



## Is sustainable recovery possible for Haiti?

### After the devastation, the challenge of sustainable reconstruction

In Haiti, one of the poorest countries in the world, the earthquake of 7.0 on the Richter scale in early January 2010 had devastating effects. The Government estimates that more than 200,000 people (or 2.1 per cent of the population) were killed; 300,000 were injured and 1.9 million were displaced. Early estimates of the economic cost of the damages range between 65 per cent and 200 per cent of GDP. Haiti's immediate policy challenge is to rebuild homes, buildings, basic infrastructure, schools, health centres and businesses. But the real challenge is even greater. Haiti will need to aim at rebuilding its entire economy in a sustainable manner, to such an extent that it will be more resilient to future shocks and disasters and will be able to solve its problems of widespread poverty, job insecurity and environmental degradation. This will require not only large amounts of resources but also a much improved institutional capacity to manage those resources and to curb insecurity in the country.

### Haiti's deep vulnerabilities

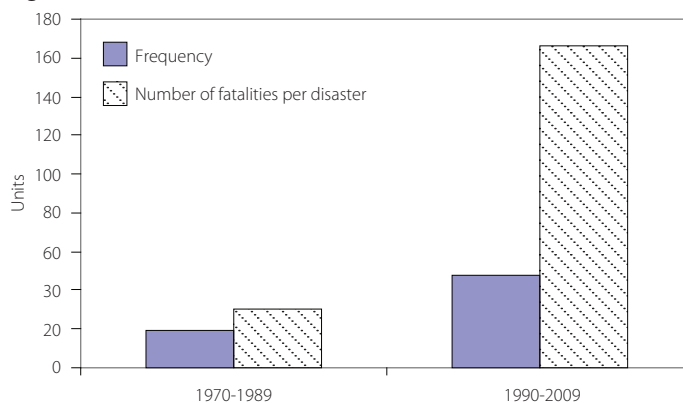
Haiti's socio-economic indicators lag well behind those of the rest of Latin America and the Caribbean (see table 1). Even before the earthquake, more than half of the population did not have adequate access to electricity, running water and/or sanitation. Life expectancy was already by far the lowest in the Americas and child malnutrition and mortality rates were alarming.

Its heavy dependence on rain-fed agriculture and low-productivity services make the economy highly vulnerable to weather and macroeconomic shocks. Agriculture provides about

half of total employment, represents a quarter of overall gross domestic product (GDP) and sustains a primary commodity export trade. Service activities represent about 55 per cent of GDP and provide 40 per cent of employment. Most jobs are insecure and informal.

Economic volatility and a high incidence of natural disasters are the main factors in the lack of economic progress. In fact, the country's per capita income has declined to almost half of the welfare level reached 30 years ago (see table 1). More than 50 natural disasters have affected Haiti in the past 20 years. The frequency of climatic disasters (droughts, storms and floods) increased 2.5 times between 1970-1989 and 1990-2009, whilst the number of fatalities per disaster climbed 5 times (see figure 1).

Figure 1: Incidence of disasters in Haiti, 1970-2009



Source: UN/DESA, based on EM-DAT: The OFDA/CRED International Disaster Database, [www.em-dat.net](http://www.em-dat.net), Université Catholique de Louvain, Brussels, Belgium.

### Capacity development and ample resources are needed ...

The humanitarian emergency and immediate reconstruction needs must be attended to with the greatest urgency, but the subsequent challenges for Haiti are long-term in nature. In fact, Haiti faces a twofold challenge in rebuilding its economy: while significant funding is required, the country's administrative capacities also need to be improved significantly. The functioning of public institutions was grossly inadequate even prior to the disaster. Confidence in public sector action is low and problems of insecurity are deep rooted, which by some definitions make Haiti a clear case for the designation of fragile state.

The United Nations has been operational in Haiti since 1993, trying to safeguard a more secure environment. Haiti's institutions and administrative capacities have been eroded further by the destruction of public registries and infrastructure, including those serving main administrative bodies of the

Table 1: Socio-economic indicators

	Haiti	LA&C <sup>a</sup>
Electric power consumption (kWh per capita)	37	1,715
Sanitation facilities, urban (% population)	30	77
Running water (% population)	54	91
Life expectancy at birth, total (years)	60	73
Malnutrition prevalence (% of children under 5)	19	5
Mortality rate, under 5 (per 1,000)	80	26
Average GDP per capita (constant 2000 US\$)		
1980	804	3,683
2008	410	4,767
Average inflation for 2001-2009 (annual %)	15	6.1

Source: UN/DESA based on World Development Indicators On-line.

a Latin America and the Caribbean countries.

country, and by the significant loss of human capital caused by the earthquake. Thus, regaining the public's confidence in the Government should form an important component of the reconstruction process.

