DEMOCRACY UNDERMINED, ECONOMIC JUSTICE DENIED:

STRUCTURAL ADJUSTMENT AND THE AID JUGGERNAUT IN HAITI

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The Development Group for Alternative Policies (The Development GAP) is a not-for-profit international development policy and resource organization. It brings grassroots Third World perspectives, information and experience to bear on bilateral and multilateral economic policymaking and program development.

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PREFACE

During the 1996 U.S. Presidential campaign, the Clinton Administration listed its Haiti policy as one of its foreign-policy successes. In political terms, this claim has merit, as the Clinton team helped end three years of horrific violence, deposed the military junta, and helped bring a democratically elected government back to power. The policy took too long to come to fruition, and it was marred by some foolish and cynical blunders, but, by the fall of 1994, Jean-Bertrand Aristide, the choice of the vast majority of the Haitian people, was returned to office.

U.S. intervention came, however, at a very high price, a price so steep that it will continue to be paid by Haitians for decades to come. Though mindful of the misery caused by a long history of elite rule in Haiti, the Clinton team, along with the international financial institutions, have insisted on control over the Haitian economy through a structural adjustment program that gives priority to the interests of foreign investors over those of the Haitian poor. With the Preval government today unable to respond to the latter's expressed needs, popular frustration and cynicism are palpable and the deepening polarization of Haitian society increasingly evident.

The Development GAP began working in the Caribbean in the early 1980s, giving a voice to the region's active civil society in deliberations on U.S. and World Bank economic policy. Starting in 1991, we focused our energies on Haiti, consulting with Haitian NGOs and the first Aristide government on the question of planned donor imposition of a structural adjustment program. When the government returned to power 18 months later, we pressed the newly elected Clinton Administration to follow the lead of Haitian citizens' groups in deliberations on political and economic policy in their country.

We were subsequently called upon by both the World Bank and the State Department for advice regarding popular participation in the fashioning of Haiti's development plan. When the donors chose to impose their own economic-recovery and adjustment program, we worked closely with our Haitian and U.S. colleagues to challenge them publicly in the media and the U.S. Congress. In these efforts and in our overall endeavor to help the Haitian people obtain a just political and economic resolution of the ongoing crisis, we are proud to have collaborated with the other co-founders and members of the U.S. NGO network, Voices for Haiti, and with long-standing and new citizens' coalitions in Haiti.

The Development GAP therefore does not approach the following story about the imposition of adjustment and the failure of development aid in Haiti as a disinterested party. As we challenge our own government and the international financial institutions to let economic justice finally prevail in Haiti -- and in scores of other countries across the South -- we are continually cognizant of our responsibility as Northerners to open as much space as possible for our Southern colleagues in their courageous fight for meaningful change in their own societies.

Doug Hellinger

Executive Director

I. OVERVIEW

On 7 February 1996, ten years to the day after the dictator Jean-Claude Duvalier was "uprooted" by popular protest and flown out of Haiti by the U.S. government, Rene Preval was inaugurated as that nation's second democratically elected President. Like his friend and predecessor, Jean-Bertrand Aristide, Preval faced enormous problems and pressures, particularly on the economic front. Strong tensions over the economic policies and programs being proposed by the U.S. government and the international financial institutions (IFIs) had arisen during Aristide's last year in office, with many of the harshest critics of the donor-supported economic plan coming from Aristide's -- and Preval's -- own constituency. In a time of great social and political change, President Preval was faced with the prospect of negotiating an economic program with the popular sector (his political base), Haitian economic elites (many of whom were loath to see changes in the economic structures that had made them so rich), the obsessively pro-business American government, and inflexible financial institutions.

The prevailing voice in this maelstrom over economic policies, however, came not from Port-au-Prince but from Washington and the four agencies -- the World Bank, the International Monetary Fund (IMF), the Inter-American Development Bank (IDB) and the United States Agency for International Development (USAID) -- that are scheduled to provide the bulk of the US$2 billion in donor commitments to Haiti for the period 1994-1999. Their influence stems in part from the fact that together they are the primary source of the capital needed not only to fund current and future government programs but also to reconstruct systems and infrastructure destroyed in the three years of military rule from 1991-1994.[(1)] Perhaps more importantly, however, the IFIs, and the IMF in particular, are gatekeepers for other multilateral and bilateral funding, as well as for commercial credit and investment, and hence carry influence far beyond the resources they actually disburse to Haiti.

Unmoved by clear expressions of widespread opposition to their plan, the main organizing principle for the expenditure of the donor funds and loans currently committed to Haiti has remained the need to establish a "sound economic policy framework" that addresses "macroeconomic imbalances and builds private sector confidence." These donor priorities were first outlined in the draft Emergency Economic Recovery Program (EERP) that was written in 1993 and recently finalized in signed agreements with the IMF and other donors. These agreements commit Haiti to a strict structural adjustment program (SAP) that narrows the role of the state and controls government spending, privatizes state-owned enterprises (SOEs), maintains low wages, eliminates import tariffs and quantitative restrictions, and provides incentives for export industries.

Unfortunately, there is a vast difference between what the donors will fund and what the people of Haiti say they need. For example, the SAP does not direct productive resources, such as farm inputs, technical assistance and credit, to the 70 percent of the population that makes its living in agriculture. Instead, the donor plan for Haiti targets scarce resources at those activities, such as infrastructure repair and financial and marketing-support services, that they believe will encourage foreign investment and the production and marketing of export-oriented goods. In addition, donors have constructed a policy environment designed to control labor costs, increase assembly-industry production, and ensure profits to investors.

As for addressing the needs of the poor, donors remain loyal to the widely discredited notion that they will benefit from the jobs and market opportunities that will trickle down from macroeconomic balance achieved in an economy that has attained export-oriented growth. The evidence from over 80 countries around the world, however, belies this notion, showing instead that SAPs increase inequality, exacerbate poverty, and generally fail to increase job opportunities for the poor, while wiping out small businesses and farms.

The refusal of the IFIs (and, by extension, various ministries and offices within the Haitian government) to seriously address this gap in priorities has significantly contributed to the failure of both the international community and the Haitian government to stop, much less reverse, the steady economic deterioration in the lives of the poor majority. With no one listening to them in the halls of government and the IFIs, the Haitian people are increasingly forced to express their opposition on the streets through strikes, demonstrations and civil disobedience. In the past several months alone, there have been strikes by nurses, municipal employees and teachers protesting plans to fire 7,500 government employees, and unions have taken strong and clear positions against privatization and the economic program, in general. Meanwhile, peasants have blockaded major roads around the country. Recently, 38 women's, human rights, and popular groups and socio-professional organizations rejected the economic program, which they said opened the gates to human rights violations.

Hence, the adjustment program, and its imposition from outside the country, threatens to undermine the fledgling democracy in Haiti. Designed without the input, understanding and consent of the Haitian people and implemented against rising protests from a broad base of civil society, it will nevertheless determine the structure of Haiti's economy and direction of resource flows for many years to come. If the gap between what the Haitian people say they need and what they will get under structural adjustment is not closed, continued political instability will be the result.

At the same time, a more positive outcome could also emerge, for, as donors spend hundreds of millions of dollars supporting discredited and destabilizing "development" programs, peasant organizations, women's groups, workers, students, professional associations and other members of civil society are working to define an alternative development path for Haiti. Intent on improving both the living standards and the economic rights of the poor, this alternative approach calls for major investment in the activities of small producers, as well as for policies that construct a more equitable and efficient economic system designed to address the needs and priorities of Haiti's poorer citizens.

II. THE HAITIAN ECONOMY: DEVELOPMENT IGNORED

For most of its history, the Haitian state, its military and a small elite class have ruthlessly extracted what wealth they could from the country's poor majority.[(2)] The result is massive inequality, with one percent of Haitians controlling 50 percent of the country's wealth and over 75 percent of the population living in severe poverty. The burden of inequality has fallen particularly hard on the agricultural sector, where 70 percent of the population makes its living. This sector has provided the base of Haiti's wealth, yet has received virtually no reinvestment, as evidenced by the fact that more than 80 percent of government revenue has historically been drawn from the peasant farmer, while over 90 percent of government expenditures have been made in the capital city, Port-au-Prince.

Monopoly control over Haiti's markets, exports and production facilities by a small number of Haitian families has enabled them to amass tremendous economic power and wealth. Two families stand out in this regard. The Brandt family, believed to be among the funders of the 1991 military coup, has long been regarded as the richest family in Haiti. It has interests in the edible-oil, poultry and banking industries and historically has been heavily involved in coffee, textiles and autos. The Mevs family, also thought to be supporters of the military coup, owns over 2.5 million square feet of factory and warehouse space that is spread out over three industrial parks and that houses assembly industries producing for U.S. market. In addition, the family has monopoly control over Haiti's sugar imports, and it imports most of the nation's cement through its privately owned port.[(3)]

Ignoring the Small Producer

The peasant farmers that make up 70 percent of Haiti's population earn less than US$225 a year. Typically, they farm less than two acres spread over several plots that are sometimes several hours' walk from one another. The most common agricultural tool is a machete, the primary food crops corn, rice, sorghum and millet. Coffee and mangoes are the main export crops of small farmers. There are some 700,000 small and medium-sized farms.

Peasants have few productive resources available to them. In most cases, their only source of credit funds is local moneylenders, who typically charge 20-100 percent a month. About one million of Haiti's 2.7 million hectares of land have been badly eroded and can no longer support any agricultural uses. Only seven percent of cultivated land is irrigated. Local-level storage facilities, which would enable peasants to store their produce until they could obtain a decent price, are scarce, so farmers are forced to sell their produce to speculators and other middlemen at low prices before it spoils. The lack of local-level storage contributes to staggering crop losses: it is estimated that post-harvest losses of grains measure between 15 and 30 percent.[(4)]

Women make up almost 50 percent of the agricultural workforce, and rural women market the bulk of small-farm agricultural output, traveling to nearby markets to sell their produce and purchase items for resale. Loan funds available to women for working capital, called "kout panya" or "dagger stab", often carry an interest rate of 100 percent.[(5)] The small profits generated by women's marketing activities are nevertheless a key component of a family's survival, providing steady income throughout the year. Recent studies in Haiti show that in the Northwest region 85 percent of a household's cash income is generated by women's "ti komes" or small marketing activities.[(6)]

Never have the Haitian government or the international donors made significant, long-term investments in the productive and marketing capacity of small farmers despite their importance to the local economy and the fact that they make up the majority of the population. The result is that since the 1960s agricultural production has experienced a steady decline, increasing the poverty of peasant farmers over time and adding to the severe environmental degradation of the Haitian countryside.

Over the same period, industrial policy has focused almost exclusively on attracting U.S. investment in assembly industries with Haiti's cheap labor and extensive tax and business incentives. As in agriculture, the main effect of government and donor policy on workers, the large majority of whom are women, has been to extract from them their labor, in this case to the benefit of foreign investors and wealthy Haitian factory owners. Small manufacturers, handicraft producers and informal-sector workers, whose contributions to the economy are significant, have been left to their own devices. It is estimated that the informal sector provides 66 percent of employment in urban areas, and that, prior to the coup, handicrafts accounted for between US$10 to $15 million a year in exports, or about ten percent of total export receipts.

The Misuse of Development Assistance

Foreign assistance over the past several decades, rather than playing a positive role in directing productive resources to small producers, has been consistently elite oriented and urban biased. It has also played an important role in turning Haiti into a low-wage, export-friendly economy that has provided profitable business opportunities for foreign investors. These objectives have been a particularly important characteristic of U.S. development assistance and relations with Haiti since the 1960s, when off-shore assembly first made significant inroads.[(7)]

In the latter part of that decade, Haiti's dictator, Papa Doc Duvalier, projected a vision for the country that rested on increased economic dependence and particularly on a sub-contracting assembly industry heavily tied to the United States.[(8)] Off-shore assembly by U.S. corporations and markets were touted by Duvalier and the U.S. government as constituting "aid" to Haiti.[(9)] In 1971, the Nixon Administration agreed to support the transition of power from Papa to Baby Doc -- in other words, from dictator to dictator -- in return for Jean-Claude's support for a new economic program guided by the United States. Generous incentives were established to attract U.S. private investors, including the elimination of customs taxes, an extremely low minimum wage, the suppression of labor unions, and the right of American companies to repatriate their profits.[(10)] This bargain was struck at a time when bilateral development assistance to Haiti had been cut off due to the terrible human rights record of the Duvalier regime.

The incentives were successful in increasing foreign investment throughout the 1970s. By 1980, there were approximately 200 assembly plants, the majority of which were American owned or affiliated, employing 60,000 people, mostly women. But there were few backward linkages to the Haitian economy. Workers' wages actually decreased and in 1980 were worth less than in 1970. The economy continued to spiral downward. As production in the neglected agricultural sector decreased, Haiti faced declining terms of trade for coffee, bauxite and essential oils (the country's main exports), and the corruption of the Duvalier government consumed more and more resources. Haiti's debt rose from US$53 million in 1973 to US$366 million in 1980, twice the rate of growth of external indebtedness in Latin America as a whole over the same period of time.[(11)] By 1981, foreign-exchange reserves were exhausted, and foreign creditors, including the IMF and World Bank, could not be paid. External loans were needed to bridge the gap and to enable continued repayment of the multilateral debt.

