

PD-ABD-191

UNCLASSIFIED

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

HAITI

PROJECT PAPER

PROMOTION OF BUSINESS AND EXPORT PROJECT
(PROBE)
(FORMERLY NAMED EXPORT AND INVESTMENT PROMOTION)
AMENDMENT NUMBER 1

AID/LAC/P-636
CR-308

PROJECT NUMBER: 521-0186

UNCLASSIFIED

PD-ABD-191
ISA 73529

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

1

DOCUMENT CODE

3

COUNTRY/ENTITY

HAITI

4. BUREAU/OFFICE

USAID/HAITI

3. PROJECT NUMBER

521-0186

5. PROJECT TITLE (maximum 40 characters)

PROMOTION OF BUSINESS-EXPORT - PROBE
(EXPORT AND INVESTMENT PROMOTION)

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
019 | 310 | 915

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

A. Initial FY 86 B. Quarter 4 C. Final FY 91

9. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY 86			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	1,200		1,200			12,700
(Grant)	1,200		1,200			12,700
(Loan)						
Other						
U.S.						
Host Country						
Other Donors)						
TOTALS	1,200		1,200			12,700

9. SCHEDULE OF AID FUNDING (\$000)

A. APPRO- PRIATION CODE	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SDA	730	840		5,000		1,382		12,700	
(2)									
(3)									
(4)									
TOTALS						1,382		12,700	

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 trade and investment promotion services to a wide spectrum of businesses and entrepreneurs in manufacturing, agro-industry, and tourism.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
| | | | 01 | 9 | 3 | | 01 | 7 | 9 | 5 |

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.) This PP supplement increases authorized LOP funding from US \$7.7 million to US \$12.7 million, and extends the PACD to September 30, 1995, for a total project life of 9 years, 1 month. The project goal and purpose remain essentially unchanged. The implementing organization and project activities have been changed, as well as the project name.

I have reviewed and approved the methods of implementation and financing of this PP supplement.

Signature

David Cohen, Acting Dir.

17. APPROVED BY

Title David Cohen
Mission Director

Date Signed

MM DD YY
016 | 219 | 911

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

MM DD YY
| | | | | |

Project Authorization Amendment No. 1

Name of Country: Haiti

Name of Project: Promotion of Business and Export Project
(PROBE)
(Formerly named Export and Investment
Promotion)

Number of Project: 521-0186

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, the Export and Investment Promotion Project for Haiti was authorized on August 15, 1986. That authorization is hereby amended as follows:

a. The PACD of the project is hereby extended from the current PACD of September 30, 1991 to September 30, 1995, for a total planned life of project of 9 years and 1 month;

b. The authorized life of project funding is increased by five million U.S. Dollars (US\$5,000,000) from seven million seven hundred thousand U.S. Dollars (US\$7,700,000) to a new level of twelve million seven hundred thousand U.S. Dollars (US\$12,700,000);

c. The name of the project is changed to "Promotion of Business and Exports;"

d. Section 2 is replaced in its entirety with the following words: "The project consists of assistance to provide programmatic support for the development of the Haitian private business sector, and improvement of Haiti's investment climate. The project will include business development; sector support in policy reform; and representation in international business promotion fora. A.I.D. plans to execute a cooperative agreement with a local, Haitian private institution which will be responsible for carrying out the objectives of the amended project, as set forth in the cooperative agreement."

e. Delete in its entirety Section 4.b., "Other."

a'

2. The authorization cited above remains in force except as hereby amended.

Herder
b- David Cohen,
Mission Director
USAID/Haiti
Date: 6-29-91

Clearances:

PDI:	RFanale	<u>RF</u>
	GSpence	<u>GS</u>
PO:	ASchoepfer	<u>AS</u>
OPE:	DSmith	<u>DS</u>
	JCurrelly	<u>JC</u>
CO:	MNapper	<u>MN</u>
CONT:	INesterczuk	<u>IN</u>
D/DIR:	F.Herder	<u>FH</u>

**PROMOTION OF BUSINESS AND EXPORT--PROBE
(Export and Investment Promotion)
(521-0186)
Project Paper Supplement**

**USAID/HAITI
May 1991**

- C'

ABBREVIATIONS

ADIH	Association of Haitian Manufacturers
AHTH	Haitian Hotel and Tourism Association
APA	Agricultural Producers Association
APRONAH	National Association of Haitian Producers
CBI	Caribbean Basin Initiative
CMCID	Consultative Mixed Committee for Industrial Development
CMP	Management and Productivity Center (MPC)
CNG	Conseil National de Gouvernement
EAI	Enterprise for the Americas
EI	Entrepreneurs International
GOH	Government of Haiti
HAMCHAM	Haitian-American Chamber of Commerce
HAVA	The Haitian Association of Voluntary Agencies
HDF	The Haitian Development Foundation
HRDC	The Human Resource Development Center
IESC	International Executive Service Corps
LLDC	Least Less Developed Country
NGO	Non-Governmental Organization
PROMINEX	Center for the Promotion of Investment and Exports
SOFIHDES	Haitian Development Finance Corporation

- d -

PROMOTION OF BUSINESS AND EXPORT--PROBE
(Export and Investment Promotion)
(521-0186)
Project Paper Supplement

CONTENTS

I.	PROJECT SUMMARY AND RECOMMENDATIONS	
A.	Recommendation	1
B.	Summary Project Description	1
II.	PROJECT RATIONALE AND STRATEGY	
A.	Background	2
B.	Rationale	4
C.	Relationship to A.I.D. Policy and Country Strategy	6
D.	Project Strategy	8
III.	REVISED PROJECT DESCRIPTION	
A.	Goal and Purpose	9
B.	End of Project Status	9
C.	Project Components	10
IV.	COST ESTIMATE AND FINANCIAL PLAN	
A.	Financial Plan	13
B.	Cost Estimates	13
V.	IMPLEMENTATION ARRANGEMENTS	
A.	Implementation Plan	17
B.	Implementation Responsibilities	19
C.	Institutional Arrangements	21
D.	Procurement Plan	22
E.	Methods of Implementation and Financing	22
F.	Evaluation, Monitoring and Audit Plan	23
G.	Special Concerns	25
VI.	NEGOTIATING STATUS	25
VII.	AMENDED PROJECT ANALYSES	
A.	Technical Analysis	26
B.	Economic Analysis	30
C.	Administrative Analysis	37
D.	Social Analysis	39

- ANNEX A: Logframe
- ANNEX B: AID/W Approval Cable
- ANNEX C: Detailed Financial Plan
- ANNEX D: Cooperative Agreement Draft Program Description

2

. /

**PROMOTION OF BUSINESS AND EXPORT--PROBE
(Export and Investment Promotion)
(521-0186)**

Project Paper Supplement

I. PROJECT SUMMARY AND RECOMMENDATIONS

A. Recommendation

USAID/Haiti recommends that the authorized level of the Export and Investment Promotion project (521-0186) be increased from its present level of \$7.7 million, by an additional \$5 million, to a total of \$12.7 million. This additional funding will be used to amend the current project in order to support innovative activities to stimulate economic growth in Haiti and create new employment opportunities. It is recommended that the PACD be extended 4 years from the current PACD of September 30, 1991 to September 30, 1995, for a total project life of nine years, one month. At the New Project Review in AID/W, an additional \$5 million was approved for this project.

The project committee has reviewed all aspects of the proposed project and finds that it is institutionally, economically, financially, and socially sound, based on original and revised project analyses and on new institutional arrangements. A new project name which better reflects the amended project's objectives was proposed and agreed upon by the project committee: **Promotion of Business and Exports (PROBE)**. Hereinafter, the project will be referred to by this new name.

B. Summary Project Description

The goal and purpose of the amended project remain essentially the same as in the original project. The goal is to generate new sources of employment in Haiti. The purpose of this project is to improve, expand, and professionalize trade and investment promotion services to a wide spectrum of businesses and entrepreneurs in manufacturing, tourism and agro-industry. To achieve this purpose, the project will support activities in three areas:

- Business development: to provide timely and relevant services and information on Haiti's investment climate to businesses with potential to export or increase exports, and to targeted investors;
- Sector support: to develop a consensus in the business community on key economic requirements for sustainable economic growth and develop an approach for policy dialogue with the government; and, to support specific business organizations in developing subsector programs which can lead to economic growth; and,

- Representation: to assure that Haiti is appropriately represented in international fora; that targeted investment promotion can occur; and to promote entrepreneurship in Haiti.

The proposed activities to be undertaken during the extended life of project will assist the business community to engage the new, democratically-elected government of Haiti and to develop positive approaches to policy dialogue. In addition, it will work with businesses which have potential for increasing competitive advantage in world markets and increased production to help them take advantage of these markets. Particular emphasis will be on expanding markets beyond local and U.S. markets to, for example, South and Central America and Europe.

Due to considerable political instability and poor economic policies since the beginning of the project, Haiti's relative position in international trade has deteriorated. The revised project will assist the business community to address the business and policy environment in Haiti and will work to develop sustainable dialogue between the government and the business community aimed at increasing sustainable economic growth.

Implementing project activities with an existing, business-oriented institution will assure that the project can concentrate on outputs rather than organizational development. Support for a temporary, limited staff will permit contracting for high quality services as needed and will not create a mortgage on future funds after this project ends. A cooperative agreement will be executed with a qualified local organization, to be selected through an invitation for applications (IFA).

Project funds will cover costs associated with this project only, and are not intended to support the core operating expenses of any institution. Counterpart funding is not a requirement in an LLDC such as Haiti, however it is anticipated that participating grantee entities will provide a certain value-added, in cash, in-kind or through generation of income through user fees for certain services provided to businesses (however, neither cost recovery nor fee-for-services is an objective of this project).

II. PROJECT RATIONALE AND STRATEGY

A. Background

The Export and Investment Promotion project was designed in 1986 to stimulate the growth of nontraditional exports from Haiti and to seek additional investment in Haiti's productive sector. The project was developed to generate sustainable economic growth as a basis for developing new employment opportunities in Haiti.

In creating new jobs, the project aimed to provide Haiti's citizens with the ability to secure shelter for their families, provide necessary nutrition, adequate health care, and education for their children. Only when these basic needs are met can lasting development occur, and only when citizens have jobs which compete in the world market can these needs be met. USAID/Haiti developed the Export and Investment Promotion project to help Haiti take advantage of newly obtained benefits of the Caribbean Basin Initiative (which took effect on January 1, 1984), and to expand on its already achieved successes in export diversification.

This project design took place with the anticipation of a democratic election on November 29, 1987 and the transition of power to the democratically elected government on February 7, 1988. Unfortunately, the 1987 election was violently disrupted and a series of coups d'etat ensued, postponing the ultimate transition to a democratic government until February 7, 1991, when Jean-Bertrand Aristide was installed as the democratically-elected president.

The project was evaluated in 1988 and received a lukewarm approval, primarily endorsing the continued validity of the goal and purpose, rather than reviewing actual project accomplishments. The project has provided significant support to develop an institution, PROMINEX (Center for the Promotion of Investment and Exports), to help achieve its goals, but this institution, by its very quasi-public nature, was affected by the political instability, which has severely impeded its ability to carry out project activities. In addition, the project aimed to work in the policy arena through assistance to the Consultative Mixed Committee for Industrial Development (CMCID), a joint public-private policy dialogue group, but this organization has since been dissolved. PROMINEX, mandated by the governmental decree creating it to be the implementing agent for the CMCID, was to carry out jointly agreed upon policy directives of the CMCID and the government. In fact, the PROMINEX board of directors was, by decree, to be selected by the CMCID. The dissolution of the CMCID has placed PROMINEX in a situation where the legal basis for its existence and decision-making authority have been questioned. Despite the problems in project implementation due to the frequent political turmoil and technical question, the project goal and purpose remain valid and this redesign aims to modify project activities to conform with the current situation in Haiti, still with the goal of creating new sources of employment for Haiti.

One of the key issues in redesign of this project is the institutional arrangement for project implementation. The revised project strategy recommends a shift from a focus on institutional development to a process orientation. The evaluation concluded that it is unrealistic to expect that

PROMINEX could ever be self-sufficient, without external support. PROMINEX may be invited to submit an application/proposal and to compete among other private non-profit organizations/NGOs which might implement the revised project strategy. However it is not clear at this time whether PROMINEX possesses or can adopt the structure and institutional capacity to implement the revised project strategy.

