

PROJECT PROFILE

HAITI

I. BASICS

Project name:	Private Sector Development through Investment Promotion
Project number:	HA-L1078
Project team:	Ady Beitler, Team Leader; Ana Arias Urones; Camilo Fernandez; Gonzalo Martinez; Joonseob Kwon; Elisabeth Resch; and Yasmin Esteves (INT/TIU); Patricio Crausaz; Marise Salnave; and Nelly Wheelock (FMP/CHA); José Luis Irigoyen (CDH/CDH); Hyun Jung Lee (LEG/SGO); and Silvana Rubino-Hallman (IFD/ICS).
Beneficiary:	Republic of Haiti
Executing agencies:	Ministry of Economy and Finances (MEF) Centre de Facilitation des Investissements (CFI) Ministry of Foreign Affairs (MFA)
Financial plan:	IDB: US\$17,500,000 Total: US\$17,500,000 Source: IDB Grant Facility
Safeguards:	Policies triggered: B.01, B.02, B.03, B.07, B.17 Classification: C

II. GENERAL JUSTIFICATION AND OBJECTIVES

- 2.1 This is a time of enormous opportunity for Haiti. In 2009 the country had registered the highest growth rate in its recent history, at 2.9%. Although this trend was interrupted by the devastating earthquake of January 2010 (causing damages estimated in 120% of the country's 2009 GDP)¹ thanks to the reconstruction efforts by the Government of Haiti (GOH) and the international community, the economy recovered and grew at 5% in 2011 and the country received an all-time record US\$181 million in net foreign direct investment (FDI).² Moreover, the International Monetary Fund forecasts Haiti's growth rate in 2012 to be between 4.5% and 5.5%,³ and the World Economic Forum predicts that Haiti will become a vibrant marketplace by 2030, provided that smart public policies are implemented and the private sector remains strongly engaged.⁴
- 2.2 Private investment is fundamental to Haiti's economy, and the backbone of the country's development prospects.⁵ Nowadays the private sector is very small and

¹ USAID (2010). *Etude d'impact du séisme du 12 Janvier 2010 sur le secteur privé haïtien*.

² CEPAL (2011). *La inversión Extranjera Directa en América Latina y el Caribe*.

³ IMF (2012). <http://www.imf.org/external/np/sec/pr/2012/pr12223.htm>

⁴ World Economic Forum (2011). Private Sector Development in Haiti: Opportunities for Investment, Job Creation and Growth.

⁵ Private Sector Economic Forum. The Canadian Foundation for the Americas (2011), *Forum Economique du Secteur Prive*, 23 Mars 2010.

dominated by a handful of large companies,⁶ and the vast majority of businesses are informal (estimated at 95% of the total).⁷ In order to break the cycle of aid dependency and achieve sustainable growth and a vibrant middle class, the country needs to create its own wealth through the development of its private sector and the deepening of its integration into international markets and the world economy.⁸

- 2.3 Furthermore, in addition to building the capacity of domestic businesses, Haiti needs a strong transfusion of FDI.⁹ It will stimulate local key industries, create jobs and wealth, and transfer technical know-how.¹⁰ In fact, FDI in developing countries is associated with higher GDP and total factor productivity growth, enhanced tax revenues, a stimulation of local demand and entrepreneurship, and technical know-how spillovers. FDI also contributes to the integration of the host country into international markets and helps create a more competitive business environment, thereby contributing to the development of the local private sector.¹¹
- 2.4 The benefits that Investment Promotion Agencies (IPA) report to countries as channels of foreign investment and business climate policy are well-known.¹² Indeed, more than 90% of multinational companies are in contact with the IPA in the countries where they operate,¹³ and it is generally recognized that there is a relationship between FDI flows into a country and the quality of its local IPA.¹⁴
- 2.5 Promoting the development of the local private sector and attracting FDI requires a basic level of infrastructure and public administration that Haiti is in great need to develop. In particular, Haiti needs to strengthen the institutional capacity of its government agencies –particularly its IPA, the Center of Facilitation of Investment (CFI)– in investment promotion, and significantly improve its business climate. Consistently with this assessment, the World Bank’s Doing Business 2012 report ranks Haiti 174 out of 183 countries, and the World

⁶ Presidential Commission on Competitiveness (2010). Haiti Economic Recovery & Roadmap.

⁷ Ibidem.

⁸ Woodrow Wilson School of Public and International Affairs (2011). Growing the Middle: Strategies for Job Creation and SME Development in Haiti.