It was during this period that two sets of outside interests -- creating investment and marketing opportunities for U.S. business and ensuring the repayment of World Bank and IMF loans --

converged in Haiti as in the rest of the world to elevate to the level of dogma the donor notion that macroeconomic imbalances were the main barriers to outside investment and that exports would provide the engine for trickle-down economic development. Theoretical support for this political determination was found in neo-liberal economics, which assumes that a free and open market is the most efficient and effective means of attracting investment -- especially foreign investment -- and allocating resources in an economy. Another important element of neo-liberal theory is the centrality of monetary policy -- policies that regulate components of the domestic money supply, such as credit and interest rates -- in macroeconomic policy.

In its May 1982 Economic Memorandum on Haiti, the World Bank proposed an export-led development strategy, under which the Bank and USAID designed a plan to develop the export potential of both agro-industry and the country's assembly industry. Under this plan, marginal hillside lands would be planted with coffee or cacao, and large tracts of flat and potentially more productive land would be re-oriented toward the production of other export crops, i.e., fruits and winter vegetables. Thus, peasant energies would be turned to export-crop production. At the same time, new trade regulations, tax holidays, credit funds, technical assistance projects and infrastructure services were established to support the assembly sector, already aided by the continued suppression of workers. As part of the plan, USAID designed and financed a US$7.7 million Export and Investment Promotion Project to attract overseas investors to Haiti.[(12)]

Donors knew that their plan would increase poverty and the nutritional risk to poor peasants, but chose to gloss over the problem. USAID, while insisting that helping Haitian women, who made up the majority of workers in the assembly sector, was one of the Agency's main goals, noted that "...the conditions under which

[women] work are not generally conducive to realizing their productive capacities nor adequately safeguarding their children's welfare." [(13)] And, against all evidence to the contrary, donors simply stated that export earnings would eventually reach a high enough level to pay for the import of foods.

By 1985, the narrow strategy to increase Haiti's exports and tie its economy to the U.S. market had become quite successful. Haiti was ninth in the world in the assembly of goods for U.S. consumption, the world's largest producer of baseballs, and among the top three in the assembly of such diverse products as stuffed toys, dolls and apparel.[(14)] The assembly sub-sector generated more than half of the country's industrial exports and earned one-quarter of its foreign exchange.

The broader strategy of using exports to fuel development, however, was an unmitigated failure. Real wages fell nine percent between 1980 and 1985,[(15)] Haiti's per capita GDP and per capita agricultural production also declined. Backward linkages to the Haitian economy were practically nil. Goods to be assembled were shipped from the United States, pieced together and shipped out again, and few, if any, Haitian inputs were used in the process. Low wages meant that workers' could not increase their consumption of local products. In addition, much of the tax-free profits made from the assembly sector were repatriated by U.S. investors, not reinvested in Haiti.

II. THE INTRODUCTION OF STRUCTURAL ADJUSTMENT

In 1986, popular protests spawned by the massive corruption and political repression that marked the Duvalier regime, as well as a withdrawal of political support by Haitian business people, led to the fall of the government. The National Governing Council (CNG), the military junta that took over after Duvalier fled the country, was directed to undertake policy reforms outlined in a structural adjustment program that was designed by the IMF and World Bank and that included the financial participation of USAID.[(16)] This 1986 program marked the real beginning of structural adjustment in Haiti, although, as noted above, many of the principles underlying adjustment were reflected in the political and economic relationship Haiti had developed with the international community, especially the U.S. and multilateral donors.

The three-year SAP included both short-term stabilization measures and "basic reforms aimed at combating structural imbalances, such as those of the trade balance, the balance of payments and the labour market, as well as the permanent imbalance of the overall budget of the Haitian public sector."[(17)] The program was carried out in fits and starts from 1987-1990, reflecting the constant change in ruling governments and the fitful aid flows that mirrored the political instability.[(18)] Under the SAP, export-surrender requirements, under which exporters had to give a certain percentage of their dollars to the Central Bank, were reduced. The money supply was tightened by increasing the percentage of deposits that commercial banks were required to leave in reserve at the Central Bank. Interest rates were liberalized by removing ceilings on deposit and lending rates, banking and regulatory structures were reformed to facilitate profit repatriation and business dealings, and some import quotas and tariffs were lowered or eliminated. Backsliding on the implementation of these policies under the rule of General Prosper Avril at the end of the 1980s led donors to pressure the Trouillot Administration, which served as an interim government from March 1990 to the inauguration of President Jean-Bertrand Aristide in February 1991, to enter agreements to implement new controls on spending, increase attempts to collect taxes, and gradually liberalize imports.[(19)]

While U.S. exporters seemed to benefit from these policies, especially the removal of controls on imports (the value of agricultural exports to Haiti from the United States increased from US$44 million in 1986 to US$95 million in 1989),[(20)] the Haitian economy remained depressed. Food production fell, private investment consisted almost exclusively of residential construction, the assembly sector remained stagnant, and the value of agricultural exports dropped due to declines in the international price of coffee. According to the U.S. Department of Commerce, minimum wages declined even further, falling 45 percent in value between 1985 and 1990.[(21)]

Democratic Gains Undermined

The election of a populist government in 1990 brought with it opportunities for addressing the root causes of poverty never before seen in Haiti. Soon after taking office, Jean-Baptiste Aristide's administration made three proposals for economic reform designed to benefit the poor: the imposition of price controls on basic foodstuffs; the raising of the hourly minimum wage to a combined cash and benefit total of US$.75 cents per hour; and the enforced payment of legally required social-security taxes.[(22)] Aristide also made major strides in improving government structures. He trimmed the public payroll by eliminating 2000 government jobs. Strongly against corruption, his government boosted tax collections by retrieving tax revenues that had been diverted, improved enforcement of income-tax collection, reduced customs fraud, and dismantled the Section Chief system,[(23)] which was the military's primary means of control and extortion, especially in rural areas.

It was Aristide's anti-corruption and good governance positions, not his programs in support of the poor, that drew pledges of US$511 million in grants and concessionary loans from bilateral and multilateral agencies at the donors' Consultative Group (CG) meeting in Paris in July 1991. However, despite new realities and opportunities, the donors conditioned development assistance on the adoption by the Aristide government of yet another SAP, the goal of which was to achieve a market-determined exchange rate, reduce the fiscal deficit, reduce public-sector employment, improve the management and finances of public enterprises, strengthen tax and custom administration, and restore the confidence of the private sector.[(24)] As conditions of future financing, the IMF, with World Bank support, specifically required the Government of Haiti (GOH) to lay off public-sector workers, cut fringe benefits of those remaining, remove petroleum subsidies, suspend licensing requirements for sugar and rice imports, reduce import taxes, and move toward eliminating customs tariffs. The IMF/Bank program was strongly supported by bilateral donors.

Price controls on basic foodstuffs were not allowed by bilateral and multilateral agencies under the program. Furthermore, Aristide's attempt to increase the minimum wage was met by a not-so-subtle web of donor opposition. USAID, which, as noted above, had poured millions into the business sector, warned that "...wage systems should not be the forum for welfare and social programs." USAID then went on to fund several studies, carried out by U.S. consulting firms, that concluded that the country's "new wage bill" would "...reduce the overall competitiveness of Haiti."[(25)]

Citizen dismay over the plans adopted at the Paris meeting in 1991 was voiced that August and September by various elements of the democratic movement that had elected President Aristide. Aristide's government was seen to have capitulated, without a fight, to the onerous exigencies of the donors. Resource mobilization was its principal objective, and it failed to attend to the issue of conditionality. It went to the Consultative Group meeting without a plan or a strategy other than gaining access to financial resources, so by default the donors played the primary role in shaping the terms of assistance. In addition, the team members were ill-prepared for multilateral negotiations at the level of the Consultative Group, a daunting process even for those with some political clout and experience with CG meetings.

Back in Haiti, debates within the democratic sector over economic policy and foreign aid followed the decisions taken in Paris. They were soon overtaken by the military coup of September 1991.

Under the Military's Thumb

The three years of military dictatorship between 1991 and 1994 left the weak Haitian economy in shambles. Government services, never very effective, ceased to function soon after the coup. Road and irrigation systems fell into total disrepair and productive inputs were virtually unavailable. Inflation was rampant and massive amounts of public funds were stolen by the illegal government and its associates.

Targeted attacks by coup supporters on Haiti's vibrant grassroots peasant community also undermined the peasant economy, upon which 70 percent of Haiti's population depends for its survival. The theft or destruction of credit-union funds, food-storage facilities, irrigation systems, tree nurseries, tools, machinery and livestock severely decapitalized both individual farms and social-change organizations that peasants had painstakingly built to address the daunting economic and social challenges to their survival. Meanwhile, tens of thousands of peasants went into hiding for various periods of time, and they and others ate seed stocks and sold off land, livestock, tools and other assets just to survive.

Haitian women, in addition to suffering widespread rape and torture at the hands of military thugs, took on additional household burdens to support those in hiding. The unanticipated presence of refugees from the cities (it is estimated that over a third of slum-dwellers left Port-au-Prince following the coup) and the inability of the peasants in hiding to contribute their share of labor and income to the household led to substantial drawdowns of food stocks and such capital reserves as existed. Women carried the main burden of feeding and caring for the internal refugees, a job made all the more difficult by the overall economic collapse of Haiti. The degree of military control over the economy during this time and the international embargo caused severe supply shortages, economic displacement and large price increases that caused additional, severe hardships for the poor throughout Haiti. For example, as a result of the embargo, Haiti suffered a 70-percent decline in the number of assembly-industry enterprises and more than an 80-percent loss in employment. Some 30,000 jobs were lost in the assembly sector alone.

IV. DEALING WITH THE DEVIL: THE COST OF COMING HOME

In 1993, the Clinton Administration attempted to forge an agreement between President Aristide and the Haitian military for Aristide's return to Haiti. The result was the Governor's Island Accords, a deeply flawed agreement, that was signed by the U.S. government, President Aristide and the coup leaders.

Related to this political process was the development of an economic-assistance plan for Haiti. Essentially a structural adjustment program, the Emergency Economic Recovery Program declared that the priority of the IFIs during the first 12 months after Aristide's return would be support for "...actions needed to reestablish a stable macroeconomic environment and an incentive framework for private sector development." At the time, the EERP carried a double conditionality: both political and economic support for the Aristide government was conditioned on the Haitian government's commitment to implement the policies outlined in the EERP, including maintaining low wages, the privatization of state enterprises, and the elimination of tariffs and other controls on imports. The EERP was put on hold in October 1993, however, as, shortly after signing the Governor's Island Accords, the military junta reneged on its agreements and the Accord fell apart.

Submitting to structural adjustment conditionality was again the quid pro quo for U.S. support for Aristide's return to Haiti in 1994. With U.S. government support, the IFIs, even while acknowledging the disastrous effects of peasant decapitalization and Haiti's profound and entrenched poverty -- and despite the historical failure of SAPs and export-led development in Haiti to improve the lives of the majority -- conditioned both political and economic assistance to President Aristide's government on its adoption of a structural adjustment program as designed by the Fund and the Bank. This quid pro quo was no secret. In April 1995, then Prime Minister Smarck Michel explained that his government's economic policies were not defined by the cabinet, but rather by "...two precise documents...that were part of all the negotiations that assured the return of the president."[(26)]

Haiti's particular need for rapid reconstruction and other immediate financial interventions, including large increases in government spending, were allowed within the adjustment program. Following GOH priorities, the World Bank approved a US$50 million loan for a government jobs program and the Inter-American Development Bank changed procurement and local-financing procedures to enable the quick purchase of critical imports, such as vehicles, spare parts and other machinery. Despite these accommodations, however, the essential mission of the EERP remained the same: to open Haiti to the international economy, ensure debt repayment, increase exports, and provide a "good investment climate" for business. Investment in productive resources for the poor was almost nil, and agriculture received only one percent of the total aid disbursed between October 1994 and October 1995. Nowhere are the issues of economic justice or the active participation of citizens in policy formulation addressed.

According to the EERP, the priority of the GOH must be to "...rapidly establish a sound economic policy framework that addresses macroeconomic imbalances and builds private sector confidence in Haiti." Successful GOH actions in this regard were the condition for receiving aid. To achieve this balance, donors insisted that the GOH:

- eliminate the jobs of half of its civil servants;
- privatize nine state-owned enterprises (the flour and cement mills, the ports and airport, banks, the electricity plant and telecommunications);
- maintain a free-market exchange rate;
- grant emergency assistance in the form of loans, guarantee funds and infrastructure services to the export sector;
- create special business courts "...where the judges are more aware of the implications of their decisions for economic efficiency;"
- limit the scope of state activity and regulation;
- diminish the power of the executive branch vis-a-vis the Parliament;
- maintain low wages; and
- increase government expenditures in health and education.

