HAITI ECONOMIC RECOVERY & ROADMAP (ERRM)

Final Report

PREPARED BY:

Presidental Commission on Competitiveness —
Groupe de Travail Sur La Compétitivité (GC)

WITH THE FACILITATION OF:

OTF Group

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Final Draft

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

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AUGUST 2010

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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 ERM proposes sectoral roadmaps for the five priority clusters that will be refined and validated by key government, private sector and civil society stakeholders
over the coming weeks. The productivity of the five priority clusters will be reinforced by five cross-cutting clusters.

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 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruits and Tubers</td>
<td>300,000</td>
<td>198 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>710 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 &amp; Assembly</td>
<td>120,000</td>
<td>360 M</td>
<td>570 M</td>
<td>1.73 B</td>
</tr>
</tbody>
</table>

924,000 $1.51 B $1.2 B $4.79 B

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’Economie 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.
1. Introduction & Haiti’s Private Sector

January 12th 2010 will be forever emblazoned on the psyche of the Haitian people. In a few short seconds, we suffered an unimaginable loss of life, our buildings and infrastructure were shattered, and our leadership sustained serious losses while being faced with the need to respond to one of recent history’s greatest disasters. At the same time, we see an opportunity to build back a better private sector with a strong cadre of SMEs as a foundation.

1.1 DAMAGE ASSESSMENT

The January 12th earthquake had a catastrophic impact on the economic and social fabric of Haiti. A combination of the size of the earthquake, proximity to Port-au-Prince (the capital city), and Haiti’s poor infrastructure contributed to unparalleled damage to the country. The scale of the damage means that Haiti’s recovery will be a long and expensive process. However, the extent of the damage also represents a huge opportunity to “build back better” by modernizing Haiti’s economic infrastructure.

Illustration 2 Economic and Private Sector Damage Estimates

1.2 PRE-EARTHQUAKE SITUATION ANALYSIS

The Private Sector "Iceberg"

A negative perception of private sector that is strongly associated with the elite. For the majority of stakeholders in Haiti, the country’s private sector is defined by a few large companies. This analysis is problematic on two levels. First, it ignores the key role played by small and medium enterprises as an engine of innovation, job creation and as a tax base. Second, its exclusive nature creates a tension with regard to improvements in business climate, as most believe that this kind of initiative only favors a few companies and their owners, not society as a whole.

The private sector SME “iceberg”. The vast majority of businesses are informal in Haiti, estimated at 95% of the total. This submerged mass of informal businesses represents a huge missed opportunity to deepen the country’s tax base, create jobs, and promote innovation. An element of the competitiveness and reconstruction agenda in Haiti must be the progressive formalization of micro, small and medium enterprises (SMEs) to transform the structure of employment and tax base of the country.

Illustration 3 The Iceberg of the Haitian Private Sector

1.3 POST-EARTHQUAKE DAMAGE ASSESSMENT

A Paralyzed SME Sector

Along with the rest of Haiti, the SME sector incurred major losses from the earthquake. According to a USAID sponsored private sector damage assessment\(^2\), total losses for the private sector amounted to $2.1 billion with esti-
mated financing needs of $2.7 to “build back better”. Of this amount, SMEs will require about $2 billion or 75% of the total to rebuild their businesses. Closely related to staggering amount of the losses (about 25% of total GDP), is the fact that the SME sector was severely under-insured. Creating a risk management culture for Haiti in general, but for the SME sector in particular is a critical part of building back a better private sector.

Given the massive financing needs of the sector, it is not surprising that finance ranks as SMEs’ top priority. A survey of high performing Haitian SMEs revealed that finance is the most pressing need post-earthquake, followed closely by security. The same survey revealed that SMEs are already contributing to the recovery effort through both new and existing products and services. Excellent examples of this are an insurance company that provides micro-insurance to the “bottom of the pyramid” and a software development firm that has created an innovative online relief and recovery tracking system in collaboration with Google. These examples highlight the valuable role that the private sector and SMEs could play in helping Haiti recover from the catastrophe of January 12th.

Illustration 4  Post-earthquake SME needs by sector

1.4 BUILDING BACK A BETTER PRIVATE SECTOR
Five Imperatives
The GC will not only help Haiti’s private sector recover, it will support a transformation of the Haitian economy. In collaboration with Haitian and international partners, the GC will focus on the following five imperatives to support economic growth and broad-based prosperity:

- Create a new cadre of competitive small and medium-sized enterprises
- Accelerate the process of formalization of the private sector to deepen Haiti’s tax base

- Foster a culture of risk management by deepening insurance penetration to protect firms from future shocks
- Promote broad-based ownership and support of the private sector
- Reinforce the institutions that must support the private sector to grow, such as banks and BDS providers

We firmly believe that these types of investment will allow Haiti to emerge from January’s earthquake a more robust, dignified and equitable economy and society than ever before in its tumultuous 200 year history.
2. A Shared Vision for Reconstruction — the ERRM

“Haiti creates opportunities for the majority of Haitians through a competitive, sustainable and diversified economy. Jobs, income and entrepreneurship are the cornerstone of the modernization of the economy. Haiti will rebuild its economy through the union of the entire society and genuine integration into global economy.”

— Declaration of the ERRM Vision

2.1 THE FOUNDATION OF ECONOMIC RECOVERY

The Shared Vision Process

Over the course of 2009, the Presidential Working Group on Competitiveness (GC) facilitated a process to develop a Shared Vision for a Competitive and Prosperous Haiti. This document laid out a roadmap for upgrading the competitiveness of our economy based on the design and production of innovative products & services, SME development and constructive public-private partnership.

Although many of the fundamentals of this vision remain the same, the GC would like to take this opportunity to make some revisions to the key recommendations. The GC believes that the following five elements should be modified or further highlighted;

- **Increase job creation number from 500,000 to 1 million over 5 years:** economic growth will be the ultimate indicator of reconstruction's success. Job creation and prosperity for the masses must be a goal of the long process to come.

- **Introduce an “emergency” SME support program:** as noted in the original Shared Vision results, SMEs were suffering before the earthquake. They are now likely desperate for “restart-up” capital, training to replace deceased staff and advice on how to operate post-earthquake. An emergency program to target these needs should be designed and implemented to support job creation. This support will need to continue for the long-term.

- **Add housing and urban development to the priority sectors:** this sector will play a huge role in the country’s economy over the coming years and cannot be ignored. Efforts must be made to develop a sector that can build stronger buildings, create hundreds of thousands of jobs, and accelerate economic growth. Business Process Outsourcing (BPO), although still considered a priority sector in the long term will be de-emphasized as a GC priority.

- **Redefine the role of the GC:** the GC could leverage the SV process to inform the economic growth component of the reconstruction process as the “proposal engine” for the Government of Haiti.
This introduction is meant to put the GC’s work in context and provide a starting point for the discussion of the ERRM below.

2.2 STRATEGIC FRAMEWORK FOR THE ERRM

The vision focuses on three strategic goals, five priority clusters and five cross-cutting clusters. The ERRM is designed to balance the need of the country to concentrate limited resources and the imperative of improving the livelihoods of a majority of Haitians.

Illustration 5 Strategic framework for the ERRM

2.3 OBJECTIVE 1: BREAKING THE SURVIVAL CYCLE THROUGH FINANCIAL INDEPENDENCE

Haiti is trapped in a Survival Cycle. The combination of these factors creates in Haiti what is referred to as a “Survival Cycle” where Haiti merely “runs in place,” highly dependent on the billions of dollars infused by the international community to stay afloat. The challenge for Haiti is to use the reconstruction process to break the Survival Cycle.
Illustration 6 The Survival Cycle

The first aspect highlighted in the vision is financial independence, meaning freeing the country from its current dependence on foreign aid and the “handout” culture that accompanies it. Instead, these foreign aid inflows should be replaced with foreign direct investment, which can contribute to building vibrant firms and clusters, deepen the country’s tax base and promote a culture of entrepreneurship that will propel Haiti’s economic renaissance.

2.4 OBJECTIVE 2: THE IMPERATIVE OF ECONOMIC INCLUSION

Haiti is economically unequal. In addition to being the poorest country in the Western Hemisphere, Haiti is also among the most unequal based on measures such as rich/poor indices and the Gini Index. For example, the top 10% richest people in Haiti earn nearly half (47.2%) of the country’s income. This type of inequality contributes to social instability and unrest.

Illustration 7 Inequality in Haiti, income ratio and Gini Index

4. Sources: UNDP Human Development Report 2010, WDI Online, OTF Group Analysis
In addition to accelerating economic growth, the ERRM must be a vehicle to achieve greater economic equality. A key objective of the ERRM is prosperity for all Haitians. As a preliminary proposal, we would propose that the share of income earned by the top 10% of Haitian society decline from 47% to 35% over 5 years, the average for medium development countries as defined by the UNDP’s Human Development Report. Above and beyond economic growth this would mean putting an additional US $1.08 billion into the hands of the bottom 90% of society.5

Illustration 8 Economic Inclusion Targets and Tools6

The tools and programs that we believe can create this wealth for the “bottom of the pyramid”:

- **Job Creation**: in the short term, the vision includes the creation of at least 1,000,000 jobs in five years through the five growth clusters. As can be seen from the graphic above, this is the most important prosperity

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5 This is a preliminary target that will be refined based on discussions with stakeholders and the potential of the various tools to achieve this goal.

creation driver. Concrete strategies for achieving this growth are found in the following section.

