



1. Project Data

Operation ID

P147166

Operation Name

HT Strengthening Governance

Country

Haiti

Practice Area(Lead)

Macro Economics & Fiscal Management

L/C/TF Number(s)

TF-17656

Closing Date (Original)

31-Dec-2015

Total Financing (USD)

17,580,000.00

Bank Approval Date

30-Jun-2014

Closing Date (Actual)

31-Dec-2015

IBRD/IDA (USD)
Co-financing (USD)

Original Commitment

17,330,000.00

17,330,000.00

Revised Commitment

17,330,000.00

17,330,000.00

Actual

17,330,000.00

17,330,000.00

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2. Project Objectives and Policy Areas

a. Objectives

The Program Document (PD, pp. I, 1, and 6) articulated the program development objective (PDO) of this development policy operation (DPO) as follows: “to strengthen transparency and institutions for budget management in education and water and sanitation.”

The text and the policy matrix in the PD (pp. 7-21 and 30-32) articulate three more specific objectives:

1. Enhancing Public Financial Management
2. Enhancing governance and service delivery in the Education Sector
3. Enhancing governance and service delivery in the Water and Sanitation Sector

This review will consider the three objectives above to assess the DPO’s efficacy.



b. Were the program objectives/key associated outcome targets revised during implementation of the series?

No

c. Pillars/Policy Areas

The DPO supported policy reforms under three pillars as follows (PD, pp:1 and

1. **Public Financial Management.** This area covered regulations requiring line ministries to submit annual forecasts of their monthly expenditures.

2. **Education.** This area covered accreditation of non-public schools, production and publication of school census data, and preparation and adoption of Annual Operational Plans in the context of the Ministry of Education and Vocational Training's medium-term expenditure framework (MTEF).

3. **Water and Sanitation.** This area covered establishment of the management structure for the National Directorate of Potable Water and Sanitation (DINEPA) and expansion of DINEPA's oversight to include, in addition to water quality, service quality and coverage, asset monitoring and revenue tracking in the monitoring framework by the Water Supply and Sanitation Committees (CAEPAs) and professional operators.

d. Comments on Program Cost, Financing, and Dates

The Development Policy Grant (DPG) was approved by the Board on June 30, 2014, in the amount of \$17.33 million and declared effective on September 15, 2014. The DPL disbursed on September 17, 2014. The DPL closed, as scheduled, on July 31, 2015. The Grant was financed by the Haiti Reconstruction Trust Fund.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The program objectives addressed well-documented country conditions. The objective to improve public financial management (PFM) targeted only cash management. It addressed specifically the liquidity shortfalls arising from the absence of intra-year spending plans by ministries, which prevented the Treasury from planning on adequate liquidity to meet spending requests throughout the year. The objective on governance and service delivery in education stemmed from Haiti's poor education performance indicators and their bearing on the welfare of the population. Similarly, the objective on governance and service delivery in water responded to Haiti's poor water sector indicators and their impact on poverty. These objectives supported the Government's broad focus on institutional (governance) and social (education and health) improvements, as articulated in its 2010 Strategy for Reconstruction and Development, which also proposed attention to water and sanitation as means to curb gastrointestinal infections and other diseases. Haiti's follow up 2012 Strategic



Development Plan included governance (“institutional rebuilding”) as one of its four “grand projects” or pillars and included education and water/sanitation in its social and territorial rebuilding pillars.

The DPO objectives also supported the human capital and governance objectives of the World Bank Group's (WBG's) 2013 Interim Strategy Note (ISN), but the ISN did not articulate an objective on water services. The DPO objectives are consistent with the priorities that the WBG's 2015 Haiti Systematic Country Diagnostic (SCD) identified, including governance (“rebuilding the social contract”) and education (“economic opportunities and better jobs”), but the SCD noted that inadequate knowledge on water services hampered prioritization in this area. The 2015 Country Assistance Framework that the SCD underpinned again included human capital and governance as objectives, while focusing on the water sector under its objective to control cholera.

