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FOCAL

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The Role of the Private Sector in Rebuilding Haiti

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BACKGROUND

This spring, as a result of an initiative by the Rt. Hon. Joe Clark, the President of the Inter-American Development Bank (IDB) Dr. Enrique Iglesias convened a meeting in Washington of a small group of Canadians and Americans retired from public service and experienced in the area of Inter-American affairs, to brainstorm about endemic crises in the Caribbean and Latin America. The meeting was productive. From various options, Dr. Iglesias selected Haiti with special focus on the private sector for further exploration. It was agreed that a conference with key members of the Haitian private sector would be less inhibited and more innovative if held away from Port-au-Prince and preferably in Canada. Funding was provided by the IDB and Canadian International Development Agency (CIDA). The conference has been organized by the Canadian Foundation for the Americas (FOCAL) with support from the Washington based think-tank, the Inter-American Dialogue. Export Development Canada (EDC) provided additional support.

The meeting brought together 17 members of the Haitian private sector, selected for their abilities, for their representation of different sectors of the economy, for gender, and for a vision of the country beyond their immediate business interests. A member of the Haitian diaspora also participated in the meeting. Lionel Delatour of the Centre pour la Libre Entreprise et la Démocratie (CLED) assisted FOCAL and the Dialogue in preparations for the meeting. The meeting was chaired by Mr. Clark.

EXECUTIVE SUMMARY

This meeting represented a unique opportunity to harness some of the ideas and energy of the one sector in Haiti with the skills and capacity to reduce impoverishment from within and to help with human infrastructure. There were no formal presentations at the meeting. Issues raised by discussion leaders were taken up by the entire roundtable. This was not a private sector/IFI conference but an informal debate among private sector participants with a responsive and informed IFI audience. The goal of the meeting was first to engage the private sector in helping donors to "think outside the box" about development in Haiti and identify actionable initiatives and strategies for addressing broad development issues. The secondary goal was to sketch a framework for donors to use in incorporating private sector participation in development planning.

The result was a dynamic and free flowing discussion. In a national setting notable for grim economic and social indicators, it was clear that the private sector (or many parts thereof) still retained the leadership and entrepreneurial skills indispensable for growth, but that potential could not be realized without improved security, enhanced collaborative understanding with government and well-targeted support from donor institutions. The immediate achievements of the Willson House meeting included the generation of practical initiatives for 'growth with equity', improvements in health, education, security and decentralization. The ideas and group dynamic impressed the group of IFI leaders present, including the presidents of the IDB and CIDA. This group's perception of the role and potential of the Haitian private sector was enlarged by the quality, acumen, and social responsibility of the Haitian participants.

The meeting also underlined the utility of the Willson House conference formula: bringing well selected participants away from troubled environments to a calm neutral location with all meals and receptions on site where a limited agenda could be debated informally.



Participants suggested the private sector could facilitate development in Haiti through partnering/sharing skill with the government and through fostering overall economic growth and the expansion of the private sector among all classes and groups. They would like to see donors considering the private sector as an integral part of the development process. “Growth with equity” and “a revolution of growth” were central themes.

Below is a synopsis of the principal areas where the private sector felt it could play an enhanced and productive role:

The private sector should work to support the transition of the government to be elected this fall. The incoming legislature and government will have little or no experience with government and may have even less experience with economic policy. The private sector can provide knowledge and support for the new government in these areas. This support can be designed to complement broader and deeper training and on-going technical assistance to the new government and parliament from the international community.

Private-public policy dialogues need to be resumed and, equally important, institutionalized by the new government. This was identified to be of critical importance for promoting the “revolution of growth”, which along with survival, underlies the private sector rationale for its engagement. At times in the past, the private-public dialogues were of immense benefit to the government, donors concerned with private sector development and to the private sector. In reconstructing the business environment in Haiti and rebuilding pro-growth policies, the dialogues will be even more critical. Though interim Prime Minister Gérard Latortue has called for reestablishment of the dialogues, this has done on the basis of decree and without public service support.

The private sector should be present at the Brussels meeting to discuss the post-Interim Cooperation Framework for Haiti. The private sector would give input into the range of issues covered in this paper including disbursement, private-public partnerships and provision of critical services. Private sector, and perhaps diaspora representation, at the meeting would be in recognition of the funding and other contributions that these groups are making to development in Haiti.

The Global Fund model of direct donor-private sector collaboration should be replicated. The Global Fund to fight AIDS, Tuberculosis and Malaria directly funds the Sogebank Foundation to carry out the largest HIV/AIDS prevention and treatment programme in Haiti. The Sogebank Foundation brings private sector administrative and financial expertise to the management of the programme and, based on an analysis by the Fund, was the most *efficient* agent to carry out the work.

The formal economy in Haiti must be expanded. All attendees agreed on the need to bring more business into the formal economy to stimulate growth, to access capital, to obtain a level of security and to expand the tax base. At the same time, the private sector attendees were adamant that **the “revolution of growth” must be for all Haitians** and special attention and resources must be targeted toward the informal sector. The private sector urged implementation of a for-



malization project for land titling and access to capital that it developed with Hernando de Soto. Private sector attendees noted that the lessons of structural reform and Washington Consensus era were not lost on Haiti and increasing and diversifying the private sector were crucial for building a constituency for pro-growth and pro-market policies.

Donors should adopt an expedited project consideration and disbursement mechanism for private sector proposals in education. There was imaginative discussion of the urgent need to improve the quality of education in the country and there was consensus that donors be asked to consider a way to rapidly evaluate and fund private sector proposals in education. Donors would use funds committed under the ICF that are not being used, and likely will not be used, because executing agencies cannot be found. Proposals from the private sector would have to fit within the ICF framework for education.

