

# PEARL OF WISDOM



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**As billions of dollars of foreign assistance pour into the “Pearl of the Antilles” driving economic growth, the CEO and Founder of pioneering private equity firm Leopard Capital explains why he believes Haiti is poised for growth and mutually beneficial investment opportunities abound**

In crisis lies opportunity, states an old Chinese proverb. When it comes to Haiti, most outsiders comprehend the crisis part, having seen images and heard accounts of the grinding poverty, the devastating earthquake, the homeless tent dwellers and cholera outbreaks. An entrenched industry of non-government organizations (NGOs) dutifully highlights Haiti’s heartbreaks, eager to maintain the donation flow through their bureaucracies. While Haiti offers more plotlines than tragedy, pathos dominates its international narrative.

The opportunity that Haiti presents gets scant coverage, however, as it has fewer spokesmen. Most global investors rate the whole Caribbean region as just too small and fragmented to bother with, and as the region’s least developed nation, Haiti falls even further

off the radar screen. Conventional wisdom extrapolates that since Haiti has long been an economic non-achiever, thus it will ever remain. This simplistic, static viewpoint on development is being disproven by many low income countries in Asia, Africa and Latin America that have quietly transformed themselves from sick men into social climbers. Situations change, often unnoticed by preoccupied outsiders.

Time to stick our neck out: we believe that from a rock-bottom base, Haiti has entered an economic upswing that could last for decades. Naysayers will disagree, although few would forecast Haiti's economy to fall, when it is already supine. But if our positive assessment is correct, right now Haiti is one of the most exciting investment destinations in the Western Hemisphere, and early-bird risk takers will be handsomely rewarded. Haiti's challenges are not state secrets, and are factored into local asset prices. "Be greedy when others are fearful", advises Warren Buffet. If you don't believe greed is good, remember that a job-creating investment in a country with 60% unemployment can be the gift that keeps on giving.

Putting our money where our mouths are, my colleagues and I recently launched Haiti's first commercial investment fund, replicating a model we pioneered five years earlier in Cambodia - another little "NGO Republic" that is now silencing skeptics through economic advancement.

Haiti's economy has floundered for decades, so why get bullish now? The January 2010 earthquake created an economic inflexion point, by mobilizing an international pledge of US \$10 billion to assist 10 million people in a \$7 billion economy. That's a hefty stimulus. True, a lot of that money remains undisbursed, and, of what was spent, much was wasted. Even so, enough flowed into Haiti's economy to drive 5.6% GDP growth in 2011 – the fastest rate in the region. "Fixing Haiti" has become a major foreign policy preoccupation of wealthy countries that can afford to make a difference. And sovereign donors now seem to recognize that fixing Haiti's private sector is fundamental to fixing Haiti.

Haiti's elected government also shares this belief, and has switched its focus from attracting foreign aid to attracting foreign investment. Its overseas diplomats have been turned into investment promoters. Haiti's private sector is also on board with the strategy. Beyond the terrible human cost, the 2010 earthquake whacked Haiti's businesses, bankrupting customers, mangling machinery, and collapsing warehouses full of goods, everything from boxes of t-shirts to barrels of Barbancourt rum. To make matters worse, some local insurers were wiped out and claims went unpaid. With so many local businesses de-capitalized, it is not surprising that foreign investors are treated with full Haitian hospitality.

Haiti's largest donor, the US is making a major effort to revive Haiti's apparel manufacturing industry and employ the country's youthful, low cost, unskilled labour force. America has extended duty-free access to Haiti's apparel factories, and USAID is helping fund the Northern Industrial Park project which will accommodate up to 50,000 workers. For Haiti this scale of investment is unprecedented – the US \$300 million cost of this single mega-project exceeds Haiti's entire foreign investment inflows from 2007-2010. Investors need only to follow the money, and fund some of the support businesses that will mushroom around the industrial zone, such as housing and health care.

Haiti's tourism sector is also ripening for investment. The forgotten "Pearl of the Antilles" still offers one of the Caribbean's most spectacular destinations, with as long a coastline as mainland USA's Pacific rim, sprinkled with storybook tropical beaches backed by towering

rugged mountains. Visitors can soak up Haiti's unique flavours of art, music, dance, cuisine, language and religion. Its countryside is studded with colonial-era forts and dilapidated little towns from yesteryear and, from our experience, is safe to drive around. Yet, for all its visual and quirky charms Haiti draws only a handful of leisure tourists every year, versus over 4 million in neighbouring Dominican Republic.

That may change. The Tourism Ministry's master plan calls for the construction of 3,000 new hotel rooms within 3 years and several significant hotel projects are already under construction in Port-au-Prince. Outside the capital, top priority has been given to restoring the historic coastal town of Jacmel. Venezuela has donated \$40 million to expand Jacmel's airstrip into an international airport and transform the town's quaint waterfront district into a tourism zone. Jacmel's setting, architecture, artisans and festivals make it a favourite hideaway of international celebrities such as Donna Karan and Maria Bello. Jacmel's still inexpensive property values seem sure to rise once the new airport enables foreigners to fly in direct, and investors should not miss the chance to get in early in the Caribbean's next hotspot.

A third opportunity awaits in food processing. Haiti produces exquisite mangos, coffee and cocoa, but its export volumes need expanding. The nearby US contains a captive market of 1.2 million patriotic Haitian-Americans, many missing goods from back home, not to mention all the other Americans who might like to buy something Haitian. Investors can bridge this supply-demand gap by investing in efficient collection, storage, and processing capabilities, simply replicating what many other Caribbean and Central American nations have already achieved.

Haiti is a land teeming with opportunity. Experience it – and bring your checkbook!