



REPUBLIC OF HAITI

**CONFERENCE ON THE ECONOMIC AND SOCIAL DEVELOPMENT OF HAITI III
«TOWARD A NEW PARADIGM OF COOPERATION»
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1. PRESENTATION

Haiti invites its international partners to a high level meeting, under the auspices of the Inter-American Development Bank, in order to agree together on a **new paradigm of cooperation**, more adapted to the actual situation of the country in the world, hemisphere and regional context of the Caribbean.

This conference concerns the economic and social development of Haiti, just as the two preceding ones which permitted, at Port-au-Prince in July 2006, presentation of the grand worksites and the government program and, in November of the same year in Madrid, conclusion of an agreement of mutual responsibility on the efficiency of the aid with all of the partners of the international community. This invitation is meant to illustrate the continuity in the sought objectives and the principles which support them, especially the solidarity in the national mobilization social inclusion of the men and women of Haiti.

The Prime Minister, Michèle Duvivier Pierre-Louis, mentioned, in the Declaration of general policy (September 2008) ratified by the Parliament: *«Today our country is at a difficult turning point. Important decisions are essential for the nation so that we are not always confronted with the repetition of the same problem. We need individual courage and collective will to dare to take a new course and to think of a new way out of the crisis which places Haiti, its history, its culture, its future, its people, this collective WE which sets us apart, at the center of the preoccupations of the State and of the society in general.»*

The works of the Conference must permit an understanding of a series of immediate measures to revitalize the public finances, to rapidly create employment, to reduce the vulnerability to natural disasters, to stimulate the economy and to maintain the access to basic services. This insistence on the immediate must not make us forget the civic perspective which is at the center of the preoccupations of the Government and of its partners. We must build within the duration for a definitive emergence from crisis, «Make the qualitative lead succeed» like the challenge launched by the National Strategy for Growth and for the Reduction of Poverty.

2. TOWARD A NEW PARADIGM OF COOPERATION

The malaise relative to the current way of cooperating is shared both by the Government and sectors of Haitian society and by the international partners. In spite of the manifest good will and the continued work on both parts, the Government does not find in the provided aid the necessary resources to execute its program of action in favor of the population even when the international community is short of necessary directions, particularly in the chapter of governance, to draw out the full potential of the mechanisms of available aid.

Washington can and must be the occasion for inaugurating this new paradigm permitting:

- Creation of a political forum which must serve Haiti and its partners to develop the common understanding of the situation and of the stakes to emerge permanently from the crisis.
- Launching a process of alignment of the existing projects and programs of cooperation with the governmental priorities.
- Adoption of a matrix of mutual commitments in matters of governance.
- Making functional the Framework of Partnership on the budgetary Support and application of a common matrix for all the backers participating in this form of aid.
- Revitalization of the joint sector planning in the priority sectors.

2.1 THE POLITICAL FORUM

A true agreement of mutual responsibility for the efficiency of the external cooperation requires a time of discussion about the «global governance» which would be different from the policy elements taken one by one.

Three grand subjects are essential to begin. They are the general governance as a model of the organization of the society, the budget as a numbered image of the governmental priorities and the overall effectiveness of the governmental action, including the search for a greater efficiency of the contribution of the international partners.

This forum must also treat the «latent conditional elements», i.e. those which are prior to the commitments in certain sectors and which consequently, do not figure in any project or program. They are the questions like the revision of the electrical rate grid, the effective activation of a program of road maintenance or certain measures of facilitation of investments.

We must create joint action, a shared understanding among the deciders. This can also put in place representatives of the Parliament, of the civil society, of the political parties, of the business sector, for more specialized meetings.

The new paradigm must rest on a process of accompaniment which supposes a continuous dialogue to arrive at an alignment of the contributions of each party with the governmental priorities and programs.

The political forum would have to permit the holding of annual meetings between the Haitian political deciders and their homologues of friendly countries as well as the managers of the multilateral and regional organisms. A prior work of definition of the agenda must be done to frame the discussions and to make sure that the pertinent information is available. This task could be the responsibility of representatives designated by the political deciders in order that the dossiers may be ready for the discussions.

These meetings are not places of decision. The pursued objective is an open and direct exchange concerning the perceptions and expectations of each participant as to the evolution of the situation and to the orientations undertaken to confront the different challenges.

2.2 ALIGNMENT OF THE PROGRAM WITH THE PRIORITIES OF THE GOVERNMENT

The starting point is in effect that the Public Investment Programs which were made during the last three years contained mainly, if not exclusively, projects and programs planned between 1998 and 2005. All this is attributable in large part to the periods of planning and of activation of the projects.

The Public Investment Program set forth in March 2009 is the first which truly reflects the priorities of the Government. Unfortunately, the budgetary restrictions are such that we had to cut down to the indispensable.

To make up for this state of affairs, the Government prepared a «stopgap program» which was submitted to the fund backers in the framework of the preparation of the Conference of Washington.

This program is a first stage in which the international partners have the occasion to review the current programs and to proceed to the reallocation of the resources toward the priorities defined by the Haitian Government.

The work of the technical Meeting of Ottawa permitted significant advances and the commitments of the backers will show the pertinence and the feasibility of the approach. It is in this perspective that the Government submitted a list of priority projects to be carried out either with new funds or with



the reallocation of the existing resources. That is a prerequisite for the adoption of the program budgets which would have to assure a better readability of the PIP.

This exercise will continue over the course of the coming months in order to bring the Program of Public Investments, for which the Government is liable before the Parliament, into conformity with the Declaration of General Policy and with the orientations of the Haitian State.

