

Institutional Capacity Building to Promote Private Investment in Haiti

TC Document

I. Basic Information for TC

- Country/Region: Haiti
- TC Name / Number: Institutional Capacity Building to Promote Private Investment in Haiti. HA-T1153
- Team Leader/Members: Ady Beitler, team leader; Camilo Fernández de Soto; Yasmin Esteves; Ana Arias Urones; Elisabeth Resch and Joonseob Kwon from (INT/TIU); and Hyun Jung Lee (LEG/SGO).
- Indicate if: Operational Support to the operation Private Sector Development through Investment Promotion (HA-L1078)
- Reference to Request: IDBdocs # [36531966](#). Authorization to Execute: IDBdocs # [36678620](#)
- Date of TC Abstract: October 28, 2011
- Donors providing Funding: Institutional Capacity Strengthening Thematic Fund (ICS)
- Beneficiary: Haiti
- Executing agency and contact name: IDB, Integration and Trade Sector, Trade and Investment Unit
- IDB Funding Requested: USD 750,000
- Local counterpart funding, if any: 0
- Disbursement period (which includes execution period): 18 months
- Required start date: March 15, 2012
- Types of consultants: Firm and individual consultants
- Prepared by Unit: Trade and Investment Unit (INT/TIU)
- Unit of Disbursement Responsibility: Trade and Investment Unit (INT/TIU)
- TC Included in Country Strategy: Yes
- GCI-9 Sector Priority: Competitive regional and global integration

II. Description of the Associated Grant

As described in section IV below, this operation contemplates stand alone capacity building products for the Ministry of Commerce and Industry (MCI) and the Center for the Facilitation of Investment (CFI) of Haiti; nonetheless, some components of this operation contribute to the preparation of operation HA-L1078 (Private Sector Development through Investment Promotion), which is in the pipeline for this year. The purpose of the Grant (HA-L1078) would be to promote the development of the Haitian private sector, by strengthening the CFI's institutional capacity and promoting Haiti as an investment destination. Accordingly, the Grant contemplates the following three components:

- i. **A Model Center for Investment Promotion:** This includes positioning the CFI as a model center of investment promotion by means of capacity building at the CFI itself as well as capacity building in strategic sectors. Sponsored activities will include training with local and international experts and the creation of a public-private working group composed of CFI directors, heads of relevant ministries, and other private and public sector stakeholders like trade associations, international donors and NGOs, to generate policy recommendations and advocacy campaigns on issues affecting trade, investment and business climate.
- ii. **“Invest in Haiti” Initiative:** In order to promote Haiti as an investment destination, the second component of the operation will support direct and reverse commercial missions and promotion campaigns, including investment forums, investment guides, and a country branding campaign.
- iii. **Regulatory Framework:** The third component consists of the design and implementation of a modern regulatory framework to improve the country's business climate. IDB will support the participation of a team of experts on the issues that will assess the existing regulatory framework,

identify gaps and make recommendations for reforms that will lead to a more business-friendly framework. In addition, the program will support consultation workshops with the public and private sectors, as well as the implementation of the most vital reforms on a priority scale to be set jointly with the Government of Haiti.

This TC will be used, in part and among others things, to finance preparatory activities for the Grant, such as consultancies (e.g. a cost-benefit-analysis of the Grant) and pilot projects for each component of the Grant (Please see Section V. Budget for details).

Regarding the stage of preparation and current status of the Grant, the operation is on pipeline and is expected to be approved on November 2012. The Trade and Investment Unit (INT/TIU) of the Integration and Trade Sector (INT/INT) has already successfully completed an identification mission to Haiti in February 2012 in connection with this Grant. Moreover, representatives of the CFI – its new Director Mr. Karl Jean-Louis, and the advisor Philippe Cantave – participated in a workshop at IDB headquarters in January 2012 which purpose was to discuss the Grant as well as the preparatory activities that would require financing under this TC. As a result of these efforts, INT/TIU has come up with a roadmap on the key areas and components of intervention to be carried out as well as a schedule and working plan to prepare the inputs to support the operation.

