On 12 January 2010, the two tectonic plaques that meet below Haiti began to rub against each other. Seven minutes to five in the afternoon an earthquake of magnitude 7.0 on the Richter scale took place, followed by thirty-two after-quakes of 4.0 or more during the following nine hours.\(^1\) The epicenter was a mere 25 kilometers from the capital and the quake struck at a distance of just 13 kilometers from the surface of the earth.\(^2\)

Port-au-Prince lies in ruins. The city looks like Berlin at the end of World War II. As stated in the Prologue, over 600,000 people have left for the countryside. The suburb Carrefour and the cities of Léogâne, Grand Goâve, Petit Goâve and Jacmel are destroyed. Between 250,000 and 300,000 people are reported to be dead. Around 300,000 are injured. Three million people have been affected in some way by the disaster.\(^3\)

The earthquake took place in an environment where the buildings were crummy, the infrastructure completely run down and the public service was next to non-existent already before the disaster struck. The essays in the present book have dealt with the factors that have made Haiti the most underdeveloped country in the Americas. The combination of soil erosion and kleptocracy for almost a century and a half has produced a per capita income which is the lowest in the Western Hemisphere. More than three-fourths of the population lived on less than the equivalent of two US dollars per day already before the earthquake half the population on less than one (in 2000),\(^4\) and the average income of the latter group was 0.44 dollars.\(^5\) It was in this situation that the earthquake struck – in a country which one and a half years before had been hit by four hurricanes in less than three weeks.

Now, the difficult task of physical reconstruction of the affected areas has begun, and thereafter the challenge of long-run economic and social development has to faced. It will not

---

\(^1\) thoughts.com (2010).
\(^2\) USGS (2010).
\(^3\) A detailed estimate of the extent of damage is available in Government (2010b).
\(^4\) Sletten and Egset (2006), p. 44.
be easy. Haiti’s ecology is fragile and the interplay between man and the environment has created a gigantic erosion problem which inexorably depresses rural incomes over time. Haiti also has a completely catastrophic political history. In the best case its governments have been mediocre, most of the time they have been dismal. And now there is hardly any government or administration at all. Virtually all the important command functions have been wiped out.

The International Donors’ Conference Towards a New Future for Haiti at the United Nations in New York on 31 March 2010 more than met the expectations. The basic idea of the conference was to make it possible for the donors to pledge new long-term assistance, as distinct from the immediate humanitarian assistance, and to coordinate the development effort. The target set by the Haitian government was to raise 3.8 billion US$ for the first 18 months of the recovery and reconstruction effort.\textsuperscript{6}

The donor community promised Haiti a great deal more: 5.26 billion dollars for the first 18 months, and 9.9 billion altogether for the coming three years.\textsuperscript{7} But how is the reconstruction to take place? Can Haiti be put on the path of self-sustained long-run economic development? The country must be rebuilt, and not to the level where it was on 12 January 2010, but to a level which for the first time in the history of the country may give the citizens something that looks like a decent standard of living. The task is one of building a new nation and a new economy.

What is needed then? You might as well say it at once. There are no simple solutions for Haiti after the earthquake catastrophe. Some sort of Marshall Plan is needed. But what should it contain? Everything is in shambles in the capital and its surroundings. Everything has to be repaired and reformed. It goes without saying that the reconstruction must begin at the physical end. People need dwellings and for daily life to return to something resembling normalcy, the public administration and the economy must get back on their feet.

\textbf{The Action Plan}

At a Technical Preparatory Conference for Haiti held in Santo Domingo 15-17 March 2010, the Haitian government presented the first draft of an \textit{Action Plan for the Reconstruction and

\textsuperscript{6} Jiménez (2010).
\textsuperscript{7} United Nations (2010a).
National Development of Haiti. A revised version – Action Plan for National Recovery and Development of Haiti – was presented in New York on 31 March. The foundation of the plan, which envisages a total investment of 3,864 million US$ over 18 months, is the solidarity between all Haitians that is expected to materialize in the wake of the catastrophe:

The situation that the country is facing is difficult but not desperate. In many ways it is an opportunity to unite Haitians of all classes and origins in a shared project to rebuild the country on new foundations. Nobody has been spared, and no one can pick themselves up again alone. We must build on this new solidarity which is expected to trigger profound changes in behaviour and attitudes.

Thus, the plan calls for the participation of ‘all the sectors of the Haitian society’. It contains a long-term vision with respect to the future. According to the first version:

We share a dream:
We see Haiti as an emergent country by 2030; a society of simplicity, fairness and justice; united, living in harmony with its environment, culture and a controlled modernity based on the rule of law, freedom of association and expression and national planning, with a modern, strong, dynamic, competitive, open economy and a broad territorial basis, where all basic needs of the population are met and managed by a Unitary State which is strong, acts as a guarantor of the general interest and is highly devolved and decentralized.

The UN Secretary General, Ban Ki-moon has called the action plan ‘a visionary document’. If the dream comes true, it will mean that, for the first time ever, Haiti has managed to break with its dismal political history. It will be nothing short of a revolution, a revolution as important as that of 1791. The envisaged strategy rests on the creation of wealth and jobs mainly through the private sector working within a good macroeconomic framework hand in hand with a strong state in order to make it possible to protect the environment and create

---

8 Gouvernement (2010).
10 Ibid., p. 5.
11 Gouvernement (2010), p. 5. The formulation is similar in the final version (Government (2010a), p. 8).
12 Ban (2010).
social development and public service to the population in a geographically decentralized and balanced way which ensures the inclusion of all groups of Haitian society.

The government identified five main reasons for the extreme damage caused by the earthquake: excessive population density, the catastrophic state of the environment, the lack of adequate building standards, the unregulated land use and the unbalanced geographic distribution of economic activity, and the plan envisages that ‘all these areas of vulnerability’ will be addressed.\(^\text{13}\)

The major part of the funding of the recovery and development effort has to come from abroad. The buildings of the central tax administration and customs were destroyed during the earthquake, and much of the commercial and financial sector which constitutes the main tax base was severely damaged as well. Since 85 percent of the government revenue came from the Port-au-Prince area before the catastrophe this amounts to a major shortfall. Together with the immediate reconstruction needs it puts a heavy burden on external finance for some years to come. For the remainder of the 2009/10 fiscal year the amount of budget support needed has been estimated to US$ 350 million.\(^\text{14}\)

The recovery effort has been divided into three phases: an immediate one, covering eighteen months, a second one encompassing ten years, divided into three programming cycles, ‘during which the reconstruction and recovery of Haiti will become a reality, in order to put the country back on the road to development, followed by another ten years to make it a real emerging country’.\(^\text{15}\) The main concern of the action plan is the immediate reconstruction phase. It focuses on four different areas: territorial, economic, social and institutional rebuilding. To administer the reconstruction and development effort, the creation of two bodies is recommended: an Interim Haiti Reconstruction Commission (IHRC) and a multi-donor trust fund, the Haiti Reconstruction Fund (HRF) to pool the donor funds and avoid overlapping of initiatives. The temporary commission will eventually become a Haiti Development Agency (HDA). It will take responsibility for Haiti’s development planning, draw up and initiate projects and approve project proposals to make certain that they agree with the priorities of the action plan.

\(^{13}\) Government (2010a), p. 5.  
\(^{14}\) Ibid., p. 50.  
\(^{15}\) Ibid., p. 9.
In Santo Domingo the donor community committed itself to provide 3.8 billion US$ over the next 18 months to finance the priority needs, and to give the Haitian government an additional 350 million in direct budget support for 2010.\textsuperscript{16} At the conference it was agreed that the World Bank will administer the reconstruction fund through its International Development Association (IDA) and that the IHRC will be led by the present Haitian prime minister, Jean-Max Bellerive, and Bill Clinton for a period of 18 months. Thereafter the Haitian government under the leadership of the president will take over.\textsuperscript{17} The commission was approved by the Haitian parliament in mid-April and towards the end of May an advertisement was placed in \textit{The Economist} for an executive director.

To a large extent, the action plan looks like a wish list. It was to be expected. The plan had to be produced rapidly, under all kinds of pressures, in order to secure the necessary funds for the reconstruction and development effort. There was no way of avoiding putting the dough in first. But yeast is also vital, more than ever. Now that the funding has been secured, the time has come to identify the \textit{real} priorities. The action plan alone does not provide enough guidance. The rest of this chapter will be devoted to that.

\textbf{A New Nation}

Before the earthquake, Haiti was a failed, thoroughly corrupt state.\textsuperscript{18} It is completely clear that the long march back to square one and the journey from there towards a decent material existence requires not only money but also aid, monitoring and supervision from outside. The task is to build a new nation, no less, no more. This, however, does not require Haiti to give up its sovereignty. That is neither necessary nor desirable. The idea is not that the United States or the United Nations should occupy the country administratively. What is needed is some kind of double command on many levels, where the international community works side by side with and trains what is left of the domestic administration so that more and more tasks can be transferred. In the end, the Haitian administration must be able to function by itself, but it is illusory to believe that it does so today or will do so in a satisfactory way in the near future.

