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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

HAITI

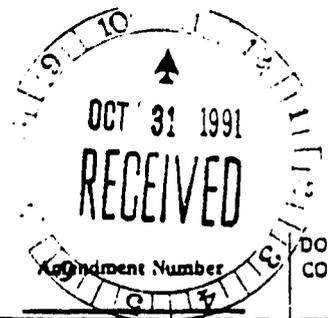
PROJECT PAPER

POLICY AND ADMINISTRATIVE REFORM

AID/LAC/P-694

PROJECT NUMBER: 521-0222

UNCLASSIFIED



AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE
A = Add
C = Change
D = Delete

DOCUMENT CODE
3

COUNTRY/ENTITY: HAITI

3. PROJECT NUMBER: 521-0222

4. BUREAU/OFFICE: USAID/HAITI

5. PROJECT TITLE (maximum 40 characters): Policy And Administrative Reform

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM DD YY 09/30/96

7. ESTIMATED DATE OF OBLIGATION (Under 'B' below, enter 1, 2, 3, or 4)
A. Initial FY 91 B. Quarter 4 C. Final FY 95

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY 91			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	370	70	440	7,884	1,116	9,000
(Loan)						
Other						
U.S.						
Host Country		111	111		4,000	4,000
Other Donor(s)						
TOTALS	370	181	551	7,884	5,116	13,000

9. SCHEDULE OF AID FUNDING (\$000)

A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) PSEE						2,000		7,000	
(2) ARDN						700		2,000	
(3)									
(4)									
TOTALS						2,700		9,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To assist the GOH to: (a) formulate and implement appropriate policies and (b) to reform structures, procedures and processes to facilitate balanced, sustainable economic growth.

14. SCHEDULED EVALUATIONS

Interim MM YY 10/93 Final MM YY 10/96

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

USAID/Haiti Controller Clearance:

I have reviewed and approved the methods of implementation and financing for this PP.

[Signature]
Igor Nesterczuk, Mission Controller

17. APPROVED BY

Signature: *[Signature]* Title: David Cohen, Director, USAID/Haiti

Date Signed: MM DD YY 09/29/96

18. DATE DOCUMENT RECEIVED IN AID/W. OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

PROJECT AUTHORIZATION

COUNTRY : Haiti
PROJECT TITLE : Policy And Administrative Reform
PROJECT NUMBER : 521-0222

1. Pursuant to Sections 103 and 106 of the Foreign Assistance Act of 1961, as amended, I authorize the Policy and Administrative Reform project for Haiti, involving planned obligations of not to exceed \$9,000,000.00 in grant funds over a four-year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is five years and six months from the date of initial obligation.

2. The project consists of financial and other support for priority policy and administrative reforms in Haiti. The long term goal to which the project activity contributes is that "Haiti achieves economic growth which is equitable, sustainable and within a stable, democratic framework". The project purposes are that the Government of Haiti (a) formulates and implements appropriate policies, and (b) reforms structures, procedures and processes to facilitate balanced, sustainable economic growth. To achieve the foregoing purposes the project will finance technical experts, intensive advisory services and training, technical assistance, commodities and other services.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

4. Terms and Conditions

A. Source and Origin of Commodities, Nationality of Services.

Commodities financed by A.I.D. under the project shall have their source and origin in the United States, Haiti, or in countries included in A.I.D. geographic code 941, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the United States, Haiti, or countries included in A.I.D. geographic code 941 as their place of nationality, except as A.I.D. may otherwise agree in writing.

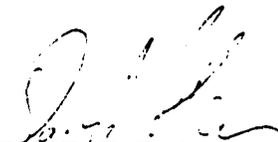
Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States, other countries in code 941 and the cooperating country.

5. Condition Precedent

The project agreement will contain, in substance, a condition precedent requiring the designation and appointment of a GOH project manager prior to initial disbursement, except as the parties may agree otherwise in writing.

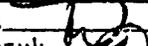
6. Covenant

The project agreement will contain a covenant requiring the GOH to provide GOH project personnel in an effective and timely manner.



David Cohen, Director
Director
USAID/Haiti

Date 7/23/91

Drafted by:	PDI: GSpence		Date	<u>7/11/91</u>
Clearance :	PO: LDowning		Date	<u>7/11/91</u>
	CONT: INesterczuk		Date	<u>7/11/91</u>
	D/DIR: FHerder		Date	<u>7/11/91</u>

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POLICY AND ADMINISTRATIVE REFORM PROJECT
(Project Paper)
(521-0222)

Port au Prince, Haiti
June 1991

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POLICY AND ADMINISTRATIVE REFORM
(521-0222)
PROJECT PAPER

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ACRONYMS

AGD	The Haitian Customs Administration
ADIH	Association for the Development of Haitian Industry
APA	Association of Agricultural Producers
CDSS	Country Development Strategy Statement (USAID)
DEP	Democracy Enhancement Project (USAID)
DGI	General Directorate of Taxation
EOPS	End of Project Status (USAID)
ESF	Economic Support Fund (USAID)
FAC	French Technical Assistance Agency
FSN	Foreign Service National
GOH	Government of Haiti
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development (World Bank)
IMF	International Monetary Fund
ILO	International Labor Organization
IPC	Implementing Policy Change (USAID) Project
IQC	Indefinite Quantity Contract (USAID)
LOP	Life of Project
MARNDR	Ministry of Agriculture
MEF	Ministry of Economy and Finance
MEN	Ministry of Education
MS/OP/COMS	- AID/W Procurement Office
MOC	Ministry of Commerce
MOP	Ministry of Plan
MSPP	Ministry of Health and Population
PAR	Policy and Administrative Reform Project
PDI	Project Development and Implementation Office (USAID)
PES	Project Evaluation Summary (USAID)
PIO/C	Project Implementation Orders (Commodities) USAID
PIO/T	Project Implementation Orders (Technical Services) USAID
PL 480	Public Law 480 (U.S. Food Aid Assistance)
PM	Prime Minister
PP	Project Paper (USAID)
PROBE	Promotion of Business and Exports Project (USAID)
PSC	Personal Services Contractor
PSIP	Public Sector Investment Program
S&T Bureau	- The Bureau of Science and Technology (USAID)
TA	Technical Assistance
TCT	Technical Consultants and Training Project (USAID)
TOR	Terms of reference
TPTC	Ministry of Public Works
USAID	U.S. Agency For International Development
USPSC	US Personal Service Contract (USAID)

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Translation of French Words

Caisse Centrale - French Financial Aid Agency
Centre Pétion Bolivard - a study discussion group on topics of
democracy
Chef de Cabinet - Chief of a Minister's Office
Collectivités Locales - Local Government units
Comite Directeur - Interministerial Working Group
Cours Supérieur des Comptes - Haitian General Accounting Office
Unité de Coordination et de Programmation (UCF) - Coordination and
Programming Unit (Ministry of Economy and Finance)

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PROJECT SUMMARY

The recent free elections and the inauguration of the Aristide government opens a new chapter in Haitian history. Representing a sharp break from the dictatorship, waste and ill conceived policies of the past, the new government is taking stock and formulating its course of future action. The Policy and Administrative Reform Project (PAR) will enable USAID to work directly with the new regime in its effort to reform economic policies, reorganize administrative structures and strengthen its capacity to implement change. The project is five and a half years in duration with a budget of \$9 million in Development Assistance funds plus \$4 million in local currency generations.

The goal of the project is to assist Haiti to achieve economic growth which is equitable, sustainable and realized within a stable, democratic environment. The purposes of the project are to enable the GOH to (a) formulate and implement appropriate economic policies and (b) to reform structures, procedures and processes and thereby facilitate balanced, sustainable economic growth.

The approach of the project is to work toward improvements in the economic policies and administration of the public sector, utilizing collaborative, facilitative and flexible methods. This evolutionary process is intended to lead to the elaboration of a "menu" of reform topics which will then become the focus of project activities over the remainder of its term. The project will provide a framework for a collaborative process to identify reform priorities, define the elements of specific reforms, build support for change, address the data requirements, develop implementation plans for agreed reforms and assist in the execution of the plans.

Accordingly, the project is structured in two phases. The first, of nine to twelve months in duration, will consist of a joint examination of critical economic and administrative issues. To this end, the project will provide technical experts to consult with GOH officials to diagnose problems, fill in specific data gaps and conduct initial feasibility analyses of specific reform proposals. These activities will be complemented by seminars and conferences to discuss reform issues and share information. As the process evolves, a series of priority reform topics should emerge that will become the agenda for the work of Phase II. Topics likely to be considered include public finance reform, overhaul of the foreign trade regime, increasing public enterprise efficiency, tax and customs reform, revamping the civil service system and individual ministries, and the decentralization of government revenues, functions and responsibilities.

Phase II will focus on helping the GOH to address a limited number of priority reform issues and measures. Project-financed technical assistance will provide the GOH with the data and analyses necessary to weigh alternative reform choices and to assist in

planning and executing the reforms themselves. Project funding will also finance additional workshops, seminars and study tours, short term training for up to 400 Haitians and equipment to help agencies to execute reforms. In addition, the project will finance management staff and two evaluations and audits.

Development Assistance financed activities will be complemented by a GOH contribution of \$4 million funded by ESF - generated local currency to finance a contract with a Haitian firm for logistic support services, technical assistance and training by Haitian experts and agencies, for local commodities, some construction and for a management operations officer.

USAID management will be headed by the Chief of the Planning Office, who will serve as the Project Officer and counterpart to the GOH Project Manager. He will be assisted by a USPSC Policy Specialist and a mid-level administrative officer. Oversight functions will be exercised by a Project Committee headed by USAID's Deputy Director. On the host Government side, the project will operate under the direction of a ministry or coordinating authority selected by the GOH, which will designate the project manager. USAID will provide technical services for the project through a buy-in to the Bureau of Science and Technology's "Implementing Policy Change" project as well as through buy-ins to other AID/W projects and the use of indefinite quantity contracts, personal services contracts, etc.

I. PROJECT BACKGROUND AND DESCRIPTION

A. Project Background

1. Project Rationale

Haiti, as it embarks on a new democratic path, is at a crossroads in its history. The country's spectacular recent break with the dictatorship and exploitation of the past has created an opportunity for badly needed new economic development policies. The Policy and Administrative Reform Project (PAR) will allow USAID to work directly with the new government in its effort to improve economic policies and their implementation, and reform national public policies and structures.

The importance of policy and administrative reform for future Haitian economic development is widely recognized. A recent worldwide study found, in fact, that, "...in the long run, sound policies, and capable, honest administration are more important to economic performance than a country's natural resource endowments." A principal aim of the PAR project is, therefore, to foster an effective state apparatus that can transform the mandate of the governed, expressed through elections, into practice and results. This means specific changes and improvements in the organization and operation of public sector agencies to raise levels of efficiency, equity and dependability, and in public policies which affect the potential for economic growth.

The basic problem that this project has been designed to address is that the institutionalization of democracy in Haiti, over the long term, will require a supportive economic environment which meets the expectations of the population for jobs and services. This, in turn, will require sound economic policies and effective and accountable government administration.

2. Economic Performance of the 1970's and 1980's

Haitian economic progress has fluctuated widely. Over the last twenty years, Haiti has experienced a range of policy guidance from its economic leadership, which has resulted in differing levels and types of performance. Equally important, all of these attempts at national development have taken place against a framework of fundamental political corruption which crippled the organization and operations of the nation's civil service. Recent economic performance has been characterized in four relatively distinct stages (see Table 1).

a) In the late 1970's, Haiti experienced several years of 5-6% GDP growth, driven by favorable world commodity prices, support for

infrastructure investment (funded by concessional aid), and by a rapidly expanding export assembly industry.

b) The first half of the 1980's witnessed a contraction in the economy, partially caused by declines elsewhere in world markets. In spite of this different economic reality, public investment continued, while national savings decreased. Deficit financing by the Haiti Central Bank contributed to higher inflation and the development of a parallel market for gourdes, traded at a discount. International reserves were drawn down and external debt expanded. The new system of the 80's came to be characterized by fiscal and trade restrictions on the private sector, the creation of public enterprise monopolies, and the squandering of public resources without concomitant increase in national production or absorptive capacity.

Table 1: Economic Indicators

Indicator	1975-80	1980-85	1986-87	1988-89
1. Avg. Growth Rate (% per year)				
-Real GDP/capita	5.3	0.9	0.6	-1.5
-Real GNP/capita	3.3	-2.6	-0.4	-3.4
-Priv. Real Cons./capita	2.5	-3.1	2.4	-3.9
-Consumer Price Index	6.5	8.3	2.0	10.2
2. Ratio to GDP (% GDP at current prices)				
-Gross Domestic Investment				
-Public	9.1	10.0	6.9	6.6
-Private	7.5	6.4	5.5	5.4
-National Savings				
-Public	1.8	0.5	0.1	0.2
-Private	7.8	7.7	5.1	5.1
-Central Bank Financing	1.1	2.8	0.3	1.2
3. External Position (in \$US millions)				
-Net Change in Reserves	29.3	-130.8	-80.0	-91.0
-Ext. Debt Disburs. and Outstanding	318.2	687.4	777.0	830.0

Source: IBRD, IMF, ILO, USAID

c) The period 1986-87 appeared to begin a trend toward economic stabilization and growth. The positive economic signs of the period (modest agricultural and industrial growth, reforms in taxes, public expenditures and investment, industrial incentives and

agricultural pricing) provided a boost for the social agenda and began generating benefits for a broader portion of the population: lower inflation, employment growth, lower food prices and increased consumption.

d) The avalanche of political crises which began in late 1987 caused the economy to drop back into the downward spiral initiated in the early 1980's. Estimates for the period 1988-89 show decreases in GNP/capita of 3.4% per year, per capita consumption dropping by 3.9% per year, and export volume declining 3.8% per year, with trends continuing through 1990 to the present.

The lack of economic growth over the 1980's (commonly referred to by local economists as the "lost decade") has translated into major losses in the standard of living of the Haitian people. Haiti's economic performance over this period, poor as it was, failed to reach a wide cross-section of both rural and urban segments of the society. Today's GNP per capita of US\$267 is one of the lowest and worst distributed in the World.

A more complete review of Haiti's economic development record is provided in Annex B.

3. Public Sector Performance

The economic stagnation of the 1980's exacerbated the deterioration of Haiti's public services and the functioning of the Government in general. Even in more prosperous times, however, the weak Haitian public sector has been riddled with corruption and has suffered from a proliferation of autonomous, overstaffed and uncoordinated ministries, agencies and bureaus, each with its own set of rules, regulations and procedures. Protection of inefficient and corrupt state enterprises has robbed public finances, increased prices of basic commodities, and limited the provision of services. The Government has never been able to effectively perform essential functions, most importantly the furnishing of basic administrative, health and education services. The Aristide government has inherited a public sector which constitutes a major impediment to Haiti's transition to economic growth and the nurturing of democracy.

The Haitian state has long been characterized as one whose primary function has been to permit those in power to use their positions as a means to enrich themselves and their supporters at public expense. As a result of the political culture of the public sector, the vast majority of civil servants have viewed public employment as a source of income -- nothing more. Even if the public sector were better organized, incentives are highly distorted.

There has existed for some time a legal framework to regularize the public service, incorporating job classification, merit based recruitment and promotion, and standardized personnel procedures, which, according to experts, reflects most of the major elements found in effective civil service systems around the world. Haiti's record in operationalizing the framework -- actual progress in implementing administrative reform -- has ranged from disappointing to abysmal. In fact, the public payroll is a chaotic and inconsistent patchwork. Hiring, firing and promotion have been based on favoritism and patronage. Pay scales may vary up to 250 percent for the same technical post. Nearly all ministerial budgets go for salary costs, and the vast bulk of the civil service is comprised of either minimally-qualified, low level personnel, or technical staff who are underpaid. Many individuals who obtain regular paychecks work few hours or not at all. No one knows how many people are actually employed by the government.

