Report Number : ICRR0022638

1. Project Data

Operation ID P162452	**Operation Name** Fiscal and Social Resilience DPF	
Country Haiti	**Practice Area(Lead)** Macroeconomics, Trade and Investment	
L/C/TF Number(s) IDA-D3790	**Closing Date (Original)** 30-Jun-2020	**Total Financing (USD)** 19,952,075.12
Bank Approval Date 20-Sep-2018	**Closing Date (Actual)** 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. Project Objectives and 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 Objectives & 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.

Rating
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b. Relevance of Design

Rating
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4. 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

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

5. Outcome

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. Outcome Rating
Moderately Satisfactory

6. Rationale for Risk to Development Outcome Rating

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.

a. Risk to Development Outcome Rating

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7. Assessment of Bank Performance

a. Quality-at-Entry

Quality-at-Entry Rating

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b. Quality of supervision

Quality of Supervision Rating

Overall Bank Performance Rating

Moderately Satisfactory

8. Assessment of Borrower Performance

a. Government Performance

Government Performance Rating

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b. Implementing Agency Performance

Implementing Agency Performance Rating

Overall Borrower Performance Rating

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9. M&E Design, Implementation, & Utilization

a. M&E Design

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b. M&E Implementation

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c. M&E Utilization

M&E Quality Rating

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10. Other Issues

a. Environmental and Social Effects

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b. Fiduciary Compliance

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c. Unintended impacts (Positive or Negative)

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d. Other

There were no observed unintended impacts.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
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	---

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

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. Assessment Recommended?

No

14. Comments on Quality of ICR

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. Quality of ICR Rating

Substantial