

*Strategy of Aristide Government
for
Social and Economic
Reconstruction
(August 1994)*



**Institute of Haitian Studies
University of Kansas**

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Bryant C. Freeman, Ph.D.
General Editor

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- N° 1 - **Konstitisyon Repiblik Ayiti, 29 mas 1987.** September 1994. Pp. vi-106. Haitian-language version (official orthography) of the present Constitution, as translated by Paul Déjean with the collaboration of Yves Déjean. Introduction in English.
- N° 2 - **Toussaint's Constitution (1801), with Introduction.** October 1994. Pp. ix-20. In French. Introduction (in English) places Constitution in its historic context and analyzes salient features.
- N° 3 - **Bryant C. Freeman, Selected Critical Bibliography of English-Language Books on Haiti.** February 1995 (Updated). Pp. 21. More than 150 entries, with brief description of each; special list of "Top Ten." Introduction and text in English. Updated periodically.
- N° 4 - **Strategy of Aristide Government for Social and Economic Reconstruction (August 1994).** December 1994. Pp. iv-9. Official document setting forth recovery plan for Haiti. Introduction and text in English.
- N° 5 - **Robert Earl Maguire, Bottom-Up Development in Haiti.** January 1995. Pp. iv-63. Keynote: develop people rather than things, with case study as carried out in Le Borgne. Introduction and text in English.
- N° 6 - **Robert Earl Maguire, Devlopman Ki Soti nan Baz nan Peyi Dayiti.** February 1995. Pp. v-71. Haitian-language version of N° 5, in Pressoir-Faublas orthography. Introduction in English.
- N° 7 - **Samuel G. Perkins, "On the Margin of Vesuvius": Sketches of St. Domingo, 1785-1793.** March 1995. Pp. vi-75. First-hand account by an American merchant living in Saint-Domingue during onset of the Haitian Revolution. Introduction analyzes strong and weak points of narrative. Index of Proper Names.
- N° 8 - **Official Spelling System for the Haitian Language.** April 1995. Pp. 27. Text of official Haitian government edict of 28 September 1979, in Haitian. Editor's remarks in English on subsequent contemporary usage and brief pronunciation guide. Eleven pages chosen to illustrate good usage of official system, plus brief examples of the three major preceding orthographies. Introduction traces development of the four major systems.
- N° 9 - **Organization Charts of the Haitian Judiciary and Military.** May 1995. Pp. 10. Two charts of Haitian judicial system - one in French and English, other in French only. Three charts in French of Armed Forces of Haiti (1993) and one of Port-au-Prince police; officer and enlisted ranks with insignia (in French and English). Introduction in English.
- N° 10 - **Tèt Kole Ti Peyizan Ayisyen, Dosye Chèf Seksyon: Chèf Seksyon - Yon Sistèm Ki Merite Elimine.** June 1995. Pp. vi-52. Detailed, scathing account of the institution of section chiefs as of March 1991, compiled by a leading Haitian peasant group. Much exact information. Introduction in English, text in Haitian (official orthography).

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PRESIDENT ARISTIDE'S PLAN FOR RECONSTRUCTION (August 1994)

This is the fourth in a series of documents concerning Haiti to be made more readily available through the University of Kansas Institute of Haitian Studies. The present document, which is of immediate importance as well as of historical interest, has not received wide circulation, and came to our attention only during the course of a recent conference on Haitian affairs.

On 16 December 1990, in what was almost certainly Haiti's first honest, democratic election, Jean-Bertrand Aristide won by a 67% majority, and was inaugurated 7 February 1991. After less than eight months in office, he was overthrown by a coup d'état during the night of 29-30 September 1991. Following a short period in Venezuela, he spent the greater part of the next three years in exile in Washington D.C. During that time he was able to reflect on a "Strategy of Social and Economic Reconstruction." Dated August 1994, it is presented here.

United States troops arrived in Haiti beginning 19 September 1994, preparing the way for President Aristide's return on 15 October 1994. The first United States Occupation had lasted a little over nineteen years, from 28 July 1915 to 14 August 1934. The U.S. government has vowed that this present intervention will, on the contrary, be quite brief.

