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COMMERCIAL POLICY MODEL APPLICATION:

HAITI

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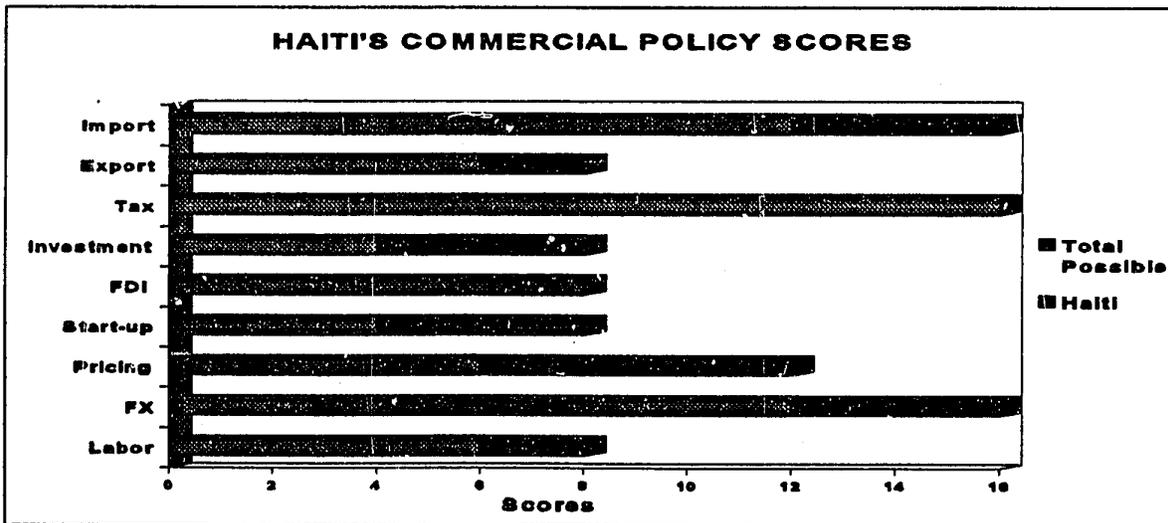
COMMERCIAL POLICY ASSESSMENT OF HAITI

One of the poorest and most densely populated countries in the world, Haiti has had a long history of violence and political unrest and has witnessed more coups and interventions than any other country in the region. U.S. and CARICOM forces restored to power the democratically elected government of Jean-Bertrand Aristide in September, 1994. His government, which was first elected in 1990 on a populist platform, has pledged to pursue sound macroeconomic policies and to make sustainable economic growth one its top priorities.

A succession of repressive dictatorships, democratic elections, military coups and international sanctions has left the Haitian economy in poor condition. Real GDP fell in 1991 and 1992 and GNP per capita remains at just over US\$300 per year. Since Aristide's return, multinational organizations such as the World Bank and the IMF have worked closely with the government to design stabilization and restructuring programs. In conjunction with these programs, the government is in the process of creating a better investment climate. It has revamped its incentives package as well as some of its tax regulations, and is currently working towards improving its trade regime.

A. Commercial Policy Scores

Based on the variables included in the commercial policy model, Haiti offers a fairly "market friendly" policy environment to current and prospective investors. Haiti records a strong policy score of 74 out of a possible 100 points. Policies are changing rapidly as the restored administration is trying to reach out further to the business community than in the past. This places the nation above



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most other developing countries in overall ranking and in the same range as Canada and the Netherlands.

This relatively high total score reflects recent changes in the country's investment regime and a solid commitment to a prudent foreign exchange policy. The relatively high commercial policy scores for Haiti are surprising, given the perception within the international business community that Haiti is a difficult place in which to do business. One explanation for this phenomenon is that perceptions about Haiti's business environment may be influenced more by poverty and years of political and social unrest than by current commercial policies.

A closer look at specific categories highlights Haiti's strengths and weaknesses. Haiti earned high scores in the areas of taxation, foreign exchange, import policy and foreign direct investment. Despite good scores in these important categories, Haiti needs to make substantial changes in its pricing and business start-up policy areas in order to create a more hospitable investment climate.