\textsuperscript{16} Dominican Republic Live (2010).
\textsuperscript{17} Information about the Haiti Reconstruction Fund is available on its website: http://www.haitireconstructionfund.org/hrf.
\textsuperscript{18} Lundahl (1979), (1992), (1997).
Given that a new nation must be built, a discussion of the possible future scenarios becomes inevitable. Today, Haiti is balancing on a narrow knife edge. The vital functions in society rest on external inputs. What will happen when this is no longer the case? There is no question about the fact that the catastrophe has created possibilities. In one sense, it has cleaned the table of the past. With this view, there is only one road to be traveled: the one that leads to a new future with new structures in society which lead to economic growth and a rising living standard. The task ahead is to find new formulae and new forms through organizational creativity.

This will take time, however, and the road is full of obstacles. The most pressing problem is that of arranging elections. On 7 February 2011, the presidency of René Préval comes to its constitutional end. He cannot be elected a third time.\footnote{Constitution (1987).} If presidential elections cannot be arranged in time, the president of the Supreme Court steps in as acting president, a solution that will provoke criticism from those who want to get away from and international administration of Haiti. If the elections materialize, on the other hand, social disturbances are likely to take place, since the probability that voters can be registered in a satisfactory way is very low. A new parliament must also be elected.

Elections are called for as soon as the institutions that can guarantee the credibility of the process are in place, a point which has been stressed by President Préval as well: ‘What we must absolutely avoid is that we have a temporary provisional government (beyond the date of presidential elections) that does not enjoy legitimacy.’\footnote{LatinNews (2010).} Hence, such institutions as the National Identification Office and the CEP (Conseil Électoral Provisoire, the electoral council) must be strengthened very rapidly to make voter and party candidate registration possible. (The history of the latter has been marred by such events as ambiguous vote counting and the exclusion of the party of former president Jean-Bertrand Aristide from the senate elections of 2009 on technical grounds.) As it seems, when the present is being written, the elections will take place before the end of 2010. 28 November, the date put down by the constitution, is the most probable date,\footnote{Nichols (2010), OAS (2010), Bruemmer (2010).} and Préval has stated that he intends to stay in office...
for an extra three months, until 14 May 2011, instead of stepping down on 7 February, if
elections cannot be held in November.\textsuperscript{22}

There is no guarantee whatsoever that the future development of Haitian society will be
channeled into new directions. Physical reconstruction is one thing. Reconstruction of society
is another. During the reconstruction phase very large sums of foreign assistance money will
be circulating in Haiti, a great deal more than the country has ever received before. As we
have come back to, time after time in the essays that constitute the present book, corruption
runs like a thread through the entire history of the country. Are there any indications that it
will disappear in the near future? Will the worm once more bore into the apple, or will the
apple grow and mature until the arrival of the harvest period? The answers to these questions
are not given in any way.

The two scenarios lead directly to the question of the contents of the future Haitian politics.
Up to now, a party has been more or less synonymous with its leader. The man comes first,
the supporters only thereafter: \textit{moun pou m}, my people. It has been the leaders who have
created the parties, not the parties that have elected their leaders, and unfortunately the goals
of the leaders have been far from synonymous with the good of the people. This kind of
leaders have no place in a positive development spiral. On the contrary: they will simply act
as a brake on it. Will the earthquake serve as a catalyst for a process that will create a
different brand of Haitian politicians? It is impossible to know. Possibly it can make strong,
hitherto unknown, leaders step forward, but we have no way of knowing. During the
immediate aftermath of the earthquake potential leaders have had no way of making
themselves heard, since the means of communications have been knocked out. The president
has not been able to communicate with his people,\textsuperscript{23} and no other leaders – old or new –
either. What speaks for a new order is possibly a change of generations. Younger Haitians do
not think like their elders, and they ought to have a better understanding of the need for
renovation, but – again – it is in no way self-evident which the post-earthquake course of
Haitian politics will be.

\textsuperscript{22} Katz (2010).
\textsuperscript{23} Nor has he been very eager to. The general impression is that Préval was far too passive during the first critical
days and weeks after the quake.
Reforming the State

The Haitian state never worked well, but without an honest and efficient state apparatus, long-run development will not be possible. A working democracy rests on a functioning parliament which facilitates a meaningful dialogue between the government and the opposition. The Haitian tradition deviates blatantly from this norm. Politics has revolved around confrontation and intolerance, nothing else. Political bliss is when you can govern and make decisions without interference. All the dictatorships and semi-dictatorships that Haiti has had to suffer have left a heritage which is not easy to get rid of. The political history of the country has always been the number one obstacle to change.\(^{24}\)

In order to prevent politics from degenerating once more in Haiti, institutions must be built which make it possible for the citizens to hold the politicians responsible for their acts. In other words: What is needed is a functioning democracy. Despite the fact that Haiti has held elections regularly since 1990 the democratic process has not worked.\(^{25}\) It has been interrupted on various occasions and not even the very politicians who have been elected through it have respected it. The parliament has been closed occasionally and the debate which forms part of the core of a functioning democracy has been suppressed. The old confrontation policy survived the transition from dictatorship and military rule to power changes based on elections. One of the roles of the opposition is to scrutinize the government and the parties in power and hold them accountable for their policy decisions, asking for explanations and justifications.

This has never been possible in Haiti. Democracy is difficult. In order to change things, people must know their rights and the democratic idea must be so well anchored among the regular citizens that they begin to put pressure on the representatives that they have elected, but this, in turn requires education, an education which also includes respect for human rights, knowledge about the workings of democracy and information about the contents of politics. No such education has ever been furnished in Haiti, and unfortunately, education takes time. Changing the present state will take a generation – under favorable circumstances.

\(^{24}\) Lundahl (1992), Chapter 14.
\(^{25}\) Lundahl and Silié (2005).
The Two Gaps

Meaningful popular participation in politics is also rendered difficult by the continuing existence of the two gaps that we have made reference to earlier in the book, the one between the elite and the masses and the one between the state and the citizens. The masses have no place in the world of the elite. They are second-class citizens, and those who govern have done it for their own good, not for the good of the people.

There are no consensus-building mechanisms in Haiti: the country by and large lacks reciprocity norms and networks for cooperation between different social classes. There is very little social capital, no trust across class borders which make collaboration possible. The middle class aspires at upper-class status, and the peasants are moun andeyò, people who live physically outside the urban word and who, from the point of view of the elite, exist virtually exclusively as food producers.

The Haitians have always mistrusted the state and have never expected any good to come from it. The state has been an almost physical entity in Haiti, often a person in uniform, and most contacts with it for the common Haitian have implied conscription into the army, tax collection or some other unpleasant experience. Vole de leta se pa vole, says the proverb. To steal from the state is not to steal, since the state steals from the citizens. Opinion polls clearly indicate that the confidence of the citizens in politicians in general, and above all in the government, is low. The latter has no legitimacy in the eyes of the people. If it ever represented anything but itself, it was the elite or the military. The army was abolished by President Aristide in 1995, but the elite are still present. According to then Prime Minister Michèle Pierre-Louis:

All the elites – the mulatto elites, the university elites, the union elites, the peasant elites – are like a huge elephant sitting on this country and you cannot move it, because there is no political class, because there are no political parties, and everyone becomes

26 Leyburn (1941).
corrupted and perverted. If you can’t go into that system, the system rejects you. And so far we have not found the wrench that moves this thing.\textsuperscript{31}

Up to now, there have not been any incentives for the elite to reform or reconstruct the country:

The elite is a nebulous class in Haiti; its members speak French and are educated abroad, marking them apart from the ‘mass population’. They probably belong to one of four powerful groups: traditional families, members of illegal traffic networks, former supporters of Aristide and the former military, now part of the Haitian National Police. These groups each have their own gangs; sometimes forging alliances; sometimes opposing each other. Different types of associations and alliances exist between these groups; they are similar to African patterns such as clans but can also be politically motivated. Elite circles are difficult to access … But … if they were all to unite, they could make the government fall at any moment. It is very difficult for the international community to understand the underground currents, links and activities of the elite, and how to work with them to foster development. They control commerce, strategic imports, hotels, telecommunications and banks. […] the Haitian elite could actually be classified as one of the worst elites of any fragile state.\textsuperscript{32}

To build consensus-creating mechanisms will be an important task in post-earthquake Haiti. Hitherto, the governments have employed a top-down approach. Grass-roots initiatives have been suppressed or controlled by the governing layers of society.\textsuperscript{33} If Haitian society is to be successfully reformed, this tradition must be broken. The support to Haiti must not end in the ministries in the capital. It must trickle down all the way to the local level.

\textbf{Institution Building}

The reform of the state must rest on institution building. The Haitian civil service received a severe blow from the earthquake. Many lives were lost and key buildings like the presidential palace, the parliament, and several law courts and ministries were destroyed. New people have to be recruited and the destroyed premises must be rebuilt, possibly in new places.

\textsuperscript{31} Deibert (2009).
\textsuperscript{32} Gauthier and Moita (2010), p. 7.
\textsuperscript{33} Lundahl (1983), Chapter 12, (1992), Chapters 16-17, (2010).
According to the action plan, priority will be given to those parts of the administration which are crucial for the reconstruction effort: the Presidency, the Prime Minister’s Office, The Ministry of Economy and Finance (notably the Tax Office and Customs), the Ministry of the Interior and Territorial Communities, the Ministry of Planning and External Cooperation, the Ministry of Public Works and Telecommunications, the Ministry of State Education and Professional Training, The Ministry of Public Health and Population, the Ministry of Justice and Public Security and the Ministry of Agriculture and Natural Resources.34

Much more important than the acute needs, however, is that the fundamental Haitian institutions needed a complete overhaul already before the earthquake. This necessity remains today as well, and it has, of course, been compounded by the impact of the catastrophe.

