

INSTITUTIONAL STRENGTHENING OF THE DIRECTION GÉNÉRALE DES IMPÔTS  
(DGI)

TC-95-09-04-5

EXECUTIVE SUMMARY

**BORROWER AND GUARANTOR:** REPUBLIC OF HAITI - MINISTRY OF ECONOMY AND FINANCE

**EXECUTING AGENCY:** DIRECTION GENERALE DES IMPOTS - MINISTRY OF ECONOMY AND FINANCE

**AMOUNT AND SOURCE:**

IDB:	US\$ 1,920,000 (financed by the Swiss government)
Local counterpart funding:	US\$ 132,000
Total:	US\$ 2,052,000

**OBJECTIVES:** The objective of the technical cooperation is to assist the Government of Haiti to improve administration and management practices at DGI in order to increase tax collections and expand the tax base in the very short term. This technical cooperation should lay the ground work for the modernization of DGI in the medium term which will guarantee the sustainability of government revenues and foster a competitive environment conducive to private sector development.

**DESCRIPTION:** The programmed activities are organized in three components: Component I will concentrate on actions to improve performance of DGI in the short term; Component II will address the establishment of a Large Taxpayer Unit; and Component III will deal with implementation of structural changes in organization, management of human resources, legislation and permanent training.

The main project activities are:

- i. Support the creation of a Large Tax Payers Unit (LTU);
- ii. Upgrade the registry of taxpayers and strengthen basic tax administration procedures;

- iii. Provide on-the-job training to DGI staff and support the creation of an Ecole d'Etudes Fiscales;
- iv. Improve the organizational structure and management practices at DGI;
- v. Design and implement a system for management of human resources and identify personnel requirements and profiles;
- vi. Introduce new computer systems and procedures at designated DGI offices based on the experience of the LTU;
- vii. Provide support for the redrafting of tax legislation and introduction of a Fiscal Code.
- viii. Improve public awareness of tax legislation and taxpayer rights and obligations;

**ENVIRONMENTAL  
CLASSIFICATION:**

The Environmental Management Committee, at its meeting of August 29, 1995, classified this as a Category II operation.

**BENEFITS:**

**Increased tax revenues and fiscal presence.** The project will improve administration and management practices at DGI making it more efficient which will result in increased tax revenues. It will ensure sustainability of government revenue and, through increased fiscal presence, enhance the fiscal awareness in the country.

**Private sector development.** By increasing the efficiency of the tax administration, limiting the discretionality of tax inspectors, reducing compliance costs and guaranteeing a fair and neutral treatment to all taxpayers, this program will reduce barriers to private sector activities in the country.

**RISKS:**

**Timing of the operation.** The DGI administration has made explicit its continuous support to this Program, which should be reconfirmed by the new authorities at the Ministry of Finance. Program continuity may be at risk with the expected change of government in February 1996, after the new President takes office. Smooth implementation of the program will thus rely significantly on continued MEF support.

**Hiring of incremental staff.** Upon completion of the project, DGI should hire the experts in training and information systems. If the structural reforms are delayed and the salary structure does not permit hiring them, 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.

Economic stability has taken center stage in policy discussions since the reestablishment of the democratic government. Fiscal containment is at the heart of the SAC and ESAF operations currently being prepared by IDB, World Bank and IMF. Given the pressing needs to maintain a sound budget, the fiscal strategy in Haiti relies heavily on increased government revenues seeking to restore pre-1991 levels to 9.5% of GDP by 1995/96 and pursuing further improvements in the coming years.

The technical assistance that is the object of this operation is amply justified in agreement with the Bank's strategy and the need to strengthen DGI to guarantee success of fiscal strategy of the Government of Haiti.

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

Prior to first disbursement of this operation the government will present evidence to the Bank that: 1) the LTU core personnel has been assigned on a full time basis; 2) the location for the LTU is furnished and occupied by LTU staff; 3) PEU has been established within DGI and the National Coordinator and PEU staff have been assigned to the PEU; and 4) the computer terminals and ID lamination machine for the Taxpayer Identification Section have been procured.

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As a condition for last disbursement, DGI will make sure that the national consultants hired by the project as incremental staff, are incorporated as DGI staff at least 3 months prior to completion of the project.