Import Policies

Haiti has a solid twelve out of a possible sixteen points for its import policies. This score results from a concerted effort at trade reform which began in 1987 when the government significantly lowered duties and import restrictions. Although sources place the average tariff on non-luxury finished goods at close to 20 percent, duty rates on most other goods are at 10 percent or lower. These rates most likely will decrease as the government is currently looking at further reductions. There is some mention of completely eliminating tariffs on most goods, but this is not likely to happen in the near future in view of the nation's tax revenue needs.

Export Policies

Despite Haiti's stated interest in improving export earnings, it still controls the exports of agricultural products. Companies interested in sending these goods outside the country must first obtain permission from the proper authorities. This appears to be the only major policy burden on export oriented enterprises. Companies exporting products abroad are entitled to duty free imports, and those which qualify can get tax incentives. These incentives help to raise Haiti's export policy score to six points.

Tax Policies

Haiti earned a top score in this category. The latest legislation allows corporate tax rates to range from 10 to 35 percent. The highest personal income tax bracket is only 30 percent, and some will pay no income tax at all. Haiti does have a sales tax of 10 percent, but overall, the nation's tax policies remain extremely friendly to investors.

Domestic Investment Incentives

The government provides some very generous investment incentives which take two forms – tax holidays and duty exemptions. Tax holidays can last for 15 years and some types of exemption can continue for almost 20 years. Producers for export are eligible for generous duty exemptions for imports of equipment and raw materials, and producers for the domestic market can also benefit from duty exemptions. Companies which are involved in export are eligible for 100 percent import duty exemptions. Those that produce for the local market only are also eligible for up to 100 percent exemptions on certain categories of imports. Despite these ample incentives, lack of other incentives, such as accelerated depreciation, investment allowances or R&D incentives, earned Haiti four points out of a possible eight.

Foreign Investment Restrictions

Haiti's other top score is in this category. Its restrictions on foreign direct investment are standard and minimal. For example, with regards to protected industries, the only industry that is listed on the protected list is the domestic handicraft industry. Haiti places the normal limitations on expatriate employment and treats domestic and foreign companies equally under the law. Although Haiti is currently not a member of ICSID, it does adhere to international arbitration principles and is in the process of finalizing its ICSID membership.

Business Start-Up

Business start-up remains an area in which Haiti can make significant improvement. Although the government has taken steps to increase the speed and enhance the transparency of the start-up process, companies still complain about the steps necessary to start a business in Haiti. Recently, the government changed its approval process. It hopes to shorten the approval time from several months to a few weeks. Whether its new rules will actually work remains to be seen. Meanwhile, the current system gives Haiti four points out of a possible eight for business start-up.

Pricing/Interest Policy

Haiti has price controls on certain products which may be lifted as the economy recovers. However, current price controls do reduce Haiti's score in this category. The government does not interfere in bank lending rates. However, a requirement that banks keep 85 percent of their liabilities in the form of domestic assets does help to worsen an already tight market for credit. Pricing and credit allocation factors earned Haiti only four points for these policies.

Foreign Exchange Policy

The Central Bank has adopted a liberal foreign exchange regime. The markets determine Haiti's exchange rate, and there are very few restrictions on foreign exchange and profit repatriation.

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However, the government does maintain strict controls on capital repatriation. Nevertheless, Haiti scored well in this category: twelve out of a possible sixteen.

Labor

Like most other countries, the presence of a minimum wage in Haiti kept it from earning a top score for labor policy. However, its other policies are extremely friendly to investors. Hiring and firing of workers is flexible and there are no wage controls. While the new government may change Haiti's labor policy in the future, the country currently scores a respectable six out of eight points.

B. Regional Comparison

Although Haiti's score of 74 is high compared to most other developing countries, this score places it behind several other countries in the region. Jamaica, Costa Rica and El Salvador all scored higher than Haiti. An examination of the individual categories shows that most countries in the region scored similarly for import, export and pricing policies. Like Haiti, the majority scored well in the foreign direct investment and import categories. However, Haiti scored markedly better for its tax rates. Haiti's tax policies are the most business friendly in the region, and only Jamaica and El Salvador, with perfect scores of 16, have higher foreign exchange policies. Haiti also has one of the highest scores for labor policy. No country scored higher in that category.

