Project Information Document/
Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 10-Feb-2017 | Report No: PIDISDS21235
BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
<th>Project Name</th>
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<tbody>
<tr>
<td>Haiti</td>
<td>P162574</td>
<td></td>
<td>Haiti- Strengthening Transparency, Accountability and Reporting Project (P162574)</td>
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<table>
<thead>
<tr>
<th>Region</th>
<th>Estimated Appraisal Date</th>
<th>Estimated Board Date</th>
<th>Practice Area (Lead)</th>
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<tr>
<td>LATIN AMERICA AND CARIBBEAN</td>
<td>Jun 05, 2017</td>
<td>Aug 17, 2017</td>
<td>Governance</td>
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<table>
<thead>
<tr>
<th>Financing Instrument</th>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
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<tbody>
<tr>
<td>Investment Project Financing</td>
<td>Ministry of Finance</td>
<td>Ministry of Finance</td>
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</table>

Proposed Development Objective(s)

The objective of the project is to contribute to advancing operational efficiency, accountability and transparency in the use of public resources in Haiti by automating and streamlining financial processes while also enhancing financial reporting, internal and external controls.

Financing (in USD Million)

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
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<tr>
<td>IDA Grant</td>
<td>15.00</td>
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<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>15.00</strong></td>
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Environmental Assessment Category

C-Not Required

Concept Review Decision

Track II-The review did authorize the preparation to continue

Note to Task Teams: End of system generated content, document is editable from here.

Other Decision (as needed)
B. Introduction and Context

Country Context

1. Haiti is a fragile country with considerable development challenges. Almost 60 percent of Haiti’s population, or 6.3 million people, remain poor, and 24 percent or 2.5 million, extremely poor, with poverty highest in rural areas. Like poverty, inequality is high with a Gini of 0.6 (highest in the Americas). In addition, only 38% of Haitian households have access to electricity, 28% have access to improved sanitation facilities, 58% have access to improved water source and literacy rate for ages 15 and above is 53% for men and 45% for women.

2. Haiti’s efforts of reducing extreme poverty and promoting shared prosperity have frequently been impacted by natural disasters. Between 1971 and 2013, Haiti’s economy has been subjected to natural disasters almost every year with adverse effects on growth. The country has the highest number of disasters per km² than the average of the Caribbean countries. On January 12, 2010, a catastrophic earthquake of magnitude 7.0 killed 220,000 people and displaced 1.5 million. It resulted in damages and losses of US$7.9 billion (120 percent of GDP) and of US$11.3 billion in estimated reconstruction needs. The disaster compounded Haiti’s many preexisting development challenges, increasing poverty and vulnerability, threatening livelihoods, and hampering already weak service delivery and human development outcomes. Compounding these challenges, cholera broke out in October 2010, sickening over 800,000 people and killing over 9,000 to date. While the nation was struggling to bounce back from these disasters, a category IV Hurricane, Matthew, hit the south of the country on October 3, 2016, and affected over 2.1 million people (almost 1/5 of the population), leaving 1.4 million people in need of lifesaving assistance and causing severe destruction to all sectors - water, electricity, education, health, food security, infrastructure and livelihoods. The economic damage and losses have been estimated at more than US$1.9 billion, roughly 21% of GDP.

3. In addition to frequent natural disasters, Haiti’s poor development results can also be attributed to persistent political instability and insecurity translating into weak government capacity to steer development, poor governance, absence of accountability and limited institutional capacity. Though some small improvements have been observed in terms of civil society engagement and oversight of public activities, including through regular government publications of the budget, public contracts, audits, and other documents, limited accountability and poor governance continue to be the key impediment to Haiti’s growth and development prospects. Despite many attempts by donors to help the government relieve state capture in certain areas, the influence of interrelated economic and political vested interests remains prevalent, exacerbated by weak oversight institutions and controls. Haiti is perceived as one of the most corrupt places in the world and ranks in lowest quartiles in all governance indicators and reports. In the Worldwide Governance Indicators, and despite some improvements since 2005, Haiti still ranks very low in Control of Corruption with a percentile rank of 9 in 2015, keeping the country well below averages for LAC (53) and low-income countries (20). The Heritage Foundation’s 2016 report on Economic Freedom cited pervasive corruption and inefficient judicial framework as the main factors behind the failure of government reforms to improve business and investment climate. In Transparency International’s Corruption Perceptions Index, while Haiti’s score recovered from 17 in 2015 to 20 in 2016, it is still substantially behind the average of 44 observed for other economies in the Americas. The anti-corruption law passed in March 2014 was an important step, but it still exhibits shortcomings. The weaknesses and limited performance of responsible bodies, especially the Anticorruption Agency (ULCC), and the Court of Accounts (CSCCA), continue to impede enforcement and to nurture a high perception of pervasive corruption within and outside the country. The independence of the judiciary from high to local levels is also seen to be compromised by powerful political and economic interests.
Sectoral and Institutional Context