Significant amounts of support have already been mobilized for Haiti. The United Nations \$1.44 billion flash appeal for Haiti is the largest ever launched in the Organization's history. Donors, the World Bank and the IMF have already sent some \$894 million in emergency assistance to Haiti, and have committed another \$1.2 billion. In addition, significant debt relief has been provided: the World Bank has waived Haiti's debt obligations for the next five years, the Inter-American Development Bank has forgiven all of Haiti's debts (worth \$479 million), while the G7 Finance Ministers have also pledged to provide debt relief.

While the response so far has been heartening, Haiti's recovery depends on continued and stable support of the international community, and more substantial foreign assistance will be needed for years to come. The post-disaster needs assessment suggests that at least \$11.5 billion will be needed for reconstruction; this is the level of support that the Haitian Government will be seeking during the March 2010 donor conference.

Managing the forthcoming vast influx of resources for reconstruction and sustainable development will be a huge challenge. The massive resource inflows may create macroeconomic trade-offs, including upward pressure on the exchange rate and rising domestic prices. Such pressure may be particularly strong given that the Haitian Government may lack the capacity to utilize all the foreign assistance being mobilized for reconstruction or to reactivate economic activity quickly. Sound macroeconomic management and support to strengthen implementation capacity will swiftly need to be put in place to offset such pressures.

### ... to seize opportunities to address structural vulnerabilities

With the necessary resources, Haiti will need to address the socio-economic and environmental vulnerabilities described above to avoid natural hazards' becoming rampant human disasters in the future. Its current situation provides an opportunity to develop a long-term sustainable development strategy.

In consultation with local communities, such a strategy must include a thorough study of vulnerabilities, the establishment of sectoral priorities and a plan of implementation for the short and long term. To reduce disaster risk in Haiti, the strategy would need to consider the following:

- **Sustainable energy.** With only 12.5 per cent of the population having access to electricity before the disaster, domestic biomass fuel (wood and charcoal) provided 80 per cent of Haiti's energy needs. This has contributed to the widespread deforestation (an estimated 95 per cent of the country's original forest cover has been lost) and its increased vulnerability to floods. Failure to address sustainable energy security will therefore negate any efforts to

replenish natural resources, in particular forests.

- **Urban planning.** Building codes will need to be updated and will have to incorporate seismic design. Proper urban planning would avoid vulnerable settlements, such as slums and shanty towns, usually located in high-risk areas -- for instance, on steep slopes that are prone to landslides, or on flood plains and ravines. Urban planning and construction must also consider the need for sustainable elements that large cities require, such as adequate transportation and communication networks as well as electricity, water and sanitation infrastructure.
- **Social protection.** The quality and coverage of social infrastructure, such as schools and health centres, need to be improved. This includes ensuring that Haiti can train and retain its human capital, particularly in the health and education sectors; it also means strengthening basic social protection by supporting old-age income systems and universal health care.
- **Economic diversification and job creation.** Measures would need to be introduced to provide stronger incentives for labour-intensive economic activities, such as by providing access to credits and technical assistance for productive activities on a small and medium scale. Duty- and quote-free access of the garment industry to the United States that is currently granted to Haiti can help diversify the economy. In the medium run, Haiti should further consider expanding its nascent tourism industry. The importance of tourism in the region and the low cost of labour in Haiti point to the significant potential for tourism in providing off-farm employment. Moreover, it would reduce Haiti's dependence on low-productivity services and agriculture (severely affected by soil erosion) and volatile commodity exports. The Government could further create incentives and opportunities in making agricultural production more sustainable, such as by supporting contour farming in Haiti's mountainous areas, planting windbreaks and planting cover crops on idle land. Such measures would help reduce the vulnerability of the rural sector further by reducing soil erosion.

The challenge to rebuild Haiti is enormous; significant financial resources and capacities are needed to implement a long-term sustainable development plan that addresses Haiti's vulnerabilities. This challenge is not insurmountable, however, as long as the international community is willing to sustain its support and commitment to Haiti's development on a long-term basis. ■

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