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UNCLASSIFIED

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

HAITI

# PROJECT PAPER

EXPORT AND INVESTMENT PROMOTION

AID/LAC/P-308

Project Number:521-0186

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

# PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete)

Amendment Number:

DOCUMENT CODE: 3

COUNTRY/ENTITY: Haiti

3. PROJECT NUMBER: 521-0186

4. BUREAU/OFFICE: USAID/Haiti 5

5. PROJECT TITLE (maximum 40 characters): Export and Investment Promotion

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 08 DD 15 YY 90

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 86 B. Quarter 4 C. Final FY 88

8. COSTS ($000 OR EQUIVALENT $1 = )

| A. FUNDING SOURCE | FIRST FY 86 B. FX | C. L/C | D. Total | LIFE OF PROJECT E. FX | F. L/C | G. Total |
|---|---|---|---|---|---|---|
| AID Appropriated Total | | | 1,200 | | | 7,700 |
| (Grant) | ( ) | ( ) | (1,200) | ( ) | ( ) | (1,200) |
| (Loan) | ( ) | ( ) | ( ) | ( ) | ( ) | ( ) |
| Other U.S. 1. | | | | | | |
| Other U.S. 2. | | | | | | |
| Host Country | | | | | | |
| Other Donor(s) | | | | | | |
| TOTALS | | | 1,700 | | | 7,700 |

9. SCHEDULE OF AID FUNDING ($000)

| A. APPROPRIATION | B. PRIMARY PURPOSE CODE | C. PRIMARY TECH. CODE 1. Grant | 2. Loan | D. OBLIGATIONS TO DATE 1. Grant | 2. Loan | E. AMOUNT APPROVED THIS ACTION 1. Grant | 2. Loan | F. LIFE OF PROJECT 1. Grant | 2. Loan |
|---|---|---|---|---|---|---|---|---|---|
| (1) SDA | 730 | 840 | | 0 | | 7,700 | | 7,700 | |
| (2) | | | | | | | | | |
| (3) | | | | | | | | | |
| (4) | | | | | | | | | |
| TOTALS | | | | | | 7,700 | | 7,700 | |

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 831, 874

11. SECONDARY PURPOSE CODE: 739

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| A. Code | BU | RGEN | TECH | | | | |
| B. Amount | | | | | | | |

13. PROJECT PURPOSE (maximum 480 characters)

To improve, expand, and professionalize export and investment promotion services to a wide spectrum of businesses and entrepreneurs in manufacturing and agro-industry.

14. SCHEDULED EVALUATIONS

Interim MM YY MM 06 YY 88 Final MM 07 YY 90

15. SOURCE/ORIGIN OF GOODS AND SERVICES: ☐ 000 ☒ 941 ☒ Local ☐ Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment.)

17. APPROVED BY

Signature: Gerald Zarr

Title: Mission Director

Date Signed: MM 08 DD 08 YY 86

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

# PROJECT AUTHORIZATION

Name of Country/Entity: Haiti

Name of Project : Export and Investment Promotion Project

Number of Project : 521-0186

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Export and Investment Promotion project for Haiti involving planned obligations of not to exceed $7,700,000 in grant funds over a 4 year period from date of authorization subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is 4 years from the date of initial obligation.

2. The project consists of assistance to provide institutional and programmatic support for private sector investors in Haiti. The Project will include (a) the establishment and operation of an Industrial Development Center (IDC) to provide information and communications services, export and investor services, promotional activities and private/public sector collaboration and (b) technical assistance, equipment and training.

3. The Project Agreement(s) which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

4. a. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the project shall have their source and origin in countries included in A.I.D. Geographic Code 941 and Haiti except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the supplier of commodities or services shall have countries included in A.I.D. Geographic Code 941 and Haiti as their place of nationality, except as A.I.D. may otherwise agree in writing.

Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States, other countries in Code 941 and Haiti.

b. Other

(a) Conditions Precedent to the Signing of the Project Agreement

Prior to the signing of the Project Agreement, the Grantee, except as A.I.D. may otherwise agree in writing, will furnish to AID, in form and substance satisfactory to AID, evidence that:

a. The Grantee is an official entity, duly established under the laws of Haiti, and, under the laws of Haiti, is capable of implementing the Grant Agreement in accordance with all of its terms.

b. The Government of Haiti and the private sector members of the Consultative Mixed Committee for Industrial Development have designated their representatives to the Board of Directors;

c. The Board of Directors has met and selected their officers.

(b) Conditions Precedent to Disbursement of funds for IDC Phase I Pre-Operational Services up to $300,000

Except as AID may otherwise agree in writing, prior to disbursement under the Grant, or to issuance by AID of documentation pursuant to which disbursement will be made to finance IDC pre-operational services for Phase I up to 300,000, the Grantee will furnish to AID, in form and substance satisfactory to AID:

a. Evidence of the selection of local technical assistance to establish administrative and accounting procedures;

b. Evidence that executive recruitment has been conducted;

c. Evidence of the selection of an Executive Director or interim Project Manager.

(c) Conditions Precedent to Disbursement of Funds for IDC Phase I Operations over $300,000

Except as AID may otherwise agree in writing, prior to disbursement under the grant, or to the issuance by AID of documentation pursuant to which disbursement will be made of funds for IDC Phase I operation over $300,000, the grantee shall furnish to AID, in form and substance satisfactory to AID:

a. A statement and budget setting forth the use of the advance for operations;

b. Evidence that an accounting system has been established and that a core staff, including the accountant, has been selected;

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c. Evidence that the Government of Haiti's first year contribution will be or has been appropriated in the national budget (fiscal year 1986-1987);

d. Evidence that the IDC has established a separate bank account with a Haitian banking institution to receive IDC income and contribution payments from both the private and public sectors.

(d) Conditions Precedent to Disbursement of Funds for IDC Phase I Operations over $600,000:

Except as AID may otherwise agree in writing, prior to disbursement under the Grant, or to the issuance by AID of documentation pursuant to which disbursement will be made of funds for IDC operations over $600,000, the Grantee shall furnish to AID in form and substance satisfactory to AID:

a. Evidence that the IDC has employed the staff required to carry out its operations;

b. A statement setting forth detailed organizational policies and operational guidelines of the IDC, including progress benchmarks and targets.

(e) Conditions Precedent to Disbursement of Funds for Technical Assistance Activities:

Except as AID may otherwise agree in writing, prior to disbursement under the Grant, or to the issuance by AID of documentation pursuant to which disbursement will be made of funds for technical assistance activities, the Grantee shall furnish to AID, in form and substance satisfactory to AID:

a. A statement setting forth the IDC's plan for the utilization of the technical assistance;

b. Evidence of the selection of appropriately qualified technical assistance.

(f) Conditions Precedent to Disbursement for Phase II, Overseas Representation:

Except as AID may otherwise agree in writing, prior to disbursement under the Grant, or to issuance by AID of documentation pursuant to which disbursement will be made to finance phase II overseas representation, the IDC will furnish to AID, in form and substance satisfactory to AID:

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a. Evidence of the selection of an overseas representative;

b. A work plan and a budget for the first year's activities which have been prepared and approved by the Board of Directors;

c. Evidence that the Government of Haiti's second year contribution will be or has been appropriated in the national budget;

d. An opinion of the Grantee's counsel that the Grantee has taken all corporate and legal action required to effectively implement the overseas representation plan.

e. Evidence that the structure and composition of the Board of Directors remain consistent with project objectives and the Decree of August 1986 that created the IDC.

(g) Conditions Precedent to Disbursement for Year Three of the Project:

Except as AID may otherwise agree in writing, prior to disbursement under the Grant, or to issuance by AID of documentation pursuant to which disbursement will be made to finance Year Three of the project, the IDC will furnish to AID, in form and substance satisfactory to AID:

a. Evidence that a mid-term evaluation was conducted in accordance with criteria and performance targets agreed to by AID, and steps were taken to address the recommendations made by the evaluation.

b. Evidence that the Government of Haiti's third year contribution will be or has been appropriated in the national budget;

(h) Conditions Precedent to Disbursement for Year Four of the Project:

Except as AID may otherwise agree in writing, prior to disbursement under the Grant, or to issuance by AID of documentation pursuant to which disbursement will be made to finance Year Four of the project, the IDC will also furnish to AID, in form and substance satisfactory to AID:

a. A work plan and a budget forecast detailing the use of project funds for the year and for utilization of accumulated income for Year Five.

b. Evidence that the Government of Haiti's fourth year contribution will be or has been appropriated in the national budget.

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5. I hereby authorize the initiation of negotiation and execution of the Project Agreement by the officer to whom such authority has been delegated in accordance with AID Regulations and Delegations of Authority.

Gerald Zarr
Director
USAID/Haiti

Clearances:

OPED : R. Moyers
DRE : R. Gilson
CONT : C. Brooks
D/DIR : L.E.Morse

# EXPORT AND INVESTMENT PROMOTION PROJECT

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USAID/Project Development Committee

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## ABBREVIATIONS/ACRONYMS

| | |
|---|---|
| AID/W | Agency for International Development/Washington |
| CBI | Caribbean Basin Initiative |
| CNG | Conseil National de Gouvernement |
| CMCID | Consultative Mixed Committee for Industrial Development |
| DAEC | Development Assistance Executive Committe (AID/W) |
| GOH | Government of Haiti |
| IDC | Industrial Development Center |
| IR | Industrial Representative |
| NGO | Non-Governmental Organizations |
| OR | Overseas Representative |
| PID | Project Identification Document (Preliminary project proposal) |
| PMC | Permanent Mixed Committee for Investment Promotion |
| PP | Project Paper (Final project description and funding proposal) |
| USAID/Haiti, Action Plan | Easic AID Mission Document prepared annually outlining program goals and project objectives for near future. |

# I. SUMMARY AND RECOMMENDATION

## 1.1 Recommendation

USAID/Haiti recommends that a $7.7 million grant be authorized for a four year project to establish an export and investment promotion entity in Haiti which will provide information and communications services, investor services, and export promotion for the Haitian private sector.

## 1.2 Summary Description

The purpose of the project is to improve, expand, and professionalize export and investment promotion services to a wide spectrum of businesses and entrepreneurs in manufacturing and agro-industry. To provide these services, an Industrial Development Center (IDC) will be established.

In order to operate with full recognition as the official body representing Haiti's export and industrial promotion efforts, the IDC will be established by decree as a privately operated, public institutiton. The IDC will serve as an operational link to the Consultative Mixed Committee for Industrial Development (CMCID), a joint public/private sector policy reform committee. The IDC's Board will be selected by the members of the CMCID, and the Center will be operated by a local staff with additional short and long-term technical assistance.

The IDC will be established in two phases: Phase I will establish an institutional base in Haiti and provide core services to local and overseas investors; Phase II will add an outreach effort for the IDC to actively recruit investors from overseas. The IDC will provide three types of services. They include:

(1) Information gathering and data provision to improve competitive export capabilities, and media/communications assistance to improve the business image of Haiti;

(2) Reception and support facilities to process assembly and other investor requests, particularly as they pertain to the Caribbean Basin Initiative (CBI); and

(3) Promotional efforts to create new assembly contract and investor interest in Haiti.

The IDC will also forward policy issues that constrain export-led growth to the CMCID.

1.3 Project Funding

During the four year life of project (LOP), USAID will fund $1.46 million in long and short-term technical assistance and $5.34 million in operating expenses. An additional $620,000 is budgeted for policy formulation assistance to the CMCID and $280,000 for an AID project coordinator. Counterpart funding and fees to be collected from IDC services are estimated to total $1.26 million for the same period. During years two and three, a membership base to provide an additional source of revenue will be developed, as well as a strategy for the Government of Haiti to commit greater resources once AID funds have been drawn down.

During the first four years of operation, the Center will deposit fee income and counterpart funds with a local financial institution. The accumulated principal and potential interest earned will then be used to finance the Center's fifth year of operation. This will provide the project with time to develop alternative funding arrangements, and for the Government of Haiti to program future project costs in its annual budget. By the end of its fourth year of operations, it is expected that the IDC will have acquired a respectability and an employment generating capability to enable it to solicit sufficient contributions and fee income to meet its expenses.

1.4 Summary Findings

The project development committee has reviewed all aspects of the proposed IDC project and finds that it is institutionally, economically, financially, and socially sound (see Section VI and Annexes for details).

Functionally, the proposed export and investment promotion services will assist Haitian entrepreneurs to become more competitive in exporting, attracting the interest of potential investors to come to Haiti, and sustaining that interest from the point of initial inquiry to the time at which new ventures are consummated. These services are currently provided in most developing countries. Haiti's Caribbean neighbors and competitors possess particularly effective export and investment promotion institutions, generally funded from public resources.

Due to a lack of export promotion services, Haiti continues to lose considerable employment opportunities in the industrial and agribusiness sectors. It is the committee's finding that with the recent change of government and Haiti's newly-found attention, the IDC project, with its private sector emphasis, is both timely and well poised to take advantage of new investment opportunities offered through the CBI.

The institutional analysis shows that the IDC will be best established as a publically mandated entity, operated as a private business corporation. To avoid the pitfalls experienced by similar efforts in other countries, the IDC will begin with a modest staff and a limited range of services. Wherever feasible, services will be contracted to outside suppliers, thus further reducing the need for a large institution.

The economic analysis indicates that the economic rate of return for the IDC is high, even if only one-half of the projected impact is realized. A one percent real growth in export value-added will provide a 49 percent economic rate of return.

The social soundness analysis shows that the project will have a strong impact on women, as they represent the largest percentage of workers and supervisors in the light assembly and export industries. By helping to identify and consummate investment opportunities, the project will increase the diversity of the business sector, stimulate competitiveness, and accelerate technology transfer, thus distributing the benefits of an expanded industrial sector to all levels of Haitian society.

### 1.5 Project Implementation

An implementation plan has been developed that includes Conditions Precedent to Disbursement, monthly and quarterly operational and financial monitoring reports, and a number of conditions and covenants throughout the life of project (see Section VIII). Once the terms of this project paper have been adopted by the Consultative Mixed Committee for Industrial Development, and the decree establishing the IDC is made official, the Board of Directors of the IDC will be installed. They will appoint the Center's Executive Director [illegible] will initiate a four-month Pre-operational Phase. During the follow-on activities and the establishment of the Center's three service components, continuing impact studies will take place to evaluate the project's implementation and take any required corrective actions to ensure achievement of project objectives and attract Government of Haiti/other donor support for the project.

### 1.6 Key Issues

Several key issues were raised in the IDC's Interim Report Guidance Cable (see Annex A). Each issue or concern raised in that cable has been addressed in one or more sections of the project paper. In summary:

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1. Strategy: The institutional analysis clarifies the objectives and tasks of the short and long-term strategy. The institutional analysis also clearly identifies those tasks which will be performed by the IDC and those which will be supplied by outside contractors. The IDC is designed to begin operations by offering only three types of services, and the professional staff requirements have remained within the cable's recommended limits. On the issue of creating a permanent organization as opposed to establishing a temporary one: the intensive review concluded that during the life of the project, emphasis will be placed on training the IDC staff to assure the long-term development of a permanent professional institution (see Section 6.2, Financial Analysis for a detailed staff training schedule).

2. Project Funding: During intensive review, the design team developed a detailed plan for counterpart funding and user fees which are projected to provide 70% of total operating costs by the end of the project's fourth year. This is possible through the design of an accrued income mechanism, and is discussed in the Financial Analysis Section in greater detail.

3. Evaluation: During project design, criteria for a mid-course evaluation were developed which will measure the project's success through the ratio of investment requests to new ventures initiated, as discussed in Section 7.3.

## II. PROJECT BACKGROUND

### 2.1 General Overview

During most of the past quarter century, the growth in output and productivity of Haiti's economy was too slow to create jobs and supply resources to meet the population's minimum needs. Few concrete steps were taken to effect meaningful structural changes. Agriculture slowly and inexorably deteriorated and per capita agricultural production declined regularly. While approximately 70 percent of the population is engaged in agricultural production, the Haitian economy is moving steadily towards urban concentration where manufacturing and commerce are expected to create jobs, income, and exports. In fact, employment and under-employment figures in both sectors have reached staggering rates. It is estimated that nearly one-half of the population is unemployed or under-employed. Moreover, manpower studies project that employment will grow at a slower rate than the economically active population.

Because Haiti's expected employment generation will not reach a level commensurate with population growth, increased investment in the industrial and agricultural sectors must be emphasized as a means of generating employment. One sector which has contributed significantly to creating employment, particularly in urban areas (thus reducing the pressures on the fragile agricultural lands), is light assembly industry. In the 1970's, Government of Haiti tax and tariff concessions, coupled with preferencial U.S. trade policies, helped to successfully establish a dynamic assembly sector in Haiti. Manufacturing output grew at a rapid 10 percent per year in real terms throughout the 1970's. In addition to foreign exchange earnings, the same sector provides wages for the approximately 40,000 to 50,000 workers it employs. In the last year however, employment, contracts, and investments in this sector have decreased significantly.

A fundamental problem which the sector faces is that potential investors perceive high risks in investing in Haiti. The average investor is unable to predict if new regulations will raise production costs, if abuse and incompetence will cause production and/or shipment delays, or if shifts in policies will make their activities unprofitable. In such an environment, an investor will necessarily discount the theoretical cost-advantages of Haiti's relatively competitive labor rates by a risk factor that ultimately suggests that an investment elsewhere may, in real terms, provide a better return.

To achieve the goals of increased investment and consequent

employment generation in Haiti, both its public and private sectors must be committed to collaborating in the implementation of mutually agreed upon policies and programs to expand investment in the industrial and agriculture sectors. The IDC's activities are designed to directly assist in achievement of these goals.

2.2 Exports and Investments

Approximately 160 to 175 firms, depending on the season, are engaged in assembly or light industrial transformation operations. The majority of these firms are Haitian-owned and operated. These industries presently export textiles and garments, electronic components, and sporting goods. In addition, a number of companies have been identified that would like to enter the export trade. The newly formulated Haitian Industrial Investment Code offers substantial incentives to encourage investments in manufacturing and agribusiness, particularly outside the Port-au-Prince area. However, the Haitian industrial and commercial sectors remain heavily concentrated in the capital.

Because competition for shares of export markets and limited investment funds have intensified dramatically in recent years, many developing countries have begun to actively encourage export production and efforts to attract overseas investments. This places Haiti in a crowded market place. The competition is felt throughout the developing world, but is most acute among nations in the Caribbean region, all of which seek opportunities provided by the Caribbean Basin Initiative (CBI) and 807 (A), a U.S. trade provision which allows generous quotas for goods assembled overseas from U.S. components to be imported back into the U.S. Countries lacking viable export and investment promotion institutions greatly reduce their prospects for taking advantage of such export and trade incentives.

Particularly within the U.S. market, competition from imports and the heightened inter-state competition for investment has started to internationalize the medium and smaller-sized American company. These companies, which often do not have overseas offices, have to be reached through aggressive outreach efforts. If Haiti is to be successful in actively soliciting technology and industrial investment, it must adopt a marketing strategy that will enable the country to differentiate its product from the other products being offered. At the very least, Haiti must mount a marketing effort that identifies the country as a serious contender for overseas investment. To meet that objective, this project will build on Haiti's existing manufacturing base, and will further develop its export potential by establishing services to recruit assembly contracts and attract overseas investors.