Two of the institutions that have needed thorough reform for many years are the police and the judiciary. The security of the citizens must be guaranteed. Otherwise, nothing will work. Crime has been a serious problem for quite some time. The police force that was created in 1995 has not managed to maintain order.35 The Haitian police has been weak, both numerically – 1,500 officers during most of the 2000s, before an increase to almost 9,000 in 200836– and in terms of quality. It has been difficult to weed out the lemons in the recruitment process, and the present police force is perceived as not much better than the old one, a constabulary which also had military functions. Police officers on all levels have been involved in drug trade and corruption scandals.37 The Haitians are divided. On the one hand, they are for zero tolerance against crime. On the other hand, they don’t trust the police.38

Since 2004, a UN force, MINUSTAH (Mission de Nations Unies pour la Stabilisation en Haïti), has handled the daily police operations,39 and also in the foreseeable future the presence of an international police force will be necessary, probably for as long as eight to ten years.40 In the longer run, the Haitians themselves must take charge, but then the police must be completely remodeled so the citizens can feel that it is ‘their’ police who are there to

35 ILAC (2005).
37 ILAC (2005).
40 Dobbins (2010).
protect, and not harass, them. ‘Ordinary’ people must acquire an interest in the profession. The composition of the police corps must by and large mirror that of the population at large. Sociologically, the two worlds must overlap.

The police force must be supported by a functioning judiciary. In Haiti, there is no such thing. ‘In the case of the judiciary system, reforming and capacity-building will not be sufficient. What is needed in reality is a complete overhaul of the institutions, from the foundations up’, notes Amélie Gauthier.41 The court system has not been able to handle its tasks. Between 1994 and 2004 hundreds of millions of dollars were pumped into projects which aimed at reforming the system. In spite of this, in 2004, the respect for rule of law had fallen to the lowest level since the end of military rule in 1994.42 People suspected of crime remain in overcrowded jails during weeks, months and years without being duly prosecuted,43 civil cases are completely paralyzed for years on end and the judges are both inadequately educated and corrupt. Those who are convicted often get their sentences on dubious grounds and it is very easy to influence the judges.

Initiating a civil case in a Haitian court may easily cost more than what the object of the controversy is worth and the cases tend to be drawn out way beyond the reasonable. Such practices have a negative influence on entrepreneurship and business. If you cannot be confident that contracts will be honored no productive activities will be promoted. The judiciary is in practice controlled by the Ministry of Justice, even though the constitution of Haiti requires it to be independent. More than half of the justices of the peace (the lowest court level) lack formal legal training. The government investigation of corruption that was published in 2007 (reported below) found a low degree of confidence in the judiciary among households, country directors and non-governmental organizations alike.44 Both the judiciary and the police were found to ask for bribes regularly.

The disaster that hit Haiti wreaked havoc in the police and the judiciary. No less than 80 percent of the Port-au-Prince justice sector was affected by it. Hence, the reestablishment of justice and public security across the entire national territory was made a priority in the action plan presented by the Haitian government during the international donor conference held in

41 Gauthier (2010).
42 ILAC (2005), p. 5.
43 Fuller et al. (2002).
New York on 31 March 2010. Around 500 police officers are dead, injures or missing. During the initial reconstruction phase, the aim is to replace them. Thereafter, the target is one officer per 800 inhabitants as of 2012, one per 600 at the end of 2015 (an increase from 9,500 today to 16,000). A National School of Judges and a Police Academy will be put in place. Prisons in Port-au-Prince and Jacmel will be reconstructed and developed to reduce the density of prisoners.45

**Fighting Corruption**

President René Préval has made it clear that the reconstruction and development effort must be Haitian:

This is the opportunity for us to tell the entire world that the reconstruction of our country must be above all a national effort, an appropriate reflection of the solidarity shown right after the earthquake by all the Haitian people. It is also the opportunity for the Government to express on behalf of the nation, in a strong and united voice, its gratitude to the international community for its assistance in support of Haiti’s strategic vision and choices for the reconstruction of our country.46

The action plan exhorts the international community ‘to reiterate its long-term commitment to support the country in its re-establishment and to do this with respect for Haitian leadership’.47

Before the New York conference the Secretary General of the United Nations, Ban Ki-moon, also underscored the importance of breaking with the past:

As we move from emergency aid to longer-term reconstruction, let us recognize that we cannot accept business as usual. What we envision is nothing less than a wholesale national renewal.

In partnership with the international community, Haiti’s leaders are committing to a new social contract with their people. That means fully democratic government,
grounded in sound economic and social policies that address extreme poverty and deep-rooted disparities of wealth. It also means fair and free elections, conducted with U.N. help, preferably by the end of this year. […]

During the coming days, the world’s leaders will rise to stand by Haiti – a solidarity to be measured in years, long after the initial shock of the disaster has passed: I am confident that, together, we can set Haiti on the road to a very different future.48

The dice are cast. The long promises have been made. Delivery – the most problematic step – remains. One of the most difficult parts will be to overcome the corrupt practices of the past. On 11 March 2010, the United States Department of State published its 2009 human rights report on Haiti:

The law provides criminal penalties for official corruption; however, the government did not implement the law effectively, and officials often engaged in corrupt practices with impunity. According to the World Bank’s worldwide governance indicators, government corruption was a severe problem. Corruption remained widespread in all branches and at all levels of government.49

Préval did not like the conclusions at all. In an interview for Reuters, he labeled the criticism ‘arrogant’, argued that there was ‘nothing to reject or accept. It is an arbitrary judgment to which we won’t respond …’ and contended that the Haitian presidency should have the final say with respect to the donor-financed reconstruction projects. The interim governing board ‘will analyze the projects proposed by the Haitian government and there will be an executive council for the execution of the projects once they have been approved by the governing board, and finally by the president, who has right of veto.’50

Unfortunately, history does not speak for Préval. Table 1 shows Haiti’s position on the Corruption Perceptions Index published by Transparency International for the years 2002-09. The index runs from 0 to 10, with 0 at the bottom.

---

48 Ban (2010).
49 US Department of State (2010).
50 Delva (2010a).
Table 1: Haiti’s Position in the Transparency International Corruption Perceptions Index

<table>
<thead>
<tr>
<th>Year</th>
<th>Position from the bottom</th>
<th>Index</th>
<th>Number of countries included</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>11</td>
<td>2.2</td>
<td>102</td>
</tr>
<tr>
<td>2003</td>
<td>2</td>
<td>1.5</td>
<td>133</td>
</tr>
<tr>
<td>2004</td>
<td>Last</td>
<td>1.5</td>
<td>146</td>
</tr>
<tr>
<td>2005</td>
<td>4</td>
<td>1.8</td>
<td>159</td>
</tr>
<tr>
<td>2006</td>
<td>Last</td>
<td>1.8</td>
<td>163</td>
</tr>
<tr>
<td>2007</td>
<td>3</td>
<td>1.6</td>
<td>180</td>
</tr>
<tr>
<td>2008</td>
<td>3</td>
<td>1.4</td>
<td>180</td>
</tr>
<tr>
<td>2009</td>
<td>7</td>
<td>1.8</td>
<td>180</td>
</tr>
</tbody>
</table>


What is more, In January 2007, the final report from an investigation of corruption ordered by the Haitian government and carried out in 2005-06 was presented.\(^{51}\) The results confirmed the Transparency International findings. The study was ordered by the Unité de Lutte Contre la Corruption (ULCC), created by the government in 2004, and was carried out by the Bureau de Recherche en Informatique et en Développement Économique et Social, an independent Haitian firm. It is based on interviews with households, company directors, public servants and non-governmental organizations. The interviews were made in the capital, in Cap-Haïtien, in Ouanaminthe and in the rural community of Malpasse, on the Dominican border, opposite Jimani.

More than 97 percent, or virtually all the interviewed households (1,071 altogether), indicated that corruption in general was ‘a problem’ or ‘a serious problem’ in Haiti. 93.5 percent thought it was ‘serious’. Over 91 percent of all the interviewed households, almost 88 percent of the public sector employees and more than 70 percent of the firms considered corruption in the public sector to be a ‘very serious’ problem and 68 percent of the households maintained

that things had become worse during the last three years. 77 percent of them stated that bribes were frequent. Even the majority of the public sector employees considered corruption to be ‘widespread’ or ‘very widespread’ in the government sector.

The customs and tax authorities and the justice sector were considered to be the most corrupt entities by households, firms and NGOs alike, and the latter two, as well as the public servants, also ranked the political parties low.\(^52\) Around 49 percent of the NGOs considered the parliament to corrupt, and so did almost 58 percent of the company directors. The worst quality in terms of public service was found in the justice, drinking water and electricity sectors. The perception of the quality of public service by the households contrasted brightly with that of the public employees. Thus, 75 percent of the households considered the services rendered by the justice sector to be ‘bad’ or ‘very bad’, whereas 61.5 percent of the employees in the sector held it to be of high quality. Although the public employees recognized that corruption was a problem in the public sector in general, they were not prepared to admit that their own departments or agencies were affected. Close to 73 percent of the households did not believe that the government made an honest effort to combat corruption and 70 percent stated that it encouraged it instead. 7 percent of the households and 8 percent of the company directors declared that they were willing to spend money if it could contribute to the complete eradication of corruption. One of the main reasons for not denouncing corruption, however, was that the respondents perceived that no proper system that allowed them to do so existed. The households felt that denounces would not be followed up and they feared reprisals.

