

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HAITI

STRENGTHENING PUBLIC MANAGEMENT TO IMPROVE SERVICE DELIVERY

(4820/GR-HA; HA-L1131)

REFORMULATION PROPOSAL

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| REQUIRED ELECTRONIC LINKS (REL) | |
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| REL#2 | Monitoring and Evaluation Plan (MEP) |
| REL#3 | Procurement Plan |

| OPTIONAL ELECTRONIC LINKS (OEL) | |
|---------------------------------|--|
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| OEL#2 | Reformulation Request Letter from the Government |
| OEL#3 | Differences between Original and Reformulated Components |
| OEL#4 | Vertical Logic |
| OEL#5 | Biometric Registration System Assessment |
| OEL#6 | Project Operations Manual (POM) |
| OEL#7 | Grant Proposal Original Program |
| OEL#8 | Bibliographic References |
| OEL#9 | Readiness Plan |
| OEL#10 | Safeguard Policy Filter (SPF) and Safeguard Screening Form (SSF) |

| ABBREVIATIONS | |
|---------------|---|
| BRH | <i>Banque de la République d'Haïti</i> |
| DSI | <i>Direction des Systèmes d'Information du MEF</i> |
| GDP | Gross Domestic Product |
| HR | Human Resources |
| HRM | Human Resources Management |
| ICB | International Competitive Bidding |
| IDB | Inter-American Development Bank |
| IFMIS | Integrated Financial Management System |
| IMF | International Monetary Fund |
| IT | Information Technology |
| MARNDR | Ministry of Agriculture, Natural Resources, and Rural Development |
| MEF | Ministry of Economy and Finance |
| MENFP | Ministry of National Education and Vocational Training |
| MEP | Monitoring and Evaluation Plan |
| MJSP | Ministry of Justice and Public Security |
| MTPTC | Ministry of Public Works, Transportation, and Communications |
| NINU | <i>Numéro d'Identification National Unique</i> |
| OMRH | Office of Management and Human Resources |
| ONI | Office of National Identification |
| PEP | Pluriannual Execution Plan |
| POM | Project Operations Manual |
| SSS | Single Source Selection |

PROJECT SUMMARY
HAITI
STRENGTHENING PUBLIC MANAGEMENT TO IMPROVE SERVICE DELIVERY
REFORMULATION PROPOSAL
(HA-L1131)

| Financial Terms and Conditions | | | | |
|---|--|---|-------------------------------|---|
| Beneficiary: | | Amortization Period: | | N/A |
| Republic of Haiti | | Disbursement Period: | | 60 months ^(a) |
| | | Grace Period: | | N/A |
| | | Interest rate: | | N/A |
| Executing Agency: | | Credit Fee: | | N/A |
| Ministry of Economy and Finance (MEF) | | Inspection and supervision fee: | | N/A |
| | | Weighted Average Life (WAL): | | N/A |
| | | Currency of Approval: | | Dollars of the United States of America |
| Source (IDB Grant Facility) | Original Amount (US\$) | Disbursed and Committed Amount (US\$) | Reformulated Amount (US\$) | % |
| HA-L1131 - 4820/GR-HA | 55,000,000 | 13,189,630 | 41,810,370 | 100 |
| Total | 55,000,000 | 13,189,630 | 41,810,370 | 100 |
| Project at a Glance | | | | |
| <p>Project Objective/Description: The general development objective of this reformulated program is to improve public service delivery by enhancing the effectiveness, efficiency, and transparency of Human Resources (HR) and salaries management. The specific development objectives are the following: (i) a better control and efficiency of the wage bill by reducing fiscal pressure in the short and medium term; (ii) a reduction of inefficiencies due to the use and consolidation of digital technologies in administrative and financial processes; and (iii) a payroll audit to allow for optimal management, improve performance and generate benefits for the administration of the entity.</p> | | | | |
| <p>Special Contractual Clauses prior to the first disbursement of the reformulated grant resources: The beneficiary, through the Executing Agency, will provide evidence to the Bank's satisfaction that: (i) the approval and entry into force of the Project Operations Manual (POM) in accordance with the terms previously agreed upon with the Bank; (ii) the designation of the Executing Agency's key personnel for project execution, including a coordinator, a finance and administration specialist, an accountant and a procurement specialist; and (iii) the hiring of an audit firm to conduct the payroll audit (¶3.5).</p> | | | | |
| <p>Special Contractual Clauses of execution: See special conditions included in Annex III, Section II.</p> | | | | |
| <p>Exceptions to Bank Policies: None.</p> | | | | |
| Strategic Alignment | | | | |
| Challenges^(b): | SI <input type="checkbox"/> | PI <input checked="" type="checkbox"/> | EI <input type="checkbox"/> | |
| Cross-Cutting Issues^(c): | GE <input checked="" type="checkbox"/> and DI <input type="checkbox"/> | CC <input type="checkbox"/> and ES <input type="checkbox"/> | | IC <input checked="" type="checkbox"/> |

^(a) Proposed disbursement period for the entire amounts of this reformulation from the date of entry into force of the reformulated agreement

^(b) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(c) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and justification

- 1.1 **Request for reformulation.** The purpose of this document is to request the approval of the Board of Executive Director for the reformulation of 4820-GR-HA “Strengthening Public Management to Improve Service Delivery” for US\$55 million approved on July 2, 2019. In a communication dated February 11, 2022 ([OEL#2](#)), Haiti’s Minister of Finance requested a reformulation of the grant. The goal is to reallocate undisbursed resources from the original program (US\$41,810,370) to improve public service delivery through more efficient administrative and financial processes. This will be accomplished by: (i) improving the effectiveness, efficiency, and transparency of government Human Resources (HR) and salaries management, and (ii) by implementing a voluntary retirement program while maintaining the digital transformation of the public financial management system.
- 1.2 **Project status of the original project and partial results.** The original objective of this project was to expand coverage of the services provided by the Ministry of Agriculture, Natural Resources, and Rural Development (MARNDR) and the Ministry of Public Works, Transportation, and Communications (MTPTC). The original project aimed to implement a set of Human Resources Management (HRM) interventions at the Ministry of Economy and Finance (MEF) and the Office of Management and Human Resources (OMRH), which would have been progressively implemented in line ministries, starting with pilots at the MARNDR and the MTPTC. The project included four components: (i) Strengthening the crosscutting regime of the civil service and HRM (US\$8,943,000); (ii) Strengthening of crosscutting information systems to support HR and payroll management (US\$14,214,000); (iii) Strengthening the service delivery capacity of the selected ministries and agencies (US\$27,419,000); and (iv) Project Management (US\$4,424,000).
- 1.3 The OMRH was the Executing Agency in charge of technical activities and was supported by the Coordination Unit of the MEF (UCP/MEF), an executing agency of MEF responsible for the fiduciary management of the project. OMRH was responsible for the implementation of Components 1 and 3 and co-managed Component 2 with the MEF. In October 2021, OMRH put a hold on the contract renewal of the key personnel, which further delayed project execution. By June 2022, US\$11.8 million was disbursed, of which US\$10 million were dedicated to the retirement program designed by the MEF. Moreover, the MEF managed the assessment of the existing biometric system, the approval of the technical specifications regarding inter-ministerial communication and the drafting of technical requirements for the Pension and Pay Modules.
- 1.4 **Opportunities and limitations from the original project.** In 2018, the Government of Haiti (the “government”) approved the Modernization of the State Program ([PME-2023](#)) with an ambitious plan to reform the public administration. The proposed administrative reform, driven by Haitian officials, including the former President, had the support of the public sector, the private sector, and civil society, all of which contributed to its design. It was in this environment that the

operation [4820/GR-HA](#) was designed¹. During the execution, the following issues slowed the implementation of the program: (i) a change in leadership at the highest office of the executive branch and at the OMRH; (ii) coordination issues between the two executing agencies with divergent agendas and the lack of accountability to produce expected results²; and (iii) project design failures³ such as too many activities involving multiple stakeholders, requiring organized and sustained interinstitutional communication.

- 1.5 **Macroeconomic shocks as a result of political instability and COVID-19.** At the time of project approval in 2019, Haiti was already going through a difficult political, economic, and social situation, leading to “Peyi Lock” where economic activities were shut down for three months, limiting the proper launch of the program’s operational activities on the ground. After a timid growth of 1.7% in 2018, the economy recorded negative growth in 2019. At the same time, inflation rose sharply to above 20% a year. The exchange rate against the dollar has a strong tendency to depreciation. External trade experienced persistent structural imbalances and unemployment remained high. It was in this context that the COVID-19 pandemic occurred with adverse effects on supply and demand, increasing the fragility of the state. The events led to a macroeconomic shock across all sectors, limiting the ability of the government to mobilize internal resources; therefore, impacting its capacity to respond to the growing demands of its citizens.
- 1.6 **The fragility of the state adversely affects public service delivery and macroeconomic stability.** Fragile states are known for acute poverty, weak political institutions, fragmented socio-economic infrastructure, and low state capacity.⁴ In 2020, Haiti ranked 13 out of 178 countries in the Fragile States Index[1]⁵ in the general ranking and the lowest among the countries in our region. The Public Services Indicator within that index has averaged 9.4 (10 being the worst value) in the last decade, demonstrating the inability of the state to provide essential services in priority sectors such as health, education, access to water, infrastructure, and internet access and connectivity, among others.
- 1.7 In the 2018 Gallup Survey, only 37% of respondents in Haiti had confidence in the central government, a one (1) point positive change from the 2007 survey. This is in line with the 2012 household survey where approximately 70% of respondents indicated their dissatisfaction with the quality of drinking water received; and half or more of respondents are not satisfied with the public supply of electricity, garbage disposal, or health services. In cases where the population is accustomed to paying for these services offered by private providers, those respondents stated that they were “quite” satisfied (38% for transport and 47% for education). According to the World Bank Worldwide Governance Indicator, the Governance

¹ In coordination with donors involved in strengthening the capacity of the state.

² The structure with two entities, one with the technical leadership and the other one with fiduciary responsibility, revealed to be complex.

³ The fragile socio-political environment where officials must make decisions affecting the interest of a few at the cost of their well-being, and the fact that monetary incentives to civil servants operating in a non-merit-based environment would not be sufficient to motivate them.

⁴ The Country Policy and Institutional Assessment in Haiti scored below 3 for the quality of public institutions, demonstrating the limitation of the state to respond to the needs of its citizens.

⁵ See bibliographic references in [OEL#8](#).

Effectiveness of Haiti was reported at 1.44% in 2020 versus 40.38% for the Dominican Republic, confirming the negative perception on the quality of public services, civil service, and policy formulation and implementation.

