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THE IMPACT OF ECONOMIC DEVELOPMENT PROGRAMS AND  
THE POTENTIAL OF BUSINESS INCUBATORS IN HAITI

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## **Abstract**

Too often, organizations from wealthy countries supply aid and assistance to less developed countries without considering the long-term sustainability of their proposed solutions. Despite benevolent intentions, these humanitarian efforts can induce more economic harm than healing when donors fail to work with locals to create nation building solutions. This thesis evaluates the impact of economic development programs in Haiti, focusing on the effectiveness of business incubators and their potential to create sustainable, economic change for the country. The key findings presented in this thesis stem from the results of 11 interviews with leaders of economic development organizations in Port-au-Prince, Haiti. The results of these interviews suggest that the focus of economic development organizations should be on job creation in small and medium enterprises through partnership with Haitians, since they understand their country's needs and culture.

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## **I. Introduction**

In poverty-stricken Haiti there is an extensive list of needs ranging from health to education to the economy, especially in light of the devastating January 2010 earthquake that killed over 220,000 and displaced millions from their homes. This earthquake struck a population with 80 percent of people living below the poverty line and 54 percent living in abject poverty, leading to massive foreign aid contributions ranking Haiti amongst the highest aid recipients per capita in the world (Central Intelligence Agency, 2011). In the midst of all the aid initiatives funded by international donors, it is vitally important for aid organizations to provide assistance strategically and measure the success of their efforts continually to ensure that the progress made is economically sustainable. Currently, many humanitarian organizations receive criticism for various reasons, ranging from operational effectiveness to stewardship of funds, despite a unified goal of helping people in need. With or without these criticisms, it is important for these humanitarian organizations to explore ways to achieve the greatest positive net impact in Haiti for their time and money invested.

With this in mind, I travelled to Port-au-Prince, Haiti for 18 days to interview the leaders of 11 different economic development organizations (Appendix A) and posed 10 questions to each (Appendix B). My mission was to gain on-the-ground insight on the most effective practices in economic development and the current barriers preventing positive, sustainable economic change. The interviews revealed a need for focus on job creation in small and medium enterprises (SMEs) through partnership with Haitians, since they understand their country's needs and culture. While many types of organizations with various strategies can have a positive impact on economic development, this thesis will explore the role of business incubators and their potential as an economic growth engine in Haiti.

According to the National Business Incubation Association, “Business incubators nurture the development of entrepreneurial companies, helping them survive and grow during the start-up period, when they are most vulnerable. These programs provide their client companies with business support services and resources tailored to young firms. The most common goals of incubation programs are creating jobs in a community, enhancing a community’s entrepreneurial climate, retaining businesses in a community, building or accelerating growth in a local industry, and diversifying local economies” (National Business Incubation Association, 2009).

Business incubators exist around the world, though they take different shapes and forms in order to adapt to the local economy. The Haitian Partners for Christian Development (HPCD) is a premier business incubator in Port-au-Prince that provides value to clients through “access to appropriate rental space and flexible leases, shared basic office services and equipment, technology support services, and assistance in obtaining the financing” (Haitian Partners for Christian Development, 2009). Haitian business incubators also teach entrepreneurs business skills and build their professional networks through training and mentorship programs.

The design of business incubator programs and their emphasis on growing small and medium enterprises uniquely positions them to address Haiti’s most pressing economic demands. However, in order to fully understand the present role and future potential of business incubators in Haiti, one must first consider the country’s background. The next section will document the Haiti’s history, breadth of poverty, current business environment, and the effects of the 2010 earthquake.

## **II. Background on Haiti**

### **A. Overview of Haiti's History**

Haiti occupies the western third of Hispaniola, a Caribbean island located just 400 miles south of the Florida coast. Hispaniola was discovered in 1492 by Christopher Columbus and initially attracted European occupation because of gold that was found on the island. The Treaty of Ryswyck in 1697 gave the French control of the western third of the island, which they named Saint-Domingue, and left the remaining eastern two-thirds to the Spanish, which later became established as the Dominican Republic. Over the course of the next 100 years, Saint-Domingue earned its title as the pearl of the Caribbean as the French built it into the richest colony in the world through mass imports of African slaves to work plantations of sugar, coffee, cotton, and indigo. However, in 1791 the slaves of Saint-Domingue began to revolt and 12 years of war ensued, resulting in a declaration of independence on January 1, 1804, which established Haiti as the world's first independent black country. (Lundhal, 2011, p. 3-5)

Haiti earned its freedom by defeating Napoleon's army, but not without the expense of significant destruction of their export industry and infrastructure. In effort to quickly overcome the damages left by the war, leaders quickly emerged and instituted similarly harsh working conditions for Haitian peasants. These leaders were primarily mulattos, offspring of the French with their slaves, that had in many cases already possessed land and their own slaves. With the assumption of power by the mulattos and the leaders of the Haitian military, a new system was implemented that forced Haitian peasants to work the fields under military supervision. This system created a governing attitude that has plagued Haiti for 200 years, where the government acts as though the people exist to serve the leadership rather than the reverse. This predatory

state set the tone for political instability, corruption, and mistrust that has endured throughout Haiti's history, further segregating the elite from the peasants and contributing to Haiti's economic descent to the poorest country in the Western Hemisphere. (Lundhal, 2011, p. 6-8 )

## **B. Poverty and the Business Environment in Haiti**

Poverty in Haiti is the norm, with 80 percent of the population living below the poverty line and 54 percent living in abject poverty, defined as living on \$2 US per day or \$1 US per day respectively (Central Intelligence Agency, 2011). Haiti's Gross National Income per capita in 2010 was merely \$650, just 1.37% of the \$47,140 per capita for the United States (The World Bank, 2010). According to research conducted by RAND Corporation, Haiti's per capita income is "less than one-quarter of the average for Latin America and the Caribbean", making it the poorest country in the Western Hemisphere (2010). Not only is Haiti poor, but it is a country of extraordinary inequality with a Gini coefficient of 0.59 (The World Bank, 2011). The Human Development Index (HDI), which measures the quality of health, education, and income, ranked Haiti 158<sup>th</sup> out of 187 countries in 2011. Haiti's HDI of 0.454 reveals that their quality of life remains well below the average of Latin America and the Caribbean, which registered an HDI of 0.731 in 2011 (United Nations Development Programme, 2011a).

Haiti is currently caught in a series of vicious cycles, where issues of poverty create an environment that prevents the country from moving forward, resulting in a downward spiral that makes Haiti continually poorer. One such example is the "brain drain", whereby the most educated Haitians typically leave Haiti due to a lack of in-country opportunities in secondary education or high-paying employment. Their departure means that the best educated Haitians are not on the ground building up their home country, which further prevents Haiti from establishing



better education or creating better paying jobs, leaving the country worse off than before. The only means of breaking a vicious cycle is to have some external factor intervene and change the feedback system. For Haiti, the most common attempted external factors include foreigners sending troops and tremendous amounts of foreign aid, though neither has seemed to successfully break the vicious cycles in effect to date. In fact, as I will discuss later in this paper, many believe that the external injections of foreign aid have done more harm than good in developing Haiti.

In addition to the poor standard of living, and in many cases a cause of it, is the weak business environment. Currently, 40 percent of the country remains unemployed and two-thirds of the labor force works in the informal markets (Central Intelligence Agency, 2011). The percentage of businesses in Haiti that would be classified as informal has been estimated as high as 95 percent (Presidential Commission, 2010). According to Lenore Champagne of the Leveraging Effective Application of Direct Investments program, formal sector companies frequently complain that informal businesses cannibalize the formal sector (L. Champagne, personal communication, January 27, 2012). Haiti's informal sector consists of peasants, small manufacturers, artisans, traders, and personal service providers, all of which serve as direct competition for the formal sector and do little to build the infrastructure of the country. Since these businesses are not registered, they remain unregulated and untaxed by the government.

The high percentage of informal businesses can be explained in part by the weak incentives offered to formalize. Registration allows a company to formally claim ownership of properties and should provide easier access to public services, but neither of these is very applicable for the small enterprises that dominate the market (Lundhal, 2011, p. 206-207). Additionally, a transition to the formal sector would require these businesses to pay taxes, which is something

that most microenterprises wish to avoid. The main advantage of formalizing a business would be the opportunity to raise capital; however investment capital for Haitian businesses is rare and negligible. For now, small enterprises seem content to remain informal.

