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## **PROGRESS REPORT:**

# **STARTING A BUSINESS IN HAITI – OCTOBER 2010.**

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**OCTOBER 2009**

**15 October 2009**

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International.

## **INTRODUCTION**

The World Bank Report “Doing Business 2008 - Haiti” estimates the time required for starting a business in Haiti at 195 days. This estimate is based on 2010 data.

In the past, neither the Minister of Commerce and Industry (MCI) nor the Investment Facilitation Center (IFC), respectively responsible for the national registration process and the publication of business data to investors, had made statistical information available to the World Bank or its panel of local experts. Under the auspices of the Prime Minister’s Office and in collaboration with the MCI, the IFC and “Les Presses Nationales” (PN), I-TRADE has completed in September 2009 a statistical analysis of business registrations in Haiti, which objective was to supplement the information collected by the World Bank. Several potential “win” reforms were uncovered in the process (a) Elimination of the review by the Prime Ministry and Presidency; b) implementation of a pre-billing system for the publication of the *Moniteur*, the legal journal at Presses Nationales, and c) general quality control improvements at various stages by better allocation of responsibility among the different actors in the process, and Starting a Business should now take no more than 75 days. Those conclusions were also shared with, and applauded by, an important number of senior lawyers and notaries, by the end of September.

The purpose of this report is to provide information to the public and the World Bank on how processing times for starting a business should be reduced from 202 days to 75 days during the first quarter of 2010 as a result of a set of measures meant to be implemented on November 3 by MCI, IFC and Presses Nationales. It is expected that such faster processing times, resulting from concerted efforts of I-TRADE, MCI, IFC and Presses Nationales, will be considered by local partners of the World Bank and the World Bank itself, when the 2011 edition of the Doing Business Index comes out..

## **HAITI’S PAST PERFORMANCE – STARTING A BUSINESS**

The World Bank records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures is developed, along with the time and cost of complying with each procedure under normal circumstances and the paid-in minimum capital requirements. Subsequently, local incorporation lawyers and government officials complete and verify the data.

The Doing Business-2010 estimated that the time required for setting up a wholly Haitian-owned company, i.e., register with the Government of Haiti was 195 days, and that the process required 13 steps, listed in Table 1. In 2010, Haiti ranked 151 of 183 countries worldwide.

**Table 1: Days Required to Start a Business as Reported by “Doing Business 2008 - Haiti”**

Step	Activity	Days Required
1	Deposit the legally required initial capital in the National Bank and obtain deposit evidence	1
2	Prepare of company statutes ( Articles/ Memorandum of Association)	10
3	Notarize the company deeds and articles of association	15
4	Pay the registration fee at the Direction Générale des Impôts (DGI)	1
5	Register with the Commercial Registry at the Ministry of Commerce and Industry and obtain the authorization of operations (Droit de fonctionnement)	18
6	*Publish act of constitution in official legal journal (Le Moniteur)	150
7	*Obtain the Tax ID number (numero d'identification fiscale -NIF) from the Tax authorities (DGI), pay fees, and obtain certificate of patente	15
8	*Obtain the “Carte d'Identite Professionnelle” from the Ministry of Commerce	17
9	*Obtain special commercial books	2
10	*Legalize the commercial books	7
11	*Notification to the Labor Ministry about hiring	1
12	*Register for social security (OFATMA)	1
13	*Register for Retirement Insurance Office (ONA)	1
<b>Total</b>	<b>*STEPS 6-13 ARE SIMULTANEOUS</b>	<b>195</b>

The estimates were compiled from a panel of local experts, who were asked their opinions of the time and cost for each step based on their experiences in 2007. Each step is recorded in whole day increments so that no step may take less than 1 day. To reduce the impact of outliers, the World Bank uses the median, rather than the mean.

Steps 1 to 4 reflect the time required for the preparation of the constitutive documents by lawyer and notary (company statutes, deeds and articles of association); while Steps 5 and 6 reflect the steps required to register at MCI and publish the company deeds in the Moniteur. Steps 11 to 13 (Tax, social security and pension registration) have not been subject to reforms in 2010; thus those estimates (1 day each) are considered to be valid for the first quarter of 2010.

## **MCI INITIATIVES AND REFORMS**

MCI started its work streamlining procedures in September 2009. The existing registration process was mapped and statistical data were gathered to study the nature and causes of the delays of the registration steps at MCI. Two measures will be implemented in November 2009 by MCI to standardize these steps and to facilitate the business name search.

First, a new standard **Business Registration Form** was designed in order to standardize filing of the constitutive documents by lawyers and notaries, to substitute the normal cover letter. The critical elements that are introduced in the Business Registration Form

are the inclusion of declarative and signature fields, where the filling lawyer or notary must attest to the exactitude and the conformity of all documents and information provided. This new standard Registration Form will ensure the conformity of all files submitted at MCI. It has transferred the onus of the verification of file conformity to the lawyers and notaries, hence reducing the processing delays and the number of non-compliant submissions at the beginning of the Registration process.

