



USAID | **I-TRADE**
FROM THE AMERICAN PEOPLE

BASELINE ON SELECTED CATEGORIES (D)

**STARTING A BUSINESS, DEALING WITH CONSTRUCTION
PERMITS, TRADING ACROSS BORDERS**

**INVESTMENT-TRADE & ASSOCIATION DEVELOPMENT
(I-TRADE) PROJECT**

RESULT 1 - Haiti's Business and Trade Environment Improves

30 September 2009

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EXECUTIVE SUMMARY

The following report is submitted as a contract deliverable relating to Result 1- “Improving Haiti’s performance in the World Bank’s *Doing Business* Index” — Baseline on selected categories, due September 2009.

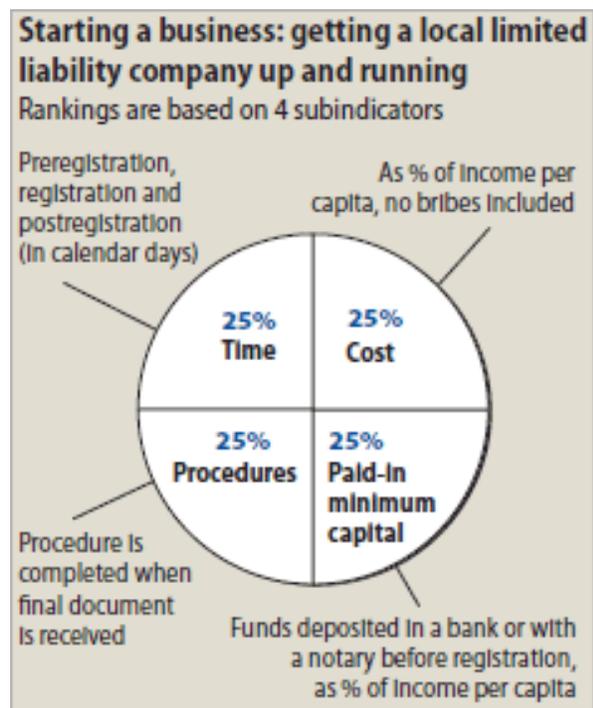
DOING BUSINESS REPORT

The *Doing Business Report* has become a respected source of information for donor organizations and private investors, both of which take into consideration the findings of the World Bank in programmatic and investment decisions. This memo looks at Haiti’s rankings in three of the eleven categories evaluated by the *Doing Business Report*. The selected categories are: starting a business, dealing with construction permits, trading across borders. The objective of the analysis is to determine what measures Haiti must take to raise its position in future rankings. One purpose of the analysis is to suggest ways I-TRADE can contribute to this effort.

1-STARTING A BUSINESS

The World Bank’s *Doing Business in Haiti 2007* estimates the time required for starting a business at 202 days. This estimate is based on 2006 survey and research investigating the procedures that a standard small to medium size company needs to complete to start operations legally. This includes obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate.

The rankings for the starting a business topic are based on measures from 4 sub indicators: Time, cost, paid-in minimum capital and number of procedures it takes to start a business.



1.1 BASELINE FOR STARTING A BUSINESS

In the 2010 Doing Business Report, Haiti ranked 180 of 183 countries worldwide for the starting a business indicator. Table 1.1 shows no real improvement from previous years.

Table 1.1: Historical data on “starting a business” indicators

| Starting a Business Historical Data | 2007 (Baseline) | 2008 | 2009 | 2010 |
|--|-----------------|-------|-------|-------|
| Rank | n/a | n/a | 179 | 180 |
| Number of Procedures | 13 | 13 | 13 | 13 |
| Number of Days | 202 | 202 | 195 | 195 |
| Cost (% GNI per capita) | 252.4 | 262.8 | 266.0 | 227.9 |
| Minimum paid-in Capital (% GNI per capita) | 31.2 | 32.2 | 26.6 | 22.4 |

The World Bank estimated that the time required for a wholly Haitian-owned company to start a business, i.e., register with the Government of Haiti in 2010 is 195 days, and that the process required twelve steps, listed in Table 2.

