Helping Haiti: A New Approach

9/3/24

Mark D. Packard, Ph.D.
Jeff Frazier, CEO, Stimpack
Paul Pounder, Ph.D.
Christian Bjørnskov, Ph.D.
Indu Khurana, Ph.D.
Tess Beck

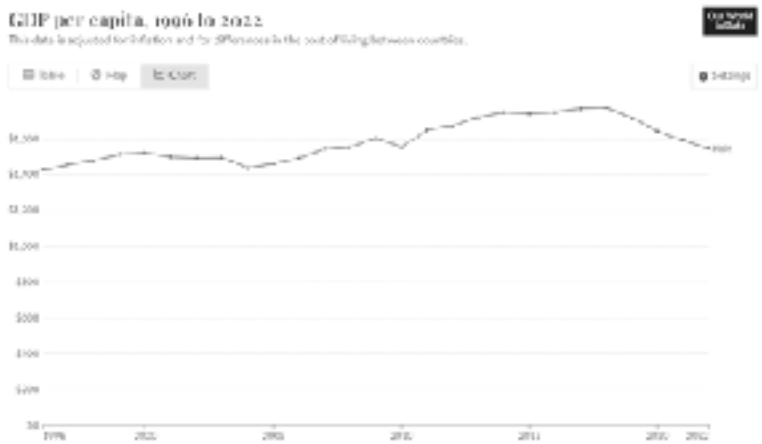
Introduction

Haiti, the poorest nation in the Western Hemisphere, has been in desperate circumstances for a very long time. Once the wealthiest of the New World colonies, Haiti's political economy has struggled since its independence (January 1, 1804) for myriad reasons. For example, it was forced to pay reparations and backpay with interest on debt obligations to the U.S. and France, which placed a heavy fiscal burden on its government. More visible at times, are the economic consequences of its natural disasters. Plagued by both hurricanes and earthquakes, natural disasters have been particularly devastating to the local population and economy. But the primary reason that such natural disasters have had such disastrous consequences on that particular half of the island and not elsewhere—including its island sibling, the Dominican Republic—is that it has not yet achieved sufficient economic growth to guard against such events. Whereas much of the modern world has built a robust infrastructure that is resilient to common natural disasters, Haiti has virtually no such guards. And so, every time such a natural phenomenon occurs, Haiti is left in rubble and has to be rebuilt repeatedly.

Perhaps just as devastating has been the constant political turmoil. Haiti has had 22 different constitutions since its independence, 11 in the 20th Century alone. Each one has been an attempt to address political turmoil. Its most stable period of the modern era was the decades of tyrannical rule by "Papa Doc" François Duvalier and his son, "Baby Doc" Jean-Claude. But their economic mismanagement plunged the country into institutional chaos, culminating in a violent revolution which ousted Jean-Claude in 1986, forcing him to flee. For the next several years, political factions vied for power through violence. Eventually, Jean-Bertrand Aristide would be elected to office in 1991, but a series of coups-d'états by rival factions followed. Aristide, despite being the internationally recognized leader, was replaced as President multiple times after brief spells of rival leadership. Finally in 2004, Aristide fled (or was exiled, depending on the report) to South Africa after another coup, not returning until 2011 and never returning to office. Subsequent presidencies were marked by violence and tumult. In 2008, during René Préval's second term (2006-2011), there were riots over the high food prices and, of course, the 2010 earthquake. Under Michel Martelly (2011-2016), Haitian gangs thrived and began to gain institutional control. Jovenel Moïse (2017-2021) was similarly permissive of criminal gangs, faced numerous violent protests, and was eventually assassinated. Ariel Henry, who took the reins after Moïse's assassination, was ousted in 2024. This institutional instability has played a large role in undermining economic stability and growth.

Amid the constant turmoil, there have been many efforts to rescue and revive Haiti's economy so that it might begin to catch up to the developed world. The UN enacted the United Nations Stabilization Mission in Haiti, or MINUSTAH (based on its French rendering), from 2004 to 2017, and then the United Nations Integrated Office in Haiti, or BINUH, since 2019. The goal of these missions has been to bring institutional stability to the country. Largely, these efforts entailed a military presence and police force training. Tasked with keeping the peace amid political unrest and the rise of organized gangs, these interventions frequently turned into gun fights. Over time, the local population increasingly turned against the UN's forces, at times perceiving them to be more of an occupying force than a humanitarian project.

