

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**HAITI**

**PROJECT TO SUPPORT PRIVATE SECTOR DEVELOPMENT THROUGH  
INVESTMENT PROMOTION**

**(HA-L1133)**

**LOAN PROPOSAL**

This document was prepared by the project team consisting of: Ana Arias Urones (INT/TIN), Project Team Leader; Levi Zegarra (INT/TIN), Alternate Project Team Leader; Rafael Juliá (INT/TIN); Christian Volpe (INT/INT); Louis-François Chretien (LEG/SGO); Jacqueline Bueso (SPD/SDV); Juan Pablo Etchegaray (INT/INT); Marie Marcelle Orisme Roc Passard (VPC/FMP); Ana González Vidales (VPC/FMP); Margarita Gómez (INT/TIN); Telson Laurence (SCL/GDI); and Marie Edwige Baron (CHA/CHA).

This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

## CONTENTS

### PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING.....	1
A.	Background, problem addressed, and rationale.....	1
B.	Objectives, components, and cost.....	8
C.	Key results indicators .....	11
II.	FINANCING STRUCTURE AND MAIN RISKS.....	13
A.	Financing instruments .....	13
B.	Environmental and social risks .....	13
C.	Fiduciary risks .....	14
D.	Other key issues and risks.....	14
III.	IMPLEMENTATION AND MANAGEMENT PLAN .....	15
A.	Summary of implementation arrangements .....	15
B.	Summary of arrangements for monitoring results .....	17

ANNEXES	
Annex I	Summary Development Effectiveness Matrix (DEM)
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

REQUIRED LINKS	
1	<a href="#">Multiyear execution plan / annual work plan</a>
2	<a href="#">Monitoring and evaluation plan</a>
3	<a href="#">Procurement plan</a>

OPTIONAL LINKS	
1	<a href="#">Vertical logic</a>
2	<a href="#">Economic analysis</a>
3	<a href="#">Draft operations manual</a>
4	<a href="#">Sector/technical annex</a>
5	<a href="#">Safeguard Policy Filter</a> and <a href="#">Safeguard Screening Form</a>

## ABBREVIATIONS

ADIH	Association des industries d'Haïti [Haitian Industrial Association]
BRH	Banque de la République d'Haïti [Haitian central bank]
CCIH	Haitian Chamber of Commerce and Industry
CFI	Center for Facilitation for Investments
CINDE	Costa Rican Investment Promotion Agency
EIRR	Economic internal rate of return
FDI	Foreign direct investment
GDP	Gross domestic product
GUI	Guichet Unique pour les Investisseurs [one-stop investment window]
ICA	Investment Consulting Associates
ICT	Information and communication technology
IPA	Investment promotion agency
MCI	Ministry of Commerce and Industry
MEF	Ministry of Economy and Finance
NPV	Net present value
OECD-DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
PEU	Project execution unit
RDB	Rwanda Development Board
SMEs	Small and medium-sized enterprises
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme

## PROJECT SUMMARY

### HAITI PROJECT TO SUPPORT PRIVATE SECTOR DEVELOPMENT THROUGH INVESTMENT PROMOTION (HA-L1133)

Financial Terms and Conditions				
<b>Beneficiary:</b> Republic of Haiti			<b>Amortization period:</b>	n/a
			<b>Disbursement period:</b>	5 years
<b>Executing agency:</b> Center for Facilitation of Investments (CFI)			<b>Grace period:</b>	n/a
			<b>Interest rate:</b>	n/a
<b>Source</b>	<b>Amount (US\$)</b>	<b>%</b>	<b>Credit fee:</b>	n/a
<b>IDB (Grant Facility)</b>	17,500,000	100	<b>Inspection and supervision fee:</b>	n/a
<b>Total:</b>	17,500,000	100	<b>Approval currency:</b>	U.S. dollars
Project at a Glance				
<b>Project objective/description.</b> The general objective is to help increase foreign direct investment. The specific objective is to increase the number of foreign companies deciding to begin or expand operations in Haiti with technical support from the CFI.				
<b>Special contractual conditions precedent to the first disbursement of the financing:</b> The beneficiary will submit evidence to the Bank's satisfaction of (i) entry into force of regulations issued by the Ministry of Economy and Finance and accepted by the CFI specifying the CFI's duties as executing agency, coordination mechanisms between the parties for project execution, and the transfer of the proceeds of the financing to the executing agency; (ii) creation of the project execution unit and designation of its key personnel for project execution, including a coordinator, a monitoring and evaluation specialist, a procurement specialist, and a financial specialist; (iii) hiring or designation of qualified personnel at the CFI in the new positions of chief of operations and directors of the following areas: (a) country branding, marketing, and research; (b) investment facilitation, including the one-stop investment window (GUI); and (c) promotion of foreign and local investments; and (iv) entry into force of the <a href="#">project Operations Manual</a> in accordance with the terms previously agreed upon with the Bank (paragraph 3.7).				
<b>Special contractual conditions for execution.</b> Prior to the financing of activities to implement the GUI for the project's sole component, the beneficiary will submit evidence to the Bank's satisfaction that Électricité d'Haïti has signed the letter of intent of 9 January 2019, which was signed between the CFI and other key entities for implementation of the GUI (paragraph 3.8).				
<b>Exceptions to Bank policies:</b> None				
Strategic Alignment				
<b>Challenges:</b> <sup>(a)</sup>	SI <input type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input checked="" type="checkbox"/>	
<b>Crosscutting themes:</b> <sup>(b)</sup>	GD <input checked="" type="checkbox"/>	CC <input type="checkbox"/>	IC <input checked="" type="checkbox"/>	

<sup>(a)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(b)</sup> GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

- 1.1 Haiti's average annual growth rate of 3.9% in the post-earthquake period (2011-2014) was higher than in previous years. Since then, however, growth has slowed to below 2%. This expansion and subsequent moderation has coincided with a rise and drop in external financing from Petrocaribe. Public investment has also declined vis-à-vis private investment in the past five years, falling from 41.3% of all investment in 2014 to 23.2% in 2018. Still, public investment remains higher than in neighboring countries such as the Dominican Republic, where it accounted for 12.5% of all investment in 2018.<sup>1</sup>
- 1.2 Foreign direct investment (FDI) in Haiti has not increased in recent years. FDI flows fell from US\$119 million to US\$106 million per year between 2011 and 2018. The figures from 2006 (US\$161 million), 2010 (US\$178 million), and 2017 (US\$375 million)<sup>2</sup> are exceptions that may reflect investments by [Digicel](#) and [Viettel](#) (telecommunications); [SAE-A](#), [Hansae](#), and [H&H](#) (light manufacturing and textiles); and [Decameron](#) (tourism); as well as the acquisition of [DINASA](#) (distribution).<sup>3</sup> FDI values (US\$1.745 billion in stock and only US\$10 per capita per year) are low in comparison to Nicaragua (US\$10.830 billion in stock and US\$144 per capita) and the Dominican Republic (US\$36.502 billion and US\$226).<sup>4</sup> Foreign companies in Haiti have a spillover effect in the local economy.<sup>5</sup> While they do create jobs and generate foreign currency,<sup>6</sup> multinational corporations in Haiti do not form linkages with local businesses, nor do they procure their services or purchase their products; as a result, no technology or knowledge is transferred. Most foreign companies import the goods and services they need from abroad, and Haiti is unable to maximize the impact of inbound FDI partly due to the lack of an integrated industrial policy to leverage its presence.<sup>7</sup> Local investment is weak, and, despite high liquidity levels in the local banking sector (58%),<sup>8</sup> local investors prefer to safeguard their capital, basically because of political instability and a poor business climate. The presence of foreign capital and productive linkages with local businesses can help mobilize local investment. Haiti's economic activity is of lower added value in global chains, while its competitors (Dominican Republic, Nicaragua, and El Salvador) are developing vertical integration by advancing along the value chain in the textile manufacturing sector.<sup>9</sup> Haiti primarily has multinational corporations in this sector, in operations of lesser value such as garment shops (12.03% of FDI stock<sup>10</sup>). According to the Center for Facilitation of Investments

---

<sup>1</sup> [International Monetary Fund, 2019.](#)

<sup>2</sup> Banque de la République d'Haïti (BRH), 2018.

<sup>3</sup> WAT-Partners, 2019.

<sup>4</sup> United Nations Conference on Trade and Development ([UNCTAD](#)), 2018.

<sup>5</sup> Mapping of actors and diagnostic assessment of the support system for small and medium-sized enterprises. [Puig, 2017.](#)

<sup>6</sup> UNCTAD, 2002 and López et al., 2010.

<sup>7</sup> Porter, 2017.

<sup>8</sup> Short-term assets as a percentage of short-term liabilities. BRH, 2019.

<sup>9</sup> Haitian Industrial Association (ADIH), 2019.

<sup>10</sup> [BRH, 2018.](#)

- (CFI),<sup>11</sup> 20 of the 75 foreign companies operating in Haiti<sup>12</sup> are in this sector and account for 55,660 jobs. Most of these companies export to the United States with the help of [preferential trade agreements](#) and consider Haiti a geographically strategic location with a young workforce<sup>13</sup> and low wage costs.<sup>14</sup> Attracting FDI in the current global environment is a highly competitive effort. Flows and new projects declined in 2017 by 16% and 15.2%, respectively,<sup>15</sup> and an increasing number of regions are promoting themselves as places for investment.
- 1.3 FDI has failed to increase because companies lack interest in investing and the companies already in Haiti have not expanded their operations. FDI in Haiti is mainly impacted by (i) high transaction costs; (ii) negative perceptions of Haiti from abroad and a poor business climate; (iii) complex administrative processes; (iv) a lack of local inputs; and (v) low levels of institutional development in investment promotion agencies (IPA), hindering their ability to attract foreign companies.<sup>16</sup> Investment is heavily concentrated in a small number of sectors,<sup>17</sup> offers little added value, and is focused on exporting to a single market.<sup>18</sup> A CFI initiative to generate investment projects<sup>19</sup> found that only 4% (23) of 579 foreign companies prequalified as potential investors expressed interest in operating in Haiti. In addition, foreign companies already in Haiti are not expanding at the expected pace and are experiencing high levels of volatility, which has led to disinvestment.
- 1.4 Transaction costs,<sup>20</sup> which are determining factors in decision-making by Haiti's investors, are well above the regional average because (i) access to information is costly; (ii) private intermediaries are needed to identify reliable suppliers; and (iii) hiring employees and establishing a location is an uncertain, bureaucratic process, as is communicating with institutions and suppliers. All of these costs affect returns on investment projects, as companies have to spend additional resources to offset such deficiencies. Any increase in these costs makes the location less competitive and less likely to be preselected as an investment destination.<sup>21</sup> Operational costs also affect investment decisions, including access to electricity<sup>22</sup> and logistical costs, poor access to infrastructure, waste treatment,<sup>23</sup> significant social concerns, and a lack of available industrial land. These problems, particularly the cost overruns, are also present in the Grand Nord region of northern Haiti, which

---

<sup>11</sup> CFI, 2019.