For the preparation of this operation, consultations were held with other divisions of the IDB, such as the Haiti Response Group, including the Manager Agustin Aguerre, the Haiti country office, including the representative Eduardo Almeida, and with ICS, particularly Silvana Rubino-Hallman in all matters related to the Haiti Integrated Government Platform.

III. Objectives and Justification of the TC

The objective of this technical cooperation is to strengthen the institutional capacity of the MCI and its dependent office, the CFI, to design and implement an economic and investment promotion strategy for the Country.

First of all, the TC poses a model initiative of institutional capacity building in all its components and corresponds to the Institutional Capacity Strengthening Thematic Fund (ICS) in terms of objectives, eligible activities, and expected outcomes. One of the objectives of the Fund is “providing assistance to implement capacity building programs”. This operation fulfills this objective through its components which target this form of assistance. The Bank will provide critical assistance to both the MCI and the CFI by reviewing their organizational strategy, procedures, processes, and organizational structure ultimately resulting in improved government service delivery. The project benefits the MCI in general and the CFI in particular by enhancing both organizations’ ability to design policies and programs for investment promotion. Furthermore, eligible activities under the ICS Fund include explicitly “Knowledge generation and regional and international benchmarking to inform public policies, programs and projects” as exemplified by the strategic plan and operational plan that this TC includes under Component 1. Components 2 and 3 of this TC specifically include measures that qualify as eligible activities to be funded with Institutional Capacity Strengthening Thematic Fund resources, in particular “knowledge dissemination through workshops, seminars, web tools, professional exchanges (...), and other learning activities or devices”; and “investment in the development of human resources”. The training and knowledge dissemination described under Component 4 includes sector-specific training to staff and represents ‘innovator’ training; it provides “internal champions with the necessary tools and knowledge to implement reform initiatives”. The project also corresponds to the Fund’s goals – one of them being to “support institutional capacity building in member countries and to develop innovative practices”. Innovative in its conceptualization, the Haiti Integrated Government Platform (HIGP) – which this TC intends to implement at the MCI level – represents a novelty in the application of e-governance

technologies. At the MCI and CFI, the HIGP will enhance intra- and inter-organizational communication flows thereby strengthening the Government of Haiti in general. Throughout its components, the operation has a common theme: the development of new areas of capacity in the institutions most relevant to Haiti's future economic growth.

Second, this TC is aligned with the Bank's GCI-9 sector priorities. The objectives and activities of the TC correspond to the Bank's Strategy for Regional Integration (GN-2469-2, GN-2470-2), as it will promote trade, investment, and regional integration through capacity building activities and the exchange of best practices.

Third, this TC is aligned with and will contribute to the success of the current Haiti Country Strategy (CS) for 2011-2015 period (GN-2646). The operation will support successful implementation of the Bank portfolio in 3 out of the 6 strategic sectors identified in the CS for Haiti. The CS calls for a "promotion of private sector investment in order to create jobs, achieve sustainable growth and reduce poverty" (CS Results Matrix, Page 4). The expected overall result of TCs directed to this end is the "creation of a business environment conducive to investment and entrepreneurship" as measured by foreign direct investment (FDI) flows to Haiti. The CS further emphasizes that under the investment program promoted by the Government of Haiti and supported by the Bank, the capacity of national institutions – such as the CFI and MCI – "not only to disburse resources, but to absorb the learnings and strengthen and stabilize a solid capacity to deliver goods and services to the population, is key."

IV. Description of Components

This TC will have four components:

Component 1. Strategic Plan and Operations Plan. This component seeks to turn the MCI's and CFI's priorities into a strategic plan for each agency for the 2012-2013 period, with specific policy recommendations and operational actions for investment promotion in those critical sectors where Haiti has proven competitive advantages. These recommendations will be made in coordination with the development poles and priorities set forth by the Government of Haiti, and will build on the existing studies and diagnostics on the matter.

