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IDA/R2018-0123/1

May 11, 2018

**Closing Date: Thursday, May 31, 2018
at 6 p.m.**

FROM: Acting Vice President and Corporate Secretary

Haiti – Improving Haiti’s Public Financial Management and Statistical Information Project

Additional Financing

Attached is the Project Paper regarding a proposed additional grant to Haiti for the Improving Haiti’s Public Financial Management and Statistical Information Project (IDA/R2018-0123), which is being processed on an absence-of-objection basis.

Distribution:

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Report No: PAD2552

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

IN THE AMOUNT OF SDR 10.4 MILLION
(US\$15 MILLION EQUIVALENT)

TO THE

REPUBLIC OF HAITI

FOR THE

IMPROVING HAITI'S PUBLIC FINANCIAL MANAGEMENT AND STATISTICAL
INFORMATION PROJECT
(formerly HAITI STATISTICAL CAPACITY BUILDING PROJECT)

May 9, 2018

Governance Global Practice
Latin America and Caribbean

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CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 2018)

Currency Unit = Haitian Gourdes (HTG)
HTG 64.1154 = US\$1
US\$ 1.44589001 = SDR 1

FISCAL YEAR
October 1 – September 30

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AGD	Customs Administration (<i>Agence Générale des Douanes</i>)
ASYCUDA	Automated System for Customs Data
BRH	Central Bank of Haiti (<i>Banque de la République d'Haïti</i>)
CNMP	National Procurement Board (<i>Commission Nationale des Marchés Publics</i>)
COTS	Commercial-Off-the-Shelf
CPF	Country Partnership Framework
CRFP	Public Finances Reform Committee (<i>Commission de Réformes des Finances Publiques</i>)
CRI	Change Readiness Index
CSCCA	Supreme Audit Institution (<i>Cour Supérieure des Comptes et du Contentieux Administratif</i>)
CSO	Civil Society Organization
DGB	Budget General Directorate (<i>Direction Générale du Budget</i>)
DGI	Tax Administration (<i>Direction Générale des Impôts</i>)
DGTCP	Treasury General Directorate (<i>Direction Générale du Trésor et de la Comptabilité Publique</i>)
DPO	Development Policy Operation
EU	European Union
FMIS	Financial Information Management System
FNE	National Education Fund (<i>Fond National pour l'Education</i>)
FER	Road Maintenance Fund (<i>Fond d'Entretien Routier</i>)
GOH	Government of Haiti
HRMIS	Human Resources Management Information System
IADB	Inter-American Development Bank
ICR	Implementation Completion and Results Report
IFMIS	Integrated Financial Management Information System
IGF	Internal Audit Unit (<i>Inspection Générale des Finances</i>)
IHSI	Haiti's Statistical Institute (<i>Institut Haïtien de Statistique et d'Informatique</i>)
IIERP	Infrastructure and Institutions Emergency Recovery Project

IMF	International Monetary Fund
IT	Information Technology
MEF	Ministry of Economy and Finance (<i>Ministère de l'Economie et des Finances</i>)
OSP	Operational Strengthening Plan
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Financial Management
PFMRAP	Public Financial Management Reform Action Plan
PIM	Public Investment Management
PPSD	Project Procurement Strategy for Development
PSDH	Haiti Strategic Development Plan (<i>Plan Stratégique de Développement de Haïti</i>)
RMS	Revenue Management System
SCD	Systematic Country Diagnostic
STAT-CAP	Haiti Statistical Capacity Building Project
STEP	Systematic Tracking and Exchanges in Procurement
TA	Technical Assistance
TAXSOLUTIONS	Tax Management System
TOR	Terms of Reference
TSA	Treasury Single Account
UCP-MEF	Project Implementation Unit (<i>Unité de Coordination de Projet-Ministère de l'Economie et des Finances</i>)
UI/MEF	MEF IT Unit (<i>Unité Informatique du MEF</i>)
ULCC	Anticorruption Agency (<i>Unité de Lutte Contre la Corruption</i>)
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
USAID	United States Agency for International Development
WAN	Wide Area Network

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Senior Global Practice Director:	Deborah Wetzel
Practice Manager/Manager:	Xiomara Morel
Task Team Leaders:	Mamadou L. Deme; Lorena Viñuela

HAITI
IMPROVING HAITI'S PUBLIC FINANCIAL MANAGEMENT AND STATISTICAL
INFORMATION PROJECT

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ADDITIONAL FINANCING DATA SHEET

Haiti

Improving Haiti's Public Financial Management and Statistical Information Project (P164093)

LATIN AMERICA AND CARIBBEAN

Governance Global Practice

Basic Information – Parent							
Parent Project ID:	P157531	Original EA Category: C - Not Required					
Current Closing Date:	31-Dec-2021						
Basic Information – Additional Financing (AF)							
Project ID:	P164093	Additional Financing Type (from AIS):		Restructuring, Scale Up			
Regional Vice President:	Jorge Familiar Calderon	Proposed EA Category:					
Country Director:	Anabela Abreu	Expected Effectiveness Date:		August 31 2018			
Senior Global Practice Director:	Deborah Wetzel	Expected Closing Date:		31-December-2023			
Practice Director	James A. Brumby						
Practice Manager/Manager:	Xiomara A. Morel	Report No:		PAD2552			
Team Leader(s):	Mamadou Lamarane Deme, Lorena Vinuela						
Borrower							
Organization Name	Contact	Title	Telephone	Email			
REPUBLIC OF HAITI	Patrick Jude Alix SALOMON	Minister of Finance	+509 29921010	japsalomon@gmail.com			
Project Financing Data - Parent (Haiti's Statistical Capacity Building Project-P157531)							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P157531	IDA-D1690	Effective	24-Mar-2017	28-Apr-2017	07-Jul-2017	31-Dec-2021	31-Dec-2023
Disbursements							

Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed							
P157531	IDA-D1690	Effective	XDR	3.80	3.80	0.00	1.77	2.03	46.6%							
Project Financing Data - Improving Haiti's Public Financial Management and Statistical Information Project (P164093) (in US\$, millions)																
<input type="checkbox"/>	Loan	<input type="checkbox"/>	Grant	<input checked="" type="checkbox"/>	IDA Grant											
<input type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee	<input type="checkbox"/>	Other											
Total Project Cost:		15.00			Total Bank Financing:		15.00									
Financing Gap:		0.00														
Financing Source – Additional Financing (AF)								Amount								
IDA Grant								15.00								
Total								15.00								
Policy Waivers																
Does the project depart from the CAS in content or in other significant respects?							No									
Explanation																
Does the project require any policy waiver(s)?							No									
Explanation																
Team Composition																
Bank Staff																
Name		Role		Title		Specialization		Unit								
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Lorena Vinuela		Team Leader		Sr Public Sector Specialist		Public Financial Management		GGOLP								
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Dolele Sylla		Team Member		Public Sector Specialist		IFMIS		GGOSC								
Joseph Irvens Denis		Team Member		Consultant		Public Financial Management		GGOLF								

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Benamina Randrianarivelo	Team Member	Senior Operations Officer	Change Management	GGOPG
Leah April	Team Member	Sr Public Sector Specialist	Change Management	GGOLP
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Lydie Madjou	Financial Management Specialist	Financial Management Specialist	Financial Management	GGOLF
Aissatou Maisha Dicko	Team Member	Country Officer	Operations	LCC8C
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Faly Diallo	Team Member	Finance Officer	Finance	WFALA
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Paul Eliz Viannica Jean-Jacques	Team Member	Team Assistant	Administration	LCC8C
Extended Team				
Name		Title	Location	
Locations				

Country	First Administrative Division	Location	Planned	Actual	Comments
Haiti		Republic of Haiti	x		
Institutional Data					
Parent (Haiti's Statistical Capacity Building Project-P157531)					
Practice Area (Lead)					
Poverty and Equity					
Contributing Practice Areas					
Governance, Macro Economics & Fiscal Management					
Improving Haiti's Public Financial Management and Statistical Information Project (P164093)					
Practice Area (Lead)					
Governance Global Practice					
Contributing Practice Areas					
Consultants					
Consultants will be required.					

I. Introduction

1. **This Project Paper seeks the approval of the Executive Directors to provide an additional grant in the amount of USD\$15,000,000 to the Improving Haiti's Public Financial Management and Statistical Information Project (formerly, Haiti Statistical Capacity Building Project, STAT-CAP, P157531).** This additional financing (AF) aims to expand the project's scope to finance activities aimed at strengthening Haiti's capacity to generate and use accurate budgetary and financial data and improve the quality of public spending. In addition, the project will be restructured to reflect the changes introduced by the new activities.

II. Background and Rationale for Additional Financing

2. **Country Context.** A history of political volatility, weak governance, and capacity constraints compounded by frequent natural disasters has hampered the building and sustaining of strong public financial management (PFM) practices and institutions. However, there is renewed interest today to accelerate the implementation of the program to modernize the country's public administration (launched in 2005) and strengthen PFM, including tax administration, budget, and treasury reforms. These reforms have been continuously supported by donors and have led to the introduction of budget and financial legislation and regulations, in line with good practices, and of budget, payroll, and treasury management systems. However, the management of public resources is still hindered by highly complex and cumbersome administrative procedures, ineffective oversight of expenditures, and poorly linked and maintained information systems. As a result, the Government is unable to fulfill its fiscal transparency obligations. Building capacity to produce more accurate information for evidence-based policy and decision-making remains a key Government priority.

3. **Project description and implementation status.** The Haiti Statistical Capacity Building Project (P157531) in the amount of US\$5 million was approved by the World Bank's Board of Executive Directors on March 24, 2017. The project is a critical element of a broader strategy supported by IDA to develop and disseminate reliable data as a building block for robust evidence-based policy making and improved governance. It aims to support the Government of Haiti (GOH) to (a) produce, analyze, and disseminate the findings of the Fifth General Population and Housing Census and (b) strengthen the human and technological capacities of Haiti's Statistical Institute (*Institut Haïtien de Statistique et d'Informatique*, IHSI). The Haiti Statistical Capacity Building Project's Grant Agreement was signed on April 28, 2017, and became effective on July 7, 2017. Since its effectiveness, the project is advancing as planned and is rated satisfactory for implementation progress and achievement of its development objectives. The project consists of a single technical assistance (TA) contract with the United Nations Population Fund (UNFPA) to carry out the Fifth General Population and Housing Census. To date, the census questionnaire and mapping have been finalized, tablets have been acquired and enumerators trained. A census pilot census is scheduled to take place in June 2018. As of April 2018, the disbursement rate is at 46 percent.

4. **Relevant legal, fiduciary, audit, and safeguards aspects.** There are no unresolved fiduciary or safeguard issues. Financial management (FM) and procurement activities are being carried out in accordance with the World Bank's Financial Management and Procurement guidelines and are currently rated Satisfactory. The Haiti Statistical Capacity Building Project qualified for streamlined FM arrangements pursuant to the Financial Management Framework Agreement between the UN and the World Bank and does not produce project-specific audited financial statements, as project funds are directly managed by UNFPA.

Rationale and objectives of the AF and Restructuring

5. The proposed AF builds on IDA's efforts to generate data critical for evidence-based policy making and to enhance expenditure management practices for improved governance and transparency. The public administration's capacity to produce, disseminate, and use more accurate, complete, and timely budget and financial information and improve public resource management will be strengthened. The proposed activities will build on recent progress in consolidating fragmented fiscal data and making this data public through the BOOST initiative and portal.¹ In 2016, Haiti became the first Caribbean country to publish its fiscal data.

6. The proposed new activities are a continuation of the World Bank's support to the implementation of the Government's Public Financial Management Reform Action Plan (PFMRAP) and are aligned with the 2015–2019 World Bank Group Country Partnership Framework for Haiti (CPF)² for FY16–FY19 (Report No. 98132HT), discussed by the Executive Directors on September 29, 2015. As described in annex 1 to this AF, these new activities are the World Bank's contribution to a comprehensive approach to PFM reform in Haiti supported in coordination with other donors. The new activities include the implementation of a modern Integrated Financial Management Information System (IFMIS), starting with its core modules (for budget preparation and budget execution, including a general ledger, accounts payable and receivable, and cash management) and the strengthening of the capacity of internal and external control institutions.

7. Together, these will contribute to improving transparency and accountability, a cross-cutting objective of the CPF, particularly Objectives 10 "Improve Transparency and Accountability in Public Financial Management."³

Alternatives considered

8. The integration of existing systems and the development of a customized system were the main technical alternatives considered for the IFMIS. The technical evaluation determined that integrating the existing systems would not have solved the functional weaknesses and fiduciary risks identified in the various separate systems and would not have been cost effective. The acquisition of a Commercial-Off-the-Shelf (COTS) system was considered preferable to the development of a customized system because it would support the streamlining of processes, rather than reproducing current functional problems, and reduce the risks that the system would be

¹ BOOST is an initiative of the World Bank to help countries gather and publish their budget and fiscal data online.

² CPF for the Republic of Haiti for the period FY16–FY19, Report No. 98132-HT, August 27, 2015.

³ The CPF is organized around three focus areas: (a) Growth, (b) Building Human Capital, and (c) Resilience and a cross-cutting theme: Governance.

subject to tampering or manipulation. In addition, a COTS system would be more easily and cost-effectively maintained and updated, allowing Haiti to access the latest information management technology. The activities were prepared as an Additional Financing to the STATCAP project with the aim to develop information to support evidence-based policy making and minimized administration and reporting costs for the Government. This arrangement also reduces the administrative costs of IDA delivery for the World Bank, considering limited project size.

