Country Development Strategy Statement

FY 1984

Haiti

January 1982

Agency for International Development
Washington, D.C. 20523

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HAITI

COUNTRY DEVELOPMENT STRATEGY STATEMENT
(FY 1984)

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INTRODUCTION AND MISSION STRATEGY SUMMARY

This submission meets two major requirements that have been placed on the U.S. AID Mission to Haiti:

First, it represents a completely new Country Development Strategy Statement that is responsive to the augmented policy guidance that AID/W has issued for such submissions. Moreover, it responds to the supplementary policy framework that has been forthcoming under the Caribbean Basin Initiative.

Second, it is meant to serve as a comprehensive report to the House Appropriations Committee's Sub-committee on Foreign Operations. Last year the Sub-committee requested that the AID Mission prepare such a comprehensive report and asked that we address a number of issues that go beyond the normal CDSS framework. Fortunately, we found that we could incorporate the two requirements into a single document.

Because of the scope of the presentation, the Mission has organized the document into two volumes. The first is the CDSS/Comprehensive Report itself. The second volume is composed of important annexes, each of which will be of special interest to readers who desire more detail on critical matters peculiar to the Haiti program, such as our specialized approach to joint program management with the host government, the Government of Haiti's program for administrative reform, the current investment climate and recent findings on Haitian migration abroad.

The analytical framework for the strategy can be summarized as follows:

First, Haiti is resource poor and development suffered serious regression during 1957-1971. Under President Jean-Claude Duvalier, substantial progress was made from about 1973 through 1979 in terms of infrastructure and industrial development, but the economy faltered badly in 1980-81 as a result of poor fiscal management, natural calamity (hurricanes) and adverse international trade developments (falling coffee export earnings and rising oil prices). In recent months the GOH has undertaken a number of serious reforms and has given clear signals that it will try to do its part to make development work if the international community will respond. So far the international community has hesitated to make such a commitment. Mutual mistrust between the GOH and the international community is a major barrier to a successful development effort in Haiti.

Second, the path of the Haitian economy is moving steadily toward urban concentration and a dynamic manufacturing/commerce-related services sector as the producer of new jobs, income and exports. The proximity to the U.S. market and the one-way free trade proposal of the CBI make the prospects for Haiti as the "Taiwan of the Caribbean" real indeed. At the same time, however, the transition away from a predominantly peasant economy to what is already becoming a classic dual economy situation will be very precarious during this decade, particularly for the rural sector where over 70 percent of the people still live (although contributing less than 40 percent of GNP). Agriculture needs to be revitalized, erosion stemmed and productivity increased. The preferred path for agriculture is to a shift to greater emphasis on tree or other cash crops and to reduce the cultivation of basic food crops on steeply sloped hillsides. What this implies is a more open Haitian economy, with great potential for export of manufactures and processed agricultural products, but with a sharply growing need to import grain and other consumer products. The result will be an historic change toward deeper market interdependence with the United States.

Third, the appropriate development assistance strategy is oriented toward an improvement of industrial infrastructure and services and a comprehensive restructuring of the rural, agricultural economy. This orientation is clear in the GOH medium term development strategy and will be more sharply focused in the World Bank _ad hoc_ group on Haiti. The need for a major development initiative in the agricultural sector is compelling at this time.

The proposed strategy at the high option of funding is summarized below:

Given this analytical framework, the Mission proposes to undertake a substantial reorientation of the bilateral program over the CDSS period, beginning with the current OYB and in FY 83 under the CBI initiative.

To deal with grave population pressures on a shrinking natural resource base, we propose funding a significant effort to rehabilitate the natural environment, taking out of production much of the marginal land now under annual crops and turning this land to tree crops and forest. The remaining arable land will be oriented toward Haiti's greatest comparative advantage in agriculture through improved small-farmer systems technologies, irrigation systems, credit and extension services and supporting inputs. Increased production objectives are for: (1) commodities to be processed by new or expanded labor-intensive enterprises or agro-industries (primarily for export); and (2) agricultural products for local consumption and export.

The displacement of farmers from marginal lands as well as the large surplus labor already available will provide an opportunity for employment of public works labor-brigades that will be directed to the environmental preservation/rural infrastructure improvement task: rehabilitating irrigation and drainage systems, terracing hillsides, planting trees, building erosion control check-dams and barrages, constructing access roads, and building small community works.

As this effort moves forward, health and human resource services and a greatly expanded family planning effort will move in parallel. To the maximum extent possible private voluntary organizations will be utilized to carry out the tasks, and community organizations and cooperatives will be deeply involved in planning and mobilizing the program in order to build a sustainable self-help capacity that will remain beyond AID's presence in Haiti.

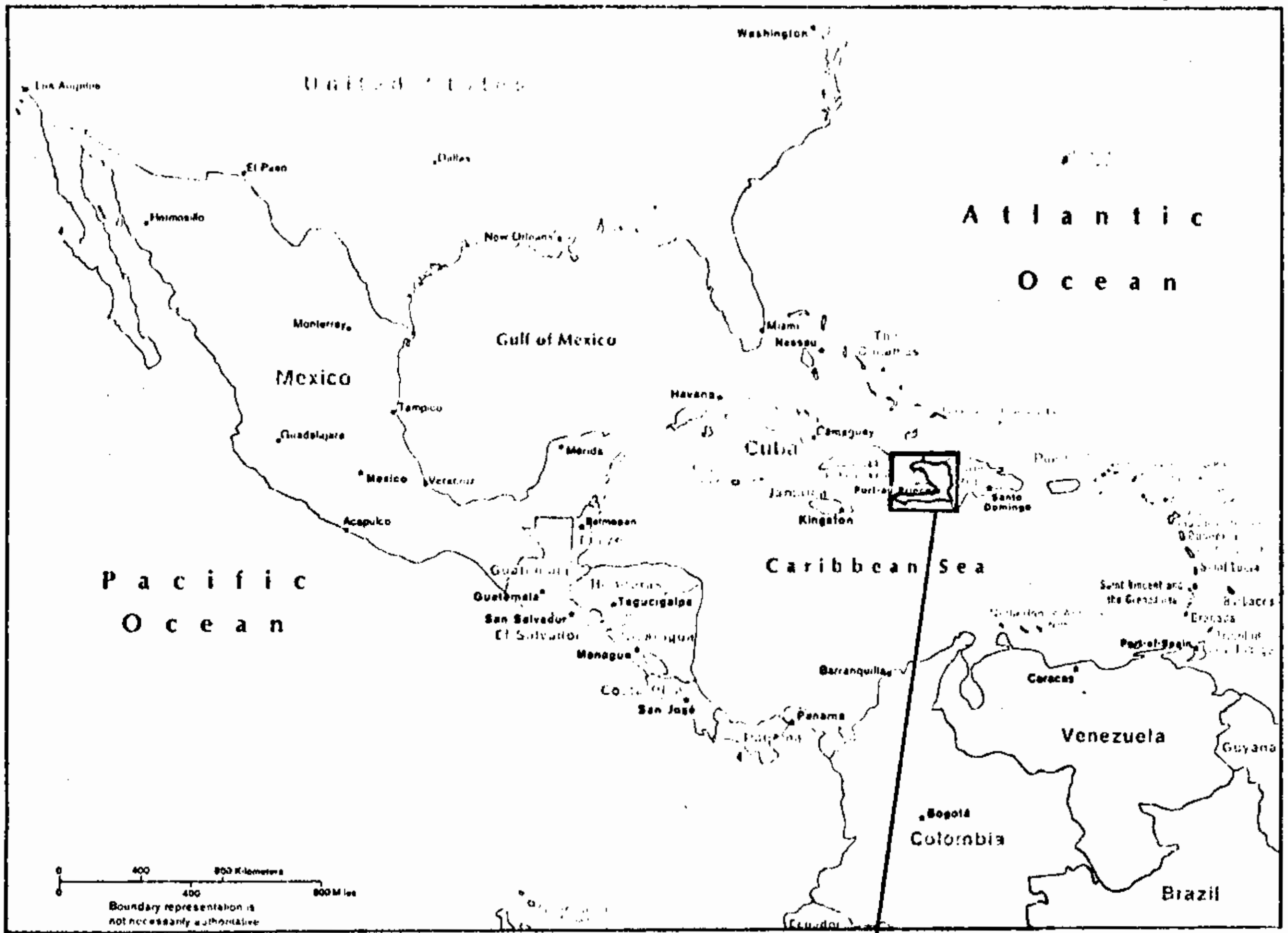
Undergirding the entire effort will be a major new private sector effort to attract new industrial investment in assembly industries, to absorb surplus labor in urban areas, and to stimulate labor-generating activities through housing construction, food processing and packaging, and a healthier marketing environment for both domestic goods and international trade.

Given the Government of Haiti's new policy framework supporting regionalization, decentralization and deconcentration of public services, and new private investment in outlying areas, the Mission proposes a major concentration of its effort in one region: the southern peninsula, with a secondary regional effort in the Northwest. Some programs will have to continue with a central focus in order to maintain the public and private institutional support that emanates from the capital city and the central ministries. Our desire to achieve a resource concentration that can produce significant results within the CDSS period argues strongly that we support the GOH's own regional emphasis within our bilateral assistance strategy.

The resource requirements appropriate to this strategy:

To carry out this strategy resource needs are not modest, compared to historical levels of aid to Haiti. But even the high option requested, which includes a proposed mix of PL 480 concessionary food imports under Titles I and III, Food for Peace commodities, Development Assistance and Economic Support Funds, is fully consistent with the "doubling of aid" concept outlined in the President's CBI announcement. Even in the highest funding year, our proposed level does not exceed $16 annually per person in a nation where more than 70 percent of the population is classed by the World Bank as existing in a state of absolute poverty.

These are, then, the broad outlines of the strategy presented here. The U.S. Mission believes that it is achievable within the public and private institutional capacity now in place or reasonably attainable, and that the difficult policy choices that the GOH will have to make to support it will be forthcoming. A lesser effort cannot be expected to make either a measurable impact on the hemisphere's poorest nation nor upon the derivative problem of illegal migration to the United States. The Mission submits that the proposed strategy provides a measured and reasonable response to a present opportunity, that it is wholly consistent with the aid, trade and private investment thrust of the CBI, and can support critical U.S. interests and achieve basic U.S. development goals during the CDSS period.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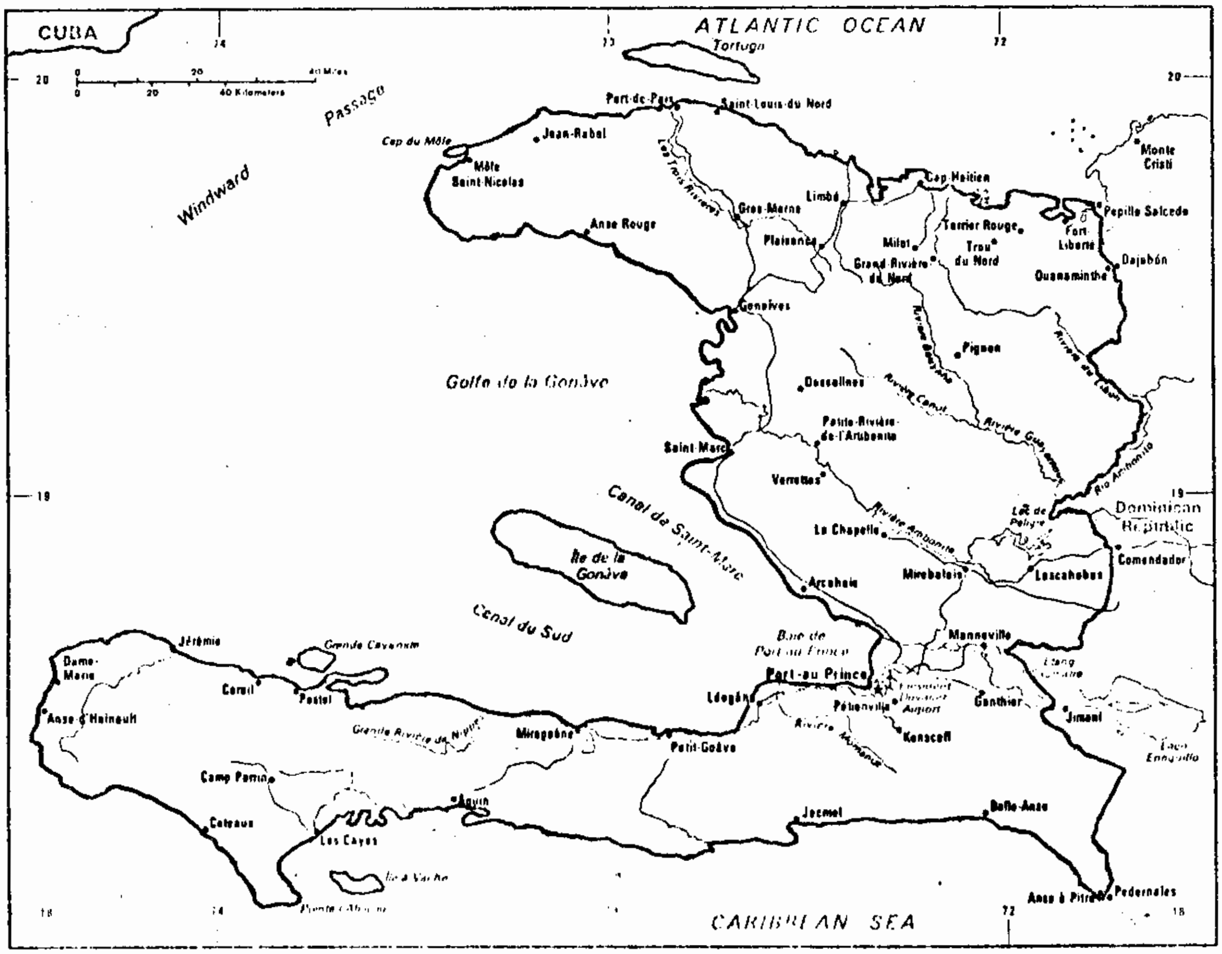
Haiti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Milot
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Grand Rivière du Nord
Monte Cristi
Pepillo Salcedo
Fort Liberté
Dajabón
Ouanaminthe
Gonaïves
Pignon
Golfe de la Gonâve
Dessalines
Petite-Rivière-de-l'Artibonite
Saint-Marc
Verrettes
Canal de Saint-Marc
La Chapelle
Rivière Artibonite
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Port-au-Prince
Léogâne
Pétionville
Ganthier
Jimaní
Anse d'Hainault
Miragoâne
Petit-Goâve
Kenscoff
Camp Perrin
Aquin
Jacmel
Belle-Anse
Coteaux
Les Cayes
Île à Vache
Anse à Pitres
Pedernales
CARIBBEAN SEA

I. ANALYSIS

A. Poverty in Haiti

Haiti is in gradual transition from an overwhelmingly agrarian to a dual economy with a dynamic new industrial sector. Currently, more than 70 percent of the population lives in rural areas, but produces less than 40 percent of national income. Rural to urban migration is high and growing, and both sectors suffer from widespread and deeply imbedded poverty. Rural poverty reflects, *inter alia*, an antiquated economic/social structure, low-level technologies and a lack of incentives for the predominantly small farmer population. Government and private forces have created monopoly or monopsonistic control over agricultural products, buying cheap at the farm gate and selling dear on the domestic consumer and export markets. The Government has also levied producer-oriented taxes as a major element of public finance. Urban poverty reflects widespread unemployment estimated at up to 50 percent of the job-seeking population in the Port-au-Prince area. Urban wage rates, while low by international standards, are currently two or three times rural wages and the disparity is increasing. This accelerates the inflow of rural poor to urban areas and exacerbates the problems of urban poverty.

The best data available indicates that average annual *per capita* income in Haiti was $260 in 1979, which makes it the only country in the Western Hemisphere included on the United Nations' list of thirty "relatively least developed countries" (RLDCs). And yet even this figure fails to communicate the level of poverty in Haiti, as income distribution is highly skewed, and only the substantial wealth of the small urban elite brings the national *per capita* income figure above absolute poverty levels. The World Bank estimated that in 1976, 0.4% of the population received 44% of the national income. More than 80% of the population had an average income of under $150 in 1979. Despite a level of absolute poverty in Port-au-Prince that afflicts more than half the city's population, *per capita* income in the capital was estimated by the World Bank at more than ten times that of rural areas.

Greater Port-au-Prince currently houses about 15-20% of the total population, with an additional 8-10% living in provincial towns. More than 70% of the population of Haiti remains fully rural (agricultural), and of this group estimates of those living in conditions of absolute poverty range to 90%. Thus, when one speaks of the rural poor in Haiti one is talking of virtually the entire rural population. The urban poor, for the most part, are crowded into slum areas in and around the capital city. The Cité Simone area, for example, is estimated to have a population density approaching 60,000 persons per square kilometer. Environmental conditions in these slums are often worse than those in rural areas, and by some indices of poverty, the urban poor are worse off than the rural poor. The infant mortality rate in Cité Simone exceeds 200 per thousand, substantially above the national rate of 130 per thousand, due principally to the widespread, increasing and improper use of bottle-feeding techniques.

Apart from the wide disparity between rural and urban income levels in Haiti, there appear to be few variances amongst regions. Although no reliable regional income data are available, other data (which would reflect income levels) show a remarkable uniformity in the distribution of poverty throughout rural Haiti. The nationwide Haiti Nutrition Status Survey (1978) found that preschool-age children in all five regions of Haiti suffered from malnutrition at approximately the same levels, i.e. approximately 30% moderately or severely malnourished.

Other indices of poverty provide an even more graphic impression of conditions in Haiti than do income levels. With respect to health status, malnutrition is widespread, with the percentage of preschool children rated as "normal" ranging from only 20% to 27% in the rural regions. Infant mortality is 130 per thousand nationally, compared to a level of 31 per thousand in neighboring Dominican Republic. And life expectancy is estimated at no more than 53 years, compared to 60 years next door in the Dominican Republic and 69 years in Jamaica. The number of physicians per person is about one to 11,000, but with 60-70% of all physicians in the country living in Port-au-Prince, this translates into about one doctor for every 30,000 rural inhabitants.

With respect to educational status, estimates of adult literacy in Haiti range from 15% to 23%. Almost all literate persons are city dwellers who have received education in French. In rural areas, there is one school teacher for every 550 primary school-age children, and only 2%-4% of all rural children who begin primary school ever finish it. About two-thirds of all schools in Haiti are non-public (usually church-sponsored in rural areas) and there are no public secondary schools of consequence in rural areas.

The current population of Haiti is estimated variously at from 5.3 to 6 million persons. The population growth rate in Haiti is approximately 2.2 percent/year, a figure which has been moderated by high rates of out-migration and which will increase somewhat if out-migration declines as a result of "closed door" policies adopted by neighboring countries. Rural-to-urban migration is increasing from all regions of Haiti. Although strongest from the southern peninsula of Haiti, rural to urban migration is a nation-wide phenomenon. The total absence of unutilized arable land, the lack of off-farm employment opportunities, and the far greater availability of social services in provincial capitals and Port-au-Prince are key push-pull factors toward urban area. The rural population growth is about 1% per year while "urban" areas grow at over 4% per year. Port-au-Prince is growing at 7% or more per year.

In spite of these demographic trends, Haiti is today, and will remain for the period in question, a predominantly rural and agricultural country. Seventy percent of the total labor force is currently engaged in agriculture, even though the share contributed by it to the Gross Domestic Product varies between only 35%-45%. The agriculture sector in Haiti is characterized by small plots and an increasing fragmentation of land holdings. Rapid population growth coupled with an inheritance scheme providing each child with an equal share in land owned by his parents has resulted in extreme "minifundia." It has also resulted in a multiplicity of tenure arrangements in which any one farmer may be an owner, renter and sharecropper simultaneously. According to the 1971 census, there were 620,000 farm units in Haiti on about 865,000 hectares of land. Each unit, however, consisted of more than one plot, and plots "belonging to" the same farmer were often widely dispersed. The average plot size was 0.77

hectares and the average number of plots held by each farmer was 1.8 (although in one region it was 3.5). Nevertheless, as with income, land holdings in Haiti are inequitably distributed, with 70% of all farms occupying only 32.5% of cultivated land. Large holdings, owned by absentee city dwellers are not uncommon in Haiti, and are frequently held in an underproductive status through inefficient, low-technology sharecropping arrangements. According to the 1971 census, farms over two carreaux in size (2.6 hectares or more) constituted only 11% of all farm units but occupied over 41% of cultivated land.

Current estimates are that the land area in Haiti devoted to crop production now totals about 1.3 million hectares, or 43% of the total surface area of the country. As only 900,000 hectares are considered suitable for cultivation, more than 30% of all cultivated land should not be in annual crops, due to low soil fertility and high susceptibility to disastrous erosion. Current use patterns have resulted from the enormous population pressure on the land. (See Fig. 1 on land suitability and land use). The total land area of Haiti is 27,800 square kilometers (about the size of Maryland). Overall density is 220 persons per sq.km. but the population density relative to arable land, at 700 per sq. km. is one of the highest such ratios in the world.

While few of the rural poor are totally landless, farm units are so small and agricultural work so seasonal that most rural inhabitants seek supplementary work during much of the year. Rural wages are extremely low, ranging from below $1.00/day for casual work (short day) to $2.00/day for skilled workers.

B. Causes of Poverty and Constraints to Development

Poverty in Haiti is not simply a distributional problem. Although distribution of income in Haiti is extremely inequitable, even a radical redistribution of existing wealth would not result in widespread "middle class" living conditions. Nevertheless, a significant redistribution of existing wealth would go a measurable way toward providing income to meet the basic needs of the population and eliminating the egregiously substandard living conditions of the large majority of Haiti's people.