2.3 ADOPTION OF A MATRIX OF MUTUAL COMMITMENTS IN MATTERS OF GOVERNANCE

The question of the conditional elements recurs in the management of the external cooperation whether it is a question of the budgetary support or the balance of the payments or more conventional projects of cooperation.

The matrix, prepared in close collaboration with the partners, lists the commitments made by one party or the other in matters of governance. We must note that its scope exceeds the commitments which the Government can assume because it includes especially the expectations vis-à-vis the Parliament. The concern for exhaustiveness takes precedence.

It is a question of a dynamic document, of a follow-up instrument, of a roadmap which serves to nourish the dialogue among the partners concerning the overall development of the projects and programs. The reciprocal actions and commitments are divided among the budgetary financial years up to 2011. This matrix retraces a number of commitments which already figure in the agreements relatives to the current projects and program, thus reinforcing its pertinence for the follow-up. The commitments of the partners which do not figure at all in the matrix remain to be completed.

We have to set up a forum on the follow-up of the aid to follow and report on the respect of these mutual commitments. This forum would have to be supported by a conjoint secretariat which could be located within the follow-up structure of the DSNCRP.

2.4 THE FRAMEWORK OF PARTNERSHIP ON THE BUDGETARY SUPPORT AND THE COMMON MATRIX

The partners have agreed on a Framework of Partnership for the management of the support which aims to: *«assure the preponderance of the national budget as a tool of orientation and of driving the governmental action; they hope to inscribe their actions in a common Framework of partnership in order to increase the readability of the budgetary process, the ability to foresee the aid, the capacity of the Government to account to the Parliament for the execution of the Law of Finances. Likewise, they aim to diminish the costs of transaction of the management of the aid by the harmonization of the procedures among the technical and financial partners engaged in the budgetary support. »*

The budgetary support is not only necessary to arrive at balancing the budget; it must also permit the Government to have its own resources for initiatives aimed at the revival of the economy, the increased access to the basic services and the reduction of the vulnerability of the population to natural disasters. The national budget must be the sole fiduciary fund acceptable for regrouping the contributions of all the Technical and Financial Partners (PTF) involved in this domain.

The first works of the group of backers involved in this form of aid permitted arrival at the formulation of a unique matrix of conditional elements which figure in an appendix. This matrix constitutes an important advance in the ability to foresee the aid.

An important element of the mandate of this group is to facilitate the adhesion of new technical and financial partners to this mechanism of transfer. The technical and financial partners have however shown themselves, in general, little willing during the last years to increase their contributions to the budgetary support, and that in spite of the significant advances in the measures of sound manage-



ment of the public funds, of transparency and of the struggle against corruption. It is difficult to foresee the implantation of this Program without a «vote of confidence» of the international community with respect to the Government of Haiti¹.

2.5 THE REVITALIZATION OF THE SECTOR PLANNING

The effectiveness of this new paradigm of cooperation will rest first on the capacity of orientation of the central organs of coordination which come under the Prime Minister's Office, the Ministry of the Economy and Finances and the Ministry of Planning and of External Cooperation and then on the capacity of efficient sector planning in the priority sectors.

We can reach these objectives by revitalizing certain priority sectors and by providing them with the technical support necessary for working in close collaboration with the structures of central coordination.

The experience up to now of this mechanism of coordination has not brought the expected results in most cases. We need to review this role for a limited number of areas and inscribe their actions in the framework of the preparation of the Public Investment Program.

3. HAITI AT THE CROSSROADS

The joint effort of the Haitian people and of the international community to bring the country out of the spiral of violence, of misery and of poverty undertaken in 2004 needs a second breath to succeed in the qualitative leap necessary for an irreversible success.

Much has been accomplished since then in spite of the difficulties of all kinds. The year 2008 was particularly trying with the food crisis, the energy crisis and the natural disasters. 2009 appears the same, if not more difficult, and that, principally because of the international financial crisis and of its consequences. We must, even more, hope that the consequences of the next hurricane season will be less dramatic for the country this year.

The media abundantly diffused the images of the devastation caused by the four hurricanes which struck the country in August and September 2008. The most insidious consequences of these disasters emerge progressively, such as the increased impoverishing of Haitian households, the precariousness of lodging, the lessened access to the essential services, the diminution of the capacity of production, and that, all over the national territory. That means less access to food, to water, to the health services and to education.

This crisis spares no one and Haiti must face it after having suffered an economic shock of 15% of gross interior product, a consequence of the natural disasters. No country in the world can deal with the worldwide recession after having been so harshly affected without a financial revival plan. Some estimate that the combined effect of the food crisis and of the slowing of the governmental activities during the political crisis have added 5% of decrease, i.e. a gap of 20% to be regained. That is a very important challenge in a context where the annual economic previsions of growth are close to 2 or 3%. We must thus make sure to protect the gains while mobilizing the maximum of resources in the growth.

Such a situation calls for a vigorous action of the Government. Now the capacity for action by the State, already substantially reduced, is not sheltered from the consequences of the financial crisis which entails especially the fall of private transfers and the diminution of the receipts of the State. The laborious preparation of the Law of Finances illustrates the precariousness of the public fi-

¹ The President of the World Bank, Mr. Zoellick declared in Geneva in September 2008: « **If donors cannot work with a government to build national accountability systems that donors can trust, how can one expect the public to trust its own government?** »



nances. It is no longer a question of making choices but of cutting in the indispensable. It is the entire capacity of the Government to respond to the essential needs of its population which is called into question, whence the menace for the acquirement of security and of social peace.

