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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

HAITI

PROJECT PAPER  
TECHNICAL CONSULTANTS AND TRAINING

AID/LAC/P-268 (amendment)  
AID/LAC/P-135

Project Number: 521-0167

UNCLASSIFIED

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b> <b>PROJECT DATA SHEET</b>	<b>1. TRANSACTION CODE</b> <input type="checkbox"/> 1 A = Add C = Change D = Delete	<b>DOCUMENT CODE</b> 3
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<b>2. COUNTRY/ENTITY</b> Haiti	<b>3. PROJECT NUMBER</b> 521-0167
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<b>4. BUREAU/OFFICE</b> LAC	<b>5. PROJECT TITLE (maximum 40 characters)</b> Technical Consultants and Training
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<b>6. PROJECT ASSISTANCE COMPLETION DATE (PACD)</b> MM DD YY 1   2   3   1   8   7	<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY 8   3      B. Quarter 2      C. Final FY 8   6
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8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY 83			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
<b>AID Appropriated Total</b>				3,100		
(Grant)	( 1,000 )	( )	( 1,000 )	( 3,100 )	( )	( 3,100 )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
2.						
Host Country						
Other Donor(s)						
<b>TOTALS</b>	1,000		1,000	3,100		3,100

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ESF	660			1,000		2,100		3,100	
(2)									
(3)									
(4)									
<b>TOTALS</b>				1,000		2,100		3,100	

<b>10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)</b> 660      710      930	<b>11. SECONDARY PURPOSE CODE</b> 650
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<b>12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)</b> A. Code      TNG B. Amount      2,315	
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**13. PROJECT PURPOSE (maximum 480 characters)**

To improve the capability of the Haitian public sector to attract and support private sector investment, and to design and implement viable development programs and projects.

<b>14. SCHEDULED EVALUATIONS</b> Interim    MM YY    MM YY    Final    MM YY 1   1   8   5                    1   1   8   7	<b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b> <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify)
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**16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment.)**

Amendment will extend the Project Assistance Completion Date, continue ongoing activities, and begin several new activities.

<b>17. APPROVED BY</b>	Signature Jerome French Title Director, USAID/Haiti	<b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b> Date Signed    MM DD YY 10   7   3   1   8   5      0   2   1   3   8   6
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PROJECT AUTHORIZATION  
AMENDMENT NO. 2

Name of Country: Haiti

Name of Project: Technical Consultants and Training

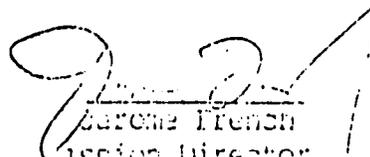
Number of Project: 521-0167

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize an increase in the planned obligations for the Technical Consultants and Training Project of not to exceed \$2,100,000 (Two Million One Hundred Thousand United States Dollars) in grant funds ("Grant") subject to the availability of funds in accordance with the AID allotment process, to help in financing foreign exchange and local currency costs for the project. By this action, a total of \$3,100,000 (Three Million One Hundred Thousand United States Dollars) is made available to the project. Furthermore, the Project Assistance Completion Date (PACD) is hereby extended through December 31, 1987.

2. Therefore, the original Authorization is amended as follows:

- A. In Paragraph 1. of the original authorization, the phrase "\$1,000,000 (One Million United States Dollars)" is replaced by the phrase "\$3,100,000 (Three Million One Hundred Thousand United States Dollars)".
- B. In Paragraph 1 of the original authorization, as amended, the phrase "from the date of authorization to December 31, 1985" is replaced by the phrase "through December 31, 1987".

3. Except as expressly amended hereby, the original terms and conditions of the original Authorization remain in full force and effect.

  
Jerome French  
Mission Director  
USAID/Haiti

COPIES TO BE MAINTAINED IN THE  
PROJECT FILE  
DATE: 1/11/87

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## I. RECOMMENDATION AND SUMMARY

### A. Recommendation

Pursuant to review and approval of the proposed Technical Consultants and Training project amendment by the USAID/Haiti Mission Project Review Committee, it is recommended that the Mission Director approve the project amendment described herein for a total cost to AID of \$2.1 million in ESF grant funding over an additional two-year period. This will bring the LOP total to \$3.1 million.

### B. Summary of Rationale for Project Extension

The Mission approved and funded the Technical Consultants and Training project in March, 1983 for a total of \$1 million in CBI ESF funding. The project, which consisted of four components, began implementation shortly thereafter and has encountered a good deal of success. For the most part, the project has consisted of institutional support, in the form of technical assistance to various GOH ministries. In most cases, the project components also funded short-term, in-country training for the counterparts to whom the technical consultants were assigned.

Despite this success, many of the original project objectives have not yet been achieved. A study of institutional development projects in this and other countries reveals that this is to be expected, as the task is a long-term one. As the body of this PP amendment describes, the majority of activities begun when this project was approved are of a nature such that continuous and long-term investments must be made before visible indications of success are evident.

### C. Summary of Project Description

The project will continue to support three principal activities, and will add five new components:

The customs and tax administration components will continue with an expansion of the tax audit training program. A small and short-term component designed to identify the improvements possible in revenue generation through various programs will be added.

The progress made to date in upgrading the Ministry of Plan's (MOP) internal management system will continue, and this project will aid in preparing the office within the Ministry which will administer the Title III program.

Assistance will continue to be furnished to the Département de la Santé Publique et Population (DSPP) for their disaster preparedness office, the OPDES.

One new component of the project not provided for in the original PP will be the assistance to the Ministry of Mines and Energy Resources. Although this program is new to the Technical Consultants project, an advisor has already been in the country for nearly a year, provided by the centrally-funded Energy Conservation and Training Project in ST/FNR.

Another component not funded under the first phase of the project is a series of economic studies, mostly connected with the Mission's Title III program. Although similar studies were budgeted in the original project paper, the budget was modified over the course of project implementation, and the Mission was unable to finance the desired studies.

Funds have also been budgeted for a new activity, the provision of a long-term advisor to the Minister of Agriculture in the areas of soil conservation and watershed protection.

An advisor will also be placed at a senior level in the Ministry of Finance. The fifth new component is designed to provide resources for training in financial management to selected GOH ministries on an as-needed basis.

#### E. Summary of Inputs and outputs

Under the project extension, eight discrete components will be funded, of which five were previously not included in this project, and three are continuations of ongoing activities. The principal input is technical assistance, although two microcomputers will be purchased under the Ministry of Plan component.

The additional project inputs are given in the financial plan, and consist primarily of 188 person-months of TA effort at a cost of \$2.1 million in grant assistance. The person-months per project component are broken down as follows:

<u>Component</u>	<u>Person-months</u>
Customs and Tax	55
Project planning and monitoring	18
Disaster preparedness	12 (plus 12 funded by OFDA)
Financial management training	4
Energy planning	27
Economic studies	49
Advisor to Agriculture Minister	24
Advisor to Finance Minister	<u>24</u>
Total	188

It is estimated that the total number of persons to be directly trained under this phase of the project will be 212, of whom two are scheduled to be trained overseas.

The outputs include

- (a) The upgrading of Haitian customs and tax administration;
- (b) Establishment of project monitoring and audit systems;

- (c) Establishment of a disaster preparedness capability;
- (d) Establishment of an energy analysis, planning and policy development capability; and
- (e) The training of ministry officials in financial management.

## II. PROJECT BACKGROUND AND RATIONALE

As described in the original project paper, the objective of the Technical Consultants and Training project is to provide directed assistance to various GOH ministries to aid them in upgrading their abilities to attract and support private and public investment projects. The project originated with President Reagan's Caribbean Basin Initiative (CBI), a comprehensive program of trade and aid activities aimed at bolstering the economies of the Caribbean Basin and Central America.

The principal constraints to development in Haiti were described in the original PP. They include a weak human infrastructure base, a poorly-administered private sector development program, and operational inefficiencies throughout the government. Furthermore, the country suffers from a balance-of-payments disequilibrium which, although it was alleviated somewhat during the past two years, has begun to reappear. The recovery for the economy has been weak, with real GDP growing at only 1.8 per cent in FY 1984. In addition, the government has been unable to meet the targets of the negotiated Standby Agreement with the IMF. This has resulted in the balance of payments disequilibrium, with little hope for real recovery in the near future.

This project began as an ESF-funded activity in 1983, with funds provided out of the CBI allocation for Haiti. In keeping with the intent of the CBI, the Mission set aside \$1 million in grant funds for the purpose of upgrading the capability of the GOH in a variety of areas, most of them related to the private-sector focus of the CBI. These included improving the management skills of the Ministries of Finance and Plan, with an eventual objective of increasing government revenues and permitting the GOH to budget for and expend public-sector resources in an efficient manner.

### A. Project accomplishments to date

In this section, each of the components of the project funded under phase I is discussed in turn.

- (1) Customs and Tax Administration Improvement. This component is the largest single project activity, accounting for nearly three quarters of the project budget. The component began in January 1984 and is being performed under a USAID/Haiti contract with Development Alternatives, Inc. (DAI). The objectives are to reduce tax rates and extend assessment to the total potential base, thereby, generating sufficient revenue for the provision of basic governmental services to the private sector. This will be achieved by strengthening the ability of the Haitian Ministry of Finance to collect custom duties and income, property, excise, and other taxes in an efficient and equitable manner. This entails providing training and technical assistance to the two major revenue collecting organizations: Customs and Contributions (Internal Revenue). Each of these two components is discussed in turn below.

- (a) Customs. The major accomplishments on the Customs side have been:
- (1) Establishment of the National Customs School and training of the first three groups of mid-level officials (total 45 persons) in customs nomenclature and valuation, tariff interpretation, and concepts of international trade;
  - (2) Preparation of revisions to the Customs Code, modernizing and streamlining entry procedures for arriving merchandise (signed as a decree of law on September 4, 1984). Although the new procedures are only now being put into effect, it is expected that they will result in a shortening of delays for importers to two or three days, from what now takes up to two or three weeks;
  - (3) Preparation of forms and administrative instructions for implementation of the new procedures, and briefing of 78 mid-level supervisors with regard to the changes;
  - (4) Training of first-line personnel to execute the new law (this will eventually reach some 300 employees);
  - (5) Interaction with the private sector (especially the Presidential Mixed Commission for Investment Promotion) to explain the effect that changes to the Customs Code will have for facilitating importations; and
  - (6) Submission of proposals for improving the management of franchises (rights of duty-exempt entry) in connection with the GOH investment promotion plan.
- (b) Contributions. It has proven very difficult to find experienced income tax auditors, with fluent technical French and teaching experience, who are both available and willing to come to Haiti. The original team of two withdrew at the start of the project for fear that it would divert them for too long a period from their careers with Revenue Canada. Another highly qualified Canadian was located and brought to Haiti for interviews, but not sufficiently fluent in French. Finally DAI located a Frenchman, just retired from his country's revenue service, who was accepted by Contributions after a week of interviews and information exchange in Port-au-Prince. Though finally successful, this process set back the starting time for the training of internal revenue auditors to January 1985.