FIGURE 1

HAITI

LAND SUITABILITY

Soil Class	Potential	% of Total Area	
II	Suitable for rainfed and irrigated agriculture; few limitations	8.4	Cropland 28.6%
III	Suitable for rainfed agriculture and for irrigation of high value crops; more limitations; requires soil conservation measures	11.0	
IV	Limited possibilities for field crops; suitable for permanent crops (pastures, trees)	9.2	
V	Severe limiting factors (salinity, drainage, fertility); requires substantial investments for field crops such as rice	2.8	
VI	Suitable for trees and pastures; requires terracing for field crops	13.8	Forest Potential 68.6%
VII	Suitable for tree crops, forestry, and pastures	51.0	
VIII	Mountain areas and coastal marshes, best suited as forest or game reserves	3.8	
Total		100.0	
Total in	1,000 km^2	27,700	

LAND USE

Irrigated Cropping	2.6	Actually cropped 42.9%
Rainfed crops - plains and valleys	10.4	
Rainfed crops - mountains	29.9	
Pastures	10.8	
Forests	9.3	Actually forested 9.3%
Waste land	37.0	
Total	100.0	

Source: IICA

The comparison between land suitability and use shows that more than 40 percent of the land is cropped while less than 30 percent is suited for cropping. The overutilization of marginal land results in severe erosion and soil loss.

Factors resulting in poverty and constraining development in Haiti include the following:

1. Topography - Haiti is mountainous. About 65% of its surface area is sloped more than 20 degrees and over 50% is sloped more than 40 degrees. The land is largely dessicated limestone, lean in organic material and loamy souls. There is thus very little prime agricultural land in the country, and that which exists in valley areas is subject to extreme variations in water availability and torrential run-off (flash flooding). With only 30% of the land suitable for cultivation, a growing rural population has cleared sharp slopes to make additional cropland. This has destroyed trees and ground cover and has exacerbated erosion and the loss of limited natural soil nutrients. Rapid run-off from the mountains has also resulted in extensive damage and the siltation of Haiti's few dams and irrigation systems. Conditions of pseudo-drought are now common in many formerly productive areas.

2. Limited Natural Resources - Haiti has been blessed with few mineral resources and has no known petroleum deposits. Mining has contributed less than 2% of the Gross Domestic Product. Bauxite is the only mineral which has been mined in commercial quantities. Output has so declined that the Reynolds Company will end the only bauxite operations in 1982. The lignite (soft coal) resources are of mediocre quality (high sulfur), inaccessibly located and essentially economically unexploitable. Small amounts of other minerals (gold, copper, silver, marble) may be found in exploitable quantities, but are not yet of proven profitability.

3. Natural Disasters - By its location in the eastern Caribbean, Haiti is vulnerable to extreme weather variation: floods from torrential rains, devastating hurricanes, and droughts have caused major developmental setbacks. Even a glancing blow of a powerful hurricane, such as that received from Hurricane Allen, can cause localized major crop damage, income loss and starvation conditions. Severe droughts frequently afflict the northwest region. Haiti also lies on an major earthquake fault which has devasted large areas in the last 150 years. Large disasters aside, the timing and amounts of rainfall in many parts of Haiti are so variable that investment in rain-fed

agriculture is always a high-risk venture. USAID/Haiti's strategy for improving disaster preparedness and managing response to natural disasters and mitigating their tragic effects is found in Section II E 2.

4. Population Size/Growth/Density - Given the limited land area and few employment alternatives to agricultural production, rapid population growth has only served to exacerbate economic problems. USAID/Haiti's strategy for addressing this critical problem is summarized in Section II D 4.

5. Physical Infrastructure - Haiti's weak transportation and communications infrastructure is a major constraint to development. During the 1957-71 era of the centralization of power in Port-au-Prince infrastructure in rural areas and provincial towns was ignored. Nevertheless, in the past eight years, paved highway connections between the capital and Haiti's second, third and fourth population centers have been completed. Though paved roads to a number of provincial capitals are still needed, all-weather secondary roads have been built to many of these in recent years. Electrification, now found in a few major towns, is also a recent development. Although potable water systems are often lacking or only partially functional in most cities and towns, a substantial number are being constructed with foreign donor and PVO assistance. USAID's strategy for addressing this constraint is found in Section II D 3.

6. Human Resources - Though estimates vary, it is likely that fewer than 20% of all Haitians are functionally literate. The Government's investment in education has been small and almost exclusively in a system of formal education in a language (French) which few children (and no rural children) speak or understand when they arrive at school. However there have been very positive recent changes: although still grossly inadequate, the administrative and teaching personnel of the Ministry of Education have been increased since 1971 from about 5,000 to over 10,000 (1/3 of the GOH's civilian work force); "creolization" of early primary instruction through Creole language curriculum material promise a radical positive change from the former rigid French system; the World Bank supported rural primary school program is also progressing well. But the overall system is still oriented towards the urban elites whose children are able to proceed through academic secondary schools in the capital and into

the National University in Port-au-Prince. In fact, most rural children who do complete primary education (less than 4% of entrants), do so in non-public schools, usually sponsored by church groups. Even if one completes primary education, the opportunities for technical/vocational training of the sort that would improve agricultural production or qualify one for off-farm employment are few. USAID/Haiti's strategy for addressing this constraint is described in Section II D 6.

7. Agricultural Base/Declining Productivity - The problems of limited arable land, small and fragmented holdings, increasing population pressure, lack of rural infrastructure and massive, growing soil erosion have all been noted. All are interrelated and combined with several other factors have resulted in overall stagnation of agricultural productivity and a declining per capita output over the past decade (reaching -2% in 1979 and 1980). Other major factors include a primitive agricultural technology that has remained essentially static since independence (1804), and the lack of government and private sector investment in agriculture. Today only about 6% of Haiti's cultivated land is irrigated, and Haiti's traditionally strong export crops have been reduced, by and large, to a very few. For example, long a major Caribbean sugar producer, Haiti became a net importer of sugar in 1977. The lack of a strong agricultural base has dramatically decreased agricultural export earnings and has increased requirements for food imports. The ways in which this has occurred, and the USAID strategy for addressing the problems are described in Section II D 1.

8. Manufacturing Base/Unemployment - Until recently, domestic entrepreneurs sent their surplus capital abroad and foreign investors were leery of Haiti, despite its numerous advantages. However, since the mid-1970's, the Government has aggressively courted investment in the manufacturing sector and, with donor assistance, has extended the basic infrastructure, services and tax incentives needed to attract foreign and domestic capital. Foreign investment in transformation industries has become the most dynamic force in the Haitian economy. New assembly industries have provided about 60,000 jobs (supporting an estimated 300,000 persons in the Port-au-Prince area) over the past 7-8 years. This trend is critical in a country where unemployment is estimated at 50% of

the job-seeking population, and underemployment far higher. GOH policies on private foreign investment are already extremely permissive (low minimum wage, long tax holidays, guaranteed repatriation of profits, duty-free entry for assembly components, etc.). The Government has announced further measures to promote new investment including the extension of basic infrastructure and public services to attract industry to population centers outside Port-au-Prince. But there remain many constraints to private sector investment. A more detailed analysis of the weaknesses in this sector with an elaboration of USAID's strategy to address them are found in Section II E 5.

9. Public Institutional Base - (a) National: In terms of its ability to provide essential public goods and services throughout the national territory, the Government of Haiti---in all sectors---is among the least developed and weakest in the world. During the centralization of government functions in Port-au-Prince during the period 1957-71, rural areas were left to their own devices, Government budgets and public services dropped to a negligible level, and the transportation and communication networks were purposefully abandoned. The Government of Haiti became essentially the city-state of Port-au-Prince. In spite of efforts to improve the situation in recent years, the capital city area---which contributes only slightly over 40% to national revenues---receives 87% of budgetary expenditures. With a nationwide civilian public service of only 29,000 employees (for a population of 6,000,000), the present capacity to carry out tasks will depend upon significantly increasing and improving this workforce. Since nearly 90% of the current public workforce lives and serves in the capital area (and at present levels of service is undoubtedly needed there) carefully planned, rapid and sustained growth in key development ministry workforces throughout the provinces is essential to any development strategy in agriculture, health, infrastructure expansion, education, etc. Under the terms of the IMF fiscal austerity program, the only way that this essential growth in public service capacity can occur is through the effective use of external development resources in the near term and a longer term program of expanding revenues as the economy grows to support the public functions essential in a civilized modern society.

Most national governmental institutions responsible for the planning and management of social and economic development programs are in a rebuilding stage. The "development ministries" (Agriculture, Public Health and Population, Transportation and Public Works, Education) and their semi-autonomous agencies still suffer from similar organizational flaws, financial problems and ingrained practices, but most have expanded their capabilities in recent years. The amounts budgeted for projects of the development ministries and agencies are small and often only partially available; all disbursements occur after a long and tortuous approval process. Government salary scales are so low that almost all professionals employed by the Government work short days (9 am - 2 pm) and hold other jobs or privately practice their professions. As a result of financial pressures, and because most services and amenities are available only in the capital, it is extremely difficult to post well-qualified ministry personnel in rural areas.

Current efforts by the government to undertake a major administrative reform, to create a civil service system, and to more rationally allocate and to train current personnel, are highly positive and necessary steps---but they are not sufficient without further external support. The problem of public institutional weakness and the USAID strategy for addressing it are discussed below in Section II E 1.

(b) Local: In rural areas, there was not until recently any formal, legally recognized organization which represents the interests of the peasants. Haitian peasants do not customarily live in well-defined villages or communities and do not have a tradition of self-government or local organization based on any factor other than family ties. However, over the past decade "community councils" have been widely initiated in rural Haiti, frequently as a response to the availability of external-donor assistance and resources. Some councils have folded or become inactive with the disappearance of outside resources, but others have become established as mechanisms of local self-help and as mechanisms for voicing the needs of peasant communities. In mid-1981, the Government of Haiti declared community councils to have a formal legal status as "civil organizations" under Haitian law, in a step that recognizes them as the only active institutions of local self-management in rural Haiti. This action to strengthen these organizations as agents for rural development and as units of democratic change requires strong support and is part of the strategy proposed. See Section II E 1.

10. Government Policies and Attitudes - Directly related to the question of institutional weakness is that of governmental attitudes and the reflection of those attitudes in policies. During much of Haiti's past, the central government adopted either an exploitative or a passive attitude toward the development of rural Haiti. The best example is the case of Haiti's environmental decline, a process which has been apparent and studied since the early years of this century. Mats Lundahl's Peasants and Poverty; A Study of Haiti (1979) cites numerous earlier environmental studies provided to the GOH and blames both indifference and inaction as key factors in the continuing, uninterrupted erosion of Haiti's limited and precious land base. Lundahl documents this inactivity not as a temporary aberration, but as an example of institutional patterns in force since the early 1800s.

Historically, the Government of Haiti has gone beyond passivity to implement policies which have been extractive in intent and disastrous to agricultural productivity. Sizeable export taxes imposed on agricultural produce such as coffee and cacao have kept prices to producers low and have resulted in declines in production and diversion of produce to the Dominican Republic, where no export taxes exist and producer prices are higher. Government intransigence on terms of banana pricing and taxes destroyed this export industry by the mid-1950's. Government monopolies or oligopsonistic market structures have reduced investment, reduced farmer incomes and distorted production patterns. Changes in appropriate Government policies and the adoption of a positive rural market policy, while not sufficient, are necessary conditions to reversing the decline of Haiti's agricultural base, reorienting it toward its comparative advantage in the market, increasing rural incomes, and establishing a sustainable rural developmental process that will conserve and enhance the natural productive resource base. Further elaboration is provided later in this Analysis Section along with the strategy proposed by USAID for addressing key policy issues. (See especially Section II E 6).

C. Recent Economic Developments

1. Economic Growth and Trends

The pattern of economic growth in recent years in Haiti is a highly mixed one. On the one hand, value-added in the agricultural sector, which accounted for 38.8 percent of total output in the economy in 1979, grew at an average annual rate of 2.3 percent in the period 1975-1979. On the other hand, value-added in manufactures, which accounted for 16.3 percent of GDP in 1979, grew at an average annual rate of 9.0 percent in the same period. Partially responsible for this growth in the manufacturing sector is the very rapid growth in transformation and assembly operations directed toward the North American market. Assembly industries now account for more than 15 percent of value-added in manufactures, and more than 40 percent of manufacturing exports.

In addition to rapid growth in manufacturing have been high rates of growth in construction (9.6 percent per year), transportation and communication (14.6 percent) and banking and insurance (8.4 percent). Other sectors, including government, have shown relatively little real growth.

The rate of growth of the overall economy has been highly variable, reflecting the prominence of agricultural production in total output and the high variability of the unit values and yields of the principal crops. In the four years 1976-1979 inclusive, the most recent period for which there is complete national income data, agricultural value-added increased by 7.0 percent in 1976, 3.0 percent in 1977, 7.8 percent in 1978, and -2.0 percent in 1979. In the same years, overall output increased by 9.4 percent, 1.4 percent, 5.6 percent, and 2.0 percent, respectively.

In Haiti the variability of agricultural output is very pronounced, due primarily to the effects of an underlying two year cycle in coffee production and periodic damage from hurricanes. Due to the importance of agriculture in the economy of Haiti, the extreme variability of agricultural output has important consequences for both the Haitian balance of payments and for the government's fiscal position. Recent trends in GDP (by sector) are shown in Figures 2 and 3.

2. Public Sector Fiscal Position

Since November 1978, the GOH has taken a series of fiscal reform measures to improve the efficiency of fiscal allocation and control of funds. These were designed to consolidate revenues and spending authority in the Treasury and eliminate earmarking of taxes, the para-fiscal functions of the Regie du Tabac, and the series of special (non-budgeted) accounts held at the National Bank.

Taxes on international trade provide the GOH with 41.5% of revenues: 24.7% from imports; 8.4% from the export tax on coffee; and 7.9% from bauxite exports. Of the remainder, 16.2 % comes from internal excise taxes; 13.3% from income taxes, and the reaminder a miscellany. The overall incidence of the tax system is not clear, but given the prominence of the coffee export tax, the existence of import duties and excise taxes on grains and basic consumer goods and the low personal and business income taxes, the overall tax system appears to be moderately to strongly regressive.

The government's fiscal position has deteriorated in recent years. From the early 1970s until 1978 the public sector deficit rose slowly, reaching 5 % of GDP in 1978. These deficits, largely based on the expanded development budget were financed primarily by concessionary external aid. But, beginning in FY 1979, the GOH's fiscal position deteriorated rapidly with high oil import bills and a drop in revenues from coffee exports. This led to a corresponding curtailment of development investments.

The GOH fiscal position became worse in FY 1980. Though a good coffee crop boosted revenues by 21%, the added revenue was insufficient to offset a 33.8 % increase in central government current expenditures (largely for necessary and long-overdue increases in salary levels) and a 24.2 % increase in capital expenditures. Difficulties with new budgetary and expenditure controls also contributed to the ballooning of 1980's current expenditures. The result

Figure 2

GROSS DOMESTIC PRODUCTION AND GROWTH BY SECTOR, 1970-79

(in percentage)

	Contribution to GDP		Annual Growth Rate, 1955 Prices			
	1970	1979	Average 1970-77	1977	1978	1979
Agriculture	44.8	39.8	2.4	-3.0	7.8	-2.0
Mining	1.8	1.3	1.1	-4.0	-7.1	0.0
Manufacturing	10.5	13.3	7.3	7.1	0.4	8.0
Construction	2.4	5.4	15.1	6.5	12.3	8.0
Utilities	1.4	2.1	12.7	3.5	-8.8	3.1
Transport and Communications	3.6	3.9	2.7	24.0	17.1	6.2
Commerce	10.5	11.2	4.8	1.8	4.7	3.0
Financial	0.5	0.8	12.4	11.8	2.3	-2.3
Housing	10.1	8.3	1.7	1.7	1.8	1.6
Government	7.8	7.1	2.5	2.2	3.3	3.3
Other	6.6	6.7	3.9	1.6	5.3	3.4
Total	100.0	100.0	3.9	1.3	5.3	1.7

Source: World Bank

FIGURE 3

GROSS DOMESTIC PRODUCT BY SECTOR, 1975-79

(million 1976 dollars)

Sector	1975	1976	1977	1978	1979
Agriculture	313.0	334.9	324.8	350.0	343.0
Mining and quarrying	5.7	7.7	7.4	6.9	6.9
Manufacturing	102.1	124.1	132.8	133.4	144.1
Construction	39.7	44.4	47.3	53.1	57.4
Public utilities	4.1	5.1	5.3	4.8	4.9
Transport and Communication	15.5	17.3	21.5	25.2	26.8
Commerce	123.2	142.6	145.3	152.1	156.7
Banking and Insurance	7.9	9.8	11.0	11.3	11.0
Housing	29.3	29.9	30.4	31.1	31.5
Government	53.4	51.2	52.3	53.9	55.7
Personal services	38.3	41.2	41.7	43.9	45.4
GDP at factor cost	732.2	808.2	819.8	865.7	883.4
Indirect taxes on traded goods	38.8	37.0	43.3	46.7	40.0
Other indirect taxes on traded goods	32.3	33.8	35.9	39.2	42.0
GDP at market prices	803.3	879.0	899.0	951.6	965.4

Sources: 1965-74 - IBRD Current Economic Position, Vol. II. Indirect taxes from IHS.
1975-79 - IMF and mission estimates.
1976-UN, National Income Accounts of Haiti, HAI/74/017, Annex 1.

was an increase in the consolidated public sector deficit to $76 million from a level of $45 million in FY 1978/79. More serious, for the first time, a major portion ($42.7 million) of the deficit had to be financed through the domestic banking system rather than externally on concessional terms. This borrowing sharply reduced credit to the private sector (from $26 million in the previous years to only $17.7 million) with a decline in the balance of payments, since the deficit was partially financed by reducting the net international reserves of the banking system.

Current expenditures continued to rise into FY 1981, running 60% ahead of 1980's figures. With the fiscal situation deteriorating, the Government acted to reduce all outlays and curb extrabudgetary spending, holding the last nine months of FY 81 to only 2% above the FY 80 levels. Yet most financing fell on the domestic banking system and the fiscal deficit, though improved, appeared not to be stabilized at a sustainable level as of the end of FY 1981.

Given the large domestically-financed deficit, the GOH was only able to make one drawing under its three year Extended Financing Facility agreement with the IMF, and the agreement expired on September 30, 1981. However, the Government adopted a stringent new fiscal program in September 1981, with hopes to enter into a formal "standby" agreement with the IMF in a few months. The GOH's recent performance on expenditures has improved significantly. It should also be noted that a highly respected economist, formerly with the IBRD, has recently been appointed Minister of Finance, and has been given strong mandate to correct the fiscal situation and implement fiscal reforms.

3. Balance of Payments Situation

Figure 4 summarizes recent developments in the Haitian balance of payments. Export proceeds have been a highly volatile during recent years with the wide variation in coffee volumes and prices. With other exports, bauxite has had a slow downward trend. Price increases failed to offset volume declines. Manufacturing exports, on the other hand, have shown a steady, strong

Figure 4

Haiti : Summary Balance of Payments

(In millions of U.S. dollars)

	Fiscal Year Ended September 30					
	1976	1977	1978	1979	1980	1981
Goods and services	-85.4	-100.1	-103.3	-146.5	-140.2	-203.4
Trade balance	-52.3	-62.3	-52.9	-106.4	-89.7	-144.3
Exports, f.o.b.	(111.9)	(137.6)	(154.6)	(138.6)	(212.3)	(153.7)
Imports, f.o.b.	(-164.2)	(-199.9)	(-207.5)	(-245.0)	(-302.0)	(-298.0)
Travel	19.9	24.7	30.4	47.6	50.6	45.2
Investment income	-7.2	-12.1	-14.7	-13.4	-14.3	-17.8
Other services	-45.8	-50.4	-66.1	-74.3	-86.8	-86.5
Transfers (net)	65.1	63.5	67.9	79.8	77.3	100.0
Private transfers	28.2	30.9	28.7	32.0	31.3	38.0
Public transfers	36.9	32.6	39.2	47.8	46.0	62.0
Current account balance	-20.3	-36.6	-35.4	-66.7	-62.9	-103.4
Capital movements (net)	31.7	49.4	45.7	73.1	44.3	69.3
Private sector	6.8	8.0	10.0	12.0	31.5	22.0
Public sector	24.8	60.5	40.3	32.5	33.1	51.4
Short-term capital	-7.2	-0.8	-4.0	9.3	-21.4	8.9
Trust Fund	—	2.4	7.7	5.8	8.1	0.1
Errors and omissions	7.3	-20.7	-8.3	13.5	-7.0	-13.1
Unrequited earnings 1/	0.2	—	—	7.6	6.8	0.8
Change in net official international reserves (increase-)	-11.6	-12.8	-10.3	-14.0	11.8	33.3

Source: IMF

upward trend. In 1981, manufactured exports (net of imported materials) accounted for 48.1% of export receipts, up from 22.3% in 1976. From 1976-1981, manufacturing exports increased annually an average of 24.3% (in nominal terms).

Though manufactured exports increased, overall export performance failed to keep pace with imports so that the trade balance has deteriorated from -$52.3 million in 1976 to -$144.3 million in 1981. Declines in the net services account has been almost exactly offset by increased official and private transfers so that the current account balance has deteriorated by an amount similar to the decline in the trade balance, from -$20.3 million in 1976 to -$103.4 million in 1981.

The capital account, with a marked but erratic inflow was sufficient to offset the deteriorating current account balance in 1976-79 to leave a modest $10-15 million surplus in the overall balance. In the past two years however, despite a substantial increase in private long-term capital inflows (both direct investment in light manufacturing and in loans to the Government for investment projects), the overall balance has deteriorated sharply, to -$11.8 million in 1980 and -$33.3 million in 1981.

As of September 30, 1981, gross foreign exchange reserves stood at $19 million, equivalent to only 2 weeks imports of goods and services. To deal with this acute foreign exchange shortage, the Central Bank on August 15, 1981 introduced a temporary requirement for compulsory surrender of export proceeds and established priorities for the use of this foreign exchange for imports.

4. External Debt

During recent years, Haiti's modest external debt has been growing at about the rate of its nominal GDP. By 1981, external public debt stood at 19 % of GDP. Since most of the debt has been from donors sources on concessional terms, the debt service ratio is extremely low. In 1981, debt service payments were $13.8 million, equivalent to only 6% of exports of goods and services. However, in 1981 the GOH obtained a $41.8 million loan from a consortium of commercial banks to finance a new sugar mill. When the loan is fully disbursed in 1983, total debt service payments will increase by about 50 % over their 1981 levels.

