Report Number: ICRR0022638

1. Operation Information

Operation ID	**Operation Name**
P162452	Fiscal and Social Resilience DPF
Country	**Practice Area (Lead)**
Haiti	Macroeconomics, Trade and Investment

Non-Programmatic DPF

L/C/TF Number(s)	**Closing Date (Original)**	**Total Financing (USD)**
IDA-D3790	30-Jun-2020	19,952,075.12
Bank Approval Date	**Closing Date (Actual)**	
20-Sep-2018	30-Jun-2020	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	20,000,000.00	0.00
Revised Commitment	20,000,000.00	0.00
Actual	19,952,075.12	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Program Objectives and Pillars/Policy Areas

a. Objectives

The Program Development Objective (PDO) of this single-tranche, standalone Development Policy Financing (DPF) operation as stated in the Program Document (page v):

" To support the government's efforts to strengthen fiscal management and enhance the efficiency of social spending to better protect the vulnerable households."

For the purposes of this ICRR, the project objectives are taken to be:

(1). Strengthen the capacity for fiscal management.

(2). Enhance the efficiency of social spending to better protect the vulnerable households.

b. Pillars/Policy Areas

As stated in the Program Document, the pillars of the operation align to the two main objectives of the operation.

Pillar 1. Strengthen fiscal management.

Pillar 2. Enhance the efficiency of social spending.

c. Comments on Program Cost, Financing and Dates

Program Financing. An IDA credit of US$20.00 million financed this operation. By the time the operation closed, it had disbursed US$19.95 million. In addition, the European Union provided parallel financing of US$40.00 million by way of budget support to Haiti at appraisal.

Dates. The Bank approved the operation on September 20, 2018, and the project became effective September 26, 2018. The operation closed on schedule on June 30, 2020.

3. Relevance of Design

a. Relevance of Objectives

Country context. Haiti is one of the poorest countries in the world, with over six million Haitians unable to meet their basic consumption needs in 2012. This situation was due to a combination of factors such as, the history of political instability, the weak institutional capacity of the state, recurring fiscal contractions, and frequent natural disasters. As a result, the World Bank classifies Haiti as a fragile state, due to its institutions' weakness and vulnerability to instability, conflict and violence. However, the Bank team determined the macroeconomic situation before appraisal to be robust enough to support a DPF, with real Gross Domestic Product (GDP) recovering over the previous year, driven mainly by the increases in remittances inflows and favorable agricultural conditions.

The Bank prepared this operation against a backdrop of violent social unrest, following the government' s failed attempt to eliminate fuel subsidies on July 6, 2018. The government believed the fuel price reform was necessary for closing an unexpected financial gap of US$60 million during the fiscal year. This action sparked violent protests and forced the government to reverse the measure. Continuing the fuel subsidies further undermined the government' s ability to provide essential services. The Bank team clarified that Haiti did not have a fully monitored economic program with the International Monetary Fund (IMF), and hence had no access to IMF funding. This operation was part of an international operation to help stabilize Haiti' s macro-fiscal situation and preserve social stability following the social unrest. The Bank processed a US$20 million grant, and the European Union approved a US$40 million grant to close the financing gap.

Government strategy. The PDOs are well-aligned at appraisal with the approach articulated in the government' s *2015-2018 Memorandum of Economic and Financial Policies*. This strategy underscored the need for promoting macroeconomic stability through mobilizing domestic resources, reducing the government deficit and improving public financial management as the government' s main priorities.

Bank strategy. The Bank financing for this operation was a good use of Bank resources, given the unexpected financing gap that would have undermined the government 's ability to deliver essential services. At appraisal, the PDOs were well-aligned with the current Country Partnership Framework (CPF) for 2016-2019. The CPF specifically emphasized the importance of adjusting to tighter fiscal conditions and protecting priority expenditures on social sectors. The second focus area of the CPF highlighted the need for building human capital through effective delivery of social services in sectors such as education (CPF, page 30). The cross-cutting theme of the CPF underscored the need to strengthen governance and increase the transparency and accountability of public institutions (CPF, page 37).

