

## **Entrepreneurship and Economic Development**

**in Jérémie, Haiti**

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### **Introduction**

[Entrepreneurship](#) is the main driver of economic growth. Innovation and creativity are its main features. Economic historians like [Ashton](#) (1964) and [Mokyr](#) (2004) have examined the transformation from poverty to riches during and after the industrial revolution and emphasis the causal effect of invention on economic growth. Entrepreneurs produce goods and services, and find new combinations of products and new sources of raw materials. Joseph [Schumpeter](#) (1982) talked about a dynamic economy where new products displaced other products from the market. He called this a process of creation-destruction.

The entrepreneurs matter not only for innovation and market satisfaction, but also because they pay taxes that are essential for the provision of basic public services. In a country with no entrepreneurs the public finances are empty, and it has to borrow to provide public goods.

In Haiti the literature on entrepreneurship is extremely scarce, which is unfortunate given the importance that entrepreneurship has in the weak Haitian economy. Most of the economic activity in Haiti is informal – it is not regulated and it is not included in the national statistics.

In this essay I describe my experience facilitating a workshop on entrepreneurship at UNOGA University in Jérémie, Haiti. I describe the entrepreneurial environment in town and provide some recommendations.

[Jérémie](#) is the capital of the province of the [Grand'Anse](#), located in southwestern Haiti. UNOGA was established with the purpose of providing university education to the students that returned from Port-au-Prince after the earthquake in 2010, when most of the universities in the capital were destroyed, or severely damaged. It has two programs, one in agriculture and the other one in business administration. Fifteen students participated in the workshop.

### **A summary of the teaching material**

Joseph Schumpeter (1982) argues that the process of economic development implies the creation of new products, new combinations, and new sources of materials. The process necessarily puts other products, those that cannot compete with the new ones, out of the market. That is why he argues that economies evolve through a process of “creation-destruction.” [Kirzner](#) (1999) is concerned with defining who an entrepreneur is and what he does. He argues that entrepreneurs are *alert* to opportunities and respond to them creating new products in the context of market competition. [Baumol](#) (1990), on the other hand, claims that there are three types of entrepreneurs: productive, unproductive, and destructive. Productive entrepreneurs create value and wealth and destructive entrepreneurs use their talents and creativity to destroy value (e. g. a kidnaper). The type of entrepreneur who would prevail in a society depends

on the kind of *institutions* or rules of the game that are in place in such society. He argues that individuals will orient their talents according to the incentives outstanding, which respond to the formal and informal rules.

In the beginning of the workshop the informal economy was the main topic of conversation. We discussed the role of the entrepreneur in society, why some entrepreneurs remain in the informal economy, why some might want to become formal, and what social conditions facilitate entrepreneurial activity.

The first week and a half we discussed the theories and articles on the economics of entrepreneurship. Then we interviewed local entrepreneurs that the students contacted on their own. As expected, the entrepreneurs' local knowledge of doing businesses in Jérémie was extensive. Jérémie is a small town and most people know everybody else, not just professionally but even personally, that was why scheduling the interviews through the students was a very efficient way to proceed. In fact, several relatively large entrepreneurs were acquainted with some students.

### **The entrepreneurs we interviewed**

Studies have found that kids whose [parents are entrepreneurs are more likely to become entrepreneurs](#). But even the example of somebody who is not part of the family helps a lot. [Role models are key](#) to motivate individuals to become entrepreneurs.

The first entrepreneur was a Catholic Priest who runs several shops that sell grains, cereals, vegetables, and much more to people in the rural areas. He sees himself as a manager, and tries to run the shops the most efficiently possible without affecting the mission of service. “A manager is hired to solve problems,” he told us, “which he has to do without blaming those who were before him and caused the problems.” “The past is gone and one has to perform without looking back” was the general point of his answers. He said that self-discipline made him accomplished his goals. The students were thrilled. After three weeks they were still bringing up quotes and ideas from this talk.