REGIONAL COMPARISON

	Import	Export	Tax	Investment	FDI	Start-up	Pricing	FX	Labor	Total
Costa Rica	12	8	12	6	8	6	9	12	4	77
El Salvador	12	8	12	4	8	4	6	16	6	76
Jamaica	12	8	12	4	8	6	6	16	4	76
<i>Haiti</i>	12	6	16	4	8	4	6	12	6	74
Mexico	12	6	12	2	4	6	9	12	4	67
Barbados	16	8	4	8	8	8	6	0	4	62
Dom. Rep.	4	6	12	0	8	4	6	8	6	54
Guatemala	12	6	12	6	4	0	6	4	4	54
Average	11.5	7.0	11.5	4.3	7.0	4.8	6.8	10.0	4.8	67.5

C. Initiatives to Promote Economic Growth

The application of the commercial policy model indicates that on balance, Haiti's current commercial policy framework should not act as a constraint on productive business ventures. From both a regional and national standpoint, Haiti's policy environment is "market friendly." This leads to the conclusion that other factors are acting as a drag on new investment. Most likely these are concerns over long-term political stability, widespread poverty, and poor economic infrastructure.

However, the commercial policy model shows that Haiti remains comparatively weak in business start-up and export policy. Therefore, the principal recommended intervention by USAID would be the preparation of a business start-up "roadmap" to identify steps required by new investors and to prepare concrete recommendations for streamlining the process.

The Services Group (TSG), a member of the PEDS Project team, has developed an "Entrepreneurs Roadmap" as an analytical methodology to trace the linear itinerary an entrepreneur must take through local laws, procedures, policies and institutions to establish and operate a business. It examines the following areas in succession.

- ✓ Start-up approval, general permits and licenses required by the business registration authority, investment promotion agency, central bank, immigration services, the fiscal authority and local municipal government;
- ✓ Aspects of site development including land allocation, building permits, utility providers and environmental standards;
- ✓ Specialized approvals required for certain types of businesses to operate usually issued from sectoral ministries which vary widely in procedures and transparency; and
- ✓ Procedures and steps required for the business to operate including finance, labor and import-export processes.

This analysis generates actionable recommendations firmly based in the assessment of laws, regulations, procedures and institutions. For example, in many cases the Roadmap will explain why informal sector activities stay informal and why micro-entrepreneurs do not grow up. Procedures for becoming a "formal" business may actually provide a strong disincentive for staying outside the law. The approach can be adapted to focus on specific issues of interest to Missions, such as a sectoral approach (e.g., export, agribusiness, or health provision), a foreign investor approach, or a gender-based approach. The results of the commercial policy analysis suggests that an Entrepreneurs Roadmap should be prepared for export-oriented enterprises in Haiti. This Roadmap could examine both business start-up and export policy, both considered to be Haiti's weakest commercial policy areas. Following the identification of policies requiring adjustment, technical assistance could be provided to the Haitian government to assist them to implement the necessary policy reforms.

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If implemented, the Entrepreneurs Roadmap analysis should focus considerable attention on key public utility and government-owned infrastructure companies such as ports, customs, telecommunications and electrical power which provide services to domestic and export-oriented businesses. These agencies are reported to be tremendously inefficient and corrupt. The port is inefficient and the second most expensive in the region. Electrical power is a major problem area for all businesses as costs are very high and outages are frequent. Roads are generally in poor condition. The Roadmap could identify companies and services that might be candidates for privatization or commercialization in order to provide higher quality services that are conducive to private sector development.

Building from the results of the Entrepreneurs Roadmap described above, USAID could consider a business development/export promotion initiative designed to encourage new export-oriented ventures and rapidly expand current ventures from the existing capacity base. There are many export manufacturing facilities in Haiti that are now operating well below capacity or are closed down entirely. The plant closings and reductions in capacity stem mainly from the previous trade embargo on Haitian exports. Now that the embargo is lifted, a focused promotion effort will be needed to encourage new investment and recharge exports. The greatest prospects for job creation lie in the export sector, specifically in the tourism, agribusiness, and export assembly sectors. This proposed initiative would also focus on enhancing export procedures, policies, and incentives to support accelerated non-traditional export growth.

