



**Groupe de Travail sur la
Compétitivité**

**SHARED VISION FOR
AN INCLUSIVE AND PROSPEROUS HAITI**

EXECUTIVE SUMMARY

**PRESIDENTIAL COMMISSION ON COMPETITIVENESS –
GROUPE DE TRAVAIL SUR LA COMPETITIVITE (GC)**



**WITH THE FACILITATION OF:
OTF GROUP**

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Haiti – Unrealized Potential

Since independence, the goal of all Haitians has been to seek freedom and survival, essentially to live free or die. Over the years, this goal has bred in Haitians a mentality of independence and rejection of authority. However, the economic crisis of the past twenty to thirty years has challenged the very core of this Haitian mentality, increasingly placing Haiti in a situation of dependence on the international community and donor aid.

Since the establishment of the colony of St. Domingue in 1492, Haiti's economic model has not benefited the masses. First it was settlers, and then the ruling class who exploited the economy, maximizing their personal gain while neglecting the poor. Today, Haiti is still feeling the ripple effects of this economic model.

GDP per capita was US \$405 in 2006, representing a drop of nearly 50% from 1981 levels. During the second half of the century, economic progress has been elusive for Haiti, resulting in the stagnation of levels of prosperity for the average Haitian, as well as widespread social tension.

Haiti Imprisoned in a Survival Cycle

The volume of reports and analyses addressing how Haiti could and should develop its economy is staggering. The plethora of such plans and strategies suggests the apparent inability of key economic actors to actually implement recommendations that are based on solid analysis and insight. Based on our consultations with stakeholders, five patterns emerge that contribute to this paralysis:

1. *Consensus building that slows decision making & implementation.* Despite the importance of consensus, absolute consensus building can slow implementation of strategies and plans. As in many other countries, this phenomenon is present in Haiti. To advance beyond this trap, it will be important to encourage a culture of compromise on acceptable consensus, not perfect consensus. It is also critical to promote a culture of action and results.
2. *Deep mistrust among various actors.* Over the past 200 years, a culture of deep mistrust and enmity has been created between the elite and the masses, the government and the private sector in Haiti, and the respective roles of each party in fostering economic growth.
3. *Limited coordination and focus.* The senior leadership of Haiti is extremely impressive in terms of its education, training and skills compared to other countries in its development bracket. What is missing is an "esprit de corps" where these leaders work together to achieve a common purpose. This phenomenon was alternately described as "a team of Ronaldo's with no coach" or "an orchestra without a conductor".
4. *Atmosphere of pessimism and fatigue.* Although our overall experience in Haiti was excellent, we often felt that the core leadership team was physically and emotionally tired and pessimistic about Haiti's prospects.
5. *Focus on the tip of the iceberg of Haiti's private sector.* Haiti's formal private sector is small, leading to an over-reliance on a small number of firms to create jobs and serve as the country's tax base. The private sector must be redefined more broadly, nurture

entrepreneurs, and encourage firms to formalize in order to deepen the country's tax base and spread the benefits of improvement in the country's business environment.

Haiti is trapped in a Survival Cycle. The combination of these factors creates in Haiti what is referred to as a "Survival Cycle" where a country 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 break the Survival Cycle.

Figure 1—The Survival Cycle



Moving towards an economic model based on competitiveness

A nation's standard of living is determined by its productivity, or in other words, how well its citizens work together to create value for foreign customers, and for one another. Professor Paul Krugman of MIT spoke for all economists when he wrote: "the growth in a nation's standard of living equals the growth of the nation's productivity—period." The question therefore remains, *how can firms and nations improve productivity and become more competitive?*

Today, the most successful nations are those that create wealth through the exportation of complex products and services constructed by highly skilled individuals. Adopting this type of economic model requires that a nation's leaders catalyze a "change in the mind of the nation," in regards to the value of its workforce, its companies, and its vision for the future. Mass production, as an example, is a theory that drives the routine decisions of societies mired in comparative advantage thinking. Innovative nations are replacing these concepts, and using new thinking to retrain and fundamentally reeducate their people. Our experience has taught us that both industry and government must play a part in the process of building competitiveness. Firms must invest, reconfigure themselves, and narrow or diversify product lines based on market knowledge. Government must take steps to develop institutions, regulations and specialized infrastructure that enhance the competitive advantages of home-based firms.

SVP methodology and preliminary results

The GC is employing a three-pronged to achieve its mandate: *Analysis, Action and Attitudes*.

The *Analysis* component of the Shared Vision Process, which has been ongoing since March 2009, has focused on a) review of available reports and studies of Haiti; b) a survey of 752 Haitian public and private sector leaders to evaluate business environment challenges and attitudes, and c) the identification and selection of Haiti’s priority clusters for the re-launch of Haiti’s economy.

