

**THE EXPORT DEVELOPMENT AND POVERTY REDUCTION NEXUS:  
THE CASE OF HAITI**

**A paper contributed by the  
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## **Introduction**

Haiti, with a population of 8 million has long been identified as one of the poorest nations in the world and the only least developed country in the Caribbean and in the American continent. Haiti has experienced growing and deepening poverty around the country over the past two decades. Although poverty afflicts both urban and rural households, the level of poverty appears to be higher in rural areas where the livelihood is mainly agricultural based (IHSI 2003).

The level and persistence of poverty is a major concern for the Haitian society. In recent years, government and donor agencies have focused on poverty reduction as a strategy to address development needs. Given the importance of agriculture in the economy and the dimension of the poverty phenomenon in rural areas it is largely believed that the development of this sector, specifically promotion of exports, will foster economic growth that can help alleviate poverty directly or indirectly (Montas 2005; Rosenthal 2005).

In connection with this line of arguments, a number of interventions have been conducted over the past decades in the coffee and fruit sub-sectors in order to increase the level of exports and, consequently, to alleviate poverty. This short paper examines the possible linkage between export promotion and poverty reduction as a contribution to the International Trade Centre Executive forum of 2006. Its main purpose is to help nurture the debate on the possible contribution of an export promotion strategy mainly in the agricultural sector to poverty alleviation in Haiti.

## **Economic context and poverty in Haiti**

The agricultural sector has always been the largest contributor to the Haitian Economy. Two thirds of Haiti population lives in rural area and depends directly or indirectly on agriculture for their livelihood. Hence, the majority of the Haitians are affected by what happens in agriculture. It contributes up to 27% of the Gross Domestic Product (GDP) and it provides employment for more than 60% of the general population and more than 80% of the rural dwellers. Thus, agriculture forms the backbone of the economy though its importance has dramatically declined over the last two decades.

In 2000, the number of households involved in agriculture was estimated at 800,000 representing a population of 4.7 million individuals. Approximately 80% of the households have access to land and the majority of these own and cultivate their plots (Delahaye 2005). The farming systems in Haiti are characterized by the production of various annual crops (corn, sorghum, beans, cassava) for the domestic market and some perennial ones such as coffee, cacao, and mangoes mainly produced for the export market. While land is widely accessed by rural households, production is carried out primarily on small farms generally divided into several scattered plots. On average, households cultivate 1.8 hectares of land.

The Haitian economy performed very poorly during the past two decades. Between 1980 and 2003, the GDP declined at a real average annual rate of -0.82%. The annual per capita income averaging US\$ 330 has fallen by 50% since the 1980s. During this period agricultural output has declined at the annual rate of 0.8% (World Bank 2005). This problem of lack of growth is partly explained by the persistent political instability and the inadequate investment in the productive sectors. The poor performance of the economy linked to a growing population (about 2% per annum) has exacerbated the phenomenon of poverty. Thus, poverty is a major challenge in Haiti.

In 2001, 49 percent of the Haitian households lived in absolute poverty with 20, 56, and 58 percent of the households in metropolitan, urban, and rural areas, respectively, being poor based on a US\$1 a day extreme poverty line. Most of the approximately 4.3 million indigents live in rural areas (3.06 million) and others live in the metropolitan and other urban areas (1.27 million). Recent studies show that poverty is especially extensive in the Northeastern, Northwestern and Central Plateau regions where agricultural productivity is the lowest. The poverty level is strongly correlated with access to assets such as education and infrastructural services.

## **Export strategies**

Recent studies in Haiti suggest that a strategy that supports development of exports (fruit, vegetable and coffee) would have a positive impact on poverty (Montas 2005; World Bank 2005). Many countries have relied on exports as engine of growth. Trade, by impacting on economic growth, can help reduce poverty directly or indirectly.

Haiti's export of agricultural products is given in Table 1. The data indicate that export in the sector has undergone a significant decline, partly because farmers have been obliged to shift to growing food crops to avoid starvation and partly because of changes in international markets. Also, the value added created in this sector was unequally distributed among stakeholders mainly at the expense of producers. This situation, together with the demographic pressure, tends to induce farmers to shift from perennial cash crops (coffee, cacao etc.) to annual food crops exacerbating natural resources depletion (land, water, forest etc.).

Agricultural exports for the main crops have fluctuated from 1994 to 2004. In 2003, the value of total exports was estimated at \$333.16 million. Agricultural, manufacture, and other industries represented 9%, 33%, and 58% of total exports, respectively. It is important to note that mangoes are becoming the top export crop, surpassing coffee that once was the leading export and an important source of wealth and savings for numerous rural dwellers.