Despite these setbacks, the project achieved two major accomplishments in CY 1984:

- (1) In the course of interaction with Contributions over the various candidates for Tax Audit Advisor, the project team was able to assess the needs of that organization at first hand and define an approach to meeting them in order of priority; and

- (2) During the month of April, the project brought in an expert on customs and excise, familiar with the Haitian setting, who examined the way major tax revenues from petroleum imports and the manufacture of cigarettes are managed. His recommendations have been forwarded to the GOH and AID is awaiting a response.
- (2) Project Planning, Monitoring, and Evaluation. In its fifteen months of operation (October 1983-January 1985), this project component has made significant progress toward building the Ministry of Plan's (MOP) capacity to plan, monitor, and evaluate GOH development projects. By planned activity category, the major accomplishments have been the following:
- (a) Design of a Project Monitoring System. A needs assessment and analysis of the existing situation revealed that an important part of the problems with the MOP's current management information system (MIS) derived from organizational and management weaknesses within both the Division d'Evaluation et Contrôle (DEC) and other units of the MOP. Activities to address these weaknesses were undertaken as part of the MIS improvement effort. These included: restructuring of the DEC organization, clarification of the office's mission and role, preparation of job descriptions, and preparation of a draft operations manual for the DEC. Dealing directly with the MIS, the following was accomplished: development of a monitoring and evaluation framework integrated with the GOH's project management system; draft revisions in the DEC's information collection forms; draft reporting formats; and analysis of MOP computer capability, improvement in existing computer utilization, and planning for expanded computerization.
- (b) Development of a Project Audit Capability. Accompanying the changes in the DEC's MIS were activities designed to build staff capacity to analyze project implementation problems. One part of the draft operations manual is devoted to technical modules covering the use of a set of management and analytic tools appropriate to DEC needs. The modules section of the manual was 75 percent completed during the period. The DEC also made progress toward elaborating an operating policy for joint donor-GOH project evaluations. DEC staff participated in a joint evaluation with a United Nations Capital Development Fund team; on the basis of this experience the DEC drew lessons for regularizing such participation.

Based on the management tools developed, the DEC began to serve as a technical resource to GOH sectoral ministries in implementation planning and monitoring. DEC staff worked with, and in several cases provided training for, the following sectoral agencies: Ministry of Agriculture, Ministry of Public Works, Ministry of Education, Ministry of Social Affairs, Ministry of Youth and Sports, Ministry of Mines and Energy, Ministry of Justice, and the Rectorate of the National University.

- (c) Project Management Training. For the DEC, several training activities were undertaken: in January, 1984, a one-week policy and strategy workshop for DEC management, and a ten-day management tools seminar for all staff; in February, two half-day follow-up management training sessions for DEC technical staff; and in May and June, a six-day workshop for all DEC staff on implementation planning tools and evaluation methods. These training interventions were complemented by informal, on-the-job sessions carried out by the resident advisor and various short-term TA personnel.

Outside of the DEC but inside the MOP, a workshop on project planning tools integrated into the MOP's MIS was held for the staff of the Direction de Promotion de Projets. As part of the technical assistance to the sectors provided by the DEC, as mentioned above, workshops were undertaken for the staff of the Ministries of Agriculture and Public works.

Several factors influenced the DEC program's progress in moving the MOP toward better project monitoring and evaluation. The most important of these were organizational weaknesses in MOP top management that affected the DEC's work environment and absorptive capacity, organizational weaknesses in the sectoral ministries that provide the informational input to the MIS, and failure of the MOP to allocate counterpart funding to the DEC at the planned level.

These factors, combined with the ambitious nature of the original objectives, have produced a current situation that calls for continued effort in order to generate the intended degree of organizational change in the MOP. The work of the past fifteen months requires following up in order to assure the sustainable operation of the MOP's MIS in the service of effective GOH programming of Haiti's development resources.

- (3) Disaster preparedness assistance. This component has provided an advisor to the newly-formed GOH office of disaster coordination (OPDES, the Organisation Prédésastre et Secours). Over the past year, a variety of public, private and voluntary sector agencies have been mobilized to participate in the design and establishment of a disaster preparedness capability for Haiti. A national plan, complemented by regional sub-plans, has been prepared, and the Organisation has begun a public awareness campaign featuring poster messages.

The advisor has primarily served as a technical assistant to the GOH Disaster Coordinator on planning and management of disaster preparedness and response, and as such has assisted in the preparation of the national disaster preparedness program. In his capacity as a regional advisor, he has traveled to a number of other Caribbean countries and sponsored seminars and training programs. More recently, he has acquired computer programs to analyze and input information on meteorological phenomena and trained appropriate GOH personnel in their use.

In cooperation with OFDA/Washington, he has overseen the mobilization process and obtained resource commitments from a variety of outside sources.

## B. Rationale for Project Extension

This section discusses the reason for which the Mission has decided to extend the project activities, for each of the ongoing project components.

- (1) Fiscal Reform. At present the activities of the Chief of Party and the Customs Advisor are scheduled to terminate in August 1985, and those of the Tax Audit Advisor in December 1985 (due to the late start of that portion of the project). This section presents a three-fold rationale for extending the Fiscal Reform activities through CY 1986:
  - (a) First, the project has been well received by the Minister of Finance and other top GOH officials and has shown considerable success, especially on the Customs side (e.g. promulgation of reforms to the Customs Code within seven months from project start-up).
  - (b) Second, some activities can now be foreseen to take longer than originally scheduled, due largely to delays in GOH approvals and other actions. For example, implementation of the new Customs entry procedures, revision of the rest of the Code, and reorganization of the Inspection and Valuation Services will undoubtedly involve the team beyond August 1985; also, there has been no official reaction either to proposals to clarify and reorganize the administration of franchises, nor to recommendations made in June 1984 regarding the management of customs and excise duties on petroleum products and cigarettes.
  - (c) Third, during the first year of work by the Fiscal Reform team, additional needs for technical assistance and training have become apparent. It is important to fill these complementary needs in order for the project to be effective. They are described in the following section.
- (2) Ministry of Plan Program. The Mission considers an extension of the technical assistance to the DEC necessary to the achievement of this TCTP component's objectives. Furthermore, this extension is particularly crucial in regard to its potential to:
  - (a) facilitate the design and installation of appropriate administrative procedures for the PL-480 Title III management office to be created in the MOP, and
  - (b) support GOH regionalization and decentralization initiatives that have recently become more widely operational and which constitute a major strategic objective of this Mission.

A fifteen-month extension of technical assistance will be sufficient to provide the follow-up required to build a sustainable planning, monitoring and evaluation capability at the DEC. This extension will permit the continuation of the long-term advisor at the DEC, complemented periodically by short-term technical assistance.

In addition to the above rationale, (and described further below), the Title III program will establish a management office within the MOP to handle planning, budgeting, and monitoring of the Title III sectoral programs. It will function in close collaboration with the DEC, and its operating procedures will build upon existing MOP policies and practices. The MOP advisor will play a critical role in its establishment and startup.

- (3) Disaster Preparedness assistance. This project component suffered from a series of serious delays in startup, due primarily to a lack of cooperation from the counterpart organization, OPDES. However, recent developments in the GOH's view of the project have been promising.

Many of the suggestions made by the advisor have begun to be put into effect, especially in the area of airport security and upgrading of the Haitian meteorological network. Further, the Mission believes that the GOH is now prepared to devote a larger measure of resources to the disaster preparedness program. The GOH has requested that further technical assistance be provided over the next 24 months. The importance of a well-organized and supported disaster preparedness program, is critical, and the efforts made to date must not be allowed to go to waste.

### III. DETAILED PROJECT DESCRIPTION

#### A. Goal and Purpose

The goal of the project remains unchanged, namely to create a sustainable long-term economic development process in Haiti, particularly in regions outside of Port-au-Prince. The purpose is likewise unchanged: to improve the capability of the Haitian public sector to attract and support private sector investment, and to design and implement viable development programs and projects.

#### B. Project Strategy

The strategy underlying the project is simple in concept: to provide assistance to the GOH in key, agreed-upon sectors in order to improve the efficiency with which public-sector resources are generated, budgeted and disbursed. As the results of the first two years' efforts at institutional upgrading are becoming apparent, it is now an appropriate time to examine the expected accomplishments of the next phase of the project. In the remainder of this section, the activities to be undertaken by each project component are discussed in turn. In the case of activities not currently being funded by the project, the new activities are described as well.

A. Planned Future Project Activities.

1. Fiscal Reform. This program picks up both those activities that are still under way from the original PP (and may be expected to require additional time and effort), and those new activities for which the need has since become apparent. A summary of the level of effort for the component is given following this section.