<sup>12</sup> BRH, 2018.

<sup>13</sup> [4.62 million Haitians \(45%\) are under the age of 18.](#)

<sup>14</sup> Below the Caribbean average and comparable to levels in Asia. Investment Consulting Associates (ICA), 2018.

<sup>15</sup> [fDi Markets, 2018.](#)

<sup>16</sup> Porter, 2017; Wavteq, 2017.

<sup>17</sup> Light manufacturing, textiles, and telecommunications. BRH, 2019.

<sup>18</sup> [World Bank, 2019.](#)

<sup>19</sup> Wavteq, 2017.

<sup>20</sup> Costs incurred by companies when they turn to the marketplace for these products or services instead of using their own resources. [Coase, 1991.](#)

<sup>21</sup> Kotra, 2017.

<sup>22</sup> Access to electricity in Haiti is one of the main barriers for the operation of foreign companies. The country ranks 148th out of 190 in the Doing Business (2019) ranking.

<sup>23</sup> Ibid.

is home to the [Caracol Industrial Park](#) (PIC).<sup>24</sup> The Government of Haiti offers a competitive scenario of access to industrial land, water, power, waste treatment, labor, security, and incentives.<sup>25</sup> However, cost overruns and the limited availability of public services limit new projects being established in the area and limit investors' willingness to expand and establish linkages with local businesses. Complex administrative processes, negative perceptions, and contextual factors contribute to low levels of investment and reinvestment. It takes 141 days to start a business in Haiti (189th out of 190 countries); by comparison, Rwanda<sup>26</sup> ranks 29th, the Dominican Republic 117th, and Nicaragua 144th. Starting a business in Haiti is more complicated than in many countries in conflict, such as Afghanistan (49th) and Iraq (155th).<sup>27</sup>

- 1.5 In addition, foreign companies lack access to information and are unable to find the inputs they need in the local private sector. This limits the potential for knowledge transfer and widens the trade deficit. Haiti's small and medium-sized enterprises (SMEs) need business advisory services and an entrepreneurial ecosystem. Foreign companies are forced to acquire the products and services they need from abroad,<sup>28</sup> partly due to a lack of institutions and ad hoc programs to support linkages, as opposed to the situation in [Costa Rica](#)<sup>29</sup> or [El Salvador](#).<sup>30</sup> Also, because foreign companies are export-oriented, support for in-country provisioning would help boost the value of exports. Haiti, however, lacks services geared toward exporting companies,<sup>31</sup> which have the highest demand for local inputs and potential for attracting targeted FDI.<sup>32</sup>
- 1.6 In these challenging circumstances, access to IPAs' specialized technical services is key to reducing transaction costs in order to capitalize on existing opportunities. Investors complain that there is no reliable single point of government contact that is politically influential, able to resolve issues, and close to their locations. IPAs in developing countries can offset—to a certain extent—the gaps created by asymmetries,<sup>33</sup> as their transparency and professionalism serve as counterweights to a lack of confidence in government.<sup>34</sup> Despite a currently deficient industrial environment, Haiti's CFI can play a vital role by providing comprehensive support to: (i) investors already in Haiti who are willing to reinvest or expand if reasonably competitive conditions are maintained,<sup>35</sup> and (ii) the small number of bolder new

---

<sup>24</sup> IPAs should serve as a conduit for the country's promotion efforts abroad by conveying to investors their options in terms of industrial locations. [Loewendhal, 2001](#).

<sup>25</sup> Textile assembly chain. Northern Haiti. [Verella, 2019](#).

<sup>26</sup> Rwanda is considered an economic model for Haiti due to their similarities: size/population, catastrophic event, humanitarian aid, leadership, and FDI-driven growth. Analysis of the Rwanda Development Board. [Wavteg, 2017](#).

<sup>27</sup> Rankings. [World Bank, 2019](#).

<sup>28</sup> [ICA, 2018](#).

<sup>29</sup> Service provider program.

<sup>30</sup> [Organisation for Economic Co-operation and Development, 2014](#).

<sup>31</sup> Estimated at 57. Haitian Chamber of Commerce and Industry (CCIH), 2017.

<sup>32</sup> Development of new exporters. [Puig, 2017](#).

<sup>33</sup> Porter, 2017.

<sup>34</sup> Volpe, 2018.

<sup>35</sup> Kotra, 2018.



investors<sup>36</sup> who may decide to capitalize on circumstantial advantages. Like other IPAs, an empowered CFI that serves the needs of these investors can play an important role amid the high risk that existing investors may withdraw<sup>37</sup> and the small number of leads being generated.<sup>38</sup>

- 1.7 The CFI, founded in 2006 to facilitate and promote private investment, has made strides but needs further support to be effective.<sup>39</sup> Loan operation 2879/GR-HA<sup>40</sup> helped the CFI establish itself, form its team, develop its initial tools and services for investment promotion and facilitation,<sup>41</sup> and advocate for policies.<sup>42,43</sup> Despite political volatility—eight different people have led the Ministry of Commerce and Industry (MCI) and there have been three different directors general during loan operation 2879/GR-HA—the CFI has made institutional progress, as reflected in the number of investors contacted, participation in trade missions,<sup>44</sup> management of country branding, and its catalogue of services. Notable results include (i) accreditation of 600 local SMEs through the [service providers' platform](#)<sup>45</sup> to become suppliers to foreign companies; (ii) identification of 1,000 young professionals with experience in information and communication technologies (ICTs), whom businesses may reach through the [Smart Talent](#) platform; (iii) 11 institutions connected and providing data on trade and investment through the [Open Data](#) statistical platform; (iv) a [shopping platform](#) with 20 businesses offering exportable products; (v) more than 107 investor bottlenecks resolved in 2017; and (vi) support for local and foreign businesses in starting or expanding operations in Haiti.<sup>46</sup> Sixty projects were served in 2014-2015, but this number fell to 37 in 2015-2016, 40 in 2016-2017, and 36 in 2017-2018 due to the unstable political climate. Attracting FDI calls for a long-term approach, as these projects have a roughly three-year maturity cycle from the investor's first contact with the country until the investment actually materializes.<sup>47</sup> A successful IPA is a country initiative that is consistent and sustained over time, sowing seeds in the present to yield fruit in the future. The IPAs in Nicaragua, Rwanda, and Costa Rica were consistently supported by multilateral institutions amid politically adverse and otherwise

---

<sup>36</sup> CFI, 2019.

<sup>37</sup> SAE-A, Hansae, and H&H have placed their expansion plans on hold and have threatened to withdraw operations from Haiti ([announcement](#)).

<sup>38</sup> Through their aftercare services, IPAs play a support role for investors at risk of withdrawing. [UNCTAD, 2007](#).

<sup>39</sup> [Decree-Law 13 establishing the CFI](#). As part of the Ministry of Commerce and Industry (MCI).

<sup>40</sup> The general objective of this operation is to foster private-sector development in Haiti through investment promotion by strengthening the institutional capacity of the CFI and other investment-related government entities. This US\$17.5 million project was approved in 2012 and is currently 99.8% disbursed.

<sup>41</sup> The CFI has a [website](#), a database manager, access to information, an investment guide, sector studies/materials, promotion materials, [statistical information](#), a platform for [accrediting locales providers](#), a [catalogue of exportable products](#), a [website for](#) business process outsourcing and job services in the sector, and a quality [country brand](#).

<sup>42</sup> The CFI, as secretary of the Business Climate Enhancement Group, identifies investors' needs and bottlenecks and then reports them, but it still lacks the capacity to drive improvements. Wavteq, 2018.

<sup>43</sup> Operation [2879/GR-HA](#) included a "strategy" phase for the CFI following the Rwanda model. [RDB-CFI](#).

<sup>44</sup> Ibid.

<sup>45</sup> Report on the provider development program. [UNDP, 2017](#).

<sup>46</sup> WAT-Partners, 2019.

<sup>47</sup> [Loewendahl, 2018](#).

unfavorable circumstances<sup>48</sup> and have achieved excellent results.<sup>49</sup> Despite current conditions in Haiti, good practices call for continued support for the CFI and a redoubling of efforts under loan operation [2879/GR-HA](#), which has entered the “investment promotion and retention strategy” phase. Lessons learned from the Rwanda experience also call for entering a new “implementation” stage, empowering the CFI to use interagency coordination in order to help prevent the withdrawal of operations from Haiti, attract further FDI and reinvestment, generate linkages, and enhance the business climate. In addition to the activities under operation 2879-GR-HA, the CFI’s operational efficiency requires (i) public-private support at the highest level; (ii) a mandate to develop capacities in local businesses in order to generate productive linkages; and (iii) greater empowerment as a policy advocate.<sup>50</sup>

- 1.8 The CFI’s limited institutional capacity prevents it from meeting international standards. Under the oversight of the Ministry of Commerce and Industry, its current governance structure is highly bureaucratic and decentralized.<sup>51</sup> Its current investment promotion strategy is reactive and disconnected from political decision-makers. It also needs to enhance its facilitation efforts and maintain closer contact with investors by adding an investor service unit<sup>52</sup> and strengthening postinvestment efforts. With a US\$1 million budget from the government, the CFI is unable to continue the specialized technical services commenced under operation [2879/GR-HA](#), such as programs for lead generation, accredited suppliers, or the one-stop investment window (GUI).<sup>53</sup> The evaluation of operation [2879/GR-HA](#) found that the CFI has achieved midterm outcomes, such as monitoring of investment projects and resolution of problems, but monitoring efforts are one of its challenges. From 2013 to early 2019, the CFI generated interest from 799 companies,<sup>54</sup> but in 2017 only 44 projects were registered with the Interministerial Investment Commission<sup>55</sup> and 35 of these were approved.<sup>56</sup> Despite the fact that the CFI’s current director is a women, as are four of its eight specialists, the institution has not culture of gender equality, the staff has not been trained to understand/address the needs of women-led businesses, and the sensibility and adequate tools to make the CFI’s services accessible to women. There is also a sizable need for business assistance and networking support for local women entrepreneurs, which means that CFI personnel need training to help women entrepreneurs access services.<sup>57</sup>

---

<sup>48</sup> Various international donors provided support for over 10 years to the Costa Rican Investment Promotion Agency (CINDE), ProNicaragua, and the Rwanda Development Bank, *inter alia*. Wavteq, 2018.