The plan foresaw an "emergency" period of 12-15 months during which some US$550 million in quick-disbursing aid would be needed. It was to be used by the government to: pay US$85 million in debt-servicing arrears owed to the World Bank, the IMF and the IDB; enable the democratic government to pay public-sector salaries and buy desks, computers, pencils and papers (before leaving, the military junta had stolen everything it could get its hands on);

purchase food, fuel, medicines and other goods in extremely short supply due to the embargo; send a signal to the poor that things were turning around now that Aristide was back; and build its organizational capacity to carry out Bank and IMF reforms.

Taking his part in the game, Aristide signaled to donors early on in the negotiations for his eventual return that he would toe the line in part by bringing onto his economic transition team Leslie Delatour, an ex-World Bank employee, one-time Finance Minister and neo-liberal economist from the University of Chicago with a reputation as an effective technocrat. This team prepared a document for presentation to an August 1994 Consultative Group meeting in Paris, where donors were to make initial pledges of support to the Aristide government upon its return.[(27)]

Reflecting both the divergent political tendencies of the Aristide government and the overwhelming influence of the donors, Aristide's advisors attempted through their input into the document both to reassure the latter that the government would undertake the economic reforms they required and to carve out space for citizen consultation and participation in economic decisionmaking. Referring to the need for a transformation of the Haitian state "...as the prerequisite for a sustainable development anchored on social justice and the implementation of an irreversible democratic order", the GOH noted the need to "...strengthen the institutional capabilities of Parliament, other autonomous institutions (such asunions, business associations, peasant associations, women's groups)...to play a constructive and informed role in policy debates, formulation and implementation." The GOH stated that to "...successfully complete the task, the government plans to have recourse to the resources of Civil Society and especially the private sector, grass roots organizations, cooperatives, and non-governmental organizations for ***both the design and the execution of the relevant programs and economic and social policies"*** (emphasis added). The position paper further states, "To insure effective reconciliation, all sectors of Haitian Civil Society (the private sector, micro entrepreneurs, women's groups, peasant associations, cooperatives, professional associations) shall be invited to participate in the policy formulation and implementation process."

By the time of the CG meeting in January 1995, however, these important notions of social and economic justice and citizen participation in policy formulation were largely absent from GOH documents, save for the emphasis on the inclusion of the business sector in policy formulation and using NGOs to implement donor programs. There was reference to the need to "democratize assets", but this term was used to put a positive spin on the anticipated privatization of state-owned enterprises in order to deflect criticism. The only indication that civil society would be involved in any way in decisionmaking was the invitation to one NGO representative to attend the CG meeting as an observer. The representative did attend the meetings, but there was no follow-up.

At the January CG meeting, donors were apparently reassured that the Aristide government would follow their neo-liberal lead, and they pledged an unprecedented US$1.2 billion in support over the next five years. This aid was disbursed within the guidelines of the new EERP, which was updated and revised just weeks after Aristide's return to Haiti in October 1994 by a joint mission of 16 bilateral and multilateral donor and lending agencies.[(28)] The only sector of Haitian civil society consulted in its design was the elite business community. The major players in the mission in terms of control over policy design and actual funding commitments were the IDB, the World Bank, the IMF and USAID (see Table I for amounts disbursed under the EERP in FY1995).

TABLE I.

EERP Funds Disbursed in FY95

(as of 10 October 1995)

SECTOR	**AMOUNT**
Balance of Payments	US$217.9 million
Governance	68.0
Humanitarian Assistance	88.2
Agriculture	5.6
Private Sector Development	0.3
Water/Urban Infrastructure	22.2
Transport	28.6
Energy	8.2
Education	4.9
Health	14.5
Environment	1.4
Other (i.e., Stabex, Title III)	55.7
TOTAL	**US$515.6 million**
Source: Donor Commitment/Disbursement Estimates as of 10 October 1995. *Informal Working Document of the World Bank, based on data submitted by donors.*	

According to the IMF,[29] the GOH substantially implemented the required policy reforms that were intended to increase private-sector investment and kick-start the Haitian economy. Within days of his return, at the direction of the Fund, Aristide removed fuel subsidies,[30] terminated discretionary budgetary accounts, and canceled all public-sector wage contracts signed with the illegal government since May 1994 (in the last days of the coup regime, thousands of workers were added to government payrolls). As a first step towards the privatization of the economy (a requirement of the EERP) the government used US$2 million provided by USAID through the International Finance Corporation (IFC) to research and prepare recommendations for the sale of nine state-owned enterprises (SOEs).

In further compliance with the terms of the EERP, the state electricity company (EdH) reduced its staff and raised tariffs by 21 percent in November 1994. At the same time, the 22-percent interest-rate ceiling on commercial loans was removed, making all bank interest rates market determined. In January 1995, the Aristide government announced a package of special incentives to attract foreign investment to Haiti, which included a reduction in telephone, electricity and customs fees (perhaps the increase in electricity rates levied on the poor would enable this subsidy to the rich) and tax incentives for businesses that returned to Haiti by 1 July 1995.[(31)]

By March 1995, the GOH had approved a US$246.7 million budget and increased allocations to social services. It successfully increased its foreign-exchange reserves by US$40 million to a total of US$120 million, sufficient to cover about three months' worth of imports; international reserves passed US$160 million in early FY1996. As of August, the inflation rate had slowed, and revenue collection was higher than expected (7.5 percent of GDP vs. 6.3 percent), reflecting strong import growth and good progress in rebuilding the tax-collection apparatus.

In April, a new minimum-wage rate of 36 gourdes, equivalent, at the time, to US$1.90 per day, was decreed by the GOH, conforming to donor requirements to maintain low wages and thus institutionalizing a real-wage decrease for Haitian workers. This figure was a compromise between a wage of 75 gds, originally proposed by President Aristide (and met with strong resistance from donors and the Haitian business sector), and one of 29 gds, proposed by the business-dominated Tripartite Commission.[(32)]

In July 1995, as a central part of the administrative reform at the tax-collection agency, a large taxpayer unit was set up to increase the registration of the estimated 50 percent of firms liable for paying tax that were not on the rolls. At the same time, the GOH established an interim procedure to control ministerial accounts, whereby a unit in the Ministry of Finance approved ex-ante spending in these accounts and charged them against budgetary appropriations, a process that would continue until all discretionary ministerial accounts were closed in early 1996. By that time, the GOH is expected to have modern systems of budgeting, expenditure control and accounting.

The Fonds d'Assistance Economiques et Sociales (FAES), Haiti's social investment fund, was made operational and disbursed over US$10 million. Government expenditure increased in the last half of the fiscal year,[(33)] due mainly due to a jobs program that had not been envisaged in the budget and wage increases in the health, education and justice ministries intended to compensate for the massive deterioration in the value of public salaries over the past decade. These budget overruns, however, were covered by a better-than-expected performance by the state telephone company, Teleco.[(34)]

The high level of compliance by the Aristide Administration with IMF and donor demands has broughtalmost no benefit to the Haitian people, while yielding little in the way of private investment, a primary goal of the program pushed by the IFIs. Next to no rise in private investment was registered in 1995. Meanwhile, food prices continue to increase along with food imports, the cost of utilities has gone up, wages have decreased, and still no resources have been targeted to increase the productive capacity of the poor. With the standard of living of most people falling and their economic prospects narrowing, there has been both popular and parliamentary opposition to the adjustment program and the institutions responsible for it. This has been manifested in increased protests on the streets, consistent media coverage of opposition to the SAP, and parliamentary action that stopped the sale of state-owned enterprises in September 1995.

V. DEFINING HAITI'S ECONOMIC FUTURE: THE DONOR PROGRAM FOR 1996-1998

In the summer of 1995, as the end of the 15-month EERP approached, donors moved to consolidate their program and bring about the long-term restructuring needed to ensure that Haiti continued to repay its debts and played its part as a low-wage export platform for U.S. and other foreign investors. New program mechanisms and conditionalities were outlined in an August 1995 draft of the joint IMF/World Bank/GOH Policy Framework Paper (PFP). The PFP, which was put together in preparation for a loan from the Fund's Enhanced Structural Adjustment Facility (ESAF), also serves as the framework for a three-year Structural Adjustment Credit (SAC) from the World Bank and for loans from the IDB. This framework was adopted by the Government of Haiti when it signed a Letter of Intent with the IMF on 18 October 1996.

Once again, the donors' plan, which determines resource flows in Haiti and impacts on virtually every aspect of the lives of the poor majority, was conceived and finalized without the people's knowledge, input or consent. Indeed, in the case of the privatization of nine state-owned enterprises, including the phone and electricity concerns, it is proceeding over their strong objections. Financial and monetary reforms are focused on creating systems that work for wealthy Haitians and foreign investors, not for the poor majority of the country. Trade liberalization is squeezing small agricultural and industrial producers out of the market, weakening rather than strengthening Haiti's economy. And, while the program does include important support for clarifying government budget and expenditure procedures, increasing government financial accountability, improving tax collection from the wealthy, and training GOH personnel, it still does not address the extreme inequality and entrenched poverty of Haiti.

The Reign of the IMF

Least visible among the donors, the IMF nevertheless holds a position of unparalleled power.[(35)] Considered the authoritative voice on achieving a "sound macroeconomic balance", it is the Fund that determines how a country balances both its domestic and international accounts and controls inflation, as well as the degree of stabilization that is required. It enforces, through Stand-by Agreements and loan conditionality, strict guidelines related to monetary and fiscal policy, including the level of public spending and the generation of government revenue. The power of the IMF lies in the fact that it provides short-term, emergency financing and is the financial gatekeeper. Without the IMF seal of approval, Haiti would be -- and, in fact, has been -- unable to access other sources of credit, both official and commercial. (Indeed, the refusal of the Haitian Parliament to pass laws on privatization and government downsizing, two IMF conditions, recently held up World Bank, IMF, USAID and IDB balance-of-payments support to Haiti for one year.)

The IMF also provides medium-term loans to the world's poorest countries through its Enhanced Structural Adjustment Facility (ESAF). These loans are conditioned on the implementation of a broad range of macroeconomic policies, including monetary policies, as well as institutional changes, such as the privatization of state-owned enterprises and the achievement of budgetary targets for health and education expenditures and other fiscal goals.[(36)] Although ESAF is billed as the IMF's mechanism "...to promote and maintain high levels of employment and real income and...development of the productive resources" of its members, in fact it serves the larger purpose of the Fund, which is to stimulate exports, lower trade barriers as a means of encouraging international investment, and ensure its own repayment. Thus the Fund requires Haiti to:

- limit government spending and borrowing and pay a market interest rate for funds borrowed from the Central Bank;
- maintain international reserves sufficient to cover four months of imports as a means of bolstering private-sector confidence in Haiti's economy;
- maintain high (48 percent) reserve ratio requirements for commercial banks and also use high interest rates to limit the money supply and control inflation and spending;
- eliminate remaining tariffs and quantitative restrictions on trade, including those that protect local food crops;
- deregulate the banking sector to ensure the free movement of capital;
- deregulate prices;
- maintain a floating exchange rate, barring Central Bank intervention except when necessary to ensure that foreign debt obligations are paid;
- utilize IMF-sponsored technical assistance to rewrite its labor laws to ensure that wages remain flexible and competitive (read: low) as a means of drawing investment;
- freeze its total wage bill for a period of three years; and
- implement an across-the-board sales tax -- a form of regressive taxation that spreads the burden among all consumers (compared to the direct taxation of income, which tends to be more equitable) -- to increase government revenue.

There are several aspects of the IMF's program and requirements that, in fact, respond to Haitian citizen's economic-policy recommendations (these recommendations are elaborated further in the last section of this report). These include:

- strengthening tax enforcement among wealthy Haitians and improving efficiency;
- doing away with discretionary ministerial accounts;
- establishing government accounting and budgetary systems that improve planning, transparency and accountability; and
- improving prudential norms at commercial banks and strictly controlling government borrowing from the Central Bank.[(37)]

In fact, the IMF has made several of these changes a condition of Stand-by Agreements with Haiti since the 1970s, yet only under President Aristide was any progress made in these areas, first in 1991 and again in 1995.

Imbedded as they are in the larger IMF program to restructure Haiti's economy to the benefit of international investors, however, these otherwise reasonable policies will do little to nothing to improve the economic outlook for Haiti's poor majority. For example, without financial and banking regulations to funnel credit funds to small farmers, improving the nation's banking system will continue to benefit primarily the small, wealthy minority that are currently its main clients. Improving the budgetary process without ensuring that the budget responds to the expressed needs of the people may simply make the IMF's self-designated job of budget watchdog easier, without helping the state better serve its people. And strengthening tax enforcement among wealthy Haitians will not necessarily help the Haitian poor if the tax code remains regressive.

In the case of Haiti, traditional austerity measures, such as sharp currency devaluations and cuts in government expenditures, are not part of loan conditionality imposed by the IMF. As regards devaluation, Haiti's currency has essentially been market determined since 1991, when, due to sanctions, the military government ran out of foreign exchange and was forced to allow the gourd to float. This does not mean, however, that the Haitian people have avoided the negative impacts of devaluation. It just means that many of the costs of devaluation -- lower real wages, higher inflation and skyrocketing import prices -- which were compounded and complicated by the embargo and three years of terror, have already been woven into the everyday burdens of the Haitian poor.