The business environment in Haiti leaves significant room for improvement. Out of 183 surveyed countries for the Doing Business 2012 report, Haiti ranked 180<sup>th</sup> in ease of starting a business, 159<sup>th</sup> in ease of getting credit, and 166<sup>th</sup> in protection afforded to investors (The World Bank Group, 2012). The average time required to create a Haitian subsidiary of a foreign company is 212 days, whereas the same process takes just 4 days in Rwanda (The World Bank Group, 2010). It doesn't help that it can take up to two years and \$3,000 to \$4,000 just to incorporate a new business (Lainé, 2010). Evert Bopp, Founder of Haiti Connect, claims that Haiti's lack of a business-friendly environment is the most serious constraint to sustainable economic development in Haiti (E. Bopp, personal communication, February 11, 2012). Haiti needs improved legislative framework to facilitate an improved business environment, which would simultaneously address many issues such as the ease of starting a business, ease of getting credit, and the level of protection afforded to investors. Since business incubators consist of many small and medium enterprises, they can advocate the interests of these companies to the government with a unified voice.

### **C. Effects of the 2010 Earthquake**

When the 7.0 magnitude earthquake struck Haiti on January 12, 2010, mass devastation befell Haiti. The United Nations Development Programme offers the following key facts to summarize the destruction that resulted from the earthquake:

- Almost 3.5 million people were affected by the earthquake, including the entire population of Port-au-Prince (2.8 million).
- The Government of Haiti estimates that 222,570 people died and 300,572 were injured, but the true death toll will never be known.
- At the peak of displacement, close to 2.3 million people left their homes, including 302,000 children.
- 188,383 houses collapsed or were badly damaged and 105,000 were completely destroyed by the earth-quake. Sixty percent of government and administrative buildings were destroyed, including the Presidential Palace, the Parliament and the Cathedral.
- 80 percent of schools in Port-au-Prince and 60 percent in its South and West departments were destroyed or damaged.
- The total value of damage and losses caused by the earthquake is estimated at US\$7.8 billion, equivalent to more than 120 percent of Haiti's 2009 Gross Domestic Product.
- More than 16,000 civil servants died in the quake and many left the country after 12 January. Although many have returned, the Government's backbone and workforce is now reduced by 33 percent. (United Nations Development Programme, 2011b)

The damages of the earthquake affected more than simply basic needs of the Haitians by disrupting entire systems of operation in the country. With hospitals, schools, governmental buildings, and businesses destroyed, much of the country was rendered non-operational. Estimates are that the private sector lost \$2 billion as a result of the earthquake, 75 percent of which was sustained by small and medium-sized businesses (Government, 2010a, p. 26).

The combination of Haiti's history of poverty, weak business environment, and the destruction sustained from the 2010 earthquake makes the country's demand for economic development assistance greater than ever. After understanding the historical context that produced present-day Haiti, economic development organizations can focus on designing solutions to the specific issues plaguing the country today. The next section will detail specific barriers that these organizations must be cognizant of and highlight how business incubators are positioned to combat each of the barriers.

### **III. How Business Incubators Address the Current Barriers to Development**

In Haiti, there are undoubtedly many barriers to development which vary in nature and degree depending on geography. Most of these issues reinforce one another through vicious cycles, leading to continual degradation. From my 11 interviews (Appendix A) of 10 questions each (Appendix B), I identified five barriers that most severely hinder sustainable economic development in Haiti. Business incubators are positioned to address all five barriers, which include an inferior labor market, a lack of access to capital, weak physical infrastructure, dependency on handouts and a lack of trust.

#### **A. Inferior Labor Market**

Haitians need jobs. President Martelly claims "Haitians don't want a gift, they want work" (Daniel, 2011). All indicators suggest that Martelly is not blowing smoke, but that Haitians genuinely want to work and are willing to work hard to build their country. Julie Colombino, founder of Rebuild Globally, recalls that "even 10 days after the earthquake, what they were requesting was jobs," (J. Colombino, personal communication, January 25, 2012).

John Hanson, Country Director of Mercy Corps, states “jobs are the most viable way for people to provide basic necessities for their families, so it is crucial that we do everything we can to help accelerate economic growth” (Murphy, 2012). Certainly there are lots of needs in Haiti, but jobs put food on the table, create new value in the country, keep people busy, reduce violence, and offer the Haitian people hope for a brighter future.

The inferior labor market is primarily an effect of a failing education system that is afflicting many parts of the economy. Poor education is evident in Haiti from primary school through higher education. A large percentage of Haiti is uneducated and illiterate, especially in the rural parts of the country. For many in recent history, even the low level education that is available costs too much, though President Michel Martelly has begun to address this through his work to make primary education free in Haiti. However, even with increased quantity there are still issues with the quality of teachers and the amount of learning actually taking place. In order for parents to send their children to school, they must see the economic benefit of doing so as greater than the opportunity cost of keeping the children home to work and supplement the family income. Higher education is even more expensive in Haiti, so many high school graduates cannot afford to attend college. These students therefore have no opportunities to apply their acquired knowledge and skills, but rather end up as victims of a failed education system. On the whole, this dysfunctional education system may actually encourage short-term decision making, rather than the long-term mindset that is necessary to develop a country.

In the few schools where education is strong, the talented students routinely leave the country in pursuit of greater opportunity. This issue, which is commonly referred to as the “brain drain”, has plagued Haiti for decades. These individuals recognize that they can earn more and

obtain a higher standard of living by emigrating to another country. This group of 2 million emigrants, living primarily in the Dominican Republic, United States, and Canada, is now referred to as the Haitian Diaspora (Forman, 2011). While the Diaspora does send significant remittances back to family and friends in Haiti, totaling between 23 and 30 percent of gross domestic product in 2010, the net effect of their permanent departure is detrimental to the country's economic well-being (Forman, 2011). According to Yves André Séjour, Program Manager of Technoserve's Haitian Business Accelerator (HBA), if the remittances stopped at any point the country would explode (Y. A. Séjour, personal communication, January 19, 2012).

Ernsou Jean-Louis, Executive Director of the Haitian Partners for Christian Development (HPCD), claims that "the Haitian dream is to emigrate. If you ask a child where they would like to see themselves in the future, almost all of them would ask to be brought to the United States. Even older Haitians would leave immediately if offered a visa" (E. Jean-Louis, personal communication, January 29, 2012). The issue is that Haiti does not offer citizens the opportunities they need to succeed. These people generally would rather leave Haiti for a more developed country rather than invest in developing their own. The effect of the brain drain is tremendous because it causes an excess of low level of workers and a deficiency of high level workers.

The labor market in Haiti is a paradox because a huge unemployment rate is met with the inability of many organizations to find qualified workers. The void of talent in the job market created by the education issues leave an overwhelming supply of Haitians capable of low-paying manual labor jobs with minimal supply of management level workers, the exact opposite of the demand needs of Haitian companies. Uneducated Haitians are illiterate and often lack skills that

would make them attractive to the workforce. The jobs that do become available usually pay very low wages. Often times, even the moderately educated people must settle for low paying work that do an injustice to their competency and potential. Additionally, neither the educated nor the uneducated seem to possess technical skills. E-Power, the largest energy supplier in Haiti, could not find any Haitians with the technical skills necessary to work for them. Rather than invest time and money in training Haitians, E-power opted to hire all of its technicians from the Dominican Republic (E. Jean-Louis, personal communication, January 29, 2012).

Yves André Séjour explained that HBA must intentionally search trade schools, universities, and the chamber of commerce in order to find high-potential entrepreneurs, because ads simply result in a flood of unqualified applicants. According to Yves, there may be as many as 15 people competing for one job opening at any given time. Because of the great uncertainty in the labor market, jobs are almost always based on relationships (Y. A. Séjour, personal communication, January 19, 2012). Issues with employee retention are apparent in the Haitian economy as well. It is a challenge for employers to find employees that will actually stay with the company in the long term, especially if Haitian leadership is in demand. Most employees are always ready to move to another job that offers higher pay or better incentives.