<sup>49</sup> Wavteq, 2017.

<sup>50</sup> Wavteq, 2017.

<sup>51</sup> Ibid.

<sup>52</sup> Kotra, 2017.

<sup>53</sup> Platform to centralize procedures and permits for companies wishing to begin/conduct operations in a country.

<sup>54</sup> CCIH, 2017.

<sup>55</sup> Interministerial Investment Commission, 2019.

<sup>56</sup> The other projects did not meet the benefits-related requirements to receive tax exemptions through the Interministerial Investment Commission.

<sup>57</sup> There is a lack of data on the specific needs of formal Haitian enterprises led by women. Existing analyses focus on the challenges of women entrepreneurs in general and indicate causes such as a lack of access to financing, less training, and traditional roles. Gender analysis. [IDB, 2017](#).

- 1.9 The many benefits of FDI for target regions<sup>58</sup> can include enhanced productivity, additional capital investment, direct jobs, and exports,<sup>59</sup> as a catalyst for productive linkages with local enterprises, as well as technology and knowledge transfer.<sup>60</sup> An analysis of global FDI in the textile sector found that these projects typically generate some US\$28 million in capital expenditures and create an average of 418 jobs.<sup>61</sup>
- 1.10 Internationally, a number of successful IPAs have had a tremendous impact on their respective countries. Evidence<sup>62</sup> shows that (i) sectors supported through IPAs receive more FDI than unsupported sectors; (ii) investment promotion intermediaries that respond more professionally to investor requests and offer higher-quality, customized services<sup>63</sup> tend to attract more FDI;<sup>64</sup> and (iii) promoting FDI generates greater investment flows. However, effectiveness depends largely on (i) the quality of the investment climate, (ii) market size, (iii) the country's level of development, (iv) the IPA's budget; (v) the IPA's activities, (vi) communication with high-level decision-makers, and (vii) private-sector support.<sup>65</sup> For Haiti, the most comparable IPA at a high level of institutional development is the [Rwanda Development Board](#) (RDB).<sup>66</sup> The IPA suggested as a model in terms of services and programs for investors is the [Costa Rican Investment Promotion Agency](#) (CINDE).<sup>67</sup> The RDB's experience indicates that an institution empowered at a high level, with a clear mission and vision and a well-trained team, attracts FDI and generates economic benefits for the entire country.<sup>68</sup> CINDE, meanwhile, is renowned for excellence, having helped to attract subsidiaries of multinational corporations, between 1% and 14%.<sup>69</sup> Despite the satisfactory results attained by the CFI, a lack of data has made it impossible to conduct an impact evaluation.<sup>70</sup> The United Nations Development Programme (UNDP) in Haiti implemented a program for providers to foreign companies with a focus on the inclusive market,<sup>71</sup> and 35 Haitian companies have been accredited as a result.<sup>72</sup>
- 1.11 **Intervention strategy.** On the basis of FDI's contribution to host economies and the Bank's experience strengthening IPAs, the project will continue strengthening and empowering the CFI to increase FDI flows into Haiti. Evidence shows that every dollar invested in programs to attract investment can generate up to US\$187 in the

---

<sup>58</sup> Javorcik, 2013.

<sup>59</sup> Aitken, 1997.

<sup>60</sup> Lensink & Morrissey, 2001.

<sup>61</sup> Report on the textile manufacturing sector. [ICA, 2017](#).

<sup>62</sup> Harding & Javorcik, 2011.

<sup>63</sup> The ability to respond to investors' concerns. Quality of service is measures, among other factors, by the speed of response to the investor (les than 48 hours), confidentiality, delivery of responses tailored to the client, support during the decision-making process, and effective resolution of bottlenecks.

<sup>64</sup> Harding & Javorcik, 2012.

<sup>65</sup> Morisset & Andrews-Johnson, 2003.

<sup>66</sup> Comparative stages [Rwanda/Haiti](#).

<sup>67</sup> [Loewendahl, 2017](#).

<sup>68</sup> [Wavteq-RDB, 2017](#).

<sup>69</sup> Volpe, Carballo & Blyde.

<sup>70</sup> Customer relationship management system (CRM) installed in 2019.

<sup>71</sup> Companies that are unable to gain access to the marketplace.

<sup>72</sup> [UNDP, 2019](#).

host economy, depending on the extent of the intervention in the institution.<sup>73</sup> Moreover, every US\$1 attracted from abroad can generate US\$1 in domestic investment, and each job created by FDI helps to create one to two local jobs.<sup>74</sup>

- 1.12 **Coordination with other Bank projects.** The Bank has supported the Haitian government through operation [2879/GR-HA](#) to increase the value of the private sector in the economy, strengthen dialogue between the public and private sectors, and enhance the business climate (paragraph 1.7). This project's activities include a number of the platforms started through operation [2879/GR-HA](#), e.g.: (i) the GUI,<sup>75</sup> (ii) [Haiti Service Providers](#),<sup>76</sup> (iii) [Smart Talent](#), and (iv) [Haiti Export Catalogue](#) (paragraph 1.7). Continuity for these activities is provided, respectively, through: (i) implementation (online and physical) of the GUI; (ii) development and execution of the service provider program (establishing linkages between foreign companies and accredited providers on the platform); (iii) intermediation between candidates and foreign companies (evaluating profiles received on the platform and helping companies in the sector identify candidates) and training of young professionals for the identified job position; and (iv) technical assistance for exporters on the platform and incorporation of new exporters. The Bank has also led the following operations: Caracol Industrial Park (operations [2552/GR-HA](#) and [2779/GR-HA](#)); credit mechanism with partial guarantee fund for the productive sector (operation [2416/GR-HA](#)); investments (operation [2555/GR-HA](#)) and a pilot initiative to create and develop a productive structure in priority areas (operation [2827/GR-HA](#)). This project, in order to promote the local private sector, will also be coordinated with operations for (i) management of solid waste in northern Haiti (operation [4605/GR-HA](#)); (ii) water, sanitation, and hygiene in urban, periurban, and rural areas in the Grand Nord region (operation [4697/GR-HA](#)); and (iii) departmental transportation and connectivity (operation [4618/GR-HA](#)). Activities for these three operations will be carried out by the local private sector, particularly in northern Haiti. Project activities to develop the local private sector will also be complemented by identifying specific needs and requests from local and foreign investors in relation to these operations.
- 1.13 **Lessons learned.** The project takes into account lessons learned in designing and executing similar projects in Haiti and the region, as well as in academic research by the Bank's Integration and Trade Sector (INT/INT).<sup>77</sup> This experience demonstrates how important it is for IPAs to receive strong, sustained, high-level support; to play a leadership role and constantly collaborate with other public-private organizations; to have operational autonomy and sufficient budget; to render accounts to a committee at least once a year; and to publish the results. Another key is to use cloud-based management tools, set realistic targets, and measure and monitor results using the institution's own tools. Interagency coordination and frequent training were also identified as important factors.

---

<sup>73</sup> Volpe, Carballo, & Blyde.

<sup>74</sup> [UNCTAD, 2018](#).

<sup>75</sup> Design work has been completed, and 11 institutions have joined. GUI report. SGS, 2018.

<sup>76</sup> The objective was to map local businesses, conduct a diagnostic assessment, and local businesses meeting international quality standards would be accredited as potential providers for foreign companies. The program mapped 1,000 businesses and accredited 600. [UNDP, 2019](#).

<sup>77</sup> [INT experience in promoting exports and FDI](#).

- 1.14 **Strategic alignment.** The operation is consistent with the Update to the Institutional Strategy (document AB-3008) and aligned with the challenges of: (i) productivity and innovation through an indicator of government agencies benefited by projects that strengthen technological and managerial tools to improve service delivery; and (ii) economic integration through increased FDI inflows and promotion of exports in nonextractive sectors. It is also aligned with the crosscutting themes of (i) Gender and Diversity by incorporating gender-equality training for public officials at the CFI in order to generate a culture change in the institution and in its interactions with clients; and (ii) Institutional Capacity and the Rule of Law by enhancing the quality and timeliness of service provision related to investment and trade, and it contributes to the area of dialogue for promoting exports, attracting FDI, and continuously developing the Caracol Industrial Park. It is also aligned with the Corporate Results Framework 2016-2019 (document GN-2727-6) through the following indicators: (i) micro, small, and medium-sized enterprises provided with nonfinancial support; (ii) professionals from public and private sectors trained or assisted in economic integration; (iii) government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery; (iv) amount of international trade promoted; and (v) the amount of FDI promoted. It contributes to the objectives of the IDB Group Country Strategy with Haiti 2017-2021 (document GN-2904), by specifically supporting the dialogue area on themes that affect productivity growth and income-generating opportunities, by helping to promote exports and attract foreign investment. It is also consistent with the Integration and Trade Sector Framework Document (document GN-2715-6) and the Sector Strategy to Support Competitive Global and Regional Integration (document GN-2565-4). The project is included in the update of the 2019 Operational Program Report (document GN-2948-2).

