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Haiti: Strengthening Customs Administration in an Insecure Environment

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ACRONYMS and ABBREVIATIONS

ACLED	Armed Conflict Location and Event Data
AGD	Haiti Customs Administration
APN	National Port Authority
ASYCUDA	Automated System for Customs Data
ASYVAL	ASYCUDA Valuation
BRH	Haiti Central Bank
BLTS	Anti-Narcotics Police Brigade
CARICOM	Caribbean Community
CESFRONT	Specialized Unit for Borderland Security
CIMO	Intervention and Law Enforcement Unit
DG	Director General Customs
DGI	Internal Revenue Services
DGM	Directorate General of Migration
DR	Dominican Republic
EDF	European Development Fund
ENSEA	National School of Statistics and Applied Economics
FCV	Fragile, Conflict-affected, and Vulnerable
FERDI	Foundation for Studies and Research on International Development
GDP	Gross Domestic Product
IMF	International Monitory Fund
IOM	International Organization for Migration
ISF	Internal Security Forces
LAC	Latin America and the Caribbean
NGO	Non-Governmental Organization
ONE	Dominican Republic Statistical Office
PNH	Haiti National Police
POLIFRONT	Land Border Police
PSI	Pre-shipment inspection
SAR	Synthetic Aperture Radar
SGS	Testing, Inspection and Certification Company
TEU	Twenty-Foot Equivalent Unit
WB	World Bank
WCO	World Customs Organization
WTO	World Trade Organization

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INTRODUCTION

1. **Haiti is facing a severe security crisis, including the increasing armed gang presence and resultant personal security concerns**. This has affected social conditions and economic activities, presenting significant constraints and challenges in carrying out basic economic activities. The situation has deteriorated further following the missions undertaken through this activity with Acting Prime Minister Ariel Henry unable to return to the country, his conditional resignation once a transitional presidential council agreed between the CARICOM and Haitian political actors is inaugurated, and the gangs threatening and closing the airport and seaport in Port-au-Prince. The situation is now (April 2024) increasingly volatile and shifting essentially by the day. Jointly prepared by the World Customs Organization (WCO) and the World Bank, this report discusses the impact of gang violence trade flows, customs operations, and the modernization efforts of the Haiti Customs Administration (AGD) in response to the security crisis. While AGD has a Customs modernization plan, it largely reflects technical customs issues and does not adequately, if at all, set such a reform program within the current security environment and attendant risks, constraints, and challenges posed by this environment.

2. **Customs practices, policies, and applications have the potential to significantly strengthen the State's legitimacy and build trust between the government and the citizenry**. **First**, in providing for more fiscal space, increased revenues would allow for greater budgetary expenditures in priority areas that are currently woefully under-resourced, like the provision of needed social services (health, education, social protection, etc.) and critical public investment. Part of the political instability and gang problem in Haiti is that the government provides little in terms of services to the population and is largely absent in large parts of the country. This leads to a lack of government legitimacy and credibility, a lack of trust between the government and the citizenry, and foments civil unrest and protest. Creating increased fiscal space, if such fiscal space is used effectively (including through investment in growth-enhancing sectors), can thus lead to increased welfare, increased government legitimacy, and potentially increased political stability. **Second**, by visibly strengthening governance practices and reducing corruption, customs can demonstrate that corrupt practices, recognized as widespread and endemic in Haiti, are being addressed and that the authorities are being less predatory of the population. This perception could lead to strengthened governance practices across the board and a perception among the population that the government is acting more responsibly and focusing increasingly on the needs of the citizenry rather than personal gain. This aspect should not be underestimated in strengthening governance practices in customs. While revenue mobilization is a goal, it should be recognized that the objective of customs is to collect the appropriate, fair, and lawful amount of duties and taxes, not necessarily just more revenue.

3. **This report is motivated by three primary factors**. **First**, customs administrations tend to continue to operate in crisis situations, contrary to other government services. Moreover, customs taxation is the simplest tax instrument to enforce during security crisis periods because it concerns traded goods, which are easier to tax than individuals or companies. Tax revenues in Haiti are low at 6.3 percent of GDP in FY23 and insufficient to provide adequate public services. As such, customs is the single largest source of domestic revenue and leakage in customs revenues is significant. **Second**, as noted, strengthened customs practices and applications have the potential to significantly strengthen the legitimacy of the State and build greater trust between the government and the citizenry, including better controlling transborder criminal activity. AGD has a high profile, and corruption, unfair treatment, and perceived ineffectiveness in the administration of customs practices is viewed as highly problematic by the citizenry. **Third**, the current insecure environment in Haiti, including the increasing gang presence and resultant personal security concerns, presents significant constraints and challenges in carrying out basic customs services and practices, not to mention

meaningful reforms. AGD could benefit from lessons learned in other fragile, conflict-affected, and vulnerable settings (FCV) and better adapt to the current insecure environment.

4. **In sum, it is essential to strengthen customs control in the territory**, not only to collect more revenue, but above all to collect it more efficiently, more fairly, equitably, and in-line with allowable amounts. It is also necessary to avoid competitive distortions linked to special treatment across different offices, to deter the corrupt pacts of certain civil servants with importers, and to strengthen the legitimacy of the State. Donors should support the AGD in placing its actions within a broader political perspective of restoring the legitimacy of the State and give priority to measures that will make revenue collection fairer and customs treatment more egalitarian, considering the present environment and accounting for the challenges posed by the high level of insecurity.

5. **The report provides detailed specific actions for improving customs performance and governance under the ongoing security circumstances.** This includes building on and reinforcing digitalization, strengthening infrastructure at land border offices and small ports, building capacity for customs surveillance, monitoring the practices of offices and inspectors, implementing a framework for local consultation, supporting a gradual implementation of transaction values, supporting the installation of the single window at the port of Port-au-Prince, and increasing cooperation with foreign customs, including Dominican Customs (Table 1 below).

Table 1. Summary of Recommendations

Recommendation	Priority	Timeframe given current insecurity context (April 2024)
Build on and Reinforce Digitalization		
Enable the automatic assignment of declarations to inspector-verifiers	High	Immediate
Connect to ASYCUDA the 4 remaining customs offices that are not connected	High	Future
Enable online payments	Medium	Future
Install ASYCUDA terminals in metropolitan areas of Port-au-Prince (like substations)	Medium	Future
Simplification of document processing	High	Future
Strengthen infrastructure at land border offices and small ports		
• renovation of physical premises • security measures and equipment, including networked surveillance cameras • passageways according to the types of carriers • control and bonded areas • mobile scanners to speed up the inspection of vehicles • improved power supply and connection to the customs' computer network	High	Future
Build capacity for customs surveillance		
New strategy for more proactive action by customs	High	Immediate
Acquisition of physical equipment (radios, GPS) and personal protection equipment	High	Immediate
Specialized training, particularly in the use of weapons	High	Immediate
Training and acquisition of new technologies, particularly to promote spatial analysis	Medium	Future
Joint training with the security and defense forces	Medium	Immediate

Recommendation	Priority	Timeframe given current insecurity context (April 2024)
Monitor the practices of offices and inspectors		
Introduce a policy for measuring the individual performance of frontline customs officers	High	Immediate
Monitor clearance conditions in offices	High	Immediate
Measure the performance of offices	High	Immediate
Installation of container scanners at the main port and scanners at the international airport		
While scanners can be highly beneficial, careful consideration should be given prior to committing to their installation (see narrative further below)	Medium	Future
Implement a framework for local consultation		
Implement a regular and transparent framework for consultation between customs and the private sector	High	Future
Sharing of quantitative and fact-based analyses within this framework	Medium	Future
Support a gradual implementation of transaction values		
Limit the introduction of transaction values to certain targeted products initially	High	Immediate
Provide customs officers with reference values to assess the value presented by declarants	High	Immediate
Develop a tool for calculating acceptable values (European Union fair price type)	High	Immediate
Provide regular training based on concrete cases for customs officers in relevant offices	High	Immediate
Support the installation of the single window at the port of Port-au-Prince		
The single window presents an opportunity to review all procedural practices and resolve evident problems	Medium	Future
Increase cooperation with foreign customs, including Dominican Customs		
Facilitate the exchange of cargo data (manifest type, quantities, declared values, vehicle and driver data)	High	Future
Facilitate the sharing and reconciliation of information, data, and statistics	Medium	Future
Implement data analytics and create a data team		
Specific details on the creation and implementation of a data team are included below (the creation of a dedicated data team is a pre-condition for the success of other high-priority measures above)	High	Immediate

6. **This report was prepared based on three missions**: The first mission (March 2023) was in Port-au-Prince for a series of discussions with AGD and private sector representatives; the second mission (June 2023) was to the four official border crossing points between Haiti and the Dominican Republic, namely Anse-à-Pitres/Pedernales, Malpasse/Jimaní, Belladère/Comendador (Elias Piña) and Ouanaminthe/Dajabón; and the third mission (January 2024) helped refine the report with comments from the AGD and the office of Haiti's Minister of Finance. The report incorporates developments since these missions, but it should be recognized that the situation continues to evolve relatively rapidly and significantly. As such, the report reflects conditions existing at the time of the report. Risks to the findings, recommendations, and indeed Customs performance, both to the upside and downside, are substantial as security, political, and socio-economic conditions evolve.

7. The authors would like to thank AGD's Director General and his team for their candor during the discussions and for their many interventions in facilitating access to customs offices.

1. Revenues, Customs, and Haiti's Security Crisis

8. **Haiti is the poorest country in LAC, highly reliant on trade.** As a small economy with limited natural resources and a relatively small domestic market, Haiti relies on trade to obtain many manufactured goods and services that are unable to be produced domestically at scale and at competitive costs. Haiti is also dependent on imported food products and being able to import food at globally competitive prices has a significant impact on food security. The seamless movement of goods through customs clearance procedures is thus essential in facilitating economic activity and increasing societal welfare.

9. **Revenue collection is among the lowest in the world and heavily reliant on customs.** At 6.3 percent of GDP in 2023, Haiti's tax revenue is the lowest in the Latin American and Caribbean (LAC) region, a level that is insufficient for providing basic public services. Customs revenues account for 50 percent of revenues. There is significant potential for increasing revenues from customs since taxing goods at the border is easier to administer than other forms of revenue collection. There are also significant leakages in customs revenues through governance issues, evasion, collusion, fraud, etc. Haiti Customs is thus at the center of the Government's tax collection. Customs also play a role in governance, ensuring the presence of the State at the border, limiting smuggling and illicit trade.

10. **Gang violence and the gangs' direct involvement in economic activity significantly undermine the government's capacity to raise revenues**. Rampant gang violence and associated activity depresses economic activity and lowers growth by raising the cost of doing business, decreasing competitiveness, limiting business formation, forcing viable businesses to close, and thus reducing government revenue across all tax revenue sources, including customs.

11. **Gang activity also directly affects customs performance**. The theft of containers by gangs, the rising cost of importing and transporting goods, and the insecurity involved in both importing and exporting goods, reduce trade volumes and thus significantly reduce trade-related revenues, on which Haiti is highly dependent. Insecurity also directly affects customs operations, limits inspection services, and directly inhibits the authorities' ability to control cross border trade and collect revenues, as customs officials are unable to fulfill their responsibilities. The impact of increasing gang activity and related insecurity are further described below.

1.1. The effect of gangs on economic activity and trade.

12. **Gang activity in Haiti has been steadily increasing with consequent economic, social, and personal implications**. Between 2018 and 2023 (September 15th), 95 gangs were perpetrators of armed incidents. The number of gangs has increased since 2020, as well as the number of victims killed in incidents. Kidnappings have increased markedly. Yet, deaths are largely concentrated in a few gangs: two gangs, the G9[1] and the 400 Mawozo, were involved in more than 100 violent incidents over the period. Six gangs—*Kraze Baryè, Baz Krache Dife, Baz Gran Grif de Savien, Grand-Ravine, Chien Méchant, and Village de Dieu*—are implicated in more than 30 incidents each, according to the Armed Conflict Location & Event Data Project (ACLED[2]). From January through March 2024, the UN has estimated over 2,000 gang related deaths. Gangs have also become increasingly independent of political patronage as they gain additional and varied sources of funding, including by controlling territory and essentially imposing taxes on businesses and economic actors.

[1] G9 is a group of nine gangs operating in the Port au Prince area. They have reconstituted themselves into a larger group called Viv Ansanm (Living Together) by allying with virtually all other powerful gangs operating in the Port-au-Prince area.

[2] See https://acleddata.com/ and Raleigh et al. (2023) for more information on ACLED data.

