

Economic Dimensions of Development for Haiti: Lessons Learnt and Policy Options

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Some Facts

- 40 most fragile states (2006):
 - 1.1 billion people
 - 29 low-income, 11 lower middle-income countries
 - 24 in sub-Saharan Africa; 27 in Africa
 - 13 landlocked
- 23 of the 40 most fragile states in 1980 still show up on the list of the 40 most fragile states in 2006 – using the Country Indicators for Foreign Policy (CIFP) fragile states index

Some Facts

Growth vs. Development in Fragile States

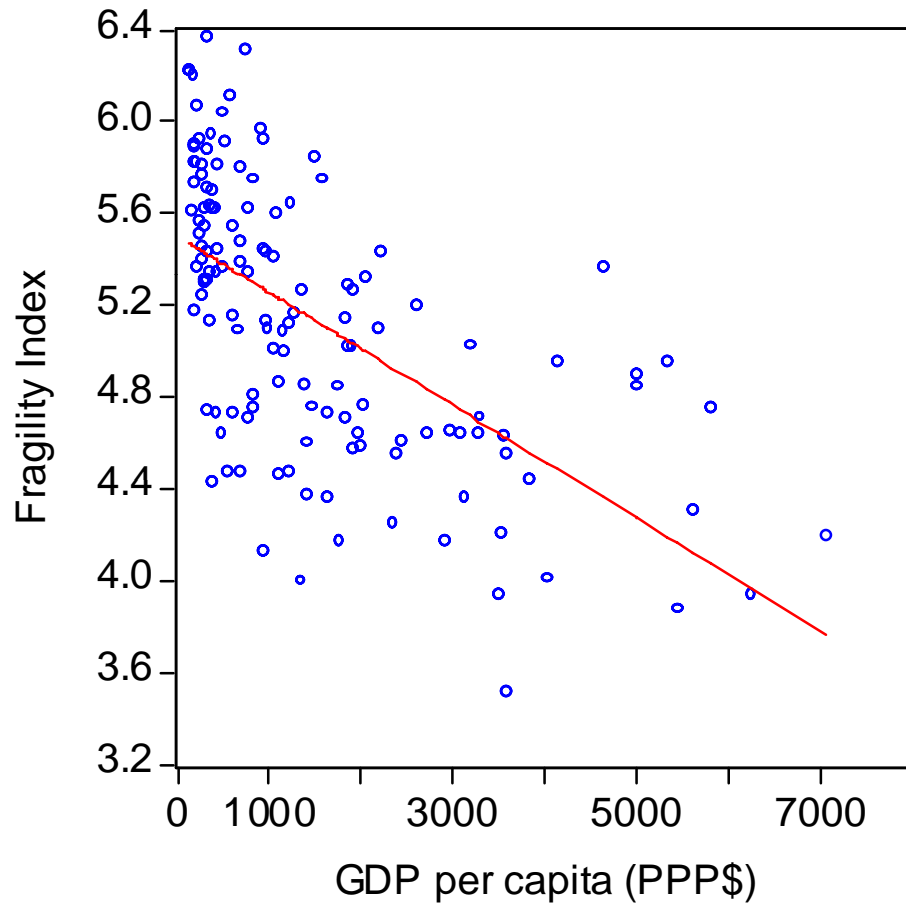
	Top 40	Top 20	LIC	MIC	HIC
2006					
Growth rate	2.55	2.78	4.14	4.91	3.80
Infant Mortality	85.95	91.40	74.68	28.24	6.15
Life Expectancy	55	54	57	69	78
1980-2006					
Growth rate	1.34	1.66	1.15	1.92	2.09
Infant Mortality	100.35	107.2	91.14	38.63	9.9
Life Expectancy	51	50	54	67	75

Source: Authors' calculations based on data from WDI database and CIFP

Some Facts

- The most significant determinant of fragility is the level of development; robust to a barrage of tests (specification, sample size, time period etc.)
- Other factors such as regime type (nonlinear) and trade openness also matter
- Fragility is multi-faceted; need to pay attention to core characteristics of stateness, namely authority, legitimacy and capacity