- 1.8 **Factors that have hindered progress reforms.** Political instability and natural disasters have slowed the progress of reform with resources redirected to emergencies such as earthquakes and hurricanes. Recent assessments by the Bank and other donors⁶ agree on two factors that have hampered efforts to strengthen the Haitian State: (i) donors' funds have primarily been allocated to rebuilding the country's physical infrastructure, a priority in the wake of the earthquake, with less emphasis being placed on building state institutional capacity; and (ii) funding and delivery of a large portion of public services was handed over to nongovernmental organizations and project execution units, which were set up in response to the shortage of management capabilities. These two factors did not help strengthen the capacity of the state, its HR, or its organization and operation, but rather have adversely impacted its service delivery capacity. In this regard, there is a widespread consensus on the need to address the issue of institutional capacity more comprehensively as a priority.
- 1.9 **Problems and challenges.** The main problem identified—which the project will help to address—is the low user satisfaction with public service delivery. The project sets out to resolve two of the main causes: (i) lack of efficiency of financial and administrative systems leading to high transactional costs and low productivity; and (ii) high wage bill partly due the lack of mandatory retirement; hence, impeding the ability to recruit qualified civil servants.
- 1.10 **The state of civil service.** To address this institutional weakness and boost the capacity to deliver services, successive Haitian governments have laid the institutional foundations and begun reforms to improve the civil service and the organization of government agencies, including the Second Framework Program for State Reform (PCRE II) 2012-2017 in 2012 and the Modernization of the State Program (PME-2023) in 2018, each responding to the urgency to reform and improve public administration efficiency. Despite their adoption, the Haitian Administration has a limited institutional capacity marked by: (i) a weak HRM policy; (ii) a low level of governmental coordination; (iii) a non-application of administrative policies in line with fundamental missions set in the legal and regulatory framework; (iv) an inadequate, insufficient and low-quality public service delivery; and (v) a decentralization policy whose progress remains below expectations, making it difficult to address citizen needs, particularly in rural areas and in the outskirts of the metropolitan area. In addition, the strategic functions are neglected because they are much less staffed than the operational functions which absorb 85% of the workforce. Recruitment efforts have been made; however, the civil service remains understaffed. While the number of civil servants has increased over time, the lack of a mandatory retirement program promotes an aging civil service and restricts resource availability for hiring new civil servants.
- 1.11 **The key to strengthening public institutions and enhancing service delivery is the availability of sufficient, suitably qualified, HR.** The social contract between the government and its population seems broken given the widespread institutional

⁶ Reference in [original project document](#).

weaknesses of the state apparatus and despite public financial management and administrative reforms undertaken by the government. According to the September 2019 payroll data,⁷ 55% of the public servants of the MARNDR, including contractors, and 70% of the workforce of the MTPTC⁸ are based on Port-au-Prince⁹ and these two cases demonstrate the uneven allocation of resources across the ten departments in Haiti, with a special focus in Port-au-Prince where 37% of the population lives.¹⁰ In addition to the unequal distribution of resources, one challenge of the Haitian civil service is the limited availability of qualified professionals, mainly attributed to low skills and limited of resources. 75% of staff – especially new recruits – have a high school diploma or more.¹¹ In his 2018 review of the Haitian civil service, Nunberg[2] reported low wages, limited career incentives, and the lack of a standardized management system negatively impact productivity. The author attributed the weakness in the incentives system to an ineffective job classification and a static remuneration package. The pay scale is not adapted to the levels of inflation reducing living standards of civil servants thought there was an average increase of 15% in the fiscal year 2020-2021[3]. Lastly, given the unattractive pension schemes, a vast majority of staff over the age of 58¹² stay in service, reducing opportunities for younger workforce to integrate public service. According to the OMRH, 66% of decision-making positions¹³ and 33% of technical and senior positions were filled with people eligible for retirement. Additionally, contractors who were to complement the workforce did not fare better regarding age distribution – in 2019, 14% of contractors at the MARNDR were between 60 and 85 years old.¹⁴

- 1.12 **An aging civil service hindering public service value proposition.** It is difficult for the Haitian public sector to perform its basic administrative management and service delivery roles. These difficulties are compounded by an aging workforce with 15.70%¹⁵ (16,825) of the civil service eligible for retirement – 8.6% of the permanent civil service are 60 and older and have remained in service beyond the legal retirement age of 58. Among those eligible, approximately 68% are support level personnel, 11% at the technical level and 21% are the managerial and decision-making levels.¹⁶ The eligible personnel are concentrated in three essential sectors for sustainable development – 41% at the Ministry of National Education and Vocational Training (MENFP), 19% at the Ministry of Public Health and Population (MSPP) and 12% at the Ministry of Justice and Public Security (MJSP). The aging civil service underlying causes are the bleak outlook of a pension amount, derived from a salary that is already perceived as low, limiting public servants' ability to save more than the mandatory amount from the pension scheme. During the design phase of the

⁷ The data was provided by the MEF to support a preliminary functional review of the two ministries.

⁸ Only 14% of roads are in Port-au-Prince.

⁹ Agriculture accounts for more than 20% of GDP and constitutes the primary source of revenues in rural areas. According to IDB estimates 50% of the population is employed by this sector.

¹⁰ 2015 estimates provided by the government.

¹¹ According to the International Labour Organization, the [2012 household survey](#), only 7.4% of the population had an advanced education and 59.4% with less than the basic education.

¹² Civil servants are eligible to retire at the age of 58 with a minimum of five years of service.

¹³ Director, Deputy Director, Division or Unit Chiefs.

¹⁴ 2019 functional review of the MARNDR.

¹⁵ Government's 2021-2022 Fiscal Year Budget reported 107,155 employees of which 16,825 or 15.70% is eligible to retire with a minimum of 58 years old and 5 years of service. This translates into an annual wage bill of approximately US\$9.8 million.

¹⁶ Data received from the Department of Pension of the MEF.

retirement program, four scenarios were presented to ensure the attractiveness of the proposed incentives¹⁷, based on grade level and seniority, benefiting those who are close to retirement age than those who remained longer within civil service.

- 1.13 **Challenges to rationalize public expenditures through a better control of the wage bill and a stronger public financial management system.** In addition to the retirement program, the government has recognized the need to improve its public financial management processes and systems. Multiple evaluations^[4] noted the following weaknesses: (i) the budgeting and planning processes, where for instance revenues generated from state-owned enterprises were not accounted for in the national budget and contracts were signed without budget availability, increasing internal debt; (ii) public funds were in too many accounts, hindering the government's ability to know its cash position at any given time; (iii) debt management was done manually; (iv) weaknesses in control systems including public procurements and audits; and (v) lack of Integrated Financial Management Systems (IFMIS), including the use of standalone modules to manage the pay and pension system, none of which are connected to an HRM system.
- 1.14 Managing the wage bill, a budget line item representing approximately 55% of locally raised revenues and 3.75% of the Gross Domestic Product (GDP), has also been a challenge. The wage bill is currently processed in the pay (SYSPAY) and the pension (SYSPEN)¹⁸ modules, none of which include information on the complementary workforce. As a remedial action to streamline the civil service, in April 2017, the Prime Minister issued Directive No. 003, which led to a pilot project to vet payroll data at the MENFP. Moreover, the Information Technology (IT) Department of the MEF conducted an exercise to eliminate duplicate data in SYSPAY by cross-checking identification numbers and names;¹⁹ however, this exercise was conducted without the verification of supporting documents to validate data. This action has been supplemented by a yearly verification conducted by OMRH,²⁰ the institution sends an excel file to the Office of National Identification (ONI) to cross-check employees' information, increasing the likelihood of redundancies throughout the year. Some ministries, such as the MENFP, aware of the pay burden, began to implement their own HR system to facilitate the verification of active staff members. Their database includes the electronic archiving of supporting documents such as nomination letters, degrees received, promotions and transfers.
- 1.15 The progressive roll-out of public accountants throughout the administration, at the central and departmental level, has allowed the MEF to put in place a system of verification which requires civil servants to collect their checks as a mean to validate their personnel status. Although the Human Resource Departments are set up in public institutions, they do not have access to the payroll processes. Monthly salaries are automatically processed without an internal control conducted by HR Directorate, partly due to the lack of a centralized system to manage staff movement, from transfers to dismissals.²¹ Moreover, the current system cannot

¹⁷ Retirement incentives range from 10 to 24 months of the base salary received by civil servants.

¹⁸ Salaries are processed through SYSPAY and pension payments through SYSPEN.

¹⁹ Treasury Single Accountant assessment interviews in 2017.

²⁰ The MEF also relies on this verification process.

²¹ July 2019 mission – Preliminary functional reviews at the MARNDR and the MTPTC. Staff nomination and movements are signed by the Prime Minister.

confirm that payroll checks are issued and given to the rightful beneficiaries and there is no reliable system to audit when, how, by whom, and to whom the checks were handed over. This poses a problem given the number of civil servants and countless contractors without proper contracts in place, creating a delicate situation for the MEF to deal with unexpected internal debts at the close of each fiscal year.²²

- 1.16 **Lack of efficiencies in the financial and administrative systems.** The financial and administrative departments of public entities work in silos. The public institutions are not systematically connected to the public financial management system provided by the MEF. Public accountants working at the departmental level do not have the equipment and resources to complete transactions locally, the lack of specialized printers makes the payment system costly and inefficient as payment requests must be sent at the central level for checks to be issued and resent to the departments. The archives are physically managed, making it difficult and time-consuming to access relevant information in a timely manner.
- 1.17 **Administrative and financial reforms are a priority for post COVID-19 recovery and beyond.** The strengthening of economic and financial governance and achieving the stability of the macroeconomic framework are on top of the government's priority list. During the period 2020-2023[5], the Government of Haiti aims to establish a system of economic and financial governance capable of guaranteeing optimal management of state funds and ensuring the implementation of efficient economic policies. The aim is to make public actions more effective and closer to citizens. More specifically, these are: (i) strengthening economic and financial management using a data and knowledge-driven approach in the implementation of priorities defined in the post COVID-19 Recovery Plan; (ii) ensuring efficient and effective management of public finances through mechanisms that safeguard: macroeconomic stability, efficiency in budget allocation to sectors, operational efficiency, and budget transparency and accountability; and (iii) promoting sound public investment management through the prioritization and selection of projects before programming and budgeting, assessments or ex ante reviews. Moreover, the public financial management and administrative reforms remain critical to improving planning, resource allocation, and controls of the expenditure value chain as well as improving the productivity of the civil service. The government intends, during the period 2020-2023, to work on four main priority axes of fundamental interventions: (i) the renovation of the administrative apparatus, including a voluntary retirement program; (ii) the stimulation of civil servants with an increase of the salary grid; (iii) the integration of the training programs; (iv) strengthening coordination mechanisms; and (v) the digitalization of financial and administrative processes.
- 1.18 **Lessons learned from empirical evidence and Bank experience.** Among the government's priorities, effective wage bill management has an important role in maintaining a productive and motivated workforce and is a key aspect of human resource management[6]. According to the World Bank, payrolls and pensions in