One key to effective government is broad availability of information and the use of that information, both inside and outside government, to monitor performance and ensure accountability -- or "transparency." The government's historic lack of capacity in data collection, analysis, monitoring and evaluation is not simply a technical problem. The control of information, especially financial information, has been one mechanism for those in power to maintain control of resources. In the 34 years of the notorious Duvalier dictatorship Haiti's equivalent to the U.S. General Accounting Office, the Cour Supérieur des Comptes never reported a single financial irregularity.

With nearly all of the budgets for public entities going to pay salaries, non-salary operations and maintenance items are severely underfunded, and the service delivery capacity and performance of the civil service are minimal. Among the functions that have suffered is public resource management itself, both of expenditures and of revenues, including such functions as planning, budgeting, taxation and customs, capital market organization, and debt management. This has important implications for any reform agenda, since the management of adequate resources to create benefits efficiently and to distribute them equitably is critical for sustainable development and effective democracy.

Tax and customs revenue collection merit special attention, due to their potential to provide resources to a reformed public administration. Both suffer from serious organizational weaknesses. Although progress has been made in the past (through the assistance of USAID and other donors) in legal frameworks, revisions to codes, and so on, monitoring and enforcement have seen less progress; these are key areas for corruption, kickbacks and skimming. Despite Haiti's poverty, undercollection, particularly of income and property taxes from the elite, has allowed a significant portion of national resources to go untapped.

The design of the PAR project has specifically taken into account the historical context of public administration and the social factors which may constrain reform. Even relatively simple steps, such as trade liberalization measures, are likely to confront entrenched interests. Similar obstacles threaten to thwart needed changes throughout the public sector. The challenge is not only to define policy changes but to build commitment and ownership of the changes among the various groups that would be affected by them. One of the highest priority needs is an effective process to permit the government to identify priorities and target problems; to develop, build consensus and put into place plans for change; and to monitor and evaluate results.

A more complete review of the context for implementation of reforms is provided in Annex C.

4. Strategic Framework for GOH-USAID Project Collaboration

a) The Government of Haiti Perspective

The basic strategic principles laid down prior and subsequent to the elections are useful points of departure in organizing a commonly perceived strategic framework for this joint project activity.

1) "Justice, Participation, Transparency", the slogan carried into the elections by President Aristide, successfully appealed to the masses of Haitians who had been marginalized and exploited by many years of corrupt and undemocratic government. Justice (in the rule of equally and fairly applied law), participation of all (in the sense of democratic pluralism), and transparency (in the actions of all Haitians), form a framework for initial government action under President Aristide.

Although unstated, the relationships between this politico-social mandate and the policies of national economic development are strong. Justice implies the need to rethink a number of policy issues which lie outside the normal purview of the judicial body, including land tenure, the structure of government and its relationship to non-governmental entities, and opportunities for the redistribution of the benefits of economic growth. Participation for the vast majority of Haitians will not come from democratic elections alone (although clearly an important starting point), but rather from the right to take advantage of a system of economic pluralism. Transparency implies a need for openness and accountability, financial and institutional. National systems of "management" which have hidden the greed and lies of the previous era must be restructured to fit the objectives of the nation. The

sine qua non for successful overall implementation and acceptance of this new momentum for change will be sustained economic growth which permits the individual Haitian to feel part of the process of change and to benefit from it.

2) Employment and Cost of Living -- economic themes which have been repeatedly raised in major speeches presented by the new government have included particularly the need to address high rates of unemployment and underemployment, and the high cost of living. These problems were exacerbated by the "lost decade" of the 1980's, itself provoked by the massive failure of government. A poor environment for private sector development has led to declining levels of growth, and consequential unemployment and related economic inefficiencies. In the absence of sound government policy, individual Haitian citizens have generated their own coping mechanisms, either through manipulation of the "systems" here in Haiti, or, for those with the requisite skills, through migration to more developed economies. For the nation, this does not constitute a resolution of the problem, and has, in many ways, actually contributed to it. Numerous long-standing and poorly formulated economic policy issues will need to be addressed to move toward amelioration of current conditions. As importantly, inefficient and corrupt management systems at every level of government require reassessment so as to permit a successful implementation of policy reform, once appropriate policies are formulated.

b) The USAID Perspective

The absence of democracy and the abuse of human rights ultimately led USAID to limit its program to non-governmental organizations, and to decrease the overall size of its program. The U.S. Government strongly supported the recent open and democratic electoral process which brought President Aristide to power with a large majority. The new government not only has a solid popular mandate, but also appears to have the political will to move Haiti into a more democratic and prosperous era. This election has provided USAID an opportunity to renew its support to government institutions as an integral part of its portfolio.

USAID's current strategic framework for Haiti focuses on three objectives:

1) Democracy: The evolution of public and private democratic institutions that respond to the needs of the Haitian people, including:

- effective and accountable administration of GOH institutions;
- sound public policy-making based on broad involvement of the populace and effective operation of democratic institutions;

- effective, participatory non-governmental institutions;
- an independent, impartial, and fair judicial system.

2) Economic growth: The achievement of sustainable, private sector led, equitable economic growth and development, including:

- macroeconomic policy reform (specifically trade liberalization, public sector fiscal reform, revenue collection and fiscal administration, land use/tenure reform, reform of public enterprises);
- increased rural incomes and agricultural production and productivity;
- preservation and improvement of the natural resource base;
- promotion of trade, investment, and off-farm employment.

3) Human resources: As a special concern, the protection and development of human resources to lay a sound basis for sustained economic growth and democratic development, including:

- basic services vital to the maintenance of political and economic stability;
- better educated population;
- a system able to respond to health service needs of the Haitian people.

The PAR Project will address the objective of economic growth, and will be an indirect, but significant vehicle for the democracy objective, given the close linkages between sound government administration and improved economic conditions, on the one hand, and sustainable democracy, on the other. The project's emphasis on financial management and accountability will also bear directly on USAID/Haiti's democracy objectives. The project will support the human resources objective, in that basic services in health, education and other areas can be provided better if there are improvements in government policy, performance and efficiency.

The project will be complemented by several other projects and programs in the USAID/Haiti portfolio. Many of the same objectives will be supported through the Promotion of Business and Exports Project (PROBE), which will help the private sector analyze policy concerns and conduct policy dialogue with the government. PROBE will emphasize reform of regulatory policies that constrain trade and investment. Current and upcoming ESF programs will provide support for economic policy reform. The FY 1991 Democracy Enhancement Project (DEP) will include support to the legislative branch and to local governments. There will be some positive overlap between PAR and DEP in such areas as the role of the legislature in identifying needed reforms and building support for them. Another area of overlap is likely to be decentralization and local revenue generation. The FY 1992 Administration of Justice Project will support administrative improvements in the justice

system. Agriculture policy reforms will be promoted through the FY 1992 multi-year PL 480 Title III program and the FY 1992 Sustainable Health Care. Project may include policy based sector assistance.

The PAR project will build upon USAID/Haiti support to public policy reform provided through the Technical Consultants and Training Project (TCT) between 1983 and 1987. Until the cutoff of bilateral assistance at the end of 1987, TCT support was beginning to have positive impacts in the areas of tax and customs administration, financial management, economic studies, and public enterprise reform. That project has provided USAID/Haiti with useful experience for the design of PAR, in that it was a flexible resource, with identification of project support based on jointly perceived needs for technical assistance and training.

c) The Role of Other Donors

The recent elections and the potential opportunities for major reform in the public sector under the Aristide government have prompted offers by other donors to offer assistance. At this writing, a number of proposals have been put forward and are under examination, but the GOH is still in the process of deliberation. To date, the United Nations Development Program (UNDP), France, Canada, the International Monetary Fund and the World Bank, have been the most active in this area.

1. UNDP. On the immediate horizon is a proposal to the Ministry of Plan for a "Management Development Project" consisting of a series of seminars for GOH officials over a six month period for intensive exposure to better management principles and techniques. Subject to a positive outcome, UNDP (in collaboration with the IMF) is prepared to consider a more extensive and longer run management development training program. UNDP has also offered to the Ministry of Economy and Finance to identify and bring to Haiti up to six economists of Haitian origin for periods of up to six months each to strengthen MEF's capabilities in macroeconomic analysis. MEF favors the idea and a request from MOP is awaited. In addition, UNDP is interested in providing assistance in customs reform, improvement of basic economic statistics and specialized training abroad.

2. France. In a recent visit by senior officials of the French technical cooperation agency (FAC), interest was expressed in providing assistance to the following GOH entities:

- General Directorate of Taxation or DGI (where French advisers have worked in the past under IMF auspices);
- The General Customs Administration (AGD);
- The local government system (Collectivites Locales) to provide training in management and service delivery systems;
- Ministry of Justice (upgrading courtroom procedures and the

knowledge and skills of judges);

- Public enterprises (capital and technical assistance).

It is expected that decisions will be taken on one or more of these subjects during a forthcoming visit by a joint FAC/Caisse Centrale (financial aid agency) mission.

3. Canada. The Canadians have expressed interest in continuing work initiated in 1986, and halted in 1988, to further the computerization of the DGI's tax records; thereby improving tax collection procedures.

4. International Monetary Fund. The IMF has expressed interest in providing assistance in the following areas:

- a. To strengthen Central Bank capabilities in the analysis and development of monetary policy and to help the bank reinforce its functions of supervising and regulating the financial sector (e.g. commercial and saving banks, currency exchange houses, etc.);

- b. To the DGI in tax policy and in revenue collection.

5. World Bank. The IBRD is planning to help the Ministry of Planning to rationalize the Public Sector Investment Program (PSIP) and to strengthen its procedures. The World Bank has also shown receptivity to further assisting the new government and is prepared to enter discussions when the GOH is in a position to present its development strategy and program. Should such discussions eventually lead to the provision of a new structural adjustment loan, the IBRD would undoubtedly also provide a companion credit for technical assistance.

A meeting of the World Bank-sponsored Consultative Group is planned for July 1991 and will involve two days of economic policy and assistance discussions between the GOH and the major donors. The meeting should serve to hasten and clarify the process of rationalizing and expediting donor assistance to Haiti.

Because of the possibility of other donors playing significant roles in assisting with policy and administrative reform, USAID will be keeping in close touch with them and adjusting its activities to complement or reinforce what others are doing.

5. The Project Strategy

The project will facilitate improvements in economic policies and administration of the public sector through a flexible, and collaborative approach. Flexibility is absolutely necessary at this time, since, although broad objectives have been set forth, the new government's detailed policy agenda remains embryonic and will evolve over time. Worldwide experience shows that basic

reforms must be decided by individuals and groups whose participation and actions are essential to their implementation, rather than be predetermined by outside assistance, however well-intentioned. Particular problem areas will be addressed through a learning process, which will permit Haitian government officials to assess the current situation, define possible actions and their constraints, and then make informed implementation decisions. There is a deliberate emphasis on the process of policy choice and implementation, rather than exclusively on policy content or definition. As more fully discussed in Annex C, unless key stakeholders in the policy selection process take sufficient ownership of the policy and manage its implementation strategically, especially where the political and bureaucratic costs are likely to be high, even the best policies will very likely not be put into place.

For these reasons, the PAR project will provide a framework for a collaborative effort with the GOH to identify reform priorities, define the elements of each reform, build support for change, address the needs for data, develop detailed implementation plans for needed reforms, and assist with implementation of reforms. Although priority areas for policy and administrative reform can be set forth at this time, particular reforms or implementation plans, or for that matter to what extent this project will support a particular area, cannot be set forth at this time. The project design sets forth a "menu" of priority reform areas which can be selected for attention over the life of the project.

The project will move from an initial exploratory phase to a second, intensive implementation phase, with the initial phase lasting approximately 9 to 12 months. The initial phase of the project will consist of a joint examination of a broad range of economic and administrative issues, leading to the selection of several specific areas for intensive focus. During this phase, visits by experts in any of the priority areas could be supported, upon request by the GOH. A wide range of studies could be financed to diagnose particular problem areas, fill identified data gaps, and conduct initial feasibility analyses of particular reforms. Fora for discussion of policy concerns and results of studies could also be supported. These initial collaborative activities will result in selection of particular reform topics which are of highest priority for intensive GOH attention during the second phase of the project. Given that other donors, particularly the UNDP and the French, are also likely to be supporting the GOH in the area of administrative reform, and that the IMF and the IBRD are likely to be working on macroeconomic policy another factor in selection of areas for intensive attention will be complementarity with other donor efforts. Although these phases are not intended to be rigid divisions, the intensive implementation phase will primarily support long term technical experts, intensive advisory services, training, short term technical assistance and

commodities, in the development of detailed plans for change and their effective implementation.

6. Policy and Administrative Reform Priorities

a) The "Menu"

Project analyses have led to a focus on two basic, interrelated themes: economic policy analysis and administrative reform. The distinction is not a neat one, however, since the two areas have an inherent overlap. Many of the economic policy issues have major administrative reform implications while many of the administrative reform measures could have strong economic consequences. For example, increased efficiency of tax collections is not only an administrative reform task but one having potential for major policy results with respect to development financing, deficit reduction and inflation.

The exact nature of the economic policy and administrative reform priorities of the Aristide government should be defined in the medium term. The PAR project will be responsive to GOH priorities, in accord with the shared strategic framework for project implementation outlined in Section I.A.4., above. The following "menu" of policy and administrative reform areas, abstracted from the project analyses contained in Annexes B and C, represents an illustrative guide for project implementors to use in the selection of project activities, in accordance with the project strategy outlined in the previous section. Consistent with the project's phased approach, several of these areas will be selected, jointly with the GOH, for intensive support to the process of policy implementation.

1) Reform of Public Finance

Reform in this area includes the generation, receipt and expenditure of revenues, as well as the policies which govern revenue generation, allocation and expenditures. The sectoral composition of expenditures should be assessed, in order to recommend an allocation which best contributes to development objectives. Revisions in budgetary allocations should also be based on a critical examination of individual governmental entities and their functions, and ways in which streamlining could occur. Another important area is the management of the public investment program. Options papers might be prepared which would describe alternative modes of revenue generation enhancement and expenditure control, and technical assistance could be provided to implement the changes. (Civil service reform, which will have important impacts on public finance, is addressed in menu item 7 below. Tax reform is addressed in menu items 6 and 8 below.)

2) Operations of the Ministry of Economy and Finance

Closely related to the reform of public finance and other economic policy areas is the organization and functioning of the MEF, and its Budget Office. Included would be the capacity of the MEF to maintain and use a data base, not only for the national budget but also for such areas as trade flows, GDP, and the tax base. The national economic data base has significant gaps, with partial data bases in existence at a number of ministries, directorates, and institutes. There is an urgent need to establish a baseline and a system to gauge the economic performance of the GOH and of the economy as a whole, perhaps through the Haitian Institute of Statistics (IHSI). Technical assistance and training might be provided to help consolidate and upgrade information systems, and enhance economic policy analysis.

3) Reform of the Foreign Trade Regime

Reduction or elimination of tariffs, monopolies, import quotas, subsidies, licensing requirements and other restrictions to trade are policy measures that could have a broad and beneficial impacts on the economy and hence the availability of jobs. Related regulatory reform affecting the export sector is also important. Both PAR and the PROBE project can address these areas from their respective public and private sector vantage points. Foreign exchange policy is also a factor affecting trade and investment, and Haiti's competitive posture. PAR support could be used to conduct detailed analyses of the costs and benefits of particular policy changes, and bring public and private sector officials together to discuss them.

4) Financial Management and Accountability

Given the history of entrenched corruption in the civil service, and the limitations in existing financial management and internal control systems and in public sector auditing capacity, this is a priority area affecting all aspects of public administration. There is a broad literature on the use and management of information to ensure accountability, and there are specific examples from other countries of effective anti-corruption programs, which could be useful in Haiti. PAR could help senior officials be more aware of current approaches to improving accountability in government. A review of the mechanisms in place within the public sector could be undertaken, and their positive and negative attributes described. Support might be provided to establish appropriate management information systems for specific ministries or offices. A major area of concern is the role of the Cour Superieure des Comptes in improving overall public sector management and transparency. A study could be carried out on options to improve the management of the internal auditing function.