- **SME Development:** accelerating the creation of new businesses and fostering entrepreneurship offer a rapid path to prosperity and participation in the economy. As noted above, a better private sector will also include formal and insured businesses.

- **Employee Stock Ownership Programs (ESOPs):** we believe that employees should own at least 5% of the companies for which they work. By leveraging international grant money, FDI, and the willingness of individual business owners to distribute equity AND distribute annual dividends based on profits, the Haitian worker will fully participate in the growth of the economy.

- **Initial Public Offerings (IPOs):** as a way to allow more Haitians to benefit from the success of large foreign investments in Haiti. This initiative would obviously require the development of a capital market or similar mechanism to float the shares. An excellent model to follow would be the successful IPO of Safaricom in Kenya. Based on our research, the IPO mechanism to is more of medium- to long-term proposition because of the technical challenges involved with implementing this type of activity.7

The other important strategic axis of inclusion is the importance of decentralization of the economy. Nearly 500,000 people have fled Port-au-Prince to the provinces to escape the aftermath of the earthquake. To make this reverse exodus permanent, reconstruction efforts must focus on creating jobs and economic opportunities in three growth poles (North, Central Plateau and South) outside of the capital to rebalance the national economy. The map below illustrates the broad dispersal of the priority sectors throughout the country.

*Illustration 9* Decentralized Economic Development & Job Creation

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7. For additional information and case studies on IPOs in developing countries, please see Appendix 1.
2.5 OBJECTIVE 3: REBUILDING TRUST IN HAITIAN SOCIETY

In May 2009, the GC implemented a representative national survey, targeting all segments of Haitian society. The survey focused on issues related to private sector development, leadership and attitudes towards economic growth. These findings have been subsequently been discussed in broad consultations with key stakeholder groups to help inform both a communications campaign moving forward and help various stakeholders engage in more productive dialogue.

Illustration 10  The lack of trust in Haitian society

<table>
<thead>
<tr>
<th>Generally speaking, do you think that you can trust your fellow citizens or can't be too careful in your dealings with them?</th>
</tr>
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<tbody>
<tr>
<td>Distribution of Responses</td>
</tr>
<tr>
<td>Can trust</td>
</tr>
<tr>
<td>Can't be too careful</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>There is a high level of trust between the government and the private sector.</th>
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<tbody>
<tr>
<td>Distribution of Responses (1 to 7 scale)</td>
</tr>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>16% 10% 74%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The government has in mind the best interests of all Haitians.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>20% 12% 68%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The private sector has in mind the best interests of all Haitians.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>25% 12% 63%</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Companies that share information among themselves suffer from a loss of competitiveness.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>35% 10% 55%</td>
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</table>

Trust is low, especially between the public and private sectors. A majority of respondents identified lack of trust as a central theme in Haiti, with only 16% of respondents saying that there is trust between the government and the private sector. This represents a major constraint to the eventual implementation of the ERRM.

3. The Priority Clusters—“Strikers” of the ERRM

This section provides an overview of the strategy and action plans for the five priority clusters. These strategies and budgets have been developed and refined in collaboration with stakeholders from the various sectors, but this section represents a first effort to quantify Haiti’s needs in terms of private sector development.

Haiti must identify and migrate towards more attractive market segments. Specifically, firms in these sectors must seek out markets where 1) rivalry among firms is low, and 2) demand for the product is growing. These two elements of market attractiveness will drive profitability and the ultimate competitiveness of Haiti’s priority sectors.\(^9\)

3.1 FRUITS & TUBERS

*Cultivate a Winner*

Mangos are currently Haiti’s only major horticulture export with approximately $10.6 million in sales per year. The exotic fruits and vegetables sector brings significant potential to Haiti, especially in terms of job creation, as well as in exports to the US and regional markets, including the Dominican Republic and the Bahamas. The time is ripe to strengthen this sector, with significant local receptivity, including in particular strong government support and interest, as well as positive international perceptions of Haitian fruit and vegetable products: In 2005, Haiti’s mangoes sold for $6 per dozen versus Mexican mangoes at $4 per dozen. Additionally, Haiti’s abundant and relatively inexpensive workforce could be rapidly mobilized to serve as the backbone of this growing sector.

*Illustration 11* Mango exports, regional competitors plus Haiti

Despite these advantages, the sector continues to suffer from up to 60% export crop loss throughout the supply chain due to poor infrastructure, and experiences difficulty moving up the value-chain due to the lack of availability of affordable financing for technology, with interest rates currently hovering at 12–15%. Additionally, the sector suffers from a fragmented production base, with farmers working in isolation from their neighbors, rendering it difficult to benefit from the economies of scale of medium and large-scale farms.

To transform itself into a one-stop shop, the sector must improve efficiency and diversify its product base. As noted above, up to 60% of the mango crop is unusable for export due to damage en route to market because of poor infrastructure. Improving efficiency here can dramatically improve volumes available for export while improved marketing of mangos and other products

such as hot peppers, pineapples, avocados and sweet bananas in their natural form and more sophisticated products (dried, frozen, fresh, juice, cosmetics) can improve the productivity of the sector.

**Illustration 12** Market expansion strategy, key fruits

<table>
<thead>
<tr>
<th>Mango</th>
<th>Banana</th>
<th>Pineapple</th>
<th>Avocado</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Invest</strong></td>
<td><strong>Invest</strong></td>
<td><strong>Invest</strong></td>
<td><strong>More Investigation</strong></td>
</tr>
<tr>
<td><em>A year-round demand exists for Haitian mangos, though the season lasts only part of the year.</em></td>
<td><em>The US market is highly competitive on price.</em></td>
<td><em>80% increase in US pineapple consumption over the past three years, coupled with 14% decrease in domestic production.</em></td>
<td><em>Haiti does not produce the HAAS avocado, which is most consumed type in the U.S.</em></td>
</tr>
<tr>
<td><em>On average, U.S. importers pay a premium – USD .70 vs USD 1.00 per Kg - for Haitian mangos.</em></td>
<td><em>Unit price per kg is approximately USD 39 cents.</em></td>
<td><em>Costa Rica has taken over the US market, providing 83% of the US pineapple.</em></td>
<td><em>In 2008, 314,000 metric tons, valued at $223 million, were consumed in the U.S.</em></td>
</tr>
<tr>
<td><em>A higher price can be made for organic bananas (USD .50 to USD .79 per Kg)</em></td>
<td><em>Caveat: Differences in appearance and taste might reduce opportunity for typical U.S. consumer.</em></td>
<td><em>14 million metric tons of non-Hass, valued at $60 million and dominated by the Dominican Republic.</em></td>
<td></td>
</tr>
</tbody>
</table>

**Cross-Cutting Market Improvements Trade Finance, Trade Governance, Branding, Supply Chain**

In addition to fruit, tubers are prioritized for their strong food security characteristics, as well as their niche export potential. Tubers boast several properties that make it an important crop for ensuring food security, including its resiliency to floods and drought. They are an excellent source of calories, and can produce more carbohydrates per unit area than is provided by other staples. Both the roots and leaves are suitable for human consumption. The former are an important source of carbohydrates and the latter of proteins and minerals. For Haiti, tuber production could be hindered due to the fact that it is a crop that is highly perishable in raw form. Due to its high water content, tubers spoil within four days of being pulled from the ground, and should ideally be processed within two days. This will be a challenge for Haiti as its farmers prioritize this product. Aside from their strong food security potential, certain tubers including yams have strong demand from the U.S. market, emphasizing the potential for niche exports.

To optimize the supply chain and enhance free on board (FOB) revenues for all stakeholders, there must be investment into a network of large and small production and processing units. As highlighted in the graphic below, there would be large “anchor” firms in Port-au-Prince and major provincial cities. These large firms would be linked and fed by a much larger number of smaller family farmers who would be paid at competitive and fair prices.

---

(approximately 200) of post-harvest centers that would allow farmers to properly sort, pack, and market their products for higher prices. This two-tier system will allow both overall industry growth and even more importantly, increased revenues and entrepreneurship in rural areas around the collection centers.

*Illustration 13  Strategy, fruits & tubers*\(^{12}\)

The following investments, amounting about US$188 million, have been identified to support the fruit industry over this period:

*Illustration 14  Investments by region, fruits & tubers*

Associated public policies also need to be considered including, as for all export and import substitution industries, custom acceleration and equipment import fiscal incentives, together with incentives for financing and capacity building support to small farmers and revision of land-lease ownership laws for state land to attract FDI.

3.2 ANIMAL HUSBANDRY

Reinforcing Food Security

Favorable weather and soil condition combine with abundant labor force and strong government support to make animal husbandry one of the most promising clusters for Haiti. Egg imports currently reach 44 million units every month, with 80% from neighboring Dominican Republic. With adequate policy support, chicken and eggs could be competitively produced and replace imports. Pork and fish farming are two other segments with great potential. 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.

The GC estimates that about 400,000 jobs could be created over the next 5 years. The following text box highlights specific actions proposed in the Haiti Plan National d’Investissement Agricole, Production et Développement des Filières, Annexe 3, Composante Appui à l’Elèvage, from which the GC plan has drawn recommendations and data from. Details of this plan have been integrated into the GC’s animal husbandry action plan.