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## 2.3 Permanent Mixed Committee for Investment Promotion

Motivated by the passage of the CBI, the Permanent Mixed Committee for Investment Promotion (PMC) was created in 1984 with the support and encouragement of the U.S. Government. The objective of the PMC was to establish a public/private sector dialogue through which policy issues were reviewed and recommendations made to resolve constraints to the investment climate.

This high level Committee included ten leaders from the Haitian business and commercial communities and six ministers. Later, additional representation in tourism, agriculture, and banking increased both public and private sector participation. The Chairman of the PMC was a senior Government representative and the Vice-Chairman a member of the private sector. A three-person Secretariat provided logistical and research services and assisted in development of the agenda. USAID financed technical assistance to the PMC and its Secretariat through local and U.S. consultants.

During the ensuing eighteen months, the PMC met eleven times and the dialogue between the Government and private sector representatives proved open and remarkably productive. The following is a partial list of the PMC's concrete achievements, from its inception through its last meeting in December, 1985:

- Established a long-term foundation for private/public sector negotiations and consensus building;

- Formulated a new industrial investment code, the highlights of which are: (1) emphasis on investment guarantees and export promotion, (2) elimination of provisions protecting monopolies, and (3) increased incentives for investments outside the Port-au-Prince area;

- Reviewed and endorsed the Management and Productivity Center project which provides training and investment counseling to business enterprises in Haiti;

- Created the basis for public/private cooperation on international multi-fiber agreements by establishing a joint sub-committee to develop options for textile negotiations;

- Reviewed and negotiated the proposal recommended in this project paper;

In addition, the PMC lobbied and obtained Government approval to:

- Reduce port charges by 15%;
- Eliminate certain consular and nuisance fees on imports;
- Join and participate financially in the Caribbean Front, an organization established to lobby for more generous textile quotas;
- Reduce the number of official holidays from a high of 20 to a maximum of 12;
- Establish an inter-ministerial commission to study and revise quota allocations;
- Nominate a private sector representative to the Committee on Preferential Investment Status. (This Committee confers tax exempt status to qualifying companies. Previously, this influential Committee was composed of only Government officials.);
- Reduce the number of security services required to clear baggage at the airport; and
- Forego an increase in foreign exchange surrender requirements for banks.

Preceding the downfall of the last government, the PMC ceased operations, in part because its private sector members publically criticized the regime's policies. However, key private sector PMC members and technical consultants continued to meet on an informal basis throughout the early months of 1986. After the new Conseil National de Gouvernement (CNG) was installed, the technical assistance team also met frequently with several Government officials, and during this period a new decree was drafted to revive the mixed committee concept.

This new body, the Consultative Mixed Committee for Industrial Development (CMCID), is expected to have its first formal meeting in June, 1986. It has a mandate and composition similar to that of the original committee. The technical assistance component attached to its permanent Secretariat will continue to function as under the former PMC.

## 2.4 Interim Report

At the DAEC review in Washington in March, 1985, the Mission was asked to submit an Interim Report before proceeding with the intensive review phase. The report was to examine alternative institutional frameworks and financial mechanisms not adequately developed in the Project Implementation Document (PID) for the proposed entity.

Upon AID Washington's recommendation, this examination was undertaken by Keene, Monk Associates. The Interim Report's most significant findings and recommendations included the following:

- Existing private sector groups were neither capable nor willing to deliver the scope of services required to meet the objectives of the project. Therefore, a new entity should be created as proposed in the PID.

- Implementation of the project should be a collaborative public and private sector effort. The Board of Directors should be selected from members of the Permanent Mixed Committee.

- Due to the urgent requirement to provide such services, project funding should be accorded "extraordinary treatment" and financed 100% by AID as no other adequate sources of funding exist.

After reviewing the interim report, AID/W granted the Mission permission to proceed with the Project Paper and to approve the project in the field.

## III. PROJECT RATIONALE AND STRATEGY

### 3.1 Haiti's Potential to Increase Exports

Despite its current economic difficulties, Haiti has excellent potential for significantly increasing its light industry exports in order to create employment. Factors enhancing this potential include:

- A government with a mandate to help develop a "new Haiti" based on the premises of free entreprise, democratic principles, and reduced governmental involvement in commercial and industrial activities;

- Private sector institutions providing industrial and agro-industrial credit, management support facilities, industrial infrastructure, in combination with the continuing dialogue between business leadership and the public sector as evidenced by the success of the PMC, and the establishment of the CMCID;

- A new, modern Industrial Investment Code stressing opportunities, incentives, equitable treatment, and guarantees;

- A sophisticated and aggressive group of successful entrepreneurs;

- Proximity to North American markets and CBI incentives; and

- A large pool of productive, competitive labor seeking employment in industry and agriculture.

The present government has taken initial steps to eliminate the past anti-export bias and protectionism accorded to certain local industries. However, serious constraints remain which inhibit an aggressive exporting posture, including:

- The negative and anachronistic image of Haiti related to political, social, security, and health conditions;

- An inadequate resource clearinghouse or business information system capable of supporting local business people to become more competitive in the market place;

- A lack of institutional capability to attract and service export-oriented investors; and

- The lack of a comprehensive, well-structured and focused export and investment promotion strategy.

Although the lack of an operating promotion institution places Haiti at a disadvantage vis a vis competitors, the ability to create a new organization from the ground up provides the advantage of avoiding the institutional mistakes experienced in other countries. The fact that the Industrial Development Center will be a privately run organization precludes the standard inter-agency conflicts over control that have complicated the operational flexibility of many promotion agencies, such as those in Panama, Kenya, and Costa Rica.

## 3.2 Relationship to AID Policy and USAID/Haiti Strategy

### 3.2.1. Relationship to the Caribbean Basin Initiative (CBI)

The development and implementation of the proposed project takes place within the context of the CBI. The goal of the CBI is to help individual Caribbean countries compete for a greater share of U.S. and world markets with attendant increased exports creating employment and foreign exchange earnings. Without an effective promotion and marketing effort, Haiti will have great difficulty competing with other designated CBI beneficiaries. This project allows Haiti to enhance its business image, help its private sector develop effective export and investment service capabilities, and strengthen the capabilities of the CMCID to develop a comprehensive and properly focused export promotion strategy.

### 3.2.2. Relationship to Mission's Strategy in Haiti

USAID/Haiti's Action Plan states that the Mission has undertaken a comprehensive program in support of Haiti's private sector. In this regard, its strategy seeks to:

a. Provide a sound foundation for sustained growth in the private sector in order to increase opportunities for gainful employment;

b. Facilitate investment in the export-oriented assembly sector, while concurrently establishing an integrated institutional framework to promote continued industrial and agro-industrial expansion;

c. Assist Haiti to take advantage of the benefits offered under the CBI; and

d. Emphasize institution building and policy reform.

To assist the private sector in responding to the immediate drop in employment and the investment short-fall resulting from recent socio-political problems, the Mission is supporting a short-term Private Sector Task Force/Emergency Program. The program, which commenced in April, 1986, has as components:

a. A labor-management relations initiative;

b. A special promotion program that aims to establish face-to-face contacts with select U.S. businesses and associations;

c. A media/communications program geared to facilitate local and foreign media coverage of business and economic news;

d. A decentralized private sector initiative which will include a program for Port-au-Prince business associations to assist in sponsoring the development of rural towns and businesses; and

e. A special project to conduct a tourism assessment.

The special promotion component was initiated on June 13, 1986 with a highly successful "Investment Conference on Haiti" held at the White House in Washington, D.C. Most of the work carried out by the Task Force will be incorporated on a long-term basis in the Industrial Development Center.

## IV. PROBLEMS TO BE ADDRESSED

### 4.1 Ineffectiveness of Export and Investment Promotion

In the past, export and investment promotion in Haiti was conducted on an ad hoc basis, lacking focus, personnel, and funds. Only limited image enhancement and promotion have been conducted by the Ministry of Commerce and Industry, OPRODEX, private sector associations, and private individuals. Their current status is discussed below:

- National Office of Investment Promotion (ONAPI): ONAPI was established in 1979. As a result of poor performance, poor management, and a lack of credibility among business people it was abolished in 1983. The residual component of ONAPI that is currently functioning within the Ministry of Commerce and Industry will be eliminated under the decree establishing the IDC.

- National Office for the Promotion of Exported Commodities (OPRODEX): OPRODEX is predominately involved in determining market coffee prices.

- Private Sector Associations: The private sector has, on a limited basis, attempted to organize and finance a substitute system to provide promotional services to local and foreign investors. However, the associations view these services as an operational strain to their mandates, which are established to represent their existing membership. Therefore, they have requested that these services be centralized on a permanent basis.

### 4.2 Investment Promotion Policy:

A major factor limiting Haiti's export promotion efforts in the past has been the lack of a coherent marketing strategy. There has been little connection between an assessment of the product (Haiti) and the development of an appropriate promotion campaign. This has been compounded by the lack of distinction made between "contract" and "investment" promotion strategies. Little attention has been given to the former. Haiti's industrial growth potential, at least for the short to medium term, is in its assembly sector. This sector is dominated by production contracts individually negotiated between a U.S. firm and the Haitian manufacturer. This type of activity is essentially a brokering activity, and is highly specialized by industry.

The key ingredient in the contracting process is the contract-broker who serves as the agent on behalf of the buyer of manufactured products. Because assembly contracts normally require a minimum of investment and/or commitment by the U.S. firm, success is contingent upon the local manufacturer's ability to produce a finished product that meets the U.S. firm's standards, is competitively priced, and is delivered on schedule. Brokering requires a one-on-one promotional effort which is based on networking, on a highly regarded reputation, and an intimate knowledge of the industry in question.

On the other hand, investment promotion, which targets local and overseas capital investment projects, implies a very different strategy. Its objectives are to convince the potential investor to select Haiti as a profitable place to invest capital because the comparative advantages of the local economy are more profitable than elsewhere. Because decisions to invest capital are based to a great extent on analytical data, more than on personal contacts, the type of promotion required to attract capital, whether in agribusiness or industry, includes selective targeting of clients, effective and accurate use of information, and a professionally developed marketing program. The effort is costly and must be developed as part of a longer term promotion strategy.

Given these two strategy implications, Haiti must capitalize on its present capacity; that is, the capacity to fulfill assembly contracts. However, as its business image improves through promotional efforts, and as its industrial capacity expands, greater resources can be allocated to promote capital investments. In the long run, this type of investment creates a more permanent type of employment.

### 4.3 Inadequate Support for Investments

In addition to the lack of an appropriate promotion policy, there is inadequate support, locally, to service contract and investment requests. This lack of support ranges from the paucity of local reception facilities to the absence of capacities to respond to production requests and assistance with procedual matters. There has been little effort to encourage and facilitate local entrepreneurs to reinvest in Haiti. This is due in part to a lack of a system that can reach out to prospective Haitian entrepreneurs regarding the opportunities offered through CBI. This requires special counseling and assistance. Once investors or assembly contracts have been identified, whether they are in Haiti or overseas, there is no follow-through mechanism to assure their investments materialize. The past several

years have seen many prospective investors abandon their projects because of bureaucratic ineptitude or because quality follow-up services were absent. While such facilities exist in all CBI countries, their absence in Haiti has resulted in lost employment opportunities.

4.4 Insufficient Data and Communication

There is presently no organized service or mechanism for the gathering and dissemination of industrial data and statistics about businesses in Haiti. From the overseas investor's perspective, there is a lack of reliable information regarding Haitian business conditions and opportunities. Although the recently instituted Private Sector Task Force/Emergency Program has taken steps to address this problem on a short-term basis, it is imperative that macro and micro statistics be developed and made available to business people on a regular basis. Information needed by potential assembly or capital investors includes, by assembly sector:

- Production, by volume and value;
- Hours worked;
- Worker population, by sex and degree of qualification;
- Salaries and benefits;
- Cost of production and value added; and
- Invested capital.

Information such as project identification, foreign market information, and technical assistance sources are virtually non-existent, especially outside Port-au-Prince. While the local private sector has attempted to communicate on a regular basis through its own associations, there are few newsletters and no routine or effective system of announcements in the media relating to business issues, activities, or investment opportunities within Haiti.

4.5 Need to Institutionalize Public-Private Collaboration in Order to Improve the Business Climate

As CBI-stimulated competition accelerates among neighboring countries, recent trade statistics indicate that Haiti's market share of 807 U.S. imports has leveled. The new Government of Haiti leadership, however, has indicated that they view partnership with the private sector

as their most attractive option for taking advantage of CBI programs and accelerating exports. It is the growing consensus of Haitian leadership, as well as the premise of this document, that an integrated effort is required to perform the facilitative, promotional, analytical, and informational functions necessary for a successful export promotion program.

The cornerstone for legitimatizing public/private policy dialogue has already been put in place. The Permanent Mixed Committee for Investment Promotion, established in 1984, has been replaced by the Consultative Mixed Committee for Industrial Development (CMCID). Because its mandate and composition is similar to that of its predecessor, the CMCID will serve as the logical policy and steering body for the operations-oriented Haitian Industrial Development Center project.

In order for the CMCID to continue as an effective forum for public-private policy dialogue, it must be strengthened with technical assistance on a continual basis. The Committee's past successes have been well documented, and continued provision of technical assistance as an integral part of the IDC project is well justified. Given the technical complexity of certain agenda items and the public and private sector's relatively limited access to technical experts, it is clear that conceptually-sound, well-informed positions on major issues are critical for the Committee to function effectively.

## V. PROJECT DESCRIPTION

### 5.1 Project Goal and Purpose

The goals of the Haitian Industrial Development Center are:

- To generate substantial new sources of employment and foreign exchange savings;
- To attract new assembly contracts and to facilitate new investment, both domestic and foreign; and
- To increase exports, with specific emphasis on stimulating manufacturing and agribusiness exports.

The primary purpose of the IDC project will be to improve, expand, professionalize, and integrate export and investment services through the creation of an operational entity. The institution will:

- Provide information and data gathering services, and media/communications to enhance the business image of Haiti;
- Provide reception and support facilities to process assembly and other investor requests, particularly as they pertain to the CBI; and
- Provide promotional assistance to create new assembly contracts and other investor interest in Haiti.

### 5.2 Project Activities

The project's activities will provide institutional and programmatic support for private sector exporters and investors in Haiti. These interrelated activities fall into the following categories:

5.2.1 Information and Communications Services:

The IDC will provide an efficient, easy to use, and regularly up-dated business information service. The information component and communications service will develop data and material to make entrepreneurs more competitive in the market place. It will provide them with information to make them more aware of what the market demands of their products in terms of price, quality, style, and quantity.

Information collected will also include data on investment, trade and export opportunities; local operating capabilities; sectorial supply and demand conditions and regulations; and business opportunities.

The communications component of the service will be concerned with disseminating data, and with media relations. A communications strategy will be developed to work effectively with:

- Haitian (or Haiti based) investors and assembly contractors;
- Targeted foreign (particularly U.S.) firms and investors;
- Local and overseas press;
- Project staff and the CMCID; and
- Major donors serving Haiti.

Documents will be published and information/media seminars will be conducted to make information available, on a regular basis, to a broad spectrum of entrepreneurs (see Institutional Analysis for a description of the services).

5.2.2 Export and Investor Services:

In order to bring new ventures to fruition, or to expand existing ones, the project will provide assistance to exporters and investors to work through regulations and permit requirements, respond to investment/contract information requests, and link overseas contracting interests with local capabilities.

For the foreign and local investor seeking a suitable manufacturing or investment arrangement, the project will develop a local

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reception facility to coordinate communication between the investor contractor and the contract manufacturer. Except for issuing Government of Haiti permits, it will be a one-stop industrial reception and service facility capable of guiding and tracking the prospective investor through the steps required to conclude a contract or investment in a timely, efficient manner.

### 5.2.3 Promotional Activities

To counteract its poor business image and to create new investor interest in Haiti, project activities include an appropriate but non-extravagant promotional program. The program will:

- Develop a targeting process and a network to reach targeted clients;
- Develop and distribute promotional materials;
- Arrange for Haitian participation at overseas trade fairs;
- Engage in a limited amount of advertisement; and
- Support a limited overseas representation.

### 5.2.4 Private/Public Sector Collaboration

The new IDC will be a conduit of information between the public and private sectors on matters affecting industrial development. Policy issues concerning reform and which impinge on the activities of the Center and its clients will be submitted to the CMCID through the IDC Board and the technical assistance component of the Committee. In this way, the IDC will supply information gathered from its day-to-day interactions with exporters and investors to an independent entity which can influence policy reform, thus enhancing collaboration and dialogue between the public and private sectors.

### 5.2.5 Technical Assistance

Technical assistance will be used over the life of the project to provide specific inputs in areas for which there is likely to

be inadequate local skills. Long-term assistance is anticipated in export services and in business information and communications. Short-term technical assistance will be provided in the area of promotional strategy and promotional materials, and to develop the capacity among local manufacturers to respond to contract requests and in institutional development.

During the life of the project, AID will also fund policy formulation assistance to the CMCID. The decision to incorporate policy formulation assistance into the implementation portion of the project enhances the Center's capability to impact on national industrial development issues.

5.2.6 Training

The project's success will depend on the quality of the personnel selected to operate it and the program used to train the staff. Regardless of past experience, there will be a need for the IDC's executive staff to understand not only the U.S. market and the business people who operate in it, but also to effectively respond to the needs and desires of potential investors or contractors.

In this regard, an extensive staff training budget has been developed which includes training at the initial stages of employment and throughout the life of the project. The skills to be emphasized will include marketing and service. Management and knowledge of industrial production will also be stressed. It is unlikely that the wide range of training anticipated will be available locally. Thus, the recommended program includes overseas as well as local training.

5.3 Summary Financial Plan

The four year project will benefit from a $7.7 million AID grant of which $5.34 million will be used for operations and $1.46 million will be used for technical assistance. An additional $.62 million will be used to fund policy reform assistance to the CMCID and $.28 million will be used to fund a USAID project coordinator. Fee income and Government of Haiti contributions are projected to be approximately $1.26 million over the life of the project. A breakdown of project finances is set forth in Section 6.2.3, Financial Plan.

# VI. PROJECT ANALYSES

## 6.1 Institutional Analysis

Without an active investment promotion and advisory service in place, Haiti lags behind the majority of developing countries. Given overall reductions in official development assistance and international loan capital, efforts to promote private investment are generally regarded as an essential ingredient in current development strategies. The Industrial Development Authority of Ireland was established as early as 1949, and Taiwan's investment promotion organization was inaugurated in 1960. However, the majority of countries initiated formal promotion agencies in the late 1970s and early 1980s. Close to 80 countries now promote themselves as investment sites to U.S. firms, and most have U.S.-based representatives.

The Haitian Industrial Development Center will be a new institution in the context of past practices in public-private relations. It will be streamlined structurally, to avoid the overly elaborate organizational forms that have led to duplication of effort and confusing lines of authority in such countries as Egypt and Jamaica. These and other similar promotion agencies attempted to become self-contained institutions whose functions were carried out solely by full-time staff members. The IDC will instead seek to utilize outside contracting services to the maximum extent possible, thereby limiting the tendency to expand staff size. Additional efforts will be employed to arrange for pro bono assistance from private sector organizations in Haiti, as has been successful in Taiwan and elsewhere.