In the past, the brain drain was amplified by a desire to escape Haiti in pursuit of improved physical security as well. This was particularly important during the reign of Papa Doc, Baby Doc, and other corrupt political leaders that took advantage of the country. However, this issue may not apply as much with the rising generation, since they have not lived under the same stress and exploitation as their parents. According to Lenore Champagne of the Leveraging Effective Application of Direct Investments program, most Haitians in their 20s want to return to

help their country after developing skills and earning some money abroad (L. Champagne, personal communication, January 27, 2012). If Lenore's perception proves true, this means there is a mass of educated Haitians preparing to return to their country to make a difference in the near future. Business incubators serve as extra incentive for the Haitian Diaspora to return home. The most successful entrepreneurs tend to be ones that were educated abroad before returning to Haiti, as is the case with the founders of Enersa, which will be discussed later.

Business incubators can play a major role in reversing the trend of the brain drain. Ernso Jean-Louis of HPCD noted that President Michel Martelly, the current prime minister, and thousands of others serve as an example of how one can return to make a difference in Haiti after learning abroad (E. Jean-Louis, personal communication, January 29, 2012). These people may not make as much money in Haiti, but they can choose to participate in the development of the country, which seems to hold a higher purpose for much of the younger generation. Much of the economic growth experienced in Korea and China came about from people who studied in the United States and returned to their country of birth. By creating an army of intelligent, skilled workers, Haiti has the potential to create lasting positive change. Business incubators offer emigrants an environment and support system to encourage return to Haiti.

The tangible business training and mentorship offered by business incubators can also help combat the general knowledge issues created by the education system. Rather than prepare Haitians to take low paying jobs, the training in the business incubator prepares Haitians to grab hold of their future through entrepreneurship, rather than relying on a paycheck elsewhere. This applicable, hands on business experience can prove much more valuable in Haiti than an academic education with no jobs to apply that knowledge to. As business incubators fill these



voids created by a subpar education system, other needs become apparent, such as the necessity for improved access to capital.

### **B. Lack of Access to Capital**

In addition to an inferior labor market, Haitians also struggle to find investment capital, limiting their entrepreneurial opportunities as well. According to Yves André Séjour of the HBA, access to capital is the toughest constraint for Haitian entrepreneurs (Y. A. Séjour, personal communication, January 19, 2012). Patrick Brun, President of the Board of Economic Growth Initiative for Haiti (EGI Haiti), agrees that many Haitians have legitimate business ideas and produce sound business plans, but there are simply no opportunities to achieve access to financing (P. Brun, personal communication, January 20, 2012). Very little financing is available because investors by nature want to make investments that offer a good opportunity to earn a return with minimal risk. However, Haiti presents much risk due to its history of political insecurity and its unpredictable business environment.

Lack of access to capital is a major issue for the Haitian economy because it prevents business creation and growth. The bigger the amount of capital needed by entrepreneurs the harder it is to find. Businesses that need only a few thousand US dollars to launch rarely have enough collateral to afford such loans. In the rare circumstances when capital is available it is often undesirable because of grievous terms and interest rates. Financing of greater than just a couple of hundred dollars generally carry enormous interest rates, often between 45 and 60 percent (Leeder, 2010).

Microfinance institutions (MFIs) focus on creating access to capital opportunities for the poor and are better positioned than other financiers to reach the poor in the rural areas that have never had access to financing before. However, at the end of the day MFIs are businesses that need to cover their expenses, so they need to charge very high interest rates in order to operate in Haiti's expensive business environment. Also, Haitian MFIs predominantly serve very poor clients, so their loans are used almost entirely for informal microenterprises, which do not cause true economic growth.

Informal businesses in Haiti dominate the market and cannibalize the formal sector. According to Lenore Champagne of the Leveraging Effective Application of Direct Investments program, formal sector firms frequently complain about the informal, non-tax paying entities consuming their business (L. Champagne, personal communication, January 27, 2012). In order to reduce the number of informal businesses, there must be more incentives for these businesses to formalize or an increase in employment opportunities so that the informal workers can obtain formal sector jobs. Since non-governmental economic development organizations do not have anything more than lobbying power when it comes to changing the legal structure of the business environment, the focus naturally turns to increasing employment opportunities in the formal sector. Business incubators are a natural solution for this issue as they can coach the pre-existing informal business through the formalizing process, which will in turn create opportunities down the road to raise investment capital, an opportunity not offered to informal businesses. The business incubators then work to incubate and grow the transforming business to create more jobs.

Business incubators are well positioned to bridge this gap to financing. The Economic Growth Initiative for Haiti (EGI Haiti) and the Haitian Partners for Christian Development (HPCD) both independently created equity funds from private sector investors that entrepreneurs are able to use as collateral for loans, enabling them to take out \$2,000-\$3,000 loans, a luxury not typically available or advisable with MFIs that provide loans only a fraction of that size at very high interest rates. Additionally, the sheer size of a business incubator network offers their entrepreneurs a leg up in accessing capital because of the breadth of their business contacts. As an example, HPCD was able to open a fund with an international partner, Partners Worldwide, which offers HPCD's entrepreneurs 16% loans, which is less than half of the typical MFI rates in Haiti. As more business incubators are formed in Haiti, this is a model that can eliminate some of the barrier to financing for early-stage entrepreneurs.

### **C. Weak Physical Infrastructure**

Another barrier limiting economic development is the weak physical infrastructure in the country. Buildings are often not structurally sound, which was made evident during the January 2010 earthquake when so many were damaged and destroyed. Since the infrastructure of buildings is not sound or secure, businesses and individuals often hire security to protect their belongings, which serves as an additional cost. Roads are often unpaved or laden with potholes, leading to high transportation costs and depreciation, especially since the vast majority of vehicles are trucks. Unreliable electricity necessitates the use of generators to keep power flowing. Low quality physical infrastructure is a key contributor to the expensive business environment of Haiti.

The high expense of business operations that exists in Haiti, despite widespread poverty, is one differentiator that makes Haiti unique from other inexpensive developing countries. Energy, ports, and transportation are the three main contributors to the high expenses. Expensive energy causes mass use of charcoal, which has brought about deforestation and thus erosion in the countryside. The ports are expensive, especially compared to the others in the Caribbean, which makes Haiti less desirable as a place of manufacturing and trade. Ports are one of the few areas the government fully controls, so it is able to collect tax revenue and further increases the associated costs. Business is also expensive because Haiti must import so many goods. Ernsou Jean-Louis of the Haitian Partners for Christian Development (HPCD) explained that even basic materials, such as thread, yarn, or sugar, must be imported from the Dominican Republic (E. Jean-Louis, personal communication, January 29, 2012). In summary, there is a large input necessary for a small output in Haiti's business operations.

Business incubators offer tremendous value to budding small and medium enterprises by providing physical space for them to operate in. The availability of space lifts a major burden from the shoulders of these entrepreneurs trying to make a profit in the expensive business environment of Haiti. Reduced start-up expenses allow these small and medium enterprises to acquire equipment, hire employees, and generate profits needed to eventually expand on their own. HPCD actually offers their facility for free at the beginning and charges when the entrepreneur starts making money, which allows for the business incubator to be a sustainable model itself (E. Jean-Louis, personal communication, January 29, 2012). Free space at the business incubator is particularly important for the HPCD, which has physical buildings in Cite Soleil and Martissant, two of the poorest slums in Haiti and the chief locations where HPCD finds its entrepreneurs.

#### **D. Dependency on Handouts**

Many people and organizations that intend to help Haiti actually hurt the country economically over the long run because of their aid efforts. While initially appearing to be a great blessing, reviews just two years later of the impact of the post-earthquake aid leaves many questioning where the money was spent and what affect it actually made towards rebuilding the country. Some organizations are accused of poor stewardship for paying themselves large salaries while helping people with so little, rather than allowing the funds to flow directly to the people it was donated to help. Additionally, many aid organizations underestimated the costs of business in Haiti, leaving some projects unfinished due to a lack of funds.