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HAITI NATIONAL AGRICULTURAL INVESTMENT PLAN
Production and development of specific areas, annex 3
Support to animal husbandry component

An increase in the amount of money in circulation in rural areas is desirable. This can be achieved by creating jobs and income-generating activities in rural areas. An increase in the supply of food products from animals, and which meet minimum quality standards, is also desirable. The objectives of this component, support to animal husbandry, meet those needs. The aim is to improve the incomes of the greatest number of people, but also to improve their food intake, by increasing the quantity and quality of available proteins (meat, milk, eggs), and their health, by limiting the risk of zoonoses and improving food safety. Reviving animal husbandry will also help improve the country’s balance of trade.

Small family operations are the driving force behind animal production today. They will be supported so that the revitalization benefits a large part of the rural population. Over the next three years, priority will be given to the subsectors where improvement will result in a better response to domestic demand (eggs in the villages, milk and honey), but also in products for export (goats).

- **THE TRADITIONAL FAMILY POULTRY SECTOR** will be supported by a large-scale producer training program. The program will focus on: promoting semi-confined rearing; improving feed produced using local resources; preventing disease; and making improved rustic breeds
available to poultry farmers. The distribution of rustic and semi-rustic
cockmens will be conditional on the continuous availability of vaccines and
vaccinators and the existence of suitable channels for selling the eggs
**Objective:** 25,000 households benefiting over three years, producing
40 million eggs per year, or about 10% of the number of eggs currently
imported into the country.

- **THE SEMI-INTENSIVE EGG PRODUCTION SECTOR** (units of 200–500
  hybrid laying hens) will be supported. This type of production can be
  profitable in Haiti insofar as concentrated, high-quality feed is regularly
  available at a competitive price (see below). The program provides for the
  training of young poultry farmers who are entrepreneurs in terms both of
  poultry farming and financial management; financial assistance for start-
  ups from a national producer of hybrid hens ready to lay; and a contribu-
  tion to the cost of constructing henhouses, and to the purchase of concen-
  trated feed before laying starts. This action will take place after business
  plans are prepared by the private sector with support from the Ministry of
  Agriculture, Natural Resources and Rural Development (MARNDR).
  **Objective:** 700–1,000 units of 200–500 hybrid laying hens set up within
  three years, producing 90 million eggs per year, or 25% of the number of
  eggs currently imported into the country.

- **THE REGULAR AVAILABILITY OF INPUTS FOR INTENSIVE POULTRY
  FARMING,** in particular concentrated feed, is an essential component of
  the revitalization program. By creating a working capital fund, a public-
  private partnership governed by an agreement protocol will allow the raw
  materials (soya meal, maize and premix) to be bought in bulk and made
  available to the mills that want it in Haiti. This action will also provide an
  incentive for new feed producing factories to open up in new regions of the
  country.
  **Objectives:** opening of at least three new factories by the private
  sector, progressive production of up to 24,000 tons of feed per year in
  the third year.

- **THE GOAT-RAISING SECTOR** is currently one of the most dynamic in the
  country. The program will encourage raising them in controlled or confined
  areas where fodder will be given them.
  **Expected result:** 2,000 more producers over three years.

- **IN THE MILK PRODUCTION SECTOR,** the program provides for pro-
  ductivity improvement activities, but more particularly for activities in
  processing, distribution and marketing.
  **Expected results:** boosting milk production and processing capacity in the
  country by supporting the existing network of dairies and putting in place
  10 or so more per year, i.e., 30 new units over three years.

- **THE BEEKEEPING** part of the program will involve training activities
  and financial support to entrepreneur producers for the purchase of hives,
  equipment and inputs, and there will also be a packaging and marketing
  aspect.
  **Expected result:** 500 producers active in three years’ time.
The following investments, amounting about US$179 million, have been identified to support animal husbandry over the period.

Illustration 16  Investments, animal husbandry

13. Includes updated figures from the « Haiti: Plan d’investissement pour la croissance du secteur agricole, Production et développement des filières, Annexe 4: Composante appui à l’élevage, 2010 »
Associated public policies also need to be considered for all exports and import substitution, enhanced credit conditions, appropriate road systems, simplification of law/procedure to attract FDI and incentives to microcredit extension to farmers.

3.3 GARMENTS

Rebuilding Haiti’s Industrial Base

Haiti’s assembly sector is currently locked into a low-value manufacturing cycle, focused primarily on developing commodity-based, low-cost t-shirts for the US market. Over the past 5 years, the average price of this commodity item has dropped 28%, further reducing margins for Haitian manufacturers. Additionally, due to the global plethora of manufacturers producing the same or similar products, buyers can easily change suppliers leaving Haiti to compete merely on price and proximity to market. With inadequate roads, slow customs procedures, and poor technological penetration, Haiti must take active steps to migrate to higher-value, non-commodity items, and full-package design, cutting and sewing solutions as a way to sidestep international price competition. An example of this type of migration strategy is found below.

Illustration 17  Potential migration strategy, Haiti’s assembly sector

To achieve these targets, the apparel sector must execute an action plan that boosts volume and increases productivity to support higher wages. As noted above, Haiti’s assembly sector currently plays at the bottom of the global assembly industry in terms of unit prices and sophistication. At the same time, the sector is handicapped by limited factory space and outdated infrastructure that discourages investors from expanding capacity.
Illustration 18  Regional strategy, Haiti’s assembly sector

**Strategy Overview**

**Markets:** capitalize on HOPE legislation by expanding and upgrading products destined for the US market

**Investors:** target “anchor” firms that can bring new expertise to the sector while promoting the emergence of deeper clusters. This might require upgrading current HOPE to include 15 additional years and 250M m³

**Geographic Focus:** build new industrial parks near Port-au-Prince, Cap Haïtien and Les Cayes to attract FDI and decentralize job creation.

The following investments, amounting about US $357 million, have been identified to support this cluster over the period:

Illustration 19  Action plan & budget, Haiti’s assembly sector

- Establish 3 new industrial parks including investment or operating incentives ($309M)
- Re-build existing firms, and cover losses ($36.8M)
- Support the establishment of full-service product development firms, such as TC² or Astralis ($55M)

- Establish 2 new training institutes capable of training 200-400 persons every 8 wks, possibly with Senai-Cetiq ($10M)
- Re-open CHF / USAID training institute

- Sell Haiti through the improvement of HOPE II
- Launch a full-scale marketing campaign to attract business to Haiti ($5M over 5 years)
- Establish an garments sector guarantee fund ($TBD**)
- Improve laws regarding truck transit from DR to Haiti ($150k)
- Improve access to and cost of electricity ($XM**)
- Revise labor laws to allow for more flexibility with shifts ($150k)

**Total Required Investments 2010-2015: $357M**

**Projected Job Creation:** 120,000

**Note:** Cost factored in elsewhere

Source: SVP and interviews with key stakeholders. Values in this slide represent projected costs, not investments made to date.
3.4 TOURISM

*Create a Unique Caribbean Destination*

A pioneer in the Caribbean tourism market, Haiti's tourism has suffered a steep decline over the past 30 years due to political instability. Haiti was among the first Caribbean islands to open to the burgeoning post-World War II American tourist market. During the ensuing decades, many major international chains invested in properties in the country, making one of the premiere destinations in the region. The current situation of the sector is very different. Although most, if not all, of the basic tourism resources still exist such as the Citadel, the stunning beaches of the South and Southwest, and certain investments on the Archaides Coast, lack of tourist traffic and revenues has led to a decapitalization of the sector and a deterioration of the tourism products. The multiplier effect of tourism on Haiti could be great because of its ability to boost the image of the country. Additionally, tourism could generate a spill-over effect into other sectors, such as handicrafts, cultural products and entertainment, making the country even more attractive to potential investors and professionals.

Major opportunities exist to upgrade the tourism sector. Given the wide variety of natural and cultural experiences available in the different regions of Haiti, there is a significant opportunity to develop high-quality, differentiated products to compete against the typical “Sun & Sand” packages offered by Haiti's regional competitors.

Two examples of this type of high-value experience are an “African Discovery” product focused around a circuit in the north anchored by the Citadel and Cap Haitien's 300 year old historic district. This product could easily be pitched to the 4,000 plus 14 “cruisers” brought to Labadie every week by Royal Caribbean, tourists looking to “add-on” Haiti from nearby Dominican Republic, or African-Americans with an interest in history. The second compelling product is a “Wild Coast” product focused around the southern destinations of Les Cayes, Ile a Vache and Port Salut. These undeveloped and undiscovered regions of Haiti would need to propose a much more exotic product to tourists looking for something more than the all-inclusive packages of the DR or Jamaica. Finally, a huge opportunity exists to tap into the estimated 1.5 million members of the Haitian Diaspora who come to the country every year.

14. *This number may reach 10,000 per week as Royal Caribbean increases landings at Labadie.*
The critical performance metric to watch in tourism is yield or the total revenue per tourist, not arrivals. A critical mistake often made in gauging performance of a country’s tourism industry is looking at the number of arrivals only without also taking into consideration the attractiveness of these customers or the yield.

The following investments, amounting about US $168 million, have been identified to support this cluster over the period:

**Illustration 21**  Action plan & budget, tourism in Port-au-Prince

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*Cost factored in elsewhere
Source: SVP and interviews with key stakeholders. Values in this slide represent projected costs, not investments made to date.*
Illustration 22  Action plan & budget, tourism in the regions

Associated public policies to be considered include as for all export activities, enactment of tax and credit incentives, reduction of electricity tariffs, revision of outdated condominium laws and procedures for FDI.