5) Public Enterprise Reform

While the initial focus of the PAR Project might be on raising the efficiency and performance of public enterprises, it would probably be more beneficial in the long run if some of them were privatized. Privatization, if carried out within a liberalized trade regime, could help contribute to savings mobilization, the inflow of capital from abroad (including from Haitians abroad), the return of some flight capital, as well as greater efficiencies in managing the enterprises. Ideally, the privatization process should include domestic partners, the workers and staffs of the units being privatized, and the participation of Haitians living abroad.

In order to better manage public enterprises in the short term, or to privatize them partially or entirely in the longer term, there will be a need for financial and technical assessments of the operations and value of individual enterprises. Any privatization decisions will require detailed feasibility studies valuation exercises and implementation plans. PAR could support general studies of the costs and benefits of privatization generally, or could support specific assessments, feasibility studies and implementation plans for particular enterprises.

6) Tax and Customs Administration

This area addresses possibilities of increasing internal revenues by improving the capacity of revenue collecting entities. Objectives include improving the administration of the taxation office (for corporate, personal income, real estate, and value added taxes), and improving the administration of the Customs Service. In both cases, PAR might support a review of the human, financial and material resources at the disposal of the respective institutions, and development of plans to better manage those resources and determine additional needs. Installation of effective management information systems might be an appropriate contribution. Included would be networking and information flow between the Customs Service, the Tax Office, and the Central Bank. Depending on the nature of ultimate PAR assistance in this area, support could be provided for computerization and skills upgrading of personnel.

7) Civil Service Efficiency

This area incorporates several levels of reform. The first is the role and functioning of various government entities within the executive branch, and ways to adjust the structure inherited by the current government to make it both more efficient and more suited to current GOH development objectives. The second level covers the rules and procedures governing the operations of the civil service generally, including classification of functions, salary grids, recruitment and promotion procedures, and retirement. The third level includes reforms of structure and organization within

individual ministries to make them more efficient and better able to deliver services. Cost recovery measures would be included under this category. PAR can support studies, workshops, training, commodity procurement and intensive technical assistance in these categories.

A related area of concern, both across the government and for particular ministries, is public-private sector relationships. As ministries attempt to streamline themselves and become more efficient, it might be appropriate for some employees to join the private sector and provide services on contract, as has been suggested for the public works ministry. Innovative approaches to partial privatization of ministry services is an area where PAR can provide a range of support. In sectors such as health, agriculture, and education, the public-private sector interface involves many non-governmental organizations with a history of good performance in service delivery. In this case, PAR might help government officials to examine appropriate ways to encourage NGOs to continue to serve their beneficiaries, but with closer policy direction and oversight of the government.

8) Decentralization and Local Revenues

The framework for interaction between the GOH executive branch and local governments is generally outlined in the constitution, but specific mechanisms have not yet been clearly defined. Under the Democracy Enhancement Project, support will be provided to the elected bodies; under this project, options could be explored from the point of view of the line ministries in the executive. Of particular importance is local revenue generation and the allocation of tax receipts to local government entities such as mayors and municipal councils, both to finance their basic operations and establish their capacity to provide municipal services. PAR support in this area will be closely coordinated with the Democracy Enhancement Project.

9) Equity Concerns

As reforms are planned and implemented, care must be taken that groups within the society are not particularly disadvantaged. Included under this rubric would be ways to provide a safety net for civil servants who will be without jobs due to an eventual reduction in force. PAR could support studies of options to address this need, including a loan mechanism, or alternate job opportunities. Another, broader concern is the impact of economic reforms on the poorest segments of the society and on women.

10) Land Tenure and Land Reform

Measures to rationalize and give equitable basis to landholdings are of particular concern, given the government's emphasis on equity and participation. There is a recognized need for an

inventory of state-owned lands, and a study of the land use planning implications of state ownership of large, under-exploited (or over-exploited) tracts of arable land. Another concern is standards for land use, such as taxing unused agricultural land at a higher rate than land that is under cultivation. There are also a number of points of view about the relation between security of tenure -- and the basis for that security -- versus stability of tenure and resulting long term investment in productive and sustainable agricultural activities. The merits of titling are not clear, with some recommending actions to increase security of tenure short of titling, and others suggesting more comprehensive titling reform. The data base for all land use -- public and private -- is woefully inadequate. Initial examination in such areas as data needs, or appropriate land use and tenure policies, could be financed through PAR. Due to the magnitude of this problem area, however, intensive assistance would be provided through a separate project.

11) Other Sectoral Concerns

Sector-specific reforms which are not covered through another USAID/Haiti program or project could be supported through PAR. An example is reform of urban revenue generation including a cadastral survey, updating of property values, tax collection enforcement and the financing of improved urban services.

b) Current Areas of Interest

In order to provide rapid-response assistance to the newly elected government in the area of policy and administrative reform, USAID/Haiti has funded (through another project mechanism) an FY 1991 buy-in with the centrally-funded Implementing Policy Change (IPC) project. This buy-in has essentially provided USAID/Haiti with a pre-implementation mechanism for support to policy and administrative reform. IPC staff have held a series of discussions with key ministers and their senior staffs, which have led to the following areas for initial technical assistance and study:

- Transportation and Public Works Ministry: support for the design of management information systems;
- Customs Service: assessment of export values, inventory of human, financial and material resources, merchandise nomenclature revision, restructuring of Customs School, information flows;
- Ministry of Economy and Finance: budgeting, procurement systems;
- Tax Administration: internal organization, staff short-term training plan, personnel management, information flows;
- Civil Service Reform: job classification, standardization of organizational charts, salary grid, legislation review, computerization;
- Public Enterprise: selected feasibility studies;

- Cour Superieure des Comptes: accounting, financial management, audit, financial records.
- Corruption

Directly and through IPC representatives, USAID/Haiti will continue to pursue these initial expressions of interest. Other topics of concern relate to the economic policy areas included in the FY 1991 ESF program: stabilization policy, trade liberalization, and support for free market pricing. Assistance in all of these and other priority areas will be provided through the pre-implementation buy-in until PAR project mechanisms are in place. USAID/Haiti PAR project management will discuss these areas, both during project negotiations and subsequent to signing of the Project Agreement with the GOH.

B. Project Description and Objectives

The PAR project will provide \$9 million in grant resources in support of priority policy and administrative reforms. The project's goal, purpose, outputs and inputs reflect a review of general economic policy and administrative reform priorities, along with the elements of the project strategy emphasizing collaborative project implementation with the GOH, a strategic management approach, flexibility, and project phasing (see Project Strategy Section, above.) The following description is built around the abbreviated logical framework which is contained in Figures 1 and 2. The complete logframe is rendered in Annex A.

Goal

Consistent with the fundamental objectives of both the GOH and USAID in their respective strategic approaches to development, the longer-term goal toward which this activity contributes is that "Haiti achieves economic growth which is equitable, sustainable, and within a stable, democratic framework." This higher order goal goes well beyond the PAR project alone and constitutes an agenda which, if sustained, should be a strategic focus of Haitian development over the next 10-20 years. Key assumptions for achieving the project goal are (1) that the GOH accepts the objectives of growth and improved welfare without state control as a necessary precondition, and (2) that an elected government remains in power with limited civil strife.

Purpose

The core strategic objectives of the PAR project are laid out at the purpose level in Figure 1. The project's purposes are that the GOH (a) formulates and implements appropriate policies, and b) reforms structures, procedures and processes, to facilitate

balanced, sustainable economic growth. These objectives and the End of Project Status (EOPS) which define the more specific performance targets refer specifically to the two separate, yet related, themes of economic policy and administrative reform.

The first objective is grounded in the concept that key GOH policies, especially economic policies, should be formulated through a process of open dialogue with the full range of actors affected by such decisions, including the private sector. The second objective necessarily builds on the assumption that the current government has the will, the wisdom, and the strength, to enact administrative reforms which increase the efficiency and relevance of the public service. The strategic project framework will serve as the basic point of reference for project implementors as they work over five years in the constantly changing context of tomorrow's Haiti. An attempt has been made in Figure 1 to define project EOPS as explicitly as possible, although it is clear that a final measure of the "success" of the PAR project will depend as much on its achievement of overall purpose as with any quantitative indicator that could be assigned to it.

FIGURE 1: STRATEGIC OBJECTIVES
(Purpose Level)

The Government of Haiti facilitates balanced, sustainable economic growth through:

<p>a) Formulates and implements appropriate policies</p> <p>b) Reforms structures procedures and processes</p>	<p><u>ECOS</u></p> <p>1. Priority Policies addressed and implemented.</p> <p>2. Policy dialogue, including private sector, routinely used.</p> <p><u>ECOS</u></p> <p>1. Revenues and expenditures programmed through use of strategic management systems.</p> <p>2. Ministries improve efficiency through procedural reforms</p>
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Key assumptions:

- That G.H and private sector move toward sharing a common vision and agreeing upon mutually acceptable allocation of responsibilities based on comparative advantages of each.
- That political will and consensus exists to implement difficult and sometimes costly reforms.
- That there exists within the cabinet mechanisms for inter-ministerial policy formulation and implementation.

Outputs

The project outputs are specifically targeted and measurable "products" which could be expected to lead to project purpose achievement. They should be considered proxies for an estimation of progress in meeting project objectives in the course of project implementation. Outputs are not a substitute for purpose-level achievement, however, which ultimately will have to be measured on its own merits. A characterization of each project output is noted below, and in Figure 2.

FIGURE 2

Inputs

Outputs

<u>A. USAID (DA-Funded)</u> <u>Contribution</u>		
1. Technical Assistance	\$5.2m	1. Priority economic policy reform studies (10)
-L.T (14 p-y)		
-S.T (100 p-m)		
2. Training	\$1.0 m	2. Fora for public and public-private sector dialogue on priority policy issues (25)
(400 p-m)		
3. Seminar/Roundtable	\$0.25m	3. Institutional and financial management studies in priority areas (20)
4. Commodities	\$1.0m	4. Strategic implementation plans for policy and administrative reform developed and followed (5)
5. Evaluation/Audit	\$0.3m	
6. Project Management	\$1.25m	5. Enhanced public and private sector skills in project focus areas (400 trainees)
	S.T. \$9.0m (69% of total)	
<u>B. GOH (ESF-Generated)</u> <u>Contribution</u>		
1. Logistics Support	\$0.5m	
2. Technical Assistance	\$1.65m	
3. Training	\$0.7m	
4. Commodities/Const'n	\$1.0m	
5. Operations Officer	\$0.15m	
	S.T \$4.0m (31% of total)	

Output #1: Economic policy reform studies conducted in priority areas of GOH concern (10 studies). It is expected that several of the economic policy reform issues mentioned above would be the object of technical assistance under the project. The exact number and nature of these studies will depend on the evolution of the newly elected government, and the extent to which it wishes to draw upon this grant mechanism in the provision of analytical talent.

The project will stimulate informed discussion on this topic through funding of talented U.S. and other economists, who, in the earliest months of the project, can help frame the priority issues and lay out the range of options.

Output #2: Fora for public and public-private sector dialogue on priority policy issues (25 fora). Staff at different levels of involved ministries (among them MEF, MOC, MOP, and sectoral ministries) will be brought together to discuss government priorities, in light the results of studies and technical assistance provided through the project. With reference to public-private sector dialogue, a number of professional associations and sector interest group associations already conduct roundtable discussions in Haiti. Among them are ADIH, APA, the Chamber of Commerce, the Franco-Haitian Chamber, APB, the Centre Petion-Bolivar. Involving these groups in government-sponsored fora will be an excellent opportunity for the GOH to demonstrate to the public and to special target audiences the steps it is taking in policy and administrative reform. Seminar/roundtables will be supported by the project.

Output #3: Institutional and financial management studies conducted in priority areas of GOH concern (20 studies). A number of gaps remain to be filled in basic data, in exploration of recent experience in public management reform, in provision of cost/benefit and feasibility analyses of various reform options, and in assessments of capacity for support to the policy implementation process, as well as the GOH capacity to absorb such support. These analyses would initially be overview and options papers which summarize policy choices and related implementation actions. Where a variety of options exist with significantly different consequences these would be outlined, and the cost, management requirements and implications specified. In some instances, such as the tax service, the customs service, and the budget department of the MEF, work has already begun through the IPC buy-in. For each problem area, the project's approach will be to support a series of studies, which progressively address the area in more depth.

Output #4: Strategic implementation plans (five plans) for policy and administrative reform developed and followed by the GOH in close consultation with the private sector. Achievement of this output will require creativity and collaboration with the involved GOH agencies, under the aegis of a sufficiently authoritative GOH entity (either MOP or the PM's Office). To some extent, this output will include analysis of the structure and operations of the Executive Branch itself, including any changes in the attributions of particular ministries. The project will support work in this area through a process consulting mode in which, for example, the Council of Ministers would discuss certain key policy areas discussed in the updated reports prepared under Output #3 above,

and bring in, as required, appropriate sectoral and technical specialists from the various ministries. A limited number of such "process" plans would be supported by the project. This output area would be the central focus of the project's intensive implementation phase, in which policy implementation in a limited number of jointly selected areas would be supported through technical assistance, training and commodity resources.

Output #5: Public and private sector skills enhanced in areas of project focus (400 trainees). These areas could include, for example, strategic policy implementation, financial management, economic analysis, or personnel management. Various members of the public and private sectors have already identified areas in which short-term training is critical. These have tended to focus on financial management, computerization of financial management, management information systems, and human resources management. It is anticipated that many of these courses could be held using Haitian training institutions and accounting and consulting firms, but US and third country training and study tours will be utilized when appropriate. This is a cross-cutting output which will support all previous output areas. As a general rule, PAR will support public sector trainees, while the companion PROBE project will support private sector trainees.

Although not broken out as a separate output, the PAR project will also work to strengthen the capabilities of local consulting firms, especially those specializing in organizational, financial and information management, and economic analysis. Haitian firms will be funded through both dollar and local currency funds. In the long run, a stronger consulting industry in Haiti, and positive linkages between that industry and the GOH, should work to improve the climate for reform.

Project Inputs and Financial Plan

Global project inputs for both USAID and the GOH, and the cost of each is presented in Figure 2, above. A more specific write-up of each input is provided below. The project financial plan includes budget tables and commentary on project financial management.

Structure of Project Inputs

Project inputs (technical assistance, training, seminars/workshops, commodities, management, evaluation/audit) have been structured around the individual contracts which package them. There are three basic categories: buy-in to the IPC and other centrally-funded projects; other technical assistance as required; and local currency fund. It is anticipated that all three will be involved in both the initial exploratory phase and the intensive implementation phase of the project.

Buy-In to the IPC Centrally-funded Contract. The largest and most clearly differentiated portion of the project is the proposed buy-in of some \$3.5 million to the IPC (Implementing Policy Change) Project, managed out of S&T Bureau in Washington. This activity played a major role in assisting the Mission to define project priorities and it will continue the forward motion generated in the context of its current pre-implementation activity mentioned previously. It is anticipated that IPC will play a strong catalytic role within the project and will liaise frequently with Mission PAR project management staff, as well as that of the GOH. The specific terms of reference for IPC will be defined at the Project Implementation Planning Workshop, explained in the Implementation Section of the PP and currently planned for late 1991. IPC will provide varied technical assistance and short-term training, contracted both internationally and locally, but will not be involved in the logistics or commodity aspects of the project.

Other Project DA Funds. The remaining \$5.5 million of DA resources will provide a flexible response to GOH needs over the life of the project for technical assistance (U.S. and local), training (U.S. and local), commodities (U.S.), seminars and roundtables. These remaining funds will be drawn down according to a variety of contractual mechanisms, defined in the PP Implementation Plan. These resources will be maintained under direct Mission control, but will be mutually programmed by USAID and the GOH. Their separation from the IPC buy-in, above, reflects the fact that while IPC's overall strategic management approach and specific areas of expertise fit well with the PAR project strategy and priority policy and administrative reform priorities for Haiti, there are some specific areas which IPC is not in a position to support (at least not intensively) and other specific areas which are addressed in some depth by separate centrally-funded projects. Among the topics likely to be addressed outside of the IPC contract are some economic policy reform issues, financial management and audit, privatization of state enterprises, land tenure and land reform, decentralization and municipal revenues, cost recovery in service provision, improving GOH accountability and combatting corruption, agricultural policy, and the impact of reforms on women. The funds under this category will be used to support both assistance both through other centrally-funded projects (see list in Contracting Plan, below) and directly, and be used for both initial studies/diagnoses during the exploratory phase, and long-term, intensive assistance in those areas selected for policy implementation focus.