## I. BACKGROUND

### A. Macroeconomic Context

- 1.1 Economic and social conditions in Haiti deteriorated significantly during the past four years, showing a cumulative decline in GDP of 30% since 1991. The deterioration of the economic situation accentuated during 1994 due to the strengthening of the embargo: GDP declined 10%, inflation reached a level of 50% and the currency fluctuated abruptly depreciating from 12.4 G/US\$ in 1993 to 21 G/US\$ in August 1994 but reaching 14.7 G/US\$ by year end. GDP growth for 1995 is estimated at 4.5 percent, while the average rate of inflation dropped to around 20 percent and the gourde remained at around G14-16 per US dollar for the first three quarters of 1995.
- 1.2 The economic recovery program implemented by the democratic government 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 during 1995 and are expected to reach more than 7.5 percent. This increase however, 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 has been taking adequate policy measures to pursue macroeconomic and fiscal stability but its institutional framework needs further strengthening to enforce existing legislation and to guarantee increased revenues in a neutral environment of fair competition for the private sector.

### B. The Direction Générale des Impôts

- 1.5 The Direction Générale des Impôts (DGI) operates as a deconcentrated service of the Ministry of Economy and Finance (MEF) and is responsible for the collection of all national and municipal taxes and fees, with the exception of customs duties. The organizational structure is dense since DGI not only concentrates collection of all government revenues but is also responsible for the administration of all government properties, the legal representation of the state in litigation, the registry of properties and judicial and civil acts.
- 1.6 The institutional capacity of the Direction Générale des Impôts (DGI) is poor and is the result of administrative and managerial disregard for many years. Working conditions at DGI are deficient

and staff perform most tasks manually in overcrowded offices and inadequate buildings. Manual procedures have deteriorated into complex and repetitive tasks, which complicate taxpayer compliance, generate unnecessary delays and do not even guarantee an effective control over collections.

- 1.7 This situation is somewhat worsened by the excessive number of staff (1700 in total), relative to the small number of potential taxpayers, and their low level of training and lack of motivation, triggered in part by the low salary levels. Currently, 95% of tax revenue is collected by 1000 employees in the Port-au-Prince metropolitan area while 700 employees collect the remaining 5% of revenues in rural areas.
- 1.8 Staff skills are in general very low and staff lack the knowledge of basic procedures, accounting principles and legislation. In addition, DGI operates in an environment where top management is excessively involved in everyday operational activities, lacking a true normative direction. These factors make DGI's operation extremely inefficient and inhibit DGI from assuming a more active role with respect to the tax payers.

C. Technical Assistance to DGI

- 1.9 Given the critical role that DGI plays in satisfying the revenue targets in the economic program of the Government and the Stand-By agreement with the IMF, DGI has been the subject of a significant amount of attention. The Government established that all assistance to DGI be coordinated by the IMF. As a result, it was agreed that the IMF would provide the main expert for the creation of a Large Taxpayers Unit (LTU) and the IDB would provide the information systems and training of the LTU staff.
- 1.10 The Government of Haiti however did not wish to limit the support to the DGI to the LTU and requested both IDA and IDB to cooperate in improving the administrative situation at DGI. IDA will provide support for Property Tax Reform and updating the Cadaster in the context of its Technical Assistance Project. The Bank's participation will address structural issues to improve administrative and managerial practices of the main revenue-generating departments of DGI. In addition, the Bank will consider financing infrastructure reconditioning under the Programme d'Urgence et Redressement Economique II (PURE II).
- 1.11 Finally, in August 1995 the Bank financed an Intra/regional technical cooperation to the Government of Haiti in order to visit the DGI in Nicaragua where a modern tax administration and a Large Taxpayers Office is in operation.

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

- 1.12 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.
- 1.13 Economic stability has taken center stage in policy discussions since the reestablishment of the democratic government. Fiscal containment as the heart of the SAC and ESAF operations currently being prepared by IDB, World Bank and IMF. Given the pressing needs to maintain a sound budget, the fiscal strategy in Haiti relies heavily on increased government revenues seeking to restore pre-1991 levels to 9.5% of GDP by 1995/96 and pursuing further improvements in the coming years.
- 1.14 The technical assistance that is the object of this operation is amply justified in agreement with the Bank's strategy and the need to strengthen DGI to guarantee success of fiscal strategy of the Government of Haiti.