Figure 1. Haiti's GDP per capita, 1996-2022

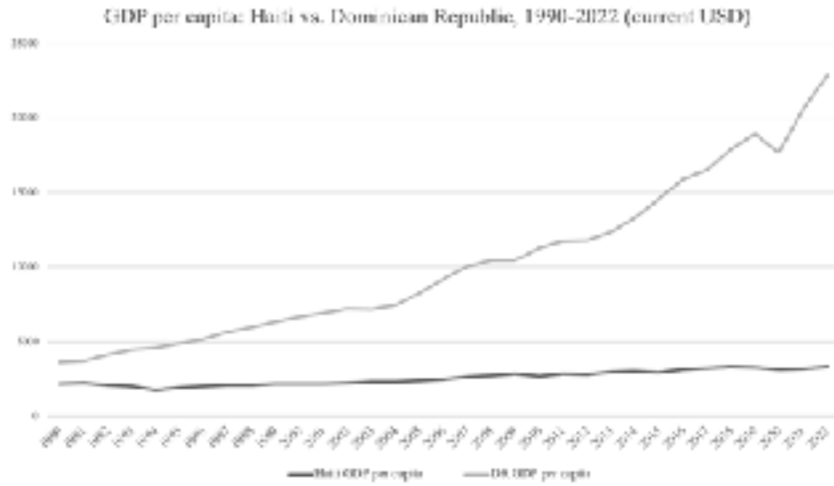


So far, however, these projects have had virtually no discernable long-term impact—Haiti's economy has remained stagnant (see Figure 1). The comparison of GDP per capita in Haiti versus the Dominican Republic in Figure 2 shows how drastically this stagnation has exacerbated disparities between the neighboring countries from 1990 to 2022. Other economic indicators tell a similar story, with Haiti's unemployment rates averaging 8.3% in the 13-year period prior to MINUSTAH (1991-2003) and a whopping 14.64% in the 14-year period of UN intervention (2004-2017). Since 2019, unemployment rates have been even higher, averaging 15% from 2019-2022.[1] Haiti's balance of trade tells a similarly bleak story, with deficits rising as a larger and larger share of Haiti's consumed goods are shipped in from abroad, instead of being produced at home.

---

[1] World Bank. World Development Indicators. (2024). *Unemployment, total (% of total labor force) (modeled ILO estimate) – Haiti* [Data file]. https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=HT

Figure 2. GDP per capita, Haiti versus the Dominican Republic, 1996-2022



Today, Haiti displays the lowest human development index in the Americas, an infant mortality rate double that of neighboring Dominican Republic, and according to the UN, more than a third of the country's population is experiencing acute hunger.[2] Compelling explanations for these policy failures and the surprising resilience of Haiti's plight have been few and weak. It seems, to Haitians and outsiders alike, that Haiti is simply beyond help—many of the locals have developed a superstitious view that their homeland is cursed.

In this white paper we proffer several overlapping mechanisms to explain why entrepreneurship—the primary engine of economic growth—has failed to take hold in Haiti enough to grow its economy out of impoverishment. We will then sketch the outline of a new solution that is focused on revving the economic engine of entrepreneurship through for-profit foreign investments (at all levels—micro, meso, and macro) in Haiti-based ventures.

Why Has Intervention Failed in Haiti?

Because the country has been in persistent crisis ever since the 2010 earthquake and the 2016 hurricane, the world has cobbled together humanitarian aid in the form of free foodstuffs, healthcare, security assistance, and education. Thousands of NGOs actively operate within Haiti. Despite these efforts, the economic impact has been almost negligible.

Understandably, it was expected that humanitarian aid would proffer the basic necessities and security that would allow Haitians to invest whatever other resources they possessed into growth projects (i.e., opportunity entrepreneurship). But this has not happened. Instead, a large percentage of the populace is unemployed or, more often, finds daywork whenever and wherever

---

[2] United Nations. Human Development Reports. (2024). *Hait human development report.* [Data file]. https://hdr.undp.org/data-center/specific-country-data#/countries/HTI

they can, and remains wholly dependent on persistent humanitarian aid. *Half* of Haiti's populace remains classified by the Integrated Food Security Phase Classification (IPC) at level 3 (crisis) or 4 (emergency). That is, half the Haitian populace is barely above starving and are wholly dependent on the foodstuffs brought in by humanitarian aid.

Policymakers have struggled to pinpoint specific reasons for this lack of progress. We will point to several.

The Inefficacy of Humanitarian Aid

The first point is that there is mounting evidence that humanitarian aid tends to be ineffective as a policy solution. Scholars have in fact found that humanitarian aid has little, no, or even a negative effect on economic development.[3] There are several possible reasons for this.