In a survey carried out by Oxfam in March 2010 in the areas affected by the earthquake only 6.6 percent of all respondents thought that the leadership role in the reconstruction process should be played by the Haitian government alone, over 39 percent thought it should be played by a foreign government, and almost 25 percent favored the Haitian government in collaboration with local authorities and the civil society. Those who favored foreign leadership stressed foreign financial resources and expertise in disaster management but also the Hatian governments’ lack of responsibility, poor governance and corrupt practices.\(^53\)

\(^{52}\) The households were not asked to evaluate the political parties.
\(^{53}\) Yves Pierre (2010), pp. 21-22.
The burden of proof that the Haitian administration is not corrupt is thus on the Haitian, not American, government. It will of course be impossible to avoid the issue. The action plan puts down the requirements: ‘The management framework of the different mechanisms [of the funding of the reconstruction and development effort] must comprise all the guarantees necessary for the proper and transparent management of the funds involved.’ The manager of the trust fund, Joe Leitmann, has stressed that the fund will apply the highest standards of financial management and procurement. ‘… transparency and accountability will be very much a part of what we do.’ The World Bank has also announced that an anti-corruption unit will be created within the interim commission.

The main problem with corruption in Haiti is that it has always stemmed from the top of society, from the Haitian presidents. Given this, all the other layers in the pyramid will be corrupt as well – by necessity. The signals sent from above encourage destructive income-maximizing plunder at all lower levels. This kind of state is not easily reformed, If Robert Klitgaard is to be believed, however, it is not impossible. Most important is to focus on corrupt systems instead on corrupt individuals. A number of ‘big fish’ must be ‘fried’ so that the citizens see that the anti-corruption struggle is honest, and it is important to show quick results, but after that, emphasis should be on prevention and reform of the systems which breed corruption. Generally speaking, corruption is worst when someone has a monopoly of goods or services, decisions are discretionary and no accountability exists. The remedies are competition, clear rules that are made public and transparent measurement and evaluation of operations carried out by independent entities. The issue is one of creating incentive systems which are conducive to productive, instead of destructive, behavior.

How can the struggle against corruption be anchored in the supreme command of the Haitian state? It is of course impossible to mechanically assume that a willingness exists at the top to do something about corruption. Klitgaard does not offer any panacea of how to create this willingness, but in all probability international advice and monitoring backed by legal sanctions must play a core role. Also on the highest level clear rules and public exposure are important instruments when it comes to setting new, superior, standards. The hands of the

55 Delva (2010b).
56 BBC (2010b).
58 Baumol (1990).
59 Klitgaard (2010).
president and the government must be tied, so that the exercise of power does not fall back into the old swamp of graft and corruption.

Economic Development

It goes without saying that unless the wheels of the Haitian economy can made to turn at a considerably faster pace than in the past, it will not be possible to raise livings standards. But how is this to be achieved?60

As the action plan rightly points out, in the short run, ‘the absolute priority … is to respond to the needs of the disaster-stricken population’. This, in the first place, includes the building of new homes, but since the living standard of those affected also received a hard blow ‘it is necessary to engage in massive job creation programmes as soon as possible’, all over the country.61 Otherwise, the massive aid inflow may place a large part of the Haitian population in a state of dependence. As was made clear by the Oxfam survey, jobs are the main priority of the Haitians themselves,62 and short-run opportunities are not lacking:

The existing situation offers many opportunities for high-intensity labour. This relates to activities in rural areas, with the restoration of production infrastructures (irrigation systems, farm tracks) and the development of watersheds (reforestation, setting up pastureland, correcting ravines in peri-urban areas, fruit trees). The road maintenance programmes also address this objective, using the same method as has been used for a number of years by the road maintenance fund, with an accelerated schedule. Minor community-based infrastructures (tracks, paths, footbridges, shops and community centres, small reservoirs and feed pipes, etc.) and urban infrastructures (roadway paving, squares, drainage network cleaning) follow a similar logic, as do projects relating to the cleaning and recycling of materials engendered by the collapse of buildings in the areas most affected by the earthquake.63

60 I will not discuss infrastructure and social sectors in the following, other than in connection with other issues. It goes without saying that schools, hospitals, drinking water systems, etc. must be reconstructed, their quality improved and their coverage extended. How to get the economy going and jobs created is a much more difficult issue.
The job creation process should give priority to families assisting disabled people and women who have suffered severely from the catastrophe. Wages are to be decent, but not high enough to lure people already employed away from their regular jobs. The projects should be economically viable sound investments and not just aim for job creation.

What will happen to the Haitian economy in the longer run is a completely open question. The targets of the action plan are an average 3.5 percent growth rate of GDP per capita between now and 2015, based on a rapid recovery of GDP in 2010/11 of no less than 10.4 percent, falling gradually to 6.2 percent in 2015. This, according to the plan, should make it possible to reduce the extent of poverty (living on less than 1 dollar per day) from 54 to 40 percent the latter year. How realistic it is remains to be seen.

The action plan emphasizes the leading role of private investment already in the first phase: ‘... private investment in the economy as well as in the social sector will form the backbone of the country’s reconstruction.’ The stimulus package during the projected growth phase is, however, not spelled out in any detail. The plan simply speaks of ‘a dynamic process of giving new value to the production sectors’ based on a very broad package of measures:

- a) structural reforms to promote competitiveness and develop comparative advantages in certain sectors, guarantee ownership rights, reduce transaction costs, and provide an effective incentive system and rational, balanced use of the territory; b) public investments in infrastructures and basic services; c) a pro-active macro-economic policy; d) the development of partnerships with the private sector based on a pragmatic approach focusing on identifying opportunities and reviving investments; e) structuring of trade associations and formalization of the informal sector; f) promoting and supervising small- and medium-sized businesses in the various sectors; g) access to loans for the various sectors of activities; h) development of regional growth hubs and exploiting local resources across the whole of the country; i) sped-up production of human capital; and j) harmonization and review of the legal and regulatory framework for businesses.

---

64 Ibid., p. 46.
65 Ibid., p. 9.
66 Ibid., p. 46.
67 Ibid, pp. 46-47.
A more or less balanced growth strategy is sketched: ‘In this second phase, growth will be stimulated by construction, agriculture and agro-processing, tourism, manufacturing, and crafts.’ Not least, half a million houses will have to be rebuilt, mainly by foreign constructors ‘and a small minority of Haitian firms.’

Whether the growth figures of the action plan will materialize or not is difficult to judge. Success may not be within easy reach. The damage estimate made by the Inter-American Development Bank pointed out that a full decade after such a major disaster as the one that just took place in Haiti the growth rate of GDP may be 30 percent lower than what it would otherwise have been, even in the presence of major aid inflows.

Maybe one should not look too closely at the action plan scenario. Figures may not mean too much right now. It may be better to focus on some ‘qualitative’ facts when it comes to sketching the future course. Then, the most fundamental of all economic facts is that most Haitians are peasants, and as we have come back to several times, their income is being systematically depressed over time as a result of the interplay between population growth and soil erosion. After the earthquake, the situation has become even more severe as before, since hundreds of thousands of people have moved out of the damaged areas into the countryside.

Haiti is simply too mountainous. Less than 30 percent of the territory has a slope of less than 10 percent. The kind of agriculture which is practiced in Haiti today amounts to mining the soil. If nothing is done to change this the arable area will continue to shrink. People must leave the countryside. There is no way around it. And those who remain must be brought down from the mountainsides. Unfortunately the action plan is completely silent on this point, but the question cannot be avoided or postponed. Any argument to the contrary is simply naïve. The reduction of the rural population cannot be achieved with force, only by the provision of employment alternatives which stand out as superior both to agriculture and to moving to the already severely overcrowded capital.

---

68 Ibid., p. 47.
Emigration

The first best solution of the employment and income problem entails moving more Haitians out of the country. Immediately after the catastrophe, the president of Senegal, Abdoulaye Wade, offered the Haitians land in his country, ‘even an entire region’, if necessary.\(^71\) He will not have to deliver. Paradise is much closer. The Haitian dream is to emigrate to the United States (and Canada), and emigration during the past thirty years has been the most important social insurance mechanism.\(^72\) James Dobbins from the RAND Corporation has consequently suggested that the United States should increase its immigration quota for Haitians temporarily.\(^73\) His argument is an interesting one. The Haitians who live in the United States work hard, are law-abiding and have strong ties with their families back home. Each dollar they remit in principle saves one dollar of tax-financed American aid to Haiti – an effect which is easily overlooked in the discussion of how much immigration to allow.