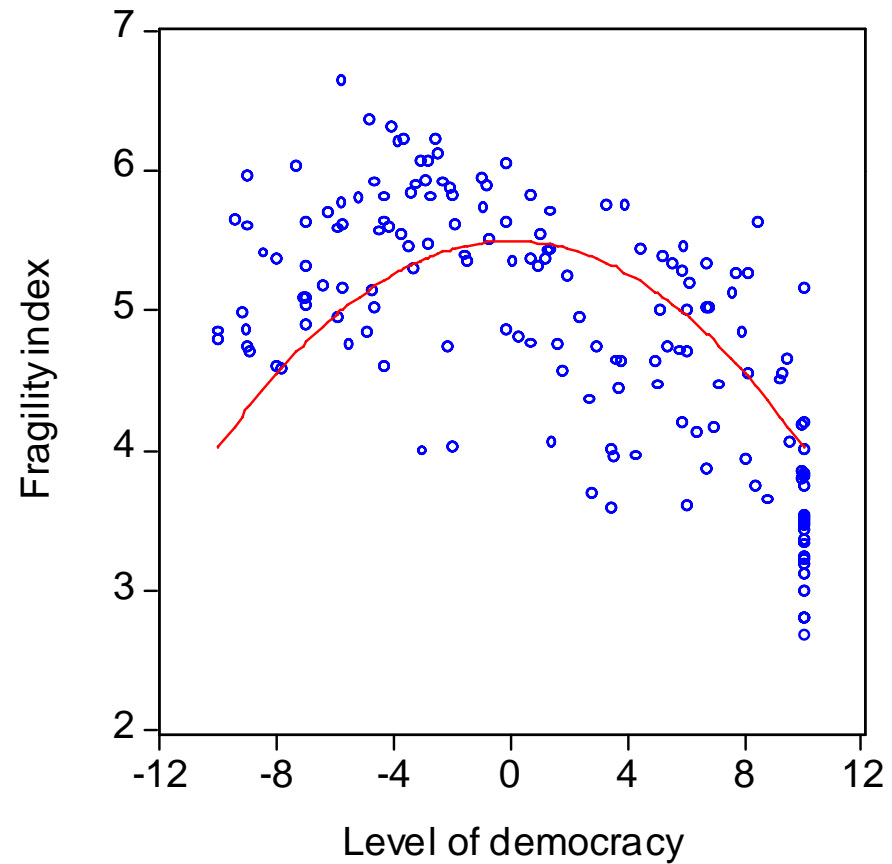
Some Facts



**GDP per capita vs.
Fragility, 1980-2006
(HIC excluded)**

Some Facts

**Democracy and
Fragility:
1980-2006**

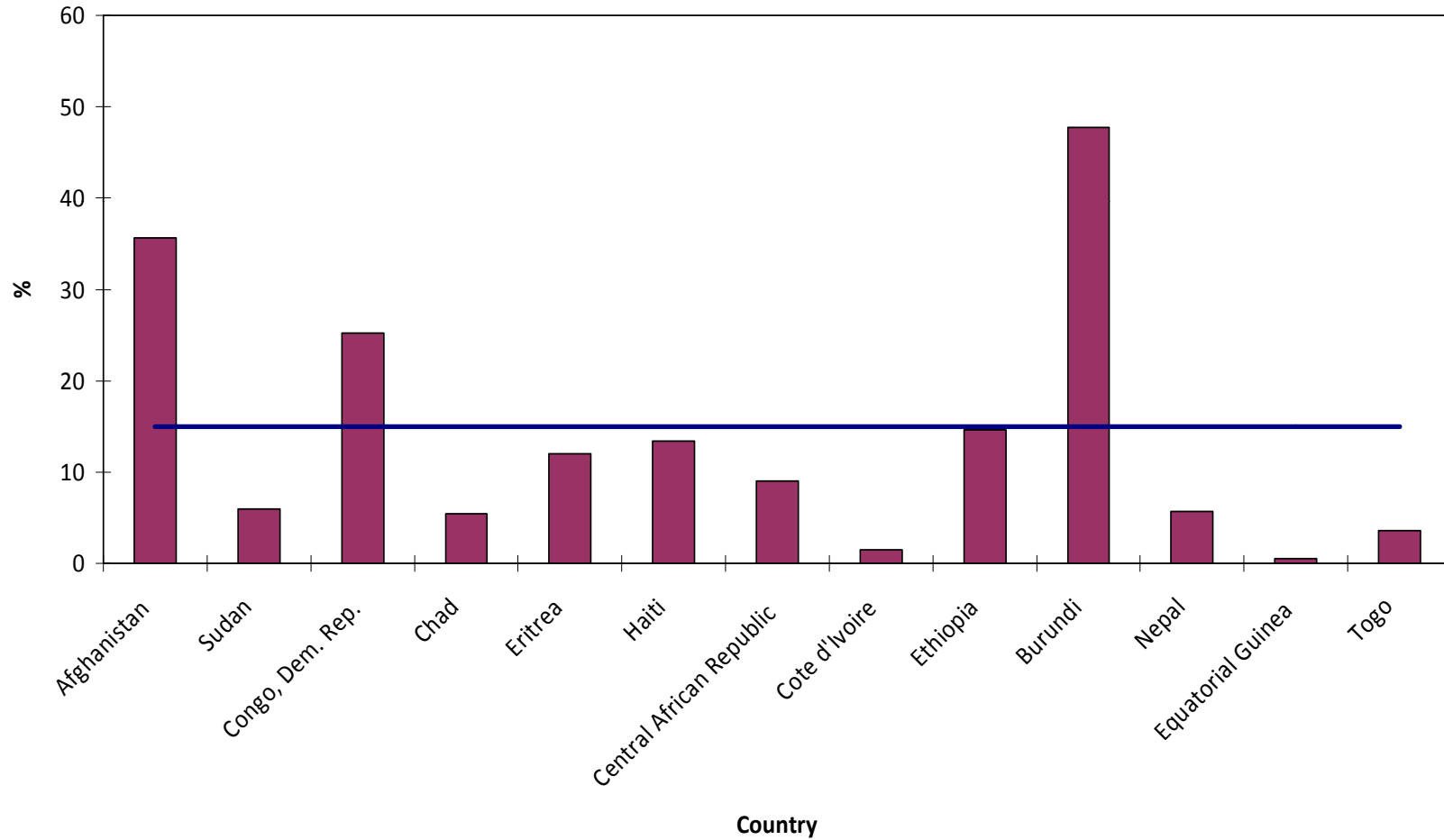


Some Facts

- As a group, fragile states tend to be under-aided
- But, there are aid darlings and aid orphans
- Absorptive capacity and diminishing returns to aid are real possibilities
- Aid to fragile states tends to be extremely volatile

Some Facts

Aid (% of GNI) to the Most Fragile States (2006)



Some Facts

- The effectiveness of aid declines with fragility and there is evidence of diminishing returns to aid
- For all aid recipients, aid works even though fragility has a dampening effect on its effectiveness
 - this effect is especially important in low and lower middle-income countries

What About Haiti?

- Haiti has been consistently ranked among the top 10 on the CIFP fragile states index
 - Top 10 from 1983-1994; Top 20 for most of 1995-2003; Top 10 from 2004-2007
- Fragility score deteriorated by 20% from 1980-2007
 - Authority structures, followed by legitimacy, have worsened so much that they are now largely responsible for the country's fragility
 - Capacity scores are extremely poor and least susceptible to fluctuations

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Haiti

FRAGILITY IN BRIEF

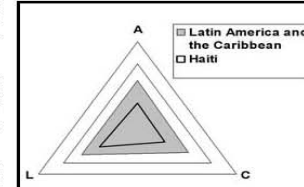
Haiti is strengthening, but still fragile