**II. THE PROGRAM**

**A. General Objective**

- 2.1 The objective of the technical cooperation is to assist the Government of Haiti to improve administration and management practices at DGI in order to successfully implement its fiscal strategy, i.e. increase tax collection and expand the tax base in the very short term. This technical cooperation should lay the ground work for the modernization of DGI in the medium term which will guarantee the sustainability of government revenues and foster a competitive environment conducive to private sector development.
- 2.2 The strategy that has been adopted is to address rapidly the most basic needs in order to raise performance level and working conditions at DGI. In parallel, new procedures and information systems will be designed and implemented at the Large Taxpayers Unit (LTU) and subsequently will be replicated throughout DGI offices along with the required structural changes.

**B. Specific Objectives**

2.3 The following are the specific objectives of this Program:

- i. Support the development of a Large Tax Payers Unit (LTU);
- ii. Upgrade the registry of taxpayers and strengthen basic tax administration procedures;
- iii. Provide on-the-job-training to DGI staff and support the creation of an School for Fiscal Studies;
- iv. Improve the organizational structure and management practices at DGI;
- v. Design and implement a system for management of human resources and identify personnel requirements and profiles;
- vi. Introduce new computer systems and procedures at designated DGI offices based on the experience of the LTU;
- vii. Provide support for the redrafting of tax legislation and the Fiscal Code.
- viii. Improve public awareness of tax legislation and taxpayer rights and obligations;

**C. Program Components**

2.4 Activities for the technical cooperation have been organized in such a way as to distinguish those addressing immediate needs from those addressing medium term modernization efforts. The programmed activities are organized in three components: Component I will concentrate on actions to improve performance of DGI in the short term; Component II will address the establishment of a Large Taxpayer Unit; and Component III will deal with implementation of structural changes in organization, management of human resources, legislation and permanent training.

**i. Component I**

2.5 Component I consists of the necessary actions to provide a temporary solution to the critical institutional situation at DGI and respond to short term needs, consistent with the general strategy of the Program. The objective is to organize the information flow at DGI ensuring the quality of the information and reestablishing controls on tax collection. The following activities will be undertaken:



- a. **Taxpayer Identification Card (NIF).** Computer terminals (10) will be added to the existing computer program and the laminated photo id will be reestablished as soon as possible. In addition, the layout of the locale where this section operates needs to be rearranged in order to facilitate public flow. Finally, a computerized cashier system will be put in place to control payments for the Identification Card.
- b. **Control of Stop-filers.** 1/ PC applications will be put in place to prepare the assessment for the principal taxes: income tax (companies, individuals and withholding), TCA and major excises (gasoline, tobacco, alcohol). This will increase efficiency by significantly reducing the waiting time to taxpayers for the assessment of their taxes and will provide reliable information that DGI can use to begin a minimum control of stop-filers.
- c. **Collections.** Three new cashiers will be added to the PC application at the Treasury in order to regain control over all payments. In addition, the way in which the payments information is classified and used will be improved to facilitate the control of arrears and payment agreements. A system will be implemented to follow up payment agreements and notify taxpayers who have not honored their tax payment obligations.
- d. **Taxpayer files.** The paper documents at the Central Files need to be reclassified given the extreme neglect in keeping the taxpayer files. A task force will be established to perform this task which will lead to the creation of a database for taxpayer profiles.
- e. **Statistics.** The statistics section operates without any PC support and no systematic production of statistics is in place at DGI. PC applications and training to the staff will be provided in order to enhance the efficiency and accuracy of the statistics section and provide up to date collections information and other statistics for management use and decision making.
- f. **On-the-job-training.** Staff skills are in general very low and staff lack the knowledge of basic procedures, accounting principles and legislation. A program of seminars and workshops will be organized to enhance staff skills in current posts and to motivate and engage the staff in the modernization process at DGI.

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1/ Stop-filers are tax payers who are obligated to file a tax return but fail to do so in a given period.