²² 2017 Treasury Single Account assessment report – there are currently no tools to track contractors and related fee payments.

many countries have “ghost workers”.²³ In 2015, an investigation in Tanzania[7] estimated that 1.5% of the wage bill in previous year was paid to fake workers who were deceased, retired, or had resigned, representing approximately US\$76.6 million. In India[8], a 2007-2008 audit of the National Rural Employment Guarantee Scheme found that near 8.6% of registered beneficiaries were ghosts workers who accounted for 23.1% of person-days worked. Among remedial actions implemented by countries, there was the conduct of payroll audits to improve the effectiveness of the risk management and controls, including improved productivity. This activity is combined with the implementation of biometric systems for secure digital authentication. The implementation of an eID system for civil servants in Nigeria[9], also known as the “Integrated Payroll and Personnel Information System”, uncovered near 60,000 fictitious employees (approximately 20% of federal agencies payrolls). Thanks to the program, the government reported savings of US\$1.12 billion during the 2007-2014 period. Ghana was also able to reduce payroll fraud using a unique identifier in its payment system through fingerprints for enrollment and authentication. The country reports that this process allowed them to eliminate 35,000 fictitious employees from initial payroll of 75,000 and lead to savings of US\$35 million per year[10].

- 1.19 Governments in developing countries have favored a voluntary approach to retirement to reduce public sector spending via smaller wage bills. One of the main obstacles to its implementation is the heavy financial burden. In Jamaica, through the Support to the Public Sector Transformation Programme ([4373/OC-JA](#), US\$110 million – 2017), a voluntary retirement program was implemented, targeting public servants between the age of 50 to 59. The incentive paid was approximately one year salary, generating net savings of US\$5.1 million per year and an investment recovery period of 4.7 years. Similarly, a set of retirement program in Morocco[11] yielded positive results, reflecting a 7.59% reduction in public sector workers and annual savings in the wage bill equivalent to 1% of the GDP. In Sub-Saharan Africa, early retirements programs were implemented as part of the International Monetary Fund (IMF) and World Bank Structural Adjustment Programs to reduce poverty and achieve macroeconomic stability. The schemes led to single-year departures in targeted countries included 3,600 (3%-2% of total civil service) voluntary retirements in Ivory Coast in 1994; over 1,000 (reduction of 1%) departures between 1990 and 1991 in Senegal, and 1,033 (7% of civil service) in Guinea-Bissau. Unfortunately, those early retirement schemes also induced some qualified employees to exit civil service.
- 1.20 Voluntary retirement schemes implemented in countries like Egypt, India, Chile, and Panama provided lessons learned considered in the design and implementation of the voluntary retirement program in the Haitian through this operation, despite the fundamental differences.²⁴ However, lessons learned from the different programs demonstrated similarities in scheme to generate savings to increase resource availability for the recruitment of new civil servants with the skills required to respond to the demand of public service; and to improve short and medium-term macroeconomic stability by reducing public spending: (i) finding the

²³ Fake employees or pensioners for whom someone collects a paycheck, and “double-dippers”, employees or pensioners who receive multiple paychecks under the same or different names.

²⁴ Voluntary retirement programs are implemented before the mandatory retirement; however, the Government of Haiti does not have a legal framework to enforce mandatory retirement. The proposed voluntary retirement program is for employees who are eligible to retire from civil service.

right balance by motivating civil servants to take advantage of retirement incentives while retaining productive and efficient employees to remain in service; (ii) achieving the balance between the economic savings realized by the exit of voluntary retirees, who burden the state public budget, compared to the need for cash as incentives for early retirement; (iii) reaching a balance between decreasing unemployment rate among young people and the probability of increasing the number of unemployed due to the addition of retirees to the unemployment²⁵ rows[12]; (iv) implementing a communication plan to increase interests among eligible retirees[11]; and (v) improving business processes with the implementation of digital and/or automated system to compensate for the reduction of the workforce[13].

- 1.21 Regarding centralized systems in the public sector, the IDB financed in Jamaica the "Public Sector Efficiency Program" ([3121/OC-JA](#), [3122/CH-JA](#), US\$25 million – 2013), which indicated that systems such as an IFMIS can improve administrative efficiency due to faster information processing, better communication with employees, greater accuracy of the information, reduction, and improvement of the productivity of HR. In Nicaragua,²⁶ the strengthening of information systems for administrative and financial management, has generated a cost reduction in processing payroll and payments to suppliers and lower interest rates on loans as a result of having greater predictability in public investment programming. For Hashim (2014), an IFMIS offers significant benefits in managing public resources more effectively, which includes greater financial control, better monitoring of the government's cash position, better fiscal reports, and availability of data for formulating the budget. This support lessons learned from the implementation of the project "Support HRM in Public Sector" ([1821/SF-HA](#), [2396/GR-HA](#), US\$10,1 million – approved in 2006 and now closed) in Haiti which recommended: (i) measures to improve payroll management; and (ii) the integration of the Pay and Pension Modules to the IFMIS. The efforts of the government in Haiti to migrate toward a result-based management system via an IFMIS, a biometric registry, and an inter-ministerial communication will lead to a more efficient and productive public service.
- 1.22 **Lessons learned from current project.** The program was designed to exploit lessons learned from the voluntary retirement program in the original project – it is being led by the Department of Pension at the MEF, the entity responsible for managing the public pension scheme. The proposal of incentives to be paid based on a selected set of criteria received institutional buy-in and relied on their experience, from processing pension request to establishing final amount, and included all related administrative processes already in place. The team promoted the participation of the Department of Treasury for processing incentive payments and the IT Department of the MEF and ONI for implementing transition measures while the biometric registry is being designed. Thanks to their sustained efforts, the Treasury Department was able to issue the first checks in July 2022, a motivating factor for those interested in joining the program. The reformulated program proposes a different execution mechanism from the original project, where OMRH was the technical lead and UCP-MEF fiduciary support. This

²⁵ Retirees are within the legal retirement age and will not be considered in the pool of official unemployment data.

²⁶ Cost Benefit Analysis [2422/BL-NI](#) (US\$10 million - 2010).

structure was too cumbersome and not sufficiently agile for execution. The reformulated project will consolidate all activities at the MEF (§3.1).

- 1.23 Implementing financial and administrative reforms in a fragile state is challenging and relies heavily on decision-makers' vision and commitment as well as the momentum provided by the MEF, an essential ingredient given the country political context. Current execution mechanisms for donor funded projects rely heavily on executing agencies. It is important for the IDB and other donors to reduce overtime the role of implementing agencies and promote progressively ownership and accountability by the government while ensuring cooperation and alignment to facilitate cross-fertilization and synergies with other partners. This action also includes lowering expected results from the onset. In a fragile state, change of leadership is frequent yet unforeseen when it happens, the empowerment of permanent civil servants at the technical and managerial level to leverage their technical skill and knowledge, and to facilitate the transition from one leadership to another. While the MEF has been leading reforms in Haiti, each change in leadership delays or impacts the reform agenda. As such, it is important to build relationships with various stakeholders and identified champions at the technical and mid-managerial levels. This includes several departments at the MEF: Budget, Treasury, IT, and Pay & Pension. Furthermore, the government proposes to utilize existing systems and build on the experience of the ONI. The ongoing work with the biometric registry is garnering interest at the Tax Office which aims to increase tax collection by utilizing a unique identifier to avoid duplicates due to limitation with the current tax identification system which may lead to tax avoidance.
- 1.24 Several lessons from the unsuccessful experience in the original operation can be derived and utilized as part of the reformulation: (i) the implementation by one executing agency responsible to coordinate with all stakeholders involved; (ii) the reduction of project activities – too many activities involving multiple stakeholders, requiring organized and sustained interinstitutional communication was not feasible with two executing agencies overlooking agreed roles and responsibilities; (iii) the reduction of the number of implementing stakeholders as inter-ministerial communication was not easy despite established mechanisms; (iv) the removal of supplemental salaries to civil servants responsible for the execution of the operation; and (v) the direct implementation by dedicated civil servants for a more agile execution, limiting the use of ad-hoc executing agencies, with no legal framework in the government's organizational chart.
- 1.25 **Rationale of the reformulation.** The original program objectives rationale and theory of change were to improve public agencies' operations and service delivery²⁷ through the implementation of civil service and salaries reforms aimed to improve public sector motivation and incentives. The MEF and the OMRH were the leaders in the implementation of these reforms. As of today, only the MEF leadership has demonstrated its commitment to reform and program

²⁷ The MARNDR and the MTPTC were pilot ministries, with tailored activities to support their reform agenda. The MARNDR had signed the interinstitutional agreement, a prerequisite to receive technical support, and began activity 3.7 Support to Farmers in the Southeast Department. The procurement processes for the functional reviews in \ targeted ministries and the IT Master plan of the MARNDR were underway; however, the processes were never completed. The MARNDR and the MTPTC will not be part of the reformulated pilot given the transversal agenda.

objectives;²⁸ hence, the value of bringing the reforms under one roof, where political commitment and technical expertise are easily aligned. In a fragile state environment, it is recommended to exploit these windows of opportunities and work with the political and technical champions to improve the capacity of the State. The rationale of the proposed reformulation²⁹ is to put more emphasis in the civil service and salaries reforms under the control of the MEF, with the aim to improve public human talent productivity and service delivery. This will be achieved through the reduction and consolidation of activities at the core of the restructured proposal including: (i) strong control of the wage bill and public finances through the identification and elimination of irregular payments, and through stronger IFMIS wage management modules; (ii) reduction of inefficiencies in the public workforce composition through an early retirement program which will allow closing obsolete posts and open opportunities for the recruitment of personnel with the required skills; and (iii) better control of public workers performance through the implementation of a biometric system to be utilized in the payment of salaries and workers assistance. The proposed reformulation will translate into a change in the distribution of the grant amount among the components as follows: Component 1 will decrease by 57%, canceling transversal activities such as job classification, design of a pay scale and the strengthening of OMRH; Component 2 will decrease by 15%, by eliminating the capacity building of OMRH IT Department and the implementation of the full Human Resource Management System to focus on the integration of the Pay and Pension module; Component 3 will increase by 28.5%, by reducing tailored activities at the MARNDR and MTPTC. Both ministries were designated as pilot entities in the original project; however, execution never began at the MTPTC. At the MARNDR, two activities were underway – the support to farmers³⁰ and the administration of a survey to understand productivity of civil servants, the latter will continue to collect empirical data³¹ to provide a better understanding of civil service in Haiti; and Project Management costs will decrease by 13.74% to reflect the consolidation of two executing agency into one (see more details in [OEL#3](#) and comparative costs in [REL#1](#)).

