

INSTITUTIONAL STRENGTHENING OF THE CUSTOMS ADMINISTRATION

(TC-95-09-06-1)

**EXECUTIVE SUMMARY**

**REQUESTER:** Republic of Haiti

**EXECUTING AGENCY:** Ministry of Economy and Finance

**BENEFICIARY:** Administration Générale des Douanes

**FINANCING:** Swiss Government: US\$1,100,000  
Total: US\$1,100,000

**TERMS:** Execution period: 18 months  
Disbursement period: 24 months

**ENVIRONMENTAL CLASSIFICATION:** The Environmental Management Committee, at its meeting of December 1, 1995, classified this as a Category II operation.

**OBJECTIVES:** The objective of the technical cooperation is to assist the Government of Haiti to increase customs duty collections by improving administration and management practices at AGD and by reducing smuggling.

**DESCRIPTION:** This technical cooperation is designed to assist the AGD increase customs duties collections and curb significantly smuggling. The technical assistance program will concentrate on:

(a) simplification of operating procedures for clearing of merchandise; (b) provision of data and means needed for accurately determining pricing of merchandise and lowering the incidence of smuggling; and (c) implementation of a training program for Customs employees and others involved in foreign trade.

**BENEFITS:** The project will improve administration and management practices at customs administration making it more efficient which will result in increased revenues for the country. It will ensure sustainability of government revenue and reduce the arbitrariness in trade regime administration.

This program will reduce trade barriers by increasing the efficiency of the customs administration, limiting the discretionality of customs officers, reducing compliance costs and guaranteeing a fair and neutral treatment to all importers and exporters.

**RISKS:**

If the structural reforms are delayed and the salary structure does not permit to hire or keep the technical staff, sustainability of the information systems and training program could be put at risk.

**THE BANK'S  
COUNTRY STRATEGY:**

Bank assistance to Haiti is designed to support the GOH efforts to achieve financially sustainable social, economic and environmental development. Bank interventions in Haiti in 1996-1998 will focus on three strategic areas: Investment in human capital; institutional strengthening; and private sector development. In this context, the Bank will seek to strengthen the capability of Haitian institutions to direct and manage the development process and to stimulate private sector growth in Haiti by carrying out, among others, coordinated interventions designed to establish and maintain a sound policy framework that addresses macroeconomic imbalances.

**CONTRACTUAL  
CONDITIONS:**

Prior to first disbursement of this operation the government will present evidence to the Bank that: 1) the National Coordinator has been assigned and the Coordination Unit has been established within AGD, and 2) the resources for the infrastructure reconditioning of customs premises have been identified.

## I. BACKGROUND

### A. Macroeconomic Context

- 1.1 Economic and social conditions in Haiti deteriorated significantly over the past four years, with a cumulative decline in GDP of 30 percent since 1991. The deterioration of the economic situation accelerated during 1994, and due to a tightening of the embargo the GDP declined 10 percent, inflation reached 50 percent and the currency fluctuated abruptly depreciating from 12.4 G/US\$ in 1993 to 21 G/US\$ in August 1994. The exchange rate recovered to 14.7 G/US\$ with the lifting of the embargo and remained about that rate through the end of 1994. GDP growth for 1995 is estimated at 4.5 percent with the average rate of inflation expected to drop to around 20 percent. The gourde remained at around G14-16 per US dollar for the first three quarters of 1995.
- 1.2 The economic recovery program adopted by the Aristide administration with the support of the IMF, focuses on reestablishing fiscal stability, promoting private sector development and alleviating poverty. On the fiscal side, there is significant pressure to increase government expenditure given the needs to rehabilitate infrastructure, to undertake more social expenditure and to finance constitutional and political change in the form of institution building and strengthening.
- 1.3 Central government revenues fell from 7 percent of GDP in 1990 to 3 percent in 1994, but have recovered significantly and are expected to reach more than 7.5 percent during 1995. However, this increase is not enough to compensate for increased expenditures which are expected to rise from 8.8 percent of GDP in 1994 to around 11 percent in 1995.
- 1.4 The government's program to pursue macroeconomic and fiscal stability lacks an appropriate institutional framework to implement the legislation and to generate increased revenues in a manner which is neutral and which maintains a competitive environment for the private sector.

