



Canadian Defence  
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## **A Marshall Plan for Haiti? Think Again**

### **A Policy Update Paper**

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Like everyone else, we were shocked by the heavy loss of life in Haiti as a result of the earthquake that hit on January 12<sup>th</sup>, but we were not surprised by the impact the earthquake had on the country's infrastructure, its economy and its people. Indeed, most of Haiti's immediate difficulties in recovering from the earthquake stem from deep underlying structural weaknesses in governance, human development, economic development and security that were in place many decades before the earthquake struck.

Now that search and rescue efforts are over, there is clearly a need in the short- to medium-term for humanitarian assistance and relief. After that will come the challenge of transformation and development. A well thought-out long-term strategy for rebuilding this country is essential.

As aid agencies, consultants and NGOs flock to Haiti over the next few months to address immediate issues, foreign ministers will meet to chart a long-term strategic course for the country. Among those making recommendations, Paul Collier, former economist at the World Bank and now at Oxford, has made an interesting argument for a new Marshall Plan for Haiti. He wants the West to invest several billions of dollars on Haiti.

Jeffrey Sachs, another prominent development economist, recommends the creation of a single multi-donor Recovery Fund for Haiti of ten to fifteen billion dollars over the next five years for a reconstruction and development plan to be managed by the Inter-American Development Bank. According to him, this Recovery Fund should be overseen by a board that includes members appointed by Haitian President Rene Preval, the U.N. Secretary General and donors. A management team will devise and implement plans in agreement with the Haitian government.

While this kind of grand economic strategy worked for Europe, is it appropriate for the poorest country in the Western hemisphere, a country of less than 10 million, many of whom are poised to join their diaspora abroad?

Drawing on the failed and fragile states research we have conducted on behalf of the Canadian government, we question the assumption that contributing massive amounts of aid and financial support to this country will yield any tangible results. Even if we assume that interest in Haiti and all the promises that have been made do not evaporate as time goes by, the idea of a Marshall Plan for Haiti must be questioned.

In his Harvard commencement speech of June 1947, George C. Marshall, the then U.S. Secretary of State, laid the foundations for the European Recovery Program, or Marshall Plan, to rebuild Europe after the ravages dealt to it during the Second World War. His view was that assistance "must not be on a piecemeal basis as various crises develop" and "should provide a cure rather than a mere palliative". He went on to argue that "on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this [i.e. U.S.] Government...The Initiative, I think, must come from Europe."

The rest is history, as they say, but if the Marshall Plan did cause Europe to grow, it was because Europe had a number of favorable pre-conditions for it to work: high levels of human capital, a long history of democratic institutions and rule of law, private enterprise and trading history. Haiti, unfortunately, does not have any of these pre-conditions in place. Furthermore, other Marshall-type plans, such as trillions of dollars of foreign aid to developing countries around the world in the last fifty years, have been less successful.

In the case of fragile states such as Haiti, our research has shown that aid has not had a significant effect on growth in fragile states, that there are diminishing returns to aid, and that aid to these countries tends to be extremely volatile, further undermining its effectiveness. The numbers in the case of Haiti are telling.

Haiti has received close to US\$9 billion in foreign aid over the period between 1960 and 2008. Before the earthquake hit, the country was ranked 149<sup>th</sup> out of 182 countries on the Human Development Index, with 72% of its population living on less than \$2 a day and 42% of its population not using an improved water source (UNDP HDR 2009). Its GDP per capita in 2008 of US\$1,087 was roughly half of what it was in 1980 and life expectancy is at 61 years, compared to corresponding numbers for its immediate neighbor, the Dominican Republic, of US\$7,600 and 72 years (according to World Bank data). Transparency International ranks Haiti 168<sup>th</sup> out of 180 countries in its 2009 Corruption perceptions index (Afghanistan is 179<sup>th</sup>!).

Haiti also still owes \$1.25 billion in debt to foreigners despite seeing a large part of it written-off as a result of reaching the completion point of the Heavily Indebted Poor Countries (HIPC) Initiative in June of last year. And far too often, these loans went to ineffective projects, or benefitted the leaders and the well-connected at the expense of the needy.

Canada will certainly be a key player in the process of reconstruction and development. Haiti is Canada's largest recipient of aid in the Caribbean and second globally behind Afghanistan. After encouraging signals from the international community, Canada is positioning itself to take a lead on Haiti's redevelopment. Before we leap into the abyss, we recommend that Canada and other aid contributors give some thought to the following three issues.

Absorptive capacity is the key issue for most fragile states and Haiti is no exception in this regard. Massive amounts of aid applied over a short period of time simply cannot be effectively and properly absorbed by a country that lacks the rudiments of effective government, critical infrastructure and basic control over its territory and people. To address problems of absorption, Canada and its donor partners will need a strategic plan that clearly lays out the sequencing of, and support to, building effective political authority, legitimate governance and sound economic capacity over time. A successful strategic plan specifies end results, the risks in achieving those results and indicators that track country performance over time. In brief, a road map is only useful if you know your final destination. Careful and precise diagnosis, such as the tools developed by the CIFP project and supported by the Canadian government, are the route to success.

The second issue is the need for an effective, consistent and systematic impact assessment and monitoring capability. We cannot operate in the dark, nor can we expect our partners to work with us if we are not on the same page. If indeed Canada is going to make Haiti our number one development priority over the next several years and perhaps the next decade, then we have an opportunity to use the tools Canada has invested in to systematically and carefully evaluate the impact our investments are having on Haiti. This is a time not only for Haiti to start anew, but for Canada as well. Haiti is our test case for "getting aid right" and getting aid right means the effective, relevant and costed deployment of resources.

Finally, Canada's approach, at least over the short term, will be much different than what was envisaged just a few months ago. While priority will be placed on repairing infrastructure and controlling disease, there are several security related issues that will need to be addressed, domestically and regionally. Typically the collapse of a state has deleterious effects on its neighbors and Haiti is no exception. For example, Haiti is a major transit point for narcotics

trafficking. That "role" will likely shift elsewhere with the possibility of destabilizing Jamaica, another country that receives large amounts of Canadian aid. It would be unwise for our policy leaders to think about rebuilding Haiti without due reference to the impact that "reconstruction" will have on the region. Such judgments require coordination and coherence across our three departments of defence, development and diplomacy as well as with regional organizations and development banks, and above all strong leadership to ensure they are all working from the same road map.

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CDFAI was created to address the ongoing discrepancy between what Canadians need to know about Canadian international activities and what they do know. Historically, Canadians tend to think of foreign policy – if they think of it at all – as a matter of trade and markets. They are unaware of the importance of Canada engaging diplomatically, militarily, and with international aid in the ongoing struggle to maintain a world that is friendly to the free flow of goods, services, people and ideas across borders and the spread of human rights. They are largely unaware of the connection between a prosperous and free Canada and a world of globalization and liberal internationalism.

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