**ii. Component II**

- 2.6 This component will concentrate on the creation of a Large Taxpayers Unit that will serve as the pilot site where new procedures and information systems will be developed and implemented. The LTU will perform all DGI functions (identification, assessment, collection and auditing) for the principal taxes (income tax, TCA, excises and others to be determined). Initially, the LTU will oversee collections from approximately 200 of the largest taxpayers, but the universe should be expanded to concentrate all major businesses and taxpayers during the second year.
- 2.7 With the assistance of an IMF consultant, DGI has begun to implement a Large Taxpayer Unit - taxpayers have been identified, their files are being updated, a physical location for the unit is to be provided soon, and identification of officials has taken place. The IDB technical cooperation will provide support to the LTU in two areas: 1) development and implementation of information systems, and 2) training of personnel.
- 2.8 Information systems will be designed for the LTU to address at a minimum: i) identification of taxpayers, ii) receipt of the tax returns and assessment of taxes due, iii) receipt of payments, iv) control of stop-filers, v) control of arrears and payment agreements, and vi) auditing. The information systems experts will work in coordination with the IMF consultant and will guarantee that the systems comply with the users' needs and requests, following the guidelines established by the Coordination Committee (refer to para 3.2).
- 2.9 Training of LTU personnel in new procedures and information systems will be mainly undertaken by the two long term international consultants. In addition the LTU staff will participate in the workshops in accounting, auditing and legislation, prepared by the project.

**iii. Component III**

- 2.10 The objective of this component is to implement structural reforms targeted at achieving a lasting impact and noticeable improvements in managerial practices at DGI. These structural changes will complement the reform in the procedures being developed at the LTU and together will result in a significant improvement of administrative practices that shall lead to a more efficient DGI and to increased tax revenues.
- 2.11 Within the first six months of activities the Project Executing Unit (PEU-refer to para 3.1) will present to the Coordination Committee a Modernization Plan for DGI. The Plan should include the proposals for the required structural changes and a detailed implementation calendar. The main areas to be addressed in the Modernization Plan are:

- a. **Legislative Reform.** A complete overhaul of tax legislation and the introduction of a revamped Fiscal Code is necessary to adapt the legislation to the modernization of the economy. The legislative reform will seek to achieve simplification, elimination of nuisance taxes, buoyancy of government revenues and a reduction of compliance costs to the private sector. The MEF has the main responsibility for preparing the legislation reforms and will receive the support of an IMF fiscal advisor. The project will provide two national experts to work under the guidance of the IMF advisor and the MEF in redrafting the legislation.
- b. **Organization and Management Practices.** A reform of the organizational structure of DGI is essential. The reform should promote deconcentration by separating normative from operational functions and be in line with the new procedures and management practices being implemented at the LTU. Also, alternatives will be identified to deal with the non-fiscal tasks DGI is responsible for and if advisable, technical assistance will be recommended to create new agencies appropriate to carrying out these tasks.
- c. **Human Resources.** A proposal for a new system for management of human resources will be prepared with recommendations for the establishment of a professional career at DGI with corresponding salary structure, entry contests and promotion rules linked to training and experience. In addition, a description of all the posts at DGI responding to the new procedures and organization will be prepared, accompanied by an evaluation of existing staff as well as a plan for the rationalization of personnel.
- d. **Permanent Training Program.** The DGI needs to establish a permanent training program to generate a constant flow of well trained and motivated employees and to keep the administration up to date in tax policy, administration and accounting techniques. The project will design such a program and propose the necessary structure of the School of Fiscal Studies required to implement the program. (The School that the MEF is considering would be the training school for MEF staff).
- e. **Registry of Taxpayers.** The Taxpayer Identification Card has become a citizen identification document used throughout the country for various purposes, different from the fiscal objective for which it was established. Thus, a proposal must be put forward regarding the best way to identify the citizens and allow DGI to concentrate solely on those of fiscal interest. A new, unique taxpayer identification number and database will be established.

- 2.12 After approval of the Modernization Plan of DGI, the organizational structure, system for management of human resources and streamlined procedures will be implemented throughout DGI offices. In the Port-au-Prince metropolitan area, where 95% of tax revenues are concentrated, the information systems and procedures developed at the LTU will be replicated during the second year of the program (Main Office and Petion-Ville branch).