One possible reason is that the aid provided tends to be dictated not by the specific and actual needs of the country aided, but instead by political aims to benefit the humanitarians' own economy. That is, foodstuffs are either brought in by the humanitarians or else the monies promised are "tied"—they must be used to purchase goods from the humanitarian country (often from a list of specific, politically favored vendors). This has two key effects. First, it raises the costs of humanitarian goods significantly—an effect that has been well-documented. The World Food Programme for example estimates that food prices in Haiti are 30-77 % higher than elsewhere in the region.[4] The second effect, even more pernicious, is that flooding the market with cheap (free) imports displaces the local economy. Free food was much better than having to pay for the local food. So local producers were pushed aside as foreign foodstuffs were imported from the humanitarians' home countries. This displacement of local farming arguably began many decades earlier, but the recent natural disasters essentially spelled the end of local food production in many parts of Haiti. These imports have persisted—particularly rice from the U.S.—at a much lower cost than local farms. Today, Haiti is deeply dependent on foreign food exports.

A second possible explanation is that aid monies tend to go missing.[5] A remarkable amount of promised foreign aid never materializes in the first place or is paid as debt forgiveness

---

[3] Nunn, N. (2019). Rethinking economic development. *Canadian Journal of Economics/Revue canadienne d'économique*, *52*(4), 1349-1373.
Tosun, E., Kirikkaleli, D., & Safakli, O. V. (2020). An isolated island economy analysis on the effectiveness of foreign aid: TRNC. *SAGE Open*, *10*(2), 2158244020924376.

[4] World Food Programme Haiti Country Brief; available at https://www.wfp.org/countries/haiti.

[5] Andersen, J. J., Johannesen, N., & Rijkers, B. (2022). Elite capture of foreign aid: Evidence from offshore bank accounts. *Journal of Political Economy*, *130*(2), 388-425.
Reinikka, R., and J. Svensson (2004) "Local capture: Evidence from a central government transfer program in Uganda," *Journal of Political Economy* 119(2), 679–705

rather than actual monies.[6] Some of the monies that did reach Haiti were often captured by local gangs or by corrupt public officials. We will turn to the problems of the gangs shortly. The prospect of capturing humanitarian aid, where there are not strong safeguards, tends to *increase* corruption and crime, making it more profitable. Scholars have observed an uptick in violence and conflict and reduction in political institutional quality as a result of aid.[7] But Haitian corruption is only a small part of the story. Foreign governments, due to Haiti's high corruption perception score, have avoided handing its government aid monies, preferring to send its aid monies to NGOs, which have lacked in transparency, accountability, and efficacy.[8] In the end, very little humanitarian aid gets spent on actual development.

Third, a general failure to successfully establish and protect property rights has allowed a destructive economy to flourish at the expense of the entrepreneurial class.[9] We will elaborate more on this explanation later. However, in the context of the effectiveness of humanitarian aid, this destructive sub-economy appears to be extracting the resources that humanitarian aid proffers or otherwise frees, disallowing its investment in growth ventures.

Fourth, population growth may be stretching the stagnant economy ever thinner. Humanitarian aid, in the form of food and medical provisions, has allowed Haiti's population to flourish, despite little economic growth and development. In the normal process of economic development, population increases enhance the division of labor and, so, augment economic growth processes. However, some economists have argued that nations can find themselves trapped by a population growth cycle that outpaces its resources.[10] As a result, larger families invest less in the human capital of each child, which perpetuates resource scarcity in a vicious cycle. Indeed, this does seem to be the case in Haiti. Since the 2010 earthquake, Haiti's population has increased about 20%, whereas GDP in that same time period has grown by about the same, resulting in essentially no growth per capita (GDP per capita was $1521 in 2010 and

---

[6] Katz, J. M. (2013). *The Big Truck that Went By: How the world came to save Haiti and left behind a disaster*. St. Martin's Press.

[7] Crost, B., Felter, J., & Johnston, P. (2014). Aid under fire: Development projects and civil conflict. *American Economic Review*, *104*(6), 1833-1856.
Nunn, N., & Qian, N. (2014). US food aid and civil conflict. *American Economic Review*, *104*(6), 1630-1666.
Djankov, S., Montalvo, J. G., & Reynal-Querol, M. (2008). The curse of aid. *Journal of Economic Growth*, *13*, 169-194.

[8] Ramachandran, V., & Walz, J. (2015). Haiti: Where has all the money gone?. *Journal of Haitian Studies*, *21*(1), 26-65.

