

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HAITI

BUSINESS COMPETITIVENESS AND CLUSTER SUPPORT

(HA-T1076)

PLAN OF OPERATIONS

This document was prepared by the project team consisting of: Eduardo Almeida (CMF/CHA) Project Team Leader; Gregorio Arévalo (ICF/CMF); José Jorge Saavedra (CMF/CBA); Rosina de Sousa (LEG/SGO) Virginia Franzini (LEG/SGO) and Dianela Avila (ICF/CMF)

CONTENT

I.	BACKGROUND AND JUSTIFICATION.....	2
A.	Background.....	2
B.	Problem Statement and Value Added of this Project	3
C.	Linkage to the Government of Haiti strategy	4
D.	Linkage to Bank's strategy	4
II.	PROGRAM DESCRIPTION	4
A.	Program goal and purpose	4
III.	. DESCRIPTION OF PROGRAM COMPONENTS	4
IV.	COST AND FINANCING.....	7
A.	Summary cost table.....	7
B.	Description and composition of financing.....	7
C.	Sustainability	7
V.	EXECUTING AGENCY AND MECHANISM.....	7
A.	Executing Agency.....	7
B.	Executing mechanism.....	7
C.	Program implementation readiness.....	8
D.	Execution period and disbursement schedule.....	8
E.	Procurement.....	8
VI.	MONITORING AND EVALUATION	8
A.	Monitoring	8
B.	Technical and basic responsibility.....	9
C.	Progress and final reports	9
VII.	PROGRAM BENEFITS AND RISKS	9
A.	Program benefits and developmental impact.....	9
B.	Target Beneficiaries.....	9
C.	Risks	9
VIII.	ENVIRONMENTAL AND SOCIAL REVIEW.....	10
A.	Date of Esr review	10
IX.	CERTIFICATION	10
X.	APPROVAL	10

ANNEXES

ANNEX I	Logical Framework
ANNEX II	Detailed Program Budget
ANNEX III	Procurement Plan

BASIC SOCIOECONOMIC DATA

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

[Figure 1 Benchmarking of Business Climate Issues in the Caribbean Region](http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1798415)

<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1798415>

[Figure 2 Matrix with potential value chains to be further developed](http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1798431)

<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1798431>

[Figure 3. Timetable for project implementation](http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1798434)

<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1798434>

ABBREVIATIONS

COMPETHAITI	National Competitiveness Program
HAMCHAM	Haitian-American Chamber of Commerce
HDI	Human Development Index
HOPE	Haitian Hemispheric Opportunity through Partnership Encouragement
IDB	Inter-American Development Bank
MSME	Micro, Small and Medium Enterprises
NGO	Non-Governmental Organization
OTF	On The Frontier
SME	Small and Medium Enterprises
TC	Technical Cooperation
USAID	United States Agency for International Development

PLAN OF OPERATIONS

BUSINESS COMPETITIVENESS AND CLUSTER SUPPORT (HA-T1076)

EXECUTIVE SUMMARY

Beneficiary:	Republic of Haiti		
Team Leader and team members	Eduardo Almeida (CMF/CHA) Project Team Leader; Gregorio Arévalo (ICF/CMF); José Jorge Saavedra (CMF/CBA); Rosina de Sousa (LEG/SGO) Virginia Franzini (LEG/SGO) and Dianela Avila (ICF/CMF)		
Executing agency:	Inter-American Development Bank (IDB)		
Target Beneficiaries:	The short-term target beneficiaries of this TC will be the Ministry of Commerce and Industry of Haiti and the private companies. The TC will generate a consistent set of private opportunities in high-value added sectors and the Ministry of Commerce and Industry will dispose of an agenda of investments to enhance competitiveness of the Country. In the medium to long-term, the beneficiaries will be at least one million rural and urban workers and entrepreneurs, which will benefit from the development of the sectors to be enhanced.		
Financing:	IDB: (Net-Income FSO)	US\$	300,000
	Total:	US\$	300,000
Objectives:	The general objective of this TC is to create the base for a sustainable competitiveness program in Haiti. The specific objectives of the TC are: (1) identification of target high-value chains and design of a winning strategy to create a sustainable competitive advantage to Haiti; and (2) design of an agenda of interventions on key business climate issues to improve Haiti general business competitiveness.		
Execution timetable:	Execution period	6 months	
	Disbursement period	8 months	
Special contractual conditions:	None		
Exceptions to Bank Policies and Procedures:	None		
Environmental and social review:	This operation has been cleared by ESR secretariat The Project classification: C on November 17, 2008.		
Coordination with Other Donors:	This project will be implemented in close coordination with the international development agencies in Haiti, to serve as a base for future implementation projects on economic development in the country.		