(a) Customs reform. The customs reform component will continue its present activities, and expand to complete some additional tasks, as described below. The customs reform team will:

- (1) continue to advise on the implementation of new customs entry procedures, including planning training for the personnel of provincial customhouses, preparing information for dissemination to the public, and coordinating with major importers (especially for intermediate manufacturing and assembly industries) as practical problems arise;
- (2) advise on, and track the progress of, revisions to the remainder of the Customs Code (including exports, coastwise shipping, postal imports, and contraband control);
- (3) review the organization of the Valuation Service and the methods it uses to compile and apply historical data on the values of imported goods, and provide all needed training;
- (4) establish procedures and train personnel for the inspection service, to make regular visits to all customs ports of entry and other facilities to see that the regulations are understood, procedures followed, records kept, and reports made;
- (5) continue technical assistance to the Customs School, designing courses for each new subject brought up by changes to the Customs Code and Tariff and the introduction of concomitant new procedures; participate in teaching as needed, while training instructors and progressively shifting the burden of running the School to the Customs cadre;
- (6) advise the Minister of Finance, per his request, regarding simplification of the many small taxes collected at present, calculated on customs declarations, with an eye to consolidating them and eliminating nuisance taxes for which the cost of collection is greater than the yield;
- (7) revise and update the Customs Import Tariff to reflect current rates and to bring the nomenclature into line with current international practice and Haitian needs;

- (8) train technicians to operate the new Customs Laboratory and familiarize customs inspectors with the types of analyses available to assist their work (including detection of narcotics, which directly complements the Embassy/Customs/DEA program for drug interdiction); and
  - (9) continue to advise regarding the layout and functioning of the new Port-au-Prince customhouse, so that the flow of traffic and paperwork will follow logical routes conforming to the new customs entry procedures.
- (b) Contributions. The principal activities under this component include audit training and related technical advice. The tax team will:
- (1) train and advise auditors of the corporate and individual income tax services, emphasizing practical group work using actual taxpayer dossiers in order to make the training immediately relevant to meeting Contributions' goal for increased revenue collection;
  - (2) provide technical advice, in close coordination with the ongoing work of the IMF advisor, on organizational and procedural matters which influence the effectiveness of taxpayer audits. These include: administrative management (forms, procedures, coordination of activities); information management (centralization of dossiers, control and exchange of information, one-point taxpayer information service); and resource planning (personnel, transport, document security, photocopying, office space and equipment);
  - (3) help update the present audit manual and bring it into accord with the National Accounting Plan;
  - (4) advise on legal changes which may be required to give auditors access to taxpayer records, especially bank records; and
  - (5) cooperate with the current effort to establish definitive tax rolls for individuals and corporations, to include the eventual application of a national taxpayer identification number system which will make computer support of tax administration feasible.
- (c) Property Tax. The property tax advisor will
- (1) make a preliminary review of the current property tax laws and collection efforts, including the status of the proposed law to make it possible for the cadastral survey of Port-au-Prince (begun with German Assistance) to be completed; and
  - (2) if this review shows the willingness of the GOH to support and absorb technical assistance to increase the property tax yield, the project will bring in advisors to give training and suggest appropriate new legislation or regulations.

(d) Laboratory Advisor. This individual will aid the Ministry in installing and operating the equipment for its customs laboratory.

(e) Excise Taxes.

If Contributions and the MOF accept AID's previous recommendations regarding the administration of excise taxes on diesel oil and cigarettes (see Annex D), assist with implementation of new procedures.

(f) Training. Under this extension, per the request of the Minister, six persons will be sent to the INTAX course at Harvard University. This will represent a total of two months of overseas training for six individuals.

The following represents the additional level of effort under this extension:

Chief of Party	16 Person-months
Customs Advisor	16 person-months
Tax Audit Advisor	16 person-months
Property tax advisor	5 person-months
Laboratory advisor	2 person-months

2. Ministry of Plan program. Activities planned for the period of the extension include the following:

(a) Installation of the MIS. This category of activities includes the continued refinement and improvement of the DEC's management procedures, production of a final version of the operations manual, expansion of the MOP's computerized database and systematization of computer programs and outputs, finalization of information collection forms, and establishment of decision criteria to guide MIS utilization. Many of these activities will have a direct link to the PL-480 Title III management office's functions and procedures.

(b) Joint Project Evaluations. Among the DEC strategy decisions made this past year was the intention to participate more effectively in donor evaluations. Following discussions with the Mission, the DEC will undertake joint MOP-AID evaluations of selected AID-funded projects. The experience will provide DEC staff with an important on-the-job learning opportunity, and it will allow the DEC to determine an appropriate operating policy on project evaluations that is consonant with MOP resource constraints.

- (c) Technical Assistance to Sectoral Agencies. An important element in the successful functioning of the MIS is the ability of the sectors to provide required information. This activity category encompasses technical outreach from the MOP to the sectors in the form of both informal working sessions and workshops. These will include as topics: MOP information collection vehicles, the role of the sectors in the GOH national project Planning and Management System, and project planning and management tools. It is intended that some of these workshops will be held for the regional units of GOH sectoral ministries. Because the main MOP information collection vehicle is an annual project management plan, activities undertaken in this category will help to build sectoral management capacity as well as increase the probability that the MOP's MIS will receive better information.
- (d) MOP Management Training. Planned in this category is a continuation of the mix of informal on-the-job training and scheduled workshops for the DEC that have characterized the project's implementation to date. Also planned are workshops for MOP regional staff, who are supposed to play an increasingly important role in monitoring and evaluation of development projects. The planned workshops will focus upon operation of the MIS, computer utilization, additional project management and analysis tools, and evaluation techniques.
- (e) Title III Management. The purpose of providing technical assistance to the PL 480 Title III management office is to assist in establishing and developing the capacity of the office to manage the counterpart funds resulting from the sale of commodities, and to monitor both the implementation of the Title III projects and progress in achieving the self-help measures contained in the Title III agreement. In particular, the advisor will assist the office in carrying out the following:
- (1) Defining the responsibilities of the office staff and carrying out the necessary training;
  - (2) Developing procedures for the following:
    - (a) coordinating the functions of the Commodity Importation and Sales unit of the Ministry of Commerce;
    - (b) managing the Title III counterpart fund, including budgeting, processing the annual project implementation plans, ensuring the disbursement of funds to projects, and preparing monthly counterpart activity reports; and
    - (c) monitoring both Title III project implementation and progress toward achieving self-help measures, including the development of an annual monitoring plan as described in the Title III project paper, preparing quarterly project implementation reports and the Title III annual evaluation report; and

- (3) Ensuring close collaboration with GOH entities and USAID so that all administrative procedures requiring such collaboration will be carried out smoothly.

The additional level of effort envisioned under this component is

Long-term advisor	12 months
Short-term advisors	6 months

3. Disaster Preparedness. The scope of work for this component is as follows. The advisor will:
  - (a) serve as technical advisor to the GOH Disaster Coordinator on planning and management of disaster preparedness and response;
  - (b) advise and assist the GOH in the finalization of the GOH disaster preparedness, mitigation and response program and assist the GOH in identifying personnel, equipment and material required for the effective implementation of the program;
  - (c) preform liaison functions between international organizations, PVOs, the Haitian Red Cross and others concerned with disaster preparedness and response activities in Haiti, and, as appropriate, be available for consultation with these groups;
  - (d) assist in planning disaster preparedness and response orientation programs for the GOH Disaster Coordinator and other officials in the Caribbean or elsewhere, accompany the Coordinator or his representative on orientation trips and participate with him in these activities;
  - (e) advise and assist USAID/Haiti in disaster planning, management and mitigation, review proposed and ongoing USAID projects and make recommendations for the inclusion, as appropriate, of disaster mitigation features;
  - (f) travel, as required, to other Caribbean countries to assist their governments and international organizations in disaster planning and management;
  - (g) in addition to the above activities, the Contractor will provide a presentation to concerned Mission, GOH, and PVO personnel on the recent National Oceanographic and Atmospheric Administration (NOAA) Training Program on crop assessment technology. The content shall be developed in conjunction with the Contractor's supervisor; however, it should cover the following:
    - (1) present capabilities, problems and requirements;
    - (2) utilization of computer programs;

- (3) practical application of agrometeorological information;
- (4) use of meteorological data for ocean shipment, current problems, corrective actions, etc;
- (5) use of meteorological information for health planning and contingency purposes; and
- (6) future plans and recommendations.

Other activities will include carrying out the public awareness campaign, holding workshops, establishing an emergency radio network, training Meteorological Service personnel in computer operation, working on airport safety, updating the US Mission disaster plan, and carrying out a joint hurricane simulation exercise.

One half of the advisor's salary will be supplied by OFDA. The additional level of effort required is 24 months for the long-term advisor.

4. Energy Policy Development. Under this component, an additional six months of TA will be funded for the ongoing S&T activity, and twenty-four months will be funded under the new component.

- A. S&T Activity. The ongoing project is funded from an S&T funding source entitled "Energy Policy Development and Conservation Haiti Subproject" (936-5728). Under the S&T-funded program, AID provides assistance to the GOH to develop an energy analysis and planning organization, to be administered by the Directorate of Energy Resources (DRE) located within the Ministry of Mines and Energy Resources (MMRE). The project is funded at \$275,000 and is currently expected to finish in September, 1985. The Mission wishes to extend the current activity (by adding \$50,000 to the ongoing contract) to permit the program to continue through December, 1985.

The objective of the project is to provide the GOH with the capacity to do energy analysis and planning on a national basis so as to provide a solid basis for planning and policy development in the energy sector and in sectors which produce or consume substantial amounts of energy. Specific objectives are:

- (1) to build the institutional and personnel capabilities of the country in the areas of energy analysis, planning and policy development;
- (2) to create a focal point for energy analysis, planning and policy development activities within the government;
- (3) to provide the necessary information and analyses for and to carry out, in full collaboration with other Haitian organizations, an integrated energy planning effort; and

- (4) to train Haitian personnel in subjects related to energy analysis, planning and policy development.

With these objectives in view, the Ministry of Mines and Energy Resources has formed an Energy Analysis and Planning Team which has embarked on a range of activities. Permanent and continuing activities are:

- (1) on-the-job training, consisting of seminars and working sessions devoted to basic energy-related subjects and development of the capabilities of team members through on-the-job training. This includes training in computer techniques and software usage;
  - (2) monthly meetings of the Interministerial Committee as well as informal working contacts throughout the month. It is expected that this will evolve into cooperative analyses, planning efforts and projects;
  - (3) energy data and information collection;
  - (4) routine work on development of the energy documentation center; and
  - (5) visits to and evaluations of energy-related projects.
- (b) New activity. The new energy activity to be undertaken by the Mission will be designed more fully over the course of this fiscal year. The purpose of this activity will be to provide an advisor to the Ministry of Mines and the Mission whose goal will be to undertake the following activities, among others:
- (1) pursue the objective of identifying possible alternatives to fuelwood as an energy source for the country;
  - (2) identify conservation measures which would reduce the usage of fuelwood and petroleum imports;
  - (2) aid the Ministry of Mines and the Mission in identifying appropriate policy measures or specific project activities contributing to economizing on current energy usage or establishing viable alternative energy sources; and
  - (3) investigate the economic feasibility of producing renewable energy sources in a profitable manner (energy farms).

This activity will begin in early CY 1986, once a detailed scope of work has been prepared in cooperation with the MMRE. Twenty-four man-months of effort have been budgeted for this purpose.

5. Financial Management Training. This new component has been included in this phase of the project because of repeated requests by GOH entities for assistance in preparing accounting documentation for AID-funded projects. The purpose of the component is to make available the necessary expertise to permit the office of the Controller to provide assistance on an as-needed basis to selected GOH entities. More broadly, the assistance will be used to strengthen the capacity of selected development ministries and other public-sector entities to maintain better records and accounts, and thereby enhance management's awareness and control of financial activities concerning their operations.