### B. Administration Générale des Douanes

- 1.5 The Administration Générale des Douanes (AGD) operates as an autonomous service of the Ministry of Economy and Finance and is responsible for collection of customs duties, the value added tax (Taux sur le Chiffre d'Affaires) on imported merchandise, consular duties and the income tax. Collection of taxes by AGD is equivalent to 30 percent of the Government's total fiscal income.
- 1.6 The AGD lacks the necessary human and material resources to work efficiently, a problem common to both the central offices and the offices in the provinces. Customs surveillance is almost non-existent and means to install fiscal controls are lacking. Further, poor training of agents diminishes the efficiency of the

Customs control and operations and procedures are typically done manually.

**C. Technical Assistance**

- 1.7 Given Haiti's critical fiscal situation and the important role that AGD and DGI (Direction Générale des Impôts) play in achieving Government's revenue targets (and the Stand-By Agreement with the IMF), both agencies have received a significant amount of attention from the donor community.
- 1.8 In 1989-90 the UNDP executed a technical assistance program to implement an automated information system for customs data known as ASYCUDA. <sup>1/</sup> The program was interrupted after the military coup in 1991 and the resulting impossibility of implementing staff training and system installation. With the reinstatement of the democratic Government, multilateral and bilateral donors (UNDP, IMF, IDA, CIDA, EU and the Swiss government) showed interest in strengthening AGD. A broad and coordinated program to strengthen AGD was put forward by the Government of Haiti with help from UNDP. As for the Bank, it has been proposed that it addresses structural issues to improve administrative and managerial practices of the customs administration through the present Technical Cooperation project. In spite of a clear definition of areas of activity for each donor, the conceptualization and execution of the proposed technical assistance program will require close coordination among the donors.

**D. Bank Strategy and Rationale for Involvement**

- 1.9 Bank assistance to Haiti is designed to support the GOH efforts to achieve financially sustainable social, economic and environmental development. Bank interventions in Haiti in 1996-98 will focus on three strategic areas: investment in human capital; institutional strengthening; and private sector development. In this context, the Bank will seek to strengthen the capability of Haitian institutions to direct and manage the development process and to stimulate private sector growth in Haiti by carrying out, among others, coordinated interventions designed to establish and maintain a sound policy framework that addresses macroeconomic imbalances.
- 1.10 Economic stability has taken center stage in policy discussions since the reestablishment of the democratic government. Given the pressing need to maintain a sound budget, the fiscal strategy in Haiti relies heavily on increased government revenues in order to restore pre-1991 levels to 9.5 percent of GDP by 1995/96 and pursuing further improvements in the coming years. In addition, the

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/ Automated System Customs Data, developed by United Nations Conference for Trade and Development (UNCTAD).

need to assist the Government of Haiti to establish basic controls along the borders and coasts to significantly curb smuggling provides an additional justification to undertake the present technical assistance.

## II. OBJECTIVES AND BENCHMARKS

### A. General Objective

- 2.1 The objective of this Technical Cooperation is to assist the Government of Haiti to increase customs duty collections by improving administration and management practices at AGD and by reducing smuggling.

### B. Specific Objectives

- 2.2 The following are the specific objectives of the project:
- a. strengthen basic customs administration procedures;
  - b. provide on-the-job-training to AGD staff and strengthen the École des Douanes;
  - c. improve the organizational structure and management practices of the AGD, and;
  - d. improve public awareness of tariff and customs legislation in order to facilitate trade operations.