**B. Objectives, components, and cost**

- 1.15 The general objective is to help increase FDI. The specific objective is to increase the number of foreign companies deciding to begin or expand operations in Haiti with technical support from the CFI. To this end, the project's sole component will include comprehensive actions to make Haiti's value proposition more attractive by (i) professionalizing technical assistance for promoting and facilitating FDI; and (ii) making providers and potential local partners available to foreign companies, with the collaboration of other public and private institutions in Haiti.<sup>78</sup>
- 1.16 **Sole component: Institution-strengthening and development of services for local and foreign investors (US\$15,750,000).**
- 1.17 **Subcomponent I: Institution-strengthening.** The following activities will be carried out: (i) hiring of eight young Haitian university graduates to work in strategic sectors<sup>79</sup> and the GUI, and another three who specialize in relevant services for the CFI,<sup>80</sup> maintaining a gender balance, in order to support foreign companies in

---

<sup>78</sup> [Institutional coordination matrix.](#)

<sup>79</sup> These were previously agreed to by the Haitian government and are not currently covered by the CFI due to lack of staffing: light manufacturing (maquiladora/textile), business process outsourcing, agroindustry, recycling, and creative industries. [ICA, 2017.](#)

<sup>80</sup> Including: (1) country branding, marketing, and research; (2) investment facilitation (including the GUI and investor services); and (3) promotion of foreign and local investments. Wavteq, 2017.

starting operations and reinvesting in Haiti;<sup>81</sup> (ii) training in trade, investment, and soft skills<sup>82</sup> for all CFI staff and related entities,<sup>83</sup> with each training event for the CFI team covering gender equality;<sup>84</sup> (iii) updating of the CFI's strategic and operational plan; (iv) strengthening of management and technical personnel to help them follow processes, submit high-quality proposals, negotiate with investors, and advocate for policies to improve the business climate, through a team of international experts in strategy and operations of IPAs at the CFI;<sup>85</sup> and (v) procurement of laptops, cellphones, Internet connection,<sup>86</sup> and access to technology solutions (CRM system and website updates) for CFI staff in order to respond to investors in a timely and effective way.<sup>87</sup> Each activity includes a budget allocation for interagency coordination.

**1.18 Subcomponent II. Services for foreign and local investors (US\$11,750,000).**

For foreign investors, financing will be provided to design and carry out the following activities and programs:

- a. For investment promotion,<sup>88</sup> in order to attract new investors and convince those already in Haiti to expand their operations and not to withdraw: (i) investment opportunity niches will be identified in connection with demand; (ii) a lead-generation program<sup>89</sup> will be implemented on a global scale through specialized consultants in target countries and with compensation based on results;<sup>90</sup> (iii) technical assistance will be provided to Haitian businesses on trade missions and participation in international trade shows to identify buyers and conduct monitoring; (iv) investment forums will be held to attract buyers/investors and position Haiti as an investment destination; and (v) actions will be carried out to improve the country's image.<sup>91</sup>
- b. For investment facilitation, in order to follow up on leads, reduce transaction costs, and guide investors through processes and procedures to start operations in Haiti, financing will be provided for: (i) a simulator of [start-up](#)

---

<sup>81</sup> Such personnel will be financed and trained by and during the project. The CFI has expressed its willingness to absorb them into its staff upon project completion.

<sup>82</sup> Languages, customer service, negotiation, database usage, and survey preparation.

<sup>83</sup> Preliminary list at [Institutional coordination matrix](#).

<sup>84</sup> Training in trade and investment will include modules taught by gender specialists who will teach a tool to teach, learn, understand, and share a common language and carry out a joint reflection exercise. The gender perspective should be mainstreamed to enable cultural transformations. The technical cooperation project for operational support, which is currently being prepared, includes a diagnostic assessment of the specific needs of women-led businesses.

<sup>85</sup> [Shadowing experience](#).

<sup>86</sup> For teleworking.

<sup>87</sup> Pursuant to the [timelines](#) used by regional IPAs.

<sup>88</sup> Wavteq, 2017.

<sup>89</sup> Generation of qualified investment projects interested in investing.

<sup>90</sup> Consultants will use objective-based billing as they generate (i) contacts with companies interested in investing; (ii) qualified projects (the company provides a business plan/confidential information); and (iii) committed projects (the company signs a letter of intent to begin operating in Haiti). Percentages, calculation methods, and definitions will be set forth in the CFI procedures manual.

<sup>91</sup> Wells & Wint, 1990.



[costs](#); (ii) a database of available office and industrial space;<sup>92</sup> (iii) implementation of a GUI to reduce bureaucratic procedures and processes needed to start a business and obtain the licenses and certificates needed to operate;<sup>93</sup> (iv) a policy advocacy program to improve the investment climate, with priority actions selected by the Business Climate Enhancement Group from a previously developed list;<sup>94</sup> and (v) training of Haitian arbitrators as experts in international arbitration and dissemination efforts with public and private institutions on the benefits of amicably resolving business disputes.

1.19 For local investors, financing will be provided for the following activities aimed at boosting local productive development in connection with foreign companies:

- a. The continuation of the [Haiti Service Providers platform](#),<sup>95</sup> whereby, under a collaboration agreement with the UNDP (Annex III): (i) the methodology, the processes/competencies manual, requirements for participation and coordination with the CFI and the CCIH will be developed; (ii) technical support and training will be provided to staff from both institutions, and transactions will be closely monitored; (iii) support will be provided to generate a basket of Haitian consultants who can evaluate local businesses; (iv) requests from foreign companies for local providers will be identified; (v) the base of accredited local providers and sectors will be expanded; and (vi) “provider rounds” will be organized, with productive matchmaking to provide technical support and diagnostic assessment for local businesses.
- b. A local economic development program for strategic sectors<sup>96</sup> that are particularly impactful on northern Haiti, where potential has been pre-identified, so that local businesses can gain access to international markets and forge linkages with foreign companies already present in the area: (i) in the light manufacturing/textile sector, support will be provided for renewal and expansion of agreements signed with the United States whereby Haiti exports textiles and cables free of tariffs and duties,<sup>97</sup> as well as for development of a website and app for Haiti’s textile sector (actors, costs, employee profiles, productive capacity, partners, and auxiliary enterprises); (ii) in the ICT and business process outsourcing sector, work will be carried out with the Haiti Digital Services platform to train Haitian young people, using international technical assistance, in related competencies so that they may be hired by foreign and Haitian companies; (iii) in the agroindustry sector, and specifically in previously identified niches with import-substitution potential (rice and poultry),<sup>98</sup> technical support will be provided to local businesses in antidumping advocacy; differentiating factors

---

<sup>92</sup> Using drones to record video of locations and post information on the Internet. Investors will use virtual-reality glasses for remote viewing.

<sup>93</sup> With its GUI, Rwanda climbed 20 spots in the “Doing Business” ranking. The GUI will exist in physical form at first and will later be made available online for the most common, significant, and/or simple processes, such as starting a business or paying taxes. SGS, 2018.

<sup>94</sup> Actions needed to implement 11 laws were identified.

<sup>95</sup> [CzechInvest](#) and [CINDE](#), which are similar platforms, show increased capacity in local SMEs.

<sup>96</sup> Previously identified as part of operation [2879/GR-HA](#). Sector studies, [ICA. 2017](#). Analysis of chains in northern Haiti. [Optional link 4](#).

<sup>97</sup> The Caribbean Basin Trade Partnership Act is in effect until September 2020.

<sup>98</sup> Analysis of the rice chain. Northern Haiti. [Verella, 2019](#).

in terms of the quality and nutrition of products made in Haiti will be identified; producers will be trained in negotiation techniques, marketing, and logistics; and a website and app will be developed for the Haitian poultry sector; (iv) in the creative industries sector, actors will be mapped; training in marketing, negotiation, logistics, and customer service will be provided; international actors and trade partners will be identified; and support will be provided to create a platform to promote the sale of artisanal products to Haiti's tourism sector and the diaspora abroad; (v) in the sector of small-scale manufacturing, logistics, and recycling, actors will be mapped; business opportunities will be identified; training will be provided; a website and app will be developed for the sector; and business activities will be supported through matchmaking with potential buyers and investors; and (vi) the CFI's new office will be established in northern Haiti, to be staffed by a director, an administrative assistant, and a driver, along with a vehicle and office equipment and supplies. This new team will help structure projects in northern Haiti in coordination with other IDB Group projects,<sup>99</sup> develop regional partnerships and productive chains<sup>100</sup> at the Caracol Industrial Park.<sup>101</sup>

- c. An exporter services program to support Haitian businesses that are occasional, first-time, or potential exporters. A collaboration agreement with the Trade Facilitation Office Canada (Annex III), in partnership with the CCIH, will be used to finance (i) customized, guided technical assistance, access to business information, and seminars for exporting to the United States and Canada; (ii) the preparation, participation, and monitoring of Haitian businesses on trade missions to the United States and Canada, and the updating of the [Haiti Export Catalogue](#); and (iii) access to trade transactions through the platform. The IBD's [ConnectAmericas](#) platform will be used to develop, teach, and provide instructional assistance for an online course on e-commerce and will conduct surveys of companies on their needs.

- 1.20 **Administration and management costs (US\$1,750,000).** Financing will be provided for project management, including the hiring of a technical team to support execution and administration, external financial audits, monitoring and evaluation, and logistical and maintenance expenditures ([optional link 3](#)).

### C. Key results indicators

- 1.21 **Expected results.** The expected impact is increased FDI. The main expected outcome is an increased number of companies deciding to invest after being provided quality services by the CFI. This will be measured by the following indicators: (i) percentage of CFI-assisted foreign companies that have invested; (ii) percentage of CFI-assisted foreign companies that have reinvested; (iii) number of companies conducting a transaction through the GUI; and (iv) number of local companies that are accredited as potential providers and, after receiving services from the CFI, have established linkages<sup>102</sup> with foreign companies (Annex II).

---

<sup>99</sup> Agriculture, water and sanitation, and transportation.

<sup>100</sup> Including mapping of actors, training, technical support in new product development, access to buyers, and development of technology solutions.

<sup>101</sup> Analysis of garment manufacturing, cacao, tourism, and rice chains. [Optional link 4](#).

<sup>102</sup> "Established linkages" means to have a secured a contract as a provider.