13. **Geographically, gang violence is concentrated in the Port au Prince metropolitan area but has been spreading to smaller population centers and rural areas**, as gang activities are copied and emulated by other groups. Gangs have also moved from a funding model dominated by political patronage to one increasingly more autonomous as it is oriented towards engagement in kidnappings, extortion and protection rackets, theft of merchandise, control of roads, and essentially the taxation of neighborhoods under their control. Gang confrontations for neighborhood dominance have increased sharply since 2022 (see Table 2), transforming more traditional defensive territorial strategies where neighborhoods were fallback zones, into offensive strategies where gangs now fight for neighborhood control. This switch is also reflected in semantics. The Creole name for armed groups has itself evolved, from the name *baz* ("base") to that of *gang* recently, reflecting identification with a group (gang) rather to a place or neighborhood. This may represent a mode of violence inspired by neighboring countries (Colombia, United States, Mexico).

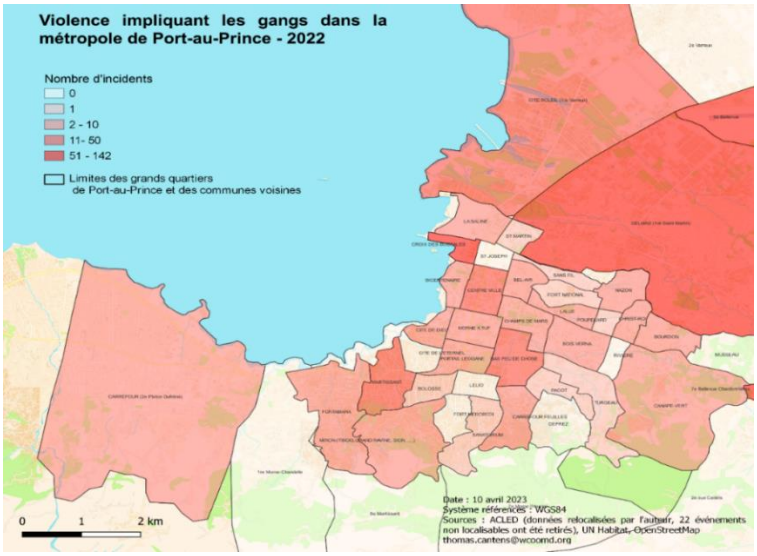
Table 2. Summary of Gang Activity[3]

	Number of gangs identified	Number of incidents with at least 1 death (involving at least one gang)	Number of victims (with at least one gang present)	Number of kidnappings	Number of gang confrontations
2018	7	80 (47)	224 (157)	1	7
2019	22	168 (120)	364 (286)	6	33
2020	41	216 (196)	522 (489)	63	52
2021	24	207 (184)	628 (528)	160	55
2022	38	372 (345)	1341 (1299)	157	80
2023 (Sept.15)	34	318 (297)	1270 (1208)	101	45

Source: ACLED.

14. **Gang action at sea is so far limited, although boat attacks by sea have been reported at Abraham Terminal in Thor**.[4] The bay of Port-au-Prince is not protected by naval forces. While gangs do not have major naval assault weapons, they can shoot at ships and pose a threat that can discourage shipping companies from calling at the Port-au-Prince port. Map 1 illustrates the most active gang territories.

Map 1. Distribution of Armed Incidents in Metropolitan Port-au-Prince (2018-April 2023).



15. **This expansion in gang activity is increasingly affecting economic activity and directly affecting customs performance.** Gang activity depresses the level of

[3] ACLED data, reporting many events attributable to unidentified gangs. These data may underestimate the extent of gang activity, as other human rights organizations report a higher number of gang confrontations, kidnappings, and other victims. However, the team was unable to obtain specific data from these organizations.
[4] Port operator interview, Haiti, March 2023 mission.

economic activity and affects the cost, ease, and indeed ability of doing business in Haiti. As noted, this reduces domestic revenues both indirectly by reducing both indirect and direct tax bases, but also directly by affecting customs performance. This is independent of the devastating impact it has on societal well-being, the ability of households to generate income, and the serious impact on poverty levels and food insecurity.

16. **Port-au-Prince is now extremely insecure and is the heart of gang activity**. A large part of the metropolitan Port-au-Prince territory is now under complete gang control. The border area with the Dominican Republic, while not as gang-controlled as Port-au-Prince, is becoming increasingly gang-affected and increasingly violent. Ports and borders are natural areas of gang involvement as they are centers of economic activity, and hubs for criminality, arms trafficking, and drug movements. Customs operations are, by their nature, concentrated in these port areas and along land borders and thus are directly subject to pervasive gang influences and indeed represent prime targets for gangs. This is further illustrated below.

17. **Gang control of economic activities through three key channels:**

i) ***Theft and resale of imported goods in local urban markets*.** Gangs steal goods, especially containers and imported vehicles, on routes between port infrastructure and the importers' private facilities. They may seize all or some of the goods. They may demand ransom payment for their release or resell them in local urban markets. Sugar and rice containers appear to have a high probability of going missing in ports. Gas station managers are sometimes forced to sell part of their supplies to gangs at below market prices, which are then resold at 4 to 5 times the price in "laboratories."[5] The informal resale of fuel via "laboratories" is a long-standing practice in Haiti but seems to have recently taken on a new dimension and armed incidents near or in markets have increased since 2022. The control of urban markets for the resale of stolen products implies that gangs have become increasingly active around the main routes and centers of economic interest.

ii) ***Levies.*** Gangs use several methods to extract rents from economic activity, through different type of levies. For example, a few gangs have set up **"toll booths"** at the exit of Port-au-Prince and on the main road between Malpasse (a border crossing point) and Port-au-Prince. Tolls are levied on interurban transport buses, particularly between Port au Prince and Carrefour, trucks (empty or full), and private individuals and vehicles.

iii) ***Cost of countermeasures*.** Several operators have adopted countermeasures, such as police escorts and movement of goods by sea, to protect their goods from gang activities (Table 3). Many operators prefer to use barges to transport goods by sea, from the main unloading points to secondary wharves. For example, the Lafiteau operator chose the sea route to transport containers to the dry port on the outskirts of Port-au-Prince. Industrialists also choose this route between Port-au-Prince and Thor. This comes at significant additional costs.

[5] "Laboratories" is the common name used by mission interviewees to refer to illegal gas stations.

Table 3. Evaluation of Security Charges for Economic Operators in International Trade

Gang extortion charges	
Escort extortion charges	US$4,000/container for a gang escort at land borders
	US$200/container for an escort between Lafiteau port and MAD Lafiteau
Other extortion Charges/tolls	200,000 gourdes per month per oil or gas company
	US$400 per truck + container (Martissan toll)
Ransoms during the interception of a cargo truck in the city	US$5,000 per driver
	US$3,000 for the truck
	US$10,000 per container
	US$2,500 per vehicle
	Removal of a container or vehicle from a consignment
Fees charged by legal entities for specific security-related transactions	
Police escort fees	US$200 per container for police escort in Port-au-Prince
Sea transportation costs	US$700-900 per container by sea between Port of Lafiteau and Port-au-Prince
	On the barge, US$2300 per container (pre-gang period, US$150-175 fee to get the container out)

Source: Interviews held during the mission.

18. **Gang activities have also led to increases in other costs**:

- *Insurance*: Insurance companies refuse to insure container transportation; some maintain a service at a cost of around 1.5 percent of the container's value.
- *Transfer costs*: Port operators and shipping lines no longer offer, or strongly avoid door-to-door service and ask importers to organize the transfer of their containers to their unloading points, with police escorts or even gang safe passage agreements.
- *Increase in clearance times*: Container costs have increased due to the likely lengthening of dwell times related to gang-influenced clearance times (cf. next section).
- *Pass-through of taxes by gangs from oil and gas operators.* Fuel prices are administered, but there now appear to be price disparities between the north and south of the country, probably due to the varying taxes charged by gangs on trucks going to the two parts of the country.

19. **Gang activities have also led to a reduction in customs presence and a significant decline in port activities.** Nonetheless, competition in the bay of Port-au-Prince exists, though unfortunately, the port of Lafiteau is (at the time of writing) temporarily hampered by a sunken ship), and the Varreux container terminal cannot operate due to the lack of Customs presence. According to the figures provided by the various operators, the occupancy rate of the port of PAP is currently 60 percent. Port activity declined by 26 percent between 2021 and 2022. Import volume was 97,000 TEU in 2020, 73,000 TEU in 2021, and 54,000 TEU in 2022. In January 2023, the port of Port-au-Prince received 2,875 containers, which is about the typical monthly volume of the port of Lafiteau. As such, considerable potential exists for increased traffic and increased revenues.

1.2. Impact on customs activities.

20. **Gang activities limit the movement and customs presence in cities and at the border.** The building that housed the main customs office and the General Directorate in downtown Port-au-Prince was stormed by a gang. Security forces have not regained control. Staff had to move to the airport's customs office building to continue their operations. Since 2022, several customs officers have been kidnapped. The kidnapping of customs officers in Haiti is not specific to this period, as similar acts

were committed by gangs in 2005.[6] In October 2020, the head of customs at the port of Port-au-Prince was the victim of an assassination attempt.[7] Over the space of a few months in 2022, customs officers were particularly targeted: the Deputy Director General in May 2022,[8] four customs officers in June 2022 in Port-au-Prince,[9] one customs officer at a border crossing point,[10] and two customs officers in Saint-Marc in July 2023.[11] Travel to the city is difficult, involving considerable risk for customs officers going to the ports, customs warehouses, and clearance areas. Port operators and importers use their own vehicles (armored or otherwise) to transport customs officers and dependence on private operators has increased. Outside the metropolitan area of Port-au-Prince, travel to border offices is also very dangerous, and maintaining a customs presence there is often impossible, or under severe limitation of activities (cf. section 4 below on border offices). Many customs officials have been working remotely and the capacity of customs to verify information provided by private operators has declined. In this environment, it will be important to initially limit pressure on primarily seeking increased revenue collection, and much more important to define a new operational approach, including improved behavior of officers and initiating a dialogue with private operators to operate in the existing environment more effectively.

21. **The security situation has led to significant delays.** In July 2022, arms found in containers from the United States were seized,[12] and consequently, customs were instructed to strengthen immediate controls in port areas. Due to the increased rate of container inspections and agents' movement restrictions, border and clearance times have lengthened substantively. Unloading times have also probably increased. In Port-au-Prince, customs maintain teams responsible for sorting and tallying goods when vessels land. In Lafiteau, customs is present only 3 days per week, leading to further delays in the unloading of ships. Indeed, some ships avoid Haiti or leave the port without having been able to unload. In the case of exports, the problem may be even more critical because the vessel has only a limited time to take charge of the exported containers, which forces operators to wait for the next port of call to export their goods. When home inspections are requested by an importer located in a "lawless" zone (a term used by customs officers), customs refuse them and require inspection to be carried out at another location, adding to costs and delays.[13] These home inspections, or ex-port inspections, are frequently necessary as access to the port by customs officers is restricted by gang activity and goods can languish in the port.

22. **In this volatile security context, AGD has adapted by relying on telecommuting, digitalization, and simplification measures.** The institution has resorted to telecommuting which has weakened knowledge exchange among customs officers. The AGD has upgraded the network to respond to these new needs, including providing laptops to managers. It also accelerated the ongoing digitalization of customs procedures and the introduction of new ASYCUDA modules, including the automatic assignment of declarations to inspectors, the latter of which is an important governance measure to limit collusion and is widely practiced across customs administrations. Among other things, this responds to a need for greater flexibility, in a context where access to customs offices is

[6] https://reliefweb.int/report/haiti/haiti-poursuite-ininterrompue-des-op%C3%A9rations-de-kidnapping-%C3%A0-port-au-prince.
[7] https://www.juno7.ht/lattaque-contre-julcene-edouard-est-une-tentative/
[8] https://www.alterpresse.org/spip.php?article28409.
[9] https://aidfdouaniers.org/haiti-enlevement-de-4-douaniers-a-port-au-prince/
[10] https://aidfdouaniers.org/enlevement-du-douanier-haitien-floreal-oriol-en-poste-a-la-frontiere-dominicaine/
[11] https://centreinfos.com/article/actualite/haiti-deux-agents-douaniers-enleves-a-la-croix-perisse/1511
[12] https://www.alterpresse.org/spip.php?article28466.
[13] The WB and WCO team did not have the opportunity to conduct simple quantitative analyses with AGD on the full impact on customs clearance times, based on ASYCUDA data. However, such analyses would be particularly useful in accurately determining the impact of longer lead times and the operators and customs units most affected.

complicated for civil servants who unpredictably, for typically sound reasons, do not show up for work. In addition to digitalization, the AGD has promoted operational coordination with economic actors: anticipation of procedures (manifests are recorded in the system 24 hours before the arrival of ships) and development of customs clearance at the declarant's or importer's premises.