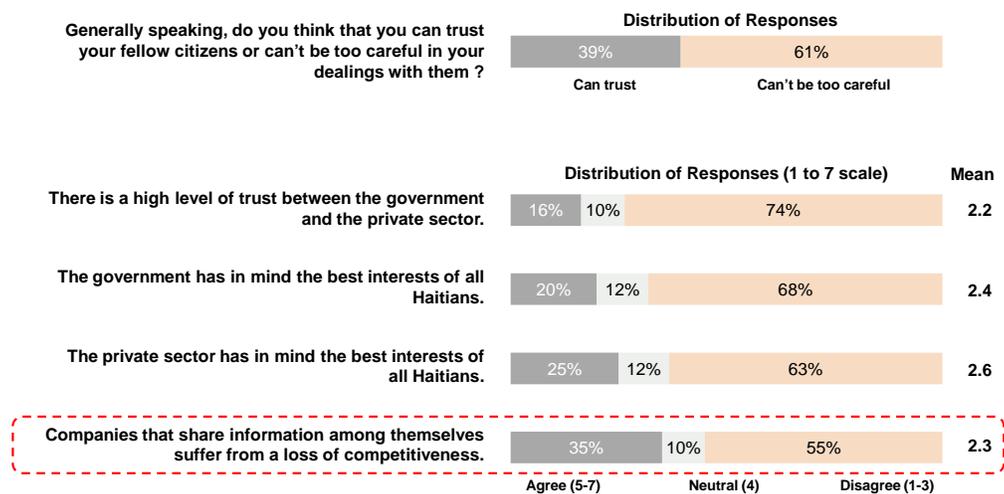
The *Action* component of the Shared Vision Process attempts to break Haiti’s economic development inertia through the implementation of high-impact actions, or “quick wins”. One such example of a quick win involves reducing the time it takes to start a business through the simplification of Haiti’s administrative filing procedures.

“In my opinion, Haiti will not change unless all Haitians can unite”
- Private Sector, Cap Haïtien

The *Attitudes* component of the Shared Vision Process seeks to address *mindset obstacles* to competitiveness. Mindsets impact culture, and culture impacts mindsets. In the ongoing attitudes component of the Shared Vision Process, the GC seeks to create a culture of innovation and competitiveness in Haiti.

A national survey of 752 Haitian leaders. In May 2009, OTF Group facilitated the implementation of a representative national survey for the GC, targeting all segments of Haitian society, and a diverse geographical base of respondents. Key learnings emerged from the survey, which have subsequently been discussed in broad consultations with key stakeholder groups.

Figure 2 – Lack of trust among the various factions of society

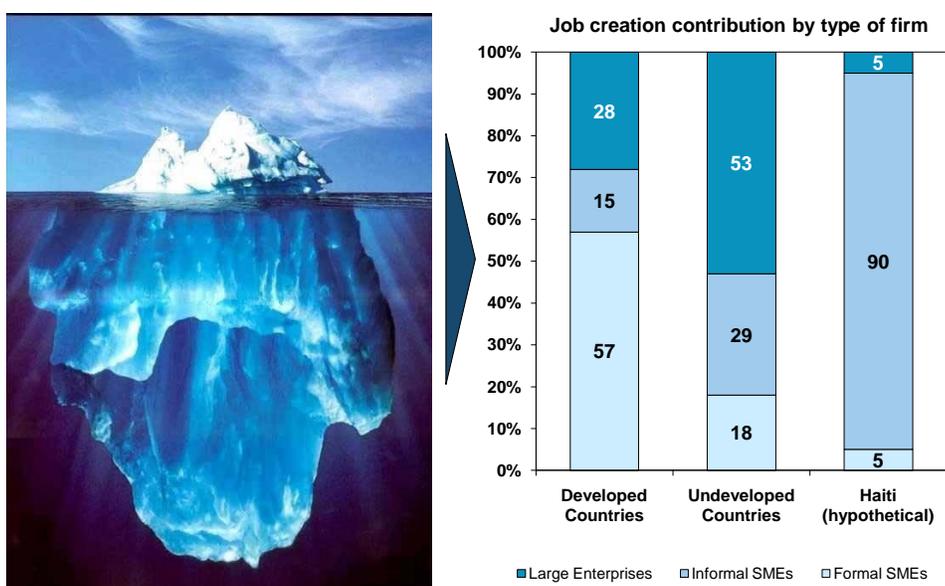


Trust is low, especially between the public and private sectors. A majority of respondents identified lack of trust as a central theme in Haiti, with only 16% of respondents saying that there is trust between the government and the private sector. This represents a major constraint to the articulation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

Four segments of opinion exist in Haiti vis-à-vis competitiveness. 30% of leaders surveyed want to see an immediate change, 32% are cautious followers and say they favor maintaining the status quo, 30% favor a comparative advantage based on cheap labor and low costs. Only 7% of respondents see the need to develop a competitive advantage based on innovation and productivity. The very existence of these four different mindsets points to the need for consensus building around competitiveness.