B. Rationale

Employment and foreign exchange generation are key development issues for Haiti. The PROBE project proposes to address these issues with a project goal of generating new sources of sustainable employment (with an implicit secondary goal of generating foreign exchange), and a project purpose of improving, expanding, and professionalizing trade and investment promotion services to a wide spectrum of businesses and entrepreneurs in manufacturing, agro-industry and tourism. Through assistance to the Haitian business community, the project will seek to develop opportunities for business development and expansion, aimed at production which is competitive in world markets. While there will continue to be a focus on developing export-oriented industry, where the most significant impact can be realized in employment generation, the project will also seek to expand local production which does not require protection and which can be expanded to other markets.

Foreign exchange demands in Haiti continue to be high. While virtually all transactions except government debt and petroleum imports have been removed from the official market, demand is high as reflected in the parallel market rate premium. Haitian imports from the U.S. alone were \$471.1 million in 1989¹. Most businesses will need to look for expanded markets to become competitive with world market prices.

The goal of employment generation is most easily achieved in fast-growing economies free of policy and administrative distortions, and an area in which donor assistance can provide little direct impact. The concept of employment generation is, in fact, a somewhat misleading concept since labor, for example, is not scarce (with an unemployment rate in Haiti exceeding 50%), and the constraint is capital and associated inputs. The employment "problem", therefore, might be more appropriately construed as one of the scarcity or inappropriateness of inputs other than labor. Another major problem which exists in Haiti is underemployment. Distortions in availability of inputs come from the existing policy environment which distorts pricing, inhibits availability of lending and equity capital, and leads to high

¹U.S. Department of Commerce, Imports for Consumption, customs value.

population growth rates. Several approaches have been defined to address the project goal of employment generation. A.I.D. projects in vocational education; labor-intensive infrastructure development; food-for-work; export promotion; and, small scale enterprise credit and technical assistance have successfully provided indirect assistance towards meeting employment generation goals. USAID/Haiti supports projects which address all of these areas, and PROBE will pursue activities in export promotion which will further the goal of employment generation. USAID/Haiti is addressing all of these areas, but among them only export promotion is in the purview of this project.

Specific policy areas which have been shown to be linked closely to success of export-related employment generation activities include appropriate exchange rates, combined with low levels of inflation and lack of distortion in capital and labor markets. Even with low distortion in exchange rates, high distortion in labor costs, for example, can lead to capital intensive, rather than labor intensive responses to opening of markets. Specific support areas which require strong governmental commitment and donor attention for success in achieving significant employment generation in A.I.D. export-related activities have been shown to be infrastructure, pricing policies, foreign exchange regimes, labor policies and governmental support, all involving policy or other reforms which must be strongly supported in this project.

Finally, a recent multi-country A.I.D. study² in the LAC region has shown that success in developing exports and investment is most strongly linked with timely, relevant information for both exporters and potential investors and targeted services for exporters and potential investors. This project will directly address these two areas in developing competitive Haitian businesses, expanding exports and promoting targeted investment.

Particular problems which face business development in Haiti include:

- lack of access to foreign exchange at market rates;
- implicit taxes on exports through foreign exchange surrender requirements;
- restraint on credit to the private sector;
- lack of uniformity in interpretation and enforcement of the labor code;
- unreliable and high cost energy;

²Export and Investment Promotion: A Study of Factors Related to Success, A.I.D. Center for Development Information and Evaluation, 1991.

- inferior international and local telecommunications;
- inferior and high cost port facilities;
- poor transportation access locally;
- productivity impairment and time losses given poor quality infrastructure and red tape;
- political instability;
- unclear governmental economic policy;
- lack of skilled middle management; and,
- relatively high transportation costs.

On the other hand, Haiti has some strong factors which make it a prime candidate for increased international trade and competitive production:

- highly productive, low cost labor;
- proximity of major markets through U.S. ports;
- entrepreneurial management.

Since the installation of the Aristide presidency in February 1991, signals to the business community have been mixed. While the government has indicated that it wants to work with the business community, there has been no national economic program proposed by government, and decisions have been made which could be highly detrimental to economic growth, for example in the areas of labor and foreign exchange controls. The business community, while diverse, has indicated a strong willingness to work with the government, and issued a joint "white paper" on May 2, 1991 outlining, as a basis for discussion with the government, the necessary conditions for business growth and employment generation. This "white paper" was signed by the presidents of fifteen Haitian business associations representing a range of business and commercial ventures varying from exporters to financial services and commerce.

If Haiti's investment climate can be returned to that which existed during the CNG or improved beyond that and the negative attitude toward Haiti appropriately countered, Haiti stands to experience significant economic growth. Manufacturing, both drawback assembly and local production with export potential, could rapidly respond with significant growth. Agricultural exports to North, South and Central America and other Caribbean countries have strong potential for expansion. Haiti's tourism product, while taking longer to develop, has significant potential, especially in the northern areas near Cap Haitien and the Citadel and southern areas such as Jacmel and Les Cayes.

C. Relationship to A.I.D. Policy and USAID Strategy

The project supports the LAC Bureau objective to "support the achievement of broadly-based, sustainable economic growth" as a driving force behind project activities. In a less direct way,

by creating employment and the concomitant social and economic development, it also supports the LAC Bureau objective to "support the evolution of stable, democratic societies." Now that the democratic transition has occurred in Haiti, the Mission strategy must be to take steps to assure that it will be maintained. One necessary step in this direction is to create economic benefits for large numbers of Haitian citizens.

In addition, the project supports the precepts defined in A.I.D.'s Trade Development Policy Paper of July 1986, namely:

- A.I.D.'s trade development policy is designed to encourage LDCs to utilize international trade as a key instrument in the process of achieving broad based, sustained economic growth, and place a greater reliance on complementary domestic competitive markets that support more open trade policies; and,
- A major focus of the trade development policy is on building developed country and LDC private enterprise ties on a continuing, long-term basis, consistent with the broad American objectives of trade liberalization.

This project supports the U.S. government commitment, expressed by President Bush in his "Enterprise for the Americas" (EAI) speech on June 27, 1990, to develop free trade and open markets throughout the western hemisphere. This initiative consists of three basic components -- trade, investment and debt. The project will work with local business organizations to develop internationally competitive local production, build constituencies for open market policies, and move Haiti toward becoming a full partner in the hemispheric free trade block.

The project supports USAID/Haiti's Country Strategy, as stated in their FY 1991-93 Action Plan:

The overall goal of the USAID/Haiti program is the establishment of the necessary conditions for the majority of the Haitian people to improve the quality of their lives. This goal has three subsidiary objectives. To foster: 1) public and private democratic institutions that reinforce the rule of law, foster respect for human rights and an open parliamentary process, and respond to the needs of the Haitian people; 2) sustainable, private sector-led, equitable economic growth and development; and, as a special concern, and 3) as a special concern, protection and development of human resources to lay a sound basis for sustained economic and democratic development."

This project relates most directly to the second of the three subsidiary objectives; however, the project also fosters the other two objectives.

Finally, the project is integrally linked with other Mission activities related to trade development and democratic initiatives. The Credit and Financial Markets project is a critical component of the Mission private sector strategy and works to address capital constraints to business starts and expansions. The Policy and Administrative Reform project will work directly with government entities to develop a basis for policy and administrative innovations aimed at improving the macroeconomic and regulatory environment in Haiti. This project will support the enhancement of democracy and greater participation of all Haitians in the economic benefits of democracy, from a business perspective, by working with business organizations to gather relevant information, conduct analyses, support fora and then engage government officials in policy dialogue. It is also closely linked with the FY 1992 Agricultural Market Linkages Project (AGLINKS) project which will support diversification of agricultural exports from Haiti and development of broad agricultural trade.

D. Project Strategy

The project strategy will develop competitive business capacity, diversify markets and products, and develop constituencies for open trade policies in Haiti. Export development and competitive local production are primary focuses of the project. Targeted activities in investment promotion will take place when the investment climate in Haiti is improved and broad-based investment promotion activities can be expected to be cost-effective. This focus will concentrate on enhancing the local business climate, with an emphasis on world market competitiveness, which will itself promote longer term prospects for investment in the country. Given the highly publicized recent political instability in Haiti, it is unrealistic to expect that significant foreign investment will be attracted until, at best, near the end of this project.

In addition to addressing specific constraints to business development in Haiti, and expanding markets and products, the redesigned activity will work with businesses which can be located outside of Port-au-Prince to develop, to the maximum extent practical, employment opportunities away from the capital city.

Guidance provided for design of the original project required examination of institutional support and recommended that it not be continued if the institution could not become self-supporting. Hence, the amended project represents a shift in strategy from the earlier project by removing operational support for any permanent institutions. Since PROMINEX has been unable to become self-supporting and a recent evaluation concludes that it is highly unlikely, the revised project will not provide operational support for this or any institution.

III. REVISED PROJECT DESCRIPTION

A. Goal and Purpose

The original project goal and purpose remain valid for this project. The original project goal is "to generate new sources of employment in Haiti," and remains unchanged for the project supplement. The project purpose is to improve, expand and professionalize trade and investment promotion services to a wide spectrum of businesses and entrepreneurs in manufacturing, agro-industry and tourism (the project purpose remains essentially unchanged from the original project purpose which read: "to improve, expand and professionalize export and investment promotion services to a wide spectrum of businesses and entrepreneurs in manufacturing and agro-industry").

With the advent of democracy to Haiti, tourism also holds potential for significant employment generation. The LAC Bureau has provided guidance for support in tourism (January 1990), and guides Missions to treat tourism as an export industry in the context of export and investment promotion activities. Therefore, tourism will also be added as a sector for support in the project purpose, without changing the intent of the project purpose. Support in agro-industry will complement the planned FY 1992 Agricultural Market Linkage Project (AGLINK).

B. End of Project Status

At the end of this project the following outcomes will have been achieved:

- A system of acquisition and dissemination of relevant market information will be available to the Haitian business community and a procedure for updating and maintaining this information will be in place;
- Exports will increase to the U.S. and markets outside of the U.S.;
- 4 new subsectoral programs will be implemented which stimulate economic growth and create employment;
- Private Sector engages in formal and informal active policy dialogue with GOH in 10 substantive areas, resulting in improved policy environment for export and investment.

End of Project indicators will be achieved through a number of project outputs such as:

- 7 organizational activities will be supported in subsectoral programs;

- 28 studies of business policy and regulatory status will have been conducted along with 21 fora of the business community (leading to engagement of the private sector in active policy dialogue with the government in at least 10 substantive areas);
- Haiti will have been represented in 35 international functions related to trade and business development in Haiti;
- 35 representational functions will have been hosted in Haiti with the international business community;
- 35 businesses will have been assisted through IESC and training programs to increase competitiveness and increase exports.

C. Project Components

The amended project consists of three major components: business development, sector strengthening, and representation.

1. Business Development: This component will provide services to businesses to assist them in becoming more competitive in world markets. Two general types of assistance will be provided:

Information: The project will gather and disseminate timely and relevant information for Haitian businesses with potential or existing capacity to expand exports and produce for local consumption in a manner competitive with world market pricing. For this group of project beneficiaries, information will include, but not be restricted to market information, transportation, packaging and distribution information. One focus of this activity will be to open possible markets for Haitian goods and services throughout the hemisphere and globally. For potential investors, the project will provide updated information on Haitian investment laws and regulations, the labor code, the investment climate, costs of production factors in Haiti, etc. A major criterion of project success will be the ability of project implementing organization(s) to maintain constant contact with their constituency groups to determine relevant client needs and make sure that information provided remains both relevant and timely.

Targeted Services: The project will provide targeted services for potential exporters and investors. In particular, it will provide training and technical assistance for businesses which are moving toward world market competitive production, through the International Executive Service Corps, Entrepreneurs International and other such training and technical assistance arrangements.

For potential investors, the project will arrange meetings with possible sourcing and joint venture partners, relevant business organizations and their members, and government officials. In addition, necessary services for facilitating establishment of a business in Haiti will be provided. Both firm-specific and sectoral-general services will be provided. For exporters, services related to developing export potential will be provided, such as assistance in dealing with government bureaucracy, establishing source/origin for obtaining preferential customs treatment, and interaction with overseas brokers. In addition, exporters will be given training in how to export to various markets, how to identify trading partners, and regulations governing foreign trade. The project will examine approaches for, to the maximum extent possible, using fee-for-service approaches to service delivery.

