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# WITHOUT REFORM, NO RETURN ON INVESTMENT IN HAITI

A Report to Members

OF THE

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UNITED STATES SENATE

Richard G. Lugar, Ranking Member

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# LETTER OF TRANSMITTAL

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
*Washington, DC, July 21, 2010.*

DEAR COLLEAGUES:From May 26–28, 2010, I directed Carl Meacham and Garrett Johnson, from my Senate Foreign Relations Committee (SFRC) staff, to assess the private sector in Haiti and U.S. government strategies for strengthening the Haitian economy in the wake of the January 12 earthquake. In an effort to answer these questions, staff visited Haiti and the Dominican Republic (DR) to meet with representatives of the private sector, senior government and World Bank officials, and senior diplomats at our embassies in Port au Prince and Santo Domingo. Staff found in most meetings that representatives shared concerns regarding Haiti's political stability. Staff concluded that significant foreign investment, which could catalyze much-needed job creation in Haiti, is unlikely to occur unless the Government modernizes antiquated business practices. Further, if the international donor community fails to prioritize private-sector development, the goal of achieving sustainable reconstruction efforts and longer-term social stability will be increasingly encumbered.

Despite widespread calls for President Rene Préval to reform the beleaguered Provisional Electoral Council (CEP), in order to buttress the credibility of presidential and parliamentary elections in Haiti, he has refused. President Rene Préval has also demonstrated little interest in encouraging the CEP to engage the factions of Fanmi Lavalas (FL), one of Haiti's largest political parties. If a solution is not reached promptly, the legitimacy of the upcoming elections could be compromised. Having significantly delayed issuing the decree for presidential and parliamentary elections, President Rene Préval's actions do not suggest a departure from the self-destructive political behavior that has kept Haiti the poorest country in the Western Hemisphere.

In April 2010, I introduced legislation with Senator Leahy that would lead to the establishment of a "Haitian-American Enterprise Fund." The objective of this fund is to empower the country's private sector to create jobs and sustainable revenue streams that will ensure Haiti's progress long after foreign assistance diminishes. The enterprise funds created in the 1990s for Poland, Hungary, and other European countries are a tested model that helped create robust economies fueled by a strong private sector. Promoting conditions that will catalyze indigenous job creation can empower the Haitian people to help themselves and is a sustainable approach to foreign assistance. It is in our national interest to see Haiti emerge as a commercial partner.

If the reconstruction effort is to be successful, President Rene Préval must move decisively to address key political and business impediments, which are threatening the reconstruction effort and making Haiti an even less attractive place for foreign investment. Ensuring transparent and inclusive elections, modernizing the property titling system, and reducing barriers confronted when attempting to start and operate a business in Haiti should be among the key priorities. In this regard, the U.S. government should expedite funding and technical assistance in response to and in support of such reforms. However, if reforms in this direction do not occur, American taxpayer investments in Haiti, beyond essential humanitarian aid, should be reassessed.

I hope you find this report helpful as the U.S. Congress considers how to advance U.S. interests in hemispheric affairs. I look forward to continuing to work with you on these issues, and welcome any comments you may have.

Sincerely,

RICHARD G. LUGAR,
*Ranking Member.*

# WITHOUT REFORM, NO RETURN ON INVESTMENT IN HAITI

## INTRODUCTION

The earthquake that shook Haiti on January 12, 2010, inflicted unprecedented human and economic damage. The total value of damage and losses, as noted in the post-disaster needs assessment (PDNA), is estimated at USD 7.804 billion.[1] Underscoring the gravity of post-earthquake conditions, the PDNA pointed out that "in the 35 years that the DALA method for estimating damage and losses has been employed, this is the first time the cost of a disaster is so high compared to the size of a country's economy."[2]

According to economists at the World Bank consulted for this report, 70 percent of the total damage and losses Haiti withstood were suffered by the private sector. Further, they noted that the "variation in economic flows (losses of production, reduction in revenue, loss of jobs and wages, increases in production costs, etc.) amounts to USD 3.561 billion."[3] Haiti's already weak job market will experience an additional loss of an estimated 8.5 percent of existing pre-earthquake jobs in 2010 due to the devastation.[4] Returning to 2001 levels, it is believed that 71 percent of Haitians are now consigned to moderate poverty and 50 percent to extreme poverty.[5]