- 1.26 **Gender.** Women's inequity of access to the civil service is high. Women account for only 29% of civil servants and just 7% of them hold leadership positions. The main causes of this inequity include the high level of illiteracy among women (52%); limited access to technical and vocational education (women account for just 28% of students at the School of Agronomy and 18% of students in the School of Science and Engineering); and lack of opportunities for being chosen for decision-making positions in government[14]. The government has launched several initiatives to mitigate this inequity. Pay equity for men and women[14] has been written into the constitution, and article No 17.1 establishes a quota of at least 30% women in all areas of national life, particularly in the case of public service[15]. The MEF has raised to the challenge as 33.14 % of its personnel are women. The program will set a target to ensure that female civil servants participate in IT and

²⁸ The operation only disbursed 3.21% as of February 28th, 2022. Thanks to the leadership of the MEF, the amount disbursed increased to 21.41% in March 2022.

²⁹ The general and specific objectives of the revised reformulated program are defined in ¶1.29. See [OEL#3](#).

³⁰ Given the proposed reformulation, it was recommended to curtail tailored activities. Both ministries will benefit from the retirement program.

³¹ The data collection will continue as part of the Monitoring and Evaluation Plan ([MEP](#)) and will be partially financed by a technical cooperation (¶3.1).

capacity building training so that they can improve their skillsets and, by extension, grow professionally.

- 1.27 **Coordination with other donors.** This program is part of the reform program initiated by the government and supported by international donors. The latter are financing projects related to strengthening the Public Financial Management (PFM) system of the government. In particular, mention should be made of the government's plans to strengthen the HR system (European Union), improve financial governance, and reporting through an IFMIS (World Bank), and improve decentralization of public services (Canada). The donor coordination is conducted through the Budget Support Group under the leadership with of the European Union. The project objective aligns with the IMF Staff Management Program reforms which aims to improve the management of public resources while making some room for much-needed spending on social programs, infrastructure, and security. Finally, the positive externalities of the project will improve resources mobilization as the ONI is now in discussion with the Tax and Duties Departments (*Direction Générale des Impôts* and *Administration Générale des Douanes*) to utilize the *Numéro d'Identification National Unique* (NINU) as a way to expand the Haiti's tax base.
- 1.28 **Strategic alignment.** This program is consistent with the Second Update of the Institutional Strategy (UIS) (AB-3190-2) and aligned with the challenge of Productivity and Innovation by implementing a result based management system; and the cross-cutting issues of: (i) Institutional Capacity and Rule of Law as it increases transparency of the public financial management system, including fraud reduction as it relates to the implementation of a biometric registry, the payroll audit and the integration of systems; and (ii) Gender Equality as it supports the strengthening of the Government of Haiti by providing training and capacity building to female civil servants (¶1.30), with the aim to increase core skills necessary to work in a digital government (GN-2800-8). It will contribute to the IDB Group Corporate Framework 2020-2023 (GN-2727-12), through the indicators: (i) agencies with strengthened digital technology and managerial capacity; and (ii) agencies with strengthened transparency and integrity practices. The program is aligned with the strategic objective of the IDB Group's Country Strategy with Haiti 2017-2021 (GN-2904) "Government's organizations modernized" by improving administrative processes. Finally, it is aligned with the Sector Strategy: Institutions for Growth and Social Welfare (GN-2587-2) through its public sector management component.

B. Objective, components, and cost

- 1.29 The reformulated proposal modifies the main objectives of the Strengthening Public Management to Improve Service Delivery Program. The general development objective of the reformulated program is to improve public service delivery by enhancing the effectiveness, efficiency, and transparency of HR and salaries management. The specific development objectives are the following: (i) a better control and efficiency of the wage bill by reducing fiscal pressure in the short and medium term; (ii) a reduction of inefficiencies due to the use and consolidation of digital technologies in administrative and financial processes; and (iii) a payroll audit to allow for optimal management, improve performance and generate benefits for the administration of the entity. The reformulated program maintains

its three main components of the original program, however with a redistribution of their amounts (¶1.25).

- 1.30 **Component 1. Strengthening of the Civil Service Control System (US\$4,745,000).** The objective of this component is to support the MEF in improving its control of the wage bill. It will finance: (i) the design of the early retirement program; (ii) the payroll audit of the population of permanent civil servants and contractors; (iii) a communication and change management program to support ongoing administrative and financial reforms, including a financial literacy program for eligible retirees; and (iv) the roll-out of a training program for the administrators and end-users of the implemented systems. The training will be pro-gender at a rate of 30% of the targeted civil servants.
- 1.31 **Component 2. Strengthening of Information Systems for Administrative and Financial Management (US\$11,015,370).** The objective of this component is to strengthen the IFMIS of the government. It will finance:³² (i) the design and implementation of the Pay and Pension Modules; (ii) the design and implementation of a biometric registry system of permanent civil servants and contractors, including strengthening ONI's power supply by using renewable energy and purchasing selected equipment; (iii) the strengthening of inter-ministerial connection at the central and departmental level; (iv) the implementation of an electronic management system; and (v) the capacity building of the MEF IT Department through a technical assistance provision from experts in the field where knowledge gap is identified[16].
- 1.32 **Component 3. Strengthening of the Efficiency and Effectiveness of the HR at the MEF and Line Ministries (US\$24,500,000).** The objective of this component is to strengthen the HR at MEF and Lines Ministries, and will be accomplished by a set of activities, some of which are already underway:³³ (i) the implementation of a voluntary retirement program across the government, these activities are complemented by activities in Component 1 (payroll audit) and Component 2 (biometric registry), both activities allow for a reliable database of public servants, including contractors currently excluded from SYSPAY; and (ii) the retirement program will be supplemented by a recruitment program to be implemented by the government with the aim to replace every two retirees with the recruitment of a staff member with the skills and qualifications needed to improve public service delivery. This recruitment program will emphasize efforts to recruit and employ women to address ongoing gender gaps (¶1.26).
- 1.33 **Project Management (US\$1,550,000).** It will finance: (i) the strengthening of the executing team at the MEF (¶3.1); (ii) the design of a monitoring and evaluation system; and (iii) the compliance financial audit.
- 1.34 **Beneficiaries.** The actions proposed in this operation will benefit the citizens of Haiti receiving better service delivery, companies that use the public services,

³² Equipment purchased will be energy efficient technology.

³³ The first cohort of 200 retirees were finalized and first payments were issued in July 2022.

public officials for the improvements in their working conditions, and the line ministries³⁴ for the improvement of their management system.

C. Key results indicators

- 1.35 **Expected impact and outcomes.** The reformulated project's expected impact is to improve public service delivery. The achievement of the general development objective (§1.29) will be measured with three indicators: (i) payroll savings from the salary expense with the exit of low productivity workers and higher paid senior employees, the reduction/deletion of ghosts workers, and economic profitability through a better distribution of labor; (ii) improved users' satisfaction in the delivery of public services; and (iii) improved HR productivity. The achievement of the specific development objectives of the program will be measured through the following indicators, among others: (i) salary expense as a percentage of total expense; (ii) employees registered in the biometric system; and (iii) employees replacing those who have retired, through the recruitment program.
- 1.36 **The preparation of the reformulated program has been informed by cost-benefit analysis** ([OEL#1](#)) to measure the economic viability of the reformulated project. The evidence from various international experiences on reforms proposed by the project highlights the positive impacts on public services of investing in strengthening the civil service and government HR management. Benefits associated with improved service-delivery performance have been identified, with direct impacts on the well-being of people accessing the services.
- 1.37 **Cost/benefit analysis.** The benefits of each component were identified. In Component 1, the program includes a payroll audit of all civil servants and contractors, with the aim to eliminate ghosts' workers³⁵ and to account for all active contractors; hence reducing the short-term liabilities as most contractors are not accounted for until the end of the fiscal year, leaving the government with unforeseen public debts. In Component 2, the net benefits from fiscal savings, reduced costs of time and logistics in integrated the Pay and Pension Modules in the IFMIS. The estimation includes lower transaction costs as a result of inter-ministerial connection to facilitate the work of budget and administrative department in line ministries, including the role of Public Accountants and their ability to print checks at the central level. Lastly, in Component 3, the net benefits of labor productivity improvements resulting from implementing a retirement program. Furthermore, the improvements in the coverage and quality of selected services are estimated in terms of the savings in time and transaction costs, for both employees and users of the improved public services. Based on the proposed economic model, the financial return indicators were calculated, yielding positive results: the net present value of the project is US\$47,121,658 and the internal rate of return 38.53%. In the sensitivity analysis, it is necessary to highlight that the most

³⁴ In the [original proposal](#), the MARNDR and the MTPTC were pilot ministries. In the reformulated proposal, all ministries will benefit from the project thanks to the interministerial connection, the Pay and Pension modules which will be managed by the HR Director at the sectoral level, the payroll audit to be conducted throughout the public administration as well as the biometric registry, and communication will target all eligible civil servants for the voluntary retirement program, to be implemented on a first come first serve basis.

³⁵ The [Economic Analysis](#) presented relevant evidence based on the pilot conducted by the MENFP to clean its personnel database. It was estimated that 0.1373% were workers who did not have information and those with age errors.

sensitive variable is “percentage of employees who join the voluntary retirement program”. Therefore, it is important to reinforce and encourage the retirement program among all eligible persons, so its implementation is achieved as expect ([OEL#1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The total cost of the reformulated program is US\$41,810,370, financed as a specific investment grant from the IDB Grant Facility. The financial conditions of the resources will remain the same as the ones defined in the original operation. An estimate of the breakdown of the reformulated program costs is given in Table 1. See detailed budget and comparative costs in [REL#1](#).