4. Given its long history of natural disasters, political disorders and instability, and poor governance and pervasive corruption, Haiti has always struggled to build and sustain strong public institutions, especially in the area of Public Financial Management Systems (PFM). In the aftermath of the 2010 earthquake, many public institutions, including the Ministry of Economy and Finance, had suffered major destruction, in terms of infrastructure and human resources, and had to be restored. With assistance from the World Bank (Infrastructure and Institutions Emergency Recovery Project [P120895]) and from other donors, several of the basic PFM functions were recovered and strengthened in more recent years. However, as indicated in the SCD, since 2013, government effectiveness still lag behind that of other Latin American countries.

5. Above all, the country economic and social development is still hindered by weak public sector performance and, especially, the PFM system performance. The country is to overcome several deep-rooted PFM issues translating into limited government operational effectiveness, lack of accountability in the use of public resources, and ultimately, poor public service provision. As stressed in the 2016 Public Expenditure Review, the country’s revenue mobilization is still relatively low by international standards, and the tax system is regressive. A significant amount of income tax and customs duties are lost due to exemptions and to inefficient tax and customs controls systems, while a number of taxes generate little revenue but impose high compliance costs on businesses. In addition to underperforming customs and tax administrations, shortcomings to overcome are persistent in:
   i. budget preparation, especially public investment planning and programming which essentially suffers from a complex regulatory framework not consistently applied; absence of sectoral strategies to anchor broader government priorities into sector programs and projects and; lack of tools, staff capacity and skills to adequately evaluate and select projects, leading to poorly assessed and evaluated projects;
   ii. budget execution, with highly complex administrative processes, and cumbersome yet ineffective internal controls on spending and contracts processing, translating into high fiduciary risks. In addition, despite the existence of a comprehensive procurement legal framework, competition in public procurement and in the awarding of major infrastructure contracts is limited. More generally, public entities rarely comply with existing procurement rules and regulations, since noncompliance is not actually sanctioned.
   iii. accounting and reporting, where fragmentation of information systems; dysfunctional and unsecure IT networks and insufficient IT skills limit coverage to only recurrent budget (capital budget is not accounted for) and translate into partial budget and treasury reporting.

6. These drawbacks, associated with ineffective audit entities, weak checks and balances institutions and limited accountability for public officials, foster an enabling environment for misuse, waste and corruption opportunities in public resources management. Though addressing all these PFM issues and public sector management limitations remain a daunting and ambitious task, the authorities cannot anymore afford to delay or postpone reforms activities which are critical to the country’s growth and development prospects. The government is more and more tested with a high risk of fiscal distress due to a sharp decline in the massive foreign assistance recorded after the 2010 earthquake. Though the renewed assistance following the recent October 2016 Hurricane Matthew may give some relief, prospects for continued substantial foreign assistance are murky owing mainly to Petrocaribe program shrinking resources and donors’ fatigue. Fueled by the changing foreign assistance landscape, the government is now more incentivized to mobilize domestic funding and increase public spending and programs effectiveness and quality.

7. To that end, following years of protracted and haphazard PFM reforms, the government adopted and started to implement a comprehensive Public Financial Management Reform Action Plan (PFMRAP) in May 2014, with the support of donors including the World Bank (see below Section “Project Concept”, A, 1, a), for more details). More government
commitment and some progress have been registered in PFM reforms during the last two years with the PFMRAP implementation, with support from donors, including the World Bank which is involved in many critical reforms areas. Nevertheless, results so far achieved, such as the establishment of a functioning Treasury Single Account, remain fragile and need to be sustained while some of the most challenging areas, such as building an operational and effective Integrated Financial Management Information Solution (IFMIS) which could be the backbone to address most of the current PFM issues identified in budget preparation, execution and accounting and reporting as well as a cross-cutting solution to enhance government operational effectiveness and accountability - remain to be tackled.