During the three years while the legitimately elected president was forced to remain in exile, Haiti's economy, and indeed its entire infrastructure, were devastated by a United Nations embargo, while under the heel of a military regime whose chief methods were intimidation, terror, and murder. With the best of intentions, the outside world was very largely responsible for ravaging what was already the weakest economy in the Western Hemisphere. It now has a definite moral obligation to restore what was. But this will not be enough. Haiti must be enabled to establish a viable standard of living in order that endemic poverty, unemployment, malnutrition, illiteracy, in brief, the underlying conditions which have informed its troubled past, do not perpetuate themselves, do not dictate that what was Haiti's past will be Haiti's future. There are many needy nations in the world, but Haiti is now receiving exceptional attention. It is presently at a unique crossroads in its history. Sums approaching one billion dollars have been pledged by the nations of the world, but Haiti belongs to the Haitians. It is they, under the direction of President Aristide, who are ultimately responsible for utilizing this foreign aid. It is now a time of "make or break" for the Haitian nation, and the present document is the blueprint not only for reconstruction but for a total reorganization.

This document is a disconcerting mixture of realism and at times extreme optimism. At the time it was written, at least some two months before President Aristide's return, it was essentially realistic in assessing the state of Haitian society and economy. It speaks of "the magnitude of the emergency confronting the country," of the "overall social indicators [which] have dramatically worsened during the past three years," of "the very depressed status of the economy, the improbability of [its] short-term quick rebounding," of "the likely sorry state of tax administration," of "the private sector [which is] virtually bankrupt," of "the export sector,

obliterated by the embargo." Even then it was unknowingly optimistic. It could not foresee the acts of what can only be termed treasonable sabotage committed by Jonassaint-Cédras-Biamby-François and their fellow henchmen who, after emptying the Treasury, systematically vandalized the National Palace, ministries and assorted government offices, looting or destroying desks, chairs, typewriters, telephones, filing cabinets, even toilets--anything and everything which could possibly be of use to a returning administration attempting to rebuild a Haiti which they had done so much to demolish. And far worse was the willful destruction of the nation's basic institutions such as political parties, labor unions, grass-roots organizations, cooperatives, community groups, and local government. These institutions, already weak before, were knowingly emasculated or eviscerated. Dessalines' axiomatic "Koupe Tèt, boule kay" had been systematically turned around to be used not against a problematic foreign invader, but against a popularly elected Haitian leader.

On the other hand, this document is highly optimistic concerning many of the reforms which it proposes. Effective administrative decentralization, reform of the judiciary, police and army, privatization, restructuring of taxes and tariffs, are indeed noble objectives, but their realization implies a Haiti which has never existed since its founding in 1804. To mention in detail but one facet of this program, it is difficult to envisage just how, in "Section 12: Democratization of Asset Ownership," where the state's "productive assets"--which we assume to mean principally the major state-owned monopolies such as the government flour mill, cement plant, telecommunications and electric companies--are to be privatized, "arrangement [will] be made to ultimately transfer part of the ownership to traditionally excluded segments of society, with particular attention given to the families of the victims of the recent political turmoil." If destitute peasants are suddenly to be transformed into stockholders, how will they be chosen? And how many would lay claim to *not* having been "victims of the recent political turmoil"?

Obviously an excess of optimism is preferable to an excess of pessimism. Pious wishes are a dominant feature of the 1987 Constitution, and the present document follows suit. But in its favor Haiti has a valiant, hard-working population, a location adjacent to the largest consumer market in the world, and an ideal climate for producing tropical fruits--together with a dedicated Diaspora community and a vibrant culture which can again be a magnet for tourism. For those of us who love Haiti, we can only hope that many of these goals will be realized. No one will deny that Haiti has already undergone more than its share of suffering.

Bryant Freeman



REPUBLIQUE D'HAITI

STRATEGY OF SOCIAL AND ECONOMIC RECONSTRUCTION (August 1994)

1.- Background. The fundamental objective of the Government is to substantially transform the nature of the Haitian State as the prerequisite for a sustainable development anchored on social justice and the implementation of an irreversible democratic order. The Government is profoundly convinced of the necessity to shift the social balance of power away from the executive branch, where too much has traditionally been concentrated, toward Civil Society and local government which so far has been too enfeebled to provide an effective counterweight to the encroachment of the executive. The empowerment of several components of Civil Society (political parties, labor unions, grass-roots organizations, cooperatives, community groups) and local government is the main object of state reform. The Government also believes that a vibrant, private sector with an open foreign investment policy is vital for long-term growth. A sound macroeconomic policy eschewing foreign exchange controls, price controls, and other policy-induced distortions will be the required environment for such a private sector. Such a transformation must:

- Meet the basic needs and fully mobilize the human potential of the people of Haiti;
- Demilitarize public life and establish the supremacy of legitimate civilian control over the military;
- Establish an independent Judiciary;
- Strengthen the institutional capabilities of Parliament, other autonomous institutions, local governments to enable them to play a constructive and informed role in policy debates and implementation;
- Limit the scope of state activity, and concentrate it on the mission of defining the enabling milieu for private initiative and productive investment;

- Reduce the involvement of the central government in the commercial production of goods and services;
- Redefine the relationship and the distribution of political authority between the central government and local authorities;
- Improve the quality of public administration.

2.- These objectives are ambitious and the Government recognizes that they will not be fully implemented prior to February 7, 1996. The goal is to advance sufficiently the implementation of the objectives to prevent the possibility of regression. In a real sense, the Government wants to commit the future so as to ensure the long-term continuation of pledges taken today. It is thus necessary to articulate clear, bold and explicit commitments and to start implementing them as quickly as possible. 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.

3.- To reinforce credibility the Government must move fast on a broad front of policy reforms that will signal the Government's commitment to a bold course of action. To this end the Government will request a visit by a Joint Mission of the IMF / World Bank within the first days of the return of the constitutional authorities. In the wake of the Joint Mission, the Government will send to the IMF Managing Director a Letter of Intent no later than ten (10) working days following the departure of the IMF mission. It will also forward to the President of the World Bank a Development Policy Letter to support an adjustment operation no later than twenty (20) working days after the departure of the Bank's Mission. The clearance of the accumulated arrears to the International Financial Institutions represents the first step to the resumption of normal business with the IFIs. The Government will contribute US \$13 million to expedite the process. The Government urges Haiti's friends and partners to take quick action to complete the process no later than thirty (30) days after the return of the constitutional authorities.

4.- Army and Police Reforms. The key feature of the new democratic order must be the professionalization of the Armed Forces. The Government will reduce the current apparatus to a small (no more than 1500 officers and men) professional force based outside of the Port-au-Prince Metropolitan area. Existing personnel will be divided in three categories a) those who will be incorporated in the reformed army b) those who will transfer to the new police and c) those who will return to civilian life. An economic re-conversion package shall be made available to facilitate reinsertion into civilian life. Acquired existing rights to retirement will be honored. The new force shall not incorporate any member past or present of paramilitary groups.

5.- Law enforcement will be carried out by a newly created police force. While some functions (forensic labs, anti-drug activities, the protection of high officials, disaster preparedness, training, maritime search and rescue, etc.) will be kept under the centralized control of the Minister of Justice, the basic law-enforcement functions shall be progressively transferred to the responsibility of the Commune. The creation of this new decentralized police force will be costly as there is no current infrastructure designed for the protection of citizens in the great bulk of the population centers.

6.- Judiciary and Parliamentary Reform. The blatant disregard for the rule of law remains at the root of our country's problem: both human and property rights are inadequately protected. Thus, the second cornerstone for both a peaceful democratic society and a prosperous economy is represented by the establishment of an independent Judiciary that is able to fairly arbitrate conflicts among the members of society, and provide adequate protections for private sector activity, property rights and fundamental human rights. Significant resources are needed to improve the performance of the Judiciary and to enhance its prestige and independence. With respect to the minimum infrastructure, the nine (9) Appeal Courts need to be properly housed in functional, permanent buildings. The same is true of the twenty-four (24) *Tribunaux de Première Instance* and of the three hundred and fifty (350) odd *Tribunaux de Paix*. Most of the basic economic laws (i.e. Code de Commerce, Code Civil, etc.) are old, obsolete, and need to be revamped. The establishment of specialized economic

and commercial courts is required to both unclog the normal, civil courts, but also to create a specialized legal system where the judges are more aware of the implications of their decisions for economic efficiency. Appropriate training is a critical need at all levels of the legal system and must be addressed promptly.