23. **Thanks to structured customs controls, revenues collected by customs more than doubled in 2023.**[14] This reportedly led a 110 percent increase in customs revenue annually by end-September 2023,[15] despite a more than 50 percent drop in the volume of imported containers. AGD's revenue accounted for more than 60 percent of total revenue for fiscal year 2023, compared to 44.4 percent in fiscal year 2022.

24. **Quantitative analyses using data from ASYCUDA and from the National Port Authority would be necessary to obtain a more accurate picture.** Access to data would allow for greater analysis, to be conducted jointly with the AGD, of changes in the volume of goods, in relation to the evolution in revenue, changes in disputes and threshold values, as well as to conduct a mirror analysis of probable fraud, based on data from UN COMTRADE, customs, and the ports. This would allow the AGD to better identify the factors driving revenue variations, but also, from a more operational standpoint, to improve its strategy for combating fraud. From a policy standpoint, this would help raise awareness among economic actors, the government, and donors, about the critical role played by customs and the need to strengthen it. A greater understanding of the need for, and the benefits of evidence-based decision making and robust data literacy, among AGD senior management should be cultivated.

2. The Security Crisis has also Affected Port Activities

25. **The APN has also adapted to the context of insecurity.** The Port Authority grants 17 days to clear goods, which is generous. Demurrage charges exceeding 17 days amount to US$125/day for refrigerated containers, US$75/day for twenty-foot containers, and US$140/day for forty-foot containers. However, port operators understand ongoing insecurity issues, and when shipping lines are unable to access the port because of armed clashes, the counting of free days is suspended.

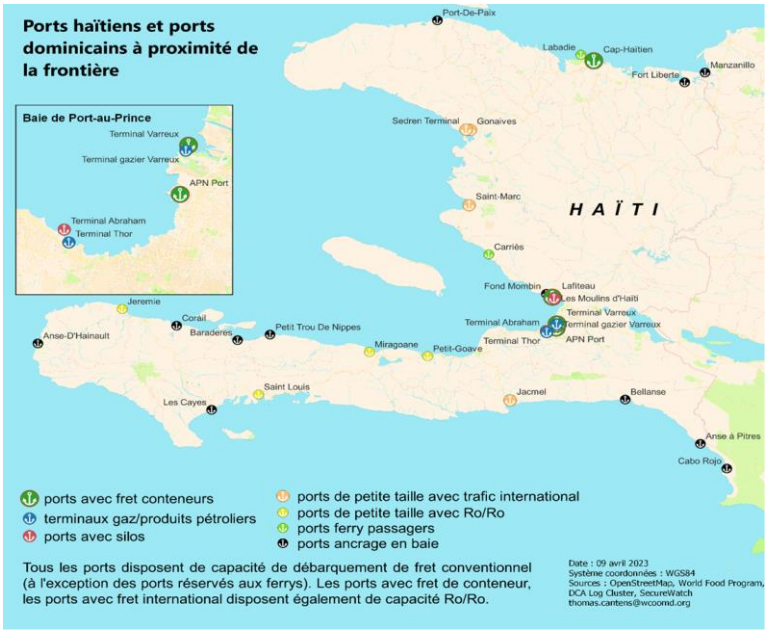
26. **Outside of the Port-au-Prince metropolitan area, three small ports receive sporadic international calls and other very small ports have Ro/Ro (Roll-on/Roll-off) capacity and provide revenue niches.** The small ports receive significant quantities of smuggled goods, particularly new vehicles (4,000 new vehicles are imported officially each year, but estimates are that 20,000 new vehicles are actually imported; traffic comes from Dubai), and aggregated containers (30 percent of the containers are "personal belongings" from Florida), which are largely used commercial goods imported by small importers from the Haitian diaspora.

[14] Until very recently, customs applied the Brussels value and is shifting toward the transaction value system with the adoption of the new Customs Code, which incorporates the standards in this area. Haiti has been a member of the World Trade Organization since 1996.

[15] Meanwhile, the gourde has depreciated by 13.7 percent against the US dollar over the period. This increase in customs revenue has caused dissatisfaction among many importers. See Section 6.1 below for a discussion.

27. **Small ports are preferred by the informal sector.** In Haiti, this informal import sector takes the form of so-called "personal belongings" containers. From a customs point of view, personal belongings are exempt below a certain value, provided the goods are not sold in the market. Essential necessities (fish, rice, flour, milk) are sent monthly by Haitian expatriates, from Florida. Such “personal belongings" also frequently include goods marketed by small importers of varying degrees of informality and thus facilitate inputs, supplies, and income opportunities for the poorest. Proof of the critical social character of these small ports, violent protests took place in Saint-Marc in 2022 to re-authorize the clearance of "personal belongings" in this small port.[17] These goods are also an important niche, however, for corruption and fraud. For example, boats arrive with “used mattresses” and then a few kilometers away, the mattresses are cut open, the goods recovered, and the mattresses burned.[18] According to port operators, there are also about 10,000 containers of used or new general cargo that transit through these smaller ports, which represents about 5 percent of imports. Haitian customs taxes goods that are clearly not "personal belongings” at these small ports but the diversity of the goods and their used nature complicate the calculation of their value. Again, significant revenue opportunities exist if valuation, oversight, and fraud and corruption could be better controlled at these smaller ports.

Map 2. Map of Ports[16]



3. Violence, Smuggling, and Trade at Land Borders

29. **The Dominican Republic is Haiti’s second most important trading partner after the USA**. Haitian imports from the Dominican Republic have increased significantly over the last decades. According to the Dominican Statistical Office (ONE), exports to Haiti reached US$1,040 million in 2022,[19] while exports from Haiti to the DR were US$10.5 million (AGD).[20] Most trade between the two

[16] Author's reconstruction from World Port Source data. http://www.worldportsource.com/ports/index/HTI.php)
[17] https://www.alterpresse.org/spip.php?article27854.
[18] Interview with logistic operator (March 2023 mission).
[19] anuario-de-comercio-exterior-2022.pdf (one.gob.do)
[20] DR Customs.

countries happens through land flows, which accounts for 89 percent of Dominican flows to Haiti in 2017 (Banco Central 2021, p. 38). A 2011 Dominican law regulates the trade applicable to 14 "border" markets and defines prohibited goods and the rules for granting merchant licenses for Dominicans and Haitians.[21] Between 2001 and 2021, the Dominican Republic also adopted 14 legal and regulatory measures to promote the economic development of border areas (Banco Central 2021, pp. 40-41), and sought as well to bolster its policy through a border observatory that was established in 2018.[22] Yet, informal trade along the 360 kilometer long and porous border is significant, and anecdotal evidence suggests that a large share of Haitian imports from the Dominican Republic is not recorded. Foregone tax revenue due to informal trade has been estimated to be as high as 7 percent of Haiti's total revenue. (IMF, 2020).

Box 1: Haiti/Dominican Republic Border Crossing Points

A study (CSIS 2019) found that AGD presence and the impact of violence on trade vary significantly across border points. The study assessed traffic at four official border crossings: Anse-à-Pitres/Pedernales, Malpasse/Jimani, Belladère/Comendador (Elias Piña), and Ouanaminthe/Dajabon (see map 2). These 4 crossing points have bi-national border markets, on the Dominican side, open to Haitians generally two days a week according to fixed time slots from 9 am to 4 pm, except Ouanaminthe/Dajabón, which is open every day. Haitian localities also have a communal market, reserved for national trade, not frequented by Dominicans. According to the Dominican Central Bank, the markets of Dajabon, Comendador, Jimani, and Pedernales are the largest with, respectively, about 2,000, 1,500, 680, and 330 Dominican and Haitian vendors (Banco Central 2021, p. 49).

Customs presence varies greatly at these 4 border points: 5 commercial operations staff in Anse-à-Pitre (without brigade cooperation with the Police), 10 in Malpasse, 20 in Belladère (with the support of a brigade of 15 agents), and 53 commercial operations staff in Ouanaminthe (supported by a brigade of 12 officers). In addition to these border points, there are surveillance brigades within the territory.

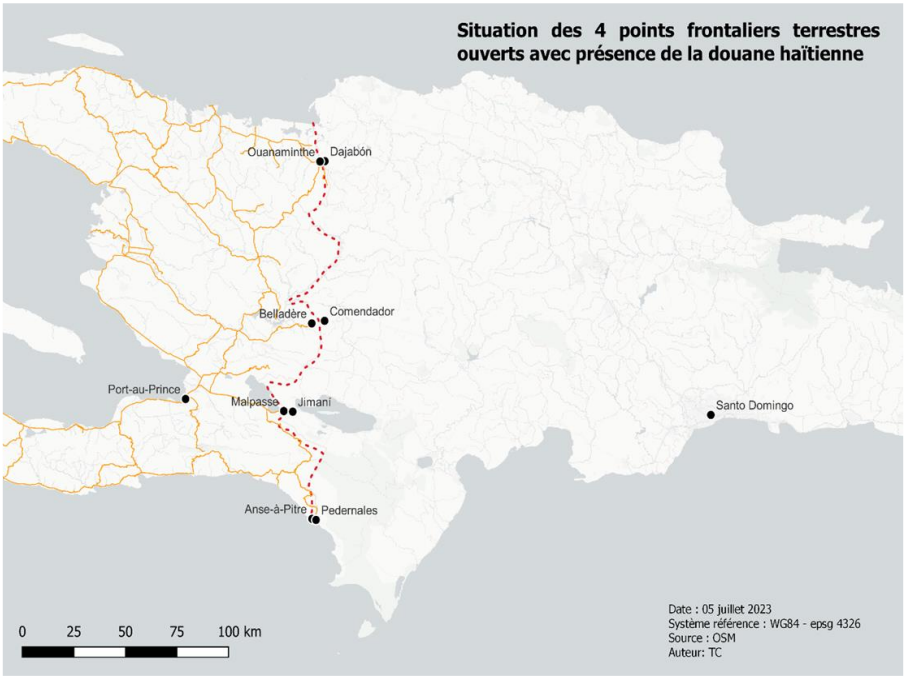
Insecurity significantly affected merchandise flows from Malpasse to Belladère. The Malpasse office is closest to Port-au-Prince. In the past, this crossing accounted for a large share of land imports (57 percent) and monthly receipts of some 300 million gourdes (source: local AGD official). Currently, the office collects about 1 percent of these amounts, or 3 million gourdes per month from about 20 declarations per day (idem). The few remaining importers involved are cross-border commuters, which increases the pressure on the civil servants on duty. The gangs reportedly charge a toll of 25,000 to 30,000 gourdes per truck. There are no remaining licensed customs brokers, but they have left behind some "representatives" who have professional knowledge or experience of the site and who guide operators through the administrative process. In contrast, monthly revenues in Belladère are reported to have increased from 70 million gourdes to 200 million gourdes per month between 2019 and 2022.

The team was not given access to ASYCUDA data to conduct quantitative analysis. Such an analysis would have made it possible to study the diversion of traffic, the emergence of new economic operators at land borders, and to examine the adaptation of the current Customs system to trade flows.

[21] Law No.216-11 regulating the establishment of markets on the Dominican-Haitian border. G.0.No.10636 of September 14, 2011. https://prodominicana.gob.do/wp/wp-content/themes/ceird/ceirdpdf/Ley-216-11-regula-mercados-en-la-frontera.pdf

[22] https://mepyd.gob.do/dpdzf/ozf/

Map 3. Main Border Points



30. **Border points between Haiti and the Dominican Republic have been dominated by a climate of violence on both sides of the border, most often non-organized**. There are reports of regular violence against women, who are highly represented in small-scale cross-border trade (Petrozziello 2011), and of demonstrations of anger on the part of the population toward state[23] services. A simple field observation is enough to see the very tense relationship between the Dominican armed forces and Haitian traders crossing the border. Offices at these border points are regularly subject to very violent attacks by the population following seizures, tax increases, armed actions by customs officers, or accusations of organized corruption.[24] Civil servants operate in complex conditions, far from the capital, with very limited capacity for control and personal protection.

