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Recommendations to Support Haiti's Economic Development

This note follows a two-day visit to Haiti of Prof. Jeffrey Sachs, Ambassador Gert Rosenthal, and Dr. Garry Conille, to explore ways to support economic development in Haiti. The mission met twice with incoming President Preval, and also exchanged views with the donor community, civil society organizations, members of the UN country team, and other political leaders.

Context and Recommendations

The recent presidential and legislative elections bring new hope that Haiti, with the help of its development partners, will finally emerge from a long and difficult transition aggravated by a precarious socio-economic situation, natural disasters, a looming humanitarian crisis, acute fears of social unrest and political instability.

While President Preval brings to office the extensive experience, public support, and a sensible vision required to make the most of this opportunity, the new government inherits grave economic and social difficulties, which could quickly undermine its authority and seriously compromise its capacity to govern if not appropriately addressed. In addition to Haiti's chronic and deepening levels of extreme poverty, its immediate future is threatened by a collapse of infrastructure (for example the extreme shortage of electricity in Port-au-Prince) and a fraught fiscal position, with massive and potentially destabilizing arrears on public services and payrolls.

It is a shared view among most stakeholders that short-term and long-term stability is to an important extent dependant on the government's capacity to earn the trust and goodwill of the Haitian people. It should do so, first, by responding quickly and effectively to some of there more urgent and basic needs. At the same time it is vital that the government establish a clear and consensual path out of poverty, that builds upon outreach to the business community and to key sectors of civil society. To achieve all of this, the country will need an increased and targeted amount of international support.

Haiti's development partners have made a major effort to support a renovation of Haiti's politics and economic development during the past two years. Yet that "interim" effort needs to be augmented significantly now, on three time scales: (1) urgent support for the new government during the first 3 months; (2) a one-year process of setting a development strategy in place; and (3) medium-term support to last during the Preval government, 2006-2010.

Key steps can be summarized as follows:

(1) Urgent support (3 months)

- Donor support to re-establish electricity service in Port-au-Prince, without imposing unnecessarily complex or politically difficult conditions for power-sector reforms at the start. Note that current electricity coverage is often non-existent or limited to two hours per day in many parts of the capital city, and with zero coverage in many other parts of the country.
- Provide vital up-front fiscal support of \$50m - \$100m to clear arrears on overdue salaries of teachers, policeman, and other government workers, and to fill the remaining fiscal gap under the current IMF program.
- Agree on the urgent priorities for an extension of the Interim Cooperation Framework (ICF)
- Support the Government to establish a strategic office of economic analysis to provide advice to the incoming government.
- Preserve Haiti's special status as a LICUS country (low-income country under stress) and thus eligible for special World Bank grant financing

(2) First-year support (one year)

- Support Haiti to reach agreements with the IMF and World Bank on a new three-year development program before the end of 2006.
- Support Haiti to establish a development strategy and implementation plan consistent with achieving the Millennium Development Goals
- Implement debt cancellation policies under HIPC terms
- Reach agreement on a new three-year donor support program to follow the ICF, and of sufficient scale and targeting to support Haiti's MDG-based development policies
- Support Haiti to launch a major public health campaign before end-2006, based on mass immunizations, improved access to safe drinking water and sanitation, vitamin supplementation, de-worming, and other urgent public health needs
- Support Haiti to launch an anti-hunger campaign based on increased food production through provision of urgently needed inputs to smallholder farmers of fertilizers, improved seed varieties, and small-scale water management technologies

(3) Period of Government, 2006-2010

- Support the Government to implement its medium-term national development strategy ambitious enough to achieve the Millennium Development Goals
- Implement the expanded donor commitment for the period 2006-2010
- Support a strategic development focus that includes:
 - (a) Agricultural transformation with increased international exports of fruits, horticulture, processed agricultural commodities (e.g. cane-based ethanol, fruit drinks, etc.)
 - (b) Urban transformation led by internationally competitive manufactures and services
 - (c) Tourist development
 - (d) Infrastructure investments including roads, power, ports, telecoms, and water and sanitation
 - (e) Greatly enhanced provision of social services, including health, family planning, nutrition, education, adult literacy
 - (f) Increased engagement and leveraging of the Haitian diaspora, including but not limited to the mobilization of remittances for community development programs