3.5 HOUSING & URBAN DEVELOPMENT

Rebuilding for Prosperity

Haiti’s housing stock was a major victim of the earthquake. Various estimates put the number of destroyed homes at 250,000 across the country, with 80% of these homes being low-income. In addition, an estimated 20,000 public and commercial buildings will need to be rebuilt. These two segments of the market represent the largest business opportunity in Haiti, estimated at US $4.5 billion. In addition, they also provide an opportunity to rebuild structures that are better able to withstand earthquakes and hurricanes while at the same time providing a better environment in which Haitians can live and work.

Pre-earthquake, Haiti’s housing sector was trapped in a vicious cycle of low cost and low quality. The standard business model attempted to serve a poor market with the obvious strategy; low costs. Low costs translated to low quality in the form of inferior building materials and non-adherence to building codes. Even with this cost-cutting, builders faced slim profit margins and were forced to further cut prices to compete. The results of this cycle are evident in the hundreds of thousands of structures that collapsed on January 12th.
Housing and urban development goes beyond housing. The vision of this sector must be to create better and more livable cities throughout Haiti, including Port-au-Prince, Jacmel, Les Cayes, Gonaives and Cap Haitien. To accomplish this goal, any intervention in this sector must include:

- A broader than usual definition of the word “housing”, which goes beyond residential housing to also include commercial, administrative and government housing as well as schools, hospitals and generally everything that “houses” people;
- The importance of proper construction norms and enforcement mechanisms; and
- The importance of revamping urban development and management, in terms of zoning, land and property management and else
- The importance of accelerating reforms of property registry system, such that property rights be well established and protected and that housing assets may be transacted, including as collateral for loans.

Decentralization and “deconcentration” of the Haitian economy is a key goal of the reconstruction process. The timing of housing construction could play an enormous role in ensuring that earthquake migrants stay in the provincial cities and that additional people are enticed to move out of Port-au-Prince to areas with good quality and affordable housing plus jobs created by the priority sectors. For this reason, rebuilding should begin 1) with the provincial cities, 2) with satellite cities around Port-au-Prince, and 3) in Port-au-Prince. This concept is highlighted in the illustration below.
As noted above, the fully loaded cost of rebuilding all of Haiti’s destroyed structures will run into the billions. To help inform investment and policy decision making, the GC developed a “Housing and Urban Development Modeling Tool” to help quantify and structure this debate. The model has the components:

- **Inputs**: key assumptions regarding the size and cost of homes, ownership models, timing of construction, provision of proximity or support services, ability to pay and distribution of job creation based on the priority sector strategies.
- **Analysis sheets**: structuring of mortgages, affordability of housing and regional construction timelines.
- **Outputs**: financial statements for the three key stakeholder groups; public sector, commercial banks and the construction sector. In addition, the high level results of the model are summarized in a dashboard.

A few key guiding principles underlie our thinking and the model. In order to create a vibrant, profitable and sustainable housing sector, planning and policymaking must take into account the following principles:

- **Market driven**: although the low income segment of the market in particular will require a subsidy, the reconstruction process must include the creation of a mortgage market and the participation of the masses in the rebuilding process. In other words, homes should not be given away, they must be earned.
- **Flexibility**: beyond building new homes, the housing strategy takes into account short-term and transitional housing solutions as well as “host family” solutions where the newly homeless rent space in an existing

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15. “Haiti Housing and Urban Development Tool”, Groupe de Compétitivité and OTF Group, June 2010. A summary of the model is presented here with details found in the Appendix of this document. For further information on this tool, please contact Jeremy Kahn at jkahn@otfgroup.com or Rob Henning at rhenning@otfgroup.com.
home. The model incorporates estimates for the size of houses and required proximity services for low-, middle- and high-income segments.

Illustration 25  Housing space requirements by segment

<table>
<thead>
<tr>
<th>Space Requirements</th>
<th>Space required per person (m² incl. proximity services)</th>
<th># pp per unit</th>
<th>Size of Unit (m²)</th>
<th>Total Space Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low income Housing</td>
<td>40</td>
<td>5</td>
<td>50</td>
<td>200</td>
</tr>
<tr>
<td>Middle Class Housing</td>
<td>87.5</td>
<td>4</td>
<td>120</td>
<td>350</td>
</tr>
<tr>
<td>Upscale Housing</td>
<td>162.5</td>
<td>4</td>
<td>400</td>
<td>650</td>
</tr>
<tr>
<td>Lease Subsidy - Existing Structure</td>
<td>65</td>
<td>5</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Host Family - Fam 5</td>
<td>5</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Host Family - Fam 3</td>
<td>5</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Host Family - Fam 2</td>
<td>5</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tent</td>
<td>16</td>
<td>5</td>
<td>20</td>
<td>80</td>
</tr>
<tr>
<td>Semi-permanent structure</td>
<td>30</td>
<td>5</td>
<td>20</td>
<td>150</td>
</tr>
</tbody>
</table>

- **Public-private partnership**: Haiti's housing stock will not be rebuilt without a tight partnership between the public and private sectors. In particular, the government must create the enabling environment for large-scale construction and likely subsidize the low-income segment of the market. For the private sector, the commercial banks will need a massive capital infusion to be able to finance homes and larger scale construction projects, while the construction sector must actively build its capacity to limit domination of the sector by foreign firms.

The housing model will help inform the housing sector debate moving forward. Key findings coming out of the model include:

- The financing needs are enormous: based on the model, total building, financing and rental costs at a national level will be approximately US $4.5 billion over the 20 year planning period. In particular, a $483 million guarantee fund must be put in place to ensure that commercial banks will lend to the sector.

Illustration 26  Housing & Urban Development Model Summary

<table>
<thead>
<tr>
<th>NPV</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor / GoH</td>
<td>$(1,148,379,537)</td>
</tr>
<tr>
<td>Commercial Bank Sector</td>
<td>$(1,502,887,349)</td>
</tr>
<tr>
<td>Construction Sector</td>
<td>$149,484,753</td>
</tr>
</tbody>
</table>

Guarantee Fund Required $438,483,686
The effort will need to be subsidized: out of the three key stakeholder groups (GoH, commercial banks and the construction sector), only the construction sector is predicted to be profitable on an overall NPV basis and in earnings (positive from Year 1). Given the lack of concrete pledges to the housing sector to date, this dynamic must be taken into account. Haitians who qualify for low income housing will likely need a 20% subsidy to afford the mortgage on their dwelling.

Illustration 27  Required Subsidies by segment and housing model

<table>
<thead>
<tr>
<th>Subsidy (%) of Total Cost</th>
<th>% Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income Housing</td>
<td>40%</td>
</tr>
<tr>
<td>Middle Class Housing</td>
<td>0%</td>
</tr>
<tr>
<td>Upscale Housing</td>
<td>0%</td>
</tr>
<tr>
<td>Lease Subsidy - Existing Structure</td>
<td>33%</td>
</tr>
<tr>
<td>Host Family - Fam 5</td>
<td>50%</td>
</tr>
<tr>
<td>Host Family - Fam 3</td>
<td>50%</td>
</tr>
<tr>
<td>Host Family - Fam 2</td>
<td>50%</td>
</tr>
<tr>
<td>Tent</td>
<td>0%</td>
</tr>
<tr>
<td>Semi-permanent structure</td>
<td>0%</td>
</tr>
</tbody>
</table>

It will take at least two years to house the homeless: even under the ambitious and flexible housing strategy envisioned by the GC, it will take at least two years to house the over one million people left without shelter from the earthquake. The implication here is that large numbers of either homeless or sub-optimally sheltered people will be a reality in Haiti for the medium-term.

A strong construction sector is the foundation for sustainable growth. Haiti's other priority clusters cannot succeed without the cleanup and reconstruction of Port-au-Prince that will facilitate international trade and foreign investment. Moreover, the process offers significant economic opportunities to upgrade and integrate skilled and unskilled labor, as well as local firms. Based on our benchmarking, certain measures such as small business set asides and guidelines for the inclusion of local labor should be introduced and enforced by the GoH and the IHRC. Finally, home ownership is a key driver toward access to finance and thus entrepreneurship, as home is the best form of collateral.
Given the likelihood that the housing sector will be among Haiti’s largest industries in the medium-term, it is critical to understand how other countries facing similar cases. Case studies of China, Chile, Mexico, the Philippines, Aceh, and Colombia provide important lessons for pro-growth reconstruction practices. A few recommendations are found below with additional details found in the appendix.

**Key Recommendations for Building a Strong Construction Cluster**

- Establish a low-interest loan program for the purchase of equipment by Haitian firms. Develop a loan application process that doubles as a registry of construction capacity on the island.
- Expand the number and distribution of recycling/salvage centers. The distance from debris to center is a large burden for salvage workers and must be addressed. Strategic placement near major disaster areas can help speed the rubble removal, maximize the profit/salvage worker, and minimize the physical burden on the laborers. Make tools, transport and training available to salvage workers at low costs.
- Develop a robust land tenure system using GIS/GPS based land-tenure software. Establish titling offices (registry system) with access to new communities.
- Identify donors for and open a network of micro-mortgage banks.
- Incorporate land tenure system into the micro-mortgage process.
- Open materials bank for reconstruction of social infrastructure. Establish a fund to finance the bulk purchase of raw building materials. Use material banks as centers to disseminate information about new building and materials codes.