IMF analysis in Haiti, as in many other countries (including, most notably, Russia and Mexico), is based on poor data and inaccurate assumptions. As a result, it has been overly optimistic about growth, savings and investment rates that will be achieved as a result of economic reform. The Fund acknowledges that the data on which its predictions for Haiti have been made is unreliable. In fact, the United Nations Development Programme (UNDP) has recently been enlisted to work with the Fund in a multi-year effort to improve financial and fiscal data collection and monitoring in Haiti.

Still, it is on the basis of IMF analysis that economic targets are defined, triggers for release of funds are set, and progress is monitored. If the IMF is wrong, it is the people of Haiti who pay. For example, growth in the short term is expected to come from "rehabilitation activities", i.e., donor-sponsored infrastructure programs, and reactivation of the agricultural sector,[(38)] but, given that the sector has been in a steady decline for 30 years and there are virtually no new investments planned, it seems highly unlikely that it will be a short-term source of growth. Meanwhile, if the GOH fails to live up to IMF expectations, or should there be any shortfall in revenue collection or external financing or should the price of coffee drop, the Fund requires that the government make up for it by delaying or curtailing current expenditures. As one of the first steps to be taken in the event of a shortfall, the PFP calls for an increase in taxes on food and fuel -- another way to force belt-tightening. The problem this creates for Haiti was summed up well by the then Prime Minister, Claudette Werleigh, when she asked, "How can we tighten our belt when we have no waist?"

Monetary Policy

The IMF and the people of Haiti share an important concern: rising prices. Traditionally obsessed with inflation, which it sees primarily as bad for creditors and secondarily as a burden on the poor, the Fund puts inflation control at the center of its monetary policy. But IMF analysis of the causes of and solutions to inflation are very different from that of the people of Haiti, whose survival-related concerns about "lavi che" (the high cost of living) are inextricably linked to concerns about job opportunities, the need for higher wages, and the need to stimulate domestic production.

The IMF adheres to monetarist economics, which attributes inflation almost exclusively to increases in the domestic money supply. Thus the goal of its policy requirements is to reduce the amount of money circulating in an economy. One way of doing this is by maintaining high interest rates, that, by increasing the cost of borrowing money, decrease the demand for credit, in turn reducing the amount of money in circulation. This is one reason for the IMF requirement that interest-rate ceilings be removed in Haiti.

For the past 15 years, monetary policy in Haiti has also relied heavily on high reserve requirements to address the inflationary impact of "too much money" in the economy. The excess has resulted from the fact that the government has printed money to cover its deficits (i.e., monetized the deficit). Today, Haitian commercial banks must keep 48 percent of their money in reserve at the Central Bank, thus pulling money out of circulation. The Central Bank does not pay interest on these reserves, which in essence imposes a heavy tax on savings and other types of deposits in commercial banks.

While sometimes successful in bringing down inflation -- in Haiti, inflation in 1995 averaged 30 percent, compared to 54 percent in 1994 -- IMF polices exact a high cost. They are so contractionary that one economist has dubbed them "sado-monetarism". High interest rates make credit prohibitively expensive, which constrains people's ability to borrow money for productive purposes, such as investment in agriculture, local manufacturing and small business of all types. This in turn has a negative impact on production and job creation, and therefore on growth.

Another perverse effect of high interest rates is that they serve to channel funds into ventures with short-term profit horizons, such as commerce and currency exchange, again crowding out credit for productive investments. In Haiti, where the banking system is already biased against small-scale productive activities, this does not bode well. In June 1994, 83 borrowers received 64 percent of total outstanding loans, with an average loan size of US$1.39 million. The total number of bank borrowers was only 1977, a minuscule number for a country of seven million people. Agricultural credit averages one percent of commercial loan portfolios and housing loans account for less than one percent. In 1994, loans to local industry accounted for .01 percent of total credit funds.[39]

The crowding out of domestic credit is exacerbated in the case of Haiti by the IMF requirement that the government build up at least four months of international reserves to maintain "business confidence" and ensure that Haiti can meet its external obligations (primarily servicing its debt to the multilateral development banks and the IMF), even in the face of external shocks. Setting aside such large sums of money again takes scarce investment resources out of circulation and, when coupled with the fact that large sums of money are already directly allocated to debt repayment, crowds out private investment, with the attendant negative impacts on production and employment. The World Bank projection for economic growth in 1996 is 2.5 percent, a miserable showing given that Haiti is coming off a 30-percent decline in growth from 1991-1995 and that over $500 million was pumped into the economy in 1995.

The Role of IFI Planning Documents

Policy Framework Papers are developed by the IMF, nominally in collaboration with the World Bank and officials of the country's finance ministry, in preparation for making a structural adjustment loan. The policy framework explicitly lays out macroeconomic and structural policy measures designed to strengthen the country's balance-of-payments position, outlines social safety-net programs, and sometimes provides information on environmental issues. A gender analysis is glaringly absent from these planning documents, as it is from the programs and policies of the IMF. The PFP is technically owned by the borrowing country and can be released at the discretion of the government.

Country Assistance Strategies provide the basis for the World Bank's lending operations and can be used by the IMF to integrate non-macroeconomic measures into its planning and loan conditionality. The CAS, developed by the Bank and then agreed upon with the borrowing government, is nominally built upon a series of documents, including Poverty Assessments, the Country Economic Memorandum, a Public Expenditure Review and a Private Sector Assessment. It summarizes the development needs of the country for a period of 3-5 years, recommends a development strategy, and highlights key policy issues. Once the CAS has been developed, all projects and loans developed by the Bank are supposed to help address these needs.

Gender issues are supposed to be systematically addressed in Country Assistance Strategies, yet rarely, if ever, has a CAS given priority to improving social and economic conditions for women. Just over half the strategies produced by the Bank last year made any mention of gender issues, and those that did usually addressed it in the narrow context of health and education programs.

Despite their importance in determining the people's future, citizens in general and women in particular are rarely consulted in the formulation of these and other IFI planning documents. It is even difficult for the public to obtain copies of the documents once produced. The CAS, for example, is not officially available to citizens, although in some countries -- Haiti, for example -- the Bank is making them available to the public.

While the IMF narrowly attributes inflation to an excess in domestic money supply, this fall in production in Haiti, as elsewhere, also contributes to inflationary pressure due to the resultant scarcity of goods (supply constraints). In such a situation, it is more and cheaper credit that may be needed to increase production and ease inflationary pressures, not higher interest rates. Another important contradiction of IMF dogma is that other standard IMF policies, such as devaluation (which increases the price of imported goods, such as food and fuel) and the removal of price supports, are also inflationary and indeed have sometimes caused inflationary spirals. One result of these policies in Haiti has been an increase in the cost of fuel, electricity and water, as well as imports, which include food. The World Bank projected the inflation rate for 1996 to be 20 percent.

Fiscal Policy and Resource Flows

While structural adjustment conditionality is attached to the release of some US$300 million in balance-of-payments loans and grants from the IFIs and bilateral agencies for FY1997-1999, a large amount of project lending is also designed to achieve adjustment goals. Certainly this is true of many of the projects and programs outlined in the Public Sector Investment Program (PSIP) in the PFP and in the World Bank's Country Assistance Strategy (CAS).[(40)] Based on donor estimates of projected disbursements between the GOH's FY1995/96 and FY1998/99, funding for the PSIP will amount to more than US$950 million (about nine percent of GDP), of which 95 percent will be financed from external sources.[(41)]

As with the EERP, the PSIP calls for increases in the level of government spending by the Ministries ofHealth and Education and provides for significant investment in infrastructure, most of which will be financed by grants and concessional loans. By 1998, however, government spending in these areas is projected to be cut sharply, reflecting an expected drop-off in foreign assistance. With one third of the investments under the PSIP targeted to the rehabilitation of roads and improvement of power generation, transmission and distribution, private-sector investment, both domestic and foreign, is expected to increase, according to the PFP.

Under the PSIP, the social sector is also slated to receive one third of investment resources, mostly for the rehabilitation and construction of schools and clinics and improvements in water infrastructure and sanitation, as well as for the provision of a "social safety net" through the Fonds pour l'Assistance Economiques et Sociales (FAES) and a US$50 million employment-creation

project. These funds are supposed to help counter the negative impacts of the structural adjustment program, which the World Bank admits could have high social costs and undermine the government's popular support.[(42)] In other words, the Bank is conditioning its loans on government adoption of policies it knows will harm the poor, then lends the government additional funds to provide a "cushion" against the harmful policies.

These social programs have received their share of criticism in Haiti. Critics point out that during Fiscal Year 1995/96 the bulk of US$12 million in project funds distributed under the FAES also went toward health-center and school-construction projects (many of which were first identified in 1991), but, while construction increased, the education and health budgets needed to ensure that these schools and health centers are staffed and have sufficient operating funds did not.

TABLE II.

Post-Embargo Activities and Commitments of Key Donors

DONOR	FOCUS OF ACTIVITIES	COMMITMENTS[a]
International Development Association (World Bank)	Policy reform, poverty alleviation and social sectors, rural development and environmental rehabilitation	US$390 million
IDB	Policy reform, agriculture, water and urban infrastructure, transport, education	715
IMF	Policy reform	165
European Union	Policy reform, governance, agriculture, transport, energy, humanitarian assistance	380
UNDP	Governance, humanitarian assistance	50
France	Governance, water and urban infrastructure, humanitarian assistance	95
Canada	Governance, energy, private sector development, human assistance	75
Germany	Agriculture, water and urban infrastructure, energy	70
United States	Policy reform, governance, agriculture, health, human assistance	265
Other	Various	210
TOTAL		**US$2,415 million**

a. Ongoing and planned commitments during 1995-97 (except IDA and IDB 1995-99), including re-activated pre-embargo projects.

Source: Donor estimates submitted to the World Bank, as cited in the 6 August 1996 Country Assistance Strategy.

The Employment Generation project of the Bank has also been criticized, particularly by peasant groups. They report that the Fund has provided assistance to groups with no roots in the community and formed only in response to the availability of FAES funds, thus undermining existing community organizations. Groups also complained that the project had a negative impact on long-term development because the short-term jobs it provided were drawing people away from critical productive activities, such as harvesting. The majority of the jobs went to men, as the World Bank had set an arbitrary target of a 20-percent female work force in the project. Apparently the Bank has questions about the program, as well, as the CAS questions its role in a medium-term poverty strategy and its effect on the rural labor market. A mid-term review is thus being conducted, and additional funds may be sought to re-direct the program to create employment through sub-contracting public works to small private firms. Such adjustments, however, would not address the issues brought forward by peasant groups.

Thus, across all the sectors, the bulk of public-sector investments over the next three years is targeted to infrastructure repair and rehabilitation, even in the agricultural and social sectors. Part of the rationale for improving roads is to enable people to market goods more easily and at less cost. In the case of irrigation repair, the purpose is to ease production constraints, which in turn is supposed to stimulate production and benefit consumers by making more goods available at less cost. Infrastructure is a critical need in Haiti, and IFI and bilateral support for these activities, especially through grants or concessional loans, could be extremely useful.

Haiti's Country Assistance Strategy: Without Basis in Fact

Despite new policy at the World Bank that calls for Country Assistance Strategies to be participatory in their preparation and to fully address gender issues, the recent Haiti CAS process followed neither of these directives. According to an internal Bank memo of 8 October 1996, "The Haiti CAS was never formally designed to be a "new style" [participatory] CAS, however its preparation took a rather broad participatory style that included consultation with various NGOs, parliamentarians, private sector representatives, and other multilateral agencies. Most initial discussions were informal and feedback often not systematic. However, after initial departmental review, consultation with parliamentarians and NGOs was formalized."[(43)]

According to several NGOs that submitted written or verbal input to the draft CAS, their concerns were never addressed in the final version, except at the level of rhetoric. No women's organizations appear to have been consulted in either the formulation or the discussion of the CAS. The fact that opposition to the IFIs' economic program was expressed by a significant number of groups is dismissed in the final CAS with the statement "...there remains opposition from others who are ideologically opposed to structural adjustment. There also remains a broad spectrum of grass-roots organizations *and members of parliament who are skeptical of the executive as well as of the role of donors in the reform process, and need yet to be convinced of the benefits of economic reform and a revised role of the state."*[44]

Because the Poverty Assessment, Public Sector Expenditure Review, and Private Sector Review have yet to be conducted (they are scheduled to be completed in 1997 and 1998, respectively), the CAS has no strong basis in fact. And, while the Bank insists that the CAS will be revised as data, including gender-disaggregated data, becomes available, by then the planning process will have been completed for many key projects and policy-reform programs. Without data nor a true contribution by citizens, who might indeed have been able to provide the analysis and information necessary to construct a development plan responsive to local needs, the CAS is unlikely to yield very positive results.

The problem is that in Haiti, which from 1991-1994 suffered its worst production crisis in recent memory, investing in infrastructure without investing in the provision of productive inputs is putting the cart before the horse. It is well established that seeds, tools, fertilizers, and adapted and appropriate technical information, rather than good roads, are needed by peasant producers to increase supply. Furthermore, IFI funding to improve Haiti's badly degraded roads will do little to help get goods from the farmgate to market, as the bulk of Haiti's production is headloaded to market by women or carried on donkeys owned or rented by them.[45] Yet in a sad and disturbing repetition of past development schemes, the provision of productive inputs to peasants and other small producers is not included in the three-year plan. In fact, there is explicit acknowledgment that, if the government, for example, wants to spend money on agricultural research and extension, it will have to search for funds elsewhere. As for productive credit to the poor, the PFP states that the GOH will establish policies that will enable others, including NGOs, to establish credit funds, but will not provide any funds itself.