[9] Frazier, J., & Packard, M. D. (2024). Destructive Entrepreneurship and the Boundaries of Economic Development: The Case of Haiti. In Emami, A., Yoruk, E., Johnston, A., Caputo, A., & Jones, P. (Eds.), *Destructive Entrepreneurship in Emerging Markets: Causes and Consequences*. Singapore, Springer Nature.

[10] Becker, G. S., Murphy, K. M., & Tamura, R. (1990). Human capital, fertility, and economic growth. *Journal of Political Economy*, *98*(5, Part 2), S12-S37.

$1546 in 2022[11]). Moreover, population density growth correlates positively with the number and consequences of natural disasters.[12] This effect is all too apparent in Haiti's recent bouts with Mother Nature.

Finally, some have produced evidence of a *crowding out* effect, i.e., that humanitarian aid can displace other economic development spending. However, the evidence for this is mixed. Scholars have generally concluded that the effect of humanitarian aid—whether it crowds *out* or crowds *in* economic investments—depends on the quality of government institutions[13] or on the composition of the aid.[14] However, in Haiti's case, it appears that the conditions are such that it has a crowding out effect.

In short, humanitarian aid is necessary, Haiti's population highly dependent upon it. But there is very strong evidence that it does not have the effect of facilitating resource investments into entrepreneurial projects. Instead, it has had no discernible effect on economic growth.

Brain Drain

A second likely factor in Haiti's dismal entrepreneurship rates and, consequently, paltry economic development is its "brain drain." An estimated 85 percent of all Haitian college graduates from 1970-2000 left Haiti to live in higher-income countries.[15] Indeed, the path to success and the good life appears to be only attainable abroad. While these Haitian successes often send remittances back to their home country, nearly 20% of GDP, remittances have only an unexpectedly small effect on economic growth.[16] These, the most likely entrepreneurs and contributors to economic growth, instead contribute to *other* nations' economic growth and development.

---

[11] Source: 2023 Maddison Project database

[12] Strömberg, D. (2007). Natural disasters, economic development, and humanitarian aid. *Journal of Economic Perspectives*, *21*(3), 199-222.

[13] Benedek, D., Crivelli, E., Gupta, S., & Muthoora, P. (2014). Foreign aid and revenue: Still a crowding-out effect?. *FinanzArchiv/public finance analysis*, 67-96.
Boudreaux, C. J., Jha, A., & Escaleras, M. (2022). Weathering the storm: How foreign aid and institutions affect entrepreneurship activity following natural disasters. *Entrepreneurship Theory and Practice*, *46*(6), 1843-1868.

[14] Selaya, P., & Sunesen, E. R. (2012). Does foreign aid increase foreign direct investment?. *World Development*, *40*(11), 2155-2176.

[15] Jadotte, E. (2012). Harnessing remittances and diaspora knowledge to build productive capacities. United Nations Conference on Trade and Development. https://unctad.org/system/files/non-official-document/ldcr2012-bp1.pdf

[16] Cazachevici, A., Havranek, T., & Horvath, R. (2020). Remittances and economic growth: A meta-analysis. *World Development*, *134*, 105021.

Political Corruption and the Rise of the Gangs

A third factor in the stalling of Haiti's economic engine is the persistent institutional corruption and the rise of the black economy. Corruption has been a persistent feature of Haiti's public institutions. The *Varieties of Democracy* project for example assesses that political corruption was consistently about 60% higher in Haiti than the region average throughout the 20th century.[17] Papa Doc and Baby Doc left behind poor politico-economic institutions and a culture of corruption. These institutions, once Baby Doc was chased out, have been subsequently treated as valuable tools for profiteering rather than as guards against it. Corruption is widely tolerated in Haiti, if not expected, and internal corruption protects itself. A fair discussion of this corruption must admit that the institutions are doomed to it by a lack of resources. Government salaries for many institutionally key positions, such as police and customs, is below the minimum subsistence level—these officials have no real choice other than to participate in corruption. Thus, dissatisfaction with the institutions has no internal correction mechanism. Instead, it tends to boil into civil unrest and coup attempts—although most coup attempts seem to be power grabs rather than revolutions.

The impoverishment of political institutions likely has several effects on economic development. Indeed, there are few economic relationships more established than sound political institutions and economic growth and development. The primary reason is that protected property rights are a key antecedent to entrepreneurial activity. If entrepreneurs' endeavors and successes can simply be usurped, the incentive to risk their capital in such endeavors quickly evaporates. Instead, those resources are directed toward safe, unadventurous ends, such as basic necessities.[18] Growth-creating entrepreneurship is pushed aside.