5. Pricing Policies and Investment Incentives

With a few glaring exceptions in the agriculture sector, market price distortions away from efficiency prices through government action or private monopoly power, appear not to be major obstacles to an alleviation of poverty. The most glaring exceptions are the 26% export tax on coffee, the high import duties on wheat and rice, and other incentives for farmers to grow annual crops on land more suitable to coffee and other tree crop cultivation. Not only has the coffee tax depressed rural incomes, it has accelerated soil erosion due to the more profitable food crop cultivation on steep slopes. This is however, producing irreparable damage to future agricultural productivity.

The legal minimum wage of $2.64 per day appears to be generally enforced in industrial establishments. The high and growing importance of assembly industries is likely to encourage the government to continue to raise the legal minimum wage at a steady but moderate rate.

Deposit interest rates controls administered by the Central Bank have from time to time acted as a disincentive to domestic resources mobilization and have encouraged capital flight. Although interest rate ceilings change often, there is no indication that rates will long remain below international levels.

The tariff structure in Haiti contains many anomalies. Yet there has been little attempt to use the tariff as an instrument of industrial policy rather than as a revenue measure. As a rule, duty levels are low and many are specific rather than ad valorem. Thus there has been a tendency for real tariff revenue to erode over time. In fact, the low and declining level of custom renenues has been a major contributor to the GOH's current fiscal difficulties.

The investment code, which consists of five laws enacted over the period 1960-1977, provides for a wide variety of incentives for new industrial enterprises. These include relatively lengthy "holidays" from income tax and other internal taxes and either temporary or permanent (depending on the circumstances) exoneration from import and export duties. In general the pattern of incentives is not greatly different from that offered by most countries in the region and appears to avoid provisions which would create serious structural distortions which could limit growth opportunities in the medium to long term. One possible exception to this rule is a provision in the investment code which restricts its benefits in cases where there is already sufficient installed capacity to serve 50-75 % of the domestic market. Although it is intended to avoid a build up of excess capacity, this provision could lead to the development of inefficient import-substitution industries with a monopoly of the local market, and could also encourage domestic firms to expand by adding capacity rather than by more intensive use of existing capacity, leading to serious misallocation of resources. Both of these effects have been observed to result from similar investment incentives in other countries of the region.

D. Government of Haiti Economic Plans

In spite of its problems, during the three-year period of EFF agreement (FY 1978-81), the GOH made substantial improvements in public accountability and financial management. The Internal Revenue and Customs Bureaus are now officially the exclusive collectors of taxes. Most special revenue accounts have been closed, and revenues are now unified in a single Public Treasury account at the Central Bank. For the first time, all planned publicly-financed activities have been included in a single, annual national budget, beginning in FY 1982. However, despite the improvement of the GOH's systems of financial management and control,some resistance to the fiscal reforms undertaken has been apparent. The Regie du Tabac continues to exercise certain fiscal functions through the commodity sales commission system; the proposed customs/tax reforms have been only partially implemented and the private sector in Haiti has resisted GOH proposals for income tax reform. Needless to say, major policy and structural improvements remain to be accomplished.

Recent Presidential Declarations: In a major nationwide address on August 8, 1981, President Duvalier called for an economic austerity plan which would increase Haiti's ability to finance its own development through increased domestic savings, improve management of public funds and fiscal discipline, further limitations on imports and promote exports. Reference was made to the need to adhere to the IMF's recommendations to curb public borrowing and improve the current foreign exchange shortage, and the following major steps were promised or noted as having already been taken:

--All GOH expenditures will be budgeted in the national budget, and public spending controlled.

--Customs exonerations and imports of items produced domestically will be limited further.

--Import duties on all luxury items and taxes on high personal and business income will be increased 20%.

--A major study of additional tax and customs reforms will be made and the GOH revenue system further rationalized and unified.

--A 20% reduction of GOH budgetary expenditures will be carried out.

In his budget message to the Haitian Congress on September 8, the President reiterated these objectives, plus the need to decentralize the public sector and regionalize both public administrative structures and public and private investments. And again in February, 1982, the President called for full implementation of the fiscal reform measures described in detail in earlier speeches, and announced a change in the coffee tax system designed to assure more equitable application and increased revenues.

If the GOH's public resolve to improve its management of the economy and increase its revenues to finance a rational development program is translated into effective measures in the coming months, with full donor assistance, Haiti's development prospects would markedly improve. But this will only be possible if a substantial increase in official development assistance is made available to support the Government's major policy changes. In the face of the GOH's limited revenue base and a fiscal austerity program, as prescribed by the

IMF, the only immediate prospects for expanded development investment are through externally-financed projects, including their local cost components.

The New GOH Five-Year Plan (1981-86)

The general objectives of the GOH new Five-Year Plan are consistent with those set out in this CDSS. The preface to the "Global Strategy" section of the Plan states (pp. 88-89, Tome I):

> The general principle which in some ways governs all others, is that in order to realize economic growth and achieve genuine national development, all measures ought to be formulated within the framework of a liberal economy, founded on a free market, open and transparent. In such a system, the private sector takes charge of industrialization and has responsibility for virtually all production of goods and services.

Nevertheless, the Plan continues, taking account of the numerous socio-economic obstacles to national progress, the Government of Haiti cannot maintain "the sterile attitude of a spectator," but must play an active role that consists of:

(i) establishing institutions and construction of infrastructure indispensable to the growth of marketable agricultural production and the extension to all regions of the country an articulated network of manufacturing enterprises;

(ii) encourages and support of private initiative through a credit policy and a coherent budget policy;

(iii) assuring rational administration of external aid and cooperation in order to realize maximum benefit.

Various chapters in the strategy section of the Five Year Plan deal with production, employment and human resources, regional development, administrative reform and the role of science and technology. In spite of the President's new national conservation program, launched in late 1981 as "The National Society of Friends of the Trees" (SONAMAR), the plan itself gives the grave problem of natural resource degradation little mention except in reference to soil conservation in the chapter on science and technology.

The Plan does provide brief policy narratives on monetary policy, trade, fiscal policy, population, human resources and employment, food and nutrition, and the welfare of children. While the food and nutrition policy section is rather general and very brief, it does take an integrated approach, describing objectives and sub-programs for (1) agriculture; (2) health; (3) education; and (4) planning. There is, a lack of integration between the food and nutrition policy section of the plan, on the one hand, and the agricultural section, on the other. The latter focuses strictly on production, and does not, for example, discuss the income effect on consumption patterns of farmers shifting to produce export crops.

The Five-Year Plan projects a 4.0% annual growth rate for Gross Domestic Product for 1981-86 (as compared with an estimated 2.3% annual growth for the 1976-81 period). The main structural reason for the projected acceleration is a sharp proposed improvement in agricultural performance relative to 1976-81. Given the substantial weight of agriculture in the GDP, improved agricultural growth has a significant influence on overall GDP growth rate. In spite of a long term trend of stagnating agricultural production, the Plan projects an average annual real growth rate for agriculture of 3% (and overall GDP real growth of 4%). To help produce this remarkable projected acceleration in agricultural growth, the Plan proposes a sharp absolute and relative increase in public investment in agriculture, from an average annual level of 14% of total public investment during 1976-79 to a planned level of 20.0% of total public investment during the 1981-86 period.

Of course, planned shifts in public expenditures have not always occurred in Haiti, and the historical rate of actual expenditures of programmed (budgeted) amounts is only about 60%. However, it is clear that the GOH has adopted the increased emphasis on the agriculture sector which has been urged by the donor community.

FY 1982 Budget: More immediately, the GOH National Budget for FY 1982 is reduced in overall size from that of FY 1981 by 2.8%. Revenue projections are significantly increased, with fiscal receipts projected to go up by 18%, due largely to anticipated increases in coffee production/exports (recovery from Hurricane Allen plus cyclical rise). Customs and tax receipts are also projected to rise as a result of the implementation of the various financial management reforms being undertaken (described above). In spite of this, the national budget still has a planned deficit of $30.5 million.

The budget is actually two separate documents, an operating (functional) budget and a development (public investment) budget. The former has increased only 4.4% over last year's levels, a real decline when adjusted for inflation. The most significant increases in operating funds are in two "development" ministries: Health/Population and Education. The operating budget of the Ministry of Agriculture is decreased by 14.4% from the previous year (See Figure 5).

The development budget is decreased in size by 11.5% under the previous year's budget. The most significant decreases are in the industry and energy sectors. Consistent with the Five-Year Plan, allocations for agriculture are increased by 40.9%, and these allocations now represent 25% of the entire budget, the largest single sector (See Figure 6). Although the overall development budget is smaller than that for FY 1981, if all funds are expended, spending will exceed actual disbursements in FY 1981 by $3 million.

Although receipts are probably overestimated in this budget, expenditures are also. At the very least, this budget shows substantial improvement in GOH capability to unify its budgetary process and to project revenue and expenditures on a comprehensive and rational basis. It also shows a positive reallocation of development priorities consistent with the new Five-Year Plan. However, the availability of counterpart resources for development investments requires careful scrutiny given the planned reduction of the operating budget under the IMF plan and the uncertainty of planned domestic revenue increases.

FIGURE 5

COMPARISON OF OPERATING BUDGETS FOR FY81 AND FY82
(Millions of Gourdes)

SECTOR	FY81	FY82	% change
Agriculture	33.4	29.2	14.4 (-)
Health	61.9	91.5	47.8
Education	81.5	88.8	9.0
Finance	94.9	90.5	4.4 (-)
Plan	12.3	13.2	7.3
Commerce and Industry	10.6	14.0	32.1
Mines	8.1	7.7	5.2
Foreign Affairs	17.7	17.3	2.3 (-)
Social Affairs	16.7	16.1	3.7 (-)
Religion	3.3	3.4	3.0
Justice	10.4	10.4	-0-
Armed Forces	76.6	76.0	0.8 (-)
Presidency	11.4	10.6	7.6 (-)
Legislature	4.9	4.8	2.1 (-)
Information	43.4	39.8	9.1 (-)
Interior	28.3	28.3	-0-
Youth	7.1	6.7	6.0 (-)
Public Works	39.5	38.5	2.9 (-)
Totals	562.0	586.8	4.4

FIGURE 6

COMPARISON OF PROGRAM OF PUBLIC INVESTMENT EXPENSES FOR FY81 AND FY82
(Millions of Gourdes)

SECTOR	FY81 ¢ Amount	FY81 % of Total	FY82 ¢ Amount	FY82 % of Total	% change
Agriculture	170.35	15.6	239.98	24.5	+ 40.9
Mines	12.55	1.1	15.14	1.5	+ 20.6
Industry	100.13	9.2	68.79	7.0	-31.3
Energy	168.87	15.4	59.45	6.1	-64.8
Potable Water	60.76	5.6	25.32	2.5	-58.3
Tourism	3.66	0.3	2.40	0.3	-34.4
Transport	171.16	15.6	175.76	17.9	+ 2.7
Communications	32.26	3.0	39.01	4.0	+ 20.9
Housing	84.16	7.7	55.91	5.7	-33.6
Education	95.44	8.7	77.68	7.9	-18.6
Health	72.49	6.6	84.40	8.6	+ 16.4
Social Affairs	1.92	0.2	1.99	0.2	+ 3.7
Community Development	82.07	7.5	91.70	9.3	+ 11.7
Other Investments	38.63	3.5	44.04	4.5	+ 14.0
Totals	1,094.42	100.0	981.6	100.0	-10.3

E. Donor Agencies

The international donor community committed approximately $142 million of official development assistance to Haiti in FY 1981. That figure amounted to approximately 60% of the GOH development budget for that year, and almost 40% of the total budget. The major multilateral donors are the World Bank ($33.7 million), the Inter-American Development Bank ($21.7 million), and the UNDP ($17 million), which together accounted for approximately 52% of total ODA in FY 1981. The major bilateral donors other than the United States are the Federal Republic of Germany ($13.3 million), Canada ($9.5 million) and France ($5 million). Including P.L. 480 resources, the U.S. is the largest bilateral donor in Haiti. In FY 1981, the U.S. provided $9.1 million in development assistance funds, $9 million of PL 480 Title I credits (which generated $13 million in local currencies) and almost $12 million in PL 480 Title II food for peace commodities. This total of $30 million represents approximately $5.00 per capita in U.S. assistance to the hemisphere's poorest country.

In addition to the donor agencies, the IMF has continued its presence in Haiti and is working closely with the GOH in monitoring fiscal performance targets under an informal "shadow program." The GOH was able to draw approximately $20 million from the IMF's compensatory finance facility in late 1981. The ability of the GOH to obtain renewed assistance from the IMF under a new "standby" agreement will depend on its ability to implement the announced fiscal reforms and show improved performance on revenues and on controlling expenditures and public borrowing.

The GOH Ministry of Plan is responsible for the day-to-day coordination of donor agency programs. The formal mechanism for such coordination has traditionally been the "Joint Commission", established under the auspices of the Organization of American States, and chaired by the GOH. As a result of the donors' disappointment with last year's Joint Commission meetings, the GOH has substantially revised the Commission process. Five Technical (Sectoral) Commissions have been established to review the implementation of existing projects and assist the GOH in developing a strategy for the sectors concerned. The five Technical Commissions are: Infrastructure; Agriculture; Health and

Social Services; Industry, Mines and Commerce; and overall (cross-cutting) issues in development (Budget, Financial Management, Public Administration, etc.). Each Technical Commission will meet twice each year. In addition, the GOH has become more active in the World Bank-sponsored Caribbean Group for Economic Cooperation and Development, and has requested the formation of an _ad hoc_ consultative group on Haiti in the CGED. The IBRD will be preparing a medium term economic development plan for Haiti during the first months of 1982 and hopes to be able to have the first _ad hoc_ sub-group for Haiti meet during the June 1982 CGED meeting. Once the _ad hoc_ sub-group for Haiti has been established, the Joint Commission mechanism will have to be reviewed again to determine if it will be redundant or supportive of the CGED consultative group process.

Apart from the formal donor coordination mechanisms, informal coordination between AID and the other donors (particularly IBRD, IDB, FRG and Canada) remains close, with frequent discussions between technical and project officers on areas of mutual interest and activity.

As of this submission there were no indications--except for the Caribbean Basin Initiative--that major increases or decreases might be expected from any of the donors, although the decline in IDA replenishments may deter new initiatives in Haiti by the IBRD. The World Bank will continue to focus its resources on primary highways, port reconstruction, electrification and water supply in major provincial towns, rural education, industrial credit, and the integrated regional development organization for the North Region (ODN). A small new initiative in forestry with the GOH Ministry of Agriculture is being prepared, a third loan for expansion of electrical generating capacity for greater Port-au-Prince is near approval, and an urban sites and services project is being considered.

The Inter-American Development Bank intends to continue its support of the major storm sewer drainage system project for Port-au-Prince, agricultural development of the Artibonite and Cul-de-Sac regions, potable water in major provincial towns, provision of agro-industrial credit, and secondary road construction in several areas. Discussions are continuing over future IDB assistance to the Ministry of Health for the construction of major regional health facilities, and on a possible future initiative in additional hydroelectric power generation on the Artibonite River.

On the bilateral side, the Federal Republic of Germany will continue its considerable assistance to Haiti, much of which is folded into World Bank efforts through co-financing arrangements. The Canadians, however, are in the process of a thorough re-examination of their foreign assistance program to Haiti, in the wake of CIDA's precipitous pull out from the major integrated regional development project (DRIPP) on the southern peninsula of Haiti, which CIDA supported since 1976. Although tangible results were achieved under the project, Canada decided not to continue with this jointly-managed project due to major problems of misuse of project property, personnel abuses (e.g. "feather-bedding", absenteeism) and the failure by the GOH to meet various commitments and conditions. The rest of the Canadian portfolio remains in place, and a further withdrawal is unlikely. A reprogramming of the budgeted funds withheld from the DRIPP project is expected for other areas. The French are also undertaking an intensive review of their aid to Haiti. The Mitterand Government has indicated that future assistance will be limited to those activities most likely to impact directly on the rural poor but at what levels and in what areas will not be known until the second or third quarter of CY 1982. A modest level of Chinese (Taiwan) assistance, largely in rice culture in the Artibonite valley, will probably continue and some Japanese aid in "in kind" assistance may be available for malaria control. There is some hope that the GOH will conclude an oil-facility agreement with the Venezuelans and Mexicans under the San Jose accords.

II. STRATEGY

A. U.S. INTERESTS IN HAITI

Haiti's close proximity to the United States, strategic location, and endemic poverty, provide the United States with sufficient economic, political, security, and humanitarian interests to warrant a major long-term bilateral development effort. First, the U.S. has significant security interests in Haiti, which shares the Windward passage to the Caribbean Sea and the Panama Canal with Cuba. Haiti is strategically located only 700 miles from Florida, and the existence of a non-hostile government and populace in Haiti is a fundamental security interest. While Haiti has enjoyed a relatively stable government for the last 20 years, the invasion attempt in January 1982 by dissident exiles demonstrates--as does Haiti's history--that it is not invulnerable to outside attack or internal revolution.

In terms of economic interests, the U.S. enjoys a highly favorable balance of trade with this island neighbor. Moreover, a rapidly growing number of U.S. businesses are investing in Haiti, primarily in assembly industries. U.S.-Haiti trade may be small from the U.S. point of view, but is of great importance to Haiti. In recent years, almost 50% of all imports into Haiti have been of U.S. origin (estimated at $267 million in 1980) and more than half of Haiti's exports are to the United States. The U.S. trade surplus with Haiti has generally ranged over $20 million/year and is increasing. U.S. investment in the transformation/assembly industry sector is growing and U.S. investors are expanding to other sectors as well. The U.S. foreign assistance program plays an essential role in providing confidence for U.S. investment, and in stimulating new investment, especially in the informal sector, the trades and services, and in agribusiness.

Thirdly, U.S. interests in Haiti are humanitarian and social in character. The close proximity of a nation with over three-quarters of its people living in absolute poverty, with nearly 80% illiterate and with malnutrition and disease producing the highest infant mortality and lowest life expectancy of any nation in this hemisphere, is by itself a strong motivating force for generous U.S. aid. These dramatic needs continue to draw the compassion and aid of numerous American non-governmental voluntary organizations.

With large labor surpluses and the lack of sufficient new economic opportunities in the rural areas, the already strong pressures for out-migration are growing. Haitian migration is not a recent phenomenon, but its rapid increase to South Florida in recent years created substantial economic and social problems. The direct cost of illegal immigrants to Florida alone since January 1980 (though not all of Haitian origin) is estimated at $250 million in federally reimbursed assistance and about $80 million in direct, non-reimbursed State of Florida aid. To deal directly with this problem, the United States and Haiti signed an agreement in September 1981 to interdict boats engaged in illegal migration and to return Haitians seeking illegal entry into the United States for economic motives. This program has effectively deterred such illegal migration since October 1981. In announcing the agreement, however, the two governments stated:

> "While recognizing the necessity for immediate and effective action to put an end to this shameful trade, the Haitian and American Governments recognize that the only lasting solution to this problem is the creation of programs of economic and social development which can provide work to the great majority of Haitian people and which can allow their well-being in Haiti."

A Haitian ministerial delegation visited Washington in November 1981, and in a joint statement at the close of the visit, the U.S. Government reiterated the need to get at the root causes of illegal migration, and elaborated:

> "For its part the United States will provide active support for the Haitian development program in the fields of trade, investment and aid ...U.S foreign assistance will concentrate on the agricultural sector, which encompasses the poorest and most needy regions of the country. The United States will assist Haiti to improve food security and agricultural development."

This bilateral commitment has been broadened through President Reagan's announcement of the Caribbean Basin Initiative which calls for an approximate doubling of economic assistance to the region from FY 81 to FY 83. The Haitian Government has warmly welcomed the initiative and hopes to participate fully in it. As the only least developed and one of the most populous countries in the region, the GOH expects that the U.S. foreign assistance effort will fully reflect the statements made with respect to the interdiction agreement and the Caribbean Basin Initiative.

Finally, an expanded AID program will provide vital support to modernizing forces and institutions in Haiti, and help movement toward a more open and democratic society. Despite some setbacks, the overall trend of human rights practices in Haiti in recent years has been in the right direction. At the local level recent GOH support of citizen participation in community organizations throughout the country has been especially encouraging. These developments toward a more open and participatory society require reinforcement at every level, including resources to assist in the Government's declared intent to decentralize through new participatory regional structures and to deconcentrate public services to meet provincial demands. There has been no time in recent Haitian history when the prospects for strengthening modernizing forces have been greater than they are today. Support for this process is not only consistent with U.S. values and traditions but is at the heart of our highest policy objectives for hemispheric development.

B. STRATEGIC OPTIONS FOR THE AID PROGRAM

Section I described causes of poverty and constraints to development in Haiti. The job of effectively addressing these problems is enormous, and very long-term in nature. By the year 2000, at current fertility rates and declining death rates, the population in Haiti could reach 9 million. Even if existing population control programs are highly successful, the population will be close to 8 million, if out-migration is constrained. At current rates of urbanization, 40% or more of the population will then be living in the capital or secondary cities. And if current trends in agricultural productivity are not reversed, the increased demand for food by both urban and rural dwellers could create a foreign exchange crisis for food imports. Agricultural production must be improved and rationalized to provide export crops to earn foreign exchange for essential food imports as well as to increase the supply of domestic foods for national consumption. Agriculture must also supply non-food raw materials for agro-industries if surplus labor is to be absorbed thru new economic activities. Moreover, private investment in the manufacturing sector must increase substantially to provide additional employment opportunities to support a burgeoning urban population. Without major investments in infrastructure by the Haitian public sector, new private sector investment will be correspondingly constrained. Furthermore, for the nation to develop, the literacy levels and the health status of its people must dramatically improve. This will require enormous increases in investment in social services by the Government, with corresponding support from external donors.

Obviously AID can not be expected to provide the external resources necessary for all of the programs Haiti must mount to meet these growing needs. USAID/Haiti has selected six major program or sectoral objectives as key areas of concentration for existing and proposed resources. It has also selected six broad horizontal or cross-sectoral objectives pertinent to development in various sectors and to the overall management of proposed development resources in Haiti. These will be discussed below.

At the current FY 82 level of $12 million of development assistance, $9 million in PL 480 Title I credits and $12 million in PL 480 Title II food commodities, the Mission is severely limited in terms of its potential for developmental impact in Haiti. If those levels continue through the FY 84 to 88 period, with no significant increases in real dollar terms, the only possible strategy is one aimed at follow-ons to successful projects and occasional targets of opportunity. This "selective performance strategy" has been, essentially, the course the Mission has followed the last few years. All recent projects planned and obligated with the GOH have reflected this strategic approach by reinforcing positive performance by various GOH agencies (Strengthening Rural Credit Services, RHDS Nutrition Amendment, Family Planning Outreach, Secondary Roads Development, etc.). The only truly new initiatives undertaken by the Mission have been with non-governmental organizations (Agroforestry Outreach, Cité Simone, Chambellan Community Development, etc.).