A May 2010 report published by the Haitian Presidential Commission on Competitiveness noted, "The vast majority of businesses are informal in Haiti, estimated at 95 percent of the total.[6] This submerged mass of informal businesses represents a huge missed opportunity to deepen the country's tax base, create jobs, and promote innovation."[7] A significant percentage of these businesses are small and medium enterprises (SMEs). A March 2010 survey of Haitian SMEs cited in the report found that access to affordable financing and security ranked as the top priorities in their efforts to re-start operations. Pre-earthquake, Haiti's interest rate for SME loans was nearly the highest in the region, ranging from 48 to 60 percent. Haiti's deteriorating conditions have exacerbated the long-

[1] Government of the Republic of Haiti, "Haiti Earthquake PDNA: Assessment of damage, losses, general and sectoral needs," March 2010.

[2] *Ibid.*

[3] *Ibid.*

[4] *Ibid.*

[5] *Ibid.*

[6] The use of "informal" implies that a business is not formally monitored or taxed by the Government of Haiti and is not included in the government's Gross National Product.

[7] Government of the Republic of Haiti, Presidential Commission on Competitiveness, "Haiti Economic Recovery Roadmap," May 2010.

standing difficulties confronted by Haitian entrepreneurs in need of affordable financing to create jobs.

## BACKGROUND [8]

By the end of the U.S.-supported embargo in 1994, which was enforced in response to the military coup that deposed President Jean-Bertrand Aristide, Haiti's per capita income had fallen by 30 percent and unemployment had peaked at 75 percent.[9] 200,000 jobs in the formal sector were eliminated as a result of the embargo, according to some estimates.[10] Since 1990, the United States Government (USG) has invested roughly USD 4 billion in order to counter Haiti's dismal economic trajectory, yet the country, before the earthquake, continued to languish as the poorest in the Western Hemisphere.[11]

Despite widespread agreement that entrepreneurial innovation is the engine that fuels economic growth and job creation, resources dedicated to cultivating Haiti's private sector have been comparatively neglected. USG funding targeted towards promoting private sector development over the past 15 years has totaled just over USD 163 million, with roughly 42 percent of the total arriving in a surge of funding during fiscal years 2009 and 2010, according to the United States Agency for International Development (USAID). The consensus among Haitian private sector leaders consulted for this report was that "USG programs that were created to assist the private sector have been inadequate, misguided, and failed to achieve maximum effectiveness."

According to the World Bank's report entitled "Doing Business 2010: Reforming through Difficult Times," which analyzes the business environment in 183 countries, Haiti ranks next to last among Caribbean states when assessing settings to start or operate a business. Although modest improvements in economic growth and development were achieved in the preceding years, despite the USG's involvement, Haiti continues to finish last or next to last among its regional peers in the critical categories of: procedures to start a business, time to start a business, cost to start a business, time to deal with construction permits, cost to deal with construction permits, time to register property, strength of legal rights, strength of investor protection, documents to export, time to export, documents to import, time to import, and cost to enforce a contract.[12] While acknowledging that internecine squabbling within Haiti's bureaucracy has made advancing regulatory reforms difficult, the lack of progress also suggests shortcomings in the USG's approach to assisting Haiti's development.[13]

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[8] This section is adapted from a May 20, 2010 report prepared by J.F. Hornbeck of the Congressional Research Service entitled "The Haitian Economy and the HOPE Act."

[9] Elizabeth D. Gibbons, "Sanctions in Haiti: Human Rights and Democracy Under Assault." Westport: Praeger Publishers. 1999.

[10] *Ibid.*

[11] U.S. Department of State, Hill Briefing Notes, published in March 2010.

[12] The World Bank, "Doing Business 2010: Reforming through Difficult Times," September 9, 2009.

[13] *See* Appendix for a delineation of business-related information provided by U.S. Embassy-Haiti, which was drawn from the 2010 Country Commercial Guide for Doing Business in Haiti.