### C. Benchmarks

- 2.3 Program performance will be measured against the benchmarks established in the following table:

TABLE 1: BENCHMARKS

Activity	Benchmark	Month
Group a. Simplification of procedures for clearing.	Approval and implementation of manuals to control the Cargo manifest;	4
	implementation of ASYCUDA's manifest module; training of 15 officers to implement the Cargo manifest control. Implementation of an automated system to process and assess customs duties in Port-au-Prince and the airport office.	8
Group b. Valuation of merchandise and lower incidence of smuggling	Five customs offices have been connected to the pricing system at the central level.	16
Group c. Training	60 customs officers trained	6
	80 customs officers trained	12
	70 customs officers trained	18

### III. THE PROGRAM

#### A. Description

##### 1. Activities

- 3.1 The activities included in this result from a coordination process among donors involved in the global technical assistance to the Customs Administration (UNDP, CIDA, USAID, European Union). The Bank's program activities are oriented towards achieving specific goals and are grouped as follow: (a) simplify operating procedures for clearing merchandise; (b) provide data and sources of information needed for accurate merchandise pricing and reducing the incidence of smuggling; and (c) develop an on-going training program for Customs employees and others involved in the administration of foreign trade.

##### a. Simplified clearance procedures

- 3.2 The following actions will be carried out:

- (i) implement an automatized system to control the Cargo Manifest;
- (ii) coordinate with the Autorité Portuaire Nationale (APN) the supervision of the Cargo Manifest and temporary storage of merchandise;
- (iii) prepare manuals on procedures for clearance, transit, temporary admission and entry in warehouse;
- (iv) design and implement a Single Customs Declarations Form, to be processed in an automatized manner and used for compilation of statistical records;
- (v) update of the Non-Governmental Organizations (NGO) Census and verify its exemptions system;
- (vi) implement an automatized system to control payments of customs duties, by means of establishing a linkage between the Banque de la République d'Haiti, Customs and Treasury.

##### b. Merchandise valuation and incidence of smuggling

- 3.3 This group includes actions needed to supply Customs with the information and equipment necessary for determining the value of merchandises and for patrolling the coasts and borders of the country. The actions are:

- (i) procurement of a central computer to store and provide on demand information on prices of imports into Haiti;

- (ii) implement procedures and mechanisms to collect and update prices of imports;
- (iii) establish electronic connections between the Customs offices and central computer;
- (iv) define and implement procedures for the valuation of merchandise;
- (v) create and organize mobile teams for surveillance of places with records of smuggling activities;
- (vi) procurement of vehicles and radio equipment to establish communication between provincial Customs offices and Headquarters.

c. Training

3.4 To increase the staff performance at AGD, the program will:

- (i) provide training to Customs agents and staff in charge of fiscal supervision in harbors, coasts, borders and airport;
- (ii) strengthen the École des Douanes by hiring instructors and designing a permanent training program for Customs employees and others involved in foreign trade;
- (iii) provide training to a minimum of 200 Customs employees;
- (iv) finance a specialized training program for five staff members with emphasis on the study of valuation, fraud prevention and customs management.

2. Requirements

3.5 **Consulting services.** To execute the program will require up to 25 person/months of international consulting services and national counterpart. Terms of reference for the following individual consultants are detailed in Annex I: an international expert in Customs Administration (6 months); an expert in valuation of merchandise (6 months); an expert in the Harmonized System (6 months); an expert in legislation (4 months); and one expert in training (3 months).

3.6 **National counterpart.** The Customs Administration will assign, on a full time basis, a core group to the Coordination Unit (CU), (see para 3.9) for the period of execution of this program. The core group will consist of: one senior customs administration expert to act as National Coordinator, one customs expert, one accounting expert, one expert in human resources and training, and two

administrative assistant. The assignment of the national counterpart staff to the CU will be a condition prior to first disbursement.

