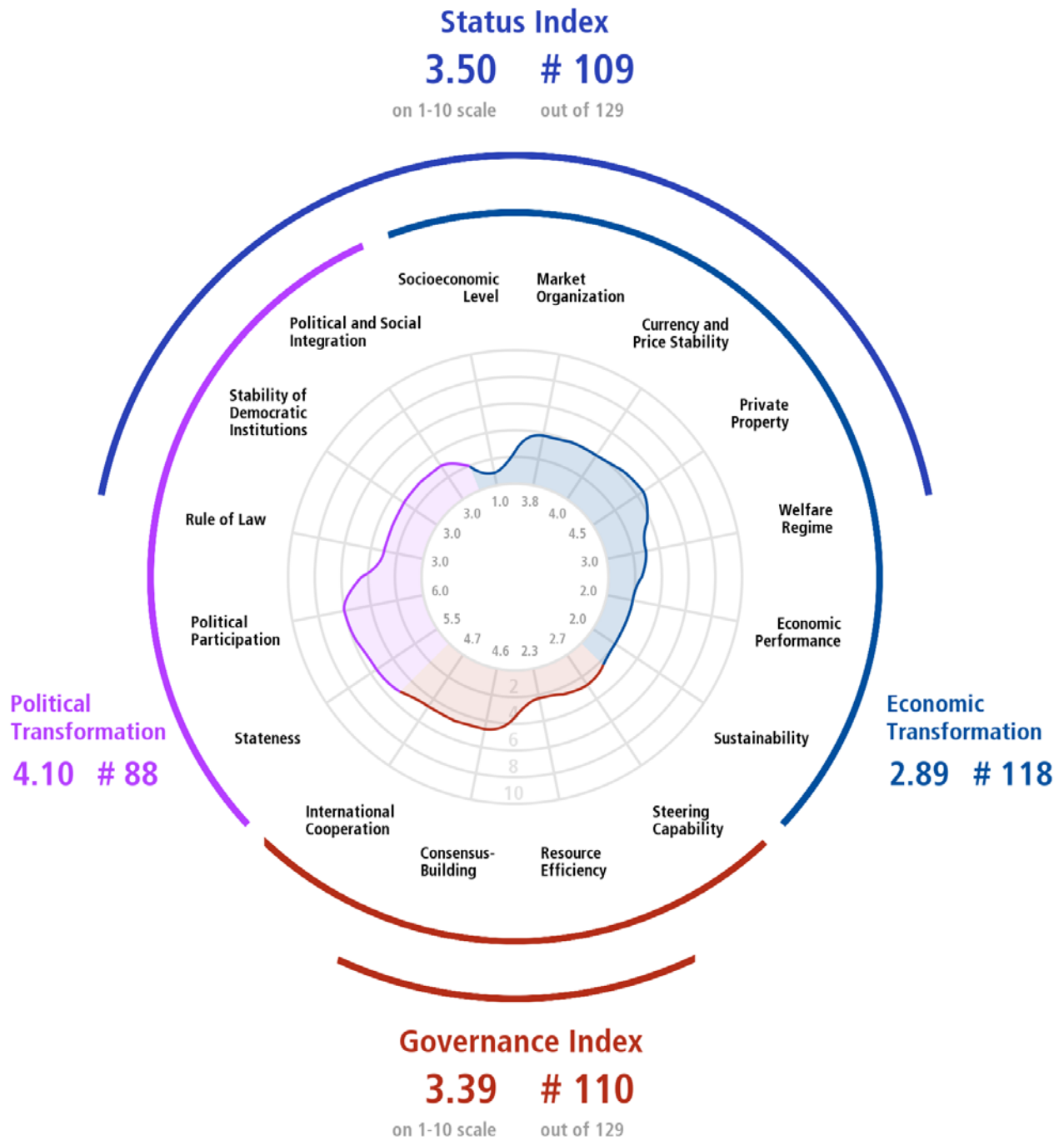


Haiti



This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Robert Schwarz

Phone +49 5241 81 81402
robert.schwarz@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	10.8	HDI	0.493	GDP p.c., PPP \$	1784
Pop. growth ¹	% p.a.	1.3	HDI rank of 188	163	Gini Index	40.9
Life expectancy	years	63.0	UN Education Index	0.447	Poverty ³	% 51.0
Urban population	%	59.8	Gender inequality ²	0.593	Aid per capita \$	97.3

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

After the cancellation of the second round of the presidential elections in 2015, Haiti is finally starting 2017 with an elected president, Jovenel Moïse, a functioning parliament, and for the first time in more than ten years, elected local officials from the lowest public offices, *Conseils d'Administration des Sections Communales* or CASEC, to those of mayors. Despite this optimistic outlook, many questions remain unanswered regarding the outstanding economic, social and political problems the new administration will face.

Jovenel Moïse, who was chosen by outgoing President Michel Martelly to run as the candidate of his Haitian *Tèt Kale* Party (*Parti Haïtien Tèt Kale*, PHTK – *Tèt Kale* means “Bald Head” in Haitian Creole), was declared the winner of the election from among the 25 candidates on 20 November 2016. Moïse received fewer than 500,000 votes out of a million ballots cast. The Provisional Electoral Council (CEP) and the National Office of Identification (ONI) estimate that there are five million potential voting adults in the country. Less than 21% of the voters went to the polls in the 2016 presidential elections. The low turnout, the various complaints by other candidates that the election was rigged in favor of Jovenel Moïse, and the fact that he is being investigated by the Central Intelligence Office on Financial Information (UCREF) for money laundering have created conditions for his legitimacy to be contested before he even assumes power.

In January 2017, a month before Moïse assumed power, The Drug Enforcement Agency of the United States in collaboration with the Haitian national police, arrested Guy Philippe who was wanted by the United States for money laundering and drug-trafficking. Philippe who led the rebellion against President Jean-Bertrand Aristide in 2004 and who evaded law enforcement authorities for several years was elected to the senate in the last election. He was arrested by the United States and the national police at a radio station, after he went to pick up his credential papers from the Electoral Council to attend the swearing-in ceremonies for newly elected senators.

The arrest of Guy Philippe has introduced another uncertainty into the country's politics, since he was a close supporter of Jovenel Moïse and several other elected representatives in both chambers.

The loss of income from PetroCaribe, the lack of foreign investments in Haiti for the past two years, and the fact that many of the newly elected members of parliament are linked to drug-trafficking and money laundering have created a gloomy economic forecast for the coming years, despite the fact that this is the first time in a decade that most citizens will have been governed by elected officials. The Economic Commission for Latin America and the Caribbean (CEPAL) projects that Haiti's GDP will only grow by 1% in 2017. The country lost 30% of its GDP in November 2016 when Hurricane Matthew destroyed infrastructures and crops in the south and southwestern administrative departments. In addition to the devastating impact of Hurricane Matthew, there has been little foreign or public investment in the country since 2015 when Michel Martelly was forced to relinquish power without transferring it to an elected president. At the beginning of the new year, Jovenel Moïse will be confronted with many institutional and economic challenges that could destabilize his government and provoke violence.

The following assessment is somewhat complicated by the fact that during the first half of the review period, the outgoing Martelly administration had a rather mediocre record of transformation, while the subsequent caretaker government of Jocelerme Privert – in office until February 7, 2017 – had a rather restricted mandate concerning public policy. This makes it difficult to assess above all management of the transformation, where, apart from organizing somewhat free and fair elections, almost nothing happened during the second half of the review period.

History and Characteristics of Transformation

Haiti, which became the first independent slave republic in the world in 1804, has always experienced political instability. One of the longest periods of stability in recent history was during the autocratic rule of François Duvalier. He came to power in 1957, backed by a majority in both houses of the legislature. Duvalier was known as “Papa Doc” because of his paternalistic concern for the poor Haitians. During his fourteen-year reign, he became more and more autocratic and brutal. After silencing his opponents through various repressive methods, he succeeded in 1961 in dismantling the bicameral legislature and made himself president for life. One of his heaviest and most dangerous legacies is the so-called Tonton Macoute, a secret paramilitary group, which used blackmail and terror to control citizens.

Before François Duvalier died in 1971, he instated his 19-year-old son, Jean-Claude, as president for life with the support of the United States. Jean-Claude who was called Baby Doc Duvalier became well-known for his lavish lifestyle. He continued to maintain power with intimidation until he was forced to flee in 1986.

A visit from Pope John Paul II in 1983 became known as the beginning of the end for Baby Doc. Threatened by rioting crowds and pressured by the United States, Baby Doc went into exile in

France. Haiti's first free and democratic elections were held in 1990, when Jean-Bertrand Aristide, a former priest, emerged as president. Only ten months later, a coup d'état interrupted the process of democratization, forcing Aristide into exile and installing a three-year military regime. The return to a constitutional order in 1994, enforced by international military intervention under U.S. leadership, returned Aristide to the presidency. In 1996, René Préval, a close ally of Aristide, succeeded him as president.

Against the background of a political crisis, triggered by controversial parliamentary elections in 2000 and an increasingly difficult relationship between the opposition and Aristide's party, Fammi Lavalas, Aristide was elected president for a second time. Very popular among the poor, Aristide began implementing redistribution measures and cut privileges for the wealthy. The United States and international financial institutions, such as the International Monetary Fund and The World Bank, introduced harsh economic measures against a government it considered anti-democratic. The country's fragile economy suffered several blows, making it difficult for Aristide to govern amid an increasingly polarized political environment. Following violent protests and an armed rebellion led by Guy Philippe and former staff of the Haitian military, Aristide had to leave the country on February 29, 2004. Whereas the U.S. described Aristide's departure as a "voluntary escape," Aristide accused the United States of kidnapping him.