2. Sector Strengthening: This project component will support activities in the business community which provide for strengthening Haiti's relative position in the world market and for examining macroeconomic and regulatory policies as a basis for dialogue in the business community with the government. As a policy objective, the business community will be informed of model bilateral trade and investment framework agreements and will be provided information to support government of Haiti efforts to engage in trade and investment discussions with the U.S. and other governments. It will work with local business groups to analyze trade and investment policy constraints and develop fora for open discussions of strategic trade directions in the Caribbean and the hemisphere. A major output of this component will be consensus building in the business community on key economic issues and the development of a policy dialogue agenda between the business community and the government. The component will be made up of the following activities:

Studies: The project will place major importance on developing in the Haitian business community an appreciation of global economic trends and competition in world markets. It will work to build capacity within the business community to engage the government in meaningful discussions on economic policy and business regulations which impede economic growth. A necessary step in this direction is to develop consensus within the business community on key economic policy directions. To support this, the project will provide grants to business organizations and relevant other entities to examine empirically various policy and regulatory constraints to economic growth. To the maximum extent possible, the project will support similar analyses in groups with differing opinions (e.g., perhaps support for both ADIH and APRONA to examine long-range economic and financial implications of a particular tariff reform proposal) and follow-up with support for sessions in which

broad-based discussions among members of the business community can address these empirical models and directions for the country. Recent support for development of the "white paper" is similar to the types of support anticipated under this project component. Areas which might be addressed include tariffs, foreign exchange controls, privatization, and financial market controls.

Fora: In addition, the project will support fora in which the business community can actively discuss the policy and regulatory environment in the country, social programs which could be supported by the business community, privatization of public utilities, etc. One type of forum mentioned under studies is discussion of results of studies developed under the project. Other fora might concentrate on topics addressed in the private sector "white paper", current issues facing the business community, etc.

Program Grants: The project will also provide limited funding to specific business organizations to support programmatic activities, which can improve the world competitive position of the sector which they represent (e.g., a grant to the Hotel Association to develop a plan for unimpeded movement of tourists through the airport, or a tourism development proposal for the country, or specific support to a business support group such as Junior Achievers). Program grants will support only the program costs of an activity, and will not provide operational support for the institution. To the maximum extent possible, the project will require a significant cash or in-kind contribution for the activity from other sources, including member contributions.

3. Representation: The project will also finance important representational events which can improve the economic environment for business in Haiti, promote competitive business development, or assist in attracting targeted investment to Haiti. It is not the intent of this component to subsidize specific businesses in trade fairs, etc. or to sponsor booths for Haiti in various promotion events. Rather, this component will support attendance of key individuals at representational functions who should represent the country, and not specific businesses. Representation will be supported at important events (e.g., one representative at the Miami Conference on the Caribbean to discuss trade with Haiti, one representative at the CLAA Board Meeting, or participation by one representative in a forum to discuss EAI, where information must be relayed to the Haitian government and business community). In addition, the project may support travel for government representatives and technicians to visit relevant countries to examine implications of trade policy, or to representational functions as well as for hosting events to permit key GOH and business leaders to discuss

the investment climate with foreign investors. This component may also support public information programs on the business community.

IV. COST ESTIMATE AND FINANCIAL PLAN

A. Financial Plan

The total life-of-project funding requirements for PROBE is estimated to be US\$12.7 million, the total authorized amount. US\$7.7 million was authorized under the original project in 1986, and an additional US\$5 million authorization was approved by AID/W for the PP Supplement in April 1991 (see Annex B). US\$4,955,351 has been obligated to date under the current project, leaving an unobligated balance of US\$2,744,649. Once fully authorized, the US\$7,744,649 will be available for obligation for new, PP Supplement activities. US\$1,382,000 is scheduled for obligation in FY 1991. At this time, it is expected that upon termination of the current grant with PROMINEX that the majority of the US\$4,955,351 will have been expended. However, if any funds remain, they will be easily reobligated into the new cooperative agreement for subgrants (IESC or local). Table 1 outlines the per-year funding requirements for the remaining LOP under the project supplement. Table 2 provides the Summary Project Budget for the entire project, and Table 3 is the Schedule of Planned Obligations for the project.

B. Cost Estimates

Below is a description of each category of funding and summary procurement actions. With the exception of monitoring and evaluation costs, levels of efforts among the three major project components are distributed approximately as follows:

- business development: 2/6 of total effort;
- sectoral support: 3/6 of total effort; and,
- representation: 1/6 of total effort.

Cost estimates were calculated using a 5 percent annual inflation factor for foreign exchange costs and a 15 percent annual inflation factor for local costs. Annex C provides a detailed budget justification.

1. Technical Assistance: US\$4,131,271 (Original Project: US\$2,432,917; Supplement US\$1,435,892)

a. **Project Coordinator:** (US\$397,610) The USAID will directly contract for a local-hire personal services contractor under the project for management and coordination of the project with A.I.D. An annual budget of US\$75,000, plus allowance for

11

TABLE 1
PP SUPPLEMENT BUDGET
(FX=US\$; LC=Gdes)

ELEMENT	YEAR 1		YEAR 2		YEAR 3		YEAR 4		TOTAL (Gde 7/5=\$1)			--GRANDTOTAL--	
	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC (GDES)	LC (US\$)	(US\$)	Subtotals
1. Technical Assistance													
a. PSF Proj Coordinator	\$92,250		\$96,863		\$101,706		\$106,791		\$397,610			\$397,610	
b. PSC Program Assistant	30,000		31,500		33,075		34,729		129,304			129,304	
c. Short-term TA/Services	60,000	400,000	63,000	460,000	66,150	529,000	69,458	608,350	258,608	1,997,350	266,313	524,921	
d. Long-term Advisor	150,000		157,500		165,375		173,644		646,519			646,519	
Sub-Total Tech Assist	332,250	400,000	348,863	460,000	366,306	529,000	384,622	608,350	1,432,041	1,997,350	266,313		\$1,698,354
2. Operations/Grants/Trng													
a. Coop. Ag Admin Costs		1,050,000		1,207,500		1,388,625		1,596,919		5,243,044	699,073	699,073	
b. Coop Ag. Logistic	38,350	135,000	24,420	79,000	24,741	87,350	24,616	96,253	112,127	397,603	53,014	165,141	
c. Information	100,000	250,000	105,000	287,500	110,250	330,625	115,763	380,219	431,013	1,248,344	166,446	597,459	
d. Training	20,000	50,000	21,000	57,500	22,050	66,125	23,153	76,044	86,203	249,669	33,289	119,492	
e. Representational Costs	100,000	150,000	105,000	172,500	110,250	198,375	115,763	228,131	431,013	749,006	99,867	530,880	
f. Travel/Per Diem	24,000	60,000	25,200	69,000	26,460	79,350	27,783	91,253	103,443	299,603	39,947	143,390	
g. IFSC Grant	0	0	55,000	736,250	75,000	750,000	75,000	750,000	205,000	2,236,250	298,167	503,167	
h. Local Busn Org. Grants	30,000	1,000,000	70,875	2,587,500	57,881	1,929,375	8,682	289,406	167,438	5,806,281	774,171	941,609	
i. G & A (3%)	27,491	124,200	31,934	205,755	37,306	202,225	35,060	171,177	131,791	703,357	93,781	225,572	
Sub-Total Op/Grants/Trng	339,841	2,819,200	438,429	5,402,505	463,938	5,032,050	425,820	3,679,402	1,668,028	16,933,157	2,257,755		\$3,925,783
3. Policy Formulation													
a. Studies	216,774	1,000,000	227,613	1,150,000	238,994	1,322,500	250,943	1,520,875	934,324	4,993,375	665,783	1,600,107	
b. Fora	30,000	45,000	31,500	51,750	33,075	59,513	34,729	68,439	129,304	224,702	29,960	159,264	
Sub-Total Policy Form	246,774	1,045,000	259,113	1,201,750	272,069	1,382,013	285,672	1,589,314	1,063,628	5,218,077	695,743		\$1,759,371
4. Monitoring/Audit/Eval.													
a. Eval & Monitoring	25,000				50,000		52,500		127,500			127,500	
b. Audit *			50,000		52,500		55,125		157,625			157,625	
c. Non-Federal Audit **					76,016				76,016			76,016	
Sub-Total Monit/Audit/Ev	25,000		50,000		178,516		107,625		361,141				
TOTAL	\$943,865	4,264,200	\$1,096,405	7,064,255	\$1,280,829	6,943,063	\$1,203,739	5,877,066	\$4,524,838	24,148,584	\$3,219,811		\$7,744,649

* Amounts stated are to pay for the audit of the grantee for the previous year. ** The audit firm will be contracted by USAID/Haiti directly.

travel, per diem, supplies, materials and other costs incurred by the PSC is calculated for this contract.

b. Program Assistant: (US\$129,304) The USAID will directly contract for a local hire personal services contractor under the project for program assistance in management and coordination of activities under the project with A.I.D. An annual budget of US\$30,000 plus is calculated for this contract.

c. Short-term TA/Services: (US\$238,608; Gde. 1,997,350) Services and technical assistance will be provided to the Haitian business community in areas mutually agreed upon in quarterly action plans presented by the grantee to USAID for review. Per year costs are estimated to be US\$30,000 and Gde 200,000 per year.

d. Long-term Advisor: (US\$646,519) The grantee, in close coordination with USAID, will contract for an offshore long-term advisor to assist in the implementation of the project's activities and to provide expertise in the relevant areas of the cooperative agreement. This long-term advisor will be selected and contracted immediately after the signing of the cooperative agreement and will work over the remaining life of the project (perhaps with a renewable contract after year 2). Total cost, including salary, transportation, housing, education, etc., is estimated at \$150,000/year. The contract scope of work will be subject to USAID approval, as will the final candidate.

Element	Current Authorization ¹	Current Obligation ²	Amendment Authorization ¹	Avail. for Obligation	Total Authorization
Technical Assistance	\$1,463,000	\$2,432,917	\$2,668,271	\$1,698,354	\$4,131,271
Operations/Grants ³	5,337,000	2,023,932	612,715	3,925,783	\$5,949,715
Policy Formulation	620,000	118,000	1,257,371	1,759,371	\$1,877,371
Monitoring/Eval/Audit	280,000	380,502	461,643	361,141	\$741,643
TOTAL	\$7,700,000	\$4,955,351	\$5,000,000	\$7,744,649	\$12,700,000

Notes:

¹Current and Amendment Authorization line items are illustrative; implementation of the project to date has not strictly followed the line items as originally set forth in the Project Paper.

²The Current Obligations individual line items are estimates derived from Controller's Commitment Posting Ledger as of 4/91.

³Upon completion date of PROMINEX's grant (August 1991), any remaining, unobligated funds will pass to the new Cooperative agreement via Deob-Reob, and an amendment, and will be used in the Operations/Grants line item.

2. Operations/Grants/Training: US\$5,949,715 (Original Project: US\$2,023,932; Supplement US\$3,925,783)

a. Cooperative Agreement Administrative Costs: (Gde. 5,243,044) Funds will be provided to the cooperating entity for those additional administrative costs to be incurred by activities under the cooperative agreement, such as salary for the project director and a limited full-time project staff of 4 individuals.

b. Cooperative Agreement Logistical Arrangements: (US\$112,127; Gde. 397,603) Funds will be provided to the cooperating entity for those additional logistical costs to be incurred as a result of the cooperative agreement such as rental of additional space, utilities, equipment/supplies and communications.

c. Information: (US\$431,013; Gde. 1,248,344) Funds under the cooperative agreement will cover purchase of books, publications, contracted purchase of information, database subscriptions and maintenance of a library.

d. Training: (US\$86,203; Gde. 249,669) As a service to Haitian businesses, specialized training will be provided in relevant areas of marketing, export, management, etc.

e. Representational Costs: (US\$431,013; Gde. 749,006) Under the Cooperative Agreement, an average of 8 offshore functions per year and two larger functions per year would total approximately US\$100,000 per year; 10 local events per year would total approximately Gde. 150,000 per year.

f. Travel/Per Diem: (US\$103,443; Gde. 299,603) Funds are to be provided under the Cooperative Agreement for travel and per diem costs based on approximately 6 international trips per year and Gde. 60,000 per year for local travel costs (business meetings, local transportation for business missions coming to Haiti, mileage costs for employees conducting project related activities).

g. IESC Grant: (US\$205,000; Gde. 2,236,250) The Cooperative Agreement will fund International Executive Service Corp assistance through a subgrant.

h. Grants to Local Business Associations: (US\$167,438; Gde. 5,806,281) (Sub)grants will be provided to local institutions/associations' programs in support of project objectives. Approximately 7 institutions will be supported an average of 1.5 years each for both foreign exchange and local currency expenses. The Grantee will receive proposals and award (sub)grants to institutions capable of managing funds and who support specific activities/objectives outlined with USAID during annual Action Plans.

i. Commission to Implementing Organization: (US\$131,791; Gde. 703,357) The implementing agency will be paid 3% of all monies that pass through the project.