III. Proposed Changes

Summary of Proposed Changes	
This will be the first AF to the STAT-CAP Project (P157531). The proposed AF will also entail a level 1 restructuring of the project. This restructuring will (a) update the Project Development Objectives (PDOs) to capture the additional activities proposed under the AF, (b) add new components, (c) adjust the implementation arrangements under the Ministry of Economy and Finance (<i>Ministère de l'Economie et des Finances</i> , MEF), (d) add new disbursement and FM arrangements, (e) adapt the Results Framework as required, (f) extend the closing date to allow for sufficient time to roll out the new IFMIS, and (g) update the project name (henceforth the Improving Haiti's Public Financial Management and Statistical Information Project) to better reflect project activities and objectives.	
Change in Implementing Agency	Yes [X] No []
Change in Project's Development Objectives	Yes [X] No []
Change in Results Framework	Yes [X] No []
Change in Safeguard Policies Triggered	Yes [] No [X]
Change of EA category	Yes [] No [X]
Other Changes to Safeguards	Yes [] No [X]
Change in Legal Covenants	Yes [X] No []
Change in Loan Closing Date(s)	Yes [X] No []
Cancellations Proposed	Yes [] No [X]
Change in Disbursement Arrangements	Yes [X] No []
Reallocation between Disbursement Categories	Yes [X] No []
Change in Disbursement Estimates	Yes [X] No []
Change to Components and Cost	Yes [X] No []
Change in Institutional Arrangements	Yes [X] No []
Change in Financial Management	Yes [X] No []
Change in Procurement	Yes [X] No []
Change in Implementation Schedule	Yes [X] No []
Other Change(s)	Yes [X] No []
Development Objective/Results	
Project's Development Objectives	

Original PDO						
The objective of the project is to (a) assist in the production, analysis, and dissemination of the findings of the Fifth Population and Housing Census and (b) strengthen the human and technological capacities of the IHSI.						
Change in Project's Development Objectives						
Explanation:						
The PDO will be expanded to reflect new project activities/components pertaining to the recording, tracking, and reporting of financial and budget information, as well as to increased transparency and accountability in the use of public resources.						
Proposed New PDO - Additional Financing (AF)						
The objectives of the project are to (a) assist in the production, analysis, and dissemination of the findings of the Fifth Population and Housing Census and strengthen the human and technological capacities of the IHSI and (b) enhance expenditure management practices and the timeliness and coverage of budgetary and financial information, to contribute to improved budget management and oversight.						
Change in Results Framework						
Explanation:						
The Results Framework has been updated to reflect the additional activities and related outputs and outcomes.						
Compliance						
Covenants - Improving Haiti's Public Financial Management and Statistical Information Project (P164093)						
Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
IDA	D-169	Maintenance of the IHSI PIU with qualified and experience staff in sufficient number		X		Complied
IDA	D-169	Maintenance of the (Census) Operational Manual		X		Complied
IDA	D-3110	Maintenance of UCE and CRFP qualified and experienced staff in sufficient numbers,		X		Not yet due
IDA	D-3110	Maintenance of IFMIS team at MEF for Part 2 and Part 3(b) of Project, with experience staff in sufficient numbers		X		Not yet due
IDA	D-3110	Maintenance of Operations Manual for Part 2 and Part 3(b) of the Project.		X		Not yet due
IDA	D-3110	Hiring of an Auditor for the Project	4 months after			Not yet due

			effectiveness date			
IDA	D-3110	Adoption of a Sustainability Strategy for the IFMIS	18 months after effectiveness			Not yet due
Conditions						
Source of Fund			Name		Type	
IDA -D3110-HT			FA. Article IV, 4.01 a) and b)		Effectiveness	
Description of Condition						
1. The IFMIS Team has been established and its members appointed, by the Recipient; all in a manner satisfactory to the Association before effectiveness.						
2. The Operational Manual has been adopted in form and substance satisfactory to the Association before effectiveness.						
Risk						
Risk Category			Rating (H, S, M, L)			
1. Political and Governance			High			
2. Macroeconomic			Moderate			
3. Sector Strategies and Policies			Moderate			
4. Technical Design of Project or Program			Substantial			
5. Institutional Capacity for Implementation and Sustainability			High			
6. Fiduciary			High			
7. Environment and Social			Low			
8. Stakeholders			High			
OVERALL			High			
Finance						
Loan Closing Date - Improving Haiti's Public Financial Management and Statistical Information Project (P164093)						
Source of Funds		Proposed Additional Financing Loan Closing Date				
IDA D3110-HT		31-Dec-2023				
Change in Disbursement Arrangements						
Explanation:						
Disbursement arrangements under the original financing were designed exclusively for disbursements to UNFPA, the United Nations entity entrusted with the project implementation, pursuant to the World Bank-United Nations Agency Framework Agreement. To undertake the activities planned under the AF, additional disbursement arrangements will be put in place to allow for direct payments and special commitments, in						

addition to the reimbursement and advance methods foreseen under the parent project (STAT-CAP - P157531). Moreover, a segregated Designated Account will be introduced in addition to the existing UNFPA Bank Account. The Central Bank of Haiti (*Banque de la République d'Haïti*, BRH) will host the new Designated Account with a ceiling amount set in accordance with current practices for the World Bank's portfolio in Haiti. All other disbursement requirements (reporting statements and frequency, records of eligible expenditures, supporting documentation, and so on) will comply with standard disbursement policies and requirements as applied to World Bank-financed projects in Haiti.

**Change in Disbursement Estimates
(including all sources of Financing)**

Explanation:

Disbursement estimates will be updated to include the proceeds from the AF (US\$15 million).

Expected Disbursements (in US\$, millions) (including all Sources of Financing)

Fiscal Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Annual	3.00	4.00	4.00	2.00	2.00	0.00	0.00	0.00	0.00	0.00
Cumulative	3.00	7.00	11.00	13.00	15.00	0.00	0.00	0.00	0.00	0.00

Allocations - Improving Haiti's Public Financial Management and Statistical Information Project (P164093)

Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement % (Type Total)
			Proposed	Proposed
D3110-HT	US\$	Goods, non-consulting services, consultants' services, training, and workshops; and operating costs for Component 2 and 3b	15,000,000	100.00
		Total:	15,000,000	

Components

Change to Components and Cost

Explanation: The parent project's Components 1 and 2 are consolidated under a new Component 1 as described in the following paragraphs:

New Component 1: Support to the Fifth Census and Statistical Capacity Building (US\$4,800,000) will consolidate Components 1 and 2 of the parent project into one component with two subcomponents, as follows:

- *Subcomponent 1.1 Human Resources and Technology (US\$2,300,000)*, activities will remain unchanged.
- *Subcomponent 1.2 Data Production, Dissemination, and Use of Statistics (US\$2,500,000)*, activities will also remain unchanged.

New Component 2: Public Financial Data Production and Use for Improved Financial Management (US\$13,500,000) will support enhanced quality and timely availability of budget and financial information.

The component will focus its efforts on areas of the Government PFM Reform Action Plan related to Information Systems (Subcomponent 2.1) and to Internal and External Controls (Subcomponent 2.2), as follows:

- *Subcomponent 2.1: Improving Public Financial Management and Reporting through Introduction of a New Integrated Financial Information Management System (US\$10,000,000).* The objective of this subcomponent is to produce more comprehensive, timely, and reliable financial statements and budgetary reports, covering all revenue and expenditure categories. To that end, the AF will finance the acquisition, installation, and rollout of a commercial-off-the-shelf (COTS) IFMIS. This system will allow the Government to plan, execute, monitor, and report on the budget in an integrated and automated manner. In line with international experience, the AF will finance the deployment of the core modules of the system, including budget preparation and execution, the general ledger (including accounts payable and receivable), and cash management. It will serve as the backbone for future integration of existing and new ancillary PFM information systems (including human resource management, payroll and pension, central bank payment, tax, and customs (RMES and ASYCUDA) systems); e-procurement; and the debt management system. The Ministry of Finance has already developed the technical and functional specifications of the new IFMIS, with the support of another IDA project (Infrastructure and Institutions Emergency Recovery Project [IIERP] P120895).
- 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. The implementation of the IFMIS will involve the review, simplification, streamlining, and enhancement of existing ex ante control procedures and processes for all on budget capital and current expenditure.⁴ Furthermore, the introduction of an IFMIS will help strengthen expenditure ex ante controls by replacing key manual controls and systematically produce consolidated reports. These real-time reports of budget execution during the fiscal year, will allow government to submit annual financial and budget reports of better quality to the Court of Accounts and the Parliament.

This subcomponent will finance the design and implementation by MEF of a change management and communication strategy involving key stakeholders. International experience shows that such strategies are key factors in the successful implementation of IFMIS systems. The component will also finance network improvements, equipment, and additional information technology (IT) staff.

- *Subcomponent 2.2. Enhance Transparency and Accountability by Strengthening Internal and External Control Institutions (US\$3,500,000).* The objective of this subcomponent is to promote transparency and accountability in the use of public resources by strengthening external and internal control institutions, and by raising public and stakeholder awareness on budget and financial execution. The activities under this subcomponent will build the capacity of control institutions to use the data and reports produced by the future IFMIS allowing them to better fulfill their mandates.

⁴ To complement the World Bank's support, the Inter-American Development Bank (IADB) has committed to finance activities enabling the inclusion of Payroll and Pensions as well as the Human Resources Management Information System (HRMIS). The IADB project, '*Projet d'Appui à la Modernisation de l'Etat*', HA-L1131 is expected to be effective in October 2018. Discussions on the sequencing of the functionality of the HRMIS and funding arrangements between the two projects have been initiated and will be concluded by end-June 2018.

The AF will build on existing capacity strengthening activities in favor of the Court of Accounts under the IIERP Project,⁵ by reviewing the Court's legal framework and organization and by training its professional staff to better perform their oversight responsibilities. This component will also finance training and capacity building activities for the Finance Commissions of Parliament responsible for budget oversight, and the revision of the legal status and investigative capacity of Haiti's Anti-Corruption agency (Unité de Lutte Contre la Corruption, ULCC).

This subcomponent will also strengthen the capacity of internal control entities by:

- (a) Revising the legal framework of the MEF's Internal Audit Unit (*Inspection Générale des Finances*, IGF) by enhancing audit manuals and tools and providing on-the-job training; and
- (b) Supporting the National Procurement Board (*Commission Nationale des Marchés Publics*, CNMP) in implementing its 2018–2023 strategic plan, which aims at revising the procurement law, establishing new procurement units in line ministries, streamlining procurement procedures introducing IT tools.

To raise public awareness of governance and corruption, the AF will strengthen the media's investigative skills to build demand for improved governance by publishing and disseminating citizen budgets and improving the budget literacy of civil society, and finance anticorruption awareness campaigns. The project will support the participation of civil society organizations (CSOs) in the public integrity working groups/roundtables with CSCCA, ULCC, Parliament, IGF, and CNMP. Furthermore, the project will reinforce availability of reliable data, produced by the IFMIS, through dissemination of quarterly and annual budget, financial, and audit reports produced by the MEF, ULCC, CNMP, and the Parliament's two Finance Commissions. The AF will also support Haiti's participation in the Open Data Initiative for budget and financial data.

New Component 3: Project Management (US\$1,700,000). This component will absorb the former Component 2 of the parent project (US\$200,000) and finance project management for the new components (US\$1,500,000). It will finance staffing and operational costs pertaining to the project of (a) the Project Implementation Unit (*Unité de Coordination de Projet*, UCP-MEF) and (b) the PFM Steering and Coordination Unit (*Commission de Réformes des Finances Publiques*, CRFP) responsible for the overall monitoring and evaluation of PFM reforms and with monitoring and evaluation of AF activities.

Current Component Name	Proposed Component Name	Current Cost (US\$, millions)	Proposed Cost (US\$, millions)	Action
Component 1: Human Resources and Technology	Component 1: Support to the Fifth Census and Statistical Capacity Building Subcomponent 1.1 Human Resources and Technology (former Component 1) 1.2. Data Production, Dissemination, and Use of Statistics (former Component 2)	2.30	4.8	Revised
Component 2: Data Production,		2.50		Marked For deletion

⁵ The IIERP has assisted the MEF to implement its IT road map, including the development of technical and functional specifications for the acquisition of a new IFMIS, and strengthening of the MEF's IT infrastructure. The project is also assisting the government in identifying core control challenges and carrying out institutional strengthening plans for internal and external control entities.

Dissemination and Use of Statistics				
	Component 2: Public Finance Data Production, and Use for Improved Financial Management		13.50	New
Component 3: Project Management	Component 3: Project Management	0.20	1.70	Revised
	Total:	5.00	20.00	

Other Change(s)

Change in Implementing Agency

Explanation:

There are no changes in implementing agency for the activities in support of the fifth census (revised Component 1), which are executed by the MEF through the IHSI with support from UNFPA pursuant to a World Bank-UNFPA framework contract. Under this contract, UNFPA provides the IHSI with the technical, financial, and administrative management services required to complete the fifth census. The proposed AF will have no impact on the existing agreement and implementation arrangements with UNFPA that are already in place under the project.

The new activities proposed under this AF will be implemented by the MEF's Project Implementation Unit (UCP-MEF) which is the new implementation agency wholly for the new Component 2 and partially for the revised Component 3. UCP-MEF already implements ongoing World Bank-financed projects (IIERP [P120895], Business Development and Investment Project [P123974]) and two other projects funded by the IADB and the International Monetary Fund (IMF). The UCP will be staffed with the appropriate skills needed to manage AF activities in project, procurement, and financial management.

Implementing Agency Name	Type	Action
Institut Haïtien de Statistique et de l'informatique	Implementing Agency	No Change
UCP-MEF	Implementing Agency	New

Change in Institutional Arrangements

Explanation:

The parent project is implemented by the MEF through the IHSI and executed by UNFPA, under the Agreement for the Provision of Technical Assistance contract.