Local Currency Support Contract. The third defined project activity is the Local Currency Support fund to be provided by the GOH through use of ESF-generated gourde funds. The estimated budget for this fund is \$3.85 million equivalent. The MEF, counterpart to USAID/Haiti for the ESF programs, will manage the fund. A contract will be competitively let to one or a group of local firms, and it will include: a) a core contract of some \$500,000 equivalent for

logistic services to the entire project and b) a fund, managed by the Project Manager, to finance contracts and procurement actions to provide local technical assistance, local commodities, minor construction, and training in support of the project's five output areas (see discussion of GOH contribution below).

b) Categories of Project Inputs

USAID Project Contribution. The USAID contribution of \$9 million will finance technical assistance, training, seminars/roundtables, selected commodities, evaluation and audit and project management costs.

- 1) Technical Assistance (est. \$5.2 million): USAID will fund, through a wide range of contracting instruments, 14 p-y of long-term U.S. and local technical assistance and some 100 p-m of short-term U.S. and local TA.
- 2) Training (est. \$1 million): USAID will support selective short-term training in the areas of economic policy and administrative and financial management. This will include some 150 p-m of training in the United States and some 251 p-m in Haiti. Carefully selected study tours for key government officials will also be funded under this rubric.
- 3) Seminar/Roundtable (est. \$250,000): An estimated 25 seminar or roundtable activities, for 50-100 participants per activity, will be funded with the objective of furthering the process of dialogue and understanding of priority policy themes.
- 4) Commodities (est. \$1 million): Critical off-shore commodities will be procured by the project such as computer hardware, other office equipment, and vehicles. Purchases of \$100,000 or more will be carried out for USAID by AID/W (MS/OP/COMS) upon its receipt of procurement documents (PIO/Cs). USAID itself will procure smaller orders.
- 5) Evaluation and Audit (est. \$300,000): USAID will fund a special mid-term and final evaluation of the project and two audits.
- 6) Project Management (est \$1.25 million): As discussed below, the Project will finance the costs of a U.S. personal services contractor and a mid-level Foreign Service National, to assist with project management.

Government of Haiti Contribution. The GOH is expected to contribute, through its ESF generated local currency funds, \$4.0 million equivalent in gourdes for local costs, including an operations officer at the MEF. While funds are yet to be jointly programmed by USAID and the GOH, the logical repartition of these funds could be of the following order of magnitude:

- 1) Core Logistics Activities (est. \$500,000): Key logistics services (office space, transportation, secretarial services, etc.) will be provided to all project technical assistance through this contract.
- 2) Technical Assistance (est. \$1.65 million): Long and short-term local TA which will be integrated into overall project requirements.
- 3) Training (est. \$700,000): Selected short-term local training.
- 4) Commodities/Minor Construction (est. \$1.0 million): Complementary commodity or construction assistance will be programmed in accordance with overall project planning.
- 5) Operations Officer (est. \$150,000): An experienced Haitian administrator will be recruited under a local currency funded personal services contract to assist the GOH Project Manager (see Implementation Plan).

c) Project Financial Plan

The total cost of the PAR Project is \$13 million. This consists of \$9 million of USAID grant assistance, and \$4 million in generated local currency, which will be considered as a host country (GOH) contribution. USAID will undertake direct contracting for all expenditures, which will take the form of TA contracts, training, and commodity procurements. It is estimated that 91% of USAID costs will be foreign exchange costs, and those of the GOH, entirely in gourdes. USAID expects to obligate an initial contribution of \$2.7 million in FY 1991. Subsequent USAID obligations will follow incrementally by U.S. fiscal year, and be subject to the availability of funds and mutual agreement of USAID and the GOH.

Table 2 shows project expenditures by type and use over the life of the project. Table 3 provides an illustrative obligation schedule over LOP, and Table 4 provides LOP funding estimates by year and by component for GOH-generated local currency. Detailed budget backup is contained in Annex D.

TABLE 2: SUMMARY PROJECT COSTS 1/

(U.S. 000: Estimated Expenditures by Calendar year)

ITEM	1991		1992		1993		1994		1995		1996		TOTAL	
	\$	LC 2/	\$	LC										
1. Technical Assistance														
a. Long-term	190	10	420	20	627	33	655	35	690	40	430	50	3012	155
b. Short-term	150	20	360	40	360	40	360	40	360	40	150	20	1500	200
2. Training	0	0	100	35	244	51	195	65	145	50	65	20	749	251
3. Seminar/roundtable	0	25	0	50	0	50	0	50	0	50	0	25	0	250
4. Commodities	0	0	200	0	300	0	200	0	200	0	100	0	1000	0
5. Evaluation	0	0	0	0	75	0	0	0	0	0	75	0	150	0
6. Audit	0	0	0	0	75	0	0	0	0	0	75	0	150	0
7. Management														
USPSC	0	0	120	6	210	10	220	10	230	12	243	12	1023	50
FSN	0	15	0	29	0	31	0	32	0	34	0	36	0	177
TOTAL	370	70	1200	150	1591	245	1630	232	1625	226	1165	163	7554	1116

1. 2% per year for contingencies and inflation.

2. Local costs budgeted at a rate of 7.5 gourdes to the U.S. Dollar.
For local costs, limitation applies to Gourdes and not U.S. Dollar equivalent.

Table 3: Indicative Obligation Schedule
(\$US 000; U.S. Fiscal Year)

<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
2700	1600	1600	1600	1500

Table 4: Illustrative Project Cost Summary
for ESF-Generated Local Currency
(\$US 000; Calendar Year)

<u>Item</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>TOTAL</u>
1. Technical Ass't	--	324	334	332	329	324	1650
2. Training	--	100	100	200	200	100	700
3. Commodity./Const.	--	100	200	300	200	200	1000
4. Logistics Support	100	100	100	100	100	--	500
5. Project Management	<u>11</u>	<u>25</u>	<u>26</u>	<u>28</u>	<u>29</u>	<u>31</u>	<u>150</u>
Total	111	649	760	960	860	660	4000

Methods of Implementation and Financing. By design, the PAR project does not yet have a detailed breakout of the specific contracts through which project funds will be expended. The various categories of implementation and their financing methods have nevertheless been provided below as a guideline for project contracting.

Table 5: Methods of Implementation and Financing

Activity	Method of Implementation	Financing Method	Amount (\$000)
TA Contracting	a) Buy-ins to central projects	-FRLC	4,000
	b) Direct AID contracts	-Direct payment	750
	c) Personal service	-Direct payment	450
Training	Direct AID contracts	-Direct payment	1,000
Seminars/ Roundtables	Direct AID contracts	-Direct payment	250
Commodity Procurement	Direct AID contracts	-Direct payment	1,000
Evaluation & Audit	Direct AID contracts	-Direct payment	300
Project Management	a) Personal service	-Direct payment	1,073
	b) FSN recruitment	-Direct payment	177

The methods of implementation and financing are appropriate and are within the preferred methods as defined by the AID payment verification policy. On the basis of the above, the USAID/Haiti Controller approves the methods of implementation and financing under the auspices of the payment verification policy.

Audit. USAID will contract for both a mid-term financial review and an end of project audit. Funds are included in the budget for these costs. Arrangements will also be made, at the time of the Project Implementation Planning Workshop, to set up an appropriate tracking system for the minimum 25% host-country contribution, in this case to come from the \$4 million ESF-generated local currency included in the project budget.

II. IMPLEMENTATION PLAN

A. Overall Management Plan

1) Timeframe

Indicative implementation planning for the overall life-of-project (LOP) is contained in Figure 3. The utility of this charting is to

provide a frame of reference for project management to plan and track project implementation, and to serve as an aid to the sequencing and integration of individual project actions.

2) Implementation Strategy

Figure 4 schematically outlines the planned management structure of the PAR Project. Project decision-making over time will be determined jointly by the GOH and USAID, with strong inputs from the various technical assistance teams. Initial implementation activities (IPC activities under the already-funded buy-in, other studies, initial discussions between GOH and USAID Project Managers, contacts with Ministries) will culminate in the first six months of the project with an Implementation Planning Workshop with all relevant parties to establish project ground rules and objectives in a mutually understandable way, and to formulate an Annual Workplan for the first full calendar year of the project (1992). Another major workshop is scheduled for the second year, to review project status and plan the project's intensive implementation phase.

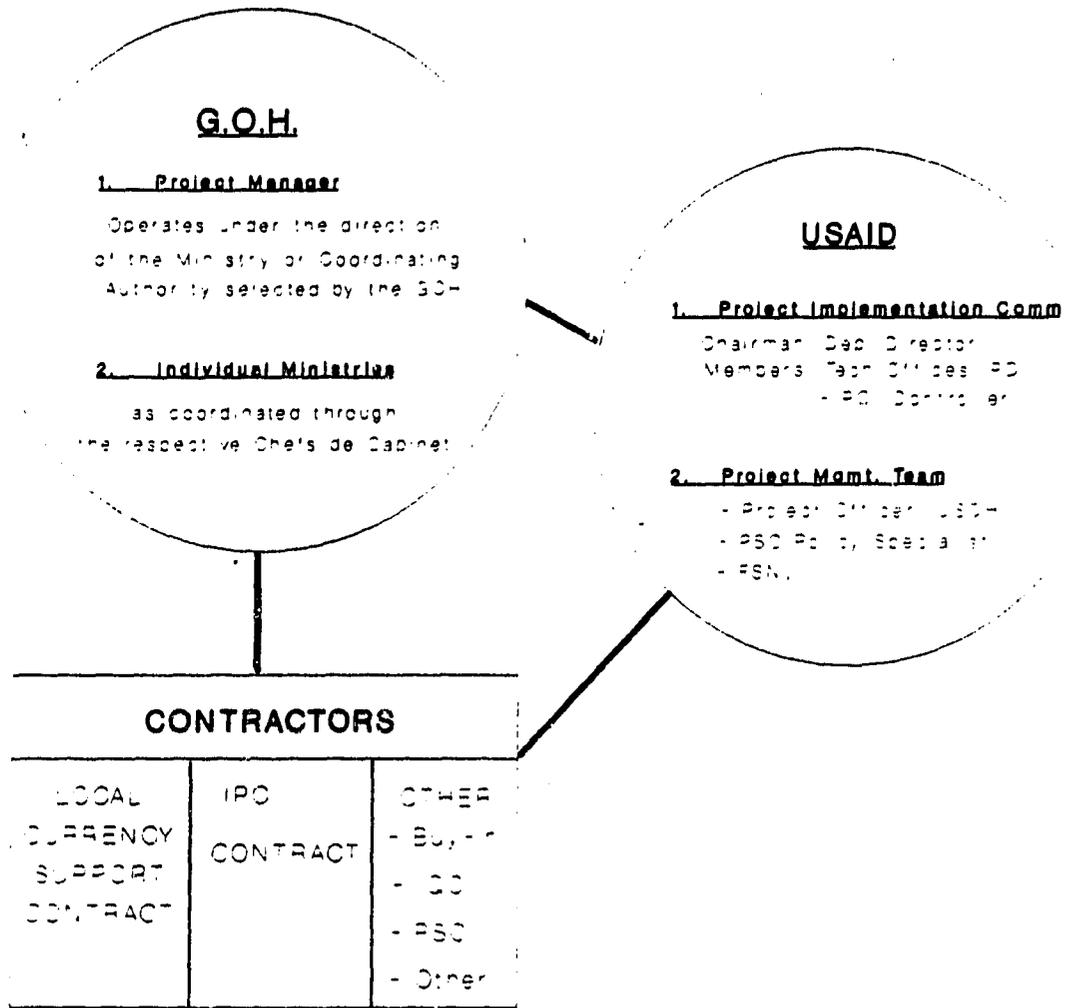
a) USAID Project Management

Because of the yet unclear specific policy and administration reform directions of the newly elected government, it is anticipated that USAID will need to play a particularly active role in the start-up and organization of project implementation. A Project Implementation Committee, chaired by the Deputy Mission Director, and composed of representatives from each of the technical offices, the Planning Office, PDI, and the Controller's Office will meet monthly (or as needed) to provide oversight to the project. All new activities will be screened according to three criteria: 1) potential for policy-level impact, 2) availability of funds, 3) fit with GOH and USAID strategic objectives. Under ordinary circumstances, no proposal will be accepted which is not clearly within the basic strategic mandate defined by the Mission CDSS or subsequent Action Plans. The Project Implementation Committee will also be responsible for the development of an Annual Workplan in collaboration with the GOH.

FIGURE 3: INDICATIVE TIMEFRAME PLANING
(By Calendar Year)

ACTIVITY	1991	1992	1993	1994	1995	1996
1. IPC "Bridging" Activity						
2. Signature Project Agreement	X					
3. Implementation Planning Workshop		X				
4. USAID Mgmt. PSC/FSN Contract.	X					
5. IPC Buy-in Contract		X	X	X	X	
6. Workshop to Plan Intensive Implementation Phase			X			
7. Annual Workplan / Implementation Reviews		X	X	X	X	X
8. Quarterly Project Reviews	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
9. "Strategic" Evaluations				X		X
10. Audits				X		X
11. PACD (9/31/96)						X

PAR Project Management



Project management will be organized within USAID by a team consisting of the following staff:

- Project Officer: The USAID direct hire Chief of the Planning Office will be assigned overall USAID project management responsibility. The Project Officer will coordinate and supervise the efforts of the other USAID project team members with regard to project implementation activities, and will respond to Mission requests for reporting and data on the project. The Project Officer will also ensure adequate coordination with the overall donor community so as to guarantee optimal allocation of resources in the direction of concerted public sector reform.

- U.S. Personal Services Contractor (USPSC): A USPSC policy specialist in the Planning Office will work under the overall supervision of the Project Officer and will provide technical guidance to the various TA activities contracted through the project. The USPSC will also coordinate with GOH counterparts to facilitate the use of technical assistance and training, and other project resources to reach project objectives. It is anticipated that the USPSC will also maintain responsibility for the assessment of policy reform performance within the project.

- Foreign Service National (FSN): A mid-level FSNPSC will provide assistance to the Project Officer in the handling of all AID direct contracting and buy-ins, and other administrative responsibilities. The FSN will assist contractors and the GOH to understand USAID requirements for technical assistance, training, commodities, and other aspects of the project. The FSN will assist in maintaining current management information on implementation of the project, in response to internal requests for information, and in supporting evaluation and audit of the project. This will be a newly created position.

- Chief of Party, IPC Buy-In: the IPC buy-in will finance the provision of a long term policy and administrative reform adviser who will also serve as Chief of Party of the personnel provided under the buy-in. The Chief of Party will spearhead and coordinate the technical assistance resources made available under the buy-in and will function as a senior adviser to the GOH on policy and administrative reform matters. He/she will work closely with and report to the USAID Policy Specialist and the Project Officer.

b) GOH Project Management

Primary responsibility for the day-to-day management of the PAR Project, management of the project local currency contracts, and coordination of the TA teams within the various branches of the GOH will be centered in the Ministry or the coordinating authority selected by the GOH and concurred by USAID. A senior technician

within the selected Ministry will be named as the GOH Project Manager and direct counterpart to the USAID Project Officer noted above. The Project Manager will be assisted by a full-time operations officer who will be contracted with local currency funds. If possible, an appropriate inter-ministerial coordination will be fostered through the development of Working Groups (Comite directeur) on each major sub-activity. It is currently anticipated that a proposed Commission for Public Reform, composed of the Ministries of Finance, Plan and various line ministries and under the stewardship of the Prime Minister, will also be formed in the months to come. In such a case, it would be appropriate for the GOH Project Manager to participate in that Commission. As part of the start-up of the project, it is expected that contact will be made by both the USAID and GOH Project Managers with the Cabinet Chiefs (Chef de cabinet) of the key ministries who will be expected to furnish requests for assistance under the project. This would include the Prime Minister's Office, MEF, MOP, MEN, MOC, MSPP, TPTC, and MARNDR. Past experience on the TCT and World Bank's TAC Project has shown that local TA can be more efficient when combined with expatriate assistance. USAID and GOH project management will collaborate toward that end.