### 6.1.1 Institutional Form

The legal form of the IDC will be a privately-managed, public entity established by government decree and managed by an autonomous Board of Directors. This innovative mechanism will permit the Center to have the status of Haiti's official export and investment agency, but to be managed by a private sector-majority Board whose Chairman will be a private sector member.

Various other organizational forms such as foundations, private corporations, and non-governmental organizations (NGOs) were considered and rejected during intensive project review. The feasibility of using an existing private sector association had been rejected during PID development. Selection of the present institutional form was based on the following:

- Foundation: A foundation would take one year before acquiring juridical personality. Therefore, it would not be able to receive grant funds from AID, or to sign a contract with the Government of Haiti to perform investment and promotion activities during that period.

- Private Corporation: This was considered to be the ideal legal format for the IDC since it would be completely private. However, the Government of Haiti would not sign an agreement authorizing a private corporation to act as Haiti's official industrial promotion agency.

- Non-Governmental Organization (NGO): The laws concerning the operations of NGOs in Haiti give the Government strict policing powers, especially in the financial operations of the NGO. It was determined that utilization of this organizational form would present potential difficulties in implementing an investment and promotion program.

After analyzing the advantages and disadvantages of these various organizational forms, it was determined that the most efficient form for the IDC would be that of a privately-managed, public entity. Under these conditions, the Board of Directors would be composed of a two-thirds majority of private sector individuals, with a Chairman from the private sector. It would set policy and make all operational decisions. Therefore, autonomy and independence of the entity would be assured.

In fact the IDC, as proposed, will be run in a corporate manner, while still being official in nature. This structure further allows the entity to retain official links with key public sector organizations and the CMCID, while eliminating the possibility of patronization in staffing.

### 6.1.2 Organization and Management

#### Board of Directors

The IDC's Board will consist of four representatives from the private sector selected by the private sector members of the CMCID, plus two Government representatives, one from the Ministry of Commerce and Industry and the other from the Ministry of Economy and Finance. The Board will appoint a chairman, a vice chairman, a secretary and a treasurer. It will be responsible for setting policy, delegation of its authority to appropriate management personnel, and general

supervision of the activities of the IDC. Coordination between Government authorities and the IDC will be the responsibility of the Ministry of Commerce and Industry representative on the Board.

The Board of Directors will approve the administrative procedures of the Center, which will be submitted by the Executive Director. The Board's duties will include decisions regarding the Center's annual budget and agreements dealing with external financial aid. The authority of the Board and its officers is defined in the draft decree, Annex E. USAID will work closely with the Board to assist in the development of specific strategies needed to achieve project objectives.

Executive Director

The management of the Center will rest with the Executive Director. The Executive Director will have overall responsibility for decisions concerning logistical support and technical assistance. This person will be responsible for the development of counterpart budgets in consultation with the Board of Directors and for quarterly operational reports. The Executive Director will be hired upon the recommendation of the Board and he will in turn assist in the search and selection of remaining project personnel. The Executive Director, in conjunction with the Board, will determine the appropriate arrangements for the IDC's offices.

### 6.1.3 Program Analysis

The project will be implemented in two phases: Phase I will establish an institutional base in Haiti, which will develop promotional policy and provide core export and investment services. Phase II will establish an outreach program to include representation in the United States.

A four-month pre-operational period is also anticipated. During this time, the Executive Director, in conjunction with the Board of Directors and short-term technical advisors, will develop initial operational plans, budgets, and staffing patterns for the Center's three divisions: the Information and Communications Division, the Export and Investor Services Division, and the Promotion Division.

Phase I

1. Information and Communications Division

This Division will act as a resource and information clearing facility. It will be staffed by a Director, a technical advisor, and a junior economist/statistician. They will be responsible for two principal activities: data collection and research, and development and implementation of the Center's communications strategy.

The function of the data bank will be to:

- o Store the most often used series of data on Haiti; and
- o Access/retrieve data from U.S. and foreign information banks.

Information on Haiti relating to assembly contracting, production, manufacturing experience, and plant capacities of local firms will be collected and analyzed. To accomplish this, surveys will be conducted in collaboration with private sector associations. Portions of the task will be contracted to local firms.

U.S. and foreign data, unlike that relating to Haiti, will be obtained on a case-by-case basis; that is, as the need arises since this type of information is essentially market intelligence. The data sought will relate to overseas market demand, and it will assist in the identification of buyers and their purchasing requirements. Upon the request of Haitian firms, the Division will assist in overseas market searches through opportunity banks, brokers, and specific trade associations. Fees will be charged for this type of research.

The Division will make data available by printing statistical pamphlets and by assisting organizations such as the Management and Productivity Center to conduct investment information seminars.

Communications, the Division's other principal activity, will focus on coordinating the Center's public relations effort. By developing a sound communications strategy, the Division will determine the types of messages and image the IDC will project. This effort will absorb the present program initiated by the media/communications component of the Private Sector Task Force/Emergency Program, and will include a permanent business information capability, accessible to journalists and business people.

The Division will also assist in establishing a system to maintain reliable, low-cost communication links among the project's Divisions and end-users such as:

- o Potential investors,
- o Haitian businesses,
- o Professional and resource organizations, and
- o The IDC headquarters in Haiti, and eventually, an overseas representation.

To perform this task, the project will be equipped with a simple computer-based communications system and a low-cost subscription to any number of computer conferencing/data accessing networks. This strategy is designed to provide Haiti with the same export and investment information resources available to developed economies. Businesses involved with the IDC can tie into the network through their own micro-computers and a telephone. The service will generate income through accessing fees.

2. Export and Investor Services Division

This, the project's largest division, will provide practical business assistance to existing and prospective exporters and investors. It will be staffed by a Director, a technical advisor, and three Industrial Representatives.

During the initial period, the staff will be responsible for three principal activities:

(a) Providing assistance to investment and contracting inquiries;

(b) Coordinating/receiving business investor missions; and

(c) Developing and maintaining operational ties with local business associations and government agencies.

The Director of the Division will be responsible for establishing a local investor reception facility. He, along with technical consultants, will coordinate routing procedures for investment/contracting inquiries, which include registering the request in a company inventory, assessing infrastructure/training requirements, and delegating the inquiry to an Industrial Representative (IR) for proper tracking.

The Industrial Representatives, one specializing in garments/textiles, one in electronics, and a third in agribusiness, will be responsible for the organization and implementation of a complete tracking system of interested investors and assembly contractors. The Industrial Representatives will be knowledgable about the Haitian subsector which they represent. They will act as investment counselors to monitor new projects and intervene in the process when investment interest wavers, or there are unwarranted delays. They will implement a personalized tracking system, briefing investors on available facilities, escorting them to industrial sites, and assuring that all arrangements and details of contract negotiations are coordinated. They, along with the consultants, will work with both negotiating sides (Haitian and overseas) and provide the support needed to bring projects/contracts to fruition.

In addition, the Industrial Representatives will compile data on the relative success of the investor/contractor, with the intention of raising the ratio of investment requests to contracts closed. Data gathered will include corporate opinions on, and recommendations for, the promotion system. Investors will be asked to provide the numbers of actual jobs created, specify the form of their interaction with the IDC, the quality of service provided to them, and ways in which they feel investment promotion and assistance could be improved. This information will be used for evaluation and will help determine the future expansion or contraction of the services provided.

As investment inquiries increase, the Division will consider expanding the number of Industrial Representatives, particularly with specialities in those industries producing the greatest demand for services.

3. Promotion Division

The third component of the IDC is the Promotion Division, the marketing arm of the project. Like any marketing effort, it will seek to capture a certain market share. The "market" in this case is the pool of overseas capital and firms which would benefit from an overseas assembly operation. The Division will be staffed by a Director and short-term technical consultants. Their initial tasks will be to absorb the Private Sector Task Force/Emergency Program's promotion activities and to execute the IDC's marketing strategy based on Haiti's comparative advantages.

The staff will select those sectors which the project will target for its promotion efforts over the next two years. The targeting process comprises action on two levels: the rational selection of appropriate industrial sectors, on the one hand, and the selection of geographical areas and specific companies within those sectors on the other. The Division will determine the targeted sectors based on past performance in Haiti and desirability of market growth.

The next step, selecting the geographical areas and specific companies within the sector, will be contracted out to firms in the U.S. or Canada which specialize in this activity. These firms will begin to assemble a network of contacts within the U.S. and elsewhere which will constitute the market base of the promotion strategy. These contacts will be aggressively pursued through the Division's marketing efforts (i.e. promotional mailings, trade shows, seminars, U.S. trade promotion services, lending institutions, and face-to-face contacts).

The other task of the Division will be to develop promotional material designed to reach the targeted market base. Promotional packets and brochures will include descriptions of Haiti's investment incentives (Investment Codes), investment procedures, and support programs. A positive theme will be used as a slogan on all brochures (see Annex H for proposed promotional material).

Investment missions will complement the promotional effort by introducing the human, face-to-face contact required to establish good business relations. Assisted by adequate promotional material, two types of missions are envisioned. One will focus on promoting Haiti, in general, and Haitian production capacity. The other will focus on trade and marketing, and will promote product lines of finished goods and assist Haitian producers to find outlets for them. Both introduce Haitian entrepreneurs to the targeted audience.

Targeted advertising in selected trade magazines will begin after approximately twelve months of operations. A highly focused approach is to be used rather than a more general mass media campaign. The Division will be assisted by a public relations agency to carry out this task. Because promotion has been described as an art form more than a science, there are few fixed rules which assure the program's success. In this light, the Promotion Division will maintain a high degree of flexibility and experimentation in its staffing and operations.

Phase II

Phase II is scheduled to begin approximately twelve months after the initiation of operations. It will build on the institutional development of Phase I and will focus on two activities: it will assist in the establishment of a small overseas office; and it will expand the IDC's marketing plan to increase its contacts with foreign firms, including an advertising campaign. This effort will require the employment and training of an additional professional who will set up the overseas branch.

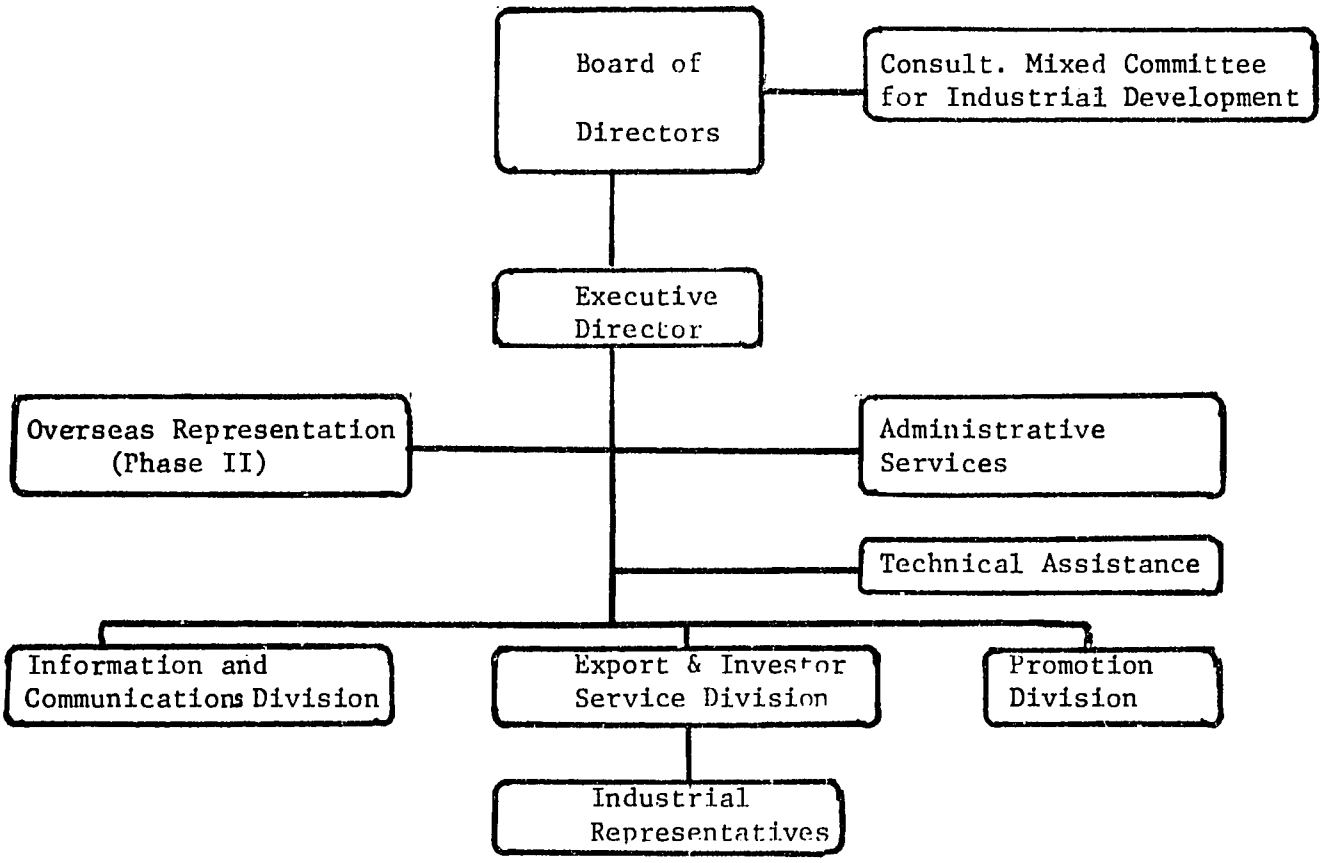
Evaluation work conducted by the Stanford Research Institute of five national investment promotion programs indicates that overseas promotion is often not effective when undertaken by embassies or consulates. By appointing a full-time overseas representative from the private sector, the IDC will begin to control the business image Haiti projects in the U.S. market.

The Overseas Representative must be a person of excellent qualifications, with high motivation, and credibility. The main task of this individual will be to increase the IDC's network and contacts with U.S. and foreign firms. (See Annex J for a detailed overseas representation plan, qualifications, and job description of an overseas representative.) The office will act as an investment information and service center. Leads originated by the office will be passed on to the Export and Investor Services Division in Haiti which will in turn assign an Industrial Representative to the case.

Upon receiving the results of a demand analysis conducted during the first year of the overseas operation, the IDC will explore the potential of developing a brokering/sales force within the overseas office. This marketing team would arrange assembly contracts for Haitian manufacturers on a commission basis through their own contact network. The IDC's responsibilities would be to register and accredit the brokers, provide them with limited logistical support, and supply them with production information about reliable Haitian manufacturers for whom they could broker contracts. The brokers responsibilities would be to generate their own leads, meet with U.S. clients, and match contract requests with capacity at appropriate assembly plants.

ORGANIZATIONAL CHART

INDUSTRIAL DEVELOPMENT CENTER



## 6.2 Financial Plan and Summary Cost Estimates

### 6.2.1 Assumptions and Rationale

Export and investment promotion is not generally considered an income generating activity. Benefits such as employment generation, an increased tax base, technology transfer, and improvement in foreign exchange earnings accrue predominately to the State. Therefore, the Government would ultimately be expected to absorb the major share of financing such efforts. In the short-term, AID will fully fund the project to enable the IDC to focus its limited efforts on creating a viable institution. While user fees and Government of Haiti participation are projected as income, and were agreed to during intensive review, the flow of counterpart funding will not be adequate during the life of project. AID's decision to fund the project is based on agreement that, during the life of the project, the fees which can be collected along with the Government's contribution will be deposited in an account with a local banking institution. This will provide a financial cushion and sufficient time for the IDC, the private sector, and the Government to develop and test a plan for sustained financing once AID funding is completed.

During the second year of operations, and as a part of the mid-term evaluation, the project will examine other income-generating options and review the service fee system. By that time, it is expected that the project's reputation and its evaluated contribution to national development will facilitate an agreement on permanent Government counterpart funding.

### 6.2.2 Expenses

In preparing the financial plan, expenditures were calculated at four levels: personnel, general and administrative, technical assistance, and promotional material/services.

#### 1. Personnel

A minimum professional staff is proposed which includes an Executive Director, plus a Director for each of the project's three Divisions. An equally small support staff and an administrative assistant/accountant are part of the operation. Three Industrial Representatives (IRs) are anticipated for the first year. Based on the success of the Center, additional IRs could be hired by year four. The Overseas Representative is not expected to be hired until year two. Total personnel costs and benefits are $2,692,000.

## 2. General and Administration

The General and Administration budget covers expenses projected for the home office in Haiti and the overseas representative's office. It also includes evaluation/audits, staff recruitment, and projected costs to market and collect user fees. The professional services are expected to cover legal fees and the costs of establishing an accounting system. Staff training, which is covered under a $100,000 line item, is expected to be allocated in the following manner:

TRAINING (in weeks)

| Staff Position | At The Outset | | On-Going | |
|---|---|---|---|---|
| | Overseas | Local | Overseas | Local |
| Exec. Director | 5 Sales/Prom | 2 Mgt | 1 Promotion | 2 Mgt |
| Dir. of Res./Inf. | 3 Data | 1 Computer | 1 Information | 1 Mgt |
| Dir. of Exp/Inves. | 4 Service/sales | 1 Mgt | 1 Promotion | 1 Computer |
| Dir. of Promotion | 4 Prom./sales | 1 Mgt | 2 Service | 1 Mgt |
| Asst Statistician | 1 Statistics | 1 Computer | - | - |
| I. R. x 3 | 6 sales | 6 sales | 4 sales | 2 Mgt |
| Office Manager | - | 1 Mgt | - | - |
| | 23 weeks | 13 weeks | 9 weeks | 7 weeks |

Total overseas : 32 weeks at $2,500/week = $ 80,000
Total local : 20 weeks at $1,000/week = $ 20,000
$100,000

Total General and Administration costs are: $906,000

3. Technical Assistance

Technical Assistance is apportioned among four categories:

a. Long-Term

| | |
|---|---|
| Investor Services | 30 person-months |
| Business Data and Research | 24 person-months |

b. Short-Term

| | |
|---|---|
| Promotion Strategy | 11 person-months |
| Institutional Development | 7 person-months |
| Material Preparation | 10 person-months |
| Brokering/Sales | 9 person-months |

Total Cost: $1,463,000

c. Policy Formulation Assistance to CMCID

Total Cost: $620,000

d. AID Project Coordination

Total Cost: $280,000

4. Promotional Materials and Services

Promotional materials and services make up the second largest budget item, totaling $1,739,000, over four years. This component includes the cost of developing, printing, and distributing promotional materials and the cost of servicing the Information and Communications Division. It also provides for contracting of services to local and/or overseas organizations, and covers the promotional expenses of Haitian participation in seminars and trade shows.

6.2.3 Income Projections

Income for the project is based on two principal sources: private sector user fees and Government of Haiti contributions.

Project design maintains the competitive policy of other export and investment promotion institutions in developed and developing countries: services are provided at no charge to the potential investor. However, specific and supplemental services have been designed in the IDC to generate income from the following activities:

- o Fees for data search, information, and compiled reports;
- o Access to computer conferencing/investment search facilities; and
- o Fees for consultative services and negotiating contracts.

