

## Private Sector Development in Haiti: Opportunities for Investment, Job Creation and Growth



The World Economic Forum in Partnership with  
the World Bank, the Inter-American Development Bank (IDB) and the  
International Finance Corporation (IFC)



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Cover photos (clockwise): 1. A younger man trains an older man how to use mobile money in Haiti's Pandiassou community. Photo: Fabiola Coupet/Mercy Corps.  
2. The iconic Iron Market in Port-au-Prince re-opened on 11 January 2011. Photo: Digicel.  
3. A typical rural Fonkoze branch. Photo: Fonkoze.  
4. USAID WINNERS agriculture programme demonstration farm in the hills above Port-au-Prince. Photo: Dan Shine/USAID.

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REF: 100111

## Foreword

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The World Economic Forum Annual Meeting 2010 took place only days following the tragic earthquake that struck Haiti on 12 January. During a special session in Davos, the Forum pledged to work in partnership with its stakeholders to assist in Haiti's recovery by focusing specifically on economic development. The following report, produced in partnership with the World Bank, the International Finance Corporation (IFC), and the Inter-American Development Bank (IDB), presents the strategy for sustainable growth in Haiti and identifies opportunities for involvement by different international stakeholders to advance that strategy.

The organizations involved in the following report have taken a leadership role in contributing to Haiti's economic development, through multistakeholder partnerships and other types of engagement. In particular, the Haitian private sector, led by the Haiti Private Sector Economic Forum (PSEF) and the Haiti Presidential Working Group on Competitiveness (GC), is playing a vital role in the reconstruction process. Several examples of corporate engagement are highlighted throughout the report to demonstrate the range of business activities that can and have worked. No single company or even consortia of companies can catalyze the transformation that is necessary to raise the economic bar in Haiti. But multiple actions by a range of entities in disparate sectors can help bring about this change. The report aims to demonstrate not only that additional involvement by the international private sector is needed, but also *where* this involvement should be directed and how such efforts can be structured to succeed.

Haiti's economic future is more positive than its recent past would suggest. GDP growth of 6-8% is possible with investment and reform. Together with the Dominican Republic, the island of Hispaniola could become the largest and fastest growing economy in the Caribbean. Nonetheless, a number of challenges remain. During the last month, the political situation in Haiti has worsened, and the presidential electoral process has become contentious. Uncertainty persists regarding election outcomes, and at this time there is no clear time line for the conclusion of the electoral process. Nevertheless, the investment opportunities described in this report continue to exist and, once the political situation clarifies, they remain attractive options for private sector engagement.

Opportunities range from traditional business investments in sectors such as construction, garment manufacturing, and agribusiness, to new models that prioritize social impact over profit-maximization. Some companies have adopted approaches that blend charitable activities, such as volunteer coordination and donations, with support for causes that advance business objectives or are focused on social outcomes. The combination of traditional business approaches, traditional philanthropy, and this new form of "strategic philanthropy" can stop the vicious cycle of low productivity and lack of access to capital that has plagued Haiti for decades. This pattern can be transformed into a more harmonious feedback loop in which producers, consumers, and entrepreneurs exist in a mutually beneficial and reinforcing market.

The occasion of the 2011 Annual Meeting presents an opportunity to focus on the gaps that persist in Haiti and outline concrete actions to address these challenges. Sustainable growth can only be achieved through partnerships that incorporate business, government, the international community, and local citizens. Together, these stakeholders certainly possess the means to transform Haiti. In Davos, we will summon the will and initiate concrete action.

The Forum would like to thank the World Bank, IFC, and the IDB for serving as lead partners on this project, as well as the staff members from each organization who comprised the report drafting group. In addition to the report's lead partners, the Forum would like to thank the project's multistakeholder steering committee led by Ricardo Hausmann and its working group that have provided input and leadership on the project. Their participation not only has strengthened its content, but also demonstrates broad support for Haiti's potential for a prosperous future.



**Robert Greenhill**  
Managing Director and Chief Business Officer  
World Economic Forum

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# Executive Summary

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Despite the challenges, Haiti is poised for sustained growth. That is the message for the international business community that has emerged only a year after the devastating earthquake in Port-au-Prince, based on dialogue and actions by the Haitian private sector, the international community, humanitarian agencies, and innovative investors who have already established a foundation of partnerships.

Haiti can achieve GDP growth of 6-8% for the next decade, given the right public policies, positive engagement of the national and international private sector, and sustained support from the international community. According to IMF forecasts, when combined with the Dominican Republic, the island of Hispaniola would then represent one of the largest and fastest growing economies in the Caribbean.

Investing in Haiti may present some risks, but it also promises significant rewards. The country is equipped with the basic conditions to proceed on a path of shared growth and development, and now it needs the involvement of the international private sector to help overcome the obstacles and generate a vibrant, resilient national economy.

Last year, the earthquake that struck Port-au-Prince incapacitated much of the nation's infrastructure and left one million people homeless. Since then, several sectors in the country have demonstrated the potential to direct local and international resources in support of a long-term vision for growth. This vision depends on creating a prospering, diversified economy that can withstand shocks and create sources of employment for the nation's youth.

Humanitarian agencies and the international community have been involved in Haiti for decades. While these stakeholders have helped fill critical needs, the Haitian economy has continued to falter, and its potential has been underdeveloped. Despite continuing challenges and many gloomy forecasts about the nation's predicament, the country is equipped with the fundamentals necessary to succeed. Factors that point towards this potential include ease of exporting to consumers in the world's largest market and abundance of affordable labour. But it cannot reach this goal alone.

Many of the gaps that remain in Haiti – from housing to energy – are also investment opportunities for corporations with specialized expertise. Investing in Haiti is certainly not without risks but, as a number of multinationals have demonstrated in recent months, there is the potential for a win-win opportunity – for local and international businesses and for the citizens of Haiti.