- 1.22 **Target beneficiaries.** The primary beneficiary is the CFI as a result of institution-strengthening (development of human capital and services available to clients). Other beneficiaries are all potential CFI clients (foreign and local companies) that are part of the universe of 3,677 identified companies,<sup>103</sup> which include (i) the 75 foreign companies<sup>104</sup> currently investing in Haiti and seeking to expand their operations; (ii) foreign and local companies that need to carry out an investment-related transaction; (iii) 600 local businesses already accredited as potential service providers for foreign companies; (iv) local businesses with no prior export experience (estimated at 3,620); and (v) businesses already exporting (estimated at 57<sup>105</sup>). Also benefiting are foreign companies that have not previously invested in Haiti but may potentially do so. In addition, at least 600<sup>106</sup> employees of public and private entities will be trained in topics related to trade and investment<sup>107</sup> (See Table 1.1).

**Table 1.1 Beneficiaries**

Beneficiaries include: <sup>108</sup>		
• Foreign companies currently investing in Haiti that seek to expand their operations.		79
• Local businesses already accredited as providers. Note: An estimated 40 of these businesses will be strengthened, and of those, 35 are expected to enter into a contract to supply foreign companies.		600
• Local businesses with no prior experience in exporting.		3,620
• Businesses already exporting		57
• Foreign companies that may potentially invest in Haiti.		Unknown
<b>Universe of potential beneficiaries (local and foreign, including multinational corporations and SMEs, in Haiti)</b>		<b>3,677</b>
Type of service/program	Type of beneficiary	Number of beneficiaries
Leads generated through the investment promotion program	Foreign companies	At least 30
Aftercare for foreign companies (potential reinvestors)	Foreign companies	At least 8 (out of 79)
GUI	All enterprises	At least 400 (out of 3,677)
Continuation of program for providers of auxiliary services	Local enterprises	At least 35 (out of 600)
Local economic development plan in strategic sectors / northern Haiti	Local enterprises	At least 40 (out of 3,677)
Export promotion program	No prior experience in exporting	At least 40 (out of 3,620)
Export support services	Experience in exporting	At least 10 (out of 20)

- 1.23 **Economic evaluation.** The economic evaluation was conducted using a cost-benefit analysis based on a comparison of total economic costs (for users and the Haitian government) in “with” and “without” (counterfactual) scenarios for a five-year

<sup>103</sup> CCIH, 2017.

<sup>104</sup> BRH, 2019.

<sup>105</sup> CCIH, 2017. Financing from operation [2879/GR-HA](#).

<sup>106</sup> This number of trainees is the same as in operation [2879/GR-HA](#).

<sup>107</sup> [Training beneficiary matrix](#).

<sup>108</sup> Businesses may be in more than one category. The same foreign company might invest in Haiti and be an exporter as well.

period. This evaluation took into account the benefits of strengthening the CFI through the project by measuring the impact of increased FDI on interest levels.

- 1.24 In view of the net flow of economic costs for the period in question, the net present value (NPV) for a 12% discount rate and the economic internal rate of return (EIRR) were calculated. The NPV was estimated at US\$4.18 million; the EIRR, at 17%. The project is economically viable on the basis of a sensitivity analysis of all scenarios examined. Net returns ranged from US\$2.34 million to US\$9.37 million (See Table 1.2. [Optional link 2](#)).

**Table 1.2. Cost-benefit analysis**

Scenarios	Return (US\$)
NPV (8%)	9.37 million
NPV (10%)	6.55 million
NPV (12%)	4.18 million
IRR	17%

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 The investment project totals US\$17.5 million, to be financed with resources from the IDB Grant Facility. The disbursement period is five years.

**Table 2.1. Project costs (US\$)**

Component/Category		IDB	%
1	Sole component: Institution-strengthening and development of services for local and foreign investors	15,750,000	90
1.1	Subcomponent I: Institution-strengthening	4,000,000	23
1.2	Subcomponent II: Services for foreign and local investors	11,750,000	67
2	Administration and management	1,750,000	10
<b>TOTAL</b>		<b>17,500,000</b>	<b>100</b>

**Table 2.2. Disbursement percentages (US\$)**

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Total	5,027,795	4,453,320	3,538,320	2,619,070	1,861,495	17,500,000
%	28.73	25.45	20.22	14.97	10.64	100

### B. Environmental and social risks

- 2.2 In accordance with the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), the project has been classified as a category "C" operation because it is not expected to generate negative environmental impacts,

including associated social impacts (there is no infrastructure component, and support is focused on investment promotion, capacity-building, and institution-strengthening).

### **C. Fiduciary risks**

2.3 The most recent institutional capacity assessment of the CFI's PEU, in 2018, found the following:

- a. The public financial management systems (SPGFs) and internal control processes have the following medium-level risks and areas for improvement: (i) significant weaknesses in financial planning and execution of activities; (ii) lack of an audit unit; and (iii) limited internal control. These risks will be mitigated by (i) strengthening of the team responsible for project execution; (ii) clearly defining roles and responsibilities on the fiduciary team; and (iii) defining the team's functions and responsibilities in the [project Operations Manual](#).
- b. The procurement system has the following medium-level risks: (i) lack of capacity to manage increased activity; (ii) lack of procurement management procedures; and (iii) limited contract management capacity. These risks can be mitigated by (i) strengthening the project execution team; (ii) clearly defining roles and responsibilities on the procurement team; (iii) defining the team's functions and responsibilities in the [project Operations Manual](#); and (iv) a tool to help monitor procurement and contract-management processes for project reporting purposes.

### **D. Other key issues and risks**

2.4 The following medium-level risks were identified and classified by taxonomy, and mitigation measures have been proposed for each:

- a. Delays in disbursement due to failure of Électricité d'Haïti to sign the GUI protocol (development). Mitigation measure: This signature will be secured as soon as possible.
- b. Delays in the CFI's usual activity due to social instability (macroeconomic). Mitigation measure: Collaborative tools will be promoted to allow the team to continue to work from home, even when the office is closed or travel to the office is impossible.
- c. Increased promotion costs in the event of a devaluation of the gourde (fiscal sustainability). Mitigation measure: An adjustment mechanism will be established in contracts to minimize the impact of the exchange rate on inflation.
- d. Failure to input information in the monitoring and evaluation system, if the CFI does not use the CRM system before the project starts (governance). Mitigation measure: The team will be trained and performance indicators will be established before the start of the project with technical cooperation financing.
- e. Lack of space in CFI offices to centralize GUI services (governance). Mitigation measure: A new space will be used in the Office of the Prime Minister.

- f. An increase in the minimum wage, which may lead companies to shut down or withdraw operations (development). Mitigation measure: The operation will focus on sectors less impacted by the minimum wage and will work with local businesses to generate productive ties.
  - g. Lack of budget allocation to the CFI after project completion (governance). Mitigation measure: The Office of the General Director will submit an annual results and sustainability plan to the Bank.
  - h. Lack of public-private interagency coordination, hindering the effectiveness of FDI facilitation and promotion (governance). Mitigation measure: The involvement of public/private institutions in the project for active monitoring, execution, and implementation will be maximized.
  - i. Lack of political stability and lack of government decision-making (public management). Mitigation measure: Through the CFI, negotiations will be undertaken to quickly secure the minister's signature of the grant contract.
  - j. Limited execution capacity in the CFI, which may delay planning (governance). Mitigation measure: The PEU and the CFI will be strengthened.
- 2.5 **Sustainability.**<sup>109</sup> This operation will not finance the CFI's current expenditures for existing staff positions, as these are financed by the government budget. As for the new consultants covered by the project (paragraph 1.16) and other planned activities, the Haitian government has expressed its commitment to ensure continuity with the CFI beyond the end of project execution, provided that the established outcomes are attained. During execution, the Bank and the Government of Haiti will agree on a strategy to ensure the sustainability of the CFI with its own resources.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Execution and administration.** The beneficiary will be the Republic of Haiti. The executing agency will be the CFI, acting through its PEU, and will be responsible for all technical, administrative, and fiduciary aspects of the project. The CFI, in accordance with international best practices, will cooperate and coordinate with a variable number of public and private entities.<sup>110</sup> Some of these entities are considered strategic partners for the fulfillment of the CFI's mission. The PEU, with the support of these entities and in coordination with the CFI, will be responsible for: (i) compliance with the project Operations Manual; (ii) preparation of terms of reference, bidding documents, evaluation reports, other documents for procurement processes, and preparation of final reports; and (iii) execution of the monitoring and evaluation plan and preparation of the the reports set forth in [required link 2](#).
- 3.2 **Strengthening of interagency coordination.** Using the lessons learned from operation [2879/GR-HA](#) and international best practices, the CFI will cooperate and

---

<sup>109</sup> [Sustainability of the CFI](#).

<sup>110</sup> The main entities are the CCIH, Société Nationale des Parcs Industriels (SONAPI), the Ministry of Economy and Finance, the ADIH, Direction des Zones Franches, the BRH, the MCI, the Ministry of Tourism, the Office of the President, the UNDP, and the Trade Facilitation Office Canada. [CFI institutional coordination matrix](#).

coordinate with a number of organizations (paragraph 3.1) on this project using a variety of instruments. The instruments used will vary depending on the nature of the [collaboration](#) and may include collaboration agreements, service provision contracts, collaboration protocols, and working groups. Despite the CFI's operational autonomy, and in order to establish venues for public-private coordination, two bodies are needed: (i) a technical body to discuss operational activities, identify synergies, assign responsibilities, and share results; and (ii) a high-level political body to decide on strategy for FDI promotion and retention, render accounts, report on results, and promote interagency coordination to advocate for investor-friendly policies. The technical body is the project executive committee consisting of FDI-related public and private institutions, and the political body is the high-level committee that includes senior representatives of the technical committee and the prime minister. The CFI will serve as coordinator for both committees. The functioning of both bodies is detailed in [optional link 3](#).