31. **At the land border, declared values are lower, and physical checks cannot be carried out systematically to ensure compliance or the nature and quantity of goods**. There are no declarations in advance, all formalities are carried out upon truck entrance at the border point and manifests are not recorded in the computer system but by hand, where customs officers collect them whenever there are transport manifests. In the case of "formal" traffic, declarations are made by authorized customs brokers, while customs officers make them on behalf of "informal" brokers. Haitian customs officials at border offices acknowledge that the relationship with the people and the large share of "informal" operators does not allow them to carry out customs clearance operations under the same conditions as in the major ports. The term "informal" refers to small-scale smugglers who are intercepted by the surveillance brigade at border exit points and taken to the ticket office to complete the required formalities.

[23] https://www.lenouvelliste.com/article/115947/le-calme-est-revenu-a-la-frontiere-fonds-parisienmalpasse https://www.lenouvelliste.com/article/150151/le-trafic-a-repris-a-la-frontiere-malpasse-jimani

[24] https://www.lenouvelliste.com/article/164460/malpasse-des-douaniers-accuses-descroquerie.

Box 2. Violent Incidents at Land Borders[25]

In 2015, the Anse-à-Pitres office was burned down following the seizure of a truck with bags of flour.[A]

In 2015, in Thomassique, close to the border (not visited), the office was ransacked.[B]

In 2018, in Anse-à-Pitres, people brought operations to a standstill and threatened customs office staff in protest against an increase in the tax on used clothing.[C]

In 2018, in Belladère, the customs office was vandalized.

In 2018, in Malpasse, the customs office was attacked by the crowd, after a truck driver was shot by a customs officer. Some of the Haitian police officers took refuge in the Dominican Republic under the protection of the Dominican army;[D] there were 7 deaths, 5 of whom were customs officers.[E]

In 2018, an altercation between customs officers and police at the border in Ouanaminthe led to the death of a Customs officer, followed by roadblocks by the population.

In March 2018, the Dominican authorities closed the border to prevent clashes between Dominicans and Haitians, following a violent incident on the Dominican side.[F]

In 2019, in Trou-du-Nord (North-East), traders erected barricades on roads to protest the seizure of their goods by the customs brigade.[G]

In September 2021, Haitian traders blocked the border at Ouanaminthe to protest Dominican taxes imposed on drivers.

In October and December 2021, traders blocked the road in Belladère (El Carrizal) to protest the increase in customs duties.[H]

In 2022, a Haitian trader was killed by a Dominican customs officer at the crossing point.[I]

2023, in Ouanaminthe, motorcycle taxis and the customs brigade exchanged gunfire, injuring a customs officer, as motorcycle taxis, some of them armed, refused to pay a customs tax.[J]

32. **Smuggling at the land border is pervasive leading to large revenue losses**. Assessments on the value of informally imported goods hovered around US$430 million in 2017, of which US$98 million is from Haiti to the Dominican Republic and US$332 million from the Dominican Republic to Haiti (Dominican Central Bank, 2021). "Informal" border trade would then account for slightly more than a third of the Dominican Republic's bilateral trade with Haiti (idem) and concerns mainly agricultural products, clothing, and household cleaning products. The main crossing points correspond

[25] References in the box as follows: A. https://www.alterpresse.org/spip.php?article19003, B. https://www.alterpresse.org/spip.php?article19593, C. https://www.haitilibre.com/article-24385-haiti-flash-anse-a-pitres-douanes-paralysees-haiti-augmente-de-plus-de-2000la-taxe-sur-le-pepe.html, D. https://www.haitilibre.com/article-26230-haiti-flash-incident-a-malpasse-8-policiers-trouvent-protection-en-rd.html, E. https://www.haitilibre.com/article-26230-haiti-flash-incident-a-malpasse-8-policiers-trouvent-protection-en-rd.html, F. https://www.collectif-haiti.fr/garr-assassinats-chasse-aux-migrants-haitiens-a-pedernales-et-panique-a-la-frontiere-danse-a-pitres/, G. https://vantbefinfo.com/haiti-trouble-des-commercants-erigent-des-barricades-a-trou-du-nord/, H. https://rnn.com.do/2021/12/13/cesfront-cierra-puerta-binacional-carrizal-elias-pina-tras-manifestaciones-en-haiti/, I. https://ayibopost.com/un-douanier-dominicain-tue-un-haitien-en-haiti-les-versions-officielles-dominicaines-se-contredisent/, J. https://haiti.loopnews.com/content/tension-la-douane-de-ouanaminthe-un-blesse-par-balle

to the four official border points (idem). Other studies also point to significant revenue losses.[26] Though there are also important methodological questions. While these figures are based on Dominican export figures, it is likely that a part of Dominican exports to Haiti are fraudulent transit declarations[27] and that the goods are returned to Dominican territory.[28]

33. **In fact, there are probably two main types of "smuggling" at the land border**. The first is smuggling – according to the legal definition -- by small carriers (motorcycles, delivery tricycles) in areas where there is little control, or even near the customs office, for local consumption by border populations. The second is fraud, the illegal (but sometimes tolerated) practices, like undervaluation, misstatement of quantities, misclassification of goods associated with the transshipment of cargo at the border from Dominican trailers onto small trucks before crossing into Haiti intended for urban consumption centers, including Port-au-Prince. In such cases, importers declare the cargos but are subject to a real tax pressure that is lower than the one applied to economic operators going through the port of Port-au-Prince. In the current context, given the insecurity and the poor condition of secondary roads, it is probably more cost-effective for the importers to formally cross the land border, rather than use smuggling routes outside the border crossing. Both practices cause revenue losses, but also unfair competition between the seaport and the land borders.

34. **There are signs that smuggling has increased in recent years**:

i) Examination by satellite imagery of the development of Dominican infrastructure along the border shows clear and structured economic development to facilitate travel into Haiti.

ii) During 2022, revenue from the Morne à Cabrit checkpoint, at the exit of Belladère, increased tenfold. This probably reflects both an increase in smuggling flows and the increased effectiveness of customs control (source: AGD). For example, an iron importer from Türkiye has almost stopped importing because he is forced to sell at a loss.

iii) Lake Azüei near the Malpasse office has been a proven place of smuggling for years,[29] as satellite images show the development of facilities and houses on the shores of the lake.

35. **On the other hand, there are other indications that the rise in smuggling by land is limited in terms of types of goods**. Smuggling does not seem to concern bulk goods. According to port operators, bulk goods destined for Port-au-Prince continue to be imported directly into Port-au-

[26] https://www.slideshare.net/Stanleylucas/the-effects-of-illegal-trade-across-the-border-with-the-dominican-republic-and-growth-in-the-haitian-economy-by-dr-daniel-dorsainvil https://ht.usembassy.gov/wp-content/uploads/sites/100/CSIS-HaitiDR-Border-study-March-2019_French-version.pdf.

[27] Commodities are under a customs transit regime when they are moved through a transit country to another country as the final destination. In the transit country, they benefit from tax and duties exemptions. A typical customs fraud consists in declaring goods as "in transit" but reselling them fraudulently in the transit country. In this case, goods transit through the DR, enter Haiti and are then immediately returned to be sold in the DR.

[28] The team was unable to conduct a quantitative analysis using ASYCUDA data in conjunction with the AGD and Dominican Customs, particularly on the reported flows between Haiti and the Dominican Republic. Given the financial stakes and the figures that circulate regularly, such a joint quantitative study would be useful and could demonstrate cooperation between Haitian and Dominican Customs Administrations (see section 4). The team hopes such an analysis will be possible in the future as dialogue with the authorities continues.

[29] https://www.lenouvelliste.com/article/202110/malpasse-la-contrebande-se-fait-au-grand-jour-sur-le-lac-azuei.

Prince. Nor does it appear that any shipping line customers have abandoned Port-au-Prince for Santo Domingo, based on interviews conducted by the team.

36. **Other factors also limit smuggling, chief among them are crossing capacity and infrastructure**. While the road from Santo Domingo to Pedernales is in good condition and places the border at about 6 hours from the Dominican port, there is no suitable route for the clearing of imported goods at Anse-à-Pitre. The road between Anse-à-Pitres and Marigot, the next urban locality in Haitian territory, is in very poor condition. It takes 8 hours to travel between the two localities by land, compared to 4 hours via coastal shipping. Goods intended for consumption outside Anse-à-Pitres, such as cement, are therefore loaded, by sea and on human backs, onto low-capacity boats (about 300 bags of rice[30]). This type of transshipment and its limited capacity severely limit smuggling. However, this situation also impedes formal trade and the development of the border region in Anse-à-Pitres. Similarly, the crossing capacity at Belladère seems limited in terms of daily volumes and the mountainous geographical environment makes it difficult to move large volumes through the border post.

37. **Lastly, a final factor likely limiting land smuggling into Port-au-Prince is the presence of gangs on the main roads**. For regular or large importers, taking the road means exposing themselves to extortion, kidnappings of drivers, and theft of trucks and goods at multiple points along the route, unlike the Port of Port-au-Prince where the heavy territorialization of gangs and the escorts they can mobilize provide greater predictability of risk for importers. With regard to small importers who might be tempted to use the road, it is not certain that the economic actors in the area who could benefit from relations of trust with the gangs have sufficient resources to establish themselves as importers and set up regular flows.

38. **Regular importers have been traditionally aggressive toward customs officers and the threat of violence is constant**. At some border points, officials avoid going to the office for fear of attacks, and customs officers are reluctant to go to offices or places where Dominican goods destined for Haiti are unloaded and loaded after passing through Dominican Customs.

> "We struggle with importers" (Customs officer, border office, June 2023 mission)
>
> "The people of the area think that we have the latitude to do what we want, people think that we are servants of social affairs, they come every day to ask us for studies, for health ... (Customs officer stationed at a border office, June 2023 mission)
>
> "The people here say the border is our heritage," (Customs officer posted at a border office, June 2023 mission)
>
> "We relax restrictions on certain products" (Customs officer, border post, June 2023 mission)
>
> "You take our millions, you send it to the central government but what do they do with it" (Customs officer, border post, June 2023 mission, reporting feedback from importers)

39. **The hostility of border populations toward the central government and the local adaptation of customs rules are two well-documented phenomena**. This hostility has also been observed elsewhere, in particular Sub-Saharan Africa and North Africa (Cantens 2012, 2013, Cantens, Ireland and Raballand 2015). The "relaxation"[31] of customs rules to preserve a form of "social peace" is

[30] http://www.ipimh.org/fiche-cabotage-marigot-22.html.

[31] Term used by interviewees during the missions.

positive and makes it possible to maintain links between the population and the State, to continue to collect tax revenues, and to collect intelligence information. However, it would be inappropriate to assess the effectiveness of a customs office only through tax revenue figures and the absence of incidents with the population.

40. **The absence of control by the Directorate General can lead to competition among local customs offices and patronage**. The first is competition between customs offices on the same border (Cantens 2012, 2013). One of the customs officials indicated that since he has raised customs values, some importers have gone to a neighboring office. The risk of competition between customs offices with the "lowest customs values" is substantial for Haiti, since the border does not stretch over long distances, crossing conditions are precarious, and imports by land come mainly from the port of Santo Domingo. The second risk is that adapting customs rules to local conditions fosters unequal patronage structures inherent to informal border activities, where a local trading elite employs small-scale traders and smugglers (Cantens and Arfaoui 2018).[32] These relations continue to the detriment of the development of local populations and the formal activities of importers by sea.

41. **Underinvestment in official border crossing points remains an issue**. Not all offices have electricity. With the exception of perhaps Malpasse, where there is currently a limited flow of goods, it is impossible for customs officers to physically inspect vehicles and cargo, given the lack of infrastructure, e.g. no space/area for inspection, and the lack of security. Customs offices have no protective enclosures, neither bonded areas, warehouses, platforms for physical inspections, nor organized entry and exit ways. The worst situation is probably that of the Belladère office, which has seen its traffic increase with customs infrastructure limited to an office building and a guard "post" at the exit of the border point. Customs officers and their offices are thus unprotected in the middle of the crossing amidst the many formal and informal activities at the border point and are exposed to protests and projectiles (stones and others).

42. **Border control is carried out only at the crossing points and does not extend further inland.** No office has vehicles, radios, or sufficient personnel to conduct anti-smuggling operations beyond the crossing points, and border geography would make this difficult even with increased resources. For example, in Malpasse Customs does not have the resources to control passage through the Azüei lake. Haitian Customs therefore combats smuggling using 6 brigades positioned on the main routes in the interior.