I. BACKGROUND AND JUSTIFICATION

A. Background

- 1.1 Haiti, being the poorest country in the Western Hemisphere, needs a comprehensive strategy to support private sector development and competitiveness in order to achieve short and long term sustainable sources of economic growth and reverse the increasing poverty trend that has affected the country over the past 28 years. GDP per capita¹ accuses an average 2.4% decrease *per annum* since the 1980s, and is now only at slightly over half the level attained in 1980. The critical downturn of the economy is associated with unemployment, food security, environment degradation and urban security. First, unemployment averages 33%, 20% in the rural areas and 45% in the metropolitan regions. These indicators are expected to worsen, due to the increase in the labor force (currently 4 million people) and the low number of new jobs being created. Second, the increase of food commodity prices over the past few months has created great social and political instability, given that for 20% of the population about six of every ten dollars of income on average is spent on food. Third, environmental degradation has led to an extreme reduction of land productivity. In past decades, water catchment areas in upper watersheds have suffered an accelerated process of expansion of the agriculture frontier, with concomitant deforestation to satisfy food, energy and other income generation demands. As a result, although there is only about 15% of arid or semi-arid land in Haiti, only about 28% of the territory is arable and only 12% has permanent crops. Finally, the urban security degradation has forced many manufacturing plants to close, particularly in the garment sector, forcing Haitian investors to leave the Country.
- 1.2 The Country has some conditions that should be transformed into competitive advantages, such as a strategic geographic position providing proximity to the US market; a privileged access to the US garments market, facilitated by a free trade agreement (HOPE II Program); and relatively low labor costs.
- 1.3 On the other hand, Haiti faces a myriad of business climate difficulties that seriously limit the Country's capacity to exploit its advantages. Some of the most critical factors are: (1) high levels of insecurity and political instability, which are exacerbated by extreme poverty; (2) lack of collaboration and mistrust in the relations between the public and the private sectors, as well as among private sector institutions; (3) high cost of physical infrastructure (energy, logistics, transportation, water and sanitation, etc); (4) lack of human capital, particularly among workers with technical skills; (5) lack of appropriate regulation and enforcement (e.g., property rights and foreign investment protection); and (6) high informality in urban and rural areas. [Figure 1 Benchmarking of Business Climate Issues in the Caribbean Region](#)² presents some of the key horizontal

¹ In PPP terms (Purchase Power Parity)

² Source: "Doing Business 2008" – www.doingbusiness.org

(cross-sector) issues, which prevent Haiti to promote private sector development, as compared to other countries in the Caribbean region.

B. Problem Statement and Value Added of this Project

- 1.4 Given the situation, it is deemed necessary to design a long-term sustainable strategy to enhance competitiveness in Haiti, with short-term impact on job creation and increase of income. This Technical Cooperation seeks to design this strategy. The present proposal has been prepared in a joint effort between the Ministry of Commerce and Industry and the Inter-American Development Bank.
- 1.5 The key factors of success of this Technical Cooperation can be described as follows:
 - a. Focus on a selected number of value chains. Previous studies have identified a set of economic sectors that can generate significant economic value and where Haiti can create a competitive advantage³. There is potential to develop a selected number of agriculture high-value chains (coffee, cocoa, bananas, mangoes, ethnic products), of light manufacturing (assembly) and biodiesel. [Figure 2 Matrix with potential value chains to be further developed](#)⁴ indicates the summary of the referred studies, with first hypothesis on the classifications of the value chains, according to value creation and potential Haiti competitiveness. The reinforcement of these sectors, which have proved to be anchored on sustainable market demand, could eventually have a positive impact on some 1.7 million workers (about 40% of the working population)⁵ and, as in the case of biodiesel, can significantly reduce the deterioration of the environment. The **value added** of this Technical Cooperation will be to select a limited number of value chains (3 or 4 with massive impact in number of jobs) and, for each one, design a long term strategy to create a sustainable competitive advantage for Haiti.
 - b. Give priority to improving the general climate for business opportunities. In order to boost the development of the private sector and attract local and international capital, cross-sector issues should be solved⁶. The **value added**

³ Examples of these studies financed by the IDB are: "Identification de Creneaux Potentiels dans les Filieres Rurales Haitiennes", 2005 (financed by the IDB); the study on the potential of renewable energy co-financed by the US State Department and the Government of Brazil, 2008; "Secteur de l'Assemblage en Haiti" – Fonds de Developpement Industriel - 2007

⁴ Source: Consolidation of previous studies (see note 3 above)

⁵ Source: "Identification de Creneaux Potentiels dans les Filieres Rurales Haitiennes", 2005 (IDB); study on the potential of renewable energy financed by the US State Department and the Government of Brazil, 2008; and interviews with sector specialists. The consolidation of these studies indicate the following impact in terms of number of workers: biodiesel (500,000), ethnic products – for example, cassava, yam, avocado and malanga (450,000), mangoes (400,000), coffee (200,000), bananas (50,000), cocoa (20,000) and textiles (50,000).