Haiti's private sector is just the tip of the iceberg. The vast majority, probably 95%, of businesses in the Haiti of today are informal enterprises. An element of the competitiveness agenda in Haiti must be the progressive formalization of micro, small and medium enterprises to transform the structure of employment and the country's tax base.

Figure 3 - The Iceberg of the Haitian Private Sector



Source: SMEs Across the Globe, Ayyagarri, Beck, Dimurguc, World Bank, 2003; Formal SMEs have between 3-100 employees and pay all applicable taxes and hold relevant licences. Large firms are those with >100 employees. © 2007 - OTF Group

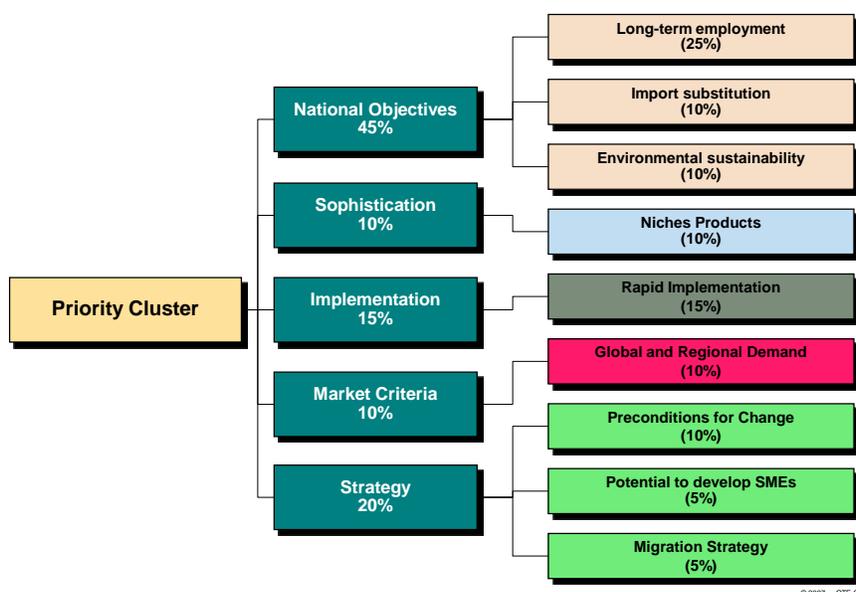
Poor perception of the private sector. For the majority of stakeholders in Haiti, the country's private sector is defined mainly by a few large companies. This analysis is problematic on two levels. First, it ignores the key role played by small and medium enterprises as an engine of innovation, job creation and as a tax base. On the other hand, 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, not society as a whole.

The criteria for the selection of Haiti's growth clusters are based Haiti's national and economic development objectives, as articulated by the GC and key stakeholders. Beyond job creation, the process of prioritization is also designed to assemble a diversified portfolio of sectors by balancing the choice of sectors among agriculture, industry and services. This approach allows to better distribute the impact of the SVP to create jobs and wealth for different regions and sections of population (rural and urban, young and old, among others).

These assessments are based on rigorous analytical criteria defined by the GC. Based on a survey of members of the GC and the national survey, the following criteria (more than 50% of members consider them priorities) are key elements of the vision: Creating jobs and economic impact in the short term. Other factors such as import substitution and a migration strategy for added value are also important.

Job creation, in the broadest sense meaning creation, preservation or improvement of employment in the form of higher incomes is the most important criteria for all stakeholders. Based on numerous reports for the impact of employment, the GC screened the clusters to go from the "long list" of 46 to 15 clusters that deserved further study. These clusters were subjected to strategic analysis to arrive at the final short-list that is included in the shared vision in the next section.