Comparisons Among Selected Countries

Haiti Compared to the Top Ten Countries by Overall Policy Score												
Country	IM	EX	TAX	INV	FDI	BUS	P/I	FX	LAB	Total	gGNP/Cap	
Singapore	16	8	12	6	8	8	12	12	8	90	5.3	
Hong Kong	16	8	16	2	6	8	12	12	8	88	5.6	
U.S.A.	16	6	12	4	8	8	12	16	6	88	1.7	
U.K.	16	6	8	4	8	8	12	16	4	82	2.6	
Korea	16	8	12	8	8	8	9	8	4	81	8.7	
New Zealand	16	8	4	2	8	8	12	16	6	80	0.7	
Taiwan	16	8	12	6	4	8	12	8	6	80	6.5	
Japan	12	6	8	6	8	8	12	16	2	78	3.6	
Paraguay	16	6	16	4	8	4	3	16	2	78	-0.8	
Costa Rica	12	8	12	6	8	6	9	12	4	77	0.7	
Average	15	7.2	11	4.8	7.4	7.4	11	13	5	82.2	3.5	
Haiti	12	6	16	4	8	4	6	12	6	74	-2.4	
Haiti Compared to the Bottom Ten Countries by Overall Policy Score												
Country	IM	EX	TAX	INV	FDI	BUS	P/I	FX	LAB	Total	gGNP/Cap	
Cote D'Ivoire	12	6	4	4	8	0	3	8	0	45	-4.6	
Pakistan	0	8	4	6	8	4	3	8	4	45	3.2	
India	0	8	4	4	6	0	6	12	4	44	3.2	
Angola	8	2	8	4	4	0	3	8	4	41	N/A	
Egypt	8	4	4	6	4	0	3	8	4	41	1.9	
Cameroon	12	8	4	4	4	4	3	0	0	39	-1	
China (PRC)	8	4	12	4	4	2	3	0	0	37	7.8	
Brazil	0	6	8	4	2	2	3	8	2	35	0.5	
Bangladesh	0	6	4	4	6	0	3	8	0	31	1.9	
Zaire	4	6	0	4	4	0	3	8	2	31	-2.2	
Average	5.2	5.8	5.2	4.4	5	1.2	3.3	6.8	2	38.9	1.1	
Haiti	12	6	16	4	8	4	6	12	6	74	-2.4	

