

4-20-1995

Analysis: Haiti's Capacity to Absorb Massive Foreign Aid in Question

Guest Author

Follow this and additional works at: <https://digitalrepository.unm.edu/notisur>

Recommended Citation

Guest Author. "Analysis: Haiti's Capacity to Absorb Massive Foreign Aid in Question." (1995). <https://digitalrepository.unm.edu/notisur/11882>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiSur by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Analysis: Haiti's Capacity to Absorb Massive Foreign Aid in Question

by Guest

Category/Department: Haiti

Published: 1995-04-20

By Matthew Creelman

[The author, a journalist based in Guatemala City since 1985, recently visited Haiti]

The US-led "Operation Restore Democracy" cost the US government US\$700 million during the five months that the US military ran the operation. Now, the UN which took over command of the international forces on March 31 expects to spend well over US\$200 million in the period covered by the UN mandate, which ends Feb. 7, 1996. In addition to this, the international community, at a donors' meeting in Paris in January, pledged more than US\$600 million to pay for a gamut of emergency humanitarian programs, development assistance, economic stabilization, government reforms, and preparations for upcoming local, legislative, and presidential elections.

The international assistance for 1995 includes grants to pay off loans in arrears owed by Haiti to multilateral lending institutions. It also includes budgetary support and direct aid for an Emergency Economic Recovery Program. The World Bank and the Inter-American Development Bank (IDB) are providing special emergency credits and project loans. Eight international organizations and agencies are working in Haiti under the umbrella of the UN and the Organization of American States (OAS): The UN Development Programme (UNDP); the World Food Program; the Food and Agriculture Organization (FAO); the UN High Commissioner for Refugees (UNHCR); the UN Children's Fund (UNICEF); the Pan- American Health Organization/World Health Organization; and the UN's Education, Science, and Culture Organization (UNESCO). Bilateral donors include nearly all of the developed countries: the US, Canada, the Netherlands, France, Sweden, Japan, Denmark, Great Britain, Switzerland, and the European Union. Moreover, aside from UN, OAS, and bilateral official aid, more than 150 international and Haitian nongovernmental, private, and voluntary organizations are present in Haiti. International assistance is so immense that the expected 4.5% growth in the GDP for 1995 is completely due to internationally financed public-investment projects.

Public investment in Haiti, financed completely by international donations, is expected to shoot up from 0.6% of the GDP in 1994 to 7.2% of the GDP this year. This increase is far greater than the overall GDP hike, forecast by the International Monetary Fund. If one subtracts the public investment from the expected GDP growth, the result will be negative growth. In other words, the expected decline in the rest of the economy will be more than compensated for by international assistance. According to a UNDP report delivered to a Jan. 30-31 meeting of donor countries held in Paris, the immensity of the present aid package raises serious doubts as to what the development community calls "absorption capacity." The UNDP warns that the overall past performance of humanitarian and development assistance in Haiti has been negative, and recommends a number of changes in focus to avoid repeating the errors. In the years prior to 1994, on average international

assistance to Haiti came to US\$150 million per year about one fourth of what is being proposed for the current year. "We have to recognize that international aid has not yielded the desired result in the past as evidenced by both macroeconomic and human development indicators," concluded the UNDP. "International cooperation to Haiti has had two basic deficiencies: minimal impact and no sustainability."

The UNDP blames these failures on two main factors:

1-The weak absorptive and management capacity of the government. The state's inefficiency is due to the lack of qualified staff, the inertia of public service, centralized decision-making, and the lack of mechanisms to coordinate and direct international assistance toward commonly agreed upon development objectives.

2-Contradictions and shortcomings in the donor community. With few exceptions, donors often focused on inputs rather than results, and had limited knowledge of the local realities. Uncoordinated and unsustained approaches underutilized local resources, paying heavily for external technical assistance, spreading themselves too thin, and failing to give adequate attention to the crucial question of the local government's leadership in defining goals.

The UNDP warns that, "The absorptive capacity currently available in Haiti is limited, especially viewed against the volume of external cooperation necessary for national reconstruction...Moreover, the political crisis has further weakened the traditionally ineffective political, judicial, and administrative structures of the government and civil society to manage and effectively absorb development assistance beyond that recorded in 1990." The US Agency for International Development (USAID) has budgeted US\$162 million for fiscal year 1995. Of that, US\$73 million will go toward humanitarian aid programs; US\$31 million will be used to restructure and strengthen government institutions, finance elections, and pay severance owed to retired security force officers; and US\$58 million will go to balance of payment support, payment of overdue debt, and support for agriculture, education, and private sector development.