3. Policy Formulation: US\$1,877,371 (Original Project: US\$118,000; Supplement: US\$1,759,371)

a. Studies: (US\$934,324; Gde. 4,993,375) Studies on policy and regulatory issues will be funded at the rate of approximately 4 per year from offshore sources (US\$50,000 each or US\$200,000/yr) and 4 per year locally procured (at Gde. 250,000 each or Gde. 1,000,000/yr.).

b. Fora: (US\$129,304; Gde. 224,702) Fora will be held on policy and business development issues at the rate of approximately 6 per year for a total cost of \$30,000 per year. Local costs (facility rental, meals, materials) were estimated Gde. 45,000 per year.

4. Monitoring/Audit/Evaluation: US\$741,646 (Original Project: US\$380,502; Supplement: US\$361,144)

a. Evaluation/Monitoring: (US\$127,500) Plans for mid-term and end-of-project evaluation are detailed in the Evaluation Section of the PP Supplement. It is also contemplated that a special software program for tracking baseline data and measuring the implementation and success of the project will be procured at the beginning of the project, along with the technical assistance to apply it to the project's monitoring and evaluation needs.

b. Audit: (US\$157,625) Funds for periodic audits.

c. Non-Federal Audit: (US\$76,016) Funds for RIG/A/T non-federal audit.

Table 3 Schedule of Planned Obligations				
Obligations to date	FY 1991	FY 1992	FY 1993	FY 1994
\$4,955,351	\$1,382,000	\$2,000,000	\$2,362,649	\$2,000,000
TOTAL PLANNED LIFE OF PROJECT OBLIGATIONS: \$12,700,000				

V. IMPLEMENTATION ARRANGEMENTS

A. Implementation Plan

The project will be implemented under the supervision of USAID/Haiti's Office of Private Enterprise (OPE). A project-funded personal services contractor (PSC) will be hired as the project monitor, reporting to the Chief of OPE. Implementation will be through a cooperative agreement to a USAID-approved institution which will contract for a long-term advisor, and hire a small, temporary project staff to implement project activities

under the guidance of a pro bono advisory council committee with a broad representation of the Haitian business and commercial sectors.

In developing an approach to implement the project, it was decided that neither a government-to-government bilateral project agreement, nor a contract were appropriate instruments since the implementing organization would need to have an established capacity to intercede with both the government of Haiti and the Haitian business community in all three project component areas. In addition, implementation of this project has been viewed as an opportunity to build capacity of existing Haitian institutions in supporting development of Haiti's business community and an investment climate conducive to sustainable economic growth. The use of an existing non-governmental organization (NGO) or private, non-profit organization to implement the project, through a cooperative agreement, was determined to be the appropriate approach since there are existing organizations in Haiti which already have as their charter responsibility developing Haiti's business community and promoting business growth in Haiti. Use of an international firm would not be feasible since implementing personnel will, by the very nature of project activities, need to be local hires intimately familiar with a broad base of Haitian businesses and business organizations; further, it is unlikely that an international firm not present in Haiti could gain the necessary knowledge of the Haitian business community to select organizations to receive project assistance or businesses to receive technical assistance in the relatively short time frame required in project implementation or develop the necessary credibility in the business community and in government to successfully achieve the policy dialogue and services activities proposed in this project. It is the express intent of the project to support and intensify activities of an existing business-oriented Haitian NGO, consistent with the existing mandate of that organization, to contribute to the success of parallel U.S. assistance through the Policy and Administrative Reform project. It is imperative that the implementing organization have significant credibility within the Haitian business community and in the Haitian government so that its policy-related initiatives will receive appropriate recognition in both arenas.

Furthermore, as the USAID wishes to maintain substantial collaborative involvement in the implementation of project activities, a cooperative agreement is the appropriate A.I.D. assistance instrument.

The Administrative Analysis Section provides further discussion of implementation arrangements considered for the amended project.

B. Implementation Responsibilities

An implementation plan has been developed which includes monthly and quarterly operational and financial monitoring reports. In addition, there are informal annual project evaluations, formal mid-term and end-of-project evaluations, and a Non-Federal Audit of project activities. As project implementation is examined, mid-course corrections in project implementation will be carried out to assure the continued relevance of project activities to stimulating economic growth.

Table 4
Implementation Schedule

<u>Event/Task</u>	<u>Completion</u>	<u>Responsibility</u>
-Project Authorization Amended	June 1991	USAID
-IFA Issued (30 day turn-around)	June, 1991	USAID
-Proposals Received Evaluated, Selected	July, 1991	USAID
-Cooperative Agreement Negotiated/Signed	August, 1991	USAID/CO
-Advisory Panel Organized	August, 1991	USAID/CO
-CO Staff Hired	August, 1991	CO
-Implementation Begins	September, 1991	CO
-Offices Set Up	September, 1991	CO
-Project Evaluation 1	January, 1993	CO/USAID
-Long-Term Advisor selected & contracted	October 1991	CO
-Project Evaluation 2	July, 1995	CO/USAID
-PACD .	September, 1995	

CO - Cooperating Organization

USAID will work closely with business organizations, the cooperating organization, and the government of Haiti to identify areas of relevant intervention for the project. USAID will closely monitor activities of the cooperating organization and will, at least quarterly, review project progress and action plans. On at least an annual basis, USAID will work with the cooperating organization to examine action plans for the coming year, staffing needs and performance appraisal. All staff contracted under the project shall be under contracts for a term not to exceed one year and renewal of such contracts with project funding shall be only with the written approval of USAID/Haiti.

The cooperating organization will hire a Director of Business and Trade Development, who will be the project director in the cooperating organization responsible for overall guidance of project activities and supervision of cooperative agreement-funded personnel and activities. In addition, the cooperating organization shall hire a Coordinator of Information and a Coordinator of Services to implement these two project components. The cooperating organization shall convene an advisory committee, broadly representing the Haitian business and commercial community, with a clear mandate of developing programs to make Haiti more competitive in world markets. This advisory committee shall provide guidance to the cooperating organization for program development and approval. The advisory committee should meet regularly, with interim meetings as required.

The cooperating organization shall be responsible for management of A.I.D. funds and oversight, through the Director of Business and Trade Development and the grantee's chief financial officer, and implementation of the information and services components of the project. The cooperating organization shall, in conjunction with the project advisory committee and USAID, prepare:

- 1) A detailed **implementation strategy** for approval by USAID.
- 2) Once this strategy is approved by the advisory committee and USAID, the cooperating organization shall prepare a **Life-of-Project action plan** identifying relative priority of anticipated activities, staffing and funding requirements, and timing. Prior to the approval of this action plan, all usages of A.I.D. funds must be specifically approved, in writing and in advance, by USAID/Haiti.
- 3) Three months prior to the end of each project year, an **annual action plan for the next year of project activities** shall be prepared, in conjunction with the advisory committee, and submitted to USAID for approval.

Activities which have been approved in the action plan(s) by USAID can be carried out without additional USAID approval. Activities which arise, but which are not included in the action plan must be approved in advance and in writing prior to commitment of any A.I.D. funds. All unplanned international travel supported under the project must be approved by USAID/Haiti in writing prior to commencement of travel.

The cooperating organization shall make widely known its program to fund business organization studies, fora support and institutional support, inviting informal concept proposals from a wide range of organizations. These should be discussed both with the advisory committee and with USAID to determine whether formal

proposals should be requested for funding consideration. USAID shall concur with funding of any such proposals.

The USAID Office of Private Enterprise will have ultimate responsibility for project implementation, although most of the day-to-day operations will be handled by other project participants. USAID's specific responsibilities will include:

- a. Oversight of cooperating organization activities;
- b. Supervision of the PSC project coordinator's activities;
- c. Handling of A.I.D. direct procurements such as PSCs evaluations and audits;
- d. Participation in discussions with Haitian business community and advisory committee to assure relevance of project activities;
- e. Approval of cooperating organization strategy and action plans;
- f. Participation in, and review of project evaluations to determine necessary modifications needed to keep project implementation on track; and,
- g. Continual dialogue with the government of Haiti to keep officials and technicians apprised of project activities.

Annex D, Draft IFA Program Description, outlines the specific roles and relationships of the cooperating organization.

C. Institutional Arrangements

In examining potential institutions to implement the project it was decided that a Haitian cooperating organization should be selected. Such an arrangement lends credibility with the government and the business community and also to build capacity in an existing institution already engaged in working with these two important entities involved in the economic growth of Haiti. Since the project had already tried establishing a new institution without major success, it was decided that the project should be placed within an existing institution already approved by A.I.D. for receiving funds.

A Handbook 13 cooperative agreement has been selected as the most appropriate instrument for implementation of the project supplement. The list of potential institutions meeting these criteria can be found in the Administrative Analysis section.

The organization will have to meet Handbook 13 requirements for receiving an A.I.D. assistance instrument, i.e., pre-award audit or recent management of an A.I.D. grant; an auditable financial system, and written personnel and travel policies. USAID/Haiti will review responses and determine which institution should be awarded a cooperative agreement for implementing the

activity base on criteria set forth in the IFA document (see draft program description and selection criteria Annex D). Further detail of institutional arrangements is in the Administrative Analysis of this PP Supplement.

D. Procurement Plan

It is anticipated at this time that USAID will undertake relatively few direct procurements for the Project. A cooperative agreement will be executed for the bulk of project funds. The cooperative agreement will have a term of approximately four years (depending on CA signing vis a vis PACD), with a clear understanding from the outset that this is a non-renewable agreement and that at the end of the activity, USAID will examine needs at that time for future support to expand of Haiti's economic growth.

The PSC project coordinator and program assistant will be procured through A.I.D. direct contracts, as will evaluation and non-federal audit. The services of the PSC project coordinator and program assistant will be for an initial two-year period, with potential of renewal for a third and fourth year. The cooperating organization will procure other project inputs as specified in the cooperative agreement and action plans, in consultation with USAID.

E. Methods of Implementation and Financing

Table 5 conforms to the Administrator's preferred methods of implementation and financing for this type of project activity.

Table 5 METHODS OF IMPLEMENTING AND FINANCING (US\$'000)				
Method of Implementation	Method of Payment	Previous Amount	Supplement Amount	Project Total
TA, Training, Program Grants (Cooperative Agr.)	Direct Payment	4,755,351*	6,856,594	11,611,945
Personal Services Contracts	Direct Payment	200,000	526,914	726,914
Evaluations, Audits	Direct Payment	0*	361,141	361,141
TOTALS		4,955,351	7,744,649	12,700,000
* Previous amounts for these line items were included under the PROMINEX grant.				

F. Monitoring, Evaluation and Audit Plan

1. Monitoring The PSC Project Coordinator will be responsible for implementing a project monitoring system, utilizing base-line data and reports to be supplied by the cooperating organization and other project participants, on a monthly basis. These reports will assess how well the project components are operating, any problems in provision of services, problems with financial management, and effectiveness of the advisory committee in articulating needs and concerns of the various business and commercial subsectors. As an ongoing process to develop information for project evaluation, and to provide status reports to USAID, the monitoring system will generate information on the Project's progress toward achieving the end-of-project status. This will include feedback from enterprises on the value of assistance received and impact of assistance on their productivity and competitiveness.

Monitoring and evaluation of A.I.D. projects in the area of export and investment promotion has proven to be a difficult process, and USAID/Haiti's Export Promotion project was no exception to this experience. Monitoring progress, anticipating delays and problems, and evaluating the need for mid-course corrections is a weakness that this project supplement wishes to overcome. In recent years, special software programs for tracking project progress (which would nevertheless require appropriate, measurable and quantifiable baseline data, and regular input of information to update data) have been developed which may prove useful for this (and other) projects of this type. It is therefore anticipated that such software will be procured at the beginning of the project supplement, along with the technical assistance to apply it to the project's monitoring and evaluation needs.

2. Audit Plan The project budget includes \$157,625 for regular audits and financial reviews required during the life of the project and \$76,016 for an external Non-Federal Audit of project activities.

The cooperating organization will be required to have annual audits which comply with standards established by the Controller's Office, USAID/Haiti. Although it is expected that the selected cooperating entity will possess a pre-award audit, it will be prudent to update this through a Non-Federal Audit, the implementation of said audit to be determined by the Controller in coordination with RIG/A/T. Confirmation of compliance with standards in the Non-Federal Audit will be made by RIG/A/T.

Financial reviews will be conducted as a component of ongoing project monitoring. The cooperating organization will follow A.I.D.-approved financial and management procedures. It

will be very important that the USAID project manager assure the appropriateness of this financial system early in the project and to make any adjustments to better enable the grantee to manage and report funds to USAID.