Figure 4 – Cluster Prioritization Criteria



A Shared Vision for Haiti – Opportunity for the Majority

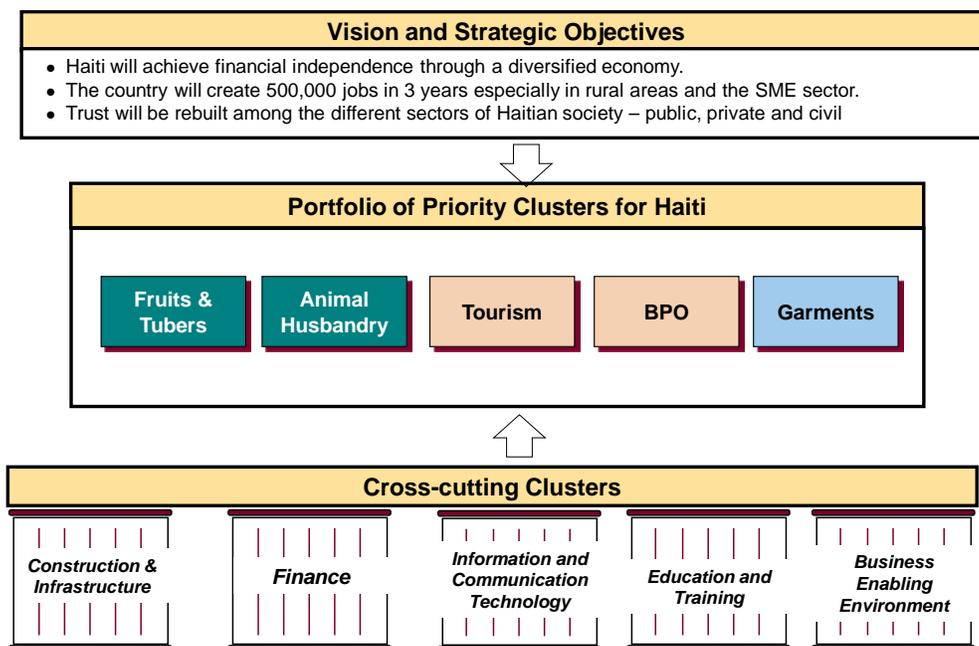
"Haiti creates opportunities for the majority of Haitians through a competitive, sustainable and diversified economy. Jobs, income and entrepreneurship are the cornerstone of the modernization of the economy. Haiti will rebuild its economy through the union of the entire society and genuine integration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

The vision focuses on three strategic goals, five priority clusters and five cross-cutting clusters. The vision 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. The first aspect highlighted in the vision is the idea of 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.

In the short term, the vision includes the creation of at least 500.000 jobs in three years through five clusters of growth. Fully aware that the vision for Haiti will be achieved at best in the medium term, the GC has articulated a framework in the short term to promote Quick Wins to jumpstart Haiti’s competitiveness agenda. This framework will also focus the energies of all the players around the vision and create a real dynamic for change.

Figure 5— Strategic Framework for the Shared Vision



Implementation of the vision – a competitiveness partnership

A new institutional framework for competitiveness is needed in Haiti. To promote the development of competitiveness requires that two inter-related elements are operate simultaneously: first, ensure that policies for private investment (the "business environment") are developed, while at the same time the provision of direct support to the private sector (at the firm-level) to equip it with physical and social capital required to design and build great products and services. While development theory oscillates between two points, the emerging consensus is that both aspects are important and that each part taken separately is not enough. Only by addressing both can real and sustainable development of competitiveness can be accomplished. The competitiveness approach emphasizes the responsibility of the private sector for leadership in economic growth and demands that government create the environment to enable firms to compete and win.

The implementation of the shared vision should be achieved by communicating the vision and ensuring ownership by key stakeholders. In addition to the analysis conducted by the GC and OTF Group, the shared vision process entered into an intensive phase of communication and validation by various stakeholders to ensure ownership and a mass mobilization around the vision.

A critical component of competitiveness lies in the flexibility of thinking and creating an "entrepreneurial culture" at the national level. Based on data and analysis of the national survey, the GC will develop and implement a communications campaign to change the mindsets of all segments of society, from rural people to the political and business elites. Even if a few key messages are disseminated throughout the country, the method of spreading the message may take various forms such as private meetings, radio or seminars. Other elements of the communication campaign will be linked to OTF Group's Pioneers of Prosperity program and other competitions and activities that will mobilize all Haitians in the process of "mindset change" vis-a-vis the role of private sector in development.

Conclusion

After decades of economic decline, Haiti is at a crucial crossroads in its history. Political stability and an international community that is concerned with the fate of the country provide the President of Haiti with the luxury and possibly the resources to plan the future of a competitive and prosperous Haiti. At the same time, the plight of millions of Haitians requires immediate results and that timely action be taken.

<p><i>"Haiti can change in 10 years only if the public & private sectors work together. - Government employee, Port-au-Prince</i></p>

Although concerned with a sustainable economy, Haitians are in need of immediate results. The GC has translated these aspirations into a vision with three major components. First, the creation of 500,000 jobs in 3 years through a portfolio of growth clusters that focus on both national production and exports. Then, create jobs across the nation especially in rural areas and the SME and micro-enterprise sector. Finally, the definition of the private sector should be expanded to include SMEs while at the same time clarifying the role of government as a facilitator.

Competitiveness is a marathon. Effective implementation of these strategies will require collaboration between government, private sector and civil society. To achieve this collaboration, the GC proposes the establishment of a permanent National Competitiveness Council which will unite all sectors of society to address the competitiveness challenges of the country and strengthen the high level of trust between the public and private sectors.