This immediate reality must not make us deny the growth potential of the country. (There must be) the mobilization around the exploitation of the compared advantages of Haiti to use the capacities of its reservoir of labor, of its proximity to the most important market of the world, that of North America, especially the possibilities made available by the Hope II law. The Collier Report opens in this sense optimistic perspectives of growth.

Haiti is also the subject of growing attention of the international community. There emerges a consensus to the effect that in Haiti, the international community can truly make a difference by its support, not only to the Government, but also to all the sectors of the social, economic and political life of the country. The acquisitions of the last five years permit such optimism.

The leitmotiv is to put the accent on a «short-term agenda» and to build on the first successes to give confidence back to the Haitian people and to its international partners in the future of the country.

Evidence asserts that it is this first victory that must be the reinforcement of the Haitian economy by the immediate creation of employment obtained via works of reduction of the vulnerability of the population at risk of disasters, the revival of the national production (agricultural production and manufacturing investments), a program of investments in the local infrastructures, transport and energy as well as the maintenance of the access to the basic services which are health, education and health (*sic*). At the same time, the stability of the macroeconomic framework must be maintained, without which the acquisitions of the growth will be compromised by a rise of prices and a drop in the value of the gourde.

Following the example of all the other countries, it is up to the State to take the initiative of formulating and implanting a credible program of adjustment, and to do that, it is imperative to give it the means immediately, that is, for the budgetary year 2008-2009 and short term, that is, for the budgetary year 2009-2010.

The economic analysis of the situation shows that the level and the type of resources made available does no longer correspond to the needs for to clear the next stage which will be crucial for the stabilization and the growth of Haiti, essential conditions for succeeding in the gamble of putting the country back on the way of development.

We must do more and act differently. Haiti proposes to its partners a plan of reinforcement of the Haitian economy. This plan bears on a horizon of twelve to eighteen months (financial years 2008-2009 and 2009-2010) and is matched with a framework of dialogue to assure the performance.

To progress toward this new agreement, Haiti must make specific commitments, particularly in matters of governance. The partners of the international community must, on their part, increase the available resources and route them according to the mechanisms which correspond to the cooperation with a legitimate State, master of its strategy for growth and the reduction of poverty.

4. THE PROGRAM OF REINFORCEMENT OF THE HAITIAN ECONOMY (PREH)

The stabilization was seen up till now principally as the product of the improvement of security for the citizens and the emplacement of democratic institutions. On this plan, the results are convincing although short of what is desirable. The efforts are pursued in these domains. We need now to pose the question in terms of capacity for the Haitians to have access to a framework of a decent life, to assure their economic security.



The preparatory works for the Conference of the international partners, especially the works of the technical Meeting of Ottawa, clearly showed the need to reinforce the climate of confidence on the governance of the country and the necessity, for Haiti, to make concrete gestures in clearly identified domains.

The capacity of the Haitian powers, Executive, Legislative and Judiciary, to make progress in this way is directly dependent on the resources which the State has to assure its legitimacy and to deliver to the population, all sectors included, the services which it has the right to expect. We have thus to concretize the rescue plan by finding the required financial resources.

The Haitian Economy Reinforcement Program includes two sub-programs, the first aiming the Recovery of Public Finances (PRFP) which calls for significant and immediate actions and the other having to favor the Stimulation of Public Investments Publics (PDIP).

4.1 THE PROGRAM OF RECOVERY OF PUBLIC FINANCES

The government of Haiti faces exceptional challenges to be noted during the financial year 2009. In fact, the response to the humanitarian crisis and the reconstruction of the infrastructures destroyed after the passage of the hurricanes will necessitate significant resources, in addition to those required to assure the activation of the DSNCRP. In April 2007, the cost estimate of the financing for the activation of the strategy is set at 3.9 billion dollars, of which the government estimated that nearly half was already covered. For the current financial year, certain backers of funds (BID, World Bank, European Union, Spain and France) foresee providing a budgetary support for a total amount of \$92 million. A financial gap of 125 million dollars would remain in spite of all. To fill this financial gap will be primordial to finance basic social services to the population and to create a secure stable environment, a prerequisite for the consolidation of the advances in matters of governance.

It will be important that on the basis of the priority domains and sectors of the DSNCRP, as well as the means of maintaining the stability of the macroeconomic framework, the Government and the PTFs agree on the content of a common matrix of performances.

This framework of measures of performances will be the basis of a dialogue and will be used as an instrument of appreciations of the results obtained. On the basis of the confidence inspired by this framework and the matrix of the relevant measures, the partners would commit to provide a budgetary support in a programmed way.

To reach this objective, the Government has already consulted the technical and financial partners (PTF) on the content of this matrix of measures of reform of the economic governance at Ottawa. Already, the partners are invited to communicate to the government additional measures of reforms of economic governance which they consider as essential to the improvement of the transparency and of the giving of a sense of responsibility, permitting them at the same time to increase noticeably their budgetary support to Haiti, durably and able to be foreseen.

A coordinated and integrated program of technical assistance and of reinforcement of capacities would have to support the reform program. In effect, there exists a need of bringing together the budgetary support with the efforts of reinforcement of capacities so that the different initiatives can be reinforced mutually with a common framework. The Government will deploy all possible efforts to inform regularly the partners of the state of advancement of the effective activation of the measures of reform and of the reports of regular follow-up of the cash disbursements of the budgetary support. To that end, the Government is committed with its partners to the development to create the Joint Group of Budgetary Support (GCAB) as a privileged forum for the partners in view of coordinating and aligning their support around the program of reform of the economic governance of the government.

