

A Strategy for Haitian Prosperity

Presentation

Professor Michael E. Porter
Harvard Business School

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This presentation draws on ideas from Professor Porter's books and articles, in particular, *Competitive Strategy* (*The Free Press*, 1980); *Competitive Advantage* (*The Free Press*, 1985); "What is Strategy?" (*Harvard Business Review*, Nov/Dec 1996); *On Competition* (*Harvard Business Review*, 2008); and "Creating Shared Value" (*Harvard Business Review*, Jan 2011). No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Michael E. Porter. For further materials, see the website of the Institute for Strategy and Competitiveness, www.isc.hbs.edu, and FSG website, www.fsg.org.

Agenda

1. Introduction

2. Haiti's Economic Performance

3. The Competitiveness Framework

4. Haiti's Competitive Position

5. Recommendations

6. Towards an Overall Economic Strategy for Haiti

7. Moving to Action

It is time for Haiti's turnaround

- Haiti has weathered **severe natural disasters**, and many donors and international agencies have contributed much needed resources
- There have been many **past efforts** to improve conditions in Haiti over the years, including numerous plans though few have been **implemented**
- It is time for Haiti to take **control of its future**
 - An **objective assessment** of Haiti's competitiveness is needed to create a foundation for an effective action
- Haiti needs to put in place an **overall strategy** that will guide all stakeholders, and engage citizens
- Haitian citizens need to **come together**, put politics aside, and build trust in each other to move the country forward
- Haiti has the potential to be transformed if the country can work **strategically** and **collaboratively** across groups and with neighbors in the region



This presentation is just the **beginning**, not the end

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Performance of Haitian Economy

- Haiti is a **low income country** with challenging constraints and a **challenging history**

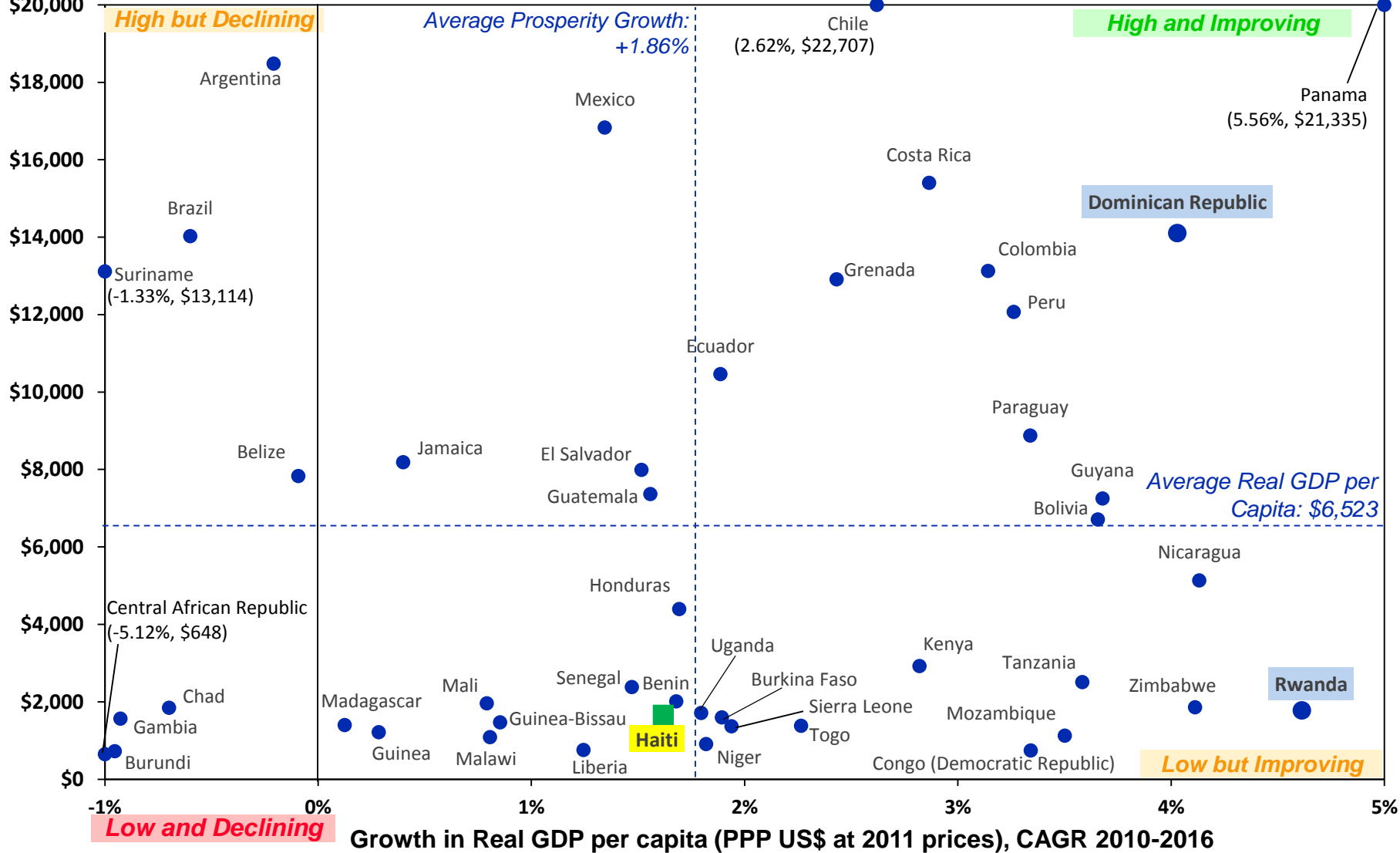


- Haiti can achieve higher rates of **economic growth** and **rising prosperity**, but only if it improves its **competitiveness**
- Success will require a **coherent strategy** that leverages the country's **strengths**
- Haiti has numerous **weaknesses** to overcome, and careful **prioritization** will be required to successfully address them
- **International assistance** can be a crucial asset, but must **support Haiti's strategy** rather than reflect donor priorities
- The **Haitian people** have been resilient and able to recover from very difficult circumstances. Building the capability and unleashing the **initiative of citizens** will be a condition for success

Prosperity Performance

Selected Low Income Countries

PPP-Adjusted Real
GDP per capita, 2016
\$20,000

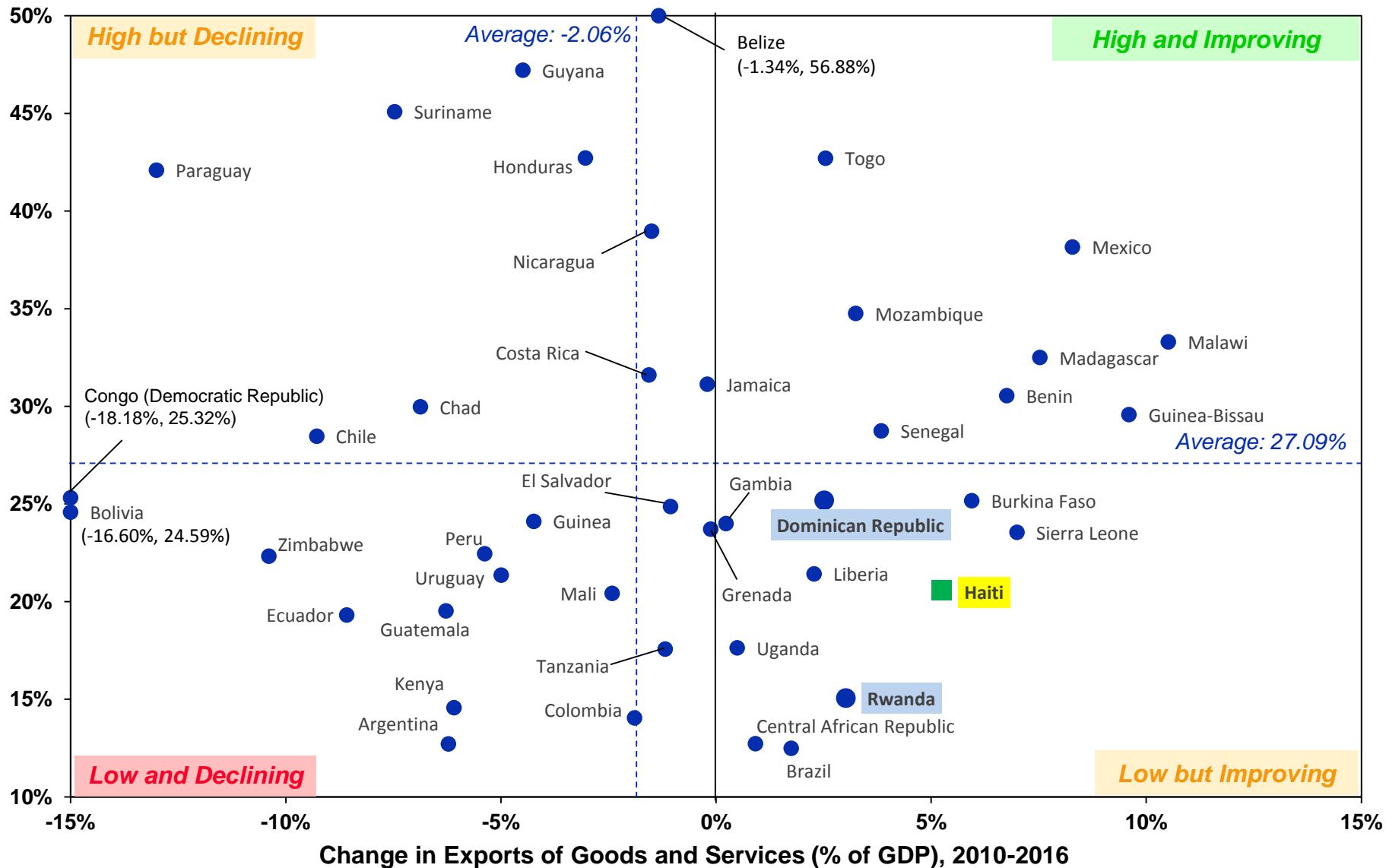


Note: Country set includes Latin America, Caribbean and low-income African countries. Source: World Bank
20170722—Haiti Competitiveness Overview

Export Performance

Selected Low Income Countries

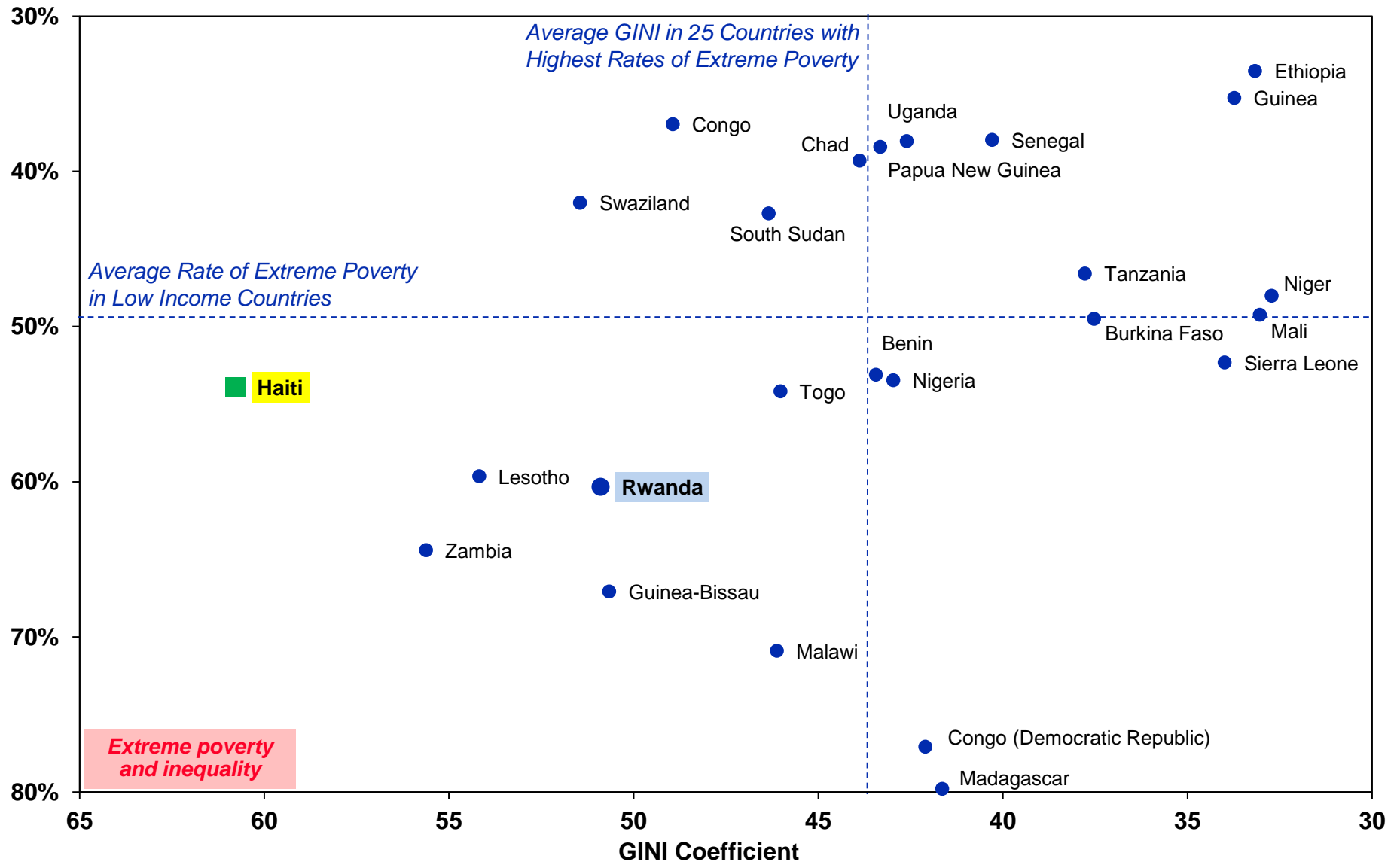
Exports of Goods and Services (% of GDP), 2016