⁶ Examples of these interventions are: (1) access to the market; (2) access to finance; (3) regulation; (4) facilitation of logistics and transactions over the value chains; (5) human capital formation; (6) social

of this Technical Cooperation will be to provide an integrated analysis of the issues, prioritize them according to degree of urgency and importance and proposing a consistent action plan.

- c. Increase collaboration for implementation. In order to succeed, this project will have to identify and implement practical examples of Public-Private Dialogue opportunities, with the support of the international donors. The **value added** of this Technical Cooperation will be to identify and facilitate the formation of these opportunities.

C. Linkage to the Government of Haiti strategy

- 1.6 This Technical Cooperation is concordant with the GoH development strategy defined in the “Document de Stratégie Nationale pour la Croissance et la Réduction de la Pauvreté” (DSNCRP). This strategy lists the key areas for the economic growth strategies (among others): (i) agriculture & rural development, (ii) tourism, (iii) infrastructure (energy & transportation) and (iv) environment & sustainable development

D. Linkage to Bank’s strategy

- 1.7 This Technical Cooperation is concordant with the IDB Haiti Country Strategy. This Technical Cooperation will contribute to Objective 1 of the Country Strategy (“Strengthen the underlying foundation for economic growth”), on its specific objectives: “create conditions for economic growth driven by private initiative; increase the country’s economic bargaining power; boost public and foreign investment; secure resources from local banks and remittances from the Diaspora”.

II. PROGRAM DESCRIPTION

A. Program goal and purpose

- 2.1 The general objective of this TC is to create the base for a sustainable competitiveness program in Haiti. The specific objectives of the TC are: (1) identification of target high-value chains and design of a winning strategy to increase the revenues of a massive number of employees, and contribute to the creation of sustainable competitive advantages in Haiti; and (2) design an agenda of interventions on key business climate issues to improve Haiti’s general business competitiveness.

III. . DESCRIPTION OF PROGRAM COMPONENTS

- 3.1 **Component I: Design of the value chains strategy.** The objectives of this component are: (1) to evaluate and prioritize the value chains in which Haiti can

infrastructure investment needs; (7) institutional and partnership formation needs; (8) associative building needs; and (9) increase participation of SME (Small and Medium Enterprise).

create a sustainable competitive advantage and can maximize the jobs and income generation; and (2) to define a set of possible interventions for each selected value chain, as a winning strategy to capture the competitive advantage.

3.2 Activities. The main activities are described as follows:

- a. *Sector Analysis.* Review of existing documentation to learn from the vast number of economic sector analysis previously done in Haiti. After a first screening, based on the results of the previous studies, an industry analysis will be performed for key products (e.g., fruits, light manufacturing, biodiesel), understanding the key drivers of each value chain, and the potential value added for Haiti in terms of economic growth, jobs and income.
- b. *Value Chains Prioritization.* Once the value chains are mapped and ranked, a series of discussions with the key actors from the public, private and international development institutions will be organized, to validate the analysis and to define a selected number of value chains (two-to-four), to which a strategy will be defined
- c. *Definition of the market strategy and the development goals per prioritized value chain.* For each of the prioritized value chains, a market-niche strategy will be identified where Haiti could maximize the creation of value becoming more competitive. In addition, impact goals to be pursued with the implementation of the strategy will be defined⁷. These goals should include long term measures, as well as, short-term wins.
- d. *Identification of existing programs to develop the prioritized value chains.* Evaluation of previous and current projects aimed to develop the selected value chains in Haiti and in other countries, through a documentation analysis and interviews with key actors will be commissioned
- e. *Design of value chain intervention map.* Definition of a realistic intervention map to accomplish the development goals, enhancing the support of the government, private sector and development institutions.
- f. *Implementation of a Communications Strategy to generate buy-in of stakeholders.* Develop a public relations plan to build solid PPDs opportunities to implement each key intervention.