A modest $20,000 is estimated to be collected from these sources during year one. After that a membership drive will be initiated to recruit participatory paying members (individual firms and private sector associations) who benefit from the IDC's services. An additional $490,000 is projected as income from combined fees, sales, and membership contributions over the life of the project.

The Government of Haiti's contribution has been estimated at $750,000 over the life of the project. Negotiations are in process to obtain Government contributions for the first two years of the project at levels of $50,000 and $100,000, respectively. Conditions Precedent will require that these sums be included in the national budget (see Section 8.2). Subsequent negotiations will be pursued to obtain increases in the Government's contribution to the IDC over the following two years and to allot funds annually in the national budget to pay for IDC operations.

During intensive review, the feasibility of a Bond issue was explored but dropped after research revealed that in the 1960's the Duvalier government had issued a Bond indebtiture where payments were never honored. Over the course of the project, the feasibility of a Government of Haiti Bond issue will be further analyzed.

6.2.4 Total Budget Summary

AID will provide $7.7 million in grant funds, of which $6.8 million will be obligated through a Grant Agreement and $900,000 through direct AID contracts, over a four year period to assist in financing the establishment of the IDC. AID funds will be used for operations and training, technical assistance, and project monitoring. Private sector and Government of Haiti funds will be accumulated and retained for years five and beyond.

($000)

| | AID Grant | Private Sector | GOH | Total | % |
|---|---|---|---|---|---|
| 1. Operations & Training | 5,337 | -0- | -0- | 5,337 | 69% |
| 2. Technical Assistance | 1,463 | -0- | -0- | 1,463 | 19% |
| 3. Policy Formulation (CMCID) | 620 | -0- | -0- | 620 | 8% |
| 4. Project Monitoring | 280 | -0- | -0- | 280 | 4% |
| Sub-Total | 7,700 | -0- | -0- | 7,700 | 100% |
| 5. Retained Earnings* | -0- | 510 | 750 | 1,260 | |

* For operations and training in year 5.

6.2.5 Technical Assistance and Policy Formulation Budget

($000)

| | Year 1 | Year 2 | Year 3 | Year 4 | Total |
|---|---|---|---|---|---|
| Long-Term | 362 | 378 | 98 | -0- | 838 |
| Short-Term | 239 | 186 | 146 | 53 | 624 |
| CMCID | 150 | 150 | 160 | 160 | 620 |
| Total | 751 | 714 | 404 | 213 | 2,082 |

EXPORT AND INVESTMENT PROMOTION PROJECT
INDUSTRIAL DEVELOPMENT CENTER
BUDGET

| | Yr 1 | Yr2 | Yr 3 | Yr 4 | Total |
|---|---|---|---|---|---|
| EXPENDITURES ('000) | | | | | |
| I. Fixed Expenditures | | | | | |
| A. Personnel | | | | | |
| Executive Dir. | 60 | 63 | 66 | 70 | 259 |
| Overseas Representative | -- | 55 | 58 | 62 | 175 |
| Dir. Information/Comm./Research | 52 | 55 | 58 | 63 | 228 |
| Assistant Economist/statistician | 25 | 27 | 31 | 35 | 118 |
| Dir. Export/Investor Serv. | 52 | 55 | 58 | 63 | 228 |
| Dir. Promotion | 52 | 55 | 58 | 63 | 228 |
| Admin. Assist./Accountant | 30 | 32 | 36 | 40 | 138 |
| Support Staff @$12,000 per | 60 | 72 | 84 | 84 | 300 |
| Indust'. Reps @$33,000 per | 100 | 110 | 115 | 120 | 445 |
| Sub total | 431 | 524 | 564 | 600 | 2119 |
| Fringe Benefits (27%) | 116 | 143 | 152 | 162 | 573 |
| Total salaries | 547 | 667 | 716 | 762 | 2692 |
| B. General and Administration | | | | | |
| Office rentals, incl. overseas | 36 | 34 | 36 | 38 | 144 |
| Furniture/equipment rental | 120 | 27 | 25 | 30 | 202 |
| Utilites | 18 | 15 | 16 | 18 | 67 |
| Professional Services (1) | 20 | 10 | 5 | 10 | 45 |
| Material/supplies | 25 | 20 | 20 | 25 | 90 |
| Recruitment/Marketing fee service(1) | 20 | 20 | 25 | 25 | 90 |
| Automobile/Maintenance | 26 | 3 | 4 | 20 | 53 |
| Training | 25 | 30 | 20 | 25 | 100 |
| Evaluation and Audit (1) | -- | 55 | -- | 60 | 115 |
| Total G and A | 290 | 214 | 151 | 251 | 906 |
| II. Variable Expenditures | | | | | |
| A. Technical Assistance (LT) | | | | | |
| Assist.Dir./Export Services | 68 | 71 | 37 | -- | 176 |
| Bus. Information/Research | 68 | 71 | -- | -- | 139 |
| B. Technical Assistance (ST) | | | | | |
| Promotion Professional | 25 | 25 | 20 | -- | 70 |
| Institutional Develop. | 30 | 10 | 10 | -- | 50 |
| Material Preparation | 20 | 15 | 15 | 10 | 60 |
| Brokering/sales | 15 | 20 | 10 | 10 | 55 |
| Sub total | 226 | 212 | 92 | 20 | 550 |
| Overhead and fees (1.66) | 375 | 352 | 153 | 33 | 913 |
| Total Technical Assistance | 601 | 564 | 245 | 53 | 1463 |

| | | | | | |
|---|---|---|---|---|---|
| C. Promotional Mat. & Services | | | | | |
| Brochures/pamphlets (1) | 130 | 140 | 130 | 100 | 500 |
| Advertisement (1) | --- | 110 | 115 | 120 | 345 |
| Travel (In-country and Internat'l) | 24 | 25 | 35 | 40 | 124 |
| Ref Material/Data Collection (1) | 80 | 70 | 70 | 75 | 295 |
| Promotional Services | 125 | 70 | 75 | 80 | 330 |
| Seminars/Trade Shows | 25 | 30 | 35 | 35 | 125 |
| Total Promo. Mat. & Services | 384 | 445 | 460 | 450 | 1739 |
| III TOTAL OPERATIONAL EXPENSES(I+II) | 1823 | 1890 | 1572 | 1516 | 6800 |
| IV.Policy Formulation Assist.CMCID (2) | 150 | 150 | 160 | 160 | 620 |
| V. AID Project Coordinator | --- | 55 | 110 | 115 | 280 |
| VI. TOTAL PROJECT EXPENSES | 1973 | 2095 | 1842 | 1791 | 7700 |
| VII. AID Grant Funding | 1973 | 2095 | 1842 | 1791 | 7700 |
| VIII. OTHER INCOME AND REVENUES ('000) | | | | | |
| Counterpart Funding | | | | | |
| Service Fees/Subscription (4) | 20 | 40 | 150 | 300 | 510 |
| GOH (4) | 50 | 100 | 200 | 400 | 750 |
| TOTAL | 70 | 140 | 350 | 700 | 1260 |
| IX. Retained Earnings (Reserve Fund) | | | | | |
| Accumulated Income (5) | 70 | 210 | 560 | 1260 | 1260 |
| Retained Earnings (at yrs end) | 70 | 210 | 560 | 1260 | 1260 |

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(1) Part of these expenses will be for outside contractors.

(2) Expenses are to cover costs for on-going technical assistance to the Consultative Mixed Committee for Industrial Development. These costs will continue to be paid through a direct USAID contract and will not be part of the project's institutional technical assistance contract.

(3) Expenses shown for the AID Project Monitor are for a personal services contract to begin mid-year of year two. For the first 18 months of operations, project monitoring costs will be met from the Management and Productivity Center budget.

(4) Fee income and GOH contributions will be accumulated and deposited in a local banking institution.

(5) The accumulated income and revenues will be deposited in a local banking institution.

## 6.3 Economic Analysis

### 6.3.1 Introduction

The economic analysis of the Industrial Development Center (IDC) consists of a benefit/cost analysis which compares the projected benefits resulting from an accelerated expansion of Haiti's light industrial export industries and the estimated project costs.

### 6.3.2 Benefit/Cost Analysis

The services provided by the proposed IDC would fill a wide spectrum of Haitian business needs in the area of investment services and promotion, and research on U.S. markets and technical assistance. It is anticipated that with enhanced assistance, Haitian business capacity will expand significantly. In addition, potential Haitian and foreign investors will be more motivated to invest, and investors already prepared to invest will be able to make more appropriate decisions. This will create productive and rewarding employment opportunities for Haiti's low income population.

These developments will be especially important for the light assembly industry which has been the most dynamic sector in the last fifteen years. According to the latest data available, this sector has created nearly 55,000 jobs in the period 1970 to 1985, and has grown at an average annual rate of over 10 percent. During the same period, the value added of exports from imported components grew at an average annual rate of over 10 percent in real terms, although annual rates fluctuated widely.

For the purposes of this analysis, a lower growth rate of 5 percent in real terms for value added of exports is projected for the period 1986 to 1990 (Table 1). This is based on the conservative assumption of a projected tight monetary and fiscal policy and increasing competition from other Caribbean nations for assembly export sector investments. In addition, uncertainty with respect to the political situation over the next two or three years is expected to adversely affect the sector. At the rate of 5 percent, the value added of exports of the light assembly industries would grow from U.S. $120 million in 1986 to U.S. $145.85 million in 1990 (Table 1). Similarly, a lower annual growth rate for employment is projected for the period 1986 to 1990 (Table 2). At this rate, the number of jobs in the assembly sector would grow from 50,000 in 1986 to 60,800 in 1990 (Table 2).

It is difficult to determine the singular impact of the IDC on the sub-sector's exports and employment. However, if a projected rate of growth of value added and employment is coupled with a conservative estimate (1 percent per year) of the impact of IDC, a 6 percent annual growth rate would occur over the life of the project. This would increase the total value added of exports to $151.15 million and employment to 63,150 jobs in 1990 (Tables 1 and 2). The value added attributable to the IDC increases from $1.20 million in 1987 to $5.7 million in 1990; employment gains would go from 500 jobs in 1987 to 2,350 in 1990 (Table 2).

The IDC would also create direct wage benefits, which are estimated as follows: wages distributed as a consequence of the impact of the IDC would represent approximately 60 percent of the additional value added of exports. Allowing for the opportunity cost of unskilled labor, the wage benefits are found to increase from $0.6 million in 1987 to $2.8 million in 1990 (Table 3). The wage benefits would continue beyond the initial four years even if the project were terminated. Over a fourteen year period, total wage benefits would be $24 million, with a present worth of almost $13 million (Table 4). If the present worth of wage benefits is compared with the present worth of the costs of the IDC, the net benefits--present worth of wage benefits less present worth of IDC's costs--are approximately $7.8 million (Table 4). The internal rate of return is 49% percent.

One percent additional increase per year in value added of exports and employment growth rate of the assembly sector is a hypothetical but conservative estimate of the impact of IDC. Nevertheless, this creates net benefits which make the project an economically sound investment. Even if a lower increase in value added and employment were assumed, for example .5 percent, the present worth of wage benefits would be greater than the present worth of project costs when discounted at 10 percent (Table 5). In other words, even if the impact on the growth rate of value added and employment were only .5 percent, the project would be an economically sound investment (Table 5).

The economic feasibility of the project seems all the more assured given that the net wage benefits of only one sub-sector has been considered.[1] Nevertheless, they cover the costs of the

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[1]In addition to the wage benefits, there would be benefits in terms of profits. Other factor services are assumed to be supplied at their opportunity cost and hence produce no net benefits.

project. If it were possible to measure the benefits created by the IDC in the industries producing for the local market and the firms providing services, the total would be considerably higher than the $7.7 million estimated for the assembly export sector.

Table 1

LIGHT ASSEMBLY INDUSTRIES PROJECTED VALUE ADDED

OF EXPORTS FROM IMPORTED COMPONENTS TO U.S.

WITH AND WITHOUT INDUSTRIAL DEVELOPMENT CENTER (IDC)

(Constant 1985 $000s)

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| 1. Case (without IDC) | | | | | |
| Exports (5% per year increase after 1986) | 120,000[1] | 126,000 | 132,300 | 138,900 | 145,850 |
| 2. Case (with IDC) | | | | | |
| Exports (6% per year increase after 1896) | 120,000 | 127,200 | 134,850 | 142,950 | 151,550 |
| 3. Impact of IDC (1% increase per year) | 0 | 1,200 | 2,550 | 4,050 | 5,700 |

[1]Source: Action Plan supplement - Macroeconomic Assessment.

Table 2

LIGHT ASSEMBLY INDUSTRIES: PROJECTED EMPLOYMENT

WITH AND WITHOUT IDC

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1985-1990 Total job creation for the period |
|---|---|---|---|---|---|---|---|
| 1. Case (without IDC) Employment (5% increase per year) | 55,000[1] | 50,000[2] | 52,500 | 55,125 | 57,900 | 60,800 | 5,800 |
| 2. Case (with IDC) Employment (6% increase per year) | 55,000 | 5,000 | 53,000 | 56,200 | 59,575 | 63,150 | 8,150 |
| 3. Impact of IDC (1% increase per year) | - | - | 500 | 1,075 | 1,675 | 2,350 | 2,350 |

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[1]Source: OPED/USAID

[2]Reduction due to the political events following the departure of the Duvalier family.

Table 3

IMPACT ON VALUE ADDED OF EXPORTS

EMPLOYMENT AND WAGE BENEFITS

(1986 $000s)

| | | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|
| I. | Additional Value Added | - | 1,200 | 2,500 | 4,050 | 5,700 |
| II. | Additional Employment | - | 500 | 1,075 | 1,675 | 2,350 |
| III. | Wages Distributed[1] (I x 0.60) | - | 720 | 1,530 | 2,430 | 3,420 |
| IV. | Opportunity Cost of Labor[2] (II x 250 x $1) | - | 125 | 269 | 419 | 587.5 |
| V. | Wage Benefits (III - IV) | - | 595 | 1,261 | 2,011 | 2,832.5 |

[1]The total amount of wages distributed represents 60 percent of additional value added of exports.

[2]250 work days per year at $1 per day.

Table 4

COMPARISON OF GROSS WAGE BENEFITS

AND TOTAL COST OF THE PROJECT

(1986 $000s)

| Year | Benefits | Present Value of Benefits (1) | Cost IDC | Present Value of Costs (1) | Net Present Value |
|---|---|---|---|---|---|
| 1987 | 595 | 541 | 1,584 | 1,440 | (899) |
| 1988 | 1,261 | 1,041 | 1,740 | 1,437 | (396) |
| 1989 | 2,011 | 1,510 | 1,534 | 1,152 | 358 |
| 1990 | 2,832 | 1,934 | 1,460 | 997 | 937 |
| 1991[2] | 2,575 | 1,599 | - | - | 1,599 |
| 1992 | 2,341 | 1,320 | - | - | 1,320 |
| 1993 | 2,128 | 1,092 | - | - | 1,092 |
| 1994 | 2,934 | 903 | - | | 903 |
| 1995 | 1,758 | 745 | - | - | 745 |
| 1996 | 1,598 | 617 | - | - | 617 |
| 1997 | 1,453 | 509 | - | - | 509 |
| 1998 | 1,320 | 421 | - | - | 421 |
| 1999 | 1,200 | 348 | - | - | 348 |
| 2000 | 1,091 | 287 | - | - | 287 |
| TOTAL | 24,097 | 12,867 | 6,318 | 5,026 | 7,841 |

Economic Rate of Return ERR - 49%

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[1]Present worth at 10 percent.

[2]From the 5th year on, depreciation of wage benefits is assumed at 10 percent per year.

Table 5

Sensitivity Analysis

(1986 $000s)

| Projected Impact of IDC on Value Added and Employment | Net Present Value | Economic Rate of Return (ERR) |
|---|---|---|
| 1.00% | 7,841 | 49% |
| .8% | 5,026 | 29.5% |
| .7% | 3,172 | 19% |
| .6% | 2,639 | 14% |
| .5% | 2,161 | 11% |

## 6.4 Social Soundness Analysis

### 6.4.1 Socio-Economic Context

The notion of a labor market cannot be taken for granted in countries like Haiti, where salary and wage earners constitute a small minority of the working population. Because of the difficulty of surveying work relations in the informal and rural sectors of the economy, most available quantitative data pertains only to the modern sector.

Although the manufacturing and utilities sector absorbs only 6.6 percent of the labor force, it is one of the most productive areas, representing 19 percent of total G.D.P. On the other hand, 34 percent of the national product is produced by 66 percent of the labor force in the agricultural sector. These estimates have implications for development strategy: innovative ways to encourage the creation of new local industries and increase absorptive capacity of the modern sector are of critical importance.

### 6.4.2 Impact and Benefits

The major objective of the proposed project is to create productive and rewarding employment opportunities for Haiti's urban and agricultural populations. These direct jobs will produce benefits in the form of wages paid to the employees of agricultural and industrial enterprises, which are the target industries under this project. The wages paid will have secondary effects and produce jobs indirectly in the industries which service the new investments or through the firms located in communities where the new wage earners are living.

Assembly industries in Haiti have a tendency to create a relatively greater demand for female workers who are believed to be better qualified for work which requires detail, dexterity, and patience. This carries a particular advantage in that increased employment for women in urban areas provides additional income which will more directly bear on the welfare of infants and children. The creation of additional employment for women is less likely to attract families to migrate from rural areas, which places an additional burden on existing infrastructure and services. However, wage rates in both industry and agriculture are said to be slightly lower for women than for men. This is difficult to verify because so many of the wages in agriculture are paid on a daily basis. For the manufacturing sector the wage rates are determined in part by the country's minimum wage, in part by industry standards (textile firms pay less than electronic firms) and in part by level of productivity.

The rapid creation of a large number of urban jobs contains several drawbacks. New industry can place a direct strain on the already overburdened urban infrastructure, and given the fact that the rural population is still much larger than the urban, every job created in the urban manufacturing sector can potentially cause more than one worker to decide to migrate to the city. However, as it has been shown in other countries, urban in-migration will continue regardless of whether there is a heavy demand for labor. Thus, it is important to structure the promotion of industry in a manner that will minimize the dislocations and strains upon the infrastructure.

By helping to identify and activate investment opportunities, the project will increase the diversity of the business sector, stimulate competitiveness, and accelerate technology transfer, rebounding the benefits to all levels of Haitian society. Linkages with small-scale manufacuturers and agro-industries will be considered. The upgrading of the capabilities of these producers to facilitate linkages with other larger scale manufacturers will be given particular attention through the work of such related projects as the Management and Productivity Center and the Development Finance Corporation (SOFIHDES).

## 6.5 Evironmental Impact Analysis

The object of this project is to increase the capacity of the Haitian business sector to absorb the employment expansion resulting from increased investment activity. Training and technical assistance provided to management and entrepreneurs will result in negligible positive or negative environmental consequences and therefore further environmental examination is not warranted. This determination is in conformance with guidelines contained in Handbook 3, Appendix 2 D, 22 CFR Part 216.2 (c) (2) (x) which deals with Categorical Exclusions. The pertinent sections are quoted as follows: "216.2 (c) determining the classes of actions included in 216.2 (c) (2) P for which an Initial Environmental Examination, Environment Assessment and Environmental Impact Satement generally are not required... (i) Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities etc.)." None of the Center's activities fall into the latter category (see Annex M).