3. Evaluation Plan The purpose of the project is to improve, expand, and professionalize trade and investment promotion services to a wide spectrum of businesses and entrepreneurs in manufacturing, tourism and agro-industry. A mid-term evaluation will assess the project's performance against this standard and the end-of-project status indicators outlined in this project paper supplement. This evaluation is tentatively scheduled for January of 1993. An end-of-project evaluation is scheduled for July 1995, which will include many of these same elements, as well as recommendations for "next steps" (in terms of the type of activity/project which is appropriate for the current economic and business situation in 1995) at that point in time. In addition, informal, annual in-house evaluations will be conducted on at least an annual basis. The first such evaluation will focus on:

- relevance of the project's strategic plan for employment generation;
- establishment of baseline trade and commercial data;
- development of adequate mechanisms for data collection and dissemination;
- relevance and intensity of services for improving firms' competitive advantage and market expansion;
- identification of relevant areas for project supported analysis and appropriate support;
- use of support for fora to stimulate cohesiveness in the Haitian business community as a basis for policy dialogue with the government on cross-cutting significant trade-related issues;
- appropriate use of representational resources to further Haiti's competitive advantage in international trade;
- relevance of institutional support to further specific sectoral competitiveness; and,
- functioning of project implementing mechanisms, including review of personnel status of cooperating organization staff.

USAID project managers and staff conducting the evaluation will access the following sources, among others, in reaching conclusions and in recommending strategy modifications:

- cooperating organization strategic plan, files, records, statistics, etc.;
- reports generated under project funding;
- project coordinator reports;
- monthly cooperating organization reports;

- personal interviews with relevant staff, advisory committee members, and project beneficiaries; and,
- governmental statistics.

G. Special Concerns (Women in Development, Gray Amendment, Environmental Impact)

1. **Women in Development** This project has a clear impact on women. As new economic opportunities are created, Haiti is well positioned to take advantage of trade preferences and open markets, with a resulting significant increase in employment. Most of these jobs will be for low-income citizens with a large proportion of these going to women, who already hold a majority of jobs in the manufacturing sector.

2. **Gray Amendment** A.I.D. direct contract actions under this project represent a minor percentage of the total project. For those contracting actions reserved by A.I.D., such as evaluation and PSCs, Gray Amendment procedures will be considered during procurement.

3. **Environmental Impact** The original Project Paper cites CFR Part 216.2(c)(2)(i), "Categorical Exclusions" to indicate that no further action regarding Environment Impact is necessary. Nevertheless, an Initial Environmental Examination is annexed to the original PP as Annex M. A negative determination was recommended at that time, as environmental impact of the activities under the project were judged to result in negligible environmental consequences.

VI. NEGOTIATING STATUS

Upon authorization of this PP Supplement, an IFA will be issued to qualified organizations. A 30-day turn-around time for receipt of proposals is anticipated, which will result in Mission Evaluation of proposals in early July. Selection, negotiation and execution of the cooperative agreement should be finalized by the end of July or very early August. The USAID Review Committee will evaluate and rank technical proposals with the evaluation criteria set forth in IFA document. Cost will then be negotiated with the highest ranked and most technically qualified organization.

In negotiating a cooperative agreement to implement this project, it is critical to clarify at the beginning that the intent of this project is to provide time-limited assistance in developing the business sector and building market competitiveness in Haiti. At the PACD it is anticipated that this activity will come to a close and USAID/Haiti will, at that time, determine what type of support is necessary to further stimulate economic growth. This project should be viewed as a

bridging activity, developed to stimulate and organize the business community during the transition to democracy. Needs of that community at the time of the design of the project paper supplement are almost certain to change over the course of the next four years, so no commitment should be made for additional funding for this activity after the PACD.

Secondly, it should be clear in negotiations that it is absolutely not the intent of this project to provide support for operating costs of any private business organizations. The project aims to support projects of existing business organizations which would probably not take place without the support from the project. In no instance should the project subsidize directly costs of a particular business which would normally be borne on a fee-for-service basis. It could provide assistance which would stimulate a business to depart from protected practices and enter into world market competitive production. Likewise, it should support development of new markets and products which can generalize beyond a single company.

VII. AMENDED PROJECT ANALYSES

A. Technical Analysis

The Export and Investment Promotion project was designed in 1986 to stimulate the growth of nontraditional exports from Haiti and to seek additional investment in Haiti's productive sector. The project was developed to generate sustainable economic growth as a basis for developing new employment opportunities in Haiti. In creating new jobs, the project aimed to provide Haiti's citizens with the ability to secure shelter for their families, provide necessary nutrition, adequate health care, and education for their children. Only when these basic needs are met can lasting development occur, and only when citizens have jobs which compete in the world market can these needs be met. USAID/Haiti developed the Export and Investment Promotion project to help Haiti take advantage of newly obtained benefits of the Caribbean Basin Initiative (which took effect on January 1, 1984), and to expand on its already achieved successes in export diversification.

The project was developed with the goal of generating new sources of employment in Haiti³. The project purpose was "to improve, expand, and professionalize export and investment promotion services to a wide spectrum of businesses and

³"Export and Investment Promotion Project Paper", USAID/Haiti, 8/8/86, Annex D.

entrepreneurs in manufacturing and agro-industry⁴." This project design took place with the anticipation of a democratic election on November 29, 1987 and the transition of power to the democratically elected government on February 7, 1988. Unfortunately, the 1987 election was violently disrupted and a series of coups d'etat ensued, postponing the ultimate transition to a democratic government until February 7, 1991, when Jean-Bertrand Aristide was installed as the democratically elected president. The project was evaluated in 1988 and received a lukewarm approval, primarily endorsing the continued validity of the goal and purpose, rather than on actual project accomplishments. The project has provided significant support to develop an institution, PROMINEX, to help achieve its goals, but this institution has, by its very quasi-public nature, become embroiled in the political realm, which has severely impeded its ability to carry out project activities. In addition, the project aimed to work in the policy arena through assistance to the Consultative Mixed Committee for Industrial Development (CMCID), a joint public-private policy dialogue group, but this organization has since been dissolved. PROMINEX, mandated by the governmental decree creating it to be the implementing agent for the CMCID, was to carry out jointly agreed upon policy directives of the CMCID and the government. In fact, the PROMINEX board of directors was, by decree, to be selected by the CMCID. The dissolution of the CMCID has placed PROMINEX in a situation where the legal basis for its existence and decision-making authority have been questioned. With the problems in project implementation due to the frequent political turmoil and technical questions which ensued, the project goal and purpose remain valid and this redesign aims to modify project activities to conform with the current situation in Haiti, still with the goal of creating new sources of employment for Haiti.

The business sector in Haiti has been a dynamic force since the mid-1970s with exporters, primarily in the drawback assembly sector, diversifying products and markets to capitalize on Haiti's comparative advantages in the world marketplace. With the advent of the 1980s, Haiti was the leading Caribbean Basin country in non-traditional exports to the United States, with these exports consisting primarily of drawback assembly goods in textiles, electronics, and sporting goods. Policies of the early 1980s led to a decrease in the growth rate for these non-traditional exports. By 1984, Haiti had fallen to second place in Caribbean Basin non-traditional exports to the U.S., after the Dominican Republic (which had capitalized on the development of export promotion zones for assembly production).

⁴"Export and Investment Promotion Project Paper", USAID/Haiti, 8/8/86, page 1.

The Caribbean Basin Initiative (CBI) was enacted into law in 1983 and implemented on January 1, 1984 to stimulate growth in non-traditional exports to the U.S. While placed in a position to capitalize from CBI benefits in addition to preferential tariff treatment provided for drawback industries (806 and 807 preferences under the Generalized System of Preferences), Haiti faced severe political turmoil leading to the fall of the Duvalier dictatorship. As a result, growth of non-traditional exports from Haiti was at levels far below that of many other CBI countries. While the manufacturing sector has played a significant role in developing employment opportunities in Haiti, the ever-changing political situation facing the sector has led to uncertainty which has stymied additional investment.

Particular problems which face business development in Haiti include:

- lack of access to foreign exchange at market rates;
- implicit taxes on exports through foreign exchange surrender requirements;
- restraint on credit to the private sector;
- lack of uniformity in interpretation and enforcement of the labor code;
- unreliable and high cost energy;
- inferior international and local telecommunications;
- inferior and high cost port facilities;
- poor transportation access locally;
- productivity impairment and time losses given poor quality infrastructure and red tape;
- political instability;
- unclear governmental economic policy;
- lack of skilled middle management; and,
- relatively high transportation costs.

On the other hand, Haiti has some strong factors which make it a prime candidate for increased international trade and competitive production:

- highly productive, low cost labor;
- proximity of major markets through U.S. ports;
- entrepreneurial management.

Despite constraints to growth throughout the 1980s, with the fall of Duvalier, several coups and coup attempts and significant labor unrest, Haiti still produced a noteworthy result in non-traditional exports to the U.S. Table 6 provides a comparison of Haitian exports to the U.S. in relation to other CBI countries for the period 1983, prior to the implementation of CBI, through 1990. As seen in Table 7, these exports from Haiti to the U.S. consisted primarily of manufactured items, with apparel items making up approximately half of non-traditional manufactured exports.

The manufacturing sector in Haiti has been a major generator of employment in the country. It is estimated that the export assembly sector provided approximately 40,000 jobs through the 1980s. While non-traditional exports grew through the 1980s, GDP decreased and agriculture (which engages 80% of the workforce) has dropped from 1/3 to 1/4 of GDP; tourism revenues have dropped from 220 million Gourdes to 169 million Gourdes; and prices have increased significantly. While the 1980s showed some growth in non-traditional exports, this growth leveled off by 1988 and began to decline in 1989, with a rapid drop in 1990.

While 60% of domestic credit was allocated to the private sector in the 1970s, this dropped radically to 38% in the 1980s. Financial disequilibrium permeates the public sector. Governmental monetary policy is highly restrictive and the national deficit is financed by the Central Bank. Interest rates have been consistently high, reflecting the high cost of money and significant reserve requirements (in effect, interest-free loans to the government), the inability to accurately assess risk, and the lack of adequate judicial recourse in the case of non-payment. In a related matter, seven North American reinsurance companies have withdrawn from Haiti, leaving the risk pool highly concentrated. Those who remain have significantly increased rates, threatening marginal companies with inability to insure. Any significant major losses could create major losses to the formal credit system and could collapse the few banks in Haiti.

Table 6
CBI Non-Traditional Exports to the U.S.
Millions of Current U.S. Dollars

	1983	1984	1985	1986	1987	1988	1989
Belize	7	20	32	30	28	31	27
Costa Rica	116	152	187	251	312	428	575
Dom. Rep.	290	371	463	558	728	975	1198
El Salvador	112	125	95	62	84	93	101
Guatemala	31	43	50	68	104	151	222
Haiti	293	335	354	345	370	363	354
Honduras	48	52	63	71	96	111	140
Jamaica	25	43	88	142	230	252	275

Source: U.S. Department of Commerce, Imports for Consumption, Customs Value

Note: Includes categories 50 through 89 plus 05 and 29 and less 68 and 057.3 of SITC (Revision III).

Since the installation of the Aristide presidency in February 1991, signals to the business community have been mixed. While the government has indicated that it wants to work with the business community, there has been no national economic program proposed by government, and decisions have been made which could be highly detrimental to economic growth, for example in the areas of labor and foreign exchange controls. The business community, while diverse, has indicated a strong willingness to work with the government, and issued a joint "white paper" on May 2, 1991 outlining, as a basis for discussion with the government, the necessary conditions for business growth and employment generation. This "white paper" was signed by the presidents of sixteen Haitian business associations representing a range of business and commercial ventures varying from exporters to import-substitution manufacturers, financial services and commerce.

B. Economic Analysis

1. Recent Economic Policy Changes in Haiti

Under the Conseil National de Gouvernement, the Government of Haiti implemented an economic program aimed at broad-based economic growth and open market policies. Under this economic program foreign exchange was allowed to be relatively freely exchanged at market rates, tariffs were significantly reduced, export taxes were eliminated, inefficient public enterprises requiring Central Bank or Treasury financing were shut down, and taxation and administrative reform were addressed. With the departure of the CNG after the aborted election in November 1987 and the controlled election of January 1988, the economic program was also, to a large extent, set aside. While the Manigat and Namphy governments (February, 1988 through June, 1988 and June, 1988 through September, 1988, respectively) did not develop an alternate economic program and more or less followed the program of the earlier CNG, the Avril government (September, 1988 through March, 1990) actively reversed several key economic reforms of the CNG. Of particular relevance to business development were expansion of parastatals, draining the national treasury; increases in banking reserves, effectively drying up credit to the private sector; and increased restrictions on foreign exchange. In addition, stricter controls were placed on customs transactions, effectively impeding international transactions.