### III. PROGRAM EXECUTION

#### A. Execution

- 3.1 **Project Executing Unit.** It was agreed with the MEF that direct responsibility for execution of the technical assistance will reside with DGI. A Project Executing Unit (PEU) will be created within the office of the Director General of DGI and will be headed by a full time staff member to act as National Coordinator of the project. The PEU staff will serve as counterpart to the consultant services provided by the project.
- 3.2 **Coordination Committee.** A Coordination Committee will be presided by the MEF and will include as members a representative from the DGI Director, the PEU National Coordinator, the International Coordinator, and representatives from IDB and other agencies involved in the modernization of DGI. The main objective of the Coordination Committee is to keep all parties abreast of the execution of the project and guarantee that their input is considered in the work plan. The Coordination Committee will approve the program of activities and progress reports, monitor the programmed activities and make decisions on technical matters. The Committee will meet at a minimum every two months.
- 3.3 **Specialized Agency.** Given the comprehensive nature of the tasks before DGI and the complexity of the modernization program, the Government and the Bank consider appropriate the use of a specialized agency to assist DGI in the implementation of the program. The specialized agency would assist the government in identifying and hiring consultants, international and national, preparing the training programs, the procurement of equipment and will bring experience and know-how in implementing information systems in tax administration. Contracting of the specialized agency will be done following Bank procedures.

#### B. Requirements

##### i. Consulting Services

- 3.4 To undertake the activities described in this project document it was established that a total of 78 months of international and 210 months of national consultant services will be required. The national consultant services include 120 months of incremental

staff in areas where expertise is not available at DGI. The following table presents the input requirements by area of activity.

Institutional Strengthening of DGI Consultant Services			
AREA OF ACTIVITY	International	National	Total
Project Coordinator (Tax administration)	24		24
Information Systems	24	108	132
Organization & Management	9	12	21
Human Resources	9	12	21
Tax administration		48	48
Auditing	4		4
Collections	4		4
Training	4	24	28
Legislation		6	6
TOTAL	78	210	288

- 3.5 The high content of consultant services in information systems responds to the fact that to date DGI does not have in-house expertise and relies on the provision of services by the MEF. The project seeks to provide sufficient human resources in this area to ensure sustainability of the computer systems being implemented. The project will hire 4 professionals locally who will be trained as they work with the senior consultants and will become DGI staff prior to completion of the project.

**ii. National Counterpart**

- 3.6 DGI will assign a core group from its staff to the PEU for the period of execution of this program on a full time basis. The team will consist of: one senior tax administration expert to act as National Coordinator, two tax administration officers, one expert in human resources, one expert in organization, and two information systems specialists.

**iii. Training**

- 3.7 The project will establish at the PEU a training coordination unit in charge of identifying the training needs of DGI staff, preparing the course material and selecting the participants to the training courses, workshops and seminars. A minimum of 50 training activities will be programmed with an average participation of 20 DGI officials. There will be two types of training activities: 1) basic training and remedial courses to DGI staff to improve their performance on the job, and 2) in coordination with the human

resources and organization experts, a permanent training program for DGI. DGI will provide logistics support to undertake the training activities (see Annex II).

#### **iv. Equipment**

- 3.8 All software and hardware and other equipment needed for project development and implementation will be acquired following standard Bank procedures. This information systems developed as well as all equipment purchased by the project are the property of the Government of Haiti. The detailed equipment list is presented in Annex III.

#### **v. General Support**

- 3.9 The Ministry of Economy and Finance and DGI 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, transportation and publications.

#### **C. Progress Reports and Supervision**

- 3.10 The Bank's Country Office in Haiti will be responsible for the overall inspection and supervision of this operation. The Fiscal Unit at the Bank's Headquarters will be mainly in charge of the technical content of the project, in coordination with OD4. The Fiscal Unit and OD4 will participate in the supervision missions with the Country Office. The following reports will be prepared by the International Project Coordinator and presented by the PEU to the Bank:
- a. **An Initial Report**, to be presented within 60 days from initiation of activities. The initial report will include: a revision of the activities if needed, 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 estimation of the consultant services required for the first semester.
  - b. **Brief quarterly progress reports** (max 12 pages) should include the activities completed, problems faced and solutions given, programmed activities for the next quarter and assessment of consultant requirements.
  - c. **A Midterm Report**, to be presented within 15 days after the 10th month from approval of the initial report, containing a summary of the activities undertaken during such period. It should contain an evaluation of consultants work and an assessment of the degree of completion of the programmed activities and

benchmark evaluation. A revised program of activities for the following period should be included.