New activities financed by the AF will be executed by

- UCP-MEF for the fiduciary aspects, using standard project implementation arrangements for World Bank-financed projects (see change in financial management and change in procurement sections); and
- CRFP, the PFM Reforms Coordination Committee (*Commission de Réforme des Finances Publiques*), a technical government body responsible for the monitoring of PFM reforms

Change in Financial Management

<p>Explanation:</p> <p>There are no changes in the streamlined FM arrangements for the activities under the original financing or revised Component 1. Under these arrangements, project-specific audited financial statements are not produced, as project funds are directly managed by UNFPA, under the provisions of the Financial Management Framework Agreement between the UN and the World Bank.</p> <p>For the activities added under the AF (Components 2 and part of Component 3), standard FM requirements such as traditional budgeting, accounting, auditing, and controls systems and standards for World Bank-financed projects (as currently applied in Haiti) will be put in place for these components before the AF is made effective and executed by UCP-MEF. UCP-MEF has managed World Bank-financed projects for over 10 years. UCP-MEF's FM capacity has been reassessed and appraisal has confirmed that UCP-MEF has acceptable FM arrangements in place for staffing, accounting systems, reporting, and external audit.</p>
<p>Change in Procurement</p>
<p>Explanation:</p> <p>Similarly, there are no changes in the procurement arrangements for the activities under the original financing or revised Component 1. Under these arrangements, UNFPA provides technical, financial, and administrative management services to the IHSI for the fifth census implementation using its own procurement policies and regulations pursuant to the Framework Agreement between the UN and the World Bank. However, the activities financed by the AF (Components 2 and partially 3) will be implemented using the World Bank's New Procurement Framework⁶ provisions, procedures, methods, and requirements and will be carried out by UCP-MEF. A Project Procurement Strategy for the AF has been prepared and is included in this paper to inform the AF's procurement activities. New activities to be procured will consist of various TA and training, goods and services related to PFM reforms, and anticorruption activities. These activities are to be procured through multiple contracts and from several providers.</p>
<p>Other changes</p>
<p>Explanation:</p> <p>There will be no changes in the project's direct impacts on the closing of gender gaps (the Census supported by the parent project will generate gender disaggregated data) but improved information on public financial management will indirectly support evidence-based analysis of such gaps and actions to address them in public spending. Similarly, the direct climate co benefits of this project's activities do not increase with this additional financing, however the regular generation of more accurate PFM data will contribute to the ability to improve public spending in favor of climate resilience.</p> <p>The AF contributes substantially to strengthening citizen's engagement in terms of access to PFM data, understanding of PFM data and involvement of the public and of CSOs in discussing such data.</p> <p>The project name will be changed to 'Haiti-Improving Public Financial Management and Statistical Information Project' to better reflect its objective, scope, and, activities following the AF.</p>

IV. Appraisal Summary

Economic and Financial Analysis
Improved budget management practices and high-quality information are the basis for sound economic decision making and, in the context of PFM, for sound and transparent management and oversight of

⁶ The AF will be implemented using the new World Bank Procurement Regulations for IPF Borrowers - July 2016.

public resources. In strengthening the production of more accurate, complete, and timely fiscal information, facilitating its internal use by oversight and control institutions, and by providing greater access to data and reports to civil society and the citizenry more broadly, the operation is expected to (a) foster greater efficiency and effectiveness in the use of public resource and (b) create greater transparency, accountability, and demand for effective use of public resources, which should indirectly generate savings through effectiveness and efficiency gains.

Quantification of such direct and indirect savings are difficult to estimate and evaluate using standard cost-benefit analysis. Savings can be expected to result from improved and streamlined financial and budget management processes, rationalization of government spending and programs, increased operational effectiveness, increased financial integrity, enhanced transparency, disclosure of financial information (corruption is detected and deterred), and external demand for more effective government spending.

Nonetheless, as a reference, in low-income countries, budget reforms can generate savings or efficiency gains of up to 10 percent of the total budget. In the case of Haiti, total budget expenditure in FY17–FY18 is expected to be approximately US\$2.0 billion and such savings could potentially reach US\$200 million.⁷ Overall, in addition to offsetting costs of the proposed AF, these potential savings and increased revenue would provide more fiscal space allowing the Government to fund additional public programs.

Technical Analysis

The AF will provide the Government with funds for the acquisition, adaptation, and rollout of a COTS system under Component 1.1. Lessons from international experience under World Bank-financed IFMIS projects over the last 30 years⁸ show that in countries where software development expertise is scarce, COTS solutions are practical, cost-effective, and mitigate risks. The expertise required to operate such a system can be developed successfully through specific in-country training programs supported by a well-deployed change management strategy. Maintenance of the software is the responsibility of the supplier and made available through an annual license. Implementation costs vary with the scope and scale size of the system. A review of 10 World Bank-financed IFMIS projects⁹ that involved implementation of a COTS package (including hardware, software, implementation services, wide area network[WAN]/local area network networking, and training) in the lower-middle-income countries with a population under 11 million showed that the cost ranged from US\$4 million to US\$11 million, which is in line with the US\$10 million allocated under this subcomponent.

Moreover, experience has shown that an appropriate scope of the system is critical for successful implementation. Core basic functionality—budget preparation and management covering budget allocation and execution processes across the Ministry of Finance and central ministries—will be implemented first. This approach is often referred to as the ‘treasury-centric module’. In the second stage, the system will be expanded (adding other modules, such as human resources, procurement, and asset management) and rolled out to other levels of the Government.¹⁰

In Subcomponent 2.2, the proposed AF seeks to strengthen governance through better performing internal and external controls and oversight mechanisms, and increased use of fiscal data and reports generated by

⁷ To break even, the project will need to generate savings equivalent to 0.5 percentage point of the budget.

⁸ Hashim, Ali. 2014. *A Handbook on Financial Management Information Systems for Government: A Practitioners Guide for Setting Reform Priorities, Systems Design, and Implementation* (Based on a compilation of experiences in World Bank-financed projects) World Bank.

⁹ The Kyrgyz Republic, Albania, Maldives, Mongolia, Moldova, Azerbaijan, Kazakhstan, Indonesia, Pakistan, and Vietnam.

¹⁰ Hashim, Ali, and Moritz Piatti. 2018. “Lessons from Reforming Financial Management Information Systems: A Review of the Evidence.” Policy Research Working Paper 8312. World Bank, Washington, DC.

the new IFMIS. Haiti governance indicators are low, in particular for government effectiveness¹¹ and more broadly public governance¹². Indicators for transparency, accountability, and corruption in the public sector, political participation, and independence of judiciary¹³ also remain below average when compared to Latin America and the Caribbean and to other low-income economies. The IFMIS component coupled with a greater engagement with the public and with strengthened internal and external control and Parliamentary oversight, could bolster government operational effectiveness and lay the ground for increased transparency and accountability.

Summary of Fiduciary Assessment

FM. The proposed AF FM arrangements have been reviewed with consideration for the country's fragile situation. The new activities under the proposed AF will use the existing FM arrangements set up under the ongoing IIERP. These will be strengthened as described in Annex 5. The proposed FM arrangements, including the mitigation measures for this AF, are considered adequate to meet the World Bank's fiduciary requirements under OP/BP for IPF. UCP-MEF currently implements two World Bank-financed projects¹⁴ with a Moderately Satisfactory FM rating at the time of appraisal. Some FM shortcomings in the internal control framework and the flow of funds are being addressed as described in Annex 5. However, these do not prevent the timely and reliable provision of information required to manage and monitor the implementation of the AF. UCP-MEF has acceptable FM arrangements in place for staffing, accounting systems, reporting, and external audit.

Procurement. Procurement under the AF will be the responsibility of UCP-MEF and will be carried out by a team of procurement experts who are already in place. Appraisal of UCP-MEF's capacity confirmed its competence to carry out project procurement in accordance with the World Bank's procurement requirements and rules. However, given the country context and the high risks associated with the IFMIS acquisition (as described in the Risks section), the procurement risk and the overall fiduciary risks are assessed as High. To mitigate these risks, and based on the World Bank's experience in IFMIS procurement, the Government has agreed to hire several short-term consultants and experts to help UCP-MEF manage IFMIS procurement. More detailed arrangements are described in Annex 4. A provision to consider resilience of the IFMIS to weather and natural disasters will be included in the procurement documents.

Social Analysis

Explanation:

Activities under the original financing and the proposed AF are not expected to have any substantial or adverse social or environmental impact and are not associated with any social safeguards issues. Rather, some of the proposed AF activities, especially aimed at strengthening the internal and external controls, will promote citizen's engagement and participation in issues which are critical to improving governance in the country. For the AF to achieve its accountability objectives, the project aims to support citizen demand for public accountability and better use of public resources. Improvements in information flows and transparency are key building blocks to strengthen the weak social contract in the country described in the 2015 Haiti Systematic Country Diagnostic (SCD, Report # 97341, May 2015). The Project, including the AF retains its rating of a category C project for safeguards.

Environmental Analysis

Explanation:

¹¹ 1996 to 2016 Worldwide Governance Indicators.

¹² World Bank 2016 Country Policy and Institutional Assessment.

¹³ Actionable Governance Indicators (AGI) Data - Haiti: Governance at a Glance.

¹⁴ Infrastructure and Institutions Emergency Recovery (P120895) and Haiti Business Development and Investment Project (P123974).

Activities under the project are not expected to have any adverse environmental impact. However, an e-waste management plan will be prepared as an output of the project and updated throughout the project to address potential impacts of the IFMIS implementation. The Project, including the AF retains its rating of a category C project for safeguards.

Risk

Explanation:

The overall risk of the proposed AF is deemed High compared to Substantial for the original financing considering high risks related to (a) political and governance factors, (b) institutional capacity to implement and sustain the IFMIS project, (c) fiduciary, and (d) stakeholders. Nevertheless, the cost to PFM and to the citizens of Haiti of not implementing tools to generate better information and more transparent budget management processes, outweighs these risks and the benefits of better information and greater transparency would be considerable for stakeholders at all levels.

Political and governance risk is rated High. Political uncertainty and volatility remain an important factor in Haiti. President Moïse, his government, and the elected Parliament were sworn into office in early 2017, following a protracted election cycle that started in 2015. A high-level policy dialogue related to PFM is ongoing and supported by the new Government. To mitigate the risk of changes in government policy, the project will rely on continuous engagement around the joint monitoring mechanism of the PFM RAP, established by Government and eight PFM donors in June 2017¹⁵.

Technical design risk is rated Substantial. This rating reflects the fact that the successful execution of the project is dependent on the full operationalization of the existing datacenter and the Wide Area Network which links 70 sites of Port-au-Prince. The inherent risk is high and to make the data exchange possible and mitigate related risks to this project, the ongoing IDA financed IIERP is funding work on the IT network and equipment. Also, the firm that will be contracted for the deployment of the IFMIS will be tasked with the completion of any necessary technical work and provision of missing computers, software, datacenter equipment and parts, and training. A turn-key modality will be used in the contracting of the IFMIS provider to avoid any potential gaps in the IT infrastructure and equipment. Nevertheless, even with these mitigating factors in place, the residual risk remains.

Institutional capacity for implementation and sustainability risk is rated High, due to the weak IT and human resource capacity in Haiti's public sector and the large scope of the IFMIS project. To mitigate this risk, the proposed AF will build upon the World Bank's extensive experience with IFMIS projects worldwide and the support of the IFMIS Community of Practices. The team will work with government officials to ensure that the sequencing of the implementation of the system's modules is commensurate with available government capacities. Budget and treasury modules will be implemented during the first two years, once the necessary prerequisites¹⁶ are in place. Other modules, such as payroll and pensions as well as e-procurement and human resources management funded by other partners will be planned for the subsequent years. To address sustainability risk, the ongoing World Bank-financed project has begun to strengthen the MEF's IT capacity by recruiting local IT professionals, reorganizing the IT department, and upgrading the IT network (jointly with USAID). Government has committed to developing a sustainability strategy to adequately finance and maintain the IFMIS equipment, networks, and IT staff.

Fiduciary risk is rated High. The IFMIS procurement process is risky because of (a) the complexity associated with the procurement of COTS and the recruitment of an IFMIS integrator; (b) the country's

¹⁵ In June 2017, the Government signed this Memorandum of Understanding with donors, providing a formal setting for high policy dialog around PFM reforms, with two annuals joint reviews of the PFM RAP implementation, and results. The first joint review took place in October 2017, and resulted in an Aide Memoire signed by the Head of donor agencies and the Ministers of Finance and Planning. The next review is planned for May 2018.

¹⁶ Including budget classification, Chart of Accounts, stabilization of the Treasury Single Account (TSA), and the necessary PFM legal and regulations.

accessibility and security constraints, which could limit the pool of potential qualified bidders; and (c) the Government's lack of capacity to evaluate offers and manage the contract. To mitigate these risks, the World Bank will assist GOH in finalizing the bidding documents and by financing short-term consultants to support the evaluation of bids. To address contract management risk, an international project manager with a strong record and experience will assist the local team and an international firm will provide quality assurance throughout the execution of the contract.

Stakeholders risk is rated High. Another risk is linked to public and private vested interests who benefit from the limited transparency afforded by existing PFM information system applications and may develop strategies to resist the reduction in discretionary scope in the use of public funds introduced by the new IFMIS. This risk will be mitigated by consensus-building activities already under implementation with support of the IIERP (following the World Bank's Collaboration for Leadership and Development Approach¹⁷ used in similar projects in the past¹⁸), the deployment of a comprehensive change management strategy to help build a coalition of the key actors who will use the system and benefit from the automation gains. However, the risk of resistance to change remains significant. For the external and internal controls component, there is a risk that the required political commitment to publish quality reports and to follow up on audit and investigation findings may not be sustained. These risks can only be partially mitigated by promoting demand-side interest for transparency and accountability under the project.

V. World Bank Grievance Redress

9. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, because 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 <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

¹⁷ This structured approach entails intervention in stages of change mobilization, change readiness, and change stabilization and reinforcement where the impact of effective sponsor action, learning, and problem solving can significantly increase the likelihood of successful change implementation

¹⁸ Current project: P124615 Mozambique Public Financial Management for Results Program, Closed project: P144381 Economic Technical Assistance - Union of Comoros.