This DPF operation addressed urgent development challenges facing the economy at appraisal: to improve the institutional capacity for raising domestic resources from their current low level and strengthen public financial management; and to continue delivery of essential public services to the poor and vulnerable segment of the population.

b. Relevance of Prior Actions

Rationale

Pillar 1. Strengthen fiscal management.

Prior action 1. The government installs the ASCYUDA at all ports, airports, border checkpoints and industrial parks for raising fiscal revenue by way of customs duties.

Haiti has one of the lowest domestic resource mobilization rates in the Latin American Caribbean Region, at just 14 percent of GDP. Haiti' s most significant fiscal revenue comes from customs duties, accounting for four percent of GDP. Haiti 's customs processes and valuation assessments at appraisal allowed for considerable discretion by the customs authorities.

This prior action aimed to raise the revenue collected through customs duties. ASCYUDA would help automate the customs processes, provide real-time information and reduce the scope for discretion for customs valuation purposes. Therefore, the relevance of this prior action is satisfactory.

Prior action 2. The Ministry of Finance (MOF) publishes the list of tax and customs exemptions granted to companies disaggregated by sector for the last five years from 2012.

Revenue lost due to tax and customs exemptions was a significant drain on fiscal revenue in Haiti. Publication of a complete list of tax and customs exemptions would enable the government to assess the costs and benefits of preferential tax treatments fully and inject greater transparency into the use of such exemptions.

This prior action required the MOF to publish on its website the list of preferential tax and customs exemptions granted to companies. In addition to assessing the costs and benefits of exemptions, this prior action would increase awareness of the revenue foregone due to such exemptions and discourage the granting of exemptions that lack a legal basis or policy justification. Therefore, publication of the tax and customs exemptions is a good step towards improving control over tax expenditures and strengthening fiscal management. Still, it will only have the desired effect of enhancing fiscal management if the government reduces exemptions lacking a legal basis or policy justification. Therefore, the relevance is moderately satisfactory.

Prior action 3. The government expands the coverage of the Single Treasury Account (STA) by consolidating the existing individual bank accounts of the agencies and departments of the central government.

Before the appraisal, government ministries, agencies and institutions maintained over 800 bank accounts at multiple commercial banks. Given the constrained fiscal environment and the need to manage revenues and expenditures mainly on a cash basis, having so many accounts posed a significant challenge to cash management and budgetary transparency.

This prior action aimed to improve the central government' s cash management practices. The government created an STA in 2016 but could not consolidate all the existing accounts of agencies and departments in the STA. This prior action aimed to extend the coverage of the STA to the remaining ministerial funds and expand the scope of the STA to other government agencies that hold individual accounts. An STA would help better manage cash and strengthen fiscal management. Relevance is satisfactory.

Pillar two. **Enhance the efficiency of social spending.**

Prior action # 4. This prior action entrusted the Ministry of Social Affairs and Labor as the only institution responsible for consolidating the unified beneficiary registry, including the registries managed by the Fund for Social and Economic Assistance and the United Nations Development Program.

The Haitian authorities and external donors launched many social protection programs following the 2010 earthquake. However, these programs were uncoordinated, and the programs administered by government agencies had overlapping objectives and target populations. This made it challenging to identify duplication and analyze the overall distribution of spending of social programs provided by the multiple agencies.

This prior action aimed to consolidate the beneficiary registries into a unified registry under the Ministry of Social Affairs. A unified registry will help identify duplication, reduce fragmentation, and better target the beneficiaries of the social programs. Relevance is satisfactory.

Prior action # 5. This prior action sought to enact legislation for establishing the National Education Fund (FNE) to stabilize the education sector' s financing.

Haiti established the FNE in 2012 to support low-income families with school-aged children and extending tuition waivers to private primary schools. However, the FNE lacked a clear mandate, institutional structure, governance arrangements, and operational rules. In addition, the budget allocated to FNE was adhoc and lacked transparency and accountability. As a result, there was no clear indication of how many students benefitted from the FNE, and FNE discontinued its school-fee waiver program.