In addition to building houses and infrastructure, the following investments, amounting US$45 million, have been identified:

**Illustration 28  Action Plan, Housing & Urban Development**
3.6 SUMMARY, PRIORITY CLUSTERS

The ensemble of these five priority clusters forms the basis of a business plan to upgrade Haiti's economy. Our preliminary estimates put the job creation potential for the five sectors at 924,000, incremental revenues at $3.59 billion by 2015 and a total cost of US $1.26 billion.

Illustration 29  Priority clusters, 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 Revenue Year 6</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>710 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>390 M</td>
<td>570 M</td>
<td>1.73 B</td>
</tr>
<tr>
<td><strong>Total</strong></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>

A key element of the action plans is “who does what?”. A key underlying principle of the ERRM is a new “competitiveness partnership” that will push the public sector (with international donor support) to create the conditions for competitiveness, while the private sector makes the investments required to foster innovation and competitiveness.

The priority sector and infrastructure investment plans will have significant implications on public sector finances. Over the first 18 months of implementation, total cost of the investment into the priority clusters (plus $900 million for housing construction costs) amounts to a total cost of US $2.1 billion. Of this amount approximately 50% or over $1 billion is public sector investment or spending. In addition to this purely public sector spending, there is another $448 million in public-private investments. Finally, infrastructure costs will likely add an additional $1 billion to this figure. Given that the Government of Haiti’s total 2009 budget was just under US $1 billion, these dollar figures indicate the need for significant external budget support and likely the need to reinforce the systems and structures required to responsibly spend this money.

Illustration 30  Priority clusters, job creation, costs & revenues, US $ millions

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEXTILES</td>
<td>$ 352</td>
</tr>
<tr>
<td>AGRICULTURE</td>
<td>$ 449</td>
</tr>
<tr>
<td>TOURISM</td>
<td>$ 401</td>
</tr>
<tr>
<td>HOUSING</td>
<td>$ 923</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 2,125</td>
</tr>
<tr>
<td>Of which public</td>
<td>$ 1,070</td>
</tr>
<tr>
<td>Of which private-public investment</td>
<td>$ 448</td>
</tr>
<tr>
<td>Of which private</td>
<td>$ 602</td>
</tr>
</tbody>
</table>

16. Details found in Appendix 3. $2.1 billion figure includes $900 million in housing costs.
4. Cross-cutting clusters — productivity enhancement

In our experience, the growth clusters need support from cross-cutting clusters. These clusters vary between countries, but the five who would probably have the greatest impact on the productivity of clusters above are as follows:

4.1 CONSTRUCTION & INFRASTRUCTURE

*Upgrading Haiti’s Platform*

Specialized infrastructure such as roads, buildings, ports and irrigation systems will need to be repaired or built from scratch to facilitate business in Haiti. Although good infrastructure can enhance the competitiveness of the priority clusters, we must be careful to avoid investing in “white elephant” projects that are not tied to the production and marketing of value added products. The three year financial needs for infrastructure are estimated at US $1.48 billion. A preliminary mapping of these needs is presented in the graphic below.

*Illustration 31  Overview of infrastructure needs*

In the short term, the quickest way to develop infrastructure projects would be for donors and the government to offer fixed, up-front payments to contractors to build projects according to specifications set by the government. This so-called “Design-Build” approach can quickly get projects up
and running. The government would own the project, but could contract the responsibility for operations and maintenance to the private sector.

However, aid alone will not fund the build out of Haiti’s infrastructure. So, in the medium term, Haiti will need to attract private capital into its infrastructure projects, in the form of project finance and Public Private Partnerships (PPPs). Local investors are keen to do this.

Project finance has a long history of finding its way into challenging environments, even in post-conflict countries. It usually requires some support from multilaterals such as the IFC and Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group.

To access project finance, the key is to structure projects so they are not only technically feasible, but also “bankable”, ie, financially viable and ready to accept investment.

Illustration 32  Project finance access cycle

For Haiti to further attract project finance, it may require implementing a number of laws and regulations regarding concessions, permitting, contracting, foreign exchange, providing sovereign guarantees, etc. Additionally, Haitian officials must be trained, so that they have the skills to:

- Assess the feasibility of projects and prioritize the projects that are most important
- Structure projects so they become bankable
- Market projects so that investors, lenders, construction companies, subcontractors, and other participants in the infrastructure supply chain are attracted to projects in Haiti
- Negotiate complex project agreements so that risk is effectively shared and allocated
- Effectively manage infrastructure projects at all stages of the life of a concession: project development, financial close, construction, operation and hand back

These will take time to implement, but the rewards—of lower cost infrastructure and attracting significant amounts of capital, are worth the effort.

4.2 FINANCE
Capitale for the SME Sector

As noted repeatedly above, the investment and working capital required to operate a business are in short supply in Haiti. To solve this constraint, there are a number of supply and demand side interventions that can be
undertaken to create a vibrant financial services market that serves the needs of SMEs.

As noted in the Forum Economique du Secteur Prive (FESP)/USAID WINNER study, the financing needs exceed US $2 billion, so are a massive undertaking given the size of Haiti's economy and banking sector. Key solutions for the priority sectors will be the following:

- ** Guarantee funds**: these funds would provide incentives to commercial banks and others to invest in the SME sector by reducing the potential risk of default. These funds would have to be complemented by significant capacity building for loan officers to better understand the sector.
- ** Investment funds**: as noted above, pre-earthquake, there was a significant lack of long-term capital for SMEs. Moving forward, foreign assistance could be combined with local financing to create long-term debt, equity and quasi-equity to meet the long-term needs of the SME sector.
- ** Working capital facilities**: many Haitian firms are currently experiencing a cash crunch due to damage sustained during the earthquake or lost orders. “Restart-up” capital must be provided to these firms to help them get back to work and recreate jobs in the short-term.
- ** Business enabling environment & BDS**: Haiti's banking system is over-liquid due to the fact that Haiti is missing a pool of bankable SMEs to finance. While BDS and business enabling environment issues are discussed later in this section, it is important to note that these activities must coincide with any new financing solution as a way to ensure the development of a new bankable SME sector.

### 4.3 INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

**Technology Drives Competitiveness**

ICT plays an important role in helping a country’s economy develop. As an economy shifts from industries focused on exporting raw materials and commodity products to more complex, value-added industries, demand for ICT products and services grows. ICT improves firms' ability to communicate with customers, facilitating upgrades in their competitive positioning. It can also help to improve logistics, increase transparency and make geographic distance irrelevant in transactions.

ICT is an essential tool in the evolution of a developing economy, but its value is dependent on the strategies and growth of competitive firms and industries. For the public sector, ICT can dramatically improve efficiency and render government agencies more responsive to their “customers”, improving overall satisfaction with government services. High ICT adoption rates in key segments of a nation's economy can drive competitiveness while providing firms with the opportunity for significant commercial success.

**Ability, Benefit, Connectivity (ABC) Model**

The promise of ICT to improve competitiveness cannot be realized simply through a country’s adoption of tools and services. Achieving success requires the tactical usage of ICT to inform strategy and improve productivity. If funds are invested in ICT to drive access without demonstrable returns in productivity and efficiency, countries will fall further behind, and future investments in ICT will be harder to justify due to previous failures. When
seeking to invest ICT resources in a promising industry or firm opportunity, three inputs to success must be considered, illustrated in the figure below:

Illustration 33  Keys to ICT Adoption — The ABC Model

ICT Penetration & Usage in Haiti

ICT penetration and usage is relatively low in Haiti according to the National Competitiveness Survey\(^{17}\) in Haiti. This survey provides some insights into the current penetration of technology and Haitian society's perception of technology in their lives.

In terms of penetration, it is quite weak except for mobile phones revealing opportunities to 1) use the mobile phone as a platform to provide access to technology to the masses, or 2) build out infrastructure and sell more hardware to put more advanced technology at the disposal of Haitian firms. In terms of attitudes, respondents believe strongly (92%) that technology is an important tool for economic development, but are frustrated by the cost of the internet and relevance to them as individuals and firms.

Illustration 34  ICT Penetration by Size of Firm, Haiti

Moving forward, the GC believes that there are five opportunities to drive ICT adoption and usage in Haitian society. These opportunities are designed to improve operations and enhance productivity for both the public and private sectors.

**Opportunity 1: Foster a public-private partnership through a cluster approach.**

ICT adoption can play a critical role in supporting competitiveness and overall prosperity. Given the challenges to becoming globally competitive in any industry, Haiti’s public and private sector leaders must work together to create a platform for successful firms. While the onus falls on the private sector to make their businesses more successful and adopt ICTs as tools of productivity, governments can help limit or eliminate barriers to the effective use of ICT (such as high telemomm prices and import tariffs on ICT goods), and can use ICT themselves to facilitate transactions (e-procurement, customs and ports’ logistic, etc). The government can also ensure that various ICT initiatives are coordinated and avoid duplication of limited resources.

**Opportunity 2: Promote SME incubators with ICT focus.**

A critical component of the cluster approach is innovation and the entry of new firms into the market. Given the importance of SMEs in private sector development, both in exports and domestic contribution, these firms must be supported generally and in regards to ICT adoption. One approach to jump-starting the capacity and competitiveness of SMEs is support mechanisms such as incubation services. These services can help SMEs target better, often niche markets, improve productivity, and serve more sophisticated customers.