With the advent of the Aristide government, a 67 percent minimum wage increase (from 15.00 to 25.00 Gourdes per day) has been proposed, and further foreign exchange restrictions and even more restrictive caps on interest rates are being considered. In general, businesses are postponing investment and reducing inventory, while waiting to see the future directions of the new government before making significant business growth decisions.

Table 7
Haitian Non-Traditional Exports to the U.S., 1983-1989
Millions of Current U.S. Dollars

	1983	1984	1985	1986	1987	1988	1989
Apparel	82.6	96.1	122.9	121.2	153.5	165.9	180.9
Other Manufactured	205.5	234.3	225.8	218.5	211.0	191.2	166.6
Fruits, Vegetables, and Plants	4.8	4.9	5.5	5.4	5.9	5.1	6.4
Totals*	292.8	335.2	354.2	345.2	370.4	363.1	354.0

*Note: Differences in rounding errors not corrected

Source: U.S. Department of Commerce, Imports for Consumption, Customs Value (Categories 50 through 89 plus 05 and 29 and less 68 and 057.3 of SITC, Revision III)

2. Continuing Constraints on Trade and Business Growth

The major constraints on further trade development and business growth are:

- lack of rigor in monetary and fiscal policy;
- scarcity of capital;
- foreign exchange controls;
- poor infrastructure;
- government subsidies for petroleum products;
- increasing labor costs and strained relations;
- high port and transportation costs;
- inefficient customs operations;
- bureaucratic red tape; and,
- Haiti's negative image.

With respect to monetary and fiscal policy, government financing has depended almost exclusively on deficit financing by the Central Bank to finance government operating expenses. Inefficient parastatals such as the electric company, the phone company, the cement company and the flour mill have traditionally employed many more employees than needed for operations, causing operational deficits and/or high prices to Haitian consumers, and demanding financing from the Central Bank. In addition, off-

employed many more employees than needed for operations, causing operational deficits and/or high prices to Haitian consumers, and demanding financing from the Central Bank. In addition, off-budget expenses have been regularly funded leading to lack of budgetary control on expenses. Alternatives available to the government for financing these deficits include increased borrowing, both domestic and foreign, broad-based tax reform and collection, and rigorous enforcement of budgetary controls. On the other hand, reduction of subsidies and reduction of governmental expenditures would help to bring the present financial crisis under control. This project will work closely with the Policy and Administrative Reform project to address concerns in this area and will support development of analytical bases for business groups to discuss monetary and fiscal policy with the government.

Scarcity of capital is due to many factors. Financial markets in Haiti are shallow, with conservative credit practices and little basis for equity holdings or secondary trading of financial instruments. Banks are required to place high levels of reserves in the Central Bank, reducing funds available for on-lending to the business community. Risk assessment is difficult, since there are no standard accounting principles enforced in Haiti; most companies keep several sets of books for different audiences and accounting firms are not required to follow standard reporting practices. Accordingly, credit is allocated to customers who either hold significant assets in the financial institution or who can collateralize the loan. Accordingly, interest rates have been high and government has, with apparent good intentions, placed a ceiling on interest rates. As has been the case throughout the world, this action could lead to a further scarcity of credit if inflation rates pass the fixed interest ceiling. For the present, demand for credit remains low, however, as businesses await announcement of the government's economic program before investing. The Credit and Financial Markets Project will address this constraint to trade and business development.

Foreign exchange controls have, over the past few years, been tightened, lightened and re-tightened. The Haitian Gourde is formally valued at five U.S. dollars. An active parallel exchange market operates, clearing Gourdes with a premium of approximately 40% in May, 1991. Exporters are required by law to surrender a percentage of their foreign exchange earnings to the Central Bank at the official rate, imposing an implicit export tax. The rate of this implicit tax on market-based revenues is be valued at:

$$\text{IMPLICIT EXPORT TAX RATE} = rp/(1+r)$$

where r is the parallel market premium on the Gourde and p is the portion of foreign exchange which must be surrendered to the

government at the official rate⁵. With a surrender requirement of 40% at the official rate and a premium of 43%, as was the case in early May 1991, this implicit tax stood at 12%. It is important to note that this implicit tax is levied against gross receipts of dollars, and not net profit; the tax rate on net profit would be significantly higher, depending on the proportion of gross revenue which is attributable to value added. Since any tax on exports makes local production for the world market less competitive, this significant implicit tax is a major impediment to open trade, employment generation and foreign exchange earnings. This project will work with the Haitian business community to develop further analysis on the impacts of this implicit tax for discussions with government policymakers and with the Policy and Administrative Reform Project to develop this policy item for discussions with the government.

Infrastructure remains a major problem for development of business in Haiti. Roads and ports outside of the capital are insufficient to permit significant industrial growth in these areas. Electricity and telecommunications are unreliable and expensive. The national electric company receives income for just over half of the power generated, and legitimate businesses must subsidize electric consumption by less than efficient users. Power failures are frequent. Telephone communications are unreliable and new telephone service is difficult to obtain, with long waiting periods. Ports in the capital are among the most expensive in the region and suffer from short hours and burdensome bureaucratic procedures. Transportation costs are relatively high. This project will work with business groups to examine infrastructure alternatives, such as privatization of particular services, as a basis for dialogue between the business community and the government.

Another major issue is that the government of Haiti imports petroleum products at the official exchange rate. Since fuel consumption is not costed at market clearing rates, this tends to distort allocations to less than efficient uses and make Haitian production less competitive in the world market place. This project will support analysis in the business community of impacts of placing petroleum product purchases on the parallel market and will work closely with the Policy and Administrative

⁵This is calculated using G as the amount which would be realized in Gourdes for d dollars at the parallel market rate, with a premium of r percent on the transaction, where $G=(d)(1+r)(5)$, and G' as the amount realized in Gourdes with a proportion p surrendered at the official rate of 5 Gourdes to the dollar and (1-p) Gourdes exchanged on the parallel market with a premium of r percent, where $G'=(d)(p)(5)+(d)(1-p)(1+r)(5)$. The implicit tax rate is now $(G-G')/G$ which can be easily calculated as shown.

Reform project to specifically address subsidies in petroleum purchases.

Labor remains a major problem in business development and expansion in Haiti. While Haitian labor is generally highly productive at the worker level, frequent disruptions caused by strikes, unexpected holidays and labor actions impede overall productivity in Haiti. While most industrial workers are paid on a piece basis, the government has recently proposed a 67% increase in the minimum wage from 15.00 to 25.00 Gourdes per day, with an "offsetting" removal of a 30% customs surcharge on imports. While removal of the surcharge favors industries which import raw materials and commercial import-dependent activities, it does not resolve the problems of export-oriented businesses which import raw materials, transform them and then re-export them since these companies do not pay duties on those raw materials which are re-exported. With the proposed minimum wage, Haiti's pricing of exported goods⁶ will exceed that of the Dominican Republic, Jamaica, El Salvador and Honduras.

There are sixteen sections of the Haitian Labor Code over which interpretations vary. These sections form the basis for most industrial labor disputes. Labor courts have been viewed as predominately biased in favor of labor; documented cases exist where facts of the case would favor management and, prior to trial, dossiers disappear from the courts. Most businesses settle labor disputes prior to adjudication to avoid prejudicial treatment. A system of judicial precedent allowing uniform interpretation of these disputed sections of the labor code is imperative. Likewise, impartial treatment of labor cases is a mandatory precedent to expanding foreign investment in labor-intensive ventures in Haiti. This project will work closely with the Policy and Administrative Reform project to address these judicial issues and will work with the business community to document handling of labor disputes for dialogue with the government.

Haiti's port and transportation costs also impede international trade and business development. Haiti's port is one of the most expensive in the CBI region. Customs hours are abbreviated and impede efficient, rapid international transactions. Bureaucratic red tape increases the difficulty in clearing items through customs, requiring signatures from several agencies and ministries prior to release of goods. Transportation costs for sea freight from Haiti to New Jersey, a typical U.S. destination, exceed costs from Jamaica, Costa Rica and the Dominican Republic. Fewer freight lines service Haiti. This project will work with the business community to develop action agendas for improving port, bureaucratic and

⁶Considering the implicit export tax discussed earlier

transportation obstacles. In addition, it will work with the Policy and Administrative Reform project to place these issues in the policy dialogue agenda for bilateral policy discussions with the government of Haiti.

The final, but perhaps most important, remaining obstacle to business growth and trade development in Haiti is the negative image which exists both domestically and overseas. Local businesses consistently indicate that insecurity in their personal safety and in their business investments is a major reason for lack of expansion and investment. Likewise, foreign investors have been influenced by the negative images of Haiti which have been generated during political stability of the late 1980s and, more recently, by negative reports from local business partners. This project will, as a primary focus, actively seek to engage the Haitian business community in dialogue with the government to develop a national program for economic growth. Such a program is a mandatory prerequisite to addressing Haiti's negative investment image.

3. Potential for Increasing Trade

Haiti's performance in the 1970s and early 1980s indicates that it remains a potentially ideal site for export assembly operations. In addition, expansion of non-traditional agricultural exports has increased by 33% since the beginning of CBI. While Haiti expanded non-traditional exports for most of the 1980s, its market share with respect to other CBI countries fell significantly. In addition, local production has been exposed to world market competition through contraband imports and is well positioned to examine market expansion in the Caribbean, South and Central America, Europe and North America. That the Haitian business community has managed to grow through the trying times of the 1980s speaks well for its potential for expansion. The obstacles identified above remain to be addressed, and this project will actively work with the business community to develop expansion potential for local business as well as seek to further diversify exports and stimulate targeted foreign investment.

Haiti has comparative advantage in its location and in its highly productive, low-cost labor force. Sectors which hold significant potential for growth are manufacturing (including export assembly), tourism and agricultural trade. Other potential growth sectors exist if the Haitian economy can be opened and lessons learned in other countries can be applied by the Haitian government. This project will work with the business community to promote the engagement of government decision makers in examining ways to promote open markets and broad-based economic growth.

4. Employment and Foreign Exchange Generation

Although employment creation has been of continuing concern over the years, it is most appropriately viewed as a by-product of growth rather than as a problem that can be attacked directly. A.I.D. experience with employment generation indicates that employment is not a goal that can be attacked directly within A.I.D.'s institutional and resource constraints⁷. Rather, A.I.D. programs most appropriately address stimulating the growth of demand for labor. Such is the intent of this project. The one lesson cited in an A.I.D. study of employment generation efforts is that "developing countries have had little success with production planning and enterprise management, and there is little reason to believe that donors are any more adept at these tasks ... What is needed instead is policy planning which ... concentrates on creating an economic milieu in which decentralized decisions will tend to be correct ones in light of a country's development potential⁸." A.I.D.'s comparative advantage appears to be at the policy level, and this project will focus on working with business organizations to develop a constituency for open trade policies and a business regulatory environment conducive to enterprise growth. Specific policy areas which have been shown to be linked closely to success of export-related employment generation activities include appropriate exchange rates, combined with low levels of inflation and lack of distortion in capital and labor markets. Even with low distortion in exchange rates, high distortion in labor costs, for example, can lead to capital intensive, rather than labor intensive responses to opening of markets. Specific support areas which require strong governmental commitment and donor attention for success in achieving significant employment generation in A.I.D. export-related activities have been shown to be:

- pricing policies, with prices locally reflecting world commodity prices and scarcities of domestic factors of production; this includes pricing of labor in relation to productivity and not to social concerns -- welfare programs should be completely outside of the wage system so as not to distort labor costs upward creating an increase in the unit labor costs in exports and concomitant reduction in world competitive positions;
- infrastructure in place and committed to market force allocation, including port facilities (airports, trucking terminals, marine ports), storage and transportation

⁷Lessons Learned from A.I.D. Employment Generation Projects, Center for Development Information and Evaluation.

⁸Lessons Learned from A.I.D. Projects in Employment Generation, Center for Development Information and Evaluation, pp. 86-87.

networks, communications (telegraph, telephone, radio and landlines, etc.), and information flows, especially foreign market information;

- active and competent governmental backing, with assistance to the business community in obtaining market information, conducting feasibility studies, and sharing risk; and,
- selection of products for which local production represents a comparative advantage, relies on relatively elastic factor supplies, and enjoys relatively high prices and income elasticity of demand; ideally activities should be pursued which offer potential for increased productivity over time, perhaps with the introduction of modern technology.

Infrastructure, pricing policies, foreign exchange regimes, labor policies and governmental support must be strongly addressed in this project.