⁹ United States Senate Committee on Foreign Relations (2010). Without Reform, no Return on Investment.

¹⁰ International Finance Corporation (2012) Favorable impact on local investment.

¹¹ Organization for Economic Cooperation and Development (2002). Foreign Direct Investment for Development. Maximising Benefits, Minimising Costs.

¹² Christian Volpe (2010) Odyssey in International Markets an Assessment of the Effectiveness of Export Promotion in Latin America and the Caribbean; United Nations Investment Advisory Services (2009) Promoting Investment and Trade. Practices and issues. Series A, number 4; The World Bank Foreign Investment Advisory Service (2003) Does a country need a promotion agency to attract foreign direct investment? A small analytical model applied to 58 countries

¹³ An investment promotion agency’s website is usually the first contact a company has with a potential investment location. Source: Development Counselors International (2008) “A View from Corporate America: Winning Strategies in Economic Development Marketing”.

¹⁴ Torfinn Harding & Beata S. Javorcik (2011) Roll Out the Red Carpet and They Will Come: Investment Promotion and FDI Inflows, Royal Economic Society, vol. 121(557).

Economic Forum's Global Competitiveness Report ranks Haiti 141 out of 142 countries.¹⁵

III. DESCRIPTION AND PROJECT DESIGN

- 3.1 The objective of this program is to foster private sector development in Haiti, through investment promotion and the improvement of the country's business and investment climate. To this end, the program will strengthen the institutional capacity of the CFI and other public agencies in charge of investment promotion and business climate policy, implement a promotion strategy for the country's strategic industries, and support the implementation of key regulatory reforms. The program will have the following four components:
- 3.2 **Component 1. Trade and investment capacity building (US\$3,500,000).** This component seeks to position the CFI as a model IPA, by strengthening its institutional capacity to promote the country's strategic industries. To this end, the component will support four types of activities: (i) technical assistance and training for the core functions of the CFI, including identification and promotion of strategic sectors, investment facilitation and aftercare services, and incentives mechanisms such as merit-based remuneration; (ii) setup of a modern information technology system, including a client relationship management tool, an intranet system and a comprehensive database of potential investors; (iii) capacity building, strengthening of human capital resources for key strategic roles, office equipment and office space; and (iv) public-private working group to formulate policy recommendations and advocacy campaigns.
- 3.3 **Component 2. International promotion (US\$3,000,000).** In order to promote Haiti as an investment destination, the second component of the operation will support: (i) the launching of a country branding campaign supported by a public-private alliance; (ii) participation of the GOH and private sector representatives in the most relevant trade fairs, one-to-one meetings with investors and events that are of interest to Haiti's strategic sectors; and (iii) development of promotion campaigns, including investment forums and promotional materials.
- 3.4 **Component 3. Regulatory reforms for investment (US\$3,000,000).** The third component consists of the design and implementation of a modern regulatory framework to improve the country's business climate. The program will support the participation of a team of experts who will assess the existing regulatory framework, identify gaps and make recommendations for reforms that will lead to a more business-friendly framework and a better positioning in international indicators and rankings (for example, a credit bureau based on the Doing Business Report standards).
- 3.5 **Component 4. Institutional capacity strengthening for investment promotion (US\$7,000,000).** The fourth component involves the implementation of institutional capacity strengthening interventions to prepare relevant institutions to better respond to the demands that will be created by the program's investment

¹⁵ Doing Business, World Bank, 2012; World Economic Forum, Global Competitiveness Report 2011-2012.

- promotion strategy. To this end, the component will support: (i) strengthening the Ministry of Economy and Finances' capacity to manage information on investment projects across the country, and streamline customs procedures (US\$4,000,000); (ii) strengthening the Ministry of Foreign Affairs' commercial bureaus in Haiti's embassies to promote investment in strategic sectors (US\$2,000,000); and (iii) strengthening the Parliament's technical and oversight capacity to promote and work with the Government on business-enabling regulatory frameworks (US\$1,000,000).
- 3.6 **Relation to Country Strategy.** This program is aligned with the Bank's Country Strategy in Haiti 2011-2015 (GN-2646), in the specific area of Private Sector Development: "The Bank will therefore act to support private sector development by: (i) creating a business environment conducive to investment and entrepreneurship, including strengthening the GOH capacity to analyze, prioritize and promote business opportunities; (ii) focusing on employment creation, investment, and competitiveness in high-priority sectors."
- 3.7 **Relation to GCI-9 sector priorities.** This Grant is aligned with the Bank's GCI-9 sector priorities. The objectives and activities of the project correspond to the Bank's Strategy for Regional Integration (GN-2469-2, GN2470-2) as it will promote trade, foreign investment, and Haiti's integration in the world economy.