B. Contracting Plan

The PAR Project will be implemented using primarily AID direct contracts for long and short-term technical assistance, training and commodity procurement. Types of contracting arrangements to be employed (buy-in, PSC, contract with an individual, IQC, purchase order) will be determined flexibly, according to the specific needs of the project. Indicative contracting milestones and estimated timeframes for each type of arrangement are set forth in Figure 5 for reference. The principle of competitive procurement will apply in all cases, although extensive use will be made of centrally-funded mechanisms, which are generally pre-competed. Illustrative scopes of work for the key long-term TA which have been defined to date are contained in Annex E.

USAID encourages the participation of small, disadvantaged, and women-owned small business concerns in the activity in accordance with Part 19 of the FAR and the Gray Amendment. If all other aspects of the evaluation of contract bids are equal, the participation of such business concerns may become the determining factor for selection.

1. Centrally-funded Project Buy-ins

Centrally-funded projects are generally managed out of Washington and offer the Mission a wide range of pre-competed services which may be directly supportive of project objectives. Many of the activities implemented under the project could be included in

direct AID buy-ins to centrally funded contracts. The project's major buy-in will be with the Implementing Policy Reform Project, where an estimated total of \$3.5 million of project resources will be employed to contract for technical services in institutional management. Overall project workplans will be revised on an annual basis and will provide the substantive background necessary to the development of new buy-ins in any given year. Other existing buy-ins currently under examination include:

- CAER (Consulting Assistance on Economic Reform)
- ACCESS II (Natural Resource and Land Tenure Reform Issues)
- AMIS (Agricultural Marketing Improvement Strategies)
- DFM (Decentralized Finance and Management)
- APAP (Analysis of Agricultural Policy and Planning Issues)
- GENESYS (Impact of Macro Policy Issues on Women)

2. Local Currency Contracts

Maximum utility will be made of local currency derived from ESF program generations, which is legally the property of the GOH. Contracting will be the responsibility of the Ministry of Economy and Finance, Coordination and Programming Unit, in accordance with the normal practice used for past local currency programming. This is not a "host-country contract" according to normal AID guidelines. Some \$500,000 of Gourde equivalent funds have been set aside for a local firm to provide logistic support to the wide range of contract TA advisors who will work under the project. This contractor, on a work order basis, may also provide selected other local cost services (local training, technical assistance, commodity procurement, and minor construction) either directly or through a sub-contractor. Local TA and other services may be contracted separately.

3. Other Direct AID Contracts

Other smaller, direct AID contracts are possible under the PAR Project, through use of any of the range of contracting mechanisms noted above. Given the need to reduce the management burden imposed by these activities on the Mission, every effort will be made to consolidate these numerous contracts through use of "umbrella" mechanisms. Commodity procurement will be kept as simple as possible (limited number of items, grouping of purchases) and will be carried out by AID/MS or USAID/Haiti as discussed above.

Contracting milestones for the project are shown in Figure 5.

Figure 5: Contracting Milestones
(in weeks)

1)	<u>Centrally-funded Buy-in</u>	
	- TOR completed in Haiti	X
	- PIO/T in AID/W	X + 2
	- Award Contract	X + 10
2)	<u>PSC</u>	
	a) Local Hire	
	- TOR complete	X
	- Locally advertise/signature	X + 12
	b) U.S. Hire	
	- TOR complete	X
	- Advertise/signature	X + 20
3)	<u>Other T.A. Contracting</u>	
	a) IQC	
	- TOR complete	X
	- PIO/T in AID/W to contract signature	X + 8
	b) Purchase Order	(est. 4 weeks)
4)	<u>Commodities</u>	
	a) AID/W Procurement (over \$100,000)	
	- Complete specifications in Haiti	X
	- PIO/C in AID/W	X + 2
	- Advertise and award	X + 14
	- Shipping	X + 20
	b) <u>USAID/Haiti Procurement</u>	
	- Complete specification in Haiti	X
	- Complete PIO/C	X + 1
	- Advertise and award	X + 8
	- Shipping	X + 12

C. Monitoring and Evaluation Plan

1) Monitoring of Implementation Progress

Both USAID and the GOH wish to track the project's ongoing performance including progress in relationship to planned events, financial benchmarks, adequacy of contractor or grantee output, in order to regularly adjust the direction of implementation in line with overarching project and logframe objectives. To minimize management requirements from USAID and GOH, the basic data needed for the monitoring of implementation progress will be provided by the individual project contractors. These self-monitoring requirements will be integral parts of the terms of reference and will be subject to periodic evaluation by USAID.

- Long-term Contract Staff: The AID directly-funded long-term (more than six months) contractors will furnish USAID and the GOH with quarterly and annual progress reports. These reports will contain specific tracking of a) financial flows via quarterly and annual summaries, b) key contractual tasks via quarterly and annual summaries, and c) key impact data in annual summaries.

- Short-term Contract Staff: The AID directly-funded short-term contractors will furnish USAID with completion reports which track the same information required for long-term contractors but in an abbreviated form dictated by the nature of the task addressed.

On the basis of the quarterly reports submitted by the TA contractors, the USAID Project Officer will prepare quarterly project implementation reports for examination by the USAID Project Implementation Committee, and review by the Mission Director at the time of the Quarterly Project Reviews. USAID and GOH Project Managers will jointly prepare an annual status report for GOH-USAID joint review at the time of the Annual Workplan exercise. Neither the regular reporting nor the Annual Workplan exercises should become overly complex. The major objective of this information is not detail, but rather to surface only key issues requiring resolution by the Project Committee.

2) Evaluation

USAID and the GOH will periodically attempt to step back from the monitoring of ongoing implementation detail to assess the appropriateness of basic project objectives (especially at the "purpose" level, in logframe terminology), as well as the status of progress of the project towards those objectives. These periodic evaluations will recapitulate the results of the ongoing monitoring

activities noted above. Evaluations will take place in two ways:

- Annual Implementation Reviews: Monitoring information will be used by PAR management to prepare an informed recapitulation of performance to the Project Implementation Committee as the basis for annual project implementation reviews. This will also be the occasion for specially-generated impact information to be aired and acted upon by the Committee. These annual reviews will be carried out within the framework of existing PAR resources. They should be timed to facilitate the preparation of the Annual Workplans.

- Periodic "Strategic" Evaluations: Major strategic reviews of overall project performance are scheduled for years three and five of the project. These evaluations, unlike the internal annual reviews noted above, will be considered as formal USAID project evaluations, and will require the development of a standard Project Evaluation Summary (PES) report by the Mission Project Officer. The year 3 evaluation will address, inter alia,

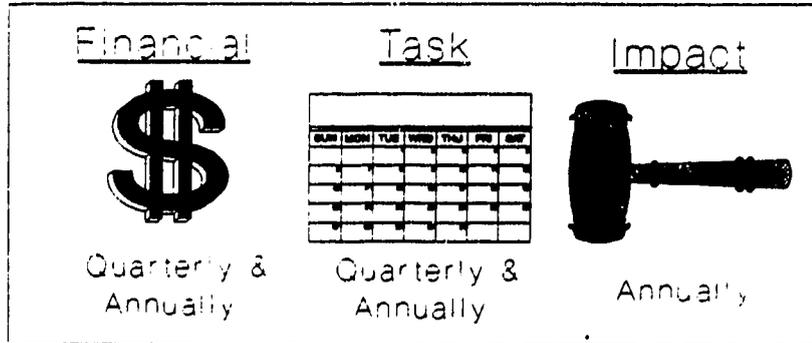
- the need for conceptual reformulation of any part of the project;
- the current impact of the project at the purpose level;
- the effectiveness of project management overall;
- the quality and appropriateness of contractor and grantee performance.

The year five evaluation will undertake an updating of the results and measurements of those of year three, and, since it will take place toward the end of the project cycle, will examine the possible utility of further development or extension of the project beyond the currently scheduled completion date of September 30, 1996. The overall objective of this monitoring and evaluation planning is to provide feedback for informed decision making at minimal cost to USAID and GOH. Revisions and additions to this plan will be the responsibility of the Project Implementation Committee.

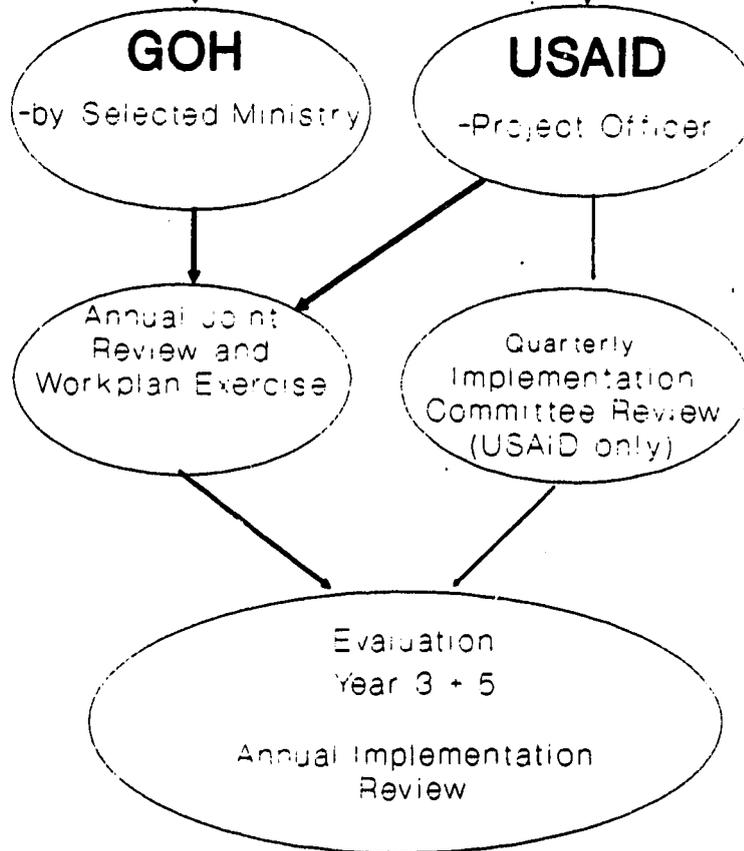
Figure 6 provides a basic illustration of the project monitoring and evaluation process.

Figure 6: Project Monitoring & Evaluation Process

1. Contractor Generated Progress Reports:



2. Periodic Project Management Reviews:



3. "Strategic" Evaluations

D. Conditions, Covenants and Negotiating Status

1) Conditions Precedent to Disbursement

Prior to the actual disbursement of project funds, the following condition will be fulfilled by the GOH, in form and substance acceptable to USAID:

-Project Representatives: Prior to disbursement of USAID funds, USAID will be provided with the names and specimen signatures of the project representatives for the Government of Haiti.

2) Covenants

It is understood by USAID and the GOH that the following key aspects of project development will be satisfied in a timely and appropriate manner, in the absence of which the normally planned disbursement of USAID grant funds could be suspended:

- Staffing: The GOH and USAID agree to provide the required personnel to implement the project in an effective and timely manner.

- Monitoring and Evaluation: The GOH and USAID agree to establish a monitoring and evaluation program, in the manner outlined in Section II.C. of the Project Paper.

III. ANNEXES

- A. Logframe
- B. Economic Overview
- C. Policy and Administrative Reform Framework
- D. Detailed Budget Estimates
- E. Illustrative Terms of Reference
- F. A.I.D. Documentation
 - 1. NPD Approval Message
 - 2. GOH Request for Assistance
 - 3. Statutory Checklists
 - 4. Initial Environmental Examination

ANNEX A
PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project
From FY 91 to FY 96
Total U.S. Funding \$ 9 million
Date Prepared June, 1991

Project Title & Number: Policy and Administrative Reform (521-0222)

Page 1

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE (INDICATORS)	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Goal:	Measures of Goal Achievement		Assumptions for achieving Goal Target
Haiti achieves economic growth which is equitable, sustainable, and within a stable, democratic framework.	<ul style="list-style-type: none"> A. GDP increases by 10% over LOP B. Individuals purchasing power increases over LOP. C. Government direct subsidies decrease over LOP. D. Unemployment decreases over LOP. E. Legitimate, timely elections at all levels are held over LOP. 	<ul style="list-style-type: none"> -National Statistics -Household consumption survey -1992 Census -Donor funded studies 	<ul style="list-style-type: none"> 1. GOH accepts objectives of growth and improved welfare without state control as necessary pre-condition. 2. Elected government remains in power with minimal civil strife.
Purpose	POP's In Project Focus areas:		
The GOH (a) formulates and implements priority policies and (b) reforms structures, procedures and processes, which facilitate balanced, sustainable economic growth.	<ul style="list-style-type: none"> a.1 Priority policies addressed are implemented. a.2 Policy dialogue, including private sector, is routinely used in policy formulation. b.1 Revenues and expenditures are programmed through use of strategic management systems. b.2 Ministries improve efficiency through procedural reform. 	<ul style="list-style-type: none"> Records of policy dialogue and setting meetings. Decrees and laws published Changes in Executive Branch structures documented brought MIS organization charts, internal reviews. 	<ul style="list-style-type: none"> 1. That GOH and private sector move toward becoming a "team" in sharing a common vision and agreeing upon mutually acceptable allocation of responsibilities based on comparative advantage of each. 2. That political will and consensus exists to implement difficult and sometimes costly reforms. 3. That there exists within the cabinet mechanisms for inter-ministerial policy formulation and implementation

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**PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK**

Life of Project
From FY 91 to FY 96
Total U.S. Funding \$ 9 million
Date Prepared June, 1991

Project Title & Number: Policy and Administrative Reform (521-0222)

Page 2

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE (INDICATORS)	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Outputs</p> <ol style="list-style-type: none"> 1. Economic policy reform studies conducted in priority areas of GOH concern. 2. Fora for public and public-private dialogue on priority policy issues 3. Institutional and financial management studies conducted in priority areas of GOH concern. 4. Strategic implementation plans for policy and administrative reform developed and followed by GOH. 5. Public and private sector skills are enhanced in areas of project focus. 	<ol style="list-style-type: none"> 1. 10 priority economic policy reform studies are completed. 2. 25 fora on priority policy issues successfully take place. 3. 20 priority institutional and financial management studies completed. 4. 5 strategic implementation plans undertaken. 5. 400 trainees with skills enhanced. 	<p>GOH reports, donor reports, project reviews and evaluations.</p> <p>Tapes/videos of seminars, roundtables, legislative debates.</p> <p>Organization charts, Personnel Manuals, ministry mission statements, salary grid descriptions.</p> <p>USAID and GOH records of training contract for in target areas.</p>	<ol style="list-style-type: none"> 1. U.S. and local consultants are capable of delivering high quality, relevant policy studies and services. 2. Public support for Aristide government continues and that government demonstrates will to change status. 3. Private sector is forthcoming and prepared to cooperate on policy change.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project
From FY 91 to FY 96
Total U.S. Funding \$ 9 million
Date Prepared June, 1991

Project Title & Number: Policy and Administrative Reform (521-0222)

Page 3

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE (INDICATORS)	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Inputs			
1. Technical assistance (U.S and local)	1. (L-T) \$3.2 million (S-T) \$2.0 million	USAID Project records.	Conditions precedent to project implementation are met in timely manner.
2. Training	2. \$1.0 million		
3. Seminars (Roundtables)	3. \$0.25 million		
4. Commodities	4. \$1.0 million		
5. Evaluation/audit	5. \$0.3 million		
6. Project Management	6. \$1.25 million \$9.0 million		