Technical Assistance and Institution Building: The Long Arm of the IFIs

Technical assistance is an important aspect of virtually all of the donors' grant and loan programs. It is the primary means through which the bilateral donors and multilateral agencies reach in and reshape a country's economic and political structures to their liking. Through technical assistance, foreign "experts", rather than the Haitian people, become the decisionmakers in the development process. World Bank-approved consultants often rewrite a country's trade policy, fiscal policies, civil-service requirements, labor laws, health-care arrangements, environmental regulations, energy policy, procurement rules and budgetary policy.[46] An invasion force of a different sort, those delivering technical assistance typically serve the generals that send them to battle.

The very nature of current modes of technical assistance -- in which short-term assignments are too often carried out by consultants with little or no local expertise, no gender expertise, no time nor intention to consult with local populations, no continuity, no accountability -- undermines much of the effectiveness that might otherwise accrue to bringing new ideas, expertise and information into the development process. And yet consultants often have a more direct role in determining a country's future than the people themselves. In Haiti, as elsewhere, this has been a problem since the early days of development assistance. One World Bank report, acknowledging this problem, noted that in 1975 there were 75 United Nations agency experts and consultants in-country compared to an upper echelon of Haitian civil servants numbering no more than 200.

Over the next three years in Haiti, technical assistance from the World Bank and the IMF will cover reforms in the public sector (including a redefinition of the size of the state), in monetary policy and bank supervision, in foreign investment policy, and in business deregulation. These two institutions alone will provide loans to finance over 532 person months of technical assistance to: advise the Central Bank, the Ministry of Finance, Customs, and the Tax Department; conduct study tours; revamp the collection and analysis of statistics; design improved accounting systems; audit the government payroll system; and provide recommendations for privatization and regulatory reform, complete with a public-education campaign to "sell" the idea of privatization. As noted above, the IMF also plans to send someone to Haiti to rewrite its labor code.

Thus the Bank and the Fund establish the basic economic framework: unfettered markets; export-led development; and, above all, macroeconomic balance. They loan money to bring this about and condition it on demonstrated success as measured by them against benchmarks they use to mark outcomes they find important. Come time for evaluation, they bring in their own staff or hire Bank- and Fund-approved consultants, write and disseminate the findings, and, when necessary, hire a public-relations firm to sell the results. This process cannot be called development, rather it is a finely honed tautology in which the poor have no place and the donors can do no wrong.

Privatization

The story of privatization is a good example of how donors use the full range of tools at their disposal to install their programs, often over local opposition. Before President Aristide even returned to Haiti, donor aid was explicitly conditioned on his agreement to privatize nine entities out of a list of over 40 state assets. The priority list included the telephone and electricity companies, a cement plant and flour mill, the nation's airport and sea ports, a cooking oil plant and two state banks. Defined broadly as the transfer of an enterprise from the government to the private sector, privatization is promoted by donors as a means of cutting government expenditures, increasing short-term government revenues through the sale of the enterprise, and providing an expanded tax base for the long term. It is also a means of increasing foreign direct investment in the short term, as it is typically foreign concerns that purchase outright or win management contracts to run state-owned enterprises (SOEs). Donor support for privatization is also based on the unproven assumption that the private sector is inherently more efficient than the public sector and will therefore do a better job of running these enterprises.

Many Haitian citizens see privatization -- and SOEs -- differently. SOEs are seen as a key source of actual (in the case of the phone company and the ports) or potential income generation for their resource-strapped country. In addition, most of the nine government assets to be put up for sale constitute strategic industries, and Haitian citizens want this issue to be carefully considered before any SOEs are sold. Finally, built on the backs of the poor, SOEs are seen as belonging to the people of Haiti, and Haitians want to be included in the decisionmaking process regarding all options related to their repair, revitalization, restructuring and/or sale.

This belief clashed with donor timetables and priorities in September 1995 when the Haitian government was supposed to open two sets of bids that had been received on its flour and cement plants, and also sign a Letter of Intent with the World Bank that, among other things, would commit the GOH to a broader process of privatization. Popular and parliamentary resistance to privatization was mounting when the Letter of Intent was presented to the Cabinet for signature by then Prime Minister Smarck Michel, and the Cabinet balked at signing off on it.

This conflict led to the fall of the Michel government, which had negotiated and was supportive of the donors' economic plan, and to a cut-off of formal negotiations with the IFIs for balance-of-payment support of some US$120 million pledged for FY 1996. USAID, by holding back the last US$4.5 million tranche of a US$45 million balance-of-payments support grant until the cement and flour mills were sold, confirmed the U.S. role as leader of the free-market world and its willingness to use development assistance funds as a battering ram to further open the Haitian economy to foreign investors. This action was a shot across the bow of the Haitian government, warning it of the U.S. government's unambiguous -- one might even say obsessive -- support for a fast-paced privatization process.

While USAID staff and U.S. diplomats in Haiti worked hard to make it appear as though President Aristide had reneged on signed agreements related to the privatization of the economy, the fact is that it was the donors themselves who were not adhering to agreed-upon benchmarks for privatization. In its submission to donors at both the August 1994 and January 1995 Consultative Group meetings, the Haitian government explicitly tied privatization to the passage of anti-monopoly legislation necessary to ensure that privatization did not result in a further concentration of wealth in Haiti.[(47)] The donors also recognized the importance of this goal. Given that the new Parliament did not sit until October 1995, it was clearly impossible to pass the required legislation, one of the reasons why Parliament voiced strong opposition to moving forward on selling the cement and flour plants in October.

Another agreed-upon goal of donors and the GOH was the democratization of assets, by which the government meant two things: the proceeds from any sale of SOEs would go to strengthen health and education in Haiti and to pay reparations to victims of the coup; and state assets would be sold in such a way as to ensure against the further concentration of wealth among the elites in Haiti. The International Finance Corporation (IFC), which was hired by the GOH to give recommendations regarding the privatization process, recognized in its report that the agency responsible for carrying out privatization had a mandate to "...avoid an increase in the concentration of wealth in Haiti while...attracting investors to enhance [an enterprise's] contribution to the Haitian economy."[(48)] Not only did the IFC fail to make recommendations about how to keep SOEs out of the hands of the nefarious Haitian elite, but it also failed to provide mechanisms for the "democratization" of assets, which might have included public investment trusts, employee-ownership plans or consumer cooperatives.

For their part, while acknowledging the high levels of corruption in state-owned enterprises, popular organizations and unions -- themselves interested in improving the efficiency and transparency of SOEs -- have dismissed the argument that the state was inherently incapable of managing the enterprises, pointing to the pre-coup successes of the Aristide government in bringing key SOEs into the black.[(49)] They also argue that, given the extreme need in Haiti and its small tax base, the state needs the recurrent revenue generated from the SOEs to reinvest each year in the social sector. They cite the fact that Teleco, Haiti's national phone company, generated over US$80 million in 1995, which was used by the GOH to cover the budget shortfalls that arose from increasing the salaries of health and education workers.[(50)]

The concern over who gets the privatized assets and what is done with them are well grounded in Haiti's own experience with the privatization of its sugar mill in 1987 and the long-term negative impacts that this sale has had on several aspects of peasant production. The Mevs family purchased the mill, immediately shut it down, and began importing cheaper sugar from the United States and selling it at a higher price than that of local sugar; by 1995, Haiti was importing 25,000 tons of sugar from the United States alone. The plant's workers and truck drivers lost their jobs, and sugar farmers lost their market. Now, almost ten years later, sugar is so expensive in Haiti that peasants cannot afford to buy it. In Milot, in the north of Haiti, peasants report that this has destroyed much of the local market for oranges and grapefruits, which traditionally are made into a heavily sugared juice. Without the sugar, people aren't drinking juice and the fruit is left to rot.[(51)]

Citizens are equally leery of selling such strategic interests as the cement factory and the flour mill to the private sector, particularly as this privatization could enhance rather than break down elite control of Haiti's economy. In its report, the IFC noted that, with minimal investment, ownership of the cement plant would enable a company to capture at least half of the domestic market for cement and generate yearly profits of at least US$3 million. In addition, it could provide cement for all new construction in Haiti, thus decreasing expensive imports and relieving supply constraints. As regards the flour mill, the IFC estimates that funds required to reopen and upgrade the mill are US$2.3 million; profits generated by the mill in 1987 were US$5.8 million (total sales for 1987 were US$40 million). Here again, ownership of the flour mill would not only convey large profits but also control over much of the market for wheat in the country.

In the debates around privatization that continue to rage in Haiti, the poor also point out that there is no reason to believe that selling such state assets as the phone company to the private sector will benefit the poor in Haiti, even if service improves for the wealthy. Here again, there is good reason for concern. Since the privatization in 1991 of Mexico's phone company, Telmex, the value of its stock has tripled and gross earnings in 1995 were 1.3 times what was invested to purchase the company. In 1993, Telmex profits were the highest of any service provider in the world: US$2.89 billion as compared to US$913 million for ITT in the United States. Only in-home and corporate phone service improved, and that came at the price of very high installation costs and high rates. The public phone service, upon which the poor rely, remains hopelessly backward. In 1995, foreign capital owned 55.7 percent of the company, yet it reaped the largest rewards from the privatization. A World Bank report estimates that "foreign shareholders have gained P67 trillion out of the total welfare gain of P75 trillion, which is nearly 90 percent."

Not immune to citizen pressure, donors decided to address the opposition by hiring a public-relations firm in Canada to "sell" the idea of privatization to the Haitian public. Of this US$900,000 program, financed by USAID and managed by the World Bank, US$700,000 was slated for television and radio spots to convince the people that privatization will be good for them. Citizens' groups in Haiti, receiving little attention or objective information from either their government or the international community, have nevertheless continued to insist upon an open debate on the issue andthe release of pertinent documents, including the IFC studies.

After almost a year of resisting outside pressure and insisting on playing a responsible role in regard to Haiti's economic future, the Parliament in September 1996 passed a law that paved the way for the privatization of state-owned enterprises. Members of Parliament were under enormous pressure from the international community and from the Preval government to take the action. Donor represent-atives were quoted in the international press as saying that the "window of opportunity" for Haiti to tap international resources was quickly closing. Washington Post reporter Douglas Farah portrayed the Parliament's attempts to shape the country's economic future as "an unruly Parliament's bickering".[52] Michel Camdessus, the Managing Director of the IMF, even traveled to Haiti to pressure Parliament face-to-face. According to Camdessus, the Parliament's rejection of privatization "...would mean that the people are rejecting the support that they need, [support] that the international community sees as necessary for Haiti. It will mean that Parliament rejects these policies and this support at a very heavy cost [for the country]."[53]

Agricultural Policy and Sector Reform

One of the most striking and recurring features of donor funding in Haiti is that, despite the fact that 70 percent of Haitians depend on agriculture for their living, virtually no resources have been provided to increase peasant access to productive resources. Indeed, direct investments in peasant agriculture accounted for less than one percent of the US$550 million in donor aid and loans disbursed in FY 94/95. For the 1996-1998 period, the situation is little improved: less than US$25 million in productive investments is planned. As noted above, agricultural financing is targeted for road and irrigation-system repair or for projects supporting export crops, such as coffee and mangos. And, despite the fact that peasants have argued that environmental degradation is having a devastating impact on production, only one percent of the funds pledged to Haiti by donors over the three years is set aside for environmental activities.

As expressed by a leading Haitian agronomist,[54] one of the biggest problems with the current export-led development plan is that, simply put, it leaves no role for the peasant. Depending on one's point of view, that is either the Achilles' heel of the donor program or simply its intent. Either way, the result is the same: the majority of Haitians are being forced to exist on less and less everyday, constrained at every turn by forces with no intention of helping them turn the situation around.

In the PFP, the World Bank and the IMF attribute the sector's poor performance to the lack of property rights, the absence of rural financial markets, and inadequate irrigation and transport systems, all of which have discouraged farming, caused food shortages, and raised prices. Infrastructure constraints were compounded during the three years of military rule. According to the PFP, additional reasons for agriculture's poor performance is the protection of non-competitive import-substitution crops, such as rice, and the global decline in agricultural commodity prices that have discouraged new investments.

The PFP does not address what are widely recognized as the real causes of agricultural decline and weakening food security in Haiti: the almost total lack of government investment in peasant agriculture over the past two decades and the extractive nature of production for export that has left peasant farmers unable to invest in their own agricultural production. The threat to food security is due in part to the fact that the IFIs' preferential support for export production carries a bias against women producers. In Haiti, as in many other countries, men control export-crop production and sale, while women manage food-production and -marketing systems that ensure a family's survival on a day-to-day basis.[(55)] Indeed, in a study conducted in one peasant community, both males and females surveyed overwhelmingly stated that a woman's home garden was more important to family security than the large agricultural fields.[(56)] Furthermore, despite the fact that post-harvest losses of grains in Haiti can range from 15 to 50 percent of production, virtually no programs have been identified for increasing food storage at the local level. In addition, IFI funds will not be sufficiently directed to badly needed farm credit and improvements in research, planning and extension services.