- 3.7 **Equipment.** The Program will finance the following equipment: 7 computers to connect Customs offices with the Autorité Portuaire Nationale and the Banque de la République d'Haiti; radio and fax equipment; four vehicles to patrol the coasts and border and training equipment .
- 3.8 **General support.** The Ministry of Economy and Finance and AGD will provide the required administrative support to ensure normal development of the activities of the project. This support should include: adequate office space and security for project equipment, space for workshops and seminars, office supplies, secretarial services, communications and publications.

**B. Execution**

- 3.9 **Coordination Unit.** The MEF will have overall responsible for the implementation of this technical cooperation. However, it was agreed with the MEF that day-to-day responsibility for execution of the program activities will reside with the Customs Administration AGD. A Coordination Unit (CU) will be created within the MEF. The CU will be headed by a National Coordinator and the CU staff will serve as counterparts to the consultants to be provided under the project, see paragraph 3.6.
- 3.10 **Coordination Committee.** A Coordination Committee will be established by the MEF and will include as members the representative of the MEF, the AGD Director, the representatives from IDB and UNDP. The Coordination Committee will set the main guidelines of the project and approve the work plan, progress reports and make decisions on technical matters. The Committee will meet every month.

**C. Progress Reports and Supervision**

- 3.11 The Bank's Country Office will be responsible for the inspection and supervision of this operation. The Fiscal Unit (INT/FIS) and RE2/OD4 will be responsible for the technical content of the project and will coordinate with the Country Office on the timing of supervision missions. The following reports will be prepared by the Coordination Unit and presented by the MEF to the Bank:
- (a) An initial report, to be presented within 60 days from the hiring of the National Coordinator. The initial report will include: a proposed program of activities for the project and a detailed implementation calendar for the first six months, a description of the supervision mechanisms to be used in order to assess progress, and an estimate of the consultant services required for the first semester.



- (b) Brief quarterly program reports (maximum 10 pages due not later than 10 days after the end of the quarter) should include the activities completed during the previous quarter, problems faced and solutions provided; activities programmed for the next quarter and an assessment of consultant requirements;
- (c) A final report, to be submitted within 15 days after project completion, should include a summary of the activities performed and a thorough assessment and evaluation of the extent to which the objectives of the technical cooperation were achieved.

3.12 **Financial statements** to be submitted within 90 days after the end of each year of execution and the date of final disbursement. All financial statements must be audited by an independent firm accepted by the Bank.

D. **Disbursement and Execution Periods**

3.13 The technical cooperation resources will be disbursed during a period of 18 months while the activities of the program will be executed during a period of 12 months, counting from the date of contract signature.

E. **Cost and Financing**

3.14 Program costs are estimated at US\$1,176,000 which will be financed by Swiss Government up to US\$1,100,000 and the rest by local funds. The detailed Budget is presented below:

TABLE 2: BUDGET

Budget category		IDB	COUNTERPART	TOTAL
1.0	Individual consultants			341,000
1.1	Fees: a) international			172,000
	One customs expert (6 months x US\$ 7.000)	42,000		
	Expert in customs law (4 month x US\$10.000)			
	Expert in Harmonized System (6 month x US\$ 6.000)	36,000	40,000	
	Expert in customs valuation (6 month x US\$ 6.000)	36,000		
	Expert in training (3 month x US\$ 6.000)	18,000		
	b) Local			129,000
	National Coordinator (6 month x US\$ 3.000)	18,000		
	Expert in customs (6 months x US\$ 2.000)	12,000		
	Expert in accounting (18 month x US\$1.000)	18,000	36,000	
	Expert in training (17 month x US\$1.000)	17,000		
	Administrative assistants (35 month x US\$800)	28,000		
1.2	Other consulting costs:			90,000
	"Per diem": 21 months x 30 x US\$ 130	82,000		
	Tickets: 4 x US\$ 2.000	8,000		
3.0	Training			310,000
3.2	Scholarships Overseas	19,000		
3.3	Training-on the job	291,000		
6.0	General support			400,000
6.3	Equipment: 7 PCs and modems	30,000		
	4 vehicles	100,000		
	Radios and faxes	170,000		
	Training	80,000		
6.5	Communications	20,000		
7.	Publications	20,000		20,000
98.	Contingencies	105,000		105,000
	<u>TOTAL</u>	1,100,000		1,176,000
			76,000	