**Table 1. Composition of agricultural exports (million US\$)**

Year	Coffee	Cacao	Mango	Essential oil	Other crops	Total
1994	10.30	3.90	---	4.30	7.80	26.30
1995	25.30	5.70	7.00	10.70	6.80	55.50
1996	24.60	3.70	5.00	7.00	2.50	42.80
1997	19.10	4.30	7.00	2.90	9.80	43.10
1998	21.75	7.50	5.80	6.12	11.49	52.66
1999	15.22	5.98	6.74	4.04	11.11	43.09
2000	7.12	2.21	7.98	4.65	14.59	36.55
2001	4.79	1.79	4.16	3.37	11.00	25.11
2002	2.88	5.54	5.46	4.81	10.80	29.49
2003	3.55	6.05	4.66	5.08	10.68	30.02
2004	4.28	6.51	6.63	5.86	9.90	33.18
<b>Total</b>	<b>138.89</b>	<b>53.18</b>	<b>60.43</b>	<b>58.83</b>	<b>106.47</b>	<b>417.80</b>

Efforts to alleviate poverty in Haiti have been recently focused on export promotion. Given the difficulties facing the crafting and industry sectors in one hand and the role that agricultural development can play in poverty alleviation in the other, attention has been directed toward the competitiveness of the main cash crops and agricultural diversification. The Haitian Government has pursued a policy of open market for all agricultural products. There are no state enterprises involved in product marketing in Haiti. All export activities are conducted by private actors who compete for trade. Furthermore, border taxation has almost disappeared since exported crops do not bear any official border tax.

Interventions related to export promotion strategy in the agriculture focus mainly on coffee, cacao, and mangoes and to some degree, on essential oil and other fruit and vegetable. Coffee and cacao are important export crops and are well integrated in traditional agriculture. These crops are produced by a number of poor farmers holding less than two hectares. The number of farm households involved in coffee and cacao production in Haiti is estimated at 200.000.

Mangoes have advanced to become the most traditional agricultural product over the last few years. As many farmers all over the country produce mangoes, there is a potential for increased exports. Mango trees are grown in all areas in Haiti at an altitude between 0 and 500 meters above sea level and are found mainly in areas where the rainfall is greater than 800 millimeters per year. More than a dozen mango varieties are produced in Haiti. However, only the variety "Francis" is exported mainly to the United States of America. Production of "mango Francis" is concentrated in four main zones in Haiti: Artibonite (Gros Morne, Petite Rivière de l'Artibonite), West (Plaine du Cul de Sac, Leogane), Plateau Central (Mirebalais, Saut d'eau). The number of farm households involved in mango production in Haiti is estimated from 200.000 to 300.000. As for the variety Francis, the number of farms in the main farming areas is estimated at 30.000 to 60.000. It is estimated that approximately 230000 people are directly involved in mango production for export (Damais and Bellande 2004).

Since the year 2000, several NGOs and/or in collaboration with the Ministry of agriculture have undertaken interventions in the coffee, cacao, and fruit sub-sectors in order to increase export volume, improve product quality, and strengthen farmers' organizations. Organizations such as Federation Caféière Native (FACN), Hillside Agriculture Program, and other cooperatives and NGOs have supported crop production and have developed marketing strategies geared at enhancing farmers' revenues. In the coffee and cacao sub-sector, some institutions help increase production levels by enhancing cropping systems, regenerating stands and promoting nurseries, seeds and other inputs to expand the areas under the cultivation of those crops. Other institutions have provided supports to farmers to improve the quality of the produce delivered to the market, to strengthen their organizations to negotiate more favorable prices. In this context, FACN for instance has established Haitian Blue as a brand that gets entry into US, Japanese, and European niche markets.

In the mango sub-sector, institutions have assisted producers in creating their own organizations in order to increase exports, improve product quality and establish partnership with the export enterprises. Supports are provided to farmer groups to improve harvesting methods, product quality and for preprocessing. Contracts negotiated with the entrepreneurs give producers the possibility to obtain better prices for their product. Other interventions such as plantation expansion, grafting and training are undertaken to increase production level of exportable mangoes. In some cases, producer access to commercial credit is facilitated.

Other initiatives in the agriculture and food processing sectors are undertaken to increase export earnings. They include private investments in processing of mango and other tropical fruits for exports. The possibility of exports to Dominican Republic and other markets offers new opportunities for many Haitian producers. Newer export crops like avocados have been produced in recent years, and there is potential for crops such as spices. Strategies aimed at boosting exports of these crops include increase production level by enhancing cropping systems and improving product quality.

### **Exports and Poverty Reduction Linkage**

There are evidences in several countries that high economic growth is a prerequisite for alleviating poverty. Employment generated from the economic growth raises household income, which can reduce poverty. In Haiti, it is largely accepted that an emphasis on agriculture and on helping small businesses are necessary conditions for increasing economic growth. Assuming that the necessary environment is created for investment, promotion of trade and regional integration are elements that can contribute to fight poverty.