3.3 End Products. As described in the logical framework (Annex I), a series of documents will be delivered, with the following content: (1) prioritization and mapping of value chains; (2) the lessons learned from the existing programs in

⁷ A preliminary list of goals include: (1) job and income generation; (2) economic value generation; (3) environmental benefit; (4) expected investment from the private sector; and (5) expected financial subsidy to be obtained from the government and the development agencies.

Haiti and from international experience to improve the priority value chains; and (3) an intervention plan per priority value chain.

3.4 **Component II: Mapping and evaluation of horizontal business climate issues.**

The objective of this component is to identify the cross-sector business climate (horizontal) constraints that limit the competitiveness of Haiti and to design an agenda of interventions to significantly reduce their impact.

3.5 Activities. The main activities are described as follows:

- a. *Identification of horizontal issues, current status and implication to the competitiveness of the Country.* Learn from the extensive existing documentation on the subject in Haiti, as well, from interviews with local stakeholders.
- b. *Identification of existing programs to solve the issues.* The team will evaluate previous and current programs aimed at solving the horizontal issues, through a documentation review, analysis and interviews with key actors. Subsequently, a benchmarking analysis will be done to identify solutions to the identified issues and to evaluate their application to Haiti.
- c. *Prioritization of the horizontal issues and definition of improved goals.* The team will rank the horizontal issues, according to the degree of importance and urgency of the solution and the degree of difficulty to solve the issues.
- d. *Design of the intervention map to solve the prioritized issues.* Define a realistic logical framework of intervention to solve the prioritized issues, enhancing the support of the government, private sector and development agencies. In order to design the action plan, a benchmarking analysis will be performed, reviewing examples from other countries.
- e. *Implementation of a Communication Strategy to generate stakeholder's support.* Similarly to the described in the previous component, the team will develop a public relations plan to build solid PPDs opportunities to implement each key intervention.

3.6 End Products. As described in the logical framework (Annex 1), a series of documents will be delivered, with the following content: (1) a matrix with the horizontal issues and the impact on the Haitian business competitiveness; (2) the lessons learned from existing programs to reduce business climate constraints; (3) a list of potential sponsors to collaborate with the intervention map to be designed; (4) the selection of critical issues to be addressed by the intervention plan; and (5) the intervention plan to reduce the negative impact of the selected issues.

IV. COST AND FINANCING

- 4.1 The total budget for the current Technical Cooperation proposal is US\$ 300,000. Table 1 presents the budget summary and Annex II presents the same budget in more detail

A. Summary cost table

Table 1 – Summary Cost Table (in US\$)

Budget by Project Components and Activities	Total
Component I: Design of the value chain strategy	186,327
I.1. Sector Analysis	77,531
I.2. Value Chains Prioritization	27,373
I.3. Definition of the market strategy and the development goals per prioritized value chain	27,173
I.4. Identification of existing programs to develop the prioritized value chains	16,542
I.5. Design of value chain intervention map	33,084
I.6. Implementation of a Communications Strategy to generate buy in of stakeholders	4,625
Component II: Mapping and evaluation of horizontal business climate issues	113,673
II.1. Identification of horizontal issues, current status and implication to competitiveness of the Country	32,867
II.2. Identification of existing programs to solve the issues	21,902
II.3. Prioritization of the horizontal issues and definition of improvement goals	10,951
II.4. Design of an intervention map to solve the prioritized issues	43,804
II.5. Implementation of a Communications Strategy to generate buy in of stakeholders	4,150
Total	300,000

B. Description and composition of financing

- 4.2 The project will be financed by the net-income FSO, with no counterpart expected from other parties.

C. Sustainability

- 4.3 The team will design a consistent strategy to generate sustainable competitive advantage for Haiti in a set of critical value chains. The project will also serve as a base for future investments of the government and the private sector, as well as, from the IDB and other international donors.

V. EXECUTING AGENCY AND MECHANISM

A. Executing Agency

- 5.1 The Technical Cooperation will be executed by the Bank and implemented in close collaboration with the Minister of Commerce and Industry's Office.