But in Haiti, the threat to property is not just from corrupt public officials. Difficulties in acquiring even basic necessities have given rise to criminal activities and organizations. For the most part, gang members do not choose that life preferentially, but feel compelled into it due to *sikonstans lavi*—life circumstances. Gang activities are comparatively quite profitable. These activities include car jackings, kidnappings, extortion, trafficking (drugs, sex, child, weapons, etc.), and even paid protesting. Gangs have, at times, controlled key economic resources, such as ports, and extracted rents therefrom. Recent UN estimates put the gangs' control of Haiti's Capital, Port-Au-Prince at around 80 percent.

Together, government corruption and instability along with growing gang power and control amounts to a severe stamping out of entrepreneurial opportunity. Productive entrepreneurship has very little recourse to protect itself from the clutches of exaction.

---

[17] Coppedge, M., Lindberg, S., Skaaning, S.-E., & Teorell, J. (2016). Measuring high level democratic principles using the V-Dem data. *International Political Science Review*, *37*(5), 580-593.

[18] Bjørnskov, C., N. Foss, and T. Xu. (2022). The role of institutions in the early entrepreneurial process. *Industrial and Corporate Change*, 31(4), 905-933.

Entrepreneurs may invest in their own protections from gangs and corruption, but these are often prohibitively costly. Instead, sustainable business generally requires playing ball with the gangs within and without government, requiring bribes and mafia-like payoffs to keep operations intact.

The Poverty Trap

A final likely reason for Haiti's dismal economic growth rate is what is called a *poverty trap*. A poverty trap occurs when an economy gets caught in a vicious cycle of persistent underdevelopment due to a lack of sufficient resources. While scholars have identified several possible causes of these poverty traps, Haiti's poverty trap is a low-wealth/low-investment trap.[19] Put simply, there is a threshold of accumulated savings that are required to allow investment into entrepreneurial endeavors. If resources are too scarce and, so, are essentially fully consumed, no investments can be made into productivity gains--all resources are expended in the fight to survive. Without productivity gains, savings cannot gain traction, and the threshold is never reached.

Haiti's poverty trap is likely induced and perpetuated by its black economy and by its severe inflation, both of which extract and debase what savings are had. The result is that there are not enough resources available for investment in growth ventures. As a result, the entrepreneurial engine of a growing economy, like a motor with no gas, merely sputters and dies every time it is restarted.

Policy Solutions

We have now extrapolated several key reasons why entrepreneurship cannot gain traction in the Haitian economy to incite economic growth and development. These are difficult problems that have resisted resolution. Certainly, the policies that have already been tried have failed, in large part because the diagnosis of the problem has been wrong or incomplete. Specifically, foreign aid efforts have focused on solving the humanitarian crises of insufficient food and medical care, on reforming the political institutions, and on allaying gang power and violence.

But these efforts have not stuck because underneath all of these problems is the persistent economic scarcity that has the nation in constant survival mode. Insofar as severe economic scarcity remains a problem, we should expect political institutions to remain corrupt and gangs to thrive. This is because sound political systems, those which successfully defend and protect property rights, require resources—resources that Haiti's government does not have. Haiti's tax revenues in 2024 were a mere $128 per capita. That is not enough to fund a well-trained and well-equipped (and uncorrupted) police force, court system, prison system, and all other

---

[19] Matsuyama, K. (2010). *Economic Growth*. London: Palgrave Macmillan UK.

necessary components of a strong and sound governance system capable of establishing and defending strong property rights. The problem is *economic* more than it is political or cultural.

Thus, Haiti finds itself in a vicious cycle—a poverty trap—because economic growth and development require sound institutions and property rights protections, but the establishment of such institutions first requires a sufficient level economic growth and development. Because one cannot gain traction without the other, neither can get off the ground. The foreign interventions to establish sound institutions and governance have done much too little on the economic development front to have a lasting effect. Instead, because the economic scarcity persists, whatever progress was made is quickly lost again as the institutions revert to corruption in individual efforts to secure scarce resources for themselves and their families.

But hope is not all lost. Solutions are possible. Such solutions will need to be innovative to work around the defenses of the black economy and its institutional defenders. Here we will lay out a basic policy program designed to skirt the poverty traps in Port-Au-Prince and build lasting growth and development. This program entails four steps: (1) pivot humanitarian aid toward buying locally rather than importing, (2) establishing special economic zones, (3) carefully financing institutional improvements, (4) attracting foreign direct investments, and eventually (5) facilitating a social entrepreneurship drive.