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ANNEX B
ECONOMIC OVERVIEW

I. THE RECORD OF THE 1980'S

- A. THE CRISIS IN GOVERNMENT FINANCE
 - 1) Government Demand
 - 2) Taxes
 - 3) Imports
- B. THE CONSEQUENCES OF THE GOVERNMENT FINANCIAL CRISIS
 - 1) Consequences of Government Demand
 - 2) Foreign Resource Mobilization
- C. THE PROBLEM OF PUBLIC SECTOR EMPLOYMENT AND SALARIES
 - 1) Public Sector Employment
 - 2) Salaries and Consumption
- D. AN INAPPROPRIATE POLICY AND REGULATORY ENVIRONMENT
 - 1) Government Role in Production
 - 2) Private Investment

II. STRATEGIES FOR SUSTAINED GROWTH

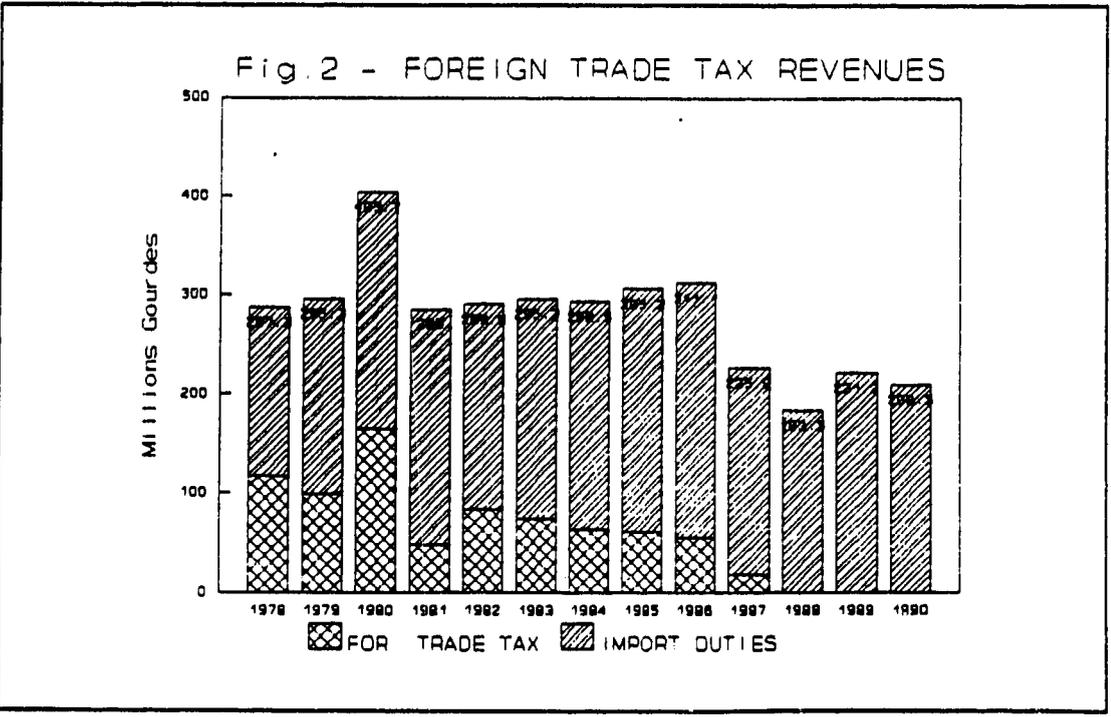
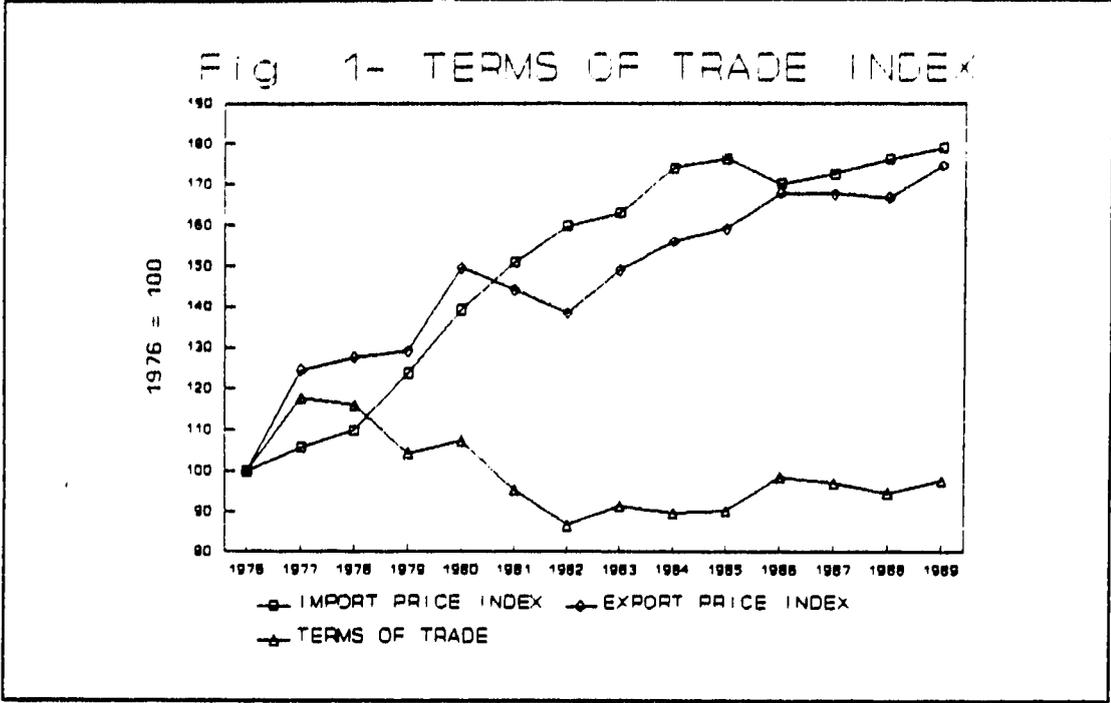
- A. INTRODUCTION
- B. THE REFORM OF PUBLIC FINANCES
 - 1) Institutional Finances
 - 2) Public Investment
 - 3) Civil Service Reform
 - 4) Revenue Mobilization
 - 5) Real Estate Taxation
- C. REFORM OF THE FOREIGN TRADE REGIME
 - 1) Tariffs
 - 2) Agriculture
 - 3) Exchange Rate
 - 4) Free Trade Opportunities
- D. PRIVATIZATION AND PUBLIC ENTERPRISES REFORM

III. RECAPITULATION OF ECONOMIC POLICY CONCLUSIONS

I. THE RECORD OF THE 1980'S

At the onset of the 1980's the outlook for the Haitian economy was relatively bright as foreign resources were coming in while private investment and export were buoyant. The reasonable demand management policies that had helped the country out of the 1973 oil shock without too much damage again helped to limit the disruption of the 1979 oil shock. Paradoxically, the good outlook would turn out to be one of the main causes of the poor performance of the 1980's because it induced a sense of complacency at the policy making levels. Complacency led to carelessness and the discarding of the prudent demand management policies of the past. True, in the past, governments had not necessarily been implementing an optimal long term development strategy, as they left many structural problems (education, erosion control, health care delivery) unattended. On the other hand, little directly harmful to the economy was being done. Unfortunately, the more or less benign neglect of the past were soon to be replaced by misguided policy activism with catastrophic implications for economic welfare.

The triggering factor that gave birth to the policy-induced distortions seems to have been the improvement, from 1976 on, of the economy's external position. This resulted from the positive influence of rising export prices (Fig. 1) that reflected the international commodity price boom of the late 1970's. In fact, both coffee and essential oils export values would reach historic highs. Consequently, Government revenues rose markedly as export tax receipts went up by 65% in 1980 while import duties also increased by 22% the same year. Thus, in 1980, foreign trade tax revenues went up a third and accounted for a high 58 % of Government tax revenues, as shown in Figure 2. Unfortunately the transitory nature of these events was mistaken for permanent new features. As a result, Government expenditures were pushed to levels that were unsustainable. Thus developed an incipient financial crisis which immediately translated into the dwindling down of foreign exchange reserves, the accumulation of external payments arrears and the emergence of a parallel foreign exchange market where the domestic currency would trade at a discount with respect to the US dollar. Moreover, the problems created by the ill advised increases in Government expenditures were compounded by a shift in the composition of those expenditures and the widening of the scope of Government direct influence on economic production decisions. Private sector activity was stifled and stagnated. These basic problems would further be aggravated later in the decade by a reversal in the terms of the trade, under the influence of rising import prices.

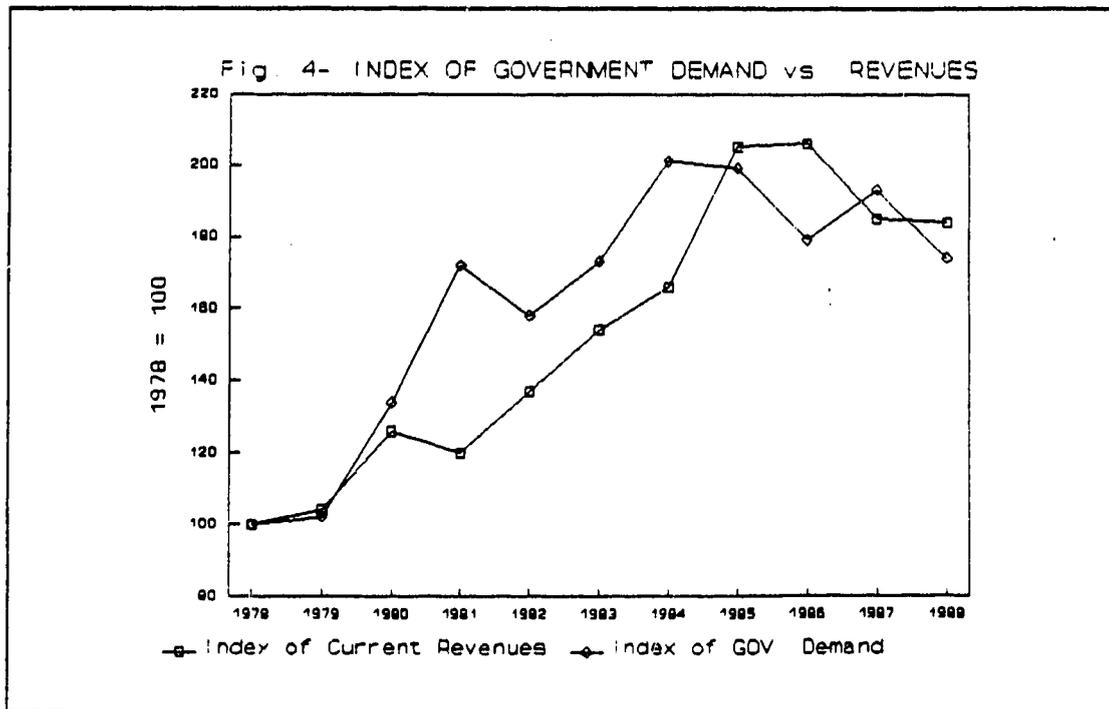
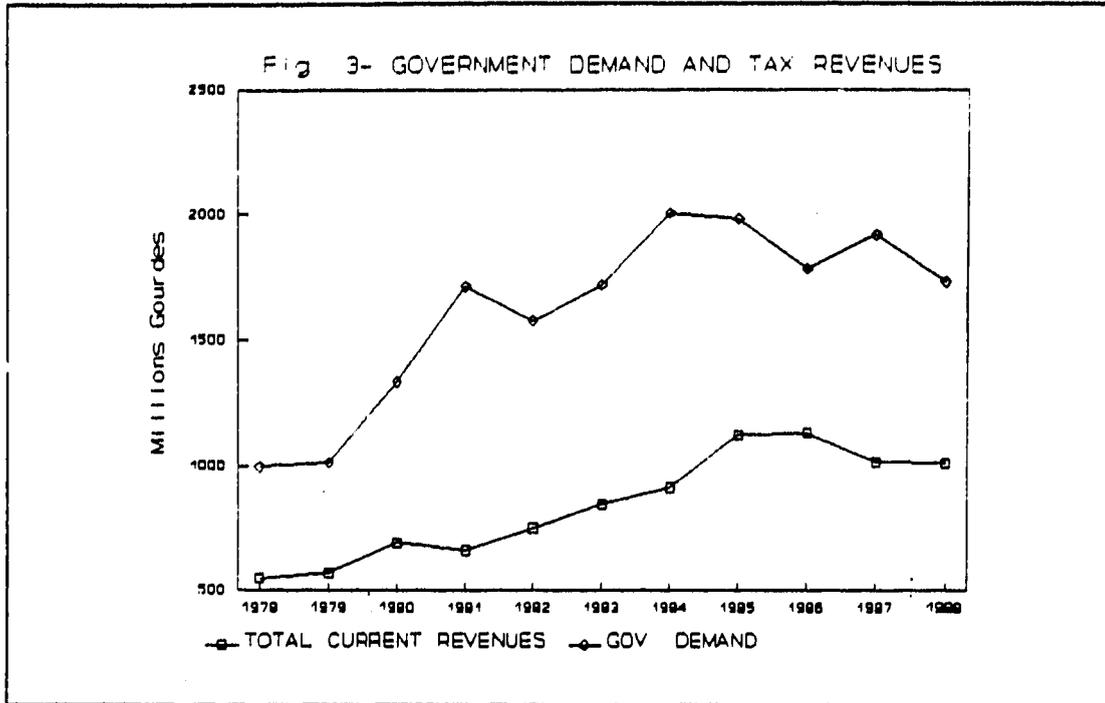


A. THE CRISIS IN GOVERNMENT FINANCE

1) Government Demand

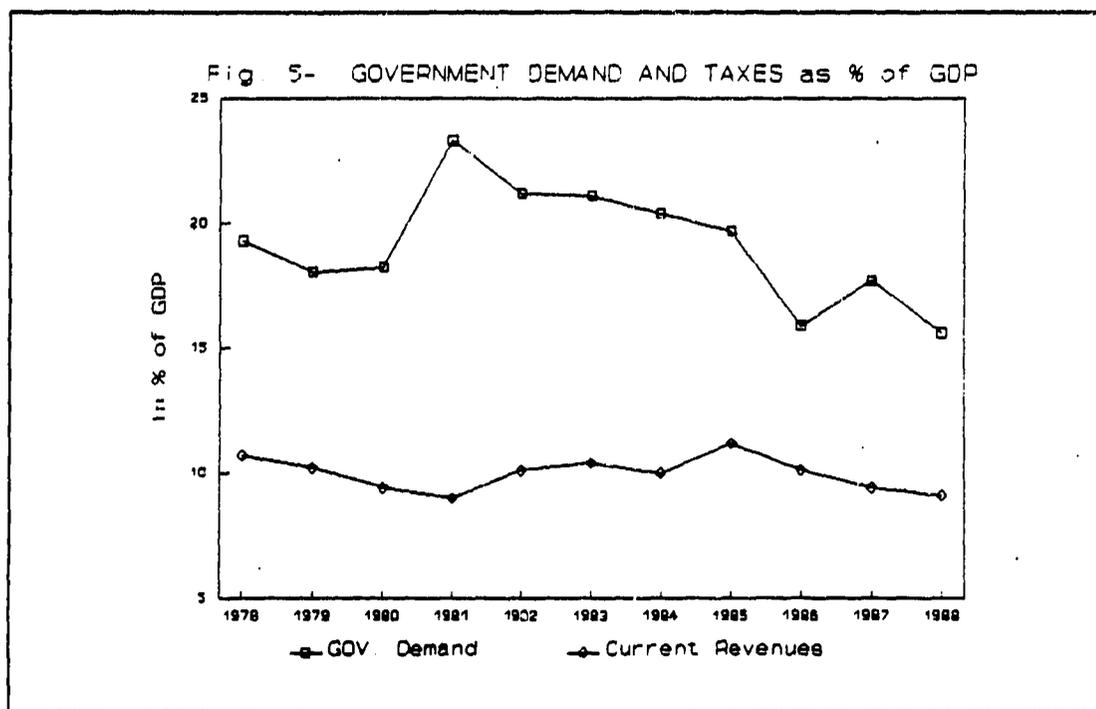
The mistaken perception of a less binding head to constrain resources constraint led to an increase in Government demand, defined as the sum of Government consumption and investment. In real terms, Government demand rose by 13% in 1980 and by 22% in 1981, at the very moment that the transitory nature of the 1979-80 boom became evident. Not only did export prices collapse, but also another source of export tax revenues vanished with the shutdown of the Reynolds Metals Bauxite Mine. After a half-hearted effort was made in 1982 to control Government demand, its growth resumed in 1983 so that the 1984 level was 37% higher than in 1982.