For each strategic sector selected for the MCI and CFI, the Plan will identify investment opportunities, concrete and practical recommendations to promote sustainable investment and employment, general assessment of infrastructure, human capital and technical assistance needs, and recommendations on coordination with other donors. This component represents a stand-alone capacity building project, requested by the borrowing country and intended to respond to a client need, it will be financed by the TC.

Component 2. Institutional and Technical Capacity in Trade and Investment at the MCI. This component will assign resources to the strengthening of the MCI's capacity to operate, by consolidating expertise around each of the selected strategic sectors. Strengthening activities will include: definition of profiles and terms of reference for pivotal jobs; review of the current normative framework within which the MCI operates and identification of potential needs for executive or legislative review; assistance to the Minister and his cabinet on themes critical to the implementation of the strategic plan and operational plan. The review of legislative procedures and rules and the normative framework within which the MCI operates will be a pilot project, a preliminary step to the operation HA-L1078. This step will be critical to preparing the design and implementation of a modern regulatory framework to improve the country's business climate, as financed by the Grant discussed in Chapter II.

Component 3. Institutional and Technical Capacity in Trade and Investment at the CFI. Activities in this component will be targeted to strengthen the institutional capacity of the CFI, to include: definition of a

roadmap, based on the MCI and CFI's strategy for economic growth; definition of core processes to facilitate investments; promote investment in Haiti and target specific foreign investments; review of existing procedures and regulations; development of the business registration reform using the Haiti Integrated Government Platform (HIGP) infrastructure and applications capabilities; assistance to the CFI Director General and his core staff to implement the CFI Strategic Plan; complete the production of an investment guide to Haiti for foreign and local investors; the design and implementation of a Customer Relationship Management (CRM) solution; and strengthening of the CFI overall communications capabilities. Most of these activities, in particular the design and implementation of the CRM, represent stand-alone products of capacity building that respond to an immediate need at the CFI. However, the definition of the roadmap and the CFI's core processes and the review of its procedures represent operational support. The findings of these consultancies will be critical for the first component of the Grant - positioning the CFI as a model center of investment promotion -, and therefore critical for the preparation of loan.

Component 4. Training, Dissemination and Dialogue. Activities in this component will follow the strategic plan recommendations on sector-focused training, the articulation of a strategic dialogue between the CFI and the private sector, and the dissemination of the activities to be undertaken by the MCI and CFI under this TC. All activities will be complementary to training initiatives funded by other donors in order to avoid duplication and overlapping. Additionally, resources from this component will support the organization of events with international investors and local private sector leaders, to foster implementation of the policy recommendations delivered by Component 1. This will include the Bank's support in the organization of event gathering donors, NGOs, and small and medium-sized enterprises to promote access to finance and access to market opportunities. Some of these trainings and events will represent consultancies and pilot projects which – given successful completion – will be rolled out at a wider level at the CFI in the years 2013-2016. One pilot project will be the SME Access to Finance. It is planned to roll-out similar events in 2013-2015 with the funds of the Grant. The lessons learned of this event will be valuable to the preparation of the Grant. Thus, this activity represents operational support.

Indicative Results Matrix

Deliverables	Baseline 2012	Intermediate Targets	Final Target	Expected Completion	
Component I: Strategic and Operations Plan					
New strategic plans for both the MCI and CFI in investment promotion in Haiti	Untapped knowledge on investment potential of strategic sectors with comparative advantages	Strategic plans prepared	Enhanced knowledge among policymakers and private sector stakeholders on strategic plan to boost foreign investment in the country	August 2012	Deliverables
# of strategic sectors identified and approved by high-level policymakers and private sector stakeholders to promote foreign investment in Haiti	2		5	December 2012	Indicators
# of concrete investment opportunities detected and developed with interested investors	5		15	August 2013	
Component II: Institutional and Technical Capacity in Trade and Investment at the MCI					
Training sessions conducted on: institutional capacity assessment; definition of profiles and terms of reference for pivotal jobs; recruitment and training of specialized staff; review of the current normative framework within which the MCI operates and identify potential needs for executive or legislative review; assistance to the Minister and his cabinet on themes critical to the implementation of the strategic plan and operational plan.	Lack of expertise and resources the topics covered by the training sessions.	2 training sessions held	5 training sessions completed	August 2013	Deliverables