Note: Country set includes Latin America, Caribbean and low-income African countries. Source: World Bank
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Extreme Poverty and Inequality

Percent of population below \$1.90 per day

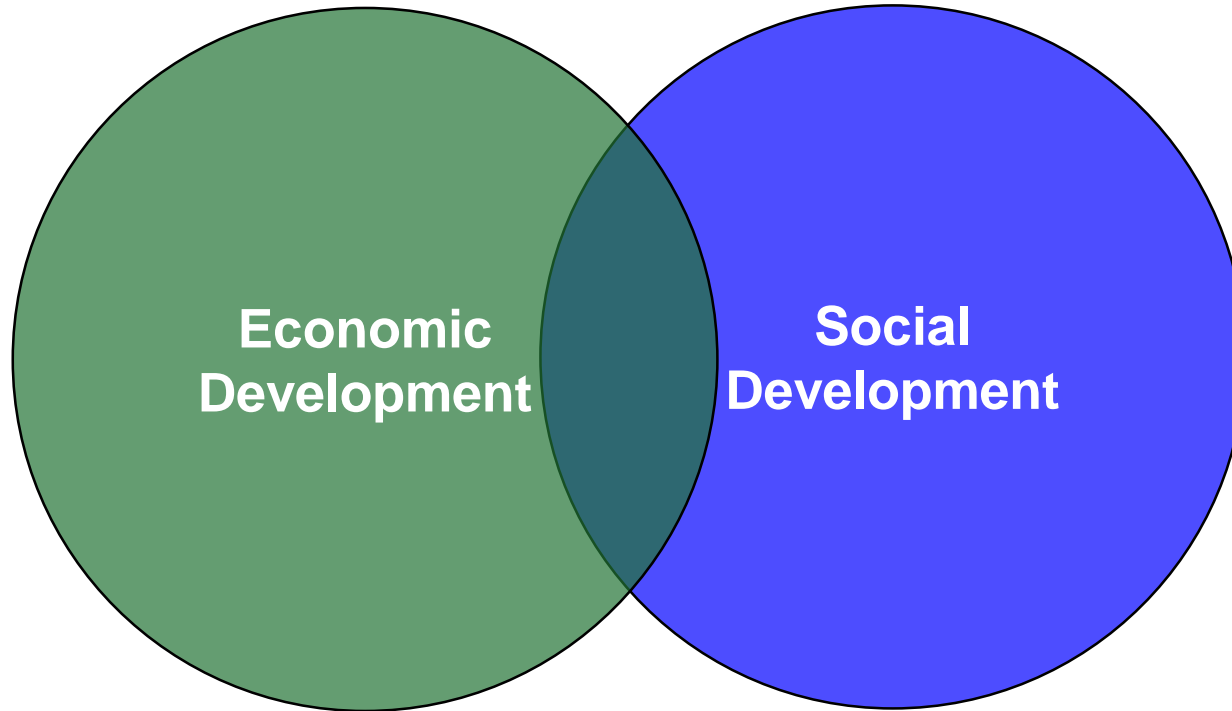


Source: World Bank WDI, Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population); average of available data 2010-2015

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The Dual Challenges of Development



- There is a powerful connection between **economic** and **social** development
- Improving competitiveness requires improving the economic and social context **simultaneously**

What is Competitiveness?

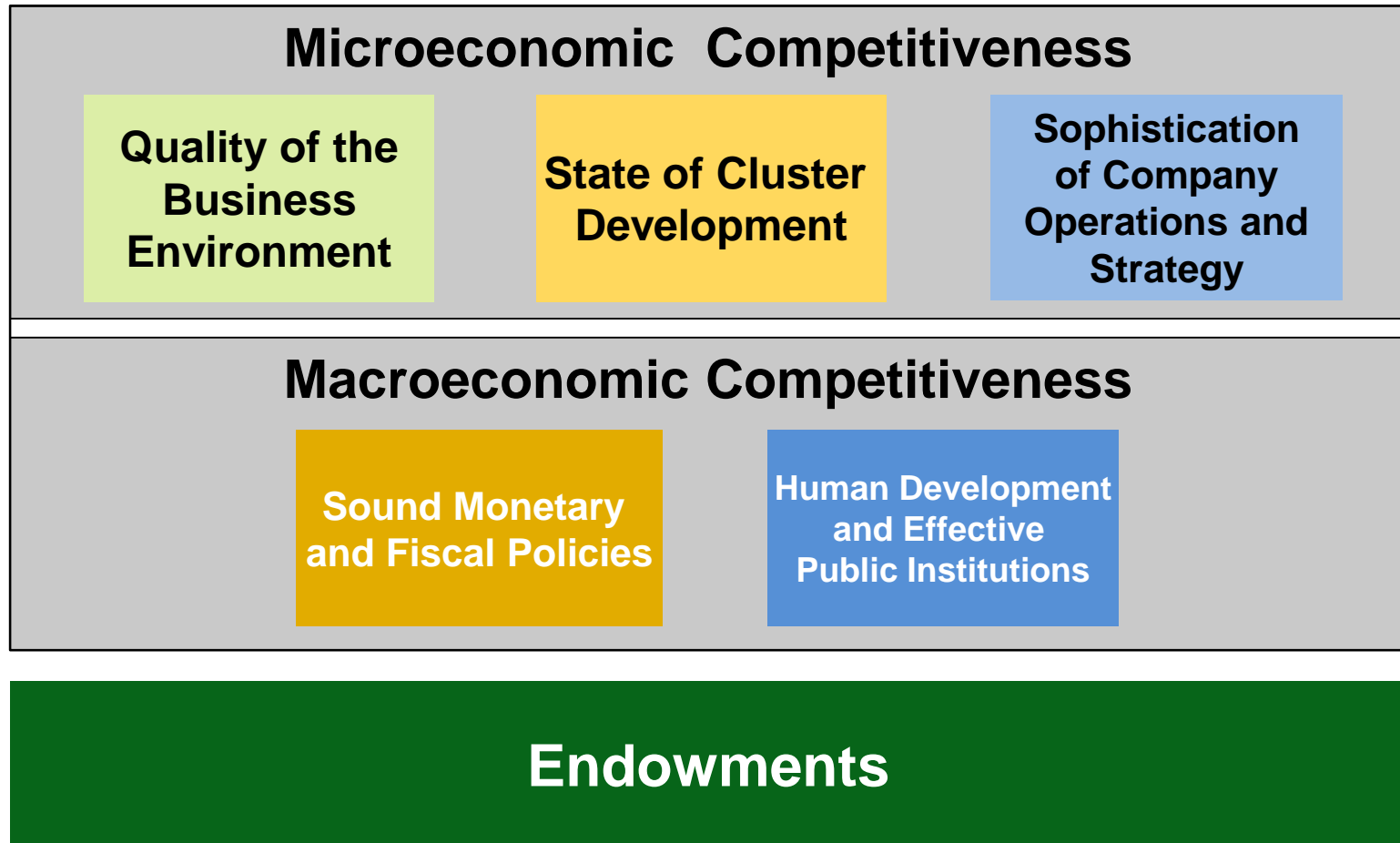
A nation or region is competitive to the extent that firms operating there are able to **compete successfully** in the national and global economy while maintaining or improving **wages and living standards** for the average citizen

- Competitiveness depends on the **long-run productivity** of a location as a place to do business
 - Productivity of **existing** firms and workers
 - Enabling **high participation** of citizens in the workforce
- Competitiveness is **not**:
 - Low wages
 - A weak currency
 - Jobs per se



- Successful economic development requires **improving competitiveness**

What Determines Competitiveness?



- Productivity ultimately depends on improving the **microeconomic capability** of the economy
- **Many things matter**; there is no silver bullet

What Determines Competitiveness?

Endowments

- Endowments, including **natural resources**, **geographical location**, **population**, and **land area**, create a foundation for prosperity, but true prosperity arises from **productivity in the use of endowments**

What Determines Competitiveness?

Sound Monetary and Fiscal Policies

- **Fiscal Policy:**
Public spending aligned with revenues over time
- **Monetary Policy:**
Interest rates, exchange rate, control of inflation
- **Economic Stabilization:** Avoiding structural imbalances and cyclical overheating