Annex 1: Revised Results Framework

HAITI: Improving Haiti's Public Financial Management and Statistical Information Project

Project Name:	Additional Financing to Haiti Statistical Capacity Project (P164093)			Project Stage:	Additional Financing		Status:	DRAFT	
Team Leader(s):	Lorena Vinuela Mamadou Lamarane Deme		Requesting Unit:	LCC8C		Created by: Mamadou Lamarane Deme on 17-Aug-2017			
Product Line:	IBRD/IDA		Responsible Unit:	GGO22		Modified by: Emeline Bredy			
Country:	Haiti		Approval FY:	2018					
Region:	LATIN AMERICA AND CARIBBEAN		Financing Instrument:	Investment Project Financing					
Parent Project ID:	P157531		Parent Project Name:	Statistical Capacity Building Project (P157531)					
.									
Project Development Objectives									
Original Project Development Objective- Parent:									
The objective of the project is to (a) assist in the production, analysis, and dissemination of the findings of the Fifth Population and Housing Census and (b) strengthen the human and technological capacities of the IHSI.									
Proposed Project Development Objective - Additional Financing (AF):									
The objectives of the project are to (a) assist in the production, analysis, and dissemination of the findings of the Fifth Population and Housing Census and strengthen the human and technological capacities of the IHSI and (b) enhance expenditure management practices and the timeliness and coverage of budgetary and financial information to improve budget management and oversight.									
Results									
Core sector indicators are considered: Yes					Results reporting level: Project Level				
Project Development Objective Indicators									
Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target		

Revised	Data, including gender disaggregated, and reports related to the census are posted on the IHSI website	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Nov-2016	15-Jun-2017	31-Dec-2019
				Comment			The data collected will be presented in the tabulations recommended for population and housing censuses by the United Nations Statistical Division - Revision 2.
No Change	Strengthen competencies at IHSI	<input type="checkbox"/>	Number	Value	1.80	1.80	2.50
				Date	01-Dec-2016	15-Jun-2017	29-Mar-2019
				Comment			Capacity building at the IHSI will be measured by taking the simple average of the answers to the following questions from the Tool for Assessing Statistical Capacity (TASC) developed by the U.S. Census: questions 2.1, 3.1, 4.1, 5.1, 7.3, 8.1, and 9.2.
New	Coverage of fiscal reports produced by the budget and accounting system <i>All Government revenue and extra-budgetary</i>	✓	Yes/No	Text	Revenue: No. Only collected tax, customs and other revenue are accounted	Revenue: No change observed since June 2015 Expenses: No change observed since June 2015.	For FY22–23 Revenue: Yes. All revenue owed to and/or collected by customs and tax

	<p><i>expenditure are processed ex ante through the budget and accounting system</i></p>				<p>for in the government systems (i.e. Treasury General Ledger). Tax, customs and other revenue arrears are not accounted for in the Treasury General Ledger. Expenses: No. Capital expenses and transactions on National Education Fund (<i>Fond National pour l'Education</i> FNE), and Road Maintenance Fund (<i>Fond d'Entretien Routier</i>, FER), as well as on special Treasury accounts, and with SOEs are not processed (hence not</p>	<p>administration are accounted for in the new IFMIS.</p> <p>Expenditure. Yes. Capital expenses and transactions on FNE, FER and special Treasury accounts as well as transactions with SOEs are processed ex ante and accounted for in the new IFMIS.</p>
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					covered) by the accounting and/or budget systems.		
				Date	30-June-2015	30- Sept 2017	30-Sept-2023
				Comment	These expenses and transactions on special Treasury accounts, as well as transactions with SOEs represent more than 40% of the annual government spending (IMF June 2015, Article 4 Report).		Revenue. All tax and customs revenue are accrued and collections are accounted for allowing for a close monitoring of accounts receivable. Expenses. All domestically funded expenses of the central government budget units are executed through the IFMIS modules (Budget and or Treasury).
New	Timeliness of annual financial statement <i>Final annual financial statements (Projet de Loi de Règlement) for FY21–22, are produced through IFMIS and submitted for external audit within six months from the end of</i>	✓	Date of submission of the <i>Loi de Règlement</i> to the CSCCA	Value	FY15–16 <i>Loi de Règlement</i> was submitted to CSCCA mid-June 2017, hence 8.5 months after the end of the fiscal year.		FY21-22 <i>Loi de Règlement</i> is submitted to CSCCA by the 4 th Monday of April 2023.

	<i>each fiscal year [adapted from PEFA Performance Indicator 29.2 consistent with a grading B]</i>			Date	22-Dec-2017	22-Dec-2017	31-Dec-2023
				Comment			Article 58 of the 2017 Budget Law (<i>Loi sur le processus d'élaboration et d'exécution des lois de finances-LEELF</i>) prescribes presentation of <i>Loi de Règlement</i> to CSCCA on the 4 th Monday of April.
New	Efficiency and security of payments other than salaries <i>Payments other than salaries made by checks issued by the Treasury</i>	<input type="checkbox"/>	Percentage of payments other than salaries made through checks	Value	92	92	5
				Date	01-Dec-2017	01-Dec-2017	30-Sept-2023
				Comment	Currently, the Treasury issues around 1.4 million checks annually to pay for operational costs, capital expenses and salaries. This process requires lots of resources and represents		The target is 95% of capital expenses and operational costs payments made through electronic transfers.

					high fiduciary risks for government funds.		
New	Public access to transparent fiscal information <i>Audited annual financial report (that is, 'Draft Loi de Règlement', accompanied by the CSCCA 'Rapport Annuel sur l'Exécution du Budget') are made available to public within 12 months of the fiscal year end (adapted from PEFA 31.4).</i>	✓	Date of publication on the MEF's website	Date	No publication of the draft <i>Loi de Règlement</i> on the MEF's website No publication of the CSCCA audit report on the draft <i>Loi de Règlement</i> and the State general account		FY21-22 draft <i>Loi de Règlement</i> accompanied by the related final CSCCA report is published on the MEF's website by September 30, 2023.
				Date	22-Dec-2017	22-Dec-2017	30-Sept-2023
				Comment			
Intermediate Results Indicators							
Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Pilot census process and results are evaluated by IHSI staff to identify and make needed adjustments	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Nov-2016	15-Jun-2017	29-Sep-2018
				Comment			The IHSI staff has prepared a report discussing the difficulties encountered while running the pilot

							census as well as the lessons to be drawn and adjustments to be made.
Revised	Data from the pilot census uploaded on the central IT system	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Nov-2016	15-Jun-2017	01-May-2018
				Comment			The data collected by the enumerators during the pilot census are loaded on their supervisor's computer and then uploaded to the central server.
Revised	Progress of full data collection is monitored by IHSI staff who also provide technical support to enumerators	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Nov-2016	15-Jun-2017	30-Mar-2019
				Comment			As the data collected are uploaded to the central server, staff at the IHSI can monitor the progress in data collection. Through field trips, they will provide support to the teams.
Revised	Equipment (tablets) effectively used for collecting census data	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Nov-2016	15-Jun-2017	30-Mar-2019
				Comment			Tablets are used for most of the data collection, with paper support only used for specific

							cases such as collection of data from the homeless.
Revised	Preliminary report on the results of the census is produced and published by IHSI staff	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Nov-2016	15-Jun-2017	30-Mar-2019
				Comment			Staff at the IHSI produce a report presenting the global results by department and by gender, as well as the number of buildings and households.
Revised	Data from the census uploaded on the central IT system	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Nov-2016	15-Jun-2017	28-Feb-2019
				Comment			The data collected by the enumerators are downloaded on their supervisor's computer and then uploaded on the central server at the IHSI.
Revised	Dissemination strategy designed by IHSI and approved by its management	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Nov-2016	15-Jun-2017	29-Sep-2018
				Comment			A strategy describing how various media will be used to disseminate the results of the census (for example, TV,

							press, radio, and posters)
Revised	Census preliminary results published by IHSI	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Nov-2016	15-Jun-2017	30-Mar-2019
				Comment			The global results by department and by gender, as well as the number of buildings and households, are available online on the IHSI's website.
Revised	Vulnerability indicators at the enumeration section level calculated by IHSI for the entire national territory and published at the communal section level	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Nov-2016	15-Jun-2017	29-Mar-2020
				Comment			The IHSI will calculate vulnerability indexes at the level of enumeration units for the entire national territory on the basis of a methodology agreed with the World Bank and tested during the pilot census. The results at the level of the communal sections will be made available online on the IHSI's website.
New	Transparency of fiscal information	<input type="checkbox"/>	Number of weeks after each quarter that quarterly	Value	In-year budget execution		For FY22–23 quarterly budget execution reports

	<i>For FY21-22 and FY22–23, web-publication of quarterly budget execution reports, disaggregated by ministry, function, and economic classification, within 6 weeks of the end of the quarter</i>		budget execution reports are published on the MEF's website		reports exist but are not made public.		desegregated by administrative, functional, and economic classification are published on the MEF's website within six weeks after each quarter.
				Date	22-Dec-2017	22-Dec-2017	31-Dec-2023
				Comment			
New	Strengthened CSCCA <i>The 14 Accountant General annual financial statements (that is, 'Comptes de Gestion du Trésor') are audited by CSCCA on time (in compliance with Haiti's Budget Law requirements) at the latest 12 months after the end of the fiscal year under review (adapted from PEFA PI 29.2).</i>	✓	Number of central government financial statements (<i>comptes de gestion centraux</i>) timely audited by CSCCA	Value	For FY15–16, 2 central government financial statements have been transmitted to CSCCA. The court had not audited those accounts as of the end of November 2017.		For FY21–22, the 14 central government financial statements are audited by September 30, 2023.
				Date	22-Dec-2017	22-Dec-2017	31-Dec-2023
				Comment			
New	Impact of the coordination group of control institutions against corruption	<input type="checkbox"/>	Number of executed <i>arrêts de débet</i> and percentage of recovered amounts	Value	0 <i>arrêts de débet</i> 0% recovered		30% of the amounts of emitted <i>arrêts de débet</i> for FY17–18 are recovered.

	<p><i>Impact of the coordination group of control institutions against corruption</i></p> <p><i>Increase in number of executed arrêts de débet and percentage of recovered amounts.</i></p> <p><i>Increase in number of case brought up to the judiciary following ULCC audit reports findings.</i></p>		Percentage of cases transmitted to the courts by ULCC judged		No measures taken		20% of cases transmitted to the courts by ULCC are tabled for judgement.
				Date	22-Dec-2017	22-Dec-2017	31-Dec-2023
				Comment			
New	<p>Implementation of a citizen budget</p> <p><i>A citizen budget presenting information about the budget in a concise and easy to understand way is prepared in French and Creole and published on the MEF website by end of December for each fiscal year</i></p>	<input type="checkbox"/>	Date of publication of citizen budget by the MEF	Date	A citizen budget prepared by civil society exists and is published on the Internet. This indicator will monitor government efforts to institutionalize its commitment to presenting its policies and programs in an understandable way to the citizens.		Every year, the MEF prepares and publishes on its website a citizen budget based on the annual budget approved by the National Assembly.

				Date	22-Dec-2017	22-Dec-2017	31-Dec-2023
				Comment			
New	Impact of Change Management activities as assessed through the Change Readiness Index (CRI)	<input type="checkbox"/>	Number: CRI index	Value	To be determined after the initial survey	0	3.5
				Date	22-Dec-2017	22-Dec-2017	31-Dec-2023
				Comment			The CRI is used to monitor impact of the change management activities. It gives a view on five dimensions related to the IFMIS implementation (Objectives, Structure, Commitment, Communication, and Capacity Building)

Note: PEFA = Public Expenditure and Financial Accountability; SOE = State Owned Enterprises.

Annex 2: Detailed Project Description

HAITI: Improving Haiti's Public Financial Management and Statistical Information Project

1. **The Improving Haiti's Public Financial Management and Statistical Information Project (P164093) is designed to expand Bank support to production and access to data building on the on-going activities of the existing project (P157531).** The parent project supports the production and dissemination of census data and the new activities under the proposed AF will focus on strengthening budget and FM and reporting while enhancing internal and external controls. These activities will thereby foster evidence based decision making, and accountability and transparency in the use of scarce public resources in Haiti. Activities under the parent project will remain unchanged and will be consolidated in one component (Component 1). This annex describes the new activities, objectives and expected results, implementation arrangements, and lessons learned that informed the design of the new Components 2 and 3 under the AF.

2. **Given its history of natural disasters, political instability, and poor governance, Haiti has struggled to build and sustain strong public institutions, particularly in PFM.** In 2004, Haiti initiated an extensive program to modernize public administration and PFM, in several critical issues and reforms areas, such as taxation, and budget and treasury reforms. PFM capacity was severely undermined following the 2010 earthquake. Many public institutions, including the MEF, suffered major destruction and losses in infrastructure, systems, and human resources. With assistance from the World Bank, through the IIERP (P120895), and from other donors, basic PFM functions were restored and strengthened in recent years.

3. **However, the country has yet to overcome several deep-rooted PFM issues, translating into limited government operational effectiveness, weak efficiency and accountability in the use of public resources, and ineffective service delivery.** The most recent World Bank diagnostics, including the 2016 Public Expenditure Review (PER), the annual Country Policy and Institutional Assessment, and 2015 IMF Article IV Report, underscore the limited performance of Haiti PFM system. Budget preparation, especially public investment planning and programming, suffers from a complex regulatory framework that is inconsistently applied. Budget execution relies on intricate and cumbersome administrative processes, yet ineffective, internal controls on expenditure and contract processing, translating into high fiduciary risks and lengthy delays in public program and project completion. Accounting and reporting do not allow the Government to adequately track and register all its financial and budget transactions due to poorly linked and maintained information systems and applications, dysfunctional and unsecure IT networks and limited IT skills, and institutional capacity. These challenges, together with frail internal and external audit entities, weak institutional checks and balances, and the limited accountability for public officials, create opportunities for misuse, waste, and corruption in the management of public resources.