One of the greatest outcries is against free handouts of food and clothing. This free distribution aid strategy is practiced by many large non-governmental organizations (NGOs), but recently has received scrutiny for its potentially negative effects. The problem is that free handouts can destroy local markets and create a state of dependency. Markets are destroyed because Haitian businesses selling food and clothing cannot compete with free products distributed by the non-governmental organizations. Dependency is created when Haitians living off of these handouts grow accustomed to the support and integrate it into their expectations. As a result, they rely upon ongoing support from the NGOs for their survival, as they have adapted to this new lifestyle and do not want to revert to how life was pre-handouts. If the NGO distribution of handouts ceases after wiping out local markets and creating dependency, the Haitians will not have the systems in place to appropriately readjust. In this way, the NGOs effectively replace the government's role of social work in the country. Beyond immediate disaster relief, donor handouts of food and clothing adversely affect the Haitian economy in the

long-run. As an example, when foreign countries bring rice handouts it hurts the Haitian economy because Haitian rice producers cannot compete with freely priced food. In actuality, such donations help the US economy because someone is subsidizing or paying for those donated goods to be delivered.

Catherine Lainé of the Appropriate Infrastructure Development Group (AIDG) business incubator articulates the underlying problem of handouts very well in the excerpt below:

“When the NGO community talks about aid to developing countries, the focus is primarily on alleviating poverty...the future of Haiti cannot be built by focusing on poverty alleviation alone. Compare the language we use in the United States as the nation struggles through the current economic crisis: job creation, economic stimulation, higher education, job training, innovation and market growth...However, most money spent by the NGO community has primarily focused only on securing people’s short-term, basic needs. The aid community must turn greater attention to longer-term wealth creation. They need to strongly support and finance the development of SMEs, the same types of businesses that are the economic engines of developed countries.” (Lainé, 2010)

With such a great focus on poverty alleviation, when foreign aid flooded the country after the earthquake, businesses that were severely damaged and destroyed were neglected and funds were almost exclusively spent on immediate needs. In the instances where foreign aid is directed toward business needs, it typically supports MFIs and microenterprises, which typically lack the job creation potential offered by investment in SMEs.

Business incubators condemn the handout model with their focus on business generation and the creation of new value. Not only are business incubators taking an alternative approach, but they also represent golden partnership opportunities for handout distributing organizations, since those groups can instead purchase food, clothing, and other products from the small businesses rather than companies in the United States. This new approach allows handout organizations to still reach the needy people in the way they want, while supporting the local economy. This compromise would be much better for the Haitian economy than the current model since it will bring foreign dollars into Haiti's money flow, while allowing these growing small businesses to create jobs for those in need of the handouts. All aid solutions are by nature geared to help the recipient country, but unless donors build up Haiti's economy in the process, they will be doing the country an injustice. Some of this hesitation to work with Haitian leadership while implementing solutions might be the result of trust and transparency concerns, which continues to hinder the country's progress.

#### **E. Lack of Trust**

All business must be built upon trust. In Haiti, the government and the private sector do not appear to trust one another. The same goes for the poor working in the informal sector and the rich controlling the formal sector. Haiti's history of exploitation has resulted in mistrust and great caution for many. Some believe that governmental corruption has been reduced under the leadership of Preval and Martelly, but the exact status is difficult to measure. Without a strong rule of law, there is no effective means of controlling corruption in Haiti either. In talking about business operations in Haiti, Ernso Jean-Louis, Executive Director of the Haitian Partners for Christian Development (HPCD), said it is hard to trust people to complete what they promise to

you, or finish what they start. Trust takes time to build and it might take as long as a generation of doing things the right way in order to really eliminate corruption from the systems in place. Businesses in Haiti routinely look to cut corners for their own benefit, especially when they know they can get away with it (E. Jean-Louis, personal communication, January 29, 2012).

In the absence of stronger institutions that could enforce a rule of law, business incubators can serve as a means to reducing the extreme mistrust. This gap exists because the poor have experienced exploitation from the government and the rich in the past. Oppositely, the rich mistrust the poor because of their record of violence that stems from a lack of education and mass unemployment. This mistrust manifests itself in an absence of communication between the two classes. Business incubators help bridge the physical and psychological barriers between the rich and the poor in Haiti by facilitating vocational training and apprenticeship programs, thereby creating reasons for the rich to hire the poor. This ultimately creates interaction between the rich and the poor in a way that doesn't happen elsewhere in the country. For example, HPCD leverages its knowledge and network to run a youth apprenticeship program through which they equip young men from troubled areas with technical training and internships at companies. HPCD fronts the cost of employment for the internship program, offering companies 6 months of free labor (E. Jean-Louis, personal communication, January 29, 2012). This program has resulted in an eighty percent retention rate, opening doors for the youth that would otherwise be unachievable.

The international community seems to distrust Haiti as well, which causes a vicious cycle that torments Haiti's private sector. International press coverage of Haiti focuses almost exclusively on what is wrong in Haiti, which does not help dispel this perception. Reports



claiming Cite Soleil as one of the worst places in the world to visit and the fact that people sell the image of poverty to raise money further reinforce Haiti's negative perception (Delaney, 2012). David Garfunkel, a microfinance program coordinator at Fonkoze, says "people are quick to dismiss Haiti as a business opportunity and assume that Haiti is limited to the textile industry" (D. Garfunkel, personal communication, January 20, 2012). President Michel Martelly is actively working to deconstruct this belief through his relentless communication that "Haiti is open for business" (The Economist, 2012b).

Transparency is vitally important in economic development as well, so that these organizations can be accountable to donors. Current and potential donors care that their contributed money is spent wisely, so organizations must track their expenses diligently. This is especially important in Haiti because of the reported levels of corruption. World Vision demonstrates how organizations can take action to report monetary stewardship properly, by taking a particular focus on accountability. World Vision has their own accountability department that works to prevent overlapping projects with other NGOs in areas of dual involvement and to make sure that World Vision is working responsibly (D. Jacques, personal communication, January 24, 2012).

Business incubators are an important component of building trust and transparency in the economic system. Since business incubators need to work with the private sector, the public sector, and the international donor community, they serve as an important liaison of information about the status of each sector. Because business incubators are so interconnected, it is essential for them to be transparent in order to build the trust necessary to maintain relationships with their many contacts, especially with investors looking to make a return. The elevated level of interest

and diligence that comes with investment forces business incubators to report accurate representations of their financial statements in order to ensure the long term success of both the incubator and its client companies. This external pressure forces business incubators to build trust and transparency in order for them to be successful.

#### **IV. How Business Incubators Complement Other Economic Development Initiatives**

All of the aforementioned issues negatively influence economic development efforts in Haiti. Business incubators are an integral piece of the economic development climate, but they are not a standalone solution. Rather, they must coexist and partner with the other pre-existing organizations to achieve their greatest potential impact. This section will explain how business incubators are uniquely positioned to complement the efforts of the biggest players in the economic development landscape in Haiti, including the government, private sector, non-governmental organizations, vocational training and apprenticeship programs, and microfinance institutions.

##### **A. Government**

The Haitian government is frequently the recipient of blame for woes in Haiti. Historically, this blame is with good cause because of how political leaders have exploited the nation for their own benefit. The impact of the government is still minimal relative to the depth of problems inflicting Haiti, though the governments influence seems to be improving with Michel Martelly's newest programs, such as the reconstruction of the Haitian army and the implementation of free education. Governmental corruption remains as an ongoing uncertainty, though Martelly has spoken strongly against it.

According to Darlan Jacques, the government talks a lot about sustainable projects, but struggles to implement them (D. Jacques, personal communication, January 24, 2012). Many people agree that the government must do more for the country right now, but also admit that this is a challenging demand since the government's budget is limited and there is still little trust from donors. This lack of capacity means the government must rely upon foreign donors and investors to intervene and accelerate economic change in the country, since the demand for economic support is greater than the supply. Thus far, the government has gladly allowed NGOs to work in the country to help the poor, since the general perception is that all help is good help.

Regardless of the Haitian government's current capacity, they must play an integrated role in all development efforts moving forward, so that the country can take a unified approach toward redevelopment. The Haitian government knows where they want the country to go, it is simply a matter of staying committed and resisting corruption. All concerted efforts must work in accordance with the government so that true leadership can emerge. The government needs to set a tone and attitude towards life that the Haitian people can get excited about and rally behind. President Martelly has made his vision for a brighter future in Haiti known and has already started taking action towards inducing economic growth. According to the Boston Globe, "Martelly said his government is working to draft laws that would speed up the paperwork to make it easier to open businesses in Haiti as well as create projects that lure people from the capital and provide services to the countryside" (Daniel, 2011).