Following the forced departure of Aristide, an interim government under the leadership of a former U.N. technocrat named Gerard Latortue invited the U.N. to send peacekeeping forces to stabilize the country. In 2004, the U.N. Security Council authorized the deployment of a multinational interim force to re-establish stability until the arrival of a U.N. peacekeeping mission (MINUSTAH).

Presidential and parliamentary elections were held in February 2006. René Préval was declared winner with 51% of the vote.

On January 12, 2010, a devastating earthquake hit the country killing more than 250,000 individuals and leaving 1.5 million people homeless. The entire U.N. headquarters were destroyed, more than 30 staff members died, including the U.N. representative. Many Haitian intellectuals and political activists died. Most of the political and administrative buildings collapsed.

Although the disastrous situation seemed to be chaotic, the international community insisted on the organization of elections in November 2010. In the first round of voting, Mirlande Manigat came in second and Jude Celestin who was a protégé of René Préval, came in first. Under pressure from Hillary Clinton, who was then U.S. Secretary of State, Préval was asked to force Jude Celestin to withdraw from the election in favor of Michel Martelly, who came in third place in the preliminary results. Martelly, a former singer and nightclub owner, who obtained the support of the U.S. State Department, ran in the second round against Mirlande Manigat and was declared the winner of the 2010 presidential elections. He was sworn in May 2011, more than seven months after the first round of voting.

In 2015, Martelly was unable to organize parliamentary and presidential elections for an orderly transfer of power. Under pressure from several civic and international organizations, he was forced

to relinquish power to a provisional government on February 7, 2016. Jocelerme Privert, who was the president of the Senate, became the interim president of the country with a mandate to hold presidential and parliamentary elections within three months. However, dissension among the political parties and Privert's allies prevented him from implementing the mandate. After a lot of quarreling among the parties and parliament members, Haiti held its general elections on November 20, 2016. A month after the ballots were cast, the Provisional Electoral Council (CEP) declared Jovenel Moise the winner by a margin of 55%. Only 21% of the five million eligible voters went to the polls, which seriously affected the legitimacy of the new president. On February 7, 2017, Jovenel Moise became Haiti 58th president.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state's monopoly on the use of force is both established and not established in Haiti. On the one hand, Haiti does not have full sovereignty over its own territory due to the U.N. Stabilization Mission in Haiti (MINUSTAH). At the same time, MINUSTAH is not really competing with the Haitian state or even challenging its monopoly on the use of force, but instead helping to stabilize the state. There are no independent forces such as rebel groups that challenge the state.

Since Aristide dissolved the army in 2001, security is jointly provided by the – still rather underperforming – Haitian National Police (HNP) and – since the April 2004 U.N. Security Council Resolution 1542 on grounds of “threat to international peace and security in the region” – by the MINUSTAH. MINUSTAH's operations started in June 2004, targeting improvements in cooperation between the Haitian government and society; it has been among the most costly U.N. peacekeeping missions in the world, and a growing number of Haitians perceive the mission as an occupation force. The size of the HNP has gradually increased since 2004, to about 12,000 officers in 2017.

The earthquake presented a major setback and MINUSTAH increased its presence to approximately 14,000 staff members. The number of troops have been significantly reduced in the meantime to 6,168 since 2016. There is criticism by Haitians and the international community because of the U.N. mission military's history of brutality and the very limited state budget.

Doubts have been repeatedly raised as to whether the national police force is able to guarantee the security needed to protect citizens, enforce the law and promote political stability.

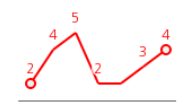
Nevertheless, in April 2017, the U.N. Security Council decided to withdraw MINUSTAH in October 2017 and replace it by MINUJUSTAH (United Nations Mission for Justice Support in Haiti), mandated with assisting the Haitian government in strengthening rule of law institutions; further supporting and developing the National Police; and engaging in human rights monitoring, reporting and analysis.

Question
Score

Monopoly on the
use of force

4

'06 '18 10



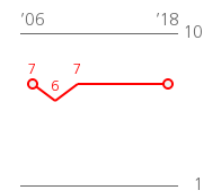
There is no discrimination on the basis of race, ethnicity, national origin, gender or political affiliation. The majority of the population accepts the nation-state as a legitimate form of authority. Since Haiti is a failed state, it has been unable to meet the expectations of a functioning nation-state. Although the former Préval and Martelly governments with the support of the international organizations made considerable efforts to provide citizens with identification papers and birth certificates, a high number of citizens still do not have legal papers and remain completely outside of the government registers. The political and economic division between rural and urban Haitians is strong. As a result, fewer resources are allocated to rural areas, and educated middle class urban citizens look down on rural Haitians. This relationship has created conditions where significant resources are withheld from a large sector of the population, since close to 55% of the population live in rural areas.

Haiti is constitutionally a republic with separation among the three branches of government. Although, Catholicism is the country's official religion, the revised constitution of 1987 has also recognized voodoo as a legal religion. As such, the bureau for religious activities in the Ministry of Foreign Affairs has recognized voodoo priests and accorded them the power to officiate all legal activities such as marriages, baptisms and funerals. The voodoo priests enjoy equal protection under the law. Although the state does not officially persecute citizens who practice voodoo, there have past incidents where members of the fundamentalist Protestant sects have persecuted members of the voodoo religion by preaching against them or burned down their sanctuaries. Since the population is very religious, the Council of Catholic Bishops and the new cardinal were invited by former President Michel Martelly in 2014 to help negotiate a pact with the opposition. Neither the government nor the opposition respected the terms of the pact and nothing came out of it. Although religion does not have a direct influence on politics, church bishops still have moral authority to intervene on national issues.

The state as a provider of basic services is nearly nonexistent. Haiti's administrative structure is divided into ten departments. Although the constitution calls for a decentralized state, the government is highly centralized. As a result, local officials have little or no resources for providing basic services such as sanitation, clean water, health care, good education and housing. According to the World Development Indicators, only 58% of the population had access to an improved water source and only 28% had access to sanitation. Eight million (out of an estimated population of 10 million) live without electricity; five million cannot read or write. Life expectancy is 62.7 years, one of the lowest in the Caribbean region. The mortality rate is 69 per 1,000 live births among children five years or younger. More than four times the regional average of women die in childbirth and infant mortality is twice the regional rate. More than half of all families live in extreme poverty. (cepal.org)

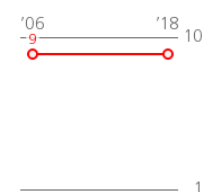
State identity

7



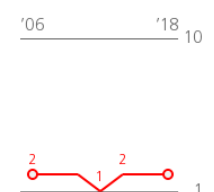
No interference of religious dogmas

9



Basic administration

2



The fatal weakness of administrative structures became visible after the earthquake in 2010. Urgent needs like housing, water and sanitation remained incompletely met for over five years. The outbreak of cholera and ongoing problems controlling the spread of disease show that, in particular, sanitation and access to water remain some of the most urgent issues in the country.

2 | Political Participation

Unlike the 2015 elections that ended in fiasco, the 2016 elections took place without serious incidents of voter intimidation or restrictions on candidates and political parties, despite complaints made by the losing candidates. By all accounts, the election was free, though not entirely fair, and the electoral body, the Provisional Electoral Council (CEP), declared Jovenel Moïse the winner with 55% of the vote.

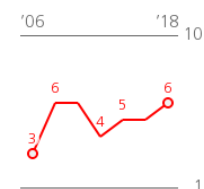
Haiti's complex electoral framework reflects democratic values. Unfortunately, many provisions have not been realized yet. Haiti has held 15 elections since 1987. All of them have been marked by irregularities, or accusations of fraud. In the elections in 2015, most of the nine members of the CEP were accused of corruption. Although the members of the CEP in 2016 were not accused of corruption, they were criticized by the losing candidates of working in favor of Jovenel Moïse, who received massive support from the private sector. Participation in the 2016 general elections was one of the lowest since 1987. Less than 21% of the 5 million eligible voters went to the polls.

Although all the political parties were allowed to participate in the 2016 elections, in the past the CEP in collaboration with the president found ways to exclude some political parties. In 2010, Haiti's largest political party, Fanmi Lavalas was banned from participating in the elections without substantial legal justification. Voter registration problems and missing identity cards have contributed to widespread claims of vote rigging and fraud. In addition, the financial capacity of the candidates determines their capacity to access media. Corruption and drug-related financing still determine who can win elections.

Since President Martelly left office in February 2016 without an elected replacement, Haiti was governed by a provisional president and prime minister (until February 2017). Even under President Martelly's rule, the government had only a somewhat limited power to govern. For more than 13 years, the country has hosted a U.N. mission that meets most of Haiti's security needs and is also charged with providing assistance in organizing and supervising elections. Haiti is heavily dependent on foreign aid. This dependence was amplified by the earthquake. While the international community lamented the government's lack of leadership, 99% of the earthquake relief went to non-governmental organizations. This reinforced the government's role as an observer in the reconstruction process while donor countries and international organizations maintained significant influence on policies. Their

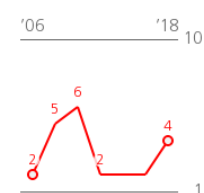
Free and fair elections

6



Effective power to govern

4



strong role and their presence in the country produce other unintended effects: the best civil servants are often attracted to international organizations. They pay the higher salaries and offer a better working environment. In addition, national and foreign business actors can co-opt members of the executive and the legislative branches by giving them bribes. As a result of the U.N. presence and corruption, democratically elected representatives have limited power to govern.