Private-public boards should be formed to co-manage certain critical public services. Many public services in Haiti are simply not available because the public sector does not have the resources to carry out its mandate to provide these services. In critical fields, the private sector can provide managerial skills, knowledge and other resources through private-public boards to advise the public sector or co-manage some activities. Education, health, public housing, public transportation, public markets and possibly infrastructure were identified as targets. These boards would be transitory with specific end dates, but could be continued if all parties so desired. There should be a simultaneous program to build the capacity of the public sector in those fields where public delivery of services is the best policy.

The privatization of state enterprises must be addressed. The first step to doing this is to make available all government and donor-funded reviews and audits of public enterprises from the Conseil de Modernisation des Entreprises Publiques. There was also recognition that the regulatory environment must be improved before privatization could be considered in some areas. There was clear desire for a rational, transparent and intelligent privatization programme to prevent a recurrence of the counter-productive and non-transparent recent privatizations.

Haitian private sector and civil society leaders should target media distortions and over-generalized consular advisories. Haiti's problems and gang violence are unquestionably serious, but media at times give the impression that visitors anywhere are in peril. Obviously a delicate issue, but generalizations of this nature inhibit investment and some donor engagement. Consular Advisories require greater specificity, otherwise blanket 'don't travel' advice will needlessly discourage many business visitors.

Decentralization of authority and resources outside of Port-au-Prince, including direct funding by donors to entities outside Port-au-Prince is needed: the challenge of the 'two republics'. National inclusion is essential in rebuilding the country. The private sector is weak in the provinces. Tourism and business development outside the capital are choked by the absence of basic infrastructure. A donor focus on these issues with pilot projects would be welcome.

Realization of these initiatives requires greater cooperation between international donors and the private sector and will require institutional support for private sector organizations. The return on



such an investment however, would be enormous in leveraging financial, human and intellectual resources for development in Haiti.



Session 1: Challenges and Opportunities in the Private Sector

The meeting opened with a call for a “revolution of growth” in Haiti, founded upon a new partnership between the public and private sectors. The goal is twelve years of sustained growth that creates 100,000 jobs each year. Participants thought this could be achieved by a rational modernization of state enterprises; creating entrepreneurs en masse through formalization of the informal economy; the transfer of knowledge and technology; securing a 10-15 year commitment of international development and security support; and reorienting international lending toward massive public works campaigns to rehabilitate Haiti’s badly damaged infrastructure and create employment.

A “revolution of growth” in Haiti would have three key elements: strengthened democratic institutions, a pro-market government, and more ethical behaviour by both the public and private sectors. Without strong, democratic institutions, Haiti is at risk of continued political instability and economic stagnation. The manner of President Aristide’s departure is evidence that Haitian institutions still are not strong enough to protect democratic processes. Haitian participants underscored the particular weakness of private sector and civil society institutions and requested international resources and technical assistance for strengthening them. This is discussed further in Section Two.

Haiti has not had a pro-market government in many years. This has cost the economy and people dearly. Foreign and domestic investors have to trust the Haitian government’s commitment to a market economy or Haiti will see little growth and poverty will continue to rise. Many private sector participants also would welcome a pro-market government that would modernize dilapidated and inefficient state firms by introducing private investment and ownership.

While there are many exceptions, a participant noted that the ethical record of the private sector has not been encouraging and that a better example is required if other sectors are to improve their conduct. A stronger ethical commitment from the public and private sectors can lay foundations for greater growth and a wider distribution of income. But participants reported significant distrust between the government and private sector, driven in part by unethical behaviour on both sides. For example, procurement officials reward family and associates with state contracts, customs officials smuggle contraband, business owners avoid paying taxes, engage in smuggling and bribe public functionaries. These practices create inefficient industries and undermine the tax base. They also exclude Haitians without government jobs or sizable assets from any share of the country’s wealth. While most admitted that the private sector should improve its commitment to ethics, one participant insisted that businesses cannot afford to play fair until the laws that affect them are applied equally - without favouritism or discrimination. Another noted that mistrust permeates within as well as between sectors.

Reinstating a Government-Private Sector Dialogue

Many participants described the distrust between public and private sectors in Haiti as deep-seated. The distrust dates back to the 1960s, when President Francois Duvalier forced business leaders out of Haitian politics. Decades later there is little mobility between the private and public sectors, even relative to other developing countries. The private-public distrust intensified under Aristide, who used his antipathies for the Haitian elite as a populist political platform.



Though interim Prime Minister Gerard Latortue is more able to work with the private sector, many participants have little faith in local and mid-level bureaucrats, who frequently extract bribes or hinder commercial activities. While many welcomed the eventual return to elected government in Haiti, some worried that the upcoming elections would not change the country's endemic problems of corruption and anti-business politics.

Haitian private sector participants reached consensus on a proposal to reinstate the formal government-private sector policy dialogue. The proposal called for institutionalized dialogues with the executive, legislative, and local branches of government, likely in the form of private-public committees. The dialogues would build confidence between the government and the private sector, while also allowing public officials regular access to private sector expertise and experience. In addition, the private sector would gain input in the policy-making process, through which they could advocate market-oriented solutions.

Participants called on the international community to support the government-private sector dialogue immediately. However, similar initiatives in the past have dissolved after several years due to lack of funds or fleeting political will. It was proposed that the international community bring the government and private sector to the table, providing both pressure on the government and technical assistance for a long-term dialogue mechanism. Haitian business leaders doubted that they could bring the government into a meaningful and lasting dialogue without this kind of support. They cautioned against formalizing this dialogue as a "presidential commission," which has failed in the past because it gives the president the right to ignore or dismiss the commission.