- 3.3 **Minimum content of the project Operations Manual.** The Operations Manual will set forth the functions and responsibilities of each institution with which the CFI will collaborate, its specific mechanisms for coordination, the technical and fiduciary oversight structure, and the frequency and minimum content of monitoring reports. It will also set forth mechanisms for compliance with environmental and social safeguards, as well as the basic elements of a code of ethics and all additional fiduciary measures. Any amendments will require the Bank's no objection.
- 3.4 **Financial management.** Annex III sets forth the framework for financial management and planning, as well as for procurement supervision and execution. Accounting and financial records will be governed by the Financial Management Guidelines for IDB-financed Projects (document OP-273-6). The CFI's financial systems will be used to manage payments, accounting records, and reports. The proceeds of the financing will be transferred to the designated project account in U.S. dollars at the BRH, which will be associated with an account in Haitian gourdes. The Bank may advance funds in accordance with the project's liquidity needs for up to four months, pursuant to a financial plan, and once at least 80% of the advanced amount requiring justification has been accounted for to the Bank. The CFI will submit its annual financial statements, audited by an independent firm acceptable to the Bank, within 120 days after the end of each fiscal period and after the last disbursement.
- 3.5 **Procurement.** The executing agency will procure goods, works, services, and consulting services in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9). Two collaboration agreements will be used to carry out the single-source selection of (i) Trade Facilitation Office Canada (US\$1.2 million), and (ii) the UNDP (US\$1.1 million) (paragraph 1.18) (Annex III).
- 3.6 **Retroactive financing.** The Bank may retroactively finance, from the proceeds of the Bank's nonreimbursable financing, up to US\$1.75 million (10% of the proposed amount of Bank financing) in eligible expenditures incurred by the beneficiary before the approval date of the nonreimbursable financing proposal, provided that requirements substantially similar to those established in the nonreimbursable

- financing contract have been met. These expenditures will be used to hire consultants (paragraph 1.16), support the renewal of the Caribbean Basin Trade Partnership Act, and continue the program for auxiliary service providers and the GUI, inter alia. These expenditures will have been incurred on or after 3 August 2018 (the project profile approval date) but under no circumstances will include expenditures incurred more than 18 months prior to the approval date of the nonreimbursable financing proposal.
- 3.7 **Special contractual conditions precedent to the first disbursement of the financing.** The beneficiary will submit evidence, to the Bank's satisfaction, of (i) entry into force of regulations issued by the Ministry of Economy and Finance and accepted by the CFI, specifying the CFI's duties as executing agency, mechanisms for coordination between the parties for project execution, and the transfer of the proceeds of the financing to the executing agency, to ensure that the CFI has access to the resources and the MEF has a control mechanism; (ii) creation of the PEU and the allocation of its key personnel for project execution, including a coordinator, a monitoring and evaluation specialist, a procurement specialist, and a financial specialist, to ensure that the PEU is available and has the personnel it needs from the start of the project; (iii) hiring or allocation of qualified personnel in the CFI for the new positions of chief of operations and directors of the following areas: (a) country branding, marketing, and research; (b) investment facilitationm including the GUI and investor services, to ensure that the beneficiary will have the personnel it needs for satisfactory execution; and (c) promotion of foreign and local investments; and (iv) entry into force of the [project Operations Manual](#) in accordance with the terms previously agreed upon with the Bank, to ensure that detailed guidelines on operational, financial, and coordination matters are in place.
- 3.8 **Special contractual condition for execution.** Before financing is provided to implement the GUI for the project's sole component, the beneficiary will submit evidence, to the Bank's satisfaction, that Électricité d'Haiti has signed the letter of intent of 9 January 2019 signed between the CFI and other key institutions for implementation of the GUI.<sup>111</sup> This condition is to ensure that investors have access to energy when investing or expanding operations, and it can help boost indicators in the "Doing Business" index, such as those for "starting a business" and "getting electricity."
- B. Summary of arrangements for monitoring results**
- 3.9 The targets and progress indicators set forth in the Results Matrix will be used to monitor and evaluate project resources.
- 3.10 Results will be evaluated in accordance with the monitoring and evaluation plan. For indicators 1 and 2, a nonexperimental evaluation based on a trend analysis will be conducted to estimate the percentage of foreign investors investing and reinvesting, respectively. For indicator 3, a nonexperimental evaluation will be conducted using a trend analysis of companies carrying out a transaction in the GUI. For indicator 4, the nonexperimental evaluation based on a trend analysis will be used to observe

---

<sup>111</sup> [Letter](#).

local companies accredited as potential providers that have established linkages with foreign companies.

- 3.11 The monitoring and evaluation plan ([required link 2](#)) will be used to support project execution. The PEU will be responsible for the monitoring and evaluation of outcomes and impacts using the following mechanisms: (i) annual work plan ([required link 1](#)); (ii) semiannual progress reports, including monitoring indicators set forth in the Results Matrix (Annex II), progress in the procurement plan ([required link 3](#)) and financial report; and (iii) an evaluation plan to determine the project's outcomes and impacts, consisting of a midterm evaluation once 50% of the total financing amount has been disbursed or after 24 months of execution; and a final project evaluation, including the ex post economic evaluation, once 95% of the total amount has been disbursed.



Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Economic Integration -Gender Equality and Diversity -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Micro / small / medium enterprises provided with non-financial support (#)* -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Amount of international trade promoted (US\$)* -Amount of FDI promoted (US\$)*	
2. Country Development Objectives	Si	
Country Strategy Results Matrix		
Country Program Results Matrix	GN-2948-2	The intervention is included in the 2019 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability	Evaluable	
3. Evidence-based Assessment & Solution	9.0	
3.1 Program Diagnosis	2.4	
3.2 Proposed Interventions or Solutions	3.6	
3.3 Results Matrix Quality	3.0	
4. Ex ante Economic Analysis	9.0	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	3.0	
4.2 Identified and Quantified Benefits and Costs	3.0	
4.3 Reasonable Assumptions	1.0	
4.4 Sensitivity Analysis	2.0	
4.5 Consistency with results matrix	0.0	
5. Monitoring and Evaluation	8.5	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	6.0	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medio	
Identified risks have been rated for magnitude and likelihood	Si	
Mitigation measures have been identified for major risks	Si	
Mitigation measures have indicators for tracking their implementation	Si	
Environmental & social risk classification	C	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)		
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Nota: (\*) Indica contribución al Indicador de Desarrollo de Países correspondiente.

The project "Development of the private sector through investment promotion (HA-L1133)" has as its general objective to contribute to an increase in Foreign Direct Investment (FDI) in Haiti. The specific objective is to increase the number of foreign firms that decide to locate/expand in Haiti thanks to the technical support from the Center for Facilitation of Investments (CFI).

The project identifies low levels of FDI as the key problem it will address. In addition, the foreign companies currently operating in the country are concentrated in few sectors and for the most part have very few positive spillover effects on the local economy, with few linkages to domestic firms and limited knowledge or technology transfers. One of the causes contributing to this is the low institutional capacity of the CFI, which limits its effectiveness in attracting and retaining investors. However, in some cases there is a lack of quantification of the determinants of some of the identified problems and of the beneficiaries. To achieve its specific objective, the project aims to improve the functioning of the CFI and through that to lower transaction costs for investors. For this, it relies on one component - institutional strengthening and the development of services for local and foreign investors. The program has SMART indicators to measure the expected impacts and results, as well as to monitor the implementation of the products to be generated during the program.

The economic analysis of the project shows an internal rate of return of 17%; however, not all the assumptions are fully supported. The M&E plan provides the financial costs associated with each of the products and includes a budget to monitor all the indicators. The project relies on existing evidence for the effectiveness of programs that aim to increase FDI via a national investment promotion agency. Given that, the project does not plan to conduct an impact evaluation with attribution at closure.



## RESULTS MATRIX

<b>Project objective:</b>	The general objective is to help increase FDI. The specific objective is to increase the number of foreign companies deciding to begin or expand operations in Haiti with technical support from the CFI.
---------------------------	---

## EXPECTED IMPACT

Indicators	Unit of measure	Baseline		Final target		Means of verification	Comments
		Value	Year	Value	Year		
IMPACT 1: Help increase FDI							
Indicator 1 Annual FDI flow <sup>1</sup>	US\$ millions	106	2018	150.07	2028	BRH <a href="#">(Balance of payments—annual basis)</a>	<p><b>Definition:</b> US\$ millions in amount of FDI inflows for Haiti. All sectors/industries aggregated.</p> <p><b>Baseline:</b> Net FDI in 2018, BRH databases and statistical publications.</p> <p><b>Objective:</b> 42% increase over baseline in FDI inflows into Haiti, or 4.3% increase over counterfactual scenario (US\$143.9 million). Estimates consistent with <a href="#">optional link 2</a>.</p> <p><b>Monitoring and evaluation:</b> To be evaluated using a nonexperimental methodology before and after. <a href="#">Required link 2</a>.</p>
Indicator 2 FDI stock <sup>2</sup>	US\$ millions	1,849.97	2018	1,894.04	2028	BRH <a href="#">(Haiti's outward global position)</a>	<p><b>Definition:</b> US\$ million in amount of FDI inflows for Haiti. All sectors/industries aggregated.</p> <p><b>Baseline:</b> FDI stock in 2018, BRH databases and statistical publications.</p> <p><b>Objective:</b> 23% increase over baseline in Haiti's FDI stock. Estimates consistent with <a href="#">optional link 2</a>.</p> <p><b>Monitoring and evaluation:</b> To be evaluated using a nonexperimental methodology before and after. <a href="#">Required link 2</a>.</p>

<sup>1</sup> Original FDI flows reflect the value of FDI-related crossborder transactions during a given period of time, usually one year. [OECD, 2014](#).

<sup>2</sup> FDI stock measures the total level of direct investment at a given time, usually after one year. [OECD, 2014](#).

### EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline		Final target		Means of verification	Comments
		Value	Year	Value	Year		
<b>OUTCOME 1:</b> Increased number of companies deciding to invest after being provided quality services by the CFI.							
<b>Indicator 1</b> Percentage of CFI-assisted foreign companies that have invested	% of companies	To be determined at eligibility plus 60 days	2018	1.07 times baseline	2024	CRM system reflected in final report	<p><b>Formula:</b> (Number of CFI-assisted foreign companies starting a company in Haiti / total number of foreign companies assisted) * 100. A company will be deemed to have been started if one of the following actions has been carried out: (i) starting the registration process, (ii) signing a lease contract, or (iii) beginning to recruit staff. These actions will be recorded by the CFI in the CRM system.</p> <p><b>Baseline:</b> To be updated at eligibility plus 60 days using a survey being administered by the CFI to 20 companies seeking to invest for the first time that were assisted by the facilitation unit during the fiscal year from October 2017 to September 2018.</p> <p><b>Target:</b> According to Volpe, Carballo, and Blyde (forthcoming), an IPA can increase the likelihood that a company will establish a subsidiary in the country by 1% to 14%. Given the efforts carried out under operation 2879/GR-HA, a 7% increase over the baseline is expected. <a href="#">Optional link 2.</a></p> <p><b>Monitoring and evaluation:</b> To be evaluated using a nonexperimental trend analysis methodology. <a href="#">Required link 2.</a></p>
<b>Indicator 2</b> Percentage of CFI-assisted foreign companies that have reinvested	% of companies	To be determined at eligibility plus 60 days	2018	1.07 times baseline	2024	CRM system reflected in the final report	<p><b>Formula:</b> (Number of CFI-assisted foreign companies reinvesting in a company in Haiti / total number of foreign companies assisted) * 100. A company will be deemed to have reinvested in Haiti if it has completed all of the actions listed under indicator 1 and has expanded operations by carrying out one of the following actions: (i) expanding an existing production line, (ii) adding a new production line, or (iii) vertically integrating. These actions will be recorded by the CFI in the CRM system.</p>
							<p><b>Baseline:</b> To be updated at eligibility plus 60 days using a survey being administered by the CFI to</p>

Indicators	Unit of measure	Baseline		Final target		Means of verification	Comments
		Value	Year	Value	Year		
							<p>13 companies seeking to reinvest that were assisted by the facilitation unit during the fiscal year from October 2017 to September 2018.</p> <p><b>Target:</b> According to Volpe, Carballo, and Blyde (forthcoming), an IPA can increase the likelihood that a company will establish a subsidiary in the country by 1% to 14%. Given the efforts carried out under operation 2879/GR-HA, a 7% increase over the baseline is expected. <a href="#">Optional link 2.</a></p> <p><b>Monitoring and evaluation:</b> To be evaluated using a nonexperimental trend analysis methodology. <a href="#">Required link 2.</a></p>
<p><b>Indicator 3</b> Number of companies conducting a transaction through the GUI</p>	Number of companies	0	2018	400	2024	CRM system reflected in the final report	<p><b>Formula:</b> Number of companies registering in the GUI and/or securing their residency permit through the GUI during the project.</p> <p><b>Baseline:</b> 0, since the GUI has not yet been implemented.</p> <p><b>Target:</b> According to <a href="#">Rwanda's GUI</a>, 159 companies conducted a transaction in 2018.<sup>3</sup> Note: Since the GUI is compulsory in Rwanda (it will not be compulsory in Haiti) and has been in operation for five years, the GUI is expected to reach at least half that number in Haiti (50%). <a href="#">Optional link 2.</a></p> <p><b>Monitoring and evaluation:</b> To be evaluated using a nonexperimental trend analysis methodology. <a href="#">Required link 2.</a></p>

<sup>3</sup> Wavteq, 2019.

Indicators	Unit of measure	Baseline		Final target		Means of verification	Comments
		Value	Year	Value	Year		
<b>Indicator 4</b> Number of local companies that are accredited as potential providers and, after receiving services from the CFI, have established linkages with foreign companies	Number of companies	0	2018	35	2024	CRM system reflected in the final report	<p><b>Formula:</b> Total number of companies that are accredited as potential providers by the CCIH in partnership with the CFI, are listed at <a href="http://www.haitiserviceproviders.com">www.haitiserviceproviders.com</a>, and succeed in becoming providers for foreign companies as a result of the CFI's assistance. This will help investors find one or more high-quality local providers. Of the 600 local businesses accredited under operation 2879/GR-HA, 40 will participate in the program and therefore must meet certain criteria in indicators such as services, team experience, language proficiency, website, satisfactory client testimonials, standard procedures, and a business-friendly culture. At least 35 of these 40 businesses are expected to establish linkages—i.e., to enter into a contract as a provider.</p> <p><b>Baseline:</b> The linkages program has not yet been implemented, and therefore the baseline is 0.</p> <p><b>Meta:</b> The UNDP in Haiti implemented a similar program for providers, but it was focused on the inclusive market (businesses that are unable to gain access to the marketplace). This program resulted in 35 companies serving as providers to foreign companies.<sup>4</sup> For this project, companies wishing to participate must meet stricter requirements in terms of volume, time, and quality in the provision of goods and services. Considering that the investment amount is comparable (US\$900,000 vs. US\$1.5 million) and that despite the stricter criteria we are not focusing on the inclusive market, a similar number of businesses are expected to be served. <a href="#">Optional link 2.</a></p> <p><b>Monitoring and evaluation:</b> To be evaluated using a nonexperimental trend analysis methodology. <a href="#">Required link 2.</a></p>

<sup>4</sup> UNDP, 2019.

## OUTPUTS

Outputs	Estimated cost (US\$)	Unit	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
<b>Component 1. Institution-strengthening, development of services for local and foreign investors, and improved business climate</b>											
<b>Output 1</b> Technical work team with required talent, incorporated into the CFI and trained in technical matters and gender equality	1,805,000	New employees	0	19	0	0	0	0	19	CFI semiannual report	This output is aimed at incorporating young professionals with required skills into the institution. The CFI currently has a team of eight people, to which 11 more will be added. All of them will undergo sensitivity training to help them serve the CFI's female clients who are entrepreneurs and investors.
<i>Women on the technical work team with the required talent, incorporated into the CFI and trained</i>			0	10	0	0	0	0	10		
<i>Men on the technical work team with the required talent, incorporated into the CFI and trained</i>			0	9	0	0	0	0	9		
<b>Output 2</b> CFI strategic and operational plan implemented as a result of the team's capacities	2,050,000	Number of implementation reports	2	1	0	0	1	0	4	Report on implementation of the strategic plan as part of CFI's annual report	Strategic plans will be developed every three years. With support from operation 2879/GR-HA, two strategic plans have been developed, and two more are expected as a result of this project. The report will be updated on an annual basis and will include the CFI's progress in meeting international standards and the status of investment/reinvestment projects.

Outputs	Estimated cost (US\$)	Unit	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
<b>Output 3</b> Equipment to provide technological solutions is in place	145,000	New equipment lots	24	6	6	6	0	0	42	Semiannual maintenance report as part of the CFI's semiannual report	The equipment los that are acquired will be used for new positions or build-outs.  <b>Baseline:</b> 24 equipment los were acquired under the previous project (computers, photocopiers, etc.)  <b>Target:</b> Estimated number of equipment lots needed to expand the CFI's services and support new personnel.
<b>Output 4</b> Leads generated through the program	2,500,000	Number of leads	20	5	10	10	5	0	50	Implementation report as part of CFI annual report	The contact generation report will be input into the CRM system and will include contact status and lessons learned by the CFI team. <b>Baseline:</b> 20 leads were generated as a result of operation 2879/GR-HA.  <b>Target:</b> A 150% increase.
<b>Output 5</b> GUI implemented	2,350,000	Number of websites in the GUI	0	0	1	1	0	0	2	Implementation report and link to the GUI as part of CFI annual report	The report will include, at a minimum, the links to the business startup process (link 1) and the process for obtaining a residency permit (link 2), as well as the development of all other processes in the hybrid GUI (physical and online).
<b>Output 6</b> Businesses participating in the service provider program	1,500,000	Number of participating businesses	0	10	10	10	10	0	40	CRM report on participating businesses as part of CFI annual report	The report will include the number of businesses, sectors, a needs report, and responses by the CFI team. All of this will be recorded in the CRM system.

Outputs	Estimated cost (US\$)	Unit	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
<b>Output 7</b> Local economic development plan implemented by strategic sector with technical support and incentives	2,500,000	Number of implementation documents	0	1	1	1	1	0	4	Implementation document on the local economic development plan as part of CFI annual report	The implementation document will include niches/subsectors identified and supported, as well as all activities and incentives implemented.
<b>Output 8</b> Exporters and potential exporters receiving service for export promotion	1,450,000	Number of businesses	0	2	3	3	2	0	10	CRM report on participating businesses as part of CFI annual report	The report will describe the services received by each business and explain how businesses currently exporting or those not yet exporting have improved their export capacity (including new investments).

## **FIDUCIARY AGREEMENTS AND REQUIREMENTS**

**Country:** Republic of Haiti

**Project:** HA-L1133. Project to Support Private Sector Development through Investment Promotion

**Executing agency:** CFI

**Prepared by:** Marie Marcelle Orisme Roc Passard (FMP/CHA) and Ana González Vidales (FMP/CHA)

### **I. EXECUTIVE SUMMARY**

- 1.1 The general objective is to help increase FDI. The specific objective is to increase the number of foreign companies deciding to begin or expand operations in Haiti with technical support from the CFI. The project's sole component is focused on (i) professionalizing technical assistance for investment promotion and facilitation, and (ii) access to the goods and services of local providers and potential partners for foreign companies. The total amount of the project is US\$17.5 million.
- 1.2 The most recent assessment of the public financial management systems (SPGFs) is included in the Public Expenditure and Financial Accountability evaluation report published in 2012. This report was prepared as part of the Public Expenditure Management and Financial Accountability Review (PEMFAR) (2007) using the evaluation methodology for country procurement systems based on indicators from the World Bank and the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC). The country SPGF and external control mechanisms need further improvements to meet the Bank's requirements.
- 1.3 The PEMFAR indicates that Haiti has strengthened its legal framework with its new Public Procurement Act, regulations, and the introduction of standard bidding documents for the procurement of works and consulting services and the awarding of public works concessions. Another significant reform was the formation of ministerial and special committees for procurement in the Haitian government. The lead agency is the National Public Procurement Commission, which reports to the Prime Minister.
- 1.4 The country procurement system was also evaluated in 2013, using the OECD-DAC methodology and indicators. Weaknesses were identified, and it is currently being modernized. Under current circumstances, country systems will not be used, and the Bank's procurement policies will govern the project's procurement processes.
- 1.5 While the SPGFs and procurement processes are being strengthened, the Bank will: (i) have special execution units; (ii) implement special fiduciary arrangements; and (iii) closely supervise the project execution unit. External control in the form of



independent audits will also be carried out for all operations, in accordance with the Bank's financial reporting and auditing guidelines.

