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Combating Corruption through the Integrated Financial Management System (IFMS)

Background: In 2004 USAID entered a ground-breaking partnership with the Government of Haiti (GOH). Working closely with the Ministry of Finance (MEF), USAID provided the software and technical support needed to introduce the Integrated Financial Management System (IFMS) at the MEF. The primary function of this system is to allow the MEF to monitor financial transfers to line ministries and other public entities including the Haitian tax authority and Customs Agency. Not only does the IFMS make all financial transactions transparent, it also allows the GOH to process budget requisitions in a timely and transparent manner. This anti-corruption program will be implemented in various phases. Phase I and II, already completed, established a network a Metropolitan Area Network (MAN) linking the MEF and 41 GOH institutions and entities to the IFMS system. Under Phase III, the system will be piloted in at least three regions of Haiti, and the software will be upgraded. Under Phase IV, the system will be expanded nationwide including training for users at the municipal, regional, and national levels.

Objectives: The overall IFMS program is combating corruption through technological solutions. Specific program objectives include: 1) Assisting the GOH, MEF, and other entities in the ongoing struggle to combat corruption through the design, installation and expansion of the IFMS and the implementation of improved internal financial controls systems; 2) Supporting the GOH's efforts to comply with the Inter-American Development Bank (IDB) and the International Monetary Fund (IMF) and World Bank (WB) preliminary requirements to obtain loans for budget support, and 3) Improving transparency and government accountability in governance.

Activities: During the Haiti IFMS Phase I and II, the following activities were implemented:

- **Forty-one GOH institutions** in Port-au-Prince were connected through the Metropolitan Area Network (MAN) that provides automated financial applications and allows for MEF and an independent anti-corruption unit to monitor the system.
- The **41 GOH** institutions including the MEF, customs and tax authorities now using the MEF budget requisition process were able to access a locally-developed expenditure tracking system called SYSDEP.
- **The GOH-supported Office for the Fight Against Corruption (ULCC) analysts** used the MAN network to access MEF's and other ministries' financial transactions data, and identified several irregular transfers leading to investigations now underway. The IFMS allows the ULCC to effectively monitor and oversee the procurement process of 41 GOH institutions.
- **The Financial Intelligence Unit (UCRF)** of the Ministry of Justice and Public Security received technical assistance to upgrade its infrastructure and to develop and implement its interface application.
- **Three Internal Revenue Service (DGI) offices in Port-au-Prince and Motor Vehicle Administration** are using the MAN network to access the personal identification cards and driver's license vehicle registration (CIF/DLVR) application database. The State Car Insurance Corporation is interconnected to the DMV and IRS for vehicle insurance and tax verification purposes.
- **Three Customs offices (AGD)** are interconnected using the customs software application ASYCUDA World.



Ministry of Finance IT technician using USAID funded equipment to manage budget flows

- The **National Port Authority of Haiti (APN)** received technical assistance and equipment to build a local area network and improve access to Internet. The assistance has helped improve business processes and bring APN closer to international maritime standards.

Phase III of the IFMS project started in 2007 and has focused on the expansion of the network to 34 sites in 16 regions. USAID support under Phase IV will strengthen UCREF and further expand the system to the municipal level. This will not only strengthens GOH's capability in the fight against corruption but also increases tax and revenue collection nationwide.

USAID Support: \$3.5 million

Life of Program: October 2004 to June 2009

Geographic Focus: This program has a nationwide focus with particular target zone programming in Port-au-Prince, Gonaïves, Cap Haitian, Fort Liberté, Jérémie, Ouanaminthe Port-de-Paix, Hinche, St Marc, Source matelas, Malpasse, Petit Goave, Miragoane, Cayes, Croix des Bouquet, Carrefour, and Belladere.

Implementing Mechanism and Partner: Blanket Purchase Agreement with System Applications and Research (SRA). The GOH stakeholder is the MEF.

FY08 and Prior Year Program Results: In FY 2008, the first MEF regional network extension connecting the GOH offices to Jacmel was completed and is now being utilized by the Jacmel Regional DGI and MEF offices to deliver decentralized public services. DGI offices in the outskirts of Port-au-Prince (Croix-des-Bouquets and Carrefour) were connected to the MEF MAN. The communication links were established and these offices will be the next point of decentralization of public services to citizens.

Linking 41GOH institutions: The establishment of the GOH's IFMS was a major step toward Haiti's compliance with the IDB conditionality for further financial assistance. In addition to improving transparency and government accountability, this system helps satisfy the IMF and WB requirements and conditions for reduced petty cash accounts and amounts. Moreover, the IFMS system facilitates the electronic submission of budget requisitions by all GOH institutions and significantly reduces the timeframe for their processing. It also enhances audit, internal, and external control on all GOH budget expenditures, cash management, and spending. This system is considered to be a step toward timely financial reporting to the GOH, citizens, and international organizations.

GOH Anticorruption Unit (ULCC): The ULCC is using the network to gain access to MEF financial data and track suspicious transactions. USAID support has helped the ULCC to better conduct investigations related to corruption in the public sector. As a result, ULCC was able to investigate four major corruption cases within GOH institutions and agencies. The investigation reports were referred to judicial authorities.

GOH Financial Intelligence Unit (UCREF): The UCREF application provides for electronic data transfer from commercial banks to its database in compliance with the Law on Money Laundering and Drug Trafficking. It is the first and currently only such application in the Caribbean and Central America. Because of this application, UCREF is better equipped to conduct investigations and move cases forward. As a result, UCREF was able to collaborate with the Haitian National Police in the seizure and forfeiture of properties associated with drug traffickers incarcerated in the United States. To date, approximately 40 properties including residences, businesses, and bank accounts valued at over \$20 million are subject to seizure.

Tax Revenue System: USAID assistance significantly increased revenue collection through GOH business applications such as the CIF/DLVR. **AGD:** USAID assistance helped consolidate the Haitian customs system, known as ASYCUDA/SYDONIA, so that all customs office in the metropolitan area can have access to a unified system.

Expected results over the Life of the Project: USAID support to the GOH in fighting corruption through the IFMS will provide a national network that virtually eliminates opportunity for corruption in the financial sector and increases public revenues through more efficient tax collection and financial management



USAID-funded IT equipment are installed on a tower to provide network connectivity to the Ministry of Finance Metropolitan Area Network