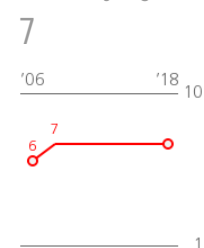
The main problem, however, is not that there are strong veto groups able to undermine fundamental elements of democratic procedures – it is more that the elite in Haiti usually do not have much “power” to govern at all.

The constitution protects the right to associate and assemble freely. Political parties and civic groups are able to operate free of state interference. Nevertheless, trade unions and other civil society groups are often too weak to be involved in political discussions or wage negotiations. In several cases, there have been intimidations of public protests organized by the opposition or critical movements – but also by government supporters. Public claims are always risky because it is a popular strategy in Haiti to buy “a mob” to disturb or dissolve marches by spreading aggression and increasing tension until the police step in. There are no prohibitions against political parties, trade unions or civic associations assembling. Haiti has hundreds of civic associations and they do not need to apply for state permits to assemble or conduct their activities. This right has been one of the most sacred since the overthrow of Jean-Claude Duvalier in 1986. Despite attempts by several governments, including the last government of Michel Martelly, to intimidate civic and political organizations, these decisions have always backfired against the government.

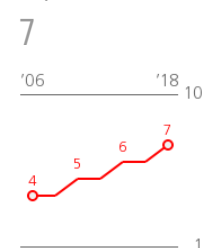
The constitution guarantees freedom of expression and freedom of the press. In 2016, Reporters Without Borders (RSF) ranked Haiti 53rd out of 180 countries in terms of freedom of the press, and 5th among Latin American countries (in the BTI sample). In general, the media is free to report without censorship, but there are exceptions. Journalists are also victims of violence and intimidation that lead to self-censorship. In the view of RSF, journalists also suffer from a lack of financial resources, an absence of institutional support and difficulty in accessing information.

According to some journalists, President Martelly, his bodyguards and other affiliated persons exhibited open hostility toward journalists at press conferences. President Martelly also tried to intimidate the owners of radio stations when he did not like their reporting. These owners at times received threats from Martelly supporters, who pressured them to change their editorial positions. Since the installation of Jocelerme Privert as interim president, there have been no threats against the media. The incoming president, Jovenel Moise has promised to respect the independence of the media. There have never been any formal decrees or laws restricting freedom of expression. Since Haiti is transitioning from an authoritarian to a democratic society, many people continue to have doubts as to whether the democratic experiment will

Association /
assembly rights



Freedom of
expression



last, after experiencing several coup d'états since 1986. Therefore, they are more likely to practice self-censorship than to react to actual state intervention.

With high rates of illiteracy, the majority of the population relies entirely on radio broadcasts to keep up with information. Several hundred radio stations exist on the national territory. Less than 10% of the population has access to television. There are no formal restrictions on social media or the internet, but, due to limited resources, only a small part of the population has access to the internet.

3 | Rule of Law

According to the constitution, there is a separation of powers between the president and the prime minister as head of the government. Both houses of parliament (i.e., the Senate and the House of Deputies), are tasked with oversight functions and guaranteeing a degree of checks and balances. In reality, the president alone defines policies and – if necessary – tries to bribe the necessary number of deputies to give him support. The Constitutional Court – a permanent body separate from the existing Supreme Court, which has the tasks to resolve disputes among branches of government and to review the constitutionality of laws – is not yet in place. The Superior Judiciary Council for setting and monitoring judicial standards and safeguarding judicial independence began operations only in 2012 and its work has been contested.

President Martelly stepped down after his mandate ended in February 2016, without an elected president to succeed him, due to delayed (and later in 2016 canceled) voting after the first round of elections in 2015. Though perhaps indicating a certain will to not usurp executive power, the candidate most likely to succeed him was first round (2015) victor Moïse, who was his preferred candidate. (Moïse finally won the 2016 elections in the first round.) Meanwhile, from February 2016 to February 7, 2017, Jocelerme Privert served as interim president. Privert was elected by the Senate for 120 days, a period during which the voting should have taken place. When his official term expired in June 2016, Privert nevertheless remained in power de facto, as the National Assembly failed to meet and make a decision with regards to the presidential election.

With Moïse winning the November 2016 presidential election in the first round, this is the first time since 2001 that the president and the majority members of parliament come from the same party, Martelly's Tèt Kale Party (PHTK). The former time that this happened, when Fanmi Lavalas under President Aristide had majority control of parliament as well as the presidency, the state was more paralyzed than active. This was due to the fact that party members were more interested in pursuing individual goals than collective action.

Separation of powers

3

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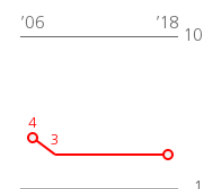


1

According to the constitution, the judiciary consists of the Supreme Court and the Court of Appeals, followed by other smaller courts. The president appoints judges according to lists of candidates submitted by the Senate and regional and local assemblies. In reality, Haiti's judicial independence is heavily impaired by political authorities and very high levels of corruption. For the average Haitian citizen, it is nearly impossible to call on judiciary channels, due to high costs of appealing, endemic corruption and language problems (although every legal document should be available in Creole, in reality documents only exist in French). Since 2012, the Supreme Court has been operating with fewer than the mandated number of judges due to conflict between the president and the Senate on how to select the judges. President Jovenel Moise promised to fill the vacant positions on the Supreme Court. However, since he needs to negotiate with the Senate, it might take some time before he fulfills this promise.

Independent judiciary

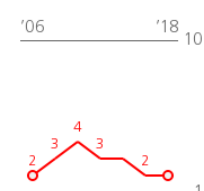
3



Impunity at all levels of Haiti's public administration has been the norm since the Duvalier era. Corruption is endemic and part of everyday life. The official procedures required by the constitution, such as the declaration of assets by senior state officials and the delivery of end-of-term discharge papers, remain unfulfilled requirements. The heads of government are regularly implicated in widely publicized corruption allegations. When such scandals become public, they are never investigated or prosecuted. Impunity for abuses by security forces is widespread. Although corruption is endemic and widespread, there is no single case yet where a civil servant has been condemned for office abuse.

Prosecution of office abuse

2

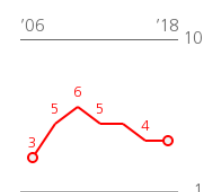


No individual has been arrested and brought to justice, even when there is clear evidence that he or she broke the law. During the Martelly administration, two deputies, after a thorough investigation by a judge, were found guilty of orchestrating the killing of a police officer. To date, neither of the deputies were arraigned or brought to justice. The current elected president, Jovenel Moise, has been accused by the intelligence office on financial corruption (UCREF) of money laundering. Although the accusation existed before his election, the Provisional Electoral Council not only endorsed his candidacy, but installed him in office on February 7, 2017.

Various fundamental civil rights are not protected in Haiti. Due to the weakness of the legal system, civil rights violations are seldom prosecuted. Thousands of prisoners have been in jail for years without trial and many have exceeded by far the maximum jail time for their alleged crime. Police officers and guards routinely beat and torture prisoners and detainees. Despite a legal prohibition against arbitrary arrest, it is frequent. When cases do reach trial, they are often processed in French language only, despite the fact that the majority of the population only understands Creole. Many defendants cannot follow or engage in their own legal cases.

Civil rights

4



Violence against women and children, including rape and trafficking of persons, is widespread. Thousands of children work illegally and without compensation in households and manufacturing.

In 2016, the new prosecutor initiated a program to release low-level criminals who had already served longer than the allotted time for the crimes they had committed. This appears to be a personal initiative, instead of a stated policy of the Ministry of Justice. Therefore, it may not last once the prosecutor leaves office.

There is no discrimination due to religion, ethnicity or political preference.

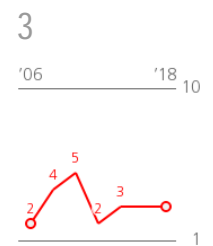
4 | Stability of Democratic Institutions

In theory, Haiti's political system is a semi-presidential republic. The president of Haiti is the head of state. The prime minister, chosen by the president from the majority party in the legislature, is the head of government. Executive power is exercised by the president and prime minister, and legislative power by the parliament. Haiti's parliament, comprises a 30-member Senate (the upper house), which is elected for six-year terms in staggered elections, with one-third of seats being contested every two years, and a 119-member Chamber of Deputies. In practice, however, the formal rules of the game are heavily impaired.

The continuing instability in Haiti is due to the fact that politics have been marked by personalities for decades, while political parties, which could stabilize the political game, have only played a minor role in candidate selection. When presenting his candidature for presidency, President Martelly had no political base at all; he was relying on his popularity as a folksinger and nightclub owner. Jovenel Moise did not belong to any political party and was chosen by Martelly over experienced members of his newly formed political party. The ruling elite's tradition of supporting politicians who do not belong to political parties to run for higher offices, such as the presidency and parliament, have created a negative opinion toward professional politicians and members of political parties.

Haiti's democratic institutions are accepted as formal structures, but do not necessarily earn the respect of all political actors and citizens. Haiti today has no functioning political institutions. The Provisional Electoral Council of 2016 succeeded in carrying out the national and local elections for all the elected offices named in the constitution. However, since it was only a provisional body, there is a likelihood that, once the new president is installed, the country will fall back into crisis over appointing members to the Permanent Electoral Council.

Performance of democratic institutions



Most democratic institutions are not accepted as legitimate by relevant actors. According to a report by the International Crisis Group, the main responsibility for this situation lies with the political and economic elites, who have refused to fulfill the commitments made in various church-sponsored dialogs and the impunity that is rampant in society. This situation shows clearly the extent to which politics in Haiti are perceived as a zero-sum game where individual and group interests are placed above any idea of common wealth or well-being.