This report highlights some of these efforts in a series of case studies, which underscore the range of options for engagement and the different strategies and models that are available. While some companies invest in order to generate long-term profits, other interventions are structured as “strategic philanthropy.” This approach blends traditional corporate philanthropy with a focus on improving social entrepreneurship and building local resilience. These mutually beneficial partnerships leverage the knowledge and resources of the private sector to improve lives in Haitian communities.

This report has three goals:

- First, to present the business environment in Haiti by noting actions already taken and plans for further improvements
- Second, to outline some of the specific areas in which the private sector can become involved, from the development of mango crops to the promotion of hydro-power
- Third, to highlight case studies in which international businesses have seized this win-win opportunity by investing in Haiti

Once the present political instability is resolved and a new government is clarified, the national leadership will have the opportunity to chart a path for Haiti – in partnership with local and international stakeholders – to place the country on a faster growth trajectory than would have otherwise been possible. The World Economic Forum is focusing on the constructive role that business can play in helping Haiti realize this accelerated economic trajectory and in improving livelihoods throughout the country.

By issuing this call to action at the 2011 Annual Meeting in Davos, Switzerland, and by deepening ongoing commitments in the months and years ahead, the international private sector can show the transformative effect of constructive economic engagement. The first step is to forge the partnerships that can bring about this change.

# Introduction

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The challenges for the recovery of Haiti are enormous. From rebuilding roads to removing regulatory barriers to creating employment opportunities for the nation's 5.4 million youth, the issues complicating growth are vast. Too often in the international media and in political discourse, these daunting challenges overshadow a range of reasons for optimism about the country's future. This report examines the current business climate in Haiti and identifies opportunities for business. It concludes that an optimistic forecast for economic growth is achievable. However, it will take involvement of the international private sector to help steer Haiti toward this future.

With sustained reforms, Haiti possesses the economic fundamentals to become a vibrant marketplace by 2030, and the international private sector can – and must – play a role in helping Haiti achieve this vibrancy. Humanitarian and international agencies have been active in Haiti for decades; now it is time for the private sector to help build long-term, sustainable businesses that stimulate growth, create jobs, and promote national resilience.

The following report serves not only to present the case for economic growth in Haiti, but also to issue a call to action to the international private sector to invest in Haiti. In March 2010, after the devastating January earthquake, the Haitian government spelled out its vision for rebuilding in the Action Plan for National Recovery and Development of Haiti. The plan emphasized factors ranging from infrastructure development to support for rule of law to the establishment of an open, competitive economy. To complement this vision, the Haiti Private Sector Economic Forum (PSEF) has presented its own vision and road map, which has at its core the expansion of the middle class and economic diversification. The strategy presented in this report is aligned with both the PSEF's vision and with goals articulated by government with the support of the international community actively engaged with the leadership of Haiti.

This strategy for economic recovery focuses on the creation of tens of thousands of small and medium enterprises (SMEs), which can generate jobs for Haitian citizens. These entities can benefit from access to finance and the elimination of barriers to their expansion. While the Haitian economy relies on a strong agricultural base, this base must be strengthened and diversified to capitalize on new and underdeveloped sources of revenue, such as tourism, light manufacturing, and eventually outsourcing. This report identifies specific ways that the private sector can advance this growth.

Throughout its history, Haiti has shown that it is capable of catalyzing such growth. In the 1970s, its economy grew rapidly. However, these sporadic gains have too often faltered due to ineffective economic policies, political instability, or both. In addition, the 2010 earthquake caused a devastating range of setbacks to the economy and to quality of life. Amid the tragedies that the earthquake unleashed, an opportunity also emerged to articulate a clear vision of economic sustainability and to marshal resources in support of this goal.

This report identifies some of the steps that have been taken in recent years and, in particular since the earthquake, to improve the business climate in Haiti. Certainly, there is much still to be done, but it is important to recognize this recent progress as a way of understanding current business opportunities and also the extent of change that can be accomplished. After presenting this foundation, the report outlines the key sectors primed for engagement with the international private sector, namely:

- Construction and infrastructure development
- Agriculture
- Manufacturing, particularly related to garments
- Finance
- Tourism
- Energy

Finally, the report examines the challenges that the private sector must appreciate in promoting growth and recovery in Haiti, and it identifies areas where further actions are needed to improve the business environment.

The goal of this paper is to underscore the progress made by the coalition of national leaders, international stakeholders, humanitarian agencies, and business executives, as well as the plans that are currently in place to make even further progress. A balanced understanding of the risks and opportunities in Haiti reveals the range of engagement possibilities for the international private sector that can be a win-win for both business and the country.

# Chapter 1: The Business Climate

According to the World Bank Group's *Doing Business 2011*, Haiti ranks 162 out of 183 economies in the world and 31 out of 32 economies in Latin America and the Caribbean. Despite the need for improvements indicated by this low ranking, Haiti faces a number of opportunities to rebuild itself in a way that is more conducive to growth and foreign investment.

First, international donors pledged over US\$ 5 billion in New York last March to be deployed for short-term recovery, and several billion more has been promised in the coming years. The Interim Haiti Recovery Commission (IHRC) – a collaborative effort by the Haitian government and the international community – has already endorsed US\$ 2.3 billion in submitted projects. At end December 2010, US\$ 2.7 billion in project funds had been approved by some 55 donors of which US\$ 1.2 billion has been spent on projects and programs. Within the coming years, significant investments will be made in housing and infrastructure development in particular. International and local NGOs will play an important role, along with international and local government agencies, in channelling these funds into productive programmes and projects.