4. **The Government launched a comprehensive Public Financial Management Reform Action Plan (PFMRAP) starting from May 2014, to increase expenditure efficiency** (see Appendix 2.1 for more details). Addressing the underlying PFM issues and public-sector management limitations has become a salient priority for the authorities to improve country's growth and development prospects. Stronger government commitment and progress in the

PFMRAP implementation has been observed during the last two years, with support from donors, including the World Bank, which assists in critical reforms areas.¹⁹ Nevertheless, results so far achieved—such as the establishment of a functioning TSA and of accounting units in line ministries—should be consolidated and sustained. Similarly, there are pressing needs to tackle the most challenging areas such as building an effective IFMIS. The IFMIS, if properly implemented and used, could help address many PFM weaknesses in the budget preparation, execution, and accounting and reporting processes. Coupled with greater public awareness and strengthened internal and external controls, it also could bolster government operational effectiveness and increased transparency and accountability.

PROPOSED RESULTS AND ACTIVITIES

5. **The original financing and the proposed AF are critical elements of IDA’s broader strategy to develop and disseminate reliable data, as a building block for evidence-based policy making and improved governance.** The revised objectives of the AF are to (a) assist in the production, analysis, and dissemination of the findings of the Fifth Population and Housing Census and strengthen the human and technological capacities of the IHSI and (b) enhance expenditure management practices and the timeliness and coverage of budgetary and financial information to improve budget management and oversight.

A. Key Results

6. **The proposed new activities are expected to help the country establish the basis, enabling conditions and infrastructure that are necessary for better governance, and more transparency and accountability in the use of public resources.** By upgrading and harnessing the MEF’s IT systems and institutional framework and having the core modules of the IFMIS (budget preparation and execution, general ledger, and accounts payable and receivable) implemented and operational, the proposed new activities are expected to ultimately enhance the quality (that is, coverage, reliability, and consistency) and timely availability of government budget and financial reports. The IFMIS introduction will help (a) modernize and accelerate budget preparation through better tools; (b) facilitate budget execution while strengthening and streamlining internal controls on budget spending, including on contracts and on salary payments processing; (c) extend tracking, control, and accounting to all budget and financial transactions and expenditure categories; and (d) provide, therefore, more comprehensive and quality budget and financial reporting and data.

7. **The main outcomes expected are the timely production of quality budget and financial data and reports through the new IFMIS and their use by the internal and external controls entities to regularly fulfil their audit responsibility.** PDO indicators will measure (a) increased availability of timely and more comprehensive fiscal information; (b) increased public access to fiscal information; and (c) improved payment processing. The proposed intermediate indicators will measure progress in and achievement of prerequisites, such as: (a) the implementation of an operational and modern IFMIS that allows itself for regular budget execution

¹⁹ The current World Bank assistance to PFM reforms is provided mainly through TA - IIERP (P120895), two AFs, and several Development Policy Operations since 2010.

reporting and (b) the institutional strengthening of the beneficiary internal and external controls entities. These milestones were mostly drawn from relevant indicators featured in PEFA 2016 Framework²⁰ and adapted to the Haitian PFM reform context and needs.

B. Additional Financing Components

8. **The proposed new activities are a continuation of the World Bank support to the Government's PFM RAP implementation and are well aligned with the 2015–2019 CPF²¹ objectives and strategy.** The proposed new activities will help meet Haiti's overarching CPF cross-cutting theme objective of improving transparency and accountability and strengthening the government capacity to: (a) produce key data; (b) develop evidence-based policy priorities and; (c) use public sector data and resources to implement efficient and effective basic service delivery programs that are sustainable. By increasing the Government's PFM capability and thereby its public-sector management capacity, the proposed new activities will also indirectly affect all other CPF strategic areas of focus²², by improving prospects for better World Bank-financed projects performance.

9. **The AF components are devised as follows:**

10. **Component 1 (revised): Support to the Fifth Census and Statistical Capacity Building** will consolidate Components 1 and 2 of the original project and leaves the original activities unchanged.

11. **Component 2 (new): Public Financial Data Production and Use for Improved Financial Management** will support enhanced quality and timely availability of budget and financial information. The component will focus its efforts on areas of the Government PFM Reform Action Plan related to Information Systems (Subcomponent 2.1) and to Internal and External Controls (Subcomponent 2.2).

Subcomponent 2.1: Improving Public Financial Management and Reporting through Introduction of a New Integrated Financial Information Management System (IFMIS)

12. **It is difficult for the MEF to produce consolidated budget and financial reports including quality and reliable data that allow for proper expenditure management and oversight by the legal entities.** Several technical and institutional PFM issues underlie this modest performance. On the technical side, the main problem relates to the deficient systems and applications (SYSDEP, SYSCOMPTE, GL, TaxSolutions, SYDONIA, SYSPAY, SYSPENS, SYSCHEK, etc.) used by the MEF. In addition to being outdated and poorly maintained, these systems are fragmented and linked through a deficient network and dated IT and electrical equipment. These problems are compounded by the MEF's inadequate IT institutional framework and limited IT staff capabilities. While the budget laws and regulations are designed in line with international best practices, revenue collection and expenditures processes and methods are neither

²⁰ PEFA, 2016. *Framework for Assessing Public Financial Management*.

²¹ CPF for the Republic of Haiti for FY16–FY19, Report No. 98132-HT, August 27, 2015.

²² The CPF is organized around three focus areas: (a) Growth, (b) Building Human Capital, and (c) Resilience and a cross-cutting theme: Governance.

transparent nor consistent. Multiple and complex control procedures combined with the lack of proper registry, accounting, controls, and tracking tools, leave room for significant discretion in the execution of public expenditure. Ex-ante controls are unevenly applied, especially for capital expenditures,²³ contracts,²⁴ and salary payments.²⁵ Given its significant importance and potential impact on the effective and efficient use of public resources, the development and roll-out of an IFMIS system is a high priority in the Government's PFM RAP.

13. Various IT strengthening activities have been funded by the World Bank and USAID since 2015 to provide the foundations for the implementation of the IFMIS. These activities aim at upgrading, improving, or integrating (a) the existing or future MEF applications and systems, (b) the MEF networks and datacenter, (c) the tax and customs applications, (d) the HRMIS (*SGIRH* in its French acronym), and (e) the design of an e-procurement system. Starting in 2018, the IADB has also committed to support the MEF-IT and systems, especially completion of the HRMIS previously funded by USAID to address shortcomings in its development and operationalization.²⁶ Improvement is also being gradually achieved in the IT institutional arrangements and capacity within the MEF. In that regard, with support from the World Bank and USAID, the MEF has established a new IT Directorate with a better-defined mandate, more experienced and qualified IT staff, and better working environment. The MEF has also set up and made operational an IT Steering Committee involving all relevant stakeholders.

14. The proposed new activities will primarily finance the streamlining and modernization of PFM processes and the acquisition of the core budget and treasury modules of an integrated COTS system. To prepare for a smooth and effective integration of the IFMIS, the project will fund the revision and amendment of the detailed budget and treasury management procedures. In addition, funding will be provided to the Government to buy, adapt, and roll out a budget preparation module (including operational and capital expenditures as well as information on donor-funded projects) and budget execution and treasury modules --including the general ledger, accounts payable and receivables, and cash management (see Figure 2.1. showing coverage of the IFMIS and what the proposed AF and other donors will fund). Because the IFMIS is a challenging undertaking, and considering the Government's management capacity and following the lessons learned in other IFMIS projects in limited capacity settings, the proposed new activities will also support the IFMIS project management, including procurement of the COTS system and change management activities.

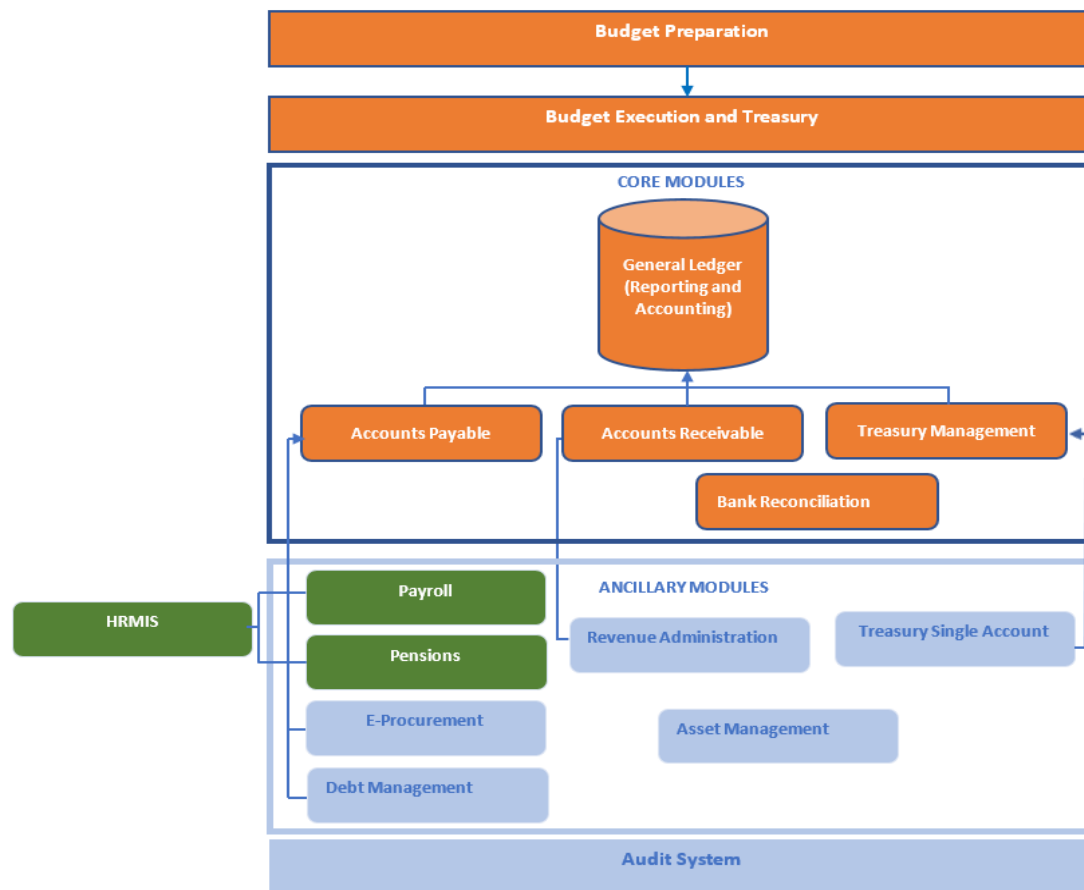
²³ Until FY16–FY17, capital expenditures were not actually accounted for.

²⁴ The contracts are reported to be paid by Treasury without required prior clearance from CNMP and Court of Accounts.

²⁵ The payroll database is reported to be replete with ghost workers because recruitments are not properly regulated and limited prior controls are enforced on monthly wage bills payments.

²⁶ IADB recently (January 2018) pledged to provide US\$13 million to fund activities related to the payroll, pension, and human resources management systems implementation.

Figure 2.1. Structure of the Integrated FM System of Haiti



Note: The project will finance the budget preparation and the core budget execution and treasury modules (in orange). The IADB will finance the new payroll and pension module (in green) and the remainder are or will be financed by other donors or the Government's own resources.

15. The implementation of the system will be supported by a change management and communication strategy grounded in political economy analysis. The IFMIS will fundamentally transform the way financial decisions are made and how resources are controlled and managed. The choices to be made around authority, accountability, responsibility, and technology will shape and determine the Government's overall FM and service provision structures for many years to come. A change management strategy that works will be critical to the success, acceptance, adaptation, and sustainability of the system. The project will employ a change management strategy that is grounded in political economy analysis of the social, political, historical, and bureaucratic context and realities in Haiti. It will be based on the approach and strategies used in similar IFMIS implementations in Cambodia and Indonesia.²⁷ The political economy analysis aims to deepen understanding of attitudes to change. Such analysis and

²⁷ Caroline Hughes, Sokbunthoeun So, Erwin Ariadharma, and Leah. "Change Management that Works: Lessons from PFM and IFMIS Reforms in Cambodia and Indonesia." Policy Research Working Paper 8265, World Bank, Washington, DC. April, 2018.

understanding will assist the task team to help the Ministry of Finance develop a targeted and effective change management strategy specific to the Haitian context.

16. **The approach will address change management activities through five workstreams,** which are (a) foundation tasks to develop understanding of the overall IFMIS transformation vision, scope and scale of change, target operating model (processes and systems), and the identification of key stakeholders; (b) change management to address the strategy and plan for engaging stakeholder groups within and outside the MEF and other stakeholders who may be affected by the IFMIS implementation; (c) communications to address the need to communicate with the people affected by the process, system, and structural changes created by the IFMIS implementation; (d) organization design and human resources to address the strategic options for modifying organization structure, roles and responsibilities, span of control, key performance indicators, and effective human capital utilization in the post-IFMIS implementation environment for the MEF; and (e) training to address the training requirements of employees of the MEF and line ministries to enable them to operate effectively in a post-IFMIS implementation situation.

17. **With support from the ongoing IIERP a change management pilot has been initiated to address the shortcomings in the existing payroll database and revise the control procedures before embarking on the implementation of the new IFMIS.** Due to the complexity of the issue, the strategy includes technical, institutional, and stakeholder components. Three multistakeholder teams have then been constituted accordingly and a few members from each of the key institutions have been identified and appointed to play the roles of change coaches, following a training on collaborative leadership for development and tools. The ministers and senior staff have been deeply involved in the process and formalized their commitment to the pilot activities by signing a memorandum of understanding.

