



HAITI

***2024 -
June***

Component: Revenue

Module: RM II – Revenue Administration

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PROJECT SUMMARY	
COUNTRY:	Haiti
LEAD DEPARTMENT:	FAD
REGION:	WHD
PROGRAM ID:	[To be filled out by Secretariat]
PLANNED DATES:	July 2024/April 2027
FUNDING PROGRAM TITLE:	[to be added by Secretariat]
PROJECT MANAGERS:	Anthony Ramarozatovo
RM II - REVENUE ADMINISTRATION:	Anthony Ramarozatovo
ESTIMATED BUDGET	\$767,696
BUDGET FOR ENDORSEMENT:	\$221,998

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ACRONYMS

CARTAC	IMF's Caribbean Technical Assistance Center
CD	Capacity development
FAD	IMF's Fiscal Affairs Department
SMP	Staff-monitored program

*HAITI***I. PROJECT PURPOSE**

During the HQ off-site mission which took place in Panama City (October 2023); the Director-Generals of Haiti tax and customs administrations expressed their interest in benefiting from a medium-term capacity development (CD) project to support administrative reforms to increase revenue collection. The IMF Staff-Monitored Program (SMP) program adopted in June 2023 aims to support the fiscal consolidation efforts to create fiscal space to fund poverty and development needs and reduce debt sustainability risks. It is underpinned by structural reforms designed to mobilize more revenue. The low tax revenue-to-GDP ratio, expected to reach only 8 percent in 2023, should grow by 0.3 percentage points each year until 2027. The director-general of the tax administration also requested a Tax Administration Diagnostic Assessment Tool (TADAT) assessment in 2027.

In support of Haiti's need for enhanced domestic revenue mobilization, this new project has three revenue administration objectives:

- *To help develop phased tax and customs administration reform strategies and strengthen governance arrangements that will support the authorities' medium-term tax revenue objective.* To this end, the project will assist the tax and customs administrations in developing a strategic reform plan and strengthening reform management capacity. Support will be also provided in developing a compliance improvement plan and progressively aligning the core tax and customs procedures with modern standards.
- *To further strengthen foundational core processes aiming to improve taxpayer's compliance.* This work will focus on improving the reliability of the taxpayer database, strengthening the core areas of tax accounts management, filing and payment, and tax debt management. The selected areas, which complement the other CD providers' activities, were discussed, and agreed upon with the authorities in October 2023.
- *To improve customs administration performance by ensuring an effective application of the procedures for the clearance process and strengthening the goods valuation function and post-clearance audit program.* Support will be provided to introduce standard operating procedures, improve the tariff classification and goods valuation functions and strengthen post clearance audit and control of widespread duty exemptions.

The estimated budget for this three-year project is \$767,696, including \$221,998 for the first year of implementation.

*HAITI***II. BACKGROUND**

Haiti, the only fragile state in the Latin America region, and one of the poorest countries in the world has faced a variety of challenges. Those have trapped the country in fragility, but the lack of security has been identified as the most significant overarching problem. The country exhibits typical challenges of a high risk of debt distress; low fiscal revenue; dependency on imports, and external aid; governance weaknesses; very weak administrative capacity; and corruption in the public sector. Before the prime minister's resignation in March 2024, signs of resilience emerged, and buffers were rebuilt, although from a low base, suggesting that policies, aligned with 2022 SMP, have helped the economy.

Despite multiple challenges, the authorities demonstrated a firm commitment under the 2022 SMP which provided a credible anchor for enhancing policymaking. They have stayed actively engaged with Fund staff, which has spurred additional support. Since the disbursement of US\$110.6 million under the food shock window of the Rapid Credit Facility, the authorities' engagement has strengthened through the high-level Program Monitoring Committee (Comité de Suivi)—which meets with IMF staff biweekly. The IMF's Fiscal Affairs Department (FAD) and the IMF's Caribbean Technical Assistance Center (CARTAC) delivered CD on tax policy and revenue administration to broaden the tax base and improve tax compliance. Tax revenues, which were at 5.3 percent of GDP in fiscal year 2022, count among the lowest globally. Efforts to boost revenue have been successful and collection should be sustained. While the 2022 SMP focused on adopting the tax code (approved by the Council of Ministries in December 2022 through a broad-based consultative process), the new SMP will focus on its implementation. To this end, the authorities have requested CD from the IMF to help implement this new tax code that will become operational in October 2024, complemented by CD in customs administration to boost trade revenues.