**Opportunity 3: Invest in fiber-optic and “last mile” solutions for increase connectivity.**

A critical part of developing Haiti’s global competitiveness will be building the actual platform for that growth. The broadening of access to ICT can
be accomplished by improving international connectivity, building out the national backbone infrastructure and addressing the digital divide between urban and rural areas. The high cost of connectivity is due primarily to the use of satellite rather than fiber to connect internationally. There are important projects underway to connect more of the country with fiber-optic cable from neighboring islands. To ensure the “last mile” connection of households, schools, health-centers, and businesses to the fiber-optic network, a variety of broadband wireless technologies are currently on the market which have relatively inexpensive installation costs and rapid deployment. These projects will make domestic connectivity more affordable and reliable.

Opportunity 4: Develop a culture of culture of ICT and innovation

ICT projects often focus on the implementation of impressive infrastructure projects, highly visible for both government and donor institutions. Less often, attention is paid to the developing “willingness” of actors to adopt new technologies which is a function of training and also attitude towards ICTs.

Our experience in Haiti suggests a strong “paper culture” and pockets of resistance to ICTs. A communications campaign to engage actors on their ideas and assumptions about ICTs can help break this barrier. Understanding the beliefs, customs and values of a society towards new technologies is a helpful starting point for government leaders. Culture is such a significant component of economic development that without understanding the beliefs and values that inform the actions of economic players, change can be virtually impossible.

Opportunity 5: Implement widespread training across all user segments

While access to appropriate technology and connectivity are key elements of the growth equation, the capacity of individual entrepreneurs and citizens to benefit from these tools is also critical. Although some efforts have been made to make academic and training programs more relevant to the needs of the labor market and to incorporate IT in the education system, wider ICT literacy will only become a reality when both individuals and organizations use ICT in their daily lives and when appropriate advanced training becomes available to those entering (and already in) the workforce. Training in basic ICT skills is therefore a key component of any high impact ICT policy.

The government also has an important role to play in promoting ICT skills. Within its own institutions, it can promote a continuous training program so that local and national government staff become role models for other actors in society. Because of the relatively high level of education, employees would be well-placed to quickly grasp new information. For businesses, the government can also support training initiatives by introducing tax credits and/or incentives for employee development and training. This is something that is already common in many developed countries.

Lastly, the importance of introducing ICT skills at the secondary-school level should not be under-estimated. Students at that age are generally curious and eager to learn new technologies, a skill that they will bring with them to the work place. Naturally, this can be a more complicated process than it initially appears. Integrating ICT into the educational system goes beyond setting up a few computers and exposing students to the Internet or basic programs. It even goes further than conducting computer training sessions by experienced professionals. To introduce students to the benefits of
ICT in a rigorous way, teachers must incorporate ICT into their own teaching methods.

4.4 EDUCATION & TRAINING

Investing in Human Capital

Investment into the skills of Haiti’s workforce is critical in ensuring that country creates the opportunities for its citizens to have dignified and high-paying jobs. The key here will be to create demand driven educational and vocational sectors that provide the skills that the priority sectors require. This type of model requires that industry and education enter into a dialogue to ensure that the content and pedagogy of the educational system meets not only current, but future needs of Haitian firms. An urgent short-term need will be an “emergency” BDS program to quickly render SMEs and other firms fully productive.

Haiti must unleash the submerged mass of its private sector “iceberg.” As described above, 63% of SMEs and microenterprises in Haiti had suffered profit declines pre-earthquake. At the same time, more than half of companies have turned to informal networks such as friends and family to help them improve their businesses and improve their strategy, because the professional services support are rare.

Business development services (BDS) are needed to unlock the potential of the private sector in Haiti. BDS is crucial for the development and growth of private enterprises, whether small or the size of an international company. BDS provides solutions to the problems that SMEs face in a professional and efficient manner. Instead of SME owners having to go through their network to identify resources to solve their problems, professional BDS providers can provide a range of standardized solutions to common problems. Even if these services are varied in terms of their implications and they vary across sectors can nevertheless be grouped into four main high level functions, namely financing, production, organization and marketing. Some examples of BDS services are highlighted in the following graphic.

Illustration 36  BDS Support through the value chain

4.5 BUSINESS ENABLING ENVIRONMENT

Making Haiti a Top Reformer

Haiti’s poor ranking in the World Bank’s Doing Business indicators\(^{18}\) is a serious operational and image problem to improving competitiveness and

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\(^{18}\) 2010 Doing Business Ranking is 151, 4th from the bottom in the Latin America/Caribbean region.
attracting FDI. The good news is that the country could look to Rwanda, the rankings’ top performer in 2009 for inspiration and hope. Through a combination of leadership, concrete improvements and effective marketing, Rwanda jumped 76 places in one year, an astounding performance. Replicating this success will not be easy, but the following set of activities would improve chances of success:

- Public-private partnership and champions: government and the private sector must work together to solve challenges in Haiti’s business environment and this group must contain strong champions who have the power to advance key issues. This team (ideally anchored by the CFI) could potentially be partnered with the Rwanda Doing Business team who would provide insights into how they succeeded.
- Technical analysis: political will must be accompanied by the ability to rigorously identify problems and propose robust solutions.
- Marketing: once the Doing Business team has affected changes, these improvements must be marketed to the appropriate individuals within the World Bank who can adjust Haiti’s rankings accordingly.
- In the very short term, the GC would suggest prioritizing the following three business environment issues:
  - Calibrate monetary policy to support export competitiveness (see details below)
  - Permit night shifts to increase the real capacity of the assembly plants.
  - Simplify the mortgage registration process; a key impediment to access credit (currently 135th in Doing Business)

Illustration 37  Rwanda’s 2009 Doing Business Reforms

<table>
<thead>
<tr>
<th>Ease of...</th>
<th>Doing Business 2010 ranking</th>
<th>Doing Business 2009 ranking</th>
<th>Change in ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doing Business</td>
<td>67</td>
<td>143</td>
<td>+76</td>
</tr>
<tr>
<td>Starting a business</td>
<td>11</td>
<td>64</td>
<td>+53</td>
</tr>
<tr>
<td>Obtaining a construction permit</td>
<td>89</td>
<td>96</td>
<td>-1</td>
</tr>
<tr>
<td>Protection of workers</td>
<td>30</td>
<td>113</td>
<td>+83</td>
</tr>
<tr>
<td>Land transfer</td>
<td>38</td>
<td>50</td>
<td>+21</td>
</tr>
<tr>
<td>Access to credit</td>
<td>81</td>
<td>147</td>
<td>+66</td>
</tr>
<tr>
<td>Investor protection</td>
<td>27</td>
<td>171</td>
<td>+144</td>
</tr>
<tr>
<td>Payment of taxes</td>
<td>80</td>
<td>58</td>
<td>-2</td>
</tr>
<tr>
<td>Cross-border trade</td>
<td>170</td>
<td>171</td>
<td>+1</td>
</tr>
<tr>
<td>Contract execution</td>
<td>40</td>
<td>48</td>
<td>+8</td>
</tr>
<tr>
<td>Bankruptcy</td>
<td>183</td>
<td>183</td>
<td>0</td>
</tr>
</tbody>
</table>

Key Success Factors

- Leadership from the top and an operational “champion”
- Prioritization of areas where big gains are possible
- Execution of key initiatives by technical teams
- Marketing of improvements to key stakeholders

19. Although these are GC recommendations, an understanding has been reached with the Private Sector Economic Forum (FESP or the Forum), that Doing Business improvements will be the mandate of the FESP, not the GC.
All of these efforts will be complementary to the other cross-cutting sectors. Infrastructure, improved financing mechanisms for the private sectors, intelligent use of ICT (especially in government), and higher quality human capital will all contribute to an improved business environment. In addition to these elements, this cross-cutting sector will be the “glue” or the catalyst that will coordinate efforts on the ground and then market these activities to key external stakeholders to ensure that the reality on the ground is known and that improvements are accounted for in the Doing Business rankings.

4.6 MONETARY POLICY

A Lever to Break the Survival Cycle

A key component of breaking the survival cycle is to change the economic context and culture of Haiti. Given the massive pledges of foreign aid for Haiti’s reconstruction, there is a strong possibility of “Dutch disease” or a further strengthening of the gourde vs. the dollar (and other foreign currencies). Further appreciation of the gourde will have a detrimental impact on exports and the overall profitability of four out of the five priority sectors. Even without the influx of reconstruction money, the gourde has strengthened by at least 37% against the dollar since 2003, mainly driven by rising remittances and foreign aid dollar inflows combined with inflation-fighting policies leading to contraction of gourde supply. Among the main consequences of this over-appreciation were (i) declining profitability of all tradable production, including exports, agriculture and tourism; (ii) pressure on exporters to keep low real wages as their pricing is constrained by external competition and stable nominal exchange rate.

Illustration 38  Foreign aid inflows and exchange rate analysis

Even a modest devaluation of the gourde could help Haiti’s exporters. The analysis below for the assembly and mango sectors shows how devaluing the gourde to even 45 or 50 to the dollar could provide a significant price advan-
tage to Haiti’s exporter. The risk here is that the exchange rate is used as a “crutch” for competitiveness and masks more serious underlying issues. To avoid this, policymakers should keep in mind that Haiti’s exchange rate must reflect the productivity of the economy with a band of roughly 5% up and down that can be used to either 1) drive innovation, or 2) create jobs.