Relationship to CPF

8. The proposed Project is a continuation of the World Bank support to the government PMFRAP implementation and is well aligned with the 2015-2019 Country Partnership Framework. The Project, through supporting the operational effectiveness of public financial management institutions and accountability of public officials, will essentially contribute to Haiti’s CPF cross-cutting theme of Governance - Transparency, Accountability, and Sustainability. Also in supporting the accountability and effectiveness of public institutions, the WBG strategy will focus chiefly on economic governance and government effectiveness, in keeping with the institution’s comparative advantage and expertise, as well as, building on longstanding dialogue with the government on these topics. The project is also consistent with the CPF strategic area of focus #1 which aims at promoting inclusive growth.

9. Furthermore, the proposed Project has the potential to help address most of the SCD’s priorities. Four out of the five themes highlighted by the Systematic Country Diagnostic (SCD) as potential linchpins for Haiti’s progress toward reducing poverty and for setting itself on a new development path, relate to better governance, and more effective public sector management, including PFM. Indeed, the SCD underlines that improving the transparency and accountability of public financial management and developing statistics and analytics to underpin sustainable and effective policies, including the planning and targeting of programs, are priorities. More specifically, objective #10 of the SCD “Improve Transparency and Accountability in Public Financial Management” is fully aligned with the proposed Project objectives. Finally, the proposed Project would positively and significantly contribute to an enabling environment and better prospects for successful implementation of the World Bank portfolio since weak PFM and public sector management, as well as poor governance and high fiduciary risks, are among the key impediments to better performance in government management.

C. Proposed Development Objective(s)

10. The objective of the project is to develop financial reporting and enhance internal and external controls thereby fostering efficiency, accountability and transparency in the use of public resources in Haiti.

Key Results (From PCN)

11. Once completed, the proposed Project is expected to help the country establish the basic PFM conditions and infrastructure that are necessary for better governance, and more transparency and accountability in the use of public resources (see Annex ...which details the project log-frame, and results). By upgrading and harnessing Information Technology, with a fully installed and operational IFMIS, and by increasing the principal oversight and external audit
institutions and bodies performance, through support to implementation of their institutional strengthening plans, the proposed Project is expected to lead to enhanced accounting and reporting; strengthened internal controls; and, more effective and credible external controls.

The proposed Project, with the introduction of an IFMIS, has the potential to set-up the backbone for better budget management while providing the required tools to mitigate the existing high fiduciary risks, as well as increasing accountability in the use of public resources. Indeed, it would help to (i) modernize budget preparation through better tools; (ii) facilitate budget execution while enhancing and streamlining internal controls on budget spending, including contract and salary payments processing; (iii) extend tracking, control and accounting to all budget and financial transactions; and, (iv) provide more comprehensive and quality budget and financial reporting, that can be timely submitted for audit, as well as reliable information and data that can be made available to Parliament, civil society and citizens. Furthermore, the proposed Project, with the support to oversight and external entities, will strengthen their skills and institutional capacity so to be able to properly audit the government reports and financial statements expected to be produced through the new IFMIS. Finally, the proposed Project, with planned support to the Parliament, civil society organizations and the public in general, will provide them with more access to comprehensive financial and budget information and data produced from the new IFMIS and thereby give stakeholders the means and resources to hold the public officials more accountable in the use of public resources.

Against this backdrop, the anticipated results considered for the proposed Project are the following:

- Comprehensive and quality government budget and financial reports and statements are timely produced through the new government IFMIS and reliable budget and financial information data are made publicly available on the Ministry of Economy and Finance (MEF) website;
- Government annual budget and financial statements produced by the MEF through the new IFMIS are regularly judged by the Supreme Audit Institution (SAI) in accordance with the country legal provisions;
- Proper internal controls are actually performed, through the new IFMIS, on all spending categories, irrespective of expenditure nature (operating costs; investment expenditure; pensions and salaries);
- Corruption cases uncovered through reports findings of the Anti-corruption Agency (ACA), the SAI, the Procurement Board and the MEF Internal Audit Body (IGF-MEF) are subjected to judiciary investigation and possible prosecution;
- IGF-MEF reports findings and recommendations are actually implemented and monitored.