Rating

Substantial

b. Relevance of Design

Although only partial, the DPO reforms could be expected to contribute towards the objectives, albeit over a longer horizon than the eighteen months planned. On public financial management, the actions focused on cash management. There, the supported action (intra-year expenditure projections by ministries) could help reduce liquidity gaps, although a broader approach could have considered other relevant dimensions such as improvements in revenue projections, reporting of commitments, and asset-liability management. On education sector governance and service delivery, school accreditation, collection of school data, and budget management are relevant governance dimensions that could also contribute to service delivery. Furthermore, the education budget management policy that the DPO supported (adopting an Integrated Annual Operational Plan in the context of the Ministry of Education's Medium Term Expenditure Framework, a prior action) provided some links to the overall public financial management objective. On governance and service delivery in the water sector, reforms to establish a sector management structure and expand oversight comprised basic governance reforms and would require additional actions to achieve service improvements. All in all, desired impacts would likely require more time and more actions than those envisaged under the DPO. This suggests that a programmatic approach (as expected under the present CPF) would have been more appropriate, given the incipient reforms reflected in the prior actions. The PD's arguments for a single tranche – flexibility to support reforms as they arise, weak implementation capacity, lack of a medium term strategy – reflect concerns regarding the adequacy of the environment for DPOs, rather than concerns about single or programmatic series.

The macroeconomic framework for the DPO was adequate. The Bank expected that Haiti's GDP would grow at a moderate rate of 4.0 percent during 2014-2017, stimulated partly by reconstruction expenditures and a favorable trade agreement with the United States. It expected moderate inflation as well, of the order of 5.0 percent, tamed by declining world price projections for oil, energy and food. Nevertheless, the Bank expected pressures on the fiscal balance due to high public expenditures, and on the current account due also to reconstruction expenditures as well as to a decline in external assistance.



Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

Enhance Public Financial Management

Rationale

The DPO did not achieve its limited PFM objective of **improving cash management** to enable better execution of sectoral budgets. While ministries submitted intra-year expenditure forecasts (as required by a directive under a prior action), they did not meet the goal of measuring arrears on a timely basis. The task team indicated that this may have occurred because, during the course of the DPO, the responsibility for paying vendors passed from line ministries to the Treasury. Failure to measure arrears, together with delayed reporting of actual budget commitments made by line ministries, undermined the information flows that the Treasury needs for adequate cash management. No evidence is provided on improvements in cash management (e.g., reduced arrears) or in the execution of sectoral budgets (e.g., commitment and execution rates).

Rating
Negligible

Objective 2

Objective

Enhance governance and service delivery in the Education Sector

Rationale

The DPO's achievements in the three areas that it targeted were limited. First, on **regulation of non-public education services**, anticipated progress on school accreditation (covering standards on school infrastructure, teachers, management, and pedagogical techniques) was delayed by a revision of the accreditation process, in response to changes in the schooling structure (from 7 years of primary plus 7 years of secondary to 10 years of "fundamental" plus 3 years of secondary), with no advances towards the target of eliminating the backlog of 4,000 accreditation requests. Second, on **timeliness and accessibility of information on school service delivery**, the 2013-2014 2014-2015 Statistical Yearbooks were published. The task team indicated that the 2015-2016 edition is still under preparation. Accordingly, delays



in publication of annual data remains above the target of 45 days after the end of the school year. The task team pointed to other achievements in this area, namely the publication of the 2016 school census. Third, on **alignment of the education's operating budget to sectoral priorities**, the share allocated to primary education (Cycles 1 and 2) increased from 46 percent to 50 and 52 percent respectively in FY15 and FY16, short of the 52 and 55 percent targets. The share of non-salary expenditures actually declined, from 30.6 percent to 22 and 26 percent respectively in FY15 and FY16, remaining well below the 32 and 35 percent targets. This was due to teacher salary adjustments and to the hiring of 4,000 new teachers. Moreover, the ICR points out that budget management and reallocation needed to await completion of the ongoing education sector reorganization. In sum, little improvement was achieved on governance in the areas targeted and there is no evidence on the extent to which service delivery improved as a result of the limited achievements described above.

Rating
Negligible

Objective 3

Objective

Enhance governance and service delivery in the Water and Sanitation Sector

Rationale

Progress towards this objective was also limited. An Executive Board for the National Water and Sanitation Directorate (DINEPA), intended to strengthen DINEPA's governance, is now in place. As indicated by the task team, the Board of Directors, which comprises representatives from seven different ministries with an interest on water services, was established in January, 2017 by a presidential decree and is functioning. DINEPA's management approved its budget and work program (an improved governance target to be achieved by the Executive Board). However, collection of performance information by water sector providers, another governance dimension, made limited progress. Providers started to upload their information to the DINEPA website, but publication of the information was interrupted due to lack of funding, and technical and logistical problems. Accordingly, the target to publish information on a monthly basis was not achieved. There is no data to indicate improvements, if any, on service delivery.