Table 1. Estimated project costs (US\$)

| Components | IDB | % |
|--|-------------------|------------|
| Component 1. Strengthening of the Civil Service Control System | 4,745,000 | 11 |
| 1.1 Design and support to the implementation of the retirement program | 335,000 | 1 |
| 1.2 Payroll audit | 2,150,000 | 5 |
| 1.3 Training | 1,460,000 | 3 |
| 1.4 Communication and change management | 800,000 | 2 |
| Component 2. Strengthening of Information Systems for Administrative and Financial Management | 11,015,370 | 26 |
| 2.1 Design and implementation of the pay and pension modules | 3,842,000 | 9 |
| 2.2 Design and implementation of biometric registry | 3,083,370 | 7 |
| 2.3 Interministerial connection | 1,300,000 | 3 |
| 2.4 Implementation of the electronic management of document | 1,100,000 | 3 |
| 2.5 Capacity building of the MEF IT Department | 1,690,000 | 4 |
| Component 3. Strengthening of the Efficiency and Effectiveness of the HR at the MEF and Line Ministries | 24,500,000 | 59 |
| 3.1 Retirement incentive payment | 24,500,000 | 59 |
| Project Management | 1,550,000 | 4 |
| Total | 41,810,370 | 100 |

- 2.2 The reformulation proposal contemplates an execution period of five years. The original disbursement period of five years³⁶ will be extended by three years to allow for the execution of the activities proposed. Table 2 provides a disbursement projection.

Table 2. Projected disbursements (US\$ million)

| Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|--------|--------|--------|--------|--------|-------|
| 6.14 | 11.02 | 11.16 | 9.69 | 3.80 | 41.81 |
| 15% | 26% | 27% | 23% | 9% | 100% |

B. Environmental and social safeguard risks

- 2.3 In accordance with the Environmental and Safeguards Compliance Policy (GN-2208-20), the operation was classified as Category "C", Environmental and Social of Moderate, and Disaster and Climate Change Risk Classification of Low, as it is expected to cause minimal or no negative environmental or social impacts,

³⁶ The original last disbursement date was August 7th, 2024. With a three-year extension, the final disbursement is expected on August 7th, 2027.

since the reformulation will not finance infrastructure or civil work. In the case of forced labor risks in the polysilicon solar panel supply chain, an assessment will be required and adequate mitigation will be in line with IDB's Environmental and Social Performance Standard (ESPS) on labor and working conditions as defined by the Bank's Action Plan (GN-3062-4).

C. Fiduciary risk

- 2.4 The most recent evaluation of public financial management in Haiti is that its fiduciary systems are not fully compliant with the features required for the implementation of Bank projects. Based on the Institutional Capacity Assessment of the designated teams at the MEF carried out in June 2022, the fiduciary risk is related to the limited experience of civil servants in implementing donor-financed projects as well as the absence of a dedicated team to support the execution of this project. The following are classified as high-level risk: (i) delays and bottlenecks on administrative, financial management and procurement tasks (internal processes). Remedial actions: hiring and training an experienced fiduciary team, including a financial and administrative specialist, a senior accountant, and a procurement specialist;³⁷ and (ii) difficulties in purchasing equipment due to stock availability which will delay execution of Component 2 (goods and services). Remedial actions: advance acquisition planning and execution taking into account process delays and including early procurement process launch and key supplier identification.

D. Other risks and key issues

- 2.5 The MEF has limited capacity to execute and monitor the project efficiently and is identified as high-level risk. The following were classified as high-level risks:
- (i) **Internal Processes:** if there are heavy bureaucratic procedures, limited technical capacity, or resource availability of resources at the MEF, this will lead to delays in execution. Moreover,
 - (ii) **Human Resources:** if officials have high priorities, high turnovers, lack of commitment or limited technical capacity, these will cause delays in implementation. Mitigation: recruitment of key personnel to coordinate project activities.
 - (iii) **Political:** if there is a cabinet change at the Minister's level, the implementation of the reforms could be put on hold. Mitigation: Work with and identify new champions at the technical and managerial level. This should increase the institutionalization of the project and facilitate the transition with a new cabinet. Promote the program and report on the achievements to a wider audience. This includes communication targeting all sectors – public, private, and civil society.
 - (iv) **Legal:** if there are insufficient regulatory framework to implement a mandatory retirement program, the inefficiencies created by the non-retirement of eligible civil servants will continue. Mitigation: preparation of proposals for an adequate

³⁷ During the transition period, the Bank offered Complementary Procurement and Finance Support to the MEF with the hiring of consultants to reinforce its executing capacity.

regulatory framework with duly justified reasons for political acceptance so it can be acted into law.³⁸

- (v) **Systems:** if there are connectivity issues and constant interruption of electrical flow, this will affect the equipment including computer hardware and biometric equipment. Mitigation: install UPS equipment and collect biometric information offline. Establish alternative communication protocols and have at least two internet providers in each decentralized office, including the main office.
- (vi) **Governance System:** if there are intentional deterioration or inoperability of biometric equipment, this will affect the efficiency of control systems. Mitigation: install security cameras and draft security protocols for the use of biometric registry as well as the maintenance of the equipment to ensure its functionality.
- (vii) **Social Environment:** if there are protests, strikes or high securities, this will affect the implementation timeline. Mitigation: Promote telework when allowed by the energetic supply and hold weekly meetings on implementation status.
- (viii) **Economic and Financial:** if there are macroeconomic shocks such as high inflation or devaluation of the currency, this will increase the costs of purchasing equipment. Mitigation: Launch international procurement processes, according to a planning schedule that would allow goods to be delivered within the execution timeline, and in anticipation of import delays in an uncertain social climate. A contingency will be added to the general purchasing budget to absorb cost increases or to make up for underestimated purchasing processes.

2.6 **Sustainability.** If the government is not able to rationalize the wage bill after the completion of the voluntary retirement program, this will affect payroll savings and short to medium-term macroeconomic stability (high risk). To address this weakness, the implementation of the payroll audit and biometric registry will allow for a better control of the pay bill by eliminating duplicates and ghost workers. This will be accomplished by using the NINU assigned to individuals at birth. Unlike the Tax ID number, the NINU cannot be duplicated. The partnership agreement between the MEF and the ONI signed in July 2022 allowed the team to complete the assessment of the existing infrastructure, discuss key protocols, and designate a Program Manager. The biometric registry will be connected to the IFMIS to facilitate the exchange of information between the ONI and other governmental entities, and to replace the yearly manual verification of permanent civil servants required by the MEF and the OMRH. Moreover, the payroll audit will ensure the viability of the information before it can be included in the modules.³⁹ The sustainability of the system is incorporated in the design with the use of existing system at the ONI, where protocols are established to collect biometric data and to support other entities with related identification data, and the replacement of standalone payment modules, to integrated into the IFMIS. The operation will finance the installation of solar energy at the ONI, the purchase of biometric equipment (¶1.31) which will collect information offline and update the system when connection is available while ensuring no duplication of the same

³⁸ The current Head of State can only rule by decree given that the Legislature is not in place. A decree to implement a mandatory retirement program could be a transitional measure until legislature is fully in place.

³⁹ In the pilot audit of the retirement program, an audit mechanism was put in place to confirm the identity of civil servants.

information. In addition of the resources from the national budget, ONI is working on generating revenues via the private sector to improve its performance and efficiency. In its sustainability plan,⁴⁰ the IT Department of the MEF highlighted the strengthening of the team via knowledge transfer from national and international expert, the maintenance schedule of equipment, the replacement cycle of equipment, the backup system, and the stability of the electrical system to minimize downtimes. The financial and administrative management system centralized at the MEF uses servers and UXP to exchange information. The security of the intranet exchange is managed by private firm under the supervision of the *Direction des Systèmes d'Information du MEF* (DSI) team.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Executing Agency and coordination.** The Executing Agency will be the MEF. During the current execution, the MEF has deployed a team to manage the design and implementation of the voluntary retirement program and has experience in implementing the IFMIS, currently piloted in several ministries. Within the MEF, under the leadership of the Director General, permanent civil servants of several departments will be responsible for the implementation of the project. More specifically, the Director General will oversee the work of the Budget Department, the Treasury Department, the Pension Department, and the DSI. With the approval of the Minister, the latter signed in July 2022 an interinstitutional agreement with the ONI⁴¹ for an agile coordination and implementation of the biometric registry. The teams will be supported by key personnel, financed by the operation (¶1.33), and whose role will be to provide fiduciary support. The team will also strengthen the capacity of the MEF in executing directly donor funded projects. The Bank will provide a close supervision which includes weekly meetings, the support of a consultant to support the MEF during the planning and execution process, and the assistance through a Technical Cooperation⁴² to support the implementation of the biometric registry, to collect empirical data to improve the Wage Bill management and to build the capacity of civil servants in management and behavioral improvements.
- 3.2 **Execution mechanisms.** The execution of Component 3, which provides incentives to eligible retirees, will be managed separately from Components 1 and 2 as well as Project Management.⁴³ For Component 3, agreed procedures were finalized with the MEF in March 2022 and involved Public Accountants to process incentives to eligible retirees. As such, the advance of funds for Component 3 will be deposited into a dedicated account managed by the public accountants as designated by the MEF. See Annex III.
- 3.3 **Project Operations Manual (POM).** The executing agency will be guided by a [POM](#) establishing the rules and procedures of execution for project activity

⁴⁰ Financed annually by the national budget.

⁴¹ ONI is under the umbrella of the MJSP. The Minister also provided his approval before the signature of the agreement.

⁴² Strengthening Public Management for Public Service Delivery II, in preparation.

⁴³ The [POM](#) describes roles and responsibilities.

scheduling, technical management, financial and accounting management, procurement, monitoring, audits, and evaluation. It also includes: (i) the procedures and responsibilities of the entities involved in project execution; and (ii) the supporting technical documentation, as required.