Other possible types of assistance include:

- (a) aid in establishing records and accounting systems;
- (b) advice in preparing vouchers and other documentation for submission to AID;
- (c) aid in establishing compliance with AID procedures and regulations;
- (d) short-term training in various financial management principles;
- (e) on-the-spot verification of accounting practices; and
- (f) establishing internal auditing procedures.

The identification of the expertise required will be made by the Controller's office, in cooperation with DRE. The Controller's office will likewise supervise the experts recruited under the component. The level of effort involved is four man-months.

6. Economic Studies. The GOH has repeatedly requested that USAID provide technical assistance for a variety of economic studies aimed at improving the Government's policies and investment programs. To date, it has been difficult to respond to many of these requests, as no mechanism was available for funding such studies. The need for these studies will be accentuated once the Title III program becomes operational.

This component of the project will therefore establish a fund to give the Mission the capability to respond to specific requests for such assistance in a timely fashion. \$229 thousand will be set aside for this purpose, to fund approximately seven studies. Examples of the types of studies to be funded from this component include:

- (a) a study of the tax and contractual changes required for Haiti to benefit from falling world market petroleum prices;
- (b) an analysis of the yields of various taxes to determine where administrative and legal changes would be beneficial;

- (c) an analysis of the fiscal and income distribution effects of alternative tax changes;
- (d) the development of an income-expenditure survey that would allow for quantitative analyses of policy issues facing the government;
- (e) benefit-cost analyses of alternatives to GOH management in the sugar, edible oils and cotton processing industries;
- (f) an analysis of the impact of flour price reductions on such items as food production and consumption decisions, real per capita incomes, balance of payments, and public finance; and
- (g) a study of the Ministry of Finance's control mechanisms of expenditure and credit advances to governmental and parastatal institutions.

In each case, the study will be managed by the Mission's Office of Economic Analysis (OEA), which will coordinate with the Ministry of Finance (or whichever other Ministry requests such studies).

7. Ministry of Agriculture advisor.

Description: This technical consultant position is established to assist the Ministry of Agriculture develop, implement and evaluate sound management of Haiti's renewable natural resources in support of its overall economic and social development objectives. The consultant will advise the Minister of Agriculture and senior cabinet members with the Ministry of Agriculture on appropriate issues relating to program design, implementation and evaluation of activities which address Haiti's fragile lands problem. Through such advice, the ministry will be able to assist in developing and implementing alternative resource management practices and systems to optimize sustained agricultural productivity and to prevent or minimize environmental degradation. The aim is to improve the institutional capability of the Ministry of Agriculture to better utilize Haiti's limited and fragile land base.

Representative Duties

- Participate in senior cabinet level deliberations of programs concerned with forestry, soil, water management.
- Advises on more effective techniques for identifying, appraising and conserving Haiti's renewable natural resources for sustainable economic development, such as hillside farming and improved watershed techniques.
- In cooperation with the Director for Natural Resources, in the Ministry of Agriculture, assesses national natural resources and overall environmental practices affecting rural areas, as well as the institutional capacity to carry out intended programs.

- Advise the Minister of Agriculture on research gaps and recommend specific action plans to overcome the data needs including linking international research institutions to the Ministry of Agriculture.
- Assesses training needs in the renewable natural resources area; and works closely with the Minister of Agriculture in developing appropriate action plans.
- Advises the Minister on the technical soundness of donor proposals in renewable natural resources.
- Develops, in collaboration with senior Ministry personnel a 10 year action plan for addressing Haiti's urgent and immediate fragile lands problem.

#### Qualifications

Education: a graduate degree (MS or PhD) in one of the following areas environmental planning, land-use and water resources planning, natural resources economics or other fields directly applicable to renewable natural resources management.

Experience: At least 10 years of field experience in natural resource or environmental management and planning is required, and a demonstrated ability to work in senior level advisory role in a developing country. Tact and maturity are essential as well as an ability to work successfully at multiple levels within a Ministry of Agriculture. Good oral and written communication skills are essential and fluency in French is required at the FSR 3, FSS 3 level. The level of effort under this component is 24 man-months.

#### 8. Ministry of Finance Advisor

Description: This technical consultant position is established to assist the Ministry of Finance and the General Directorate of Taxes to strengthen their capability to administer taxes equitably and efficiently, especially income and sales (TCA) taxes, in order to simultaneously reduce tax rates and expand the effective tax base, thereby generating revenues for public expenditures. The consultant will report directly to the Minister of Finance and provide needed technical assistance to his staff, including the General Directorate of Taxes, and other technical assistants working for the Ministry. Through such assistance, the Ministry will be able to develop administrative and policy reforms with the purpose of reducing personal income and business sales tax rates while significantly expanding the total potential tax base. The aim is to generate sufficient government revenues for public expenditures, specifically, in the area of infrastructure improvement to support private sector expansion.

#### Representative Duties

- Modify procedures and improve administration of income and sales taxes to increase the effective tax base;

- Complete the work of development and implementing a tax-payer identification numbering system and apply it to accurate tax rolls of individuals and businesses;
- Develop administrative systems in ways designed to make them compatible with computerization. For example, have the taxpayer numbers contain internal check digits to control for keypunch entry errors;
- Prepare analyses of the impacts of tax rate reductions on government revenues and private sector development. Based upon the results of these analyses and discussions with GOH and donor officials, develop recommendations for tax rate reductions. Assist the GOH to implement the rate reductions in a fashion that ensures sufficient revenue for needed public services;
- Provide competent technical advice on other tax administration and policy reforms, including Title III related tax issues, and needed future technical assistance in the Ministry of Finance.

#### Qualifications

Education: At least a Masters in Economics, Public Administration, Law, or related fields.

Experience: At least five years experience in tax administration and policy and a demonstrated ability to work in a senior level advisory role in a developing country. Excellent oral and written communication skills are essential, as well as fluency in French at the FSR 3, FSS 3 level. The level of effort under this component is 24 man-months.

#### IV. AMENDED PROJECT ANALYSES

##### A. Economic Analysis

The systemic problems of the economy were discussed in the original project paper. The following figures were also presented, as an estimate of the yield of each activity under the component:

Activity	<u>Yield in Year II</u>
Customs	\$8,640,000
Income tax	1,958,000
Property tax	180,000
Excise tax on manufactures	2,832,000
Excise on Alcohol, Tobacco, & Gas	<u>12,000</u>
TOTAL	\$13,622,000

Under the terms of the FY 1984-85 IMF Standby Agreement, improvement in the government's public finances was to be achieved through implementation of a number of fiscal reforms, including the introduction of a comprehensive taxpayer identification system to facilitate cross-checking among the new sales tax records, customs returns, and income tax returns; the strengthening of tax assessment procedures; the simplification of appeal procedures in tax delinquency cases; and the reformulation of the accounting and expenditure control procedures. These reforms and the economy's recovery were expected to generate over a 12 per cent increase in Treasury revenues in 1984. Unfortunately, the actual increase in Treasury revenues was limited to around 8 per cent. The poor revenue performance coupled with the large unplanned expenditures by the public sector following civil disturbances last May resulted in public sector deficits in excess of the IMF Standby Agreement during the third and fourth quarters of FY 1984.

In an attempt to increase revenues and to regain an IMF agreement, the GOH recently increased taxes on diesel, gasoline, auto registrations, alcoholic beverages, and soft drinks. In addition, the value added tax (taxe sur le chiffre d'affaires) was increased from 7 to 10 per cent. With these tax increases and controls on spending, the Government hopes to have both a balanced budget in FY 1985 and a new IMF Standby Agreement. The first objective will require a large (18 per cent) increase in revenues. The second objective calls for firmer control of expenditures and credit expansion than has been demonstrated recently.

The GOH is currently following a "shadow program" whereby the IMF monitors GOH performance on a monthly basis in five main areas: treasury revenues and expenditures, private sector credit by the National Credit Bank, net domestic assets of the central bank, and the public sector deficit. Compliance with the "shadow program" could lead to a new standby agreement in this fiscal year.

## B. Institutional Analysis

The major institutions benefitting from this project were discussed in the original project paper. The one notable addition to this project is the Ministry of Mines and Energy Resources.

The MMRE is charged with planning for and regulating both the mining sector and the energy sector. Although not a large ministry by comparison with others such as Agriculture and the DSPP, the MMRE nevertheless plays an important role in its respective areas. The MMRE's influence has declined somewhat with the closing of the last operating mine in Haiti, the Reynolds Bauxite mine, in 1983.

The branch of the MMRE with which this project is concerned is the Experimental Center, located in its own building, and staffed primarily by engineers and planners. When AID/W was negotiating for the first tranche of funds for the centrally-funded project, the Minister agreed to form an energy analysis team to serve as counterparts to the AID/W-supplied energy advisor. As described above, their mission is to undertake the studies throughout the country necessary for engaging in energy planning and analysis. The team consists of two full-time MMRE engineers and a number of technicians and assistants.

V. PROJECT IMPLEMENTATION ARRANGEMENTS

A. Summary Financial Plan

A complete financial plan is provided under section C, below. In a summary manner, however, the levels of additional funding required for each component are as follows:

Component

<u>Fiscal Reform</u>	\$726,000
<u>Project Planning and Monitoring</u>	177,000
<u>Disaster Preparedness</u>	72,000
<u>Financial Management Training</u>	32,000
<u>Energy Planning</u>	290,000
<u>Economic Studies</u>	229,000
<u>Ag. Minister Advisor</u>	240,000
<u>Ministry of Finance Advisor</u>	240,000
<u>Non-federal Audit</u>	30,000
<u>Evaluation &amp; Contingency</u>	<u>64,000</u>
TOTAL	\$2,100,000

B. Contracting and Management Plan

Inasmuch as the sole content of this project is the provision of technical assistance, the contracting arrangements warrant some discussion. The contracting arrangements for each subcomponent are as follows:

- (1) Tax and Customs. The tax and customs component is being implemented by a single firm, Development Alternatives, Inc. They were selected by a competitive procedure during the first phase of the project. The team now consists of a team leader, a customs advisor and a tax advisor. Short term assistance has also been provided. The tax and customs component is managed by the Office of Economic Analysis.
- (2) Ministry of Plan. The assistance provided to the Ministry of Plan is furnished through a PASA arrangement under the US Department of Agriculture's Cooperative Agreement with the University of Maryland's Development Project Management Center (DPMC). Funds for the second phase of the project will be routed through the same PASA. This project component is managed by the DRE office directly.