To have a more significant and measurable impact on poverty in Haiti, either through projects or through leverage exerted to secure needed policy reforms, much higher levels of assistance are required. Given Haiti's dependence on imported foods and its current problems in meeting foreign exchange needs, increased assistance should be in the form of higher amounts of development assistance and/or ESF and of Title I or III commodity imports. See Section III for a discussion of this resource mix. Significant changes in GOH economic and social policies and improved joint project management, discussed later in this document, would be fundamental conditions to this increased aid. But only with substantially increased development resources can the U.S. Government reasonably expect to induce the policy and institutional changes necessary to a process of sustained economic growth and opportunity that could change the motivation of poor Haitians to migrate to the U.S.

Therefore this CDSS presents a strategy at two optional funding levels: (1) a "low option", reflecting only marginal increases over current levels of funding, which would be used to finance existing, "mortgaged" projects and occasional new targets of opportunity; and (2) a "high option", reflecting a significant increase in funding, over the next few fiscal years, which would permit a major expansion of effort, particularly in agriculture, health and private sector initiatives. The types of expanded efforts proposed are described in each sectoral strategy below. Given the extent of U.S. interests in Haiti, as discussed above, increased assistance conditioned on continued and expanded good performance is strongly urged by this submission.

C. STRATEGIC OBJECTIVES

USAID/Haiti has designed a strategy for addressing the major developmental constraints in Haiti which is constituted of six specific program (sectoral) objectives and six broad strategic objectives cutting across all sectors of AID's activities. The specific program objectives are:

(1) to increase agricultural production of commodities that maximize Haiti's comparative advantage and increase the access of the poor to a reliable and adequate food supply;

(2) to reduce and ultimately reverse the processess of deforestation and soil erosion which have contributed to the country's decline in agricultural production by undertaking a major effort to shift marginal lands to tree crops, accelerate reforestation and emphasize soil conservation in all farming practices;

(3) to establish and improve basic rural infrastructure (e.g. roads, water systems, etc.), primarily through labor-intensive, capital-saving, employment-generating methods;

(4) to reduce population growth and untenable increases in human pressure on scarce land and natural resources;

(5) to improve the basic health and nutritional status of the rural population, especially children; and

(6) to strengthen the human resources of Haiti by increasing the basic and vocational education/training opportunities available to Haitians.

The broader, cross-sectoral strategy objectives of USAID/Haiti are:

(1) to strengthen both public and non-public institutions in Haiti working to improve the economic and social conditions of the poor. This includes the provision of increasing assistance to the process of policy and institutional reform in the GOH and to the growing number of non-governmental

organizations to increase their carrying capacity for conducting development activities;

(2) to establish an integrated, public and private system of disaster management and planning to minimize the destructive effects of the frequent and severe hurricanes and droughts which Haiti suffers;

(3) to refocus existing development projects and to design new developmental activities for more specific geographic areas, particularly the Southern and Northwest Regions of Haiti, and to seek to establish effective regional mechanisms for their execution;

(4) to improve the management of U.S. developmental resources provided to Haiti through the establishment of a collaborative system of planning, review and accountability from the project manager to the ministerial level;

(5) to promote and facilitate domestic and foreign private investment in Haiti, especially in agriculture oriented-processing enterprises, and labor-intensive operations that maximize in-country value-added to their products;

(6) to promote and facilitate basic economic and social policy reforms necessary to the establishment of a self-sustaining developmental process.

D. SECTORAL STRATEGIES

SECTORAL STRATEGIES IN AGRICULTURE AND SOIL CONSERVATION/REFORESTATION

1. <u>Objective: To increase agricultural production of commodities that maximize Haiti's comparative advantage and increase the access of the poor to a reliable and adequate food supply;</u>

2. Objective: To reduce and ultimately reverse the processes of deforestation and soil erosion and begin a major effort to shift marginal lands to tree crops, accelerate reforestation and promote soil conservation practices.

Agricultural Decline: Continued and accelerating population growth of well over 2% per year in a country with extremely limited land resources has produced one of the highest population densities on agricultural land of any country in the world. This situation, combined with Haiti's mountainous topography, a peasant agricultural technology that has remained essentially static, fragmentation of already small peasant land holdings, a topsoil depletion rate estimated at 5% per year, and failure of the government to give adequate priority to agriculture (with a corresponding lack of sufficient investment by the private sector), has resulted in an average annual growth rate in agriculture estimated by the GOH at no more than 0.1% over the last five years. Haiti's food production is increasing at a substantially slower rate than the population and average annual per capita productivity in recent years has been negative (-2% in 1980). As demand for food is considered to be growing at rates closer to urban population growth rates than overall population growth, food demand is estimated to be increasing at a 4-5% annual rate. Specified demand for wheat and wheat flour (all imported) is growing at over 10% per year. Wheat imports alone accounted for 25% of the negative trade balance in 1981. (See Section III Table 2).

The consequences of this cumulative decline include increased food imports and a concomitant drain of foreign exchange necessary to support other vital public and private sector development efforts, a worsening nutritional status for the bulk of the population and an accelerating out-migration from the rural areas to the urban centers (principally Port-au-Prince) and to the United States.

Efforts to increase agricultural productivity in Haiti will require development planners to address a whole set of interrelated technical and institutional problems, including: (1) low-yielding peasant cropping systems; (2) increasing degradation of the soil and water resource base; (3) high field and post harvest crop losses; (4) neglected and marginally productive large holdings of absentee holders; (5) weak government institutional and financial support of the agricultural sector; (6) poorly developed infrastructure; (7) public taxing and marketing policies which reduce production incentives at the farm level, distort natural cropping patterns and manipulate the market; (8) sustained high levels of fertility/population growth which offset gains in production without corresponding gains in off farm employment, and (9) insufficient non-farm employment to create demand to further stimulate agricultural prices and production.

Any solution to the problems has to bear in mind that Haiti's land resources are not only insufficient using current cropping systems but are, in fact, substantially over-utilized. As mentioned above, although only about 900,000 hectares in Haiti are suitable for farming, about 1,300,000 hectares are actually being farmed. Haiti's task then, is not only to increase production to meet the accelerating food demand but do do so on about 30% less land.

Agricultural Potential: Both the history of Haitian agriculture and the most casual drive through the countryside reveal that Haiti is a land of much greater agricultural potential than that realized at present. For many crops, the technology for increasing yields two to three times over present levels exists either in Haiti or in ecologically similar areas of the world. And the responsiveness of the Haitian peasant to income incentives is well-established. What Haiti has been lacking is a system of incentives and supporting infrastructure that encourages its peasants and its large holders to exploit that potential. Recently, food prices have been rising and are now such that the use of fertilizer, in spite of highly inflated prices, on improved varieties of most vegetables and food grains common in Haiti may be economical in all but remote rural areas. For tree crops such as coffee and cocoa, where government taxing policies and oligopsonistic market structures have kept producer prices low, the use of additional inputs to increase production are not as profitable. The same is true with cotton and certain essential oils of potentially high value. Thus the patterns of agricultural production has moved away from tree crops, and other export tropical products, in which Haiti has a clear long run comparative advantage, toward annual food crops which are unsuitable to the steep mountain slopes where they are increasingly grown. This is causing disastrous erosion which can be reversed but to do so requires significant policy change to support a tree crop oriented market incentives, and food support while these new plants displace annual crops and until their maturity will produce export earnings for the purchase of imported grains.

In the longer term the path to food self-reliance in Haiti must be similar to that of other economically successful, relatively small countries: i.e. a heavy but not exclusive reliance on international trade. Haiti will never be able to produce, at any reasonable cost, a commodity like wheat in sufficient volume to satisfy domestic demand. Conversely, Haiti's agricultural hinterland is capable of mobilizing its comparative advantage for the export of tropical agricultural products to larger food markets, while expanding production of many staples of local production through improved varieties of products such as casava, taro, beans and peas, hybrid corn and improved sorghums.

Therefore, agricultural production for <u>both</u> domestic consumption and export must be pursued. Certainly, the production of the subsistence foods of the poor (corn, sorghum, pulses and tubers) which are produced and consumed domestically must be improved. Nevertheless, long-term food self-reliance requires a more effective integration of tropical speciality lines and tree crop items for export with these domestic food items if Haiti's farming systems are to be ecologically and econimically viablefor the long term.

<u>Signs of Progress</u>: A weak public sector, oriented toward capital city advantage has inhibited the absorptive capacity of the public agriculture institutions for change and new technology. Yet the ability of the GOH institutions to more effectively implement programs and benefit from foreign assistance has markedly improved since AID's return here in 1973. There is increasing awareness of the seriousness of the natural resource and productivity situation on the part of the Government. The 1981-1986 Five Year Plan recognizes that agricultural growth has been "insufficient to meet the needs of the population, " that export and agro-industrial crops have

stagnated to a "disquieting degree," and that the "accelerated degradation of soil, water and forest resources has reached an alarming level." The development budget for agriculture grew by 22.1% from 1978 to 1981. In the FY 1981 budget, planned investment in agriculture increased by 40.9% and now constitutes 25% of total investment in development. These are dramatic restatements of national priorities to which AID can and should respond.

There are other hopeful signs. These include long standing and continuing GOH efforts, assisted by a range of external donors, to expand the productive potential of the Artibonite Valley. The combined rice production of the Artibonite and other areas now promise to make Haiti self-sufficient in rice by 1985. This will, however, be self-sufficiency in a market sense--at the existing distribution of income--and does not imply adequacy of basic grain production from a nutritional point of view.

A third hopeful sign, in which the U.S. and other donors have played a significant role, is the substantial upgrading of the number, quality and maintenance of Haiti's trunk highways and rural feeder roads reaching previously inaccessible agricultural areas.

A fourth progress indicator is that the Ministry of Agriculture has been building, with USAID and other donor assistance, a cadre of technical personnel capable of improving farming research and extension efforts that will permit the Haitian peasant and small plantation owner to apply improved technology for sustained increases in production and income. Most of this improved capacity is still concentrated at the near central headquarters, Damien. Decentralization to field stations is the essential next step if the capacity is truly to become a delivery system of any value.

Fifth is the fact that agricultural credit, to permit acquisition of more costly modern inputs, is being expanded to small farmers by the Bureau of Agricultural Credit of the Ministry of Agriculture.

Sixth is a growing awareness of environmental degradation. This is being translated into new public, PVO and private enterprise efforts to plant watersheds with trees and pasture crops that can check erosion and reverse soil fertility depletion, stop the siltation of irrigation and hydro-electric facilities, and provide increased fuelwood supply. However, the energy role of wood, though representing 70% of Haiti's consumption, has yet to be fully grasped as a critical national priority.

Finally, and in the long term perhaps the most important, there has been some successful experimentation with and emergence of a range of local groupings of peasants, organized for production and/or marketing purposes. Occasionally they have been federated into associations such as the peasant "groupements" in several areas of Haiti, the Afe-Neg Combite (Cooperative) Association in the area between Kenscoff and Jacmel, and the agricultural credit societies established through BCA lending practices. Coffee marketing cooperatives are increasingly assertive participants in the market and show promise of weakening the current private oligopsony.

Policy Framework: USAID/Haiti's agricultural strategy will attempt to to address the serious discentives caused by the export tax policy (coffee), pricing policy (sugar cane) and government monopolies (essential oils, cotton). These policies have served to extract a surplus from peasant labor for the urban elites, keeping rural incomes below absolute poverty levels. They have inhibited investment in the agricultural sector and have distorted productive capacity away from the nation's long-run comparative advantage in both people and natural resources. These policies also have exacerbated the problem of soil erosion by encouraging the production of food crops rather than tree crops (for export) on the hillsides. A reduction of topsoil loss, requires more favorable pricing/taxing/marketing policy for tree crops and a disciplined, large scale approach toward soil conservation efforts. These represent major policy and socio-economic value changes that must come, but they will come hard.

If Haiti is to realize its agricultural potential its farmers must produce in a market structure which allows them to earn increased incomes and which move the agricultural sector in the direction of its long-run comparative advantage. If the sector does not move in the direction of high-value, labor-intensive crops in general, and to high-value, labor-intensive perennial crops on steep hillsides, gains to be made in farmer income will be small and ultimately not sustainable. Obviously this must be related to the demand function that efficient domestic agro-industries create in providing a reliable market for processable food, fibers and industrial-agricultural products.

In general, government intervention via tax policy, price policy, and non-competitive marketing has been disastrous to Haiti's agricultural sector. Coffee export taxes and essential oil taxes and marketing interventions have been particularly detrimental to peasant producers. Appropriate reforms of such policies are discussed <u>infra</u>, Section II E 6.Substantially increased levels of assistance in agriculture will therefore be dependent on changes in these policies. If they are not forthcoming, aid to this sector should be limited and highly selective.

<u>AID Programming Strategy</u>: The USAID strategy over the next five years must be multifaceted. With respect to the peasant farmer, USAID should develop, promote and extend a production systems approach which emphasizes the comparative advantage of introducing and expanding tree crops, controlled livestock culture, while simultaneously improving yields of traditional food crops. Significant changes in the policy environment for small farmer production are necessary to encourage increased investment, production, market competition and more ecologically sound patterns of land use. Technological packages adapted to the Haitian peasant farming system and resulting in substantial yield increases in grains, pulses and tree crops must be adapted to each mini-ecology of the country. Most marginal lands must be turned to forest, limited terrace culture, and selected tree crops. The institutional capacity to deliver these packages will also require substantial strengthening. To do all this, since it requires reducing the amount of land now under cultivation, it must be coupled with a food import strategy that will not create long term production disincentives. This general strategy contains elements which will be part of the Mission's program at either the "low option" or "high option" of funding. The following are the principal elements which will be developed into projects or project components:

LOW OPTION: (1) Food Crop Production: Currently the most successful activity of the Mission's Intergrated Agricultural Development Project ("PDAI") is the Research and Extension component, utilizing the assistance of a team of advisers from Texas A&M University. A significantly expanded program of staple crop improvement for Haiti will be developed as the initial follow-on to PDAI during the CDSS period, as top priority. This will include the expansion of an adaptive research and extension program using on-farm trials, field verification and training to introduce improved varieties and cultivation practices. The focus will be on improvement of yields of cereals, pulses and root crops on small farms. This would be designed as a "field project", with a strengthening of the Ministry of Agriculture's capabilities in these areas resulting from the actual execution of such a field project with the assistance of U.S. advisers.

(2) Agricultural Credit: AID is currently engaged in a three-year effort to strengthen the capability of the GOH Bureau of Agricultural Credit (BCA) to provide credit and other financial services to Haitian peasants on a financially viable basis. The BCA is the only formal credit channel to the poorest of the rural poor in Haiti, and over the years has proved not only its ability to reach the small farmer, but the effectiveness of its group-lending/joint liability method of operation. Assuming the continued success of this institution-strengthening project, AID will develop a follow-on project which both expands the geographic coverage of the BCA network, increases its lending capital, and stimulates a peasant savings component.

(3) Watershed Management: One cannot overstate the seriousness of Haiti's soil erosion and natural resource degradation. The Northwest peninsula is now aptly referred to as Haiti's Sahel, with further desertification of the area following as landless or near landless peasants survive by cutting the limited remaining mesquite cover to make charcoal for the urban energy market. The major rice growing area of the Artibonite valley, which depends upon the operation of the Peligre dam and its derivative irrigation systems risks calamitous siltation within the next 5-10 years

unless the now barren watershed is reforested on a crash basis. Throughout the country's other watersheds, limited tree cover is falling to the charcoal producer's machete and to the tilling practices of peasants who are attempting to eke out survival by cropping hillsides with 20 to 40% slopes, using slash and burn clearing methods and planting annual crops whose shallow root systems serve to leach the scant, infertile top soil. In periods of rain, Haiti's rivers run brown with these soils which flow unreclaimably into the Caribbean Sea.

USAID/Haiti is now attempting to address these problems with two projects: (1) the Soil Conservation Component of PDAI with the Ministry of Agriculture, and (2) the Agroforestry Outreach Project, which is implemented wholly through non-governmental organizations. The former is intended to strengthen the capacity of the Ministry of Agriculture to provide services to hillside farmers through the design and implementation of soil conservation and watershed management programs. The follow-on effort in Watershed Management would, like the Crop Production initiative, be designed as a "field project", consisting of specific conservation/management activities planned for particular watersheds with rural district agronomists, and rely less upon initiatives by the central Ministry Soil Conservation Service than does the present project.

The Agroforestry Outreach Project is essentially an experimental effort to motivate and organize peasants and larger holders to plant trees by reaching them through the non-governmental organizations with which they are associated. This effort, if successful, will be continued and possibly expanded throughout the CDSS period. Hopefully, it will be expanded as part of a larger overall effort to induce a more substantial involvement in variety of rural development activities by private voluntary agencies, community councils, church groups, peasant "groupements", etc. This expansion could occur through the establishment of a larger NGO Resource Center, modeled on the Agroforestry Resource Center (established by the Pan American Development Foundation), which would provide material and technical assistance to such organizations for other rural public works (soil conservation, irrigation, potable water systems etc.) or small income-generating enterprises in rural areas.

(4) Tree Crop Production: Since the termination of the Small Farmer (Coffee) Improvement Project, USAID/Haiti no longer has a tree crop production program in Haiti. Nevertheless, as documented above, it is with tree crops that Haiti's natural advantages lie. It is also from tree crops that many Haitian peasants earn most of their cash income. The Mission's current Small Farmer Marketing Project recognizes the importance of a competitive coffee marketing structure to small farmer incomes in Haiti, and the Mission believes that if a reduction of the coffee export tax is forthcoming, this project can assist in assuring that the reform results in higher farm-gate prices and more income to the producer, and greater market incentives to plant and maintain trees rather than annual crops. A full tree crop production program will require species trials, the selection of high yield varieties, the establishment of nurseries and the distribution of seedlings and extension services to small farmers. Major tree crops (other than coffee) which could be included in such a program are cacao, mangos, bananas, avocados, improved citrus, petibaya, date palm, oil palm, carobs, coconuts, cashew, brazil nut, almonds and pit fruits (nectarines, apricots, etc.), jojoba, carite, olives, quince, guava, and even selected varieties of apples and pears adapted to tropical highlands.

HIGH OPTION: At the low option levels of funding, the above described efforts will be relatively small-scale, and in the case of tree crops a pilot effort only. With a substantially higher level of funding, these efforts could be undertaken on a scale that would have more visible results and a significant impact on agricultural productivity in Haiti. If adequate additional funds are forthcoming, two additional initiatives are foreseen during the CDSS period as part of the Mission's program strategy in the sector:

(1) Crop Protection: Initial data collected under the Regional Vertebrate Pest Control Project indicate that pre-harvest losses to vertebrate pests are 10-15%. It is also believed that post-harvest losses to these pests, resulting from primitive storage techniques, are in the same range. The Mission views the reduction of pre- and post-harvest losses as an

effective means to significantly increase local food availabilities, but without a follow-on to the current regional project,or an increased im Mission funding, we will not be able to undertake an effective program for training, demonstrations, extension work and provision of pest control materials.

(2) Agriculture Management and Planning: The remaining implementation period of the PDAI project will provide adequate time and a basis for a determination of the probable effectiveness of future institutional strengthening efforts with the GOH Ministry of Agriculture. Although the Administration Component of the PDAI Project is currently being implemented more effectively than in the past, we still question its cost effectiveness. We have asked the Regional I.G. to help us assess its impact now. If we continue with the current effort and significant improvements are made by the end of the project (early 1984), the Mission would support a follow-on program to further strengthen the Ministry's management capabilities, especially at the district level. Assistance would be provided in field project planning and management as the ministry decentralizes its service capacities to the district levels. Clearly this will require further support improvement in budgeting procurement, personnel systems and logistics in the central ministry.

Other critical elements in AID's efforts to assure access of the poor to a secure food supply in Haiti are the PL-480 Title I and II programs. These programs will be utilized as elements of the Mission's strategy in the food sector. A major strategic issue posed by this CDSS is the systematic phasing out of the Title I program and phasing in of a large Title III program. That proposal is discussed infra Section III. The PL 480 Title II commodities program is also considered below as an element of the sectoral strategy in Health and Nutrition, as well as in the context of disaster planning and management.

Finally, it should be mentioned that the program objective discussed immediately below (rural infrastructure) is also an important element of the Mission's overall strategy in the agricultural sector, particularly with respect to improving market access and increasing the agricultural inputs and services available to the rural poor.

3. SECTORAL STRATEGY IN RURAL INFRASTRUCTURE:

Objective: To establish and improve basic rural infrastructure (e.g. roads, water systems, etc.) through the use of labor-intensive, capital-saving, employment-generating methods.

The poor state of Haiti's rural infrastructure and the serious degree of environmental degradation have been described above, as has the growing problem of unemployment/underemployment. Indeed the primary cause of rural-to-urban migration, and of out-migration to other countries, is the lack of employment opportunities in agriculture, in rural "off-farm" activities, and in new industries and urban services. The Mission has therefore adopted a "two birds with one stone" program strategy, which attempts to address both problems in a productive and cost-effective way through the construction and maintenance of rural infrastructure using techniques characterized by a high ratio of people to equipment.

The focus of the Mission's rural infrastructure strategy to date has been quite narrow. Large infrastructural tasks, including construction of primary (trunk) highways, dams and bridges, rural electrification systems, etc., are left entirely to the larger programs of the multilateral donors in Haiti. USAID's focus is currently on three tasks: (1) the maintenance of existing and new road networks; (2) the construction/rehabilitation of all-weather, secondary (feeder) roads; and (3) the construction of community potable-water systems, carried out through private voluntary agencies. Nevertheless, the Mission has also had substantial experience in the design and implementation of tertiary (penetration) roads, under the "coffee roads" component of the Small Farmer Improvement Project, has monitored building construction undertaken through a variety of projects in different sectors, and is now assessing applications for soil conservation and irrigation systems in the PDAI project.