IV. SECTOR AND COUNTRY KNOWLEDGE

- 4.1 The Trade and Investment Unit (INT/TIU) has accumulated significant experience in investment promotion programs across the region. In fact, it leads loan operations in this area in Argentina (AR-L1092), El Salvador (ES-L1057), Paraguay (PR-L1069), and Uruguay (UR-L1060); and it is currently processing operations in Bahamas (BH-L1016) and Colombia (CO-L1094). In addition, INT/TIU has accumulated experience in investment promotion in Haiti specifically, as team members of this program led the organization of the Invest in Haiti Forum– the largest investment promotion event in Haiti's history, gathering more than one thousand business leaders in Port-au-Prince.¹⁶ Prior to that, the INT/TIU lead a technical cooperation (HA-T1089) aimed at improving the country's business climate by shortening the processes to register a business entity and obtain a construction permit.¹⁷
- 4.2 Analytical work undertaken by the Sector for this operation include: a viability study of Haiti's potential to attract foreign investment in the Business Process Outsourcing Industry;¹⁸ a report on the effectiveness of IPAs to promote private sector development;¹⁹ and a study on business climate reform in Haiti.²⁰ Finally,

¹⁶ <http://www.iadb.org/en/news/news-releases/2011-11-29/invest-in-haiti-forum,9726.html>

¹⁷ Projects HA-T1089, HA-T1148 and HA-T1215.

¹⁸ Avasant/ Inter-American Development Bank. Haiti Contact Center Feasibility Study. December 7, 2011.

¹⁹ Christian Volpe (2010). Odyssey in International Markets an Assessment of the Effectiveness of Export Promotion in Latin America and the Caribbean.

this operation is being preceded by: (i) a strategic plan for the CFI; (ii) a complete guide to investing in Haiti; (iii) a benchmark analysis of the investment promotion strategies; (iv) a study on innovative methods in investment promotion; and (v) an analysis of Haiti's business climate. This work is in execution.

V. SAFEGUARDS

- 5.1 This program has been classified as a Category "C" according to the Safeguard Classification toolkit. The activities to be financed will not have direct or significant impacts on the environment or the country's natural resources.

VI. RISKS

- 6.1 Pursuant to the Bank's Country Strategy in Haiti (GN-2646), operations in the country are subject to macroeconomic, "donor fatigue", business environment, natural disaster and institutional risks. This operation will directly attempt to tackle business environment and institutional risks, insofar as it attempts to strengthen public sector agencies and improve the country's business climate. An important risk affecting this operation is governance and local institutional capacity. The project team is actively seeking to mitigate this risk by engaging government officials involved in the implementation of the operation early on. In addition, through a supporting technical cooperation (HA-T1153) strengthening actions are already underway. Finally, an Institutional Capacity Assessment of the program's executing agencies and the formulation of the execution mechanism will be conducted to prepare the Program of Operational Development (POD).
- 6.2 Risks will further be mitigated through extensive dissemination and promotion of the program. Risks will be taken into account during the preparation of the fiduciary and procurement arrangements, as well as in the monitoring and evaluation plan during the preparation of the POD.

VII. RESOURCES AND TIMETABLE

- 7.1 Distribution of the POD to the Quality and Risk Review (QRR) is expected by September 21st, and The Draft Grant Proposal is expected to be distributed to the the Operation Policy Committee (OPC) on October 12th, and Board approval by November 14th, 2012. An estimated US\$93,103 is deemed necessary from the Bank's administrative budget to prepare the program.

²⁰ Integration and Trade Sector (2010). Business Regulation Reform in Haiti: Reducing Administrative Barriers to Optimize "Doing Business" Performance.

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SAFEGUARD POLICY FILTER REPORT

This Report provides guidance for project teams on safeguard policy triggers and should be attached as an annex to the PP (or equivalent) together with the Safeguard Screening Form, and sent to ESR.