Second, once it is elected and takes office, the new government of Haiti will possess a five-year mandate to promote a shared vision of rebuilding and to place the country on a faster growth trajectory than would otherwise have been possible. The aim is to develop a diversified economy by balancing investments among agriculture, industry, and services. This approach will allow better distribution of jobs and wealth among rural and urban populations and among young and old.

Third, macroeconomic management has been sound, and certain indicators already show signs of recovery. GDP contraction for 2010 has been revised from original projections of 8.5% to 5%, and sector-based growth in textiles in particular is promising. By the middle of 2010, merchandise exports had recovered, and third quarter output levels even exceeded that of 2009. This growth is expected to continue as Haiti becomes increasingly attractive for foreign investment. In addition, the following economic indicators point to improvements in Haiti:

- Currency: International reserves have increased and stabilized the currency, as a result of debt forgiveness, exports, aid, and remittances.
- Inflation: Initial forecasts predicted 8.5% inflation for 2010, but the actual rate has been contained at 4.7%.
- Government revenue: After a sharp decline in January and February 2010, government revenues recovered to 80% of the levels projected for 2010.

Fourth, due its competitive labour costs and close access to one of the largest markets in the world, Haiti has the potential to achieve and sustain 6-8% GDP growth. The IMF expects rebound GDP growth for Haiti of 7-9% for the next three years. The Dominican Republic, which is the other half of the island of Hispaniola, has experienced 6% GDP growth for the last two decades. With the right public policies and the positive engagement of the Haitian and international private sector, Haiti could experience the same – or even higher – levels of economic growth for the next decade or more.



Fifth, the Haitian government, with the support of international donors, has identified a set of growth hubs around the country to diversify and decentralize economic activity. This plan will not only reduce congestion around Port-au-Prince, but it will also allow Haitians and international businesses to work together to develop possibilities throughout the country. Growth hubs have been identified in the following areas (see map):

- North of Port-au-Prince around Cabaret
- Cap Haitien and the North
- Hinche and the Central Plateau
- Gonaives, St. Marc and the Artibonite Plain
- Les Cayes and surrounding areas in the South

Haiti's Private Sector Economic Forum (PSEF) has endorsed these plans, and these regional development initiatives will have support from the EU, IDB, USAID, the World Bank Group, and other donors. Moving forward will require substantial investment in local infrastructure from both the public and the private sectors.

These efforts have already produced concrete results. A US \$ 250 million deal to develop an industrial park in the north was announced in January 2011 and is expected to create 20,000 jobs. The US government and the IDB are supporting the project that features US \$ 70 million in investments from one of the world's largest garment makers and the industrial park's anchor tenant, Sae-A Trading Co of Korea. The project offers competitive infrastructure and services for various manufacturing processes and several international companies are negotiating to become tenants.

Sixth, Special Economic Zones (SEZs) are areas identified by the government as fast-track zones for commercial development, to be equipped with the infrastructure and regulatory framework to attract business. SEZ and industrial parks have been identified as a government priority, and they will be developed in partnership with private companies. SEZs require building an ecosystem with the capabilities and functionality necessary for manufacturing to be productive: power, water, logistics, housing development, urban transport, security, and other services. The public-private partnerships associated with SEZs create investment opportunities in each of these sectors and in zone management. In addition, there are opportunities for firms to settle in SEZs and create value within the improved ecosystem and the willingness of Haitians to work. The private sector can take a leadership role in promoting SEZ development by investing directly in these areas, procuring from firms established in these areas, offering banking and leasing for SMEs, developing training programmes, improving supply-chain efficiency, and launching other such initiatives.

Industrial parks can also serve as a model for private sector involvement in Haiti: In the Ouanaminthe area, the *CODEVI* Industrial Park is already operational. It stands out as a purely private-sector initiative that offers potential tenants the opportunity to leverage its unique position spanning the border between Haiti and the Dominican Republic.

In addition to these factors, a number of conditions have been established in recent months to bolster the climate for investing:

- **Haiti Economic Lift Program (HELP) Act** – This US legislation was passed in 2010 to supersede the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act. The measure allows for unprecedented access for Haitian textile and apparel to the American market until 2020.
- **Transportation** – With support from international donors, roads and transportation hubs have been improved in recent years. The capacity of the Port-au-Prince airport has been restored to pre-earthquake levels, and given the volume of one million passengers a year in international traffic, opportunities exist for the private sector to contribute capital and expertise. In addition, the Haitian government's reconstruction plan provides for creating two new international airports and building 600 km of additional roads to link regional growth hubs.

- Ports** – The National Port Authority has been restructured as part of recent regulatory and legal reforms. A consortium of private shipping agents has been delegated to handle port operations, and traffic through private ports has increased. In addition, the government’s Action Plan for National Recovery calls for the construction of two deep-water ports. Despite these advances, significant improvements in productivity and cost reduction are both needed and feasible in the Haitian port sector, particularly in Port-au-Prince, which accounts for 90% of the country’s international trade.
- Modernization of Customs** – Inefficient and opaque customs processes have complicated growth of the private sector in Haiti. Though much progress must still be made, international donors have prioritized this issue. For example, Canada has appropriated US\$ 18 million to support the Haitian government in modernizing and increasing the capacity of its tax and customs administrations. The project aims to increase competitiveness through a more effective and transparent customs administration.
- Telecommunications** – Communications infrastructure has experienced dramatic improvements in the last five years. Prior to the earthquake, 37% of the Haitian population had access to fixed or mobile voice services. Private mobile operator Digicel entered the market in 2006, which greatly expanded public access. Following the earthquake, private operators rapidly addressed network damage. With the support of the IFC, an international tender process partially privatized the national operator, which enabled Vietnam-based Viettel to commit significant new investments, including the construction of Haiti’s first nationwide fibre optic backbone. This sector of Haiti’s economy is driven by private investors and shows the possible growth that can be stimulated by international capital.
- Business Regulation** – Though cumbersome regulatory frameworks have complicated private sector development in Haiti for decades, these barriers have improved somewhat. In June 2009, the Haitian government initiated reforms related to new business creation by cutting registration from 195 days to 75 and by streamlining approvals. Nonetheless, inadequate land titling systems, licensing requirements, and government monopolies hinder foreign involvement in a number of potential business growth areas. The process of establishing a foreign-owned subsidiary takes more than half a year to complete – three times the Caribbean average – and these challenges remain issues for the new government and international partners to tackle.