Recommendations for the United Nations

- Use the good offices of the Secretary General in the coming week to impress upon Haiti's development partners the sensitivity, urgency, and opportunity afforded by the incoming Preval Administration. Emphasize the need for urgent and increased donor to enable the government to meet urgent budgetary demands. Also signal the need for an enhanced package of medium-term donor support (including HIPC debt relief, continued special status within the World Bank, etc.) to follow the ICF.
- Provide urgent UNDP support to build a team of Haitian economic advisors for the incoming government. *As per the request of President Preval, the UN Country Team and the UN Millennium Project should actively support the economic team as it prepares the Government's short-term and medium-term strategies.*

- Demonstrate the feasibility of community-led integrated rural development by introducing “Millennium Villages” in Haiti, financed by the World Bank’s Community Driven Development Project (CDDP) and by other donors, and supported by the UN Country Team and the UN Millennium Project.
- Continue the UN peacekeeping for vital physical security until the national police force is properly trained, constituted, and deployed.
- Facilitate, as circumstances permit, Haiti’s strengthened diplomatic and economic relations within CARICOM, Dominican Republic, the U.S., France, and other major partner countries. Special attention should be paid to increased and harmonious economic and political linkages with the Dominican Republic, with facilitation by UN agencies in bi-national programming.

Further Thoughts on Haiti's Development Strategy

Haiti requires a Green Revolution. Current crop yields are less than 1 ton per hectare, and unlike the rest of the world (including neighboring Dominican Republic), have declined rather than increased over the past forty years. This is mainly a reflection of the virtual lack of basic inputs (fertilizer, improved seeds, small-scale water management) for smallholder farmers (Figure 2). These low yields have resulted in pervasive hunger, soil nutrient depletion (because of the lack of improved inputs and farm techniques), pervasive deforestation, and extreme poverty. A Green Revolution is possible, and should be based on a multi-prong rural strategy:

- Direct provision of subsidized inputs to the poorest farmers, on a transitional basis
- Increased agricultural extension services
- Public support for improved seed breeding
- Public promotion of non-traditional exports of foodstuffs, beverages, and other processed agriculture (fruits, vegetables, coffee, cut flowers, cane-based ethanol), through creation of marketing cooperatives, sanitary and phytosanitary standards, improved infrastructure, and supportive trade policies

Haiti requires a Health Revolution. Health conditions are by far the worst in the hemisphere. There are few if any basic health services in many parts of the country. Public sector spending on health per person is estimated to be a mere \$10 per year. AIDS, diarrhea, vitamin deficiencies, worm infections, maternal mortality, lack of immunization, malaria, and other debilitating and killing conditions are rife. Yet these conditions are controllable. A proper health strategy would include the following:

- Expanded programs to fight AIDS, TB, and malaria supported by the Global Fund, with new applications prepared for Round 6 (due in early August 2006).
- A national health campaign by end-2006, to boost immunization coverage, establish new safe water points, provide de-worming and vitamin supplements, distribute bed nets in malarial regions, to be followed by similar campaigns in later years.
- Increased domestic revenues and especially donor aid to bolster the core public health service budget.
- Elimination of point-of-service user fees for essential medicines and health services, including emergency obstetrical care.
- Construction/renovation of community health infrastructure equipped and staffed to ensure provision of an essential package of services to remote populations.
- Training and deployment of community-based health workers in every community to provide vital health information and services, including household visits, training on hygiene, aids awareness and behavior change, access to contraception, and access to life-saving health interventions (antibiotics, oral rehydration, nutritional supplements, de-worming medicines, antenatal care, referrals to clinics and hospitals, home-care and directly observed therapies for TB and AIDS, etc.)

Haiti requires a connectivity revolution. Haiti's overall economic development is gravely hampered by a lack of basic infrastructure networks (roads, power, rail, telecoms) that leaves much of the country, especially the rural areas, in effective economic isolation. Cash crops rot before they can be brought to market. Agricultural inputs such as fertilizer are too expensive at the farm gate. Farmers are unaware of market opportunities. Tourism is rendered unprofitable. The medium-term development plan should put a high priority on investments in basic infrastructure networks.

Haiti requires a demographic transition. As in other impoverished settings marked by high child mortality, high illiteracy, subsistence farming, and lack of public health services, Haiti's fertility rates remain high, though declining. With a total fertility rate (TFR) of 3.9, Haiti's population is expected to rise from 8.5 million to around 13 million by mid-century. This continuing growth of population exacerbates poverty, environmental degradation, and mass migration. An intensified population strategy, built around several components, could and should aim to reduce the TFR to 2.5 or less within a decade. The strategy would include: enhanced investments in child survival, girls' education, improved rural livelihoods, and extension of family planning services and contraceptive availability to all parts of the population.