PROJECT DETAILS	IDB Sector	PRIVATE SECTOR DEVELOPMENT-BUSINESS CLIMATE
	Type of Operation	Investment Grant
	Additional Operation Details	
	Investment Checklist	Generic Checklist
	Team Leader	Beitler, Ady (ADYB@iadb.org)
	Project Title	Private Sector Development through Investment Promotion
	Project Number	HA-L1078
	Safeguard Screening Assessor(s)	Resch, Elisabeth (ELISABETHR@iadb.org)
	Assessment Date	2012-04-16
	Additional Comments	

SAFEGUARD POLICY FILTER RESULTS	Type of Operation	Investment Grant	
	Safeguard Policy Items Identified (Yes)	The Bank will make available to the public the relevant Project documents.	(B.01) Access to Information Policy– OP-102
		Does this project offer opportunities to promote gender equality or women's empowerment through its project components?	(B.01) Gender Equality Policy– OP-270
		The operation is in compliance with environmental, specific women's rights, gender, and indigenous laws and regulations of the country where the operation is being implemented (including national obligations established under ratified Multilateral Environmental Agreements).	(B.02)
		The operation (including associated facilities) is screened and classified according to their potential environmental impacts.	(B.03)

		The Bank will monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.	(B.07)
		Suitable safeguard provisions for procurement of goods and services in Bank financed projects may be incorporated into project-specific loan agreements, operating regulations and bidding documents, as appropriate, to ensure environmentally responsible procurement.	(B.17)
	Potential Safeguard Policy Items(?)	No potential issues identified	
	Recommended Action:	Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s). Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PP (or equivalent) and Safeguard Screening Form to ESR.	
	Additional Comments:		

ASSESSOR DETAILS	Name of person who completed screening:	Resch, Elisabeth (ELISABETHR@iadb.org)
	Title:	
	Date:	2012-04-16

SAFEGUARD SCREENING FORM

This Report provides a summary of the project classification process and is consistent with Safeguard Screening Form requirements. The printed Report should be attached as an annex to the PP (or equivalent) and sent to ESR.

1. Save as a Word document. 2. Enter additional information in the spaces provided, where applicable. 3. Save new changes.

PROJECT DETAILS	IDB Sector	PRIVATE SECTOR DEVELOPMENT- BUSINESS CLIMATE
	Type of Operation	Investment Grant
	Additional Operation Details	
	Country	HAITI
	Project Status	
	Investment Checklist	Generic Checklist
	Team Leader	Beitler, Ady (ADYB@iadb.org)
	Project Title	Private Sector Development through Investment Promotion
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	Safeguard Screening Assessor(s)	Resch, Elisabeth (ELISABETHR@iadb.org)
	Assessment Date	2012-04-16
	Additional Comments	

PROJECT CLASSIFICATION SUMMARY	Project Category: C	Override Rating:	Override Justification:
			Comments:
	Conditions/ Recommendations	<ul style="list-style-type: none"> • No environmental assessment studies or consultations are required for Category "C" operations. • Some Category "C" operations may require specific safeguard or monitoring requirements (Policy Directive B.3). Where relevant, these operations will establish safeguard, or monitoring requirements to address environmental and other risks (social, disaster, cultural, health and safety etc.). 	

		<ul style="list-style-type: none"> The Project Team must send the PP (or equivalent) containing the Environmental and Social Strategy (the requirements for an ESS are described in the Environment Policy Guideline: Directive B.3) as well as the Safeguard Policy Filter and Safeguard Screening Form Reports.
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SUMMARY OF IMPACTS/RISKS AND POTENTIAL SOLUTIONS	Identified Impacts/Risks	Potential Solutions

ASSESSOR DETAILS	Name of person who completed screening:	Resch, Elisabeth (ELISABETHR@iadb.org)
	Title:	
	Date:	2012-04-16

ENVIRONMENTAL AND SOCIAL STRATEGY

- 1.1 This operation will support institutional strengthening, promotion and improvement of business climate activities, which do not present direct negative impacts either socially or environmentally.
- 1.2 On April 16, 2012, the project's team completed the Safeguard Policy Report and Safeguard Screening Form. The operation was classified as Category C, given the fact that it does not entail negative environmental or social impacts.
- 1.3 Even though this operation does not require an environmental or social analysis beyond its classification, it is important to underscore that it will comply with the Bank's environmental policies and safeguards contained in Document GN-2208-18. In fact, promoting commercial opportunities and improving the country's business climate will have a positive impact on Haiti's social development.
- 1.4 In addition, the program's operating regulations will include criteria promoting that the goods and services acquired, and the activities financed under the program, be made in an environmentally and socially sustainable way.
- 1.5 Finally, the acquisition of goods and services will promote the principles of economy, efficiency and environmental responsibility.

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