Haiti is the most fragile state in the western hemisphere. Though there are some promising signs after a very difficult period of transition, Haiti nonetheless has not yet achieved a sustainable degree of stability and capacity, and continues to display weakness across all clusters. Challenges are political, environmental, social, and economic in nature, but security remains the overarching concern. Overall, Haiti ranked 13th out of 193 countries on the 2007 CIPF Fragility Index. Successful democratic elections in 2006, combined with subsequent attempts to reassert government authority in areas dominated by urban gangs and militias, provide hope for that Haiti is moving towards enhanced political stability and a secure environment; however, the rule of law is not yet enshrined and political institutions remain weak. Corruption plagues the government; Haiti was declared the most corrupt country of 163 countries in the 2006 Corruption Perceptions Index.

Haiti is weak in **Authority**, ranking 14th out of 193 countries. Violent gangs carry out kidnappings and terrorize civilians, particularly in urban areas, and the Haitian National Police do not yet possess adequate training and resources to respond in a comprehensive manner. The presence of the UN Stabilization Mission in Haiti (MINUSTAH), operating since 2004, serves as an essential support to government, though some Haitians have turned to violence in an expression of their resentment of what they consider an occupying force. Allegations of human rights abuses that have been levied against UN troops and personnel further complicate MINUSTAH's relations with most Haitians.

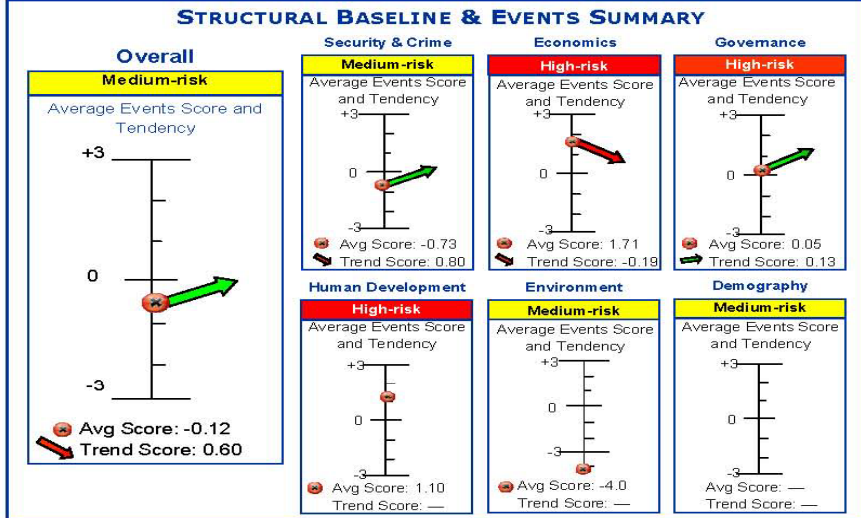
Haiti is also weak in **Capacity**, ranking 28th out of 193 countries, as the state lacks the necessary resources and institutional capacity to meet the needs of the people. The majority of the population in Haiti lives in poverty, poor human development, high unemployment rates and the highest HIV/AIDS rates outside Africa.

Though still fragile, Haiti is stronger in terms of **Legitimacy** than in **Authority** and **Capacity**. The current government is generally accepted both domestically and internationally, and organizations that refused to recognize the interim government in 2004, have welcomed the elected government of René Prével.



Haiti Authority (A), Legitimacy (L), and Capacity (C) Triangle

MILLENNIUM DEVELOPMENT GOALS (MDGs): LIKELIHOOD OF ATTAINMENT (UNICEF, 2007)						
Extreme Poverty and Hunger	Education	Gender Equality	Child Mortality	Maternal Mortality	HIV/AIDS & Malaria	Environmental Sustainability
Low	Low	Low	Low	Low	Medium	Medium