Apart from the political scene, there are certain business interest groups, including drug-trafficking networks that would seek to select a government that would be the easiest to influence in order to serve their interests. The successful parliamentary and presidential elections of 2016 may renew Haitians' trust in democratic institutions since they are functioning and most voters have accepted them as legitimate.

5 | Political and Social Integration

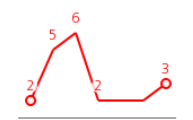
The party system is highly fragmented and volatile. Political parties do not represent the interests of the population, but represent mainly individual or clientelistic interests. In addition, there is little to no social basis in the population outside of urban centers, and even there it is weak. Political parties can appear or disappear literally overnight. This happened when President René Préval founded a new political movement called Inité (Unity) that became a melting pot for former members of other political parties. When President Martelly came to power in 2012, many of the former Inité followers changed to Martelly's newly founded party, PHTK or "Tèt Kale" (one of Martelly's nick names which means "bald head"). According to data provided by the Inter-Parliamentary Union, there are 21 parties with representation in the Chamber of Deputies. Three of the 119 deputies are women. The outcome of the 2015 and 2016 elections gave the majority of the seats to PHTK and its allies. There are 30 senators – three representing one department since Haiti is divided into ten administrative regions. None of the parties are structured with loyal members. Most leaders tend to change parties in the middle of the calendar year and they do not support any public policy issues or a well-developed program.

Haiti had a rich history of interest groups representing most of the country's sectors, including labor unions, women's groups and peasant associations, among others. Although many of these groups still exist, they are not as effective as they once were. Many of these groups have been transformed into NGOs to access foreign aid. There are some 2,400 officially registered popular organizations, interest groups and civil society organizations, though estimates range from 3,000 to 10,000. Civil society groups do not have financial autonomy, making it difficult for them to articulate their interests and advocate for them. In general, they have very limited access to and influence on government decision-making. Some of them are more active and popular than others, but lots of them serve mainly as vehicles for personal interest or as a means to access international funding. Trade unions have lost most of their influence, as a majority of the population is employed in the informal sector.

Commitment to democratic institutions

3

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Party system

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Interest groups

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Most grassroots organizations have access to local officials or sometimes are created by them to advance their agenda. During the reconstruction process in 2012, the international community and the government rarely sought the advice of these groups in rebuilding the country.

With the incoming administration of Jovenel Moïse, it may be possible for some interest groups to reclaim their previous agenda. Human rights groups such as the National Human Rights Defense Network and Platform of Haitian Human Rights Organizations (POHD) have been active since their creation and are the two civil society groups that have kept their independence.

According to the Latin American Public Opinion Project (LAPOP) 2014, support for democracy remains high on an abstract level, but decreases dramatically when it comes to tolerating minorities or opposition parties. Support for the political system in general is the third lowest in the Americas, and Haitians also have low opinion of the parliament, the courts, political parties and elections. Only ten percent of the population espouses the combination of attitudes most propitious for stable democracy: high political tolerance and high system support. In the Americas, only Honduras shows lower levels of these specific attitudes. Forty percent the Haitians hold the combination of attitudes most likely to put democracy at risk: low political tolerance in combination with low system support.

This means, in practice, that a vast majority of people do not have clear ideas what it means to live in a democracy. The LAPOP data show that intolerance of political opponents is widespread. Open criticism, an attitude crucial for democracy, is poorly regarded. Although public opinion has rallied in favor of the media when the Martelly administration engaged in intimidation tactics, there is no institutional mechanism to combat such behavior through the legal system.

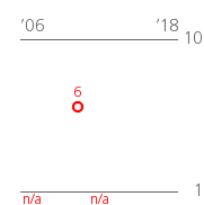
The 2010 earthquake facilitated the further erosion of social capital within Haitian society. Although cooperative mechanisms exist, their impact remains weak. The main solidarity work is done by churches and religious organizations. The young generation seeks fortune abroad, rather than staying home to improve living conditions in their own country.

LAPOP data from 2012-14 suggest that interpersonal trust was the lowest in the Americas, with only 33% of respondents affirming that they would trust people in their community. Although the population has a low level of trust in its government, it has a high level of trust in non-governmental and religious institutions.

Despite these statistics, there is dense informal networks that support individuals and provide resources in emergencies. Family members have replaced the state as providers of resources and also as agents who build social capital.

Approval of
democracy

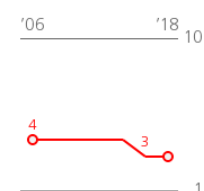
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Social capital

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II. Economic Transformation

6 | Level of Socioeconomic Development

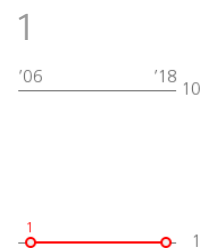
The Human Development Index 2015 ranked Haiti 163rd out of 187 countries, an improvement from 2014. Although Haiti has ascended five places, the country faces severe economic and social inequalities. This is due to the cholera epidemic, the still-insufficient recovery efforts to mitigate the effects of the 2010 earthquake and devastating Hurricane Matthew on October 4, 2016, which destroyed 80% of the country's economy in the south. One of Latin America's biggest slums is situated in Port-au-Prince, with an estimated 500,000 people living in dire conditions featuring high rates of criminality.

More than 71% of the population live below the poverty line, while approximately 60% live on less than \$1.25 per day. Gender inequality is still high, reflected in a Gender Inequality Index score of 0.596, which means that women are in disadvantage with regards to reproductive health, empowerment and the labor market. Women are also not integrated in all the country's social and political structures. Only three women are represented in the current parliament out of 149 representatives. Very few women hold high executive positions in the private sector and public administration.

The Haiti Gini index was 60.8 in 2015. The country has the highest level of income inequality in the Western Hemisphere. Income disparity has a major impact on the rural population, since 42% of the population is severely affected. More than one-third of the population lacks sufficient food. Land resources are limited and traditional methods of farming are not producing sufficient food to ensure national food security. Levels of income inequality are among the highest in the Americas. Nearly half of the national income goes to the richest 10% of the population, while nearly 71% of the population lives below the poverty line.

Question
Score

Socioeconomic
barriers



Economic indicators		2013	2014	2015	2016
GDP	\$ M	8452.5	8776.4	8724.7	8022.6
GDP growth	%	4.2	2.8	1.2	1.4
Inflation (CPI)	%	5.9	4.6	9.0	13.8
Unemployment	%	14.0	13.9	13.5	13.2

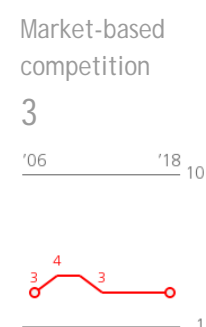
Economic indicators		2013	2014	2015	2016
Foreign direct investment	% of GDP	1.9	1.1	1.2	1.3
Export growth	%	5.0	4.5	3.6	0.7
Import growth	%	3.2	2.6	2.2	0.8
Current account balance	\$ M	-537.2	-801.8	-234.1	-
Public debt	% of GDP	21.5	26.3	30.2	33.7
External debt	\$ M	1558.9	1940.1	2084.3	2158.1
Total debt service	\$ M	10.6	22.7	34.7	88.4
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	8.6	9.1	10.0	10.1
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	1.7	1.6	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The market in Haiti operates under a very weak institutional framework with hardly any regulatory mechanisms. According to the Economist Intelligence Unit's operational risk model 2015, investors in Haiti perceive that the risks in doing business related to competitive conditions and competition policies are higher than the risks in other countries in the Caribbean region and only comparable to those in Guatemala, Honduras and Nicaragua. These risks are mainly related to price controls and control of other market variables that both limit the benefits that firms may obtain by competing and lower incentives to invest; vested interests and discrimination against foreign firms hinder innovation and preclude more efficient firms from gaining a share of the market.

The majority of the population works in the informal economic sector, and most recent estimates by the World Bank and the Office of the Special U.N. Envoy for Haiti suggest that more than 90% of private employment in Haiti is in the informal sector. The formal sector is small and highly regulated in some areas, for example in



taxes and tariffs, and not regulated at all in other areas, especially when it comes to workers' protections and rights (such as wages and working conditions). The country's most important bilateral agreement (Hemispheric Opportunity through Partnership Encouragement, HOPE II) gives its garment industry free access to the U.S. market, with preferential terms for products from the United States.

On the other hand, most of the national economy in essence belongs to approximately 15 large families. Adding to this are burdensome government regulations and various exit and entry barriers. Accordingly, Haiti is ranked 134th among 140 countries in the 2015-2016 Global Competitiveness Report. Considering the country's weak legal system, the high level of corruption and the high level of political interference in judicial decisions, investments are not protected and market participation is therefore risky. At the same time, a good relation with the president or his family guarantees a friendly environment for rentable investment.

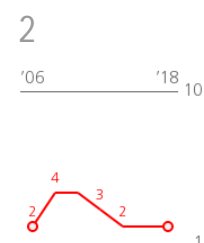
Foreign investment remains weak at only 1.2% of GDP in 2016. The country had a current account deficit of \$234.1 million in 2015, which is the result of political turmoil and the country's inability to establish a stable government since 2015. There are no restrictions on currency convertibility.