Many from the private sector urged that an executive-level dialogue be institutionalized now in the final months of the interim government. Some were concerned that the incoming government may be less friendly toward private sector and it would be easy to reject a dialogue mechanism if one is not already in place. The private sector has already submitted a plan to the interim prime minister for a private-public commission, which participants suggested the international community could examine, fund, and push the interim government to implement.

Technical Assistance for Public Officials

Haiti's legislative elections in November 2005 will reconstitute the national parliament, which was left to expire in January 2004. Incoming parliamentarians will inherit a difficult situation. Many will have no experience in the parliament and little knowledge of legislation. They will have few, if any, predecessors to pass on traditions and know-how. They will lack information on key policy issues. Incoming mayors and other public officials, whose offices have been vacant since the uprising against Aristide in February 2004, will suffer similar constraints.

Participants reached consensus on an initiative for the private sector to provide information and technical assistance to parliamentarians, mayors, and other public officials, as well as teachers. Private sector leaders and organizations have researched and produced studies on a variety of public policy issues and have proposed specific legislation. As consultants to public officials, they could engender a more informed debate and provide capacity to debilitated public institutions. The Haitian private sector group Centre pour la Libre Entreprise et la Démocratie (CLED) worked in this capacity to inform the Haitian legislature on economic issues eight years ago. But most past attempts at private sector parliamentary support have been short-lived. Reiterating



what became a theme throughout these discussions, participants stressed that international donors would have to strongly back the private sector in order for this kind of private-public partnership to survive Haiti's turbulent politics.

Participants had several ideas for moving forward with this initiative. Representatives of CLED should meet with FOCAL in the near future to further discuss the details and explore potential sources of funding, including CIDA. A Haitian private sector representative also should consult with the Office for the Promotion of Democracy at the Organization of American States (OAS), which has experience in organizing technical assistance for parliamentarians. St. Lucia also has offered to assist in training Haitian parliamentarians, and the CARICOM Secretariat may have resources available for this.

The Private Sector and Accelerating Aid Disbursements

A debate opened over the speed of international aid disbursement in Haiti and possible steps to accelerate the process. Private sector participants expressed frustration with what they perceived as sluggish aid delivery. While many admitted that the donors present in these discussions – the IDB and CIDA – were the most expeditious lenders, it was said that too little of even these agencies' aid commitments were being spent on the ground.

Many from the private sector attributed disbursement delays principally to the lack of absorptive capacity by, and incompetence of, the Haitian Government. Participants pointed to the government's poor track record in managing aid money, development projects, and social services. In their view, public institutions are so fraught with corruption, politicization, and instability that they need to be thoroughly rebuilt; in the meantime, they cannot be expected to administer hundreds of millions of dollars in aid that the Haitian people badly need.

Some participants expressed confidence that private sector institutions and organizations could more effectively manage much of the international aid or work with the more competent agencies of the central government to do so. The business leaders who make up Haiti's private sector foundations believed their record of management, stability, and transparency is clear and far surpasses that of the Haitian government. Moreover, they have demonstrated their capacity to manage international aid funds, even in concert with the government. The most prominent example is the SogeFund, the non-profit foundation of SogeBank, which manages a massive Global Fund grant to fight HIV/AIDS, tuberculosis, and malaria. The project, which Section Two discusses in greater depth, was rated in the top ten of more than 150 Global Fund projects around the world.

Other participants disputed that the private sector should, or even could, take on management of IDB and other major multilateral aid funds. These donor agencies are designed to offer large loans to sovereign governments, which have the authority to receive credit that the population at large will have to repay years later. The Haitian private sector has no such authority. The Multilateral Investment Fund, a branch of the IDB, does provide funding to non-profit entities like business organizations, but in much smaller quantities and for a narrower range of initiatives. The point was made that Haiti's weak public institutions can only be strengthened if they are active; they must continue to receive aid and deliver services or they will further deteriorate. Some private sector participants clarified that they had no designs to replace the government and introduced a proposal for private-public co-management of public institutions. This proposal is dis-



cussed further in Section Two. Finally, donor agency representatives reported that some international funds have been committed for aid projects in Haiti but no firms have bid for the contracts, suggesting that this is a key source of delay in implementation. One representative offered that the Haitian private sector could most help accelerate disbursement by ensuring that every international aid project receives bids from Haitian firms.

Expanding the Private Sector and Supporting Private Sector Institutions

The Haitian private sector, in the view of many participants, is too small and fragmented. The number of firms in Haiti today cannot generate sustainable economic growth and offer scant employment for Haiti's swelling population. The private sector's size leaves it unable to influence policy and creates few stakeholders in private enterprise and open markets. Its size and internal divisions also leave it vulnerable to political attack or alienation. Many industries in Haiti are monopolized or dominated by a few families, creating inefficiencies and higher costs for consumers. Talented managers have left the country for positions in the U.S., Canada, and France. Most importantly, too many Haitians are left to survive in the informal sector, with no guarantee of employment, income, or access to capital.

Several ideas emerged for enlarging and uniting the private sector. One participant offered a widely-supported proposal to "create entrepreneurs en masse." The proposal entailed a program to formalize the informal sector, transfer knowledge to new entrepreneurs, and establish linkages from micro, small, and medium enterprises to large Haitian firms and multinationals. Formalization has been researched extensively in Haiti, and legislation was drafted to implement a titling program for untitled residents of four major cities. This initiative is discussed in Section Two. Formalization, in tandem with microfinance, will allow new entrepreneurs to access capital, but participants believed that they would also need business knowledge. A program was proposed for successful Haitian entrepreneurs to share knowledge with micro, small, and medium enterprises. One participant suggested that this take the form of a mentoring program, which should also reach out to university students, who too often leave the country and take valuable skills with them. This program, by joining entrepreneurs at many levels, could also contribute to the development of commercial linkages from small to large Haitian enterprise. Several participants agreed that these linkages would allow smaller businesses opportunities for economies of scale and wider markets, while strengthening the fabric of Haiti's business community.