1. Buy Local

The first key step toward getting Haiti on the path toward self-reliance and growth is to phase out the humanitarian aid imports and instead purchase local foodstuffs and other basic goods—housing, toiletries, medical care, and transportation, for example—with humanitarian aid expenditures. The aim of this step is to ramp up local production. Imports are an important band-aid, but their long-term economic benefits are unimpressive.[20] Instead, humanitarian aid should work *through* the local economy as much as possible, promoting local economic growth and development.

Certainly, this may be temporarily impossible if and to the extent that the local economy is insufficiently developed to address the humanitarian needs of the populace. However, in this case, investments into local food production should occur simultaneously with imports and, as production is ramped up, local productions should be purchased before foreign imports.

The fundamental premise of this first and key step is ‘Say’s Law’: that production constitutes a local economy’s capacity to demand. In other words, the wealth that one has to buy economic goods is that which is created in what they have produced. In order to buy a home or food or medical provisions, one must first produce enough economic value for others, generating for themselves enough buying power to afford such goods. This same principle scales up to the

---

[20] Werker, E., Ahmed, F. Z., & Cohen, C. (2009). How is foreign aid spent? Evidence from a natural experiment. *American Economic Journal: Macroeconomics*, *1*(2), 225-244.

broader economy. The fundamental weakness in Haiti's economy is that it does not produce enough to allow its populace to demand more and new goods—including the governance it needs to facilitate entrepreneurial activities. It does not need foreign production except to get it through emergency scarcity; what it needs is *local* production.

By buying local productions instead of importing them, local Haitian producers then gain through their productive activities and sales the capacity to demand other productions. Total economic supply and demand increase. Ultimately, the goal is to increase total productive activities, whatever they may be. Foodstuffs and clothing as needed locally seem to be the obvious first steps, but exports also constitute a created ability to demand.

2. *Special Economic Zones*

This leads us to our second key policy recommendation, which is that humanitarian aid should be supplemented with economic development aid. However, there is ample evidence that foreign economic development aid can often be unproductive, particularly when foreign nations plan the development.[21] Instead, scholars have suggested that foreign direct investment (FDI), rather than economic aid (or remittances), is the mostly likely to accelerate economic growth.[22]

Prior to 2006, FDIs in Haiti's economy never surpassed about $30M. In 2006 a wave of FDIs brough in about $160M, which fell back down to the $50M levels for the next few years. But after the 2010 earthquake, FDIs spiked again and stayed above $100M for almost a decade. However, after a historical high of $370M in 2017, FDIs have fallen precipitously, likely due to the security troubles that Haiti has been unable to resolve. But a corresponding collapse of GDP per capita has been the result.

These FDIs are reflected in Hait's GDP per capita (see Figure 1). Prior to 2006, economic growth was slow and paltry. From 1980 to 1994, GDP per capita dropped from over $2000 to under $1300 annually, after which it leveled off. In 2006, when Preval first took office and new FDIs jumped to $160M, the growth trajectory immediately saw an increase, disrupted only by the 2010 earthquake. Things were getting better. But in 2014 growth stalled. The FDI was no longer producing growth as political turmoil led to mass protests. President Michel Martelly, or Sweet Micky, who entered office in 2011, had purportedly fostered severe corruption and gang power. Martelly denied the allegations, but in 2022, Canada concluded an investigation into Haiti's corruption and gang problems with sanctions, singling Martelly out for his corruption. Gangs have since taken control of the Capital and have deep influence in the government. FDI quickly dried up as legitimate production became difficult and unprofitable.

---

[21] Coyne, Christopher J. (2013). *Doing Bad by Doing Good: Why Humanitarian Action Fails*, Redwood City: Stanford University Press.

[22] Bird, G., & Choi, Y. (2020). The effects of remittances, foreign direct investment, and foreign aid on economic growth: An empirical analysis. *Review of Development Economics*, *24*(1), 1-30.

The path to Haiti's return to growth must be with FDI. However, under current circumstances, Port-Au-Prince is not a safe place to invest—it is understandable why investors would be wary of betting on entrepreneurship in the Haitian Capital. Thus, we think the path to Haiti's prosperity likely must begin elsewhere.

Our proposed solution is the development of special economic zones (SEZs). SEZs are economic havens of unique privilege, operating semi-autonomously outside the jurisdiction of normal national polity. SEZs often have special tax rates and other privileges, these privileges granted in the hopes that their productivity will create growth and spillover effects to the rest of the economy. While results are somewhat of a mixed bag, most SEZs have proven successful.