USAID/Haiti's most successful projects with the GOH have been with the TPTC Ministry in rural infrastructure. Building on this success, the

Mission would at the low option, extend, reinforce and support these activities. At the high option we would expand support for large-scale employment-generating infrastructure efforts, based on the models developed over the past eight years of experience in Haiti, and extend them to a major environmental rehabilitation/reforestation effort in the Southern and Northwestern peninsulas of the country.

LOW OPTION: The principal activity under continued low levels of funding will be the development of a follow-on project (to begin in FY 82) with the GOH Ministry of Transportation and Public Works (TPTC) to extend and improve the secondary road network of Haiti and to strengthen TPTC's institutional capability to construct and rehabilitate secondary roads. This will be done through the Secondary Roads Development Project, which contains a small component for continued limited technical assistance to the National Road Maintenance Service (SEPPRN). The latter has become a highly successful GOH agency based on support from two previous AID projects. Although SEPPRN will not require substantial AID assistance to remain effective, it is important that a minimal level of technical assistance be continued to maintain institutional performance as its responsibilities for a growing road network are further extended. Also, at the low option level, continued assistance will be provided, on a limited basis, to non-governmental organizations to continue the development of community potable water systems in the Northwest and Southwest regions.

HIGH OPTION: Building on substantial past program successes, the Mission has developed a relatively ambitious set of activities to achieve our strategic objectives in this sector at the high option.

(1) Secondary Roads Development Project- Now very limited in scope due to lack of funds, this project would be expanded to permit the formation of additional TPTC labor-intensive "light brigades", and the rehabilitation of more links of feeder roads necessary to provide access to markets, and to public services such as potable water, health care and education. While the focusing on road links in the Southwest and Northwest regions, we would also increase activities in other potentially productive but isolated areas of Haiti (e.g. Central Plateau).

(2) Rural Potable Water - The Mission' efforts in this critical area have been limited to relatively small OPG's to private voluntary agencies in the Northwest and La Gonave island. We propose to expand this work, especially in response to the Agency's increased emphasis potable water as well as that given internationally by the U.N.'s "Water Decade". Several possible approaches are workable, including a direct project undertaken with the GOH agencies responsible for rural potable water systems (SNEP) and community development (ONAAC), and/or a project which would provide direct technical and material assistance to various PVOs, church groups, community councils, etc, using a variation of the Agroforestry Resource Center model. In any case there is a near unanimous agreement among the donors that the GOH (which now has a number of separate agencies working in water projects), should be leveraged into setting up a separate national authority through which donors could more efficiently develop, plan and program support. Under such a new structure, we would expect to be able to plan irrigation, potable water and mini-hydro investments with the GOH in a resource-maximizing manner. The Mission will be working with the IBRD and others donors on this issue.

(3) Rural Development Support Project - A further expanded Mission initiative now under initial design analysis is a major environmental improvement and preservation project which could employ as many as 10,000 peasants in the South and Northwest Regions. Laborers would be organized along the lines of the "light brigade" model developed under the Agricultural Feeder Roads Project. Each brigade would have of from 100-300 unskilled and semi-skilled workers, organized into 10-15 teams. Each brigade would be supervised by a senior engineer, a junior engineer, a varying number of technical supervisors plus team leaders. The tasks undertaken would determine team make-up and would include the planting of trees on denuded and abandoned watersheds, construction and maintenance of tertiary roads and rural trails, tree planting along these routes for erosion control and shoulder retention, rehabilitation of small irrigation systems, installation of mini-hydro power systems, construction of terraces, check dams, barrages and other water control/soil conservation measures, and the construction of other social

service infrastructure (marketplaces, slaughterhouses, schools, community centers, etc.). All brigades would promote and participate in general reforestation campaigns in the communities and areas where the public works projects were underway. The brigades would be formed progressively, or "cloned" from existing brigades, as is now done under the feeder roads project, and would build from the initial formation of about 8-10 to 40-50 over the period. The Prime candidates for employment would be those small farmers whose marginal lands are taken out of food crop production and other unemployed or underemployed heads of rural households. Our proposed funding sources of the project would primarily be Title I/III counterparts generations.

The appropriate implementing agency would be a separate rural works authority within TPTC which would plan, manage and evaluate an extensive public works program beginning with a regional effort in the South/Southwest. This might include a cooperative arrangement with ONAAC, which is the GOH agency responsible for community council development programs in the region. In the Northwest, consideration is being given by the Mission to linking TPTC with HACHO for such an effort, based on its extensive experience and contacts with local community councils in that region. Thus TPTC could provide HACHO the required technical assistance, and HACHO could provide area-specific community mobilizing experience. Although in many cases the employment generated through this approach would not be permanent, it would come at a time when it is urgently needed as a replacement economic activity for those small farmers whose marginal lands are affected by the reforestation and tree crop planting program. The economic impact of substantially increased off-farm employment opportunities, even in the short run, in the rural areas involved would be great. Simultaneously, the rural infrastructural base in these regions would be substantially strengthened, providing for long-term improvement in agricultural productivity and market activity, with a concomitant increase in small farmer incomes.

4. SECTORAL STRATEGY IN FAMILY PLANNING/POPULATION

Objective: To reduce population growth and untenable increases in human pressure on scarce land and natural resources.

Continued high rates of population growth and pressure on land and resources constitute serious impediments to the economic and social development of the country. High levels of out migration provided some relief in he 1970's. But as Haiti's neighbors enforce their current closed-borders policies, this relief becomes less and less available. Awareness of the burden of accelerating population growth on national development goals and individual well-being is increasing. The GOH has quietly but firmly committed itself to creating access to family planning information and services throughout the country. In response, the Mission is increasing its assistance to the public and private sectors in a program for nation-wide access to family planning services.

This strategy has three inter-related elements. First is the development of a nationwide, cost-effective GOH family planning program. Building on the solid institutional base of the Division of Family Hygiene (DHF) of the Ministry of Public Health and Population, the Family Planning Outreach Project (521-0124) is assisting in mobilizing both governmental and private resources and service networks to participate in the family planning effort. Ancillary access to contraception will be assured by a contraceptive social marketing initiative, which will ultimately become financially self-sufficient.

Second in the strategy is to design and implement AID's various other sectoral initiatives and projects so that their net impact will contribute to reductions in fertility, while creating additional income opportunities for large numbers of unemployed and the dramatically increasing nembers of new entrants into the labor force.

The third element of the strategy is to assist the Haitian Government to inaugurate and implement economic and social policies which will accelerate reductions in population growth while facilitating achievement of national development goals.

USAID assistance has increased dramatically since 1973 when a small grant of $200,000 enabled the DHF to expand its capacity to train health workers in family planning. Today the DHF remains at the forefront of efforts to respond to the growing demand for family planning information and services in urban and rural areas. USAID project assistance consists primarily of providing contraceptives, technical assistance, equipment and supplies and local cost support in an effort to obtain substantially increased contraceptive user levels. The goal of this project is that 25% of Haitian couples will actively use family planning by the end of FY 1985. If funding levels are substantially increased during the CDSS period, additional activities can be readily undertaken to expand on that goal.

LOW OPTION: USAID will continue its current Family Planning Outreach Project assistance through FY 1985. Beginning in 1985, depending on progress and based on a 1984 mid-project evaluation, we would design a follow-on project of Expanded Community Family Planning Information and Services. This project, would concentrate on information and service modalities which would lead to acceptance of the two child norm. Achievement of this goal will require acceptance and use of family planning by 40% of Haitian couples by 1990.

HIGH OPTION: With additional resources, expanded project initiatives would respond to three needs which are only partially met through current assistance. In the near future Haiti must begin to develop and adapt strategies and programs to deal with its rapid urban population growth. A new project, Urban Planning for Balanced Growth, will aim at assisting municipalities to plan for and cope with the in-migration of rural people. This project would assist communities to develop social services and plan infrastructure to accomodate in-migrants and avoid the proliferation of peripheral slums and the concomitant degradation of life now being experienced in Port-au-Prince and other provincial capitals. Initially it could focus on the regional growth poles of Les Cayes, Gonaives, and Cap Haitien plus sub-polar centers in the Southern and Northern peninsulas.

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HAITI

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A second initiative would be to further expand Haitian capacity for demographic research and measuring the impact of family planning acceptance on fertility and population growth. This activity, a National Surveys of Fertility and Contraceptive Use project, would build on the data base of the pending 1982 population and housing census. It would institutionalize the use of sample surveys to measure progress toward national fertility reduction goals. AID would train local researchers in the National Institute of Statistics along with the professionals in other institutions concerned with population trends. Surveys would begin to document the impact of family planning within Haitian society. This AID initiative would complement assistance from the World Fertility Survey and the UNFPA.

A third initiative, would assist Haitian economists and development planners in various agencies to begin careful analysis of the impact of various sectoral development strategies on population growth, fertility and quality of life. Modest technical assistance, training in demography and development planning, and local costs associated with research and analysis would be aimed at linking the sectoral development programs to population concerns.

5. SECTORAL STRATEGY IN HEALTH AND NUTRITION

Objective: To improve the basic health and nutritional status of the poorest of the population (primarily rural), especially children;

The overriding concern is a reduction of the the high rates of mortality (135 infant deaths per 1000 live births) and morbidity (tuberculosis, malaria, intestinal parasitis, malnutrition) among the rural poor. This objective will be approached through activities in several sectors, including programs to increase the production and availability of nutritious foods, programs to increase the employment and income of the rural poor so that they can procure food and health care, programs to reduce population growth, programs to increase and improve the outreach of public and private health and nutrition services, and community action programs to improve environmental sanitation and the availability of safe potable water.

The Mission's health sector strategy is based on both humanitarian and developmental considerations. Virtually all health indicators place Haiti among those nations with the lowest quality of life in terms of high incidence of preventable illness and death. Within readily available technologies this grevious human suffering and loss of essential human resources through debilitation and early death are remediable now.

Our strategy for reducing mortality and morbidity includes four priorities: (1) improving access to health care, with emphasis on cost-effective preventive interventions; (2)concentrating resources on four major public health priorities: environmental sanitation and safe potable water, control of major communicable diseases, reducing malnutrition, and reducing fertility; (3) installing a more cost-effective delivery system for preventive and curative health care; and (4) installing revenue-generating mechanisms for maintaining the health care system. These four priorities provide guidelines for both the public and private action in the health sector whether for profit or not-for-profit.

The current major effort to increase the access of the rural poor to health care is the Rural Health Delivery System Project. By assisting the GOH to expand the number of rural dispensaries and to train 1,500 rural health agents, the project will bring modern health care within reasonable access of 70 percent of the rural population. The project is also designed to assist the Government to strengthen the management and support capacity of the Department of Public Health and Population so that it will be able to provide the administrative, financial and support services required. Through technical assistance in health planning, financial management, logistics, transport, personnel, maintenance and training, the project is helping the Department to refocus and provide health services in the following public health priorities: immunizable communicable diseases, diarrheal disease in children, malnutrition, tuberculosis, malaria, maternal health and family planning. Although the project is national in scope, initial emphasis and intensive efforts will begin in the the Southern Region with a new community based nutritional surveillance/rehabilitation program, and the provision of training and technical assistance to the regional health office.

Critical to our health strategy is the control of malaria, which represents not only a serious economic and health problem in Haiti but also a public health threat to the United States and the entire Caribbean basin. About 16% of Haitians live in localities where the incidence of verified malaria is 10 or more cases per 1,000 population. Only 29% of the population live in areas where no cases have been reported in the past 5 years. Uncontrolled, malaria could return to the preprogram (1958) prevalence of 30% infection among the population. Following the intensive 1979 evaluation of the malaria program, the operation of the national malaria control agency (SNEM) has improved and the malaria foci have been indentified. A field trial of available insecticides to determine their effectiveness, costs, and safety, indicates that only fenithrothion (which is both highly toxic and expensive) is sufficiently effective against the vector. A program evaluation in 1981 confirmed fenithrothion as the insecticide of choice but recommended further research and strengthening of operations and epidemiology in implementing the national control program and planning activities for the next 5 years. The Mission's malaria control strategy over the CDSS period has two elements, in view of the high cost and toxicity of the necessary insecticide: (a) to encourage the rapid evaluation and implementation of permanent malaria source reduction around appropriate populated areas through community public works projects and (b) to strengthen the planning and execution ability of SNEM so that malaria can be completely eradicated by 1995. USAID resources will be concentrated initially in the South Region, where the rural health structure is rapidly improving and other economic and social development efforts are being concentrated. With adequate commitment of the Government and adequate resources from donors, it is believed that malaria in Haiti can finally be eradicated by 1995.

Support for the Urban Health and Community Development Program will be continued through the CDSS period under either option. This program, located in the major slum area of Port-au-Prince (Cité Simone), is carried out by an indigenous private voluntary organization in the areas of nutrition, primary health care, vocational training, education and general community development. The area, with a population of over 100,000, has an infant mortality rate of 200+ deaths per 1000 live births nearly double the national average. This already overcrowded ghetto is swelling with new rural migrants looking for employment. Unless the outlying rural regions and alternate rural towns begin to develop agriculturally and industrially, the migration to Port-au-Prince will become increasingly unmanageable and will represent an environmental health problem of potentially explosive, epidemic proportions.

LOW OPTION: Even at the low option, the Rural Health Delivery System Project will be extended through FY 1985. As a follow-on, the Mission will begin a limited national immunization and diarrheal disease control project in FY 1986. Also at the low option, the Mission will start a small follow-on project in urban health, to emphasize child health through immunizations, nutrition surveillance, breast-feeding education, home-prepared weaning foods and diarrheal control. Finally, at the low option, modest AID support to SNEM, the malaria agency, could, at best, keep us in the game to leverage other donors' contributions to provide a malaria control program.

More cost-effective systems for providing health care will be pursued to the extent possible through the resources of the RHDS and the Family Planning Outreach Projects. Areas to be examined include the potential for use of community-supported health workers, mobile teams and para-medicals, the training of indigenous health practicioners, and ways to employ private health providers (physicians, pharmacies, etc.) to achieve the objectives of the national health service. We will agressively explore additional sources of financial support of health services, including the examination of fee structures, drug sales, commercial health programs, private industry health programs, community based self-financing clinics, water user fees, etc.

In addition, the Mission will develop, with the private voluntary organizations working in the health sector, ways in which their programs can become better integrated into and supportive of the national health care system. As a first step, the nutrition program of the Government, supported by the Rural Health Delivery System Project, will rely almost exclusively on private voluntary organizations for the operation of nutritional rehabilitation centers, using Title II foods (see below). It now relies totally on these agencies for the school feeding program. In addition, the Mission will continue to urge the Government to fully recognize private voluntary health centers and hospitals as integral parts of the national health system.

HIGH OPTION: At the high option, a follow-on to the RHDS program would provide further assistance in training GOH personnel in management, community/rural health, epidemiology, and information systems. The nutrition surveillance system will also be expanded and refined, with special emphasis on the home gardening, agricultural extension component. We would increase assistance to the health and nutrition programs of the private voluntary organizations. Direct help would be extended to the district and regional hospitals to improve their treatment for the severely malnourished. A new project component would strengthen laboratory services at dispensary and health center levels, for quick and accurate diagnosis of cases referred by rural health agents. The follow-on effort would also include training and upgrading of traditional health workers, mid wives and "leaf doctors", as well as a public health training program for private doctors, nurses, and laboratory technicians.

The follow-on to RHDS would also develop further revenue-generating options for government and voluntary health programs. A community pharmacy and drug sales program will have been established under the RHDS, while the Family Planning Outreach Project will have established a program for the commercial sales of contraceptives. These revenue-generating measures plus the private sector financing of health costs are urgent since the Government is already spending almost 14 percent of its total budget on public health and cannot realistically be expected to greatly expand the health share of the budget. We will also examine how the growing industrial sector might support more prepaid health services for factory workers, day care facilities for infants, and other health insurance and/or cooperative community based health services.

At the high option, the Mission would aggressively support a multi-donor, nation-wide campaign for the eradication of malaria in Haiti by 1995.

The Mission would also work with other donors in an expanded national immunization, environmental sanitation and potable water, and diarrheal disease control program. Supported by UNICEF and PAHO and implemented by the Ministry of Health and appropriate private voluntary organizations, such as International Child Care, the program emphasis would be to establish a reliable system to provide immunizations on a regular basis through the national health system rather than based on special "vertical" mass campaigns.

Nutrition and Title II: The Mission's long-term strategy in addressing malnutrition in Haiti is based on the broader food and agriculture strategy described above plus the use of preventive interventions in the context of the RHDS. The nutrition component of this project provides for the progressive establishment of a nutritional surveillance system, expanded programs in nutrition education/training for rural health personnel and improved home gardening through agricultural extension services provided by Division of Nutrition agronomists. However, in a country where the average caloric and protein intake in rural areas is more than 40% below WHO/FAO recommended levels, a continuing supplementary food provision program is a necessary part of a nutrition strategy. As marginal lands are taken out of crop production and population continues to increase, food availability, particularly to rural peasants and the urban poor, will decrease over the next few years.

As determined by the National Nutrition Survey in 1978 malnutrition is now a wide-spread, serious public health problem in Haiti. Should the short-fall in the availability of nutritionally beneficial foods continue to worsen, nutritional status can only be expected to fall further. It is the objective of the Haiti PL-480 Title II Program to provide supplemental foods of high nutrient value to improve the nutritional status of the malnourished and to enhance the general development process through the provision of a nutritional incentive. Title II foods are almost entirely directed toward three programs: School Feeding, Food for Work (FFW), and Maternal Child Health (MCH). Our proposed Title I/III strategy will provide concessionary financing to pick up the short fall in local food production that will flow from the environmental rehabilitation aspect of our high option rural development program.

The school feeding program is by far our largest effort. It absorbs 70% of all Title II food resources through a public and private school system with an established, wide-spread infrastructural base for food delivery. Almost 50% of all primary level schools in Haiti participate in the program, and it is estimated that close to 70% of all primary school children benefit. The school feeding program provides a needed nutritional supplement to the diets of an at-risk student population, and because food availability is often severely constrained, it serves as an important incentive to regular school attendance and increased alertness and awareness while in class.

There are, however, some difficulties to school feeding programs. First, the primary children receiving food may not be the population at greatest risk in health terms. Second, targeting school feeding exclusively to the most malnourished children is administratively impossible. Some comparatively well-nourished children must be fed at the same time. But given that about 70% of all Haitian children suffer from a significant protein and/or caloric deficiency, the problem is marginal. Finally, dilution does happen when too little food is divided among more students than planned for. This problem is increased as students migrate from non-participating schools to those covered by the program.

Food-for-Work projects provide nutritional benefits as well as support to self-help development activities. FFW supports small, community-oriented, self-help projects inspired by community members themselves. These include the construction of schools, clinics, or roads, reforestation efforts, etc. The food is provided as wages "in kind", thus augmenting severely limited incomes while encouraging commitment to community development. As payment for work, the food is an asset that may be consumed, bartered or sold. Most often it is taken home and serves as a supplement to a limited diet of poor nutritional value. Dilution is again a problem as the ration may be divided among more than just the immediate family. FFW projects do require considerable administrative support and are difficult to evaluate as to their nutritional impacts.

The maternal-child health program is of particular relevance to the Mission's nutrition strategy. The foods provided through MCH and pre-school feeding services are the most readily targeted to the high "at-risk" groups; children under 5 and pregnant or lactating mothers. Unlike other Title II programs, trained PVO staff are normally available at the site of final distribution to see that the foods are distributed to those most clearly in need. Furthermore, records are often maintained of each individual's health/nutritional status at the first visit and their progress over time. In cases of moderate to severe malnutrition, the individual or his/her parent are taught methods by which locally available foods can be prepared and served, thus demonstrating that responsibility for health maintenance rests with the family. Further education for adults includes simple gardening and agricultural techniques to improve nutritional value of family garden production. The Mission's strategy is to increase the proportion of Title II foods channeled through the MCH programs of the voluntary agencies to the most "at-risk" sectors of the population.

Throughout the CDSS period, requirements for Title II foods may increase slowly. The school feeding and Food-For-Work programs are not expected to expand significantly. But an increasing capability of the voluntary agencies to utilize foods in targeted MCH programs as well as an increased GOH capacity to receive, inventory, store and transport these foods will warrant gradual increases.

Moreover, the role of Title II in providing relief following disasters is vital. The Mission's strategy for disaster preparedness and response (discussed elsewhere in this CDSS) requires an adequate stockpile to address urgent food needs immediately following a disaster. This can only be done if a large Title II program is maintained throughout the period since there are no other sources of centrally-maintained food stocks at the required levels. For several years, Title II sponsors in Haiti were allocated a food reserve amounting to 25% of their total feeding programs. This amount was sufficient to respond to needs following a hurricane or other catastrophe. Recently, however, that reserve allocation has been cut to only 5%, which means that the agencies (and hence Haiti's) disaster response capability has been significantly reduced. The Mission will request that an annual food reserve be allocated to the PVO sponsors of the Title II program in an amount not less than 25% of their total feeding programs, as a disaster reserve. This would require a first year increase in the Mission's program of about $3.0 million to reestablish the reserve and maintain it.

6. SECTORAL STRATEGY IN HUMAN RESOURCES

Objective: To strengthen the human resources of Haiti by increasing opportunities available in basic education and vocational training.

In the USOM program in the 1950's, the human resources sector was given very high priority through an extensive rural literary/primary education program. However since AID's return to Haiti in 1973, the Mission has been involved in the human resources sector on a very limited basis. USAID/Haiti's current strategy is to address a few key constraints in the sector on a limited but cost-effective basis, and to pursue targets of opportunity as they arise. Should our funding be significantly increased, we would quickly develop additional initiatives to address the severe human resource constraints to development in Haiti. We would, however, continue to emphasize non-formal, vocational training in key job-related skill aeas.

So far the program has focused primarily on (1) increasing opportunities for the training of paraprofessional, skilled and semi-skilled workers involved in development-related (and especially rural infrastructure) projects, and (2) increasing the opportunities for rural children to attend pre-school programs (similar to the "Headstart" concept) which will better prepare them to benefit from the formal primary education system. The Mission has also carried out a small activity, through the linguistics department of the Univertisy of Indiana to assist the World Bank in shifting to Creole as the language of instruction in the primary grades.