This prior action required the government to enact a law formally mandating the FNE to mobilize domestic and external resources to expand access to formal education among poor households. This law required FNE to publish rules for allocating resources and reactivate the school waiver program This prior action would help in increasing the number of children from poor households receiving waivers. Relevance is satisfactory.

Prior action # 6. The government submits a draft of legislation to the Parliament establishing and regulating the operations of the National Solidarity Fund for integrating people with disabilities.

The World Health Organization (WHO) estimates that over 800,000 people in Haiti had a disability before the 2010 earthquake. The earthquake inflicted physical and psychological injuries on 300,000 people, contributing to a sharp increase in long-term physical and mental disabilities. Haiti enacted a law in 2012 law to integrate people with disabilities into the labor market, imposed a fine for discriminatory hiring practices, and provided financial advantages for those caring for people with disabilities.

This prior action complemented the 2012 law through financial incentives to promote the economic and social inclusion of people with disabilities. However, this prior action was weak because there was a significant risk that the Parliament would not pass the law. Therefore, the relevance is moderately unsatisfactory.

The prior actions were appropriate first steps along the results chain for realizing the intended objectives, given the volatile political context at appraisal and the short time frame in which the Bank team prepared this operation.

Rating

Moderately Satisfactory

4. Relevance of Results Indicators

Rationale

Pillar One: **Strengthen fiscal management.** There were three results indicators (RIs).

Results indicator one measured customs revenue as a percentage of GDP. The Bank expected that installing ASYCUDA at all customs offices would increase fiscal revenue and reduce the scope for discretion by the customs authorities. This indicator was measurable. The relevance is satisfactory

Results indicator two measured the number of annual updates on tax exemptions published by the MOF on its website. Building on the publication of exemptions from 2013-2017 supported by PA2, this indicator measured subsequent updates. While publication may indicate the revenue foregone due to the customs and tax exemptions, this indicator does not measure whether the authorities have reduced exemptions that lack a legal basis or policy justification. A better indicator would have to specify the number or percentage of tax or customs exemptions that were removed during the operation. The relevance is unsatisfactory

Results indicator three measured the additional number of individual bank accounts held by entities and agencies of the central government that were consolidated into the STA. The STA is widely considered a step towards better cash management (although not the only one). This indicator has a specified target and could be verified. The relevance is satisfactory.

Pillar # 2. Enhance the efficiency of social spending.

Results indicator four measured the number of beneficiary registries consolidated into the Ministry of Social Works and Labor' s unified Information system. While this indicator would help increase transparency about who benefits from the social protection programs and this indicator could be verified, it is unclear how this indicator would help better target the intended beneficiaries of the social programs. A better indicator would have been to specify the number of beneficiaries who benefitted from the social protection program during the operation. The relevance is moderately unsatisfactory.

Results indicator five measured the number of children getting school-fee-waivers. This indicator was verifiable. This was an appropriate indicator to ensure that the FNE and its new institutional framework supported by PA5 was delivering waivers to eligible children. This indicator could be verified. The relevance is satisfactory.

Results indicator six measured the number of job placements for people with disabilities. The indicator was appropriate for measuring that the draft law supported by PA6 had been adopted by Parliament, and that the institutional framework put in place under the law was achieving part of its mandate. This indicator could be verified. The relevance is satisfactory.

Table. Results Indicators (RIs), the Prior Actions they support, baseline, target values, actual change in RI relative to target and RI achievement rating.

RIs	Associated PAs	RI relevance	Baseline (including units and dates)	Target (including Units and dates)	Actual value as of target date	Actual change in RI relative to targeted change	RI achievement rating
Objective 1. Strengthen fiscal management							
RI 1. Customs duties as a percentage of GDP	PA 1	S	3.5 percent (2017)	4.0 percent (2019)	4.9 percent (2019)	180% of targeted change.	High
RI 2. The number of annual updates on tax exemptions published by the Ministry of Finance on its website.	PA 2	HU	0.0 update published (2017)	1.0 published update (2019)	1.0 published update (2019)	Published update for 2018. No published update in subsequent years	Negligible
RI 3. The government integrates additional	PA 3	S	0.0 (2017)	872 (2019)	796 (2019)	Over 91% of targeted change.	Substantial