## VII. PROJECT IMPLEMENTATION

### 7.1 Project Management

USAID/Haiti's Office of Private Enterprise Development (OPED) will have primary responsibility for monitoring the project. The USAID/Haiti Project Monitor will work closely with the IDC, the contractors, and the Secretariat of the Consultative Mixed Committee for Industrial Development (CMCID) to ensure that the provisions of the Grant Agreement and contracts are met and that AID financed activities function efficiently and effectively. The IDC will be responsible for pursuing the project purposes.

#### 7.1.1 Role of USAID

USAID will review the decree establishing the entity and furnish technical assistance to the Board and to the IDC as outlined herein. USAID will also assist the Board in recruiting and training key management personnel, preparing an operational plan, and making general provisions for technical assistance. USAID will initiate and conduct, with the IDC technical advisors, information sessions intended for the private sector associations and their members to ensure early on that the business community is informed about, and involved in, the project.

#### 7.1.2 Role of the Consultative Mixed Committee for Industrial Development (CMCID)

The CMCID is responsible for reviewing the project and its accompanying decree and for making the necessary recommendations regarding its approval. The members of the CMCID are responsible for selecting private sector representatives on the first IDC Board of Directors.

Technical assistance to the Committee's Permanent Secretariat will assist in selecting the Board and initiating the project's start-up phase. Once the decree has been issued and the Board is installed, the IDC will officially exist and legally represent itself.

#### 7.1.3 Role of the Grantee

AID will enter into a Grant Agreement with the legally constituted Board, which will be the link between the project and AID. The Board will set policy for the institution, review, and

approve all operational criteria of the IDC and select, in concurrence with AID, the project's Executive Director and senior staff. It will approve budgets, ensure that the project remains consistent with its goals and objectives, and will initially require monthly, and subsequently, quarterly reports from the project's management.

### 7.2 Implementation Schedule

I. PRE-OPERATIONAL ACTIVITIES

| | | |
|---|---|---|
| 1. | Project summary completed and presented to the CMCID | July, 1986 |
| 2. | Project Paper approved by USAID | July, " |
| 3. | Project summary sent to AID/W | July, " |
| 4. | Official publication of Decree in the Moniteur | July, " |
| 5. | Selection of IDC Board | August, " |
| 6. | Grant Agreement signed | August, " |
| 7. | Issue RFP | Sept., " |
| 8. | Recruitment of key staff positions initiated | Sept., " |
| 9. | Executive Director hired | Oct., " |
| 10. | Staff hiring completed | Dec., " |
| 11. | Arrival of long and short-term advisors | Jan., 1987 |
| 12. | Training of promotion and management staff initiated | Feb., " |

II. OPERATIONAL ACTIVITIES

| | | |
|---|---|---|
| 13. | Research and Information Division established | March, 1987 |
| 14. | Export and Investment Division established | March, " |
| 15. | Promotion Division established | Apr., " |
| 16. | Overseas representation established | Oct., " |
| 17. | Mid-Term Evaluation | Aug., 1988 |
| 18. | Final Evaluation | July, 1990 |
| 19. | Project Agreement Completition Date (PACD) | Aug., 1990 |

## 7.3 Reporting and Evaluation Plan

### 7.3.1 Reporting Requirements

For the first year of operations, monthly progress reports from IDC's management will be prepared for USAID and the Board. Thereafter, quarterly reports will be prepared which will also include past and projected budgets, policy recommendations, implementation constraints and suggested measures for addressing same, and the number of leads received and tracked.

### 7.3.2 Evaluation Plan

Evaluations will be conducted informally by AID project management and formally by outside, independent evaluators. Two formal evaluations and yearly audits will be conducted during the life of the project. USAID project management will initiate the process (through a Request for Proposal or an Indefinite Quantity Contract) with funding from the operations budget of the IDC. The project agreement will condition funds to the Grantee to be used for evaluations and audits.

### 7.3.3 Project Evaluations

The following areas will be examined during the mid-term and final evaluations. However, other elements may be added upon the request of AID, the Grantee or the Government of Haiti:

1. Assessment of how this activity is assisting the USAID Mission in the achievement of broad strategy objectives in the area of private enterprise development. That is, the extent to which it is providing a sound foundation for sustained growth in the private sector which will increase opportunities for gainful employment by facilitating investment in the export-oriented manufacturing sector for continued business and industrial expansion.

2. Assessment of the suitability of the IDC concept in delivering investment promotion and contracting services.

3. Assessment of the level of the project's expectations compared to its ability to deliver the services required by manufacturing and export-oriented businesses.

4. Assessment of IDC management's effectiveness in:

   - Preparing and implementing the IDC's strategic plan;

   - Selecting staff which is compatible and capable of working cooperatively;

   - Developing short-term organizational goals and management by objectives;

   - Organizing investment services, conducting research, and targeting and planning promotion efforts before initiating investment promotion;

   - Monitoring the contractors' performance.

5. Assessment of technical assistance contractors through a review of their scopes of work and technical contributions.

6. Assessment of the funding mechanisms proposed by management.

7. Determination of whether the IDC's organization and structure is adequately providing investment services, following through with investment requests, and effectively conducting promotion.

8. Determination of the impact of the project on expanding present businesses and the installation of new ones.

9. Assessment of the impact of assembly contracts obtained as a result of brokering services.

10. Evaluation of the proportion of inquiries to successful investments, the ratio of local to foreign investors assisted, the annual cost of export promotion compared to the cost per job created, and the actual cost of information services.

11. Assessment of the training of the project's staff.

12. Evaluation of the effectiveness of the relationship between the IDC, its Board of Directors, and the CMCID.

13. Evaluation of the effectiveness of the CMCID in addressing policy reform issues emanating from the IDC, as well as the ability of the technical assistance attached to the CMCID to assist in the resolution of substantive issues.

Successive evaluations will determine how successful the project has been in incorporating suggestions and recommendations into its operations.

7.4 Methods of Implementation and Financing

USAID will use the following methods for disbursing project funds:

| Method of Implementation | Method of Payment | Approx. Amount ($000) |
|---|---|---|
| Technical Assistance | | |
| Institution Contract | Direct Reimbursement | $1,463 |
| Personal Services Contract | Direct Payment | 280 |
| Evaluation/Audit | Direct Reimbursement | 115 |
| CMCID | Direct Reimbursement | 620 |
| Equipment Procurement | Direct Letter of Com./ Direct Reimbursement | 345 |
| Program Costs | Direct Reimbursement with Periodic Cash Advances | 4,652 |
| Training | Direct Reimbursement with Periodic Cash Advances | 100 |
| Investment Missions | Direct Reimbursement with Periodic Cash Advances | 125 |
| | Total Project Cost | $7,700 |

Disbursement procedures will be included in the Grant Agreement.

7.5 Procurement Procedures

Goods and services financed by AID under the Grant shall have their source and origin in AID geographic code 941 countries or in Haiti, except as AID may otherwise agree in writing.

Project design calls for five types of procurement:

1. Long-term (from two to three years) technical assistance attached directly to the Industrial Development Center in the fields of export/investor services and information/communications to be supplied by a U.S. contractor. The contractor will also supply the majority of short-term (less than one year) services of specialists in the fields of export promotion, institutional development, material preparation, and brokering/sales in manufacturing and agribusiness promotion.

2. Long-term (from one to three years) technical assistance attached to the Consultative Mixed Committee for Industiral Development (CMCID). The contractor will be a local firm and will also supply specialists for short durations based on the exigencies of the Committee.

3. Office and professional staff to be hired locally by the IDC and approved by USAID.

4. Operational supplies, goods, and services required for the establishment and functioning of the IDC.

5. A Personal Services Contractor (PSC) to function as Project Monitor. The PSC will be attached to USAID's Office of Private Enterprise Development.

7.5.1 Technical Assistance

No individual, firm, or institution has been identified as a preferred implementation contractor or staff person. Project design does not exclude the consideration of any firm wishing to submit a competitive bid. An 8(a) designate under the Small Business Act is encouraged to submit a bid.

Subsequent to project approval, the Mission will access the Automated Consultant Registry Information System (ACRIS) of OSDBU/PRC for an update on small businesses and/or small and economically disadvantaged enterprises which have the capability to become the prime contractor. Procedures will be made to follow procurement guidelines established by OSDBU/PRC to implement the Gray Amendment.

The contractor will be required to supply the IDC with two resident advisors and four short-term consultants.

### 7.5.2 Commodity Procurement

Commodity procurement will be limited to items required to set up and operate a principal export and investment promotion office in Haiti, plus a small overseas presence in an appropriate U.S. metropolitan area. To the extent possible, promotional material, services, and equipment will be purchased locally.

## VIII. CONDITIONS, COVENANTS, NEGOTIATING STATUS

### 8.1 Negotiating Status

The principle of creating an institution such as IDC was discussed and approved by representatives of both the public and private sectors in October, 1984. A document entitled "Vers un accord de principe sur la creation d'une entite officielle mixte pour la promotion des exportations et des investissements," was approved in a plenary session of the CMCID's predecessor, the Permanent Mixed Committee for Investment Promotion. The document was submitted by the Minister of Finance to USAID (letter of 5 November 1984) along with a request for technical assistance for the preparation of the project paper.

Over the following five months, USAID and local consultants worked on the legal options available for the new institution, the description of the entity's services and activities, a preliminary budget and a first draft of the PID. Negotiations were also undertaken with the Ministry of Finance.

The PID was presented in AID/Washington in March, 1985. Internal AID/Washington policy discussions necessitated certain changes in project approach (see Guidance Cable, Annex A), and resulted in a delay in project development and approval. Subsequently, the political situation in Haiti, from July, 1985 onwards, also impeded project development. Since the change in government on February 7, 1986, the project has been discussed with the Ministers of Commerce and Industry, and Economy and Finance, as well as with representatives of the private sector.

The current status of the project is as follows: The agreement, in principle, between the public and private sectors is still in force. On the basis of the current status, the negotiating strategy that will be followed is summarized below:

a) USAID/Haiti reviews the Project Paper (PP).

b) A French summary of the PP is distributed to CMCID members.

c) The private sector members of CMCID are briefed on the project.

d) The Ministers of Commerce and Industry, and Economy and Finance are briefed on the project.

e) Issues raised by both the public and private sector members are submitted and resolved with USAID participation.

f) Consensus is achieved.

g) Summary cable is forwarded to AID/W following initial USAID review.

h) The CMCID informs USAID of formal approval of the project.

i) The draft decree is submitted to the Council of Ministers for approval.

## 8.2 Conditions and Convenants

### 1. Conditions Precedent to the Signing of the Grant Agreement

Prior to the signing of the Grant Agreement, the Grantee will furnish to AID, in form and substance satisfactory to AID, evidence that:

a. The Grantee is an official entity established by decree, and under the laws of Haiti is capable of implementing the Grant Agreement;

b. The Government of Haiti and the private sector members of the Consultative Mixed Committee for Industrial Development have designated their respective representatives to the Board of Directors;

c. The Board of Directors has met and selected their officers.

### 2. Conditions Precedent to Disbursement of Funds for Phase I Pre-operational Services up to $300,000:

Prior to the initial disbursement for Phase I pre-operational services up to $300,000, the Grantee will furnish to AID, in form and substance satisfactory to AID:

a. Evidence of the selection of local technical assistance to establish administrative and accounting procedures;

b. Evidence that executive recruitment has been conducted;

c. Evidence of the selection of an Executive Director or interim Project Manager.

3. Conditions Precedent to Disbursement of Funds for Phase I Operations up to $600,000:

Except as AID may otherwise agree in writing, prior to disbursement under the Grant, or to issuance by AID of documentation pursuant to which disbursement will be made to finance operations for Phase I, the IDC will furnish to AID in form and substance satisfactory to AID:

a. A statement and budget setting forth the use of the advance for operations;

b. Evidence that an accounting system has been established and that a core staff, including the accountant, has been selected;

c. Evidence that the Government of Haiti's first year contribution will be or has been appropriated in the national budget (fiscal year 1986-1987);

d. Evidence that the IDC has established a separate bank account with a Haitian banking institution to receive IDC income and contribution payments from both the private and public sectors.

4. Conditions Precedent to Disbursement of Funds for Technical Assistance Activities:

Except as AID may otherwise agree in writing, prior to disbursement under the Grant, or to the issuance by AID of documentation pursuant to which disbursement will be made of funds for technical assistance activities, the Grantee shall furnish:

a. A statement setting forth the IDC's plan for the utilization of the technical assistance;

b. Evidence of the selection of appropriately qualified technical assistance.

5. Conditions Precedent to Disbursement of Funds for Phase I Operations in Excess of $600,000:

Except as AID may otherwise agree in writing, prior to disbursement under the Grant, or to the issuance by AID of documentation pursuant to which disbursement will be made of funds in excess of $600,000, the Grantee shall furnish to AID in form and substance satisfactory to AID:

65

a. Evidence that the IDC has employed the staff required to carry out its operations;

b. A statement setting forth detailed organizational policies and operational guidelines of the IDC, including progress benchmarks and targets.

6. Conditions Precedent to Disbursement for Phase II, Overseas Representation:

Except as AID may otherwise agree in writing, prior to disbursement under the Grant, or to issuance by AID of documentation pursuant to which disbursement will be made to finance phase II overseas representation, the IDC will furnish to AID, in form and substance satisfactory to AID:

a. Evidence of the selection of an overseas representative;

b. A work plan and a budget for the first year's activities which have been prepared and approved by the Board of Directors;

c. Evidence that the Government of Haiti's second year contribution will be or has been appropriated in the national budget;

d. An opinion of the Grantee's counsel that the Grantee has taken all corporate and legal action required to effectively implement the overseas representation plan.

e. Evidence that the structure and composition of the Board of Directors remain consistent with project objectives and the Decree of August 1986 that created the IDC.

7. Conditions Precedent to Disbursement for Year Three of the Project:

Except as AID may otherwise agree in writing, prior to disbursement under the Grant, or to issuance by AID of documentation pursuant to which disbursement will be made to finance Year Three of the project, the IDC will furnish to AID, in form and substance satisfactory to AID:

a. Evidence that a mid-term evaluation was conducted in accordance with criteria and performance targets agreed to by AID, and steps were taken to address the recommendations made by the evaluation.

b. Evidence that the Government of Haiti's third year contribution will be or has been appropriated in the national budget;

c. Evidence that the IDC has explored alternative sources of revenue to meet operational expenses, and has prepared a plan for developing such alternatives by the end of Year Three.

d. A work plan and a budget forecast detailing the use of project funds for the year.

8. Conditions Precedent to Disbursement for Year Four of the Project:

Except as AID may otherwise agree in writing, prior to disbursement under the Grant, or to issuance by AID of documentation pursuant to which disbursement will be made to finance Year Four of the project, the IDC will also furnish to AID, in form and substance satisfactory to AID:

a. A work plan and a budget forecast detailing the use of project funds for the year and for utilization of accumulated income for Year Five.

b. Evidence that the Government of Haiti's fourth year contribution will be or has been appropriated in the national budget.

Covenants

Grantee agrees that, unless AID otherwise agrees in writing, it will:

a. Establish a service which will reach as broad a market as is practical;

b. Engage the services of an internationally recognized accounting firm to carry out the audits of the Grantee's operations;

c. Submit a report to AID each month for the first year of operations and for each quarter thereafter, for the life of this Agreement. Each report will discuss past activities, projected activities, a summary of use of AID funds and projected use, and other comments on operations, including a discussion of major implementation difficulties and proposed measures for their resolutions

d. Adopt annual performance indicators/benchmarks and goals consistent with project objectives and evaluate the performance of the Center and IDC personnel in relation to those indicators.

e. Work closely with USAID during the implementation of the project, and invite, when necessary a USAID representative to Board meetings.

f. Exert maximum effort to assure the financial sustainability of the IDC by examining various long-term funding options such as Bond issues, levies, government budgetary allocations, and other donor contributions.

Annex A-1

DEPARTMENT OF STATE

# TELEGRAM

AMERICAN EMBASSY, PORT-AU-PRINCE

DATE RECEIVED
OCT 15 1985
313796

ACTION: G.D-2

INFO: AMB, DCM, POL, ECON, COMM, CONS, ADM, PER, B&F, GSO, ICA, AID, DAO, MSG, CRO, DO, CHRON

DATE REC'D
USAID ROUTER

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Date: NOV 15 85

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TO AMEMBASSY PORT AU PRINCE 9817
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UNCLAS STATE 313796

AIDAC

E.O. 12356: N/A
TAGS:
SUBJECT: INTERIM REPORT REVIEW: INVESTMENT AND PROMOTION PROJECT, 521-0196

REF: STATE 151859

Rec: 10/23/85

1. SUBJECT INTERIM REPORT (IR) WAS REVIEWED ON OCTOBER 1, 1985. THE REVIEW COMMITTEE CONCLUDED THAT THE IR ADEQUATELY ADDRESSED THE AREAS IDENTIFIED AT THE PID REVIEW FOR FURTHER ANALYSIS, I.E. THE AUTONOMY, FINANCING AND DESIGN OF THE ORGANIZATION PROPOSED IN THE PROJECT. THE MISSION WAS AUTHORIZED TO PREPARE, REVIEW AND APPROVE THE PP IN THE FIELD, SUBJECT TO THE FOLLOWING GUIDANCE.

2. STRATEGY: BOTH THE LONG- AND SHORT-TERM STRATEGY OF THE PROJECT SHOULD BE CLEARLY DESCRIBED IN THE PP. IT SHOULD INCLUDE THE INVESTMENT PROMOTION CORPORATION (IPC) STRUCTURE, GOALS, RELATIONSHIP WITH THE PRIVATE AND PUBLIC SECTORS AND STAFFING NEEDS.

-- A. STRUCTURE OF THE IPC. WITHIN THE CONTEXT OF PROPOSED SERVICES, THE PP SHOULD IDENTIFY THOSE WHICH CAN BE PROVIDED BY THE IPC AND THOSE WHICH COULD BE BEST SUPPLIED THROUGH OUTSIDE CONTRACTORS, HAITIAN OR U.S. CRITERIA FOR DETERMINING THE MIX BETWEEN THOSE SERVICES PROVIDED IN-HOUSE AND THOSE TO BE PERFORMED EXTERNALLY MUST BE ESTABLISHED DURING PP DEVELOPMENT, KEEPING IN MIND STRONG AID/W PREFERENCE TO KEEP IPC PERSONNEL TO A MINIMUM.

GIVEN THAT INVESTMENT PROMOTION PROJECTS HAVE A HIGH INCIDENCE OF FAILURE WHEN THEY TRY TOO MANY TASKS WITH TOO HEAVY A STAFF, THE EVALUATION CRITERIA FOR DETERMINING THE SERVICES WHICH THE IPC WILL PERFORM SHOULD BE DONE WITH A VIEW TO KEEPING A PERMANENT STAFF AS SMALL AND AS LEAN AS POSSIBLE. AS DISCUSSED AT THE DAEC, THE SIX PROFESSIONAL STAFFERS CONTEMPLATED BY THE MISSION SHOULD BE CONSIDERED A GOOD QUOTE BALLPARK UNQUOTE FIGURE. THIS APPROACH WILL ASSURE THE MAXIMUM LEVEL OF CONTRACTING-OUT AND CONFORM TO THE POLICY GUIDANCE IN REFTEL. THE PP SHOULD ALSO IDENTIFY LOCAL PRIVATE SECTOR RESOURCES WHICH COULD BE DEVELOPED AND EVENTUALLY UTILIZED TO PROVIDE CONTRACTUAL SERVICES TO THE PROJECT.