The Mission has supported the first of these objectives primarily through the establishment of a small Resources Training Center (RTC), whose specific purpose is to upgrade human resources in rural Haiti for the design and implementation of rural development projects. Over the past two years, the RTC has designed and carried out five training courses for seven client agencies, most of whom have been GOH or donor-sponsored regional development organizations. Short-term, on-site direct training programs has been provided in plumbing, masonry, erosion control, topographical mapping and lab analysis for water treatment. All direct costs were paid by client agencies (AID supported technical assistance and curriculum development). More than 75 workers, mostly functional illiterates, have received skill training. All have been employed following course completion.

The Mission has also provided a number of operational program grants to private voluntary organizations involved in creating income-generating enterprises or providing training for vocational opportunities. Most important amongst these are grants to three indigenous organizations through the Women in Development Project, the Urban Health and Community Development Project (Cité Simone) and the Haitian Development Foundation Project. Each of the local organizations involved provide skills and/or management training to low-income haitians who are enabled to increase their "employability", or their profitability as entrepreneurs.

As for the Mission's basic education objective, two activities have been undertaken in the recent past: (1) a major operational program grant to CARE to construct and equip over 60 rural community nutrition and education centers (CINECs) for pre-school children, and (2) a socio-linguistic survey in rural primary schools to measure the comparative performance of children for which Creole (rather than French) as the language of initial instruction. The CINEC project is intended to facilitate improved mental and physical preparation of rural pre-schoolers for primary school and to positively affect their subsequent performance. Training in nutrition, health and hygiene, home economics and gardening is provided to the parents of participating children. The socio-linguistic survey is providing firm statistical confirmation of the hypothesis that the formal French language and rote instruction methods customarily employed in Haitian primary schools are inhibitive and ultimately reduce the performance of children, when compared to those first instructed in their native language of Creole. This survey is being used to support the "creolization" of the primary education curriculum on a broad scale.

In addition to these efforts, the Mission provides substantial opportunities for the professional training of Haitians involved in specific development-related disciplines. This is done through the training components of the major Mission projects in all sectors as well as through several non-project training programs under regional or central funding.

On the Project side, the major institution-strengthening projects in the agriculture sector (PDAI, Rural Credit) have provided both short-term and long-term training to Haitian counterparts, mostly in-country, in agricultural research, resource management and planning, agricultural economics, agricultural engineering, horticulture, rural credit and financial management. In public health, Haitian counterparts receive short-and long-term training in primary health care delivery, family planning, population studies and operations research. Through the Mission portfolio, a total of 41 Haitians received short-term training in the U.S. or third countries during FY 1981. Several projects have supported large, in-country training seminars to hundreds of Haitians, particularly in sectoral and program specific management disciplines, for central ministry and district/region administrative personnel.

Other long and short-term professional training has been provided Haitians through (1) the Latin American Scholarship Program at American Universities (LASPAU); (2) the Johns Hopkins International Education Program in Gynecology/Obstetrics (JHPIEGO); (3) the LAC Regional Training project, and (4) the Fulbright and Hubert H. Humphrey Fellowship Programs.

At current levels of funding the Mission will continue to capitalize on targets of opportunity for strengthening Haiti's human resources in productive/vocational training and in early childhood education. At these levels the Mission cannot significantly expand its initiatives in this critical area beyond small follow-on projects. At the low option, funds will not be adequate to make further efforts in preparational education (e.g. CINEC) nor to continue support to the "creolization" of primary school curricula.

At the high option, the Mission will continue these initiatives, and undertake several new ones. The Mission would give high priority to the development of educational programming for Creole language radio stations, and to survey the impact of such programming in a variety of development related areas (e.g.agricultural information, promotion of reforestation, nutrition, education, family planning information, etc.). Radio availability is increasing in rural Haiti in spite of their cost. The Mission believes that a relatively small investment in this area could yield significant benefits to other project efforts as well. At the high option, with its emphasis on environmental rehabilitation through labor intensive public works, the Resource Training Center activities would be greatly expanded. Training for craftsmen and artisans associated with the rural works program would be in those areas initially directed toward the works construction themselves but increasingly toward those skills required for rural infrastructure maintenance and other skill needs required in the Haitian economy. We would also consider a new training effort derived from our successful Haitian Development Foundation and Women in Development Projects in business management for entrepreneurs in small and medium sized businesses.

E. CROSS-SECTORAL STRATEGIES

1. STRATEGY FOR STRENGTHENING OF DEVELOPMENT INSTITUTIONS

Objective: To strengthen both public and non-public institutions in Haiti working to improve the economic and social conditions of the poor;

Development efforts in Haiti can only succeed if the institutions responsible for implementing them are greatly strengthened. The AID Mission's efforts in institution-building began anew in 1973 with an initial concentration on strengthening the central bureaus of GOH "development ministries" through projects. Gradually it came to include a variety of other institutions in Haiti. Most significant are the international and indigenous private voluntary organizations and intermediary credit institutions working with the private sector.

Non-profit private sector agencies involved in development include both Haitian and foreign private voluntary organizations (PVOs). These number over 150 in Haiti and range from small church-sponsored organizations to major religious or secular international agencies such as CARE, Catholic Relief Services, the Pan American Development Foundation, Save The Children, etc. The Mission has channelled assistance through PVOs wherever possible and has greatly strengthened their capacity to carry out larger development efforts. By FY 81, fully 50% of the total U.S. development program in Haiti was being channeled through non-governmental organizations: over $3.1 million of development assistance funding was obligated through eleven grants to non-governmental agencies, and the entire $12.0 million Title II program was administered by four PVOs. The $8.0 million Agroforestry project, started in September 1981, will be implemented by domestic and international PVOs.

At the low funding option AID can do little to expand current and develop new institutional capacity--either NGO or in the GOH. Nor will it fully utilize the capacity that has been carefully built over this last decade. As in the sectoral areas, at the current levels, the program will be limited to strengthen on-going projects with implementing agencies, the provision of minimal short-term technical assistance to support the GOH Administrative Reform, and a selected few targets of opportunity through operational program grants to PVOs. At the high option, the Mission can initiate several institutional strengthening activities for both public and non-public development organizations, and could more fully utilize and expand the capabilities of institutions with which a fundamental capacity has already been developed.

A. Public Sector Institutions: The GOH, after much donor urging and extended internal debate, has decided to undertake a bold and comprehensive reform of its public administration system. USAID, at the GOH's request, provided an Administrative Reform Advisory Team in November 1981 to assist the GOH Administrative Reform Commission in finalizing its planned reform. The Advisory team recommended that AID and the international donor community provide firm and continuing support to this initiative and particularly assist the GOH in carrying out its program for the decentralization of GOH planning and administrative structures.

The Administrative Reform Commission proposes the following implementing measures: (1) strengthening of capabilities at the level of "communes" (the lowest civil administrative unit in Haiti), primarily through training programs; (2) establishment of regional development planning and coordination institutions, which would include consultation with local community leaders; and (3) the deconcentration of public sector resources outside the capital city to other potential growth poles in rural areas and to larger towns and villages. These measures, part of the overall "regionalization" scheme, are being developed by the Ministry of Plan and the Reform Commission, in consultation with technical ministries of the GOH and the international donors.

AID's strategy in strengthening public institutions, outside of direct project support to the "development ministries", will parallel and support the Reform Commission and Planning Ministry's efforts. The Mission believes that the strengthening of Community Action Councils (CACs) represents perhaps the best method for upgrading local development capabilities and for providing the basis for both local self-government and a progressive "democratization" of the society, both of which have been historically negligible in rural Haiti. CACs have only recently been accorded a legal status. There are at present 1,146 officially recognized CACs with perhaps another 50 or so awaiting legal certification. To acquire legal status, a council must meet certain procedural criteria set by the National Committee for Control and Supervision of Community Development Agencies (CONACOS). Once awarded legal status a council is permitted to work with external development agencies. Unofficial councils are forbidden to undertake projects directly with foreign donors. Membership in councils is open to all adults in a locality and members are expected to contribute to the group's finances, attend meetings and participate in council projects. Usually anywhere from 100 to 300 adults comprise the membership (depending on the size of the community), with an executive committee of 9-11 officers elected by the membership.

Although Councils vary considerably in their organizational and administrative abilities, in the degree to which they are influenced by local "elites" and in the resources available to them to carry out development projects, experience in the USAID Special Development Activities program has shown that many of them are capable of initiating significant local development efforts.

First, AID will further explore the possibilities of direct assistance to ONAAC, particularly with respect to promoting greater community council development activities in the Southern Region. ONAAC is charged with community organization activities and promotion, and appears to be an enthusiastic and energetic organization which should be supported and upgraded in its work. Training for its personnel, expansion of its field staff through grants for vehicles, educational materials and equipment could be supported by USAID over the CDSS period, if funds are adequate. The Minister of the Presidency recently advised the AID Mission Director that President Duvalier wanted to make this program a center-piece of the next 5-year development effort. If at all possible, USAID should respond generously and vigorously to this opportunity. Additional support might be provided to ONAAC by Peace Corps volunteers working in community development, should the proposed Peace Corps program for Haiti come to pass.

In the Northwest region, substantial stengthening of the community council movement should be supported through HACHO. USAID/Haiti has a long (but checkered) history of support for HACHO in the Northwest, and is awaiting the recommendations of a centrally (PPC/E) funded area impact evaluation of HACHO's activities in the region before developing a detailed strategy. However, whatever the results of the evaluation, it is clear that HACHO is the only Haitian organization present in the communities of the Northwest which is committed to the provision of basic human and developmental services. It operates largely through the numerous active community councils in the region. At the high option the Mission would increase support to HACHO as a regional community development organization.

Finally, the Administrative Reform Commission has already begun an administrative training program for local civil officials, to increase the capacity of local institutions to provide basic public services. Conducted by INAGHEI, the National Institute of Administration and Management, the program will train two agents from each of the 131 communes. The objectives are to provide, at the commune level, a capacity to: (1) effectively manage governmental action at the local level; (2) participate effectively in the development process; and (3) establish permanent linkages between the local population and the central authorities. At the high option, we will consider support these efforts with technical assistance, training for trainers and some commodity assistance.

The second element of the Administrative Reform is a regionalization program consisting of the deconcentration of public service capacity from the Port-au-Prince area toward rural centers coupled with development of a regional planning and a quasi-administrative coordination system. As now conceived, the reform would divide the country into four basic planning/coordination/development regions. Each region would have a délégué (chief executive officer) appointed by the president, a regional planning unit, a consultative assembly of local level officials and a regional council. The system would be overseen at the national level by an interministerial commission attached to the Cabinet and appointed by the President. Approximately 40% of the development budget would be allocated to regional projects, with allocations made by the interministerial commission. Regional plans would be formulated by regional planning units and submitted for cabinet approval through the regional council and the délégue to the interministerial commission. After approval, the regional délégué and his staff would be responsible for implementation. As now planned, the Ministry of the Interior would have general administrative jurisdiction over the regional structure.

The AID Mission would support the implementation of these plans, on a pilot basis, in one or two regions. Based on this reform, AID will support the creation of a regional development authority in the Southern Region to plan, coordinate and implement development projects. AID would support training of regional field staffs, and assist in strengthening field units of the Ministry of Plan and other concerned ministries. If the current facilities of the Reynolds Mining Corporation at Miragoane are made available for a Southern Region Development Center, little additional capital investment would be required to start this decentralized program as early as the first quarter of FY 83.

B. Private Sector Institutions: It is the AID Mission's strategy to strengthen indigenous and international non-governmental agencies to carry out programs of development designed to increase agricultural productivity and incomes, enhance community self-managed development, construct rural infrastructure, improve health and nutrition status, and promote family planning.

Besides the many American PVO's, there are numerous indigenous Haitian voluntary agencies engaged in development. The Mission is arranging to take an inventory of all PVO's in Haiti and to assess their capacities in order to program resources through them as effectively as possible. Those agencies (particularly indigenous agencies) which show the most promise will be supported through Special Development activities grants and OPGs.

PVO projects have often proved more effective in directly impacting upon both rural and urban poor than have projects undertaken by government agencies. Moreover, PVOs often have substantial revenue raising capacity through their own networks in the international philanthropic and business community. However, the "absorptive capacity" of these organizations does require cultivation and expansion. Effective future AID support will entail providing additional administrative assistance to them in the form of training, technical assistance, and commodity and material support. At the high option, the Mission will substantially expand the capabilities of these agencies through a PVO Development Support Project, focusing first on those active in the Southern Region.

2. DISASTER PLANNING AND MANAGEMENT STRATEGY

Objective: To establish an integrated public and private system of disaster management and planning.

Haiti has been subjected to many severe natural disasters throughout its history. Since our return to Haiti in 1973, AID has provided emergency assistance in three formally declared national disasters, the most recent serious one being Hurrican Allen in 1980. Historically hurricanes strike Haiti every two or three years and floods and droughts of varying severity will occur almost every year. Seismic studies indicate that an earthquake of some magnitude is likely to strike within the forseeable future (major fault runs at a diagonal through the country and minor tremors are frequently felt). Furthermore, the extensive erosion of the mountainsides has created a situation where prolonged and heavy rains cause extensive mud and rock-slide damage in the Port-au-Prince area and elsewhere. The greatest danger of large scale fatalities from disasters are in the overcrowded lower zones of the city which are occupied by the poorest and most recent rural-to-urban migrants, housed in shacks on tidal lagoons and low-lying landfill.

Although there is widespread awareness of the gravity of the disaster potential, the Government of Haiti has accorded disaster preparedness little official attention until recently. The destructive effects of past disasters have been significantly exacerbated by a lack of forward planning, organization and management of the response. Measures to alleviate the effects of hurricanes, for example, have been haphazardly constructed by ad hoc groups and committees with limited central government guidance and support. The most effective responses to disasters in recent years have been mounted by the Haitian Red Cross and the international voluntary agencies who have constituted an ongoing group to meet monthly to plan the management of disaster responses. These agencies have found it difficult to coordinate their activities with the GOH due to the lack of clear cut lines of authority and a central organizational structure for disaster preparedness. In addition, their efforts are limited by the fact that they have few resources of their own with which to address needs resulting from major disaster (such as Hurricane Allen), and planning must be done without knowledge of the level of resources that will be available for any particular response.

To meet this clear need for disaster coordination and planning, the GOH recently established a permanent, pre-disaster preparedness committee. The committee is chaired by the Director-General of the Department of Public Health and is under the overall leadership of the Minister of Health, with representation from the Ministries of Interior, Agriculture, Plan, Public Works. While this is an encouraging development, there is clearly a need to upgrade and improve its capabilities to prepare for and respond to disasters of all kinds. AID recently financed a team of experts which has addressed the issues of disaster preparedness and response in Haiti. The team's recommendations are addressed to the GOH, AID, voluntary agencies, the United Nations and other donors. Their major findings constitute the basis for USAID/Haiti's strategy to support the establishment of an integrated (public and private) system of disaster planning and management.

First the Mission will ensure that development projects, will include features designed to mitigate, to the extent possible, the effects of a natural disaster. Second, we will support establishment of a permanent disaster planning and management committee and secretariat within the GOH. The committee should be composed of GOH representatives from concerned ministries, representatives from the United Nations, voluntary agencies, the Haitian Red Cross and bilateral donors. The two existing committees--the GOH pre-disaster committee and the committee of voluntary agencies and the Haitian Red Cross--can serve as the nucleus for the new organization, with members added from the other donors and the United Nations. A permanent secretary-general at the level of a Director-general, with a small support staff should work full-time on disaster preparedness and response measures. The committee should have authority to trigger the emergency response mechanism when required and to act without prior reference to or approval from other authority. The committee, in accordance with pre-established authorities,should be empowered to call immediately upon any available resources in Haiti, both public and private to alleviate the effects of the disaster. Minimum stockpiles of drugs, first aid supplies, food, blankets and other items likely to be required in the aftermath of a disaster should be kept in regional locations, and a functioning fleet of vehicles, including trucks and four-wheel drive utility vehicles, should be available for requisition. Regional committees paralleling the central group should also be established to coordinate local planning and response. In the event of a local disaster, the regional committee would mobilize relief measures and expeditiously report to the central level the extent of damage, requirements of materials, assistance and equipment beyond what is on hand locally.

Discussions between the GOH and the AID Disaster Preparedness Team have been promising. It appears that a Presidential Decree creating the type of structure described above will be issued soon. The Mission will be proposing that AID's Office of Disaster Assistance (OFDA) provide substantial resources to assist the GOH in implementing its disaster strategy. The Caribbean Disaster Group based at Antigua will also be asked to offer assistance. Although the GOH must establish the organization and therefore bear salary, office space and other basic expenses, AID could assist start-up expenses at our high option. OFDA can provide technical assistance on a short-term, recurring basis; and additional short-term assistance may be given by the Antigua group.

To assure the effectiveness of this program resident technical advisory services should be provided for up to 2 years. The Mission hopes that OFDA might post a regional adviser, in connection with disaster planning under the CBI, in Port-au-Prince to support our disaster planning program as well as those in other Caribbean Basin Nations. USAID/Haiti is also recommending that the Title II PVOs be permitted to maintain a 25% food reserve (instead of the present 5%) in order to be able to respond quickly to disaster-caused food shortages as discussed in detail above.

3. REGIONAL FOCUS

Objective: To refocus existing development efforts, and to design new developmental activities for more specific geographic areas, particularly the South and Northwest Regions, and to establish effective regional mechanisms for their execution.

The question a "geographic focus" for the AID program has been debated since the Mission was re-established in 1973. There are reasoned arguments both for and against such a concentration of effort, but until FY 1981, the Mission placed priority on strengthening the capabilities of the central GOH development ministries, as the focal point for the public sector development effort.

The Mission now takes the position that it should try to concentrate much of its limited development resources in a geographic region as the next step needed to obtain a greater development impact per dollar spent. This determination is consistent with and reinforces the administrative decentralization and "regionalization" process which has already begun at the initiative of the GOH. Given demographic and agricultural trends in Haiti, the Mission believes that the development of a more balanced regional growth/development model is required to effectively address national needs, which in any case can only be addressed on a step by step basis. The idea is to effectively mobilize and utilize public and private sector resources to alter existing demographic and agricultural trends in one region, and to achieve an accelerated but balanced growth in its population centers so they can absorb a growing work force displaced from agricultural activities. A "critical mass" of complementary coordinated development activities is required to achieve a self-sustained development process, and this simply cannot be achieved by a single donor trying to address development problems on a nationwide basis. Such a "concentration" of resources in a more limited geographic area does not mean that the Mission should not support activities outside of that area whenever it is appropriate to do so. The strategy is one of "focus" or "emphasis", not of drawing a line around "AID's turf" in Haiti.

Based on the Administrator's Appraisal Team's recommendations of May 1981, and on the recent conclusions of the Food Sector Strategy Team study

(December 1981), the Mission has selected Haiti's Southern Region as the highest priority area for our focused assistance with the Northwest Region as a second priority area. No other major donor currently has a concentrated regional program in either of these two regions, although the recently terminated CIDA-sponsored DRIPP project with the Ministry of Agriculture was located in the Southern Region and the IDB carries out a number of activities on the peninsula.

The region has several characteristics which recommend it for this effort. First, it suffers from extreme population density and supports over one million persons (nearly four times the population of the Northwest). Second, it is the region of highest rural-to-urban migration, and the source of large numbers of out-migrants to the U.S. Third, its agricultural productive potential substantially exceeds that of the Northwest and (to a lesser extent) other regions for three primary reasons: (1) its hillside ecology has suffered less from massive deforestation and erosion than have other regions of Haiti, making the potential benefits of soil conservation efforts promising; (2) average land holdings are somewhat larger than in other areas, especially near Les Cayes; and (3) the potential for irrigated farming in the Plaine des Cayes probably exceeds that of any other watershed except the Artibonite Valley. Other small river valleys provide additional potential. A major paved highway running almost the length of the peninsula substantially increases access to the region from the capital for purposes of providing inputs rapidly and for effective management/supervision by GOH and donor agency officials. This trunk highway also provides a strong base for expanding a feeder system of secondary and tertiary roads. Further, the region is a logical choice for the AID malaria control program, since it has the highest malaria incidence of any region in the country. And from the point of view of the AID strategy for disaster preparedness, the Southern peninsula is Haiti's most vulnerable area to hurricanes. In addition, many private voluntary agencies are active in the area to provide a greater non-governmental "absorptive capacity" for development resources. Finally, as mentioned above, the potential availability of the Reynolds complex at Miragoane as a development training and administrative center offers a serendipitous opportunity for a fast start-up on an existing site in the heart of the region, with little additional capital investment required.

We cannot determine the precise structural mechanism that should be employed for implementing this regional focus without detailed negotiations with the Government of Haiti. The level of assistance resources to leverage institutional and policy changes related to a new regional authority is critical to this delicate dialogue. But there are essentially three possible "formats" for such a structure:

(1) Focused Field Projects: The least organizationally complex format is the focused field project approach. This would involve the possible renegotiation of existing projects and the design of new projects to (a) assure that major emphasis in the project is on regional field activities, and (b) assure that these field activities occur largely in the Southern Region. In this approach, AID itself would play the role of coordinating these various project efforts (in consultation with the Ministry of Plan, the Central Ministries and other donors) to assure complementarity. Most "institution-building" effects would work "backwards" from the field activity to the central supporting Ministry involved.

(2) Regional Coordinating Body: Somewhat more complex is the organizational model suggested by the GOH regionalization plan: a coordinating mechanism or a loosely-knit "parastatal" organization to oversee implementation of an integrated regional development plan. Such an organization could be established as a regional development agency of the type now sponsored by several donors in other regions (e.g. the ODN in the North, by the World Bank; the ODPG in the Gonaives plain, by West Germany) under the "tutelle" and nominal supervision of the Ministry of Agriculture (DARNDR). Or it could evolve from the nucleus of the interministerial Regional Planning Council for the Southern Region (Region 4) now being established through the auspices of the Ministry of Plan. The possibility of DARNDR sponsorship poses major questions, given the well-known difficulties experienced by other donors and parastatals operating under its auspices. Ministry of Plan sponsorship of a coordinating council to plan, coordinate and evaluate AID and other donor-financed field projects carried out in the region may be a more feasible option. Yet the difficulties in the planning and coordination of activities by interministerial councils are many,

unless the council itself is provided with substantial autonomy and decision-making authority on resource uses, without central control. With an appropriate set of incentives, such a Southern Region Development Council could be established, consisting of representatives of the Ministries of Plan, Agriculture, Transportation and Public Works, Public Health and Population, Education and Interior. The ministerial representatives could be empowered to act for their Ministries without further review/approval. With a Presidential mandate to develop the region through concerted actions taken by GOH ministries and agencies, it could work. This scenario will require discussion with the GOH and other donors.