Secondly a customized software application called ORRC (**Outil de Recherche du Registre du Commerce**) was designed to automate the Commercial Registry and facilitate the name research process. The software solution is a Web-based, license-free, search engine application that was funded by I-TRADE/USAID and developed by “École supérieure d’Infotronique d’Haiti” (ESIH). The advantage of this new software and technology is that the Registry of Commerce can be accessed through the Internet. The name search process has been automated and the beta version of the software has been installed over the period of June through September 2009. MCI established this new interactive Web site ([www.registrecommerce.gouv.ht](http://www.registrecommerce.gouv.ht)) from which customers may now search the Registry for corporate and commercial names, trademark and patents. This allows the user to verify their availability before submitting the registration file at the MCI office. An ORRC intranet was developed for MCI employees to improve coordination and accelerate decision-making. As related to Starting a Business, MCI has made the inclusion of a copy of the name search report generated by ORRC a mandatory requirement along with the constitutive documents, at the time of registration. The automated ORRC system has made the name search process faster, easier, and more transparent. It is also easier to retrieve records and provide reports. The program integrates more efficiently name clearance and issuance of a business registration certificate.

To ensure further the quality of the corporate documents before their publication, a new quality control checklist has been developed with a pre- and a post-screening process put in place at the MCI in order to filter all material errors in corporate documents becoming part of the process.

MCI expects that, thanks to the above measures, the average processing time at MCI will be reduce from 25 days to 10 days by that date January 15, 2010, the deadline for local partners of the World Bank to fill-in their reform questionnaires,

## **PRESSES NATIONALES INITIATIVES AND REFORMS**

According to “Doing Business 2010”, the most time-consuming step in starting a business in Haiti was the publication of the corporate statutes by “les Presses Nationales” (PN) in the legal journal “Le Moniteur”. The World Bank estimate for 2008 was 150 days for this step. In September 2009, I-TRADE completed its mapping of the publication work flow and identified the causes and nature of the delays at this stage of the process. The 150 day delay was caused by the following factors: a) Company files are

sent to Primature (the Prime Minister's office) and Presidency for approval before their publication in "Le Moniteur", which causes on average a 25 days delay; b) The billing for publication is initiated only when the file reaches the PN, causing on average a 45 day delay; and c) Files are not screened for administrative and legal errors before they are sent to the PN, causing on average, a 20 day delay, going back for editing and corrections (Note: All above metrics / statistics are based upon I-TRADE's study of 450 companies published in the Moniteur over the period of Jan 1, 2007 to July 31, 2009).

Hence a series of streamlining reforms were identified at the level of PN, as follows:

First, The Prime Minister has eliminated the transmission / approval of files through the Primature and the Presidency before publication (Official delegation to the Minister of Commerce signed May 29, 2009) This reform reduces the time for starting a business by 25 days.

Furthermore, in order to eliminate unnecessary delays in the collection of publication fees, prepayment will be made compulsory starting November 3, the overall date of program implementation (Prepayment will be based upon a new standard tariff meant to facilitate the determination of publication fees).

Overall, this process re-engineering should result in the elimination of 110 days of unnecessary delays in pre-printing verification and payment collection. Presses Nationales, internally has established a target of 40 days or less to complete publication of corporate statutes in "Le Monitor" Journal.

Note that the above Reform Plan has been developed through an interagency Memorandum of Understanding signed by the MCI, the CFI, Presses Nationales and I-TRADE. The latter will continue to support the agencies and track the implementation of the reforms involved.

## SUMMARY AND CONCLUSIONS

The overall streamlining process can be summarized as follows:

Steps	Steps details	Before (2009 data)	Streamlining Reforms	After (2010 estimates)
Lawyer / Notary	¼ capital deposit	1	-	<b>1</b>
	corporate statutes	10	-	<b>10</b>
	notarize deeds	15	Computer written	<b>13</b>
	pay DGI fees	1	-	<b>1</b>
MCI		18	Standardized forms / Name search report	<b>10</b>
Publication	Primature/ Presidency review	25	Eliminated (Since 29/05/2009)	<b>0</b>
	Invoicing	45	Pre-payment of fees	<b>0</b>
	Quality control	20	Screening of files	<b>0</b>
	Programming and printing	40	-	<b>40</b>
	Distribution	20	Electronic distribution	<b>0</b>
	Total	<b>195 days</b>		<b>75 days</b>

As a result of the streamlining reforms at the Primature, the MCI and at “Les Presses Nationales” I-TRADE forecasts that the total time it will take to start a business in Haiti will be reduced from 195 (*Doing Business* Index 2010) to 75 days in 2010. Reporting and monitoring systems at MCI, CFI and Presses Nationales will allow to measure actual processing times between November 2009 and January 2010 in order to demonstrate to the *Doing Business* contributors the improvements in Haiti’s business environment when the 2011 surveys will be conducted.