HAITI ECONOMIC RECOVERY & ROADMAP (ERRM)

Executive Summary

PREPARED BY:
Presidential Commission on Competitiveness —
Groupe de Travail Sur La Compétitivité (GC)

WITH THE FACILITATION OF:
OTF Group

August 2010
Haiti Economic Recovery & Roadmap (ERRM)

Final Draft

Executive Summary

Presidential Commission on Competitiveness
Groupe de Travail sur la Compétitivité (GC)

WITH THE FACILITATION OF: OTF Group

AUGUST 2010

“This report is made possible by the support of the American People through the United States Agency for International Development (USAID.) The contents of this report are the sole responsibility of the GC and do not necessarily reflect the views of USAID or the United States Government.”
Executive Summary

The January 12th earthquake is a catastrophe that Haiti and the Haitian people will never forget. In less than a minute, nearly 300,000 of our co-citizens died, 1.3 million were rendered homeless and the country sustained total damages of somewhere between two and three times GDP. The private sector alone, sustained US $2.1 billion in damages. Yet, out of this unimaginable tragedy, the GC sees an opportunity to build back both Haiti’s physical infrastructure and social fabric with focus on competitiveness that will create prosperity for all, not just the elite.

Over the course of 2009, the GC developed a “Shared Vision for a Competitive and Prosperous Haiti” (SV), a proposal for upgrading the competitiveness of the Haitian economy. This vision was anchored around five priority clusters, five cross-cutting clusters and the following three objectives:

- Achieve financial independence: we must break the “Survival Cycle” in which we are trapped by investing in our economy and not perpetuating a handout culture.
- Promote economic inclusion: with the top 10% of society receiving nearly 50% of the country’s income, Haiti is not only poor, it is highly unequal. We must render Haiti more equitable by driving economic growth throughout the country and the creation of SMEs.
- Rebuild trust in our society: Haiti’s predatory economic model has created deep mistrust among all sectors of society. We must rebuild trust and foster partnership to rebuild.

Sustainable growth requires a strong and dynamic private sector. Pre-earthquake, Haiti’s private sector could be described as an “iceberg” of a small number of large formal firms mostly concentrated in the Port-au-Prince area that provided the majority of government’s tax revenues. Under the surface were the tens of thousands informal SMEs and microenterprises that created the majority of jobs in Haiti. In between these two segments was a “missing middle” of formal SMEs that are the backbone of dynamic and competitive economies. The creation of this new cadre of formal SMEs and entrepreneurs must be the foundation of Haiti’s economic recovery or it is certain to falter.

The Economic Recovery Roadmap (ERRM) seeks to build on the consensus created around the SVP and the leadership shown by the GC to forge a concrete medium-term economic recovery plan for Haiti. The ERRM proposes sectoral roadmaps for the five priority clusters that will be refined and validated by key government, private sector and civil society stakeholders.
Both the total investment and payoffs for the ERRM are significant. Based on our estimates, the five year investment costs will be US $1.5 billion plus an additional $4.5 billion for housing construction costs. We expect that this investment will generate an incremental US $3.59 billion in revenues, yield nearly one million jobs and funnel over US $1 billion in extra income to the bottom 90% of Haitian society by 2015. The overarching strategies, investment figures and job creation numbers are summarized below. Livestock activities in the mountains, including grazing animals and milk production, which are part of the rich diversity of peasant farms, if properly conducted in agro-ecological system, can be a valuable alternative in certain activities that can degrade the environment such as certain row crops.

In addition to the priority clusters, the cross-cutting sectors will provide the platform for Haiti’s economic renaissance. Heavy investments ($1.48 billion) in infrastructure, innovative financing mechanisms, new technology solutions, investment into human capital, and reforming our business environment will pave the way for change. We believe that a key policy intervention here will be to reconsider Haiti’s monetary policy in order to stimulate Haiti’s economic growth and reflect inflation rate differential between Haiti and the US. This is a key policy tool to find a new equilibrium between export competitiveness and inexpensive imports.