A similar suggestion was put forward by Nancy Birdsall from the Center for Global Development (CGD) in a testimony for the House Financial Services Subcommittee on International Monetary Policy and Trade: a Golden Door Visa for a limited number of Haitians. No great numbers are involved, and the income leverage for those admitted would be strong:

> It doesn't need to mean more immigrants, though it might; it could be made ‘numbers-neutral’ so that the number of all immigrants stayed the same but became slightly weighted toward places where people need more opportunity. It could be given in more limited numbers when the U.S. economy is weak, greater numbers when it’s strong. Even small numbers would be tremendously helpful: 10,000 per year would represent a 50% increase in the number of legal Haitian immigrants, but only 1% of total U.S. immigrants. Creating some degree of flexibility in this way would help reduce the embarrassment of forcing poor people who will be trying to leave Haiti back into the disaster zone. It may also be the most successful way to help Haitians lift themselves out of poverty. According to calculations by [Michael] Clemens and CGD visiting fellow Lant Pritchett, 82 percent of Haitians who live on more than $10 per day live in the U.S. Only the top 1.4 percent of people in Haiti had that living standard even before

\(^{71}\) BBC (2010a).
\(^{72}\) Lundahl (1992), pp. 396-97.
\(^{73}\) Dobbins (2010).
the quake. So for most of the Haitians who left, leaving Haiti was the *cause* of leaving poverty.\(^{74}\)

Unfortunately, the likelihood that the calls for increased immigration quotas will be heeded is low. This puts the burden of employment and income creation on the Haitian economy. A sector which will absorb a lot of people in the immediate future is construction, both of buildings and infrastructure: dwellings, offices, factories, public buildings as well as roads and streets. The scope for expansion is, however, limited. Employment in construction will reach a peak and then decrease again unless the Haitian economy enters a phase of long-run, sustained growth.

**Industrialization**

In the longer run, the Haitian economy must be industrialized. As of 2008, manufacturing accounted for less than 8 percent of GDP.\(^{75}\) Fortunately, the prospects are good. The most successful sector in the Haitian economy during the past fifty-year period has been the export industry, which just before the earthquake was synonymous with the textiles and garment industry. In recent years, this has accounted for between 75 and 80 percent of total exports.\(^{76}\) When it was at its peak, in 1990, it employed 46,000 people,\(^{77}\) mainly women, almost exclusively in the capital.\(^{78}\) However, since 2003 there are apparel factories also in Ouanaminthe, in the northeast, on the Dominican border. Clothes are produced in an export processing zone by Grupo M, the largest employer in the neighboring country. These clothes are sent across the border, to Dajabón, a mere kilometer away, and from there to the export port of Puerto Plata.\(^{79}\)

The factories located in Port-au-Prince suffered considerable damage on 12 January, although not to the extent that one could fear:

> Haitian industry estimates as of February 2010 indicate that earthquake damage to firms was uneven and not as severe as it might have been. Of the 28 factories operating in

---

\(^{74}\) Birdsall (2010), pp. 4-5.

\(^{75}\) Hornbeck (2010), p. 8.

\(^{76}\) Ibid.


\(^{78}\) Other estimates contend that the high point was in the neighborhood of 100,000, in the 1980s (Hornbeck, 2010, p. 11).

2010, the earthquake completely destroyed one, killing at least 500 people, and seriously damaged four or five others. A number of factory buildings were damaged to the extent that operations will have to be moved. In general, the industry is working hard to bring production back on line, and among those factories that were not severely damaged, industry representatives suggest that production could return to full capacity by sometime in March 2010. As of the first week of February 2010, 75%-80% of [the] work force had returned. According to the ILO, as of February 25, 2010, 100% of the factories had returned to production, but not necessarily at full capacity. Many were still in need of cleaning, repair, renovation, and equipment.\textsuperscript{80}

An estimated 25 million dollars are needed to reconstruct damaged buildings, replace destroyed machinery and train new employees, and perhaps twice as much is required if factories with higher standards than before are to be built.\textsuperscript{81} In the overall catastrophe context these are modest figures, especially when you take into account that the apparel industry has the potential for creating hundreds of thousands of jobs in Haiti. It is essential to act quickly, not least with the provision of adequate finance, since if the buyers cannot rely on the Haitian producers to meet seasonal demand, they may be forced to turn elsewhere to ensure the necessary supply. As one observer puts it: ‘The apparel world moves quickly …’\textsuperscript{82} Fashions change rapidly, so fast adjustment and delivery is necessary.

It is necessary to remain competitive. In 2009, the minimum wage in the sector was increased significantly, from the equivalent of about 1.80 US dollars per day to 3.25, i.e. with more than 80 percent. This was a smaller increase than in other sectors (to 5 dollars), but the law requires parity in a few years, i.e. a total increase of almost 180 percent.\textsuperscript{83} Fully trained apparel workers already earn more than the new (2009) minimum, but possibly further increases may translate into a cost increase.\textsuperscript{84} Paul Collier has pointed out that multi-shift operations are necessary to allow maximum use to be made of installed factory capacity. This would also increase the employment generated by a given plant, but the Haitian legislation in principle does not permit night-shift work, although recently, it has been adjusted to permit certain exceptions. Night shifts also require increased security, since workers have to travel to

\textsuperscript{80} Hornbeck (2010), pp. 14-15.
\textsuperscript{81} Ibid., p. 15.
\textsuperscript{82} Ibid., p. 14.
\textsuperscript{83} Ibid., p. 6.
\textsuperscript{84} Ibid., p. 14. From the social point of view the increase was necessary, since in 2008 the real minimum wage had fallen almost to half that of 2000 (ibid., pp. 6, 24).
their work places during the dark hours, and this has turned out to be difficult both in Ouanaminthe and in the capital.  

Another problematic issue is the tendency for US buyers to require ‘full package’ production, i.e. ‘design, sourcing materials, organizing logistics, manufacturing the entire finished product, packaging, and delivering the final good to the retailer’. As of now, skill requirements are low in the apparel sector, mainly sewing and some cutting. It is completely concentrated on mass-produced garments, but moving into higher value-added and higher wage production towards the full package end entails developing skills in such areas as printing, finishing and washing. A long-term contract has been signed with the United States Agency for International Development (USAID) to develop these skills.

**Industrial Infrastructure**

Industrial production requires infrastructure. In Haiti, the latter has been dismal for a long time, both in the capital and elsewhere. Roads, ports, airports, hospitals, electricity, water and telecommunications left a lot to be desired already before the earthquake. This contributed to making the consequences of the quake so severe and also served as an impediment to production, especially of industrial goods. The infrastructure must be made to work as quickly and as efficiently as possible. The delivery of public goods and services has been miserable because the agencies handling them have been mismanaged. In no other field, incompetence and corruption has left so deep traces as here. The contrast between Port-au-Prince, with the worst port in the Caribbean and high electricity tariffs, and Ouanaminthe on the Dominican border, with access to an efficiently managed port and Dominican infrastructure is a memento for the future location of industry. The Ouanaminthe industrial park gets it electricity from the Dominican side and employs the vastly superior Dominican road network. This infrastructural advantage can be replicated elsewhere in the border areas.

Besides, the infrastructural requirements are not excessive:

Production of garments is not very demanding of government: for example, Bangladesh, which has a government rated as among the most corrupt and inefficient in the world, is

---

87 Ibid.
able to support a garments industry for export with around 2.5 million jobs. There is thus a very high pay-off to ensuring that each of the few key requirements is met to a satisfactory standard. For each requirement it is essential to work back from a benchmark of global competitiveness and determine what standard must be met, rather than working forward from any existing plans for the activity. The main cost of garments is labour and the second is power. Since output must be exported and inputs imported the functioning of ports and customs are also critical.

There are two powerful reasons for meeting the needs of the garments industry through the creation of a few export zones around the country. One, as discussed above, is that clustering of firms reduces industry costs: zones facilitate this process of clustering and it is the standard approach in East Asia. The other reason is that it is much easier and quicker to provide the infrastructure and services that the industry needs by creating a few islands of excellence rather than by trying to improve standards across the entire country.88

**HOPE II**

Since 2008, Haiti has a cost advantage in the American market for both knit and woven products through the HOPE II (Hemispheric Opportunity through Partnership Encouragement Act) legislation. This is important, since in 2007, the United States was the recipient of almost three-fourths of Haiti’s total exports, and the apparel sector accounted for over 90 percent of the Haitian exports to the US.89 Most important in HOPE II is that its provisions offer duty-free treatment to apparel articles ‘if wholly assembled or knit-to-shape in Haiti from materials (yarns, fabric, and components) sourced from any country provided that a minimum proportion [55 percent, to be increased to 60 percent in 2011] of the material is produced by a country that is party to a U.S. unilateral preferential trade arrangement of a free trade arrangement’90 for a ten-year period ending 30 September 2018. Whereas HOPE I, from 2006, required the product to be shipped from Haiti, HOPE II also allows for shipment from Dominican ports. An overall cap on imports from Haiti under HOPE II was established, at 1.25 percent of total US apparel imports, as well as specific caps for knit and woven goods for which no rules of source of inputs apply.

---

90 Ibid., pp. 15, 21, cf. USAID Haiti (n d). Fabric for the apparel sector comes mainly from the United States, the Dominican republic and Asia, in approximately equal proportions (Hornbeck (2010), p. 13).
In order to qualify for preferential treatment, Haiti has to establish or make ‘continual progress’ towards a number of worker rights: ‘(1) the right of association; (2) the right to organize and bargain collectively; (3) a prohibition on the use of any form of forced or compulsory labor; and (4) a minimum age for the employment of children and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health’, as ‘determined and certified’ by ‘the President of the United States’. 91 In addition HOPE II required the creation of an independent Labor Ombudsman’s Office and the acceptance of the TAICNAR (Technical Assistance Improvement and Compliance Needs Assessment and Remediation) monitoring program which focuses on improvement of core labor standards and worker-management relationships.