Rising construction costs also impact the cost structure of certain industries. Because of the strengthening of the gourde since 2003 prices of key exports such as mangos and assembly products have remained flat. In a situation where costs are stable, this is not a severe problem. However, when we look at one key input, construction costs, it is clear that inflation (and costs) have been steadily rising, squeezing profit margins in export-oriented sectors, especially assembly. This dynamic is becoming more pronounced as rental prices for space in newly constructed industrial parks is now a multiple of existing, already depreciated parks such as SONAPI or SHODECOSA. Although rent is a relatively small percentage of overall assembly cost (5 to 10%)\(^\text{21}\), the competitive dynamics of the assembly sector are such that even small cost increases hurt profitability and competitiveness.

**Illustration 39   Product price and exchange rate analysis\(^\text{22}\)**

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\(^{21}\) “Bringing Hope to Haiti’s Apparel Sector”, Nathan Associates, September 2009.

5. Framework for implementation — IHRC, GC & FESP

This section first lays out guiding principles for the reconstruction process, then makes some recommendations for how the Interim Haiti Reconstruction Commission (IHRC) can best support private sector development and competitiveness and then moves to details of how the various institutions should interact with one another.

5.1 THREE GUIDING PRINCIPLES FOR THE RECONSTRUCTION PROCESS

Given the fragile state of our country, government and other institutions, there is a significant risk that the reconstruction process will become yet another donor-dominated and driven process that will squander the billions of dollars pledged to rebuild Haiti. To avoid this outcome, we would propose that all stakeholders keep in mind the following three guiding principles moving forward:

- **Self-determination:** the reconstruction process must be Haitian-owned and implemented. In the beginning, management support and money will be required to start the process, but the Haitian voice must be heard. This type of ownership will ensure that 1) the Haitian government stays responsible to its people and not the donor community, and 2) the Haitian private sector is able to fully integrate itself into the reconstruction process and build its capacity to compete with international firms in domestic and international markets.

- **Innovation:** accountability, monitoring, and evaluation have become so ingrained in development culture that there is an irrational fear of, and aversion to failure. As has been proven by entrepreneurs around the world, failing quickly, often and originally is a key driver of innovation as long as learning comes from each failed venture. In the context of the reconstruction process, the perfect must not become the enemy of the good. Experimentation and risks should be taken to find innovative solutions to problems.

- **Competition:** for too many donors, aid is “tied”, meaning that it can only be dispersed to companies form the donor’s host country. Former Finance Minister of Afghanistan, Ashraf Ghani, rails often against how this practice unfolded in Afghanistan post 2001. In the particular case of American contractors, the profit making motive trumped the mission of rebuilding the country, wasting billions of dollars and contributing to the downward spiral in the country’s security situation. A solution to this is to make the aid procurement process more competitive by untying it and allowing more aid to flow through national governments to build capacity.
5.2 LEVERAGING THE IHRC TO DRIVE COMPETITIVENESS

Given the size of its budget and convening power, the IHRC will be a key player in the reconstruction process moving forward. Based on a benchmarking of other post-disaster and conflict situations such as Aceh, Kosovo and Colombia, we propose a number of measures to ensure that the IHRC contributes to the sustainable reconstruction of our economy with a particular focus on microeconomic competitiveness and SME development.

Concretely, we see five opportunities for the IHRC to help rebuild Haiti’s private sector better than before:

*Ensure strong private sector representation and decision rights on the IHRC.*

Under the current plan, the private sector does have a representative on the Board of the IHRC. The private sector was not represented in the case of Aceh, with the result partially being an NGO led model of reconstruction.

*Focus on rebuilding basic infrastructure and improving the business environment.*

In other post-disaster and conflict situations, crippled infrastructure has been an impediment to private sector development. As noted in the business enabling environment section above, Haiti lagged the rest of the region in the Doing Business rankings and the earthquake most likely had a further negative impact on its standing. The IHRC should use its considerable financial resources to attack the hard and soft issues linked to Haiti’s poor performance. This in turn will drive FDI and local private sector development.

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**LEARNING FROM ACEH AND KOSOVO**

According to research on businesses and FDI in Kosovo and Aceh, security and supply of basic infrastructure such as electricity have been major obstacles in rebuilding the economies. Others obstacles include a lack of certainty about future political stability, a need for a legal business framework, widespread corruption, unfair competition and the need for stable access to loans.

*Forge relationships with foreign investors.*

Potential foreign investors have a strong bargaining power over governments seeking to attract foreign companies. They can build in conditions to their agreements with governments that ensure the provision of infrastructure, such as electricity and roads, or institutional reforms, like changes in the regulatory environment, taxation, etc. The government thus commits itself to fulfill the conditions agreed upon if the investor invests in the country. The

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23. Complete case studies are found in Appendix 2.
Haitian business community should strongly consider targeting partnerships with foreign investors to leverage the promotion of a stable business environment. Using the network of the Haitian Diaspora when exploring possible partnerships might be useful in this context.

Establish SME and local business “set asides”.

The incoming flood of money pledged at the NY Donor’s conference will attract large international firms who have the skills, experience, contacts and financial wherewithal to easily win large contracts. To reduce revenue leakage and maximize local economic impact we propose the introduction of SME and local business set asides and the requirement that a certain percentage of Haitian labor be used in all reconstruction projects, in particular large infrastructure projects. Such set asides will help upgrade the size and sophistication of the local economy.

Focus on SME development.

The IHRC could play a central role in helping to restructure and build back a better private sector. Beyond the financing, it could also support the development of a national SME support system to spur entrepreneurship and the creation of formal SMEs. As one of many partners in this endeavor, the IHRC would have to carve out its niche vis-à-vis other players, but its role could be transformational.

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KOSOVO CASE STUDY

SME Development

- In 2000, around one year after the war ended, a special credit unit was set up by the EU and the World bank to support sound SME lending policies and the development of the local private sector. The unit offers affordable loans to local entrepreneurs. According to the EU, such a lending/entrepreneur system would have been impossible in the former Yugoslavia.
- In addition, over 2,100 EC funded loans were provided in the years 1998 to 2005 to small and medium enterprises through the European Fund for Kosovo. It is very likely that these loans contributed to the increase in number of SMEs in Kosovo from 28,000 to 70,000 during the years 2003–2007.
- In 2007, the SME sector was the greatest absorber of the labor force, with 65% of the aggregate employment. The contribution of the SME sector to GDP is striking, since 80% of GDP is realized through SMEs.

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5.3 THE INSTITUTIONAL LANDSCAPE

Roles of the GC and FESP

The GC and FESP have a key role to play in the reconstruction process. However, before even talking about how they will intervene in the reconstruction process, it is necessary to clearly define the emerging roles and constituencies of the two organizations that are both relatively new and have a number of overlapping members. This comparison is in the table below.
### Illustration 40  Institutional Comparison, GC vs. FESP

<table>
<thead>
<tr>
<th>CURRENT ORGANIZATIONAL STRUCTURE</th>
<th>GC</th>
<th>FESP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Presidential Commission, informal, serves under Presidential mandate.</strong></td>
<td></td>
<td>Private sector association, formally registered</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CREATION DATE</th>
<th>January 2009</th>
<th>July 2009</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>MEMBERSHIP</th>
<th>21 members from Government, private sector, labor, press and civil society..</th>
<th>Approximately 40 members representing individual large businesses and business associations</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>MISSION</th>
<th>Building Haiti's competitiveness, particularly at the microeconomic level.</th>
<th>Restructuring and building back a better private sector and Haitian society, particularly post-earthquake</th>
</tr>
</thead>
</table>

| STRATEGY | • Consensus based and inclusive (private sector, civil society, workers, gov’t)  
• Data-driven analysis  
• Mindset change is a critical element of agenda. | • Private sector focus (MSMEs to large businesses)  
• Focus on formalizing and strengthening the private sector  
• Business environment reforms. |
|----------|-------------------------------------------------|---------------------------------------------------------------|

<table>
<thead>
<tr>
<th>SUMMARY</th>
<th>An informal, inclusive body dedicated to accelerating economic growth in Haiti.</th>
<th>New, but representative private sector body seeking to recast the role of business in Haitian society.</th>
</tr>
</thead>
</table>

Another aspect of reflecting on how the GC and FESP can most effectively coordinate and collaborate to drive economic growth, competitiveness and private sector development is to look at the broader institutional landscape with a particular focus on the reconstruction process. Over the coming five to ten years, reconstruction and its massive budgets will be a transformational force in Haiti.

The FESP is clearly well-positioned to be the apex organization for the private sector and with additional consultations and planning can become the champion of all segments of businesses in Haiti. The GC’s positioning is more nuanced and complex. In that it is an organization 1) with a mandate from the GoH, and 2) representative of a broader swath of Haitian society, and 3) at same with a firm belief in the private sector as a key part of the solution to Haiti’s ills; it must carefully think about how to interact with other institutional actors to strike a balance between independence, decision rights, and power to implement plans. The landscape is laid out in the diagram below.
Based on this analysis, we propose the following roles and responsibilities for the GC and FESP respectively:\textsuperscript{24}

**FESP**

- Drive the transformation of the private sector through the creation and formalization of SMEs, protecting the private sector through insurance, and driving improved financial and non-financial support to the SME sector.
- Represent the interests of the private sector on the Board of the IHRC.
- Work in close collaboration with the GoH, foreign partners, and the international community to foster reforms in Haiti’s business environment.

**GC**

- Articulate and drive implementation of priority cluster strategies. A key activity here is to act as a “proposal engine” for the IHRC to invest reconstruction funds intelligently in the priority sectors.
- Unify all sectors of Haitian society (government, private sector and civil society) through an institution that promotes frank dialogue to rebuild trust.
- Promote policies and strategies that help achieve the economic inclusion goals for all Haitians laid out in this report.
- Foster a culture of innovation, entrepreneurship and competitiveness through ongoing communications.