## Digicel

By 2005, four years after Digicel’s successful entry in Jamaica, Digicel was already operating in a number of markets in the Caribbean and was actively seeking business development opportunities. Haiti was strategically located in the Caribbean and had one of the lowest mobile penetration rates in the Western world (5.7% in 2005) with significant potential for growth. Digicel considered the acquisition of various businesses in Haiti but concluded a greenfield launch was the best approach.

Digicel launched operations in Haiti in May 2006 with support of the Digicel Group and a consortium of lenders, including Citibank, Scotiabank and the IFC. Within one month, it added over 200,000 subscribers, and it currently has over 4 million subscribers with 95% population coverage, including urban and rural areas. At launch, Digicel provided mobile services that were previously unheard of in Haiti, and since Digicel’s launch, mobile penetration has grown to over 36%. To date, Digicel has invested over US\$ 370 million in Haiti, which is the largest private investment in the country.

The company employs over 900 staff members, 95% of whom are local Haitian nationals. In terms of its direct business activities and philanthropic work, the company serves as an example of the multilayered effects that foreign direct investment can have on the local economy.

Digicel also established a branch of the Digicel Foundation in Haiti. It has invested more than US\$ 20 million to date in the building and maintenance of over 70 schools, which enable more than 20,000 children to benefit from a high quality education. In association with the Clinton Global Initiative, Digicel has launched the “Digicel Entrepreneur of the Year Awards Programme” to identify and reward Haitian entrepreneurs whose ideas can give the country new economic foundations.

- **Arbitration for Commercial Disputes** – Compared with other countries in the region, Haiti offers relatively easy processes for conflict resolution. Parties of a dispute have a range of options in choosing arbitration processes; however, a number of gaps persist related to local judges' understanding of the role of domestic courts in supporting arbitration.
- **Education** – The Haitian government, with the support from the IDB and other members of the international community, has implemented a nationwide programme to improve education throughout the country. Specific programmes tackle the shortage of skilled workers in Haiti and the pervasive problem of youth unemployment. In addition, a number of partnerships have emerged to offer vocational and sector-specific training for Haitians.
- **Financial Intermediation** – A Partial Credit Guarantee Program – Established by the Haitian government with support from the US, the IDB, and the World Bank, the first phase of the program will guarantee viable loans granted before the earthquake that could continue to be viable after some restructuring. In a second phase to be started soon, the program will back new loans to existing and new clients, and it will support SMEs. This work is part of a broader agenda among partners and the Haitian Central Bank to improve lending conditions in the country.
- **Social Investment Fund** – The Fund provides funding to SMEs through low interest rates and long-term loans that are co-financed by local banks. It draws on the ideas of Muhammad Yunus and the Grameen Bank, and was put in place with the support of the Governments of Haiti, Spain, and the IDB. The fund provides a unique opportunity for SMEs to grow and create jobs, in a country where financing for SMEs is traditionally scarce.

In addition to these measures, the World Bank Group and the IDB are engaged with the Haitian government to improve several areas covered by its *Doing Business* indicators, including:

- New business creation – modifications in codes, regulations and practices to facilitate start-ups
- Construction – Streamlining the permit approval process, increasing safety, introducing building standards, and defining the role of enforcement entities
- Access to credit – Improving access to credit for SMEs, improving bankruptcy laws, and modernizing the public credit registry

### NetHope Academy – Providing Professional Training

Improving the technology sector in Haiti will require enlarging the depth and scope of the IT talent pool. Even before the earthquake, Haiti had shortages in this area, and its resources were further depleted following the disaster. In response to this challenge, NetHope – a unique collaboration of 32 of the world's leading international humanitarian organizations – has launched the NetHope Academy training initiative. The programme is a partnership with World Vision, Save the Children, International Rescue Committee, and other organizations to provide meaningful, six-month work experience opportunities in their IT departments. Accenture, Microsoft, Voila and Cisco worked with Haiti's leading technical university to design the programme.

Initial demand was impressive: more than 300 unemployed young Haitians applied online during the 10-day application period. Through a series of skills assessments, interviews, and references, the first class of 30 interns and 6 alternates was identified.

The NetHope Academy provides qualified intern candidates an opportunity to gain significant IT skills that will increase their economic opportunities and allow them to directly participate in the reconstruction of their communities. The program gives priority placement and scholarships to women, secondary city natives, and severely disadvantaged individuals. The six-month internships with NetHope members allows students to gain on-the-job experience, and participating members co-fund interns' tuition. This initiative provides vital IT skills training to deserving individuals, as well as directly addresses the needs of the local community, the humanitarian and private sector.

# Chapter 2: Opportunities for the International Private Sector

The Economic Recovery and Roadmap, prepared by the Haiti Presidential Working Group on Competitiveness (GC), estimates that new investments are needed over five years in the following areas:

- Housing and urban development (US\$ 4.5 billion)
- Tourism (US\$ 710 million)
- Garments and manufacturing assembly (US\$ 360 million)
- Animal husbandry (US\$ 206 million)
- Fruits and tubers (US\$ 196 million)

These investments could generate 924,000 new jobs and create a fourfold increase in annual revenues of these industries, from the current level of US\$ 1.2 billion to a potential US\$ 4.8 billion. This section of the report identifies specific opportunities for the international private sector – in the areas listed above, as well as in banking and energy – as an indication of how investment can catalyze growth.