## II. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 **Financial management.** The CFI has a unit for administrative and fiduciary matters that is responsible for recordkeeping, accounting, and preparation of financial statements. It has experience in executing Bank operations and a basic structure for financial management. However, some areas for improvement have been identified (Section III).
- 2.2 **Procurement.** On the basis of the supervision visits and execution of operation [2879/GR-HA](#), the risk level for this project is considered medium. Capacity was evaluated using the Institutional Capacity Assessment Platform. The CFI is responsible for project execution and will perform fiduciary management and procurement activities. However, the CFI's increased responsibilities (due to operation [2879/GR-HA](#) and this project) has raised the risk level for procurement execution. While the CFI has trained procurement specialists, strengthening efforts and responsible technical personnel are needed to prepare terms of reference.

## III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The most recent institutional capacity assessment of the CFI's project execution unit, in 2018, indicates the following:
- a. The SPGFs and internal control processes have the following medium-level risks and areas for improvement: (i) significant weaknesses in financial planning and execution of activities, (ii) lack of an audit unit, and (iii) limited internal control. These risks will be mitigated by (i) strengthening the team responsible for project execution, (ii) clearly defining roles and responsibilities in the fiduciary team, and (iii) defining the team's functions and responsibilities in the project Operations Manual.
  - b. The procurement system has the following medium-level risks: (i) lack of capacity to manage increased activity; (ii) lack of procurement management procedures; and (iii) limited contract management capacity. These risks can be mitigated by (i) strengthening the project execution team; (ii) clearly defining roles and responsibilities on the procurement team; (iii) defining the team's functions and responsibilities in the project Operations Manual; and (iv) a tool to help monitor procurement and contract-management processes for project reporting purposes.

## IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

- 4.1 The project Operations Manual will include an organizational chart with detailed functions for financial management and procurement, including the designation of two specialists (financial management and procurement). Prior to the first disbursement, the CFI will open separate bank accounts at the BRH to manage the project's resources, will provide a list of entities authorized to request disbursements, and will update its chart of accounts.

- 4.2 The exchange rate to be used will be the rate in effect on the transaction date and published by the BRH. This exchange rate will be used to record all expenditures incurred in local currency.

## V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 The fiduciary procurement modalities dictate the conditions applicable to all procurement execution activities.
- 5.2 For purchases, the PEU will update its procurement plan on a semiannual basis in accordance with the semiannual project status report, whenever necessary, or as required by the Bank. The CFI will submit the detailed plan to the Bank.<sup>1</sup>
- 5.3 Procurement will be undertaken in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9).
- 5.4 **Procurement of works, goods, and nonconsulting services.** Goods and works requiring international bidding will be procured using the Bank's standard bidding documents. Procurement items subject to national bidding will use country bidding documents that have been agreed upon with the Bank or, in the absence of an agreement, which are satisfactory: (i) the appropriate procurement method and document will be used for the procurement of ICT systems; and (ii) ad hoc standard bidding documents will be used for the procurement of nonconsulting services. All contracts related to logistics and training will be procured as nonconsulting services. ITE will provide support for the review of technical specifications.
- 5.5 **Selection and contracting of consultants.** The selection and contracting of consulting firms subject to any of the methods described in the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank will be governed by Bank policies (document GN-2350-9). The sector specialist will review the terms of reference for the selection of consulting services. National and international individual consultants will be selected in accordance with Annex V of document GN-2350-9, and contracts will include statements on conflict of interest and prohibited practices. With regard to training, the PEU and the Bank will agree during the project launch on the methods to be used; for single-source selection, the procedures for requesting proposals (companies) and evaluating professional capacity (individuals) will be used. Decisions will also be duly justified and consistent with paragraphs 3.9 to 3.13 of document GN-2350-9.
- 5.6 **Single-source selection.** Single-source selection will be used for the following providers through two collaboration agreements. All Bank-financed collaboration agreements will include provisions on prohibited practices:
- a. **Trade Facilitation Office Canada (TFO) (US\$1.2 million).** The objective is to develop instruments to promote exports and help introduce Haitian products

---

<sup>1</sup> The first 18 months of the project start on the publication date of the general procurement notice or the first specific procurement notice published after the loan is approved, whichever occurs first.

and services to the U.S. and Canadian markets. Justification is based on Article 3.10(d) of document GN-2350-9, which states that a firm may be commissioned through single-source selection if it is qualified or has experience of exceptional worth for the assignment. The TFO is a Canadian nonprofit organization that allows exporters from developing countries to form sustainable trade partnerships with Canadian and U.S. buyers. It helps SMEs and IPAs in developing countries access the U.S. and Canadian markets by providing them information, advisory services, and contact services. The TFO has conducted missions to Haiti and has a multidisciplinary team of experts on the ground there.

- b. **United Nations Development Programme (UNDP) (US\$1.1 million).** The objective is to continue execution of the [program for providers to foreign companies](#) with the aim of securing contracts to provide foreign companies with goods and services. Justification is based on Article 3.10(a), of document GN-2350-9: for tasks that represent a natural continuation of previous work carried out by the firm. In 2014 the CFI signed a contract with the UNDP to start the program. The first phase was completed in May 2018 with more than 600 companies accredited. In this second phase, the UNDP will help the CFI and the CCIH implement the program by developing the methodology and manuals, building a basket of Haitian consultants, and providing technical assistance for linkages between investors and providers. The UNDP has technical knowledge and proven experience, as it was the only international organization able to carry out a similar program with highly satisfactory results.
- 5.7 **Recurrent costs.** This category includes compensation for all CFI personnel and other recurrent costs that are necessary to support implementation of the program.
- 5.8 **Advance procurement and retroactive financing.** The Bank may retroactively finance, from the proceeds of the Bank's nonreimbursable financing, up to US\$1.75 million (10% of the proposed amount of the Bank financing) in eligible expenditures incurred by the beneficiary before the approval date of the nonreimbursable financing proposal, provided that requirements substantially similar to those established in the nonreimbursable financing contract have been met. These expenditures will be used to hire personnel, support the renewal of the Caribbean Basin Trade Partnership Act, and continue the program for service providers and the GUI, inter alia. These expenditures will have been incurred on or after 3 August 2018 (the project profile approval date) but under no circumstances will include expenditures incurred more than 18 months prior to the approval date of the nonreimbursable financing proposal.

**Procurement thresholds (regular):**

Works			Goods			Consulting services	
ICB	NCB	Shopping	ICB	NCB	Shopping	International	100% National shortlist
> 1,000	100-1,000	< 100	= > 100	25-100	< 25	> 200	< 100

#### Main procurement items

Item	Procurement method	Estimated date	Estimated amount (US\$)
<b>Goods</b>			
Signing of CFI strategic/operational plan	QCBS	February 2020	1,975,000.00
TFO, development and marketing in U.S. and Canada.	SSS	February 2020	1,200,000.00
UNDP, development of PDF program	SSS	January 2020	1,100,000.00
Event agency	ICB	February 2020	635,800.00

- 5.9 **Procurement supervision.** Procurement activities under this operation will be subject to ex ante review by the Bank.
- 5.10 **Records and files.** The PEU will keep records in a safe and orderly manner. All project procurement processes will be classified by contract, including all relevant documents from the procurement process.

## VI. FINANCIAL MANAGEMENT

- 6.1 **Programming and budget planning.** Execution and supervision will be based on the Bank's financial management forms and procedures. The CFI will prepare an annual work plan, a procurement plan, and a detailed 12-month financial plan. The financial plan will coincide with the Haitian fiscal year and will respect the budget line items set forth in the grant agreement (investment categories). Execution of the financial plan will be evaluated and updated every four months.
- 6.2 **Accounting and information systems.** QuickBooks will be used to record and keep accounting information on the operation and to prepare financial statements for auditing.
- 6.3 **Disbursements and cash flow.** Financial management of the project will be in accordance with document OP-273-6. The CFI will prepare the project's annual planning exercise, which will be reviewed and submitted to the Bank at least every four months. The financial plan will be based on the activities listed in the annual work plan and procurement plan, as well as the payment terms agreed upon with providers. Advances of funds will be used to cover the unit's administrative expenditures and salaries. The CFI will justify at least 80% of the advanced amount requiring justification before it can request another advance. The Bank may make direct payments of US\$50,000 or more to contractors and providers on behalf of, and at the request of, the CFI.
- 6.4 **Internal control and auditing.** The CFI does not have an internal audit unit, and weaknesses have been identified in its internal control structure. This will be mitigated by including a section in the project Operations Manual to establish a structure for managing the operation's funds.
- 6.5 **External control and reports.** External financial audits will be conducted in accordance with Bank policies. The audited financial statements will coincide with

the Haitian fiscal year. Every six months, the CFI will submit the program's unaudited financial statements to the Bank within 60 days after the end of each six-month period.

- 6.6 **Financial supervision plan.** The Bank's fiduciary personnel will conduct at least two supervision visits per year as part of the supervision plan for the operation.
- 6.7 **Execution mechanism.** The CFI will be responsible for project management and will have a team responsible for planning and monitoring activities. The project Operations Manual, which will be approved by the Bank, will set forth the functions and responsibilities within the CFI's fiduciary team.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/19

Haiti. Nonreimbursable Financing \_\_\_\_/GR-HA to the Republic of Haiti  
Project to Support Private Sector Development  
through Investment Promotion

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the IDB Grant Facility (hereinafter referred to as the "Account"), to enter into such contract or contracts as may be necessary with the Republic of Haiti, as beneficiary, for the purpose of granting it a nonreimbursable financing to cooperate in the execution of the Project to Support Private Sector Development through Investment Promotion. Such nonreimbursable financing will be for an amount of up to US\$17,500,000, which form part of the Account, and will be subject to the Terms and Financial Conditions and the Special Contractual Conditions in the Project Summary of the Grant Proposal.

(Adopted on \_\_\_\_ 2019)