## Observations: A Lot of Money But Few Results

Despite best intentions, the past 20 years of U.S. assistance to Haiti have not delivered many improvements. Though it was clear to staff that conditions in Haiti are extremely challenging, and that President Rene Préval has demonstrated marginal capacity to lead his country's reconstruction, the consensus among business men and women in Haiti was that the current environment presents an opportunity for Haitian officials to make necessary reforms, but also for the United States to lead a more effective international campaign to achieve sustainable economic development in Haiti.

A May 2010 essay in *Foreign Affairs,* by Carl J. Schramm of the Kauffman Foundation, entitled "Expeditionary Economics: Spurring Growth After Conflicts and Disasters," underscored concerns regarding the U.S. Government's record of stimulating local economic growth in settings that have required significant reconstruction assistance. He noted:

> The record of recent economic reconstruction efforts in postconflict settings is discouraging, to say the least. In Bosnia, which has received massive development aid from a coalition of countries since NATO and UN forces intervened there in the 1990s (close to $10 billion since 1995), unemployment and poverty both hover around 25 percent today. A UN report released in early 2009 placed Iraq's overall unemployment rate at 18 percent (which means it remains virtually unchanged since 2004)—and unemployment in the volatile demographic of men aged 15 to 29 at about 28 percent. Iraq's GDP per capita stands at $3,300, roughly half the level of Bosnia's. In Afghanistan, meanwhile, the main growth industry remains opium cultivation, thanks to the support of both farmers and the Taliban, who sustain themselves financially partially thanks to the drug trade.[14]

Staff believes that failure to reverse this type of economic malaise does not bode well for U.S. interests, especially regarding the eventual transfer of costs and responsibilities of rebuilding these countries receiving significant U.S. assistance.

### *Empowering Haitian Entrepreneurs*

In a nascent economy like Haiti's, growth is driven by new business formations. This occurs in the service sector especially (restaurants, hotels, and corner stores) but also in the broad array of businesses that support entrepreneurial expansion. Staff was informed that historically, entrepreneurial instincts among Haitians have recognized these economic needs and the broad promise that business development offers the Haitian people, especially regarding job creation. Nevertheless, starting and operating a small business in Haiti has long been a difficult undertaking.

Mathias Pierre, president of a technology company in Haiti, explained to staff that most small businesses in Haiti rely on micro credit lenders because they often do not fulfill traditional banks' re-

[14] Carl J. Schramm, "Expeditionary Economic: Spurring Growth After Conflicts and Disasters." *Foreign Affairs,* May 2010.

quirements for financing. Born in one of Haiti's many impoverished communities, Pierre's company has grown to over USD 2 million in business per annum. However, he noted, "It took me close to 8 years to obtain credit. Even after 7 years working with my first bank, my company was still unable to obtain a good financing plan. I had to change banks three times in 3 years. Each of these transactions was costly and had a negative impact on my desire to obtain financial assistance through a bank. Access to credit still remains impossible for the greater majority of MSMEs."[15]

An estimated 95 percent of businesses in Haiti are SMEs, with 90 percent of these operating in the informal sector. Pierre and other Haitian business leaders contended that the vast majority of business owners want to exist in the formal economy and contribute to the development of their country, but regulatory barriers, endemic government corruption, and the scarcity of financing offer little incentive for Haitian entrepreneurs to do so.

*Attracting Foreign Direct Investment into Haiti is Fundamental for the Creation of Jobs for Haitians*

In addition to building the capacity of indigenous businesses, staff believes that the reconstruction effort in Haiti will need a strong transfusion of foreign direct investment if it is to be sustainable. While the relationship between Haiti and the Dominican Republic has been historically strained, the potential economic opportunity created by the massive amounts of donor interest should encourage them to develop an enhanced commercial partnership. Unfortunately, staff was informed that progress in this regard has been slow.