HOPE II is fine as far as it goes, and Haiti is nowhere close to its limits as of now. In the future, however, further liberalization by the United States may be needed to expand exports and attract foreign direct investment in the apparel sector:

First, the 55% value-added rule could be lowered. Reducing the 55% threshold would presumably allow more firms to take advantage of the preference. Second there is a capped (70 million square meter equivalents – SMEs) provision for both knit and woven articles that allows duty-free treatment for apparel made from third-country inputs with no value-added requirement. The rule is attractive for many apparel producers of varying size and capabilities in Haiti and the caps could be increased, exclusions reduced, or either eliminated. 92

Also, the time period of the preferences can be extended.

**A Virtuous Spiral?**

Thus, in the end, given the good prospects for resurrecting the Port-au-Prince factories and to the extent that it is possible to build new plants closer to the Dominican border, the future looks relatively bright on the industrial employment front, thanks to the American quotas. The Dominican president Leonel Fernández suggested more than ten years ago that a free zone

---

92 Ibid., p. 23.
ought to be established along the entire Haitian-Dominican border and cooperation between
the two countries in this respect is a both palatable and realistic possibility.

If the textile industry can get going again, by virtue of the inherent characteristics of the
industry, there are good reasons to expect a virtuous spiral to materialize:

Like many other industries, global production is now organized into clusters of firms. By locating together firms reduce each others’ costs. For example, they build a pool of experienced labour, and create a market sufficiently large to support specialist suppliers of necessary service inputs such as skilled maintenance of equipment. As a result, as the cluster grows the costs of production for its firms decline. This property of costs declining with expansion of the industry is unique to manufacturing; in other sectors firms typically hit some bottleneck input that becomes scarce and so beyond some point costs rise. The spectacular consequence of declining costs is that once expansion gets started it is explosive: the industry enters a virtuous circle of increasing competitiveness. In effect, there is an entry threshold of costs which must be surmounted. Until costs can be brought down to global levels firms cannot compete and so clusters cannot grow. Once over this threshold the industry can expand until it runs out of labour. This has been the experience of the garments industry globally: either countries are uncompetitive and have virtually no production, or they break into the global market and expand extraordinarily rapidly, transforming job opportunities in the societies in which they are located … The implication for Haiti is that if it can get over the threshold of international competitiveness the employment situation can be transformed.93

For unknown reasons, the action plan is virtually silent when it comes to the industrial sector. It states that foreign and domestic private investments ‘are key to ensure the relaunching of the Haitian economy’, and it speaks of a revision of the legal and financial framework so as to encourage investment in the private sector as a whole. Finally, the plan promises that an adequate incentive policy will ‘be elaborated to favour the establishment of manufacturing industries, free zones, industrial areas and areas for the development of tourism’.94

So far, so good, but there the analysis ends. No discussion is included of the relative importance of industry, construction and agriculture for the creation of an envisaged 500,000 jobs in the private sector, and no indications are offered of how the promotion of industry is to be made, with the exception of extension of credit, mainly to small enterprises in general (not just industry), since 75 percent of the private sector losses (altogether an estimated 2 billion US$) derive from medium and small-scale businesses.95

The light, export-oriented industry has been the most successful sector in the Haitian economy during the past fifty years, and it is also the sector with most employment potential in the longer run. Hence it deserves priority over agriculture and tourism, and some kind of future course must be laid down. For example, it is very important to know what a decentralized network of export processing zones will look like. Where will the zones be located and how will they connect with the Dominican Republic and with export ports within Haiti itself?

**Industrial Problems, Imagined and Real**

The export zone approach to employment creation has met with criticism in some quarters. Most common is the accusation that the factories are nothing but sweatshops which exploit poor Haitians. Admittedly, the apparel industry is a low-wage industry. Its comparative advantage is based on cheap labor, and apart from moving towards a full package delivery with a higher value-added content there is not very much that you can do about that in the short run, especially not when alternatives are lacking. In order to advance to the dynamic, technologically advanced, high-wage sectors of the manufacturing industry a completely different educational level than the one prevailing today is needed. No more than 54 percent of those aged fifteen or more can read and write,96 not even half of those who make it into secondary education finish it,97 and of the latter no more than 10-15 percent go on to the university level. Vocational education is not well developed.98 All of this must be changed if the average wage level is to increase in industry.

In a recent journal article, Yasmine Shamsie has also questioned the effects of the export processing zones and the light manufacturing industry, for slightly different reasons. The

---

95 Ibid.
97 IMF (2009), Annex 3.
argument is a strange one. The first part of her criticism contends that this industry is part of a neoliberal globalization effort, ‘the market-driven and private sector-led development process that donors favor’.99 Haiti is extremely dependent on foreign aid (and will of course be even more so during the foreseeable future) and this, in turn, means that ‘its economic development plans are also shaped by trends in development assistance’,100 ‘a paradigm that privileges markets and private investment and favors public-private partnerships over state investment’.101 That may be the case, but who would put any money into ‘state investment’ of the kind that Shamsie has in mind in a country with the dismal political record of Haiti? The money that goes into the light manufacturing industry is private money, and that money cannot be converted into ‘state investment’. It does not come from any donor funds.

The second part of the criticism states that the light manufacturing industry does not contribute to the alleviation of rural poverty. On the contrary, states Shamsie, it widens the gap between town and country and does nothing to advance country-wide poverty reduction. The assembly industries have ‘exacerbated … the long-time pattern of unequal development between urban and rural worlds’.102 That may be the case, but the way they do it is by offering an income which is higher than in the countryside. Otherwise people would not move into the capital. By the same token they, in fact, do something about rural poverty – by moving people from lower to higher incomes. As Shamsie herself states, the rural exodus was ‘fuelled by the promise of better wages in the assembly industry’.103 If the extent of income inequality increases in the process does not matter.

The Shamsie ‘analysis’ is not at all helpful when it comes to understanding how the assembly industry sector operates. It implicitly assumes that the money that goes into the latter can be used to develop the countryside or put into public investment instead, but that is of course not the case. The only other option is no investment at all, at least not in Haiti, and Shamsie fails to sketch any alternative, superior and realistic, strategy.

A much bigger problem for the industrial sector, related to the huge inflow of aid to Haiti that will take place in the near future, is that of Dutch Disease. During the first eighteen months

100 Ibid., p. 652.
101 Ibid., pp. 655-56.
102 Ibid., p. 658.
103 Ibid., p. 657.
after the earthquake, over 5 billion US dollars will flow into Haiti. Any major inflow of foreign currency, be it from natural resource based exports or from foreign financial assistance, may have two detrimental effects.\textsuperscript{104} The first arises through the appreciation of the domestic currency when dollars are exchanged for Haitian gourdes. This serves to increase the domestic cost level in terms of dollars and hence acts as a brake on exports. The second effect operates through the increased demand that will result from the inflow of funds. With the prices of tradable goods (exports and imports) fixed by the operations of the world market, the demand increase will lead to an increase in the relative price of non-traded goods and this will in turn serve to pull resources away from the traded goods sectors, i.e. away from the export sector. Thus, exports will be held back in two ways.

The above is a not altogether trivial problem in the Haitian context, since the crucial sector in the reconstruction effort is construction, a domestic sector which produces non-traded goods, while the export sector consists mainly of the textile industry and of whatever agricultural produce that may be sold abroad in the immediate future. Even when you have preferential access to the American market it may be more attractive to invest in the construction sector in the foreseeable future.

\textbf{The Difficult Sector: Agriculture}

In an article for \textit{Le Monde} in February 2010, the well-known French agricultural economist Alain de Janvry pointed to the crucial role of agriculture in countries like Haiti in times of acute crisis.\textsuperscript{105} People hit by an earthquake in a developed country would end up in the meshes of the social security net, but in poor countries like Haiti, where no such net exists, it is the agricultural sector which has to serve as a social security device. De Janvry therefore recommended subsidization of the sector in order to ease the burden imposed by the mass exodus from the capital and the other affected cities and lower the cost of food production. This is fine – but only as a short-run measure before the temporary addition of people can be removed. In the long run, subsidization is likely to have mainly negative effects, since it will lead to increased agricultural production, and hence also to increased soil erosion.

\textsuperscript{104} Corden and Neary (1982).

\textsuperscript{105} De Janvry (2010).
In March, President Préval stressed that he wanted most of the reconstruction aid going into Haiti channeled into the agricultural sector.\footnote{Ives (2010).} This is in a way understandable, since Préval is an agronomist by training, but unless the aid takes a very specific form, it makes no sense. The long-run solution must consist of a combination of alternative employment – outside agriculture – to ease the pressure on the land, and introduction of new crops and methods that make it possible to replant the mountainsides with trees capable of binding the soil.

The action plan has a section on agriculture. It leaves a lot to be desired. The plan states that the rural economy ‘is largely a subsistence economy, mainly because trading opportunities are limited by the difficulty and costs of travel by road and by the lack of opportunities for storage and processing’.\footnote{Government (2010a), p. 22.} This is a very strange statement, for two reasons. In the first place, the Haitian peasant households in fact buy most of their food. A survey taken in 1996 demonstrated that on average only 28 percent of the food consumed derived from on-farm production.\footnote{Wiens and Sobrado (1997), p. 5.} Secondly, rural, sub-urban and urban markets for agricultural goods constitute one of the themes that have attracted lots of attention from economists and anthropologists for many decades. With a relative factor endowment where labor is the relatively cheap factor, the marketing chain for food crops appears as an effective one characterized by competition on all levels.\footnote{See Lundahl (1979), Chapter 4, for details.}

A major deficiency of the action plan is that it does not stress the fundamental relationship between agriculture and erosion. It only refers to the soil destruction terms in vague terms, to some ‘agricultural practices and farming choices motivated by the dynamics of market prices’\footnote{Government (2010a), p. 22.} which reduce the forest-clad area and increase erosion. The plan also claims that the marketing structures for agricultural products contribute to the erosion problem, without mentioning which these structures may be and how they impact on the soil.

