contingent Emergency Response Component of the Municipal Development and Urban Resilience Project, which will support the implementation of emergency cash transfers for the most vulnerable households, support to volunteers from the Civil Protection Directorate and local authorities, as well as the implementation of emergency registrations for the Information System of the Ministry of Social Affairs and Labor. The Government also announced the launch of an ambitious emergency program to transfer 3,000 Gourdes to 1.5 million households through the MonCash platform, as well as the distribution of food for one million of the most vulnerable households.

19. The existence of a legal framework for such programs, whether emergency or medium-term, is crucial to ensure their coordination and transparency, particularly between the various stakeholders involved, as well as with the National Risk and Disaster Management System (SNGRD). The National Policy for Social Protection and Promotion (PNPPS) thus includes, in addition to the axis corresponding to the life cycle, a specific axis dedicated to social protection reactive to shocks. The establishment of mechanisms to ensure transparent implementation, both in terms of the number of beneficiaries, their targeting, and the amounts of profits distributed, is a priority to ensure the quality of these programs. For example, it is necessary to register the beneficiaries of emergency cash transfers, identified in particular through Community targeting, in the SIMAST in order to enable better monitoring of transfers and facilitate the integration of these beneficiaries into future social protection programs. Similarly, the Government will need to put in place a mechanism to ensure the utmost transparency in terms of funding related not only to the emergency response, not only through the MonCash platform and food distributions, but also to all other social protection programs implemented through various institutions and funded by the Government. The provision of this information is essential to the coordination of these programs, and will be carried out in collaboration with the World Bank and other technical and financial partners.

20. As a result of progress in expanding and updating the social registry among beneficiaries of emergency cash transfers, SIMAST coverage will increase from 400,000 households covered in 2020 to 530,000 households by 2022. This progress will also enable programs to be designed more effectively as part of the implementation of the National Social Protection and Promotion Policy to support the most vulnerable populations. This strengthening of the SIMAST will also facilitate emergency response in the future through broader coverage and continuous information updates.

Activity 3: Institutional Framework of the National Risk and Disaster Management System (SNGRD)

21. This activity aims to strengthen the legal and policy framework of the GRD. As part of this pillar, the proposed operation will support the implementation of the Decree establishing the National Risk and Disaster Management System (SNGRD), through which the Directorate General of Civil Protection (DGPC), currently the Directorate of Civil Protection within MICT, is also created. Under the Ministry of the Interior and Territorial Communities, the DPC manages the SNGRD, which is an ad hoc structure operating without a legal framework, but the scope of which is multi-sectoral. The low horizontal representation, lack of technical capacity and limited budget for each sector limit its operationalization and the integration of the DRM into the Government. Nevertheless, the CPD, which is widely represented vertically in the 10 departmental civil protection committees and 140 municipal civil protection committees, is the key to the DRM because it brings together a wide range of stakeholders while



performing the functions of coordination, knowledge management, technical support, capacity building and mobilization of the DTH with a very limited direct operational budget. To cover the financial deficit, CPD typically relies in cash on international and in-kind funding from a large network of local volunteers to meet its essential emergency preparedness and response responsibilities. The lack of a legal framework for the NDS and the CPD's status as a branch have led to an uncoordinated approach to disaster risk management, financing and sectoral engagement.

22. By expediting the adoption of the draft decree creating the NDS and the CFPB, the program will contribute to the implementation of the enhanced institutional framework for DRM by legalizing the NDS and creating the CFPB. This will include defining the institutional prerogatives of all stakeholders in the NDRS, including the CFPB contributing to informed policy and decision-making at the ministerial level with adequate allocation of resources to reduce the risk of natural disasters. In particular, this activity will lead to (i) the implementation of the various administrative and technical directorates of the DGPC at the national level, (ii) the strengthening of the departmental coordination of the DGPC, and (iii) the strengthening of the capacity of the National Emergency Operations Centre (COUN).

Activity 4: National Disaster Risk Management Plan (PNGRD) and Sector Preparedness and Response

23. By accelerating the adoption of the NDDP (2019-2030), the program will improve preparedness and response in key areas. This activity aims to strengthen the Government's planning and coordination capacity for DRM. PNGRD 2019-2030 aims to sustainably strengthen Haiti's resilience to natural hazards, including health shocks based on an integrated and holistic approach that takes into account the long-term effects of climate change. The plan specifies the responsibilities of sectoral, national and decentralized institutions as well as communities. Specifically, PNGRD highlights measures to: (i) improve understanding of disaster risks in sectors and at the national and decentralized levels; (ii) strengthen disaster risk governance to better manage these risks; (iii) support the resilience of communities and institutions and risk reduction through the development and use of innovative financial mechanisms; and (iii) effectively prepare, respond and recover in the event of a disaster. The plan also aims to integrate disaster risk management into their planning and investment process within sectors.