D. Concept Description

19. The proposed Project is fully aligned with the government PFMRAP goals and respond to its strategic objective of building and strengthening the country PFM system basics. Given the mixed results so far registered in PFM and good governance in Haiti despite long time partnership and substantial resources provided by donors, including from the World Bank, the new TA operation is designed in light of lessons learned in past Haiti’s TA and DPOs. In particular, it takes into account the government reforms management capacity limitations, the need for more ownership, the need for better coordination of TA and DPOs from the Bank but also better coordination with other donors, and the need to factor in underlying political economy issues, especially potential resistance from vested interests. The establishment and functioning of the PFM reforms Committee –led by the MEF Permanent Secretary- helped to prepare and pave the way for enhanced ownership, better communication between government entities, and better internal and external reforms coordination. Strong political dialogue around PFM issues and reforms is forthcoming with the ongoing preparation and signing of a Memorandum of Understanding (MoU) between the government and all donors interested in PFM reforms. The PFMRAP areas and activities for further World Bank TA support (IFMIS and internal and external controls) were selected because of clear government ownership, reflected by beneficiaries commitment, and progress
noted in preparation (or ongoing implementation) of an Information Technology (IT) Road Map since 2014 and, of an institutional strengthening plan for the selected oversight entities.

Moreover, to enhance project overall impact, and in anticipation to the upcoming DPO measures, the proposed Project intends to promote TA activities that would encourage and elicit effective enforcement of financial regulations and rules thereby reducing opportunities for corruption and furthering accountability and transparency in the use of public resources. In that regards, additional activities are planned to raise control capacity of the Parliament Budget and Finance Committees and increase budget literacy and awareness of the general public, media and civil society through more access to reliable and comprehensive government budget information which are expected to come from the new IFMIS.

Eventually, the selected activities would help to close major gaps and issues identified in the current PFM infrastructure, notably the absence of a functioning budget and accounting system allowing to track, register and report on all government financial and budget transactions, and thus set in place the minimum conditions for transparency and accountability in the use of public resources

Based on this approach, the proposed Project would focus on the following three interrelated components:

Component 1: Improving Financial Reporting Through Introduction of a New Financial Information Management System (US$ xxx million): The objective of this component is to provide the government with modern IT tools, applications and systems that would allow it to improve budget preparation; to streamline and facilitate budget execution and internal controls for all budget expenditure categories; and to produce comprehensive, quality, and timely budget and financial reports and statements. Under this Component, the proposed Project will finance technical assistance, consultancies services, office reorganization and rehabilitation, IT equipment, training and workshops activities related to:

Subcomponent 1.1. IFMIS Acquisition and Commissioning: This subcomponent will help acquire, customize and deploy a Commercial-Over-The-Shelf (COTS) new Integrated Financial Management Information System (IFMIS) that will essentially provide integrated applications and systems for Budget expenditure management monitoring and reporting, including for Payroll and Pensions; and Treasury accountancy and financial reporting, as well. In addition, the new IFMIS is anticipated to offer the backbone for integrating all existing or upcoming PFM information systems especially the Central Bank payment; Tax; Customs; and Debt systems; etc.);

Subcomponent 1.2. IFMIS Project Management and IT Capacity Building. This subcomponent will help the government to build the enabling environment to facilitate successful and sustainable implementation of the IFMIS. As learnt in many projects throughout the world, the proposed Project would provide funding to support IT needs definition support, the IFMIS project management; IFMIS procurement and capacity building; and PFM IT institutional strengthening and reorganization as well as required change management activities within the government and the MEF. .

Component 2: Enhance Transparency and Accountability through Internal and External Controls Institutional Strengthening (US$ xxx million): Through Component 2, the proposed Project will strive to promote transparency, accountability, and good governance in the use of public resources in Haiti. In this area, the main focus would be to build the capacity of the external controls and audit institutions in order to be able to effectively harness the future IFMIS tracking and reporting tools and capabilities and help to prevent abuse and waste of public resources. In addition, given the root cause of poor governance in Haiti, this Component will also attempt to better understand and address key corruption drivers in PFM area. To that end, based on available or forthcoming knowledge work and oversight institutions strengthening action plans, the proposed Project intends to:
Subcomponent 2.1. Support Institutional Capacity Building and Strengthening for External Controls encompassing: (i) the Supreme Audit Institution – Cour Supérieure des Comptes et du Contentieux Administratif- CSCCA in French; (ii) the Anti-corruption Agency - Unité de Lutte Contre la Corruption- ULCC in French; and (iii) the Parliament Budget Commissions;

Subcomponent 2.2. Support Internal Control and Audit Bodies which consist of: (i) the MEF Internal Audit Unit- Inspection Générale des Finances; and (ii) the Procurement Board - Commission Nationale des Marchés Publics- CNMP in French; and,

Subcomponent 2.3. Increase public awareness on governance and corruption issues in Haiti through (i) budget literacy campaign or training for citizen or civil society organizations; (ii) training for Media in investigative skills; and (iii) other anti-corruption awareness campaign and activities to be defined.