Diverse options exist. As indicated above and on the basis of the international experience, three forms of financial support can be used by the PTFs to support the strategy for the reduction of pov-



erty and the budget of the State: (i) the reduction of the debt through the PPTE initiative, (ii) a support to the general budget; and (iii) a targeted budgetary support.

The reduction of the debt through the PPTE initiative is an indirect means of supporting the budget. The reason is the resources which, otherwise, would have been used to pay the servicing of the debt will rather be available to finance the expenses of poverty reduction. In November 2006, Haiti qualified for the reduction of the debt in the framework of the reinforced initiative of the very indebted poor countries (PPTE), by reaching the point of decision of the initiative. On the basis of a certain number of hypotheses, the PPTE initiative could free up resources of a total amount of US\$213 million dollars in nominal terms during the period of which \$111 million dollars of multilateral creditors and \$ 102 million dollars of bilateral creditors.

Once the point of completion is reached, Haiti will be qualified for additional resources in the framework of the advanced initiative of the multilateral debt (IADM). The creditor countries of the Club of Paris also expressed their willingness to reduce further the volume of the debt as soon as Haiti will reach the completion point of the reinforced PPTE initiative. In the meantime, the PTFs could bring a budgetary support to the Government to help it to cover the payments of the servicing of the debt which are not covered by the reduction of the debt of the PPTE.

4.2 PROGRAM OF STIMULATION OF THE PUBLIC INVESTMENTS (PDIP).

The Program of Stimulation of the Public Investments is made necessary by the extreme constraints which weigh on the Program of Public Investments presented in the last Law of Finances.

This budget does not permit the State to respond to the most pressing urgencies. That is why an exercise of programming was undertaken with the backers of funds to find financing for the priority programs and to give to the sector ministries the means to fulfill minimally their mandate of service to the population.

It is in this perspective that the list of projects and programs presented serves as a reference for the new financings and the reallocations. The exercise will also permit, as mentioned previously, reinforcement of the alignment of the international investments with the priorities of the Government.

Washington would have to permit confirmation of substantial investments for the priorities of reduction of the vulnerability of the population, the creation of employment to inject cash in all the parts of the country and to maintain the access to the basic services.

The exercise will continue after the conference in the framework of a continued dialogue on the sector planning. The goal is to arrive at the presentation of the Budget 2009-2010 with a Program of Public Investments which can truly be the reflection of the governmental orientations and decisions.

4.2.1 The Program of reduction of the vulnerability to the natural disasters

The management of the risks and of the disasters to assure the security of the population is addressed first to the efficiency of the alert system, to the capacity of informing the population at risk, to the resources to manage the evacuations and to receive the displaced populations in temporary shelters and finally to the distribution of emergency aid.



On this plan of alert and of information of populations, the progress noted at the level of the civil protection has been remarkable in a very short time. The number of victims with respect to the gravity of the storms has diminished significantly. However it remains too high.

For the reception in the temporary shelters and the routing of the aid to the disaster victims, there remains much to be done. The multiplicity of the participants and the difficulty of coordination to assure a fair distribution of the aid at the national level call for significant actions before the next hurricane season. It entails reviewing the ways of acting in function of the logistical efficiency and of the preponderance of the Haitian State as representative of the citizens in distress. That goes for the legitimacy of the State which must remain a transversal objective in all the domains, especially in that of the management of risks and disasters.

The strategy of the Government consists in keeping the focus on the development of the country and distances itself from the traditional schema Emergency Phase – Recovery Period – Phase of Reconstruction. The investment decisions must aim at growth and the reduction of poverty, not the return to the status quo ante. The disasters move back the line of departure identified at the formulation of the strategy; we must thus increase the level of investments required to fill the «GAP» which has widened.

The catastrophes, whether due to nature or to human action are, we admit it, inevitable events in Haiti with a certain frequency. The evolution of climatic changes does not leave us any illusions about this.

Beyond the immediate response to the hurricanes and other natural disasters, we must attack the profound causes of the environmental vulnerability. The situation is widely documented concerning the needs. The response is greatly the responsibility of the domain of the public and agricultural infrastructures, whether it is a question of maintenance works, of restoration or of protection.

Moreover, a durable solution to the reduction of the vulnerability of the populations at risk will not be possible without a vast program to relocate them in secure areas. We cannot claim durability if we rebuild in plains liable to flooding or in the places where erosion leads to a too high probability of landslides.

This is a complex domain, on the social plane, given the attachment to the land and to family heritage, and on the logistic and financial plane. The country has little experience in this domain. It must acquire technical savoir-faire, but also a credibility of the State with the population which assures a climate of confidence without which the passive resistances and the clashes risk a compromise to achieving the results. A targeted intervention in certain particularly affected regions in 2008 provides an occasion to undertake this type of intervention.

4.2.1.1 The immediate actions: The pre-hurricane season program

There is a need to act. The rains and the hurricane season will start in a few months and some strategic points of the country are menaces by the geographical location but also by the damages of the 2008 season. These make even more precarious the cities of the Gonaïves, of Cabaret, of Léogane, of Jacmel and certain areas of Port-au-Prince.

An emergency program has been drawn up for these cities and localities. It amounts to around 16 million \$US. The activation cannot wait. The Government will launch the program with national funds, given the necessity of acting before the rainy season.

The program aims to protect these zones from a «normal» hurricane season. It is too limited to really assure security in case of larger cyclones or hurricanes.



4.2.1.2 *The stopgap program*

The stopgap program concerns the operations of clearing and reshaping of river banks as well as the arrangement of basin which are above the most vulnerable zones of the country.