A senior official in the Government of the Dominican Republic expressed frustration, during staff's visit to Santo Domingo, that Haiti's government had not adequately adapted its pre-earthquake plans to the post-earthquake environment. This official mentioned that although bilateral communication between Haiti and the Dominican Republic has increased the potential for an enhanced commercial relationship between the two countries, Haitian leaders were not looking at the reconstruction from "an island-wide perspective," even though a large percentage of equipment and raw materials will flow through the DR into Haiti.

A DR private sector leader, whose company operates an industrial complex on the Haitian side of the border in Ouanaminthe and is among the country's largest employers of Haitian workers, conveyed his concerns about the country's business climate, particularly with security and kidnappings, political instability, poor infrastructure (i.e. buildings, electricity, water, and efficient road access to ports), corruption, and disregard for the rule of law. Another DR business representative candidly admonished that "we want to play a large role in the reconstruction because it will help both our countries, but without clear rules of the game regarding investment, everything else is a waste of time."

With revenues in excess of USD 100 million, 1 million customers and almost 600 indigenous employees, Trilogy International Part-

[15] Mathias Pierre, "Entrepreneurship: Advocacy and Testimony." Testimony before House Subcommittee on International Monetary Policy and Trade, April 28, 2010.

ners, which operates under the Voila brand name, is the largest U.S. investor in Haiti. In FY 2009 the company paid nearly USD 20 million in taxes to the Haitian government, which represented close to 10 percent of Haiti's total tax revenue for the year. Trilogy's senior management identified political and commercial stability, infrastructure, and security as their top priorities.

To contextualize their day-to-day challenges, Trilogy's President and CEO, Brad Horwitz, explained to staff, "We struggle every day with the challenges of Haiti's pitiful infrastructure. Processing the delivery of network equipment through Haiti's dilapidated ports is time-consuming and costly, as is arranging for customs clearances. And, even after equipment has reached our hands, we contend with daunting obstacles. For most of the 330 cell sites we maintain in our network, we must provide generators, diesel fuel to power the generators, and security personnel to protect the towers, the generators, and the fuel." This costs the company an additional USD 5,000 each month, per site.

Staff concluded from numerous discussions, such as with Mr. Horwitz, that developments in the past six months have not signaled a departure from past practices that enabled debilitating inefficiencies within the Government of Haiti.

*Helping Haitians Help Themselves: The Haitian-American Enterprise Fund*

Staff believes that if the U.S. Government's posture for promoting economic development in Haiti follows past efforts, we are positioning ourselves to get the same results of the past 20 years. In addition to offering affordable capital to aspiring and established Haitian entrepreneurs, we should share U.S. entrepreneurial experience—private sector expertise and innovations—which is widely dispersed but largely untapped.

The establishment of a "Haitian-American Enterprise Fund" would provide a mechanism for achieving this. While making commercial loans to hundreds of small companies, the Enterprise Fund would also have the flexibility and capacity to train entrepreneurs in how to create simple financial models that can be used to apply for bank loans, as well as provide very specific industry expertise. The creation of an Enterprise Fund for Haiti could couple financial and intellectual capital in a framework that is uniquely suited to addressing the financial and technical assistance needs in fledgling economies like Haiti.

Entirely administered by a volunteer board of business leaders who, in turn, would hire and direct a group of American and Haitian bankers, the Enterprise Fund would be resourced with a U.S. government grant to provide traditional financial products, like working capital loans and 3 to 5 year cash flow term loans for expansion capital. Local Haitian banks have long signaled an unwillingness to make small business loans and, oftentimes, do not have the personnel to review and administer a portfolio of small loans.

While the enterprise fund model is not perfect, it is a tested vehicle for promoting economic growth and reinvigorating economies. The Polish-American Enterprise Fund created in April 1990, after the fall of the Berlin Wall, leveraged the initial U.S. grant of USD 240 million to raise an additional USD 2.3 billion in private equity.