- 3.4 **Financial management.** Project Financial management will be executed according to the Financial Management Guidelines for IDB-financed Projects (OP-273-12). The MEF will keep four designated accounts for the management of the operation. The MEF will maintain proper financial management systems and will prepare an Annual Operation Plan, a Procurement Plan, and a twelve-month detailed financial plan indicating cash flow needs for the project execution and serving as the basis for an advance of funds disbursements. After the first year of execution and upon performance, advances of funds might be the equivalent of funding needs required for up to six months. Given the coordination required between the MEF and line ministries to implement project activities, the operation is expected the justification of advances to be set at 75% to receive a new advance of funds. Advances of funds for Component 3 will be made based on the projected retirement incentives during a period. See Annex III.
- 3.5 **Special contractual clauses prior to the first disbursement of the reformulated grant resources:** The beneficiary, through the Executing Agency, will provide evidence to the Bank's satisfaction that: (i) the approval and entry into force of the [POM](#) in accordance with the terms previously agreed upon with the Bank; (ii) the designation of the Executing Agency's key personnel for project execution, including a coordinator, a finance and administration specialist, an accountant and a procurement specialist; and (iii) the hiring of an audit firm to conduct the payroll audit. These clauses are considered essential to guarantee that the beneficiary will be prepared to begin the execution of the program.
- 3.6 **Financial audits.** The MEF will be responsible for contracting an external auditor eligible to the Bank to perform the financial audit of the program according to the Bank procedures and to be submitted within 120 days of the end of each fiscal year, and a final financial audit to be submitted within 120 days after the last disbursement date.
- 3.7 **Procurement policies.** A [Procurement Plan](#) has been agreed upon for the execution period. The MEF will update the procurement plan annually, before the end of each calendar year, or whenever there are any substantial changes. The execution and monitoring system determined by the IDB will be used for updating the procurement plan. Goods, works, and non-consulting services will be procured in accordance with the policies and procedures outlined in the Policies for the Procurement of Works and Goods Financed by the Bank (GN-2349-15); and the Policies for the Selection and Contracting of Consultants financed by the Bank (GN-2350-15). No exceptions to procurement policies are anticipated.
- 3.8 **Single Source Selection (SSS).** While most of the procurement processes will be competitive, the project will single source contracts with a limited number of consulting firms as per dispositions of Procurement Policy GN-2350-15, article 3.11. Individual justification for single source contracting with these firms is explained as follows:

- (i) **Audit Firm AMF Expert (Payroll Audit) (US\$2.25 million):** the current execution agency launched a competitive process where AMF participated in 2021. Their technical proposal demonstrated a good understanding of the mandate, and their financial proposal was made within the Project Budget. Despite the Bank having granted the Non-Objection to the award of this contract, such award did not materialize. Having observed the technical results of this competitive process it is recommended that the mandate to execute this activity, which results are critical to sanitize the pension database, continues to be awarded to AMF Expert, having the firm rightfully won the right to be awarded the contract during its participation to the previous competitive process for the exact mandate.
- (ii) **Consulting firm Papyrus (Technical Assistance to DSI team) (US\$1.04 million):** during the current execution, the firm Papyrus was recruited to provide technical support to the DSI by identifying and providing specialized IT support in the design and implementation of activities under Component 2. These activities will continue under the reformulation to support the design and implementation of the Pay and Pension modules and the biometric registry. Papyrus has proven expertise in the implementation of similar projects and has worked with several ministries to improve public service provision.
- (iii) **Merové-Pierre (External Audit) (US\$0.25 million):** eligible to audit IDB financed projects, the firm was selected to conduct the first audit of this operation. Merové-Pierre has over 40 years of experience in the field and is among the top audits firm in Haiti. For continuation purposes, it is recommended to continue the audit tasks already initiated.

B. Summary of arrangements for monitoring results

- 3.9 **Monitoring.** Monitoring of project execution will focus on two levels: fulfillment of execution of project activities; and achievement of the output and outcome indicators in the results matrix. The project monitoring system comprises the following instruments: (i) [POM](#); (ii) Results Matrix; (iii) Pluriannual Execution Plan ([PEP](#)); (iv) Annual Work Plan; (v) [MEP](#); (vi) [Procurement Plan](#); (vii) Risk Matrix; (viii) Semin-annual Progress Monitoring Reports; (ix) Audited Financial Statements; and (x) Consultants' Terms of Reference. See [MEP](#).
- 3.10 **Evaluation.** To evaluate the project, the results matrix and the [MEP](#) will be used. The project envisions: (i) a mid-term evaluation when 50% of the disbursement or 50% of the planned implementation is reached; (ii) a final evaluation of the technical, administrative, and financial aspects, which is to be conducted when at least 12 months before the end of the project to provide the opportunity to make corrective actions during the implementation period; (iii) ex post economic evaluation, to verify if the estimated benefits of the ex ante analysis were achieved or, if applicable, to justify possible deviations from the planned targets; (iv) an accountability exercise that aims to verify the extent to which the objectives of the retirement program and the efficiency of the financial and administrative systems; (v) verification of milestones reached from the project; and (vi) an impact assessment using the experimental method to estimate the effectiveness of the biometric assistance and payment system financed by the operation, through two possible channels of influence: better control systems in use by the government

and the change in incentives related to payment associated with relative performance increased as a result of reduced absenteeism. The mechanisms and tools that will be used to report on the results of the follow-up will be a source of information for the Project Completion Report.

IV. RECOMMENDATION

- 4.1 Pursuant to: (i) the provisions set forth in subsection B, paragraph 4 of the Operations Administration Manual (OA-430), entitled “Substantial and Fundamental Changes to Operations”; (ii) the provisions of Annex I of GN-2601-2; and (iii) the information and analysis provided in this document, Management recommends that the Board of Executive Directors approve, via short procedure, the reformulation of the “Strengthening Public Management to Improve Service Delivery” (4820/GR-HA) project, as described in this document, pursuant to the provisions set forth in paragraph 3.29(c) of the Regulations of the Board of Executive Directors (DR-398-19) and paragraph 6 of the List of Matters to be considered by the Board via Short Procedure (CS-3953-4).

| Development Effectiveness Matrix | | |
|--|--|---|
| Summary 4820/GH-HA; HA-L1131 | | |
| I. Corporate and Country Priorities | | |
| Section 1. IDB Group Strategic Priorities and CRF Indicators | | |
| Development Challenges & Cross-cutting Issues | -Productivity and Innovation -Gender Equality and Diversity -Institutional Capacity and the Rule of Law | |
| CRF Level 2 Indicators: IDB Group Contributions to Development Results | -Agencies with strengthened digital technology and managerial capacity (#) -Agencies with strengthened transparency and integrity practices (#) | |
| 2. Country Development Objectives | | |
| Country Strategy Results Matrix | GN-2904 | Government's organizations modernized |
| Country Program Results Matrix | | The intervention is not included in the 2022 Operational Program. |
| Relevance of this project to country development challenges (If not aligned to country strategy or country program) | | |
| II. Development Outcomes - Evaluability | | Evaluable |
| 3. Evidence-based Assessment & Solution | | 8.6 |
| 3.1 Program Diagnosis | | 1.9 |
| 3.2 Proposed Interventions or Solutions | | 3.5 |
| 3.3 Results Matrix Quality | | 3.2 |
| 4. Ex ante Economic Analysis | | 7.0 |
| 4.1 Program has an ERR/NPV, or key outcomes identified for CEA | | 1.5 |
| 4.2 Identified and Quantified Benefits and Costs | | 3.0 |
| 4.3 Reasonable Assumptions | | 2.5 |
| 4.4 Sensitivity Analysis | | 0.0 |
| 4.5 Consistency with results matrix | | 0.0 |
| 5. Monitoring and Evaluation | | 8.9 |
| 5.1 Monitoring Mechanisms | | 2.9 |
| 5.2 Evaluation Plan | | 6.0 |
| III. Risks & Mitigation Monitoring Matrix | | |
| Overall risks rate = magnitude of risks*likelihood | Medium High | |
| Environmental & social risk classification | C | |
| IV. IDB's Role - Additionality | | |
| The project relies on the use of country systems | | |
| Fiduciary (VPC/FMP Criteria) | | |
| Non-Fiduciary | | |
| The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions: | | |
| Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project | Yes | IDB recruited procurement and finance specialists to support the MEF. IDB also recruited an audit firm to ensure audit compliance and another firm to audit the retirement program before payment |

Evaluability Assessment Note: The general development objective of the reformulated program is the improvement of public services delivery in Haiti by increasing efficacy, efficiency, and transparency in the areas of human resource management and salaries. The specific development objectives are the following: (i) improve wage control and efficiency by reducing fiscal pressure in the medium and short term; (ii) reduce inefficiencies linked to the use and consolidation of digital technologies in administrative and financial processes; and (iii) the optimization of management, performance, and generation of benefits for the administration of the entity through the implementation of a payroll audit. The program identifies a diagnosis based on labor productivity gaps and institutional, financial, and human resources management weaknesses, which are particularly reflected in low levels of labor productivity and resource concentration. A weak incentive system was identified, which is attributed to inefficient labor selection and static remuneration that ignores annual inflation.

The proposed solutions focus on improving incentives directed to the workforce, encourage the use of technology in the administration of civil services, and the improvement of administrative performance. These are appropriate to respond to the identified problems of (i) precarious provision of civil services; (ii) inefficient provision of public services; (iii) high concentration of jobs occupied by workers of retirement age; and (iv) a weak financial management system linked to wage control in the public sector. The results matrix (RM) is consistent with the vertical logic of the project.

The result indicators are adequately defined to measure the achievements of the program and the fulfillment of its specific development objectives. All impact indicators are aligned with the development of the general objective.

The economic analysis (cost-benefit) of the operation is appropriate, with adequate assumptions for this type of project, in addition, the sensitivity analysis is reasonable. This is based on the benefits of lower economic costs for citizens and companies that use public services, made possible through improvements in the control and efficiency of salary expenditure in the public sector, reduction of inefficiencies in administrative processes, among others, that show a positive net present value effect in the central scenario, as well as under various conditions included in the sensitivity analysis.

The monitoring and evaluation plan includes an impact evaluation that will seek to generate evidence of the attribution of the program related to how the use of the biometric assistance tool and the reform of the payment system impacts the performance and behavior of public officials. For this purpose, an experimental design will be implemented, and the results will be evaluated through a panel survey measuring the difference in the intervention over time between the control and treatment groups. All reference variables were based on administrative data. The rest of the indicators will be measured by the before and after method. The monitoring and evaluation activities will be carried out by the Ministry of Economy and Finance (MEF) in coordination with the Bank.