STRUCTURAL DATA (SOURCE AND SCALE OF RAW DATA IN PARENTHESES)	Cluster avg.	Fragility index score	Fragility index rank	Raw Data -- Five year avg	Last Year of Data	Trend Score
1. Governance	7.12					
Freedom of the Press (FH, index, 0-100)		7.4	33	72.8	2006	pos
Gov't Effectiveness (WB Governance Matters, index, Deviation from mean)		8.8	6	-1.6	2005	*
Level of Corruption (TI, index, 0-10)		8.8	5	1.8	2006	s.q.
Level of Democracy (Polity IV, index, (-10 - 10))		6.7	48	-1.2	2003	neg
Level of participation in international political organizations (CIFP)		4.1	107	5.7	2005	*
Percentage of Female Parliamentarians, index, (WB WDI)		8.1	19	3.9	2005	*
Permanence of Regime Type (Polity IV, years since regime change)		8.4	15	1.2	2004	neg
Refugees hosted (UNHCR, total)		1.0	153	0.0	2005	*
Restrictions on Civil Liberties (FH, index, 1-7)		7.9	11	6.0	2005	s.q.
Restrictions on Political Rights (FH, index, 1-7)		7.4	18	6.4	2005	neg
Rule of Law (WB GM, Deviation from mean)		8.9	4	-1.7	2005	*
Voice and Accountability in Decision-making (WB GM, Dev. from mean)		8.0	23	-1.3	2005	*
2. Economics	6.55					
Economic growth — Percentage of GDP (WB WDI)		6.2	4	-0.4	2005	s.q.
Economic Size — Relative (WB WDI, GDP per capita, constant 2000 US\$)		7.3	40	440.5	2005	neg
Economic Size — Total (WB WD, GDP, constant 2000 US\$)		6.4	58	3.65E+09	2005	neg
External Debt — percentage of GNI (WB WDI)		2.4	109	28.5	2004	*
FDI — percentage of GDP (WB WDI)		1.8	156	0.2	2004	s.q.
Foreign Aid — percent of Central Government Expenditures (WB WDI)		..	..	..	..	..
Foreign Aid — Total per capita (WB WDI)		4.6	94	23.9	2004	s.q.
Inequality — GINI Coefficient (WB WDI)		8.8	4	59.2	2003	*
Inflation (WB WDI)		8.5	7	20.4	2005	neg
Informal Economy — Black Market (Heritage Fund, Index, 1-5)		7.2	20	4.6	2006	pos
Informal Economy — Ratio of PPP to GDP (WB WDI)		6.7	47	3.8	2005	s.q.
Infrastructure — Reliability of Electricity Supply (WB, % output lost)		8.9	1	50.0	2003	neg
Infrastructure — Telephone mainlines per 1000 inhabitants (WB)		7.4	38	13.7	2004	s.q.
Infrastructure — Internet Usage per 1000 inhabitants (WB)		6.7	51	18.7	2004	s.q.
Investment Climate — Contract Regulation (Heritage Foundation, Index, 1-5)		8.3	2	5.0	2006	s.q.
Level of participation in international economic organizations (CIFP)		4.8	100	5.0	2005	*
Paying Taxes (WB Doing Business, global rank)		4.7	91	83.5	2006	*
Regulatory Quality (WB GM, deviation from mean)		7.9	29	-1.1	2005	*
Remittances Received — percentage of GDP (WB)		8.6	8	0.2	2004	neg
Reserve Holdings — Total (WB)		8.1	22	1.07E+08	2005	neg
Trade Balance — percentage of GDP (WB)		4.5	90	-1.6	2003	s.q.
Trade Openness — percentage of GDP (WB)		7.5	29	47.6	2003	s.q.
Unemployment — Total (WB)		..	..	..	..	..
Percentage of Women in the Labour Force (WB)		5.0	92	41.6	2005	s.q.
3. Security & Crime	6.46					
Conflict intensity (Uppasala PRIO, number of conflict-related deaths)		2.8	24	75.0	2005	*
Dependence on External Military Support (FFP, Index, 1-10)		8.4	2	10.0	2006	*
Human Rights — Empowerment (CIRI, Index, 0-10)		5.1	92	7.2	2004	neg
Human Rights — Physical Integrity (CIRI, Index, 0-8)		7.4	46	3.2	2004	neg
Military Expenditure — percentage of GDP (WDI)		..	..	..	..	..
Political Stability (WB GM, deviation from mean)		8.2	18	-1.5	2005	*
Refugees Produced (WB, total)		6.1	52	7856.5	2004	s.q.
Risk of ethnic Rebellion (CIFP, based on MaR dataset)		..	..	..	..	..
Terrorism -- Number of fatalities (US NCTC, number of fatalities)		6.9	35	1.5	2005	*
Terrorism -- Number of Incidents (US NCTC, number of incidents)		6.8	45	5.0	2005	*