The plan suggests five different programs, based on very little analysis. The three dealing with agricultural credit, irrigation and improvement of slaughter and preservation of meat make sense, but all need to be filled with concrete content. Road construction will of course also make it easier to transport produce and reach the peasants. Whether it will reduce the

\footnotesize{\bibliography{references}}
number of coffee *spekilatè* (middlemen), as suggested by the plan, is, however, a completely different matter. It could as easily have the opposite outcome – and increase the competition in coffee marketing! Facilitating the access to productivity-increasing inputs is also desirable, but it is very doubtful whether plows and (especially) tractors should be included in the package. The plow is few places to be seen in Haiti. It cannot be used on steep hillsides. Few peasants have ever used a tractor. Presumably draft animals will make more sense, but it also has to be kept in mind that unless the farm is of a certain minimum threshold size the use of a plow and a draft animal will not be profitable.\(^{111}\)

The programs fail to address the fundamental agricultural problem: the damage caused by the increasing population pressure on the land. It does not contain any program for reforestation or planting of tree crops and it does not discuss how people can be made to leave an already overcrowded sector. If these problems are not properly identified and integrated into the reconstruction effort, the economic part of it will never be successful.

The industrialization of Haiti must proceed hand in hand with the restructuring of agriculture. The mountainsides have to be replanted with trees – trees that have such a high economic value that they will not be cut down again. Mangoes are already Haiti’s most important agricultural product, and the American market can absorb five or six times as much as today. They form part of the *grapyaj*, the traditional diversified mode of peasant agriculture, and the harvest season for Haiti as a whole is no less than ten months. However, the transportation network, not least feeder roads, must be developed if mangoes are to turn into a staple export for the majority of the peasants. Credits will also be required, since it takes from five to seven years before a mango tree bears fruit.\(^{112}\) Possibly, the production of ecological coffee for the American gourmet market can also be developed, although it has been plagued by serious problems in the past, notably deficient administration of projects.\(^{113}\)

Most fundamental is that the entire agricultural sector has to be restructured. Just putting money into the existing farms makes no sense. The present mode of operation has no future. It is low-productive, destroys the soil and cannot meet the needs of the population. About 80

\(^{111}\) Lundahl (1979), pp. 590-94.

\(^{112}\) Lundahl (2004), pp. 9-11.

\(^{113}\) Lundahl (2006), pp. 63-64.
percent of Haiti’s export incomes are spent on food imports. An agrarian reform is long overdue. The farms are far too small, less than a hectare on average, and they can hardly provide for an average peasant family. Plots are scattered at considerable distances from each other and frequently each plot contains a dozen or more different crops at the same time. Property rights are also a big problem. Few peasants have any formal titles to the land they are tilling and land disputes are frequent. To reform the agrarian structure, however, is a veritable mission impossible in Haiti. It will never meet with success unless alternative, superior, employment can be created which makes it possible to channel people out of agriculture and merge the tiny holdings of today into larger, contiguous, units.

Tourism: No Short-Run Venture

A sector which from time to time is being held out as a possible solution to the employment problem is tourism. The somewhat amorphous service sector is the biggest contributor to GDP (51 percent), with the restaurant and hotel subsector accounting for 27 percent (of GDP). Tourism as such does not play any large role in this. It has not been very successful after the mid-1950s. Possibly, the earthquake can change that, but it is far from certain. So far, the main problem has been that the hotels have been located in the capital, while beaches and other attractions are found elsewhere. With Haiti’s dismal road network, together with the turbulent political climate and the high crime rate, this has acted as a brake on the tourist flow.

The future is not necessarily bright either. It will not be easy for Haiti to compete with the well-developed structure on the other side of the border, in the Dominican Republic, and in the background, Cuba is waiting for a change of political regime that will make it possible once more to play the role it did before 1959 in Caribbean tourism. Developing the tourist industry in Haiti is a long-term project.

The Regional Dimension: Decentralization

The reconstruction and development has an important regional dimension. During the entire twentieth century, urban economic and political life was increasingly concentrated to Port-au-

---

116 Lundahl (1979), deals with these problems at length.
Prince while the regions decayed. \textsuperscript{119} Between 1950 and 2010, the population of the capital grew from some 150,000-200,000,\textsuperscript{120} to over 2 million, i.e. more than tenfold. By the middle of the 1960s, François Duvalier had managed to close all the regional ports. The dominance of the capital was complete. Port-au-Prince grew until it choked. Before the earthquake, it accounted for two-thirds of all economic activity in the country and generated 85 percent of all tax revenue.\textsuperscript{121} but the infrastructure broke down under the pressure of the population. If nothing is done, the city risks to have six million inhabitants in fifteen years.\textsuperscript{122}

This must not happen. More than 300,000 people left the metropolitan area after the earthquake. All of them cannot come back. Should the capital be moved then?\textsuperscript{123} This would hardly decrease the probability of future hurricane or earthquake damage on the capital. The entire country is in the risk zone. Hurricanes and earthquakes may hit anywhere. The issue is rather how to rebuild the old capital in a way that preserves economies of scale and agglomeration and create a decent infrastructure and at the same time prevent the generation of new slum areas as much as possible.

A decentralization to cities like Cap-Haïtien, Les Cayes and Gonaïves would both contribute to the rehabilitation and development of the latter and to a decrease of future movements to the capital, and consequently also of the pressure on infrastructure and public service. Until now, however, the Haitian governments have not shown any interest whatsoever in decentralization, either administratively or economically. In the future, the regions must be provided with a good infrastructure, and – to a much larger extent than hitherto – they must be allowed to govern themselves.

For employment to be created and incomes to be created, the economy must get going, across the entire country. The action plan speaks of regional growth. This, without question, is the most important part of the entire plan. The Haitian government has decided to reverse the extreme concentration of economic and administrative activities to Port-au-Prince. To this end, the action plan envisages the creation of a number of clearly defined growth and development centers. For the Port-au-Prince area this is Cabaret (once the notorious

\textsuperscript{119} Anglade (1982), pp. 24-33.
\textsuperscript{120} United Nations (1949), p. 31.
\textsuperscript{121} Government (2010a), p. 5.
\textsuperscript{122} Ouroussoff (2010).
\textsuperscript{123} Lindsay (2010).
Duvalierville) north of the capital. Other centers are Cap-Haïtien, Les Cayes, Gonaïves, Saint-Marc and Hinche. Elsewhere in the document, four areas are highlighted: Port-au-Prince, ‘the axis between Cap Haïtien and Ouanaminthe for tourism, textile[s] and agriculture; the region around Gonaïves for agriculture and tourism; the South for agriculture, textiles and tourism’.124

Development of the transport network is seen as essential. The isolation of certain areas must come to an end and the ground must be laid for clusters and sub-clusters of development across the country. The road network must connect all the Haitian towns and facilitate trade and movement of people. The smaller islands must be connected with Haiti itself. The international air traffic should no longer be concentrated to the capital but should be spread to Cap-Haïtien and Les Cayes as well. The destroyed port of the capital will be moved, probably to the Fond Mombin area north of the city, and regional ports will be either rehabilitated or constructed. The plan speaks of two more deep-water ports capable of handling large container ships.125 In addition, a number of smaller ports will be made operational.

One of the key tasks of the renovation effort is to increase the decentralization of the administration. The plan envisages that within five years 80 percent of the civil servants will be working outside the capital. At the end of this period half the population will have local services provided by their own municipality in the areas of water, sanitation, solid waste management and road maintenance, and by 2020 this will be the case for the entire country. Local governments will also have to provide their own resources to an increasing extent through a system of local taxation. By 2020 only 50 percent of the functional revenue of the municipalities in the development centers should be state grants, and five years later this is to be the case across the entire country.126

The Eleventh Department

One of the factors that have made it possible for Haiti to survive at all during the last few decades is emigration. In 2008 there were officially 535,000 Haitians in the United States,
230,000 of whom had legal residence, a figure which is probably too low, and one million people of Haitian origin in the Dominican Republic, 150,000 in Canada, between 30,000 and 50,000 in France, perhaps 50,000 Haitians or people of Haitian extraction in the Bahamas, perhaps 40,000 in Guyana and between 15,000 and 20,000 in both Guadeloupe and St. Martin.

This Haitian diaspora every year remits more than a billion US dollars back home, the equivalent of almost 30 percent of GDP or more than 2.3 times the total export value (2003). Most remittances go to close family members and to the poor sections of Haitian society. Most of those sending money from the United States. They are young, two-thirds under forty, and they have a comparatively good education. Almost 80 percent have a college background. The Haitian exiles could become a great asset during the reconstruction, above all by continuing to do what they are already doing, sending money, but also by contributing as entrepreneurs, advisers and educators. They showed that they were willing to return after the fall of the Duvalier dictatorship in 1986. The hope for a better future had spread after almost fifty years of one-family rule. Hopefully, the negative events of the following quarter century have not deterred them from making further contributions.