- (3) Disaster Preparedness. The disaster preparedness advisor is funded through a personal services contract. This contract will be extended for an additional period of 24 months under this amendment. The disaster preparedness activity is handled by the Office of Private and Voluntary Development (OPVD).
- (4) Energy Planning. As stated above in the body of the paper, the Energy Advisor is funded through an AID/W contract with the International Science and Technology Institute (ISTI). For the three-month extension beginning in September 1985 and ending in December 1985, \$50,000 of this project's funds will be used to supplement that project. The contract action will be performed by SER/CM through the S&T office in Washington. Beginning in January, 1986, the funds reserved for energy planning in this project amendment will either be used to extend the ISTI contract or to fund a new contract for which the selection of the contractor will be made competitively. Determination of how to proceed with the contract action will be made over the course of FY 1985 following an evaluation of the progress made on the project. The energy activity is managed by the Engineering office.
- (5) Financial management. As explained above, the financial management component of this project is a source of funds for specific, targetted interventions with selected GOH ministries. The ministries to benefit from this component have not yet been chosen. The selection of the advisors, and the management of their contracts, will be performed by the Controller's office.
- (6) Economic studies. As in the case for the financial management assistance, the economic studies will be contracted on an as-needed basis, and may involve contracts with individuals, institutions or firms. The detailed scopes of work will be jointly drawn up by the OEA and the Title III management office.
- (7) Ministry of Agriculture advisor. The scope of work for this individual will be drawn up by the Agriculture and Rural Development Office.
- (8) Ministry of Finance advisor. The details of this component will be provided by the Office of Economic Analysis.

#### C. Evaluation Plan

Two formal evaluations are provided for in this Project Paper amendment, for two subcomponents. There is no evaluation scheduled for the project as a whole, since each component represents a discrete activity.

Project Planning and Monitoring. The evaluation of this component will occur in late 1985 or early 1986. It will be funded through this project amendment; the cost, however, should be minimal, as it is planned to employ AID/W and USDA personnel associated with ST/RD and the University of Maryland's Development Project Management Center (DPMC).

Tax and Customs. This component will be subject to two evaluations over the course of the amended project period. The first, an in-house evaluation, will be conducted with Mission resources and the possible use of an outside consultant. Its purpose is to aid the Mission in making decisions about ongoing activities (mid-course corrections). The second (end-of-project) evaluation will take place in 1987, and will assess the progress made over the life of the activity as well as contractor performance.

Illustrative Budget

<u>Component Name</u>	<u>Amended Budget</u>	<u>Subtotal</u>
<u>Fiscal Reform</u>		725,602
Home Office Personnel	6,000	
Chief of Party	117,200	
Customs Advisor	66,336	
Tax Audit Advisor	82,880	
Property Tax Advisor	30,550	
Laboratory Advisor	12,161	
Fringe Benefits, 16.9%	53,256	
Overhead, 66.8%	246,079	
Office Expense	16,000	
Fixed Fee, 9.3%	58,640	
Overseas Training	36,500	
<u>Project Planning and Monitoring</u>		177,042
Long-term Advisor	85,755	
Short-term Advisors	37,900	
USDA Overhead, 27%	33,387	
Computer acquisition	20,000	
<u>Disaster Preparedness</u>		72,430
Long-term Advisor	72,430	
<u>Financial Management Training</u>		32,000
Short-term Experts	32,000	
<u>Energy Planning</u>		182,500
Continuation, S&T Activity	50,000	
New activity	240,000	
<u>Economic Studies</u>		229,530
Short-term Experts	229,530	

Illustrative Budget

<u>Component Name</u>	<u>Amended Budget</u>	<u>Subtotal</u>
<u>Advisor to Minister of Agriculture</u>		240,000
Long-term Advisor	240,000	
<u>Advisor to Minister of Finance</u>		240,000
Long-term Advisor	240,000	
<u>Non-federal Audit</u>		30,000
	30,000	
<u>Evaluation &amp; Contingency</u>		<u>63,396</u>
TOTAL		<u><u>2,100,000</u></u>

Comparative Budget  
Phases I and II

<u>Component Name</u>	<u>Budgeted</u>	<u>Earmarked</u>	<u>New Budget</u>	<u>Total to date</u>
Tax and Customs	730,000	745,279	725,602	1,455,602
Ministry of Plan	200,000	208,852	177,042	377,042
Disaster Preparedness	35,000	35,000	72,430	107,430
Energy Planning	-0-	-0-	290,000	290,000
Financial management	-0-	-0-	32,000	32,000
Economic Studies	28,000	-0-	229,530	257,530
Advisor to Ag. Minister	-0-	-0-	240,000	240,000
Advisor to Finance Min.	-0-	-0-	240,000	240,000
Evaluation	7,000	-0-	63,396	63,396
Non-federal Audit	<u>-0-</u>	<u>-0-</u>	<u>30,000</u>	<u>30,000</u>
TOTAL	<u>\$1,000,000</u>	<u>\$989,131</u>	<u>\$2,100,000</u>	<u>\$3,100,000</u>

## LOGICAL FRAMEWORK MATRIX - PROP WORKSHEET

Summary	Objectively Verifiable Indicators	Important Assumptions
<p>A.1. Goal</p> <p>Creation of a long-term, sustainable economic development process in Haiti</p>	<p>A.2. Measurement of Goal Achievement</p> <p>Increase in <u>per capita</u> incomes, favorable increases in other socio-economic indicators. Means of verification: Impact assessments, socio-economic surveys</p>	<p>A.3. (as related to goal)</p> <p>Government applies laws and regulations equitably and fairly.</p>
<p>B.1. Purpose</p> <p>To improve the institutional capacity of the GOH public sector to attract and support private sector investment, and design and implement viable development projects.</p>	<p>B.2. End of Project Status</p> <p>Increase in private sector investment; in investment outside of Port-au-Prince; in % of GOH projects achieving their targets. Means of verification: GOH reports, AID studies, direct observation.</p>	<p>B.3. (as related to purpose)</p> <p>Political climate remains stable; donor assistance continues; GOH/Private sector cooperation continues</p>
<p>C.1. Outputs</p> <p>Improved customs and tax administration; shortening of customs entry procedures; tax audit procedures strengthened; MOP project monitoring system upgraded; Title III program in place; Energy analysis capacity of GOH upgraded; Disaster planning system installed; Economic studies completed; Analytic skills of Ministry of Agriculture personnel upgraded; financial planning and auditing capacity improved.</p>	<p>C.2. Output Indicators</p> <p>Number of personnel trained, customs laws and procedures promulgated; number of tax auditors trained; new procedures enforced; MIS improvements continue; disaster preparedness program continues; MMRE analytic capacity upgraded and new programs undertaken; number of ministries assisted. Means of verification: project reports, direct observation, government documents, financial records and reports.</p>	<p>C.3. (as related to outputs)</p> <p>Personnel trained apply new skills and remain in current jobs; procedures created are applied</p>
<p>D.1. Inputs</p> <p>AID-furnished Technical assistance and training; microcomputers;</p> <p>GOH personnel, facilities and salaries</p>	<p>D.2. Budget/Schedule</p> <p>See financial plan</p>	<p>D.3. (as related to inputs)</p>

UNCLASSIFIED

ANNEX B *JPC*

- NFO
- AMB
- OCM
- POL
- ECON
- COMM
- CONS
- ADM
- PER
- B&F
- GSO
- ICA
- AID
- DAO
- MSG
- CRO
- DO
- CHRON

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**ACTION**

AIDAC

E.O. 12356: N/A  
 TAGS:  
 SUBJECT: ENERGY POLICY DEVELOPMENT AND CONSERVATION (936-0728); HAITI SUBPROJECT

REFS: (A) KOCI LETTER, 12/4/84, (B) HAITI FY 86 ABS

1. FOR LOU O'CONNOR FROM PAMELA BALDWIN; PLEASE PASS INFO TO CLARENCE KOOI.
2. ONE-WEEK TOY TO WASHINGTON IN MID-NOVEMBER BY CLARENCE KOOI, ST/EY-FUNDED ENERGY ADVISOR TO GOH, AND WILFRID ST. JEAN, CHIEF OF GOH ENERGY PLANNING UNIT. DMRE, WAS VERY USEFUL OPPORTUNITY TO REVIEW STATUS OF PROJECT AND DEVELOP PLANS FOR REMAINING TIME OF KOOI RESIDENCY. MEETINGS WERE HELD WITH ST/EY STAFF, CONSULTANTS FROM ISTI, E/DI, IIE, AND IDEA, INC., AND STAFF OF WORLD BANK. THIS MESSAGE SUMMARIZES OUTCOME OF THESE DISCUSSIONS AND OUTLINES AREAS WHERE ST/EY AND USAID ACTION REQUIRED.

3. A GOOD DEAL OF TIME WAS SPENT DISCUSSING OVERALL FUNCTIONS OF DIRECTION DES RESSOURCES ENERGETIQUES (DRE)

AT DMRE AND HOW ITS ENERGY PLANNING ACTIVITIES CAN BE CARRIED OUT MORE EFFECTIVELY THROUGH STRATEGIC PLANNING AND MANAGEMENT TRAINING WITH ASSISTANCE UNDER THE PROJECT. RELATIONSHIP TO OTHER KEY ACTORS, ESPECIALLY ELECTRICITE D'HAITI, WAS KEY POINT IN DISCUSSIONS, AS WAS NEED TO SET OUT COHERENT WORK PROGRAM, WITH CLEAR PRIORITIES FOR ALLOCATION OF DRE STAFF TIME. E/DI INSTITUTIONAL CONSULTANT GODDARD DISCUSSED HER DRAFT REPORT WITH KOOI AND ST. JEAN AND PROVIDED EXTENSIVE PACKAGE OF INFORMATION ABOUT SPECIFIC TRAINING OPPORTUNITIES IN THE U.S. THAT ARE APPROPRIATE TO DMRE NEEDS. GODDARD IS CURRENTLY REVISING HER REPORT, WHICH WILL BE FOUCHEU TO MISSION AND DMRE WHEN RECEIVED BY ST/EY (EXPECTED NLT 25 DECEMBER).