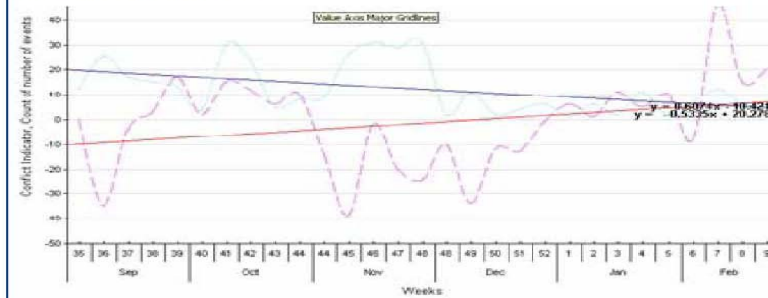
STRUCTURAL DATA (CONT'D)

4. Human Development	7.17				
Access to Improved Water (WB, percent of the population)	8.1	20	54.0	2004	*
Access to Sanitation (WB, percent of the population)	8.3	16	30.0	2004	*
Education — Primary Completion — female (WB, percent)	..	..	..	..	..
Education — Primary Completion — total (WB, percent)	..	..	..	..	..
Education — Primary Enrolment — total (WB, percent)	..	..	..	..	..
Education — Primary Enrolment — Ratio Female to Male (WB)	..	..	..	..	..
Food Security — Aid as percentage of total consumption (FAO STAT)	8.5	10	7.6	2001	*
Gender Empowerment Measure (UNDP, index, 0-1)	..	..	..	..	..
Gender-related Development Index (UNDP, index, 0-1)	7.7	26	0.5	2002	s.q.
Health Infrastructure — Expenditures as a percentage of GDP (WB)	3.4	136	7.1	2003	pos
HIV/AIDS — New AIDS Cases Reported (UN, total)	..	..	..	..	..
HIV/AIDS — Percent of Adult Females Infected (WB)	5.4	49	53.1	2005	*
HIV/AIDS — Percent of Adult population infected (WB)	8.0	18	3.8	2005	*
Human Development Index (UNDP, index 0-1)	7.9	25	0.5	2004	s.q.
Infant Mortality (WB, per 1000 live births)	7.3	39	77.5	2004	*
Literacy (WB, percent of population age 15 and above)	..	..	..	..	..
Literacy — female (WB, percent of female population age 15 and above)	..	..	..	..	..
5. Demography	6.31				
Life Expectancy — Female (WB)	7.7	31	52.4	2004	*
Life Expectancy — Total (WB)	7.7	31	51.5	2004	*
Migration — Estimated Net Rate (UN)	7.4	37	-2.5	2005	*
Population Density (WB, population per square km)	8.1	22	300.8	2005	neg
Population Diversity — Ethnic (CIFP)	2.1	128	0.1	2005	*
Population Diversity — Religious (CIFP)	4.6	87	0.3	2005	*
Population Growth (WB, annual percent)	5.2	91	1.4	2005	s.q.
Slum Population — proportion of population (WDI, UN)	7.5	20	0.3	2001	*
Urban Growth Rate — Annual percent (WB)	6.6	57	3.2	2005	s.q.
Youth Bulge — Percent aged 0-14 of total population (WB)	6.2	63	38.6	2005	pos
6. Environment	4.91				
Arable/fertile land availability (WB, hectares per person)	6.6	51	0.1	2002	s.q.
Consumption — Commercial energy consumption per capita (UN, kg of oil equivalent)	2.0	160	62.5	2003	s.q.
Consumption — Use of solid fuels (UN, percent of population using)	7.9	1	95.0	2003	*
Disaster Risk Index, (UNDP, average number of deaths per million)	7.9	24	13.7	2001	*
Ecological Footprint — Global hectares per capita (WWF, Global Footprint Network)	1.2	146	0.6	2003	*
Water — Annual withdrawal (FAO STAT, percent of total renewable)	5.5	68	7.1	2002	*
Water — Available renewable per capita (FAO STAT, m ³ /inhabitants/year)	7.1	42	1673.6	2006	*
Forest — Annual percent change in area (FAO)	6.7	42	-0.7	2005	*
Pollution — CO ₂ emissions per capita (WB, metric tons per capita)	2.1	155	0.2	2002	s.q.
Pollution — CO ₂ emissions per dollar PPP (WB, kg per 2000 US\$ PPP)	1.8	147	0.1	2002	neg
TOTAL	6.45				