Table 1.2: Days Required to Start a Business as Reported by “Doing Business 2010 - 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 | Registration 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 Professionelle” 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 |
| Total | “STEPS 1 THROUGH 6 ARE SEQUENTIAL”/ 7-13 ARE PARALLEL | 195 |

The 2010 *Doing Business* Index is based on secondary sources, mainly comprised of contributors surveyed (in January 2009 for the 2010 Doing Business Report) about their perception of the indicator, rather than on actual business registration statistical data from the Business Registry. In the past, neither the Ministry of Commerce (MCI) nor the Investment Facilitation Center (IFC) had provided statistical information to the World Bank or its panel of local experts about starting a business indicator.

In collaboration with the Prime Minister’s Office, the Ministry of Commerce (MCI), the Investment Facilitation Center (IFC) and the legal publisher Presses Nationales, I-TRADE has conducted in September 2009, a statistical and mapping analysis about business registration in Haiti, which objective is to supplement information collected by the World Bank.

1.2. I-TRADE’S STATISTICAL AND MAPPING ANALYSIS

I-TRADE’s study revealed that from 2007 to 2009 there was an average of 165 incorporations per year, and that the number of days to start a Business was on average 175 days as listed in Table 3.

Table 1.3: Days Required Starting a Business in Haiti in 2009 as Reported by I-TRADE’s analysis

| I- TRADE | 2007 | 2008 | 2009 |
|----------------------|------|------|------|
| Number of Procedures | 13 | 13 | 12 |
| Number of Days | 188 | 182 | 175 |

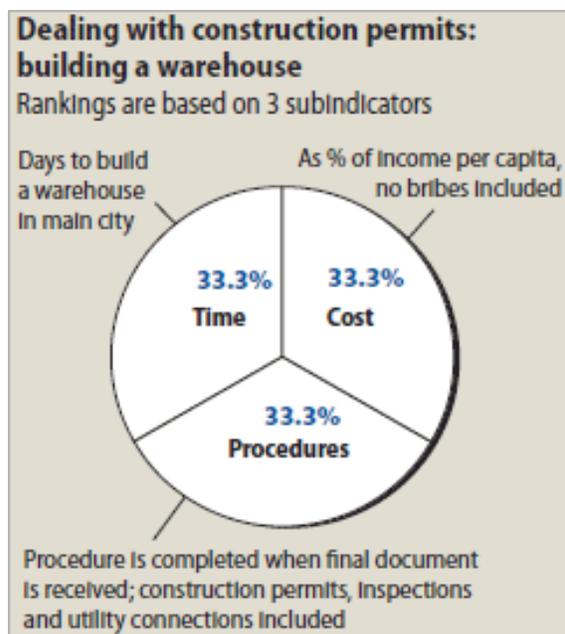
1.3 CURRENT REFORMS AND INITIATIVES

With I-TRADE’s support the MCI, IFC and PN have begun to streamline reforms in September 2009. The existing business registration process was mapped and a series of initiatives and reforms were developed to reduce the time of registration. Four important measures have been implemented and are scheduled to roll out on November 1st 2009. These measures are:

- 1- Standardization of business registration files through a registration form.
- 2- Submission of name search report from the digitalized registry of commerce
- 3- Prepayment of publication fees at the time of file submission.
- 4- Implementation of screening system in order to detect legal and/or administrative anomalies.

When implemented, these four measures will reduce the registration process to 75 days, compared to Doing Business’ 195 days. I-TRADE’s goal is for these measures to be effectively reported by the Doing Business contributors in the next survey scheduled for January 2010.

2 – DEALING WITH CONSTRUCTION PERMITS



This indicator records all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. For this topic 3 sub indicators are calculated: the time cost and number of procedures required under normal circumstances.

2.1 BASELINE FOR DEALING WITH CONSTRUCTION PERMITS

In the 2010 Doing Business Report, Haiti ranked 126 of 178 countries worldwide for the dealing with construction permits indicator.