While business incubators do not have the power or authority to adjust legislation that would improve the business environment, their collective voice and opinions may be respected by the government because of their unique position to stimulate growth amongst small and

medium enterprises (SMEs). Additionally, business incubators can be an outlet for foreign donors that do not trust the Haitian government, but would like to invest in sustainable business solutions for the country. The overlap of purpose and principles between business incubators and the government are so interrelated that partnership is inevitable and would benefit both parties. It is for this reason that business incubators in many other parts of the world, including the United States, are funded by the government.

## **B. Private Sector**

The impact of new large scale development efforts in the private sector is beneficial for the country as well, and while most critics don't argue against them, some people would rather see the focus on SME development. On the bright side, large investors are able to work with the private sector to build new infrastructure in Haiti, such as hotels and textile factories, which will ultimately create jobs and bring more business and money to Haiti. Alternatively, these large scale efforts receive criticism because they employ Haitians to do unskilled work and pay very low wages, which does not offer much opportunity for a Haitians to work towards a brighter future. Lenore Champagne of the Leveraging Effective Application of Direct Investments program suggests that if the private sector really wants to build a better future in Haiti through economic development it must also respect basic human rights in the process, so that the standard of living might improve for the Haitian poor (L. Champagne, personal communication, January 27, 2012). Job creation is worthless if employees are not treated with dignity.

Haiti will not reject these large private sector projects since they will directly address the deepest Haitian need, which is job creation for the poor. It is for this reason that President Martelly is a huge advocate of large scale foreign investments in the private sector. Martelly

claims “the bottom line is that we want investors to profit so that Haiti can prosper” (Daniel 2011).

There are also economic development efforts supported by the current large private companies in Haiti. Digicell, a large Haitian telecommunications firm, appears to be making a huge impact in Haiti’s rebuilding efforts through their support of other in-country programs. Digicell’s presence in Haiti is impossible to miss, as their branding covers advertisements, shirts, and street signs throughout the country. Large companies in the Haitian private sector have the capacity to make sustainable change in their country and they understand their country’s culture and operations better than groups offering foreign aid.

Business incubators benefit large private companies by creating actual businesses that can partner with them on initiatives or compete with the private sector to challenge both businesses to be better. Large private companies are flush with smart business persons that can serve as mentors to SME businesses in the incubators, thus helping the country as a whole. The private sector can also invest in business incubator companies or buy them out to acquire the team. Lastly, entrepreneurs that receive business training from business incubators are more valuable because of their real world experience, so if the entrepreneurs’ business falls through, the business incubator can serve as a breeding ground for management position hires at the large private companies.

### **C. Non-Governmental Organizations**

The largest recipient of criticism in the fight for sustainable economic development in Haiti is large non-governmental organizations (NGOs). As highlighted in section III part D, large

NGOs are notorious for distributing free handouts of goods in large quantities, which ruins Haitian markets and fosters an environment of dependency, despite their seemingly altruistic intentions. NGOs are not innately harmful to Haiti, but rather it is their approach that can cause damage. The core criticism of the NGO approach is their poverty alleviation mentality, which is not conducive with a nation building mentality. In the words of Patrick Moynihan, President of that Haitian Project, “Haiti is a nation, not a refugee camp. NGOs are like one-night stands. They will romance the country to get their fix right up until a more interesting disaster comes along” (The Economist, 2010a).

In March 2010, former Haitian president, René Préval, actually asked the United States to cease their destructive attempts at helping Haiti:

Haitian President René Préval called on the United States to “stop sending food aid” to Haiti “so that our economy can recover and create jobs.” He was discussing strategies to rebuild his country, still reeling from the devastating earthquake on January 12. A crucial part of that rebuilding effort, Préval argued, would be to undo the ruin visited upon Haitian farmers by the free or low-cost surplus grains that for years have been dumped on the country as a “gift from the people of the United States,” as many USAID-packaged food sacks read.” (Ives, 2010)

The goal should be to bring Haiti to a place where the aid will leave the country and NGOs will go. NGOs should be working to put themselves out of a job in the long run, by building up the Haitians’ to be self-sustaining.

Darlan Jacques of World Vision pointed to the fact that “a lot of NGOs are doing the same programs” (D. Jacques, personal communication, January 24, 2012). Darlan’s observation suggests that there is a high level of uniformity in Haiti’s NGO industry. One concern that is uniquely attributable to the NGO system of operation is the tendency for aid organizations to receive funding from donors that comes with a stipulated timeline, causing an emphasis on short-run projects. Since these NGOs work with a limited time frame and a specific budget, they are encouraged and often forced to develop short-term solutions since they do not have the funding to continue projects indefinitely.

Ersno Jean-Louis, Executive Director of the Haitian Partners for Christian Development, touched on this issue as well, highlighting that managers of donor-funded programs will typically frown upon the team working on a project if that team fails to spend all of the money as originally planned. Instead of rewarding the team for operating efficiently and reducing costs, leadership tends to penalize them for not spending the entire budget, since that money would then be returned to donors and suggest that less money is needed. Accordingly, the implementing teams would typically not be allotted the same amount of funding the following year as a result of their failure to use the full budget. Because of this pressure, NGOs often choose to spend money inefficiently in order to not forego it all together. This mentality is the impetus for some serious concerns about NGOs’ poor spending decisions. Additionally, concern arises since large portions of these budgets stay in the hands of the donor country through arguably excessive payroll and operational expenses. Jean-Louis explained, “I’m not against NGOs, but most of them bring in money and don’t know what to do with it” (E. Jean-Louis, personal communication, January 29, 2012). Patrick Brun, chairman of the Haitian Project and Foundation EGI, adds that “the programs focused on quantity rather than quality make noise, but

don't actually accomplish anything," insinuating that these programs sometimes act as more of a public relations stunt than an actual effort to create positive change (P. Brun, personal communication, January 20, 2012).

Another concern amongst economic development leaders in Haiti is how NGOs frequently use images of poverty to raise money. By using pictures and videos of the poorest people in Haiti, these organizations paint a portrait of Haiti that suggests there is no development or business at all. While serving as a successful fundraising strategy by emotionally connecting with donors, this practice brands Haiti as being filled with merely suffering and helplessness. The equivalent practice in the United States would be international organizations documenting homeless people in the poorest parts of rural or inner city America, and telling the people of their country that it fully represented life in the United States. Patrick Brun and Ernso Jean-Louis each independently stated that Haiti cannot sell poverty if the country wants to be rebuilt. The rise of Magic Haiti magazine is one counter effort against the increasingly negative perception of Haiti. This magazine displays the positive imagery of Haiti, such as the beauty of Jacmel as a tourist destination or booming small businesses. Two pictures that I took of Jacmel are displayed below.





A highly touted and frequently replicated NGO program that was implemented widely after the earthquake was cash-for-work programs, which provide temporary employment to Haitians for tasks like clearing rubble. Though cash for work programs have been regarded as successful in some less developed countries around the world, not a single interviewee throughout my research endorsed these programs and the majority of interviewees actually dubbed them very ineffective. Yves André Séjour went so far as to say “cash for work and effective should not be in the same sentence. It’s like putting a band-aid on a fat, open wound” (Y. A. Séjour, personal communication, January 19, 2012). The main argument against cash-for-work programs is their failure to incentivize people to work hard, but instead incentivize laziness by paying employees per hour worked without any bearing on efficiency or effectiveness of their work. This structure means the slower the Haitians work, the longer they will be able to bring in a paycheck, which incentivizes unproductivity. These programs pay Haitians well because of the copious NGO budgets, but the jobs created are temporary and the overall impact is negligible. Anecdotal evidence suggests that these workers are typically found hanging out in the streets except when donors check in on their progress, in which instance they would labor to impress them. Darlan Jacques of World Vision quipped that the programs should’ve been named “work for cash” instead of “cash for work.” (D. Jacques, personal communication, January 24, 2012).

Cash-for-work programs are not innately harmful, but it seems the way they have been structured and managed in Haiti has been poor thus far. These programs could be reconciled by adapting their incentive structure to encourage hard work, by offering payment or sustained employment contingent upon the employees output. Haitian NGOs would benefit from studying the conditional cash transfer programs that have been implemented in countries, which reward the people for good behavior, such as sending children to school or getting vaccines. Business

incubators are another example of an incentivized model, since companies must hit certain metrics to keep receiving assistance.