It was said that Haiti's investment structure would have to change if the private sector is to grow. One participant suggested that Haiti needs to attract risk capital to channel into finance for micro and small/medium enterprise development. Other participants believed that Haiti most needs to attract more traditional foreign investment, which had been discouraged in part by exaggerated security warnings from the U.S., Canadian, and other embassies. In the view of many Haitian participants, security in Haiti is comparable to that in Jamaica or Trinidad and Tobago, but foreign travel warnings and international news portray Haiti as bleak and untenable for foreign investment. One participant also believed that domestic and foreign investors would gain from a national competitiveness plan to study Haiti's competitive and comparative advantages over the medium and long term. Other private sector participants supported this idea, and one stressed that this kind of plan should steer Haiti way from the "free-zone, manufacturing model" and instead encourage investment in a service-based economy.



A critical component to enhancing participation and contributions from the private sector will be increasing support for private sector institutions. The European Commission is studying a project to help private sector foundations collaborate and eventually integrate into a strong, more organized body. This would probably take the form of a private sector development organization.



Session 2: Building Government and Private Sector Capacity

Dialogue in the second session revolved around public and private sector capacity, possible ways to strengthen both sectors and the range of options in the area of private-public partnerships.

Improving the Institutional Capacity of the Public Sector

The session began with a discussion of the institutional capacity of the public sector, which participants collectively deemed insufficient for the provision of basic social services to the population due to the small tax base, fiscal indiscipline, inadequate training of bureaucrats and corruption of higher-level bureaucrats and government officials. Participants agreed that social services are essential for economic growth and pressed for the strengthening of public sector capacity to provide such services.

The limited capacity of the public sector to respond even minimally to the needs of the Haitian population, led participants to discuss the potential role the private sector might have in meeting those needs. Participants felt differently about the desirable level and terms of private sector involvement in public spheres, but there was significant consensus on the presence of capacity and ability in the private sector to play an active part in the reconstruction of Haiti.

There was explicit consensus that a private sector contribution should not be made with an aim to replace the Haitian government as a provider of social services. This acknowledgement was based on the recognition that heavy private sector involvement in the area of education without proper public sector oversight (approximately 80% of all schools in Haiti are privately run) has yielded poor results with regards to the geographic distribution of education, the quality of the education provided in the absence of an adequate regulatory framework, and the great variations in the type and quality of education across schools despite tests by the Ministry of Education at various stages of schooling. Based on this example, participants reaffirmed that responsibility to provide social services rests firmly with the national government and reiterated the need to strengthen state capacity especially in oversight and regulation. Donors advocated the preparation of a White Paper by the incoming Haitian government to serve as a tool to organize the priorities and strategies of the mandate as the first step towards capacity strengthening. This proposal also explicitly included the suggestion that the private sector could participate in the elaboration of content and in the writing stage.

The Global Fund Model: Private Sector Provision of Public Services

Proposals were then examined for transitional private sector involvement in the provision of emergency services; resumption of the private-public dialogue as a permanent feature of the state structure; possibilities for co-management of public services; and the need to foster informed debate on privatization. A shared perception existed among participants that urgent needs exist that the state cannot meet, and that this problem has been particularly acute since the departure of former President Aristide. Some participants believed that this situation invites private sector involvement to help in rational and fast disbursement of aid.

There was a clear sense of urgency on the need to act rapidly to address the overlapping crises. The Global Fund, an organisation that pools international donations and distributes grants to national groups in affected countries for the implementation of local projects to fight AIDS, tuber-



culosis and malaria, was put forward as a model for how the private sector can assist and complement the state in efficient and rapid provision of services. The Global Fund project in Haiti is part of the governmental health strategy plan and is authorized by the government but managed by the SogeFoundation a private sector foundation and implemented on the ground through NGOs and government health facilities. Disbursements from the fund are results-based, and the project is monitored closely. When the Haitian government tried to alter the project to bring the management into governmental hands, the Global Fund threatened to cancel the programme for Haiti and effectively pressured to retain the private foundation management. Participants from the private sector would like to see other donor agencies apply this kind of pressure when the government attempts to crowd out the private sector.

Although some participants warned that the capacity of the private sector to respond to important and large-scale social needs is limited, all agreed that an urgent study of the Global Fund as a model for an inclusive approach to multilateral funding in areas other than health is in order.

Participants thought the Global Fund presents unique and interesting features in many aspects of its grant-making mechanism, namely the requirement for cooperation between the governmental, non-profit and private sectors in designing project proposals; the segregation of duties among sectors/partners in the implementation of projects; the flexible modalities of disbursement; and the oversight structure through periodic audits.

Though the Global Fund model was generally praised, concern was voiced to the effect that such cross-sectors partnerships have not built the capacity of the Haitian state to carry out its responsibilities in the area of social policy and that no strategies are currently in place to gradually reposition the state as the trusted provider of social services and manager of projects in the realm of social policy.

Co-management

In addition, it was suggested that the private sector could assist the public sector in the co-management of delivery of social and public services. Some participants believed that co-management presents a solution for efficient and transparent management of public services and other responsibilities of the state such as the collection of customs and income taxes. Though no decisions were made or firm consensus established, the range of ideas put forward in relation to co-management was considerable.