ANNEX A

**COMMERCIAL POLICY SCORES
FOR SELECTED COUNTRIES**

Commercial Policy Scores for Selected Countries

Country	IM	EX	TAX	INV	FDI	BUS	P/I	FX	LAB	Total	gGDP	gEX	gIND	gINV	gGNP/Cap
Singapore	16	8	12	6	8	8	12	12	8	90	6.6	8.9	5.8	4.3	5.3
Hong Kong	16	8	16	2	8	8	12	12	8	88	6.9	4.4	N/A	4.4	5.6
U.S.A.	16	8	12	4	8	8	12	16	6	88	2.6	4	2.9	3.3	1.7
U.K.	16	8	8	4	8	8	12	16	4	82	2.9	2.6	1.3	5.3	2.6
Korea	16	8	12	8	8	8	9	8	4	81	9.6	12	12.1	13	8.7
New Zealand	16	8	4	2	8	8	12	16	6	80	1.5	3.6	1.3	2.9	0.7
Taiwan	16	8	12	6	4	8	12	8	6	80	8	13	N/A	5.5	6.5
Japan	12	6	8	6	8	8	12	16	2	78	4.2	3.9	4.9	6	3.6
Paraguay	16	6	16	4	8	4	6	16	2	78	2.7	12	0.2	0.3	-0.8
Costa Rica	12	8	12	6	8	6	9	12	4	77	3.1	4.6	2.9	4.4	0.7
Saudi Arabia	16	8	12	4	8	4	9	8	8	77	-0.2	-4.2	-2.9	N/A	-3.4
Australia	12	6	4	4	8	8	12	16	6	76	3.1	4.6	3	2.2	1.6
El Salvador	12	8	12	4	8	4	6	16	6	76	1	-2.7	1.6	2.3	-0.3
Germany	16	8	0	4	8	8	12	16	4	76	2.3	4.1	0.9	2.6	2.2
Ireland	16	8	0	4	8	8	12	16	4	76	3.5	7.1	N/A	0	3.3
Jamaica	12	8	12	4	8	6	6	16	4	76	1.6	0.8	2.6	3.6	0
Norway	16	8	4	0	8	8	12	16	4	76	2.7	7.4	5.2	-0.2	2.3
Canada	8	8	8	4	6	8	12	16	4	74	3.1	5.7	3	4.5	2
Haiti	12	6	16	4	8	4	6	12	6	74	N/A	N/A	N/A	N/A	-2.4
Netherlands	16	8	0	2	8	8	12	16	4	74	2.1	4.4	N/A	2.4	1.6
Malaysia	12	6	8	8	6	4	9	12	8	73	5.7	11	7.7	4.4	2.9
Chile	12	8	4	2	8	8	12	12	6	72	2.2	5.2	3.6	5.1	1.6
Zambia	12	6	8	8	4	4	12	16	2	72	0.8	-3.2	0.9	0.2	N/A
Malawi	8	6	12	8	8	6	6	12	4	70	2.9	5.8	3.5	-0.9	-0.1
Tanzania	8	6	12	8	8	4	6	12	6	70	3.1	-1.2	2.2	5.6	0
Bolivia	16	8	12	0	4	2	9	16	2	69	0.3	4.5	-0.8	-8	-2
Argentina	8	8	8	2	8	6	9	16	2	67	-0.4	2.1	-1.4	-6.9	-1.5
Colombia	4	8	8	2	6	8	9	16	6	67	3.7	12	4.8	-0.2	1.2
Mexico	12	6	12	2	4	6	9	12	4	67	1.2	3.5	1.3	1.8	1.2
Namibia	4	8	4	8	8	6	9	12	8	67	1	N/A	-1.1	-6.2	-1
Thailand	8	6	12	8	6	4	6	12	4	66	2.9	14	9.6	9.8	5.9
Botswana	4	6	8	6	6	8	9	12	6	65	10.1	N/A	10.1	N/A	6.1
Lesotho	4	6	8	8	8	6	9	12	6	65	5.4	N/A	8.5	9	-0.5
Morocco	8	8	0	6	8	8	9	12	6	65	4.2	5.9	3	2.5	1.6
Cyprus	8	6	12	6	6	6	6	12	2	64	5.8	6.6	N/A	N/A	4.7
S. Africa	4	6	4	6	6	8	12	12	6	64	1.1	0.7	-0.1	-4.4	0.1
Uruguay	8	6	8	4	8	4	9	12	4	63	0.6	3.1	0	-5.9	-0.4
Barbados	16	8	4	8	8	8	6	0	4	62	N/A	N/A	N/A	N/A	N/A
Zimbabwe	16	6	4	6	4	4	6	8	6	60	2.8	-0.8	1.9	1.8	-0.9
Indonesia	4	6	12	2	6	4	9	12	4	59	5.6	4.5	5.9	6.9	3.9
Tunisia	4	8	8	4	8	4	9	12	2	59	3.7	5.6	2.9	-1.1	1.1
Philippines	4	6	12	2	4	2	9	12	6	57	1.1	3.3	-0.5	-1.8	-1.2
Swaziland	4	6	4	8	6	4	9	12	4	57	N/A	N/A	N/A	N/A	1.6
Turkey	4	8	0	6	8	6	9	12	4	57	5	7.2	6	2.8	2.9
Ghana	8	8	8	8	6	4	6	8	0	56	3.2	5.2	3.7	9	-0.3
Hungary	12	6	4	4	8	6	6	8	2	56	0.6	2.2	-1.6	-1.6	0.7
Venezuela	0	6	16	4	4	6	6	12	2	56	1.5	0.1	2.1	-3.9	-1.3
PNG	16	6	8	4	4	4	3	8	2	55	2	6.8	2.4	-0.9	-0.6
DR	4	6	12	0	8	4	6	8	6	54	1.7	-1.5	1.6	4.5	-0.2

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Commercial Policy Scores for Selected Countries