These urgent interventions are part of the structuring actions contained in the DSNCRP to be executed by the MARNDR, the TPTC and the Ministry of the environment.

The estimates costs of these works, which would have to be spread out over the next two financial years, is about 160 million \$US.

4.2.2 THE PROGRAM OF ECONOMIC REVIVAL

The program of economic revival contains actions for the creation of employment, the revival of the national production, the improvement of the infrastructures of transport and energy as well as the facilitation of private investments.

4.2.2.1 *The creation of employment and private investments*

The creation of employment is the central vector of the program of economic revival. In the **short term**, the objective is to inject cash in the economy, to provide to the poorest people the means of subsistence by employment income and to support a solvent demand for the goods and services, particularly those produced locally.

In all, the objective will consist in creating over the next 12 months 50,000 new jobs distributed over several sectors, especially agriculture, construction, the exportation manufacturing industries, the agro-industry, crafts and tourism, both in rural milieus and in urban zones. To that end, the government, in close consultation with the fund backers, the financial institutions and the private sector, will make the dispositions necessary for facilitating access to credit and for rapidly improving the regulatory framework, so as to encourage and support the investments creating employment, particularly those which will be realized by the small and medium-sized companies. This important effort, which aims at giving rise to investments of more than \$100 million during the period under consideration, will entail the reinforcement of the most effective mechanisms of grants and of financing guarantees, as well as the setting up of monetary and tax incentive measures, with immediate effect, meant to favor the development of companies.

The **works with high intensity labor** (HIMO) will constitute the privileged approach for this stage which should be concretized during the coming weeks and months.

The program must touch the entire territory and call for a concerted effort of the Government, of the territorial communities as well as the projects carried out by the bakers and the NGOs.

These programs have a transversal character to the extent that the works will bear on the clearing of canals and the reshaping of river banks, the restoration of certain irrigated perimeters, various works of public draining, of communal infrastructures and others.

The extent of the effort requires a standardization of the approaches, an adjustment of the schedules, and other conditions as well as a coordination on the territorial distribution of the activities.

The Government also counts on launching an important program of communal and local infrastructures as a stimulant for the economy and as a means of inclusion of the entire territory in the efforts of the Government. This program is a means of stimulating the creation of employment, the national capacity of production and of making the link with a program with immediate effects which responds nevertheless to the real needs which occur over the duration.

In the mid-term, before the desired manufacturing investments are concretized, the creation of jobs will be the result of a program of local purchases for school furniture and others for the public estab-



ishments, of attribution of contracts or subcontract for the works of restoration of public buildings, in brief, of stimulants for the small companies capable of creating jobs and of training apprentices.

A subsidiary, but equally important, objective will be the recognition of these small companies by the issuing of a license which confirms their professional capacity and authorizes them to respond to calls for bids and/or to obtain subcontracts. The merchants who play an important role in the distribution chain will also receive the professional recognition.

During this period, particular attention will be paid to the tourist sector which can, relative to a short term, generate direct employment and secondary activities, especially in the context of the expansion of the site of Labadie in liaison with the development of the tourist zone of the Citadel and the arrangement of the National Park of Milot. A document submitted with this program is also presented for its eventual financing.

It is foreseen that 15,000 jobs will be created during the coming months by the exportations of the clothing sector to the North American market, where the large order placers affected by the world crisis seek to subcontract certain low cost operations in stead of contacting suppliers which integrate all of the operations. This resumption of the textile sector will have to be accompanied by the development of the industrial parks, with essentially private financing, the improvement of the infrastructures and of the handling services of the port of Port-au-Prince and of the increase of the provisions of electricity in competitive conditions.

The subject was treated in a report produced at the request of the Secretary General of the United Nations by Mr. Paul Collier. This text poses an optimistic diagnostic concerning the potential of Haiti in the manufacturing domain. It was received very positively by the large sectors of the Haitian business milieu and by several international partners.

It represents an identification of a bearer programs. It remains to measure the feasibility by establishing the «costs» of the different components and to measure the effective interest of the investors aimed at by the project. It presents very positively the mobilization of the direct foreign investments which are essential levers of development for the mid- and long-term perspectives of the country.

The Hope II law provides a first framework for using the compared advantages of Haiti, to profit from its labor force, the proximity of the North American market and the savoir-faire of its private sector. We must also find the means of concretizing the potential benefits of the adhesion of Haiti to the CARICOM [Caribbean Community], of the resources available from international organisms to facilitate the direct investments directs. In addition, the diaspora remains a reservoir not sufficiently exploited of human and financial resources.

The Program provides an occasion of making progress in this domain. In the short term, in addition to the negotiations and the legal and regulatory measures, the Haitian State wants to favor the investments in this sector by supporting the installation of industrial parks and of free zones. Bankable projects existent in this sense. The following table provides the list. These projects with internal profitability will be finances by the funds of national and foreign companies and bank credits with privileged conditions, it being understood that the State will intervene directly whenever it must set up the indispensable infrastructures and assure a fairer geographical distribution of the creations of jobs.

In addition, the Arrangement of the National Park of de Milot represents an investment capable of having an impact on the development of tourism in Haiti. A document submitted with this program is also presented for its eventual financing.

The cost of the investments in the creation of jobs will depend on the capacities of mobilization of the funds and of the secondary effects of the jobs created by the realization of all the other works of infrastructures. A startup fund of 10 million \$US would have to suffice immediately. The develop-



ment of free zones and of industrial parks during the financial years 2009-2010 and 2010-2011 is put at around 70 million \$US.

4.2.2.2 The revival of agricultural production

The activities of the Program linked to the revival of agricultural production concern essentially the arrangement and the restoration of hydro-agricultural installations and the arrangement of the hillside lakes.