In social services, the private sector could assist with the implementation and management of student loans, low-income housing projects, formal public transportation systems and the construction and management of public markets (open air). Possible areas of cooperation were also identified outside the social realm, such as collection and management of customs and income taxes, which are areas where the state is currently unable to perform its duties. Participants cited corruption as the principal reason why large amounts of customs taxes are not collected, while the current government proposal in the area of income tax awaiting decree is subject to criticism by accountants assessing the project. Some private sector participants thus viewed co-management of those activities as a state capacity-building mechanism to efficiently channel state funds where they are needed and also maintain accountability of the government. Although all participants agreed that increased tax revenues are central to state capacity and that solutions



must be found to overcome current problems, there was no general agreement on the nature and extent of private sector participation in those areas.

Formalization

Another example of possible cooperation between public and private actors was presented for the formalization of property ownership. There is a project proposal to formalize property ownership in four Haitian cities (Cap-Haïtien, Port-au-Prince, Gonaïves and Les Cayes) done in collaboration between Hernando de Soto and CLED. The proposal would facilitate the acquisition of titles and would target 86-87% of dwellings currently not registered in the four cities. The value of these properties is currently estimated at US\$2 billion (not including commercial value). Titling would foster economic development by increasing access to credit, protect individual ownership and facilitate the transfer of assets. The formalization of property ownership also would provide incentives to preserve the quality of assets, with positive impacts on sanitation, health and the environment. Participants explained that the proposal has been presented to the government, but its adoption had been frustrated by lack of collaboration from the previous government and by the unwillingness of the interim government to pass a bill of such importance by decree in the absence of an elected parliament.

Participants noted that a government plan to establish a board for the management of the Organisation National des Assurances (ONA), the Haitian social security system, also had been presented to the government. This board was to have included representatives from the private sector, labour unions and the government. The board was never established as a result of a lack of commitment on the part of the Haitian government. All private sector participants urged strongly that this proposal be taken up again.

Reinstating and Institutionalizing Private-Public Policy Dialogues

As a conclusion to this the discussion, participants agreed that dialogue between the public and the private sector is essential and should be a permanent feature of the structure of the state. Participants recalled past attempts that had proven to be costly, cumbersome and slow, with a 6-9 month period traditionally needed for players to agree on issues such as funding and the theme of the commission. Nepotism also was listed as a cause of failure as presidential commissions have often been formed with an overwhelming number of friends of the President.

The creation of such private-public dialogue needs to take place immediately, though some debate took place around the question of whether such an agreement would really carry over under a different government. Some argued that there is already opposition coming from the bureaucracy to an explicit invitation by interim Prime Minister Gerard Latortue to the private sector to present ideas on private-public partnerships and privatization. Others contended that the proposal could be accepted and carried over to the next government if properly pushed. In this regard, some participants expressed the wish that the international community put pressure on Haitian actors by providing political and financial support. One participant reminded the meeting that it would be useful to look to El Salvador, which has working models of private-public collaboration.

Notwithstanding the magnitude and complexity of the issues, all believed that it is imperative to act in anticipation of the elections scheduled for this fall.



A proposal to create a formal **Council for Economic and Social Development Council**, which would include representatives from the private sector, government, labour unions and regions for consultation on planning, implementation and management of economic and social policy and projects was put forward. The proposal is already well developed and funding for such an initiative could be multilateral.

Privatization

The second major focus of the session was on modernization of state enterprises. Though not an “emergency” item, the privatization issue is critical for economic growth in the mid-term. Privatization of the Flour Mill and Cement plant generated demonstrable productivity gains. Under Haitian law, the government retained a right to a portion of the firms’ revenues, so the state is also a beneficiary.

According to Haitian participants, the Conseil de Modernisation des Entreprises Publiques (CMEP) currently lacks the resources to oversee the privatization issue, but is still generally believed to be the appropriate body to guide the privatization process. Participants from the Haitian private sector hoped that CMEP could be given sufficient resources to fulfill its mandates and carry out needed reforms.

CMEP has conducted audits of several state firms. These audits were the object of much discussion and were identified as a central component of an inclusive and informed debate on privatization. All participants identified the secret status of audits as a significant problem and unanimously called for their release to the general public. This was seen as a good way to channel investment efficiently by sending timely and appropriate signals to the private sector. In addition, making audits public would bring the general population into the debate on privatization with accurate information on the need for reforms.

Recommendations were made to improve and support the auditing process such as providing technical assistance to enterprises before they are subject to an audit. Some participants emphasised the need for adequate regulating bodies to support audits and follow up on audited enterprises.

Because donors were called upon to provide assistance at various several times in the discussion, a number of suggestions were made with regards to the form of assistance to be provided. First, Haitian participants felt that there is currently enough consensus on the priority areas of reconstruction and that resources need not be diverted to studies. Secondly, it was recommended that economic incentives be built into the donor modalities for funding allocation to keep the government accountable such as making disbursements contingent upon government delivery in its areas of jurisdiction and collaboration with societal actors including the private sector. The third suggestion was that donors incorporate a focus on privatization in addition to the traditional focus on infrastructure in their development strategy.



Session 3: Development Outside Port-au-Prince

Discussion in this session began with reference to unrealized provisions in the 1987 constitution that mandate a decentralization of state authority. Decentralization was described as paramount along with training for regional and local authorities.

The Case for Decentralization or the Problem of the ‘Two Republics’

Haiti has traditionally neglected the development of provinces, regions and communes. Instead, it has focused (albeit very inadequately) on the development of Port-au-Prince and its central institutions.

The rural population depends largely on agriculture, which is blighted by the lack of infrastructure and irrigation systems. Degraded and non-existing road networks inhibit normal marketing. Too frequently, goods rot before reaching their destination. This situation exacerbates chronic deforestation as peasants continue to turn to charcoal as their most marketable commodity. Members of the private sector would like to collaborate with government and the international community in addressing these issues.