Although there has been some economic liberalization, the trend of monopolistic practices remains unbroken. The lack of regulation reinforces oligopolistic networking. The widely irregular economic liberalization serves mainly the business elites who control trade. The Global Competitiveness Report 2015 ranks Haiti 134th out of 140 countries. There is no regulatory mechanism or institution to control mergers, price fixing or predatory pricing. As an example, in 2012 two of the three private cellular telephone companies were eliminated by protracted cooperation efforts between the state and Digicel, which led to a de facto monopoly in telecommunications in the country. This event not only is a symptom of the high level of corruption in the country, but it leaves customers with bad service and higher prices. The Global Competitiveness Report 2015-2016 ranks Haiti 138th out 140 countries for business sophistication, and at the same level for quality of domestic competition – both signs that the country remains highly monopolistic. For effectiveness of anti-monopoly policy it is ranked 139th.

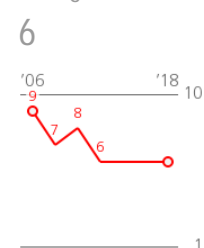
Foreign trade is liberalized in principle, but significant problems remain. Haiti's simple average tariff is at 5.97% according to the most recent World Bank data (2015), showing an increase from about 2.8% in 2012. Haiti has been a WTO member since 1996 and a GATT member since 1950. But regional non-tariff barriers make it difficult for the country to participate in worldwide trade.

However, also within Haiti, non-tariff barriers are still significant, and an inadequate infrastructure and weak administration further hamper foreign trade. Trade liberalization has had considerable negative impact on the economy, as local products cannot compete with cheap imports. This has affected the agricultural sector in

Anti-monopoly
policy



Liberalization of
foreign trade



particular, and during the period under review, there has been some discussion of introducing measures to favor local production. The United States' introduction in 2010 of the Hemispheric Opportunity through Partnership Encouragement (HOPE II) gives Haiti 10 years of preferential access to U.S. markets through special tariff exemptions. Concerning the burden of customs procedures, Haiti is ranked 138th out of 140 countries in the Global Competitiveness Report for 2015-2016.

In 2015 the government of President Martelly in a last-minute effort to control trade between Haiti and The Dominican Republic, which is Haiti's second largest partner, imposed a series of trade restrictions on goods entering the country through the Dominican Republic. Although the private sector and the population should have welcomed this policy, many sectors in the country protested on the grounds that goods and services will be more expensive for working class Haitians.

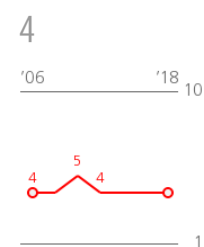
Although the interim government of Jocelerme Privert in 2016 tried to control government expenses, Privert did not initiate any major economic policies that might have affected the country.

The banking system and capital market are poorly differentiated, and the banks are all controlled by the same tiny business elite. The central bank is the sole financial supervisor in Haiti. Its supervisory mandate extends to commercial banks, business banks, saving banks and credit unions. However, the central bank is seriously and increasingly undercapitalized and its operations have been, until recently, subject to political interference, which led to the fall of Socabank in 2008. In a recent example of political interference, President Martelly ordered the central bank to leverage one percent of the remittances to Haiti. Such a fiscal measure should be taken by the Ministry of Finance and not by the central bank. Furthermore, according to the constitution, such a decision cannot be made by the president alone but requires the approval of the parliament. Therefore, this step has been largely criticized by the opposition. But interim President Jocelerme Privert maintained that policy in 2016.

According to a 2016 IMF report, the Haitian banking system is vulnerable to systemic credit risk as well as restrictions on the availability of capital. According to the U.S. Department of State, three major banking institutions hold 83% of total banking sector assets, valued at HTG 170 billion in September 2012 (nearly \$4 billion – more than one-third of GDP).

According to the IMF, capital adequacy requirements are largely Basel I- compliant, and since 1988, they have been primarily focused on credit risk. Others, such as operational and market risks, which form, together with credit risks, the three pillars of Basel II, are absent in the Haitian financial system. Therefore, there is neither supervision nor market discipline. There are actually neither specific regulations on minimum standards for risk management beyond traditional internal control principles, nor independent auditing system for most banks.

Banking system



According to the central bank of Haiti, shareholders' equity as a percentage of assets dipped from 6.49% in 2008 to 6.17% in 2011, for an average of 6.41% in the last four years. There was an improvement in the performing of loans, evidenced by the diminution of nonperforming loans, which, as percentage of total loans, were estimated at 9.69% in 2008 and 3.69% in 2011, with an average of 6.88% for the same period. In 2015, total loans by the central bank represented 20% of GDP. Three major institutions hold 75% of the total loan portfolio, while 10% of the borrowers own 70% of the formal loan portfolio. Since there is no independent auditing system for most banks, they have basically become the preferred lender for 15 Haitian families that control the economy.

In 2016, despite assurances by the director of the central bank board that it would control inflation and the flow of capital abroad, the country experienced one of its most severe economic slumps since 2011 and capital continues to flow abroad.

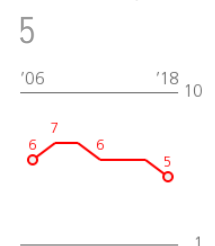
8 | Currency and Price Stability

According to the 2016 IMF report, *Selective Issues in Haiti*, the central bank (Banque de la République d'Haiti, BRH) has strived to achieve containment of inflation through a mix of exchange rate market interventions and open market operations. As in many other low-income countries, the central bank also resorted to changes in legal reserve requirements for conducting monetary policy that are transmitted to aggregate demand through credit channels. While monetary policies have been broadly successful in maintaining price stability, policy formulation is hampered by data gaps, transmission is complicated by Haiti's vulnerability to shocks and by the shallow domestic market, and assessing policies is at times difficult.

Between 2003 and 2014, the inflation rate averaged about 12%, reaching an all-time high of 42.5% in September 2003 and a record low of -4.7% in September 2009. After rates of 8.4% in 2011, 6.3% in 2012 and 5.9% in 2013, the inflation rate for 2014 was 4.6% and 9.0% in 2015. For 2016 it was estimated at 14.3%. The inflation rate and foreign exchange policy in Haiti are supervised and reported on by the BRH. The BRH is directed by a governor and operates mostly independently, but is at times also subject to political interference. According to the IMF, monetary policy was adequately geared toward protecting reserves while ensuring a low and stable inflation.

The country's exchange rate, which was 46.75 gourdes (local currency) to one U.S. dollar in 2014, jumped to 65.70 gourdes to one U.S. dollar in 2017. This is due to high government spending, low tax revenue and inadequate supervision of the banking system.

Anti-inflation /
forex policy



The government's fiscal and debt policies have been inconsistent and insufficient to promote macroeconomic stability. The effects of the 2010 earthquake and the absence of good governance during the Martelly administration undermined much of the previous progress made in stabilizing Haiti's economic situation and has further limited the government's capacity to follow any sort of macroeconomic strategy. The fiscal balance continued to be negative, with an estimated -6.3% of GDP in 2014, after -3.6% in 2011, -4.8% in 2012 and -7.1% in 2013.

In 2010, most of the government's external debts were canceled by the international financial system, but have since risen to \$1.1 billion. Through the PetroCaribe Fund, the government had a surplus cash reserve of over \$1.5 billion. By the time President Martelly left office in 2015, not only had the surplus disappeared, but the country's fiscal and debt policy created inflation and unstable macroeconomic conditions. Tax revenue is limited, dropping significantly after the 2010 earthquake, and totaling approximately 8% of GDP in 2013. Government debt rose from 11.9% of GDP in 2011 to 21.3% in 2013 and 26.7% in 2014. In 2016, it was 26.5%. In 2016, the government's debt vis-à-vis GDP was 26.5%.

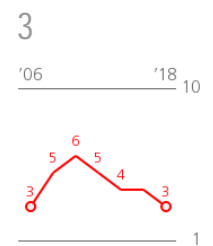
The country's administrative system suffers from a lack of incentives to motivate civil servants. Low wages reinforce corruption and clientelism, which have come to be deeply embedded in the system. Due to the deteriorating security situation, the few well-educated and trained people who remain in the country prefer to migrate rather than risk their families' lives.

One example of the poor use of resources is the mismanagement of money from the PetroCaribe Fund. This fund is supported by selling petrol that has been donated by Venezuela to Haiti and sold by the government on the international market. The money is administrated by the president's office. Also, money has been raised through a special communications tax, illegally implemented by the president's office (taxing all communications coming in and going out of the country). In both cases, no transparency is provided and the public depends upon figures provided by the president himself – a practice severely criticized by the Cour Superieure des Comptes, the Haitian comptroller's office responsible for auditing the public administration.

After the departure of Martelly in 2016, the interim government attempted to limit public expenditures to control inflation and increase the national bank's reserve.

However, political instability has contributed to the government's fiscal and debt inconsistency, capital flight and the absence of sufficient policy to promote sound macroeconomic policies.

Macrostability



9 | Private Property

The constitution guarantees private property and assigns the state the duty of protecting and promoting private entrepreneurship. The country has signed international conventions on patents and trademarks. However, the weak judiciary, endemic corruption and a general lack of political will impede effective enforcement of these rights. Problems of land ownership are among the most urgent in economic terms, seriously hampering the agricultural sector. Land titles and questions of ownership are often unclear and the nonexistent legal structures lead to violent conflict. Fraudulent sale of land titles and claims to traditional ownership are among the most frequent sources of these conflicts.

The Global Competitiveness Report for 2015-2016 ranks Haiti 137th out of 140 countries in the protection of property rights. According to the World Bank's Doing Business Report 2017, it only takes five procedures to register a property, over the course of 312 days, by far the longest registration period of any country.