B. Executing mechanism

- 5.2 To support the execution of the project, the Bank will hire a consulting company, specialized in the design and implementation of competitiveness programs. The consulting company to be contracted will present at least the following team: (1) specialist in competitiveness (an international hire); (2) value chain specialist (a local hire with experience in value chain development programs in Haiti); (3)

- specialist in business climate issues (an international hire); (4) specialist in communication (a local hire with knowledge of public and private sector actors in Haiti); and (4) sector specialists (international hires with experience in economic sectors, depending on the selected value chains to be addressed).
- 5.3 In agreement with the Ministry of Commerce and Industry, a Steering Committee will be formed to provide strategic input to the analysis and discuss the end products. The Steering Committee should be composed by representatives from the public and the private sectors (particularly involved with the selected value chains), and operate in close coordination with international donor agencies.
- 5.4 The TC will be implemented in coordination with existing projects and in partnership with local institutions developing activities related to competitiveness in Haiti, such as USAID, World Bank, AMCHAM, CLED and the Chamber of Commerce.
- C. Program implementation readiness**
- 5.5 The project can be started after two months of the approval of this proposal, after the Terms of Reference for the consulting company are finalized and advertized.
- D. Execution period and disbursement schedule**
- 5.6 The execution will take place over a 6 month-period, according to the timetable, (see [Figure 3. Timetable for project implementation](#)). The disbursement period is planned to be 8 months.
- E. Procurement**
- 5.7 The consulting company will be contracted in accordance with the Bank policies and procedures. All Bank financed acquisitions performed under the present Technical Cooperation will also be subject to the Bank's Procurement Policies for the Selection and Contracting of Consultants (GN-2350-7) and the Policies for the Procurement of Goods and Works (GN-2349-7). For a detail procurement Plan, see Annex III.

VI. MONITORING AND EVALUATION

A. Monitoring

- 6.1 The monitoring procedures will be based on the output indicators and the means of verification such as described in Annex I (Logical Framework).
- 6.2 The activities to be performed by the consulting company and the deliverables will be monitored according to the corresponding Terms of Reference and will also be consistent with the procurement process.

B. Technical and basic responsibility

- 6.3 Technical responsibility. The technical responsibility for the execution of this proposed Technical Cooperation will rest in the Capital Markets and Finance (CMF) Division, in CHA: Eduardo Almeida – Team Leader. CMF/CHA will provide direct technical assistance to supervise the technical work of all components of this Technical Cooperation, facilitating the relationship with the Steering Committee and with the internal experts at the Bank.
- 6.4 Responsibility for Disbursements. CMF/CHA will be responsible for the contracting of consultants and for disbursement.

C. Progress and final reports

- 6.5 The Project team will monitor the progress of the project, in particular the timeliness and quality of the deliverables expected from the consulting firm. According to the TORs, and in consultation with the Steering Committee. In addition, it will be required that the implementing consulting company will organize monthly workshops with the Steering Committee to check the quality of the analyses and provide strategic guidance and feedback.

VII. PROGRAM BENEFITS AND RISKS

A. Program benefits and developmental impact

- 7.1 The project will result in the establishment of a private sector development agenda with a set of interventions for its effective implementation. The impact will be the creation of jobs and revenues for thousands of people in Haiti in the short-medium term, in sectors where Haiti can develop sustainable competitive advantages.

B. Target Beneficiaries

- 7.2 The short-term target beneficiaries of this TC will be the Ministry of Commerce and Industry of Haiti and the private companies. The TC will generate a consistent set of private opportunities in high-value added sectors and the Ministry of Commerce and Industry will dispose of an agenda of investments to enhance competitiveness of the Country. In the medium to long-term, the beneficiaries will be at least one million rural and urban workers and entrepreneurs, which will benefit from the development of the sectors to be enhanced.

C. Risks

- 7.3 The two key risks to the success of this Technical Cooperation will be of a political nature. The first risk is associated with the willingness of the local stakeholders to collaborate with the design and implementation of the common private sector development agenda. This risk will be mitigated by the

implementation of a consistent communications strategy. The second risk is associated with the potential political instability of the central government of Haiti, which can compromise the participation of government stakeholders and delay analysis, decisions and actions; this risk will be mitigated by defining a transparent and business-oriented agenda from the beginning of the TC implementation, aiming to produce clear and quick-gains, while ensuring a technical, rather than political, approach to project design and implementation.

VIII. ENVIRONMENTAL AND SOCIAL REVIEW

A. Date of Esr review

- 8.1 Since the TC focuses mainly on technical assistance, consulting services and workshops, no negative environmental or social impact is expected from the execution of the TC. According to the toolkit this Project has been classified as “C” and cleared by ESR net on November 17, 2008.

IX. CERTIFICATION

- 9.1 The Grants and Cofinancing Management Unit (VPC/CGM) certifies that the amounts of US\$300,000 from the net-Income FSO are available for the financing of the proposed program budget of the current Plan of Operations.

Original Signed

12/17/2008

Marguerite S. Berger, Chief VPC/CGM

Date

X. APPROVAL

Original Signed

Original Signed

Kurt Focke, Chief ICF/CMF

Phillipe Dewez, Representative CCB/CHA

Date **12/17/2008**

Date **12/17/2008**