Nowhere do the Bank and the Fund address the targeted and deadly decapitalization of Haitian farmers that took place during the three years of military rule. A recent Ministry of Agriculture estimate indicated a 50-percent drop in real revenue for all peasants during this period.[(57)] Also ignored is the fact that land concentration is a major problem. Finally, while the usurious practices of rural moneylenders, who charge interest rates of between 20 and 100 percent a month, have long been established as a drain on farmer incomes, no program or policies have been proposed to channel credit funds to peasant farmers.

The Bank's and Fund's answer to production problems is to let the market light a fire under resource-poor peasants and drive them, through competition and an export-driven trade and investment policy, toward higher production. In 1996, all tariffs were scheduled to be dropped to near zero, even on the four main food crops (rice, corn, sorghum and millet) that remained under tariffs of 15 percent in 1995. Already, all quantitative restrictions on agricultural imports have been lifted. These policies place Haitian peasants in direct competition with subsidized, mechanized farmers from other countries, a battle that they simply cannot win. A 1995 USAID report on agribusiness stated it well: "An export-driven trade and investment policy has the potential to relentlessly squeeze the domestic rice farmer. This farmer will be forced to adapt, or (s)he will disappear."[(58)] Add this to the fact that free food has been imported to feed between 600,000 and one million people a day for the past four years and it is easy to see why many peasants feel that even the humanitarian programs of the donors hurt the poor majority in the end.

As regards research and extension, government intervention is limited in the PFP to urging "researchers to make work relevant to increased agricultural productivity and improved farming practices." Indeed, the document specifically states that the GOH will have to find funds in addition to the US$950 million that is expected to cover plans outlined in the PFP if it wants to invest in research and extension. As for ensuring credit availability to farmers, the GOH role is limited to establishing policy measures to "...set up financial intermediation agencies at the sub-regional levels to support private sector activities in the sector." If the GOH wants money for credit, it will have to search for it elsewhere.

Land Tenure

Land tenure in general and, more specifically, the lack of personal property rights are acknowledged by the IFIs as key issues for the agricultural sector. The World Bank and the IDB are currently providing small amounts of funding for the Institute Nationale pour la Reforme Agraire (INARA). Through INARA, the GOH was supposed to seek ways of allocating part of state lands to peasants directly farming them. Land registration was to be facilitated, and an administrative and legal framework was to be established for issuing land titles. INARA was so poorly funded in the first year, however, that its two current staff people could not afford fuel to take field trips. Compare that to the one million dollars allocated to the pro-industry Presidential Commission on Growth and Modernization just months after the return of Aristide.

Land reform is an urgent issue for peasant groups in Haiti, yet some have expressed their doubt that meaningful agrarian reform can be implemented in country undergoing structural adjustment. After a November 1995 workshop on land reform sponsored by INARA, the World Bank and the IDB, one Haitian agronomist pointed out the contradiction between neoliberalism and its attendant weakening of the role of the state, on the one hand, and real agrarian reform, which demands strong state intervention, regulation and selective protection from imports, on the other. He was quoted in Haiti Info as saying, "Today the state has to make a choice: land reform or neoliberal reform."

Peasant groups also point to the incompatibility between the pursuit of the neo-liberal policy reforms and the sustainability of peasant agriculture. For example, among peasant farmers, land-tenure arrangements are varied: one farmer might be owner, renter and sharecropper of many small plots. A typical peasant family combines varied land-tenure systems with a multi-cropping system designed to minimize economic risks and ensure food and monetary income year round. The homogenization of production, the concentration of land holdings, and competition from subsidized industrial farmers in the United States and other countries -- the inevitable result of the neo-liberal reforms of the IFIs -- threaten to wipe out the complex web of peasant production patterns that have been the only thing ensuring the survival of small farmers for decades.

Agricultural Reform: For Whose Benefit?

If peasant farmers are not benefitting from these donor-supported agricultural programs and policies, who is? Agribusiness, for one; U.S. private-sector interests, for another.

In March and April 1995, USAID sponsored a team of U.S. consultants to conduct an assessment of Haiti's agribusiness sector and make action recommendations to the Agency. Among the specific activities recommended in the team's report were:

1. the establishment of a US$5 million loan or grant fund to help recapitalize *agribusiness;*

2. a trade-credit insurance program for imports from the United States, which, according to the assessment, "...would revitalize Haitian agro-industry while stimulating U.S. exports";

3. technical assistance from a U.S. banking specialist to increase the capacity of Haitian banks to undertake agro-industrial lending;

4. the establishment of a trade-and-investment-promotion unit to provide "...convenient access to information and contacts on Haiti agribusiness trade and investment opportunities" seen to be "...especially important for U.S. investors" and to "...serve as a policy advocate on issues relevant to agribusiness development in Haiti;" and

5. a food-systems development program whose objective would be to put U.S. agribusiness expertise to work in Haiti by providing US$1 of technical assistance to U.S.-Haitian partnerships in agribusiness ventures for every US$2 in foreign investment.[(59)]

Virtually no mention is made on how to strengthen small peasant agriculture.

Market Liberalization

The story of rice in Haiti is a telling illustration of how market liberalization and the reduction of agricultural tariffs and quotas have undermined Haiti's domestic economy. Rice is a staple food for both the rural and urban poor in Haiti. In 1990, rice production was estimated to be on average about 195,000 metric tons (MT), produced on some 86,700 hectares of land. Today, production is said to be less than 100,000 tons. Per hectare yields are low, averaging 2.3 MT per hectare (in the United States, yields average 4,800 lbs per acre). The Artibonite valley, an agro-ecological zone with high productive potential, accounts for 75 percent of the country's rice production. Total hectares of rice cultivation in the Artibonite is estimated at 32,000 hectares, about 24,000 of which are irrigated through an intricate network of flood, small-basin and furrow systems.[(60)]

Ten years ago, rice farmers produced virtually all of the rice consumed in Haiti. Over the past decade, however, they have been dealt blow after blow by trade, currency-exchange and fiscal policies under structural adjustment frameworks, as well as by food-assistance strategies and the impact of the recent embargo. The result is that Haiti now produces only about 50 percent of its rice needs.

Haitian peasants trace the beginning of this shift towards dependence on imported rice to the fact that in 1986, as part of donor aid conditionality, markets in Haiti were liberalized and protective tariffs were greatly reduced. Rice imports from the United States immediately shot up from near zero to 28 MT in 1986, reaching 100 MT in 1991 and dealing a heavy blow to the rice farmers of the Artibonite. Rice production in 1995 is said to be around 100,000 tons, less than one half the 250,000 tons that would make Haiti self-sufficient in rice.

Donors were well aware of the severity of this blow to Haitian producers. A 1987 report prepared for USAID warned that an export-driven trade and investment policy would relentlessly marginalize the domestic rice farmer unless rice remained protected behind high tariffs and smuggling was controlled. The authors estimated that lifting the rice quotas in an effort to reduce smuggling and increase Haiti's imports would bring about a loss of income to peasants in the Artibonite of some US$15 million a year and would further reduce the already low standard of living of rice farmers.[(61)]

A 1995 USAID report notes that the February 1995 decrease in the tariff on imported rice to between three and ten percent will make it even more difficult for the Haitian rice farmer to survive.

Wiping out rice farmers in Haiti will have widespread deleterious effects on the peasant economy. Imported rice not only hurts rice farmers, but also damages the rice-processing industry in Haiti. There are over 200 small rice mills in the Artibonite valley alone. Indeed, rice is a keystone of Haiti's local economy. It has extensive backward and forward economic linkages, putting more money at more points into the hands of the Haitian poor than almost any other crop. The strong farmer cooperatives that have been developed over the years ensure that producers reap the benefits of the value of their produce, contrasting sharply with marketing systems related to other products in which intermediaries squeeze out most of the income gains before benefits can accrue to poor producers.

This is not just a story about how Haitian farmers are hurt by the IFI-supported market-liberalization policies. It is also a story of how U.S. producers and grain sellers benefit from such policies. The increase in U.S. rice exports to Haiti coincided with a change in the 1985 Farm Bill in the United States, which established loan programs to promote U.S. exports. At that time, the price of U.S. rice was significantly

higher than the world market price, and rice stocks were accumulating rapidly. To enable rice to be exported, the U.S. government stepped in with additional transfer payments to what was already highly subsidized production. The bill was successful in revitalizing U.S. rice production, which had been faltering. According to the U.S. Department of Agriculture (USDA), the impact on U.S. rice exports of the rice-marketing loan program that went into effect on 15 April 1986 was immediate and dramatic. By 1987, government payments had risen to 40 percent of growers' gross incomes. The program's continuation under the 1990 Farm Bill helped to make U.S. rice more competitive in the world market[(62)] Although it produces only two percent of the world's rice, the United States is now the second largest rice exporter in the world.

As the U.S. government stepped in to support American rice growers and exporters, it was helping -- through the World Bank, the IMF and USAID -- to enforce policies that would stop the Haitian government from doing the same for its people, while opening the Haitian economy further to U.S. products. Haiti is now the largest market for U.S. rice in the Caribbean and the seventh largest importer of U.S. rice in the world.

Rice Policy: For Whose Benefit?

Further belying USAID and IFI claims that policy reform in Haiti will increase competition and efficiency, it is clear that the main beneficiary of all of the rice-related policy machinations of both the U.S. and Haitian governments is one single U.S. corporation, Erly Rice, and its Haitian subsidiary, The Rice Corporation of Haiti.

Erly, which currently imports 40-50 percent of the rice consumed in Haiti, holds a virtual monopoly on rice imports in Haiti, which, because of subsidies to U.S. producers and exporters, they are able to sell for significantly less than locally produced rice.[(63)] *It is now the biggest processor and marketer of rice in Haiti, with annual imports averaging in excess of 120,000 metric tons over the last five years. Erly is also the largest U.S.-based -- and one of the world's major -- processors and marketers of brand rice products, with leading brand positions in many U.S. markets, as well as in Haiti, Saudi Arabia, Puerto Rico and other rice markets, according to Erly.*[(64)]

Jobs, Wages, and the Industrial Sector

The IFIs and bilateral donors see consistent, long-term growth as the answer to Haiti's seemingly intractable poverty and they assert, as they have for almost 30 years, that the engine of that growth will be the export sector, especially assembly industries. According to this scenario, as the export assembly sector grows, it will absorb much of Haiti's "surplus labor", thus sharing the benefits of growth with workers. Across the board, donors support a low-wage strategy as a means of attracting foreign investment to this sector and have both designed and supported export programs and policies.

Worker Exploitation: For Whose Benefit?

A January 1996 report by the U.S. non-profit National Labor Committee documents the wages and working conditions in assembly industries in Port-au-Prince.[(65)] *The NLC calculates that more than half of the approximately 50 assembly firms now operating in Haiti, including U.S. companies under license with the Walt Disney Company, are violating the minimum-wage law. One practice used to get around the new minimum wage, which more than doubled in May 1995 to $2.40 a day, is to step up production quotas. At Excel Apparel Exports, owned and operated with Kellwood Co. (a U.S. firm), quotas were recently increased by 133 percent. Excel Apparel produces women's underwear for the Hanes division of the Sara Lee Corporation, which sells its products at Wal-Mart and through smaller retailers.*

The study found that, in some cases, workers -- the vast majority of whom are women -- were being forced to work long hours in terrible conditions and without the overtime pay that Haitian law requires. Furthermore, if you subtract transportation costs of between G6-8 a day and G7 for a typical lunch, the daily take-home pay for these women was less

> *than a dollar a day. This exploitation of women workers' doesn't end, however, with the terrible working conditions and abysmal wages. According to a Columbia University anthropologist who has conducted extensive interviews with women workers in Cite Soleil, an enormous slum in Port-au-Prince where many factory workers live, roughly 17 percent of the female factory workers had been forced to have sex with their bosses on penalty of termination.*[(66)]

GOH incentives to assembly operations are substantial. Under current regulations, enterprises that assemble imported articles for export are exempted from paying income tax for their first five years of operation (eight years if they are in the GOH-owned industrial park). After this exemption period ends, full tax payments are phased in gradually over ten years. Typically, firms go out of business or become new enterprises when the tax holiday ends. Assembly industries also do not pay duty on raw materials, packing materials, machinery, tools, transport vehicles or construction materials.

The biggest subsidy to the assembly industries, in particular, and to the industrial sector, in general, is provided, however, by the workers themselves, 70 to 90 percent of whom are women. This subsidy is extracted through low and declining wages and terrible working conditions. At US$2.40 a day, the real minimum wage is worth 40 percent less today than it was in 1980 and is the lowest in the hemisphere. The exploitation of low-wage workers is thus a major source of the profits of wealthy Haitian and U.S. investors.