It is desirable that they do whatever they can. Prime Minister Jean-Max Bellerive has asked them to. Several diaspora organizations lobbied for direct diaspora representation in the interim reconstruction commission, with the support of the Minister for Haitians Living Abroad, but this was denied during the negotiations of the president with the parliament – definitely not a good way of inviting much-needed support.

The International Community

The international community will play the leading role in the reconstruction and development effort – in several ways. Before the earthquake Haiti had a foreign debt of 1.25 billion dollars mainly to the Inter-American Development Bank, Venezuela, the IMF and Taiwan. Now, this debt is being written off. At the international conference in Montreal 25 January, both

---

127 Terrazas (2010).
130 Orozco (2006), pp. 1, 8, 12, 22, 10.
121 Dewan (2010).
132 PR Log (2010).
134 IMF (2010a).
Hillary Clinton and the IMF stressed the necessity of complete debt forgiveness, and so did the Brazilian president Luiz Inácio Lula da Silva about a month later. The Paris Club has exhorted all creditors to comply, The G-7 countries, Venezuela, the Inter-American Development Bank, the World Bank and the International Fund for Agricultural Development (IFAD) have written off everything.

The most important remaining creditors when the present is being written are the IMF, with 271 million US dollars, including 114 million disbursed directly after the earthquake, and Taiwan with 88 million. The pressure is mounting on the IMF to do away with the rest. As of now, no payments of any kind are due for Haiti until 2012, and the country has obtained an unconditional five and a half-year grace period on repayment on the interest-free loan obtained in January 2010, but writing the debt off completely should not be a problem. The case of Taiwan is a bit more complicated, since the loans come from private banks. However, the Taiwanese government will use public funds to help with the interest payments for five years, and thereafter some kind of repayment plan will be worked out with Haiti.

Billions of dollars of foreign aid are now pouring into Haiti. Unfortunately, aid never worked there. In 2002 the World Bank dryly remarked that the results of its lending to Haiti since 1986 had been completely negligible. It would have been better if Haiti had never borrowed. The biggest problem with aid to Haiti is to ensure that it does not end up in the wrong, corrupt, hands. Then the risk is substantial that the donors will tire and give Haiti up as a lost case which cannot be fixed even through a giant, coordinated effort. The international organizations will stand out as incompetent and inefficient and the detractors of Haiti will be quick to point out what they already told you. The race will be finished and the common Haitians, as always, will be the ones paying the price of the failure.

137 ABC News (2010).
138 Venezuelanalysis (2010).
139 IDB (2010).
140 World Bank (2010).
141 Jamaica Observer (2010).
142 IMF (2010d).
143 Shih (2010).
144 IMF (2010c).
146 Shih (2010).
The donors must point to concrete results of the aid. The reconstruction of Haiti is the largest project ever undertaken by the United Nations. Above all, failures must be avoided. The Haitian administration does not exist anymore and a *de facto* double command has been created through the Interim Haiti Reconstruction Commission. The donors have stated that they will administer the aid in a transparent way, and indicate clearly what is permissible and what is not. This is absolutely essential. Preferably, they should work with a government of national unity while at the same time a new political leadership and new administrative cadres are trained who can handle matter alone in the longer run.

The most difficult role of all is the one played by the United States. Barack Obama took the lead immediately and without hesitation, during the first days after the catastrophe. All federal agencies were instructed to accord the highest priority to Haiti.\textsuperscript{148} It was only the United States that could bring in help and military and police force units that could secure the catastrophe aid fast enough.

The American initiative was immediately criticized by the French minister of foreign cooperation, Alain Joyandet, who called it an occupation,\textsuperscript{149} and by the head of the Italian civil protection service, Guido Bertolaso, who called it a ‘pathetic’ failure.\textsuperscript{150} Both the French president, Nicolas Sarkozy and the Italian foreign minister, however, hastened to express their appreciation for the American contribution. That the United States quickly seized the initiative was the best thing that could happen. That some of the operations left a few things to be desired in terms of efficiency should not surprise anyone in the chaotic situation that prevailed in Haiti immediately after the catastrophe. The United States acted quickly and the American military presence has not been prolonged beyond the reasonable. Two weeks after the catastrophe 22,000 US troops were present in the country (the peak figure). Already at the beginning of May, this figure had fallen to 1,300.\textsuperscript{151}

Sharp criticism was also voiced by some representatives of the left.\textsuperscript{152} As always, all Haiti’s problems have been created by Imperialism … No sober observer can deny that the relations between Haiti and the United States have never been simple and unequivocal. This is true

\begin{itemize}
\item \textsuperscript{148} Obama (2010, p. 23.
\item \textsuperscript{149} Seward (2010).
\item \textsuperscript{150} Owen and Booth (2010).
\item \textsuperscript{151} Bajak (2010).
\item \textsuperscript{152} See e.g. Hallward (2010a), (2010b), Beckles (2010) and Bhatt (2010). For those interested, more is found on http://webofdemocracy.org/haiti-update-neo-colonial-p.html.
\end{itemize}
above all of the American occupation 1915-34. The results were mixed.\footnote{Schmidt (1971).} The Americans never understood Haitian culture and much of what was done was rooted in outright racism. At the same time the first attempts were made to weed out corruption and develop the economy. The democracy issue was, however, sadly neglected. The durable results were few.

The above is not terribly interesting today. Barack Obama is not Woodrow Wilson. He is the first black president of the United States, and as such he of course has an interest in helping the Black Republic. The Haitian colony in the United Sates is large, as we have already seen. Many of its members live in Florida, an important state during election years. The United States does not want any more boat people. In the short run, this can hardly be avoided but if Haiti can be reconstructed and jobs can be created, the refugee influx can be dammed. The American engagement in Haiti at the present time is, however, based mainly on simple humanitarian values. It has little to do with business. Haiti does not pose any threat to other nations and the country is not situated in a politically turbulent region. It is time to take the American effort seriously. It’s only in the Wild West that the world consists of good guys in white hats and bad guys in black hats.

***

Haiti has been hit by the worst catastrophe during its entire history. The rest of the world has demonstrated its willingness to provide catastrophe aid, and thanks God, the message appears to have been understood that remodeling Haiti from a heap of ruins to a country where the people do not suffer acute distress but can look to the future with confidence will not be a fast affair. It’s a question of decades. As I have already stressed, the country is now balancing on a sharp knife edge. Haiti’s entire history indicates that the reconstruction will founder on corrupt political structures. The earthquake, however, has struck blindly, against all groups in society. Can we hope that they will understand each other better in the future than what they did until 12 January? In the best case, the catastrophe has done away with the old values and made it possible to bridge the two abysmal gaps between the elite and the masses and between the state and the citizens. Let us hope that a new generation of more cooperative Haitians can take over the helm and that the old confrontation politicians are finally put into the garbage can of history where they rightly belong.
There is a kreyòl word called koumbit. The word comes from the Spanish verb convidar, invite, and it is used to design the honest and egalitarian cooperation among neighbors in the Haitian countryside during the harvest and planting periods when plenty of labor is needed.\textsuperscript{154} Can we hope for a similar cooperation both on the national level and between Haiti and the international community? It will not be easy. The past casts long and dark shadows over the present. What will happen next? Will the earthquake catastrophe become a watershed in Haitian political and social history? Does Haiti have a future? I wish I could be optimistic.

References

ABC News (2919), ‘G7 to Forgive Haiti Foreign Debt’, 7 February. \url{http://www.abc.net.au/new/stories/2010/02/07/2812382.htm}. Downloaded 19 February 2010


Anglade, Georges (1982), \textit{Atlas critique d’Haïti}. Montréal: ERCE & CRC (Groupe d’Études et de Recherches Critiques d’Espace, Département de Géographie, Université de Québec à Montréal & Centre de Recherches Caraïbes de l’Université de Montréal)

Ashar, Asaf and Woodbury, Paul (2008), \textit{Pre-Feasibility Assessment of a Transshipment Hub in Port St. Louis, Haiti}. May, no place

Bajak, Frank (2010), ‘US Military Draws Down Deeply in Haiti’, \url{http://www.guardian.co.uk/world/feedarticle/9068048}. Downloaded 31 May 2010


\textsuperscript{154} Lundahl (1979), pp. 110-18.


De Janvry, Alain (2010), ‘L’urgence haïtienne: soutenir une agriculture de subsistence’, Le Monde, 3 February


Egset, Willy och Sletten, Pål (2005), La pauvreté en Haïti: Profil de la pauvreté à partir des données de l’ECVH. Port-au-Prince: République d’Haïti, Ministère de L’Économie et des Finances, Ministère de la Planification et de la Coopération Externe, PNUD (Programme des Nations Unies pour le Développement) and FAFO Institute for Applied International Studies


Ferguson, James (2003), Migration in the Caribbean: Haiti, the Dominican Republic and Beyond. Minority Rights Group International, London


Hallward, Peter (2010a), ‘Our Role in Haiti’s Plight’, *The Guardian*, 13 January


Leyburn, James G. (1941), The Haitian People. New Haven: Yale University Press


Lundahl, Mats (2004), Sources of Growth in the Haitian Economy. Economic and Sector Study Series RE2-04-004, Washington DC: Inter-American Development Bank