18. **In parallel and, in coordination with other donors such as IADB and USAID, the project will continue to strengthen and consolidate the MEF's IT capacity,** by supporting the reorganization of the IT unit, reviewing processes and methods, and staff recruitment and training activities. Similarly, this component will fund the supplementary activities required to improve and upgrade networks, as well as complete the vital IT equipment and IT material acquisition and installation.

Subcomponent 2.2. Enhance Transparency and Accountability by Strengthening Internal and External Control Institutions

19. **Haiti's performance in compliance, transparency, and good governance in the use of public funds is modest.** In addition to the weak accountability of public officials,²⁸ external and internal control entities suffer from a combination of lack of clear institutional mandate; insufficient resources, material, equipment, and skilled staff; and the absence of proper and standardized audit methods and procedures. These deficiencies are exacerbated by the lack of proper and effective reporting in the use of public resources.

20. **This component will promote compliance and help improve transparency and accountability in the use of public resources.** It will focus on building the capacity of the main

²⁸ Despite several reported corruption cases, there are very few instances of officials being brought to justice and condemned.

oversight institutions and internal audit entities to effectively harness the future IFMIS tracking and reporting tools and capabilities, to reduce abuse and waste of scarce public resources. In addition, this component will also strive to help authorities better understand and address key corruption drivers in PFM. Constant and strong policy dialogue around PFM and good governance reforms will complement the activities under this component.

Support to the Institutional Strengthening for External Controls

21. In this subcomponent, the proposed new activities seek to support CSCCA, the Parliament, and ULCC institutional reforms activities, already initiated by the Government through the PFM RAP implementation with support from several donors.

CSCCA Strengthening

22. **During the last three decades, the Haitian CSCCA has suffered from severe capacity constraints, leading to its inability to fully deliver on its mandate.** During that period, CSCCA's activity consisted mainly of ex-ante reviews of government contracts. Other important activities under its purview such as audit of government accounts (*Compte Général du Trésor* and *Loi de Règlement*) and control of government's expenditure were barely executed, resulting in the perception that government officials were not subject to sufficient control and a declining reputation for the institution. The last PEFA report, published in 2011, rated the external control efficiency at D+, given the delays noted in the preparation and submission of verification reports such as *Loi de Règlement* to the Parliament. A self-evaluation published in August 2015 reports²⁹ that major issues faced include the conversion of CSCCA from ex-ante to ex-post control and verification and the need to refocus its mandate to effectively and fully discharge its functions.

23. **The proposed new activities will support the implementation of CSCCA-Operational and Strategic Plan (OSP) 2017–2020 (developed in 2016 with support from donors) by funding TA and training, in coordination with other donors interested in the strengthening of CSCCA (France, United Nations Development Program [UNDP], IADB).** The results of the ongoing World Bank-financed project have been uneven. Staff have gained new audit skills and CSCCA management has a better understanding of the challenges ahead to reshape CSCCA mandate and organization. Moving forward, the proposed new activities will support CSCCA by funding a twinning agreement with the French Court of Accounts. The French will assist CSCCA to consistently develop and implement its legal, regulatory, and organizational framework, as well as its procedural and staff skills capability with the view to properly and regularly audit the Government and Treasury annual accounts ('*Comptes Généraux du Trésor*' and '*Loi de Règlement*'). It is expected that CSCCA's capacity to carry out its constitutional mandate will increase in sync with the Treasury and the MEF capacity to produce more reliable and comprehensive budget and financial data and regularly release the Government annual statements and reports through the new IFMIS on time.

ULCC Strengthening

²⁹ *Diagnostic institutionnel de la Cour Supérieure des Comptes et du Contentieux Administratif et orientation de réforme*; CSCCA August 5, 2015.

24. **ULCC's impact on corruption has been limited.** While there are encouraging signs that the agency has somehow contributed to raising awareness on corruption in the country and has advised on new anticorruption legislation, corruption has not abated. Since its inception in 2004, ULCC has submitted more than 30 finding reports to the attorney general's office. However, to this day, very few have developed into open investigations and, out of those, just a marginal number has resulted in corrupt officials being convicted or sanctioned. The independence of the agency needs to be strengthened. ULCC is dependent on the executive branch,³⁰ and the attorney general decides which cases are to be tried. In addition, the agency suffers from significant operational, technical, human, and financial shortcomings. Nevertheless, the Haitian authorities' identification of the fight against corruption as one of their top priorities presents an opportunity for ULCC to strengthen its capacity and performance.

25. **The proposed new activities will support the creation of a coordinating group of control institutions and help ULCC define and implement its strategic multiyear institutional strengthening plan.** Through TA, training, advice, lobbying, and communication activities, the proposed new activities will mainly assist ULCC and its strategic partners, especially the Judiciary Branch of the Government, in the revision, coherent interpretation, and effective implementation of their legal and regulatory framework, with the objective to strengthen the country capacity to holistically fight corruption. Nonetheless, any supporting activity related to ULCC will have limited impact unless proper signals and actions to address the corruption issue in Haiti are undertaken by the relevant authorities.

Parliament Strengthening

26. **The constitutional framework designates the Parliament as the apex oversight institution and guarantees its powers and independence within the political system to perform its control function.** The Finance Commissions in the Chamber of Deputies and Senate have primary, although not exclusive, jurisdiction over matters related to financial control. The Parliament must authorize government expenditure and is responsible for reviewing the audited public accounts. The formal role of the Parliament in the review and approval of the budget is clearly set out in the May 4, 2016, Budget Act. The quality and impact of the work of the Finance Commissions is affected by its lack of access to budget data, limited analytical capacity, and weak internal procedures for conducting formal inquiries and managing non-hearing business across the budget cycle.

27. **The proposed new activities will support TA, capacity building, and operating costs aimed at enhancing the performance of the Finance Commissions in the Chamber of Deputies and the Senate.** The World Bank will draw on its experience in strengthening the performance of parliaments by (a) increasing parliamentarians' awareness of their critical role in providing effective financial control; (b) enhancing the flow of budget analysis from the Secretariats of the Finance Commissions' and parliamentary research staff to members on the Finance Commissions; (c) professionalizing committee inquiry and business processes; and (d) providing modest equipment allowing the Finance Commissions to perform their key functions.

³⁰ ULCC is a unit administratively attached to the MEF.

Support to Internal Control and Audit Bodies Capacity-building Plans

28. **In this subcomponent, the proposed new activities seek to continue and consolidate the results achieved so far under the ongoing World Bank-financed project activities, in support to institutional strengthening of IGF and CNMP.**

IGF Strengthening

29. **IGF has an extensive audit mandate encompassing all central administration entities and other public or private bodies benefiting from public subsidies, such as state-owned enterprises (*Organismes Publics Autonomes, et Etablissements Publics*) and the local governments.** Since its inception in March 2006, with support from the World Bank, IGF's performance has shown modest improvement. While IGF regularly produces reports for the MEF, there is no evidence that its findings are followed or acted upon. Following recent diagnostic reports, IGF's legal and regulatory framework should be updated and streamlined and its audit capacity, standards and audit planning and execution aligned with good practices.

30. **The proposed new activities will support the continued strengthening of IGF by developing IGF audit and reporting capabilities and enhancing the follow-up on its audit findings.** This effort to improve methods and approaches will be supported by qualitative staff on-the-job and initial training commensurate with the missions and expectations from IGF.

CNMP Strengthening

31. **Although the public procurement's legal framework is well developed and covers all types of procurement, the system is far from meeting its core objectives (economy, efficiency, efficacy, and value for money in the use of scarce public resources).** CNMP (and CSCCA) ex-ante controls on contracts are reportedly very complex and lengthy, leading to very long delays in public programs and projects³¹ implementation. Therefore, several public entities, to avoid this bottleneck in the system, manipulate procurement rules and regulations. Furthermore, the frequent use of sole source procurement methods and emergency procedures exceeds good practices.

32. **While some procurement weaknesses can only be addressed at the political level, many enhancements can be implemented at the technical level to increase the procurement system's performance.** With support from various donors, especially the World Bank, CNMP has undertaken a review of the procurement legislation, rules, institutional and organizational setting as well as the procurement processes and methods with the view to streamline and simplify the existing contracts clearance and approval circuits.

33. **The activities under this component will continue to provide support to CNMP in implementing its new strategic and operational plan,** with special attention to the institutional

³¹ The Performance Review of Haiti's Public Investment Management System (World Bank Report, 12/15/2014) and the "*Rapport sur la Rationalisation des Processus Administratifs de la Chaîne de la Dépense d'Investissement des Projets du PIP*" (World Bank, August 31, 2015) confirmed that infrastructure contracts can take, on average, more than a year to be cleared and signed through the existing legal framework.

reorganization and the reengineering of procurement business procedures, which are crucial to achieving more compliance in the system.

Assistance to Raise Public Awareness on Governance and Corruption Issues in Haiti

34. **Although, since 2004, the Republic of Haiti has embarked on an extensive program to modernize public administration and finance covering several areas, efforts to fight corruption, to engage citizens in oversight of the public resources and to support the Open Data agenda have been limited.** Through the PFM modernization framework, the GOH, under the MEF leadership and guidance, and with support from the EU and the World Bank, has initiated some communication activities on PFM reforms. However, few outreach efforts have been made to engage more with citizens and civil society on this major reform agenda, especially in raising anticorruption awareness. The publication and sensitization around the BOOST portal is an important step, but more needs to be done to make financial and budgetary data accessible in a more user-friendly way to all citizens. With support from USAID, a prominent CSO has already made some budget analysis accessible to Haitian citizens through its web portal in Creole and various media programs. Nonetheless, these activities are only focused on budget projections and data.

35. **The objective of this subcomponent is to strengthen demand for transparency and accountability by (a) strengthening the capacity of CSOs and the media to monitor and report on PFM and (b) strengthening citizen engagement around budget decisions.** With the anticipated availability of budget execution and audit reports issued by strengthened external and internal controls entities, activities under this component will strive to raise CSO and public awareness around budget and financial execution and corruption. This subcomponent will aim to (a) facilitate communication using the available MEF and control entities reports, data, and findings as well as quarterly and annual budget execution and audit reports produced by the MEF; (b) hold budget literacy campaigns or trainings for citizens or CSOs; and (c) strengthen media investigative skills including, but not limited to: (i) specific training for media in investigative skills; and (ii) other anticorruption awareness campaign and activities.

Component 3: Project Management Component

36. **The third component** will be strengthened with financing (US\$1.5 million) for additional activities, including consultancy services, workshops, training, and some operational costs to support (a) the Project Implementation Unit (UCP-MEF) and (b) the PFM Steering and Coordination Unit (CRFP), which are both responsible for aspects of the implementation of new activities.

C. Institutional and Implementation Arrangements

37. **Activities under Component 1 will continue to be carried out by UNFPA under supervision of IHSI and MEF.** However, new activities under this additional financing and undertaken through Components 2 and 3 will be implemented using existing PFM reforms implementing arrangements (on technical aspects), and regular and standard World Bank-financed project institutional and implementation arrangements in Haiti, for fiduciary aspects, as described in the following paragraphs.

38. **Institutional Arrangements.** Implementation of new Component 2 will be managed by the MEF through the PFM Reforms Steering Committee (*Commission de Pilotage des Réformes des Finances Publiques*) responsible for overall oversight and monitoring of PFM reforms activities. At the operational level, implementation and coordination of these technical activities will be managed by the PFM Reforms Coordination Committee (*Commission de Réforme des Finances Publiques*) which also would be responsible for the project Monitoring and Evaluation. In addition, a new and specific IFMIS Project Team (*Comité de Projet IFMIS*) will be set up before the proposed AF effectiveness to oversee the IFMIS activities. This IFMIS Project Team will comprise professional staff drawn from the main functional departments and stakeholders included in the IFMIS scope (budget, treasury, payroll, pensions, and so on). With TA provided by the proposed new activities, the IFMIS project team will be responsible for the overall coordination, monitoring, and supervision of the day-to-day IFMIS project implementation activities.

39. **Implementing Agency – fiduciary aspects.** The MEF project implementation unit (UCP-MEF) will serve as the new implementing agency for the fiduciary activities of Component 2 and Component 3. UCP-MEF is the implementing agency for ongoing World Bank-financed projects in the MEF³² and the Ministry of Commerce,³³ as well as two other projects funded by the IADB and the IMF.

40. **FM.** Standard FM requirements will be established for the proposed new activities under Components 2 and Component 3 (as appropriate), including traditional World Bank budgeting, accounting, auditing, and controls systems and standards. The capacity of UCP-MEF was reassessed during appraisal and its quality, appropriateness, and effectiveness was reconfirmed. The assessment highlighted the need to strengthen internal controls and payment processes with revisions that will be reflected in the project operational manual.

41. **Procurement.** Procurement for Component 2 and Component 3 (as appropriate) will be carried out in accordance with provisions and procedures outlined in the ‘World Bank Procurement Regulations for IPF Borrowers’ (July 2016) (‘Procurement Regulations’), including the use of the World Bank’s online procurement planning and tracking tool by the MEF and UCP-MEF—Systematic Tracking and Exchanges in Procurement (STEP). This mandatory system will be used to prepare, clear, and update Procurement Plans and conduct all procurement transactions for the project. The World Bank’s team will provide training and support, aiming for smooth use of the system. The new activities to be procured will consist of various TA activities, training, goods, and services related to the IFMIS acquisition and rollout and various PFM reforms and anticorruption activities. These acquisitions are to be provided through multiple contracts and from several providers based on the World Bank’s policies and requirements.