Illustration 1  Priority cluster job creation, costs & revenues

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Job creation potential</th>
<th>Estimated 5 year cost, USD</th>
<th>Estimated Current Revenue</th>
<th>Potential Annual Revenue, Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruits and Tubers</td>
<td>300,000</td>
<td>196 M</td>
<td>322 M</td>
<td>841 M</td>
</tr>
<tr>
<td>Animal Husbandry</td>
<td>400,000</td>
<td>206 M</td>
<td>250 M</td>
<td>697 M</td>
</tr>
<tr>
<td>Tourism</td>
<td>29,000</td>
<td>719 M</td>
<td>40 M</td>
<td>443 M</td>
</tr>
<tr>
<td>Housing &amp; Urban Development</td>
<td>75,000</td>
<td>45 M</td>
<td>40 M</td>
<td>1.08 B</td>
</tr>
<tr>
<td>Garments / Assembly</td>
<td>120,000</td>
<td>360 M</td>
<td>570 M</td>
<td>1.73 B</td>
</tr>
<tr>
<td></td>
<td><strong>924,000</strong></td>
<td><strong>$1.51 B</strong></td>
<td><strong>$1.2 B</strong></td>
<td><strong>$4.79 B</strong></td>
</tr>
</tbody>
</table>

Our next challenge lies in implementing the ERRM and creating the one million jobs envisioned by the plan. In the context of historic destruction and rapidly growing pessimism, this goal is ambitious, but achievable with the appropriate leadership and resources.

The Programme Stratégique pour l’Économie et la Richesse (PROSPER), represents a set of inter-related activities that will allow the GC to generate this short-term impact while laying the foundations for long-term competitiveness. More than just another donor initiative in Haiti, PROSPER aspires to become a high impact movement to mobilize all segments of Haitian society and our international partners to show that growth and prosperity are possible in Haiti.

To ensure that we accomplish these ambitious objectives, PROSPER will be underpinned by five guiding principles:
1. **Create jobs:** The GC believes that job creation must be first priority of PROSPER. All activities will be directly or indirectly focused on creating the 1 million jobs in the ERRM.

2. **Positive energy & momentum:** Morale in Haiti continues to suffer due to lack of action and momentum. PROSPER will be a source of optimism and entrepreneurial energy in Haiti.

3. **Sustainable and Locally Owned:** All activities will be tailored to Haiti’s culture and operating environment and designed to promote Haitian ownership over reconstruction.

4. **Network for a new Haiti:** PROSPER will act as a nerve center or switchboard linking the GC’s efforts to networks of investment, trade and productivity both in and outside Haiti.

5. **Choices informed by analysis:** All recommendations will driven by rigorous analytics prepared by the GC and its technical partners.

We will never forget the earthquake nor can we change the destruction it wrought on our country in just a few short seconds. However, the reconstruction process that lies ahead gives us the opportunity to build a new Haiti that creates prosperity for all of our citizens.
Haiti Economic Recovery & Roadmap (ERRM)

*Final Draft*

Presidential Commission on Competitiveness
Groupe de Travail sur la Compétitivité (GC)

WITH THE FACILITATION OF: OTF Group

AU GUST 2010

Photo credits:

First Column
Marc Steed. "Garments"

Second Column
British Red Cross "Deploying emergency mass sanitation in La Piste, Haiti" February 8, 2010. flickr.com <http://www.flickr.com/photos/britishredcross/4339752619/in/photostream/>
British Red Cross "Deploying emergency mass sanitation in La Piste, Haiti" February 8, 2010. flickr.com <http://www.flickr.com/photos/britishredcross/4339752719/in/photostream/>
Michel Chancy. "Agriculture"

Third Column
British Red Cross "Deploying emergency mass sanitation in La Piste, Haiti" February 8, 2010. flickr.com <http://www.flickr.com/photos/britishredcross/4339752719/in/photostream/>
Michel Chancy. "Mango Workers"

Design and Layout: Haelim Paek, Shoko Tagaya

[Image: USAID and Government of Haiti logos]