4. OTHER TOPICS DISCUSSED INCLUDED WORK UNDERWAY ASSESSING ENERGY REQUIREMENTS OF TRADITIONAL SUGAR PROCESSING FACILITIES AND POTENTIAL FOR IMPROVED

EFFICIENCY AND GREATER USE OF BAGASSE AS FUEL; PLANNED STUDY OF COAL BRIQUETTES AS HOUSEHOLD FUEL, BASED ON HAITIAN LIGNITE DEPOSITS; DEVELOPMENT OF ENERGY INFORMATION LIBRARY FOR DMRE; ONGOING COMPUTER-ASSISTED WORK ON MACRO-LEVEL ENERGY PLANNING, ESPECIALLY DEMAND SIDE ANALYSIS; NEED TO DEVELOP APPROACHES TO ANALYZE ENERGY USE IN AGRICULTURE AND IN INDUSTRY; AND WAYS TO PROVIDE TRAINING IN ENERGY ECONOMICS AND PLANNING TO DMRE STAFF (NOT JUST THOSE IN DMRE).

5. WITH RESPECT TO SUGAR PROCESSING ANALYSIS, ST/EY UNDERSTANDS THAT REPORT OF CONSULTANT MARGARET BARRE IN ENERGY USE IN "MULTIPLYING AND REGULATING" WILL BE AVAILABLE ON HER RETURN TO HAITI IN JANUARY, AND THAT SHE WILL BE IN HAITI IN JULY FOR CONSULTING OBSERVATION

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**ACTION TAKEN**

Date: \_\_\_\_\_  
 By: \_\_\_\_\_

*Heurich*

REQUIRED IN FEBRUARY, INCLUDING WITH FRENCH-PROVIDED TA TO LARGE MODERN PROCESSING FACILITIES. STZEY PROPOSES TO PROVIDE SERVICES OF TWO PERSONS FROM HACLER, BAILLY AND CO., STZEY CONTRACTOR FOR WORLDWIDE ENERGY CONSERVATION SERVICES PROGRAM, AND TO FUND THIS TA FROM WORLDWIDE CONSERVATION CONTRACT RATHER THAN THROUGH FUNDS UNDER HAITI PRD AG. ALAIN STREICHER OF HBC MEETING WITH FRENCH AFME STAFF IN PARIS IN DECEMBER TO COORDINATE SCHEDULES FOR HAITI VISITS. SEPTEL WILL ADVISE OUTCOME AND MORE CONCRETE PLANS AS THEY DEVELOP.

6. ON COAL BRIQUETTING, STZEY REVIEWED PROPOSAL SUBMITTED TO DRE BY MINERAL RESOURCES CONSULTANTS, INC AND UNIVERSITY OF NORTH DAKOTA ENERGY RESEARCH CENTER FOR POSSIBLE FUNDING UNDER EPDAC HAITI SUBPROJECT. STZEY BELIEVES PROPOSED PREFEASIBILITY STUDY FOR DEVELOPMENT OF MAISSADE LIGHTITE DEPOSIT IS PREMATURE AND HAS ADVISED KOOI AND ST. JEAN THAT FIRST STEPS IN THIS AREA SHOULD BE ANALYSIS OF POTENTIAL MARKET FOR LIGHTITE BRIQUETTES AS SUBSTITUTE FOR FUELWOOD AND CHARCOAL IN HOMES AND SMALL BUSINESSES OR INDUSTRIES SUCH AS BAKERIES, CANTEENS, ESSENTIAL OILS. REVIEW OF GEOLOGICAL DATA ON LIGHTITE DEPOSITS AND DEVELOPMENT OF STRATEGY FOR FURTHER EXPLORATION HAS ALSO BEEN RECOMMENDED. STZEY PROPOSES TO FUND CONSULTANT FOR MARKET STUDY UNDER EPDAC PROGRAM AND TO PROVIDE TA FROM U.S. GEOLOGICAL SURVEY THROUGH EXISTING RSSA AGREEMENT WITH USGS UNDER STZEY CONVENTIONAL ENERGY TECHNICAL ASSISTANCE PROJECT (936-5724). MARKET STUDY WOULD FIT NICELY WITH SIMILAR ANALYSES GETTING UNDERWAY IN PAKISTAN AND PERU AS WELL AS STUDY OF COAL BRIQUETTE PROSPECTS AS FUELWOOD/CHARCOAL SUBSTITUTE IN DEVELOPING COUNTRIES GENERALLY RECENTLY INITIATED BY STZEY. STZEY WILL PROCEED WITH IDENTIFICATION OF MARKET STUDY CONSULTANT AND USGS SCIENTIST AND WILL CABLE BIODATA FOR MISSION AND DRE CONCURRENCE ASAP. IN ADDITION, STZEY IS REVIEWING DRAFT TERMS OF REFERENCE AND CONSULTANT REQUIREMENTS SENT BY KOOI (REF A) AND WILL RESPOND WITH SOME SUGGESTIONS FOR MODIFICATION.

7. RE ENERGY INFORMATION/DOCUMENTATION CENTER FOR DRE, KOOI AND ST. JEAN INDICATED THEY HAD HAD DISCUSSIONS WITH VITA ABOUT HAVING THEM UNDERTAKE JOB OF ASSEMBLING A SMALL LIBRARY EMPHASIZING ENERGY REFERENCES AND REPORTS IN FRENCH AND DEVELOPING A SYSTEM FOR ITS USE AND EXPANSION AT DRE. IN ADDITION, KOOI AND ST. JEAN VISITED E/DI TO LEARN ABOUT THAT FIRM'S WORK IN ESTABLISHING SIMILAR CENTER IN SUDAN. STZEY REQUESTED THAT VITA CONTACT BALDWIN TO PROPOSE AN APPROACH AND BUDGET, BUT NO CONTACT HAS OCCURRED TO DATE. STZEY WILL ALSO DISCUSS WITH OAK RIDGE LAB THE POSSIBILITY OF ASSISTANCE WITH THIS TASK UNDER THE AID/ORNL PASA (PART OF STZEY EPDAC PROJECT).

8. RE COMPUTER-ASSISTED NACRO-LEVEL DEMAND ANALYSIS AND PLANNING, DISCUSSIONS WERE HELD WITH ROMIR CHATTERJEE OF IDEA, INC. ABOUT CARRYING OUT PRELIMINARY RUNS OF RESGEN MODEL IN WASHINGTON PRIOR TO NEXT VISITS OF JOHN LEE AND/ER. G. ANANALINGAN TO HAITI, AND IT WAS AGREED TO FOLLOW THIS COURSE OF ACTION.

9. RE TRAINING IN NATIONAL ENERGY ECONOMICS AND PLANNING FOR CMI STAFF, KOOI AND ST. JEAN MET WITH STEVEN EBBIN OF INSTITUTE OF INTERNATIONAL EDUCATION, STZEY'S CONTRACTOR FOR CONVENTIONAL ENERGY TRAINING PROJECT (936-997). IT WAS AGREED TO EXPLORE POSSIBILITY OF SPECIAL SIX-MONTH NON-DEGREE PROGRAM AT UNIVERSITY OF PENNSYLVANIA, WHERE SEVERAL CIVIL STUDENTS ARE CURRENTLY TAKING SECRET PROGRAMS IN THIS SUBJECT AREA. ONE OF THESE PROGRAM DIRECTORS STEVEN BELMONT AGREED TO INVESTIGATE POSSIBILITIES OF SUCH A PROGRAM IN HAITI AND CAN ATTEND, PREVIOUSLY TO NEXT VISIT WITH

HAS HAD AN ENERGY PLANNING OBJECTIVE  
MEET U. OF PENN. ADMISSION REQUIREMENTS. KOOI AND ST. JEAN AGREED TO PROVIDE CLEAR STATEMENT OF TRAINING OBJECTIVES, TO EXPLORE POSSIBILITY OF LOCATING APPROPRIATE ENGLISH-SPEAKING CANDIDATES FROM DMRE, EDH, MINISTRY OF PLAN, ETC., AND TO INITIATE NOMINATION

PROCESS WITH USAID/HAITI." STZEY STRONGLY RECOMMENDS THAT TRAINING CANDIDATES BE PERSONS EARMARKED FOR KEY ROLES IN COH-ENERGY PLANNING ACTIVITIES ON THEIR RETURN HOME. NOMINATIONS FOR SEPTEMBER START MUST BE IN BY MARCH 10, 1985.

10. RE DONOR COORDINATION, URSULA WEIMPER OF WORLD BANK (WHO DIRECTED TEAM THAT DID IBRD ENERGY ASSESSMENT FOR HAITI) HOSTED LUNCHEON AT WHICH CURRENT STATUS OF DRE ACTIVITIES WAS REVIEWED AND AID AND IBRD ROLES IN ONGOING ASSISTANCE WERE DISCUSSED IN GENERAL TERMS. BALDWIN AND WEIMPER WILL HAVE FOLLOW-UP MEETING IN EARLY JANUARY.

11. BALDWIN TENTATIVELY PLANNING TOY IN HAITI FOR SOMETIME IN FEBRUARY, PENDING AVAILABILITY OF STZEY TRAVEL FUNDS. AT THAT TIME SHE WOULD LIKE TO MEET WITH MISSION STAFF TO DETERMINE TOGETHER THE FUTURE COURSE OF ENERGY PLANNING ASSISTANCE EFFORT IN HAITI, INCLUDING MISSION'S PLANS FOR SUPPLEMENTING STZEY CONTRIBUTION TO THIS TASK AS PER REF B, P. 16. PACO FOR ISTI CONTRACT IS CURRENTLY APRIL 30, 1985. HOWEVER, STZEY PROPOSES TO EXTEND CURRENT CONTRACT AND KOOI RESIDENCY TO SEPTEMBER 30 WITHOUT ADDITIONAL STZEY FUNDING. THIS IS POSSIBLE

BECAUSE FUNDS EXPENDED TO DATE FOR SHORT-TERM CONSULTANTS HAVE BEEN LOWER THAN ANTICIPATED. IF MISSION COULD ADD ITS FY 85 CONTRIBUTION OF DOLS. 50,000 AT SAME TIME (REF. B), TENURE OF KOOI COULD BE EXTENDED THROUGH DECEMBER 1985 AND ADDITIONAL SHORT-TERM CONSULTING SERVICES COULD BE USED. PLEASE ADVISE.

} spread to  
Gilson

12. STZEY UNDERSTANDS THAT LOU O'CONNOR, CLARENCE KOOI AND WILFRID ST. JEAN PLAN TO ATTEND LAC REGIONAL WORKSHOP ON ENERGY CONSERVATION IN COSTA RICA, JANUARY 14-17. WORKSHOP IS JOINTLY FUNDED BY LAC/DR AND STZEY (UNDER EPDAC ENERGY CONSERVATION SERVICES PROGRAM). FUNDS ALLOCATED FOR WORKSHOP UNDER EPDAC/ECSF CONTRACT WITH HAGLER, BAILLY WILL COVER TRAVEL AND PER DIEM FOR ST. JEAN. IT IS OUR UNDERSTANDING THAT KOOI TRAVEL WILL BE CHARGED TO ISTI CONTRACT AND O'CONNOR'S TO MISSION.