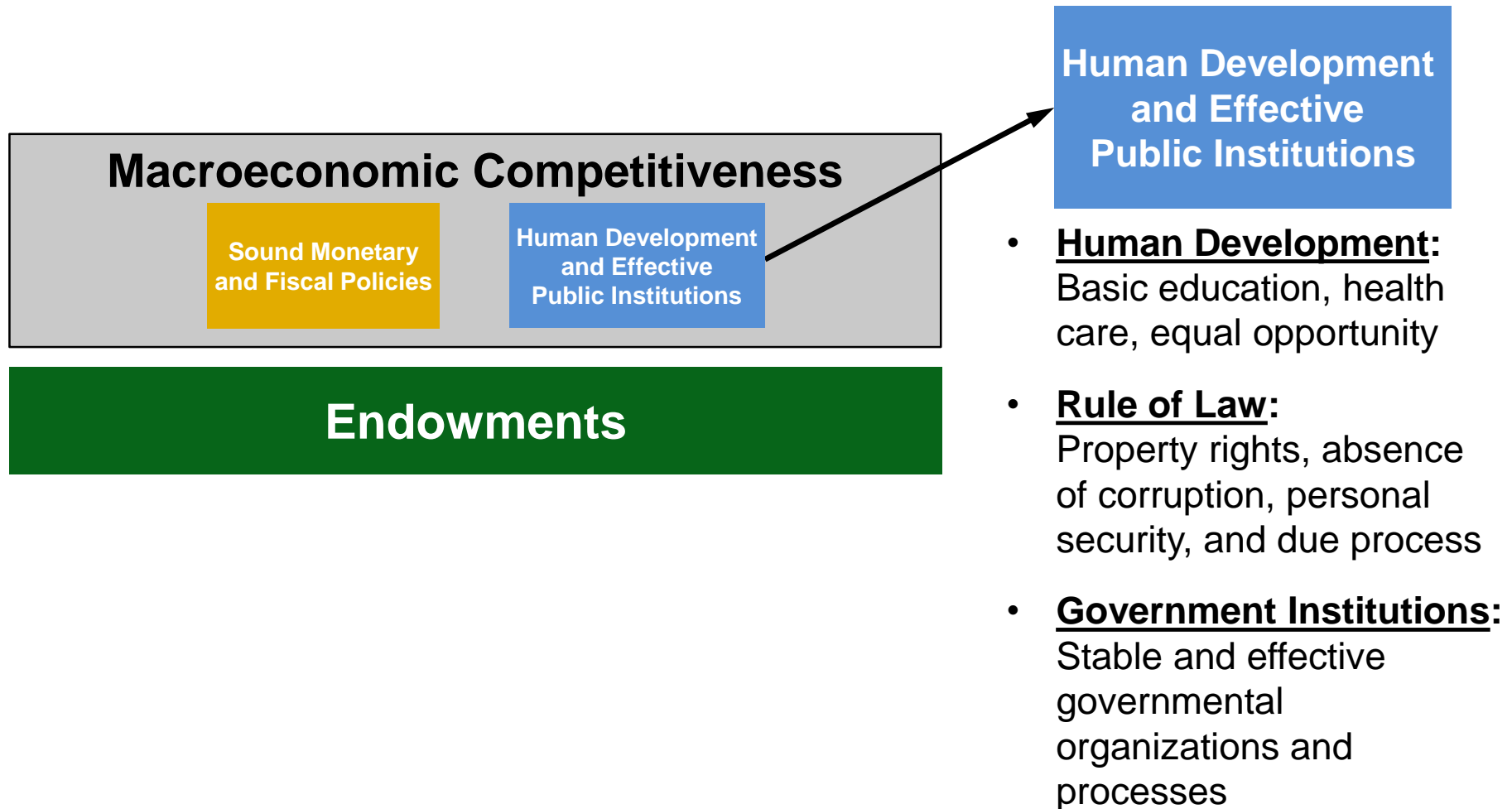
Macroeconomic Competitiveness

Sound Monetary and Fiscal Policies

Human Development and Effective Public Institutions

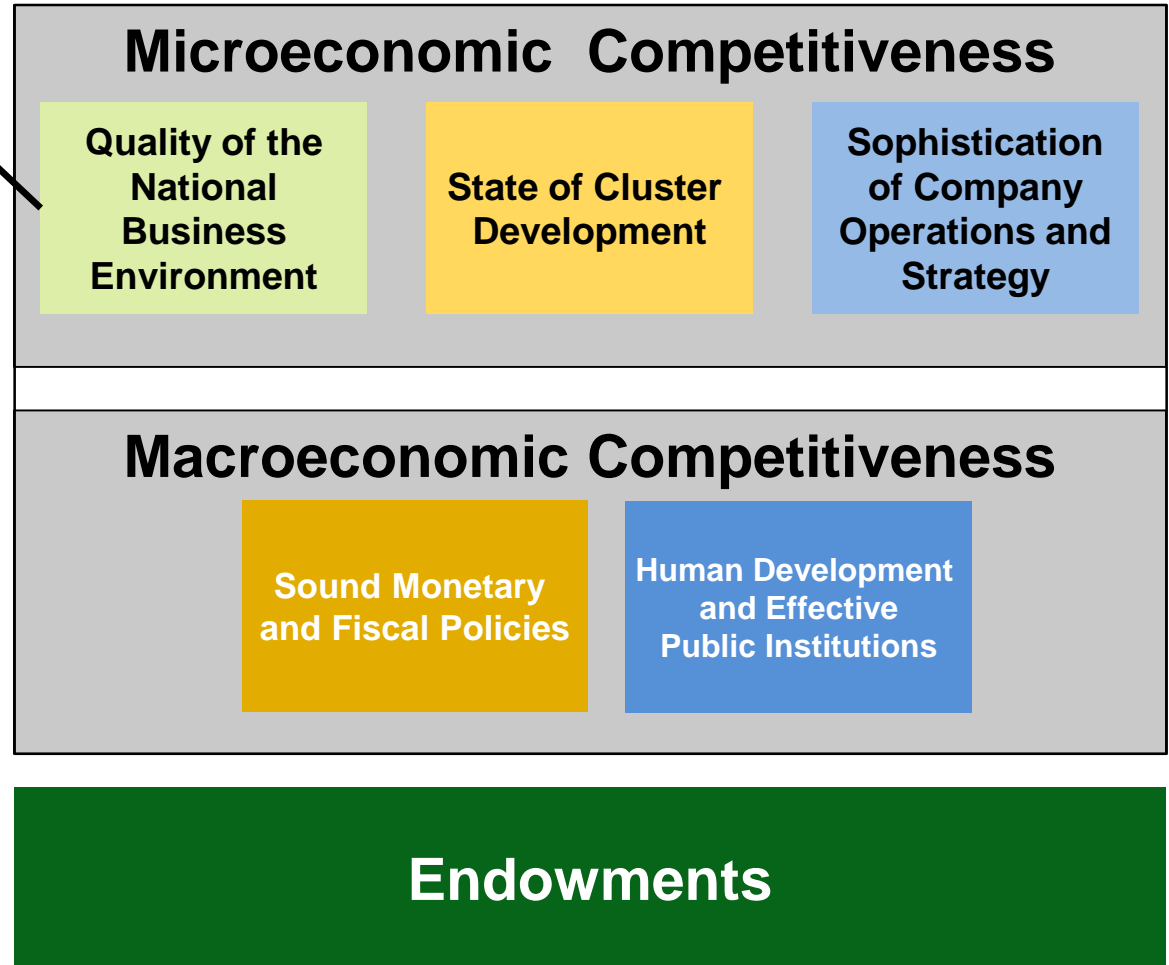
Endowments

What Determines Competitiveness?



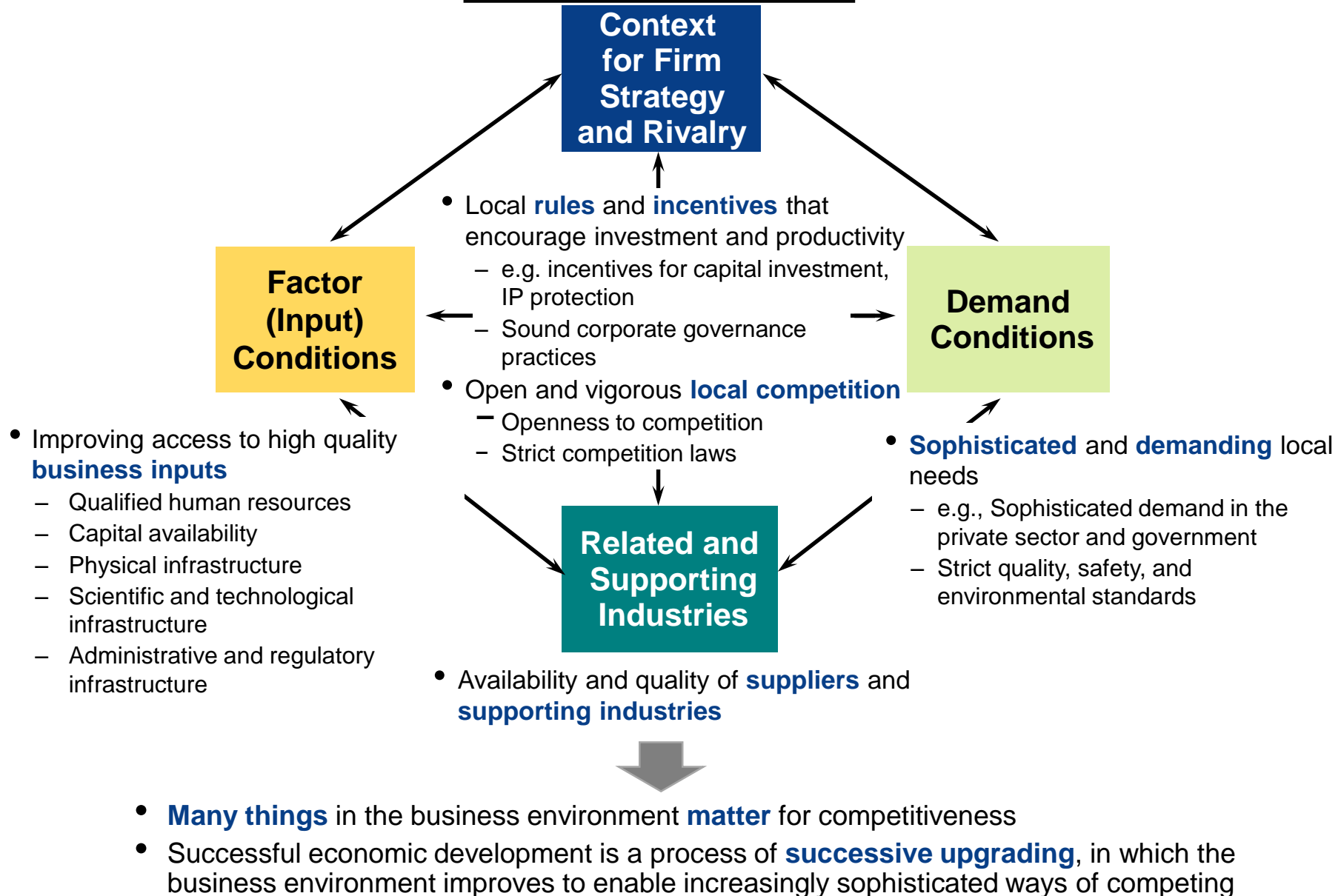
What Determines Competitiveness?

The quality of the business environment that supports company productivity, innovation, and growth

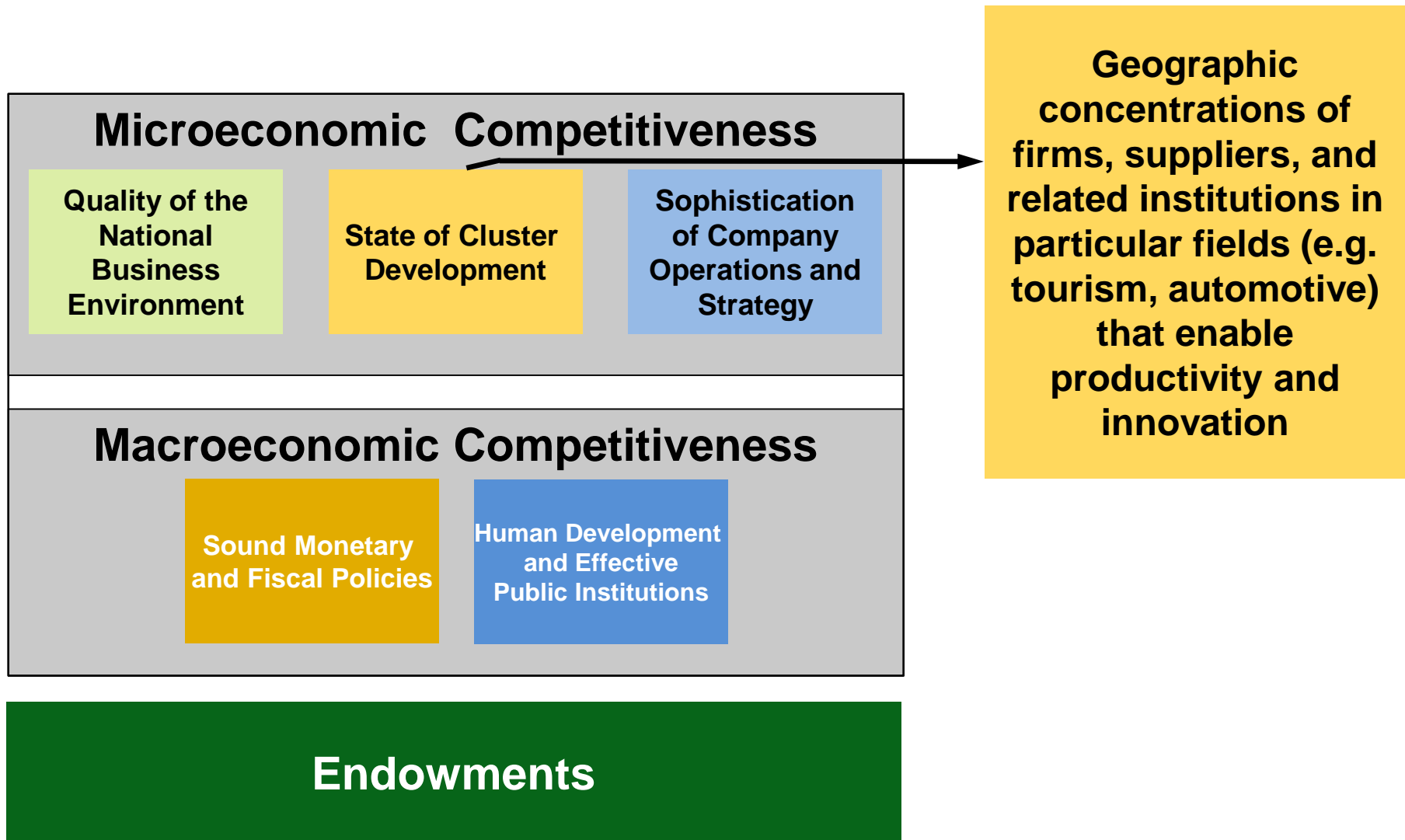


Improving the Quality of the Business Environment

The Diamond Model



What Determines Competitiveness?



What is a Cluster?

A geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities (external economies)

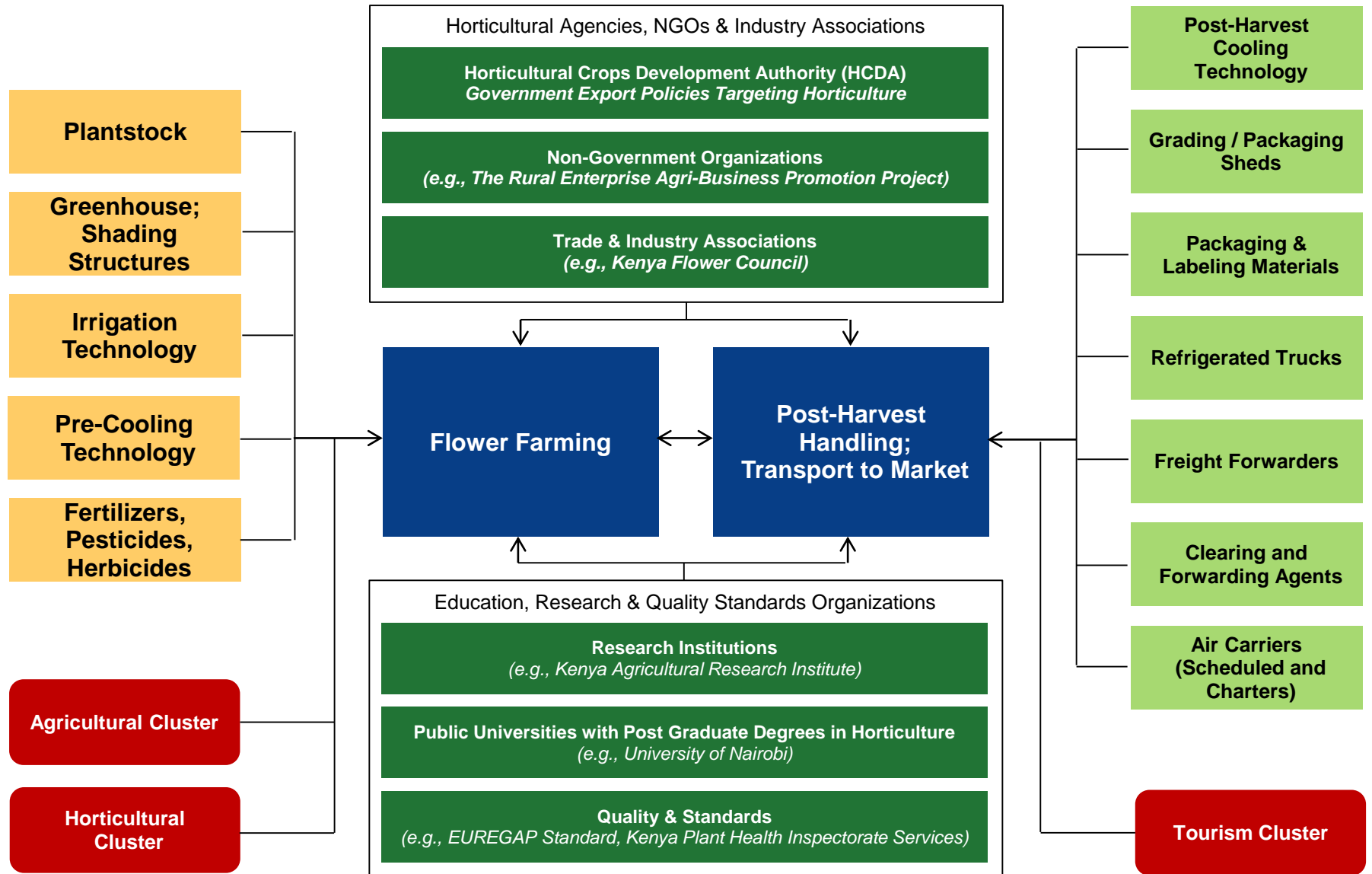
- End product industry or industries
- Downstream or channel industries
- Specialized suppliers
- Related service providers
- Related industries: those with important shared activities, skills, technologies, common channels, or common customers
- Supporting Institutions: financial, training and standard setting organizations, research institutions, and trade associations



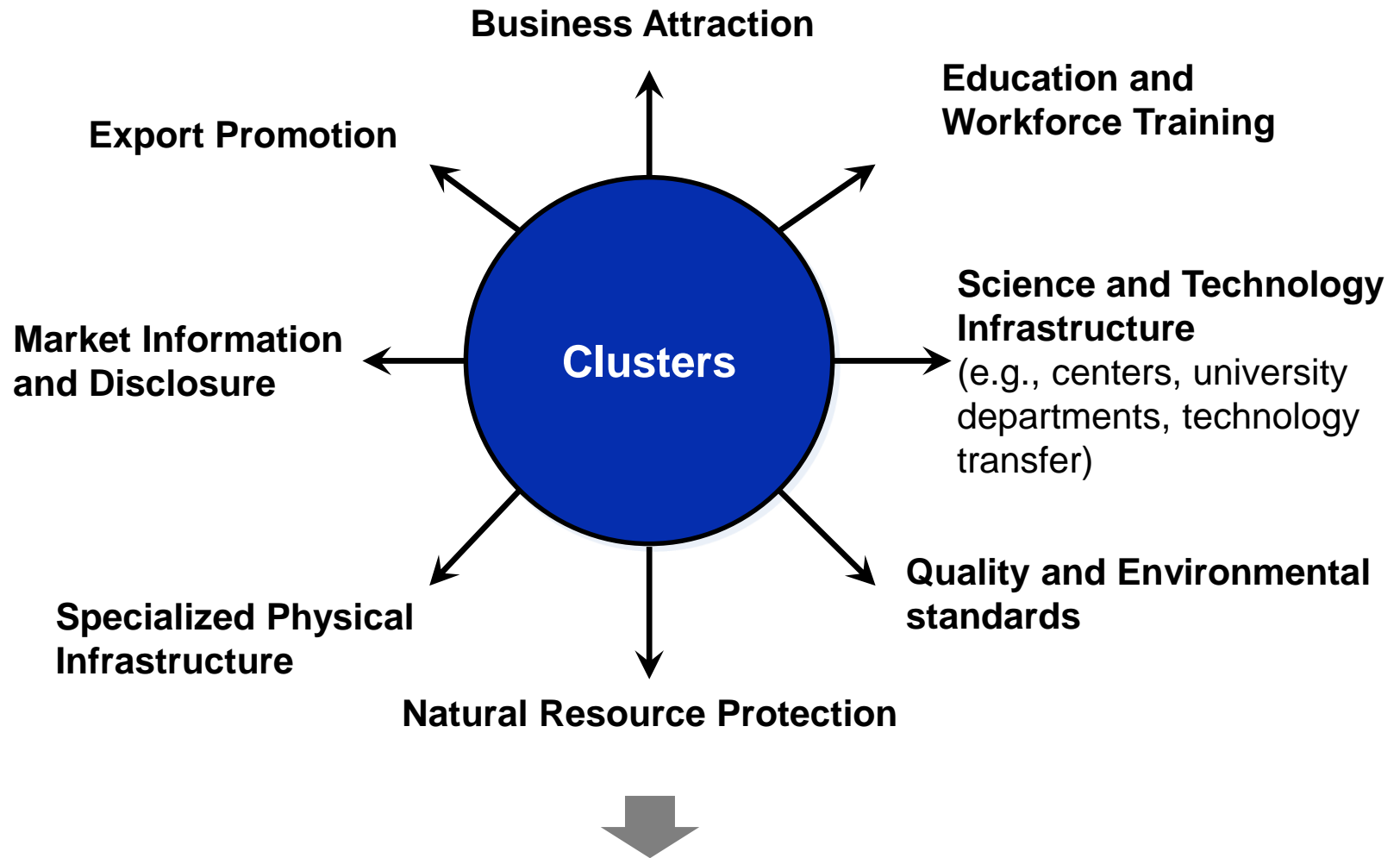
- Clusters vs. industries
- Clusters vs. sectors

Clusters in Developing Countries

Cut Flower Cluster in Kenya

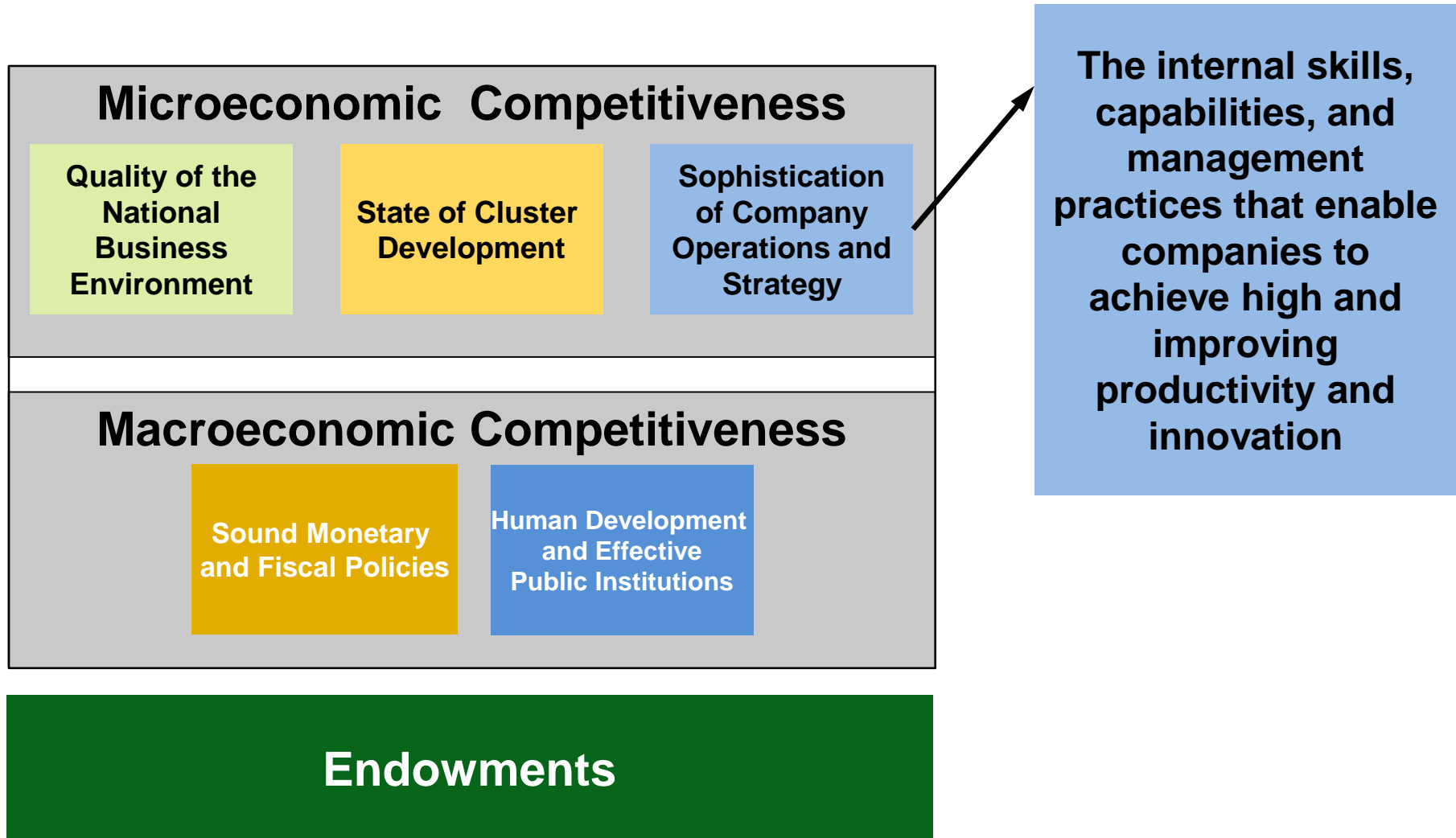


Organize Public Policy around Clusters

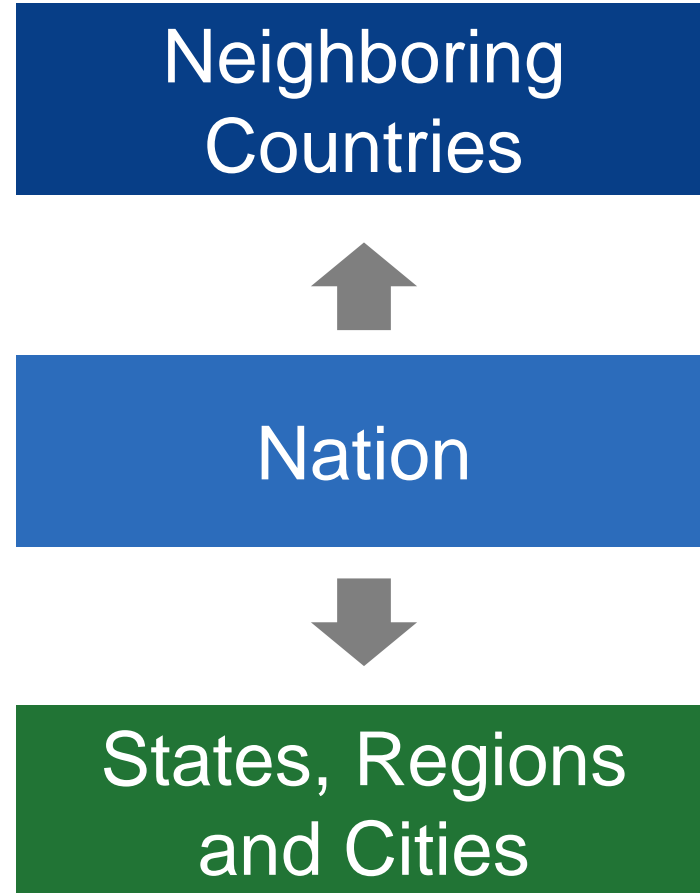


- Clusters provide a framework for **organizing the implementation** of many public policies and public investments directed at economic development to make them more effective

What Determines Competitiveness?