accounts into the STA.							
Objective 2. Enhance the efficiency of social spending							
RI 4. Percentage of beneficiaries of social programs registered in the Ministry of Social Affairs and Labor Information System (SIMAST)	PA 4	MU	15 percent (2017)	30 percent (2019)	19 percent (2019)	27% of targeted change	Modest
RI 5. Number of students receiving school fee waivers under the National Education Fund	PA 5	MS	0.0 (2017)	997,272 (2019)	939,962 (2019)	94% of targeted change.	Substantial
RI 6. Number of people with job placements under the National Solidarity Fund for Integration of People with disabilities	PA 6	MS	0.0 (2017)	200 (2019)	49 (2019)	25% of targeted change.	Modest

Rating

Moderately Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Strengthen fiscal management.
Supported by PAs 1 -3. Outcomes measured by RIs 1-3.

Rationale

Under this objective, prior actions supported reform in three areas.

Customs revenue: By the end of the operation, the government installed the ASYCUDA in the customs offices and industrial parks. Customs duties as a share of the GDP improved from 3.5% in 2017 to 4.9% when the operation closed on June 30, 2019. This exceeded the target of 4.0%. Therefore, the achievement of this result is high.

Publication of the list of tax and customs exemptions on the MOF website. The MOF published on its website one customs and tax exemptions report on its website in 2018 for the past five years (2013 -

2017). That said, the government's control over expenditure continued to deteriorate, and the MOF discontinued the publication of such data in 2018. Therefore, the achievement of this result is negligible.

Consolidation of the individual accounts of the central government into the STA. By the end of the operation in June 2020, the STA had integrated 796 additional accounts from different government agencies into the STA compared to a target of 872. As a result, the government realized over 91% of the targeted change by the expected date. Even though this was a good achievement, the ICR (page 15) states that "cash management has deteriorated further, and no significant savings have been realized." Clearly, more work is needed to improve cash management beyond setting up STA accounts. However, the STA accounts are a credible step along the results chain, and therefore the achievement of this result is substantial.

Rating

Moderately Satisfactory

OBJECTIVE 2

Objective

Enhance the efficiency of social spending to protect vulnerable households better.
Supported by PAs 4 -6. Outcomes measured by RIs 4 -6.

Rationale

The program supported interventions in three areas: better targeting of beneficiaries of social programs, an increase in the number of students receiving school fee waivers financed by the National Education Fund, and an increase in the number of people with disabilities placed in jobs under the National Solidarity Fund for the Integration of People with Disabilities program.

Better targeting of beneficiaries of social programs. As of June 30, 2020, the Ministry of Social Programs and Labor' s information system (SIMAST) registered 19% of the beneficiaries, up from 15% in September 30, 2017. This is well short of the target of 30%. Given that the government realized only 27% of the targeted change and the RI had shortcomings, the achievement of this result is negligible.

The number of children receiving school-fee waivers. The National Education Fund reactivated the school-fee waiver program. By the end of the operation on June 30, 2019, 939,962 students had received school-fee waivers, short of the target of 997,272. Given that 94% of the targeted change in the RI was realized by the target date, the achievement of this result is substantial.

Job placement of people with disabilities. Forty-nine people with disabilities benefitted from the job placement program administered under the National Solidarity Fund to integrate people with disabilities. This represented 25% of the targeted change of two hundred people. Therefore, the achievement of this result is modest.

Rating

Moderately Satisfactory

Overall Achievement of Objectives (Efficacy)
Rationale

Efficacy of objective one is rated as moderately satisfactory, based on ratings achieved for raising revenue by way of customs duties (high), publication of tax and customs exemptions by the MOF (negligible), and increase in the number of accounts integrated into the STA (substantial).

Efficacy of objective two is rated as moderately satisfactory, based on ratings achieved for an increase in the number of students receiving school-fee waivers (substantial), job placement of people with disabilities (modest) and an increase in the number of beneficiaries registered with SIMAST (negligible).

Combining the achievement ratings on both objectives gives a **moderately satisfactory** rating for efficacy.