(3) Comprehensive Regional Development Authority

The third alternative format, still to be actively discussed by the Mission and the GOH, is the establishment of a fully autonomous, legally-established, non-profit, Regional Development Authority ("RDA"). The RDA would be "self-contained", and "quasi-public" in nature, i.e. it would not be dependent upon ministerial appointees for guidance and direction and would not necessarily rely upon ministerial structures and personnel for implementation of development projects/activities. As a recognized "utilité publique" through a decree by the President, it would be charged with the task of developing the region, and given a "laissez passer" to accomplish the task.

The RDA would be authorized to work in all sectors, utilizing the means necessary and appropriate to the achievement of regional development objectives. The RDA would be authorized to enter into performance contracts with the ministries and public agencies of the GOH for the provision of services, but would also have authority to contract with non-governmental organizations and/or private sector firms to provide such services if adequate performance by the public sector agencies was not forthcoming. It could further hire its own implementation staff, all else failing. The objective would be to establish basic, effective delivery systems for agriculture production, credit research and extension, soil conservation and reforestation, rural infrastructure construction/rehabilitation, family planning services, health and nutrition services, basic education and vocational training services and expanded private investment. This scenario is not intended to constitute an "integrated rural development project", but rather to establish an independent, regional authority responsible for planning, coordinating and implementing a variety of complementary, synergistic development activities.

Finally, the Regional Development Authority would promote private sector investment in the region and the creation of extensive off-farm employment opportunities. Its activities would use local labor for extensive environmental rehabilitation and reforestation, and in the process establish a stronger rural infrastructure base (through capital-savings technologies) for expanded agricultural production and the development of new agro-industries. Thus the RDA would include either an associated Regional Development Finance Corporation or a regional branch of a national DEC to stimulate investment in agro-industrial enterprises providing expanded markets for local agricultural produce. The Authority would also foster the basic infrastructure and incentives required for investment in the Region's primary "growth pole" Les Cayes, plus sub-poles such as Jérêmie and Miragoane.

To mobilize an RDA in the Southern Region will require a 10-15 year commitment with sufficient development assistance funds, Title I/III funds and GOH Treasury funds. The mission can only undertake such an initiative at full high option levels of funding.

4. IMPROVED JOINT MANAGEMENT OF U.S. DEVELOPMENT RESOURCES

Objective: To improve the management of U.S. development resources provided to Haiti through the establishment of collaborative systems of planning, review and accountability from the project manager to the ministerial level.

Increasingly effective management of U.S. development resources is a major Mission objective which began in FY 81 and will continue to be emphasized through the planning period. All types of resources are involved: development assistance (project) funds, Title I local currency generations, and Title II foodstuffs. With respect to development assistance, the Mission has recently installed a new program management tool to plan and monitor project implementation, called the Joint Project Implementation Planning System (JPIP). The JPIP system was designed to:

(a) improve USAID/GOH collaboration in identifying and resolving current implementation problems and preventing new ones;

(b) establish a pari passu relationship for project compliance, matching each party's actions to corresponding steps by the other;

(c) establish a joint review process to relate project activities to expenditures and improve USAID and GOH project management;

(d) decentralize and assign clear responsibilities for project activities and outputs to the GOH and USAID managers; and

(e) quickly identify "exceptions" to planned achievements either for special top level action to retrack the project for redesign, or for termination if the "exceptions" are non-remediable.

The JPIP System integrates the planning and review of the physical achievements and the financial disbursement elements of AID projects. It includes both life-of-project financial and project activity plans (which are reviewed and revised at least one a year) and quarterly financial and project activity plans. A joint quarterly review of project performance by the USAID and the GOH project managers and supervisors provides the basis for planning the next quarter's activities. Planning and monitoring activities are carried out collaboratively by government officials, USAID officials and (when appropriate) contractors. A written concurrence by all key parties is required for the LOP and for each quarterly planning and review document. By closely and jointly tracking the progress made (or not made) toward each key project output, standards of performance for implementation can be established and monitored. Decisions on levels of follow-on assistance for the implementing agency (or on subsequent increments for the same project) can be based on the attainment of certain standards in this pari passu relationship.

The system further entails the use of quarterly JPIP plans and reviews as a major input into an overall Joint Bilateral Implementation Plan (JBIP) for the entire USAID program, to be developed and reviewed by the USAID Director (or Deputy) and appropriate high level ministry officials of the GOH on a semi-annual basis. This will provide a collaborative review of plans and activities with the GOH and an open discussion of problems and constraints to implementation on a sectoral basis.

With respect to non-project resources, responsibilities for management of the Title I program have been reassigned within the Mission and U.S. Embassy, and a new set of relationships established with the three GOH ministries involved (Commerce, Plan and Finance). Through this new improved system, the Mission expects a progressive reduction of the use of PL 480 currency to pay for development ministry operating costs ("institutional support"), with more funds avavailable for development investment and project counterpart requirements. In line with the recommendations of the Food Sector Task Force, USAID and the GOH are now recruiting an agricultural economist to assist in planning and monitoring Title I imports, their relationship to local agricultural production, and counterpart generations and programming. With respect to Title II commodity resources, the joint management of the program is being made more effective through a regular (monthly) coordination and planning effort involving USAID and the four PVOs which carry out food programs.

5. Private Enterprise Development Strategy

Objective: To promote and facilitate domestic and foreign investment in Haiti, especially in agriculture-oriented processing industries and labor-intensive operations that maximize in-country value added to their products.

AID Private Enterprise Program Strategy: Our strategic objective is to promote private investment in Haiti aimed at stimulating employment-generating industrial and agro-industrial growth, and the development of a shelter industry during the planning period. To mobilize domestic and foreign private investment, key financial institutions must be strengthened. At the outset, we will assist in the establishment or support of those development banking institutions needed to stimulate and respond to direct investment in agriculturally-linked or labor-intensive industries. These financial institutions will provide the investment and working capital required to create or expand medium-to-large scale enterprises with high potential productivity and/or employment impacts. (See ANNEX II for a detailed discussion of the constraints and incentives for private sector investment in Haiti).

The success of the proposed strategy depends upon the availability of resources to implement it. At the low option, for FY 84, the Mission could carry out only a minimum program permitting continued support to an existing small business credit institution (Haitian Development Foundation). The high option would allow significant support to four key development finance institutions during the CDSS period (in addition to continued support to the BCA for small farmer credit). These are an expanded Haitian Development Foundation, a National Development Finance Corporation, a National Housing Bank, and a Regional Development Authority, with either its own credit window or branch operations of the other institutions. In addition to these, support would be provided to a local private sector action group (the Private Sector Committee for Development).

Assuming a level of $8 million is available for private sector enterprise development in FY 84, the following allocation would be made:

Haitian Development Foundation (HDF)	$2,000,000
Development Finance Corporation (DFC)	$1,000,000
National Housing Bank (NHB)	$2,000,000
Regional Development Authority (RDA)	$2,500,000
Local Private Sector Support	$ 500,000
Total	$8,000,000

(1) Haitian Development Foundation: AID's principal private enterprise project is the Haitian Development Foundation which has, since 1979, received $1.0 million in OPG funds for its small scale enterprise program. Based upon the successful implementation of this program and the widespread interest of other international donors it is recommended that a $3.0 million loan be provided to HDF for additional institutional support by FY 84. This new program will build upon the HDF's positive results to date and establish the basis for the Foundation's long term growth. The $3.0 million would provide an infusion

of low cost capital for re-lending at commercial rates with an interest spread sufficient to cover promotional and operating costs. The HDF would be able to expand operations to secondary cities in the rural regions and service loans from $200 to $25,000. We would expect that this expanded program would inspire greater public agency confidence as well as lay groundwork for additional financial support from other donor agencies.

(2) Development Finance Corporation: Based on the successful creation by the World Bank of the Industrial Development Fund (IDF), AID will support the expansion of this operation by helping to establish a complementary Development Finance Corporation. We propose providing $1.0 million to support this effort. The new DFC would be eligible to serve as an intermediary credit institution and would have access to the discounting/guarantee mechanisms the IDF offers. The need for substantially greater credit and financial resources for the expansion, diversification and establishment of new industries is discussed in detail i ANNEX II. Extensive studies of the DFC concept have already been carried out by the AID Mission.* Thus, the project should require little additional work to initiate a sound program. If large equity participation can be assured among private enterprises and financial institutions, the initial success of a DFC (at least in regards to a market for its funds) would be virtually guaranteed. The Mission has assurances from a major U.S. investor that a long term capital loan for this purpose could be authorized by them in short order, assuming the availability of OPIC guarantees and sufficient USAID technical assistance support to assure institutional effectiveness.

The DFC would provide medium and long-term financing to medium and large-scale enterprises. Project selection criteria will include economic viability/impact, estimated return on investment, direct employment potential, and foreign exchange earnings. Credit would be extended to both industrial and agro-industrial projects which meet the DFC's requirements.

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* A.D. Little and ADELATEC feasibility studies were completed in 1980.

(3) National Housing Bank: The proposed NHB may carry out its initial shelter activities in the Port-au-Prince area and focus on the lower income population under the usual terms of an AID-HIG program and later expand to selected provincial capitals and towns. AID will encourage early investment in the regional growth centers where housing needs are great and new industrial investment is essential. The proposed $2.0 million from AID would be used to leverage additional private savings and investment from individuals, local insurance companies, commercial banks and other lenders for middle class housing, to stimulate housing programs and employment generation in provincial capitals, to support low-income self-help housing and to promote a national system of savings and loan associations.

The same major U.S. financial institution mentioned above has recently expressed interest in the proposed housing program (which is consistent with their present active involvement in HIG projects) and has tendered participation in the Haiti housing program. For example, if Florida banks and U.S. insurance companies (operating in Haiti) are interested in participating in this housing program by investing resources on deposit with this institution in Haiti, they in turn would probably be willing to negotiate favorable long-term loans (backed by the Housing Guaranty). A goal might be a 20-30 year fixed rate loan at the long-term Treasury bill rate of interest in an amount up to $25.0 million.

This type of financial packaging would be likely to provide attractive rates of return to individual savers and investors in Haiti and thus establish the basis for a sound and flourishing shelter industry. It would also create the conditions necessary for a national housing finance system that would include long-term mortgages, which are not now available at any socio-economic level. However, in order to facilitate the use of local monies, a savings and loan network must be created to tap savings at all income levels and to channel these funds into the housing industry. The establishment of such a network would be a secondary objective of AID support to a private sector housing finance program. Although shelter needs are, in and of themselves, a legitimate development concern, the job creation potential of a thriving housing sector must be emphasized at this critical time in the Haitian economy.

(4) Regional Development Authority (RDA): The USAID/Haiti strategy for the establishment of an RDA was elaborated above. In that section, the need for a regionally-based investment credit facility was described. There are several possible options, including: (a) the establishment of a separate Southern Regional Development Finance Corporation; (b) the establishment of regional branches of a national DFC, the HDF and the Housing Bank; and (c) the opening of a credit window in the autonomous Regional Development Authority structure. Although these options are not necessarily mutually exclusive, a preferred strategy cannot be determined until the specific nature of the regional mechanism is determined, and some experience is had with a "national" DFC.

The purpose of a regional financing agency (or branch offices of national agencies) would be primarily to induce substantial agro-industrial/food processing investments in the Southern Region, in order to expand agricultural productivity and create industrial employment. It would be a complementary development activity undertaken in concert with other activities required to increase productivity, such as small farmer credit through the BCA, improvements in the region's irrigation systems, soil conservation activities, provision of extension services with respect to agro-industrial crops, and the construction of feeder roads providing access to the provincial towns in which the investment is made.

(5) Local Private Sector Support: The principal business associations in Haiti have over the past two years taken several steps towards gaining a stronger voice in economic development. These initiatives represent a new awareness of the critical role the private sector can and must play in determining the direction of Haiti's development. As a means of coordinating the business community's efforts the four different businessmen's associations in Haiti have formed a joint Private Sector Committee for Development. This committee represents "the Haitian private sector," and its primary objective is to promote new investment in productive enterprises throughout the country. To this end the Commitee is committed to raise $1.0 million locally for the new DFC, and plans to be very active in the formulation of positive public investment and credit policies to support this initiative.

Therefore, this organization will be encouraged to extend its activities to other important economic centers such as Gonaives, Les Cayes, Cap-Haitien, etc. At the same time assistance could be provided to facilitate their linkage with similar organizations outside of Haiti, particularly in Florida, with which a joint investment program is being developed (See ANNEXES I and II for detailed information on the Florida program). Although ONAPI will continue to receive AID funds to promote industrial development, there are constraints on its ability (as a GOH agency) to do so effectively. Consequently, because the professional packaging and effective promotion of Haiti's investment potential is so critical to the creation of new jobs, at a high option level of funding AID would provide technical assistance and some promotional support necessary to assist the Private Sector Committee in its activities to attract investment in Haiti. The AID funds would facilitate the flow of information to potential investors regarding priority investment areas. For example, a Haitian-American Agribusiness Council could be formed to focus on agro-industrial development. Members would include Haitians, Americans currently involved in Haitian agriculture, and U.S. residents drawn from businesses which produce, handle, process and market agricultural products which can be grown in Haiti.

AID will undertake to support GOH policy and institutional reforms which will assist private sector development. While many of the needed reforms have been mentioned peripherally above (and are elaborated in ANNEX II), the basic reforms to be supported are summarized in the next section.

6. Economic and Social Policy Reforms

Objective: To promote and facilitate basic policy reforms necessary to the establishment of a self-sustaining development process in Haiti.

To date, many of the efforts of the AID Mission (as well as other donors) to influence GOH economic policies have focused primarily on the need for improved fiscal management and discipline. The IMF has taken the lead in advising the GOH on the establishment of a workable budgetary process, improved financial management and control systems, and the measures required to achieve a stable balance between expenditures and revenue. As is described above in Section I C, many of these measures have now been taken by the GOH. Unfortunately, some of them have or will have the short-term side effect of reducing GOH financial resources available to meet recurring costs of development agencies and will limit expansion of development projects dependent on a GOH contribution. Therefore, during this period of relative GOH austerity, the donor agencies will need to finance larger portions of the development program in Haiti, at least until a growing economy and a revised tax structure begin to generate additional revenue. GOH revenues for development can be substantially increased, but only as part of a systematic medium term (10 year) effort, given the weakness of the current economy. In part, for this reason, the Mission proposes in the high option (Table 4) an immediate injection of $10.0 million in ESF to consolidate the GOH's foreign exchange position and to provide the budgetary relief needed to move forward with the development program while it stabilizes its fiscal position.

The Mission believes that the IMF should continue to lead on fiscal reforms, but that we should support its major initiatives. USAID's principal policy framework objectives will focus on more specific economic and social policy reforms needed to increase per capita agricultural production and to strengthen the private sector, especially in the agro-industrial area. Our purpose is not only to increase incentives to agricultural and business investment, but to remove the current disincentives to production. Because some of the proposed reforms, if adopted, may result in short term revenue losses, AID must be prepared to follow-up with compensatory assistance either throughdevelopment assistance, ESF or Title I/III as is proposed at the high option.

The IMF-backed fiscal reforms primarily concern increases in revenue and savings, increased development investment, decreased GOH operating expenditures, a prohibition on extrabudgetary investment projects, a realignment of the tax structure to reduce its regressive nature, and the rationalization of investment and credit policies which impede foreign and domestic investment. As the IMF monitors the implementation of the tax and customs reform measures already announced in the President's speech of August 8, 1981, USAID will urge further tax and customs reforms to reduce GOH reliance on export taxes on agricultural produce and import duties and excise taxes on basic goods (sugar, flour, vegetable oil, etc.) which increase their cost to the common consumer. It will support greater GOH reliance on graduated personal and business income taxes, public service user fees, increased import duties on luxury items, and an examination of possible new selective value-added taxes. Finally, USAID will actively support a modernization of banking and credit policies and a rationalization of investment incentives which will attract foreign investors without "giving away the store" through unnecessarily generous tax holidays and other benefits. On a more specific level, USAID/Haiti will make measurable progress in these policy areas clear conditions to increased assistance, including the proposed PL 480 Title III program. Some of the key conditional policy changes include:

a. Coffee Export Tax Reduction: Increased returns to peasant producers of coffee are essential to USAID's tree crop strategy and to needed increases in Haiti's foreign exchange earnings. The current export tax is a major disincentive to production, and constitutes a major incentive to the diversion of Haitian coffee across the border to the Dominican Republic, which has no export tax. Haiti looses twice in this trade--both tax revenues and foreign exchange earnings.

The current tax rate on exported coffee is approximately 25% of the export price. Many economists believe that should be cut in half as a first step toward its possible eventual elimination. If this initial reduction is returned to the producer, the short-run loss of revenue to the GOH would in part be offset by a reduction in smuggling to the Dominican Republic. Coffee production would increase, thus generating additional revenues and foreign exchange. As noted in the Sectoral Strategy for Agriculture, the USAID Small Farmer Marketing Project can play a role in assuring a level of competition in the market structure adequate to insure that export tax reductions are passed back to producers as higher prices.

b. Market Structure Reforms For Agricultural Exports: The establishment of an Essential Oil's Marketing Office with monopoly export rights, combined with continuing high export taxes, have resulted in a near-complete termination of production of some basic inputs (e.g., vetiver) for which a very strong world market continues to exist. Current exports are mostly from unsold stockpiles, and it has been asserted that the dissolution of this GOH monopoly with a reduction of export taxes, would increase production and actually expand GOH revenues.

Similarly, although the official GOH monopoly in cacao has been dissolved and producer prices have risen somewhat, the oligopsonistic market structure has limited returns to producers. Intermediaries are now taking 43% of F.O.B. export prices. As with coffee, GOH policies and actions which would increase competitiveness in the marketing structure would result in greater production and ultimately greater revenue.

c. Reform of Pricing Policies: The AID Mission will urge the GOH to alter its tax or pricing policies on several other agricultural commodities whose production is lagging as a result of low producer prices. Two crops with substantial agro-industrial potential for valued-added processing of export products affected by such policies are sugar and cotton. Producer prices are held for below the world market, in the case of cotton by a GOH monopoly and in the case of sugar by GOH policy and the major refiner (70% of production). Domestic sales prices to consumers, on the other hand, are well above world market prices. The Mission is not now involved in projects directly affecting these two commodities, but we will urge reforms to help reverse production declines because of their great importance to our agriculture and private sector strategies.

The Mission's overall strategy requires the promotion of policy reforms in at least three areas other than agriculture: (1) private sector investment; (2) population control; and (3) administrative reform.

To promote private sector investment, the Mission has five principal policy/institutional objectives:

(a) the development of a National Industrial and Employment Plan (long called for by the Haitian private sector), to set forth rational GOH policies on investment and to create increased employment opportunities for the burgeoning urban population. This will require the appointment of a public/private "blue ribbon" commission with a mandate that will assure the support required from both sectors;

(b) a budget increase to ONAPI, the small GOH office for private investment promotion. The AID Mission will provide assistance to ONAPI in attracting U.S. investment to Haiti, especially for agro-industries. Only with a significant operating budget increase can ONAPI undertake its informational, promotional and facilitative tasks effectively. Supported by AID, ONAPI will follow-up on the Florida Investment Mission and collaborate with the new Haitian Private Sector Committee for Development;

(c) the establishment of a private Development Finance Corporation to provide medium and long-term credit for agro-industrial and employment-generating business investments has been mentioned above. The establishment of this institution will require changes in or exceptions to current GOH policies on investment credit and acceptable legal security for loans;

(d) the establishment of a national housing finance institution to make long-term credit available for the construction of both low and middle income housing. The GOH must take the action required to establish a National

Housing Bank. A framework for this institution is provided in the SEMA reports (commissioned by the GOH). Moreover, the policy environment in which such an institution can effectively work will have to be developed along with the institution itself. This will include GOH measures to institutionalize a national mortgage market, mobilize personal and institutional savings, encourage long-term lending through such means as government guarantees or insurance, and increase flexibility in capital markets through discount or resale mechanisms and flexible reserve requirements. Domestic savings must become truly attractive to support long-term lending. Supportive GOH policies are critical to the survival of any private effort to increase the availability of housing finance capital (such as through a savings and loan system).

(e) Finally, the GOH must rationalize and streamline tax and customs duty procedures and eliminate uneven and discriminatory treatment. Corruption or favoritism in the application of both ad valorem and specific duties are significant disincentives to productive investment in Haiti by both foreign and domestic enterpreneurs who must import capital equipment and substantial raw materials for reexport.

The remaining policy level objectives of the AID Mission are social and institutional rather than economic in character. As described in Section II E 1 above, the Mission is strongly supporting the process of administrative reform within the GOH. This includes both a movement toward a civil service system in government employment, and a process of decentralizing and regionalizing GOH planning and administrative responsibilities. The extensive report of the Administrative Reform Team has been accepted by the GOH Administrative Reform Commission. The Mission will follow-up with other donors to assist the Commission and the Ministry of Plan to carry out the recommendations of the Report (See ANNEX IV).

Finally, Section II D 4 above discussed the Mission's specific strategy in the area of family planning. The reduction of the population growth rate is so critical to development in Haiti that the Mission will promote, with other donors, the proclamation of a national family planning policy by the President.

That policy should be supported by increased GOH contributions to the existing GOH family planning agency (DHF) and complementary measures through other GOH agencies.

G. STRATEGY ISSUES

1. "Absorptive Capacity": Questions of "absorptive capacity" generally refer to the well-known institutional weaknesses of several GOH ministries (especially the Ministry of Agriculture), the limited human resources available to government agencies, the scarcity of GOH financial resources for counterpart contributions and absorption of recurrent costs, and the debt-servicing capacity of the Government. To some extent, all of these constraints have been discussed above. All have also been recently analyzed by the new management team at USAID/Haiti, and the conclusion has been reached that the "absorptive capacity" for increased U.S. assistance to Haiti is, in fact, seriously underestimated.