43. **Better coordination among customs and internal units, monitoring and evaluation of complaints, and access to vehicles could significantly improve control and reduce smuggling**. First, coordination between interior and border units would be critical to reduce smuggling and contraband, and limit potential sources of corruption. Second, monitoring, evaluating, and following up on complaints as expressed by economic actors at the border could help customs become more effective and adapt to fraud trends and Customs capabilities. It could also help anticipate traffic diversion linked to the increased efficiency of some units compared to others as the consideration of complaints would make it clearer as to which border posts economic agents preferred to access. Furthermore, responding to complaints with evidence-based arguments, could facilitate interactions with economic agents and help build trust. These evaluation instruments are not difficult to implement and could combine ASYCUDA data with mapping and geographic analysis tools (see section 4). Third, vehicles would enable border offices to respond to informants who may alert them to "illegal" unloading enroute or in areas close to the border point. Having a second line of control would facilitate the ability of border offices to operate off premises and respond quickly to intelligence received.

[32]https://mag.wcoomd.org/fr/magazine/omd-actualites-82/faciliter-le-commerce-dans-un-contexte-de-menace-securitaire-lexperience-tunisienne/

44. **This leads to an environment that is ineffective in protecting and supporting customs officers**. POLIFRONT (a branch of the Haiti National Police-PNH) has been in charge of border control since 2018 and also fights smuggling. There is a national security council, but AGD is not part of it. AGD maintains informal communications with the PNH, but there is no official channel for the sharing of security or smuggling information. The relationship between the PNH and Customs is complex. The PNH was criticized for not having intervened quickly enough during the murder of five customs officers in Malpasse in 2018. In fact, relations between police officers and customs officers seem good on the ground, but it is difficult for police officers assigned to customs security to carry out their mission because of their small number. Finally, an obstacle to effective cooperation is that there is a significant difference between the professional cultures of the two bodies: some customs officers thus see the police as a last resort and prefer to settle disputes with importers themselves. This happens in many cases where professional cultures between border actors differ, with Customs focusing on fiscal aspects, while police officers are centered more on security. Although significant support has been provided under bilateral cooperation, including EU support from 2012 to 2017 (49 million euros[33]), and from 2018 to 2023 (9 million euros[34]), the main Haitian authorities at the border (i.e., Customs and the PNH), still do not have adequate infrastructure to manage the flow of people and goods.

> "Once we call the police, things can get out of hand" (Haitian customs officer posted at a border post, June 2023 mission).

45. **Relations with Dominican Customs seem to be almost non-existent**. A few meetings were held at the initiative of the International Organization for Migration (IOM), but regular arrangements for cooperation haven't been established. One office manager reported that he communicated with his Dominican colleagues to obtain information on export declarations in the event of the importation of new products, but this seems to be the exception. In Belladère, the construction of a wall on the Dominican side seems to have complicated control by Haitian Customs due to an opening along the wall that is inaccessible to Haitian customs officers. It is possible that weak cooperation between the two Customs administrations is linked to the secondary role of Dominican Customs in the Dominican border management system, where the army plays the major role. In March 2023, the Haitian and Dominican Customs administrations met to relaunch the cooperation, without concrete results to date.

46. **In 2015, the Haitian government banned the importation of 23 products by land, including necessities and construction materials**. This was imposed to reduce smuggling, protect national economic operators and agriculture, and reduce the diversion of goods from the ports to the land border because of the lower effective tax pressure at the land border. The private sector had encouraged the State to invest more in customs at the land border and make this decision effective.[35] However, little investment has been made so far and these products continue to enter. Criticism against this lack of investment in customs has resurfaced during the current period of insecurity.[36] The recent rise in AGD seizures on roads leading from the land border to Port-au-Prince and riots on the Haitian side when the authorities decide to close border points are signs of the vitality and importance of informal cross-border trade. Questions remain about its scope, the threat it poses to formal importers by sea, and its evolution in the context of the security crisis.

[33] https://www.eeas.europa.eu/node/34170_en

[34] https://www.eeas.europa.eu/delegations/haiti/programme-binational-de-coop%C3%A9ration-ha%C3%AFti-r%C3%A9publique-dominicaine-volet_fr?s=142

[35] https://challengesnews.com/lassassinat-de-la-production-nationale/

[36] Interviews with private sector in Port-au-Prince (March 2023 mission).

47. **Modernization of customs administration is critical for reducing smuggling**. Ensuring full customs capacity at land borders is critical at a time when the Haitian Customs authorities have introduced new valuation methods at the port, increasing the real tax pressure on imports by sea and thus increasing the benefits associated with smuggling at land borders. It may not even be a case of smuggling in the customs sense of the term, but rather of importers using these routes to benefit from the customs "relaxation-adaptation" measures described above. There is a high risk of a double standard in AGD, depending on the way goods are imported, by sea or by land. Modernization will require investment, but this investment will help secure more government revenue and help make border localities more attractive, especially if legal trade is developed.

48. **However, questions remain about the State's ability to combat land smuggling, on two levels**. The first is technical: what adaptations to supervision by customs are needed in terms of equipment, development of intelligence and analysis, and geographical positioning? The second is political: if smuggling is linked to cross-border activities mobilizing local communities, customs action must consider the social aspects and the consequences on the lives of these border communities, or it could risk tipping them into the political influence of armed groups against the State. This has been observed in other countries. To what extent should the fight against land smuggling require transitory measures via "tailor-made" tax pressure and control, to guarantee healthy competition with imports by sea and not cut off cross-border communities from sources of income?

4. A Strategic Perspective on Challenges Faced by Haitian Customs

49. **Any strategy to reform customs in Haiti cannot be limited to technological modernization or adaptation to international standards but should also contribute to the restoration of the State's legitimacy**. The AGD (as well as donors supporting reform efforts) should anticipate both the positive and negative effects of new customs measures within the context of the security crisis.

50. **Given the current crisis, AGD's reform must be part of broader efforts to help restore the legitimacy of the State**. The common principle of a social tax contract, "pay taxes to the government, which in turn guarantees your security and the delivery of public goods and services", does not apply in the current security crisis. On the one hand, the Haitian State is currently unable to restore order and guarantee security, nor is it able to provide expected levels of public goods and services. On the other hand, the "tax" paid to gangs or to local vigilantes to ensure the immediate security of cargos, people, and premises is much lower than the state tax. Finally, relations between the Haitian administration, the population, and economic actors have deteriorated sharply, as the State has, to a significant extent, lost its leading role in the provision of social services as other institutions take its place. The presence of a multiplicity of non-state actors, including NGOs, international organizations, bilateral agencies, and armed groups, and their delivery services to the population, is linked to the loss of capacity of the Haitian State and contributes to its weak legitimacy. Finally, Customs has been viewed negatively by the population as being corrupt, self-serving, and costly to those interacting with the Customs administration. Thus, Customs itself has a legitimacy issue that it needs to directly address.

4.1. Implications of Haiti's new customs code and implementation challenges.

51. **The AGD has a new Customs Code, promulgated by decree on March 21, 2023.** Effective implementation of this new code must now consider the context in which these reforms must now be paced. The previous code dated from 1987. The new code aims to bring Haitian Customs up to World Customs Organization and World Trade Organization international standards, two organizations of which Haiti is a member. The new code proposes all the classic provisions of a modern customs service, balancing facilitation measures and strengthening control capacities through the digitalization of procedures: status of the authorized economic operator, customs and excise bonds, special economic regimes, transaction values, electronic signature, submission of manifests, a single window, and an appeals commission. While the adoption of this new code is clearly a step forward, it is only a regulatory framework. Its implementation generates many expectations.

52. **The establishment of a single window, the change to transaction values, and the appeals committee are probably the three most prominent measures of this code**. While the establishment of a single window could provide many advantages and restore the importance of customs as a key player at the border, in the context of the insecurity crisis and a lack of State legitimacy, the team urges donors supporting AGD and the Haitian authorities, to move cautiously with the implementation of the two other measures, particularly in moving to transaction values and the appeals committee.

53. **The AGD is beginning the transition to transaction values**. Since 2019, there is no longer a certificate of value or pre-shipment inspection by SGS (*Société Générale de Surveillance*). Under the new system, customs sets the value based on past import values. Concurrently, in early 2023 the administration raised its benchmarks, resulting in strong discontent among economic actors.[37] Customs has recently set up a body of about thirty value inspectors. These inspectors were trained at the National Customs School. Six of them benefited from in-depth training with Panama Customs through an initiative of the International Monetary Fund (IMF) in December 2023. This body of inspectors is operational at the customs office at the port of Port-au-Prince and the airport.

54. **Moving from the Brussels value to the transaction value requires significant preparation.** This is particularly true in the current context of rising reference values by customs and mistrust between customs and major private players. This goes beyond training customs officers and informing and educating economic operators in the new system. Interviews with operators reveal that their main concern is unequal tax and procedural treatment.

55. **It is very likely that the establishment of transaction values will cause, at least temporarily, difficulties in the application of procedures**. This could lead to greater inequalities because of an increase in opportunities for corruption. Indeed, the transaction value presupposes a reversal in the burden of proof, as customs will have to show that the importer has declared an incorrect value. In the context of significant fraud, dispute methods specific to transaction values are difficult for customs to implement. There is therefore a risk that dishonest importers will resort to fraud in the reporting of transaction values, including through bribing officials. The shift to transaction values has frequently generated significant corruption where it has been adopted. In an environment lacking predetermined and non-negotiable values, opportunities for corruption and fraud around value determination can become more problematic. The detection of corrupt practices will therefore be of increased

[37] This dissatisfaction does not mean that the values imposed by customs are erroneous, but rather that the adjustments occurred "suddenly". One freight forwarder acknowledged that the values are restated "but that they were so underestimated before that it turns out to be just an average", and do not necessarily reflect true transaction value.

importance for customs, both as a tax revenue and economic issue in maintaining equal treatment across economic actors, especially during the transition period.

56. **In addition to these technical difficulties, there are two general matters for consideration**. The first is that transaction values have become the norm in most customs administrations, including in low-income economies, though it is rarely implemented correctly. In vulnerable fraud contexts, customs maintain more or less formal mechanisms that guarantee "reasonable" values. Acceptance of these mechanisms by the private sector requires strong analytical and negotiating capabilities on the part of customs, including ongoing monitoring of customs operations and their developments.

57. **The second matter for consideration regarding transaction values is that it can often increase the relative tax burden of small importers**. In a context of limited formal job opportunities, where a significant part of the population makes a living from informal activities, does not trust the State, and accuses economic elites and the State of collusion with gangs, transaction value will not help allay these resentments. Indeed, currently – and this is a criticism made by large importers – the Brussels value, as applied by Haitian customs, was treating all importers alike, i.e., large importers declared at the same value as the smallest importers, despite the former's transaction value often being lower. The shift to transaction values will therefore lead to a higher relative tax burden for small importers and traders, thus increasing their resentment of the State. This could increase smuggling, fraud, and corruption by these same small importers, which could lead to a potential drop in revenue.[38]

58. **Another sensitive measure to be adopted according to the new Customs Code is the three-tier appeals process**. The levels are: Director General; then Appeals Committee and then Court of Appeal (Article 23 of the Code). This is a significant step forward. Previously importers did not have a procedure for appealing customs decisions. However, two questions remain. One is on the composition of the appeals committee, which must be set by the Minister of Economy and Finance (MEF). The second is on the posting of security for duties and taxes during the appeal.

59. **One of the proposals made by importers would be to set up an appeals committee without necessarily taking any security**. Under this approach, the importer would pay the duties and taxes requested by customs, would contest the fees in an appeals committee if they disagree, and would receive a tax credit if he/she wins the case. The advantage for customs is that this would secure its revenues, and the advantage for the importer is that they would not have to post security and incur bank charges. However, this proposal also raises issues. The first is the simplicity and rigor of the tax credit, which can be a complex procedure in coordinating with the tax administration and could raise new opportunities for grievances against tax and Customs administrations. The second issue is that small-scale importers -- those who are not able to pay the taxes and duties requested by the administration, or those who have no tax identification number – would not be able to appeal a customs decision.

60. **Implementing a new appeal procedure is necessary but should not create significant unequal treatment or access issues for importers**. It is important that the Haitian authorities demonstrate they are considering large importers' requests but are also mindful of the existence and constraints facing small importers. The new valuation method implemented by AGD may already cause a disadvantage to the latte whose transaction values are higher. Today, large importers complain that the value applied to them is identical to that applied to small importers, although the

[38] Customs data could be mobilized to assess the share of "large" and "small" importers and exporters in customs revenue generation and their evolution during the security crisis. Similarly, a simple mirror analysis could shed light on the liability of importers for potential fraud and indicate potential revenue niches.

latter certainly benefit from less attractive purchasing conditions. Before the valuation reform, all importers were under equal real tax pressure (if confirmed by the data), which will no longer be the case with the application of transaction values, which will benefit big importers. Ensuring that new measures, through their actual implementation, will not cause more inequality should be a priority for Haitian authorities.