For trend scores, (s.q.) indicates continuation of status quo, (pos) indicates a positive trend toward stability, and (neg) indicates a negative trend toward fragility. (*) indicates insufficient data for calculation of trend and volatility scores.

EVENTS MONITORING CHARTS

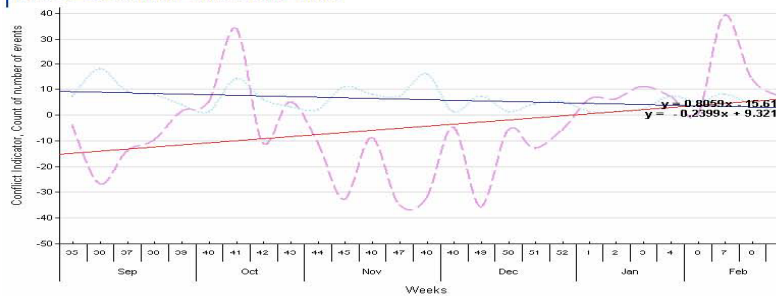
TABLE 1: OVERALL EVENTS CHART



READING THE EVENTS CHART

Red line (solid): Trend line for events, downward slope left to right is negative
Blue line (solid): Trend line for number of events
Blue line (dotted): This indicates the sum total scores of events (positive or negative), as coded in the event monitoring process; the red trend line is derived from these values.
Blue line (dotted): The total number of events, the blue trend line is derived from these values
A more detailed description of the methodology is provided as an annex to this report