The UNDP has allocated US\$44 million for Haiti during 1995: US\$15 million for public administration support; US\$15 million for poverty alleviation; and US\$7 million for environmental programs. Smaller amounts will go toward tax reform, seed production, potable water programs, literacy projects, and multiagency coordination. The World Bank's International Development Association (IDA) approved a US\$40 million credit in December to go toward the Haitian Emergency Economic Recovery Program. The funds are being used for balance of payments and budgetary support, civil works, and specialized advice to restore basic government functions. Once Haiti clears its overdue debts, the IDA is willing to reactivate its ongoing project portfolio of US\$14 million. These projects include industrial restructuring, electricity development, transportation, and urban water projects.

The International Monetary Fund (IMF) on March 8 approved a US\$31 million standby credit for Haiti, providing funds for the country's economic and financial programs for the next year. The IDB has also promised to initiate several major projects once the Haitian government pays US\$29 million in overdue debt to the Bank. Diverse bilateral aid programs will provide food aid to 1.4 million Haitians during 1995. Bilateral assistance and private NGO assistance will make up the rest of the

humanitarian aid and economic assistance to Haiti. The amount of assistance relative to the size of this island economy is unprecedented in the history of the American continent and poses a gamut of logistical and theoretical problems that international development agencies have yet to fully figure out.

Development experts at the moment are scurrying to find ways to coordinate such a massive aid program and an assessment has yet to be made as to the impact of such an inflow of assistance in distortions to the economy, aid dependency, and the capacity of the government and the local and international agencies to "absorb" the aid being offered. In general, international aid groups are able to measure their humanitarian aid quantitatively: number of meals delivered, amount of grains provided, number of patients attended, etc. The impact of development assistance, however, has tended to be more difficult to measure, since development projects usually function in the shadow of a larger economy.

In Haiti, however, with aid levels so high and international technicians involved on every level of public administration, the potential for actually shaping the overall economic design is unprecedented. Aside from the sheer size of the aid package, another set of issues and challenges derives from the political context both internationally and within Haiti in which the intervention has taken place. In many ways, the political situation in Haiti marks a unique opportunity for the developed countries to experiment in post-Cold War "societal engineering." While in the past, international involvement in the Third World often took place in the context of ideological confrontation, several factors make the Haitian experience distinct.

The absence of an organized radical leftist challenge to state security, the massive presence of the multinational forces throughout the country, the existence of a restored civilian government heavily committed to US-imposed policies, and the flight into exile of most of the hard-line military junta have together served to create a vast political arena within which the international community can design or shape the future Haitian state and economy. These two elements the immensity of the aid involved and the lack of a strategic threat to state security have created a situation that international donors have yet to clearly respond to. As assistance programs begin to take shape, several potential conflicts are appearing on the horizon. The way in which these conflicts are played out will to a large degree determine the sustainability of development in Haiti.

Following are several of the concerns raised during interviews with development agencies and Haitian analysts:

-How will the economic distortions provoked by humanitarian aid interfere with the longer-term goals of development programs and private-sector development?

-How will the major donors define strategies, coordinate work, and measure success? What role will the Haitian government and civil society play in setting goals?

-With such a vast political space within which the international community has tremendous freedom to maneuver and to set its agenda, who is determining the social and economic "blueprint" for society from which to base an overall strategy? Is there a consensus among international agencies and bilateral donors?

-While many of the organizations within the UN appear interested in working closely with the Haitian government and local communities in establishing priorities and goals, the US has been pushing its own strategies unilaterally. Many of the components of the US-led operation were agreed upon by the Aristide government while in exile as preconditions for his return. How will these two approaches mesh in the future?

-Aristide won the presidency in 1990 with an overwhelming majority vote. He was restored to power by the international community. Without popular input into the social and economic reforms underway, there is a good chance that the international community's agenda could come into conflict with the popular mandate that originally gave its approval to Aristide. Will the poor handling of this contradiction in mandates lead to a rejection of international involvement by an important part of the population?

-- End --