An entrepreneur who imports consumption goods received us in his apartment. His business is located by the road that enters the city. It is a busy area of Jérémie, a bit chaotic during the day. His apartment is in the upper-floor of one of the houses by the main street. The atmosphere inside the apartment was in striking contrast with the outside, loud and hectic. He spoke in Creole and English to make sure that both, the students I, understood him. He told us that one of the main challenges of doing business in Jérémie was the difficulty to find people one can trust, who can accomplish what is needed.

He started off with a small capital when he was in his twenties; nowadays he has several stores and storages, and his family owns a boat that he uses to transport merchandises from Port-au-Prince, Jamaica, and other places. He gave us a tour of his storages downstairs. He had oil, rice, sodas, and juices. In the back room there were a few bags of cement, they were part of a large lot he had imported from Jamaica, most of it had been sold. He emphasized that he imports

large quantities. For example, he imports containers of 400 boxes of soda. He is not interested in importing small amounts. In a few days he is out of products and had to import more. He was very welcoming and said he will hire one UNOGA student when they graduate.



The students after an interview

We interviewed the oldest entrepreneurs in town. He is over ninety years old, and came to Jérémie from Port-au-Prince without much money. He was founder member of the first association of entrepreneurs in town, and proudly showed us the “Annales de la Ville de Jérémie.” He owns a hotel, and a convenience store.

Another entrepreneur had returned from Montreal and started a pizza business in Puerto Prince. Crime in the capital was high and he decided to come to Jérémie, his hometown, where he saw business opportunities and found a more relaxing way of life. He is making reparations to his big restaurant that will have a bar and a dancing floor. He also owns a gas station.



The student and an entrepreneur in his restaurant

We also interview the director of a large Haitian Bank. He said that currently the bank is not offering credits in Jérémie. He was exploring the market to start loan operations in the town, but it sounded uncertain. In other parts of Haiti the bank gives credit but only to owners of existing businesses. The bank

does not take the risk of lending to startups. This might be because business failure is high and credit warranties are scarce. In all Haiti [land tenure is unclear](#). This is an area where more research is needed.

Another entrepreneur owns the only ice cream shop in Jérémie. He brings it from Puerto Prince, by boat. He has developed a way for the ice cream to last the three-day trip, this technology is the key to his success, he said. The lack of energy is its main problem. He keeps the ice cream from melting using a gasoline-powered generator, and batteries. To my question of what he thought about Jérémie having 4G communications technology but not electricity and water, he said: “this is Haiti, anything is possible.”

We also interviewed the owner of a hardware and software store. He sells computers, printers, USBs, etc. He studied a BA in agriculture in the US, but during his studies he got interested in computer sciences. He went back to Haiti and started working for an international NGO in the agriculture sector. After some time he decided that he wanted to do something on his own. He noticed that there were no computer or repair shops in Jérémie and decide to import computers and equipment from the US, and started repairing computers as well. In some cases he takes them to the US for repair. He also noticed the need for more training on computing and software and opened an academy. He started with very few students, now he has over one hundred students. He said that the lack of electricity is the main difficulty. In fact, at the beginning he lost some computers because the electricity came on and went off instantly. He had to buy

eclectic generators. Like the ice cream vendor he said that the best way to solve the electricity problem is to let the privates offer the service.



With an entrepreneur in his software shop

We interviewed also several small entrepreneurs who had a relatively little working capital – more than US\$ 100 but less than US\$ 500. They argued that the business provides for daily subsistence but not more. One of them said that he used to be a schoolteacher, and then he retired and opened his business selling consumption goods such as oil and rice.

Most of the businesses in Jérémie are intermediaries who buy and sell consumption goods. Agriculture is probably the only production activity. The province of the Grand'Anse is located in a part of Haiti where there are forests. [Some argue that in Haiti only two percent of the territory has tree cover](#) and this is located in the Grand'Anse. There is an intense rainy season that makes production of goods and vegetables possible. Mangos, bananas, pineapples, as well as several vegetables are available in the market.