Finally, a recent multi-country A.I.D. study⁹ in the LAC region has shown that success in developing exports and investment is most strongly linked with timely, relevant information for both exporters and potential investors and targeted services for exporters and potential investors. This project will directly address these two areas in developing competitive Haitian businesses, expanding exports and promoting targeted investment.

C. Administrative Analysis

In examining potential institutions to implement the project it was decided that a Haitian cooperating organization should be selected. Such an arrangement lends credibility with the government and the business community and also to build capacity in an existing institution already engaged in working with these two important entities involved in the economic growth of Haiti. Since the project had already tried establishing a new institution without major success, it was decided that the project should be placed within an existing institution already approved by A.I.D. for receiving funds.

A Handbook 13 cooperative agreement has been selected as the most appropriate instrument for implementation of the project supplement. The original project design indicated that:

⁹Export and Investment Promotion: A Study of Factors Related to Success, A.I.D. Center for Development Information and Evaluation, 1991.

it was determined that the most efficient form for the [institution] would be that of a privately-managed, public entity. ... This structure further allows the entity to retain official links with the key public sector organizations and the Consultative Mixed Committee for Industrial Development, while eliminating the possibility of patronization in staffing. (Project Paper, page 22)

Over the course of project implementation, it became clear that this model was not successful in achieving project outputs. The revised approach proposed in this project paper supplement of providing assistance through a highly respected and recognized NGO or non-profit will permit achievement of essential policy dialogue objectives with the government while, at the same time, reflecting needs of the business community. At the same time, a secondary purpose for providing assistance through a cooperative agreement is the development within the Haitian NGO of capacity to further development objectives in Haiti through improvement of business competitiveness. Accordingly, it is recommended that an assistance instrument be executed to implement the project. Because there will need to be substantial A.I.D. involvement in project implementation, the preferred assistance instrument is a cooperative agreement.

HDF and HRDC are presently both already stretched to their limits in implementing existing programs. Adding a major new effort to either risks killing the institutions. Accordingly, it is recommended that USAID/Haiti issue an invitation for applications for implementing the project from PROMINEX, MPC, SOFIHDES, and HAVA. Proposals should be brief concept papers, based on the technical and historical aspects presented in this project paper supplement, probably no longer than 15 pages, indicating how the institution would implement the activity. Particular areas which each institution should address in this concept paper include the selection of the advisory committee, interactions with the business community and liaison with the government. In addition, a proposed budget should be presented and documentation of institutional stability over the LOP. The organization will have to meet Handbook 13 requirements for receiving an A.I.D. assistance instrument, i.e., pre-award audit or recent management of an A.I.D. grant; an auditable financial system, and written personnel and travel policies. USAID/Haiti will review responses and determine which institution should be awarded a cooperative agreement for implementing the activity base on criteria set forth in the IFA document (see draft statement of work and selection criteria Annex D).

The cooperating organization will directly implement the information and services components of the project, using contracted technical support as appropriate. The cooperating organization shall also represent Haiti in international business

and trade functions (subject to prior USAID approval). In addition, the cooperating organization shall, in coordination with USAID/Haiti, provide funding for studies, fora, representation and institutional support under the project.

The training and technical assistance components of the project shall be implemented through the cooperating organization to the maximum extent possible. If it is not possible in certain cases for the cooperating organization to execute subgrants, separate grants/cooperative agreements will be awarded by the USAID to organizations such as the International Executive Service Corps (to support core costs in Haiti, including costs of a local hire representative) or through central A.I.D. projects for buy-ins such as Entrepreneurs International (EI).

D. Social Soundness Analysis

The impact of this project on Haiti's poor was demonstrated in the original economic and social soundness analyses. With an unemployment rate estimated in excess of 50%, stimulating economic growth, with a concomitant creation of new employment opportunities, is a major imperative of any foreign assistance. As new economic opportunities are created, Haiti is well positioned to take advantage of trade preferences and open markets, with a resulting significant increase in employment. Most of these jobs will be for low-income citizens with a large proportion of these going to women. As citizens enjoy employment opportunities, they can then secure their shelter, provide necessary nutrition for their families, place their children in schools and provide adequate health care for their families. With improvement in the social status of its citizens, Haiti's new democracy will be strengthened and the participation of its population assured.

The current government has proposed social justice goals which are not inconsistent with broad-based economic growth, although it appears that technical implications of decisions being made may not be fully appreciated. The business community has, through its "white paper" expressed a desire to engage in dialogue with the government to develop approaches which can improve Haiti's competitive advantage and, at the same time, improve the situation of Haiti's population. An example which could be proposed, for example, is the minimum wage. The government has indicated that it is seeking an increase of 67% in the minimum wage. While wage systems should not be the forum for welfare and social programs, the business community has begun to examine the cost structure of doing business in Haiti and has identified factors such as port costs, duties, transportation costs, unscheduled holidays, labor costs and benefit packages, public utilities, foreign exchange surrender costs, taxes and construction costs. The business community has indicated that it is prepared to discuss with government the modification of costs

other than labor as a quid pro quo for maintaining current operating costs, so that the proposed minimum wage package can be implemented without reducing Haiti's competitive advantage. Also, the business community has proposed a phasing-in of the new minimum wage, with various items among these cost factors addressed during each stage of the phase-in. Also, business has expressed concern over the implications of the minimum wage proposal in areas outside of the capital and has suggested that a slower phase-in for these areas might serve as an incentive to move some business outside of the capital city, alleviating the in-migration to the capital. Such approaches would serve as productive programs for developing business growth and improving trade potential while, at the same time, meeting the government's social goals. In addition, engagement of this type could help reduce the psychological barrier which presently exists in both domestic and foreign businesses looking at Haiti as a trading partner and stimulate trade development.

ANNEX A: Logframe

Promotion of Business and Export -- PROBE
521-0186

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions					
<p>Goal: To generate new sources of employment in Haiti.</p>	<p>-New employment; -Unemployment rate decreased.</p>	<p>-GOH/Private Sector Statistics. -U.S. Import data.</p>	<p>-Export and investment incentives for industry and agri-business; -Positive policy reforms instituted; -Political stability; -Democratically elected/administered govt.</p>					
<p>Purpose: To improve, expand, and professionalize trade and investment promotion services to a wide spectrum of businesses and entrepreneurs in manufacturing, agro-industry and tourism.</p>	<p>EOPS -Increased exports to US and other markets; -Private Sector engages in active policy dialogue with GOH in 10 substantive areas; -4 new sub-sectoral programs which stimulate economic growth and create employment; -A system of acquisition and dissemination of relevant market information will be available to the business community.</p>	<p>-Market share of exports to US and non-US sources; -Level of new foreign investment in Haiti; -Widespread use of materials and information by the business community.</p>	<p>-Local private business organizations will be able to effectively implement project objectives; -Attempts to enter into GOH-private sector dialogue are successful; -Long-term commitment by an entity to develop, maintain and disseminate information for use of the business community.</p>					
<p>Outputs: -Business Development: Services provided to assist businesses become more competitive in world markets through information and targeted services; -Sector Strengthening: Activities held in business community which examine macro-economic and regulatory policy as basis for dialogue with the GOH; -consensus building in the business community on key policy issues & development of policy dialogue agenda; -Representation: Haiti is represented in international business sector.</p>	<p>-28 studies of business policy and regulatory status; -21 policy/regulatory fora of business community; -7 organizational activities in sub-sectoral activities; -Haitian representation in 35 international functions related to trade and business development; -35 representational functions will have been hosted in Haiti with international business community; -35 businesses assisted through IESC and training programs to increase competitiveness and increase exports.</p>	<p>-Coop. Org. strategic plans, periodic reports files etc.; -Reports generated under project; -Project coordinator reports; -Personal interviews with relevant staff, advisory committee members, and project beneficiaries; -Representation at international functions.</p>	<p>-Appropriate international and local expertise in policy and regulatory reform is contracted; -Haitian business sector cooperates and coordinates in policy dialogue and identification of key issues to be addressed.</p>					
<p>Inputs Technical Assistance Operations/Grants Policy Formulation Evaluation/Monitoring/Audit</p>	<p>Implementation</p> <table style="margin-left: auto; margin-right: auto;"> <tr><td>4,131,271</td></tr> <tr><td>5,949,715</td></tr> <tr><td>1,877,371</td></tr> <tr><td><u>741,643</u></td></tr> <tr><td>12,700,000</td></tr> </table>	4,131,271	5,949,715	1,877,371	<u>741,643</u>	12,700,000	<p>-USAID Controller reports; -Project Officer reports.</p>	<p>-Authorized funding and obligations remain at expected levels; -Disbursements made on timely basis.</p>
4,131,271								
5,949,715								
1,877,371								
<u>741,643</u>								
12,700,000								

42

ANNEX B: AID/W Approval Cable

STATE 112137

INFO: AMB DCM (5)

APR 08 1991

VZCZCFJG178
RR RUEHPU
DE RUEHC 42137 0951914
ZNR UUUUU ZZH
R 251914Z APR 91
FM SECSTATE WASHDC
TO AMEMBASSY PORT AU PRINCE 4273
BT
UNCLAS STATE 112137

LOC: 704
25 APR 91 1991
CN: 22894
CBRG: AID
DIST: AID

AIDAC

F.O. 12356: N/A

TAGS:

SUBJECT: NPD REVIEW: PROMOTION OF BUSINESS EXPORTS;
POLICY AND ADMINISTRATIVE REFORM

1. BUREAU COMPLETED ITS REVIEW OF SUBJECT ACTIVITIES ON MARCH 11, AT A MEETING CHAIRED BY ACTING DIRECTOR/LAC/DR, JEFFREY EVANS.

2. ASSISTANT ADMINISTRATOR JAMES MICHEL DELEGATES AUTHORITY TO USAID/HAITI TO APPROVE THE PIDS. BUREAU SUGGESTS THAT IN DEVELOPING THE PROMOTION OF BUSINESS EXPORTS PROJECT (521-2186) EMPHASIS BE GIVEN TO MOVING AWAY FROM PROMIVEX TO SUPPORT OF PRIVATE SECTOR ORGANIZATIONS THAT CAN ASSIST IN DEVELOPING AND SUPPORTING OTHER FIRMS IN PROMOTING EXPORTS AND THAT THE PROJECT WORK TOWARD CHANGING THE MIND SET OF THOSE WHO FAVOR DOMESTIC INDUSTRY PROTECTION BY EMPHASIZING THE BENEFITS OF OPEN TRADE AND EXPORT INDUSTRIES. THE PROJECT SHOULD ALSO ENHANCE THE INVESTMENT AND FREE TRADE CLIMATE AND, METHODOLOGIES NEED TO BE DEVELOPED TO MOTIVATE GOVERNMENT AND THE PRIVATE SECTOR IN STIMULATING INVESTMENTS AND FREE TRADE.

3. AS REGARDS THE POLICY AND ADMINISTRATIVE REFORM PROJECT (521-2222), BUREAU REQUESTS THAT MISSION DEVELOP CRITERIA AND A PRIORITIZATION SYSTEM FOR REVIEWING REQUESTS FOR ASSISTANCE TO ENABLE THE PROJECT TO BE FLEXIBLE ENOUGH TO SUPPORT THE EXAMINATION OF SERIOUS POLICY ISSUES YET SUFFICIENTLY DEFINED TO PERMIT THE REJECTION OF PERIPHERAL AND TANGENTIAL REQUESTS FOR TECHNICAL ASSISTANCE. BUREAU WISHES TO AVOID A POTPOURRI OF ACTIVITIES UNRELATED TO OVERALL MISSION DEVELOPMENT STRATEGIES. THE BROAD SCOPE OF REFORM ACTIVITIES LISTED AS ILLUSTRATIVE AREAS WHICH THE PROGRAM MAY ADDRESS SUGGESTS THAT MISSION MAY WISH TO NARROW THE SCOPE AND CONSIDER MORE DISCRETE POLICY REFORM PACKAGES FOR INDIVIDUAL SECTORS, LAND TITLING AS PART OF AN AGRARIAN POLICY REFORM EFFORT. MISSION SHOULD ALSO ENSURE THAT THE ADMINISTRATIVE REFORM AND CIVIL SERVICE EFFICIENCY/CORRUPTION AND ACCOUNTABILITY REFORM AREAS PERMIT THE EXAMINATION OF MEANS TO DECENTRALIZE DECISION MAKING AND IMPROVE PERFORMANCE BEYOND THE CENTRAL GOVERNMENT LEVEL. BAKER

DATE REC'D	
USAID ROUTER	
ACT INFO	
CLM	
DIR	
PPS	
EXO	
CO	
CONT	
HRO	
ADO	
OPE	
RF	
CF	
ACTION TAKEN:	
DATE:	
BY:	

Dec 04/15/91

44

ANNEX C: Detailed Financial Plan

The total life-of-project funding requirements for PROBE is estimated to be US\$12.7 million, the total authorized amount. US\$7.7 million was authorized under the original project in 1986, and an additional US\$5 million was authorized for the PP Supplement in April 1991. US\$4,955,351 has been obligated to date under the current project, leaving an unobligated balance of US\$2,789,298. Once fully authorized, US\$7,744,649 will be available for obligation for new, PP Supplement activities. US\$1,382,000 is scheduled for obligation in FY 1991. At this time, it is expected that upon termination of the current grant with PROMINEX that the majority of the US\$4,955,351 will have been expended. However, if any funds remain, they will be easily reobligated into the new cooperative agreement for subgrants (IESC or local).