RESULTS MATRIX

| | |
|-----------------------------------|---|
| Original Project Objective | To expand coverage of the services provided by the MARNDR and the MTPTC by improving the effectiveness and efficiency of government HRM, and the productivity of HRM at the MARNDR, the MTPTC, and other public entities. |
| New Proposed Objective | The specific development objectives are: (i) a better control and efficiency of the wage bill by reducing fiscal pressure in the short and medium term; (ii) a reduction of inefficiencies due to the use and consolidation of digital technologies in administrative and financial processes; and (iii) a payroll audit to allow for optimal management, improve performance and generate benefits for the administration of the entity. Their achievement will contribute to the general development objective to improve public service delivery by enhancing the effectiveness, efficiency, and transparency of HR and salary management. |
| Justification | To put more emphasis in the civil service and salaries reforms under the control of the MEF, with the aim to improve productivity and service delivery. |

GENERAL DEVELOPMENT OBJECTIVE

| Indicators | Unit of measurement | Baseline value | Baseline year | Expected year for achievement | Target (Year 5) | Means of verification | Comments |
|---|---------------------------------|----------------|---------------|-------------------------------|-----------------|--|--|
| General development objective: To improve public service delivery by enhancing the effectiveness, efficiency, and transparency of HR and salaries management | | | | | | | |
| Payroll savings | Percentage | 0 | 2021-2022 | 2027 | 1.9% | Annual payroll expenses | The indicator measures the percentage of wages that are saved, as total of the previous payroll |
| Satisfaction of users of public services | Index Degree of satisfaction | 38% | 2018 | 2027 | 40% | Surveys from reliable sources (Gallup/OCDE) | If the Gallup Survey is not completed between the last semester of 2025 and the first semester of 2026, the project will finance a survey with Gallup |
| Productivity of human resources (time and cost savings) | Percentage | 0 | 2018 | 2027 | 10% | Performance evaluation of the employees and spending on the provision of public services | This measures the time that public workers spend to fulfill tasks, assigned goals, and obtain results with less time spent and fewer resources. The productivity of the public employee is the contribution to the achievement of organizational goals |

SPECIFIC DEVELOPMENT OBJECTIVES

| Indicators | Unit of measurement | Baseline value | Baseline year | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | End of project | Means of verification |
|---|---------------------|----------------|---------------|------------|----------|---------|---------|--------|----------------|--|
| Specific development objective 1. A better control and efficiency of the wage bill by reducing fiscal pressure in the short and medium term | | | | | | | | | | |
| 1.1 Staff included in a communication and change management program of the reforms taken | Number of employees | 0 | 2022 | 0 | 20,000 | 30,000 | 30,000 | 20,000 | 100,000 | Communication firm reports |
| 1.2 Trained employees for the use of newly implemented systems | Number of employees | 0 | 2022 | 0 | 0 | 200 | 100 | 100 | 400 | Evaluation forms completed by employees who attend the training |
| 1.3 Percentage of ghost workers, repeated and with no information in payroll | % | 0.137% | 2022 | 0.136% | 0.12321% | 0.0948% | 0.0536% | 0% | 0% | Employees in the electronic payroll are correctly identified via the payroll audit and biometric registry. Pay audit reports |
| Specific development objective 2. A reduction of inefficiencies due to the use and consolidation of digital technologies in administrative and financial processes | | | | | | | | | | |
| 2.1 Employees registered in the biometric system | Number of employees | 0 | 2022 | 4,072 | 18,716 | 21,431 | 21,146 | 41,791 | 107,156 | MEF and ONI consolidated reports on payroll data and biometric registry |
| 2.2 Level of integration and reconciliation between registration systems | Number of systems | 0 | 2022 | 1 | 1 | 1 | 1 | 1 | 5 | MEF Reports -standalone systems are no longer in use. Pay and Pension Modules are incorporated into IFMIS and the biometric registry |
| 2.3 Annual cost spent on transportation and operations to pay payroll | US\$ | 845,666.35 | 2022 | 837,666.35 | 752,643 | 583,510 | 329,810 | 0 | 0 | MEF reports on expenses recorded in each entity as a concept of transport for the management of paychecks |
| 2.4 Time used annually to issue-collect-cash each paycheck | Hours | 12.02 | 2022 | 11.9 | 10.70 | 8.29 | 4.69 | 0 | 0 | MEF reports on hours spent by employees on payroll management |
| 2.5 Percentage of checks that are issued | % of check issued | 55.52% | 2017 | 54.96% | 49.41% | 38.31% | 21.65% | 0% | 0% | MEF report on checks issued and sent from Port-au-Prince to Departments |

| Indicators | Unit of measurement | Baseline value | Baseline year | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | End of project | Means of verification |
|--|-------------------------|----------------|---------------|--------|--------|--------|--------|--------|----------------|--|
| Specific development objective 3. A payroll audit to allow for optimal management, improve performance and generate benefits for the administration of the entity | | | | | | | | | | |
| 3.1 Percentage of workers eligible (employees 60 years old or more) for retirement actually retire | % of eligible to retire | 0% | 2021-2022 | 4.8% | 6.0% | 8.4% | 7.4% | 2% | 28.6% | Review of Annual Finance Laws Audit reports of the retirement program |
| 3.2 Employees replacing those who have retired, through the recruitment program | Number of employees | 0 | 2021-2022 | 106 | 317 | 384 | 357 | 159 | 1,323 | Annual Finance Laws |
| 3.3 Women hired as part of the recruitment program | % of all new employees | 0 | 2021-2022 | 30% | 30% | 30% | 30% | 30% | 30% | Annual Finance Laws |

OUTPUTS

| Indicators | Unit of measurement | Baseline value | Baseline year | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | End of project | Means of verification | Comments |
|---|---------------------|----------------|---------------|--------|--------|--------|--------|--------|----------------|---|--|
| Component 1. Strengthening of the Civil Service Control System | | | | | | | | | | | |
| 1.1.1 Careers of established public servants (retirement program) | Contract | 0 | 2022 | 212 | 334 | 768 | 714 | 318 | 2,346 | Retirement program audit report | |
| 1.1.2 Accompanying plan implemented | Contract | 0 | 2022 | 1 | 0 | 0 | 0 | 0 | 1 | Periodic reports on support strategy | |
| 1.2.1 Audit firm recruited | Contract | 0 | 2022 | 1 | 0 | 0 | 0 | 0 | 1 | Firm contract signed | |
| 1.2.2 Payroll Audit | Reports | 0 | 2022 | 1 | 1 | 1 | 1 | 1 | 5 | Audit reports | |
| 1.3.1 Training for IT Managers, Administrators, and users | Certification | 0 | 2022 | 0 | 0 | 200 | 100 | 100 | 400 | Curriculum and Training Reports | Pro-Gender 30% of women targeted in the training program |
| 1.3.2 Training of the Treasury Department staff | Certification | 0 | 2022 | 50 | 50 | 0 | 0 | 0 | 100 | | Pro-Gender 30% of women targeted in the training program |
| 1.4.1 Promotional and awareness- | Campaigns | 0 | 2022 | 1 | 1 | 1 | 1 | 1 | 5 | Communication and change campaign reports | |

| Indicators | Unit of measurement | Baseline value | Baseline year | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | End of project | Means of verification | Comments |
|---|---------------------|----------------|---------------|--------|--------|--------|--------|--------|----------------|---|----------|
| raising campaigns implemented | | | | | | | | | | | |
| Component 2. Strengthening of Information Systems for Administrative and Financial Management | | | | | | | | | | | |
| 2.1 Payroll and pension modules implemented | System | 0 | 2022 | 0 | 0 | 1 | 0 | 0 | 1 | MEF report on implementing and using the payroll and pension modules | |
| 2.2 Mandatory biometric registration of civil servants and contractors implemented | Registration | 0 | 2022 | 0 | 0 | 1 | 0 | 0 | 1 | MEF and ONI report on the implementation and use of the Biometric Registration | |
| 2.3 Equipment for interdepartmental connection and security of the computer data of the DSI of the MEF acquired | Equipment | 0 | 2022 | 0 | 0 | 1 | 0 | 0 | 1 | Report on equipment installation and interdepartmental connection functionality | |
| 2.4.1 Processes defined for the classification of documents | Process | 0 | 2022 | 1 | 1 | 0 | 0 | 0 | 2 | Final report with defined processes | |
| 2.4.2 Electronic Document Management System implemented | System | 0 | 2022 | 1 | 1 | 0 | 0 | 0 | 2 | Implementation and functionality report of the system | |
| 2.5.1. Reinforcement of the IT team | Staff rehired | 6 | 2022 | 6 | 0 | 0 | 0 | 0 | 6 | Annual staff contracts | |
| 2.5.2. Enhanced technical capacity of the IT department | Contract | 1 | 2022 | 1 | 0 | 0 | 0 | 0 | 1 | DSI technical assistance report | |
| Component 3. Strengthening of the efficiency and effectiveness of the HR at the MEF and Line Ministries | | | | | | | | | | | |
| 3.1.1. Payment of incentives | US\$ million | 0 | 2022 | 2 | 6 | 7 | 6.5 | 3 | 24.5 | Justification of advances | |

Country: Haiti

Division: IFD/ICS

Operation No.: HA-L1131

Year: 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing Agency: Ministry of Economy and Finance

Operation Name: Strengthening Public Management to Improve Service Delivery (Reformulation)

I. FIDUCIARY CONTEXT OF EXECUTING AGENCY

1. Use of country system in the operation (Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of the Bank's validation).

| | | | |
|-------------------------------------|---|---|---|
| <input type="checkbox"/> Budget | <input type="checkbox"/> Reports | <input type="checkbox"/> Information System | <input type="checkbox"/> National Competitive Bidding (NCB) |
| <input type="checkbox"/> Treasury | <input type="checkbox"/> Internal audit | <input type="checkbox"/> Shopping | <input checked="" type="checkbox"/> Others |
| <input type="checkbox"/> Accounting | <input type="checkbox"/> External Control | <input type="checkbox"/> Individual Consultants | |

2. Fiduciary execution mechanism

| | | |
|-------------------------------------|--|---|
| <input checked="" type="checkbox"/> | Particularities of the Fiduciary Execution | The MEF will be responsible for the fiduciary obligations of the project. A project execution team will be hired by the MEF to carry out all the tasks related to this project. Component 3, Strengthening of the efficiency and effectiveness of the HR at the MEF and Line Ministries (63% of the project) will be managed separately to avoid blockages on the rest of the activities given the status of the justification level of the reformulated operation. This component will finance the implementation of a voluntary retirement program. The advances will be based on the projected retirement incentives to be paid during a period. |
|-------------------------------------|--|---|

3. Fiduciary Capacity

| | |
|--|---|
| Fiduciary Capacity of the Executing Agency | The main highlight of the capacity assessment made is the need to hire a specialized and talented team that will carry out within the MEF all the administrative and fiduciary tasks since the MEF has neither personnel dedicated to the project nor the expertise with Donor Fund Financed Projects. It is then proposed a contractual project team led by Project Coordinator who will supervise a Procurement Specialist, a Financial and Administrative Responsible, and an Accountant. This structure will hierarchically report to the MEF's General Director and will also have a matrix-based dependency on directorates within the MEF such as Treasury, Budget, IT and Civil Pensions. |
|--|---|

4. Fiduciary risks and risk response

| Area | Risk | Risk level | Risk response |
|--------------------|--|------------|---|
| Internal Processes | Delays and bottleneck on administrative, financial management and procurement tasks, this would increase the fiduciary risks for the Bank. | High | Hiring and training an experienced Fiduciary Team, including a Financial and Administrative Specialist, a Senior Accountant, and a Procurement Specialist. |
| Goods and Services | Difficulties in purchasing equipment due to stock availability, this will delay execution of Component 2. | High | Advance acquisition planning and execution taking into account process delays and including early procurement process launch and key supplier identification. |

5. Policies and Guides applicable to operation: Financial Management of the project will be in accordance with the Financial Management Guidelines for IDB-Financed Projects (OP-273-12). Procurement activities under the Project will be undertaken in accordance with the Procurement Policies for Goods, Works, and Non-consulting: GN-2349-15 or future revised version; and the Policies for Selecting and Contracting Firms Bank-Financed: GN-2350-15 or future revised version.