SHULTZ  
BT

UNCLASSIFIED



Development Alternatives, Inc.  
624 Ninth Street, N.W.  
Sixth Floor  
Washington, D.C. 20001

ANNEX C

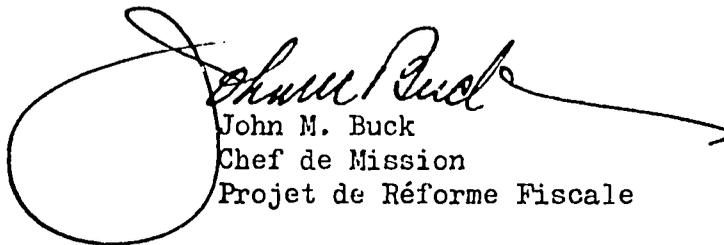
Le 10 mai 1984

Monsieur Reynold Francisque  
Monsieur Yves Germain Joseph  
Monsieur James Walker

Chers Messieurs,

J'ai l'honneur de vous transmettre sous ce couvert un exemplaire du rapport de M. Kenneth, "Study of Customs and Excise Duties on Hydrocarbon Oils and Cigarettes", dont nous avons discuté lundi dernier. Une version française vous sera transmise dans un bref délai.

Veillez agréer, Messieurs, l'assurance de ma considération distinguée.



John M. Buck  
Chef de Mission  
Projet de Réforme Fiscale

JMB/mlj

## PART I

### REVENUE CONTROL OF HYDROCARBON OIL

#### I INTRODUCTION.

In October 1982, the author, at that time a Customs consultant contracted by AID/Haiti, recommended that the importance of hydrocarbon oil as a revenue earner merited a special study to prevent any revenue loss. At a meeting on 28 October 1982, the Minister of Finance strongly supported this idea.

Subsequent to the contracting of Development Alternatives Inc. to perform the AID/GOH Fiscal Reform Project, the decision was made to implement the oil study and for this purposes the author's services were obtained by DAI for the month of April 1984. The objective was to ensure an efficient revenue control of all hydrocarbon oils from their importation to the point of retail sale, duty-free use, or other legitimate disposal.

This study was combined with research into tobacco duty control, described in Part II below.

#### II GENERAL SITUATION.

The appendix lists the main classes of hydrocarbon oils currently imported and gives details of quantities and the rates of customs and excise duties in force.

The various classes of fuels have the following descriptions and uses:

##### 1. Gasoline.

One high-octane grade (superior to that normally used in the U.S) is imported for use in normal petrol engines. The normal franchise deliveries are to diplomatic missions and international organisations.

##### 2. Diesel (Gasoil).

Imported for use in normal diesel engines. The only franchise deliveries are to diplomatic missions, international organisations and the State Electricity Company.

##### 3. Fuel Oil.

A heavy oil for use in industrial machinery and quite unsuitable

for use in normal engines. The only franchise deliveries are to the State Electricity Company.

#### 4. Kerosene (and jet fuel).

The oils are chemically identical, the latter being specially purified for jet aircraft engine use. Because of the small quantities of domestic kerosene used, only the purified oil is imported and sold for both purposes. As there is no duty or tax on the product there is no separate storage or revenue treatment.

#### 5. AVGAS.

A special high octane gasoline used only in certain aircraft engines and unsuitable for motor vehicles.

There is one reception point in the country, in Port-au-Prince, where the three importers, Shell, Texaco and Esso have their separate storage installations with a combined wharf facility for the mooring of the tanker vessels.

The storage system is conventional, with separate tanks kept for each product, except that the premises are not bonded, ie. duty is paid at the time of each importation as for general merchandise.

### III PRESENT REVENUE CONTROL.

On arrival of the tanker the Customs receive the ship's manifest and check-dip the ship's tanks prior to delivery. The delivery cocks of the receiving tanks are sealed off by the Customs and each tank dipped to ascertain present contents. Delivery then begins by pumping through closed lines into the appropriate tank of the importer's installation. On termination the tank dip is again taken and the delivery cock unsealed. No deduction is made for probable slight increase in fuel volume due to delivery at about 20°F higher than the universal norm of 60°F at which it is manifested by international convention.

Customs duty is then assessed on the higher of the manifested or received quantities. Excise duty is assessed on the tank quantity only. Separate documentation is prepared for the Customs and Excise assessments and immediate payment is made. Short deliveries are occasionally made because of over-deliveries at other ports. Legally the importer would be entitled to claim rebate of Customs duty on legitimate shortages, but this is rarely done.

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DUTY EVASION PRACTICES ENCOUNTERED IN SOME COUNTRIES.

The author's experience in several countries has been that the commonest irregularities are those practised between oil company employes and customers. Almost none of these can occur under the Haitian system for the reasons noted below. There is a high degree of revenue security inherent in the local operation.

1. Underdeclaration of quantity received. Not possible because Customs duty is charged on the manifested quantity if a shortage is registered.
2. Temperature variation adjustments. No loss possible because the duty is charged on the unadjusted quantity which cannot be smaller than it is at the standard 60°F manifested temperature.
3. Overdeclaration of losses. No duty rebate is considered on losses or even on shortages.
4. Diversion of duty-free jet fuel as duty-paid kerosene. No danger as both products are exempt for Customs and Excise duties.
5. Use of AVGAS in motor gasoline. It is possible to mix small quantities of AVGAS with motor gasoline without great risk of mechanical damage. AVGAS is exempted for duty under franchise and is removed directly to the international airport for safe-keeping. By quantity it represents about 0.76% of all hydrocarbon oil imports. The revenue risk is negligible.
6. Diversion of franchises gasoline and diesel. Duty-free delivery of gasoline and diesel is allowed under well-controlled conditions to diplomats and international organisations. In the absence of statistics it is estimated that the total would be 2% - 3% of imports. The revenue risk is negligible.

The only area where a lack of control is evident is in the delivery of franchise diesel and fuel oil to the State Electricity Company. The quantities and the total duty exempted are considerable: on 1983 figures there is an annual consumption of about 2.14 million gals of diesel at a duty rate of \$0.34 a gal and about 8.53 million gals of fuel oil at a duty rate of \$0.02 a gal. The total duty exempted was \$1,180,000.

As there exists no revenue control in the various State Electricity Company premises there is a strong risk of the illegal use of diesel and a lesser risk in the case of fuel oil. Certain recommendations are made below in this respect.

## CONCLUSIONS.

1. Due to the immediate duty payment system and the present structure of duties the revenue risk is minimal.

2. Although most of the franchise fuel used by the State Electricity Company is low-duty fuel oil, there is still a considerable overall risk involving diesel. In general with other franchised commodities there is no effective control over illegal diversion.

Control over exempted fuel is extremely difficult and costly even when integrated into an established franchise control system. The proposed Franchise Control Department of the Customs Administration would deal only with franchises under the Industrial Incentives Law which would not cover the present case of excise duty on fuel.

To maintain the exemption policy and minimize the revenue risk it should be possible to make an independent assessment of fuel consumption per machine and periodically assess total consumption based on hours operated. Duty would therefore be paid on all diesel and fuel oil supplied and the Government would make a lump sum tax rebate at, say, the end of the year after verification of the hours worked and consumption rate declared by the Company.

By this means any loss of fuel by illegal use or theft would be duty paid and not included in the claim for rebate. This arrangement would be an added incentive to the Company to maintain adequate accounts supporting their claims for rebate.

3. At present there is duplication for the whole system of declaration and assessment of the customs and excise duties. With the replacement of the bureau by the Customs entry, there will be an opportunity to unify these two processes and save time and expense.

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## RECOMMENDATIONS.

No change should be made in the present system of controlling hydrocarbon oil imports and verifying declared quantities, or in the basis of charge for Customs and Excise duties.

2. The State Electricity Company should pay duty on all fuel received. An independent official engineer should co-operate with the Company in assessing

consumption rates for each type of equipment used, particularly those employing diesel. The Company should declare yearly the details of hours worked per machine and claim duty rebate on the resultant consumption. Rebates should be paid after verification of Company records by the Direction Générale des Contributions.

3. The declaration and assessment of both Customs and Excise duties should be made on the same Customs entry, once the bordereau is replaced, and a separate entry copy utilised for informing the Direction Générale des Contributions of the excise duty amounts.

APPENDIX

Customs and Excise Duty rates

<u>Product</u>	<u>Customs</u>	<u>Excise</u>
Gasoline	\$0.52 per gallon	\$0.40 per gallon
Gasoil (diesel)	Exempt	\$0.34 per gallon
Fuel oil	Exempt	\$0.02 per gallon
Kerosene (and jet fuel)	Exempt	Exempt

AVGAS. All imports exempt under franchise for aircraft use, (and turbine fuel)

HC. Oil imports

The following are based on oil company figures of sales to the nearest 1000 barrels (42 gallons to the barrel) and are for the calendar year 1983.

	<u>Barrels</u>	<u>Gallons</u>
Gasoil (diesel)	727,000	30,534,000
Motor gasoline	359,000	15,078,000
Fuel oil	313,000	13,146,000
Avgas and turbine fuel	116,000	4,872,000
Kerosene	98,000	4,116,000
Lubricants, propane etc.	32,000	1,344,000
Totals.	1,645,000	69,090,000

Customs and Excise Collections. \$US. millions.

	<u>FY80/81</u>	<u>FY81/82</u>	<u>FY82/83</u>
Customs	7.08	8.42	8.14
Excise	3.28	6.86	13.48

Source - IMF Report of 19 Oct 83. FY82/83 figures are estimates taken just before the end of the fiscal year.

## PART II

### REVENUE CONTROL OF TOBACCO MANUFACTURE

#### I INTRODUCTION.

At the request of GOH, AID/Haiti contracted the services of the Customs consultant of Development Alternatives Inc to review taxation on cigarette manufacture and recommend reforms where necessary. The GOH and AID consider it important to establish an efficient tax system and control over tobacco manufacture in view of its high yield of excise tax. The study was carried out together with other functions during April 1984.

#### II MANUFACTURE AND SALES PATTERN.

Tobacco manufacture in Haiti is confined to one factory, "Comme Il Faut" in Port-au-Prince, a private firm established in Haiti by Government decree in 1927. It produces one size of cigarette manufactured from a blend of approximately 60% imported leaf and 40% domestic leaf. During FY 1982/83 the industry provided a total excise duty collection of \$10,766,000, second only to hydrocarbon oils, and also a Customs duty collection of \$764,000 on imported tobacco leaf.