Many of these opportunities are best suited to Haitian businesses, particularly SMEs. However, international businesses have a catalytic and complementary role to play, given their access to international markets, world-class skills, and financial resources that can unlock many of these opportunities. Credible international players have the environmental, health, and safety policies, as well as business codes of conduct necessary to ensure that economic growth is achieved in a socially responsible and environmentally sustainable way.

## Housing, Urban Development and Infrastructure Construction

Haiti already has a successful track record of public-private partnerships, as demonstrated by the privatizations of the cement plant *La Cimenterie*, the flour mill *La Minoterie*, and more recently, fixed-line telecoms. These successes were made possible thanks to the legal and institutional framework adopted in 1996. On the basis of this law, new partnerships can now be launched in the port, power, and airport sectors. Such investments are greatly needed, particularly to improve roads and allow businesses to access regions outside Port-au-Prince. Areas bordering the Dominican Republic can access the neighbouring country's more established infrastructure; however, two roads need considerable investment to allow Haitian businesses to expand in these zones. Ports also require private sector investment and development. The Haitian government and the international community are working to create a strategy for optimal port usage, which will open the sector to outside investment.

The nation has tremendous needs for improving its housing supply; however, the sector faces a number of regulatory and other challenges, including land titling, availability of finance, and the need to build an institutional framework to establish clear housing policies and coordinate the efforts of international and local actors. With support from the international community such a framework has been developed for the repair and reconstruction of existing neighbourhoods. However further work is needed establish clear rules and overcome obstacles for new housing developments. Many international and local actors are looking for ways to improve housing construction and development. SEZs could offer an area for innovation in the housing sector, given the combination of access to land, demand from workers with steady revenues, availability of labour, and involvement of business.

The re-opening of the Iron Market in Port-au-Prince is a recent example of urban development within Port-au-Prince funded by a private donor. The Iron Market is a cultural, historical, and architectural landmark in Port-au-Prince, originally built in 1891. The Market, which had become a hive of economic and social activity, was decimated by a fire in 2008, as well as the 2010 earthquake. The landmark Haitian institution re-opened in January 2011, as a symbol of the potential for recovery and a brighter future for the Haitian people.

## Tourism

The earthquake tremendously weakened Haiti's tourism sector and left only 40% of the nation's hotel capacity. Currently, all functioning hotels are operating at full capacity with waiting lists, and a network of formal and informal guest houses has emerged to offset some of this demand. Hundreds of international personnel are expected to visit the country each week to help the rebuilding process. IFC has invested in a new hotel development currently under construction and is assisting, along with, the IDB, and others, with several other loan requests for hotel restoration and new construction. The recent cholera outbreak will have a dampening effect on tourism demand. Despite the constraints, greater investment in this sector could allow Haitians to benefit from increased international traffic and to create the foundation for a long-term, sustainable tourism industry.

## Garments and Manufacturing

Haiti has a proven competitive advantage in manufacturing, particularly in labour-intensive products. The country has an abundant supply of workers, and training costs related to garments are relatively low. Further, preferential agreements with the US through the HELP Act provide exceptional tariff advantages in the textiles and garment sector. Foreign investors can help stimulate activity in this sector, particularly given the country's low domestic taxes for producers in free trade zones and industrial parks, among other regulatory advantages.

Apparel is the main job creator in Haiti, with 25,000 jobs and 23 companies in operation. The overwhelming majority of these businesses are located in Port-au-Prince, and production is dominated by garment assembly for export to the US. This sector leads Haiti's export earnings, and prior to the earthquake, garment manufacturing showed signs of expansion. Three foreign investors were exploring projects with the potential to create 10,000 jobs and US\$ 150 million in investment in less than two years. This process could resume as soon as local security allows for it. There is great potential for expansion since Haiti currently supplies only a small percentage of the US quota.

To fully capitalize on the advantages of accessing US consumers through the HELP Act, Haiti can benefit from its proximity to the Dominican Republic, where the garment industry has suffered declines due to high wages. Haiti's labour costs are fully competitive with China's, and the nation has the advantage of greater proximity to its target consumer. Given its prior presence in the industry, Haiti still possesses some sectoral expertise and skilled labour, and improving skills through managerial

## Port Development – Royal Caribbean

For more than twenty years, Haiti's bay of Labadee has been a favorite port of call for Royal Caribbean International cruise line. The first ship in the company's fleet, *Song of Norway*, has docked there since 1986, bringing an average of approximately 520,000 tourists to the island each year.

The company has invested more than US\$ 100 million to develop local infrastructure and tourist attractions, including helping create coastline mini-cruises, parasailing offerings, a water park, and amusement rides. Royal Caribbean's engagement in Haiti deepened in 2009 with the launch of a public-private partnership with the Haitian government to form the Pier Operating Company. The joint venture built and continues to manage and operate the Ladabee pier, which was re-inaugurated in December 2009. The enhanced pier can welcome two ships simultaneously and allows Haiti to compete with other ports of call in the Caribbean.

The net impact on the local community is vast: the company employs 230 Haitian nationals, and tourist activity associated with each port-of-call day affects hundreds more. Community-impact programs and training for Haitian employees have also become a priority for the company. In partnership with USAID and the independent Haitian foundation FOKAL, Royal Caribbean launched a US\$ 400,000 water project to provide clean water and fund micro-projects, such as sanitation, school repairs, and construction of markets in communities near Ladabee. Future plans include developing additional vocational training related to the tourism industry, as well as tourism-related enhancements that hinge on government infrastructure development. "We are patiently waiting," says Craig Milan, President of Royal Celebrity Tour.

and worker training will be essential. There are immediate opportunities for growth in association with several SEZs – one near Port-au-Prince and another near the border with the Dominican Republic. The latter already boasts five factories and has secured private access to water and electricity from the Dominican Republic utility.