As a whole, the 1980's have been characterized by significantly greater financial disequilibrium than the preceding 60 years. That is why the financial experience of the past ten years is atypical of the country's tradition. This judgment takes into account the fact that part of the financial gap was filled with transfers from the public enterprises. These transfers did not fundamentally affect the financing requirements of the Government (or the public sector as a whole).

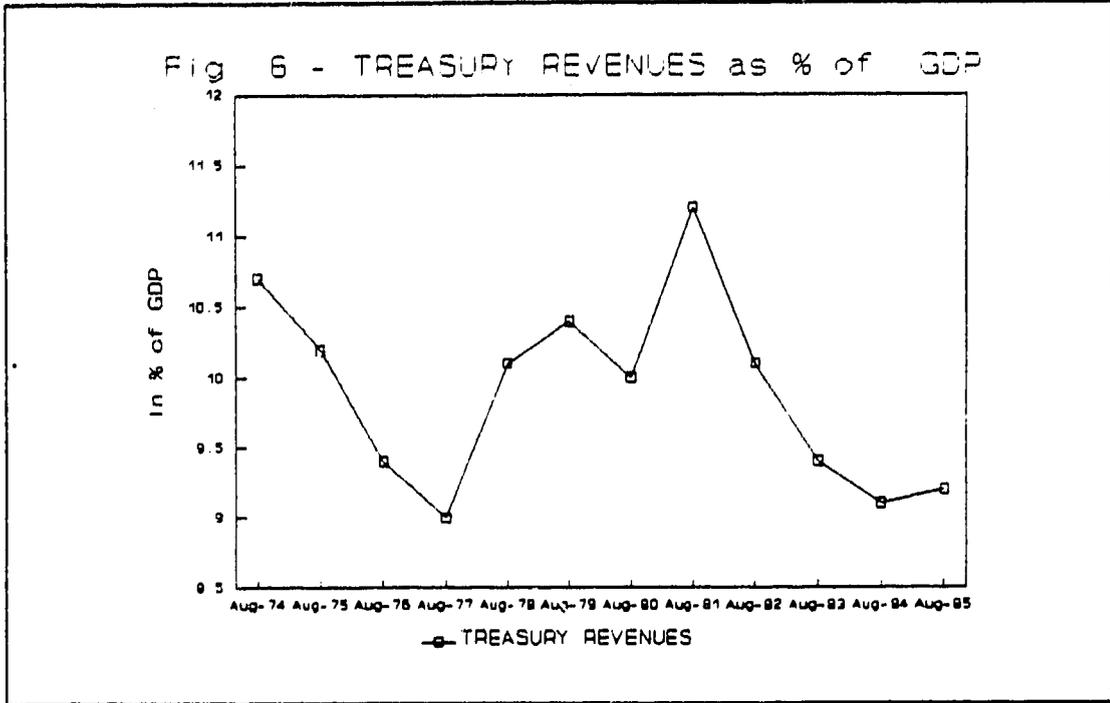


2) Taxes

The problem with the Government finances relates to both the structure of the expenditures and the system of revenue mobilization. Broadly speaking, the mistake of unwisely expanding Government demand triggered a vicious circle: as revenues failed to increase pari-passu, the adjustment took the form of raising taxation rates and the introduction of new taxes (TCA). However, after initial success, the same long term problems of weak tax administration and tax avoidance combined to keep the real tax burden unchanged at around 10% of GDP, as depicted in Figure 5.



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This stability was even more striking in view of the marked changes in the composition of tax revenues:

- The decline in the relative importance of export taxes which went from a high 24% of total tax revenues in 1980 to 9% in 1983 and 5% in 1985, before their final elimination in 1987.

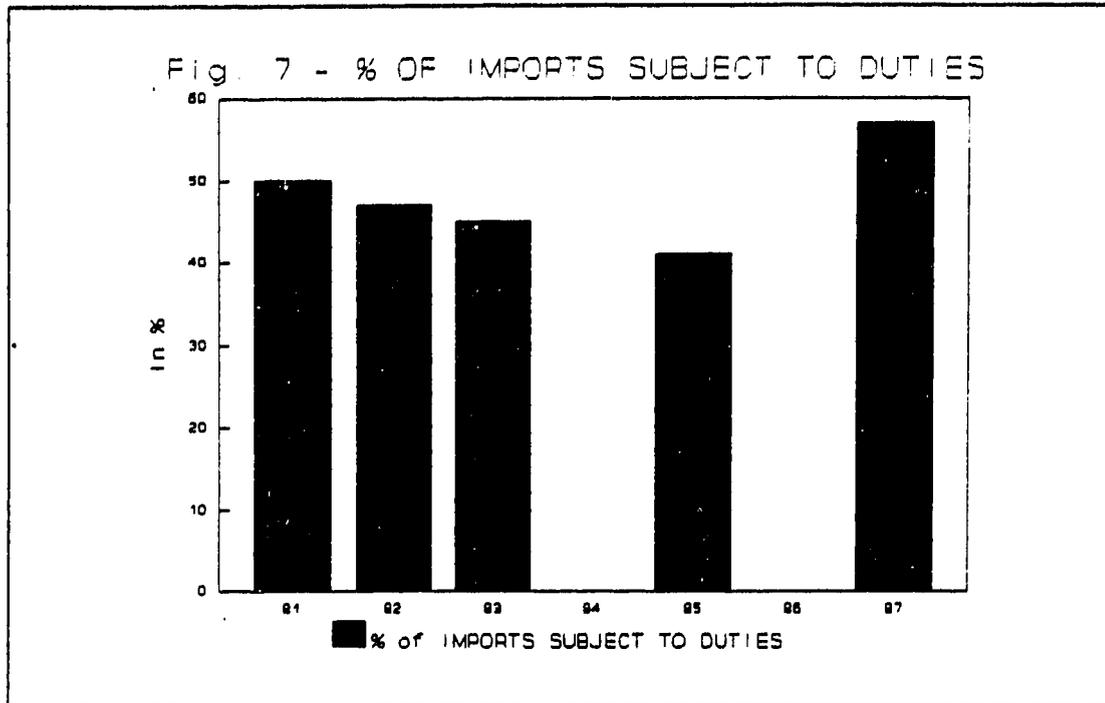
- The relative decline in import duties which went from a high 36% of total tax revenues in 1981, to 22% in 1985 and to about 18-20% in 1988 and 1989.

- The increasing importance of the value added tax (TCA) which went from 10% of total tax revenues in 1983 (the year it was first introduced) to 17% and 19% in 1985 and 1988 respectively. The rate of this tax went from 7% to 10% from 1983 to 1985.

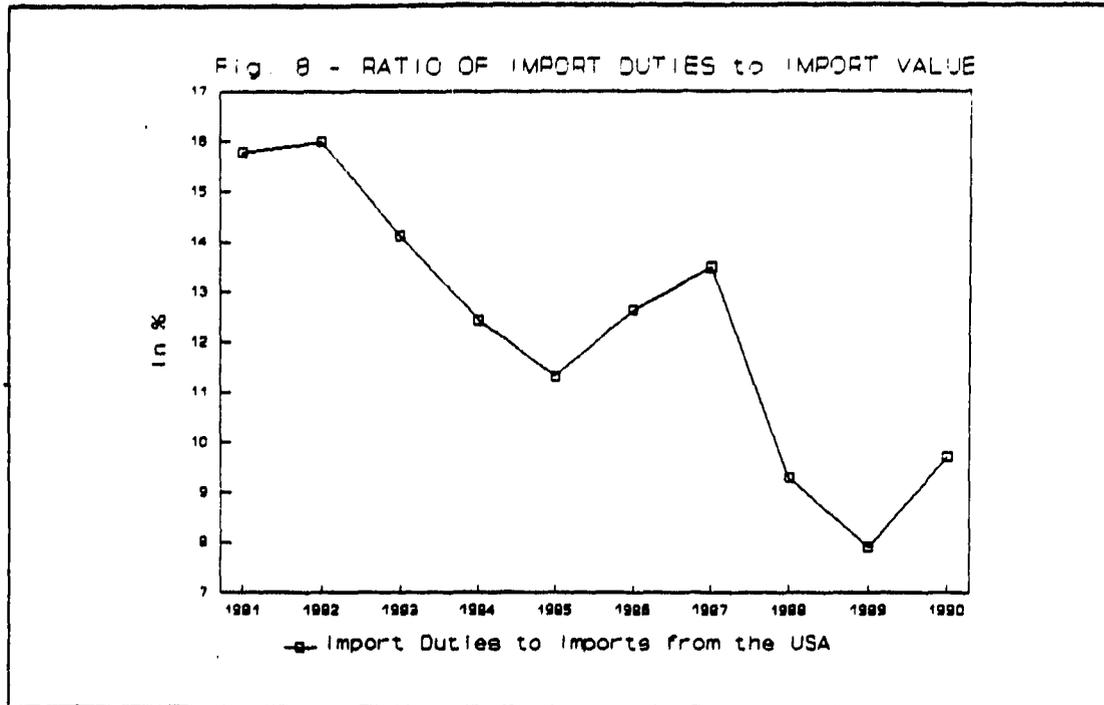
- The growing weight of excise taxes on goods and services which went from 13% of total tax revenues in 1978 to 25%, 29% and 31% of the total in 1982, 1986 and 1988 respectively.

3) Imports

The trend in import duties illustrates the general problem associated with tax revenue mobilization in Haiti. While the relative decline of import tax revenues was anticipated after 1986, as it resulted from the general lowering of tariff duties, the declining trend of the years prior to 1986 only reflects the low elasticity of the tariff. The low elasticity of tariff revenues in turn reflects the importance of specific rates in effect prior to the 1986 reform and the prevalence of widespread duty exemptions. As shown in Figure 7, while the percentage of imports subject to duties was 50% of total imports in 1981, that ratio reached 57% of the total in 1987.



As a result, the effective tariff level has been much lower than what the nominal rates indicate. Figure 8 shows that the ratio of import duties to the value of imports from the United States declined from 15.5% in 1981 to 11.2% and 9.3% in 1984 and 1989 respectively.



The reason for using the value of imports from the U.S.A. as a proxy for total imports is twofold. First, U.S. Government statistics of American exports to Haiti were used because overvaluation and other distortions cloud the value of Haitian Government import statistics. Second, although the value of American exports to Haiti includes the value of assembly components that are reexported to the U.S.A., it is felt that the value of these components is a good proxy for the value of Haitian imports coming from geographical sources other than the U.S.A.

The salient characteristic of the fiscal system, besides its inefficiency, is its unfairness, as it relies mainly on indirect taxes to generate revenues. Income taxes, both corporate and individual, contribute roughly 13-15% of total tax revenues. Personal income tax has represented 2-4% of total tax revenues up to 1987, when it started to rise as a result of some of the reforms introduced in the management of Government employees' salary. Aside from Government civil servants and other employees, very few professional or self employed individuals pay more than the token lump sum of the impot forfaitaire. Evidence collected in 1986 presents a bald statement of the problem:

- The number of registered individuals (self employed) tax

payers declined from 864 in 1982 to 824, 790 and 780 in 1983, 1984 and 1985 respectively.

- In 1985 only 7% of the registered 780 self employed tax payers bothered to file final returns.

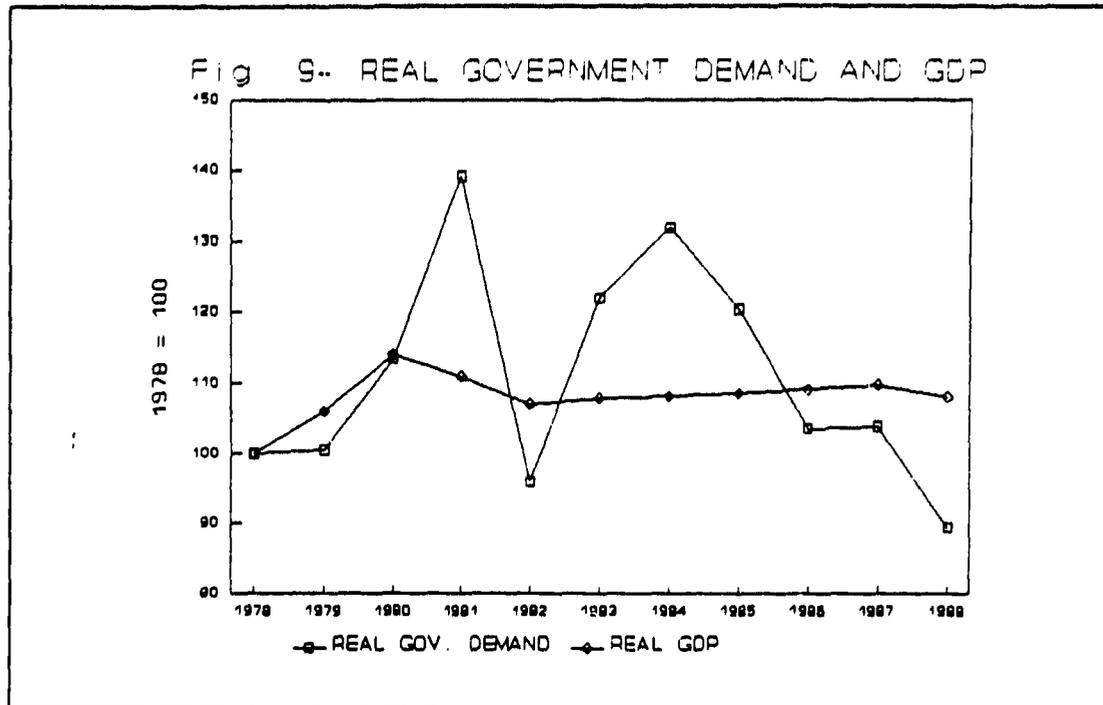
- Based on the analysis of the final returns filed by individuals who availed themselves of the immunity granted by the Fiscal Amnesty Decree of October 9, 1986, the average income declared amounts to less than half of the real income; while income tax paid represented about 54% of what should have been paid.

As regards corporate income tax, the situation is broadly similar to the one described for personal income tax. The number of registered tax payers fell from 1105 in 1982 to 843, 823 and 735 in 1983, 1984 and 1985 respectively, a 33% decline over the four years. Even if allowance is made for an essentially stagnant economy, a decline of such a magnitude is prima-facia evidence of a major tax administration problem. This conclusion is bolstered by the fact that in 1982 50% of the corporations filing declared a loss. This proportion was 35, 37 and 44% in 1983, 1984 and 1985 respectively. Moreover, there seemed to be a correlation between income bracket and the filing of income losses : 30% of the firms having yearly revenues of 4 to 5 millions Gourdes declared losses. The proportion fell to 4% for firms earnings 300,000 to 400,000 Gourdes. Notice, however, that the propensity to declare losses fell sharply for those firms earning more than 10 millions Gourdes, the explanation being that most of these firms are subsidiaries of foreign entities and that their tax paying behavior is dictated by other elements. These firms contribute the bulk (70 to 80%) of corporate income tax payments.

B. THE CONSEQUENCES OF THE GOVERNMENT FINANCIAL CRISIS

1) Consequences of Government Demand

The main reasoning behind the expansion of Government demand was that it had a critical role in propelling the economy's growth. A fashionable argument was (and still is in some quarters) that GDP growth would be stimulated by Government spending, because private investment would be stimulated by Government investment. Economic theory provides no basis for such an argument and neither does the empirical evidence. Figure 9 indeed seems to confirm that the link between Government demand and GDP is a weak one.