The agricultural infrastructures play a central role in the attainment of the food security, in the attenuation of the risks linked with natural disasters, in the revival of the economy and in the management of the environment. By doing that, they occupy an important place in the Program and in the sought-after investments. They will be accompanied by a systematic program of intensification of the agricultural production aimed at an improvement of the productivity by an increased use of labor, of the input and of the savoir-faire, which will also contribute to the absorption of the unemployment in rural areas. An augmentation of just 10% of the man hours over all the cultivated acreage is equivalent to the creation of 40,000 jobs, which will then contribute to putting a brake on the anarchical exodus to Port-au-Prince.

The localization of the interventions is a part of a logic of the areas of development in a region. Thus, the basing to be protected are those which must reduce the vulnerability of the zones of the Gonaïves, of Cabaret and of Jacmel. These zones will also be the subject to hydro-agricultural arrangements to increase the national production of foodstuff. It is all in synergy, for Cabaret and Gonaïves with the restoration of the national route # 1.

The estimated costs of the investments in the sector of Agriculture for the activities included in the program during the financial years 2009-2010 and 2010-2011 is about 70 million \$US, i.e. 30 million for the hillside lakes and 40 million for the hydro-agricultural arrangements.

4.2.2.3 Infrastructures of transport

The infrastructures of transport represent a domain in which Haiti must make up for a delay of several decades. As previously mentioned, the acquirements of the last three years are significant. It remains to complete the «national backbone», i.e. to link all the county seats with each other. To do that, we are missing three important roads, i.e., the restoration of the Highway #1 linking Port-au-Prince to Cap Haïtien and the construction of the roads from Miragoane to Petit Trou from Nippe and from Gros Morne to Port de Paix.

It is imperative to find the necessary financing for these works. The most advanced project is certainly the restoration of the Highway #1. This project can start shortly. For the two others, several studies exist but we have to validate them and once the financing is acquired, begin the process of a call for bids.

The effects of these projects will be visible only at mid-term. In the short term, the accent will be placed on the upkeep of the existing roads and on the secondary roads for which the financing is already available. We hope for an acceleration of these works and for the recourse, as much as possible, to the approach with high intensity of labor for the creation of jobs as soon as possible.

The estimated cost of the works is on the order of 300 million \$US. The amount which will effectively be spent in this year and the financial years 2009-2010 et 2010-2011 is much less. We can estimate



that the effective disbursements will be of 50 million \$US; the balance will be spent after 2011.

4.2.2.4 Electricity

Electrical energy is a basic public service. It is also one of the essential conditions for the development of companies and the revival of private investments, particularly in the manufacturing sector.

The development of this sector has been problematic for decades. We have to prepare the ground for a durable solution. The efforts of the last three years have permitted an increase of the capacity of installed production, and that is about to become a capacity now exceeds that of the capacity of transport and of distribution.

The second most important constraint is the cost of production of the kilowatt hour which is higher than the rate in use. The dependency of the cost of production vis-à-vis prices of petroleum is almost total; they are totally unforeseeable as the variations of recent years bear witness.

The Program thus places the accent on these two constraints by recommending the restoration of the transport and distribution network as well as the commercialization with the principal clients. The transformation of the diesel stations into stations operated with fuel oil should permit a substantial lowering of the costs of production.

In the short term, the priority concerns the installation of a substation at Tabarre so as to link the industrial clients to a network capable of supplying reliable energy at a rate which is profitable for the two parties. Discussions are underway to finance this project from a reallocation of the resources of an existing project, which would permit action in the near future.

In the short and mid-term, the improvement of the services in the country seats will receive particular attention. These investments will be made in synergy with the development of employment creating companies of production and of transformation. We are looking for a geographical concentration capable of providing a critical mass of interventions capable of making a significant difference.

The reorganize of the EDH remains to be done. At this moment, important steps have been recently done. A strategic Committee was formed under the presidency of the Prime Minister in order to take the decisions which are essential for reviewing the management of it all, with a priority given to the commercialization of the product. It is a question of putting the accent on the principal clients.

The financial rectification of the enterprise passes through immediate measures. First, the public services, the ministries and the autonomous organisms of the State will pay their electricity bills with an allowance of their functioning budget, an allowance which will diminish by as much as the subvention which the public Treasury must make to the EDH annually to cover its deficit.

The other decisive measure will be the adoption of a new rate schedule which will permit the showing of a profit margin and will be applied to the clients who consume the largest part of the production or who receive an increased quality service. These new scales will be established in function of the reliability of the service and open the door for differentiated rates according to the cities served.

The estimates cost of the investments in the Energy sector during the financial years 2009-2010 and 2010-2011 is around 110 million \$US.

4.3 THE MAINTENANCE OF THE ACCESS TO THE BASIC SERVICES

The access to the basic services is often the first victim of the consequences of food crises and of natural disasters. The Government has made a considerable effort to remedy this situation in the



Emergency Program which aimed at attenuating the consequences of the damages of the hurricane season.

We must admit first of all that this access is clearly deficient, whether it is a question of education, of health or of access to drinking water. The DSNCRP contains mid- and long term measures to treat these questions. The effort of the fund backers is very important, although not sufficient with regard to the scope of the needs to be met.

The content of the proposition which is made in the context of the Conference of the international partners does not aim at treating these questions in depth, but at providing a new impulsion and at targeting the investments which will prove to be an economic stimulant and a measure of social inclusion by increasing the availability of services in the often underequipped zones.