### Agriculture and Animal Husbandry

For the 60% of Haitians who live in rural areas, agriculture is the main source of income. Improving efficiency of the sector could dramatically increase production and raise export volumes. Further, better marketing could boost demand and prices of niche products in which Haiti specializes, such as mangoes, hot peppers, pineapples, avocados, and sweet bananas. Exotic fruits and vegetables are a promising sector for Haiti, given its access to US consumers and regional markets in the Dominican Republic and the Bahamas. Haiti is already the largest Caribbean supplier of mangoes to the US and holds 3% of the US market.

Organic and free-trade certification is another means for increasing revenue from Haiti's exports. Suppliers are beginning to access this higher priced market, as well as to generate greater value from exporting processed fruit, such as juices and frozen produce, in addition to unprocessed products.

Tubers can also be an agricultural priority, given their strong food security and niche export potential. For example, yams are in demand in the US market, and essential oils have also become a strong segment of agribusiness in Haiti. Last year, exporters sold US\$ 25 million of the aromatherapy product vetiver to the international market.

Coffee is another potential area for agribusiness development. Haiti produces 20,000 bags of coffee per year, half of which is exported. Approximately 100,000 farmers depend on coffee as their main source of income, but local farmers' associations lack access to capital that could allow them to meet international and local demand. This bottleneck would be greatly eased by a short-term credit line of up to US\$ 5 million, offered in conjunction with coffee buyers.

The international private sector is needed to help increase agricultural productivity, which has declined in recent years due to poverty and lack of investment. The production base is fragmented into many small farms, which prevents farmers from realizing economies of scale. Operators of these small parcels often use artisanal techniques, which results in low yields and minimal profits. Investments are needed in particular to improve productivity, irrigation, greater connectivity between rural areas and markets, and access to international markets.

### Haiti Hope – Realizing the Potential of the Mango

Haiti Hope is taking a holistic approach to realizing the full potential of mangos in Haiti's recovery. Begun in September 2010, the project aims to double the income of 25,000 Haitian mango farmers over five years. It is a partnership between The Coca-Cola Company, the Multilateral Investment Fund (MIF); a member of the IDB, USAID, and TechnoServe, with the support of the Clinton Bush Haiti Fund and other international and local actors.

Haiti Hope will begin by improving productivity and quality with consortia of farmers. Training will include basic business and administrative skills, as well as techniques for increasing yield and quality. Haiti Hope will also forge direct relationships between exporters, processors, and farmers to lower transaction costs and raise net revenue. In addition, TechnoServe is developing a new model of microfinance to provide farmers greater access to credit at lower costs.

Haiti Hope covers three geographic regions in the first year (Plateau Central, Artibonite and Léogane), and will expand to five regions over the life of the project. Regions are prioritized based on quality and volumes of current production, sales to exporters, agronomic suitability, capacity, local capabilities, land availability, and infrastructure.

Haiti has been a priority for the IDB and USAID for the last several years. Both institutions are supporting the country's recovery through high-impact programmes. Coca-Cola has been available and produced in Haiti since 1927, and it is currently the largest private sector employer in the country.

## Banking and Finance

The international private sector can play a central role in stimulating financing for SMEs in Haiti. The international community including the World Bank, IDB, and IFC continue to be very active in supporting the development of this sector. The key tasks needed include: improving access to financing, increasing SME banking and leasing capacity, creating vocational and managerial training, and streamlining supply-chain efficiency.

Given the importance of heavy equipment to rebuilding efforts, leasing has the potential to unlock access to credit for SMEs in Haiti. Large machinery is often too costly for small businesses, and inability to access these tools has kept local workers from benefiting from a number of construction projects. Increasing short-term access to this equipment – through leasing schemes, for example – could build construction capacity of the Haitian workforce and increase the amount of revenue that returns to Haitian citizens. Financial institutions with experience in SME finance and leasing can play a leading role in helping grow this sector into a driver of economic activity in Haiti.

In addition, much of the population lacks access to routine banking services. Several initiatives have emerged in recent months to promote mobile banking, these efforts must be expanded to reach larger portions of the population. Additional opportunities for private sector investment may emerge in activities such as the establishment of credit bureaus and collateral registries, ATM, and POS networks.

## Energy

The nation greatly needs more diversified, sustainable sources of energy to reduce its current reliance on charcoal and firewood, both of which cause considerable environmental damage. This sector presents a number of opportunities for international businesses. The IHRC has already approved a programme for interconnectivity and power sharing with the Dominican grid. Korean investors recently joined with local partners to commit US\$ 56 million for the development of a large power plant. A new hydro power project in the Artibonite Region is also under development, and additional opportunities could include the rehabilitation of existing hydro plants.

These large-scale, long-term partnerships present a range of challenges, given their complexity and the risks of investing in Haiti. Strong commitments by investors, the international community, and local partners are essential for such projects to succeed. International organizations must also play a role by advising partners on how to structure appropriate relationships between government and private sector entities.

## Mobile Money

Mobile phone operators Voila and Digicel each have launched mobile banking services that maximize NGO resources, bolster reconstruction efforts, and provide Haiti's "unbanked" population access to financial services. Though 85% of Haitian households have access to a cell phone, there are only two banks for every 100,000 people in the country. Mobile Money products will enable Haitians to transfer money domestically and internationally and complete commercial transactions wirelessly, including using their cell phone to purchase food and non-food items from a network of affiliated merchants throughout the country.