42. **Disbursement arrangements.** Disbursement arrangements for the proposed new activities will allow for direct payments and special commitments, in addition to the reimbursement and advance methods. Moreover, a segregated Designated Account will be required. Furthermore, the BRH will be the hosting financial institution for the new Designated Account with a ceiling amount set in accordance with current practices in Haiti's Bank portfolio. All other disbursement requirements (such as reporting statements and frequency, records of eligible expenditures,

³² IIERP (P120895) IDA grants H5510 and H8210

³³ Business Development and Investment Project (P123974) IDA grant H8650.

supporting documentation, and so on) will be aligned to meet the World Bank's project standard requirements in Haiti.

D. Lessons Learned and Incorporated into this Operation

43. **The proposed new activities have been designed considering lessons learned from a very large World Bank PFM portfolio supporting introduction of IFMIS in several countries.**³⁴ Critical lessons learned (the most recent Independent Evaluation Group report on lessons learned converges with most of the World Bank 2011 Study conclusions)³⁵ in designing, procuring, installing, and operating an IFMIS properly include, among others, the following:

- (a) **Systems design should be driven by functional requirements and not exclusively by technical considerations.** Technical and functional specifications were prepared with assistance from PFM consultants who guided the government team in defining the needs for budget, treasury, payroll, and pensions.
- (b) **It is important to phase implementation. The budget execution or treasury system should be prioritized as it constitutes the core element of the information system's architecture.** The future Haiti IFMIS implementation plan is built around the core budget and treasury functions and is scheduled to be implemented in a phased approach.
- (c) **Availability of technical expertise is critical for the uninterrupted operation and maintenance of the system and can be a source of significant vulnerability if unavailable.** A good telecommunication infrastructure is a requirement for implementation of FMIS systems across the country.
- (d) **Appropriately designed project management structures and change management initiatives can help address political economy issues and garner government commitment and ownership that is critical for successful IFMIS implementation.** The MEF has already set up an IFMIS Project Steering Committee involving all stakeholders and should establish, by effectiveness, an IFMIS Project Team. This IFMIS Project Team will be the main coordinator of the future IFMIS day-to-day activities. Moreover, project management and change management training activities are also incorporated in the IFMIS implementation plan.

44. **A formal and continued multi-stakeholder PFM policy dialogue is required to address the political challenges and maintain the reform momentum.** Past World Bank engagements in PFM in Haiti, in particular through the Economic Governance Technical Assistance Projects,³⁶

³⁴ See the FMIS Community of Practices website <https://eteam.worldbank.org/FMIS/SitePages/FMIS%20CoP.aspx>, which includes a wealth of documents and evaluation reports gathered by members, especially the foundational World Bank Study on *Financial Management Information Systems, 25 Years of World Bank Experience on What Works and What Doesn't*. Cem Dener, J. Watkins, and W. Dorotinski. April 2011.

³⁵ The lessons are essentially drawn from the unpublished Independent Evaluation Group Report on *Lessons from IFMIS Implementation, A Synthesis of Evaluation Findings*, January 10, 2017.

the Institutional and Infrastructure Emergency Recovery Project,³⁷ and budget support operations³⁸ have highlighted the need for a formal partnership. To ensure ownership, the AF activities have been selected from the Government's own action plan 2016–2018 (PFMRAP), which is supported by all donors involved in PFM reforms. In addition, the proposed new activities objectives are also foreseen in the recently signed Memorandum of Understanding, which formally introduces regular policy dialogue between the donor community and the Government and a joint monitoring mechanism for the ongoing PFM reforms.

Appendix 2.1: Government Public Financial Management Reform Action Plan (PFMRAP)

1. **In 2013, the Haitian Government sketched out a new strategy to address the deep-rooted country PFM issues.** Through its strategy, the Government decided to resume public finance reforms on a new basis, integrating a forward-looking vision in a formalized, consolidated, and harmonized multiyear framework along with effective monitoring and evaluation mechanisms. The reforms objectives include increasing tax and customs revenues, controlling public expenditure, improving the preparation and execution of annual budget bills, as well as fostering budget information availability and accuracy, and furthering accountability in the use of public resources. The reforms respond, on the one hand, to the stakes and challenges faced by the country with the sharp decline in donors' resources and, on the other hand, to the need for better transparency and accountability in PFM management.

A. Results Achieved So Far in PFMRAP Implementation

2. **The strategy is carried out under the Government leadership and coordination since 2014.** The main country achievement was to set up a TSA following protracted reforms and activities, supported by the IMF and the World Bank. The TSA is operational since December 2016 and covers all budget and financial transactions of the central ministries and government entities and institutions.³⁹ Alongside the TSA introduction, the Government also established 15 accounting units to cater for all line ministries and government entities and institutions, allowing the Treasury to eventually enforce prior controls to all budget spending categories, including capital expenditure which used to be executed through separate bank accounts managed by line ministries. With an operational TSA, Haiti now avails the enabling environment to attend to the most challenging PFM reforms activities such as the introduction of an IFMIS. To that end, technical and functional specifications have been defined and procurement of an integrated COTS system is under way with support from the World Bank. The IFMIS will cover budget, treasury, accounting, payroll, and pensions areas while allowing links to tax, customs, and central bank systems. The IFMIS Request for Proposal is ready to be launched, and the IFMIS is planned to be fully operational from FY20 to FY21. It will allow the country to track, account, and report all its budgetary and financial information and data. It will facilitate prior and ex post controls while making the required reports, data, and information available to auditors and economic decision makers.

3. **Several other reforms are also gradually taking hold through ongoing activities supported by donors.** In tax and customs, the Government is working, with support from the World Bank, IMF, Canada, European Commission, and USAID to update and consolidate the tax and customs legal framework, strengthen procedures and methods, build staff capacities and skills, and introduce or improve IT systems⁴⁰ and working conditions. Regarding budget management reforms, a Public Investment Management (PIM) Reforms Action Plan was devised in 2016, and some of its institutional strengthening and capacity-building activities are ongoing, with support from the World Bank (PIM overall Institutional and Organizational Framework revision), the EU

³⁹ The TSA creation entailed the closing of more than 300 bank accounts owned by central ministries and government entities and institutions. It involved the creation and the operationalization of a set of 14 central bank subaccounts whose balances are transferred daily to 1 central bank account managed by the treasurer.

⁴⁰ A new Tax Application System is under construction and is expected to be rolled out next year while an up-to-date version of ASYCUDA is operational at the customs.

Commission (PIM Operations Manual), and USAID (Training Program). Moreover, the Parliament recently adopted a revised Budget Act to introduce budget programs and revised budget preparation, execution, and management rules and procedures.

4. **With respect to internal and external controls, the Court of Accounts, with support from the World Bank, the UNDP, and the IADB, has devised and started implementation of its 2017–2020 OSP to gradually address its key institutional capacity shortcomings and meet its constitutional obligations to audit the Government’s annual accounts.** The internal audit entity at the MEF (IGF) also has resumed its institutional capacity development activities, around the strengthening of its staff audit skills, as well as the revision of its audit methods and practices with support from the World Bank. CNMP is implementing various institutional reforms activities, namely revision and updating of the country procurement legal framework, including organizational and institutional reforms, introduction of an e-procurement system, streamlining and simplification of procurement procedures and methods, and so on. Recently, Haiti also improved public access to budget information when it became the first Caribbean country to publish its budget data and information through the BOOST portal, an initiative sponsored by the World Bank.

5. **All these outcomes and the increased sense of ownership and urgency in PFM reforms stem from the established PFM reform strategy implementing arrangements and from better coordination with donors.** A PFM Reform Committee was set up by the Government in 2014, to coordinate and steer all reforms activities, with initial support from the World Bank. The institutional setting comprises (a) the Steering Committee chaired by the Minister of Economy and Finance and involving all the PFM reforms stakeholders which is in charge of PFM strategic decisions and directions; (b) the Public Finance Reform and Economic Governance Commission chaired by the MEF Permanent Secretariat and involving five experts, who are responsible for coordinating all the PFM reforms activities; and (c) the Technical Directorates (Treasury, Budget, Tax, Customs, Court of Accounts, IGF, and so on) which manage the day-to-day technical reforms activities

6. **Existence and proper functioning of the committee has proven to be crucial to increase PFM reforms ownership and sustainability.** Despite changes in the MEF and the fluid political situation in recent years, the committee managed, so far, to be the anchor and driving force behind PFM reforms implementation. Most of the recent PFM reforms achievements were made possible because of the committee’s effective coordination and steering role. From its inception, the committee was gradually able to give the necessary and sustained support to beneficiaries, donors, and technical assistants who usually were left helpless. It has slowly but sustainably strengthened its capabilities and has emerged as a pivotal structure to stimulate and galvanize the PFM reform activities.

7. **Donors have also stepped up their coordination efforts in technical activities and in policy dialogue around PFM reforms, allowing for better harmonization and synergies in PFM assistance activities (see table 2.1 on who is doing what in PFM reforms in Haiti).** The donors’ coordination and dialogue are spearheaded through two levels:

- (a) A **Budget support group**, involving all donors interested in PFM, has been set up and regularly meets to discuss macroeconomic management and PFM reforms cross-

cutting issues as well. In June 2017, the Budget Support Group donors finalized and signed, with the Government, a memorandum of understanding which opened the door for a more formal policy dialogue around PFM reforms and a joint monitoring mechanism for the implementation of the PFMRAP.⁴¹

- (b) **Five PFM working groups** dealing respectively with (i) revenue mobilization (led by Canada), (ii) IT systems and projects (led by the World Bank), (iii) PIM reforms activities (led by the World Bank), (iv) procurement (led by IADB), and (v) external controls (led by IADB). These working groups regularly engage with government teams, led by CRFP, to discuss the reforms agenda as well as the technical and institutional strengthening activities.

8. **With these implementing arrangements in place for both government and donors, at the end of 2017, it is expected that the PFM reforms activities implementation will be accelerated** and achieved as planned in the 2016–2018 action plan.

B. Next Steps: 2016–2018- PFMRAP

9. **In line with the PFM strategy, the 2016–2018 plan’s main objective is to improve PFM system performance** and help the country (a) increase its fiscal autonomy, (b) strengthen its fiscal discipline, (c) redirect and allocate public resources toward the Government’s overall strategic priorities included in its strategic plan 2030 (Haiti Strategic Development Plan), (d) strengthen government operational effectiveness and public services delivery, and (e) and introduce results-based management in public service.

10. **The 2016–2018 PFM reforms action plan is anchored around the following six thematic areas and 24 reforms dimensions covering all the current PFM issues:**

- (a) Internal and external resources mobilization
- (b) Budget management framework
- (c) Treasury and accounting
- (d) External and internal control environment
- (e) Local government finances
- (f) Information management system.

⁴¹ The monitoring mechanisms will be carried out through two annual supervision missions of the PFMRAP implementation each followed by a policy dialogue meeting between government and donors around a set of agreed-upon PFM issues.

Table 2.1. Donors Support to PFMRAP Implementation

PFMRAP 2016–2018 Priority Areas	Detailed Activities	Donors Involved
1. Mobilization of internal and external resources		
1.1 Tax Administration and Policy	• Acquisition and implementation of a new tax information system and tax administration institutional strengthening	• Canada
	• Tax administration institutional strengthening	• EU, World Bank (DPO)
	• Legal tax framework revision	• IMF
1.2 Customs Administration	• Construction of customs airport facility	• World Bank
	• Customs Administration Institutional Strengthening	• Canada and World Bank (DPO)
2. Overall Budget Management		
2.1 Public Investment Management	• PIM institutional strengthening, including project cycle legal framework, procedures and methods, tools, and so on	• EU, World Bank (DPO and TA)
	• Cost-benefit analysis training program	• USAID
	• Streamlining and simplifying spending execution procedures	• World Bank, EU, USAID
2.3 Procurement	• CNMP institutional strengthening, including e-procurement system	• World Bank (DPO and TA), IADB, EU (DPO and TA)
2.4 Program Budget and Results-based Management	• Program budget and results-based management institutional strengthening, including legal framework, procedures and methods, tools, and so on	• EU
3. Treasury and Accounting		
3.1 Treasury Single Account	• Support to the TSA establishment	• IMF, World Bank
3.2 Accounting units in line ministries	• Support to the creation and establishment of accounting units in line ministries and local districts	• IMF, World Bank
3.3 Accounting - Finance	• Support to treasury accounting standards revision	• IMF, World Bank
	• Institutional strengthening of public accounting professional association (<i>Organisation des Comptables Professionnels et Auditeurs de Haïti-OCPAH</i>)	• World Bank
4. Local Governance Finances		
4.1 Decentralization and Local Government Finance Strengthening	• Budget, resources mobilization, accounting, and monitoring local administrations	• Canada, USAID, UNDP, France
5. External Control and Internal Audit		
5.1 Monitoring and Oversight on the use of public resources	• Support to CSCCA	• World Bank, UNDP, IADB, France
	• Support to Parliament Finance Commission	• EU, World Bank
	• Support to ULCC	• World Bank, EU, USAID, IADB
	• Support IGF	• World Bank, EU
6. Financial Management Information System		
6.1 IFMIS	Acquisition and installation of an IFMIS	• World Bank, IADB
6.2 Network	Institutional strengthening, including IT communication, security, and network equipment	• World Bank, IADB, USAID
6.3 MEF IT Institutions	Support to the MEF's IT function restructuring and strengthening	• World Bank, IADB

11. The 2016–2018 plan's key expected results are to (a) make internal and external resources mobilization systems more efficient and effective, (b) develop multiyear sectoral strategies and programs, (c) strengthen public policy-based budgeting mechanisms, (d) ensure

transparency and accountability through budget execution and accounting, (e) gradually establish an efficient and transparent management of local finances, (f) establish more effective and efficient internal and external controls that provide full coverage for the public finance fiduciary risks, and (g) update and modernize information systems to cater for PFM requirements.

12. Furthermore, the plan calls for strengthening the Government's institutional capacity to steer and implement PFM reforms through a reinforced implementing framework.