Haiti requires hazard preparedness and insurance. Haiti is one of the world's most vulnerable countries to natural hazards, especially hurricanes, floods, and other meteorological shocks (including drought). The population is ill prepared, and the loss of lives, income, and assets have repeatedly been enormous. There is no insurance protection. Populations live in physically vulnerable areas, in steep hillsides, ravines, and floodplains. Environmental degradation, such as pervasive deforestation, have eliminated natural protection. Population growth and deepening poverty have greatly increased vulnerability. There is a high priority to step up plans for all aspects of hazards and recovery, including: vulnerability reduction, public awareness, early warning systems, financial insurance, and crisis response.

Haiti requires increased donor support. The UN Millennium Project determined that low human development countries such as Haiti required increased donor assistance on a sustained basis in order to meet the Millennium Development Goals. The project estimated donor needs on the order of \$70 - \$100 per person per year in the recipient countries, during the period till 2015. No comprehensive MDG costing for Haiti has yet been undertaken, and this needs assessment should be undertaken during 2006. If the \$70 - \$100 per person estimate proves accurate, *the requisite level of sustained aid would be on the order of \$600 - \$850 million per year, more than double the aid flows of recent years.* In addition, Haiti will require aid in the form of grants rather than loans, and will require HIPC debt cancellation.

Haiti requires improved aid quality to support the MDGs. The issue of aid is not only the quantity, but also the quality. Current aid flows are not adequately addressed to Haiti's practical needs. They are excessively weighted to emergency food aid rather than help to grow more food. They are much too focused on expatriate advice, rather than on *practical deliverables* (medicines, fertilizers, improved seeds, transport), *investments*

(construction of clinics, schools, roads, power grids, etc.), and help with fiscal needs (public payrolls in education, health, police force). Donors should agree on quantifiable, practical, time bound goals. In the first year, for example, focus should be put on: increased food production, safe drinking water, clinical health services, children in school, with clear metrics and timelines. Aid should go directly to communities, e.g. through the World Bank's Community Driven Development Project, in order to support rural transformation. The Millennium Village concept, of community-based integrated rural development is highly practical in the Haitian context, and follows the successful model of President Preval's own hometown community, Marmalade, which has been positively transformed through donor-supported community-based integrated development.

Figure 1. Comparative Yields

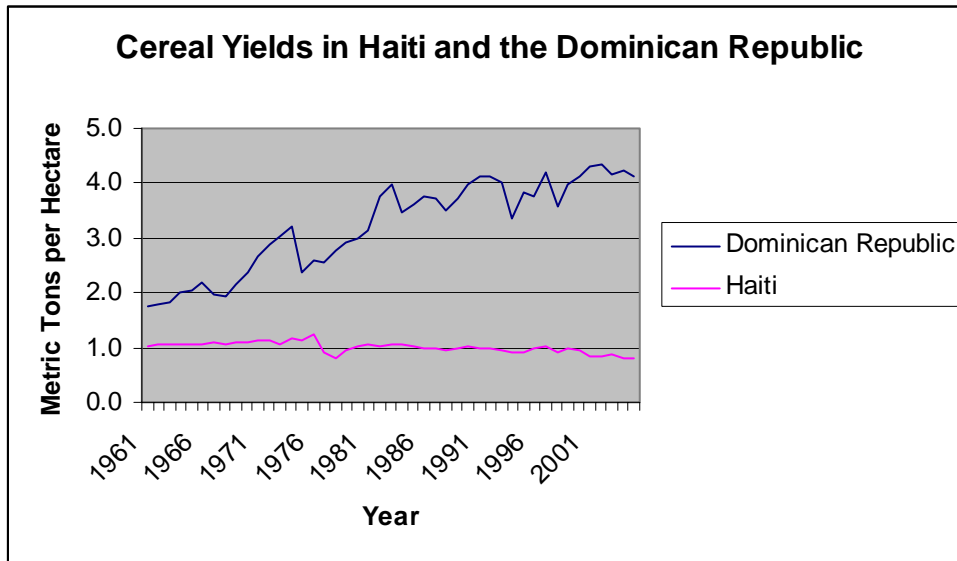


Figure 2. Fertilizer Inputs