Voila, Haiti-based Unibank, and the international aid agency Mercy Corps have joined together to launch a mobile banking service called T-Cash that offers beneficiaries of Mercy Corps's cash programme the opportunity to receive and make payments using their Voila phones. Purchases can go toward food and non-food items from a network of affiliated merchants throughout Haiti. The programme will help 100,000 people in Mercy Corps' cash programme gain access to banking services and use their phones as mobile wallets. Having received regulatory approval from Haiti's central bank, Voila and Unibank have begun to rollout T-Cash to NGOs and larger segments of the Haitian population with a full suite of e-wallet services including cash withdrawals, deposits, and transfers.

Digicel and Canada's Scotiabank have partnered to create Tcho Tcho Mobile, which offers mobile banking services that will enable users to perform cash withdrawals, deposits, and transfers through their mobile phone. Since its launch in November, Tcho Tcho Mobile has been the first provider to reach a goal of 10,000 transactions set by the Haiti Mobile Money Initiative, a partnership between USAID and the Bill and Melinda Gates Foundation. The international NGO World Vision is using the service to pay its 130 employees working on the ground in Haiti, as well as to perform cash-for-work payments. Likewise, a number of local companies in Haiti are using the innovative mobile money service to pay weekly and monthly wages to their employees.

## Chapter 3: Persisting Challenges

As the above examples demonstrate, the international private sector has a range of opportunities to play a role in mutually beneficial economic growth in Haiti. These opportunities come with a number of risks that require the international private sector to adopt balanced strategies for engagement, a long-term perspective, and a healthy appreciation for risk.

From inadequate infrastructure to low broadband penetration to multi-hour traffic jams on provincial roads, these challenges can stymie even the noblest intentions. However, the best strategy for managing risks is awareness, education, and advocacy. The following list highlights some core challenges, many of which may also translate into investment opportunities.

### Political and Public Policy Uncertainty

Haiti has had a difficult history of political uncertainty and periodic crises. Despite the recent electoral challenges, it will be critical for the new parliament and the new government, once elected, to demonstrate an ongoing commitment to providing credible and consistent national governance.

### Power

Only 25% of the Haitian population has access to electricity. The private sector still relies on electricity from contractual arrangements negotiated on an ad hoc basis. Improving access to power will require reforming governance structures including improving transparency in the sector's financial flows, better management of the public utility company and investments in of generation, transmission, and distribution. Poor quality of service has led many companies to produce their own electricity, and an environment that permits more rational private investment is urgently needed.

### Water and Sanitation

The recent cholera outbreak has heightened the urgency of improving access to clean water and sanitation. The Haitian government's Post Disaster Needs Assessment (PDNA) emphasizes the need to improve the supply of drinking water, medical waste education and management, and the management and disposal of solid waste in urban areas through the creation of waste disposal sites. Infrastructure gaps related to water and sanitation pose direct challenges for private sector development.

### E-Power

E-Power is Haiti's first private sector power-generation project open to international bidding. It is a unique partnership between local business and international sponsors that began several years prior to the earthquake. The project was developed by a group of Haitian investors, in collaboration with South Korea's East West Power. The US\$ 56 million undertaking involves creating a 30 megawatt power plant in Port-au-Prince to sell power to the state-owned electrical utility EDH, under a 15-year power purchase agreement.

The main objective is to help mitigate acute power shortages in a country where, prior to the earthquake, only 25% of the population had access to electricity, and the best-served areas received a maximum of eight hours of electricity per day. Project preparation spanned several years and was supported and financed by a local bank, the IFC, the Dutch development bank FMO, and the World Bank.

Securing long-term financing for the project proved complicated, and given the perception of high risk levels in Haiti, only a handful of international financial institutions and one local bank were initially willing to commit. Construction had just begun when the January 2010 earthquake struck. Following rapid reassessments of the new situation, both investors and lenders decided to proceed. E-Power is expected to start commercial operations on schedule in January 2011.

One of the key lessons of the project is the need for long-term commitment by local investors, banks, and international institutions. E-Power demonstrates that the engagement of international and local partners in Haiti can overcome huge hurdles.

## Business Regulation

Haiti's ranking of 162 out of 183 countries worldwide on the World Bank Group's *Doing Business* Indicators – and 31 out of 32 economies in Latin America – is an indication of the need for substantial reforms in business regulation. Improvements are needed in the introduction of a new commercial code to accelerate creation of new businesses. Additional reforms are needed to better protect minority shareholders, streamline construction permit issuance, improve safety and building standards, modernize the public credit registry, and increase access to credit by strengthening bankruptcy and collateral laws. Furthermore, although organizations such as IHRC can provide assistance to international investors looking to establish operations in Haiti, there is need for a centralized agency that can help businesses navigate some of the challenges of entering and establishing operations in this environment.

## Access to Land

Foreign companies seeking to access land face numerous hurdles. Public land is managed by the Ministry of Finance. Technically, the Ministry can lease to private companies, but this practice is highly uncommon and requires a presidential decree published in the official "moniteur de la République" for each lease. Corporations also have the option to lease from private owners or to buy land. However, foreign-owned companies are not allowed to mortgage leased or purchased land or use it as collateral. Improvements are needed to ease access and improve the quality of land-related information available to investors. Records remain scattered, paper-based, and difficult to access.

## Internet Connectivity

Though considerable progress has been made in improving cellular phone coverage, telecom connectivity remains a challenge for many businesses. Consistent access to high-speed internet service is extremely uneven. Technology-dependent companies can and have succeeded in Haiti, but they have done so with a willingness to accept higher costs of entry and lower initial returns. Private sector investors must be prepared to build their own infrastructure where necessary and endure significant interruptions of service. Local partners are often essential in helping new investors adapt existing business models to the Haitian environment.