The factory performs the whole process from raw leaf to the packed product. The leaf is held in a locked bonded store on the premises and customs duty is paid on each withdrawal under Customs supervision. Apart from home-grown leaf all other materials used in manufacture, such as packing material, cigarette paper, filters, essences, etc. are imported. The process of manufacture ensures that there is very little waste tobacco and there is no system for drawback of customs duty on waste.

Sales of all cigarettes must by law be made only to wholesale outlets controlled by the Régie du Tabac et des Allumettes, who maintain an account at the Central Bank through which payment is made to the factory for the periodic requisitions. The Régie, in conjunction with the Ministry of Commerce, controls the retail price on cigarettes which can be reviewed on application by the manufacturer.

TAX STRUCTURE AND COLLECTION PROCEDURE.

1. Tax structure. The excise tax is in two parts; a stamp duty of \$1.00 per 10-pack unit of 200 cigarettes, collected by the sale of stamps by the Régie to the manufacturer, and a tax of \$1.70 on the same quantity which is deducted by the Régie from payments made to the manufacturer and then forwarded to the Administration des Contributions. The tax rate does not vary according to the size of the cigarette, but in fact only one size of cigarette is currently manufactured.

2. Duty Stamps. The stamps are printed by the Government Press and sold to the manufacturer at the Central Bank by an agent of the Régie du Tabac. The stamps are sold in sheets of 100 for \$10.00. The stocks kept by the manufacturer can represent up to \$70,000 at any given time and are stored in a security room and subject to periodic stock checks. They are issued as required for insertion in a machine which applies them to every pack coming through the production line prior to the final outer cellophane sealing.

Spoiled stamps are pasted onto sheets to be returned to the Régie for a credit of duty.

3. Defects of the Stamp System.

- a) The system is to a large extent superfluous in that it exists alongside a viable physical control system albeit at present exercised by Régie rather than Excise officials.
- b) It is not an essential element for identifying untaxed goods on retail sale. Substantial retailers' stocks can be checked against invoices issued by the Régie wholesale outlets. The cigarette company estimates that some 80 percent of street traders' sales are made up of single cigarettes from open packets which could be refilled with untaxed cigarettes and avoid detection.
- c) The stamps themselves could be stolen at any point from printing to purchase by the factory or removed from packets by small traders for re-use.
- d) Replacement of the stamps by direct duty payment would free the GOB from the cost of printing, selling, safeguarding and accounting for

the stamps stock.

- e) The inefficiency of the system causes considerable expense to the manufacturer. The stamp sheets are printed with irregular margins so that further cutting by the manufacturer is required before the stamps will fit the machines. Printing is sometimes done on paper which is too stiff to adhere to the packets. Large quantities of spoiled stamps litter the floor beneath each machine and staff have to be permanently employed to gather them and paste them on sheets to reclaim the duty. Other staff are permanently employed resticking loose stamps by hand, while yet others are employed on security and stock-taking of stamp stores.

#### 4. Rigidity of Tax Structure.

The law at present imposes a specific duty rate per packet of 20 cigarettes. It permits a half rate for a packet of 10 (which is not used) but it does not cater for different duty rates for different sizes of cigarette.

There seems to be no pressure from the manufacturer at present to sell a different size of cigarette, but the pattern of street trader sales seems to point to a need for a smaller cigarette. A simple variation in the tax rate would remove an obstruction to market developments which may arise.

#### 5. RECOMMENDATIONS.

- a) That the duty stamp system be abolished and the equivalent amount added to the existing duty collected by the Régie du Tabac and paid directly to Contributions.
- b) That the excise tariff be amended to create appropriate duty rates for three sizes of cigarettes between weight limits to be discussed with the manufacturer.

### IV MATERIALS CHARGE.

The materials charge is a device to safeguard the revenue by calculating theoretical production on the basis of materials used in manufacture. The conventional charge made on quantities declared as produced continues to be the normally effective charge but the materials charge becomes the effective one if it is found to exceed that assessed on production.

The materials charge is based on an agreed formula which establishes a relation between the raw materials and quantity of the resulting product. It is usually set at a level marginally below the quantity normally produced so that it acts as a safety net for revenue collection.

Although dismantling the stamp duty increases administrative efficiency in revenue collection, it deprives the authorities to some extent of an aid in determining production levels. The introduction of a materials charge would restore the effectiveness of production checks.

The factory management currently maintain highly accurate records of all materials used in manufacture even to quantities and types of waste products. This would enable them to demonstrate from previous operations an accurate relationship between materials used and cigarettes produced. Imported leaf is easily verifiable from Customs warehouse records and home-grown leaf from records of payments to a farmer-producers.

Prior to abolition of the duty stamp it would be necessary to negotiate with the manufacturer to determine the production formula. The factory records would have to be kept in such a way that at each month end the total of materials used would be balanced against product sold and stored in warehouse. An excise accountant would make a monthly control visit to verify a proportion of book entries back to source, and perform physical checks on warehouse stocks and transfers from warehouse to factory.

In the case of a materials assessment exceeding the product quantity on which duty was due, the Director-General of Contributions could call for the extra duty and take any other action he felt necessary.

The manufacturer would have to assume an obligation under penalty to report any technical changes leading to alterations in the production norm.

#### RECOMMENDATION.

That the law be amended to establish the materials charge as an alternative base for excise duty assessment, that a production norm be agreed in consultation with the manufacturer, and the Director-General of Contributions charged with regulating the supervisory controls.

#### NOTE:

A further option is available for charging duty on the product. The materials charge calculation would assist greatly in establishing the values base for an ad valorem excise duty on the product. The disadvantage is the added complication of the verification of value but the ad valorem duty produces more revenue in line with the rising costs of materials and production.

The administrative system for such a tax would ease the way for the imposition of TCA if this were considered advisable. There would in fact be little difference between an ad valorem excise tax and TCA apart from the level

of the charge, so that it would be preferable to absorb the TCA in a higher excise rate.

If an ad valorem duty were imposed it would be unnecessary to maintain the materials charge as a control against under-declaration.

## REVENUE SECURITY.

### 1. Present situation

The objective of physical security at present is to prevent unstamped cigarettes from leaving the factory. Whilst the management admits that some pilfering will always take place, their own security measures to prevent the loss of the product still conform satisfactorily with official requirements to safeguard against revenue loss at shop-floor level. The application of the materials charge would detect more serious efforts at evasion.

The factory process is highly visible and is monitored by closed-circuit television. Packed cardboard cartons of cigarettes are removed twice daily into a separate locked store, which can in turn be sealed on the factory side and opened on the other into a delivery store.

An agent of the Régie du Tabac is on hand daily to perform what checks he considers necessary, such as internal examination of any packages, tallying of cartons to be delivered against invoice, etc. The deliveries are rechecked on arrival at the wholesale outlet and the management have to pay duty on any deficiencies in transit. No independent checks are made on the accounting system but an annual balance sheet is sent to the Director-General of Contributions.

2. Findings. It would be possible to obtain sealed unlabelled packets and remove them from the factory for delivery without detection, but only with collaboration between employees: the greater the quantity diverted the higher the level of collaboration needed. The management is obviously of high integrity and the authorities are relying largely on the firm's security arrangements to safeguard the revenue. The requirement to call for duty on transit losses narrows the possibility for illegal diversion.

While security may be considered adequate under present conditions, it is unsafe to rely permanently on the goodwill and efficiency of the trader, as a change of personnel at any level might create revenue risk. It is also unsatisfactory that official security is not directly in the hands of the Excise department who should have full responsibility for duty collection.

3. RECOMMENDATION.

That an official of the Excise Department be employed full-time at the factory to prevent illegal deliveries and to make systematic checks devised by a supervising official who would make periodic control visits.

"ANALYSIS OF ROAD USER CHARGES IN HAITI"

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1. The above report was published shortly before the study on hydrocarbon oil and tobacco duties was begun by the Development Alternatives Inc. consultant on the Fiscal Reform Project.

The recommendations had important bearing on Customs and Excise administration and it was agreed that the DAI consultant would include in his work-plan a study of the pertinent topics and report to the AID Mission.

2. This commentary does not concern itself with the main recommendations such as the increase of the diesel oil tax, reform of road maintenance, etc. but deals with possible loss or underpayment of customs and excise revenue on hydrocarbon oils, vehicles and spare parts and the related question of oil company windfall profits. (See the TPTC/USAID report conclusions 4,5a and 5b on p.125).

3. If it is decided, as a tax policy measure after agreement with the oil companies, that the windfall profits caused by falling world prices should be taxed or confiscated, a method is available which would maintain some stability in the retail price and tax level. Records would be maintained over a one or two year period showing deviations from the FOB price around which the structure of the agreement between the GOH and the oil companies is designed. This could be done independently of the oil companies through information supplied by the Société Générale de Surveillance (SGS) who are already contracted by the Government to supply information on values. Such an arrangement would involve an understanding that no price rises would be requested during the currency of the agreement. Any amount periodically found in favor of the GOH would be taxed or surrendered and conversely an amount found in favor of the oil companies would be credited against future duty payments.

4. The major conclusion reached from the author's detailed review of the data on which some of the conclusions of the TPTC/USAID report are based is that no significant increase in revenue from customs and excise duties can be looked for to finance projects in the transport field.

From further examination of statistics not readily available at the time the TPTC/USAID report was written the author concluded that there is in fact no shortfall of customs and excise duties on hydrocarbon oils. The system

of duty collection has even resulted in a slight overcollection of customs duties for technical reasons. See Part I of the Hydrocarbon Oil and Tobacco Duties report for details of duty collection procedures.

5. It is evident that import duties on vehicles and spare parts fall short of a potential based on the calculated import quantity. This shortfall is rightly attributed almost exclusively to two factors: the granting of franchises and undervaluing of the import invoice.

6. The shortfall related to franchises is entirely dependent on GOH policy and interpretation and can be little affected by administrative improvements. In September 1983 the GOH enacted a law defining policy which, if conformed to, will substantially restrict the future issue of franchises.

7. In December 1983 the GOH contracted SGS to supply independent assessments of value on imported goods. The Fiscal Reform Project of DAI has in its program the training of Customs personnel in valuation and the introduction of certain mechanisms to ensure correct levels of value for duty purposes. These measures should have a beneficial effect in reducing the shortfall in this field.

8. A study of the TPTC/USAID report does not reveal any need for further studies in the field of customs and excise revenue administration.

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