- d. **A Final Report**, to be finished 15 days after completion of the period of execution and should include a summary of the activities performed and a thorough evaluation of the achievement of the objectives of the technical cooperation.
- 3.11 **Financial statements** within 90 days after each year of execution and final disbursement. All financial statements must be audited by an independent firm accepted by the Bank.

**D. Execution Period**

- 3.12 The technical cooperation resources will be disbursed in a period of 30 months while the activities of the program will be executed within a period of 24 months.

**E. Cost and Financing**

- 3.13 Program costs are estimated at US\$2.052.000 of which the Bank will finance US\$1.920.000, with non-reimbursable resources committed by the Swiss Government. This amount represents 94% of the total cost of the Program. The Budget Summary is presented below and a detailed budget is included in Annex II.

BUDGET SUMMARY US\$ Equivalent			
Budget Category	IDB	GOB	TOTAL COST
1. Specialized Agency	1,773,400		1,773,400
1.1 Fees	1,244,400		1,244,400
1.2 Equipment	402,500	40,000	442,500
1.3 Other	126,500	50,000	176,500
6. General Support		42,000	42,000
98.Contingencies	146,600		146,600
TOTAL	1,920,000	132,000	2,052,000

**F. Contractual Conditions**

- 3.14 Prior to first disbursement of this operation the government will present evidence to the Bank that: 1) the LTU core personnel has been assigned on a full time basis; 2) the location for the LTU is furnished and occupied by LTU staff; 3) PEU has been established within DGI and the National Coordinator and PEU staff have been assigned to the PEU; and 4) the computer terminals and ID lamination machine for the Taxpayer Identification Section have been procured.

- 3.15 As a condition for last disbursement, DGI will make sure that the national consultants hired by the project as incremental staff, are incorporated as DGI staff at least 3 months prior to completion of the project.

**G. Benchmarks**

- 3.16 The benchmarks established for this Program are presented in the table below.

Institutional Strengthening of DGI Project Benchmarks		
Activity	Benchmark	Month
Component I. Immediate Actions		
Taxpayer identification	Computer terminals installed and new operation open to the public - laminated photo id and elimination of queues.	3
Collections	All collections being received at the computerized cashiers.	2
	Control of arrears in place.	6
Tax payer files	All paper documents sorted and files for companies and traders up-to-date (approx 6000).	4
Training	Core staff at assessments, collections, taxpayer id, statistics and auditing trained in basic procedures. (100 officials).	4
Component II. Support to LTU Procedures		
	Stream-lined manual procedures designed and implemented.	3
Information Systems	Computerized control of compliance and payments of largest 200 taxpayers.	6
	Complete system implemented and documented for control of largest 500 taxpayers.	12
Training	LTU staff trained in legislation, accounting, auditing and information systems (12 officials).	6
Component III Inst. Strengthening Legislation Reform		
	Draft legislation and Fiscal Code ready to present to Parliament.	12
Organization Reform	Full separation of normative and operational functions and implementation of new procedures.	12
Information Systems	Computerized control of all companies in the Port-au-Prince metropolitan area (6000-8000 taxpayers).	24
Human Resources	Improved productivity of staff by at least two fold through personnel reductions and improvements in tax collections.	24
Taxpayer Identification	Have a separate operation of citizen identification and taxpayer identification.	24
Training	Permanent training program used to select and train new staff and provide specialized courses for career development.	24



#### IV. BENEFITS AND RISKS

##### A. Benefits

- 4.1 **Increased tax revenues and fiscal presence.** The project will improve administration and management practices at DGI making it more efficient which will result in increased tax revenues. It will ensure sustainability of government revenue and, through increased fiscal presence, enhance the fiscal awareness in the country.
- 4.2 **Private sector development.** By increasing the efficiency of the tax administration, limiting the discretionality of tax inspectors, reducing compliance costs and guaranteeing a fair and neutral treatment to all taxpayers, this program will reduce barriers to private sector activities in the country.