4.2. Corruption as a disruption to equal treatment.

61. **The term corruption was ubiquitous during the mission discussions, including with AGD**. Corruption is a long-standing problem that the AGD has been trying to combat even before the security crisis, to increase revenues, and because the corruption of certain customs officers is an obstacle to implementing reforms the Directorate General envisages and strains the State's legitimacy as previously noted. In 2016, the WCO undertook two missions on performance measurement to combat bad practices.

62. **The security crisis has made this more complex**. First, insecurity may decrease corruption, but it also hinders the fight against fraud. Indeed, customs officers who were used to receiving kickbacks from operators have been unable to engage in and negotiate kickbacks due to a lack of physical access to port premises. They are then less motivated to conduct controls. Second, AGD management voiced their concern regarding brain drain in the institution, as customs experts are resigning to take up the Humanitarian Parole Program in the USA and many leave the institution.[39] Finally, in addition to corruption, other "bad practices" affect revenue collection. As we have seen, some offices may engage in tax competition on a few products, to attract more imports and increase their revenues.

63. **The AGD has demonstrated a willingness to combat bad practices by replacing key officials in revenue collection**. Another simple measure such as the automatic assignment of declarations in ASYCUDA is envisaged and could be useful. Indeed, this practice is likely to not only speed up the examination of declarations, by allocating them according to the workload of inspectors, but also reduce the risk of collusion between heads of office, inspectors, and freight forwarders. Nevertheless, it is still possible for a freight forwarder and a customs officer to agree to game the system, but these agreements are now more complex to implement. AGD's commitment to combat bad practices is positive, if yet not fully effective.

64. **Increased revenues, established by the AGD as an indicator of improved integrity of customs officers; governance should be better communicated and explained**. Already, during the interviews, most private actors objected to this increase and its supposed relationship with improved customs efficiency. In their view, the increase in revenues may also be the result of an increase in the abuse of power in seeking increased revenues, which in the short term they associate with corruption. It will therefore be necessary to convince people and to demonstrate, that not only are revenues increasing but also that governance practices are improving. As such, the "how" should take precedence over the "how much": it will be important for AGD to clearly demonstrate that revenues are being collected fairly, rather than simply showing how much revenue has been collected.

[39] This program is formally known as the Processes for Cubans, Haitians, Nicaraguans, and Venezuelans (CHNV).

4.3. Structural weaknesses of AGD in responding to security challenges

65. **The AGD has limited analytical capability, despite a computerized system that captures customs clearance data in thirteen of the seventeen Customs Offices**. The department in charge of research and statistics has lost many senior officers, hindering strategic analysis and the evaluation and prioritization of reforms. In the context of the security crisis and tense relations with economic actors, it is essential that customs, which collects data on the entire border crossing process, be able to mobilize available data to undertake objective, quantitative analyses. These analyses are essential for effective internal dialogue, engagement with private actors on customs clearance difficulties and reforms, as well as to provide economic and fiscal analysis to the government in the context of the security crisis.

66. **The Customs Surveillance Department is undersized and underequipped, limiting the presence of the State at the border**. It is comprised of 318 civil servants, of whom only 200 are operational.[40] The department has national jurisdiction. In addition to Port-au-Prince, it is present in 5 operational checkpoints throughout the country, though a sixth post was looted and is currently not operational. The department established temporary camps to identify and detain smugglers. In urban areas, this department also cooperates with the anti-narcotics police brigade (BLTS). As the main entity responsible for combating smuggling, the Surveillance Department has few resources, a weak presence, and limited mobility across the territory: they possess neither a non-intrusive control system (fixed or mobile scanner) nor means of radio communication.

67. **The team was not able to observe its operating procedures and the following remarks should therefore be considered with caution**. It appears that the Surveillance Department's strategy is primarily reactive, relying mostly on informants. It does not launch many initiatives in "smuggling basins". However, active surveillance and the presence of the State on the ground are essential to collect intelligence, prevent smuggling, and limit the increase of informal cross-border trade activity at a time when the State is pressed for revenue but has only limited control capability on the front line.

68. **Cooperation between customs and internal security forces is weak**. There is no trust between customs and internal security forces at the operational level (except for specialized counter-narcotics services). In times of security crises, governments tend to favor the funding of internal security forces (ISF) – Haiti has had a border police force since 2018 – and to impose states of emergency that typically exclude civil administrations, including customs. This gradual replacement of customs by security forces on the border has been observed in many places outside Haiti. It inevitably leads to a tightening of the terms and conditions under which traders can operate. It does not solve smuggling and contributes to "deregulated" corruption, due to erratic "informal" levies imposed on traders by security forces. In addition, local populations are confronted with a state that is concerned solely with security and enforcement/policing, without an economic mission or a culture of negotiation. Given customs' culture of balancing security and economic objectives, the data it collects, and its knowledge of cross-border trade, customs could conduct strategic thinking to better integrate its operations and resources into broader national security arrangements. In other countries, it was often found that this cooperation was nonetheless complex to establish and was essentially based on the creation of individual contacts and a common culture while avoiding the militarization of customs.[41] However, various experiments have been conducted in insecure contexts in the Sahel region carrying out joint training between customs and ISFs to create a common culture of state action

[40] This Directorate also manages the security of customs premises.

[41] Chapters on these issues have been published in a WCO study on border fragility (June 2022), a portion could be presented to Haitian executives to strengthen their surveillance strategy.

at the border. This approach would also make it possible to strengthen the initial and continuing training of customs officers (cf. section 5).

5. Recommendations

69. **Based on the strategic challenges discussed above, this final section focuses on policy actions that could be supported by donors**. The proposed actions are chosen on the basis of three criteria that correspond to donors' value added in administrative reform: (i) the action raises specific technical difficulties owing to AGD's lack of experience (for example, the transition to transaction values); (ii) the action requires external financial support for its implementation (for example, more adequate infrastructure at border crossing customs offices); and (iii) the action has a political dimension where the donor can play a role as a trusted independent third party, providing political assurance for its success (for example, support bilateral cooperation with Haitian Customs). The recommendations are summarized in Table 4 and fully outlined in more detail further below.

Table 4. Summary of Recommendations

Recommendation	Priority	Timeframe given current insecurity context (April 2024)
Build on and Reinforce Digitalization		
Enable the automatic assignment of declarations to inspector-verifiers	High	Immediate
Connect to ASYCUDA the 4 remaining customs offices that are not connected	High	Future
Enable online payments	Medium	Future
Install ASYCUDA terminals in metropolitan areas of Port-au-Prince (like substations)	Medium	Future
Simplification of document processing	High	Future
Strengthen infrastructure at land border offices and small ports		
• renovation of physical premises • security measures and equipment, including networked surveillance cameras • passageways according to the types of carriers • control and bonded areas • mobile scanners to speed up the inspection of vehicles • improved power supply and connection to the customs' computer network	High	Future
Build capacity for customs surveillance		
New strategy for more proactive action by customs	High	Immediate
Acquisition of physical equipment (radios, GPS) and personal protection equipment	High	Immediate
Specialized training, particularly in the use of weapons	High	Immediate
Training and acquisition of new technologies, particularly to promote spatial analysis	Medium	Future
Joint training with the security and defense forces	Medium	Immediate
Monitor the practices of offices and inspectors		
Introduce a policy for measuring the individual performance of frontline customs officers	High	Immediate
Monitor clearance conditions in offices	High	Immediate
Measure the performance of offices	High	Immediate

Recommendation	Priority	Timeframe given current insecurity context (April 2024)
Installation of container scanners at the main port and scanners at the international airport		
While scanners can be highly beneficial, careful consideration should be given prior to committing to their installation (see narrative further below)	Medium	Future
Implement a framework for local consultation		
Implement a regular and transparent framework for consultation between customs and the private sector	High	Future
Sharing of quantitative and fact-based analyses within this framework	Medium	Future
Support a gradual implementation of transaction values		
Limit the introduction of transaction values to certain targeted products initially	High	Immediate
Provide customs officers with reference values to assess the value presented by declarants	High	Immediate
Develop a tool for calculating acceptable values (European Union fair price type)	High	Immediate
Provide regular training based on concrete cases for customs officers in relevant offices	High	Immediate
Support the installation of the single window at the port of Port-au-Prince		
The single window presents an opportunity to review all procedural practices and resolve evident problems	Medium	Future
Increase cooperation with foreign customs, including Dominican Customs		
Facilitate the exchange of cargo data (manifest type, quantities, declared values, vehicle and driver data)	High	Future
Facilitate the sharing and reconciliation of information, data, and statistics	Medium	Future
Implement data analytics and create a data team		
Specific details on the creation and implementation of a data team are included below (the creation of a dedicated data team is a pre-condition for the success of other high-priority measures above)	High	Immediate

5.1. Build on and reinforce digitalization.

70. **Digitalization is an important focus of customs reform.** In general, in all situations of fragility, conflict, and violence, including in war or health crisis situations, Customs administrations are rather resilient because of their strong digitalization and their well-established computerized customs clearance system. This is observed in many conflict contexts, and the situation seems to be similar in Haiti: customs' computer system allows for the continuity and cohesion of Haitian Customs.

71. **Customs has had an Information Technology Directorate since 2019, with approximately 30 officers**. However, fewer than ten of them are customs-trained. There are still four offices not connected to ASYCUDA, either because of poor Internet connection (Port de Paix and Thomassique), non-existence of imports (Jérémie) because the port was damaged during the 2010 earthquake and not rebuilt, or an inadequate office incapable of handling customs activities (Jacmel).[42] As noted,

[42] In the case of Jacmel, the Customs Office was rebuilt after the 2010 earthquake but was transferred to the Ministry of Tourism circa 2013, under the Martelly-Lamothe administration (interview with the Director of the Jacmel Customs Office in September 2019 in a small room that served as the Customs Office at the Jacmel airport terminal).

customs has provided laptops to officers who cannot report to work so that they can connect remotely to the ASYCUDA system.

72. **The ASYCUDA WORLD migration allows for new functionalities**. The ASYVAL module for value control is available. This module is expected to be operational by the end of the first quarter of 2024. Similarly, it will be possible to produce verification reports automatically in the system using tablets made available to officers. This feature is expected by the end of the first quarter of 2024 as well.

73. **However, certain features, such as automatic assignment of declarations to inspector-verifiers, are not in place**. This feature does not require a new module since it is part of the system configuration (it existed in previous versions) nor does it require any special knowledge (it was enabled in the past by the AGD). This is a useful feature to reduce the risk of collusion and corruption. Online payment is also not operational. The Haiti Central Bank (BRH) is still working on tests with commercial banks to make online payments operational.

74. **The location of goods and the location of customs control could be improved through digitalization.** A priori, physical inspections are carried out at the port or in operators' bonded warehouses and areas before payment of duties and taxes. Importers would like customs clearance to take place at the nearest office or for customs officers in the nearest office to have access to the declaration file in ASYCUDA to conduct inspections. For example, an importer has its goods delivered to the Carrefour neighborhood, where customs officers are present, but do not have the capacity to process the file, as the file is located in Port-au-Prince. Secondary ASYCUDA terminals in metropolitan areas of Port-au-Prince (which also includes Carrefour, among other neighborhoods) could be considered as sub-stations, or satellite offices of the Port-au-Prince main Port office to process these files on site.

75. **Similarly, digitalization could help in the remedying, correction, and simplification of documents**. The procedures for correcting and redressing documents, manifests, and declarations are lengthy and require correspondence with the Director General. Several simple measures could be considered, including automatic clearance of the manifest; availability of the manifest number before the ship arrives; filling-in of the inspection certificate; securing the prompt payment of duties and taxes by postponing checks until the end of customs clearance; release of goods from bonded warehouses and areas by managers; cross-entry rights for front-line officers; standardization of fee calculation methods (same currency); more regular and predictable collection; and simplification of fees.

76. **Projects currently lacking funding or technical resources include**:

- the digitalization of human resources (HR),
- an integrated system for managing tax benefits related to imports and investments for the recognition of NGOs,
- the use of firewall software (from an Israeli service provider),
- connection of bonded warehouses and areas of the airport,
- construction of a data center and training in data analysis.

77. **In addition, while procedures are digitized, manual procedures persist, which indicates a lack of understanding among many actors**. Two alternative options could be considered: sending scanned attached documents to customs, which stores them in a data center, and submitting paper documents once a month for authorized operators.