The ten investment funds authorized by Congress under the Support for East European Development Act and the Freedom Support Act are credited with helping to sustain or create hundreds of thousands of jobs and are expected to recoup 137 percent of the original U.S. government funding.[16]

## RECOMMENDATIONS

Strong leadership is required by President Préval and the Government of Haiti if sustainable economic growth is to be realized. At present, President Rene Préval has resisted overtures by the World Bank and other international partners to make difficult decisions, ostensibly because he fears being labeled a dictator by political adversaries if he makes certain reforms by decree. Consequentially, movement on necessary reforms has come to a standstill, presenting significant obstacles to the USG, the international donor community, and other potential private sector investors. The success of the reconstruction of Haiti depends on the political will of Haitian leaders to reach consensus on the enactment of an "emergency package" of reforms, as has been the case in other disaster-affected countries.

The following recommendations constitute critical steps that, if taken without delay, will increase the country's chances of reversing its economic trajectory. Staff strongly encourages the appropriate officials at the Department of State to ask,

- President Préval to push for principled compromises among national stakeholders on reforming and modernizing the property titling system, so that Haitian citizens, new investors, and NGOs can possess a clear title to property that they purchase or lease for their facilities.
- President Préval to push for principled compromises among national stakeholders on streamlining the procedures, time, and costs required to start a business in Haiti (e.g., make CFI [Center for Investment Facilitation] the "one-stop shop" it was meant to be).
- President Préval to push for principled compromises among national stakeholders on streamlining the procedures, time, and costs required to operate a business in Haiti (e.g., modernize business law; create national laws for enabling e-commerce and e-governance; etc.).
- President Préval to push for principled compromises among national stakeholders so that investment proposals are evaluated within six months. The GOH needs to evaluate investment proposals quickly: some have dragged on for years until investors simply have given up.

[16] While 37 percent return over two decades represents a low annualized rate of return by private equity standards, the mission of this quasi-government fund was not to maximize profits, but rather to emphasize building indigenous private sector capacity in doing so. The Enterprise Fund model provided essential "lead investments" in fragile economies and demonstrated that achieving returns was indeed possible, which helped to attract traditional private equity investors.

## CONCLUSION

Six months after the earthquake, the re-building of Haiti is almost at a standstill because of a dearth of political will and leadership. President Rene Préval and the Government of Haiti must unite in the goal of using this moment to reform Haiti's economy, allowing Haitians to build a better future for themselves. Absent reforms to improve Haiti's business environment and economic trajectory, staff strongly believes that the potential for the private sector to have a major impact on Haiti's development will be negligible.

# APPENDIX

## Appendix I.—Meetings with Individuals in Preparation for or During Visits to Haiti and the Dominican Republic

*U.S. Diplomats*

*Haiti*

Kenneth Merten, Ambassador to Haiti
David Lindwall, Deputy Chief of Mission
Kara McDonald, Political Counselor
Greg Groth, Economic Counselor

*Dominican Republic*

Christopher Lambert, Chargé d' Affaires
Mike Schimmel, Acting Deputy Chief of Mission
Alex Margulies, Economic and Political Counselor
Robert Jones Jr., Caribbean Regional Senior Commercial officer
Mirna Torres, Human Rights and Labor Officer

*Haitian Government Official*

Lionel Delatour, Consultant to CTMO–HOPE Commission

*Dominican Republic Government Official*

América Bastidas, Vice Minister of International Cooperation

*Haitian Private Sector*

Herve Denis
Mathias Pierre
Rene-Max Auguste
Gladys Coupet
Cassandra Reimers
Magalie Noel Dresse
Gregory Blot
Gregory Mevs
Reginald Boulos
Sabyne Massaga

*Dominican Republic Private Sector*

José Torres
Paul Hasbún
Eduardo Gisbert
Rosa Maria Garcia
Alvaro Peña
Hugo Suriel
Domingo Cabrera
Francisco Morillo
Carlos Fondeur
Gustavo Fondeur
Carlos Valiente
Manuel Astrella
William Malamud

*The World Bank*

Auguste Tano Kouame, Lead Economist, LAC Region
Alice Ouedraago, Senior Private Sector Development Specialist
Sylvia Solf, Program Manager, Doing Business Project
Celia Ortega Sotes, Investment Promotion Officer, Investment Climate Department

## APPENDIX II.—DOING BUSINESS IN HAITI

• *How difficult is it to start a business in Haiti?*

Individuals wishing to practice a trade in Haiti must obtain an immigrant visa from a Haitian Consulate and, in most cases, a government work permit. Transient and resident traders must also have a professional ID card.