F. Contractual Conditions

- 3.15 Prior to first disbursement of this operation the government will present evidence to the Bank that: 1) the National Coordinators has been assigned and the CU has been established within the MEF and, 2) the resources for the infrastructure reconditioning of customs premises have been identified.
- 3.16 As requested by the MEF, the Bank will authorize the creation of a rotating fund equivalent to 10 percent of the total amount of the technical assistance. Following established Bank procedures, drawings from the fund will be replenished after satisfactory justification is presented to, and accepted by, the Bank.

#### IV. BENEFITS AND RISKS

##### A. Benefits

- 4.1 **Increased customs revenues.** The project will improve administration and management practices at MEF making it more efficient, which will result in increased revenues from customs duties. Further, the operation will ensure sustainability of government revenue and reduce the arbitrariness in the administration of international trade.
- 4.2 **Private sector development.** This program will reduce trade barriers by increasing the efficiency of customs administration, limiting the discretion of customs officers, reducing compliance costs and guaranteeing a fair and neutral treatment to all importers and exporters.

##### B. Risks

- 4.3 **Multidonor coordination.** Various donors, including the IMF, UNDP, IDA, IDB, European Union, and the French and Swiss Government, participate in diverse areas of institutional strengthening and government reform. In principle the areas of activity of each of these donors are clearly defined and interrelations noted. In practice, efficient execution will require continuous coordination between and among donors and leadership from the MEF and AGD. Coordination and leadership may be put in jeopardy by the general instability of the country.
- 4.4 **Project sustainability.** Upon the completion of project activities, AGD should hire experts in information systems. If the structural reforms are delayed and the salary structure does not permit to hire them, sustainability of the information systems and training program could be put at risk.

#### V. EVALUATION

- 5.1 The evaluation will focus on the accomplishments of the programmed activities and the attainment of the objectives set forth in this plan of operations. The evaluations to be conducted are described below:
- 5.2 **Interim Evaluation.** The Bank will conduct an interim evaluation during the tenth month after hiring the International Coordinator. The evaluation will assess the completion record of programmed activities, how well the terms of reference were carried out and the success in integrating Haitian counterpart into the project. The evaluation team will produce an aide memoire to be signed with the MEF that lists the actions necessary to correct observed deficiencies.

- 5.3 **Final Evaluation.** After receipt of the Final Report (see paragraph 3.12.c.) the Bank will evaluate the achievements of the project and list the lessons learned that can be applied to future operations. The evaluation team will produce an aide memoire signed with the MEF which will include the Final Project Report approved by the Coordination Committee.

PROPOSED RESOLUTION

HAITI. NONREIMBURSABLE TECHNICAL COOPERATION FOR  
THE INSTITUTIONAL STRENGTHENING OF  
CUSTOMS ADMINISTRATION

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreement or agreements as may be necessary with the République d'Haiti and to adopt such measures as may be pertinent for the execution of the plan of operations referred to in Document AT-\_\_\_\_\_, with respect to a nonreimbursable technical cooperation for the Institutional Strengthening of Customs Administration (the "Program").

2. That up to the sum of US\$1,100,000 (the "Financing"), or its equivalent in other currencies, is authorized for the purposes of this Resolution, chargeable to a specific Project account (the "Project Account") to be financed with funds from the Government of the Swiss Confederation.

3. That the Financing is to be provided on a nonreimbursable basis.

4. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Government of the Swiss Confederation to receive the Financing in the Project Account and to administer the Program.

5. That the execution of the agreement or agreements mentioned in paragraph 1 of this Resolution be conditioned on the execution of the contract or contracts mentioned in paragraph 4 of this Resolution.