While there are many criticisms of the role NGOs play in Haiti, there are numerous examples of NGOs that do enhance sustainable economic development, particularly the ones that collaborate with Haitians on the ground to create tailored solutions to local problems. The most impressive skill of NGOs is arguably their ability to rally support and donations for a cause. Haitian business incubators currently excel at developing and growing entrepreneurs. If NGOs could channel money to business incubators or partner with them to raise awareness, the capacity for small and medium enterprise development would accelerate quickly. Business incubators offer NGOs a trusted platform to begin focusing on sustainable economic change and most business incubators could use a lot more support in raising funds, especially since so much of their time is devoted to making the entrepreneurs successful. Additionally, business incubators can consult large NGOs on how to make a greater impact on economic development in Haiti.

#### **D. Vocational Training & Apprenticeships**

Programs geared towards training, education, and apprenticeships appear to be an excellent option for teaching people skills that offer better job prospects. Christian World Outreach is an example of an organization that has appropriately adopted and implemented this model. Their vocational training program teaches cosmetology, cooking, and sewing skills for hundreds of women each year, with a high placement rate for employment after successful completion. In 2007, placement was as high as 80 percent for the women (Christian World Outreach, 2008). Christian World Outreach's organizational structure is commendable as well, as they hire program graduates to teach future programs and use an entirely Haitian staff with the

exception of one missionary from the United States (J. Saint Amour, personal communication, January 19, 2012). CWO's ability to use Haitians to teach other Haitians specific skills that earn them jobs is a sustainable model that should be replicated by other economic development organizations.

Business incubators all operate similarly to the vocational training program through their in house training and mentorship. Additionally, some business incubators adopt an apprenticeship model. The Haitian Partners for Christian Development (HPCD) apprenticeship program achieves similarly impressive placement rates to CWOs vocational training program. According to Ernsou Jean-Louis, Executive Director of HPCD, their program teaches technical skills to Haitian youth with a history of gang involvement for 6 months, including plumbing, construction, electricity, etc. After completing training, the newly trained youth are placed into six month internships with companies that they would never independently have had an opportunity to work because of where they come from and their past gang involvement. From 2010-2011, this program graduated 260 young people, 80% of which were retained by the companies they interned at. For 2011-2012, estimates suggest 300 youth will be trained and the retention rate will rise. These youth are identified by the United Nations Stabilization Mission in Haiti, also known as MINUSTAH, which provides security to the country by cracking down on violence. Jean-Louis said that President Martelly personally visited HPCD during one of their training sessions with 200 youth. Martelly applauded HPCD's efforts since it fits with his vision of creating jobs, promoting education, and improving the social aspects of the country. Martelly has since advocated education focused apprenticeship programs to other organizations. (E. Jean-Louis, personal communication, January 29, 2012)

Vocational training programs and apprenticeships are sometimes run by NGOs and other times by business incubators, but it has proven to be a successful model that business incubators advocate. By creating jobs across several industries in the country, business incubators continue to grow their network and open doors of employment for future trainees.

### **E. Microfinance Institutions**

Microfinance institutions (MFIs) are well positioned to support the lowest income Haitians. They may not be positioned to change the economic structure of the country, but they do enable some of the poorest families to achieve a family-feeding income. MFIs are able to reach rural areas in a way that most organizations cannot, while creating employment opportunities for Haitians in the process. Fonkoze, the largest MFI in Haiti, has 46 branches throughout the urban and rural parts of the country (Fonkoze, 2012). This deep breach into the hardest to reach rural places arguably gives Fonkoze a better connection throughout the country than even what the government has. According to David Garfunkel, a microfinance program coordinator at Fonkoze, they would likely be the best information source during a natural disaster in Haiti, to provide updates on the different parts of the country (D. Garfunkel, personal communication, January 20, 2012).

MFI's broad access to the rural side of the country is due to their scalability, since they can quickly and efficiently open new locations. The growing MFIs are the ones that are willing to reach out to new areas to create new borrowers. David Garfunkel claims the MFI business model differs from the NGO or governmental models because MFIs actually have clients that they are accountable to (D. Garfunkel, personal communication, January 20, 2012). Fonkoze is a for-profit Haitian MFI that does not work with strictly donated money while relaying reports to

the donors about progress. As a for-profit company in its home country of business, Fonkoze makes decisions that will provide value to customers and allow it to make a profit and grow.

The impact of these loans can be huge because that money affects the entire family, especially for rural families. According to Christopher Engelhardt, CEO of FINCA in Haiti, loans are typically designed to grow with clients over time, assuming clients are successfully paying them back (C. Engelhardt, personal communication, January 19, 2012). This creates opportunity for an entrepreneur to create jobs in the long run. MFI's are uniquely positioned to reach the rural community in a way that business incubators may not be able to. As business incubators expand in Haiti, partnerships with MFIs will offer them quicker access to train rural entrepreneurs, which they can then connect to companies in ways they could not previously due to geographic location.

One issue with microfinance is that clients occasionally take loans from multiple MFIs and rack up debt. There is no sustainable way of ensuring that this money is actually spent on business growth, as families often have other health, living, and education needs. Borrowers that are unable to repay loans would be sued if there was something of value to get in return, but usually no action is taken because the clients are already so poor. According to Engelhardt, group lending has helped alleviate some of this issue, but there is still much room for improvement (C. Engelhardt, personal communication, January 19, 2012). MFIs are also criticized for their high interest rates, raising the question of whether the core purpose of the MFI is to support the poor or to make money. While every MFI is different, most MFI's in Haiti claim that high interest rates are unavoidable because operations are so expensive.

Business incubators can alleviate some of the burden of high interest loans for entrepreneurs as well. As mentioned in section III part B, business incubators have championed an equity fund model, in which they raise investment capital from private sector investors that entrepreneurs can use as collateral. The combination of this model and other partnerships that business incubators form allows for reduced interest rates for entrepreneurs. Additionally, because of an increased rate of business success, business incubators will have greater opportunities to negotiate loan rates with MFIs.

In summary, business incubators are strategically positioned to focus on small and medium enterprise development while supplementing the efforts of the government, private sector, non-governmental organizations, training programs, and microfinance institutions in Haiti. At a high level, business incubators serve as a supplement by acting as a liaison to foreign donors that don't trust the government, a development program for future private sector employees, a consultant to NGOs, a resource center of skills and contacts for training programs, and a hub of up and coming businesses for MFIs. Business incubators can benefit greatly from these organizations as well. The government can adjust legislation in the business environment to spur growth; the private sector can provide mentors for the incubators' entrepreneurs; the NGOs can promote and fundraise for business incubators; training programs can produce future employees and entrepreneurs; and MFIs can partner with business incubators to offer reduced interest rates.

## **V. The Potential of Business Incubators in Haiti**

The common theme of my interviews was that a shift in focus toward sustainable economic development through small and medium enterprises (SMEs) is imminent and

necessary. As Haiti looks to rebuild its country, business incubators will play an increasingly large role, as SMEs are their bread and butter. The majority of growth in Haiti needs to happen through SMEs because there is a limited number of large corporations and an excess of potential minimum wage employees.

The impact of business incubators is already being noticed by other economic development players in Haiti. For example, Patrick Brun shared that the winner of the Haitian Business Accelerator award of \$10,000 US in 2011 was an Economic Growth Initiative for Haiti (EGI Haiti) team that had developed an open source program (P. Brun, personal communication, January 20, 2012). Additionally, Ernso Jean-Louis, Executive Director of the Haitian Partners for Christian Development (HPCD), reported that HPCD won a prize from the United Nations in 2012 for their role on improving human dignity in Haiti, as well as other recent prizes from the US embassy, USAID, and Partners Worldwide (E. Jean-Louis, personal communication, January 29, 2012). These results do not represent the economic interests alone, but the role business incubators have on holistically benefitting a community.

The impact of business incubators in Haiti is further shown through success stories such as Enersa, a company that creates and installs solar-powered streetlights. Since the company's beginnings with HPCD in 2007, the company has "installed more than 1000 street lights in more than 70 cities around the country" and has employed over 50 Haitians since its inception (Enersa, 2012).