Private companies can act without restrictions and private business engagement is encouraged by the government, at least on a rhetorical level. The only formal limitations to start a business are the heavy and complicated administrative procedures required to register an enterprise. Starting a business in Haiti takes four times longer than the world average. According to the Global Competitiveness Report for 2015-2016, the process takes 12 procedures (ranked 130th out of 140) and 97 days (ranked 138th), while in the neighboring Dominican Republic starting a business takes 19.5 days and is completed in seven steps. Concerning the burden of government regulation, Haiti ranks 102nd out of 140 countries.

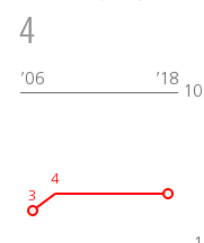
One of the reasons for this long and frustrating process is that commercial laws are applied inconsistently and without transparency. Though private companies represent the majority on the national market, public enterprises occupy important sectors such as telecommunications, electricity, ports and airports.

10 | Welfare Regime

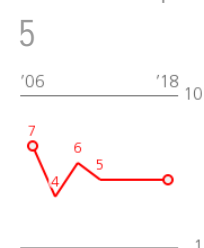
A welfare regime is nearly absent in Haiti. The state provides a very basic health and pension insurance scheme, but as only 10% of the population is formally employed, only a few citizens benefit from this rudimentary system. Public expenditure on health in 2015 to 2017 was about 1.6% of GDP, life expectancy at 62 years.

Family networks function as the only reliable safety net. The most important contribution to social welfare comes from the large Haitian diaspora. Remittances are reported to constitute 20% of the overall GDP. International NGOs partially provide some of the most basic services, but cannot replace the state.

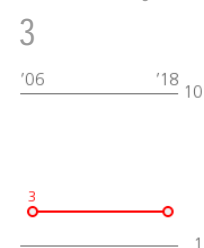
Property rights



Private enterprise



Social safety nets



According to a 2015 IMF report, despite some progress toward achieving a number of the Millennium Development Goals (MDGs), “vast challenges remain, due to low capacity, insufficient resources and difficulties to coordinate key stakeholders (including donors). Strengthening safety nets, while increasing spending in health and education, remain key priorities and mobilizing donor support remains essential. Continued migration from rural areas to urban centers creates challenges. Vulnerability to epidemics remains high. The government’s goal is to reduce poverty and achieve free universal education through the implementation of various social programs such as the Ede Pep (Help the People), and the PSUGO (Programme de Scolarisation Universelle Gratuite et Obligatoire). The Strategic Plan for the Development of Haiti (PSDH), launched in May 2012, aims at speeding up poverty reduction and making Haiti an emerging country by 2030.”

Equality in opportunity does not exist. No special legal framework has been voted into place. Women have long been subjected to widespread gender discrimination. Only a tiny minority of women is represented in public office. Violence against women and girls represent the most severe manifestation of discrimination.

Levels of income inequality are among the highest in the Americas. In 2016 nearly half of the national income goes to the richest 10% of the population, while nearly 71% of the population lives below the poverty line. Gender is one of the main risks for living under the poverty line. Women are largely underrepresented in public office. In the history of the two official legislative chambers, women have never held more than 6% of the seats. There are no existing public programs or incentives targeted toward promoting greater gender equality.

In the 2015 parliamentary election, only three women were elected to the two chambers (two deputies and one senator).

Women received less education than men and they are limited in high-level public office and employment. In 2015, the U.N. education index for women in Haiti was 0.403 and the Gender inequality was 0.596. The literacy rate for women was 57%, whereas it was between 61-64 % for men. Although 47.6% of women participate in the labor force, they are mostly concentrated in low-skilled (manufacturing) employment since high-skilled employment is either restricted because of their lack of education or institutional biases.

11 | Economic Performance

The Haitian economy was completely derailed following the 2010 earthquake. In 2010, per capita GDP fell by 6.6%, according to the Economic Commission for Latin America and the Caribbean (ECLAC). In 2011, GDP grew by 5.5% due to the influx of foreign aid, but in 2012, the growth rate slowed down to 2.9%, reaching 4.3% in 2013 and an estimated 3.5% in 2014. After the failure of the Martelly government to

Equal opportunity

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Output strength

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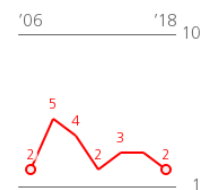
install an elected president to replace him, the economy further declined to negative growth. For 2017 CEPAL estimates that Haiti's economy will grow by less than 1%. In 2016 the country total exports amounted to \$933 million. This declined slightly compared to 2015 when exports were at \$1,029 million. Imports in 2016 amounted to \$1.4 billion.

Hurricane Mathew devastated the southern end of the country on 4 October 2016 and further contributed to the country's decline, since Haiti lost 25% of its GDP. It had one of the lowest foreign reserves of \$1.4 billion in the region since 2006 after it benefited from the PetroCaribe program. Unemployment is over 40.6% and most of the employed population works primarily in three sectors: agriculture – 38.1%; industry (mostly assembly) – 11.5% and services – 50%. Inflation is estimated at 12.4%. The national currency has lost over 30% of its value since 2014. Every sector from manufacturing to agriculture has declined in the past three years. The installation of Jovenel Moise as Haiti's newest president on 7 February 2017 may bring back conditions for the country's economy to improve if he is not delayed in assembling a government that can encourage foreign investments and bilateral aid.

12 | Sustainability

Haiti faces serious environmental degradation, which increases the country's vulnerability to natural disasters such as earthquakes and tropical storms, with serious consequences for the population. The government fails to take environmental concerns into consideration, and there is no noteworthy environmental policy. The environmental situation has even worsened due to government inefficiency in fighting erosion and in enforcing public health safety regulations. All of this is due in part to the worsening of the economic situation.

Of the country's 30 watersheds, 25 are without natural cover. The remaining forests, covering only 1% of the territory, cannot play any significant environmental role. Deforestation and land degradation undermine efforts to improve agricultural production. The disastrous and widespread effects of cholera can only be explained by the large scale of environmental degradation, as the water from the Artibonite River, one of the main water sources in the country, is used as a source of drinking water as well as a public toilet since MINUSTAH has used it as such. The devastation of the southern peninsula by Hurricane Matthew in 2016 will further aggravate environmental degradation of Haiti. Currently, 90% of the population rely on charcoal for all forms of energy from cooking to dry cleaning. As a result of the hurricane, the south lost thousands of trees which will cause further soil erosion. Poor peasants with no other form of income will probably cut down the remaining ones to produce charcoal, as this is their only source of revenue. Considering demographic growth, these problems will only become more serious in the future.



According to the World Economic Forum's Global Competitiveness Report for 2015-2016, Haiti is listed as one of the countries that does not perform well in primary and higher education (there are no expenditure figures available). The country is 130th out of 140 countries in primary education and 135th in terms of the quality of the higher education system. Educational training in the country is substandard. Less than 25% of the 150,000 students pass the national exam every year. The higher education system is unable to absorb more than 10,000 students a year. As a result, middle class parents who can afford it send their children abroad to study.

Research and Development are practically non-existent. According to the 2015-16 Global Competitiveness Report, Haiti ranks at the bottom concerning the quality of scientific research institutions (139th), company spending on R&D (138th) and university-industry collaboration in R&D (135th).

According to the CIA 2016 World Factbook, the literacy rate for men was between 61% to 64 % and 57% for women. Access to higher education is extremely limited due to a lack of resources to pay fees. Universities have irregular schedules and are prone to student unrest. Another constraint is the near total absence of vocational training, which leads to extremely poor standards of technical qualifications.

The Haitian education sector suffers from a lack of state resources and the absence of regulation capacity. It is also impaired by an influx of private service providers. About 90% of education is private and about 80% of the national budget for education is provided by international donors. When coming to power, President Martelly made free schooling one of the top priorities of his agenda, but little is known regarding any outcomes. Investment in education and training were below 2% and further declined in 2016.

Education policy /
R&D

2

'06 _____ '18 10



Governance

I. Level of Difficulty

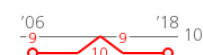
Haiti has been categorized as a failed state. The inability of the state to provide basic services to its population is due to endemic corruption, lack of accountability and the tacit support of actors in the international community that prefer to support local corrupt leaders. The constraints that the country faces currently are related to the absence of good governance, which has a domino effect with regards to every other structure. The country has a low skilled labor force, which is due to a lack of investment in education. It has a failed health care system due to overcentralization and failed political leaders, who have relied on international NGOs to deliver basic services to the population without adequate oversight. The country is geographically located in the hurricane alley and there have not been any public policy initiatives on housing, reforestation and infrastructure to support the population. As a result, the population is vulnerable to annual severe weather conditions which cause the same destruction every time.

Despite the tremendous gains that Haiti has achieved in controlling pandemics such as AIDS, the Zika virus and even cholera, the population has not fared well, due to severe structural constraints.

There are numerous civil society organizations, some of them well-rooted in society, and they provide for the majority of social services that the government fails to offer. While civil society participation has increased slightly in recent years, the 2010 earthquake and the following process of reconstruction constituted a sobering experience. None of the civil society organizations, except for the business sector, were consulted in the process of outlining medium- and long-term reconstruction plans. Only one seat on the Interim Reconstruction Committee was reserved for civil society groups, although such groups provide major competencies in nearly all strategic sectors. National organizations of architects and engineers complained about their noninvolvement in both planning and realizing the reconstruction efforts in recent years. In 2016 traditional civil society organizations such as those that work in human rights and monitoring, elections played a major role in educating the public about the elections and encouraging voters to participate.