Overall Efficacy Rating
Moderately Satisfactory

6. Outcome

Rationale

The prior actions were in most cases appropriate first steps along the results chain for realizing the intended objectives, given the volatile political context at appraisal and the short time frame in which the Bank team prepared this operation. Therefore, the overall relevance of prior actions is moderately satisfactory.

Regarding the first objective, "**strengthening fiscal management**": (i) Revenue raised through customs duties exceeded the target; (ii) The additional number of accounts of agencies and entities integrated into the STA is rated as substantial; and (iii) The MOF stopped publishing on its website the list of tax and customs exemptions since 2018 and is therefore rated as negligible. Taking these ratings into account, efficacy of the first objective is rated as moderately satisfactory.

Regarding the second objective, "**enhancing the efficiency of social spending to protect the vulnerable households better**": (i) The number of students receiving school fee waivers is rated as substantial; (ii) The number of people with disabilities with job placements is rated as modest; and (iii) The number of people registered in the Ministry of Social Programs and Labor' s information system is rated as negligible. Taking these ratings into account, efficacy of the second objective is rated as moderately satisfactory.

Combining the achievement ratings on both objectives gives a **moderately satisfactory** rating for outcome.

a. Rating

Moderately Satisfactory

7. Risk to Development Outcome

Sustainability risk. There is a high risk to the development outcome's sustainability, given the possibility of policy reversals or the government not carrying through with subsequent actions to move along the results chain. For example, consolidating the registries into a unified beneficiary registry, enacting legislation for establishing the National Education Fund, and submitting to the parliament draft legislation for establishing the National Solidarity Fund for integration of people with disabilities mean building institutions that are not in themselves sufficient for realizing the intended development outcomes of enhancing the efficiency of social spending to protect the vulnerable households better.

Macroeconomic stability and fiscal policy risk. The Government of Haiti approved the budget for 2021 with significant delays. The budget incorporated the subsidies to the energy sector (representing 12.9% of the total budget expenditures). The budget is moreover unrealistic in terms of expected revenue and financing. Under more realistic assumptions, there will be a budget deficit of 8.9% of GDP and a financing gap of 4.7% of GDP (ICR, page 21), which is a moderate risk.

Social risk. There is a high risk for the social protection programs, given that the Ministry of Social Education budget allocation was reduced from 11.6% in 2019 to 9.4% in 2020.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

Given urgency in the country context, the Bank expedited the preparation of this operation, which was prepared in a little over four weeks. The analytical underpinnings of the prior actions were sound and permitted the team to identify relevant policy areas and their problems. The analytical foundations were based on:

(i) the *2011 World Development Report, Conflict, Security and Development* for implementing operations in fragile states and conflict-affected nations;

(ii) *Haiti: Systematic Country Diagnostic* (World Bank, 2015); *Haiti: Country Diagnostic, Trade Background Note* (World Bank, 2014) and *Haiti; Diagnostic Trade Integration Study* (World Bank, 2013). These analytical works highlighted the potential raising customs revenue through installing ASCYUDA and reducing the scope for discretion by customs officials.

(iii) Haiti: *Public Expenditure Review* (World Bank, 2016). This analytical work highlighted the need for: (i) strengthening control over expenditures through requiring the MOF to publish a list of exemptions on its website to increase awareness of the revenue foregone due to such exemptions and discourage the granting of exemptions that lack a legal basis or policy justification; (ii) strengthening the central government's cash management through consolidation of the accounts of the government ministries and agencies into a single STA; and (iii) consolidation of the beneficiary registries into a unified registry for identifying duplication, reducing fragmentation and better target the beneficiaries of the social programs.

(iv) *Investing in people to fight poverty in Haiti* (World Bank, 2014) and *Providing an education of quality in Haiti* (P155191). These analytical works identified the need for stabilizing education financing and improving transparency and accountability in allocating resources in the education sector; and

(v) *Disability in post-earthquake Haiti: prevalence and inequality in access to services* (2014). This analytical work identified the need for increasing the supply of programs for benefitting people with disabilities.