4.3.1 Education

In the perspective given above, the additional investments foreseen for the program concern for the essentials the restoration of the schools in order to make them safer, to reestablish the access to the services available in the hurricane season and to bring up to date the inappropriate installations like the schools under tunnel vaults.

The damages caused by the recent hurricanes concern 968 schools, 46% of which public, totaling some 61% of the 217,205 students concerned. Without immediate and targeted interventions, the effects of such a state of affairs will be seen especially in the augmentation of the number of children forced to abandon school before completing the obligatory cycles and the inflation in addition of the flow of children outside the school system. In this context, in view of permitting the restoration of the school building and of assuring its effect of reinforcing the education community, the three priority actions targeted for the period 2009-2011 will be accompanied with transversal actions. These priority and transversal actions are the following:

- the post-hurricane restoration;
- the replacement of the "tunnel vault schools";
- the securing of public and non-public schools.

Three categories of school buildings will be the subject of interventions in the next 24 months over the entire territory while taking account of the fairness in the distribution of these interventions: (1) the fundamental schools damages or destroyed by the recent hurricanes, (2) the schools functioning under tunnel vaults and (3) those lodged in non-secured school buildings. The needs concern overall 500 schools distributed over the entire territory.

Beside the actions for the reinforcement of the governance of the education system and to be able to attach the serious problems of infrastructures which impede its development, the State intends to undertake — during the next two years— : (i) the restoration and the equipment of 150 schools destroyed by the hurricanes; (ii) the reconstruction and the updating of around 10% of the tunnel vault schools (i.e. 300 total) ; and (iii) the securing of 50 schools both public and non-public (of which 25 high schools).

These actions, for which financing is necessary, will have a favorable effect on the expansion of the offer of basic education in the particularly underprivileged urban and rural zones, and are indispensable for succeeding in the challenge of fair access and aiding a significant number of children of poor families to have access to a quality education or not to abandon school before having completed the obligatory cycles. Likewise, these activities will have another favorable effect in terms of creation of temporary jobs which, in turn, will have a socioeconomic impact (for example: permitting children to go to school) in the beneficiary communities in a context of expensive life and of aggravated economic recession. In simple term, it is a question of going beyond the « approach by project » in view of better integrating interventions which are too often isolated.



The estimated cost of the investments in the Education sector during the financial years 2009-2010 and 2010-2011 is around 100 million \$US.

4.3.2 Health

The health sector, fortunately, was relatively little affected by the damages caused by the hurricanes in 2008. The needs of reconstruction or of restoration of the infrastructures at the level of primary health care are limited.

The sector receives substantial support in matters of institutional reinforcement and the results will be concretized in the period, even if as in the other sectors, we could do more and better.

A domain which figured in the large worksites identified in 2006, and which however has not progressed, is the construction of referral hospitals. The text of CIDES I noted that: «A primary health network has sense only if it can take support from a capacity of high-level curative services, of a center reuniting the expertise and the capacity of training and of supervision necessary for the quality of basic care. That is why the construction/restoration/equipment/personnel of a referral hospital in each department is a result which must be reached as soon as possible. »

It is evident that such an objective will not be reached during the next two years. We must however begin somewhere to indicate the path to be followed. The Program proposes attaching the situation of Gonaïves and of Jacmel and to undertake there the construction of two referral hospitals. These hospitals would help complete the efforts undertaken for the reduction of the environmental vulnerability by intervening in synergy with the projects in the domains of transport, of Energy and of the environment.

In an analogous perspective, it is proposed to transform the health Center of Cabaret into a hospital center, which would be a referral hospital, but a care establishment capable of serving a sizable and particularly vulnerable population.

The estimated cost of the investments in the Health sector for the construction of two referral hospitals and the transformation of the Health Center of Cabaret, during the financial years 2009-2010 and 2010-2011 is around 45 million \$US to which should be added a sum of 20 million in medical equipments and instruments.

4.3.3 Water and drainage

The domain of drinking water and of drainage also represents sizable challenges, principally in the zones most affected during the hurricane season. By pursuing the approach of the regional areas of development, the priority is given to the cities of Gonaïves, of Cabaret and of Jacmel.

In addition, with the hope of redistribution of the effort in the whole country, a budget is kept as a project on the national scale for the restoration of the drinking water supply network and of drainage in the other cities of the country.

The needs of Port-au-Prince are not taken into account at this stage given the size of the works to be done. This program must be the subject of a global approach the size of which exceeds the current program.

The estimated cost of the investments in the Water and Drainage sector during the financial years 2009-2010 et 2010-2011 is around 36 million \$US.

5. THE COMMITMENTS OF THE GOVERNMENT OF HAITI

From the first preparatory works for the conference, it clearly appears that the partners of the international community expected decisions of the Government on the subjects under discussion for some time.



We mentioned above of the series of measures and reforms which the Government put in place since 2006. Much remains to be done in several domains and the Government is disposed to act when the favorable conditions are assembled. The same goes for providing the responses to the questions about the specific programs of the State.

In addition, there must be reciprocity to the extent that the gains for the population in terms of quantity and quality of services permit justification of the sacrifices and additional efforts. So that the expected measures are politically and socially acceptable, they must correspond with a consequent contribution of resources.

In this perspective, the Haitian Government is disposed to act on:

- The augmentation of its own receipts, among others, by the tax on communications
- The public diffusion of the report on the execution of the Emergency Program
- The financing of road maintenance Funds in proportion with the granted investments
- The rate setting Grid of electricity in respect to the costs of production
- The facilitation of investments

5.1 THE AUGMENTATION OF THE RECEIPTS OF THE STATE

The augmentation of the receipts of the State figured in the list of the large worksites proposed in 2006 to the international community. Substantial progress has been made, permitting the clearing of a margin of maneuver for the Program of Public Investments on the order of 6 billion Gourdes in 2007-2008. This rhythm could not be maintained because of the effects of the financial crisis and of the losses linked to the disasters.