Annex 3: Executive Summary for Procurement Plan and Project Procurement Strategy for Development

HAITI: Improving Haiti's Public Financial Management and Statistical Information Project

1. **There are no changes in the procurement arrangements for the activities under the Parent Project or revised Component 1.** Under these arrangements, UNFPA provides technical, financial, and administrative management services to the IHSI for the fifth census implementation using its own procurement policies and regulations pursuant to the Framework Agreement between the UN and the World Bank. The proposed AF will have no impact on the existing agreement and procurement arrangements with UNFPA that are already in place under the Parent Project.
2. **Procurement for the proposed AF will be carried out by UCP-MEF.** Component 2 and part of Component 3 of the AF will be executed in accordance with the World Bank's Procurement Regulations for Borrowers under Investment Policy Financing (July 2016) ('Procurement Regulations') and the provisions stipulated in the Procurement Plan and Operations Manual. A procurement capacity assessment was carried out in December 2017, and UCP-MEF was found to have the necessary capacity. It will be responsible for all procurement- and contracting-related queries and processing, including management and compliance with fiduciary requirements.
3. **A Project Procurement Strategy for Development (PPSD) was carried out and identified the appropriate selection methods, market approach, and type of review by the World Bank.** Most activities under the proposed project will be carried out through National or International Competition. An acceptable Procurement Plan was also prepared. For International Competition, in addition to the World Bank Standard and Sample Bidding Documents, UCP-MEF will use standard bidding documents agreed with CNMP.
4. **A series of mitigation measures will be implemented to ensure the satisfactory performance of procurement functions within UCP-MEF.** These include (a) continuous assessment of procurement capability of UCP-MEF, (b) supervision of procurement/selection transactions carried out by UCP-MEF, and (c) inclusion of special procurement provisions in the Procurement Plan. All procurement procedures are described in the Operations Manual, which will be updated to reflect the above activities.
5. **To maintain sound procurement processes, UCP-MEF will carry out procurement audits.** To this end, it will (a) ensure that all procurement records and documentation for each fiscal year of the proposed project are audited by independent auditors acceptable to the World Bank in accordance with appropriate procurement audit principles; (b) furnish to the World Bank the procurement audit report; and (c) furnish to the World Bank other information concerning the procurement records, documentation, and reviews. The scope of this audit will also include the procurement/selection transactions carried out by UCP-MEF.
6. **In view of these, it was concluded that the national environment is generally favorable for the procurement** of the goods and services identified for the implementation of the project.

7. **Procurement of goods and services and procurement of intellectual services and works will be carried out, as necessary, in accordance with the World Bank's Procurement Policies and Regulations.** It should be noted that the AF will fund an acquisition and implementation of an IFMIS, which includes integrated budget, and treasury modules, and amounts to US\$8 million, which acquisition will be a real challenge for the AF as the international suppliers are not willing to intervene in an enclave country with a lot of security problems. There is no qualified supplier in the country. The total amount for goods and non-consultant services is estimated at US\$8.3 million.

8. **The entire balance of the AF's fund will be allocated to acquire consultant services.** These services comprise (a) three main contracts which include one contract of US\$1.2 million for acquisition and implementation of an IFMIS, one contract of US\$1.0 million as direct selection with the firm Expertise France, and the last one amounting to US\$0.7 million and (b) several contracts amounting to less than US\$0.5 million. There are several local consultants who are sufficiently qualified to provide these services.

Table 3.1. Procurement approach

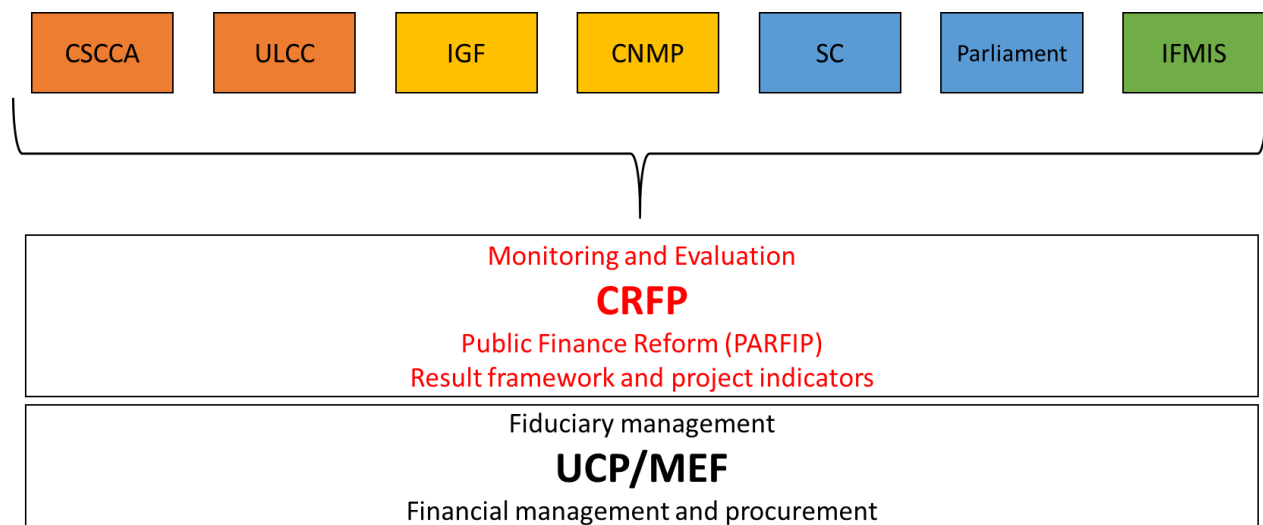
Contract Title, Description, and Category	World Bank Oversight	Procurement Approach	Selection Method	Evaluation Method
Acquisition and implementation of an IFMIS	Yes	International	Post qualification	Lowest evaluated cost
		Open		
IFMIS implementation adviser(s) -	Yes	International	Post qualification	Lowest evaluated cost
		Open		
Project manager	Yes	International	Post qualification	Lowest evaluated cost
		Open		
Expert France's contract	Yes	Direct Selection	Post qualification	Direct Selection

Annex 4: Financial Management Assessment

HAITI: Improving Haiti's Public Financial Management and Statistical Information Project

1. FM and disbursements arrangements related to Component 1 “Support to the Fifth Census and Statistical Capacity Building” will not be modified, with support from UNFPA under the World Bank-UNFPA Framework Contract. Streamlined FM arrangements are in place for the activities under the Parent Project or revised Component 1 and will still be used throughout project implementation. Through these arrangements, project-specific audited financial statements are not produced, as project funds are directly managed by UNFPA. Specific reporting requirements under Component 1, corresponding to the Parent Project will remain unchanged, and provide for UNFPA to use its own systems and tools to produce semi-annually financial reports for census activities. Likewise, disbursement arrangements under the Parent Project were designed exclusively for disbursements to UNFPA and will not be affected for the AF Component 1 activities.
2. Conversely, the FM of Component 2 and part of Component 3 of the AF will be undertaken by the already established UCP-MEF. UCP-MEF has experience and is currently responsible for the FM aspects of two World Bank-financed projects.⁴² The institutional arrangements for monitoring and evaluation and fiduciary management of the AF are as described below:

Figure 4.1. Institutional Arrangements



3. The proposed FM arrangements at UCP-MEF for the proposed AF meet the minimum fiduciary requirements under OP/BP 10.00 and FM assessment is as follows:
4. **FM Risk assessment.** The overall FM risk rating assigned to this AF at preparation stage is Moderate as the AF will use the existing FM arrangements set up under the existing IIERP, which are moderately satisfactory, that will be strengthened by the following mitigation measures: (a) finalize and ratify UCP-MEF's internal control manual and (b) update UCP-MEF's

⁴² Infrastructure and Institutions Emergency Recovery Project (P120895) and Haiti Business Development and Investment Project (P123974).

administrative and accounting manual. The FM Specialist will monitor the FM risk during AF implementation.

5. **Staffing.** The FM functions of UCP-MEF are under the responsibility of the Unit Coordinator. The Accounting Unit is composed of an FM specialist, an accountant, a financial analyst, and an accounting assistant. Currently, the staff capacity and structure are adequate for FM purposes. Since IIERP is closing in June 2018, this staff will continue to be contracted and paid under the new AF.

6. **Accounting.** The proposed AF will use cash basis accounting for preparation of the project's quarterly interim financial statements and annual financial statements, in accordance with the International Public Accounting Standards and the national Accounting Standards. The AF's Operations Manual will contain an FM section, which will include appropriate accounting policies and financial reporting procedures. In addition, UCP-MEF will update its administrative and accounting manual paying attention to the administrative 'Procure to Pay' process to avoid any undue delays during implementation. The draft Operations Manual will be subject to review and acceptance by the World Bank and will be finalized before effectiveness. The accounting records for the AF will be maintained in the accounting system, QuickBooks. This system, used for other World Bank-financed projects managed by UCP-MEF, is adequate for the follow-up of AF activities and production of the financial reports.

7. **Budgeting/planning.** Annual budgets and work plans (and related Procurement Plans) will be prepared in close coordination between CRFP, all AF beneficiaries, and UCP-MEF. The budget will be submitted to the World Bank for 'no objection' before the beginning of the fiscal year and any subsequent changes in the approved budget and work plans will also be submitted to the World Bank on a 'no objection' basis. The budget process will be included in the administrative, financial, and accounting procedures manual.

8. **Internal controls and internal audit.** UCP-MEF will update its internal control manual and determine if any additional control measures need to be implemented for the proposed AF.

9. **Reporting.** For the new Component 2 and the part of Component 3 financed by the AF, interim financial reports are required quarterly and should be submitted 45 days after each calendar quarter. For new activities under Component 2 and part of Component 3, annual external audits are required with each audit covering one fiscal year (ending September 30). The audit reports are due to the World Bank no later than six months after the end of each audit period.

10. **Auditing.** Annual audited financial statements of the new activities proposed under the AF, referred to in paragraph 9 above, will be transmitted to the World Bank not later than six months after the end of each recipient's fiscal year. The auditors will issue a single opinion on the consolidated financial reports prepared by UCP-MEF. Within four months of grant effectiveness, conclude an audit contract for the project's financial statements based on terms of reference acceptable to the World Bank. The external audit shall be undertaken by a private firm selected in accordance with independence and competency criteria acceptable to IDA.

11. **Disbursement Arrangements and Flow of Funds.** The primary disbursement methods for the AF will be Advances, Direct Payments, Reimbursements, and Special Commitments. To facilitate timely disbursements for the proposed AF's eligible expenditures, the recipient, through UCP-MEF, will open and operate a segregated Designated Account (in U.S. dollars at the central bank (BRH). Subsequently, UCP-MEF will open another account denominated in Haitian gourdes (HTG) at BRH to process local payments. Both accounts will be segregated accounts. The U.S. dollar bank account will be used to receive grant funds from the World Bank and make U.S. dollar payments throughout implementation. Funds will be transferred from the U.S. dollar Designated Account to the local currency bank account to facilitate local currency payments. UCP-MEF will be responsible for the appropriate accounting of the funds deposited into the Designated Accounts, for reporting on the use of these funds and ensuring that they are included in the audits of the financial statements. The ceiling of the Designated Accounts and the minimum application amount for direct payment or special commitments will be communicated in the Disbursement Letter.

12. Summary sheets with records and SOEs will be required for documenting eligible expenditures and reimbursements to be paid through the DAs. Direct payments will be documented by records. Applications documenting the advances to the DAs will be made on a quarterly basis.

13. SOE limits for expenditures against contracts for works, goods, consultant services for consulting firms, and individual consultant services will be determined in the Disbursement Letter. Documentation supporting expenditures claimed against SOEs will be retained by the implementing agency and will be available for review when requested by the World Bank supervision missions and the proposed project's auditors.

14. The proposed AF will have a disbursement deadline date (final date on which the World Bank will accept applications for withdrawal from the recipient or documentation on the use of grant proceeds already advanced by the World Bank) of four months after the closing date of the proposed AF. This 'grace period' is granted to permit orderly AF completion and closure of the grant account through the submission of applications and supporting documentation for expenditures incurred on or before the closing date. Expenditures incurred between the closing date and the disbursement deadline date are not eligible for disbursement, except as otherwise agreed with the World Bank. All documentation for expenditures submitted for disbursements will be retained at UCP-MEF during the lifetime of the proposed AF and will be made available to the external auditors for their annual audit and to the World Bank and its representatives, if requested. After AF closing, the relevant documentation will be retained for two years, following the Government's regulations on record keeping and archiving. If auditors or the World Bank implementation support missions find that disbursements made were not justified by the supporting documentation, or are ineligible, the World Bank may, at its discretion, require the recipient to (i) refund an equivalent amount to the World Bank or (b) exceptionally, provide substitute documentation evidencing other eligible expenditures.

15. Before the World Bank closes the grant account (two months after the disbursement deadline date), the recipient must provide supporting documentation satisfactory to the World Bank that shows the expenditures paid out of the Designated Account, or refund any undocumented balance. If the recipient fails to provide the documentation or refund required by the World Bank by this date (two months after the disbursement deadline date), the World Bank

does not permit the use of the Designated Accounts under new grants/credits made to or guaranteed by the recipient.

16. **Supervision strategy/implementation support arrangements.** The supervision strategy for this AF is based on its FM risk rating, which will be evaluated on a regular basis by the FM Specialist in line with FM guidelines and in consultation with the relevant task team leader. FM supervision will be conducted at least once a year and will cover (a) AF accounting and internal control systems; (b) budgeting and financial planning arrangements; (c) review of interim financial reports; (d) review of audit reports, including financial statements and remedial actions recommended by the external auditor; and (e) disbursement management and financial flows.

17. **The key action items are the following:**

- (a) Finalize and ratify the internal control manual
- (b) Update administrative and accounting manual to inform updated Operations Manual before AF effectiveness
- (c) Within four months of AF grant effectiveness, conclude an audit contract for the financial statements based on terms of references acceptable to the World Bank.