-- B. PERMANENCE. TWO OPTIONS WERE DISCUSSED WITH REGARD TO THE ENTITY'S DURATION. THE FIRST WAS THAT IT WOULD BE PLANNED AS A PERMANENT ORGANIZATION: THE SECOND WAS THAT IT WOULD BE GRADUALLY PHASED OUT AS EXISTING SERVICE ORGANIZATIONS BECAME MORE CAPABLE OF TAKING OVER REQUISITE SERVICES.

UNDER THE FIRST OPTION EMPHASIS MUST BE MADE OF TRAINING

Classification UNCLASSIFIED

Best Available Document

OF THE IPC'S STAFF, IDENTIFYING CONSULTANTS AND COOPERATING AGENCIES THAT CAN COMPLEMENT THE ENTITY'S ACTIVITIES AND DEVELOPING LONG-RANGE RELATIONSHIPS WITH THEM: INCLUDING TA AND TRAINING TO UPGRADE THE QUALITY OF THEIR SERVICES. THE SECOND OPTION WOULD REQUIRE GREATER EMPHASIS ON TA AND TRAINING FOR OTHER PRIVATE SECTOR ORGANIZATIONS TO ENABLE THEM TO TAKE OVER THE IPC'S FUNCTIONS AS IT PHASES OUT. IN EITHER CASE, THE IPC'S SCOPE OF SERVICES SHOULD NOT BE ALLOWED TO EXCEED ITS CAPABILITY.

Annex A-2

C. CONTINUITY. TO PROVIDE FOR PROJECT CONTINUITY AND MORE EFFICIENT EXECUTION, THE MISSION SHOULD CONSIDER SELECTING A HIGHLY QUALIFIED CONSULTANT ON A LONG-TERM CONTRACT, TO ASSIST IN BOTH PROJECT DESIGN AND IMPLEMENTATION.

3. FUNDING. THE FEASIBILITY OF SEVERAL FINANCING OPTIONS WAS DISCUSSED AND CLARIFIED DURING THE REVIEW.

THE PID AND SUBSEQUENT IR PRESENTED A SERIES OF FUNDING POSSIBILITIES INCLUDING A BOND ISSUE, LEVIES ON EXISTING HAITIAN BUSINESSES, SERVICE (USER) FEES, INPUT FROM THE GOH AND FULL AID GRANT FINANCING.

THE LATTER OPTION WAS REJECTED BY THE MISSION AND THE DAEC, AS IT WAS FELT IMPERATIVE THAT THERE BE SOME HAITIAN COUNTERPART FUNDING OF THE PROJECT.

LEVIES ON EXISTING BUSINESS WERE CONSIDERED INAPPROPRIATE AND POSSIBLY COUNTERPRODUCTIVE. AS MANY BUSINESSES HAVE LOCATED IN HAITI FOR ITS LOW TAXES, NEW FEES IMPOSED POST FACTO COULD BECOME VIEWED AS AN UNFAIR CHANGE OF THE GROUND RULES. THIS COULD BE A SIGNIFICANT DISINCENTIVE TO NEW INVESTORS. USER FEES COULD BE CONSIDERED FOR NEW COMPANIES THAT ARE ATTRACTED TO HAITI BY THE IPC'S ACTIVITIES BUT SHOULD NOT BE APPLIED TO EXISTING BUSINESSES UNLESS THEY CHOOSE TO PARTAKE OF IPC'S SERVICES.

THE CONSENSUS OF THE REVIEW WAS THAT SERVICE FEES WERE REASONABLE AND SHOULD BE DEVELOPED. THERE WAS AGREEMENT HOWEVER THAT THESE FEES WOULD NOT BE SUFFICIENT TO COVER THE IPC'S OPERATING COSTS AND, FURTHERMORE, WOULD NOT BE GENERATED IN ANY APPRECIABLE AMOUNT UNTIL THE IPC HAD DEVELOPED A GOOD REPUTATION AND SUBSTANTIAL CLIENTELE.

THE BOND ISSUE APPROACH SHOULD BE INVESTIGATED DURING PP DEVELOPMENT AS SHOULD MEMBERSHIP FEES, AND LOANS/GRANTS FROM OTHER ORGANIZATIONS.

SOME CONCERN WAS EXPRESSED THAT THE PROJECT WAS UNDERFUNDED. THE PROJECT'S LOP FUNDING SHOULD BE REVIEWED TO INSURE THAT IT IS ADEQUATE TO FINANCE THE SERVICES TO BE SUPPLIED AND THE POTENTIAL FOR HEAVY USE OF CONSULTANTS.

4. EVALUATION. IT WAS AGREED THAT THERE WOULD BE AN EVALUATION OF THIS PROJECT IN MONTH 26 TO DETERMINE THE EFFECTIVENESS OF ITS SERVICES, ADEQUACY OF ITS FINANCING AND TO HELP IDENTIFY ANY MID-COURSE ADJUSTMENT OR ACTION THAT MUST BE TAKEN. THE EVALUATION WOULD EXAMINE, AMONG OTHER THINGS, THE RECORD OF EARNINGS VS COSTS AND DEVELOP A PHASED STRATEGY TO MAXIMIZE THE IPC'S SELF-SUFFICIENCY AFTER AID FUNDING ENDS.

5. ALTHOUGH PP REVIEW AND APPROVAL WILL TAKE PLACE IN HAITI, THE MISSION IS REQUESTED TO CABLE A SUMMARY OF THE PROPOSED INVESTMENT PROMOTION STRATEGY, LEVEL OF EFFORT,

IN MAN/YEARS, THAT THE IPC PLANS TO ALLOCATE TO INVESTMENT PROMOTION, AND PROJECT BUDGET PRIOR TO USAID REVIEW. SHULTZ
BT

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# 5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

## A GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

FAA Sec. 481(h)(1); FY 1986 Continuing Resolution Sec. 527. Has it been determined or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully? — No

FAA Sec. 481(h)(4) Has the President determined that the recipient country has not taken adequate steps to prevent (a) the processing, in whole or in part, in such country of narcotic and psychotropic drugs or other controlled substances, (b) the transportation through such country of narcotic and psychotropic drugs or other controlled substances, and (c) the use of such country as a refuge for illegal drug traffickers? — No

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| 3. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? | N/A |
| FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? | N/A |
| FAA Sec. 620(a), 620(f), 620D; FY 1986 Continuing Resolution Sec. 512. Is recipient country a Communist country? If so, has the President determined that assistance to the country is important to the national interests of the United States? Will assistance be provided to Angola, Cambodia, Cuba, Iraq Syria, Vietnam, Libya, or South Yemen? Will assistance be provided to Afghanistan without a certification? | No |
| 6. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property? | No |

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| 7. | FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC? | No |
| 8. | FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters?<br><br>(b) If so, has any deduction required by the Fishermen's Protective Act been made? | No |
| 9. | FAA Sec. 620(q); FY 1986 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill (or continuing resolution) appropriates funds? | No |
| 10 | FAA SEC. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) | N/A |

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| 11. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? | No |
| 12. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo.) | Haiti is not in arrears |
| 13. FAA Sec. 620A. Has the government of the recipient country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? | NO |
| 14. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? | NO |

15. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? — No

16. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) — No

17. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported illegally (or attempted to export illegally) from the United States any material, equipment, or technology which would contribute significantly to the ability of such country to manufacture a nuclear explosive device? — No

18. ISDCA of 1981-Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.) — N/A

19. FY 1986 Continuing Resolution Sec. 541. — No

Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? — No

Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? — No

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| 20. | FY 1986 Continuing Resolution. Is the assistance being made available to any organization or program which has been determined as supporting or participating in the management of a program of coercive abortion on involuntary sterilization? | No |
| | If assistance is from the population functional account, are any of the funds to be made available to family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services? | N/A |
| 21. | FY 1986 Continuing Resolution Sec. 529. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States? | No |
| 22. | FY 1986 Continuing Resolution Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? | Recent Head of Government was not duly elected |

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

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| 1. | Development Assistance Country Criteria | No |
| | FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? | |

2. <u>Economic Support Fund Country Criteria</u>

N/A

<u>FAA Sec. 502B</u>. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human righits record that furnishing such assistance is in the national interest?

## 5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only: B.1. applies to all projects funded with Development Assistance loans, and B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

### A. GENERAL CRITERIA FOR PROJECT

1. FY 1986 Continuing Resolution Sec. 524; FAA Sec. 634A.

   Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project.

   A Congressional notification will be prepared

2. FAA Sec. 611(a)(1). Prior to obligation in excess of $500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimte of the cost to the U.S. of the assistance?

   Yes

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

   N/A

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| 4. | FAA Sec. 611(b); FY 1986 Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.) | N/A |
| 5 | FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? | N/A |
| 6. | FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. | No |
| 7. | FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. | a- Project will increase the flow of international trade by assisting U.S. and local exporters.<br>b- Project is designed to accomplish these objectives.<br>c- N/A<br>d- By increasing investment opportunities, the project will reduce monopolistic practices.<br>e- These are primary objectives of the project.<br>f- N/A |

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| 8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise) | One of the project's three components is to reach out to U.S. business and encourage them to link up with Haitian entrepreneurs. |
| 9. FAA Sec. 612(b), 636(h); FY 1986 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. | Project is a private sector project. USG does not own local currencies. |
| 10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? | No |
| 1. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? | Yes |
| 12. FY 1986 Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? | N/A |

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| 13. FAA 118(c) and (d). Does the project comply with the environomental procedures set forth in AID Regulation 16. Does the project or program take into consideration the problem of the destruction of tropical forests? | Yes |
| 14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate sysem for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)? | N/A |
| 15. FY 1986 Continuing Resolution Sec. 533. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution? | No |
| 16. ISDCA of 1985 Sec. 310. For development assistance projects, how much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? | Project will be bid under full and open competition. |

## B. FUNDING CRITERIA FOR PROJECT

### 1. Development Assistance Project Criteria

a. FAA Sec. 102(a), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status, (e) utilize and encourage regional cooperation by developing countries?

**The project is directed to increasing the wellbeing of the country's poor. This would be accomplished through the development of an operational mechanism for establishing and expanding investment in the country. These investments will in turn stimulate and increase manufactured and agricultural production, promote exports and improve distributional equity among segments of the national population. This project will promote the participation of women in productive employment as laborers, administrators, and managers.**

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| b. | FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used? | Yes |
| c. | FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? | Yes |
| d. | FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to whch the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country)? | Waived for RLDC such as Haiti |
| e. | FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth? | Yes |

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| f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority? | Yes |
| g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government. | Program reinforces export manufacturing which is recognized as an employment-generating and economically feasible sector. The project will be staffed by Haitians; they will receive training locally as well as overseas in such fields as management, salesmanship, marketing and computer application. |

2. Development Assistance Project Criteria (Loans Only) — N/A

a. FAA Sec. 122(b). Information an conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? — N/A

3. Economic Support Fund Project Criteria — N/A

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of part I of the FAA?

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? — N/A

c. ISDCA of 1985 Sec. 207. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified — N/A

that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States?

a. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

## 5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

### A. Procurement

| | | |
|---|---|---|
| 1. | FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? | Yes |
| 2. | FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?? | Yes |
| 3. | FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? | N/A |
| 4. | FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) | N/A |

| | | |
|---|---|---|
| 5. | FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries which receive direct economic assistance under the FAA and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries? | N/A |
| 6. | FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? | N/A |
| 7. | FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? | Yes<br><br>N/A |

| | | |
|---|---|---|
| 8. | International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? | Yes |
| 9. | FY 1986 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? | Yes |
| B. | Construction | N/A |
| | FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used? | |
| 2. | FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? | N/A |
| | FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the CP)? | N/A |

C. Other Restrictions

| | | |
|---|---|---|
| 1. | FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? | N/A |
| 2. | FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? | N/A |
| 3. | FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? | Yes |
| 4. | Will arrangements preclude use of financing: | |
| | a. FAA Sec. 104(f); FY 1986 Continuing Resolution Sec. 526. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo | Yes |

| | | |
|---|---|---|
| | sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion? | |
| b. | FAA Sec. 488. To reimburse persons, in the form of cash payments, whose illicit drug crops are eradicated? | Yes |
| c. | FAA Sec. 620(g). To compensate owners for expropriated nationalized property? | Yes |
| d. | FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? | Yes |
| e. | FAA Sec. 662. For CIA activities? | Yes |
| f. | FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? | Yes |

| | | |
|---|---|---|
| g. | FY 1986 Continuing Resolution, Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? | Yes |
| h. | FY 1986 Continuing Resolution, Sec. 505. To pay U.N. assessments, arrearages or dues? | Yes |
| i. | FY 1986 Continuing Resolution, Sec. 506. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)? | Yes |
| j. | FY 1986 Continuing Resolution, Sec. 510. To finance the export of nuclear equipment, fuel, or technology? | Yes |
| k. | FY 1986 Continuing Resolution, Sec. 511. For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? | Yes |
| l. | FY 1986 Continuing Resolution, Sec. 516. To be used for publicity or propaganda purposes within U.S. not authorized by Congress? | Yes |

## 3(A)2 NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Economic Support Fund assistance and the criteria applicable to Development Assistance. Selection of the criteria will depend on the funding source for the program.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? IDENTIFY. HAS STANDARD ITE CHECKLIST BEEN REVIEWED?

### GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. FY 1986 Continuing Resolution Sec. 524; FAA Sec. 634A. — N/A

   Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project.

2. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance? — N/A

3. FAA Sec. 209 Is assistance more efficiently and effectively given through regional or multilateral organizations? If — N/A

so, why is assistance not so given? Information and conclusion whether assistance will encourage regional development programs.

4. FAA Sec. 601(a) Information and conclusions whether assistance will encourage efforts of the country to: (a) increase the flow of international trade: (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions. N/A

5. FAA Sec. 601(b) Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). N/A

6. FAA Sec. 612(b), 636(h); FY 1986 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. N/A

7. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? N/A

8. FAA Sec. 601(e). Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? N/A

9. FAA 121(d). If assistance is being furnished under the Sahel Development Program, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of A.I.D. funds? N/A

10. FY 1986 Continuing Resolution Sec. 533. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution? N/A

FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of part I of the FAA? N/A

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? N/A

c. FAA Sec. 531(d). Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? N/A

d. ISDCA of 1985 Sec. 205. Will ESF funds made available for commodity import programs be used for the purchase of agricultural commodities of United States-origin? If so, what percentage of the funds will be so used? N/A

e. ISDCA of 1985 Sec. 801. If ESF funds will be used to finance imports by an Africa country (under a commodity import program or sector program), will the agreement require that those imports be used to meet long-term development needs in those countries in accordance with the following criteria? N/A

(i) spare parts and other imports shall be allocated on the basis of evaluations, by A.I.D., of the ability of likely recipients to use such spare parts and imports in a maximally productive, employment generating, and cost effective way; N/A

(ii) imports shall be coordinated with investments in accordance with the recipient country's plans for promoting economic development. A.I.D. shall N/A

assess such plans to determine whether they will effectively promote economic development;

(iii) emphasis shall be placed on imports for agricultural activities which will expand agricultural production, particularly activities which expand production for export or production to reduce reliance on imported agricultural products;

(iv) emphasis shall also be placed on a distribution of imports having a broad development impact in terms of economic sectors and geographic regions;

(v) in order to maximize the likelihood that the imports financed by the United States under the ESF chapter are in addition to imports which would otherwise occur, consideration shall be given to historical patterns of foreign exchange uses;

(vi)(A) seventy-five percent of the foreign currencies generated by the sale of such imports by the government of the country shall be deposited in a special account established by that government and, except as provided in subparagraph (B), shall be available only for use in accordance with the agreement for economic development activities

which are consistent with the policy directions of section 102 of the FAA and which are the types of activities for which assistance may be provided under sections 103 through 106 of the FAA;

(B) the agreement shall require that the government of the country make available to the United States Government such portion of the amount deposited in the special account as may be determined by the President to be necessary for requirements of the United States Government. N/A

f. ISDCA of 1985 Sec. 207. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin American (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States? N/A

g. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A

2. Nonproject Criteria for Development Assistance

a. FAA Sec. 102(a); 111; 113; 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level; increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries? N/A

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: (include only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for assistance, include relevant paragraph for each fund source.) N/A

(1) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, full account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with efforts carried out under Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

N/A

101

| | |
|---|---|
| (2) [104] for population planning under sec. 104(b) or health under sec. 104(c); if so, extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research. | N/A |
| (3) [105] for education, public administration, or human resources development; if so, (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people in developing countries in such disciplines as are required for planning and implementation of public and private development activities. | N/A |
| (4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is: (i)(a) concerned with data | N/A |

102

| | |
|---|---|
| collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and (b) facilitative of geological and geophysical survey work to locate potential oil, natural gas, and coal reserves and to encourage exploration for potential oil, natural gas, and coal reserves. | N/A |
| (ii) technical cooperation and development activities, especially with U.S. private and voluntary, or regional and international development, organizations; | N/A |
| (iii) research into, and evaluation of, economic development processes and techniques; | N/A |
| (iv) reconstruction after natural or manmade disaster; | N/A |
| (v) for special development problems, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance; | N/A |
| (vi) for special development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development. | N/A |

| | |
|---|---|
| (5) [107] is appropriate effort placed on use of appropriate technology? (Relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor.) | N/A |
| c. FAA 118(c) and (d). Does the assistance comply with the environmental procedures set forth in AID Regulation 16. Does the assistance take into consideration the problem of the destruction of tropical forests? | N/A |
| d. FAA Sec. 281(b) Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government. | N/A |
| e. FAA Sec. 122(b) Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth? | N/A |

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DATE RECEIVED
AUG 07 1986

Annex C

COMITE MIXTE DE CONSULTATION POUR LE DEVELOPPEMENT INDUSTRIEL

OFFICIAL FILE

Port-au-Prince le 7 Août 1986

Madame Linda MORSE
Directeur a.i.
Agence Internationale de Développement
EN SES BUREAUX.-

Madame,

En tant que Président et Vice-Président du COMITE MIXTE DE CONSULTATION POUR LE DEVELOPPEMENT INDUSTRIEL, nous avons l'avantage de vous soumettre sous ce couvert une requête relative à l'octroi d'un don de SEPT MILLIONS SEPT CENT MILLE DOLLARS DES E.U.A. ($7.700.000) dans le but d'établir en Haiti le Centre pour la Promotion des Exportations et des Investissements. Comme vous le savez, ce Projet a été longuement étudié et finalement approuvé par le Comité.

Nous sommes certains que ce Centre arrivera à atteindre son but de stimuler et d'accroître un développement industriel et agro-industriel qui bénéficiera à toutes les couches de notre société.