Table 2.1: Historical data on “Dealing with construction permits” indicators

| Starting a Business Historical Data | 2007 (Baseline) | 2008 | 2009 | 2010 |
|-------------------------------------|-----------------|-------|-------|-------|
| Rank | n/a | n/a | 125 | 126 |
| Procedures (number) | 11 | 11 | 11 | 11 |
| Time (days) | 1179 | 1179 | 1179 | 1179 |
| Cost (% of income per capita) | 791.3 | 817.8 | 675.2 | 569.5 |

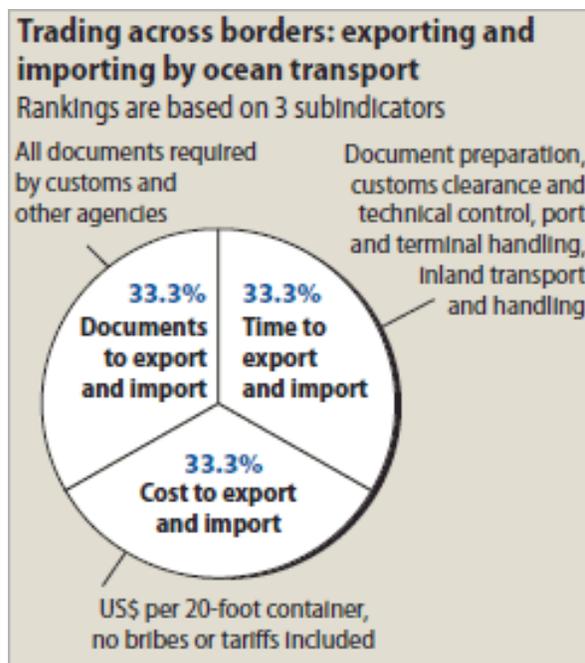
The World Bank estimated that the time required for a small to medium-size limited liability Company to obtain permits for the construction of a warehouse is 1179 days, and that the process required eleven steps. However this number is skewed by the number of days to obtain a LAN line.

2.2. I-TRADE'S MAPPING ANALYSIS

In October 2009, I-TRADE will start mapping the process for obtaining construction permits. The Prime Minister's office sent a letter to the Ministry of Construction and Public Works (TPTC) instructing them to collaborate on I-TRADE's study.

During the month October 2009, I-TRADE's Senior Technical Advisor will be meeting with the Director General of TPTC, along with M. Paolo Chilosi, the consultant responsible for the mapping process.

3 – TRADING ACCROSS BORDERS



This indicator compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every procedure and the associated documents, time and cost, for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the importer's warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit. Payment is by letter of credit and the time and cost for issuing or securing a letter of credit is taken into account.

3.1 BASELINE FOR TRADING ACROSS BORDERS

In the 2010 Doing Business Report, Haiti ranked 144 of 183 countries worldwide for trading across borders indicator.

Table 3.1: Historical data on “Trading across Borders” indicator

| | 2007 (Baseline) | 2008 | 2009 | 2010 |
|--------------------|--------------------|-------|--------|--------|
| Rank | 140 | 140 | 146 | 144 |
| Exportation | | | | |
| #documents | 8 | 8 | 8 | 8 |
| Delay en Jours | 44 | 44 | 43 | 35 |
| Coût par container | \$1,650 | \$967 | \$1020 | \$1005 |
| Importation | | | | |
| #documents | 10 | 10 | 10 | 10 |
| Delay en jours | 49 | 49 | 37 | 33 |
| Coût par container | \$1,860 | \$922 | \$1560 | \$1545 |

The World Bank’s Doing Business in Haiti 2010 estimates the time required for trading across borders is 35 days for exports and 33 days for imports.

3.1 I-TRADE’S MAPPING ANALYSIS

In September 2009, I-TRADE’s started the mapping process for Trading across Borders. The Prime Minister’s office has sent an official letter to the Ministry of Economy and Finance instructing them to collaborate on I-TRADE’s study.

During the month October 2009, I-TRADE’s Senior. Technical Advisor, accompanied by Georges Sassine, Executive Director of CTMO-HOPE, will be meeting with the Director General of Agence Generale des Douanes (AGD) and Société Générale de Surveillance (SGS) in order to streamline the import/export process.