Geographic Influences on Competitiveness



- Policies and circumstances at **multiple levels of geography** affect competition


The Role of Sub-National Regions in Economic Development

- Economic performance **varies significantly** across sub-national regions (e.g., provinces, states, metropolitan areas)
- Many essential levers of competitiveness reside at the **state, provincial or departmental level**
- States and provinces **specialize** in different sets of clusters
- A state or province cluster portfolio and strength directly impacts not only performance but the **path of regional development**



- Sub-national regions are a **critical unit** in competitiveness
- Each state or province needs its own distinctive **strategy and action agenda**
 - Business environment improvement
 - Cluster upgrading
 - Improving institutional effectiveness
- Economic development is enhanced if significant resources and policy responsibility are **decentralized** to the state or provincial level

Integration with Neighboring Countries Affects Competitiveness

- Open **trade** and **investment** among neighbors
 - Expands the **available** market for each country
 - A nation's **neighbors** are its most natural trading and investment partners
 - The natural **path of internationalization** for local firms is the neighborhood
 - Makes **each country** a more attractive location for investment
 - Achieve efficiencies through coordination of policy (e.g. border crossing), infrastructure (e.g. power grids and major highways) and other parts of the business environment
 - Synergies through coordinating **clusters that cross borders**
 - Gain greater clout through joint efforts in **international negotiations**
- 
- Commitments to neighbors and regional groups (e.g. The Caribbean Basin Initiative (CBI), CARICOM) help **overcome domestic political and economic barriers** to reform

The Need for an Economic Strategy

Policy Improvement

- Implementing **best practices** in each policy area



- There are a **huge number** of policy areas that matter
- No region or country can (or should try to) make **progress in all areas** simultaneously



Economic Strategy

- An overall agenda for creating a **more competitive** and **distinctive** position for the country or province/state, based on its **particular** circumstances

Towards a New Economic Development Model

- Focus on **competitiveness**, not on job creation per se
- **Data driven** and **fact based**, not political or based on wishful thinking
- Driven by an **overall strategy** rather than a list of actions
- **Builds on existing and potential strengths**, not just focused on reducing weaknesses
- **Cluster-based**, reflecting the powerful role of clusters in job creation, wages, and new business formation in today's global economy
- **Bottom-up and provincial department based**, not only top-down
- **Prioritized** and **sequenced**, not addressing all strengths and weaknesses equally
- Harnesses **collaboration across a wide range of actors and institutions**, including firms, educational institutions, and economic development organizations, not just government

Developing an Economic Strategy

National Value Proposition

- What is a **distinctive competitive position** for the nation given its location, legacy, existing strengths, and potential strengths?
 - What are its unique potential advantages as a business location?
 - For what types of business activities and clusters?
 - What roles can the nation play in the surrounding region?

Developing Unique Strengths

- What **elements of the business environment** can be unique strengths relative to peers/neighbors?
- What **existing and emerging clusters** can be upgraded?

Achieving and Maintaining Parity with Peers

- What **weaknesses** must be addressed to remove key constraints to competitiveness and achieve parity with peer locations?

- **Priorities** and **sequencing** are fundamental to successful economic development

The Process of Economic Development

Shifting Roles and Responsibilities

Old Model

- **Government** drives economic development through top down policy decisions, funding and incentives



New Model

- Economic development is a **collaborative process** involving government at multiple levels, local and foreign companies, industry associations, educational and research institutions, and **local communities** and **citizens**

- Competitiveness depends on both **top-down** and **bottom-up processes** in which many companies and institutions take responsibility
- Translating policy into **action** is decisive in determining success

Government Structure and Economic Development

- Competitiveness improvement requires **consistent and sustained** efforts across successive governments
 - Mechanisms are needed to improve **the continuity of policy** over time
 - Competitiveness is affected by **numerous government entities** and **levels** of government
 - **Multiple agencies and departments** have an influence on competitiveness
 - “**Economic**” agencies and “**social**” agencies are both involved
 - Multiple **levels** of government (nations, states, cities, etc.) affect the business environment
 - Intergovernmental relations with **neighboring countries** affect productivity
- **Coordinating structures** are needed to bring all the actors together around an integrated economic strategy and action agenda

The Private Sector's Role in Economic Development

- Inform government on the **needs of business** and the **key constraints** holding back company and cluster development
- Collaborate with other companies to improve competitiveness through **trade associations** and other mechanisms
- Work closely with local **educational** and **research institutions** to raise **quality** and **create specialized programs that address actual company and cluster needs**
- Nurture local **suppliers** and attract foreign suppliers
- **Participate actively** in national and provincial department level competitiveness initiatives
- Compete as companies through **shared value strategies** in which **businesses** address unmet social needs and challenges with a business model (e.g. low income housing, renewable energy)

Learnings from Rwanda's Strategy

- **Created a Shared National Strategy: Vision 2020**
 - Rwanda Vision 2020 set ambitious goals to build a “knowledge-based economy”
 - The President personally drove implementation
- **Zero Tolerance for Corruption**
 - Office of the Auditor General was created to audit government companies and payrolls
 - Public officials were required to declared wealth
 - The government actively investigating allegations of corruption
- **Diaspora**
 - Recruited skilled Rwandans living abroad to return and take key leadership positions in public service and in the economy
- **Cluster Based Approach**
 - Cluster development as a core approach, beginning with established clusters in coffee and tea
- **Rwandan Development Board as the Lead Development Institution**
 - Combined 8 overlapping government agencies involved in investment promotion, exports, tourism, privatization, IT promotion, SME development, and human resource development

Learnings from Rwanda's Strategy

- **Decentralized Responsibilities to the District Level**
 - Authority was delegated to leaders at the district level and down to the village level, including “performance contracts” on results
 - **Donor coordination**
 - All donor aid was coordinated the appropriate government agenda and not accepted unless it was aligned with the objectives of the government
 - Donor performance was discussed explicitly at the annual Development Partners meeting
 - **Numerous Community Based Initiatives**
 - Established local community based initiatives to engage citizens and create community responsibility
 - **Land Rights**
 - An Organic Land Law was passed to clarify land rights
 - All land was registered in a digital land administration information system, and linked to the mortgage registry to facilitate access to finance
- 
- Haitian leaders will benefit from visiting **Rwanda** to learn from these initiatives

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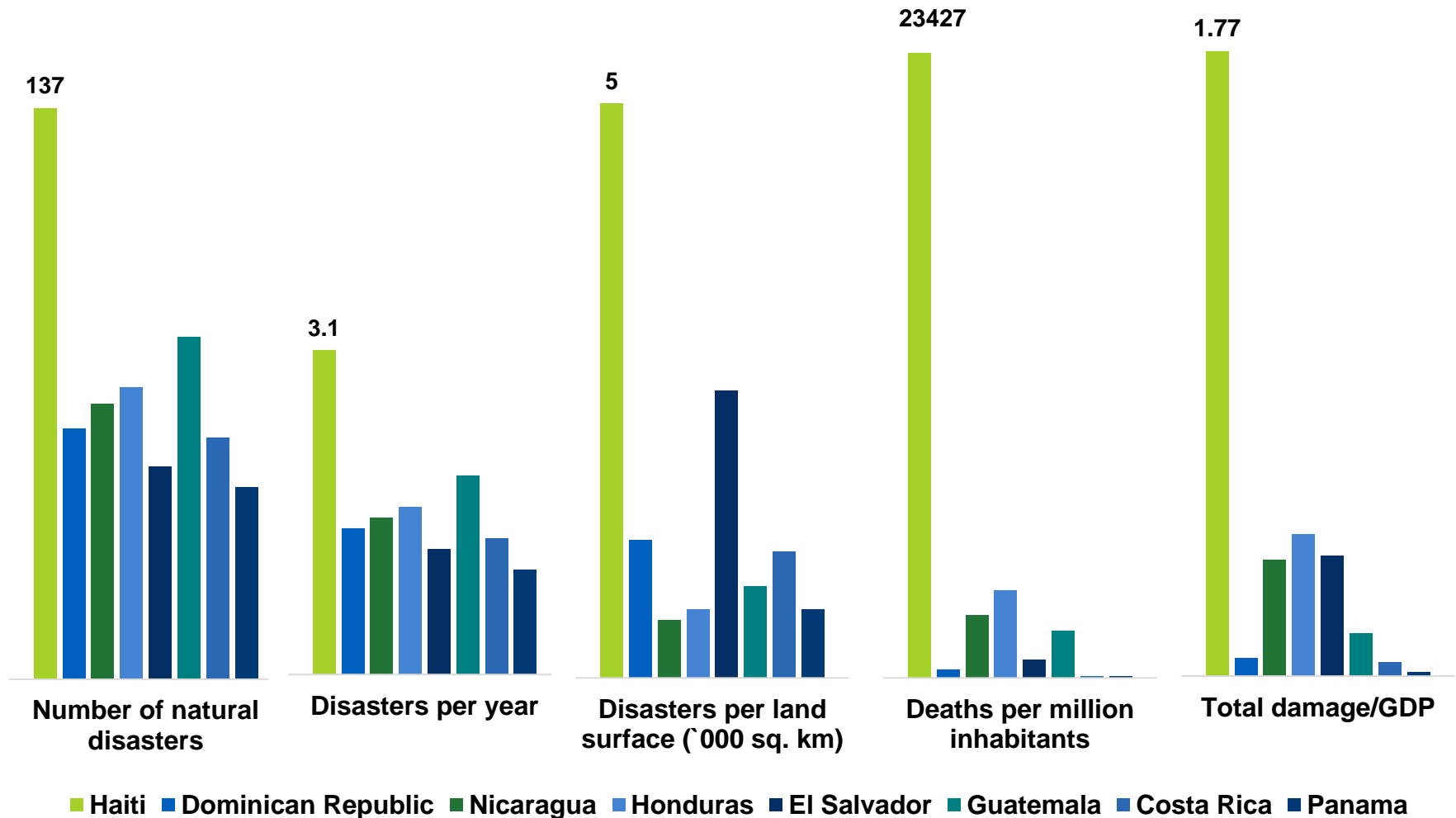
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Haiti's Endowments

- **Location**
 - Favorable location near the US
 - Situated in a peaceful, accessible region
 - Same time zone as Eastern US and French speaking Canada
- **Natural Resources**
 - Favorable climate and sunshine
 - Sandy beaches
 - Long coastline (2nd longest in the Caribbean after Cuba)
- **Rich in Culture and History**
 - Heritage from African and European countries
 - First black independent country
 - Many tourist sites to visit, such as numerous forts
 - Unique gastronomy
 - Well developed creative arts (Painting, music, craftsmanship)
- **Sustainability Challenges**
 - Prone to natural disasters

Natural Disasters


Selected Caribbean Countries 1971-2014



Stable Macroeconomic Environment

- In the last decade Haiti has achieved a more stable **macroeconomic environment**
 - **Monetary policy** has improved since 2004 through the implementation of stabilization policies
 - However, **inflation has risen above 10% in 2015** for the first time since 2008
- **Fiscal policy** is challenged
 - Tax revenue is low because of a **narrow tax base** and **inadequate tax administration**
 - Few people and businesses pay taxes, **collecting taxes** is inefficient, and **tax evasion** is common
 - Haiti is experiencing lower **donor assistance** and falling inflows from the **PetroCaribe agreement**
 - However, **remittances** are substantial and growing

Health and Healthcare

- Limited **health system**
 - Inadequate health **infrastructure** such as clinics, storage facilities, clean water, and sanitation
 - Poor coordination between the actors in healthcare
 - Insufficient **government health spending** on healthcare
 - Only 6% of all government expenditure for the country
 - Heavy reliance on international aid
 - Limited **health care professionals**
 - Lack of healthcare workers such as physicians, nurses and administrators
 - Attracting and retaining qualified health professionals continues to be a challenge
- 
- Haitians lack **access** to basic healthcare
 - Only 45% of children are vaccinated
 - **Vulnerability of workforce** to otherwise treatable disease
 - Continued **malnutrition**
 - 20% of children are stunted