5.2. Develop and strengthen infrastructure at land border offices and small ports.

78. **The development of offices at land borders and small ports is a priority because of differences in customs treatment between customs at the port of Port-au-Prince and customs at land borders**. These differences are currently significant and are likely to increase with the implementation of the new Customs Code, resulting in essentially two customs operations with different applications. This creates opportunities for fraud, corruption, and diversion of traffic.

79. **Strengthening of the land border crossing points is a prerequisite, given the tense and even violent relations between customs officers and the population**. The severely deteriorated state of infrastructure on the Haitian side, proven contraband traffic and the risk of its expansion, and, for some border offices (e.g. Malpasse), the social proximity between gangs and border populations make this an urgent priority. This reorganization should include:

- renovation of the premises
- security measures and equipment, including networked surveillance cameras connected to the Directorate General
- passageways according to the types of carriers
- control and bonded areas
- possibly mobile scanners to speed up the inspection of vehicles
- power supply and connection to the customs' computer network
- Regular meetings of customs officials from land border points to share experiences

80. **All the border points the team visited have enough space for this infrastructure upgrade.** Investment is currently relatively limited: only four border points are involved in controlling the entire land border, given its geography, topography, and the current state of the roads. In priority sequence, Belladère and Ouanaminthe are currently the points where flows are the most difficult for Haitian Customs to manage. Nevertheless, action should focus on the four main points over the same period, so as to discourage the diversion of traffic.

81. **This development strategy could also include small ports** to control and contain informal activities that take place in small ports (especially vehicle imports), and which represent significant revenue niches and opportunities for a few economic actors to make large profits (to be confirmed by data analysis).

82. **The redesign of these offices, including their protection and that of staff, would create two dynamics.** First, it would reverse some of the power imbalance between customs officers and border actors, which is currently unfavorable to the former. More protective infrastructure would create conditions for genuine dialogue and negotiations and not, as present, under the constant threat of violence. The second dynamic is economic. Customs' infrastructure is essential to protect goods, offer users easy and decent access to administrative procedures, offer economic opportunities for the stationing of customs brokers and warehouse managers, as well as to demarcate spaces dedicated to all border actors that provide services to users and carriers (food, catering, supply of documents, etc.). Having an efficient customs office is a prerequisite for the development of border towns and a sign that the State is investing in services that have not only policing functions but can facilitate economic activity as well.

5.3. Build capacity for customs surveillance.

83. **The second set of control measures concerns customs surveillance and the security of officers**. This is needed both for their personal physical security and, more broadly, to eliminate their

dependence on resources provided by economic operators, enabling them to carry out controls securely and independently.

84. **Strengthening customs surveillance, including brigades in offices, can take four forms**:

(i) Strengthening the security of officers, through the acquisition of physical equipment (radios, GPS) and personal protection equipment (bulletproof vests, small drones for the protection of devices), and specialized training, particularly in the use of weapons (observations at border posts have shown a very uneven level as regards the safe carrying of weapons by customs officers); even more so in environments of tension with populations in direct contact with customs offices and numerous incidents that have led to the death of smugglers.

(ii) Training and acquisition of new technologies, particularly to promote spatial analysis (analysis of geolocated data). Geospatial intelligence (GEOINT) is increasingly being explored by customs in order to optimize their presence in the field, prepare their missions, and have a more proactive control strategy, especially in areas where movements are dangerous.

(iii) The establishment of joint training with security and defense forces to expedite and render more effective customs controls in an insecure environment.

(iv) A redefinition of the strategy for more proactive action by customs, including through the redeployment of surveillance posts and units throughout the territory, the development of customs camps, and the organization of patrols as was the case with joint patrols with the police and tax administration personnel before 2014.

85. The WCO has produced a set of recommendations and studies for its members operating in FCV contexts that could inform Haitian Customs.[43]

86. **The introduction of container scanners could facilitate customs control**. This could be very useful in the current context of insecurity, where a large proportion of containers are physically inspected, mainly for weapons and ammunition. However, the cost/benefit ratio, in a context of insecurity and difficult access to the port, must be carefully evaluated, especially if other options for cooperation with exporting countries could be envisaged.

87. **The provision of equipment and weapons training must be appropriately adapted to the Haitian Customs context and environment**. There is a clear perceived need to provide police or military training to customs officers, given the high level of risk in the country and the vulnerability of customs officers and offices. However, militarization of customs should be avoided. Customs officers must learn to develop non-violent approaches in conflict situations but in the event of armed violence against them, to adopt defensive practices and have the means to protect themselves.

5.4. Monitor the practices of offices and inspectors to reduce bad practices.

"Corruption here is like a plate of spaghetti, you can't take just one" (a shipping line operator, March mission).

[43] https://www.wcoomd.org/-/media/wco/member/fr/pdf/topics/research/wco_fragilityreport_fr.pdf

88. **Corruption and weak governance practices are associated with fraudulent practices**. Strengthening customs control requires strengthening the capacity of the customs administration to control the performance of its officers. The measure has both a fiscal impact to combat fraud, and a political impact to combat the competitive distortions caused by corruption, both potentially improving the legitimacy of the State.

89. **Haitian Customs has the means to improve practices by more effectively mobilizing the data at its disposal in the customs clearance system in the following ways**:

i) Introduce a policy for measuring individual performance focused on sanctioning bad practices and providing positive incentives to adopt good practices. Faced with corruption that has stalled reforms, some customs offices adopted such policies with relative success. The pressure on customs officers carrying out their duties is already high owing to the physical risks involved and the difficulties of simply going to their workplace, in addition to the current cramped of the port office and the Directorate General following premises the gang invasion of the main customs building. It is therefore essential to distinguish among customs officers whose practices are efficient and free of corruption. It is perhaps within this "positive" conceptual framework that the customs strategy to combat corruption can be placed to maintain motivation, given current circumstances.

ii) Monitor clearance conditions in offices on target products on an ongoing basis. Some customs administrations have set up such arrangements with a "watchdog" team responsible for summoning importers who have obtained seemingly favorable customs clearance with undervaluation and calling to order the offices engaged in these practices.

iii) Measure the performance of offices that temper revenue objectives with other performance indicators (combating fraud, compliance with the rules of the Directorate General on the evaluation of certain products).

5.5. Provide container scanners at the main port and Port-au-Prince International Airport.

90. **There is no doubt that the use of container scanners (mobile or fixed) at the port and baggage scanners at the airport could contribute to improved customs performance in general**. However, the team has the following reservations:

i) The establishment of container scanners to counter drug and arms trafficking must be coordinated at the national level, given the many possible entry points. The installation of a scanner at a port will, almost certainly, cause the diversion of traffic to ports that do not have one. This could disrupt competition between ports, some of which are private, and lead to illicit operators favoring one port, or border crossing, over others.

ii) The current security context, however, is not favorable. Customs officers currently face difficulties in getting to port sites. So, they would encounter difficulties in accessing scanners. Similarly, since scanners require regular maintenance, it could be difficult to bring technicians from abroad due to security concerns, and there is currently no such skill in Haiti and developing it would take time.

iii) Maintenance costs, which can be substantial, and how costs would be financed must be considered.

iv) Finally, scanners by themselves do not solve problems of corruption or facilitation and indeed experience has demonstrated that the installation of scanners can increase corruption concerns and slow clearance times. Scanners must be effectively integrated into customs clearance procedures, which will raise new questions for the AGD about its operational organization in the ports, namely, the creation of a special scanner office at the port? Creation of a scanner team? Scanning rate and risk management, i.e., the choice of containers to scan? Organization of the scanning circuit? Location of the scanner within the port compound? Protection of the equipment? All these considerations can be challenging to manage, and ineffective scanning practices can lead to increased concerns about corruption, increased private sector dissatisfaction, delays in clearing goods, and other problematic practices and outcomes.

91. While the World Bank and WCO teams do not dispute the usefulness of scanners, they would encourage the Haitian authorities and donors to fully consider these issues before deploying expensive equipment.

5.6. Implement a framework for local consultation.

92. **In normal times, relations between customs, importers, exporters, freight forwarders, and actors in the logistics and financial chain are often tense but can be built around a relationship of trust**. The border is as much an economic resource for some as it is a costly obstacle for others. The security crisis further complicates these natural tensions and has led to a profound deterioration in the relationship between customs and economic actors. This includes major importers who complain they are not heard by customs, or small informal traders operating at land borders who can be violent toward customs officers.

93. **Experience in many countries has shown that technical difficulties during customs clearance are often resolved by customs, which has considerable flexibility under the Customs Code**. Difficulties can stem from a lack of knowledge of customs regulations or, conversely, from a lack of knowledge by customs about the various constraints faced by private sector actors. During the interviews, it was striking to note that some private actors were strongly opposed to certain customs reforms, mainly because they were not consulted, whereas these reforms were essentially aimed at bringing Haitian Customs up to international standards or bringing them in line with international conventions. While the customs authorities considered that consultations were not necessary because the measures adopted were standard, upon reflection, presenting them to operators and discussing the history and the basis would have been advisable. The ongoing crisis has further eroded the mutual trust between customs and the private sector, and rumors and accusations of corruption, collusion, inefficiency, and fraud are adversely affecting the dialogue between public and private actors at the border.

94. **Renewing peaceful dialogue requires**:

i) a regular and transparent framework for consultation between customs and the private sector in the broadest sense, not only with the largest operators or freight forwarders; and

ii) quantitative and fact-based analyses to be shared within this framework.

95. **The framework for dialogue can take different forms**:

- A "facilitation group" for Port-au-Prince ports, which would bring together the National Port Authority and representatives of the port, logistics, transport, import, export, and customs sectors. These facilitation groups/committees could meet monthly to resolve technical issues that arise in the field;

- Similar groups at the local level, which in some cases would formalize existing contacts and make them more regular and transparent to all border actors;

- A "Customs-Business/Forwarding Agents Forum" would be an opportunity for customs to exchange views on and highlight the main taxpaying companies, those with the fewest cases of fraud, and the most successful licensed customs brokers.

96. **Several types of analysis are likely to form the basis of fruitful exchanges between customs and the private sector, which have been mentioned throughout this report**:

- Analysis of port flows and determination of the duration of each part of the passage in order to identify the main choke points, decide on concrete actions, and monitor their progress through quantitative indicators;

- Analysis of customs clearance conditions at the main offices to ensure equal customs treatment;

- Analysis of urban markets for container offloading; and

- Analysis of exemptions.

97. **Setting up a formal framework for consultation between customs and the private sector, and the production and dissemination of analysis by customs, are complementary**. Without a regular framework, there is little expression of analytical needs, and without analysis, any framework for consultation is largely reduced to a confrontation.

5.7. Support a gradual implementation of transaction values.

98. **As described above, the shift to transaction values could profoundly change practices and even the structure of importers for certain consumer goods**. This shift could significantly disadvantage small importers and increase resentment toward the State. It is therefore proposed the application of transaction values be gradually introduced by:

- limiting the introduction of transaction values to certain targeted products initially;

- providing customs officers with reference values to assess the value presented by declarants;

- developing a tool for calculating acceptable values (European Union fair price type);

- conducting regular short training sessions based on concrete cases for customs officers in relevant offices.

99. **Donor support is probably necessary given that Haitian Customs has begun its transition to transaction values**.

5.8. Support the installation of the single window at the PAP port and review the procedures.

100. **The adoption of the Customs Code establishes AGD as the lead agency for the single window (Article 108 bis).** It provides an opportunity to launch an ambitious project that would include the construction of a single window relevant infrastructure and information system, as well as the establishment of a single window management organization.

101. **The single window is a strong initiative, and it is remarkable that the Haitian Customs oversees its establishment and management**. In other national and regional contexts, conflicts in the management of the single window between the various port stakeholders affect its efficiency and often reduce its application to simply physical windows grouped together in the same building. As such, in its capacity as manager of the future single window, it will be up to customs to find the appropriate application and, above all, to rally all actors around this new entity.

102. **The creation of such a single window should not be limited to a building simply grouping together the windows of all customs clearance actors**. It should be seen as an opportunity to review all procedural practices and resolve evident problems. In addition, other measures could be studied and improved, such as customs clearance procedures at the importers' premises and the use of global guarantees or even payments of taxes and duties on a periodic rather than on a transaction level basis for trusted operators.[44]

5.9. Cooperate with foreign customs administrations, including Dominican Customs.

103. **Cooperation with the Dominican authorities is vital for Haitian Customs, which cannot stem smuggling flows alone**. This cooperation may also be of interest to the Dominican Republic, where part of the flows in transit to Haiti are being illegally dumped into Dominican national territory.