Espérant que la présente retiendra votre meilleure attention, nous saisissons l'occasion pour vous renouveler, Madame, avec nos remerciements anticipés, l'assurance de notre considération distinguée.

Mario CELESTIN
Président du Comité

André S. APAID

Annex D

AID 1020-28 (1-72)

# PROJECT DESIGN SUMMARY
## LOGICAL FRAMEWORK

Life of Project: 4 yrs
From FY 86 to FY 90
Total U.S. Funding 7.7 mil
Date Prepared: 6/86

Project Title & Number: Export and Investment Promotion/Haiti 521-0186

| NARRATIVE SUMMARY | OBJECTIVELY VERIFIABLE INDICATORS | MEANS OF VERIFICATION | IMPORTANT ASSUMPTIONS |
|---|---|---|---|
| Program or Sector Goal: The broader objective to which this project contributes:<br>- To generate new sources of employment | Measures of Goal Achievement:<br>- Newly created employment | - GOH/Private Sector Statistics<br>- US import data | Assumptions for achieving goal targets:<br>- Haiti continues to be a CBI designate.<br>- Continuity of a high level policy committee for industrial development.<br>- Continued existance of export investment incentives for industry and agri-business. |
| Project Purpose:<br>- To establish a viable export and investment promotion entity. | Conditions that will indicate purpose has been achieved: End of project status.<br>- An efficiently operated facility staffed by professionals.<br>- An effective policy formulating body linked to the facility.<br>- An improved business image of Haiti.<br>- 8% average nominal annual increase in V.A. exports and jobs<br>- 250 export businesses expanded or newly created. | -Project reports<br>-Evaluations, surveys of businessmen and investors.<br>-Interviews with businessmen and investors. | Assumptions for achieving purpose:<br>- Businesses willing to take advantage of new investment services.<br>- Public and private sector continue to cooperate and dialogue. |
| Outputs:<br>- An information/Communications capability.<br>- An exporter/investor service<br>- An investment promotion capability. | Magnitude of Outputs:<br>- Selected, hired, trained and retained core of investment promotion professionals.<br>- 100% follow through of investment requests.<br>- Establish info. service unit | - Project reports<br>- Evaluations, observation by project officer | Assumptions for achieving outputs:<br>- Qualified professionals can be identified and hired into the IDC. |
| Inputs:<br>AID: Administrative and start-up costs<br>Office equipment<br>Technical assistance<br>Training<br>GOH: Legal support<br>Private Sector: Project Management | Implementation Target (Type and Quantity)<br>Y1 Y2 Y3 Y4<br>T.A 574 790 515 328<br>Operations 1,264 1,249 1,336 1,444<br>Income 70 140 350 700<br>AID Grant 1,838 2,039 1,851 1,772 | -Project Records<br>-Financial reports | Assumptions for providing inputs:<br>-Funding commitments by AID materialize.<br>-Businesses willing to pay user fees<br>-Private sector commitment to management.<br>-GOH commitments provide legal/policy support required by project management. |

ANNEX E-1

# DECREE ESTABLISHING THE INDUSTRIAL DEVELOPMENT CENTER

Port-au-Prince August 1, 1986

- In view of the February 7, 1986 Proclamation by the National Council of Government (CNG);
- In view of the February 7, 1986, Decree dissolving the Legislative Chamber;
- In view of the March 21, 1986, Message announcing the CNG's new composition;
- In view of the June 4, 1986 Decree creating the Joint Consultative Committee for Industrial Development;
- Considering that, in view of the opportunities provided by the unilateral preferential system, most particularly by the Caribbean Basin Initiative (CBI), there is a need for organizing an adequate structure that can accelerate economic development;
- Considering that, in order to stimulate investments in Haiti, it has become necessary to establish a dynamic promotion structure suitable for investors' needs;
- Considering that the structure must enable national production and exports to increase and diversify;
- Considering that, in order to answer these requirements, there is a need to create a Joint Center for the Promotion of Investments and Haitian Exports;
- Upon report by the Minister of Commerce and Industry;
- And after deliberation by the Council of Ministers;

## DECREES

### TITLE I - NAME - SUBJECT - REGISTERED OFFICE

ARTICLE 1: Is hereby created an autonomous commercial institution with legal status, called Haitian Export, and Investment Promotion Center, hereunder called PROMOTION CENTER. The institution functions with the authority of the Ministry of Commerce and Industry.

Article 2: The PROMOTION CENTER's main objective is:

- To implement the export and investment promotion policies defined by the Ministry of Commerce and Industry;
- To seek out, inform, encourage and advise both national and foreign investors with a view to the creation of new agricultural industries and agro-industrial companies in Haiti.
- To promote growth and diversification in national exports and production, and;
- To provide a reception service for investors and assist them in their dealings which concerned State institutions.

Article 3: - The PROMOTION CENTER has its registered office in Port-au-Prince. It may, if need be, set up agencies, offices, branches or representatives abroad and in any city of Haiti.

TITLE II - FINANCIAL RESOURCES

Article 4:

- The financial resources of the PROMOTION CENTER consist in allocations from the national budget, contributions, subsidies, grants, loans and income generated from services rendered.

Article 5: The accounts of the PROMOTION CENTER will be kept according to accepted accounting procedures and it will be subject to audits by independent certified public accountants.

TITLE III ORGANIZATION AND OPERATION

Article 6: The PROMOTION CENTER is managed by:

- A Board of Directors
- A Director General
- A Management Council

Article 7 The Board of Directors is the main body of the PROMOTION CENTER. It is made up of a President, a Vice-President and five members appointed for a three year period by a decree signed by the Executive on the recommendation of the Consultative Mixed Committee for Industrial Development. Four

of its members shall be from the private sector. the other three from the public sector. The members of the Board of Directors do not receive a salary.

**Article 8:** The main duties of the Board of Directors are as follows:

- to develop an activity program for the PROMOTION CENTER on the basis of the policies defined by the Ministry of Commerce and Industry;
- to approve internal administrative procedures and personnel by-laws;
- to decide on the creation and the discontinuance of agencies, offices or branches;
- to draw up annual operating budgets for the PROMOTION CENTER;
- to negotiate and sign all contracts on behalf of the PROMOTION CENTER.

**Article 9:** The Board of Directors meets at least three times each quarter, at periodic dates established by its members, or at the request of the President.

**Article 10:** A quorum is formed by the presence of at least five members, including the President or, in the event of his absence, the Vice-President. The Board's discussions and decisions shall be recorded in minutes signed by all members present.

**Article 11:** The President of the Board represents the PROMOTION CENTER in all legal matters.

**Article 12:** In the event of the absence of the President, or if he is temporarily unable to carry out his duties, he will be replaced by the Vice-President.

**Article 13:** In order to facilitate the operations of the PROMOTION CENTER, the President of the Board of Directors shall also assume the function of Director General, as President Director General.

**Article 14:** The President Director General may delegate his powers to an Executive Director.

**Article 15:** The President assumes all the powers which the Board of Directors delegates to him. He represents the PROMOTION CENTER for all organizations, agencies, or institutions other than legal representation. His main duties are:

- to ensure the effective management of the PROMOTION CENTER under the supervision of the Board of Directors;
- to develop the internal administrative procedures and the personnel by-laws;
- to implement the decisions of the Board of Directors;
- to report to the Board's members on the various activities of the PROMOTION CENTER.

Article 16: Based on the needs of tHE PROMOTION CENTER the Board of Directors may appoint administrative and technical Directors for the PROMOTION CENTER. Their scope of work shall be determined by the internal regulations of the PROMOTION CENTER.

Article 17: The Management Council is made up of the Center's technical and administrative Directors under the Chairmanship of the President. The Council develops the program and projects of the PROMOTION CENTER.

## TITLE IV - SPECIAL PROVISIONS

Article 18: The PROMOTION CENTER is exempted from payment of all duties and taxes to the State or to regional bodies with regard to all operations except imports.

## TITLE V FINAL PROVISIONS

Article 19: The present law shall repeal all laws or provisions of laws, decrees or provision of decrees, all orders in council or provisions of orders in council which conflict with it, and shall be proclaimed and executed at the request of the Ministry of Commerce and Industry.

Done at the National Palace, in Port-au-Prince, on August 1, 1986, 183rd year of Independance.

# Information and Communications Services

## Information Services

Among the types of services and documents considered important for the project's clients are:

- Statistical time series/data
- Company names/addresses
- Indexing/abstraction
- Journals and information analyses
- An alert system to notify entrepreneurs to new assembly contracts and investment opportunities
- Import statistics and product demand surveys.

The Division will store its data in two resource retrievel systems:

- A Computer Data Bank
- An Investment Resource File

### a. Computer Data Bank

The data bank will have two resource bases: (1) information relating specifically to Haiti, and (2) U.S. and foreign resources. The Haiti bank will be composed of basic, intensively-used and often-required data. This information will be derived in collaboration with the Government of Haiti. It will include data on demographics, national accounts, international transactions (import and export), money and public finance, banking and credit, prices, industrial production, and company files. The U.S. and foreign data, unlike the Haiti information, will be obtained on a case by case basis and as the need arises. The bank will access U.S. Department of Commerce statistics and other data banks such as "Predicasts" (Cleveland, Ohio), "Abstracted Business Information" (Louiville, Kentucky), and "INFO/DOC" (Washington, D.C.).

### b. Investment Resource File

The resource file will function as a clearinghouse for information on local and foreign firms which seek investment opportunities, and for firms providing technical assistance in areas such as engineering and management consulting, accounting and auditing, and manpower training services.

The methodology for establishing the clearinghouse includes the following:

- o Obtain subscriptions to all major CBI-related publications;
- o Identify the different categories of technical assistance of interest to the clearinghouse, as well as the types of information to be obtained; and
- o Establish a list of firms and institutions falling under each category through questionnaires and regular up-dates.

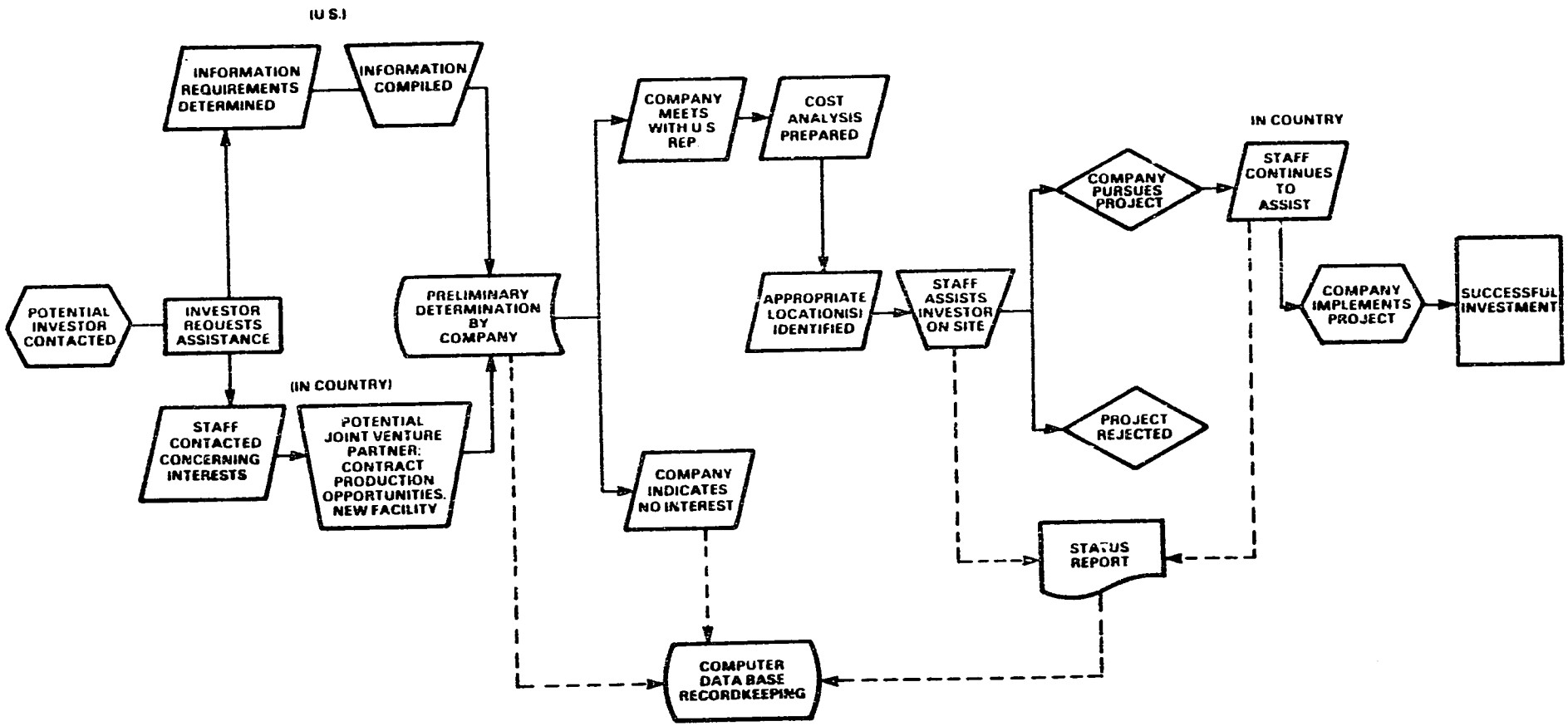
Communication Services

The project will also seek to upgrade Haiti's image through an effective communications program. The program will work closely with local and overseas media, and will include a series of action steps to disseminate business news to potential investors and exporters. The program will:

- o Develop and continually update the message the IDC will project in its public relations campaign.
- o Continue to support the business information bureau and the communications effort established by the Private Sector Task Force/Emergency Program.
- o Develop a library of material on business activities in Haiti available for use by the press.
- o Maintain and update a directory of the press corps in Haiti and important overseas press contacts.
- o Prepare regular press and information releases on the IDC and other related business activities.
- o Maintain a cadre of effective business spokespersons available to accompany trade and investment missions.

Annex G

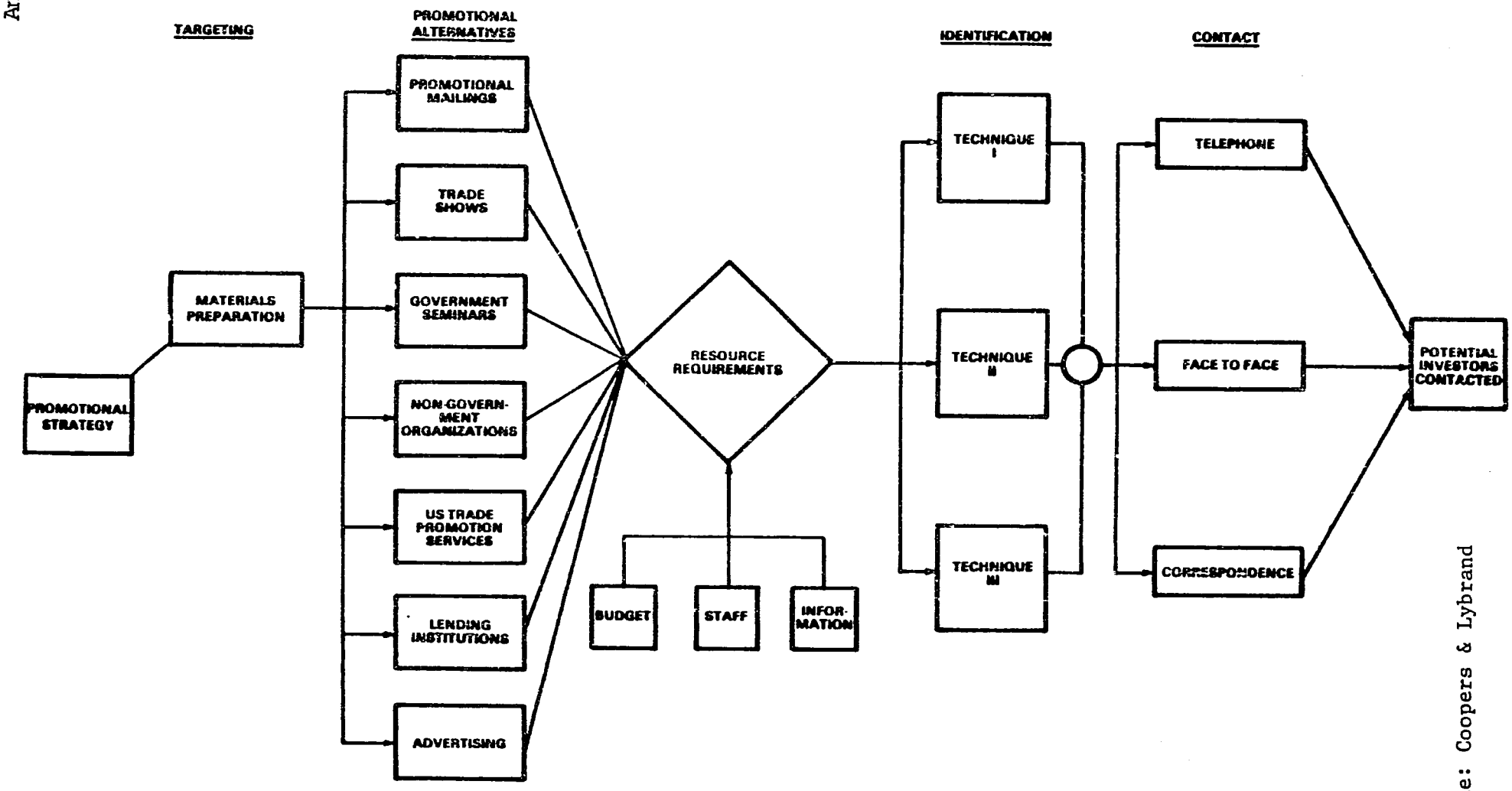
# INVESTOR SERVICING




Source: Coopers and Lybrand

Annex H-1

# OVERVIEW OF THE PROMOTIONAL PROCESS




Source: Coopers & Lybrand

## Proposed Promotional Materials

The following are recommended publications and pamphlets, with layout and format, for the initial phase of the IDC.

1) A BUSINESSMAN'S INTRODUCTION TO HAITI

Layout and Content: 3 inches by 7 inches fold out panels.

"A Businessman's Introduction to Haiti
HELPFUL HINTS FOR VISITING HAITI"

1. Concise map
2. Hotel accomodations
3. Telephone, telex, computer links.
4. Places to have fun and a picture portfolio of areas of interest. This layout will appeal to the leisure side of the businessman.
5. The business climate -- who's here and why?
6. Helpful facts and figures for the visiting businessman.

Sample Copy:

"You have already been made aware that Haiti is a place you should consider for investment opportunities. Now that you are in the country, the private sector would like to give you a glimpse at what Haiti is all about."

"This brochure will give you, the businessman, an introduction to Haiti, its history, and its hard driving campaign to bring new investment into the country."

Number of copies: 5000 First-run. In English.

2) Update INVESTOR'S GUIDE TO HAITI

Layout and Content: Similar to Investors' Guide. Color on the cover, with possibly more color inside. IDC will consider making a series of posters out of the cover of the new Investors' Guide.