Uneven Education System

- Only a small fraction of basic schools are licensed by the **Ministry of Education**
- Over 80% of schools are **private** managed by international institutions, NGOs, religious groups
 - The **quality** of private schools differs greatly
- The majority of teachers have only a **high school degree**
- Most schools have **poor infrastructure**
- **Low literacy rate** (60%) compared to the Latin American and Caribbean average of 90%
- **School enrollment remains low**, with only 35% students reaching 5th grade
- **Technical schools** and **universities** are present, but serve a limited number of citizens

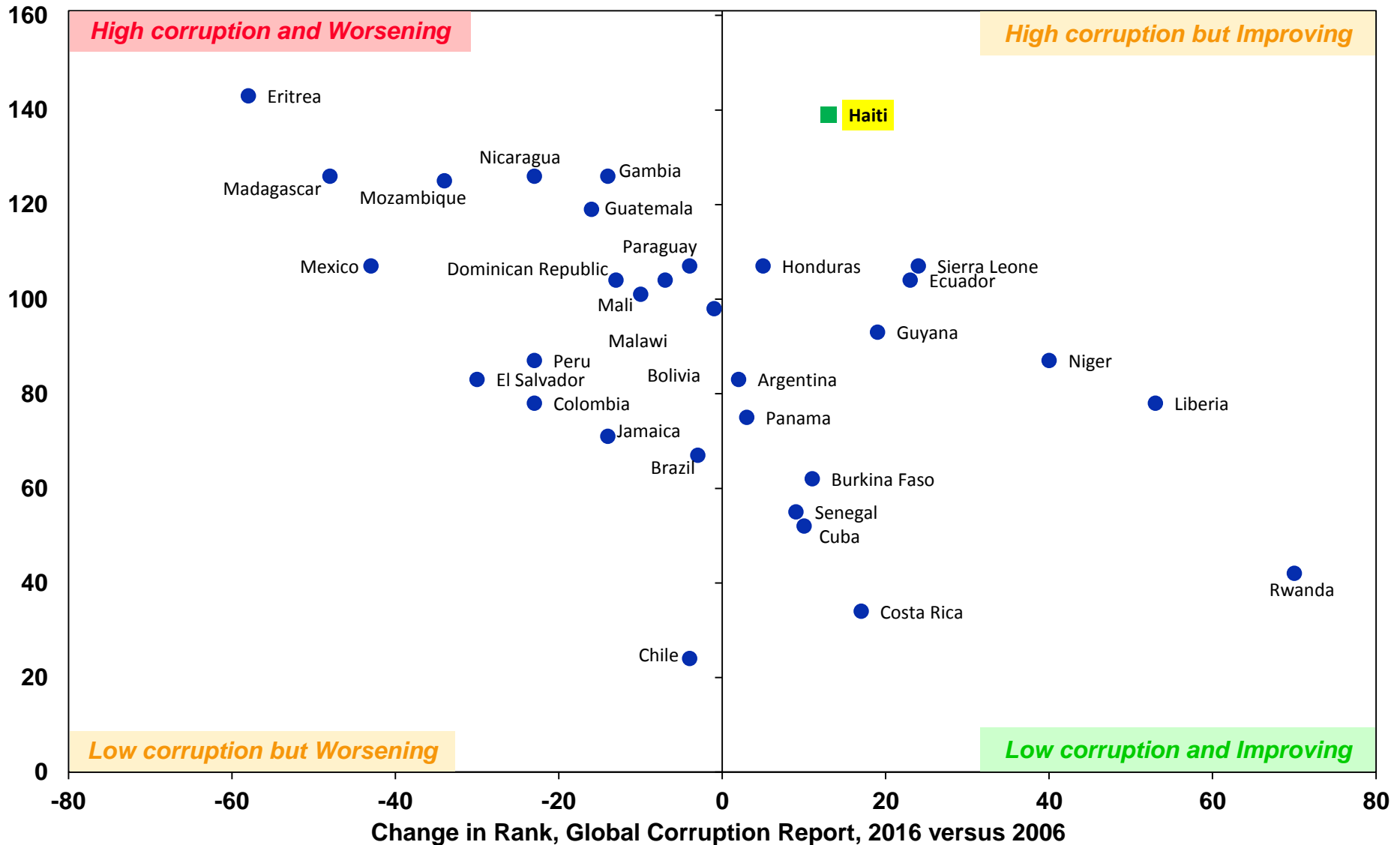
Ineffective Public Service

- Heavy involvement of NGOs and donors has **weakened the capacity** of government
- Political patronage and corruption have a **strong influence** on government
 - Civil servants are frequently **appointed based on political affiliation**
- **NGOs** have attracted many of the skilled Haitians through **higher salaries**
- **“Phantom government employees”** drain the government budget and limit government capacity
- Lack of **technical skills and data** have created a weak **implementation capacity**
 - Files, archives, office equipment, and computer data were lost in the Earthquake
 - Haiti’s government data strategy can be greatly improved

Corruption Perception Index

Selected Countries

Rank in Global
Corruption Index, 2016



Government Planning and Implementation

- The majority of past economic plans have lacked clear **priorities** and **action plans**
- Governmental organizations, decision-making, and resources are **highly centralized** and **concentrated**
- Government institutions have limited **implementation capacity**
- There has been **inadequate coordination** among ministries, public agencies and donors
- There are more than 600 NGOs in Haiti, but many are not aligned and coordinated with **government priorities**
- Past competitiveness initiatives have lacked **continuity** and a formal **institutional structure**

Assessing the Quality of the Business Environment

Quality of the National Business Environment

Haiti 2016

Context for Firm Strategy and Rivalry

Factor (Input) Conditions

Demand Conditions

Related and Supporting Industries

- + Openness to FDI and trade
- ± Efforts to improve the cost of doing business
- Difficulty in business formation
- Cumbersome administrative procedures to create companies
- Environment for competition
- Concentrated local companies in many fields forcing limited competition
- Weak administration of tax system
- Fraud and evasion in the tax system
- High informality limits taxes and compliance

- + Attractive location
- + Climate (sun days)
- + Agricultural, fishing, and cultural resources
- + Multilingual population
- + Creative and young talent
- ± Improving financial markets, but limited access to finance
- Low quality electricity supply
- Poor and vulnerable physical infrastructure
- Low quality education
- Absence of a well developed system determining land tenure and property rights
- Low skill levels in the labor force
- Few quality universities and research institutions
- Poor data and analytical capacity of the government

- ± Existing microclusters but missing actors in their value chain
- ± Industrial Parks with weak linkages to local suppliers
- Limited local suppliers and supporting industries
- Weak university-industry collaboration
- Shallow clusters

- Limited local purchasing power
- Weak environmental standards and enforcement
- Low sophistication in government procurement

Human Talent

- Haiti has an abundant **labor pool** of French, English, Spanish and Creole speakers
- Haitians are eager to **learn new skills**
- More than half of the population is **under 24 years old**
- **Workforce participation** is low in relative terms, but improving
- **Brain drain** is occurring due to a 75% emigration rate of highly educated people
 - Many **skilled professionals** leave the country to work abroad



Human resources are a **potential strength**

Diaspora

- It is estimated **1.2 million Haitians** live abroad in countries like the US, Dominican Republic, Canada and France
- Members of the **Haitian diaspora** in the U.S. and Canada are the most prosperous
- The diaspora is heavily in **service related** industries in the United States, specially in **health and teaching** positions
- Haitian diaspora is partly **organized abroad**, from professional organizations to cultural and artistic groups, but there is no clear agenda to engage the diaspora within Haiti

Inefficient Energy Supply

- Only about a quarter of the population has **access to electricity**
- The supply of electricity is **unstable** and **erratic**
- The state-owned electricity company (Electricité d'Haïti, EDH) has a monopoly on **energy distribution**
 - EDH has weak **infrastructure** and inadequate **maintenance**
 - The existing **distribution system** is inefficient and in need of upgrading
- Much electricity generated is lost due to **illegal connections** and **malfunctions**
- **Low payment and collection rates** translate into the need for **large subsidies** from the National Budget
- Poor access to electricity contributes to **deforestation and environmental challenges**
- Many businesses and households install costly, inefficient, and environmentally unfriendly **diesel generators**
- Some **microgrids** have been developed to provide **stable electricity** in rural areas, a promising approach



An Open Economy

- Haitian tariffs are among the lowest in the **Caribbean and Central America region**
- Haiti benefits from **trade preference agreement**
 - CARICOM with Caribbean countries
 - The Caribbean Basin Initiative (CBI)
 - The Caribbean Basin Trade Partnership Agreement
 - Hemispheric Opportunity through Partnership Encouragement Act II (HOPE II) and the HELP Acts
- Haiti has preferential access to the U.S. market for **manufactured goods**, especially **apparel**



- Trade agreements create an **opportunity**, but enhancing competitiveness is needed to capitalize on them

A Weak Environment for Competition

- Low **intensity of competition** (ranked 140 out of 148 countries)
 - One or a few companies **dominate key markets**
 - Concentrated markets deter the **entry of new firms**
- Import **licenses and quotas** give exclusive rights to some families
- Price **controls and privileges** benefit favored firms
- Vested interests and discrimination disadvantage **foreign firms** and deter **foreign investment**

Weak Land Property Rights

- Haiti lacks a functioning system for recording **land ownership**
- **Property titles** are often non-existent

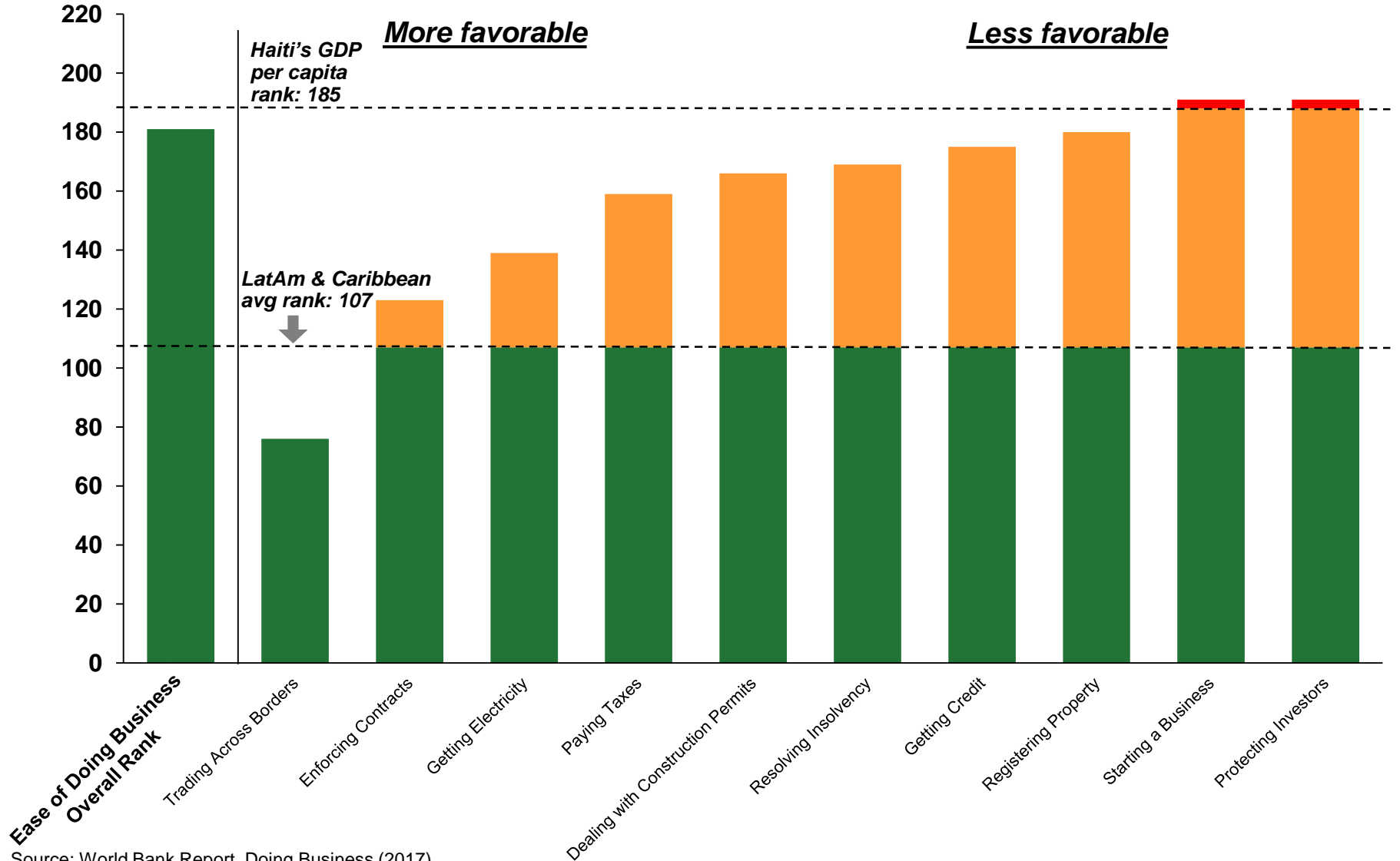


- Informal land tenure discourages **long term investment**
- Uncertain land tenure deters investment by the diaspora in **real estate**
- Creating a fair and transparent land tenure system is critical but requires **significant investment**
 - Opportunity to leap-frog through embracing **digital technology**