Business incubators bring new jobs and new value to the country through the production of all types of products and services, including clothing, food, and art. According to Ernso Jean-Louis, in the past 9 years HPCD has produced more than 150 entrepreneurs, at least ten of which

have created 15 or more jobs (E. Jean-Louis, personal communication, January 29, 2012). In the 2010-2011 fiscal year, HPCD created 600 jobs, trained 260 young people in a trade, incubated 37 entrepreneurs, and placed 188 youth in apprenticeships with a staff of just 10 people, all of which are Haitian (Haitian Partners for Christian Development, 2011). HPCD is able to sustainably incentivize companies towards growth by placing stringent requirements on the number of jobs that must be created for a period of time, traditionally three jobs per incubator cycle in the physical community where they work and live, in order for that company to continue receiving benefits (E. Jean-Louis, personal communication, January 29, 2012). This model allows HPCD to focus on working with high potential growth companies and incentivizes the entrepreneurs to work hard for success, knowing that if they miss the target it they will lose access to the incubator's resources.

Naturally, the question of how to measure the effect of a business incubator must be asked. In the European Commission's *Benchmarking of Business Incubators* report in 2002 "the performance of business incubators should be judged primarily in terms of the results achieved, i.e. the impact they have on businesses, wider economic development and other priorities." (iDisc, 2012). Considering the currently limited size and input of the incubators that currently exist in Haiti, the accompanying output forebodes a bright future.

People have been searching for a universal one size fits all solution to poverty for years to no avail. Lenore Champagne of the Leveraging Effective Application of Direct Investments program believes that "assuming there are universal answers and solutions to poverty is not right, because the causes and solutions to poverty in any given country are different" (L. Champagne, personal communication, January 27, 2012). Champagne's suggestion rings true to this point in



history, as some solutions seem to work in certain countries while failing in others, such as the cash-for-work program discussed earlier. This section will focus on the potential of business incubation in Haiti alone, according to its unique culture and the perspectives of the economic development leaders on the ground. As covered in section IV, there are a plethora of types of organization attempting to address the barriers to economic development in Haiti through various models, but the model that ties all the efforts together is the business incubator. Business incubators are designed to address all of the key barriers identified in my research in a sustainable fashion.

### **A. The Unique Role of Business Incubators**

A business incubator is the only economic development organization designed to offer all-inclusive solutions to each of the most pressing issues currently preventing sustainable economic development in Haiti. Through entrepreneurship, incubators are positioned to bridge the gap between the poor and the rich in a way that no other economic development organization has been previously able to. The Haitian Partners for Christian Development (HPCD) incubators in Martissant and Cite Soleil create opportunities for people from the poorest areas of Haiti to create and grow a business. These efforts distinguish HPCD from many NGOs that position themselves in the wealthier parts of Port-au-Prince and its surrounding community. Each entrepreneur in these incubators creates jobs for at least three people, which ultimately reduces violence in the communities by keeping people busy at work. The success of these incubators is greater than just wealth creation, as it extends into a total shift in attitude. Incubators are able to create feelings of individual responsibility and ownership in the country amongst the entrepreneurs they choose to work with. The budding entrepreneurs contribute to an improved business environment by producing clean streets, solid infrastructure, and an overall

environment conducive to business, which ultimately reduces crime. Through a United Nations Stabilization Mission in Haiti (MINUSTAH) funded program, HPCD took 35 widowed women from previously abusive relationships with gang members and trained them in entrepreneurship. These women had no means of supporting their children and some of them had become prostitutes in order to do so (E. Jean-Louis, personal communication, January 29, 2012). Though many lacked the ability to read or write, most of them achieved success as an entrepreneur because of their training and natural abilities working trades.

In addition to the business incubators' role in developing entrepreneurs from the poorest parts of the country, they are also able to bridge the gap between the rich and the poor by specializing in vocational training programs and apprenticeships. For example, MINUSTAH identified troubled youth and handed them over to HPCD to learn how to sauder, create ceramic tile, do industrial sewing, etc. This training allowed HPCD to place these youth, which had previously dropped out of school and been involved with gangs, in well-paying jobs with Haitian companies, positions that would be inconceivable for them to hold without the training and connections offered by HPCD (E. Jean-Louis, personal communication, January 29, 2012). Thanks to the business incubator model, these Haitians that used to be involved in gangs can escape their past by gaining a marketable skillset and obtaining internships with companies in need of technical skills. The business incubators' ability to help entrepreneurs and create jobs is in large part attributable to a major business leader directing the organization. In HPCD's case, Executive Director Ernso Jean-Louis has relationships and experience in many businesses and industries throughout Haiti, which enables him to make connections that others cannot. This network has allowed Jean-Louis to create over 3000 jobs throughout his lifetime (E. Jean-Louis, personal communication, January 29, 2012).

Business incubators have a comparative advantage in growing small and medium enterprises due to their compilation knowledge and resources. To maintain this comparative advantage, business incubators should work with companies in markets that the leadership has previous experience with. For example, Evert Bopp, Founder of Haiti Connect, is developing an incubator that will focus on technology and telecommunications businesses, industries that Bopp has spent most of his career working in (E. Bopp, personal communication, February 11, 2012).

Additionally, business incubators serve as a perfect bridge between international business leaders and Haitian business leaders. Partners Worldwide fulfills that role for the HPCD by connecting successful businessmen in the United States with the leaders of large businesses in Haiti. In turn, the large business leaders in Haiti mentor small and medium sized business leaders and entrepreneurs in the incubator's program (E. Jean-Louis, personal communication, January 29, 2012). When done properly, these mentoring relationships can have a big impact in supporting the Haitian economy through the dissemination of knowledge and by leveraging the power of relationships.

Business incubators empower Haitians to create and execute their own solutions to their country's problems. As the old proverb goes, "give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime." The business incubator's focus on training and developing tangible business skills is necessary to help Haiti work towards business independence and reduce their reliance upon foreign aid. If Haiti is going to become a self-sufficient country it must continually work towards the removal of a foreign presence on the ground. Paradoxically, Haitian businesses must first accept the empowering assistance of those offering help, so that they can learn to provide for themselves. By creating opportunities through

employment and entrepreneurship, business incubators create a hope that cannot be offered by many non-governmental organizations. Haitians become accustomed to people giving them handouts, so an organization that empowers them to provide for themselves is refreshing and invigorating.

On the communication front, Economic Growth Initiative for Haiti's workshops offer entrepreneurs the opportunity to learn from and converse with major leaders, such as the Minister of Commerce or executives at major banks. Opening these communication channels reduces the fear that many inexperienced business persons have of speaking with big name leaders and authorities. Additionally, exposure to successful business people will enable entrepreneurs to elevate their level of thinking. Business incubators create a shift in the thinking of Haitian entrepreneurs from making a few quick bucks as a motorcycle taxi driver, to creating new products and services that will drive the economy forward (P. Brun, personal communication, January 20, 2012).

Business incubators are uniquely designed to address the training gaps left by the lackluster education system. While microfinance institutions (MFIs) are frequently praised for their ability to offer loans to informal microenterprise owners, they do not currently provide the same opportunity for small and medium enterprises. So while offering a great opportunity for the poorest to make a living, the MFI's impact on sustainable long-term impact for the country is still unknown. Chris Engelhardt, CEO of The Foundation for International Community Assistance in Haiti, suggested that if Haitian MFIs were able to combine their current efforts with business training, the impact of the loans would be even higher (C. Engelhardt, personal communication, January 19, 2012). Business incubators improve business acumen and financial

literacy through training on accounting, leadership, sales, etc. Incubators offer business training for poor people that can otherwise never afford such training.

All economic development organizations recognize the impact that training has in Haiti. For World Vision, training is a necessary starting point in improving the lives of the youth. Upon completing their training, the youth are provided with toolkits to increase their value proposition while seeking employment. Since jobs are the biggest need right now, World Vision is actively trying to work with job placement programs, so that they can go one step beyond developing skills and providing toolkits. But the first and most initial building block of this loop is the training. Without necessary skills, there is no use in offering a toolkit or job placement program. (D. Jacques, personal communication, January 24, 2012). Business incubators function with the same rationality that non-governmental organizations like World Vision are beginning to adopt.

Business incubators are the only type of economic development organization actively formalizing informal businesses by providing legal assistance. This effort allows incubated companies to pursue investment capital by registering them as tax-paying entities. By making formalization a priority, business incubators display an important understanding of how to restore the economy through a nation building approach. Once businesses are formalized, business incubators are able to concentrate on growth by improving the quality of the businesses, opening doors to financing opportunities, and connecting the entrepreneurs to mentors. For the Haitian Partners for Christian Development, once successful entrepreneurs grow to hire between six and ten employees, the business incubator will transition its efforts towards moving the entrepreneur out of the physical incubator into their own facility (E. Jean-Louis, personal communication, January 29, 2012).