Hurdles for businesses in Haiti include poor infrastructure, a high-cost port, an irregular supply of electricity, and customs delays.

The Government of Haiti (GOH) created in August 2006 the "Centre de Facilitation des Investissements" (CFI), a one-stop shop for company registration and incentive applications. This investment facilitation center is intended to assist potential investors and streamline the investment process. Additional information of CFI can be found at http://www.cfihaiti.net

Guy Lamothe, Director General of CFI
8, rue Legitime, Champs de Mars
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dg@cfihaiti.net
guylamothe@cfihaiti.net
Cell: (509) 3713–333
Work: (509) 2514–5793/ 2224–8990 / 2224–8971 / 2224–8985
USA #: (914) 239–3149

Additional information on establishing a business in Haiti can be found in the 2010 Country Commercial Guide (attached).

Below is the procedure on how to start a business in Haiti:

1. All companies incorporated in Haiti must have a minimum of three (3) shareholders; one must be a Haitian national and a company board member.
2. Haitian legislation does not establish a minimum requirement for capital stock ownership of shares by Haitian nationals.
3. The founding members of the corporation must establish nominal value for the capital stock:

– A minimum of 25,000 Haitian gourdes (HTG)—equivalent to USD 658—if the corporation is limited to commercial operations.

– A minimum of 100,000 HTGs (USD 2,632) if the corporation is involved in industrial activities.

Incorporation procedures take a minimum of six weeks. Incorporation steps include:

1. Shareholders should prepare by-laws and subscription bulletins for the capital stock; all documents should be deposited in a Public Notary Office. One quarter of the minimal capital stock should be deposited at Banque Nationale de Credit (BNC).

2. Shareholders and a designated attorney should visit the Public Notary Office to sign act of deposit documents related to incorporation. If shareholders are absent, a designated attorney must represent the client at the Public Notary Office.
3. The Public Notary Office delivers documents to the attorney who, in turn, transmits them to the Ministry of Commerce and Industry.
4. The Ministry of Commerce and Industry prepares a notice authorizing the operations of the corporation.
5. The signed notice is sent to the Prime Minister's office for transmittal to the President of the Republic.
6. The Corporation documents are sent to the official newspaper, "Le Moniteur," for publication and publication fees are paid to the newspaper.
7. The corporation representative pays the corporate taxes to fulfill the final requirements with the Haitian Tax Authority (DGI).

   a. Presentation of beginning balance sheet
   b. Tax payment on shares
   c. Income tax: basic payment for beginning of operation
   d. Tax payment for opening of new company
   e. Tax license

• *What is Haiti's bankruptcy policy?*

Haiti's bankruptcy law was enacted in 1826 and modified in 1944. There are three phases of bankruptcy under Haitian law. In the first stage, payments cease and bankruptcy is declared. In the second stage, a judgment of bankruptcy is rendered, which transfers the rights to administer assets from the debtor to the Director of the Haitian Tax Authority (Direction Générale des Impôts, or DGI). In this phase, assets are sealed and the debtor is confined to debtor's prison. In the last stage, the debtor's assets are liquefied and the debtor's verified debts are paid. In practice, the above measures are seldom applied. Since 1955, most bankruptcy cases have been settled through courts. Debts are normally paid in Haitian gourdes (HTG).

• *Are contracts respected?*

Haiti's Commercial Code dates to 1826 and underwent a significant revision in 1944. There are few commercial legal remedies available. The protection and guarantees that Haitian law extends to investors are severely compromised by weak enforcement mechanisms, a lack of updated laws to handle modern commercial practices, and a weak judicial system. Injunctive relief is based upon penal sanctions rather than securing desirable civil action. Similarly, contracts to comply with certain obligations, such as commodities futures contracts, are not enforced. Judges do not have specializations, and their knowledge of commercial law is limited. Utilizing Haitian courts to settle disputes is a lengthy process and cases can remain unresolved for many years. Bonds to release assets frozen through litigation are unavailable. Business litigants are often frustrated with the legal process and pursue out-of-court settlements.