A Difficult Place to Do Business

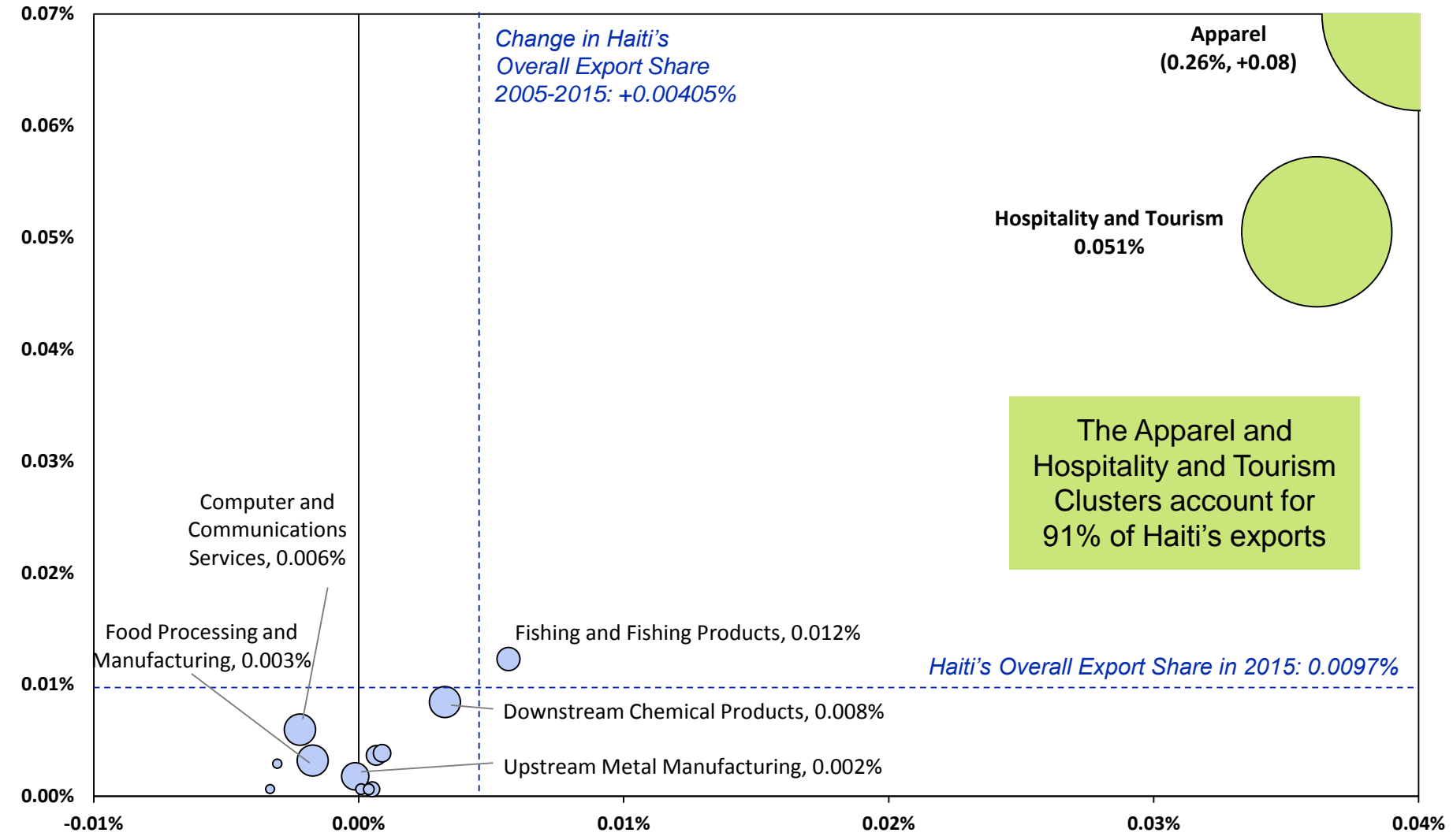
World Bank Doing Business Rankings vs Latin America and the Caribbean)

Ranking, 2017
(vs. 190 countries)



Clusters in the Haitian Economy

World Export Market Share, 2015




The Apparel and Hospitality and Tourism Clusters account for 91% of Haiti's exports

Change in World Export Market Share, 2005-2015

● = \$25 million

Only clusters with an export value greater than USD 2 million are shown
20170722—Haiti Competitiveness Overview

The State of Clusters in Haiti Clusters

- Haiti has numerous **existing** and **emerging clusters**, in sectors such as agriculture, tourism, apparel. Many are micro clusters
 - Most clusters have limited depth, with **limited suppliers** and **few supporting institutions**
 - There is **insufficient institutional capacity** today at the local level to develop clusters
 - Development plans recommending clusters have not been **implemented**
- 
- The World Bank **Business Development Services Program** is an encouraging step towards implementing a cluster vision for the country

World Bank Business Development Services Program

- Coffee
- Vetiver
- Honey
- Mango
- Cocoa
- Avocado
- Apparel



Companies in Haiti

- There are a small number of **large companies** with substantial market positions
- Most local companies are **small and informal**
- Some **multinationals** are present in sectors such as banking and telecommunications
- There are a **few state owned enterprises** such as the electricity distribution company and vehicle insurance company, with mixed success
- Most companies have **limited sophistication** in production and across the value chain

Economic Composition of Haitian Departments

Established Agricultural Products



- Based on information from Ministry of Trade and Industry and UNDP

Economic Composition of Haitian Departments

Processed and artisanal handicraft products



- Based on information from Ministry of Trade and Industry and UNDP

Limited Current Role of Haiti's Departments

- Government, economy and population are **heavily concentrated in Port au Prince**



- There is significant **regional variation** in development and poverty. Highest poverty concentrated in the North East and North West Departments
- Limited **financial resources** at local level
- Low **administrative** and **technical capacity** in local governments
- Lack of clear **responsibilities** and **resources** at the local level

Summary: Key Competitive Strengths to Build On

Endowments

- Attractive location
- Land and climate
- Cultural resources

Macroeconomic competitiveness

- Macroeconomic stability
- The diaspora

Microeconomic competitiveness

- Multilingual population
- Creative and young talent
- Open to FDI and trade with preferences
- Existing clusters provide a foundation

Summary: Key Competitive Weaknesses

Endowments

- Natural disasters

Macroeconomic competitiveness

- Political instability
- Corruption
- Inefficient public service
- Poor healthcare and nutrition
- Weak overall education

Microeconomic competitiveness

- Internal barriers to competition
- Limited and low quality electricity supply
- Inadequate land tenure and property rights
- Low skilled labor force
- Limited company capabilities and strategic thinking

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Increase Resilience To Natural Disasters

- Increase the effectiveness and enforcement of **zoning** and **land-use practices**
- Improve the **quality of physical infrastructure**
 - Strengthen standards and implementation of **building codes**, including inspection
- Enhance the System of Risk and Disaster Management to strengthen coordinating planning, education, preparedness, and warning systems for potential disasters, with clear overall responsibility and accountability
 - Engage **local communities** at risk to be better prepared for a potential disaster
 - Coordination with **neighboring countries** and institutions for prevention and relief mechanisms
 - A protocol for working with the **international donor community**
 - Financing mechanisms for **post-disaster** actions

Improve and Maintain Macroeconomic Stability

- Take steps to return to a **single-digit rate of inflation**
- Reduce **tax evasion** and improve **tax collection**
 - More citizens and businesses need to pay taxes
 - Limit the use of **tax and customs exemptions** to those areas where there is clear benefit to the economy
- Reduce excessive **investment incentives**
- Mount a multi-pronged strategy to **increase remittances** and **encourage investment** by the diaspora in the country

Aggressive Strategy to Reduce Corruption

- Mount a **media campaign** to build public support for eliminating corruption
- **Digitize and make transparent all** transactions between government and individuals
 - Invite a leading **technology company** to assist in this effort
- Create **transparency of all government contracts**, including contract amounts and time of execution
- Eliminate **“phantom” employees** through better information and contracting systems
- Improve **capabilities** in the customs, the tax agency, and the judicial system
- Enhance the **salaries of skilled government officials**
- Regulate **private sector financing** of political campaigns

Upgrade Public Institutions and Services

- Channel donor investment into strengthening **government's institutional capacity**
- Move to **e-government practices** whenever possible to improve efficiency and transparency
- Improve **data, statistics** and **analytical capacity** in government
 - Strengthen the **Haitian Institute of Statistics and Informatics**
- Create a **disciplined structure and processes** for policy implementation
- Raise **performance standards** for public employees
- Create incentives to **attract professionals** committed to public service (e.g. higher salaries, career development paths)
- Publicly recognize **capable public servants**

Improve Education and Training

- Improve the **quality** of primary and secondary schools
 - Measure and create accountability for **learning outcomes**
- Establish **teacher training programs** and **opportunities for career advancement** and **salary improvement**
- Monitor and certify private schools through **standards** and **guidelines**
- Improve educational **infrastructure**, including classrooms with access to water, energy, and connectivity
- Continue investing in **technical schools** and **universities**

Upgrade the Skill Level of the Workforce

- Create a national commitment and plan to **upgrade the skill level** of the workforce, especially younger citizens
- Create a **Workforce Development Agency** to lead the process on developing an innovative, and effective workforce development system within Haiti
 - Increase **standards** for existing training institutes
 - Engage with employers to upgrade **training providers** and identify priority **skill needs**
 - Work with employers and potential investors to establish **internal** training programs supported by incentives
- Raise a **Training Fund** to award matching grants to **employers** to train employees
- Organize the training system around **clusters**
 - Customized training to **cluster needs**
 - Locate **training facilities** near clusters

Engage The Diaspora

- The diaspora can be a major contributor to a **new Haiti** through its resources, international relationships, and commitment to the country
- Build **programs** to encourage and simplify investments by the diaspora in Haiti (housing, retirement and job opportunities in Haiti, incentives for business investment)
- Organize the diaspora as a **network** to facilitate **trade and investment** in Haiti, including **foreign investment opportunities** in the various clusters in the country

Improve the Quality of Energy Supply

- Introduce **pre-payment requirements** and improve **enforcement** against electricity theft
- Create tax and financial incentives as well as streamlined rules to invest in **sustainable energy** generation (sun and wind)
- Strongly encourage and support the adoption of **solar energy** in rural communities, health facilities, and energy intensive industries
- Open the **solar** and **wind energy** sector to FDI
 - Attract to Haiti **leading international solar and wind energy companies**
- Promote and grant licenses for **solar microgrid systems** and **community micro utility companies** to expand access to renewable energy across the country

Land Rights

- Initiate a modern, digital property registration process with international assistance, starting with **current real estate transactions**
- Streamline the **procedures** involved in registering property
- Create a respected **property dispute resolution** mechanism
- Encourage and establish rules for **renting** and **leasing** land to facilitate property utilization and encourage property investment

Open Up Competition

- Activate a **competition agency** with statutory authority to enforce open and fair competition standards
 - Remove **restrictions on competition** (quotas, licenses and controls) without compelling offsetting benefits
- Eliminate **subsidies** favoring individual companies
- Attract **foreign companies** to increase local competition
- Reduce **informality** through simplifying and making company registration simpler and more efficient government