As is the case in any country, economic development in Haiti is unique because of the country's unique culture. Organizations working in Haiti must focus on meeting the specific needs of the Haitian population through the creation of solutions tailored to their unique culture. Thinking up solutions to Haitian problems from a United States perspective does not always offer the results one would hope for. The most success has been experienced through organizations that are founded and run by Haitians, or by foreigners that produce localized solutions in tandem with Haitians. The ability to understand and navigate the Haitian culture is crucial for maximizing economic impact.

### **B. How to Increase the Impact of Business Incubators**

In order to increase the impact of business incubators in Haiti, there needs to first be a fundamental shift in focus from addressing Haitians' short-term needs to addressing their long-term needs. The country must be built up with training programs and investment in businesses that escape the scope of agriculture or textile manufacturing. As Catherine Lainé of the Appropriate Infrastructure Development Group (AIDG) business incubator puts it, "the focus on poverty alleviation as the end goal is limiting, and the future of Haiti cannot be built by focusing on poverty alleviation alone. Compare the language we use in the United States as the nation struggles through the current economic crisis: job creation, economic stimulation, higher education, job training, innovation and market growth. This language is forward looking and it inspires economic investments that support a better future." (Lainé, 2010)

Once this shift in focus occurs, the international community must take action to help build business incubators all across the country. As international support is garnered for business incubators, the growing network of business incubators should keep the Haitian government

aware of their progress. Open communication amongst the leaders of Haiti and a unified focus on the country's strategic priorities in both rural and urban locations is vital to the long-term implications of these efforts. In order to bring sustainable change to Haiti, the country must be unified and committed to long-term goals. If money continues to be spent on predominantly food and water instead of small and medium enterprise growth, economic development will not take place. If there is no collective support for this shift, the impact of business incubators will remain concentrated in small communities rather than country-wide.

While a growing business incubator network and unified support should provide some incentive for the Haitian Diaspora to return, the Haitian government must further incentivize their highly educated emigrants to return to the country by establishing a more business friendly environment. The unified support network must apply pressure to the government to make legislative changes to favor business creation. The government can inspire emigrants to return by branding this effort as an opportunity to build a brighter future for their strong ties to family and friends back home, where their knowledge and talents are most needed.

By building an informed international community, physical business incubators, a unified support network in Haiti, and a campaign to attract educated Haitians to return to do business in their country of birth, Haiti will be able to redirect the economic development efforts toward long-term sustainability.

## **VI. Conclusion**

Future sustainable development in Haiti is not farfetched. Economic development leaders in Haiti already recognize that a change towards small and medium enterprise growth is

necessary, so it is now a matter of aligning donated money and time around this strategy. Agustín Aguerre, manager of the Inter-American Development Bank's Haiti Country Department explains "we have a vision of the future of Haiti, and now we must begin transforming that vision into reality. I think that's the challenge of 2012. We moved from the gloom of 2010, to the dreams of 2011, and now 2012 must be the year of people working and children in schools" (Inter-American Development Bank, 2012). In the words of Carlos Slim, one of the world's wealthiest philanthropists, "employment is the way to fight poverty and dignify a human being. Small- and medium-sized enterprises generate greater and more diverse employment opportunities, economic activity and human and business development. Investing in equity and giving access to credit increases businesses' viability, makes companies more efficient, and accelerates growth" (Clinton Foundation, 2010).

To break the vicious cycle of poverty in Haiti, the introduction of an external factor may be necessary. Business incubators are a sustainable tool for economic change that might just be the external factor Haiti needs to accelerate growth. Future development lies in the ability of Haiti's leaders to successfully implement and grow the business incubator model throughout the country. The success of this implementation will determine the economic future of Haiti.



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## Appendix A

The organizations and leaders interviewed for this thesis, as well as the location and format of the interview, are listed below:

**REBUILD Globally:** Julie Colombino (Founder & CEO). January 25, 2012. Personal Interview. 10 Tabarre 35 Blvd. T. Louverture, Prolongee, Port-au-Prince, Haiti.

**The Foundation for International Community Assistance (FINCA Haiti):** Christopher Engelhardt (CEO). January 19, 2012 Personal Interview. Angles Rues Rebecca et Lambert, Petionville, Haiti.

**Fonkoze:** David Garfunkel (Microfinance Program Coordinator) and Stephanie Garry (External Communications Specialist). January 20, 2012. Personal Interview. #12 Rue Miot, Cite Wilson, Pacot, Port-au-Prince, Haiti.

**Economic Growth Initiative for Haiti (EGI Haiti):** Patrick Brun (board member). January 20, 2012. Personal Interview. Port-au-Prince, Haiti.

**Christian World Outreach, Inc. (CWO Haiti):** Joel Saint Amour (Country Director for CWO Haiti ) and Jason Schmick (CWO Missionary) January 24, 2012. Personal Interview. Port-au-Prince, Haiti.

**World Vision Haiti:** Darlan Jacques (Project Manager ERL), McArthur Elisma (Economic Recovery Coordinator), and Luckens Saint Jean (Youth Livelihood Officer). January 24, 2012. Personal Interview. 49 Rue Chavannes, Louverture, Petionville, Haiti.

**Pan American Development Foundation (PADF) – Leveraging Effective Application of Direct Investments (LEAD) program:** Lenore Champagne (Program Officer). January 27, 2012. Personal Interview. JBE Plaza, Blvd. du 15. Octobre, Belvil 7. Route de Tabarre, Port-au-Prince, Haiti.

**Haitian Partners for Christian Development (HPCD):** Ernsou Jean-Louis (Executive Director). January 29, 2012. Personal Interview. 220 Rue de Delmas, Port-au-Prince, Haiti.

**Haiti Ventures:** Marc Saint Clair (Managing Partner). February 6, 2012. Telephone Interview.

**Haiti Connect:** Evert Bopp (Founder). February 11, 2012. Telephone Interview.

**Technoserve – Haitian Business Accelerator (HBA):** Yves André Séjour (Program Manager) and FritzMichel Guillamere (Business Analyst). January 19, 2012. Personal Interview. 5 Rue Moise, Petionville, Haiti.

## Appendix B

### Research Questions

1. What current constraints make sustainable economic development in Haiti challenging? How would you rank the severity of these constraints (i.e. job openings, NGO, investment capital, education, health)?
2. Considering the costs and benefits of both short-term and long-term development, what are your opinions on the effectiveness of economic development efforts displayed by the government, private sector, NGOs, vocational training programs, cash for work programs, MFIs, business incubators, etc.?
3. What commonalities are there amongst organizations that successfully impact the economy? What do you view as the necessary components for economic development efforts to positively impact the economy (i.e. locally staffed and connected, # of international partners, amount of international financial support, creation of new value)?
4. How is a \_\_\_\_\_ (i.e. business incubator) in a better position to stimulate the economy than other types of economic development organizations?
5. Are \_\_\_\_\_ (i.e. business incubators) substituting or complimenting other economic development efforts? Are \_\_\_\_\_ (i.e. business incubators) working with the private sector, government, NGOs, MFIs, etc.?
6. What previously unmet needs are \_\_\_\_\_ (i.e. business incubators) addressing and would those needs be addressed if \_\_\_\_\_ (i.e. business incubators) did not exist in Haiti? Are there needs that \_\_\_\_\_ (i.e. business incubators) want to address but haven't been able to yet?
7. How successful have \_\_\_\_\_ (i.e. business incubators) been in creating new jobs? What are the results of the companies and incubators (i.e. growth, return)? How significant is the level of input necessary to achieve these results (i.e. financial, human capital, equipment/technology)?
8. Is there a struggle to find a) qualified workers to manage \_\_\_\_\_ (i.e. business incubators), b) investment and financing for entrepreneurs, c) suppliers and buyers for the entrepreneurs? How are these issues typically met?
9. Are \_\_\_\_\_ (i.e. business incubators) making an impact at the micro level or the macro level? If only the micro level, is there opportunity to scale it to the macro level and what would that take?
10. What is the average change in the standard of living experienced by people served through \_\_\_\_\_ (i.e. business incubators)?

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