7.- Parliament has a critical role to play in the modernization of both the economy and society. It has been severely emasculated in the recent crisis, yet it remains an essential component in any reform aiming at curbing the powers of the executive branch. The bulk of the economic reforms must be enacted through laws while Parliament is not equipped to deal effectively with these complex issues. The improvement of transparency and a greater degree of public agent accountability depends on the organizational capability of Parliament and of the Superior Court of Accounts. The latter must be significantly strengthened to improve the level and the quality of public debates in the country, to monitor executive performance and to provide institutional counterweight.

8.- **Reform of The State.** The state sector needs to be modernized. The civil service needs to be reduced while the average level of professional competence needs to be improved. The goal is to have a smaller, more performing instrument. The objective is to secure the *voluntary* departure of about half of the 45,000 civil servants. To reach this goal, a generous severance package will be offered: two years' pay for the lower levels (those earning less than 24,000 Gourdes per year); one year's pay for the others; reform of the pension law to allow early retirement; assistance for professionals to help them establish private practices in fields such as engineering and agronomy. In addition, all arrears on the wages of the public employees must be settled and the pay of the civil service will have to be adjusted to reflect the serious erosion of purchasing power suffered over the last three years.

9.- The reform of the civil service is just one of the components of the contemplated reform. The scope and content of government activity also needs to be redefined with a view of moving away from tedious micro-management toward a more strategic approach. The smaller civil service must concentrate its energy on a more limited number of objectives. It should

refrain from excessive regulation and focus on broad policy questions. Service delivery and the associated resources will be gradually delegated to local authorities. Extensive use will be made of grass-roots organizations, the private sector or qualified NGOs. For example, the size of the Ministry of Public Works will be drastically reduced. In health and education, the Ministries shall progressively transfer the personnel and the administration of health centers and schools to local authorities (Communes) and concentrate on national policies, training, and the setting of norms and standards. Staffing requirements will thus progressively shift to a smaller number of highly qualified professionals which can be recruited partly from the Haitian Diaspora.

10.- The renovated state must focus on an economic strategy centered on the energy and initiative of Civil Society, especially the private sector, both national and foreign. This implies a rigorous macroeconomic framework anchored on programs supported by international financial institutions. Given the extent of the damages brought about by the current crisis, it would be unrealistic to anticipate a quick reaction by private investors. As a result of the turmoil of the last three years, the private sector is virtually bankrupt and thus requires emergency assistance, especially for the export sector. Yet, the solid and appropriate determinants of long-term growth should constitute the objective. Haiti is a small, open economy; it should not be a ghetto: it needs to export to prosper. Such an opening of the economy implies the appropriate infrastructure, industrial policy, social policy and financial policy. As far as the trade regime is concerned, the remaining quantitative restrictions to imports will be immediately abrogated and the tariff removed except for the following products: rice, corn, beans, sorghum. For a very limited number of sensitive products a transitory adjustment period not exceeding seven (7) years might be provided. For these products the tariff level will be cut in half immediately. Such a tariff policy will have significant benefits in that:

- contraband and associated corruption will be eliminated;
- the cost of living will be reduced, especially for food;
- the competitiveness of exports will be enhanced;
- it will establish a level playing-field for all economic agents;

it will curb the powers of domestic monopolists.

11.- Such a tariff posture has three main implications;

- Such a policy will obviously require serious adjustment assistance to the productive sectors such as industry and agriculture. In particular, special effort will be required for the benefit of basic grain and rice-producing areas.

As regards rice, policies with respect to proper water management, revamping of the irrigation and drainage systems, adequate support services to farmers (fertilizer, improved seeds, pesticides, tools and implements, extension services) and the suitable levels of rural financial services and resources will have to be implemented. In view of the political sensitivity of the rice sector, the legislation incorporating the tariff reforms would be introduced concurrently with the implementation of the rice sector support package.

- The correction of the trade regime distortions constitutes a necessary but not sufficient condition for a resumption of export performance. To reactivate the export sector, obliterated by the embargo, Haiti will request that its North American trade partners provide maximum favorable treatment with respect to quantitative restrictions and tariffs (including on the value added by the assembly sector) for the next ten years.

- The drastic reduction of tariffs will place an added burden on the need to improve domestic tax collection. The very depressed status of the economy, the improbability of a short-term, quick rebounding of the economy and the likely sorry state of tax administration forbid optimism with respect to the immediate prospects for domestic resource mobilization. However, it is essential to rebuild tax collection capabilities for both social equity and medium-term economic stability. Priority will be on the TCA, property taxes, personal and corporate income taxes.