## Yunus & You Haiti (YY Haiti) – Social Business

YY Haiti – an initiative of the Grameen Creative Lab, the Yunus Centre, and SAP AG – intends to create the infrastructure and provide the skills needed for social businesses in Haiti. According to Nobel Peace Laureate Muhammad Yunus, social businesses are non-loss, non-dividend companies with a social goal.

YY Haiti is a fund investing in social businesses in Haiti and also providing appropriate business training. YY Haiti functions as a self-sustainable social business that is financed through the management fees earned from the social businesses in which it invests. Once the social businesses have returned their initial investment, the fund re-invests this money into new social businesses. YY Haiti is run by Haitian professionals of the Grameen Creative Lab (Haiti).

YY Haiti focuses on long-term, self-sustainable projects for Haiti's development rather than immediate emergency relief. Its aim is to gear the Haitian economy towards greater economic independence and thus relieve the most pressing needs of Haitian society.

Initial social business investments include a cocoa processing plant and an eco-hotel in Cap Haitien. Another 14 social businesses are currently in the due diligence process. All potential social businesses are assessed according to their social impact, financial sustainability, and the strength of their respective management teams and business partners.

Apart from setting up small- and medium-sized Haitian social businesses, YY Haiti is exploring potential social business joint ventures with a number of international private-sector partners, along the lines of the successful Grameen Danone joint venture in Bangladesh.

## Access to Finance

Access to banking credit was limited even before the earthquake of January 2010. Lending was restricted to only 11,000 borrowers, and banking credit represented only 12.5% of GDP, compared with an average of 35% in the Latin America and Caribbean region. The market contained considerable liquidity, but this liquidity did not flow to private investors. Banks were reluctant to lend for reasons ranging from land titling problems to absence of a working credit registry. In addition, access to banking services in rural areas was even more limited. Micro-finance institutions provided capital to a wider range of the population – 110,000 people in 2009 – but offered limited lending capacity averaging US\$ 364 per borrower.

Despite these challenges, the situation of Haiti's financial sector was considered sound prior to the earthquake, and commercial banks were generally well managed. Non-performing loans stood at 8.6% in December 2009, though performance varied widely between institutions. Human and material losses caused by the earthquake were vast, but banks managed to reopen after only nine days and have written off a considerable number of loans following the disaster.

Since January 2010, the environment for lending has deteriorated, as the earthquake destroyed borrowers' collateral and diminished repayment capacities. Lending has decreased significantly, which greatly impairs economic growth and despite good efforts more is needed to generalize access to finance along the lines of the Partial Credit Guarantee Program and Social Investment Fund mentioned in Chapter 1.

## Insurance

Haiti's insurance sector is very small: it serves only an estimated 0.3% of the population, versus 1.5% in the Dominican Republic. Less than 2% of the population has access to health insurance, and the vast majorities of families lack access to appropriate insurance for their homes, property, and lives. The lack of safety net for Haitian families undercuts the productivity of the workforce and impedes development of the private sector.

Strengthening insurance coverage will be critical to attracting the private sector. The industry has been well reinsured, but still had to bear losses estimated at around US\$ 30 million as a result of the earthquake. Inadequate regulation has forced insurers to self-regulate in order to allow the industry to cope with coups, riots, and other perils over the past few decades. In 2011, the World Bank will provide support to the government of Haiti to reform insurance legislation.

While progress has been made with innovative micro-insurance programmes, greater activity in the insurance sector can give investors the confidence to take manageable risks. From natural disasters to poor harvests, the risks facing the Haitian private sector are substantial, and insurance is needed to allow firms to manage those risks.

## Catastrophic Micro-insurance

The millions of small-scale traders who make up the informal sector in Haiti are particularly vulnerable to natural disasters. To address this challenge, Swiss Re, one of the world's largest reinsurers, has formed a partnership with Caribbean Risk Managers Limited, Guy Carpenter Micro Risk Solutions, and Haiti's largest microfinance institution, *Fonkoze*, to design a micro-insurance scheme for catastrophes in Haiti. The project will allow highly vulnerable Haitians to protect themselves from natural disasters at reasonable cost.

Previous efforts to establish micro-insurance schemes have struggled to find a model that meets the needs of the low-income clients, while remaining attractive to international reinsurers. The new initiative overcomes this problem by using parametric indicators to quickly identify disaster-affected zones and creating a capital fund to cover severe losses outside the parametric zones. Institutions such as the IDB, the UK Department for International Development, and Mercy Corps will provide capital for this fund to establish a structured, targeted mechanism that can deliver relief rapidly. This mechanism also offsets the need to generate ad hoc responses to each disaster.

Clients of microfinance institutions will be the primary beneficiaries of this micro-insurance. In the event of a natural disaster, the insurance will provide for a lump-sum payout directly to affected clients, as well as the repayment of the client's loan – thus protecting the client through both short- and medium-term economic assistance. Starting in early 2011, Fonkoze will be the first partner to offer the product to its 45,000 credit clients.

# Conclusion

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The private sector possesses tremendous potential to improve the situation in Haiti. Despite clear challenges profitable investment opportunities exist today in Haiti, and increased private sector engagement now will create further investment opportunities in the future. These possibilities range from traditional business investments in sectors such as construction, garment manufacturing, and agribusiness, to new models that prioritize social impact over profit-maximization but are financially sustainable. The long-term economic vitality of Haiti depends on the engagement of a range of stakeholders, and the private sector is an essential contributor to this development. We encourage interested parties to contribute to Haiti's sustained economic development.

For further information and additional resources about investing in Haiti please visit [www.weforum.org/haiti](http://www.weforum.org/haiti).





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