Direct Financing and Support to the Regions

The argument was strongly presented that Haiti needs to create a regional government structure in each of the four regions outside of Port-au-Prince with a degree of economic and political autonomy. For purposes of tourism, agricultural and industrial productivity, it was proposed that each of the four regions would have a deepwater port, a ‘free trade zone’ and some or all should have an international airport.

The creation of regional governments would require training of regional and local authorities in public policy and governance. The private sector also identified an urgent need for infrastructural development, including roads, bridges, electricity generation and distribution, and telephone service.

It was suggested that donors should directly finance regional authorities once these are established and decentralized through compliance with the 1987 constitution.

Tourism and Building Infrastructure in the Departments

A number of participants urged that decentralization, tourism, foreign investment and financial engagement by the international community as possible solutions to the crisis of underdevelopment in the departments. Several participants noted that Haiti has similar tourism potential to those developed in other parts of the region. A participant proposed that a tourism network be designed that would bypass the tourist unfriendly features of Port-au-Prince and more directly access tourist zones. This is also a problem for more dependable “diaspora” tourists who want to visit family in the departments but must pass through Port-au-Prince. Development of airports, ports and roads outside of Port-au-Prince would increase diaspora tourism and enhance the possibility for building a tourism industry aimed at foreigners.



In this regard it is worth noting that the area would offer an employment opportunities and preclude the mass exodus of people to the larger urban centres. Tourism would create new employment opportunities allowing farmers to sell their goods in local markets with added value.

Tourism Cluster

The suggestion was made to start with a cluster in which a group of hotel owners would help to develop the area. This would motivate the local people and also inspire the diaspora to invest. The diaspora would not only provide capital, but could also bring well-trained experts to the countryside to facilitate education, local governance and tourism training. Under such conditions Haiti could compete with its neighbours.

Decentralization Implications

Security was a pervasive issue and a short-term plan of training of and technical assistance to domestic police by international forces was suggested (the private sector representatives informally suggested Royal Canadian Mounted Police assistance and guidance). Overall security rests on several pillars. High priority was attached to strengthening the judicial system and rendering its process more transparent. Not only are more prisons required, but participants insisted that this be done within the context of a modern penitentiary system to ensure prisoners are treated humanely.

It was proposed that government develop and implement a fiscal plan that would effectively raise taxes, providing government with the means to address the needs of society. Taxation would be a component of the decentralization of power, allowing each region to apply resources to public needs.

Participants emphasized the urgent need for government to develop transportation infrastructure including better transportation links with the Dominican Republic



Session 4: Education and Social Services

Participants shared a series of alarming statistics:

- 65% of children aged 5-14 do not have access to education, and that number increases to 87% in rural areas of Haiti.
- Of the 45,000 teachers in Haiti, only half of them have a Grade 9 education.
- 35% of Grade 1 students will not go past Grade 7, and less than 20% will go past Grade 9.
- About half of Haiti's schools do not have access to water.

Approximately 80 percent of Haitian education is private. The average Haitian family spends approximately 40% of its income on education, the second largest expense next to food. The Haitian diaspora spends about \$200 million on education in Haiti every year. However, one participant noted that private education is a colossal “rip-off” and argued that both the diaspora and the Haitian public have no feedback on the quality of education they are getting for their money. The Chair inquired as to the acceptance of Haitian diplomas outside the country. Several participants noted that while in some countries they are accepted along with additional testing, a Haitian diploma or degree is not nearly as widely as accepted as it was 10 to 15 years ago.

Public sector regulation of the education system is almost nonexistent. There is no formal accreditation system for public or private schools. One participant noted the no-win situation in which the Haitian Ministry of Education finds itself: it cannot close down private schools that perform poorly because it cannot offer alternatives.

Participants agreed a revolution is needed in access to education, quality and infrastructure. IFI representatives acknowledged the need for a long-term, national education plan for Haiti. Both groups recommended the use of smaller, short-term projects that would at least assist in the reform and repair of the education system.

Emergency Meeting and Emergency Fund for Education

In order to accomplish change in education, one participant proposed an emergency meeting between the private sector, the international community, civil society groups and the Minister of Education. This meeting would be scheduled ahead of a late-October symposium on education hosted by the Education Minister.

The emergency meeting would focus on short-term proposals to begin the repair of Haiti's education system. Many representatives from the private sector offered concrete ideas for short-term programs. Among them was a food program that would provide breakfast for schoolchildren. One participant brought up a study that showed that by giving one glass of milk and bread every morning to students, their grades and attention span improved significantly. A similar food program already exists in the public sector, but one participant noted it was woefully insufficient. One proposal centered on the need for physical education. “If you train a coach,” one participant remarked, “you train a teacher.” The use of sport as an educational tool was also noted as a means to bring children into school and away from a life on the street.

Another proposal was the establishment of an “emergency fund”, co-financed between the private sector and donors. This fund would serve well-structured, well-audited short-term projects.



IDB representatives argued that the establishment of such a fund and its structure would take far too long and funding could not be guaranteed. It was said the establishment of such a fund would be next to impossible. Instead, IDB participants noted there was plenty of unallocated funding available within the ICF framework, and that private sector proposals would be welcomed, but have not as yet been received.

Participants also debated the funding structure of short-term proposals at a break-out session, convened at the request of the chair. The session involved representatives of the Haitian private sector, as well as the IFI community. Members of the international community reiterated that funds committed to the ICF would not be reallocated into a proposed “emergency fund”, but instead that proposals that fit within that framework would certainly be entertained. One participant recommended the mobilization of private sector funds to facilitate the financing of their own proposals. All participants agreed that action must be taken before the next government takes office in February of next year.