In summary, the GC will become the “glue” of society as a promoter of national vision that can unify the country and its external supporters such as the Diaspora, the donor community and foreign investors.

\textsuperscript{24} To be refined in collaboration with the leadership of the GC and FESP.
5.4 PROPOSED FUTURE INSTITUTIONAL STRUCTURE FOR THE GC

Since its creation in January 2009, the GC has created an atmosphere of change in Haiti through the dynamism of its leadership and members. The Shared Vision for a Competitive and Prosperous Haiti is a compelling vision of what Haiti could achieve if appropriate resources are put into place to change mindsets, develop market-based cluster strategies and forge strong public-private partnership through the reinforcement of SMEs and key public institutions. Moving forward, the main focus of the GC should shift from communications to action in the form of strategy implementation. This type of shift is natural in the evolution of groups similar to the GC in other countries. Once analysis has been conducted and a vision or roadmap defined, the focus should shift to practical actions to implement the vision.

Although the GC has enjoyed some success in creating a dynamic for change, there are three critical issues that will impact its effectiveness moving forward:

- **Government participation**: the public sector has critical role to play in building Haiti’s competitiveness and must be more fully engaged in the process.
- **More “teeth” to implement reforms**: to date, the GC has relied on informal working groups and personal networks to advance the change agenda with mixed success. Clear processes for approving and implementing reforms must be identified.
- **Maintaining the momentum**: enthusiastic participation by Haiti’s private sector has contributed to the success of the GC. This dynamism must not be lost in the next version of the GC through and overly “heavy” government touch to the institution.

In terms of the “lifecycle” of the GC, it is important to note that the GC is still in its infancy. Based on benchmarking of similar organizations from around the world, Phase 1 or “Discovery” lasts from 1 to 3 years.25
A preliminary recommendation for what the next phase of the GC should look like is to essentially evolve into a National Competitiveness Council. In terms of the actual structure of the NCC, PROSPER would allocate financial and technical resources to assist in the development of the following recommended three tier structure:

- **Phase 1 (current):** informal working group with a Presidential mandate. This phase will continue until the end of the current mandate in December 2010.
- **Phase 2:** to establish legitimacy and sustainability, establish a National Competitiveness Council (NCC) as an autonomous organization. Some legal research will be required to determine the process to accomplish this. This phase would last up to 3 years.
- **Phase 3:** more discussion is need here, but the three options would be:
  - Merging with an existing institution such as the CFI, a Ministry or Chamber of Commerce
  - Continue as an independent institution
  - Shut down if the functions of the NCC are no longer required.

In terms of the actual structure of the NCC, a three tier structure is recommended:

- **Steering committee:** this would be comprised of many of the current GC members and GC “alumni” and act as a high level advisory board who could leverage various formal and informal networks.
- **NCC:** comprised of a coordinator plus 10 core members, the membership of the NCC should reflect the focus of the Shared Vision and ERRM (ie 5 priority sectors, SME development and entrepreneurship, and microeconomic competitiveness). This will likely require that some new members be added who can serve as effective and credible messengers regarding a new vision for Haiti’s competitiveness.
- **Secretariat**: the NCC secretariat would have two roles. First to coordinate and manage the NCC. Second would be to implement technical activities such as strategy development, quick wins, and communications. The coordination team could be comprised of an Executive Director plus an administrative assistant. The technical team would likely vary depending on project needs, but would consist of a robust and full-time team on the ground to implement the ERRM. Among a variety of other roles, the technical team would be responsible for drafting detailed business plans, driving individual projects to financing, conducting or orchestrating feasibility studies, etc. Depending on available resources, this team would likely be a mix of 8 to 10 full-time international and Haitian staff. This is similar to the size of the team that our technical partner, OTF Group, has had in Rwanda for the past 10 years to support the Government of Rwanda to upgrade the competitiveness of its economy.

![Illustration 44](image-url)  
*Proposed structure for the NCC*

## 5.5 MOVING FROM ANALYSIS TO ACTION: ERRM TO PROSPER

Haiti and Haitians are frustrated with the earthquake reconstruction process. Despite billions of dollars pledged at the March donor’s conference, there has been very little impact on the ground. Although the GC firmly believes that building competitiveness is a long-term process, our short-term priority must be to create jobs and prosperity for the average citizen.

Moving beyond short-term results and impact, we propose a three-year program called the Programme Stratégique pour l’Economie et la Richesse (PROSPER), an integrated set of activities that will build on the learning and stakeholder mobilization of the SV and ERRM to develop concrete business plans that will immediately set to work creating the jobs envisioned by the ERRM.

The program will also develop a new, energized platform for collaboration and project development and implementation in Haiti. At the core of this initiative is a fully staffed and well-resourced technical secretariat that will undertake the “heavy lifting” of program in terms of facilitation, mobilization and analysis.

The program is divided into three phases that will build on the significant progress made by the SV and ERRM, and will create large numbers of jobs through an integrated set of activities designed to accelerate Haiti’s economic reconstruction.

The three phases are the following:

- **Phase 1, Move from Analysis to Action**: This phase will focus on creating jobs by developing bankable business plans providing them with “rocket fuel” in the form of appropriate funding and linking them to entrepreneur-
ial champions. At the same time, the GC26 and PROSPER will establish a new, unified platform for project development and networking with partners.

- **Phase 2, Build on Success:** With a new platform for project development and implementation and momentum generated in Phase 1, we will refine the cluster priority cluster strategies and continue to push the implementation of quick win projects.
- **Phase 3, Sustain the Momentum:** Evaluate the success of individual components of the program and decide if and how to support the reconstruction effort over the long-term.
- These phases are discussed in further detail in the technical approach below.

**PROSPER Technical Approach**

The ERRM must be followed by a program to create jobs in the short-term and implement the roadmap over the long-term. Despite the billions pledged at the March Donor’s conference, only an estimated 2 to 5% of the funds have reached Haiti and concrete impact is difficult to identify. The GC will address this gap by initially focusing on short-term economic impact in the form of jobs while creating the platform and momentum for change.

**Illustration 45**  PROSPER activities by Phase and Guiding Principle

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26. For consistency, this concept note will continue to refer to the GC as the GC, even though it might take on a new name of National Competitiveness Council, or NCC.
To ensure the success of the program and to maximize its impact, it will have 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 this concrete outcome.

2. **Sustainable and Locally Owned:** all of PROSPER’s activities will be geared towards promoting local Haitian ownership over reconstruction and building the capacity of Haitians to assume key leadership roles in this process.

3. **Positive energy & momentum:** Morale in Haiti continues to suffer due to lack of action and momentum. PROSPER will make an effort to build momentum through tangible successes, while creating an environment of collaboration and forward thinking. In particular, PROSPER will build momentum by fostering a culture of innovation and supporting entrepreneurial efforts in all sectors of Haitian society. This will be accomplished in part by aggressive public relations and communications campaigns in and outside of Haiti.

4. **Networking 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. This platform will allow the GC and its members to institutionalize its enormous range of relationships to affect positive change in Haiti.

5. **Choices informed by analysis:** All recommendations or programs planned will be driven by detailed data & analytics, both evidence that is already available and new data collected by the team. By demonstrating to stakeholders the evidence underpinning suggested solutions or programs, a data-driven approach can also help to build consensus.

In addition to these guiding principles, there will be regular audits of performance of the program by both the GC and external evaluation experts. These exercises will serve to refine the program’s approach and ensure that we achieve our objectives in a fluid and unpredictable operating environment.
6. Conclusion — Five Imperatives to Rebuild Haiti

The earthquake of January 12th was a catastrophe of epic proportions. However, the GC believes that if all Haitians work together, we can rebuild a more competitive and prosperous Haiti. The billions of dollars in assistance that the country will likely receive over the coming years must be used to invest in the infrastructure and firms that can drive our economy and create massive numbers of jobs for our people.

This document lays out a comprehensive roadmap for the recovery and renaissance of the Haitian economy. Although we believe that this analysis has allowed us to make informed choices about where we should invest for prosperity, focusing on the following five imperatives will help us achieve our reconstruction goals:

- Promote Haitian ownership over reconstruction by demanding decision rights over the use of foreign assistance.
- Create a more equitable and prosperous Haitian society through specific policies and tools that will drive wealth and equity to the majority.
- Invest the billions of dollars in foreign aid to break the Survival Cycle, not perpetuate it by investing in innovative priority clusters.
- Build back a better private sector on a foundation of formal SMEs
- Foster new competitiveness partnership among the government, private sector and civil society to drive Haiti’s economic recovery.

Beyond the plan described above, we believe that the earthquake fosters the preconditions to change the context in which Haitian society functions. According to Michael Fairbanks, there are Five Preconditions for Change. In the aftermath of the earthquake, we believe that:

- The tension created by widespread casualties and damage will serve as a call to action;
- The reconstruction planning process offers the opportunity for all segments of Haitian society to develop common objectives for a more prosperous Haiti, and;
- We are witnessing the emergence of leadership from the public and private sector who can take ownership over this process.

27. Five Preconditions for Change is an OTF Group framework.
Illustration 46  The Five Preconditions for Change

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.
Haiti Economic Recovery & Roadmap (ERRM)
Final Draft

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

WITH THE FACILITATION OF: OTF Group

AUGUST 2010

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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"

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