- *What is the policy in Haiti regarding property registration?*

Property registration in Haiti takes 405 days, and costs 6.38 percent of property value.

Procedures for property registration are as follows:

1. Obtain authorization from the dean of the civil tribunal of the commune where the property is located to conduct a property survey, and the authorization from the Government Prosecutor.
2. Have the survey of the property made by a public surveyor
3. Have a notary public prepare the sale agreement
4. Obtain a subscription notice and pay for registration
5. The sale agreement is recorded and transcribed at the Tax Authority (DGI)

Property restrictions still exist for foreign nationals. Foreigners' property rights are limited to 1.29 hectares in urban areas and 6.45 hectares in rural areas. No foreigner may own more than one residence in the same district, or own property or buildings near the border. To own real estate, authorization from the Ministry of Justice is necessary.

- *Is it difficult to record titles on property?*

Real property interests are handicapped by the absence of a comprehensive civil registry. Bonafide property titles are often non-existent. If they do exist, they are often in conflict with other titles for the same property. The Embassy periodically receives reports of fraudulent or fraudulently recorded land titles. Unlike small entrepreneurs, the rich have few problems protecting their property rights, as they afford to invest in security systems and other measures to defend their property. Reform is necessary, as weak enforcement mechanisms, inefficient courts, and judges' inadequate knowledge of commercial law may significantly impede the effectiveness of statutory protections.

- *What is the tax rate on profits for folks doing business in Haiti?*

The profit tax rate in Haiti is 30 percent.

- *How easy is it for businesspeople to move their money out of Haiti?*

There are two foreign bank affiliates in Haiti to facilitate moving money out of Haiti: Citibank (U.S.) and Scotiabank (Canada). Moreover, each Haitian commercial bank has foreign correspondent banks to where fund transfers can be made, and most of the banks are equipped with SWIFT system.

- *What additional taxes do foreign companies incur for doing business in Haiti?*

In November 2002, the Haitian Parliament passed an investment law prohibiting fiscal and legal discrimination against foreign investors. The 2002 law explicitly recognizes the crucial role of foreign direct investment in spurring economic growth and aims to facilitate, liberalize, and stimulate private investment in Haiti. Foreign investment protection is also provided by the Haitian Constitution of 1987, which permits expropriation of private property for public use or land reform with payment in advance. American firms enjoy free transfer of interest, dividends, profits, and other revenues stemming from their investments, and are guaranteed just compensation paid in advance of expropriation, as well as compensation in case of damages or losses caused by war, revolution, or insurrection. The U.S. and Haiti have a bilateral agreement on investment guarantees that permits the U.S. Overseas Private Investment Corporation to offer programs in Haiti. The two governments also signed a bilateral investment treaty in December 1983, but it was not ratified.

Beside profit taxes, foreign businesspeople must pay dividends tax, turnover tax, labor tax and contributions (12 percent) and miscellaneous taxes (property tax, vehicle tax, property tax, etc.). Special deductions and exemptions are made depending on the case.

• *How would you rate the business climate in Haiti?*

The World Bank's "Doing Business 2010" report ranks Haiti as 151 of 183 (first place being the best) on ease of doing business (an improvement of three places, up from 154, in 2009). The report can be found at http://www.doingbusiness.org/ExploreEconomies/?economyid=85

For more information, please refer to the attached 2010 Investment Climate Statement for Haiti , in addition to the document "Haiti at a Glance: Committed, Competitive, Close."

• *How stable is Haiti's currency?*

Haiti's currency has been unstable over the past years due to speculations on the foreign exchange market. However, since 2009, the Central Bank has put measures in place to stabilize the exchange rate around 42 HTG/USD. Since January earthquake, the Haitian Gourde stands around 40 HTG per USD. What are the most promising sectors in Haiti for foreign investment?

– Apparel/textile Industry
– Telecommunications
– Pharmaceutical products
– Construction (roads, infrastructure)
– Tourism
– Free Trade Zones
– Energy