We advocate that Haiti establish at least one SEZ, although we think more may be merited.[23] We hesitate to predict which industry(ies) entrepreneurs may find worthwhile in Haiti, but SEZs are often set up to attract specific industries, which then enjoy coopetition and spillover effects of colocation. For example, Honduras has a SEZ on its northern island Roatán that caters specifically to BioTech, FinTech, and education industries, hosting conferences for these industries and promoting a culture of innovation. We can speculate on what sorts of industries might attract FDI in Haiti, but our guesses are only speculative. For example, a SEZ on the coast might promise a strong position for entrepôt industry for the American Atlantic given Haiti's central position. It could also attract beach tourism and/or ocean fish farming. Inland (countryside) SEZs could also be developed for various sorts of industries. IT or customer service centers could be established to rival India's. Fabrication and manufacturing could certainly find purchase using the cheaper labor in Haiti. Indeed, Haiti hosted several manufacturing operations for a long time (such as Rawlings baseballs) until the unstable political climate pushed those operations out.

While the details of such SEZs are to be spelled out through negotiations with Haiti's government, we propose a prorated tax rate, beginning at zero percent to increase to a certain level corresponding to its revenues not to exceed 10 percent. Despite the low (and, therefore highly attractive) tax rates, the possible success of these SEZs would create significant productions constituting new local demand and, over time, bring in significant state revenues over time that would greatly aid in breaking Haiti's poverty trap.

In short, Haiti needs to build industry away from the politics, gangs, and institutional corruption of Port-Au-Prince. It needs industry that can take care of itself, that can provide its own infrastructure, security, and governance. These are the sorts of pieces that Haiti can rebuild around. Port-Au-Prince can be saved, but its salvation is not likely to come from Port-Au-Prince. If we can begin to shift Haiti's economy away from the Capital and spread production out, this would greatly alleviate crime and governance problems, mitigate the proclivity for devastation

---

[23] For example, as of 2024, Cambodia has established 31 SEZs, Indonesia has 13, the Philippines 12, and Thailand has 10.

from natural disaster, and allow for the reconstruction of institutional structures that are sustainable. To achieve this, however, we must recognize why the populace has congregated in the Capital—because that's where the industry is. By generating new pockets of industry, we can begin Haiti's reconstruction from the outside in.

3. Foreign Direct Investment

The third rung of our plan is to build a FDI platform that can attract foreign and local capital and invest it effectively in local Haitian industry. This presupposes the issues that have impeded FDI so far have been sufficiently resolved in the previous steps. However, Haiti's growth potential is astronomical—it is an economy that has laid dormant as the rest of the world has exploded around it. Given the right conditions, it has the potential to catch up to the first world as quickly as did Singapore, Hong Kong, and Botswana. Catch-up growth rates are prone to greatly outpace first world innovation-based growth. Thus, our intent is to incrementally build these strong market conditions such that FDI is not only palatable in Haiti but extremely profitable.

The model for this FDI investment platform for Haiti is Silicon Valley. We certainly do not have expectations nor ambitions to turn Haiti into a global tech capital. However, we do believe that Haiti can become an investment host for a large variety of ventures, from micro- to meso- to macro-level lending, where investors can see a larger-than-average return at whatever level they can enter.

The berth of such a platform will require savvy investors familiar with Haiti and its promise, as well as its challenges. We hope and expect this platform to develop organically—artificial policy measures tend to distort more than facilitate market development. However, we can certainly admit that economic development aid may speed the development of and legitimize such an investment platform if done carefully. Thus, if foreign nations are willing and able to invest their public funds in Haiti's economic development as foreign aid, we propose that they use those funds to build FDI networks and infrastructure to attract and protect investments into Haiti's economy. This might entail, for example, the provision of an investment safety net, a percentage match of FDI, tariff relief, or other such measures to facilitate a greater willingness to invest. Such measures need be only temporary to prime the pump.