Private sector representatives underlined that funding made available for short-term projects must be channelled through the private sector, and not through the government. Participants reiterated that the public sector was slow, overly bureaucratic and in some cases incompetent. Even with high-level ministerial approval and participation, funding and management resources were held at the mercy of low-level bureaucrats with little sense of urgency.

Technology, Student Loans and Multi-Sectoral Initiatives

Another proposal focused on the need for technology in classrooms. One participant remarked, “We can no longer educate children with the teachers we have now”. What is needed, the participant said, is Internet-based curricula, and programs that encourage computer literacy. Such infrastructure improvements, combined with long-term focus on improved teacher training, are a good start towards improving education.

One participant suggested a student loan program. This proposal involved a process that would be implemented with the Ministry of Education. The costs of education would be shared between the government and the students. That participant also recommended mandatory completion of secondary school.

Other proposals focused on similar aspects of education policy. One participant advocated a proposal to “open the net” of primary school education, noting that too many students were being held back in lower grades. If the students were allowed to move forward and play catch-up on their needed skill sets, it would open more spaces in primary schools. One participant highlighted the utility of distance education as suggested by the Quebec government.

Given the large number of proposals offered during the session, a consensus was reached that a steering committee consisting of representatives from the Haitian private sector, the international community, civil society groups and NGOs should be formed. This committee would meet ahead of the proposed emergency session with the minister of education to formulate four or five concrete, short-term proposals to offer for ministerial approval, or at least *nihil obstat*. With this blessing, the representatives would then seek funding from outside the Haitian public sector, as funding within is extremely limited.



Funding is a primary problem. Even small, short-term projects may be beyond the financial scope of the government. One participant from the private sector revealed the government spends less than 10 percent of its already small budget on education, or approximately one percent of GDP. The participant noted spending would have to be at least four times that to be truly effective.

Given the limited financial means of the Haitian government, private sector participants proposed a private-public partnership that would also include NGOs, civil society groups and international financial institutions such as the IDB. This coalition would then both create and fund short and long-term proposals geared toward education improvement. Participants from the IDB mentioned that funding was already immediately available through the Interim Cooperation Framework. It was promised that short-term proposals from the private sector that fit within the mandate of the ICF would be fast-tracked through the IDB structure. A representative from a donor agency mentioned a proposal from the Haitian Chamber of Commerce took only six or seven months to put through this donor's system, allowing for rapid facilitation.

Regardless of funding channels, however, both the private sector and international community representatives made it clear that a partnership with the public sector was an absolute necessity. Without it, the public sector would be without room for improvement, and the education system would be entirely at the mercy of the private sector. It was agreed that a partnership in which the government regulates the programs funded by the private sector, while at the same time receiving technical assistance from the international community, civil society groups and NGOs to strengthen its capabilities, is integral to the long-term success and renaissance of the Haitian education system.



Session Five: Security

Security was the main theme for discussion in the fifth and concluding session, with both short-term and long-term issues at the centre of participants' observations and concerns.

The capacity of the police force to protect the Haitian population is a principal concern of the private sector and the starting point for resolving short- and long-term security problems. Currently, the Haitian National Police (PNH) has 4,000 policemen for a population of 8 million. The police lack the equipment and training necessary to ensure security and combat such serious problems as drug trafficking and armed violence. The island of La Gonave offers a striking example of the insufficient number and uneven distribution of policemen across the country with no police available in a community of 70,000 people. Participants also noted the essential role that a well-functioning and corruption-free judicial and penitentiary systems should play in complementing the work of the police force and unanimously called for the strengthening of those institutions.

The Police and MINUSTAH

Training of police is key for immediate security needs in Haiti; it is also vital for the long-term development and strengthening of democratic institutions and culture in Haiti. Participants strongly pressed for the continuation of international assistance in building and training the PNH and some asked for international support of a constitutional provision on the management of police. The continuation of the UN Stabilization Mission in Haiti (MINUSTAH) was considered an equal priority with the training of the police force, and Haitian participants expressed their fear that the next elected government could adopt a pro-nationalist platform and send MINUSTAH troops home. Likewise, the possible use of the veto in the UN Security Council by China to terminate MINUSTAH is an important concern and all agreed on the need to make countries on the Security Council aware of the central role the UN mission plays in the security of Haiti.

The international community was also thought to have a part in helping to solve the problem of international migration of criminals to Haiti, with a shared responsibility to ensure adequate immigration structures and procedures. Some highlighted matters relating to sovereignty that appear to inhibit international action.

Breaking the Crime-Poverty Link

Of particular importance to the Haitian private sector is the structural aspect of security whereby the grim economic situation is both a cause and a consequence of security problems. High numbers of jobless Haitians in desperate situations are engaging in criminal behaviour, which further increases risks for businesses and stifles investment and diverts potential tax revenue towards criminal economic activity.

The decentralization of administrative and economic structures discussed earlier in the meeting also was held to be an important component in breaking the crime-poverty cycle. The creation of economic opportunities and infrastructure outside of Port-au-Prince can help curb migration to the country's capital and promote international business flows. There are many useful examples of countries where the construction of regional airports allowed tourists and businesses to take



advantage of opportunities offered by resort areas and regional economic centres without transiting through violent zones.

This economic aspect of security is an important preoccupation of the Haitian private sector who worry that the international media and travel advisories harm the business environment by creating a negative public perception that goes beyond real security concerns. Haitian private sector leaders reminded other participants that Haiti does not compare that badly with some countries in the region with regard to crime and violence, and voiced frustration with the consequences of a disproportionate amount of negative press on inflows of travel and investment. As an outcome of this discussion, it was suggested that Haitian private sector leaders attempt to convince media and potential investors to review their perception of security in Haiti in a tour of major Canadian cities. The proposal was later expanded to include tours of other important donor countries.