Country	IM	EX	TAX	INV	FDI	BUS	P/I	FX	LAB	Total	gGDP	gEX	gIND	gINV	gGNP/Cap
Guatemala	12	6	12	6	4	0	6	4	4	54	1.1	-0.7	-0.2	-0.7	-1.8
Mozambiq.	4	6	4	8	6	0	9	12	4	53	0.4	N/A	-0.4	3.1	-3.6
Senegal	12	8	4	8	8	6	3	0	4	53	3.1	5.6	3.8	3.7	0.1
Uganda	12	4	8	4	8	4	3	8	2	53	2.5	2.3	4.6	11.9	-2.4
Sri Lanka	8	6	4	8	8	4	6	4	4	52	4	6.3	4.7	1.2	2.5
Kenya	0	8	4	6	8	4	9	8	4	51	4.2	2.9	4	0.6	0.3
Cambodia	8	4	8	4	4	6	6	4	4	48	N/A	N/A	N/A	N/A	N/A
Cote D'Ivoire	12	6	4	4	3	0	3	8	0	45	-0.5	4.5	-1.6	-1.7	-4.6
Pakistan	0	8	4	6	8	4	3	8	4	45	6.1	9.9	7.5	5.6	3.2
India	0	8	4	4	8	0	6	12	4	44	5.4	7.4	6.3	5.1	3.2
Angola	8	2	8	4	4	0	3	8	4	41	N/A	N/A	N/A	N/A	N/A
Egypt	8	4	4	6	4	0	3	8	4	41	4.8	2.8	4.2	-0.1	1.9
Cameroon	12	8	4	4	4	4	3	0	0	39	1.4	-1.3	2.2	-5.4	-1
China (PRC)	8	4	12	4	4	2	3	0	0	37	9.4	12	11	12.4	7.8
Brazil	0	6	8	4	2	2	3	8	2	35	2.5	4.3	1.7	-0.1	0.5
Bangladesh	0	6	4	4	6	0	3	8	0	31	4.3	7.2	4.9	-1	1.9
Zaire	4	6	0	4	4	0	3	8	2	31	1.8	-11	2.3	-4.5	-2.2

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ANNEX B
COMMERCIAL POLICY SCORING SYSTEM

COMMERCIAL POLICY RESEARCH METHODOLOGY

SRI has developed a methodology to allow cross-country comparisons of overall commercial policy regimes through summary country policy scores, which describe the degree to which commercial policies are business-friendly as well as competition-based. One can easily assess the comparative position of a country's commercial policies vis a vis its global or regional competitors. SRI designed a rating system which assigns summary policy scores to each nation. These scores describe the degree to which the commercial policy regime of a country is business-friendly and competition based.

Under this system, both quantitative and qualitative information is converted into a set of policy scores. For each policy variable, a numerical value -- variable score (VS) -- is assigned to a specific policy condition. For variables that are not strictly quantifiable, other means of measurements are utilized. For example, duty exemptions for machinery, raw materials, and other production imported inputs are an important factor in attracting investment. The variable "Duty Exemptions" is assigned a VS of "1" if duty exemptions exist, and "0" if otherwise. The scoring system is describe in detail as an appendix to this report.

The scores of the policy variables within the same policy category were then summed and harmonized according to a conversion scale to yield Policy Category Scores (PCSs), which fall into a range of 1-4. This is to ensure that the scoring system will not be biased towards the policy categories in which more data and information are available. The PCSs are then given weights which reflect their relative importance in forming the overall commercial policy environment (see the appendix for the weights assigned to each policy category).

The Total Score (TS) for each country was obtained by summing the weighted scores from all the policy categories. The maximum achievable TS for a country is 100. TSs can be compared across countries as a summary description of the commercial policy environment. In addition, comparisons and benchmarking can be conducted in each policy category by comparing the Policy Category Scores across all countries or groups of countries. Perhaps more importantly, the correlation between the Total Scores, Policy Category Scores, and economic performance across countries can be observed and analyzed.

It should be noted that this scoring system is designed to indicate attractiveness to investors, and not necessarily policy mixes that would be recommended from a purely economic standpoint. For example, for certain policy variables, higher scores are assigned to countries that have adopted special incentives specifically to encourage investment or trade, such as income tax exemptions for exporters, or income tax holidays for investors. In many countries, such special incentives are often provided to investors and exporters to counteract the restrictive commercial policies in other areas. Thus, economies like Hong Kong whose laissez faire policy practices most closely resemble the textbook free market approach only achieved a score of 88.