Make Attracting Foreign Investment a Core Strategy

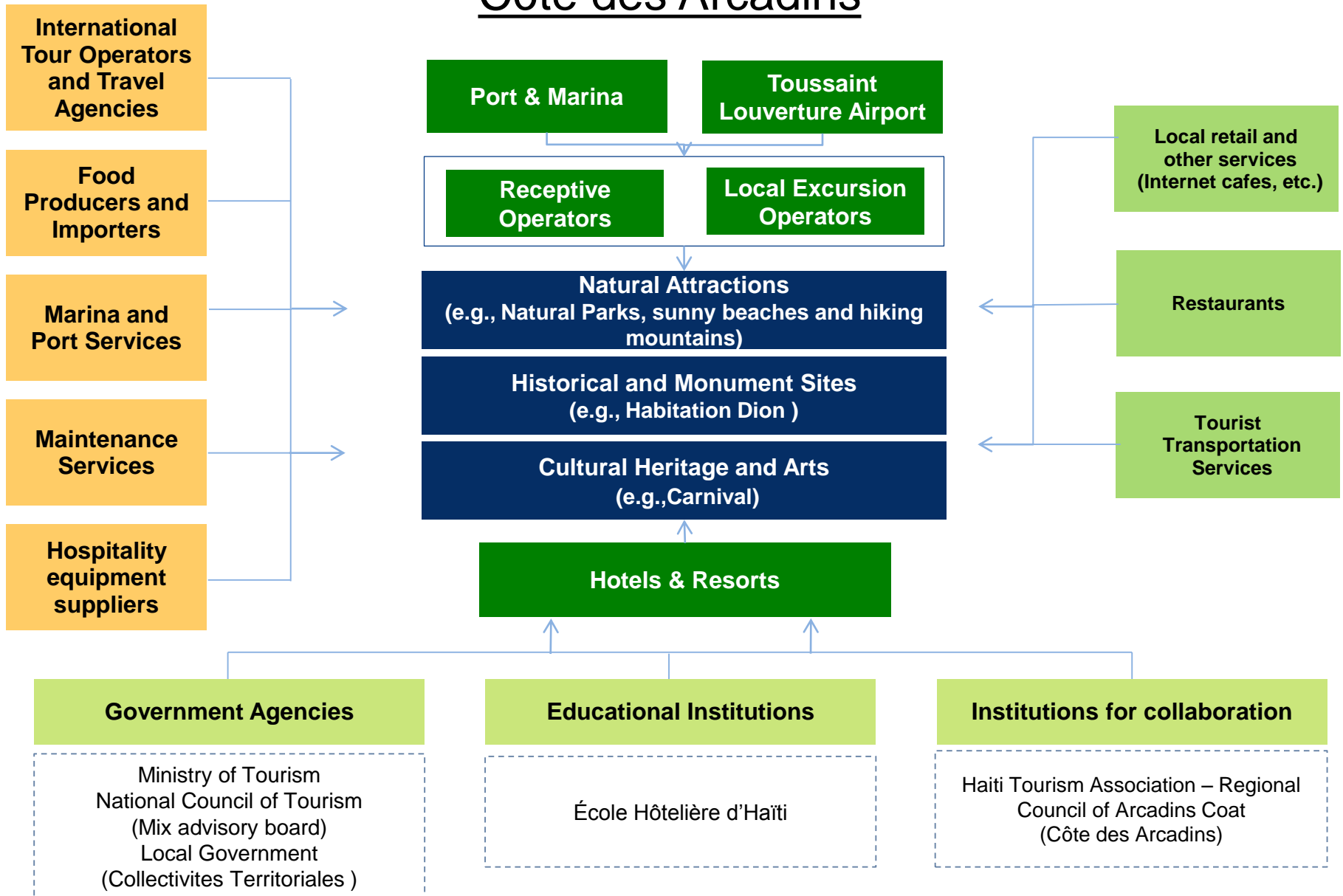
- Attracting foreign investment accelerates improvement in the **business environment** in many ways
- Foreign investment improves the **competition landscape**
- Foreign companies bring new **technology** and contribute to **workforce development** and **training**
- Foreign investment helps jumpstart **cluster development**
- The **diaspora** can play an important role in attracting investment given its relationships and expertise

Embrace a Cluster-Based Development Strategy

- Initiate a sustained **national cluster development strategy** to upgrade both established and emerging clusters in the country
- Begin with established **existing clusters** such as tourism, and apparel, as well as emerging clusters with some critical mass such as vetiver and organic coffee
- Grow the World Bank **Business Development Services Program** to assist in cluster upgrading
- Use cluster development to guide and set priorities for **infrastructure** and **workforce development programs**

Haitian Tourism Cluster

Côte des Arcadins



Upgrading The Tourism Cluster

- Formalize **a collaborative local public/private institution** to develop the cluster
 - All actors should be invited to work together to design and implement a more competitive **tourist experience**
- Use social media and popular celebrities to create a **highly visible events in Haiti**
 - Gastronomic experience
 - Entertainment for millennials
- Improve **airport infrastructure** and **services** to enhance the tourist experience
- Improve **security along National Route #1** to avoid delays between Toussaint Louverture Airport and the cluster
- Organize and support **local artists** as a unique part of the cluster
- Promote local **water sports** and host **worldwide competitions** to attract younger tourists
- Coordinate with **local emergency teams** to improve access to medical care, health infrastructure, ambulances, and other emergency services for visitors

Industrial Parks and “Enterprise Zones” to focus Business Environment Improvement

- Focus on prioritizing **upgrading infrastructure** in Industrial Parks to accelerate progress
- Prioritize the establishment of **efficient public services** in parks (energy, water supply, waste management), and expand to other areas over time
- Develop parks using the **cluster model**, with parks seeking to attract related companies and nurture local suppliers

Engage the Private Sector

- The private sector can contribute to the solution of many of the **social** and **environmental** issues in Haiti
- **Foreign companies** that offer products and services to meet unmet local needs and serve underserved customers should be welcomed to Haiti
- NGOs should partner with local companies and other stakeholders on projects for **social improvement**

Increase Department Level Responsibility

- Departments should play a crucial part in the **development of Haiti**
- Define clear roles for the national level and the department level of government to move to greater **decentralization**
- Each local area needs to leverage its own **competitive assets** and cluster potential
- Local actors should participate actively in **policy-making** and **business environment reform**
- Departments need to improve and take more responsibility for **policy implementation** and **accountability**
- Implement **e-government one-stop models** to increase access to public services in rural or dispersed communities

Economic Integration with the Dominican Republic

- Improving economic integration with the Dominican Republic can substantially improve Haitian competitiveness
- Improve coordination of the **transportation network**
- Create an efficient **regional energy network**
- Simplify and harmonize **cross-border regulations** and paperwork
- Take advantage of the Dominican Republic's capabilities for **workforce development**
- Facilitate **cross-border trade**

Agenda

1. Introduction
2. Haiti's Economic Performance
3. The Competitiveness Framework
4. Haiti's Competitive Position
5. Recommendations
- 6. Towards an Overall Economic Strategy for Haiti**
7. Moving to Action

The Need for a National Strategy

- Strategy means **choice**
 - Haiti can not be good at everything but needs to define how existing strengths are to be deepened and broadened to provide specific distinctive value to business
- Strategy means **focus**
 - Haiti can not improve everything at the same time but needs to prioritize the **most pressing issues**
- Strategy means **action**
 - Haiti does not need another plan but an **action agenda** that drives change through a process and institutional structure focused on implementation

Towards a Distinctive Value Proposition for Haiti

Unique strengths to build on

- Strategic position close to important markets (US, DR, Cuba, and Caribbean Islands)
- Open economy with active trade agreements
- Well educated diaspora located in strategic locations
- Rich culture and history
- Reservoir of young Haitians eager to learn
- Multilingual population (French, Spanish, English and Creole)
- A creative workforce
- Deep cultural linkages with African countries
- A set of emerging clusters



- Haiti needs to build a **consensus on its strengths** across society

Elements of a Haitian Value Proposition



Existing and Emerging Clusters:

- Tourism
- Niche and organic agriculture products
- Apparel/Textiles
- BPO/IT service
- Renewable energy
- Creative Industries
- Earthquake and hurricane safe local construction

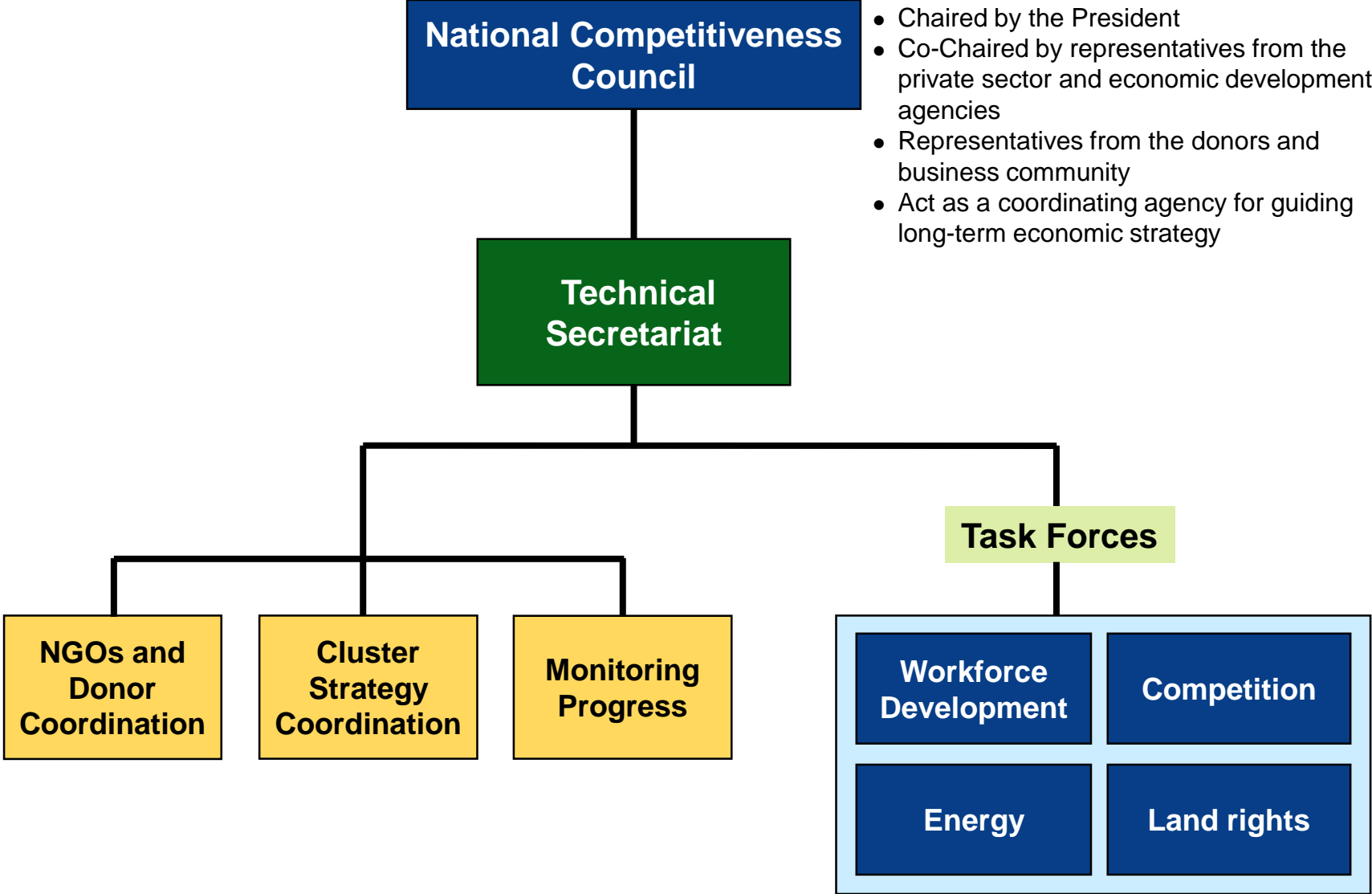
Haiti should establish a set of **national goals** around these areas

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Create a National Council on Competitiveness for Haiti



Role of the National Council on Competitiveness

- Facilitate **dialog** and **coordinated action** between public and private sectors
- Coordinate **donors** and **NGO** intervention
- Develop and communicate a **common strategy** for the country
 - Communicate the strategy to all **national** and **international stakeholders**
- Coordinate **cluster development** across stakeholders
- Measure and report **progress**

Strategy Sequencing

- Establish political stability, social stability, and personal safety
- Launch a sophisticated anticorruption campaign
- Engage the diaspora

- Open up competition rules
- Simplify the costs of doing business
- Upgrade the skills of the workforce
- Reform the energy sector
- Adopt a cluster development vision including FDI attraction
- Simplify regulations to increase formality

- Improve physical infrastructure and its sustainability
- Improve the efficiency of the public sector
- Establish property and land rights
- Continue improving the quality of education

Immediate

Priority

Long term

Engage Citizens

Some Possibilities

- Institutionalize **National Days of Service** in which all citizens are invited to participate
 - **Neighborhood** cleanliness, order and beautification
 - School improvements and repairing other **public facilities**
- Create a friendly rivalry among communities to create initiatives and implement **best practices**
- Establish bottoms-up **cluster groups at the local** or **micro-clusters** to activate local citizen participation
- Create **citizen forums** with government to identify key needs and set priorities