##### B. Risks

- 4.3 **Timing of the operation.** The DGI administration has made explicit its continuous support to this Program, which should be reconfirmed by the new authorities at the Ministry of Finance. Program continuity may be at risk with the expected change of government in February 1996, after the new President takes office. Smooth implementation of the program will thus rely significantly on continued MEF support.
- 4.4 **Hiring of incremental staff.** Upon completion of the project, DGI should hire the experts in training and 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 Program will be evaluated as to 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 **Intermediate Evaluation.** The Bank will conduct an evaluation to coincide with the review by the project Coordination Committee of the Midterm Report. The evaluation will assess the completion of programmed activities, satisfaction of the terms of reference and integration of the counterpart with the project. The evaluation will produce an aide memoire to be signed with the MEF that establishes any actions to improve the project.
- 5.3 **Final Evaluation.** For the last meeting of the project Coordination Committee the Bank will conduct an evaluation of the achievements of the project and lessons learned to be applied in future operations. It will produce an aide memoire signed with the MEF and will include the Final Project Report approved by the Coordination Committee.

**ANNEX II**  
**DETAILED BUDGET, TRAINING, EQUIPMENT AND CONSULTANT REQUIREMENTS**

Institutional Strengthening of DGI Detailed Budget			
Budget Category	IDB	GOB	Total
1. Specialized Agency	1,773,400		1,773,400
1.1 Fees	1,244,400		1,244,400
1.1.1 International Consultants	924,600		924,600
Long Term			
Project Coordinator (24xUS\$11000)	303,600		303,600
Systems Analyst(24xUS\$10000)	276,000		276,000
Short Term Consultants			
Consultants (30xUS\$10000)	345,000		345,000
1.1.2 National Consultants	274,800		274,800
Long Term			
Systems Analyst(2x18xUS\$2500)	103,500		103,500
Consultants (4x24xUS\$700)	77,000		77,000
Programmers (4x24xUS\$700)	77,000		77,000
Short Term			
Legislation Experts (2x6xUS\$2500)	17,300		17,300
1.1.3. Training Instructors	45,000		45,000
1.2 Equipment	402,500	40,000	442,500
1.3 Other	126,500	40,000	166,500
Course Materials	40,000	10,000	50,000
Local Transp. and per diems	11,500	15,000	26,500
Locale rentals	30,000	15,000	45,000
Scholarships overseas (10)	45,000		45,000
6. General Support		52,000	52,000
98. Contingencies	146,600		146,600
<b>TOTAL</b>	<b>1,920,000</b>	<b>132,000</b>	<b>2,052,000</b>

Institutional Strengthening of DGI Training Activities					
Training Activities		Participants		Hours	
	Number of courses	Per Course	Total	Per Course	Total
I. Basic Training (Procedures)					
TCA	4	10	40	20	80
Income Tax	6	20	120	20	120
Taxpayer I.D.	2	30	60	20	40
Excises	2	15	30	20	40
II. Specialized Training					
Accounting	4	20	80	40	160
Legislation	2	20	40	40	80
Auditing	4	20	80	80	320
III. Training of Instructors					
Proced. & Legislation	2	20	40	80	160
Account. & Auditing	2	20	40	80	160
IV. Information Systems P-A-P					
LTU Staff	1	12	12	80	80
P-A-P Staff	3	20	60	40	120
V. Regional Training					
Basic Procedures	12	20	240	40	480
VI. Managerial Development					
Strategic Planning	2	20	40	20	40
Managerial Development	2	20	40	20	40
Leadership & teamwork	2	20	40	20	40
<b>TOTAL</b>	<b>50</b>	<b>-</b>	<b>962</b>	<b>-</b>	<b>1,960</b>

Work Studies	Number	Destination	No. of Days	Ticket	Per Diem	Total
1. Auditing	3	Canada/France	15	4,500	11,250	15,750
2. Collections	3	Latin America	15	4,500	6,750	11,250
3. Inform. Systems	2	Latin America	15	3,000	4,500	7,500
4. Management	2	Canada/France	15	3,000	7,500	10,500
<b>TOTAL</b>	<b>10</b>			<b>15,000</b>	<b>30,000</b>	<b>45,000</b>