COMMERCIAL POLICY SCORING SYSTEM

1. IMPORT POLICIES

	POLICY VARIABLE	RANGE	SCORE
A. Mean Tariff:	(TWTMEAN)	$0 \leq \% \leq 15$	4
		$15 < \% \leq 25$	3
		$25 < \% \leq 30$	2
		$30 < \% \leq 40$	1
		$40 < \% \leq 50$	0

	POLICY VARIABLE	RANGE	SCORE
B. Tariff Variance:	(TWTMAX) (TWTMIN)	$0 \leq \% \leq 5$	2
		$5 < \% \leq 10$	1
		$10 < \% \leq 15$	0

	POLICY VARIABLE	RANGE	SCORE
C. Non-tariff Barriers:	(ALLNTBS)	$0 \leq \% \leq 15$	4
		$15 < \% \leq 25$	3
		$25 < \% \leq 35$	2
		$35 < \% \leq 50$	1
		$50 < \% \leq 60$	0

TOTAL SCORE

Total Score	Raw Score	Grade
(9 - 10)	4	A
(7 - 8)	3	B
(5 - 6)	2	C
(3 - 4)	1	D
(0 - 2)	0	E
Weight for this category:		4

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2. Export Policies

	POLICY VARIABLE	RANGE	SCORE
A. Export Taxes:	(XTAXES)	No	1
		Yes	0

	POLICY VARIABLE	RANGE	SCORE
B. Export Restrictions:	(XRESTR)	No	3
		Minimal	2
		Selective	1
		Extensive	0

	POLICY VARIABLE	RANGE	SCORE
C. Export Income Tax Exemption:	(XYTAXX)	Yes	1
		No	0

	POLICY VARIABLE	RANGE	SCORE
D. Duty free imports:	(DUTYFREEM)	Yes	1
		No	0

Total Score	Raw Score	Grade
(5 - 6)	4	A
(3 - 4)	3	B
(2)	2	C
(1)	1	D
(0)	0	E
Weight for this category:		2

3. Tax Policies

	POLICY VARIABLE	RANGE	SCORE
A. Minimum Corporate Income Tax Rates:	(CORPTAXL)	0 ≤ % ≤ 20	3
		20 < % ≤ 30	2
		30 < % ≤ 40	1
		40 < %	0
	POLICY VARIABLE	RANGE	SCORE
B. Top Corporate Income Tax Rates:	(CORPTAXH)	0 ≤ % ≤ 20	3
		20 < % ≤ 35	2
		35 < % ≤ 45	1
		45 < %	0
	POLICY VARIABLE	RANGE	SCORE
C. Minimum Personal Income Tax Rates:	(PYTAXL)	0 ≤ % ≤ 10	3
		10 < % ≤ 20	2
		20 < % ≤ 30	1
		30 < %	0
	POLICY VARIABLE	RANGE	SCORE
D. Top Personal Income Tax Rates:	(PYTAXH)	0 ≤ % ≤ 35	3
		35 < % ≤ 45	2
		45 < % ≤ 50	1
		50 < %	0
	POLICY VARIABLE	RANGE	SCORE
E. Sales Tax + VAT Rates	(SALESTAX + VAT)	0 %	3
		0 < % ≤ 10	2
		10 < % ≤ 15	1
		15 < %	0

Total Score	Raw Score	Grade
(13 - 15)	4	A
(11 - 12)	3	B
(8 - 10)	2	C
(5 - 7)	1	D
(0 - 4)	0	E
Weight for this category:		4

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4. Domestic Investment Incentives

	POLICY VARIABLE	RANGE	SCORE
A. Income Tax Holidays:	(YTAXHOL)	Yes	1
		No	0

	POLICY VARIABLE	RANGE	SCORE
B. Duty Exemptions:	(DUTYEXEMP)	Yes	1
		No	0

	POLICY VARIABLE	RANGE	SCORE
C. Other Incentives: Accelerated Depreciation, Investment Allowance, and R&D Incentives:	(ACCDEP, IALLOW, RDINCENT)	Two or more	2
		One	1
		None	0

Total Score	Raw Score	Grade
4	4	A
3	3	B
2	2	C
1	1	D
0	0	E
Weight for this category:		2

5. Foreign Investment Restrictions

	POLICY VARIABLE	RANGE	SCORE
A. FDI Restriction:	(FDIRESTR + EQUIRESTR)	Standard	2
		Moderate	1
		Restrictive	0