Meeting Agenda

Friday, September 9

8h30 – 9h15 Continental Breakfast

9h15 – 9h30 Welcoming Remarks

Rt Hon Joe Clark, Meeting Chair

9h30 – 12h00 Challenges and Opportunities in the Private Sector

What are the major constraints facing the private sector in Haiti? How can Haitian business increase its access to capital? What proposals can combat unemployment and stimulate job creation? Are there steps that can be taken to keep talented managers in Haiti? What steps need to be taken to grow the private sector in the short-to-medium term? What can the private sector do to facilitate disbursements by IFIs

12h00 – 14h00 Working Lunch Enrique Iglesias, President IDB and Robert Greenhill, President CIDA

14h00 – 16h15 Building Government and Private Sector Institutional Capacity

What are the incentives and obstacles to private-public partnerships in Haiti? Are there examples of successful collaboration that could be replicated? What role can the private sector play in assisting in modernization of state enterprises? Can Haiti's private sector play a role in strengthening the capacity of the state?

16h15 – 16h30 Coffee

16h30 – 17h45 Development outside of Port-au-Prince

What are the challenges facing private enterprise outside of Port-au-Prince? Are there sources of funding for crucial needs such as roads, electricity, and basic sanitation? How do the challenges differ from those in Port-au-Prince? What can be done to revitalize the rural sector?

17h45 – 18h15 Other Issues / Initiatives

18h15 – 19h00 Break

19h00 – 21h00 Buffet Reception

Representatives from the reception sponsor Export Development Canada along with representatives from the government of Canada, the Canadian Private Sector and the Haitian Diaspora will attend the reception in Willson House at Meech Lake.

Saturday, September 10

8h00 – 8h30 Continental Breakfast

8h30– 10h15 Education and Social Services

What is the private sector currently doing to improve the quality of education in Haiti? How do private sector leaders define the main challenges to strengthening social services in Haiti? What new proposals can be considered? In the view of the private sector, what can the Haitian government and international agencies do to more effectively address the challenges in infrastructure, training, and financing that confront the country's social services?

10h15 – 10h30 Coffee

10h30 – 12h30 Security, the Business Environment and Looking Ahead: After the Elections



How are the upcoming elections likely to shape the dynamic between the private sector and the Haitian government? What can be done to improve collaboration between the private sector, the government, civil society and IFIs on issues of economic, social development and security? How are international donors planning for the post-election period? What role can the private sector play in promoting a smooth transition?

12h30 – 13h30 Working Lunch

13h30 – 14h00 Conclusion and Participants Depart



Meeting Participants

Joe Clark, Meeting Chair, Former Prime Minister of Canada, Board Member, Canadian Foundation for the Americas

Enrique Iglesias, Meeting Sponsor, President, Inter-American Development Bank

Robert Greenhill, Meeting Co-Sponsor, President, Canadian International Development Agency

Charles Bassett, Executive Director for Canada, Inter-American Development Bank

Edouard Baussan, President, AGEMAR and Vice President, Unibank

Régine Beauplan, Communications Advisor, Canadian International Development Agency

Pierre Marie Boisson, Chef économiste, SOGEBANK et Chairman of the Board, SOGESOL

Claude Boucher, Ambassador, Canadian Embassy in Haiti, Foreign Affairs Canada

Reginald Boulos, President, Chambre de Commerce et d'Industrie d'Haiti

Carl Braun, Président du Conseil d'Administration, Unibank

Patrick Brennan, Deputy Director, Haiti Unit, Foreign Affairs Canada

Richard Buteau, President, Kinam-Karibe Hotel Group et Vice President of the Association Touristique d'Haiti

Jerry C. Butler, Alternate Executive Director for the Caribbean, Inter-American Development Bank

Max Chauvet, Directeur, Le Nouvelliste et Vice President, Centre pour la Libre Entreprise et la Démocratie

Franck N. Ciné, Président et Directeur Général, Haitel SA

Charles Clermont, IDEO

Denis Coderre, Member of Parliament, Special Advisor on Haiti to Prime Minister Paul Martin

Gladys Coupet, Country Corporate Officer, Citibank et President, Association Professionnelle des Banques

Frantz Bernard Craan, Trésorier, JMB Export et Board member, Centre pour la Libre Entreprise et la Démocratie

Emilio Cueto, Resident Representative, Haiti, Inter-American Development Bank

Carlo Dade, Senior Advisor, Canadian Foundation for the Americas

Eduardo del Buey, Executive Director, Canadian Foundation for the Americas

Lionel Delatour, Centre pour la Libre Entreprise et la Démocratie

Ralph Edmond, Président, Phamatrix et President, Association Nationale des Importateurs de Produits Pharmaceutiques

Dan Erikson, Director, Caribbean Programme, Inter-American Dialogue

John Graham, Board Chair, Canadian Foundation for the Americas

Marie-Claude Harvey, Gestionnaire de programme, Private Sector Division, Canadian International Development Agency

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Marie-Claude Harvey, Foreign Affairs Canada

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Jamal Khokhar, Director General, Latin America and Caribbean Bureau, Foreign Affairs Canada

Christian Lapointe, Director, Caribbean and Central America Division, Foreign Affairs Canada

Suzanne Laporte, Vice President, Americas Branch, Canadian International Development Agency

Frantz Liautaud, Président, Haitian-Canadian Chamber of Commerce

Michel Lominy, Président, L'Association pour la Promotion et le Développement Economique du Sud-Est

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