The Bank prepared this operation based on its ongoing dialogue with Haitian authorities, and experience from the previous Bank-financed Economic Reconstruction and Growth DPF operation in Haiti. An important lesson incorporated at design from the previous Bank-operation was engaging with a cross-section of government ministries and individual departments to maintain public sector commitment. (The experience of the previous Bank operation showed that the Ministry of Economy and Finance could not hold line ministries accountable for implementing the reforms). In addition, the Bank prepared this operation in close collaboration with other international partners such as the IMF (in the areas of fiscal and monetary policies), and with the European Union, the United Nations Conference on Trade and Development and Canada (in areas of domestic resource mobilization and ASYCUDA).

At appraisal, the team identified several high risks, including political risks, domestic and external macroeconomic risks and fiduciary and stakeholder risks. The design incorporated risk mitigation measures such as, focusing on a narrow range of impactful but feasible reforms that relied on relatively uncontroversial policy actions, and excluding reforms that were deemed to be excessively sensitive or contentious. The preparation team acknowledged that the Bank could not mitigate several risks in the country context. However, the Bank management considered that the short and long-term benefits of the operation outweighed the risks (Program Document, paragraph 8).

There were moderate shortcomings in Bank performance at design. First, while the team perceived the urgency at appraisal (social unrest and imminent fiscal collapse), the Bank team underestimated the risk associated with a stand-alone DPO in a fragile context. Given the weakness of the existing governance structure, a single-tranche DPF also carried a higher risk of not achieving the results and improper use of resources, compared to either an investment lending or a program-for-results instruments. Second while critical for the overall objectives, some targets were not realistic and could not be achieved within the short time frame of this operation.

Rating

Moderately Satisfactory

b. Bank Performance – Implementation

Rationale

The operation disbursed rapidly to reduce the perceived risk of fiscal crisis and the need to protect the poor and vulnerable in Haiti. Although the operation provided unearmarked funding, the team tried to track the use of the Bank funds within the Haiti management system. The team was also committed to encouraging the government to follow up on agreements, even after disbursement of the grant, when the government was no longer responsive, due to continued political instability.

Rating

Satisfactory

c. Overall Bank Performance

Rationale

Based on the ratings for Bank performance for design and implementation, overall Bank performance is moderately satisfactory.

Overall Bank Performance Rating

Moderately Satisfactory

9. Other Impacts

a. Social and Poverty

This operation created a new job placement program (the National Solidarity Fund) to integrate people with disabilities.

b. Environmental

This operation did not include any policies that could directly or indirectly influence the environment, forest or natural disasters.

c. Gender

Gender impacts were not identified in the ICR.

d. Other

There were no observed unintended impacts.

10. Quality of ICR

Rationale

The ICR is concise and well-written. The ICR provides a clear description of the country context when the Bank team prepared this operation. It candidly discusses the reasons for using a Development Policy Financing operation, given the weak institutional capacity in the country context. It also candidly discusses the issues with the prior actions. Finally, the ICR draws suitable lessons from the experience of implementing this operation.

a. Rating

Substantial

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Moderately Unsatisfactory	Moderately Satisfactory	The rating for the outcome is validated by the IEG 's system of rating.
Bank Performance	Moderately Unsatisfactory	Moderately Satisfactory	The rating is based on the ratings for Bank performance for design and implementation.
Relevance of Results Indicators	---	Moderately Satisfactory	
Quality of ICR	---	Substantial	

12. Lessons

The ICR draws the following lessons from the experience of implementing this operation.

1. Fragile, disaster-prone countries benefit from long-term engagement and financial assistance from the international community. In the case of this DPF, the design could draw on the Bank’s extensive analytical work and experience in Haiti to formulate prior actions that were appropriate first steps along the results chain for realizing the intended objectives, given the volatile political context at appraisal and the short time frame in which the Bank team prepared this operation.

2. Budget support to countries with weak public financial management systems and overall weak governance may not be the best tool for achieving lasting results. While DPF operations can deliver funds quickly, tracking funds and ensuring that the funds support achieving the intended results is complex. In the case of this operation, program funds were not used for nearly six months, indicating that financing was not the immediate, binding constraint.

13. Project Performance Assessment Report (PPAR) Recommended?

No