To supplement this lack to be made up, the Executive introduced in the first version of the Law of Finances a tax on communications which was to bring in more than 3 billion gourdes. The reaction was stronger than foreseen and the tax had to be withdrawn in favor of the adoption of the budget by the two Chambers of the Parliament. The Government wants to come back to with this tax during the coming months and is confident of being able to have it adopted. The anticipated revenues for the current financial year will be less than foreseen because the tax cannot be retroactive.

The Government wants to take all the means necessary to explain the foundation of this tax and the fact that it will have no impact of the costs paid by the users. It is confident of doing so and of convincing the Parliamentarians to support this measure which would make resources available to assure the essential services to the population. The final decision is however up to those elected to handle it.

These measures are added to the initiatives foreseen in the various projects and programs to improve the reception of taxes and customs duties, all while facilitating commercial exchanges.

5.2 THE EXECUTION OF THE EMERGENCY PROGRAM (PETRO CARIBE)

At the request of the partners of the international community who seemed not to know of its existence, the Government will diffuse the report of execution of the Emergency Program which was deposited at the Parliament on 14 January 2009, in conformity with the prescripts of the Law on the Emergency adopted in Autumn 2008. It will also make available all the other reports of execution of that program when they are deposited at the Parliament.



5.3 THE ROAD UPKEEP FUND

The road maintenance is a recurring problem which occurs as the constructed roads, not being maintained, must be reconstructed ten, fifteen or twenty years later. The Government has acted in this domain. The law creating the Road Upkeep Fund was voted and the Fund is provided for, although insufficiently from a fuel tax.

This domain of activities is also identified as a potential for creation of jobs and for being taken charge of by the territorial communities in the mid-term. The roads which are under construction can profit from these maintenance resources. In addition, immediate actions can be put in place for the upkeep of the existing routes which definitely require maintenance.

The problem thus seems to be posed more in terms of programming of the maintenance works and of adequate financing of the first program of this sort.

The Government commits, with the help of the international partners to treat the problem both from the side of the definition of the program and of the adequate financing of the works.

The substantial reinforcement of the National Equipment Center during the last year leads to the necessity of detailing, if not or redefining the ties between this organism and the Ministry of Public Works, of Transport and Communication. The responsible Minister has already indicated that he intends to better define the institutional relations between the two entities, by taking recourse to regulatory or legislative measures according to the case.

5.4 THE ELECTRICITY RATE SETTING GRID

The electricity rate setting grid is another domain where the State must intervene. The debate is ongoing for several years, but it could not come to a conclusion because the service was not reliable and the capacity of production did not respond to the demand in this domain, particularly for the large consumers of energy which are the manufacturing and hotel companies.

The augmentation of the production capacity partly resolved this problem. It remains to make sure that the transport and distribution network is adequate. That is one of the components of the proposed rescue program. The commercialization must also be reviewed to put the accent on the clients which are the large consumers and make sure to create client loyalty to use this energy.

The Government is disposed to review the rate setting Grid to adopt differentiated rates which take account of the reliability and of the quality of the service offered.

5.5 THE FACILITATION OF THE INVESTMENTS

The facilitation of the investments includes actions at the level of the infrastructures which are identified in the economy rescue Program. We must do more, principally in defining a strategy of development of the private sector, principally in the textile domain, and by adapting political and regulatory framework to the requirement of the world markets.

In this domain, the Government commits to taking the measures necessary for facilitating the customs procedures, to reviewing the legislation in matters of employment to authorize multiple work shifts and to make available the public services necessary for the good functioning of the industrial parks.

In addition, the Government must accelerate the measures to profit from the advantages of the Hope II law. It also considers the finalization of the negotiations to adhere to the Economic Partnership Accords (APE) with the European Union.



6. THE FINANCING OF THE PROGRAM OF REINFORCEMENT OF THE HAITIAN ECONOMY

The financing of the economy rescue program rests on two sources of funds. The first, and that which is privileged by the Government, consists in a direct budgetary support. This form of aid now has a Partnership Framework on the budgetary support to which the technical and financial partners who use this aid mechanism adhere.

The second source consists in the taking in charge, by one or more backers, from new funds or by reallocation of existing funds, of one or the other of the components of the program. In this case, the funds do not transit through the national budget, but figure in the Program of Public Investments of the Government and the projects are executed in close coordination with the governmental program.

7. CONCLUSION

The high-level Washington meeting on the Economic and Social Development of Haiti stands out from the preceding ones by the establishment of a veritable political dialogue on the accompaniment of Haiti by the international community to emerge from the spiral of poverty and to realize its full potential to the benefit of all Haitians.

This Conference aims to develop a common understanding of the problems which confront Haiti and to agree on solutions to be put in place. It represents a first stage for the adoption of a Program of Reinforcement of the Haitian Economy in order to emerge from the trouble caused by the natural disasters and by the worldwide economic crisis.

The Conference must be the place of an additional significant commitment on the part of the international partners. Haiti is at the crossroads. Without substantial support in the short term to rectify the public finances and to give to the Government the means of its policy, it is all the gains of development dearly acquired over the last years which are at stake.

We must make a rendezvous in one year to make clear the lessons of the execution of this program and to then adopt a veritable strategy for growth, and doing that for the reduction of poverty.