First, fully one-half of all U.S. assistance resources are now channeled through non-governmental institutions. Although these institutions have "absorptive capacity" limitations of their own, these can be more readily addressed than those of governmental institutions. The AID Mission in Haiti has already created additional "absorptive capacity" in several major PVOs in Haiti (e.g. CARE, PADF) through project assistance, and (as mentioned above) intends to continue to do so in the future through a PVO Development Support Project, as resources are available.

Second, GOH development institutions have been significantly strengthened over the past several years, in part because most projects have been designed and implemented with this end in mind. The respective "absorptive capacities" of agencies like the Ministry of Transportation and Public Works, the Bureau of Agricultural Credit, the Division of Family Hygiene and SNEM are all much greater than on our return to Haiti in 1973. Limited GOH operating budget resources for these organizations are the major constraint on their ability to assume the recurrent costs of expanded staff. But technical and administrative constraints have been greatly reduced as capabilities to manage additional foreign assistance have increased.

Finally, there is great untapped "absorptive capacity" in the private sector, which AID will test through intermediary financial institutions such as those described in Section II E 5 above. The Haitian Development Foundation has demonstrated its capacity as a "supervised credit" facility for small entrepreneurs (of which there is a nearly infinite supply in Haiti). The IBRD's Industrial Discount Fund represents a new channel to expand commercial credit to business investors. And the latent, existing demand for the services of a Development Finance Corporation and a National Housing Finance Bank are known to be extremely high.

The Mission is convinced that "absorptive capacity" is not a major constraint to the increased aid levels proposed. This is certainly true if a substantial Title III (or increased Title I) program can be negotiated, which would provide counterpart funds for new projects. The sectoral strategies described above each provided "high option" programs, based on an assumption of a level of funding shown in Table 4 and discussed below in Section III. The project proposals and the "absorptive capacity" for such an increased level of funding exist. The question is whether the U.S. Government will commit the resources needed to make a visible, substantial impact on the development of the Hemisphere's poorest nation.

2. <u>Expansion of Sectoral Programs:</u> One way of creating additional "absorptive capacity" for U.S. development assistance in Haiti is to work with GOH or private implementing agencies which are not currently included in the USAID portfolio, and which appear capable of executing sound projects. Indeed, some of the sectoral strategies above suggest such a course of action. An expansion of the Mission's programs to new sectors would also entail the establishment of new institutional relationships. Such expansion is only possible at the "high option". However, at this level there are four areas or "sectors" of development activity, not currently addressed in a substantial way

by the AID program in Haiti that warrant support: (1) rural community development; (2) formal education; (3) energy production; and (4) urban planning and development.

With respect to rural community development, the Mission has been involved only marginally in the past through small SDA program grants to community councils. The Administrative Reform Team Report recommended a far more substantial AID effort in strengthening local institutions, especially community councils, to carry out basic development activities and provide human services in rural areas. Considerable preliminary work has been done in this area, partially through the project development process for a Haiti "Integrated Community Development" project, which reached the draft PP stage in 1979, and was dropped for lack of funding. An effective community development project could be quickly designed, and if a Peace Corps program of any size is established in Haiti, we will do so. As a joint effort with Peace Corps, it would utilize the services of Volunteers. The most likely implementing agencies would be ONAAC and HACHO.

Several ideas to expand the Missions efforts in informal education have been discussed above. However, the current reform of the formal education system, including the use of Creole as a language of primary school instruction warrants major, long-term support to formal education beyond that now provided by the IBRD. The Mission will further explore the potentialities for such involvement by AID during the CDSS period.

With respect to energy production, the Mission's only involvement to date is through its fuelwood-oriented Agroforestry Outreach Project. We are examining mini-hydro possibilities in connection with the irrigation component of our agriculture sector program. We have also started discussions with the GOH on pilot projects in bio-mass, more efficient wood/charcoal systems, solar power generation and other energy activities. The IBRD and IDB are active in this sector but focus primarily on large-scale hydro-electric and/or diesel generation of power. The GOH Ministry of Mines and Energy has a dynamic and competent new Minister and an active director of its Energy Division. Both have expressed substantial interest in alternative energy resource development, and would welcome AID's assistance, should funding levels permit.

Even the most successful development effort in agriculture in Haiti will not keep it from becoming an increasingly urban country. The total lack of unutilized arable land and the population growth rates guarantee this demographic trend. Rural population increases by only 1% per year, provincial towns grow at rates from 4% to 6%, and Port-au-Prince grows at 7% or more. In the near future, AID should effectively address this situation. The sectoral strategy for population described above touches on the problem, as does the private enterprise development strategy and our proposed regional focus. However, within the CDSS period, the Mission will develop a broader, more comprehensive strategy to deal with the growing problems of urban development in Haiti, as the urban sector becomes, of necessity, a larger focus of both AID's and other donors'attention.

III. ASSISTANCE PLANNING LEVELS: RESOURCE MIX OPTIONS

The proposed medium and long-term development strategy proposes reorientation of Haitian agricultural resource uses, production objectives, GOH tax and marketing policies related to food and agricultural products, and public and private labor-force allocations. As has been indicated in the separate sectoral discussions of that strategy, it will require sizeable resource increases through concessionary assistance and through private capital investment to produce the adaptation and adoption of appropriate technologies; to develop the institutional carrying capacity; to create and maintain the supporting social and physical infrastructure; and to create and sustain new private enterprises that will provide jobs to meet rising income expectations while producing goods for domestic consumption and export, fueling continued economic growth.

The Mission recognizes that a flexible financial plan to meet our program objectives at the high option is essential. However, a long-term commitment in the order of magnitude proposed here must be undertaken for the strategy to succeed. Therefore, as shown on the following tables, we propose meeting these assistance levels by means of a mix of Development Assistance, PL 480 resources under Titles I and III, and some Economic Support Fund assistance. Title II food for peace is continued throughout the period for essential nutrition and feeding programs and to maintain contingency stocks for disasters. The tabular presentation should be considered illustrative of one approach while recognizing that to a large degree the total can be achieved with a high degree of fungibility among the categories of resources discussed.

In sum, the proposal is in line with the increases in assistance suggested in the President's Caribbean Basin Initiative, i.e. a rough doubling of aid to the participating countries in the region. The high option would have us reach a doubling of aid to Haiti by FY 1984 and then sustain that support (in real terms) through FY 1988.

A. PL 480 TITLES I and III: Perhaps the highest priority in this overall strategy is to use surplus rural labor to rehabilitate the Haitian natural environment to permit a shift to land use patterns which reflect productive activities most appropriate to the long-term comparative advantage of the natural and human resource base. This will require the gradual but systematic removal from annual crop production of almost 30% of land now tilled. Though these marginal, rapidly eroding lands provide low yields in corn, millet, sorghum and root crops, they do form 400,000 hectares of the currently farmed resource base. They must be removed from annual crop production in order to achieve a land rehabilitation and a tree crop strategy. This would include coffee, cacao, and other high value tropical produce as well forest reserves to protect watersheds and to provide resources for energy needs and other economically important wood-based industries. Medium-term food production losses will have to be covered until the export earning potential of the products from rehabilitated areas plus increased yield on improved arable lands can together provide a sustained national capacity to meet food security requirements. Therefore, as an incentive to adopt and stay with such a strategy, the use of Titles I and III is prososed as a means of guaranteeing to the GOH concessionary financing to meet minimally essential nutritional standards while new production bridges are built in the agricultural sector.

Title III is clearly the preferred mechanism. It would permit a longer-term (3 to 5-years) agreement; would provide greater assurance of commodity availabilities; would force more careful planning of the relationship between agricultural production shifts and the imported commodities; would tie the debt forgiveness feature to meeting essential policy reforms under a systematic and sustained effort; and would be most advantageous to the fragile GOH economy by avoiding debt burden increases for future years while providing immediate relief from foreign exchange outflows otherwise required to meet an accelerated demand for imported food stuffs. Using a rather rough analysis (further refinement is clearly required), we have assessed the likely rises in demand for imported wheat, corn and feed grains that would be directly associated with the natural resource rehabilitation strategy, after taking into account some increases in yields on good farm land that will arise from our assistance in the sector. The soy element of the proposal rests on the assumption that by providing a concessionally-financed source of raw material to the national vegetable oil refinery we can leverage several key policy/market changes, including incentives for farmers to replace raw material imports with locally produced material (primarily peanuts), lowering of the currently high consumer prices for the refinery's products and others (discussed below).

Obviously, a Title III program that increases in amount over a 3-5 year period (in step with a gradual phase down of Title I) would not only provide a large share of the needed food commodities but it would also increase counterpart funds necessary to the expanded development effort. The high option recommends a five year (FY 83-87) program totaling $121.4 or a six year (FY 83-88) program totaling $144.8. Title I would be phased out at the end of FY 85. Netting out its funding until then ($23.5 million) would put the Title III proposed level at only $97.9 million for the five years plus an additional $23.4 million in the sixth year (FY 88).

Title III History: An initial GOH proposal for a Title III program was made in late 1979 with proposed funding at $125.0 million for 5 years. The Embassy and USAID indicated at that time the need for additional information on measures to be taken to increase public savings and expand budget levels for agricultural and related sectors, on steps to be taken to improve the administrative capacity of the development ministries, and a description of projects to be financed from the Title III proceeds. A revised proposal was submitted in 1980 but contained little additional information. As a result of this impasse, and a deterioration in the human rights environment in November 1980, all negotiations on Title III were halted in December 1980.

The original Title III proposal was closely tied to the implementation of basic fiscal reforms recommended by the IMF. These included unification of the budget, termination of the Regie du Tabac's taxing powers, tax reform and modernization of fiscal management and control functions though no Title III agreement was reached. Many of these fiscal reforms have now been implemented to various degrees with IMF assistance, as discussed above in Section II C. The original Title III proposed also called for major administrative and civil service reform, greater GOH support to family planning, the development of a strategy for industrial promotion and the creation of a private Development Finance Corporation.

The GOH Administrative Reform Commission, originally created in 1974, was reorganized in April 1981 and has become an active, consultative organ of the executive branch for matters related to administrative policy and civil service. It was placed under the tutelage of the Ministry of the Presidency and a new activist chairman was appointed. The first priority of the revamped Commission was the development of a plan for the transformation of the existing public sector employment scheme into a unified civil service career system. A law based on this plan has been drafted, approved by the Cabinet and is currently awaiting legislative action.

A significant increase in GOH support for family planning has been evidenced over the past two years, as has the initiation of an incipient strategy for increasing industrial investments in Haiti. There is substantial and growing support for a Development Finance Corporation from both the public and private sectors. The GOH has, with IBRD assistance, established an Industrial Development Fund, which furthers the objectives of increasing capital availabilities for private sector ventures by providing a rediscount facility for commercial banks to lend to new private industrial ventures.

On the whole, then, the GOH has already made substantial progress toward achieving the reforms which were under negotiation in the original Title III proposal, even though an agreement was never consumated.

Current TITLE III Options: The current discussion of Title III differs somewhat from the initial proposal due to the changes in the GOH, the Haitian economy and in the commodity mix appropriate to today's conditions and to the food and agricultural strategy described above. The specific policy reforms to be recommended and the proposed uses for counterpart generations have also changed to reflect the increasing emphasis being placed by AID (and other donors) on resource conservation, agricultural production and on agro/industrial development. Those reforms have been described above in the sectoral strategies and Section II E 6.

Besides the food import implications of our proposed strategy, other major developments affecting Haiti's needs and receptivity for a Title III program include: (1) the tightening foreign exchange situation; (2) the growing domestic demand for bakery products; (3) the needs of the new SODEXOL plant for imported raw materials for sustained vegetable oil production; and (4) the needs of the Minoterie-Maple Leaf feed mill for inputs for poultry and livestock feed production.

The growing foreign exchange problem in Haiti has a major impact on Haiti's needs for PL 480 food aid. Wheat alone in 1981 represented 12% of all imports and 25% of Haiti's negative balance of trade. Haiti must increase imports of wheat, oilseeds, feedgrains and other agricultural raw materials to feed its population in coming years. To avoid a major foreign exchange crisis some of these imports will have to be provided on concessional terms. The GOH has indicated a willingness to accept certain conditions and controls by donors as necessary to attract the additional tonnage under PL 480 programs.

Commercial demand for bakery products and the resulting requirements for high protein milling wheat has been growing at an annual rates of 10 to 15 percent. This growth is expected to continue and will require another modern flour mill in Haiti by 1985. A traditional component of the growing demand comes from the relatively high income consumers in urban centers, but despite extremely low real disposable incomes, consumption of bread is also rapidly increasing among urban poor and rural peasants.

A fully-modern solvent oilseed extraction plant, SODEXOL, is in operation near Port-au-Prince producing semi-refined oil, soy meal and soy flour from imported soy beans. Facilities are in place for receiving domestic oilseeds and for loading oilmeal in bulk as well as in bags. The facility is complete with mill equipment for producing specialized soy flours. GOH investment in SODEXOL was opposed by international donors because of the negative impact on the balance of payments, estimated to cause a net outflow of up to $1.9 million per year under full operation. The plant also has a minimal need for Haitian workers, and has a negative impact on domestic oil refiners. Finally SODEXOL's currently GOH-approved prices of oils to consumers will be 62.4% over the world market price of semi-refined vegetable oils. However, in spite of this opposition, the GOH went forward with the project.

However unsound the GOH investment in SODEXOL appeared, its established existence provides an opportunity for strategies fully consistent with USAID's agricultural and PL 480 objectives. SODEXOL provides a ready market for peanuts and other oilseeds for which there is potential in the farming systems of Haitian peasants. It can provide ample supplies of high quality oilseed meal for livestock and poultry feeds for Haiti and other developing nations of the Caribbean. It provides an opportunity for domestic production of soy-fortified foods for the substitution of domestically produced vegetable oils for imported oils in food/nutrition programs. Vegetable oil accounts for a very significant portion of the calorie intake of urban and rural Haitians.

Table I illustrates the Mission's proposed commodity mix for the Title I/III program. It should be noted that compared to current import demand from SODEXOL for soybeans at 97,500 metric tons annually, we propose providing only 33,000 metric tons in FYs 83 and 84, 22,000 in FYs 85 and 86, and only 11 metric tons in the final planning years 87 and 88. This amount of concessionally financed soy should provide sufficient leverage in foreign exchange savings and in counterpart resources to create positive permanent changes in policies and in agricultural production incentives. During negotiation of the proposed agreement we would explore, among others, the following possible objectives:

(1) Use of an agreed upon level of oil product to be allocated to the Title II type feeding programs for the greatly at-risk population, unable to purchase such commodities;

(2) Greater use of protein rich soy by-products for marketable supplemental foods at reeasonable cost;

(3) Inducement to develop and assist in distributing a blended weaning food to be sold through existing channels and to be used in public and private programs reaching the most malnourished;

(4) A GOH/SODEXOL commitment to an agricultural extension program that would provide on-farm technology demonstrations and seed credits for small-farmer ground nut investments and would support a corresponding cooperative marketing system that would assure producers of a continuing market at fair prices.

The other commodities listed in Table I represent estimated increases in import demand projected under the general strategy. They are directly related to the intended early decreases in grain production on marginal lands as these crops are replaced by trees. The feed-grain/corn mix is yet to be precisely calculated. However, the opportunity to use feed grains to promote a combined small-farmer poultry, pond fish-farming, and small irrigation program appears to be highly promising. Subject more detailed analysis, the corn/feed-grain mix would be developed to meet the combination of immediate human corn consumption demands as well as those for poultry/livestock projects such as the one mentioned.

B. ECONOMIC SUPPORT FUNDS/DEVELOPMENT ASSISTANCE: Table 4 shows the Mission's proposed high option level of funding by source, and suggests that ESF could figure into that mix at varying levels during the six-year period. We would urge that an ESF allocation of $10.0 million be made during the current fiscal year, for the reasons cited above relative to out-migration and the interdiction agreement, But primarily to support the GOH fiscal austerity program now being implemented to qualify Haiti for a new IMF stand-by agreement and to relieve the foreign exchange crisis which is significantly constraining private sector trade investment. (The new Minister of Finance has made a quiet but firm appeal for technical assistance to strengthen the GOH tax and budgetary administration. The U.S. should be forthcoming after its years of urging just such an initiative.)

In subsequent years, the ESF element could well be programmed for a commodity import program that would help to meet commodity requirements in the total program strategy for both public and private sectors. If, however, these ESF resources are required for more politically volatile countries of the region, the amounts suggested for ESF in Haiti could be shifted to DA accounts or might be provided in an expanded Title III package.

C. PL 480 TITLE II: The Title II levels for our direct food for peace feeding programs and for community based food for work activities are justified in detail above in the sectoral strategy on Nutrition (Section II D 5). Continued Title II assistance at proposed levels is essential to support the school feeding program, which reaches the nutritionally disadvantaged in primary grades (and strongly supports continuing school attendance in poor rural areas), to stengthen the maternal/child and infant feeding programs in the expanding network of private and public health centers (urban and rural) reaching the poor, and to maintain basic food stocks for disaster relief.

Table 1

TITLE I/III
(Possible Commodity Mix)

	FY 1983		FY 1984		FY 1985		FY 1986		FY 1987		FY 1988	
	MT (000)	$ (Million)	MT	$	MT	$	MT	$	MT	$	MT	$
Wheat	60	10.5	75	13.1	90	15.8	105	17.4	120	19.0	120	19.0
Corn/Feed Grains	10	1.4	20	2.8	30	4.2	20	2.8	10	1.4	10	1.4
Soy	33	9.	33	9.	22	6.	22	6.	11	3.	11	3.
Total $		20.9		24.9		26.0		26.2		23.4		23.4
(Rice) 1/	(4)	(2.0)	(4)	(2.0		-0-		-0-		-0-		

Total for 5 years (83-87) $121.4; Total for 6 years (83-88) $144.8.

1/ Non-add tonnage for rice is listed here as a contingency against possible setbacks in Haiti's current trend toward rice self-sufficiency.

Table 2

PROJECTED WHEAT DEMAND - TWO OPTIONS

A. Projected Growth in Wheat Demand - Historical Trend (10% annual growth)
(All Figures 000 Metric Tons)

1981 2/	1982	1983	1984	1985	1986	1987	1988
173	190	209	230	253	278	306	337

Foreign Exchange Costs
(Millions of U.S. at 1981 Prices)

$35.0	38.5	42.4	46.6	51.3	56.4	62.1	68.3

B. Projected Growth/Wheat Demand Adjusted to Agricultural Strategy
(All Figures 000 Metric Tons)

	1981 2/	1982	1983	1984	1985	1986	1987	1988
	173	190	219	242	290	334	367	404
Rate in Growth of Demand		(10%)	(10%)	(15%)	(20%)	(15%)	(10%)	(10%)

Foreign Exchange Costs
(Millions $U.S. at 1981 Prices)

$35.0	38.5	44.3	49.0	58.7	67.6	72.3	81.7

2/ In 1981 Wheat imports accounted for 1/4 of Haiti's negative balance of trade- $144.3 million. It represented nearly 12% of the F.O.B. $ value of all imports($35.0 million wheat; $298.0 million all imports). Approximately 80% of all Haitian wheat imports are of U.S. origin. In 1981 less than 10% of wheat imported was provided under the concessional terms of PL 480 Title I.

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TABLE 3 - LOW OPTION

ASSISTANCE PROGRAM
(In millions of dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
I. DEVELOPMENT ASSISTANCE							
A. Agriculture, Rural Development & Nutrition	5.4	7.8	7.5	7.4	8.8	8.9	9.0
B. Population Planning	1.5	2.8	3.0	3.6	3.2	3.1	3.0
C. Health	3.6	3.1	4.5	5.1	4.7	4.7	4.7
D. Education & Human Resources	.7	.5	.5	.3	.5	.5	.5
E. Selected Development Activities	.2	.4	.2	.3	.5	.5	.5
F. Private Enterprise Development	.3	.2	2.0	1.0	-	-	-
G. Other (PD & S)	.3	.2	.3	.3	.3	.3	.3
Total Development Assistance	12.0	15.0	18.0	18.0	18.0	18.0	18.0
II. PL 480							
A. Titles I & III							
1. Title I	9.0	11.0	11.0	12.0	13.0	14.0	15.0
2. Title III	-	-	-	-	-	-	-
Subtotal	9.0	11.0	11.0	12.0	13.0	14.0	15.0
B. Title II 1/	8.6	12.4	14.3	16.5	19.0	22.0	25.0
Total Pl 480	17.6	23.4	25.3	28.5	32.0	36.0	40.0
GRAND TOTAL	29.6	38.4	43.3	46.5	50.0	54.0	58.0

1/ Title II projections for FY 83 through FY 87 are at the same levels as shown in the FY 83 CDSS. The increases represent rise in prices.

Table 3 -LOW OPTION

USAID/Haiti

ASSISTANCE PROGRAM
(In Millions of Dollars)

TABLE 4 - HIGH OPTION

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
I. DEVELOPMENT ASSISTANCE							
A. Agriculture, Rural Development & Nutrition	5.4	12.3	12.4	18.2	18.6	18.9	18.9
B. Population Planning	1.5	2.8	3.3	3.6	3.7	3.5	3.5
C. Health	3.6	8.6	8.3	10.1	9.5	9.4	9.4
D. Education & Human Resources	.7	.5	1.5	1.4	1.5	1.5	1.5
E. Selected Development Activities	.2	.4	1.1	1.3	1.3	1.3	1.3
F. Private Enterprise Development	.3	.2	8.0	-	-	-	-
G. Other (PD & S)	.3	.2	.4	.4	.4	.4	.4
Total Development Assistance	12.0	25.0	35.0	35.0	35.0	35.0	35.0
II. PL 480/ESF							
A. ESF (Commodity Imports/BPS)	10.0	10.0	10.0	9.0	8.8	11.6	11.6
B. Titles I & III							
1. Title I	9.0	11.0	7.5	5.0	-	-	-
2. Title III	-	10.0	17.4	21.0	26.2	23.4	23.4
Subtotal	9.0	21.0	24.9	26.0	26.2	23.4	23.4
C. Title II 1/	8.6	12.4	14.3	16.5	19.0	22.0	25.0
Total PL 480/ESF	27.6	43.4	49.2	51.5	54.0	57.0	60.0
GRAND TOTAL	39.6	68.4	84.2	86.5	89.0	92.0	95.0

1/ Title II projections for FY 83 through FY 87 are at the same levels as shown in the FY 83 CDSS. The increases represent rise in prices.

Table 4 - HIGH OPTION