Below is a justification and description of each category of funding, and detailed analysis of supplement line items. With the exception of monitoring and evaluation costs, levels of efforts among the three major project components are distributed approximately as follows:

- business development: 2/6 of total effort;
- sectoral support: 3/6 of total effort; and,
- representation: 1/6 of total effort.

Cost estimates were calculated using a 5 percent annual inflation factor for foreign exchange costs and a 15 percent annual inflation factor for local costs.

1. Technical Assistance: US\$4,131,271 (Original Project: US\$2,432,917; Supplement US\$1,698,354)

a. Project Coordinator: (US\$397,610) The USAID will directly contract for a local-hire personal services contractor under the project for management and coordination of the project with A.I.D. An annual budget of US\$75,000, plus allowance for travel, per diem, supplies, materials and other costs incurred by a local hire PSC is calculated for this contract.

b. Program Assistant: (US\$129,304) The USAID will directly contract for a local hire personal services contractor under the project for program assistance in management and coordination of activities under the project with A.I.D. An annual budget of US\$30,000 is calculated for this contract.

c. Short-term TA/Services: (US\$258,608; Gde. 1,997,350) Services and technical assistance will be provided to the Haitian business community in areas mutually agreed upon in annual action plans presented by the grantee to USAID for review. Per year costs are estimated to be US\$30,000 and Gde 200,000 per year.

d. Long-term Advisor: (US\$644,519) The grantee, in close coordination with USAID, will contract for an offshore

115-

long-term advisor to assist in the implementation of the project's activities and to provide expertise in the relevant areas of the cooperative agreement. This long-term advisor will be selected and contracted immediately after the signing of the cooperative agreement and will work over the remaining life of the project (perhaps with a renewable contract after year 2). Total cost, including salary, transportation, housing, education, etc., is estimated at \$150,000/year. The contract scope of work will be subject to USAID approval, as will the final candidate.

2. Operations/Grants/Training: US\$5,949,715 (Original Project: US\$2,023,932; Supplement US\$3,925,783)

a. Cooperative Agreement Administrative Costs: (Gde. 5,243,044) Funds will be provided to the cooperating entity for those additional administrative costs to be incurred by activities under the cooperating agreement, such as salary for the project director and a limited full-time project staff of 4 individuals.

The Project Director's salary was calculated based on a Gde. 250,000 annual salary. The Information Specialist and the Services Director salaries were each calculated at Gde. 200,000 annually. The Project Financial Analyst was based on a salary of Gde. 200,000 per annum, and the cooperating organization's Accountant's half-time salary was based on a full-time salary of Gde. 200,000 per annum. The Administrative Assistant's salary was estimated at Gde. 100,000 per annum. As these positions will all be contract, fringes on salaries were not calculated.

b. Cooperative Agreement Logistical Arrangements: (US\$112,127; Gde. 397,603) Funds will be provided to the cooperating entity for those additional logistical costs to be incurred as a result of the cooperative agreement such as rental of additional space, utilities, equipment/supplies and communications. Office rent was estimated at \$1,500 per month in foreign exchange. Utilities were estimated at Gde. 10,000 per month. Communications (phone, fax, postage, courier fees, etc.) were estimated at \$200 per month in foreign exchange and Gde. 2,500 per month in local currency. Equipment and supplies were estimated as follows:

Hk

Equipment & Supplies						
Year 1 Item	Qty	Price	US\$	Gdes	7.5=\$1	Total US\$
Computer	3	1,200	3,600			3,600
UPS	2	1,000	2,000			2,000
Laser Printer	1	2,000	2,000			2,000
Software	5	250	1,250			1,250
Photocopier	1	1,600	1,600			1,600
Fax	1	1,000	1,000			1,000
Typewriter	1	500	500			500
Modem	1	500	500			500
Telephone	1	500	500			500
Office		3,000	3,000	10,000	1,333	4,333
Miscellaneous		1,000	1,000			1,000
Shipping		1,000	1,000			1,000
Furniture				65,000	8,667	8,667
Year 1 Totals			17,950	75,000	10,000	27,950
Year 2 Totals	Office Supplies		3,000	10,000	1,333	4,333
Year 3 Totals	Office Supplies		2,250	8,000	1,067	3,317
Year 4 Totals	Office Supplies		500	5,000	667	1,167
Project Totals			23,700	98,000	13,067	36,767

Totals for logistical arrangements are derived in the following table.

Logistics		
Item	FX (US\$)	LC (Gdes)
Year 1		
Rent	18,000	
Utilities		30,000
Communication	2,400	30,000
Equipment & Supplies	17,950	75,000
Year 1 Total	38,350	135,000
Year 2 Equip & Supply	3,000	10,000
Year 2 Total	24,420	79,000
Year 3 Equip & Supply	2,250	8,000
Year 3 Total	24,741	87,350
Year 4 Equip & Supply	1,000	5,000
Year 4 Total	24,616	96,253
Project Total	112,127	397,603

c. Information: (US\$431,013; Gde. 1,248,344) Funds under the cooperative agreement will cover purchase of books, publications, contracted purchase of information, database subscriptions and maintenance of a library.

	FX	Gdes.
Books, publications, etc.	\$10,000	25,000
Contracted purchase of information	\$70,000	225,000
Database subscriptions	\$20,000	0
Totals	100,000	250,000

d. Training: (US\$86,203; Gde. 249,669) As a service to Haitian businesses, specialized training will be provided in relevant areas of marketing, export, management, etc. Training is estimated at \$20,000 and Gdes 50,000 per annum.

e. Representational Costs: (US\$431,013; Gde. 749,006) Under the Cooperative Agreement, an average of 8 offshore functions per year and two larger functions per year would total approximately US\$100,000 per year; 10 local events per year would total approximately Gde. 150,000 per year. It was assumed that the project would support an average of 8 offshore functions per year at \$5,000 each and 2 larger functions per year at \$30,000 each, a total of \$100,000 in offshore costs.

f. Travel/Per Diem: (US\$103,443; Gde. 299,603) Funds are to be provided under the Cooperative Agreement for travel and per diem costs based on approximately 6 international trips per year and Gde. 60,000 per year for local travel costs (business

48

meetings, local transportation for business missions coming to Haiti, mileage costs for employees conducting project related activities). International travel was calculated based on an estimated 6 trips per year at \$4,000 each. Local travel was based on an estimated Gde. 5,000 per month to cover costs of all travel related to meeting with businesses, providing local transportation for business missions coming to Haiti, and covering mileage costs of employees on other project-related activities.

g. IESC Grant: (US\$205,000; Gde. 2,236,250) The Cooperative Agreement will fund International Executive Service Corp assistance through a subgrant.

h. Grants to Local Business Associations: (US\$167,438; Gde. 5,806,281) (Sub)grants will be provided to local institutions/associations' programs in support of project objectives. Approximately 7 institutions will be supported an average of 1.5 years each for both foreign exchange and local currency expenses. The Grantee will receive proposals and award (sub)grants to institutions capable of managing funds and who support specific activities/objectives outlined with USAID during quarterly Action Plans.

Grant support for each institution was estimated to last approximately 1.5 years. It was estimated that seven institutions would be supported, with support implemented according to a schedule approximately as follows:

	YEAR 1	YEAR 2	YEAR 3	YR 4
Organization 1	<----->			
Organization 2		<----->		
Organization 3	<----->			
Organization 4		<----->		
Organization 5			<----->	
Organization 6			<----->	
Organization 7				<----->

Each year-equivalent of support for an institution would involve an estimated \$15,000 of offshore costs and Gde. 500,000 of local costs. For costing purposes, it was assumed that there would be an average of three institutions be supported each year, over the four year life of project (i.e., 10.5 organization-years of support), equivalent to the support above of 6-7 organizations for one and one-half years each.

i. Commission to Implementing Organization: (US\$131,791; Gde. 703,357) The implementing agency will be paid 3% of all monies that pass through the project to compensate them for the effort required to manage the fiscal responsibilities associated with the activities.

3. Policy Formulation: US\$1,877,371 (Original Project: US\$118,000; Supplement: US\$1,759,371)

a. Studies: (US\$934,324; Gde. 4,993,375) Studies on policy and regulatory issues will be funded at the rate of approximately 4 per year from offshore sources (US\$50,000 each or US\$200,000/yr) and 4 per year locally procured (at Gde. 250,000 each or Gde. 1,000,000/yr.).

b. Fora: (US\$129,304; Gde. 224,702) Fora will be held on policy and business development issues at the rate of approximately 6 per year for a total cost of \$30,000 per year. Local costs (facility rental, meals, materials) were estimated Gde. 45,000 per year.

4. Monitoring/Audit/Evaluation: US\$741,643 (Original Project: US\$380,502; Supplement: US\$361,141)

a. Evaluation/Monitoring: (US\$127,500) Plans for mid-term and end-of-project evaluation are detailed in the Evaluation Section of the PP Supplement. It is also contemplated that a special software program for tracking baseline data and measuring the implementation and success of the project will be procured at the beginning of the project, along with the technical assistance to apply it to the project's monitoring and evaluation needs.

b. Audit: (US\$157,625) Funds for periodic audits.

c. Non-Federal Audit: (US\$76,016) Funds for RIG/A/T non-federal audit.

Annex D
Draft IFA Statement of Work

Cooperating organization: The Cooperating organization will have the following responsibilities:

- a. Establishment of advisory committee, with approval of USAID, to broadly represent the Haitian business and commercial sectors; convening regular and special meetings of the committee; advising this committee of its mandate to make Haitian production competitive in world markets;
- b. Hiring a Director of Business and Trade Development, who will be the project director in the cooperating organization responsible for overall guidance of project activities and supervision of cooperative agreement funded personnel and activities; Hiring a Coordinator of Information and a Coordinator of Services to implement these two project activities;
- c. Overseeing responsible management of A.I.D. funds for both cooperating organization activities and activities supported under sub-grants and contracts;
- d. Developing a strategy for project activities, in conjunction with the project advisory committee and USAID and seeking approval of the strategy prior to committing A.I.D. funds;
- e. Preparing annual action plans and submitting these to USAID for approval prior to commencement of activities;
- f. Seeking prior USAID written approval for activities not included in the action plan and for all international travel;
- g. Making widely known intention to fund business organization studies, fora support and institutional support, inviting informal concept proposals from a wide range of organizations; discussing these concept papers with the advisory committee and with USAID to determine whether formal proposals should be requested for funding consideration;
- h. Establishing project office facilities, including purchase of necessary equipment, supplies, etc.;
- i. Establishing baseline data on Haitian trade and employment;
- j. Establishing payment procedures for businesses to purchase project-related services;
- k. Establishing selection criteria to determine firms that can be assisted by IESC, training and other technical assistance providers;
- l. Identifying and selecting promising enterprises with potential to expand markets within competitive pricing and organizations which could promote competitive employment generation;

- m. Analyzing technical assistance needs of these enterprises and organizations and assisting them in preparing requests for technical assistance;
- n. Participating with USAID and the firm/organization in selection of appropriate providers of technical assistance;
- o. Directing subcontracting of activities under the project;
- p. Selecting appropriate data systems for providing relevant business information, in consultation with local businesses;
- q. Providing monthly status reports to USAID; and,
- r. Maintaining constant contact with a broad selection of Haitian businesses to determine evolving needs which can be addressed under the project.

3. USAID, in conjunction with the cooperating organization and project beneficiaries, will establish clear output and performance indicators to be measured with a specified time frame. These performance indicators will include such outputs as number and type of information requests filled; number and type of services provided; improvements in production; productivity; cost-effectiveness of firms and organizations assisted; number, types and results of studies supported; number, type and results of fora supported; number and types of representational events sponsored; number and types of institutional support provided and quantifiable outputs resulting from institutional support.

52