Institutional Strengthening of DGI Proposed Equipment Description	
Item	Estimated Cost in US\$
<b>A. Immediate Actions</b>	<b>39,650</b>
1 Server	2,200
12 PC 486	26,400
13 dot matrix printers	3,900
13 UPS	2,150
Software and peripherals	5,000
<b>B. LTU and Information Systems Development</b>	<b>44,350</b>
1 Server	7,000
8 PC 486	17,600
1 UPS	6,000
Development Software	12,000
3 80 column printers	750
2 132 column printers	1,000
<b>C. General DGI Support</b>	<b>266,000</b>
3 Servers	30,000
3 Network Hubs	3,000
3 UPS	18,000
54 PC 486	119,000
8 80 column printers	2,000
4 132 column printers	2,000
Network OS and Database software	20,000
Cabling and installation costs	19,000
Training equipment	20,000
4 photocopiers	16,000
Printing equipment	9,000
ID lamination	3,000
Fax and general communication equipment	5,000
<b>TOTAL</b>	<b>350,000</b>

Institutional Strengthening of DGI Timetable for Consultant Services		
CONSULTANT	From month	To month
Tax Administration Int'l Project Coordinator Nat'l Tax administration Experts (2)	1 1	24 24
Information Systems Int'l Systems Analyst Nat'l Systems Analyst Nat'l Programmers (4)	1 3 1	24 14 24
Organization Int'l Consultant (1st assignment) Int'l Consultant (2nd assignment) Nat'l Consultant	3 6 3	5 14 14
Human Resources Int'l Consultant (1st assignment) Int'l Consultant (2nd assignment) Nat'l Consultant	3 6 3	5 14 14
Training Int'l Consultant (1st assignment) Int'l Consultant (2nd assignment) Nat'l Consultant	1 12 1	2 13 24
Legislation (2)	4	9
Auditing	9	12
Collections	6	9

Institutional Strengthening of DGI Proposed Calendar of Activities								
ACTIVITIES	Responsible	1Q	2Q	3Q	4Q	5Q	6Q	7Q
Actions	DGI	xx						
Identification Card	PC,ISC,DGI	xxxx						
of Compliance / Basic Taxes	PC,ISC,DGI	xxxx						
ons	PC,ISC,DGI	xxxx	xxxx					
or Files	PC,ISC,DGI		xxxx					
	PC,ISC,DGI		xxxx					
ayers Unit (LTU)	MFC,DGI	xxxx						
or File Creation	MFC,PC,DGI	xxxx	xxxx	xx				
Procedures Control	MFC,PC,ISC,DGI		xx	xxxx	xxxx	xxxx	xxxx	xxxx
ementation and Operation								
changes								
ational Structure								
agnostic	PC,OC,DGI	xxxx	xx					
plementation	PC,OC,DGI		xx	xxxx	xxxx			
Resources								
agnostic	PC,HRC,DGI	xxxx	xx					
plementation	PC,HRC,DGI		xx	xxxx	xxxx			
Permanent Training Plan	PC,TC,OC,HRC,DGI				xx	xx		
on Reform Proposals	PC,LC,DGI		xx	xxxx	xx			
Systems								
ent Acquisition	PC,ISC,DGI		xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
- Stage 1	PC,ISC,DGI	xxxx	xxxx					
- Stage 2	PC,ISC,DGI		xx	xxxx	xxxx	xxxx	xxxx	xxxx
ication to 500 taxpayers	PC,ISC,DGI						xxxx	xxxx
ob-training immediate actions	PC,TC,DGI	xxxx	xx					
Training Program	PC,TC,DGI		xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
ent Training Program	PC,TC,DGI						xxxx	xxxx
Automation								
Prince	PC,ISC,DGI						xx	xx
ille	PC,ISC,DGI							xx
ion of Manual Procedures (Provinces)	PC,ISC,DGI							
e Upgrade	PC,DGI			xxxx	xxxx	xxxx	xxxx	xxxx
	PURE,DGI		xxxx	xxxx	xxxx	xxxx	xxxx	xxxx

Générale des Impôts  
 coordinator  
 ion Systems Consultant  
 MF Consultant  
 umme d'Urgence pour le Readressment Economique

HRC - Human Resources Consultant  
 LC - Legislation Consultant  
 OC - Organization & Management Consultant  
 TC - Training Consultant

PROPOSED RESOLUTION

HAITI. NONREIMBURSABLE TECHNICAL COOPERATION FOR  
THE INSTITUTIONAL STRENGTHENING OF THE  
DIRECTION GENERALE DES IMPOTS (DGI)

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 the Direction Générale des Impôts (the "Program").

2. That up to the sum of US\$1,920,000 (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.