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III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to Haiti in the area of revenue administration. FAD CD will support improvements within the strategic objectives presented in Table 1 below.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM II / Revenue Administration	- Improved customs administration functions - Strengthened core tax administration functions - Strengthened revenue administration management and governance arrangements

A. RM II – Revenue Administration

Against this background, the project is aligned with the authorities' priorities and the SMP program which aims to increase reform implementation capacities, improve the governance arrangements, and strengthen the tax and customs administration core functions. As part of the country strategy note for the SMP program, the authorities have agreed to strengthen domestic revenue mobilization. CD will be deployed to: (i) help implement the new tax code; (ii) develop a multi-year reform strategic plan; (iii) develop a tax compliance improvement plan; (iv) modernize core tax and customs procedures; (v) help properly implementing the customs tariff; (vi) introduce standard customs operating procedures; and (vii) strengthen the customs valuation of goods and post-clearance audit functions.

- **Strengthening revenue administration management and governance arrangements.** The support provided will assist enhance the tax and customs administration's capacity to manage the ongoing reform program and to implement the compliance improvement plan compliance more effectively. In addition, the CD project will also help to progressively align tax and customs core procedures and practices with international standards.
- **Strengthening core tax administration functions.** This project will provide continued support to the foundational reforms that are critical to increase tax revenue collection. As identified during the 2023 HQ off site mission in Panama City, a compliance program cannot be fully effective unless the tax administration clearly knows its taxpayer base, has a reliable taxpayer database and clearer picture of the taxpayers' main risks.
- **Improving customs administration functions.** CD will help strengthen customs control during the clearance process and ensure accuracy of declarations by notably implementing properly tariff classification of commodities and introducing standard operating procedures in customs offices. The project will also help strengthen the goods valuation process, post-clearance audit functions and control of widespread duty exemptions with the view to reduce, if not eliminate, revenue leakage.

To help incentivize faster implementation of Fund-provided CD, the most essential CD recommendations already made are commitments in the SMP. Regular discussions with the

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authorities are conducted by the IMF's area department country team to seek progress in implementing CD recommendations, based on a rolling stocktaking of recommendations and their implementation.

IV. ORGANIZATIONAL ARRANGEMENTS

B. Country Engagement

Haiti benefited from CD support from IMF headquarters and CARTAC. Over the past few years, the CD activities covering revenue mobilization have focused on the new tax code; tax and customs administrations reorganization, compliance improvement plan, customs goods valuation, customs clearance procedure, and customs risk analysis and control selectivity. The authorities have always collaborated effectively with the CD missions and they appreciate the Fund's responsiveness and availability to deliver high quality CD in-person or remotely upon request.

The authorities consider that IMF CD has improved their capacity and helped prepare the implementation of the new tax code; draft the tax administration reforms plan; make progress in customs goods valuation; and develop revenue administration organizational arrangement.

C. Delivery Modalities

CD will comprise of a mix of remote and in-person offsite activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) off site missions/staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Short-term expert (STX) visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration.
- **Workshops during the HQ missions, staff visits, or STX visits**, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with managers and staff their views on the reforms and particular technical subjects.
- **Peer-to-peer (P2P): engagements (during activities above)** designed for project beneficiaries to exchange their views and experiences undertaking specific reforms, providing opportunities for officers to observe practices adopted by other institutions that have robust arrangements in place in specific areas.

D. Coordination / Cooperation

Coordination			
Partner	Type of coordination	Area of coordination	Frequency
IMF Area Department country team, CARTAC	Support SMP benchmarks, CD design and delivery, joint CD support	Tax administration; customs administration	Continuous
Cooperation			
Partner	Type of coordination	Area of coordination	Frequency
World Bank, United States Agency for International Development, European Union, France, Inter-American Development Bank, Inter-American Center of Tax Administration	Exchange information / agree on areas to be covered by each donor	Tax administration; customs administration	Quarterly, annual

V. RISK ASSESSMENT AND MITIGATION

General or Module	Description	Risk Assessment	Mitigation Measures
External climate/conditions			
RM II	Security and/or political instability can slow down and even stop implementation of reforms.	Very High	Focus on strategic advice and hands-on capacity building to have a more permanent impact. Develop telework and speeding-up the digital transformation of the tax and customs administration (mobile tax, e-filing, e-payment, etc.)
Political Support			
RM II	Lack of political support for reforms inhibits resources being allocated that are needed to enhance the performance and restore the credibility of the tax and customs administration.	High	Engage regularly with the Minister of Finance to ensure ownership of reforms. Ensure CD on revenue is focused on the SMP program and engage with the IMF's area department country team to align structural benchmarks with CD recommendations.