There are countless micro-entrepreneurs in town. For example there are several motowashes. In Jérémie the main mean of transportation is the moto-taxi. Most of the motorcycles are imported from China, at a small fraction of the price of a Japanese one. Some of the roads are unpaved, and they can get muddy, especially in the area where the farmers' market is located; therefore the need for a motowash.

Another interesting business that is unique is letting people watch a soccer game for a price. Energy is available in the town only from 7:00 PM to 9:00 or 10:00 PM, two or three hours per day. Even though many people have TVs in Jérémie, many cannot watch it during the day. A "tv-theater" responds to the high demand to watch soccer and the low supply of broadcasting due to lack of electricity. By the time we were in Jeremy the European Cup of Nations was in full swing, and the advertisement for the TV games appeared in a green board in one of the busiest streets.

### **Problems with electricity**

The lack of reliable electricity is the source of many maladies in Jérémie. It impedes refrigeration. People cannot store food. As a consequence they do more

trips to shops where there are generators. But more importantly they have to cook every meal. In another country that would not be a big problem, but in Haiti that means that they use charcoal intensely, which is the main cause of forest depletion.

Obviously the lack of electricity also increases the costs of doing business in Jérémie. Some entrepreneurs use several sources of energy: generators, batteries, solar panels, and others, which can be very expensive. It also affects education. The use of computers in schools is limited. Students cannot study at home at night. In fact, the main study area in town is the central park, in front of the Catholic Church. At around seven and eight at night many students gather under the solar-powered lamps to read their books and notebooks. It is a charming sight but also a sad one.

The lack of electricity had other hidden costs that might not be obvious but do affect productivity. The heat is dry and intense. During the high temperatures in the day, say from eleven to five in the afternoon, the heat is tiring. No matter what one is doing, the heat slows things down. One could say that Haitians have lived in these temperatures for hundreds of years. But they complain often about the heat. In fact, students scheduled the interviews early in the morning to avoid the heat in the afternoon.

### **Institutions**

Institutions are the norms that prevail in a community or region. They can be formal (written in the legal codes) or informal (common practices that are not written in the legal codes). Development economists (Harper, 2007) who have studied entrepreneurship conclude that the existence of institutions that facilitate

the resolution of conflict and the respect for property rights are conducive to entrepreneurial activity and economic development. In Jérémie, formal institutions to solve conflicts do not work properly. The courts can be very slow, if they work at all. There is no much of legal mechanisms entrepreneurs can rely on when others do not comply with the agreements. This is one of the reasons why the credit market is very limited. Formal contracts are scarce.

When disagreements occur the stronger part wins. In several occasions however people use alternative mechanisms to avoid conflicts or to respond to them, voodoo is the main one. In the absence of an efficient legal system voodoo is an imperfect substitute. More research is needed in this area.

### **Recommendations**

- Research should be done to understand the constrains to entrepreneurship in Jérémie. For example, it is worth having a discussion on the possibility of opening the electricity market for private provision. The cases of other cities in Haiti can provide some guidance. It is puzzling that in Jérémie there is 4G Internet but no electricity.
- Research should be done to diagnose and to better understand the justice systems in Jérémie to find a way to improve the courts and strengthen the rule of law.
- Lack of credit is one of the main constrains. Banks are reluctant to lend to startups. The reason for this could be that property rights on land are not clearly defined. Understanding this problem and providing solutions is key.

- There is micro-credit activity in Jérémie, but more research is necessary to assess its effectiveness.
- Providing training on financial literacy is one way to support the local entrepreneurial community, as well as offering seminars on the role of the entrepreneur in society regarding innovation and creativity, and their duty to support basic public goods.
- Building trust is key to promote entrepreneurial activity. One of the best ways to do this is to promote the creation of clubs and voluntary associations.



In an interview

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