# of public officials at the MCI who have improved his/her knowledge in the above topics	0	6	12	August 2013	Indicators
% of public officials at the MCI who believe the training sessions have improved their capacity to implement in practice the MCI's strategic plan	0	0	75	August 2013	
Component III: Institutional and Technical Capacity in Trade and Investment at the CFI					
Training Sessions to: promote investment in Haiti and target specific foreign investments based on the CFI's strategic roadmap; technical assistance with recruitment and training of specialized staff to perform these processes; review of existing procedures and regulations	Lack of expertise and resources the topics covered by the training sessions.	2 training sessions held	5 training sessions completed	August 2013	Deliverables
# of public officials at the CFI who have improved his/her knowledge in the above topics	0	4	8	August 2013	Indicators
% of public officials at the CFI who believe the training sessions have improved their capacity to implement in practice the CFI's strategic plan	0	0	75	August 2013	
Development of the business registration system using the Haiti Integrated Government Platform (HIGP) infrastructure and applications capabilities	Lack of appropriate technology to register business entities online	0	1	December 2012	Deliverables
# of days required to start a business entity in Haiti	180	75	10 ¹	December 2012	Indicators
the design and implementation of a Customer Relationship Management (CRM) solution	Lack of appropriate technology to conduct investor aftercare services	0	1	December 2012	Deliverables
# of processes defined and standardized to assist potential and actual investors	0	5	10	August 2013	Indicators
Component IV: Training, Dissemination and Dialogue					
Outreach events with public and private sector stakeholders from Haiti and abroad	Lack of coordination between private and public sector stakeholders to promote a uniform investment promotion strategy	2 events held	5 events held	August 2013	
% of participants in workshops who have gained a better understanding of the national investment promotion strategy, strategic sectors and comparative advantages	0		75%	August 2013	

V. Budget

As far as procurement is concerned, the operation will finance mainly consulting and business development services. The contracting of the project consultants will be carried out by the Bank in accordance with document GN-2350-9 (Policies for the Selection and Procurement of Consulting Services Financed by the IDB). The purchase of goods and related services will be carried out by the

¹ This target assumes the approval of a specific law eliminating barriers to the registration of business entities in Haiti like the mandatory minimum capital, which was already prepared by the Integration and Trade Sector and submitted to the Government of Haiti through the President's Office.

Bank in accordance with document GN-2349-9 (Policies for the Procurement of Goods and Works Financed by the IDB). There will be no works and related services financed with this TC.

Indicative Budget

Activity/ Component	Description	IDB Funding	Total Funding
Component 1	Strategic Plan and Operational Plan	\$ 130,000	\$ 130,000
Component 2	Institutional and Technical Capacity in Trade and Investment at the MCI	\$ 125,000	\$ 125,000
Component 3	Institutional and Technical Capacity in Trade and Investment at the CFI	\$ 245,000	\$ 245,000
Component 4	Training, Dissemination and Dialogue	\$ 200,000	\$ 200,000
Supervision & Monitoring		\$ 50,000	\$ 50,000
TOTAL		\$ 750,000	\$ 750,000

Regarding the supervision of the TC, the designated focal point and the sector specialist responsible for execution will be Ady Beitler (Team Leader, INT/TIU). The cost of supervision of consultants and their deliverables and monitoring of performance indicators as set out in the results matrix are included in the operation's budget.

The program monitoring will be done through the reports presented at the end of the execution of the activities under each component, and surveys to be conducted before and after the organization of each workshop and outreach event. The project also includes a final evaluation that will measure its development impact and outcomes.