12.- Democratization of Asset Ownership. The control of substantial productive assets by the state has proven to be a major economic and social catastrophe. Such control has imposed serious economic and financial costs on the rest of the economy because of mismanagement. The control over these assets has also been a major political problem because of the associated opportunities for corruption. The desire for control of the state apparatus by the country's

illegitimate rulers has not been divorced from the wish to quickly accumulate wealth through the capture of publicly-owned companies. The consolidation of a democratic social order compels the Government to dispose of these assets.

13.- A comprehensive divestiture needs to be accompanied by the implementation of the appropriate regulatory framework and anti-trust legislation. The lack of financial markets constrains the proper valuation of the state-owned enterprises and will handicap the divestiture process. Furthermore, such a divestiture must be implemented in a way that will prevent increased concentration of wealth within the country. Consequently the transfer of ownership will be done to a category of proprietors. The Government will seek out foreign investors, domestic savers from the professional categories and the members of the Haitian Diaspora. Additionally, arrangement must be made to ultimately transfer part of the ownership to traditionally excluded segments of society, with particular attention given to the families of the victims of the recent political turmoil. The practical modalities of such transfers are not yet specified but the Government will explore such alternatives as:

- a variant of the Czech Republic's program;
- a modification of the Bolivian Capitalization Law;
- the use of the International Finance Corporation (IFC) to temporarily warehouse these shares until they can be properly transferred to the designated target groups.

Last, the required reform of the retirement and social security system will expand the opportunity to widen the ranks of financial asset owners. To further strengthen the redistributive objectives, the Government will invest half of the proceeds from the divestiture into infrastructure investments in the poorest areas and low-cost urban and rural housing. The other half will be invested in a permanent trust fund whose annual proceeds will be used to subsidize education and health for the rural poor.

14.- **Reducing the Immediate Effects of the Embargo.** The embargo has had widespread negative economic and social consequences. Overall social indicators have dramatically worsened during the past three years. Living conditions of the poor were especially affected.

Many of these negative effects must be neutralized in the immediate short term as regard the physical shortages and high prices of essential products such as gasoline, basic food items, basic medical supplies. To stabilize the volatile political situation, it is imperative *not* to wait for the resumption of Haitian exports to rebuild short-term import capacity. Too long a waiting period can have fatal social consequences. The prices of the critical products must be rapidly deflated through the release of stocks to be constituted prior to the return of the constitutional authorities. The distribution of these products will be handled through established appropriate commercial channels.

15.- As regards medium-term social policy, the Government will intervene with programs in education and health for the neediest. The Government believes economic progress and growth call for an educated and healthy population, and a flexible labor force that can quickly adjust to changes in economic conditions. As a major priority, it will invest in basic education for the poor, the rural segment of the population, with a special attention to young women's schooling and an adult literacy program. Basic health care and population policy are also required for a healthier and more educated work force. It will use channels in Civil Society (private sector, qualified NGOs, grass-roots organization, cooperatives and local governments) to address the problem of poor enrollment and delivery of some health-care services. To improve accountability and increase efficiency in the education and health sector the role of the Ministries shall be redefined as discussed in paragraph 9 to entrust service delivery to the local authorities.

16.- To initiate the recovery process, the Government will endeavor to implement the projects identified by the multi-agency task force of 1993. The assessment and cost estimates will need to be updated as the conditions on the ground have deteriorated. In view of the comprehensive reform program to be implemented, it will be essential to create over the next eighteen months a social safety-net through income-generating activities all over the country. Thus, the Government believes that a self-standing major public works program needs to be implemented.

17.- Financing Requirements. Given the magnitude of the emergency confronting the country, the Government estimates the amounts of financial resources to be committed at about US \$ 800 million for the next twelve to fifteen months. This excludes the cost associated with the maintenance of the civilian and military peacekeepers. The allocation of the indicative financing is as follows:

•	Governance	US \$175 million
•	Arrears Clearance	US \$ 80 million
•	Budgetary Assistance	US \$175 million
•	EERP & Ongoing Projects	US \$250 million
•	Humanitarian Assistance	US \$ 90 million
•	TOTAL	US \$770 million