	POLICY VARIABLE	RANGE	SCORE
B. Expatriate Employment	(EXPATRTR)	Standard	2
		Moderate	1
		Restrictive	0

	POLICY VARIABLE	RANGE	SCORE
C. Differential Treatment:	(DIFFTREAT)	No	1
		Yes	0

	POLICY VARIABLE	RANGE	SCORE
D. Dispute Settlement:	(DISPTRMT)	ICSID	2
		ICSIDNR	1
		-	0

Total Score	Raw Score	Grade
(6 - 7)	4	A
(5)	3	B
(3 - 4)	2	C
(1 - 2)	1	D
(0)	0	E
Weight for this category:		2

6. Business Start-up Procedures

	POLICY VARIABLE	RANGE	SCORE
A. Business licensing, registration and approvals:	(LICENSING, APPROVALS)	Efficient	4
		Relative Problems	2
		Onerous	0

Weight for this category: 2

7. Pricing and Interest Policies

	POLICY VARIABLE	RANGE	SCORE
A. Price Control:	(PRICECONT)	None	2
		Selective	1
		Extensive	0

	POLICY VARIABLE	RANGE	SCORE
B. Price System:	(PRICESYST)	Market	2
		Mixed	1
		Administered	0

	POLICY VARIABLE	RANGE	SCORE
C. Interest Control:	(INTCONTR)	No	1
		Yes	0

	POLICY VARIABLE	RANGE	SCORE
D. Credit Allocation:	(CREDITALL)	Market	2
		Mixed	1
		Administered	0

Total Score	Raw Score	Grade
(7)	4	A
(5 - 6)	3	B
(3 - 4)	2	C
(1 - 2)	1	D
(0)	0	E

Weight for this category: 3

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8. Foreign Exchange Policies

	POLICY VARIABLE	RANGE	SCORE
A. Exchange rate System: (FXSYST)		Free Float	3
		EMS	2
		Pegged to Basket of Indicators	2
		Pegged to Basket of Currencies	2
		Managed Float	1
		Pegged to US\$, FF, or SDR	0

	POLICY VARIABLE	RANGE	SCORE
B. Foreign Exchange level: (FXLEVEL)		Market	1
		Overvalued	0

	POLICY VARIABLE	RANGE	SCORE
C. Foreign Exchange Restriction: (FXRESTR)		None	3
		Minimal	2
		Moderate	1
		Restrictive/Prohibitive	0

	POLICY VARIABLE	RANGE	SCORE
D. Profit Repatriation Restriction: (PROFRESTR)		None and Minimal	2
		Moderate	1
		Restrictive/Prohibitive	0

	POLICY VARIABLE	RANGE	SCORE
E. Capital Repatriation Restriction: (CAPRESTR)		None and Minimal	2
		Moderate	1
		Restrictive/Prohibitive	0

Total Score	Raw Score	Grade
(10 - 11)	4	A
(8 - 9)	3	B
(6 - 7)	2	C
(4 - 5)	1	D
(0 - 3)	0	E
Weight for this category: 4		

9. Labor Policies

	POLICY VARIABLE	RANGE	SCORE
A. Hiring/Firing Flexibility:	(HIFIFLEX)	Flexible	2
		Moderate	1
		Inflexible	0

	POLICY VARIABLE	RANGE	SCORE
B. Minimum Wage:	(MINWAGE)	No	1
		Yes	0

	POLICY VARIABLE	RANGE	SCORE
C. Wage Controls:	(WAGECONTR)	No	1
		Yes	0

Total Score	Raw Score	Grade
4	4	A
3	3	B
2	2	C
1	1	D
0	0	E
Weight for this category: 2		

10. Suggested Weighting for Policy Categories

	Score Range	Weight	Maximum Weighted Score
Import Policies	0 - 4	4	16
Export Policies	0 - 4	2	8
Tax Policies	0 - 4	4	16
Investment Incentives	0 - 4	2	8
FDI Restrictions	0 - 4	2	8
Business Start-Up Procedures	0 - 4	2	8
Pricing/Interest Policies	0 - 4	3	12
Foreign Exchange Policies	0 - 4	4	16
Labor	0 - 4	2	8
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