Structural
constraints

9



1

Civil society
traditions

8



1

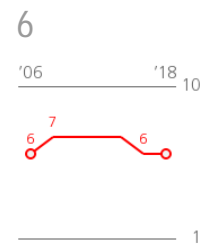
Although Haiti is not marked by significant ethnic or religious cleavages, social and political conflicts are an inherent part of the country's history and have impeded democratic and economic transformation. The exclusion of major parts of the population and the enrichment of the political and economic elites have deeply divided Haitian society, fueled violence and hindered dialog. Political conflict is often carried out in the streets, as the demographically most significant group – young men between the ages of 15 and 25 – are easy to influence and are often manipulated to engage in violent protest.

Conflict intensity is also high in the political sphere, contributing to a rather confrontational nature of politics, which worsened during the Martelly administration. While the Préval administration left behind a legacy of political and social polarization that has fostered corruption, clientelism and inefficiency, Martelly's presidency was marked by conflicts with parliament, the Senate and the entire political class.

The national elections that Jocelerme Privert, the interim president, supported in 2016 have appeased some sectors of society. However, there is no real mechanism for different factors to engage in meaningful dialog that could depolarize the society.

Overcoming the state's historic weakness and mustering the political will to mitigate social cleavages remain major challenges. The almost amorphous structure of political and civil society, reflected in the highly fragmented and volatile party system, complicates this task.

Conflict intensity



II. Governance Performance

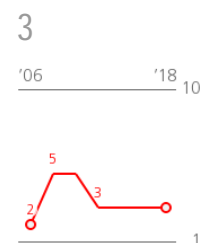
14 | Steering Capability

On February 7, 2016, President Martelly was replaced by a provisional government under the leadership of Jocelerme Privert. Under Privert, new elections were held for all the elected offices. On February 7, 2017, Jovenel Moïse became Haiti's 58th president, despite allegations of money laundering and corruption.

When Martelly came to office, he promised to promote education, energy and agriculture. But during his presidency, the government failed to set strategic priorities. Although some specific goals were proposed, these remained unspecific and unrealistic. One goal was to achieve free education for everyone. The policy in agriculture was to promote self-sufficiency and reduce dependency on imports. Instead of engaging with accurate plans in order to achieve these goals, Martelly ruled on a day-to-day basis, with his only aspiration to keep himself and his allies in power

Question
Score

Prioritization



for as long as possible. This strategy led the country straight into another constitutional crisis and, in December 2014, Prime Minister Lamothe had to resign.

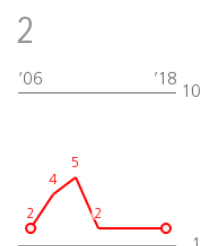
President Martelly had not been willing to take the necessary steps to ensure elections. While a compromise agreement (The El Gaucho Agreement) was made in 2014 – under pressure from the international community – it was not implemented. As a result, Haiti had no election calendar, no electoral law and no members of an agreed-upon electoral body. In addition, there was no more Senate and the mandate for members of parliament ran out in January 2015.

The Martelly administration has failed to implement the goals the president set during his campaign. While Martelly promoted free education, energy, agriculture, jobs and telecommunications, in none of these sectors has there been substantial progress. Prices increased again and living conditions for the poorer remain very difficult. It remains unclear where the money from a special fund for education went and how many pupils can attend school with support from this fund. In agriculture, the only important program is funded by USAID in the north and northeast of Haiti. The Winner Program is structured to promote basic food staples such as yams, rice and bananas, as well commodities that peasants can sell on the international market, primarily cocoa beans. The Caracol Industrial Park is being expanded as more companies are moving in and new workers are being hired. In the northeast, CODEVI, which is a Dominican-Haitian Industrial Park, is expanding and hiring new workers. Despite these expansions, the wages of the workers have not increased much; nor have their working conditions significantly improved. Most workers earn between four and six U.S. dollars per day. With inflation and the devaluation of the Haitian currency, workers are being paid less than they were two years ago.

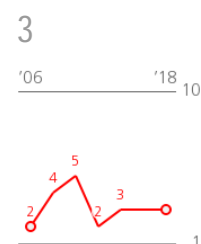
Martelly left office without a fully functioning parliament. In 2016, a provisional government under the leadership of Jocelerme Privert was installed by parliament to hold national and local elections for all offices. Privert successfully carried the mandate and held national elections. Jovenel Moise, who is a protege of Michel Martelly, was declared the winner by the electoral council with 55% of the vote. On February 7, 2017, Moise took office and he is now in the process of creating a government.

The previous government of Michel Martelly made no correction to its policies, and seemed not to be inclined to learn from past experiences, knowledge exchange or consultancies. The long-lasting tradition of personalized politics and the inability to make compromises have long since undermined any prospects for political stability in Haiti. Polarization and an understanding of politics as a zero-sum game have made political learning difficult. President Martelly follows this tradition. From the very beginning of his presidency, his style was marked by confrontation and conflict rather than compromise and discussion. To give an example: a member of parliament was arrested following a personal fight with Martelly (disregarding his immunity); another example is the publication of a list of businessmen who owe taxes and the

Implementation



Policy learning



imposition of a travel ban on some of them. Some on the list had engaged in disagreements with the president.

However, since President Jovenel Moïse only assumed power on February 7, 2017, it is too early to conclude whether he will follow in the footsteps of Martelly or whether he will introduce new policy initiatives and enforce them.

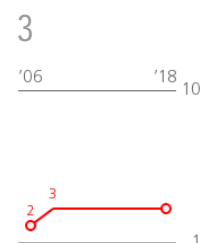
15 | Resource Efficiency

Poor fiscal management and economic governance have inhibited the efficient use of both domestic resources and external assistance in recent years, resulting in widespread waste of most available human, financial and organizational resources. The fiscal balance continued to be negative at an estimated -6.3% of GDP in 2014, after -3.6% in 2011, -4.8% in 2012 and -7.1% in 2013. Although Haiti's external debt was canceled by donor countries following the earthquake, it has since risen to \$1.1 billion. Government debt rose from 11.9% of GDP in 2011 to 21.3% in 2013 and 26.7% in 2014. In 2016, it went up to 26.45%. Tax revenue in 2016 is estimated at 18.9% of GDP.

One example of the poor use of resources is the mismanagement of money from the PetroCaribe Fund. This fund is supported by selling petrol on the international market that Venezuela donates to the Haiti government. The money is administered by the president's office. Also, there is money that has been raised through a special communications tax illegally implemented by the president's office (taxing all communications coming in and going out of the country). In both cases, no transparency is provided and the public is dependent on figures provided by the president himself – a practice severely criticized by the Cour Supérieure des Comptes, the Haitian comptroller's office responsible for auditing the public administration.

The already inadequate quality and quantity of human resources further deteriorated with the heavy loss of life and damage to public infrastructure. The country's administrative system suffers from a lack of incentives to motivate civil servants. Low wages reinforce corruption and clientelism, which have come to be deeply embedded in the system. The lack of public sector performance and absorption is a serious obstacle to reconstruction. Due to the deteriorating security situation, the few well-educated and trained people who remain in the country prefer to migrate rather than risk their families' lives. Notwithstanding, at least at the local level there are some signs of improvement as some of the newly elected mayors are concerned with recruiting personnel based upon their performance and qualifications, and not so much on political loyalty and friendship. This might be attributed to OMRH (Office du Management des Ressources Humaines) and to the work of Associates in Rural Development via a project (LOKAL) financed by USAID since the mid-1990s.

Efficient use of assets



Haiti relies heavily on foreign aid, and most of these funds are seen as personal assets of politicians. One cannot really talk of policies, as decisions are taken on a day-to-day basis, depending on opportunities. The continued confrontation between the executive and legislative branches, due to the government's formal and legal negligence, shows once more the failure of the Martelly and Privert governments to formulate and coordinate proper policies in accordance with democratic rules. This malaise is not unique to the current government; it reflects the structural challenges Haiti has faced for decades. Hardly any policies are proposed and the administration relies mostly on external sources to formulate such planning. In reality, the government considers this planning only important insofar as it provides conditions for obtaining international funding.

There are no functioning mechanisms for curbing corruption in Haiti, and state institutions do not have effective control over corruption. Haiti has always been one of the most corrupt countries in the world and has a population that is used to paying for any service given the absence of state services. But, especially in the security sector, the situation seems to be deteriorating. All public institutions in charge of corruption – the financial intelligence unit, the Anti-Corruption Unit and the Public Administration Audit Court – suffer from bad reputation and/or a chronic lack of material and human resources. There have been no major corruption trials so far. An anti-corruption law has been proposed to the parliament but has not been adopted. In a very recent and rather spectacular case, Jovenel Moïse was accused by the financial intelligence unit of money laundering, but none of the judges was willing to indict him. He was successfully sworn as Haiti's 58th president on February 7, 2017.

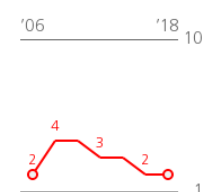
16 | Consensus-Building

Although democracy as a principle is theoretically accepted, only a very small minority of the political players would act according to democratic rules. The main objective of the ruling class is to remain in power and to have access to funds. The main objective of those not in power is to win access to these funds and positions. There seems to be no middle ground in Haitian politics.

Despite the political crisis that former President Michel Martelly created before he left office, Haiti succeeded in electing a new president who assumed office on February 7, 2017. All national and local political offices are now filled by elected officials. Although the major political actors are in conflict with respect to the goals of democracy and a market economy, this is the first time since 2006 that Haiti will be governed entirely by elected officials. This can be a new beginning for democracy, even though the main objective of the ruling class is to remain in power and to have access to funds.