As in the rest of the world, wage restraint is a condition for receiving IFI support. According to the PFP, the legal minimum wage established in June 1995 of 36 gourdes in reality "...falls well short of the real and U.S. dollar equivalent minimum wage of 10 years ago, and should not affect the good prospects for the export sector." But, because Article 137 of the Haiti Labor Code requires that the minimum wage be raised every time inflation totals more than ten percent for the year, the IMF wants to take no chances. Thus the PFP stipulates that the GOH "...will also seek external assistance to review and revise the current Labor Code and improve the regulatory framework so as to make reforms more complementary to sectoral policy objectives of increasing industrial production to pre-1991 levels." The wage-bill freeze mandated by the IMF means that, in order to increase the wages of its employees, the government would first have to fire other staff. This pits worker against worker and ministry against ministry.

The returns to the Haitian economy are minimal. The value added of assembly-industry exports is very small. For example, according to the U.S. Commerce Department, Haiti exported US$177.9 million worth of apparel to the United States in 1989, but the real value of these exports was only US$23.1 million dollars -- the labor value added in Haiti. The rest consisted of imported components used to make up the final product.[(67)] Furthermore, tax holidays and duty exemptions mean that virtually no revenue flows from the assembly sector to the Haitian government.

At the same time, this low-wage, export-promoting strategy has been unsuccessful in creating significant numbers of jobs. Unemployment in Haiti is currently estimated at 75-80 percent. At its peak, the assembly sector employed no more than 60,000 people, or about 1.5 percent of the labor force, and it currently employs about 12,000, up from 5,000 just prior to the return of the Aristide government in October 1994.

Still, the donor plan for the next three years targets unduly large amounts of scarce credit, technical assistance and business support services to the export sector. For example, under the new PFP, tax holidays would be maintained, although limited to a period of 5-10 years. Under the agreement, the government is committed to "...assist the assembly industry to stay competitive by ensuring adequate electrical supply." Toward this end, the GOH will invest US$73 million from the IDB and the European Investment Bank in electrical plant, hardware and repairs, then "...privatize the transmission and distribution of power supply in order to reduce its investment burden and also ensure efficiency in the production of electricity." It is unclear why the GOH must first invest massively in Electricité de Haiti (EdH) only to turn around and divest.

Just after the return of the Aristide government, USAID also showed its support for the industrial sector -- and for U.S. investors -- by providing US$1 million to the Presidential Commission on Modernization and Growth. Dominated by Haiti's business elite, the Commission has an official policy advisory role. It and other privileged business groups received significant U.S. government support that enabled members to lobby and gain benefits from the Clinton Administration, the U.S. Congress and potential investors. No parallel program has yet been established to draw expertise, priorities or advice from the over 90 percent of Haiti's population that makes its living from agriculture, artisanal production and other microenterprises.

Industrial Policy: For Whose Benefit?

According to the U.S. Department of Commerce, "...a large proportion of assembly firms are shelter operations in which a Haitian businessperson provides workers, plant and equipment, while the foreign buyer provides the raw materials and purchases all output. This arrangement is preferred by the majority of U.S. firms operating in Haiti because it removes some of the risks inherent in foreign investment for a U.S. investor."[(68)]

In November 1995, USAID operationalized the US$11 million PRET project (Program for the Recovery of the Economy in Transition), which provides direct assistance to U.S. and Haitian businesses by sponsoring conferences, organizing tours of U.S. businesspeople, and establishing a network of business contacts. Prior to the start of PRET, U.S. taxpayers had already funded at least five business delegations, including the Presidential Business Development Mission to Haiti, led by Deputy Secretary of State Strobe Talbott (7-8 March 1995), and more specialized delegations in agribusiness (24-26 July), industrial handicraft production (8-10 August), minority business (22-24 August), and light manufacturing (27-28 September).

Contrast this assistance to the assembly sector with that to the informal sector, which provides the majority of non-farm income to the Haitian people. According to a recent

study, the informal sector provides approximately 66 percent of employment in urban areas. Diffuse, small scale, and truly "of the poor", this sector is not easy to target, yet it is far more important to the lives of most Haitians. As the economic situation in Haiti gets worse, it becomes even more important.

Handicrafts are a particularly important sub-sector of the informal sector. They are produced for both domestic and export markets in both rural and urban settings. In rural areas, handicraft production complements other forms of economic activity linked to agricultural production and commerce. In urban areas, craft production can be understood as an adaptation strategy to deal with a difficult economic situation. A recent study reports that approximately 400,000 persons are engaged in Haiti's mainly informal craft production,[(69)] and other researchers note that this may be a significant underestimation of the number of persons involved in full-time or part-time craft work.[(70)] In 1990, crafts accounted for 12.63 percent of overall exports, totalling US$9,087,836. Yet, save for the occasional mention in IFI reports about the potential of the handicraft sector, it has been largely ignored by the international donor and banking community.

The Failure of Development Assistance and Adjustment

In a January 1995 report compiled by the IDB, 16 major donors acknowledged the failure of foreign assistance to make much of a difference in Haiti. For more than 20 years, neither the sheer scale of assistance, nor the constant restructuring of policy, nor the massive amount of foreign expertise brought in by donors to restructure Haiti's institutions has succeeded in furthering development or improving the lives of the poor.

The report noted three major shortcomings of past assistance: no national ownership, little measurable impact on basic economic and social indicators, and no sustainability.[(71)] Unfortunately, even this stunning (if refreshing) admission of failure from an ensemble of agencies that pumped more than US$2 billion into Haiti during the 1980s did little to change their approach for the 1990s.

Rather than helping to straighten out Haiti's distorted economy, the combined effect of IMF and other adjustment policies has been to put a financial straightjacket around it that constrains overall economic activity. These policies continue to serve the interests of a few creditors, some foreign investors and consumers, and a small class of Haitian elites at the expense of the Haitian people. At the same time, the IMF, with the support of the other IFIs and some bilateral donors, have actively precluded the implementation of many programs and policies advocated by popular sectors and small producers to address the twin problems of the high cost of living and declining wages and production. For example:

- government-established community shops, intended to provide subsidized food to the poor, are prohibited under IMF policies because they constitute price control;
- no fuel, electricity, phone or water subsidies for the poor are acceptable to the IMF (although electricity subsidies to assembly industries were part of a package to encourage foreign investment) and under the PFP the government is explicitly constrained from lowering taxes on fuel to stabilize the price;
- the implementation of tariffs and import restrictions on products
- that compete unfairly with Haitian goods, a policy called for by peasant organizations, flout IMF conditions that Haiti drop all trade barriers; and
- it is against IMF policy conditionality to increase the minimum wage, despite the fact that such a policy remains one of the best ways of both addressing the poverty of working people and increasing worker productivity.

This repetition of outsider imposition, with it attendant mistakes and failures suggests that it is time to turn to the Haitian people to consider and support their ideas on how to solve their country's development dilemma.

VI. WHAT NEEDS TO BE DONE:

THE VIEW FROM HAITIAN CIVIL SOCIETY

There exists in Haiti a dynamic civil society able and working to provide both an alternative vision of development and the specific programs and methodologies to implement it. Haitian community development training centers and the base groups that have been catalyzed by the community agents trained there are among the most effective in the world. There also exists a strong (if small) cadre of agronomists, economists, sociologists, human rights specialists and other professionals working hand in hand with groups in the popular sector to bring about their joint vision for social change. Throughout the political turmoil of the past 15 years, it has been the popular groups, peasant associations, base church communities, those NGOs and NGO associations serving the grassroots, progressive policy organizations, and student groups that brought democracy to Haiti. They have amassed and safeguarded the knowledge, perspectives, and innovative thought and actions upon which a participatory democracy and more equitable economic development can be built.

Excluded by the international community, hunted down by the military, and too often ignored by their own government, these groups have nevertheless carried on. Still, the immense burden borne by civil society has taken its toll, and confusion, division and simple exhaustion complicate attempts to unify, collaborate and develop joint strategies and alternatives. This situation -- and the need for donors and the GOH to do all they can to reverse the negative roles they have played -- is as real and important a reality in Haiti as is the need for financing for development programs and should be addressed with equal energy and commitment.

Despite the challenges these groups have faced, key elements of an alternative development path in Haiti have been devised and articulated by a broad cross-section of civil society. Donors who are serious about playing a positive role in Haiti have a solid base to take as their point of departure and are in a position to enter into an honest, open and transparent dialogue with civil society and the GOH to see whether and how they can provide useful resources to a Haitian-led development process.

Following are some general principles and specific program and policy recommendations that have emerged in the past three years from a broad base of civil society.[72]

- Only by fundamentally changing the current configuration of inter-national development assistance to Haiti and addressing the chronic imbalance of power and wealth that haunts Haitian society, can the country's poverty be effectively addressed. This implies not only a redistribution of resources within Haiti, but also a shift in the country's relationship to the world economy. Rather than providing cheap labor for that economy, for example, Haiti must direct its work force and resources in the first instance toward the production of locally consumed food and other goods.
- As advocated by several women's groups in Haiti, economic rights must be the basis of development. Without these rights, women, as well as their male counterparts, will continue to subsidize industrial production through poverty wages and other forms of exploitation.
- Haitian workers feel that foreign investment could provide an important source of employment in Haiti, but not if it is done at the expense of workers' rights. IFIs should actively support Haitian workers' demands that foreign companies operating directly in Haiti or through subcontractors respect Haitian laws regarding minimum wages, working conditions, benefits, the right of Haitian workers to organize, and the right to negotiate a collective contract. Workers are also calling for an increase in the minimum wage to 75 gds, or US$4.90 a day.
- Direct and significant material and financial support to peasants and peasant associations, along with a land-reform program that distributes state lands plus other attendant policy measures, is needed immediately to assist them in rebuilding their capital base and increase food and export-crop production. The main goal of this assistance would be to strengthen food self-sufficiency in Haiti by both increasing the availability of food locally and decreasing the cost of food. This strategy implies a thorough understanding of the gender dimensions of food security and the need to explicitly address these dimensions in programs. Export-crop production in this schema is an important supplement to food production, but would not take precedence over it.
- The professional agronomists association (ANDAH) is calling for 25-30 percent tariffs on grains imported by Haiti as a means of "leveling the playing field" on which poor Haitian farmers are being forced to compete with their heavily subsidized competitors. Donor- financed food-aid programs should purchase locally produced food as a means of strengthening local food production and agricultural markets and lessening Haiti's dependence on imported food.
- Industrial-sector planning should valorize and strengthen local production, such as handicrafts. A long-term policy for the development of the Haitian craft sector that establishes and strengthens linkages with government programs in agriculture, environment, natural-resource management, education, tourism and commerce is badly needed and should be integrated with a larger national development strategy.
- To increase the amount of domestically available credit to peasants and small and informal-sector entrepreneurs, limits should be placed on the government's ability to

borrow money from domestic sources. This might entail taking the banking system out of the control of the state (also a goal of the IFIs), though private banks should be required to make flexible, affordable credit available to these small producers across the country, if necessary through special programs. Capital shortfalls should be funded by international assistance not on the backs of the poor through the imposition of excessive austerity measures.

- Economic policies that help create political stability through equitable growth, streamline business regulations and secure positive rates of interest on savings are a preferable means of attracting foreign investment than a policy of exploitative wages, tax holidays, excessive subsidies and preferential access to resources by the export sector, as is the case today.Immediate and substantial increases should be effected in health and education spending -- some of which might be in the form of subsidies to private providers -- such that services are increased and the cost to families decreased.
- While popular groups and NGOs agree with the EERP on the need to increase government revenues, they argue for the more equitable method of imposing and collecting progressive income and property taxes and more heavily taxing luxury imports rather than taxing such critical consumer items as food and fuel.
- The Haitian people are also calling for debt cancellation. They argue that the poor of Haiti should not be made to pay for the excesses of the Duvalier regime nor those of subsequent, non-democratic governments.
- In addition, popular groups support the rebuilding of their country's infrastructure, the rationalization of its economic system, greater government efficiency and less public corruption -- all elements of the EERP -- but they want this accomplished within the context of a larger, more effective, service-delivering state that is accountable to and addresses the needs and priorities of the people of Haiti, not foreign donors or investors.

These recommendations collectively form a comprehensive, logical and, for the Haitian people, relevant programmatic framework for Haiti's economic future. It is not for the lack of viable alternative, therefore, that the IFIs refuse to back off from the economic program that they have foisted upon the country. Rather, they are unwilling to entertain, in Haiti or in the many other countries in which they operate, any economic option that is not congruent with their well-established economic orthodoxy and that does not serve a well-defined set of special interests.

By ignoring the voices of civil society, the IFIs and their current program certainly will not serve the people of Haiti. Indeed, they will perpetuate the economic, social and political crises that have for far too long marked the sad history of that nation. As those crises intensify and instability regenerates in Haiti, the architects and adherents of adjustment may well come to rue having blockaded the road not traveled.

NOTES

1.

1. The U.S. government carries extra weight in this process due to its control over the international peacekeeping forces and police training by way of its funding of projects related to justice and "democracy". Far from being benign, U.S. influence is a double-edged sword. This is

perhaps most clearly illustrated by the close ties between various branches and agencies of the U.S. government and FRAPH, the organizational name of the deadly right-wing hits squads that terrorized Haiti during the period of military rule.

