



# Analysis of the business environment in Least Developed Countries

## Haiti

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voice for business

# Haiti

Region  
Caribbean, on the island of Hispaniola

Population  
11,123,176

Demographic growth  
1.52 %

GDP per capita (2020)  
1,176.8 USD

Human Development Index:  
0.510 (170/189)

## Economic overview

*Haiti is a fragile country, subject to recurring social and political tensions. In addition, the earthquakes in 2010 and August 2021 plunged the country into a humanitarian crisis and destroyed a lot of structures and infrastructure (homes, schools, hospitals, etc.). According to the World Bank (2022), 47 per cent of the Haitian population live below the extreme poverty line (less than USD 1 per person per day), and 68 per cent live in poverty (less than USD 2 per person per day). The health crisis has added to the impact of the various humanitarian crises and the socio-political crisis that the country was already facing.*

## Challenges faced by the private sector

In addition to extreme poverty and widespread poverty throughout the country, studies by the European Union and the World Bank highlight the following:

- **Haiti's vulnerability and instability in the face of climate change.** This situation makes actors less likely and less able to invest. The country, despite its potential, is particularly exposed to the most acute natural disasters such as hurricanes, floods, landslides and deforestation.<sup>1</sup>
- **Insecurity in the country** - Haiti regularly faces social and political tensions, which can discourage investment, especially foreign investment.
- **Widespread informality, which is more prevalent in urban areas** - Informal employment dominates and accounts for more than 80 per cent of the working population, i.e. 40 per cent in agriculture, 25 per cent in trade and 11 per cent in industry, while the public sector employs only 2 per cent of the total working population. In urban areas, the informal sector accounts for 81 per cent and in rural areas 42 per cent, mostly in wholesale and retail trade. Overall, informal employment, as in most LDCs, is a matter of survival for workers and employers.<sup>2</sup>
- **High unemployment** - 61.9 per cent of the Haitian population is unemployed, 50 per cent of whom are in the 20-24 age group.<sup>3</sup> In fact, in Haiti, particularly in urban areas, there is a large population of available inactive people. 80 per



<sup>1</sup> <https://diplomatie-belgium.be/fr/pays/haiti/voyager-haiti-conseils-aux-voyageurs/climat-et-catastrophes-haiti> (in French)

<sup>2</sup> HAITI Pathways to Responding to Recurrent Crises and Chronic Fragility. World Bank, 2022.

<sup>3</sup> Government of Haiti, Post-COVID Economic Recovery Plan (PREPOC 2020-2023)

cent of existing jobs are informal and as precarious as businesses and informal production units (IPUs) themselves.

- **Social inequalities linked to the lack of respect for the rule of law** - It is important to note that prior to the 2010 earthquake, essential human rights such as the right to work, the right to health, the right to education, gender equality and non-discrimination, and the right to security and protection from exploitation were not recognised in Haiti. As a result, the majority of young people under the age of 25 are engaged in domestic work or as unpaid family farm workers and are not educated, mainly girls and young women.
- **A weak policy of absorbing young people into apprenticeships or technical vocational training for their future development combined with the weakness of the formal private sector** - Formal private sector establishments are unable to create jobs in view of the large population of young people who are able to work but are inactive.
- **Lack of social protection** - As in most LDCs, social security coverage excludes informal sector operators and does not take into account unemployment or disability.
- **Low level of human-capital education/training** - Haiti ranks 170th out of 189 countries on the Human Development Index. In addition, it appears that in terms of level of education - a determining factor for access to a good level of income - only 46 per cent of men and 39 per cent of women have successfully completed primary education. However, there are disparities between genders and between regions. Indeed, this rate is an estimated 64 per cent in urban areas and 30 per cent in rural areas.
- **Very high level of corruption** - According to Transparency International's 2020 report, Haiti ranks 164th out of 180 countries. This indicates that much work remains to be done to improve the business climate in Haiti.

## Private sector policy recommendations

The recommendations apply to the following areas:

### 1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;
- Establishing and maintaining a genuine public-private partnership;
- Developing a roadmap and agenda for public-private dialogue at national level;
- More focused development of sectoral development strategies to better and more effectively take account of the needs and contributions of all private sector socio-economic partners;
- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;
- Constantly coming up with reforms to improve the business climate;
- Complying with agreements;
- Bolstering the role of the state as a guarantor of peace, security and good governance;
- Ensuring independent and accountable social partners;
- Capacity building for social partners;
- Establishing a communication plan to reduce communication gaps between the private and public sectors;
- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term;

- Multilateral and bilateral bodies that should promote greater inclusion of social partners, including key private sector and civil society actors in their negotiations with the Government of Haiti.

## **2. Supporting young investors and women, developing entrepreneurship and fighting against informality**

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;
- Creating training and apprenticeship centres for self-employment for out-of-school youth;
- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;
- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;
- Focusing policy on formal job creation;
- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;
- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;
- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;
- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;
- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;
- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;
- Promoting women's access to land in particular and favouring a reorganisation of the land register;
- Eliminating minimum fees for business start-ups and shortening the waiting period for registering and authenticating documents;
- Creating national savings in the various countries to finance income and employment-generating projects, especially for young people and women.

## **3. Fighting informality**

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;
- Establishing incentives and deterrents;
- Sharing and exchanging regional experiences;
- Developing a strong and effective institutional legislative framework;
- Annually implementing structural reforms



and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;

- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;
- Reducing costs and delays in obtaining building permits;
- Reducing electricity connection fees;
- Eliminating mandatory minimum fees for business start-ups;
- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;
- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;
- Developing a national directory of formal sector companies;
- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better channel and adapt sectoral strategies to facilitate their transition to the formal sector;
- Establishing and modernising an electronic system for creating and registering businesses at national level;
- Creating a level playing field for businesses to facilitate their formalisation.

#### **4. Developing human capital**

Specific objectives include:

- Improving the supply of public services (education, health and social protection);

- Ensuring a match between training/education received and the needs of the labour market in technical and vocational education, general secondary education and universities;

- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;
- Priority training for public sector managers;
- Mandatory internships for students to immerse them in the world of business.

#### **5. Improving the labour market**

Specific objectives include:

- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;
- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal businesses to formalise;
- Promoting flexible working hours for workers;
- Improving employment frameworks, policies and conditions;
- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

#### **6. Promoting digitalisation/new technologies**

This should consist of/and enable:

- Updating/strengthening the digital skills of economic actors;
- Facilitating access to a variety of services

and opportunities through the Internet and IT by means of timely reforms and national projects/programmes;

- Promoting online payment of taxes and other services;
- Providing large-scale digital literacy programmes;

- Promoting engineering training and professions in order to capitalise on innovation through strategic partnerships (schools-companies, state and development partners, etc.).

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A powerful  
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Avenue Louis-Casaï 71 – CH-1216 Genève  
T +41 22 929 00 00 F +41 22 929 00 01  
[ioe@ioe-emp.com](mailto:ioe@ioe-emp.com) • [ioe-emp.org](http://ioe-emp.org)

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