Empirical evidence on the link between export development and economic growth is lacking in Haiti. A recent study by the World Bank (2005) reveals that increased agricultural income growth has a direct and significant impact on poverty. The effect, although low for low positive growth rates, reaches both rural and urban poor. Results of the study indicate if agricultural income per capita in Haiti as a whole grew at 2 percent per year from 2001, the rate of extreme poverty would fall by only 1.6 percentage points after five years.

As mentioned earlier, income and employment generation is critical to poverty reduction. Information available for the last decade in Haiti shows a positive and significant correlation between export value and Gross Domestic Product (coefficient = 0.84  $p=0.01$ ). If economic growth is important, it is not the sole component of a poverty alleviation strategy. One needs to ensure that the wealth created reaches the poor and that they can take advantage of the job opportunities.

Results of the export strategies previously developed show that poor farmers producing cash crops such as mangoes, coffee, and cacao can benefit from the development of exports. As seen in table 1, the values of agricultural exports begin to show some improvement following the interventions in 2003. Exports of coffee, mangoes, cacao and other agricultural products may have a significant impact on fighting poverty if the wealth generated is well distributed among the various stakeholders. It is particularly true for the rural area where the majority of people who cultivate the crops are poor.

Information available for the year 2003 indicate that producers, labors, exporters receive 21%, 11%, and 67% of the export price for mangoes (Damais et al. 2005). This shows a significant increase from what farmers and other workers obtain in the 1990s. In coffee and cacao sub-sector, it was estimated that producers received 53% of the export price while exporters and other intermediaries received 16%

and 31%, respectively. These results show that a significant part of the wealth created in the exports of agricultural products goes in rural area. With the strategy put in place in this sector, farmers and local workers (harvesters, washers etc.) have the opportunity to increase their income and therefore, improve their wellbeing. Information from the HAP project indicates a dramatic impact of the export strategy developed on farmgate price for selected commodities (Smucker 2005). In this case, agricultural crop revenue increased by more than 20% in selected areas. In areas where FACN intervene, it is estimated that coffee producer revenues increased by 430% in 2003 (FACN 2005).

It is also observed that increased agricultural production and the manipulation of a greater volume of commodities create jobs for a large number of people. While producers directly benefit from trade performance additional jobs are also created at harvesting, handling and pre-processing levels.

### **Conclusions**

Since the late 1980s, Haiti has experienced serious economic and structural changes that are significant for its development strategy. Haiti has embraced a rapid and aggressive liberalization to the point where it is already one of the most open economies in the world. Furthermore, Haiti adheres to many regional and world trade organizations that may open up large markets to its products.

Based on the situation described above, one may conclude to a direct linkage between export development and poverty reduction. Promotion of exports, especially in the agricultural sector, tends to generate income and create jobs for the poor living in rural areas. In this regards, the contribution of exports in reducing poverty may be substantial. It is important to note that the key element in the success of this poverty reduction strategy is the organizations of farmers that able them to capture higher share of the export prices.

In spite of poor performance of the economy over a relatively long period and the serious deterioration of the natural resources, the country disposes the potentials to sustain growth leading to the reduction of poverty through export development. Potentials have been identified in the coffee, cacao and fruit and vegetable sub-sectors as well as in the essential oil. If production of high quality coffee, mangoes and other agricultural products can be extended to all parts of the country, the impact could be substantial. Efforts need to be undertaken to take advantage of Haiti's climate and the possibility to reach new markets.

Nonetheless, export promotion alone cannot significantly impact on poverty. A more global approach is needed to address the poverty issue. Other things being equal, it is important to increase producers' level of education. Lack of education is a serious constraint to economic development. In the trade segment there exists a need to train producers and their organizations in order to increase their capacity to handle new technologies and to develop better management practices. With a relatively high illiteracy rate in rural area, farmers may not be able to take advantage of the opportunities that are available to them. Another aspect that needs attention is the infrastructures. Infrastructures are crucial for poor farmers in rural areas in Haiti to benefit from an export promotion strategy. Efforts should be directed toward rehabilitating/building adequate rural infrastructure to support any export promotion strategy.

At the production level, promotion of non-traditional crops (such as pigeon pea, roots and tubers, and tropical fruits other than mangoes, organic banana) that are in demand in different markets needs to be address in a more efficient way. It is also important to take adequate sanitary and phytosanitary measures in order to meet the standard of the international markets. An important indicator of business development is the ability of producers to access credits. This is particularly crucial in Haiti where rural producers do not have access to formal loans. Hence, development of adequate rural financial systems has to be an important part of any export promotion strategy.

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