104. **As discussed above, the only meetings between Haitian and Dominican authorities at the border have been initiated by international organizations and largely focus on the movement of persons**. In addition, there seems to be no data exchange between the two customs authorities, despite past efforts, in particular, support from the 11th EDF for the interconnection of information systems (advance receipt of the manifest and clearance of the Dominican transit declaration with registration of the declaration in the Haitian system). A cooperation agreement for the establishment of a statistical reconciliation commission has never been implemented. In view of these experiences, the support of international actors is necessary.

105. **There are several possible modalities for this cooperation**:

- The systematic exchange of cargo data (manifest type, quantities, declared values, vehicle, and driver data) between computer systems to facilitate passage and strengthen the handling of cargo at the border (tallying, detection of unseen cargo, etc.);

[44] See European Union (2022, pp. 31-32).

- The sharing of information, the provision of data and information (anonymized) between the two parties, for risk analysis for example;[45]

- Reconciliation of statistics; and

- A binational framework that requires local consultation frameworks and gives them latitude to solve technical barriers on a day-to-day basis.

106. **Some of these measures have already been considered, though stated commitments made have not led to concrete results**. One reason is that Haitian Customs, which has a major interest in this cooperation, does not seem to be strong enough to impose its needs on the Dominican side. The Dominican Customs itself is a secondary actor in the management of the land border on its side. More generally, the Dominican government is pursuing a proactive policy combining economic development of border areas that had been neglected by the central government and the fight against Haitian immigration. For its part, it does not seem that the Haitian government has the same capacity for managing its border areas. There are probably three factors for the success of establishing such cooperation, which is vital for Haitian Customs:

- A preliminary examination of the causes for the failure of the preceding measures, in order to identify the technical conditions (particularly computer);

- A comprehensive approach to this cooperation using all the modalities described above, in place of isolated actions, to make these cooperation modalities a "bilateral customs cooperation package" for Haiti; and

- The support of an international organization/donor, continuously over the medium term (3 years minimum) to ensure the involvement of a trusted third party and to help overcome technical obstacles.

107. **In addition, the AGD has an interest in extending its bilateral cooperation to other countries from which maritime imports originate, particularly the United States and Canada**. It is difficult for Haitians to understand how prohibited products, including firearms and ammunition, can be found in containers originating in ports benefiting from sophisticated screening facilities.[46] The AGD has recently expanded its cooperation on matters with Panama: the Director Generals of the Customs Administrations of Haiti and Panama met in December 2023 to decide on a memorandum of understanding on information exchange and capacity building, the signing of which is scheduled for March 2024. This cooperation should be extended to other major trading partner countries.

[45] Data exchange is understood as data flows between computer systems, data sent by one party is automatically entered into the information system of the other party and, often, vice versa. The data are therefore exchanged on a specific function of the information systems, in our case the summary declaration for example. Data sharing is an agreement for one party to access the other's data, without having to justify the use they will make of it. Anonymization and *privacy-preserving* technologies have advanced significantly, making this type of sharing possible.

[46] To improve its border security, the United States has deployed units to foreign export ports to conduct pre-shipment inspections of containers headed to the United States (https://www.cbp.gov/border-security/ports-entry/cargo-security/csi/csi-brief, https://aapa.files.cms-plus.com/SeminarPresentations/Lessard.Rowe.pdf)

5.10. Implement data analytics, and create a customs reform unit including data analytics capacities.

108. **The team observed that customs could take greater advantage of the potential of the data available to it (both ASYCUDA and port stakeholder data).** This would facilitate better implementation of customs reforms, strengthen monitoring in implementation, ensure the equality of treatment across the territory, combat bad practices including corruption, and assess the impact of the reforms. For example, a company managing port infrastructure has provided customs with access to its container management information system.

109. **Data mobilization is now a strategic focus of most government agencies, including customs administrations**.[47] The AGD, like any other customs administration, should recognize the potential inherent in data. There is no country that would be considered trade data poor, as customs administrations are particularly data-rich, being the collector of importers', transporters', and logistic operators' data through their IT customs clearance system. It is noteworthy that, in countries affected by insecurity, including in times of war like in Ukraine, of government's split like in Libya, during a national revolution like in Tunisia, or during a pandemic like COVID-19, the IT customs clearance system remains the backbone of the customs administration. This is the case in Haiti as well. The AGD did not experience any durable IT service disruption, including when the headquarters in downtown Port au Prince had to relocate to the airport. Leveraging the data continuously collected by the IT customs clearance system to inform, design, and implement reforms is possible and necessary for the AGD.

110. **Given this perspective, the AGD needs to set up a team in charge of customs reform based on sound evidence and data analysis for the following reasons**:

i) The measures mentioned above are based on AGD's capacity to monitor performance and to measure the impact and effectiveness of reforms. Given private sector resistance to new reforms and practices, measuring and evidencing the implementation and effects of its reforms will be highly beneficial to the AGD.

ii) The AGD will have to mobilize its data, together with external data from the port authority, logistics actors, and foreign customs authorities, to effectively combat fraud and corruption.

iii) The AGD should use its data to engage effectively with Haitian economic actors, demonstrating progress, but also identifying the various actors, other than Customs, responsible for slowdowns and issues in the Customs clearance process.

iv) The AGD needs to mobilize data to advise the government, which is particularly critical in crisis situations. During security crises, governments can find it difficult to assess the situation, follow its evolution in real-time, frame their own interpretation of the situation, and therefore, present a coherent, factual discourse in the face of the rhetoric of armed groups and rampant rumors. As the recipient of data from economic and logistical actors, the AGD can produce knowledge and analyses that would allow it to play an active advisory role to the government and to inform policy choices. Customs data often represent a key data source for government administrations in data-poor

[47] See Rogger and Schuster (2023) on government analytics and, for instance, Cantens, Ireland and Raballand (2012) on the use of quantification for customs reform.

environments like Haiti. Customs data directly captures a major part of economic activity in countries where international trade is essential to the economy.

111. **The AGD already benefits from favorable conditions in the use of its data, with its department in charge of statistics and research conducting some analysis, and with a robust computerized Customs system**. In addition, between 2019 and 2021, the AGD experimented, without success, with the implementation of performance contracts with offices. The team examined these contracts and noted the following difficulties: many indicators were not quantitative; indicators had to be provided by the offices themselves and could not be calculated based on data extracted from ASYCUDA; and contracts had no threshold or objective to achieve in relation to the indicators. In fact, these contracts were constraining Customs offices in generating data on their own activity and sharing data with headquarters but were not effective in controlling individual practices of officials or curbing corruption. The AGD experience was therefore limited in scope and its failure demonstrated that the heads of local Customs offices were not ready to adopt a new professional culture based on quantification. The team presented the experience of WCO[48] performance contracts, though the team does not recommend establishing contracts at this stage, since many pre-conditions are not met, including automatic allocation of declarations. However, this experience was presented as an example of the possible exploitation of data.

112. The customs reform unit could leverage the following data:

- ASYCUDA transaction-level data, including the historical data that allows for the analysis of Customs officers', brokers', importers', exporters', and transporters' individual practices along the entire cross-border process.

- Public partners' data like those collected by the National Port Authority. Until mid-2023, the APN was releasing data on port activity online. For each port call, data included: the name of the vessel, origin, destination, type of vessel, date of arrival, date of departure, nature of bulk cargo, or number of containers.
(apn.gouv.ht/escales/navires_escaleslist.php, URL available in March 2023).

- Private sector data, like that collected by logistic companies managing port terminals (as described above, one logistic company already provided online access to its container management system, but AGD does not use it).

- Open source data like UN COMTRADE data for mirror analysis and detecting potential fraud, satellite imagery data to monitor the movement of vessels provided by the International Monetary Fund on port activities (https://portwatch.imf.org/), or open-source intelligence tools like the one designed by BellingCat using Synthetic Aperture Radar (SAR) satellite imagery and not automatic identification systems that can be spoofed or interrupted to detect non-cooperative vessels in small ports (Peering Beyond the Clouds: A Guide to Bellingcat's Ship Detection Tool – bellingcat).

- With some financial support provided to AGD, maybe for joint use with internal security forces and other government agencies, data services could be contracted to: access very high-resolution satellite imagery to detect changes in border areas that are difficult to access and better target and organize Customs controls; bulk and container global databases for transaction-level operations and access to quantities; and some private

[48]https://www.wcoomd.org/-/media/wco/public/fr/pdf/topics/research/research-papers/pourquoi-comment-performance-contractualisation.pdf.

companies could also provide data platforms for risk analysis for law enforcement agencies.

113. **The AGD has ended its pre-shipment inspection (PSI) contracts**. This decision was made to internalize risk analysis and, more generally, data analytics for enforcement and policy purposes. The costs of subscribing to databases or satellite imagery services are much lower than the costs of PSI. Moreover, providing access to data, as well as training, is also motivating for data analysts and would secure their commitment to serve the AGD.

114. **As requested by the AGD, this report proposes the following detailed sequence to strengthen the analytical capacity of the AGD**.

Stage 1. Formalization of a customs reform unit with data analytics capacity at the AGD.

115. **A customs reform unit is created by the decision of the responsible Minister**. The official text for its establishment should include the following:

1. The reporting of the unit (within the department in charge of statistics and research or directly to the DG's office, the main objective being that the unit has easy access to the DG).

2. The composition and minimum qualifications of staff (it is important that the unit has experienced Customs officers, in addition to staff specialized in data analysis, to guide the analyses and interpret the results).

3. Conditions of employment (it is important that the specialized personnel, who will benefit from specific training and therefore from an investment by Customs, remain in post for a specified number of years and that they benefit from specific bonuses).

Stage 2. Selection of unit members.

116. **The provisional selection of staff should follow an internal survey to identify Customs officers who have qualifications.** This should not prevent Customs officers already identified as potential candidates for this unit from applying through the survey. More specialists could be selected to attend the next stage of training.

Stage 3. Training of specialists.

117. **Selected staff would be trained in data science tools (R or Python language, Tableau visualization, and reporting software).** This training could take place in three sub-stages:

Sub-stage 3.1. The prospective specialists are trained online from the DATAFID distance learning course on data science applied to Customs, led by the *Institut des Hautes Etudes en Développement Durable* of the University Centre of Clermont Auvergne (France), with the cooperation of the WCO and supported by *Expertise France*.[49] At the end of this step, only participants who have reached a test score threshold will move on to the second phase of the training.

Sub-Stage 3.2. Staff receive 4 weeks of training (face-to-face and continuous), without being assigned to other tasks. It should be possible to recruit data scientists from the Haitian

[49] https://ferdi.fr/projets/projet-datafid.

diaspora. At the end of this stage, the trainers submit a report and the AGD decides on the final assignment to the data analysis unit. The selection process gives value and prestige to the unit formed.

Sub-Stage 3.3. After a few months of activities, the best specialists can benefit from the annual high-level face-to-face training provided by the Foundation for Studies and Research on International Development (FERDI) and the National School of Statistics and Applied Economics (ENSEA) in Abidjan, Côte d'Ivoire.

Stage 4. (parallel to stage 3). Preparation of technical conditions.

118. **The AGD would benefit from an expert mission to exploit historical ASYCUDA data.** This operation requires the implementation of ORACLE scripts to put the historical declaration data in a usable form (previously, tables sad_spy and man_spy).

119. **The AGD would acquire a server (of small capacity) to store the data that will be used by the team**. This need not operate live on the production server.

120. The AGD sets up a replication script from the production database to the server of the data analysis team so that the team has up-to-date data for its analyses.

Stage 5. Activation of the unit.

121. **Activation of the unit is the most complex phase**. At the end of the four preceding stages, the AGD will have a team of data specialists, but senior managers will not have adopted the cultural shift towards a data-driven administration. The risk at this stage is that there will be little, to no, demand for data analysis coming from the management and a poor appropriation of data analysis produced by the specialists. Therefore, three general recommendations for this phase are proposed:

- It is expected that AGD managers will receive a one-day training on the possibilities of data analysis, to be carried out by the members of this unit. During this training, managers should also be encouraged to formulate their questions and the topics they would like to be analyzed.

- The data analysis unit should be immediately mobilized by the DG on a few specific subjects (detection of high-risk cargo sectors, detection of bad practices, analysis of the impact of certain Customs measures, analysis of monthly revenues, etc.).

- It is important to establish a monthly "ritual" between the DG, AGD officials, and the analysis team during which Customs and revenue issues are analyzed using the data and analyses presented by the unit.

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