Rating
Modest

5. Outcome



While the DPO aimed at well-documented governance and service delivery issues, its impact was limited by a design that needed more time and actions to achieve significant progress. In the event, progress was limited (and in some cases negligible), with some isolated governance improvements and no evidence at all of enhanced service delivery.

a. Outcome Rating
Unsatisfactory

6. Rationale for Risk to Development Outcome Rating

The evidence indicates a high risk that the DPO's limited achievements will not be sustained. On cash management, weak coordination between the treasury and line ministries may continue undermining the progress achieved. On education, there is uncertainty on the extent to which (i) the newly established accreditation process will be consolidated and sustained; (ii) the collection and publication of education data will become and remain timely; and (iii) most critically, budget allocations will respond effectively to sector priorities as the sector reorganizes. On water and sanitation, governance progress is too incipient yet to point to any sustained impacts, particularly on service delivery. The ICR highlights the dependence of outcomes on Haiti's uncertain political stability.

a. Risk to Development Outcome Rating
High

7. Assessment of Bank Performance

a. Quality-at-Entry

The operation's objectives addressed critical country conditions, with a strong focus on Haiti's high poverty levels (weak access to education and water/sanitation), on its weak institutions, and on the transition from post-disaster emergency assistance to support for structural development challenges. The DPO was consistent with Haiti's macroeconomic framework, particularly as the grant contributed to reduce pressures on fiscal and external balances. While the environmental impacts of reforms in the water sector could be positive, these might materialize only in the long run as those reforms matured into actual investments in the water sector to reduce pollution and run-off. Implementation arrangements were straightforward, with the Ministry of Economy and Finance in charge of coordinating the activities in the three areas covered that the DPO covered. Risks were mostly well identified and covered political, governance, institutional, and fiduciary dimensions, although more attention could have been afforded to reconstruction efforts that could deflect government attention away from the agreed DPO reforms. While the DPO was expected to bear on governance risks, the Program Document noted that not all of the risks could be mitigated. Coordination with donors was strong at the design stage. The DPO had standard fiduciary arrangements, namely disbursement to a Government account in the Central Bank against satisfactory implementation of the program, inclusion of such account in foreign exchange reserves, and accounting of the proceeds in Haiti's



budget management system.

Quality-at-entry, however, suffered from three significant weaknesses. First, the actions supported by the DPO's objectives were insufficient, and the time horizon of the operation too short, to achieve the intended results on governance and service delivery. In particular, the lengthy period required for PFM, education, and water sector reforms to bear fruit called necessarily for a programmatic instrument, underpinned by a credible program. Instead, and in response to the urgent need for resources, the Bank approved a single-tranche operation in haste (ICR, para. 57). Second, M&E design (Section 9.a) suffered from inadequate monitoring indicators. Third, more effort could have been made to foster greater Government ownership of the program, especially at the line ministry level, where little financial incentive or technical support for reform implementation were provided.

Quality-at-Entry Rating Moderately Unsatisfactory

b. Quality of supervision

Although the task team leader in the field facilitated some progress, the Bank did not field supervision missions during the first eight months after approval, hence ruling out fuller and more timely Bank inputs at a critical stage of implementation. Furthermore, the ICR reports weak interaction with Bank sector teams as the DPO moved from preparation to implementation. In 2015, the Bank team conducted four supervision missions that focused on implementation progress and on designing remedial measures for the slow pace of implementation, although government response to mission findings and recommendations was weak. The Bank filed only two Implementation Status Reports (ISRs, May, 2015 and January, 2016), which are unusually detailed in their account of monitoring indicators and implementation progress.