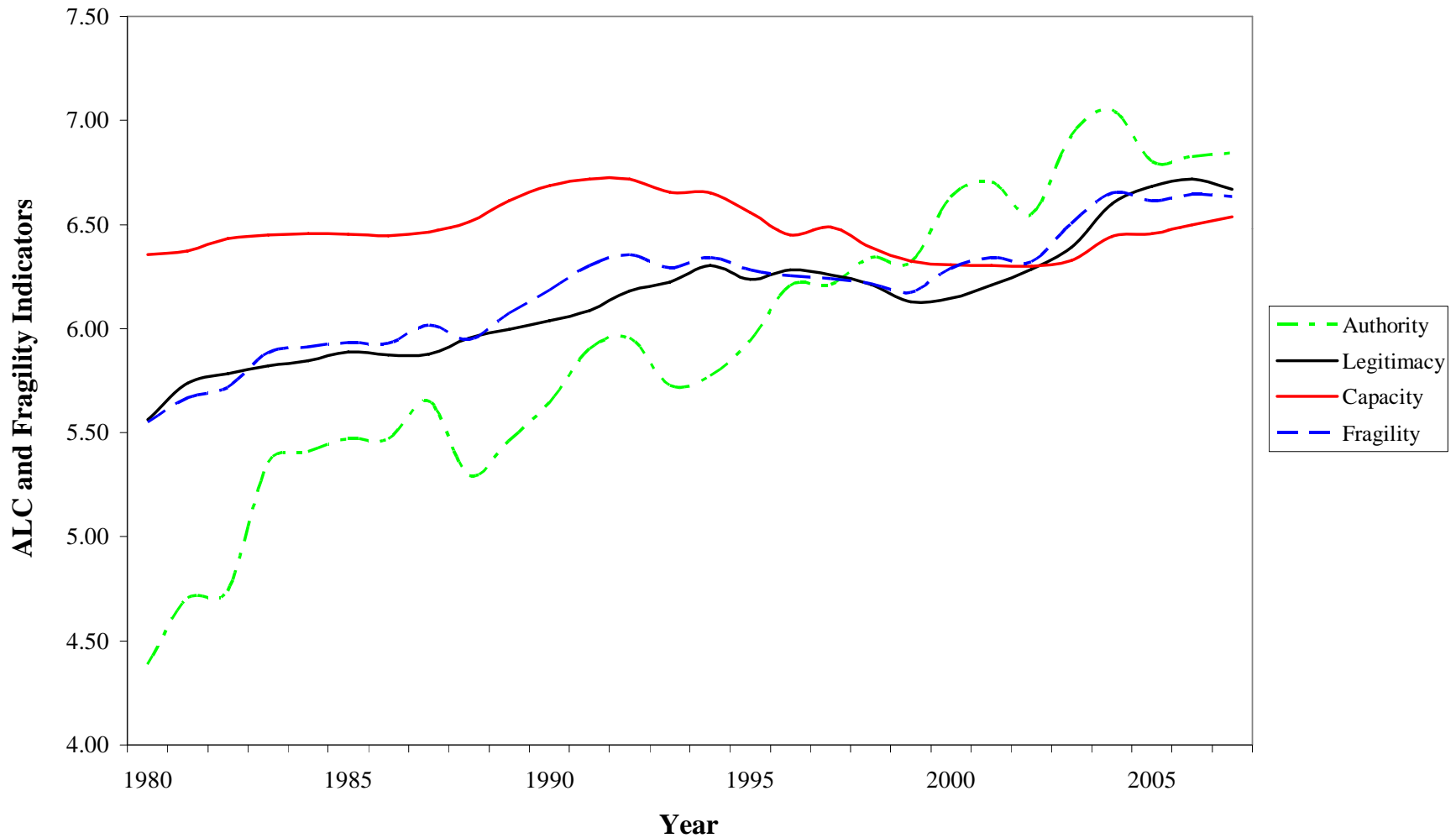
TABLE 2: SECURITY AND CRIME EVENTS CHART



READING THE EVENTS CHART

Red line (solid): Trend line for events, downward slope left to right is negative
Blue line (solid): Trend line for number of events
Blue line (dotted): This indicates the sum total scores of events (positive or negative), as coded in the event monitoring process; the red trend line is derived from these values.
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Authority, Legitimacy and Capacity (ALC), and Fragility, Haiti, 1980-2007



What About Haiti?

- Massive amounts of aid applied over a short period of time simply cannot be effectively and properly absorbed
- With aid flows of US\$2-3 billion per year, aid/GDP ratios for 2010 and 2011 will be 27-40% and 25-38%, well into the territory of diminishing returns
- Need more “effective” aid, not just more aid

What About Haiti?

- Need a strategy that clearly lays out the sequencing of and support for building political authority, legitimate governance and sound economic capacity over time
- Sequencing: 1) increased capacity (development and basic services provision) 2) security through proxy to reestablish effective authority 3) democracy (legitimacy)

What About Haiti

- Need careful and precise diagnosis using monitoring, threat and risk assessment tools
- Need effective, relevant and costed deployment of resources
- Consider multiple lenses: not just development, but also security and regional aspects
- Need to think more broadly: not just aid but remittance flows and market access

Haiti: the Way Forward

- Impact assessment, monitoring and evaluation: ALL crucial.
- CIFP can contribute by providing the tools, methods and knowledge to help rebuild Haiti

THANK YOU

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