Component 3: Project Management and Implementation (US$ xxx million): Under this Component, the proposed Project will finance consultancy services, workshops, training and some operational costs for: (i) the project implementation unit (Unité de Coordination de Projet- UCP- MEF, in French) and; (ii) the PFM Steering and Coordination Unit (Commission de Réformes des Finances Publiques – CRFP- in French).

Note to Task Teams: The following sections are system generated and can only be edited online in the Portal.

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project will not finance civil works, or activities with environmental or social impacts. All equipment installations would take place within existing buildings. The project will only finance/carry out: IT tools, applications and systems; technical assistance, consultancy services, training and workshops activities; acquire a new Integrated Financial Management Information System (IFMIS); build capacity; budget literacy; cover operational costs; and IT institutional strengthening. Thus the project is in Category C (low or negligible impacts). No further safeguards instruments are required.

Regarding the acquisition of IT equipment, it may result in disposal of significant amounts of old electronic waste (e-waste), e.g. computers, printers, etc., including not only old hardware that the Ministry will throw away when they receive new equipment, but also Project-funded hardware that will be obsolete in the coming few years (4-5 years). The project will adopt the following approach:

1) Determine if the Ministry of Finance already has a strategy for proper disposal of old e-waste, and what that strategy consists of;
2) If the existing disposal strategy is acceptable, the project will adopt it;
3) If not, and in order to comply with World Bank policy (OP 4.01), and with IFC Best Practice, the project will:
   a. include plans to “Promote low e-waste equipment”, if this exists; collect used e-waste; transport it, if needed, to secure storage site;
   b. in 1-2 years, before e-waste becomes a problem, the project will (i) commission a study to find environmentally sound long-term recycling / storage / disposal solutions of e-waste. The Government will approach waste management companies in Haiti to find recycling / disposal solution.
   c. Based on this study, the Government will (ii) prepare a plan, (iii) allocate funding from the project or from other sources, and (iv) execute the plan for environmentally sound long-term recycling / storage / disposal of e-waste.
This proposal would comply with the Bank's policies and with IFC Best Practice and be commensurate with risk.

This procedure would be included in the project Operations Manual to ensure that such e-waste is properly disposed of.

**B. Borrower’s Institutional Capacity for Safeguard Policies**

Not applicable

**C. Environmental and Social Safeguards Specialists on the Team**

**D. Policies that might apply**

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<th>Safeguard Policies</th>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
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<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>No</td>
<td>The proposed Project is likely to have minimal or no adverse environmental impacts as the scope of project activities seek to develop financial reporting and enhance internal and external controls thereby fostering efficiency, accountability and transparency in the use of public resources in Haiti.</td>
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<td>Natural Habitats OP/BP 4.04</td>
<td>No</td>
<td>No issues related to natural habitat</td>
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<tr>
<td>Forests OP/BP 4.36</td>
<td>No</td>
<td>No issues related to forests</td>
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<td>Pest Management OP 4.09</td>
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<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
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<td>No issues related to physical cultural resources</td>
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<td>Indigenous Peoples OP/BP 4.10</td>
<td>No</td>
<td>No issues related to indigenous people.</td>
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<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
<td>No</td>
<td>This project is linked to institutional capacity. There are no issues linked to involuntary resettlement.</td>
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<td>Safety of Dams OP/BP 4.37</td>
<td>No</td>
<td>No issues related to safety of dams.</td>
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<tr>
<td>Projects on International Waterways OP/BP 7.50</td>
<td>No</td>
<td>No issues related to international waterways</td>
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<td>Projects in Disputed Areas OP/BP 7.60</td>
<td>No</td>
<td>Project is not in a disputed areas.</td>
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**E. Safeguard Preparation Plan**

Tentative target date for preparing the Appraisal Stage PID/ISDS

Mar 15, 2017
Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS.

No studies will be needed on safeguards.

CONTACT POINT

**World Bank**

Fabienne Mroczka, Mamadou Lamarane Deme  
Sr Financial Management Specialist

**Borrower/Client/Recipient**

Ministry of Finance

**Implementing Agencies**

Ministry of Finance  
Lys Faucher  
Coordinator  
lys_faucher@yahoo.fr

FOR MORE INFORMATION CONTACT

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  

APPROVAL

<table>
<thead>
<tr>
<th>Task Team Leader(s):</th>
<th>Fabienne Mroczka, Mamadou Lamarane Deme</th>
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**Approved By**

<table>
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<tr>
<th>Practice Manager/Manager:</th>
<th>Daniel J. Boyce</th>
<th>11-Mar-2017</th>
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Note to Task Teams: End of system generated content, document is editable from here.