Number of copies: 10,000. In English

3) TARGETED INDUSTRY GUIDE

Layout and Content: This will be an 8 inch by 11 inch front cover, approximately 20 pages in length. The following is suggested for the cover:

Electronic
Assembly

A GUIDE
TO MAKING
A PROFIT IN
HAITI

Picture of
Targeted Industry

In the upper left hand corner will be the title of the particular industry explained in the brochure.

Each publication will specifically center in on why it is profitable for an investor to invest in one of these targeted areas.

The content will include:

- The industry's composition in Haiti (classifications, number, size);
- Employment, location, infrastructure, ownership, and wages;
- Economic data of the industry (value added, production);
- Government taxes, incentives, and assistance; and
- Sites available, training facilities.

Number of copies: 2,500 x 4 = 10,000. In English.

4) TWIN PLANT BROCHURE

Layout and Content: This publication will be two-fold, and will include:

1. A large fold out poster-size map
2. A detailed guide on the Twin Plant concept. This will be a 3 inch by 7 inch pamphlet of facts.

Contents will include:

- o Factors to consider when weighing the advantages of assembling a portion of production in Haiti.
- o A description of a Twin Plant operation and how it applies to investment needs.
- o Twin Plants presently operating in Haiti.
- o Legal guidelines for Twin Plant/Joint Productions.
- o People and places to contact when considering a Twin Plant.

Number of copies: 2,000. In English, French, and Spanish.

5) Regular NEWSLETTER for Businessmen in Haiti

Content and Layout: This will be a simple four-page monthly publication.

PRIVATE SECTOR

The newsletter will be simple in layout, with few pictures, but a lot of chatty and interesting information. It will include upcoming meetings, seminars, and a list of new business organizations. Similar in style to the Kiplinger newsletter of sections of "U.S. News and World Report."

THE LATEST NEWS
FOR THE BUSINESS
COMMUNITY OF HAITI

Number of copies: 1000. In English.

## Qualifications and Job Descriptions of Project Staff (Phase I)

### a. Executive Director

QUALIFICATIONS: The individual holding this position must be of the highest caliber, both in experience and reputation, in and outside of Haiti. S/he must have considerable experience and training in management, administration, finance, and investment promotion. Exceptional leadership and communications skills are essential, as are analytical ability, good knowledge of the Haitian public and private sectors, and an ability to develop on-going relationships with members of the two sectors. This individual must personify the drive and dynamism of the assembly sector, and s/he must have an understanding of the usefulness and effect of public relations.

JOB DESCRIPTION

- Implement policy as it is defined by the Board of Directors.
- Administer and account for the IDC's funds and financial viability.
- Submit operational plans, options, and reports to the Board of Directors.
- Establish and manage the fee collection and income component of the project.
- Select and hire IDC personnel upon concurrence of the Board and USAID. Establish a human resource and personnel policy.
- Coordinate the liaison needed among government agencies and private sector associations.
- Perform general administrative duties, including developing budgets, maintaining good relations with USAID and other donors, and coordinating the work of technical consultants.

b. Director of the Information and Communications Division

QUALIFICATIONS: The individual holding this position must be highly qualified in information research with broad knowledge of media organizations in the United States and the Caribbean Basin. S/he must have at least five years experience working in business research as a journalist, or in public relations.

The individual must be highly skilled in writing, and have a broad understanding of economic and business developments within a democratic environment. S/he must also have experience in information and data gathering, and must demonstrate an ability to produce well documented analyses of economic data and investment projects.

JOB DESCRIPTION:

The position will require that the individual selected act as both a research and information resource, and play a lead role in dealing with local and overseas press. This individual will:

- Conduct research in economic and business statistics to enhance the credibility of the program, and work closely with other organizations which assist in generating such data.

- Develop and manage an IDC communications plan which will provide on-going outreach to both the media of Haiti and the foreign press:

- Provide information and business data to the press and to the public, and act as chief spokesperson for the program to the media.

- Coordinate with the Promotion Division, the preparation of graphics, brochures, and promotional material. Develop and maintain a data base for indentification of targeted industries and firms.

- Work with the technical consultants and representatives of the U.S. Information Service to assure continued coordination of news related activities.

c. Director of the Exporter and Investor Services Division

QUALIFICATIONS: This individual must have practical experience with the demands of overseas investors and knowledge of investment and industrial incentives offered by Haiti and the CBI. Excellent management skills are required, as are direct business experience and a demonstrated track record in program development, team building, and production contract negotiations. The individual must be fluent in English and French, and have manufacturing experience in Haiti.

JOB DESCRIPTION:

- Develop and manage the implementation of the IDC's Export and Investor Services Division which services present/ prospective exporters and investors.

- Establish and coordinate the operation of the project's business reception facilities.

- Coordinate the work of the Industrial Representatives and their tracking system.

- Insure that investors and joint venture partners obtain accurate information about Haiti and the overseas market.

- Coordinate with the overseas office and the IDC representative, once that office has been opened.

d. Director of the Promotion Division

QUALIFICATIONS: This individual must have management experience in investment and industrial promotion, be fluent in French and English, and hold a degree in marketing or a related field. The individual should have at least five years work experience in private industry, preferably in the U.S. or Canada. The individual must have experience with industrial targeting, developing promotional material, and possess knowledge of Haiti's industrial/agribusiness base. The person must be familiar with the organizational work required for investment missions.

JOB DESCRIPTION:

- Develop the IDC's marketing and promotional strategy.

- Initiate and implement the IDC's targeting process.

- Design and ensure the production of promotional materials.

- Develop a network of contacts in the U.S. and other overseas markets, to be used as a resource base for contracting and investment promotion.

- Organize and coordinate Haitian investment and trade missions.

- Initiate and develop the IDC's overseas representation effort and assist in supporting the overseas office.

- Design and implement the IDC's advertising campaigns.

e. Industrial Representatives (I.R.)

QUALIFICATIONS: The Industrial Representatives must have experience in sales, finance, and business operations. They must be self-starters who understand the role of brokering in business relations. Three types of Industrial Representatives are envisaged, and qualifications by sub-specialty include:

Garment Specialist

- Fluency in English and an understanding of U.S. trends in fashion and the ethnic context of U.S. garment producers and markets. The individual must have work experience with the garment industry.

- A good grasp of the industry's operational code of conduct.

- An understanding of the sense of urgency associated with production in this industry, and of the value of a constant flow of information. The individual must also possess the capacity to deal with problems which concern garment/textile contruction and production.

Electronics Specialist

- Experience in negotiations and marketing electronics contracts.

- Familiarity with an established network of contacts within the electronics sector. Since decision-making is slower in relation to the garment industry, this Industrial Representative must possess the patience required to complete the negotiation process.

- A good knowledge of electronics assembly operations, and familiarity with the customer service relations which the industry requires.

- Knowledge of informal "basement shops" in Haiti.

Agribusiness Specialist

- Working experience in the U.S. agribusiness sector, including marketing, finance, and production.

- A degree in agricultural marketing/and or economics;

- Economic development experience and knowledge of agricultural problems specific to Haiti.

- Experience in brokering investment contracts.

JOB DESCRIPTION:

- Insure that visits by investors to Haiti are well-coordinated.

- Maintain a tracking file on visitors and conduct follow-up.

- Develop and maintain rapport with local business people, associations, government agencies, and private servicing companies.

- Assist the Center in gathering data on the Haitian industrial and agribusiness sector.

- Promote Haiti as a place for assembly and agribusiness operations.

- Assist investors/exporters to obtain required documentation and permits.

- Broker contracts between investors and producers.

f. Junior Economist/Statistician

QUALIFICATIONS: This individual must possess a management information system and library background. S/he must be fluent in French and English, and hold a degree in economics and/or statistics, and have had working experience with the media.

JOB DESCRIPTION:

- Establish primary and secondary paper and computer files on Haitian, and U.S. business-related material.
- Maintain files of the Business Information Service.
- Recommend a system of user fees for data searches and information requests.
- Coordinate with the Director of the Division on communication activities.

# Overseas Representation Plan (Phase II)

An overseas marketing plan will allow the IDC to integrate sales, advertising, and public relations programs, and to direct them more effectively at the United States. Haiti's negative image is well documented. Research evidence and experience in the U.S. market strongly suggest that opinions and attitudes are most effectively changed during face-to-face interactions. Therefore, by appointing an overseas representative, the image Haiti projects in the U.S. market can be better controlled.

## 1. Overseas Representation

### 1.1 Objectives

Haiti will be presented as a business location offering significant profit opportunity due to its productive, readily available labor force, and pro-business environment supported by the Government. Because other countries are trying to communicate a similar message, Haiti must be more creative and focused in its activities.

### 1.2 Strategy

From an audit of the existing industrial base, the IDC will rank industries and industrial sectors in which Haiti is active and successful. Similar companies in the U.S that offer the best prospects for linkages with Haitian industries, will be identified through market research. These companies will then be targeted and accessed.

### 1.3 Advertising, Promotion, and Public Relations

Once companies are targeted, procedures will be developed to identify and contact the executives who make and influence location/ sourcing decisions within these companies (ie., accountants, analysts, bankers). These executives constitute the base of an effective industry networking system.

"Response advertising" will also be used. It is a cost-effective method of identifying prospects. The advertising will be targeted to trade press publications in order to help reinforce the direct calling and networking activities. Public speaking engagements will also be used together with networking activity. Effective presentations to these targets can only be achieved with proper preparation and peer level access.

1.4 Overseas Representative

The overseas representative must be an individual of special qualifications. (see Annex K for qualifications and job description). S/he must possess the status to talk to Chief Executive Officers, and must be able to report effectively to the IDC Executive Director. S/he must be highly motivated (in order face the rejections of the market), and should ideally be Haitian-born and educated in the United States.

1.5. Promotional Material and Information

Overseas marketing activities will be assisted by a limited range of high quality promotional literature, complementing the list suggested in Annex H. The following are also recommended:

- A glossy "coffee-table" presentation of industrial Haiti, with a clear and positive statement of business opportunities available in Haiti. The material should be general enough to cover any type of business relationship that the overseas business person might contemplate.

- A data sheet will be prepared for each targeted industry to be presented in a folder and packaged as required.

- Prospective clients will continually request information on subjects such as: unions, number of holidays, strikes, financial condition of the country, etc. Position papers on these subjects will be prepared. This will avoid wasting the overseas representative's time writing individual letters addressing these issues.

- Examples of the industrial output of Haiti will be communicated by photographs of products and physical samples as necessary.

- A map representating the industrial base of Haiti, which provides company names, locations, and products, will probably be the single most important promotional piece for use in the U.S. market.

While accuracy, quality, and honesty will be the objectives of the documentation, the marketing process does not require that full information be provided up-front. Thus, no surplus or gratuitous information will be offered.

## 2. Supporting the Overseas Office

The staff of the IDC must be made fully aware of the objectives of the overseas activity and the problems faced by such an office. The staff members will require a good understanding of the U.S. market place and the attitudes, motivations, and prejudices of U.S. business people. These same business people must be impressed with the overall efficiency and accuracy of the IDC's response to their inquiries, not only how they are handled in the U.S., but how they are handled in Haiti.

To achieve the highest level of activity, the overseas representative will need continuous support from the home office. Professionalism in handling the itineraries of visiting U.S. business people sent by the overseas office will be vitally important. These visits must be properly managed down to the smallest detail. At all times the visitors should be accompanied from the time they arrive (met at the foot of the aircraft stairs), through customs, to the car, and to the hotel.

Americans expect to be able to communicate at will while they are overseas. The overseas office must be able to ensure that telephone and telex service is available to incoming investors, and that a mechanism will be provided to act on requests for esssential services while in Haiti.

## 3. Overseas Office

### 3.1 Shared Office Arrangement

It is recommended that, initially, the overseas office be a low-profile shared office suite arrangement rather than a high rent, highly visible independent office. This will avoid significant and unnecessary expenses at its start-up phase. This will also reduce the number of casual visitors to the office.

Since little business is actually conducted within overseas offices, this arrangement will avoid the pitfalls other countries have experienced where the costs of maintaining on oversea office become so extreme that the office must close. Haiti had an overseas office at one time in New York; however, its poor performance when weighed against the cost of maintaining the office forced the Government to close it.

3.2 Secretarial Support

The overseas representative should be supported by a shared secretarial service rather than a full time secretary. Letters do not persuade businesses to locate anywhere. Therefore, it is appropriate that the overseas representative will spend most of his time across the table from his prospective clients.

3.3 Communications Requirements

The representative will require regular home office contact to facilitate the flow of information (a telex or computer is best suited for this) and for management direction. This expense will be carefully controlled.

3.4 Outside Support Services

The overseas representative will contract for such services as accounting and industry-specific information to help identify developing industry segments and companies to be targeted. While industry directories record historical information, the overseas representative will also access the information flows which predict and report future trends of industries.

3.5 Overseas Sales Network

After the mid-term evaluation, the concept of increasing the overseas sales network will be considered.

3.6 Financial and Operating Control

The Executive Director will approve the annual budget for the overseas office. However, single expenditures above $2,000 will be submitted for approval, even though they are budgeted items. The overseas representative will report to the Executive Director on a monthly basis regarding his activity pipeline, success record, and

expenditures against the budget. Additionally, the overseas representative will agree on a budget forecast with the Executive Director for successive three month periods.

3.7 Overseas Marketing Budget

It is estimated that a lean overseas office will incur the following expenses. While a 25 percent differential on accommodation, transportation, and daily allowances can occur for different U.S. locations of the office, an estimated figure for annual costs, including salary and benefits, is $ 175,000.

| | Estimated $US per Annum |
|---|---|
| Office and equipment rental | $ 20,000 |
| Secretarial Service | 15,000 |
| Bookkeeping & Other Outside Services | 10,000 |
| Telephone/Telex/Communications | 10,000 |
| Postage | 3,000 |
| Subscriptions | 2,000 |
| Market Research | 10,000 |
| Promotion/Marketing | 25,000 |
| Travel | 10,000 |
| Salary | 55,000 |
| Benefits | 15,000 |
| | $175,000 |

## Qualifications and Job Description for the Overseas Representative

QUALIFICATIONS: The individual occupying this position should be Haitian-born, or have intimate/emotional connections with the country, and possess extensive business experience in the U.S. market place. S/he should possess excellent selling skills and have a graduate degree from a U.S. university and must be able to communicate with senior corporate executives as their peer. The individual should be motivated by the challenge of accessing and persuading U.S. executives to consider Haiti as an investment site, and excited by the idea of creating jobs and income. The person must have a high level of energy and perseverance, and s/he must be someone who can work alone. S/he should be a self-starter and should come from the private sector.

JOB DESCRIPTION:

- Develop target lists for each target industry/sector.
- Identify and access key opinion leaders for each sector.
- Identify and access key executives in target companies.
- Persuade key executives to visit Haiti (on business trips).
- Represent Haiti to targets as a sound business base with exciting opportunities for profits and growth.
- Provide the IDC with market information as required.
- Present interesting/new market opportunities as requested by the IDC.
- Arrange itineraries for visiting Haitian businessmen.
- Indentify joint venture/license opportunities as requested by the IDC.
- Effectively present the contract manufacturing advantages of Haiti.
- Provide monthly reports on activities/successes/prospects.
- Meet annual targets and meet targets within budget.

## Staff Development Program

Three staff training programs are anticipated. The first includes a general introductory immersion into Haiti intended for all staff personnel at the outset of their employment with IDC.

The second program includes more in-depth training intended for the Executive Director, the Director of each of the IDC's Divisions, the Industrial Representatives, and the Overseas Representative. This training will be in the form of a seminar (one week) to be held in an existing investment promotion agency. Contact has already been established with FOMENTO, Puerto-Rico's equivalent to the IDC, which has proposed a one week seminar in investmemt promotion techniques outlined below.

The third program will include on-going training to be provided on an as-needed basis during the course of employment. This type of training can be conducted both in a local institution such as the Management and Productivity Center, or overseas in such institutions as the International Marketing Institute or the World Trade Center.

The three training programs are described below:

Program One - "A Complete Immersion into Haiti." This will include an overview of the present industrial and agro-industrial communities, with a tour of a cross-section of industries, and a visit to all infrastructural agencies. Visits will include SONAPI, the Port Authority, the Airport Authority, TELECO, CAMEP, Electricite d'Haiti, private sector associations, and agribusiness projects. These will be complemented with visits to airlines, shipping companies, terminals, and customs brokers.

This program will also include in-depth discussions with financing institutions, legal advisors, and appropriate Government offices regarding procedures for licenses, work permits, tax incentives and franchises. The first stage of training will take five working days.

Program Two - "In-depth Seminar on Industrial Promotion." This activity will include training on ways to develop leads and target industrial presentation techniques to industrialists, and case control and follow-through procedures. Techniques for servicing potential investors, preparing for investment missions, and coordinating visits to banks, lawyers, accountants, and other professionals will also be emphasized.

## 2. PRODUCT RESEARCH

- o WHAT PRODUCT SHOULD THE IDC BE SELLING?

  How to refine potential export products through clues from industry and decisions-makers.

- o WHAT PRODUCT SHOULD THE IDC "NOT" BE SELLING?

  Training will include ways to highlight Haiti's positive characteristics to produce special selling points. Opportunities will be highlighted, not problem areas. Emphasis will be on ways in which relevant information can be properly presented and how the IDC can maintain its integrity.

## 3. NETWORKING

- o HOW TO PLAN AND BUILD A NETWORK OF CONTACTS

  How IDC staff can create their own network of contacts. Emphasis will be on ways which professionals should enter networks and how to attract key company decision makers.

- o HOW TO INITIATE A DIALOGUE AND BE A PEER WITH TARGETED EXECUTIVES

  How to tie a network together and how to get full value from contacts. The special role networking plays in industrial development sales will be emphasized.

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# INITIAL ENVIRONMENTAL EXAMINATION

| | |
|---|---|
| Project Location: | Haiti |
| Project Title: | Investment and Export Promotion |
| Project Number: | 521-0186 |
| Funding: | FY86, $6 M Grant |
| Life of Project: | Four Years, FY 1986-1990 |
| IIE Prepared By: | James J. Talbot, REMS/CAR |

James J. Talbot 2-18-86
Signature Date

Environmental Action Recommended: NEGATIVE Determination, because this project will fund the operation and technical assistance for an entity whose function will be to promote local and foreign investments in Haiti by offering export, investment and information services and by providing training and technical assistance. These activities will result in negligible environmental consequences.

Concurrence: Linda Morse, Acting Director, USAID/Haiti

Linda E Morse 3/3/86
Signature Date

Annex N

## Minimum Standards for Certification of Grantee Accounting Systems

AID has established the following minimum standards for use by its overseas missions to certify the adequacy of host-country accounting systems handling grant funds.

- The system must identify the receipt and expenditure of AID funds.

- The system must ensure that approved budgets/budget categories do not become oversubscribed; i.e., a system for identifying both commitments/encumbrances and funds due/receivables by budget categories.

- Accounting entries will refer to documentation which supports the entry and is filed in such a way that it can be easily located.

- The system will generate accurate and current financial reporting information, including periodic bank reconciliations.

- The system will include appropriate internal controls which assure usefulness of financial data, accuracy, and integrity.

- The system will enable an auditor to readily trace each accounting transaction from accounting reports to source documents to determine the validity of the project expenditures.