Quality of Supervision Rating Moderately Unsatisfactory

Overall Bank Performance Rating Moderately Unsatisfactory

8. Assessment of Borrower Performance

a. Government Performance

Prior actions comprised initial steps towards DPO objectives and suggest a degree of initial commitment to and ownership of the reforms. A number of government consultations, covering PFM, governance, and education may have contributed to strengthen public support for the reforms. Also positive for the DPO was the Government's successful maintenance of macroeconomic stability, as reflected in the IMF's 2015 review of its extended credit facility to Haiti. However, the Government's implementation of the reform program reflected weak commitment and ownership following the prior actions and the grant's disbursement, as reflected, for example, in the fact that a planned supervision committee to coordinate implementation and report progress on DPO indicators, was not created. The Government's attention to



implementation was diverted by reconstruction activities, the funding of which was untied to reforms. This undermined coordination of the reform effort. A fragmented political environment further undermined implementation (e.g., delays on nomination of DINEPA's board). Weak capacity was strained by competing demands and was inadequate in some areas such as data production. Reform incentives to line ministries were weak, as the ministries did not receive funding or technical assistance to support their reforms, of which their degree of ownership was not strong.

Government Performance Rating

Moderately Unsatisfactory

b. Implementing Agency Performance

Implementing Agency Performance Rating

Overall Borrower Performance Rating

Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

M&E design suffered from indicators that did not accurately reflect the DPO's stated objectives. The target for cash management and sectoral budget execution improvements – that line ministries measure payment arrears on a monthly basis – indicates only whether ministries are tracking cash management efficiency (i.e., the size of arrears), not whether overall cash efficiency (which depends on other factors such as the accuracy of line ministry expenditure forecasts and treasury revenue forecasts, and the quality of asset liability management) or budget execution have improved or not. On education governance and service delivery, indicators covered school accreditation, availability of data on education services, and allocation of education's operating budget to primary schools and non-salary expenditures. These indicators reflect relevant dimensions of education governance and inputs into education services. However, the education indicators missed an outcome dimension, which is important for monitoring both governance and service delivery. Periodic student assessments (available yearly as indicated by the task team) would have provided crucial information on the success of accreditation, budget allocation, and other education sector measures in improving actual learning outcomes. In the case of the water objective, indicators or targets - approval of DINEPA's program and budget and collection of information from water operators - , covered important governance dimensions while missing any measure of service delivery accomplishments. M&E arrangements entrusted reporting of the outcome indicators to the Ministry of Economy and Finance.

b. M&E Implementation



M&E was implemented primarily through the four quarterly supervision missions in 2016. M&E findings were documented in the ISRs issued in May 2015 and January 2016. These included detailed accounts of progress in monitoring indicators.

c. M&E Utilization

The Bank used M&E findings to gauge implementation progress and identify remedial actions. Little use of M& appears to have been made by the Government. The ICR notes that implementing agencies did not have strong incentives to execute agreed remedial actions identified in the M&E process and that the Government lacked capacity to guide reforms in the DPO's three areas.

M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

The ICR does not discuss environmental effects. It provides a passing reference to poverty and social development implications.

b. Fiduciary Compliance

The ICR does not discuss fiduciary compliance.

c. Unintended impacts (Positive or Negative)

None reported.

d. Other

None reported.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
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Outcome	Moderately Unsatisfactory	Unsatisfactory	Relevance of design was modest and efficacy was negligible to modest
Risk to Development Outcome	High	High	---
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Borrower Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Quality of ICR		Substantial	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

This review suggests three lessons:

1. A stand-alone DPO supporting only initial and partial prior actions is unlikely to succeed in a country characterized by a weak programming capacity. Haiti's eighteen-month operation supported prior actions that were incipient in nature (e.g., a regulation requiring ministries to submit expenditure forecasts) and that required time to be implemented as well as complementary measures (e.g., accurate commitment data). This made it unrealistic to expect improvements (e.g., better cash management) within the operation's time horizon.
2. A stand-alone DPO may provide only weak implementation incentives. The operation by itself did not encourage ministries to implement the PFM, education or water reforms. Those in charge of implementation need to own the reforms and be supported by strong leadership and funding.
3. Monitoring indicators reflecting only outputs will not allow an adequate assessment of a reform program. The Haiti DPO's indicators (e.g., whether arrears were measured or not) did not allow an adequate assessment of the outcome (e.g., whether arrears declined or not).

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is concise, systematic, candid, and informative. In some areas, its arguments might have been more clearly articulated. For example, on M&E implementation and utilization, the ICR discussion is more about supervision than about M&E. Furthermore, the section on Risk to Development Outcome could have



discussed the risks more systematically. The ICR has good coverage of the operation's context and background, delves at some length on elucidating the factors that undermined implementation, and made good efforts to discuss efficacy beyond a simple accounting of indicators and targets.

a. Quality of ICR Rating
Substantial