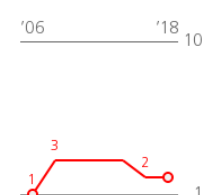
Policy coordination

2



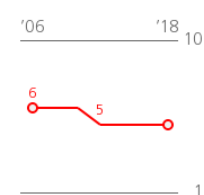
Anti-corruption policy

2



Consensus on goals

5



Although there are some socialist factions in the parliament, the majority of players are oriented toward the U.S. system.

The Martelly government has set its priorities on a market economy without regulation. This primarily benefited the political elite and only secondarily the population.

While some actors in the parliament ask for more regulation and law enforcement, the majority seek their own political or economic advantage.

The struggle to control the state will take on a different form in the next five years since there are competing political parties at the local level, even though at the national level, the government is controlled by PHTK, which is party of Michel Martelly.

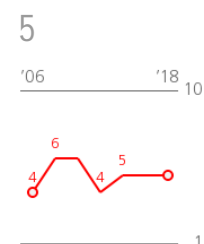
While ex-army members have lost much of their political influence, new anti-democratic actors have been emerging who could challenge reforms. There are close relations between political actors and business interest groups that support weak state institutions to better serve their individual interests, and a considerable amount of drug-trafficking money circulates in the political realm. Some former members of parliament use their immunity to pursue illicit or criminal business activities. High-ranking security officials are involved in cases of kidnapping and organized crime. The role of drug-trafficking and its impact on politics are underestimated by the international community but remain unclear in their impact. According to several human rights organizations in Haiti, the 2017 parliament is dominated primarily by individuals who have been associated with criminal activities such as money laundering and drug dealing.

The management of cleavages and conflicts did not improve during the Martelly administration, and even became worse due to the government's lack of legitimacy when it came to preventing conflicts. Notwithstanding, cleavage-based conflicts did not escalate, and the government did not exacerbate them. The situation improved somewhat during the interim government of Jocelerme Privert, as there was almost no political violence in the streets.

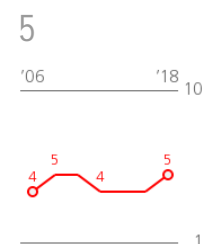
While the Préval administration left behind a legacy of political and social polarization that has fostered corruption, clientelism and inefficiency, Martelly's presidency has been marked by conflicts with the parliament, the Senate and the whole political class. This has undermined any political agreements to enhance governance or to facilitate development and reconstruction. From the very beginning, Inité, the party that holds the majority in the Assembly, delayed for several months the forming of a new government in 2011, successively rejecting two of Martelly's nominees for the post of prime minister.

Overcoming the state's historic weakness and mustering the political will to mitigate social cleavages remain major challenges. The almost amorphous structure of

Anti-democratic actors



Cleavage / conflict management



political and civil society, reflected in the highly fragmented and volatile party system, complicates this task. Despite a further increase of poverty and a deterioration of living conditions, the political elites seem incapable of overcoming governance patterns dominated by short-term interests.

There are numerous civil society organizations, some of them well-rooted in society, and they provide for the majority of social services that the government fails to offer. While civil society participation has increased slightly in recent years, the 2010 earthquake and the following process of reconstruction constituted a sobering experience. None of the civil society organizations, except for in the business sector, were consulted in the process of outlining a medium- and long-term reconstruction plan. Only one seat within the Interim Reconstruction Committee was reserved for civil society groups, although such groups provide major competencies in nearly all strategic sectors. National organizations of architects and engineers complained about their noninvolvement in both planning and in realizing the reconstruction efforts in the last years.

Little effort has been made to overturn the culture of impunity in Haiti with respect to past human rights violations. The return of former dictator Jean-Claude Duvalier, or “Baby Doc,” in January 2011, revealed the criminal negligence of courts in pursuit of injustice. No case had been successfully brought against Duvalier before he died suddenly from a heart attack in October 2014. Martelly considered giving him a state funeral, but facing massive national and international protests, he withdrew his proposal and a smaller ceremony was organized.

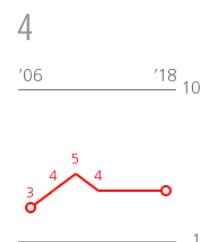
Jovenel Moise has mentioned his intention to engage various political sectors in dialog as a way to start a reconciliation process. However, it is too early to assess whether or not he is serious about this proposal.

17 | International Cooperation

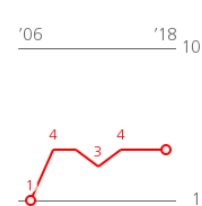
The international community plays a major role in Haiti’s political and social development. The most visible role is the presence of the United Nations Stabilization Mission in Haiti (MINUSTAH). In past years, with the support of multilateral institutions, the government has developed several strategy papers on reconstruction. In addition, Bill Clinton, the U.N. special envoy for Haiti, tried to give a personal push to the reconstruction effort. But it has been questioned whether the government really felt it owned the plans and had the drive to implement the necessary measures. Moreover, international aid still was not being used effectively. Corruption is endemic and it appears that personal gain is still the major driving force behind the majority of politicians.

After the 2010 earthquake, the reluctance of bilateral donors to actually transfer funds that had been promised during donor conferences reflects donor fatigue and doubts

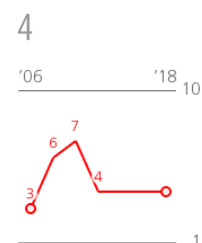
Civil society participation



Reconciliation

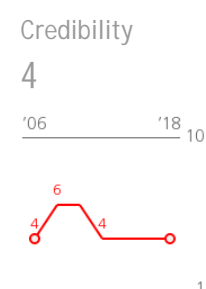


Effective use of support

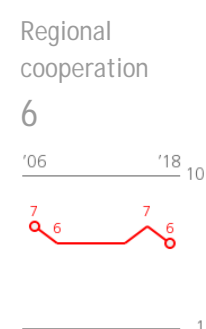


about the government's commitment and capacity to effectively use the money. Reconstruction efforts have yielded unsatisfactory results. This is clearly related to the government's inability to organize consistent policies. The 2015 and 2016 elections were primarily financed by the international community. But the lack of trust between the Haitian government and the international community became apparent when management of the elections fund was given to the U.N., instead of the government.

While Haiti had gained more donor trust throughout the first decade of the millennium (which was reflected by the IMF approval of additional disbursements and the augmentation of Haiti's quota within the institution) the 2010 earthquake and following rigged elections represented a clear step backward. The government's ability to manage the crisis was so poor that donors felt reluctant to disburse urgently needed reconstruction money for fear of further mismanagement. Despite the establishment of an Interim Reconstruction Commission, where the main donor countries have important influence on how reconstruction is managed, not one single project was approved in 2010. Although some minor progress has been made, there was no substantial breakthrough in the reconstruction process made by the Martelly administration. There have been no major improvements in living conditions during the years of President Martelly's government. Misery stays the same and Martelly faced more than 200 protests during his presidency, during which protestors asked him to step down. Although Martelly tried to project the image of a decent statesman, donors remained reluctant. In 2013, Canada suspended its aid because of ongoing fraud and corruption issues within the government. The funds that the international community provided for the 2015 and 2016 elections were managed by the U.N., instead of by the Haitian government. This was further proof that the government was not seen as credible by the international community.



Haiti is a member of the Caribbean Community and Common Market (CARICOM) and participates in Venezuela's PetroCaribe program. Venezuela delivers oil at preferential prices to member states, which can resell it at international market prices. But after the death of Chavez and the price of oil falling to record lows, the "oil rent" has considerably declined, thus limiting the government's scope of action.



Haiti also has special ties with Cuba, which still sees Haiti as an icon as the first post-colonial independent black-led nation in the world and offers the island free medical assistance. Relations with the Dominican Republic are difficult, which is mainly due to massive illegal migration to the Dominican Republic.

As a charter member of the Organization of American States (OAS), Haiti has obtained political support from the OAS and, at the same time, has been unable to prevent it from interfering in its domestic policy.

The United States has always played a crucial role in Haiti's development. One of the major interests of the United States is to avoid an influx of "boat people," or

immigrants and to keep the island as stable as it is needed in order to not become another failed state. The line between aid and interference in internal affairs, however, is often not respected. The majority of democratization efforts must be understood in this context.

Strategic Outlook

The peaceful transfer of power to Jovenel Moïse when he became president of Haiti on February 7, 2017, will be the third time since 2006 that Haiti has experienced an orderly transition of power from one president to another. Although this is a positive step toward stabilization of the country, the new government will remain fragile and unstable if fundamental issues that Haiti has confronted since Duvalier was ousted in 1986 are not addressed. For example, Haiti is known as a drug-infested state. The incoming president needs to change the country's image by introducing legislation to reform the judiciary, create conditions for respecting the rule of law, modernize the economy, combat corruption, create employment opportunities, fortify state institutions and regulate the NGOs that are functioning in the country without any government supervision.

Although Jovenel Moïse's party (Tèt Kale and its allies) controls the majority of seats in parliament, most of the newly elected representatives have been linked to drug trafficking, crime and corruption. Reports by human rights organizations claim that many of the newly elected parliament members are using the institution to protect themselves from prosecution, since the Haitian constitution provides elected officials immunity from prosecution for any crime while they are in office.

Many of the current elected individuals are allies of Michel Martelly, who was accused of depleting the country's coffers, including taking money from the PetroCaribe Fund, to enrich himself, his family and his friends. Since these same individuals are now in control of parliament, the question remains as to whether Jovenel Moïse can introduce legislation to combat corruption and modernize the country's economy. For Haiti to prosper, the incoming government has to propose a series of laws to reform land tenure, secure private investments, reform the judiciary, change the tax code, establish a permanent electoral council and hold corrupt individuals accountable.