2. In an article in the 3 November 1994 edition of The New York Review, Michael-Rolf Trouillot wrote: "Traditionally, the state has been financed primarily by the labor of the lower classes who produce crops and hand-crafted objects both for the local market and for the export trade. The state took its cut through a system of licensing fees and indirect levies. The elites rarely invested in capital equipment or other factors of production, unless such production was protected by a state-enforced monopoly. They benefitted from lucrative state concessions to enrich themselves in the import-export trade or were able to take money directly from the Treasury... None of these people ever paid taxes. In short, the state profited from the peasants, while the elites enriched themselves by draining the resources of the state and selling the agricultural and other products of the peasants and urban laborers, returning absolutely nothing -- not even a pretense of investment -- to most of the people who worked in the economy."

3. Ridgeway, James, ed., The Haiti Files: Decoding the Crisis, (Washington: D.C. Essential Books, 1994), p. 29-30.

4. Estimates of crop losses are reported to be 15-30 percent, reported in Noriac, Dathis and Roger Daviss Pipe, "Income Generating Activities of Peasant Groups in Haiti: A Financial Analysis," prepared for the World Bank LAC Regional Office, Natural Resources and Rural Poverty Operations Division, November 1995. Crop losses of between 40-60 percent are cited in numerous other reports, but may be overstated.

5. Ibid.

6. Author's interview with Alexis Giardella.

7. In a 1980 report, Simon Fass noted that "The rapid growth of sub-contracting by U.S. firms was fostered by the U.S. Tariff Provision for Offshore Assembly enacted in 1965, which exempts U.S.-made components of imported goods from import duties. Other incentives for locating firms in the city included the provision of an adequate supply of water and hydroelectric energy (1971), the adoption of a "laissez-faire" public industrial policy (1968), a 10-year moratorium on import and export taxes (1963 and 1968), the maintenance of an attractively low legal minimum wage, and stable political conditions." (Fass, Simon, "The Economics of Survival: A Study of Poverty and Planning in Haiti," 1980, p. 10).

8. Trouillot, Michel-Rolph, Haiti, State Against Nation: The Origins and Legacy of Duvalierism, (New York: Monthly Review Press, 1990), as cited in The Uses of Haiti by Paul Farmer.

9. Farmer, Paul, The Uses of Haiti, (Maine: Common Courage Press, 1994), p. 115.

10. Lawless, Robert, Haiti's Bad Press, (Rochester, Vermont: Schenkman Books, 1992), as cited in The Uses of Haiti.

11. Farmer, p. 117.

12. DeWind, Josh and David Kinley, "Aiding Migration: The Impact of International Development Assistance on Haiti," (Columbia University, Immigration Research Program, 1987).

13. National Labor Committee. "Haiti After the Coup: Sweatshop or Real Development?" (New York: National Labor Committee, 1993).

14. Farmer, p. 117.

15. World Bank, "Haiti Public Expenditure Review," (Washington, DC: World Bank, 1987), p. xviii.

16. Government of Haiti, Country Presentation, prepared for the United Nations Conference on the Least Development Countries, 1990.

17. Ibid.

18. The National Governing Council, under the Presidency of General Henri Namphy, ruled from 7 February 1986 to January 1988, when Leslie Manigat was elected in a sham, military-run election. Manigat was overthrown by General Namphy in June 1988. In September 1988, Namphy was overthrown by General Prosper Avril, who resigned in March 1990 as a result of massive protest. Supreme Court Justice Ertha Pascal-Trouillot was installed as President at the same time. From the Washington Office on Haiti, Haiti: A Look at the Reality, (Washington, DC: 1992).

19. According to an IMF memorandum, dated 20 April 1990, from S.T. Beza to the acting Managing Director, the GOH also agreed to a "forceful policy of import liberalization [as] an effective way to enhance domestic competitiveness while at the same time reducing the prices of some key commodities, but they are reluctant to confront the military (who control much of the contraband trade) and politically powerful groups who benefit from external protection. Instead, they have chosen an approach under which imports will be liberalized gradually."

20. Suarez, Nydia, U.S. Agricultural Exports Under Public Law 480, USDA Statistical Bulletin #876, February 1994.

21. As cited in Canham-Clyne, John, "U.S. Policy on Haiti: Selling Out Democracy," Covert Action, No. 48, Spring 1994, p. 8.

22. Ibid.

23. Each of Haiti's 515 communes had a Section Chief, the local military administrators who arbitrarily served as lawmaker, tax collector and judge in the countryside. It was through the Section Chiefs that the military maintained its tight control on -- and terror over -- the lives of the Haitian people.

24. From World Bank Office Memo, 27 November 1991. Subject: Haiti: Discussions at the Donors Meeting in Paris, 10 July 1991.

25. National Labor Committee, 1993.

26. Oxfam America, "Rebuilding Haiti: Views from the Grassroots on Haiti's Reconstruction Needs," (Boston: Oxfam America, 1995).

27. Government of Haiti, "Strategy of Social and Economic Reconstruction," prepared for presentation to the Consultative Group on Haiti in Paris in August 1994.

28. Inter-American Development Bank, "Emergency Economic Recovery Program: Haiti; A Report of the Joint Mission (7-30 Nov 1994)," January 1995.

29. Government of Haiti/International Monetary Fund, "Haiti: Policy Framework Paper, FY 1995/96 - 97/98," August 1995.

30. "Aristide begins to administer IMF Medicine," InterPress Service, 20 October 1994.

31. Government of Haiti, "Haiti Since the Restoration of Democracy: One Hundred Days of Progress," Embassy of Haiti, January 1995.

32. The Tripartite Commission, made up of representatives of business, labor and government, was formed to address, among other things, the question of wages in Haiti.

33. As part of the decentralization plan, the government's wage bill was projected to increase by 35 percent to pay allowances to education and health workers to encourage them to move to the municipalities, to clear wage arrears, to pay the 13-month salary required by the constitution (but which had not been paid in full in recent years), and to cover wages associated with the creation of four new ministries and an office of the Presidency.

34. Policy Framework Paper, August 1995.

35. Haiti joined the IMF on 8 September 1955, and its quota is SDR 60.7 million (about US$89 million). According to the 20 March 1995 IMF survey, Haiti's outstanding use of IMF financing stood at SDR 3.5 million (about US$5 million).

36. The IMF's Enhanced Structural Adjustment Facility provides 5- or 10-year loans at 0.5-percent interest so countries struggling to implement structural adjustment policies can continue to make debt repayments. It is through conditionality attached to ESAF and other loans that the IMF gains control over a national economy.

37. According to the 2 October 1996 Morning Press Bulletin of the External Relations Department of the IMF, the Fund's new focus on banking soundness reflects a greater recognition that without a healthy national banking system it becomes more difficult for a

government to keep its economic policy on track. In other words, it becomes more difficult for a government to implement IMF reforms.

38. World Bank, "Report on the January 1995 Consultative Group Meeting," (Washington: World Bank, 1995).

39. Mathelier, Richard, "Nouvelles Tendances de L'économie Haitienne:'Financiarisation' et Spéculation," Rencontre, No. 10, August/September, 1994.

40. The World Bank, "Memorandum of the President of the International Development Association to the Executive Directors on a Country Assistance Strategy of the World Bank Group for the Republic of Haiti," 13 August 1996.

41. Government of Haiti, "Memorandum on Economic and Financial Policies," June 1996. This document accompanies the Letter of Intent with the IMF and signed by the Minister of Finance and the Governor of the Central Bank.

42. The World Bank. Memorandum and Recommendation from the President of the International Development Association to the Executive Directors on a Proposed Emergency Economic Recovery Credit in the Amount of SDR 26.8 Million (Equivalent to US$40 Million) to the Republic of Haiti, 30 November 1994.

43. World Bank Memo from Estanislao Gacitua-Mario to Aubrey Williams, 8 October 1996.

44. World Bank, 13 August 1996.

45. Noriac's and Daviss Pipe's 1995 study estimated that a woman from the community of Seguin selling her own produce 26 times a year in the market of Kenscoff (an arduous nine-hour walk away) and traveling 15 times annually to Port-au-Prince to purchase fuel, rice, sugar, soap and other items for resale in Kenscoff would earn a total annual income of US$103.

46. Cahn, Jonathan, "Challenging the New Imperial Authority: The World Bank and the Democratization of Development," Harvard Human Rights Journal, vol. 6, Spring 1993, p. 159-194.

47. These provisions are outlined in both the 22 August 1994 Strategy of Social and Economic Reconstruction and Prime Minister Smarck Michel's presentation to the Consultative Group in Paris in January 1995.

48. Duncan, Cam, "Haiti Bucks Privatization," Multinational Monitor, November 1995.

49. Canham-Clyne, John. "U.S. Policy on Haiti: Selling Out Democracy," Covert Action, no. 48, Spring 1994, p. 4-9+.

50. World Bank assessments of Teleco and EdH in the Bank's 1987 Public Expenditure Review stated that "an increasing share of public sector resources has come from the operating surpluses

of the public enterprises, which averaged 2.8% of GDP in FY 84-85. Three enterprises accounted for over 80% of this surplus: EdH, Teleco and the minoterie (flour mill)."

51. Kennedy, Marie and Chris Tilly, "Up Against the Death Plan: Haitians Resist U.S.-Imposed Economic Restructuring," Dollars and Sense, March/April 1996.

52. "Haiti's New President Hurries to Help a Nation Bogging Down, Washington Post, 11 August 1996.

53. "Parliament Caught between a Rock and a Hard Place," InterPress Service, 27 June 1996.

54. Observer's Delegation to Haiti, "The Death Plan: How the U.S.-Backed Economic Program for Haiti Prevents Prosperity and Undermines Democracy," December 1995.

55. See Smucker, Jacqueline Nowak, "The Role of Rural Haitian Women in Development," (USAID/Haiti), February 1981, and a report entitled "La Situation Des Femmes Haitiennes," Comite Inter-Agences, Femmes et Development, Systeme des Nations Unies en Haiti, (Haiti: 1991).

56. White, T. Anderson, "Study on the Role of Women in Agriculture, the Socio-Economic Status of Women, and the Status of SCF-supported 'Groupement' and Women's Clubs in Maissade, Haiti." (Save the Children Federation, Haiti, April 1993).

57. Haiti Inflormation Bulletin, 24 February 1996, vol. 4, #8.

58. USAID, "Haiti Agribusiness Assessment," prepared for USAID by Abt Associates, April 1995 draft.

59. Ibid.

60. "Haiti: Agriculture Sector Assessment," prepared for USAID/Haiti by Ronco Consulting Corporation, November 1987.

61. Ibid.

62. According to the USDA, (USDA, "Agricultural Economic Report Number 713," USDA and Agriculture Information Bulletin Number 664), about one-third of all U.S. farms receive federal direct cash payments (US$5.8 billion in 1992). The bulk of these payments are deficiency payments that go to producers of wheat, cotton and rice. Deficiency payments are entitlements that are based on production and therefore accrue to large producers with high net incomes, as opposed to small producers. The five percent that received the largest payments collected 31 percent of total payments distributed in 1991. Approximately 98 percent of U.S. rice is grown under a USDA price-support and acreage-control program under the 1990 Farm Bill. In addition to direct cash payments, farmers receive indirect income support through, for example, deficiency payments, producer levies and disaster-relief payments. The U.S. government also: subsidizes inputs, such as credit, pesticides and fertilizers; provides marketing assistance

(including storage subsidies); provides infrastructure support, such as research and technical assistance and land improvement; and extends benefits through economy-wide policies, such as transportation subsidies and exchange-rate policies.

63. For a fuller discussion of the Rice Corporation of Haiti and its parent companies, see the October 1995 Special Issue Report by the Washington Office on Haiti.

64. American Rice, Inc., "Annual Report," FY1994.

65. National Labor Committee, "The U.S. in Haiti: How to Get Rich on 11 cents an Hour," 1996.

66. Maternowska, as cited in National Labor Committee (1996).

67. National Labor Committee, 1993.

68. U.S. Department of Commerce, International Trade Administration, American Embassy, "Haiti, Foreign Economic Trends and Their Implications for the United States," (Port-au-Prince: April 1992).

69. Fleurant, Gisele and Kathy Mangones, "Haitian Artisans: Giving Shape to One's Visions and Ideas: An Assessment of the Haitian Handicraft Sector," Report prepared for the Inter-American Foundation, January 1996.

70. Ibid.

71. Inter-American Development Bank, 1995.

72. Recommendations for alternative policies and programs in Haiti can be easily found in a number of documents and news reports, as well as through conversations with groups and individuals. The recommendations cited in this report come from a variety of sources, such as: the Fleurant and Mangones report cited above; declarations by peasant groups and professional associations (i.e., Mouveman Payizan Nasyonal Kongre Papay, Deklarasyon Final/Declarasyon de Payay, Kongre Espesyal MPNKP, 17-20 March 1995); papers prepared by individuals for discussion, such as Webster Pierre's "Elements de Reflexions Pour un P.A.S. Alternatif," (March 1996); reports of international organizations with partner groups in Haiti, such as Oxfam America, and various bulletins and articles from the Platforme Haitienne de Plaidoyer pour un Development Atnernatif (PAPDA) in Port-au-Prince. In addition, Haiti Info, a biweekly newsletter published by the Haitian Iformation Bureau, provides coverage of alternative policies and programs advocated by Haitian groups.

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