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General or Module	Description	Risk Assessment	Mitigation Measures
Management and Technical Staff Support and Commitment			
RM II	Weak leadership and lack of capacities combined with low absorptive capacity. Lack of reliable management information system may prevent the evaluation of tax and customs administration performance outcomes.	High	Encourage authorities to implement human resource policy reforms and a sound training plan. Continuous/regular high-level engagement and monitoring. Encourage authorities to ensure respect of the timetable and to speed up implementation of the new IT system.
Resource Adequacy			
RM II	Insufficient technical capacity and human resources necessary to implement reforms are limited. Limited operating resources and working conditions not adapted.	High	Ensure CD plans include sufficient training and prioritize CD to risks areas where resources are limited. Engage regularly with the Minister to ensure ownership of reforms.
Other risks			
RM II	Commitment by the DG has been gained but that of his staff is still weak. Several regional appointments, and reform's ownership by managers on the two of three islands is still low.	High	Engage pro-actively with management and technical staff and explain the importance of the tax administration reform plan and strengthening tax risk management.

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY25	FY26	FY27	FY28	FY29	Grand Total
RM II – Revenue Administration						
HQ-led CD mission	2	2	2	-	-	6
STX visits	2	3	3	-	-	8
Staff visits (remote)	2	3	3	-	-	8
Total	6	8	8	-	-	22

Note:

- In-person delivery was chosen in most instances because of the poor technology available in Comoros, the sensitivity of the CD messages being conveyed, and to provide hands-on support and strengthen local staff capacities.
- Remote delivery was chosen in several instances because of the need to monitor progresses and keep the pace of the reform in coordination with the LTX.
- Hybrid delivery was chosen in several instances to enable AD colleagues and other DPs to join the opening and closing meetings.
- Collectively the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM II - Revenue Administration		
Q2/FY25	Duty station-based Work - DS	Tax Code Implementation
Q2/FY25	Duty station-based Work - DS	Tax Code Implementation
Q2/FY25	Duty station-based Work - DS	Tax Code Implementation
Q2/FY25	Field-Based work - FB	Tax Code and Customs Good Value
Q3/FY25	Duty station-based Work - DS	Tax Code Implementation
Q4/FY25	Field-Based work - FB	Tax and Customs Administration Reform

*HAITI***VII. PROGRAM FINANCIALS**

	FY25	FY26	FY27	FY28	FY29	Total
RM – II Revenue Administration	\$207,475	\$250,008	\$259,990	-	-	\$717,473
Subtotal	\$207,475	\$250,008	\$259,990	-	-	\$717,473
Trust fund management fee (7%)	\$14,523	\$17,500	\$18,199	-	-	\$50,223
Total	\$221,998	\$267,508	\$278,189	-	-	\$767,696

The estimated budget for this three-year project is \$767,696, including \$221,998 for the first year of implementation.

VIII. TARGETED LOGICAL FRAMEWORK**A. RM II – Revenue Administration**

Objective	
Improved customs administration functions (SDG 17.1) - CAD	
Outcome(s)	Indicator(s)
Customs control during the clearance process more effectively ensures accuracy of declarations	Effective application of procedures based on international standards for valuation, origin and the tariff classification of goods improved
Trade facilitation and service initiatives better support voluntary compliance	Customs laws, regulations, and guidelines simplified and easily accessible
Objective	
Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM	
Outcome(s)	Indicator(s)
Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols	Administrative provisions are harmonized and consolidated, for example, under a tax procedures code
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	Reform management capacity strengthened or in place for reform implementation, including dedicated resources
Effective implementation of a new tax code	New tax code implemented on scheduled date
Objective	
Strengthened core tax administration functions (SDG 17.1) – TAD	
Outcome(s)	Indicator(s)
Taxpayer services initiatives to support voluntary compliance are strengthened	Scope, currency and accessibility of information for taxpayers improved (TADAT 2015 POA3-7/TADAT 2019 POA3-8)