6. Exceptions to Policies and Rules: None.

II. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF THE GRANT AGREEMENT

| |
|---|
| Special contractual clauses of execution (designated accounts and authorized signatures): The MEF will keep four designated accounts for the management of the project resources. For Components 1, 2 and Project Management expenses the MEF will keep one separate account in Dollars of the United States of America (USD) and one in Haitian Gourde (HTG). Similarly, for Component 3 the MEF will keep a separate account in USD and another account in HTG. Authorized signatures for each account will be sent to the IDB by the MEF. |
| Exchange rate: The effective exchange rate on the date of conversion of the currency of the disbursement to the local currency of the Beneficiary will be used to convert expenses in local currency for reporting purposes as indicated in the subsection (b) (i) Article 4.10 of the General Standards. The <i>Banque de la République d'Haïti</i> (BRH) exchange rate will be used as the reference rate. |
| Audit and financial reporting: Throughout the grant disbursement period, the executing agency will submit audited financial statements as follows: (i) annual financial audit of the program within 120 days after the closure of each fiscal year; and (ii) a final financial audit within 120 days after the date of the last disbursement. |

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

| | | |
|-------------------------------------|-----------------------------------|---|
| <input checked="" type="checkbox"/> | Bidding Documents | For procurement of Works, Goods and Services Different of Consulting executed in accordance with the Procurement Policies (GN-2349-15), subject to International Competitive Bidding (ICB), the Bank's Standard Bidding Documents (SBDs) or those agreed between Executing Agency and the Bank will be used for the particular procurement. Likewise, the selection and contracting of Consulting Services will be carried out in accordance with the Policies for the Selection and Contracting of Consultants (GN-2350-15) and the Standard Request for Proposals (SRP) issued by the Bank or agreed between the Executing Agency and the Bank will be used for the particular selection. For any other Procurement Process, a procurement document shall be developed to be agreed between the competent authority of the country and the Bank. The revision of the technical specifications, as well as the terms of reference of the procurements during the preparation of selection processes, is the responsibility of the sectorial specialist of the project. This technical review can be ex ante and is independent of the procurement review method. |
| <input checked="" type="checkbox"/> | Complementary Procurement Support | Complementary Procurement Support is being offered temporarily to assist the MEF during the transition period between the current execution agency and the new structure. Conditions of this support is described in the Technical Operational and Procurement Guide OP-272-3. |
| <input checked="" type="checkbox"/> | Direct Contracting and SSS | The following direct contracting's and SSS have been identified: (i) Payroll Audit (AMF Expert) US\$2.25 million: the current Execution Agency launched a competitive process where AMF participated during 2021. Their technical proposal demonstrated a good understanding of the mandate, and their financial proposal was made within the Project Budget. Despite of the Bank having granted the Non-Objection to the award of this contract, such award did not materialize. Having observed the technical results of this competitive process it is recommended that the mandate to execute this activity, which results are critical to |

| | | |
|-------------------------------------|-------------------------|--|
| | | <p>sanitize the pension database, continues to be awarded to AMF Expert, having the firm rightfully won the right to be awarded the contract during its participation to the previous competitive process for the exact mandate. This justification is in accordance with clause 3.11 (d) from Procurement Policy GN-2350-15.</p> <p>(ii) Technical Assistance to the IT Directorate (Firm Papyrus) US\$1.04 million: during the current execution, the firm Papyrus was recruited to provide technical support to the DSI by identifying and providing specialized IT support in the design and implementation of activities under Component 2. These activities will continue under the reformulation to support the design and implement of the Pay and Pension modules and the biometric registry. Papyrus has proven expertise in the implementation of similar projects and has worked with several ministries to improve public service provision.</p> <p>(iii) External Audit of the Project (Merové-Pierre) US\$0.25 million: eligible to audit IDB financed projects, the firm was selected to conduct the first audit of this operation. Merové-Pierre has over 40 years of experience in the field and is among the top audits firm in Haiti. For continuation purposes, it is recommended to continue the audit tasks already initiated.</p> <p>The justification (ii) and (iii) are in accordance with clause 3.11 (a) from Procurement Policy GN-2350-15.</p> |
| <input checked="" type="checkbox"/> | Procurement Supervision | Ex Ante for all Procurement Processes. Thresholds by Country: www.iadb.org/procurement . |
| <input checked="" type="checkbox"/> | Records and Archives | MEF must ensure the set-up of document management and archive system prior to the commencement of any fiduciary activity. |

Main Acquisitions

| Description of the Procurement | Selection Method | New Procedures/ Tools | Estimated Date | Estimated Amount (US\$) |
|---|--|-----------------------|----------------|-------------------------|
| Goods | | | | |
| Biometric Registry Equipment | ICB | N/A | December 2022 | 900,000 |
| IT Licenses | | | November 2022 | 1,000,000 |
| IT Equipment for Ministerial Inter-Connexion | | | November 2022 | 1,200,000 |
| IT equipment for Pension and Payroll Modules | | | October 2022 | 2,300,000 |
| Consulting Firms | | | | |
| Technical Assistance to IT Directorate | SSS | N/A | October 2022 | 1,044,000 |
| Payroll Audit | | | September 2022 | 2,250,000 |
| Individual Consultants | | | | |
| Project Processes Definition and Electronic Document Management | Selection of individual consultant (Open Invitation or 3 CV) | N/A | November 2022 | 300,000 |

See Procurement Plan [here](#).

IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

| | | |
|---|--|---|
| ☒ | Programming and Budget | The Project Team to be hired by the MEF will prepare the annual operation plan together with its annual budget. Programming and budget planning, execution and monitoring at the project level will rely on IDB's project financial management procedures. Implementation challenges are foreseen due to potential bottlenecks caused by the coordination needed among the different areas within the MEF (i.e. DG, DAAB and DGTCP) that could affect execution. |
| ☒ | Treasury and Disbursement Management | <p>Financial management will be guided by OP-273-12 and the Banks Disbursements Handbook. Funds will be deposited by IDB in project designated Dollars of the United States accounts opened at BRH and transferred to project designated local currency account as needed by Executing Unit for the payment of expenses in HTG.</p> <p>The financial planning for Component 3 of the program, will be planned, monitored, and executed independently from the rest of the operation.</p> <p>The Project Team to be hired by the MEF will prepare annual planning of the project cash flow and will update it quarterly. The projected cash flow of the project will be based on activities planned, the procurement plan and payment terms agreed with suppliers and project beneficiaries. The projected annual cash flow will be the basis for determining the advances of funds to be disbursed by the Bank to the MEF.</p> <p>Advances of funds will cover the financial needs for up to four months based on the updated financial plan and needs required for the execution of project's activities planned as approved in the annual operations plan and updated on the procurement plan. After the first year of execution and upon performance, advances of funds might cover the needs for a period of up to six months.</p> <p>Given the coordination required between the MEF and line ministries to implement project activities, the operation is expected the justification of advances to be set at 75% to receive a new advance of funds.</p> <p>Prior agreement with the Bank and according with the OP-273-12 and the Grant Agreement, the project could also use Direct Payments and Reimbursement of Expenses methodologies for disbursements.</p> |
| ☒ | Accounting, Information Systems and Reporting | <p>QuickBooks software will be used for the financial administration of the project and will generate financial reports according to the chart of accounts and investment components approved for the project. Modified cash basis will be used for accounting purposes and the International Financial Reporting Standards will be followed when applicable, in accordance with the established national criteria. Financial reports will be presented in Dollars of the United States.</p> <p>For Component 3, five designated public accountants will approve and record transactions on SYSCOMPT that will be later recorded on the accounting system set for the operation, QuickBooks. The Operations Manual will refer to this procedure in detail.</p> <p>In addition to the policies and guides applicable to the operation, the MOP will be used with the documented definition of internal workflows and controls.</p> |
| ☒ | Internal Control and Internal Audit | <p>Based on the institutional capacity evaluation, the MEF has an internal audit service performed by the <i>Inspection Générale Fiscale</i>, which performs the internal control functions. Given the structure foreseen for the program, the internal audit function applied to the program would be low and therefore, the internal control of the unit will be based on the unit procedures as well as the operations manuals and IDB Guidelines.</p> <p>Regular supervisions reports and recommendations will be used to monitor and strengthen the internal controls within the unit.</p> |
| ☒ | External Control: External Financial Audit and Project Reports | <p>The MEF will select and/or contract external audit services in accordance with the terms of reference previously agreed between the borrower and/or the Executing Agency and the Bank. These will establish the type of review, opportunity, and scope. The selected external auditor and the audit rules to be applied will be acceptable to the Bank. External financial audits will be performed in accordance with the Bank's policies and Handbooks. The annual project financial statements will correspond to the Haitian fiscal year and will be audited by an independent firm eligible to the Bank. The project audited financial statements will be submitted annually to the Bank 120 days after the closing of Haiti fiscal year or the last disbursement date.</p> |

| | | |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | Project Financial Supervision | Financial supervision will be conducted monthly on an ex post basis and will consider on-site Inspection visits and “desk” reviews, as well as the analysis and follow-up of the results and recommendations of the audits of the financial reports, the review of justification of advance and the reconciliation of project accounts. |
|-------------------------------------|-------------------------------------|---|

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Haiti. Modification to the project “Strengthening Public Management to Improve Service Delivery” (Modification to Nonreimbursable Financing No. 4820/GR-HA)

The Board of Executive Directors

RESOLVES:

1. To approve the modification to the project “Strengthening Public Management to Improve Service Delivery”, in accordance with the terms and conditions established in document PR-4696-1.

2. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the IDB Grant Facility, to enter into such contract or contracts as may be necessary with the Republic of Haiti, as beneficiary, to implement the modification to which reference is made in paragraph 1.

(Adopted on ____ 2022)