4. Governance Aid

While it has long been assumed that efforts to repair Haiti's institutions failed due to corruption, closer inspection reveals that very little foreign aid was ever allocated to its government.[24] Foreign nations saw Transparency International's Corruption Perceptions Index

[24] Ramachandran, V., & Walz, J. (2015). Haiti: Where has all the money gone?. *Journal of Haitian Studies*, *21*(1), 26-65.

score of Haiti, persistently one of the lowest, and refused to give directly to its government. In a real sense, this proved to be self-fulfilling prophecy. Insufficient funds created a need for corruption, government employees needing supplemental income just to survive.[25]

But corruption is not as culturally accepted in Haiti as many have come to believe, and it need not be the norm if its government can be properly financed. Certainly, corruption *is* problem and current institutional norms need to be disrupted. Arguably, this transition will occur naturally as economic production (and, thus, tax revenues) increases. However, we believe that the process can be accelerated with international guidance. Thus, we propose that foreign aid be given directly to Haiti's government *with oversight* from the international community to ensure its proper expenditure.

Note that this is the *fourth* step of the process, and not the first step. If the level of economic production is not first raised a sufficient amount, investments in the institutions will be undone unless they are perpetually maintained by outside oversight—a state of affairs that is unlikely to be popular both within Haiti and among the global community. Thus, we recommend that such investments not be prioritized until the engine of production is revved. This can be done simultaneously with the prior steps, but foreign oversight and intervention into domestic politics is already looked at askance by the Haitian populace, so prolonged intervention is not advised.

5. *Local Social Entrepreneurship*

A final key policy recommendation is to empower Haitians to pursue social entrepreneurship ventures as a primary conduit toward attracting and directing philanthropic aid toward addressing Haiti's critical needs, creating jobs, and promoting sustainable development throughout this process. In other words, we advocate a shift away from the current strategy of *importing* social entrepreneurship benefiting Haiti to the supporting of *local* social ventures. This would engender local solutions that we expect to work much better with and for the local economy and culture than do outside social entrepreneurship ventures, which historically have a much lower rate of success due to comparative ignorance of local needs, practices, and customs.[26] By focusing on essential services (agriculture, education, healthcare, housing, energy) that actively constrain the local economy, local social entrepreneurship can fill gaps left by humanitarian aid's deficiencies. This policy initiative would thus entail facilitating foreign funding mechanisms for Haitian social enterprises and fostering collaboration between governments, NGOs, and the social entrepreneurs to establish a supportive ecosystem.

---

[25] Katz, J. M. (2013). *The Big Truck that Went By: How the world came to save Haiti and left behind a disaster*. St. Martin's Press.

[26] Coyne, C. J. (2013). *Doing Bad by Doing Good: Why humanitarian action fails*. Stanford University Press.

Conclusion

In conclusion, let us summarize the basic argument of this white paper. First, the causes of Haiti's persistent economic woes are multifaceted, but we have been able to identify several key factors that we believe to be at the heart of the problem: (1) a focus on humanitarian aid to the exclusion of economic development aid; (2) brain drain; (3) political corruption and gang rule; and (4) a low wealth–low investment poverty trap.

Policy interventions to date have focused on the third of these factors, aiming to reform the political institutions and reduce the gangs' control over the economy. These efforts have been laudable, but they have not worked because Haiti's economy has remained in such impoverishment that all institutional reforms were quickly starved of funding. There is simply not enough wealth produced within Haiti to support strong, sound, and uncorrupted political institutions. The focus to date on political reforms and humanitarian aid has neglected the most critical factor necessary to Haiti's emergence out of its poverty trap—economic development.

We have herein laid out a program for economic development that can work for Haiti. The plan entails building economic developments *outside* of the Capital, which has been ravaged by political warfare and gang violence. These economic developments must be self-sustaining, capable of protecting themselves from the institutional corruption and gang activities that dominate its current economic activities. We have proposed the establishment of special economic zones—which have proved very successful in China, southeast Asia, Africa, and Central and South America—on the Haitian coast and countryside. With these SEZs, we have also proposed a Silicon Valley-style investor climate that would proffer high growth opportunities promising large returns. Economic development efforts would do well to foster and support such a climate.

However, the first and most obvious and immediate step toward Haiti's economic growth and independence is to transition humanitarian aid away from imports and toward building local production. This is, perhaps, the toughest pill for policymakers to swallow. Foreign aid is an easy sell when it entails purchasing their own economic goods to give to a foreign nation in need. But this sort of aid does more harm than good. It displaces the foreign nation's local economy and thereby creates dependency. This is precisely what has happened to Haiti.

We call upon the U.S., the U.N., and other generous nations and international organizations to reform their foreign aid programs. Foreign aid should focus on building up the foreign nation's economy, not your own.

Countries benefit greatly from mutual growth and development. Free trade and investment allow for the division of labor and economic advancement through specialization. The world would benefit greatly by investing in Haiti—Haiti has so much to offer.