VI. Executing agency and execution structure

In accordance with the Bank's Technical Cooperation Policy (Document GN-2470-2), at the request of the Government of Haiti and considering the reasons explained below, the executing agency will be the Bank's Trade and Investment Unit (INT/TIU) of the Integration and Trade Sector (INT/INT). The Bank will be working directly with the MCI and the CFI, as reflected in the request attached to this TC proposal. (see the Letter of Request and confirmation email from Minister Laleau: IDBdocs # [36531966](#) and [IDBDOCS-#36678620-Authorization to Execute](#)).

The main reason for the Minister's request that the Bank executes the TC is the need to move quickly with the implementation of the activities. Because this TC is supporting the Investment Grant (HA-L1078), scheduled to be disbursed in 2013, it is crucial that a number of milestones are achieved on time. The CFI is an organization undergoing reform and in need to consolidate its institutional structures and develop the crucial capabilities to execute an operation of this kind. Therefore, Component 2 of this TC is precisely the institutional strengthening of the agency, in which it will acquire the necessary expertise and capabilities to execute the Investment Grant.

The Bank has a wealth of experience assisting similar organizations throughout the region in the articulation of a strategic vision as well as in the strengthening of its capacity to implementing it. Especially INT/TIU's track record in areas pertinent to the TC activities include similar loan operations in countries such as Argentina, Brazil, Chile, Colombia, El Salvador, Nicaragua, Peru, Paraguay, and Uruguay, accumulating extensive experience in the promotion of trade and investment as well as in the effective management of TCs.

VII. Project risks and issues

One specific risk would be the failure of the Haitian Parliament to pass a specific law on eliminating barriers to the registration of businesses in Haiti. This risk is moderate because both the Government of Haiti and the international community have fully supported this reform as crucial to the country's

business climate. However, due to recent, major changes in high levels of governance, a delay in the legislative workings is to be expected. Failure to pass the legislative bill, however, would not be fatal to this project. It would simply reduce in part the impact of the proposed simplification of the business registration process. But the electronic platform that this project proposes to implement would achieve significant reductions in time and red tape, independently from the passage of the bill, thanks to the synergy with the Haiti Integrated Government Platform.

On a wider scale, operations in Haiti are subject to macroeconomic, political, natural disaster, donor coordination and organization risks specified in the Country Strategy. The major risk facing this operation in particular relates to problems of governance and limited local institutional capacity.

The success of the project will depend on an adequate level of participation of stakeholders and authorities, their capacity to execute these tasks and their involvement in all stages of the project cycle.

The operation will mitigate these risks by engaging government officials involved in the implementation of the TC early on and rigorously conducting an effective time schedule management. Furthermore, the TC explicitly includes training to key government officials. To mitigate execution risks, INT/TIU will continue to strengthen both organizations' execution units with training and technical assistance, intensify operational support, and finance components that address institutional challenges. As shown in Component 4, several elements of the TC are intended to strengthen the institutional capacity of different actors through workshops, missions, etc. Risks will further be mitigated through extensive dissemination and promotion during all stages of project implementation and by bringing best practices to Haiti in an event or seminar that will bring recommendations in the implementation process. INT's experience in Haiti has proven that early engagement and frequent interaction with government officials and the private sector, is valuable in mitigating various risks ranging from governance issues to the risk of failure to pass required laws.

Finally, the execution of this TC does not require any special arrangement such as the passing of a new law, decree or particular regulation. Furthermore, no integrity or intellectual property issues are involved in the execution of the TC. Note that there is also no need for any special phasing of components or activities.

VIII. Exceptions to Bank policy

This TC does not involve or require any exception to the Bank's policies.

IX. Environmental and Social Strategy

According to the ESG classification, this operation entails no environmental and social risks whatsoever, as it is only dealing with the organization of dissemination and capacity-building activities. Based on the Safeguard Policy Filter Report and Safeguard Screening Form the TC was classified as category "C". (See IDBdocs # [36708417](#)). No environmental assessment studies are required for Category "C" operations.

X. Required Annexes:

- Letter of Request from Minister Laleau (IDBdocs # [36531966](#))
- Terms of Reference: IDBdocs # [36721990](#)
- Procurement Plan: IDBdocs # [36721950](#)