24. Strengthening disaster risk management in sectors will help improve resilience in the context of COVID-19. The achievement of this previous action will be measured using the following indicators: (i) disaster risk assessment in school infrastructure; (ii) analysis of flood exposure to public health infrastructure in three departments; and (iii) the provision of epidemiological information and disaster risk through an official investment planning and data sharing platform within sectors.

Activity 5: Strengthening the Financial Capacity to Manage Budget Impacts

25. The Government intends to establish important institutional structures and consider key actions to strengthen its financial capacity to better manage fiscal risks and to better prepare for and respond to disasters. These actions will enable financial mechanisms to be implemented and the Government's ability to adopt an ex ante approach to reducing and financing budgetary risks associated with natural hazards.

26. In fact, the Government lacks a strategy to finance emergency response to relief, recovery and reconstruction. Currently, state relief and reconstruction activities are funded on an ad hoc basis using a combination of available instruments and rely heavily on funding from international partners. Although partners



have always demonstrated their commitment to helping our country, the timetable can be uncertain, leaving essential post-disaster activities such as unfunded emergency sanitation needs, exacerbating communicable diseases. Strengthening financial capacity is necessary for the Government to strengthen its resilience to the financial consequences of disasters. Organizing funding, developing policies, legal and institutional frameworks, and building capacity in advance can help raise funds and use them effectively for rapid recovery and immediate response to an economic shock caused by natural hazards. The Government can also deliver emergency assistance to households through social protection mechanisms, allowing for a faster, more transparent and more resilient response to disasters. In addition, at the sectoral level, it would also make sense to establish sustainable public-private partnerships, such as agricultural insurance, as part of a broader management of agricultural risks to protect farmers, herders and fishermen.

27. This activity will support the Government in: (i) the development of a disaster risk financing strategy; and (ii) the development of operational rules for the use of the Emergency Fund. The Government's National Disaster Risk Financing Strategy will increase transparency and decision-making on the various current and potential instruments and programs that will help fund disaster and reconstruction response, while taking due account of costs and benefits. The strategy will provide a more comprehensive approach to disaster response financing, providing a variety of different risk financing instruments for different impact ranges. Disaster risk funding will also serve as the basis for the extension of social protection programs. Applying the principles and tools for financing disaster risks can enable social protection programs to adapt by facilitating the extension of assistance to beneficiaries after the shock of a disaster. Clear and operational rules for the Emergency Fund will enhance the efficiency and transparency of post-disaster and post-COVID-19 spending.

Michel Patrick BOISVERT
Minister of Economy and Finance



ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

Prior Actions	Significant positive or negative environment effects	Significant poverty, social or distributional effects positive or negative
Prior Action 1: To strengthen its health emergency preparedness and response capacity, the Recipient has adopted recommendations of the Joint External Evaluation.	Moderate, positive, indirect	No direct adverse effects on poverty expected. Potentially positive indirect effects by having in place an effective response system that supports the affected vulnerable population after a shock.
Prior Action 2: To increase transparency and coordination in future social protection programs, including cash transfers, the Recipient has approved a National Social Protection and Promotion Policy.	Substantial, positive, indirect	No direct adverse effects on poverty expected. Substantial, positive indirect effects expected if resources reach the poor population, as well as the population that has fallen into poverty due to economic impacts of the pandemic.
Prior Action 3: To provide an institutional structure for effective disaster risk management, including emergency preparedness and response, the Recipient has approved the establishment, organization and operationalization of a National Disaster Risk Management System.	Moderate, positive, indirect	No direct adverse effects on poverty expected. Potentially positive, indirect effects via the effective response of the GoH to identify and support vulnerable populations following a disaster.
Prior Action 4: To improve disaster resilience and multi-sectoral coordination, the Recipient has approved a National Disaster Risk Management Plan 2019-2030.	Moderate, positive, indirect	No direct adverse effects on poverty expected. Potentially positive indirect effects by having in place an effective response system that supports the affected vulnerable population after a disaster.
Prior Action 5: To measure and optimize the management of contingent liabilities, the Recipient has established a Ministerial Committee charged with the development of a National Risk Financing Strategy.	Moderate, positive, indirect	No direct adverse effects on poverty expected. Moderate, positive indirect effects expected if resources reach the population impoverished following a disaster event.