Moreover, Figure 10 shows that private and Government investments tend to be negatively correlated, thus documenting that crowding out in Haiti is not ivory tower theorizing.

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(Figure 10 here)

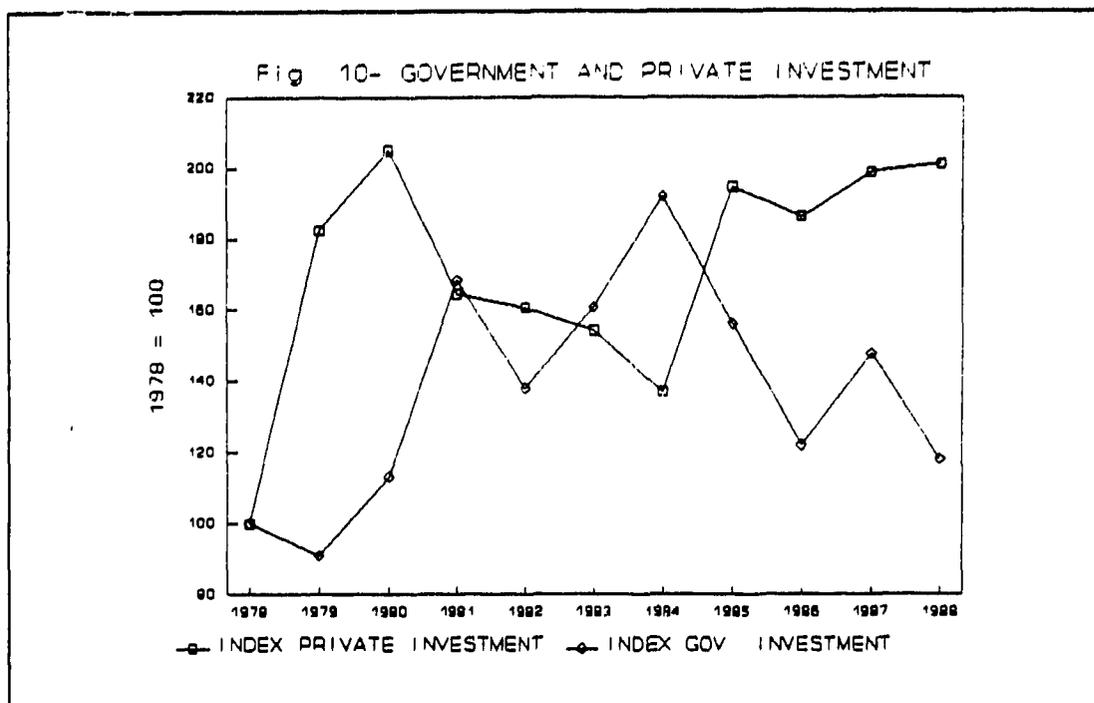
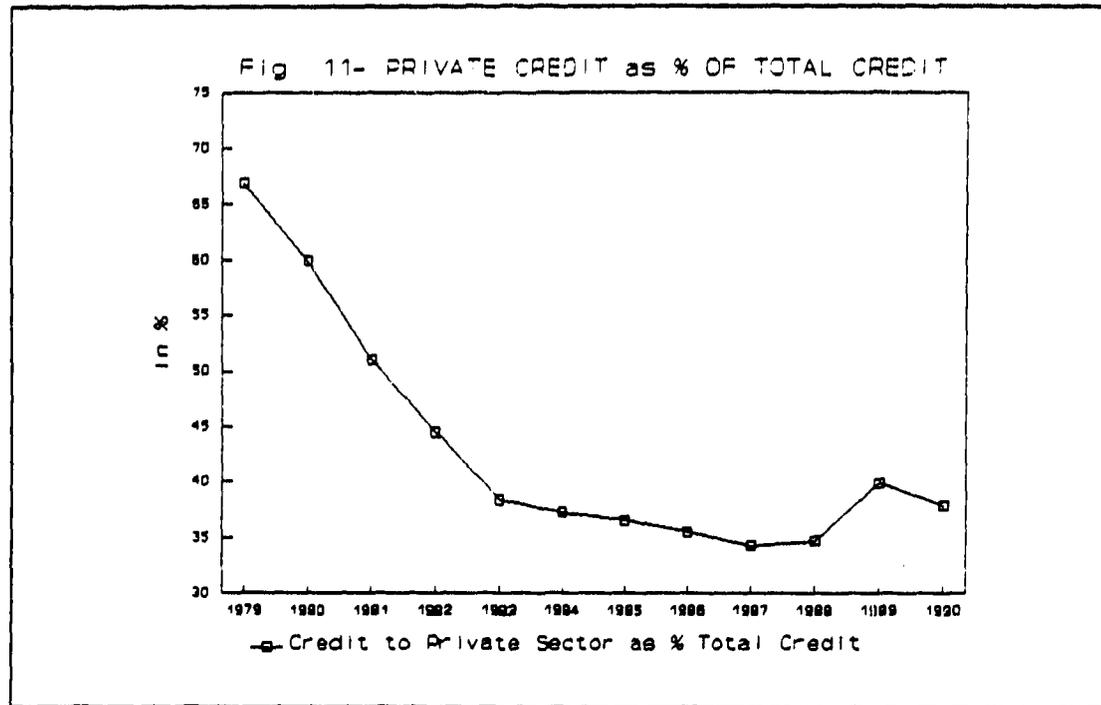
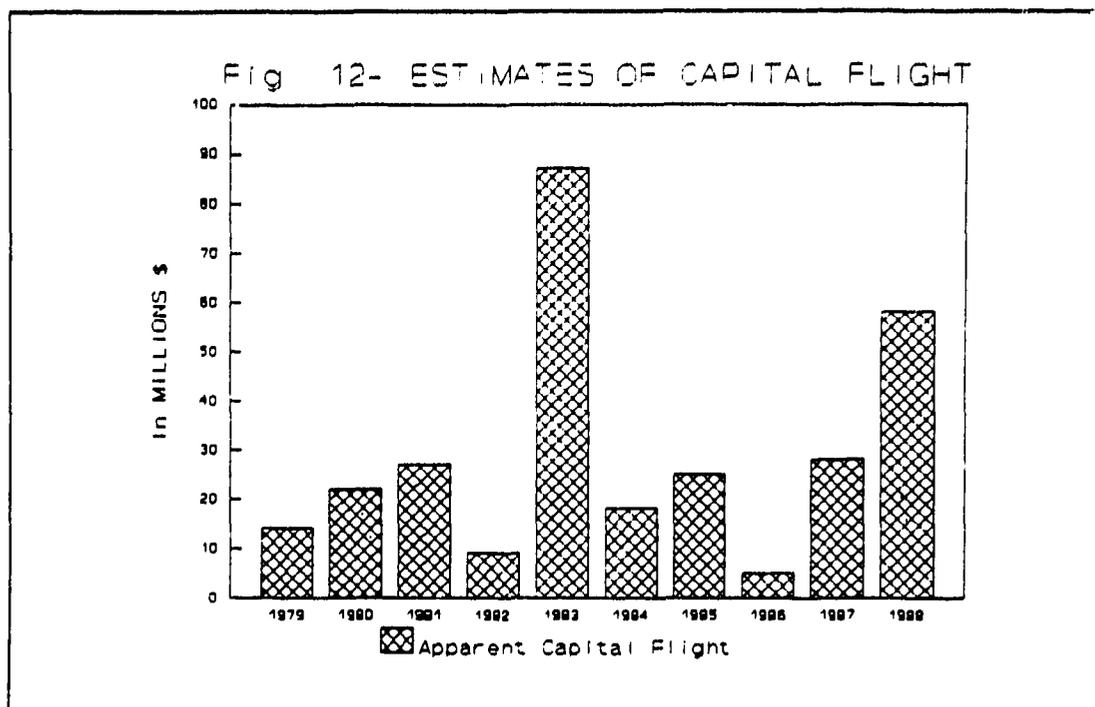


Figure 11 illustrates that an unambiguous consequence of the expansion of Government demand has been the squeezing of private sector access to financing. As the public sector credit requirements absorbed 85% of the total increase in credit between 1980 and 1988, credit to the private sector fell from about two third of total credit in 1980 to around a third in 1988.



The consequences of growing Government demand have been even more pernicious. The level of real private investment fell continuously from 1981 on. In absolute terms, figure 12 illustrates that real private investment in 1983 was 29% below the 1979 level; while in 1988 it was 10% below the 1983 level. In relation to GDP, real private investment declined from 10% of real GDP in 1979 to 6% in 1988. The private sector was reacting to the policy environment by shrinking the basis for future growth in the economy, because the prerequisite of sustained long term growth is an expanding volume of real private investment and a rising ratio of real investment to GDP. The problem in the 1980's was that not only was the private sector being squeezed away from available resources, but also that risk perception increased. This increase in risk perception reflected essentially an inappropriate investment incentive and regulatory framework and the discontinuities in Government policies (the two half hearted agreements with the IMF in July 1982 and September 1983). The traditional openness of the economy, the proximity to the North American financial market and the difficulty of enforcing capital controls meant that Haitian savings could be placed abroad easily as an alternative to investing in a suboptimal environment. In other words, resources were withdrawn from the economy to be placed abroad, and such an alternative looked increasingly attractive as the foreign exchange crisis deepened and the probability of a

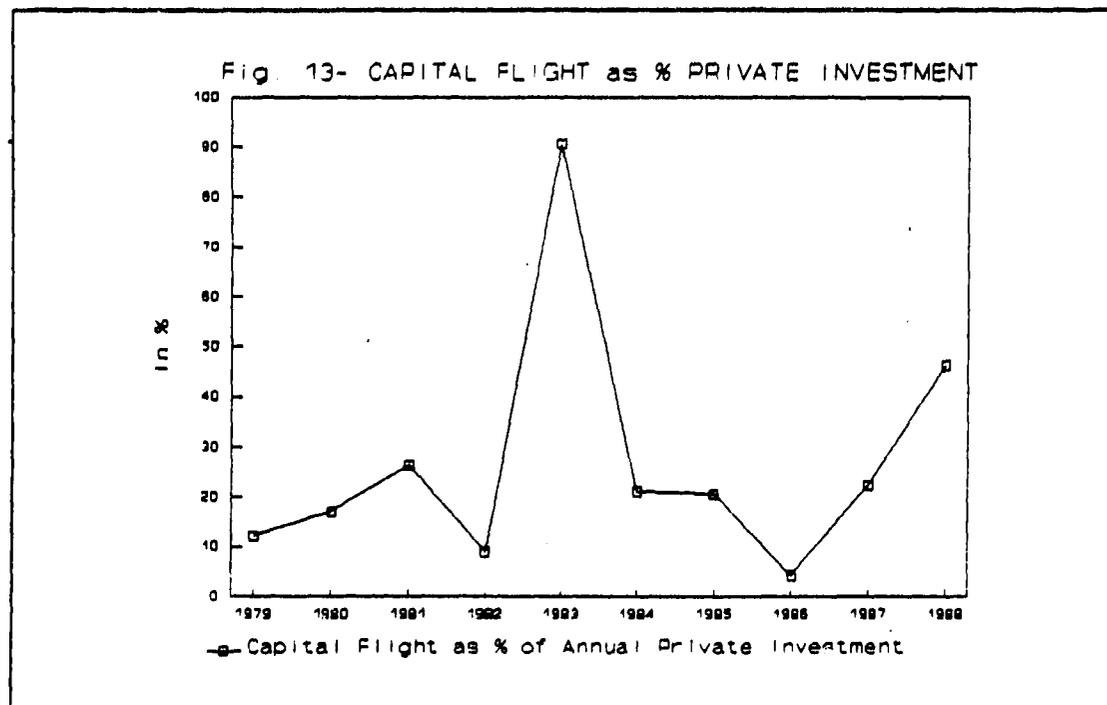
formal devaluation increased. Capital flight has thus assumed an increased importance within the overall macroeconomic framework.



As Haitian balance of payments statistics are unreliable, an attempt at estimating capital flight was made using data from the U.S. Treasury and the Bank for International Settlements. Both institutions publish estimates of deposits held by Haitian residents in banks within their jurisdictions. The estimate of annual capital flight flows is based on the year to year movements in the total amount of banking deposits held by Haitian residents. The cumulative amount of capital flight is estimated at around U.S. \$300 millions for the period 1979-1988 (as depicted in Fig. 12). This amount represents about one fourth of the total cumulative amount of private investment over the same period. In other words, had capital flight not taken place, private investment would have been one fourth higher than the level actually reached (Fig. 13). Seen from another perspective, private capital flight has amounted to 57% of the increase in the disbursed external debt of the country in 1979-1988. As money is fungible, essentially, the Government was increasing its debt to finance a capital flight induced by its own policies. The estimates provided here most likely understate the magnitude of the problem for two reasons:

- 1) the estimates cover only bank deposits and thus exclude real

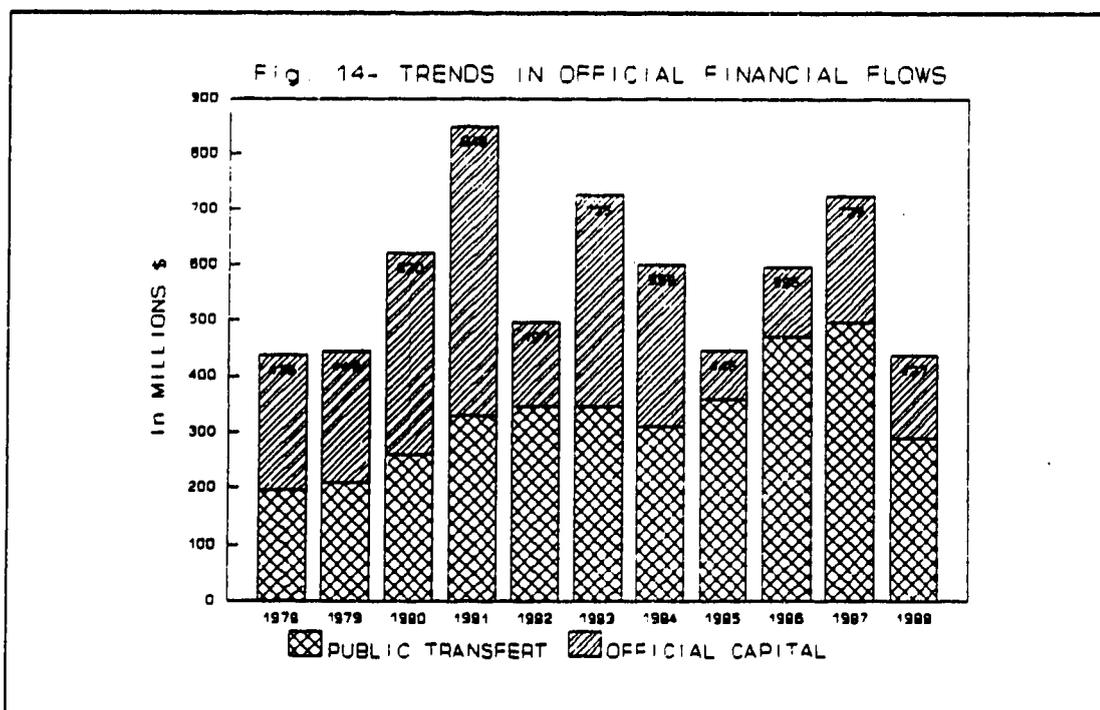
investment (say real estate), stocks, Government paper and insurance; 2) the estimates include only those whose address is identified in Haiti. As many Haitian residents also own second homes abroad, this can be the source of significant gaps in the coverage.



Capital flight is obviously a response to perceived risks. Such risk may also be non-economic, i.e. political. Paradoxically, 1986 was one of the years with the lowest amount of capital flight. On the other hand, the sharp increase in 1988 is probably due to political risk perception, as all the outflow took place in the second half of the year, that is, after the overthrow of the Manigat Government. Finally, it is also possible that changes in the definition and in the statistical coverage of the data may explain some of the sharp jumps, such as the one from 1982 to 1983.

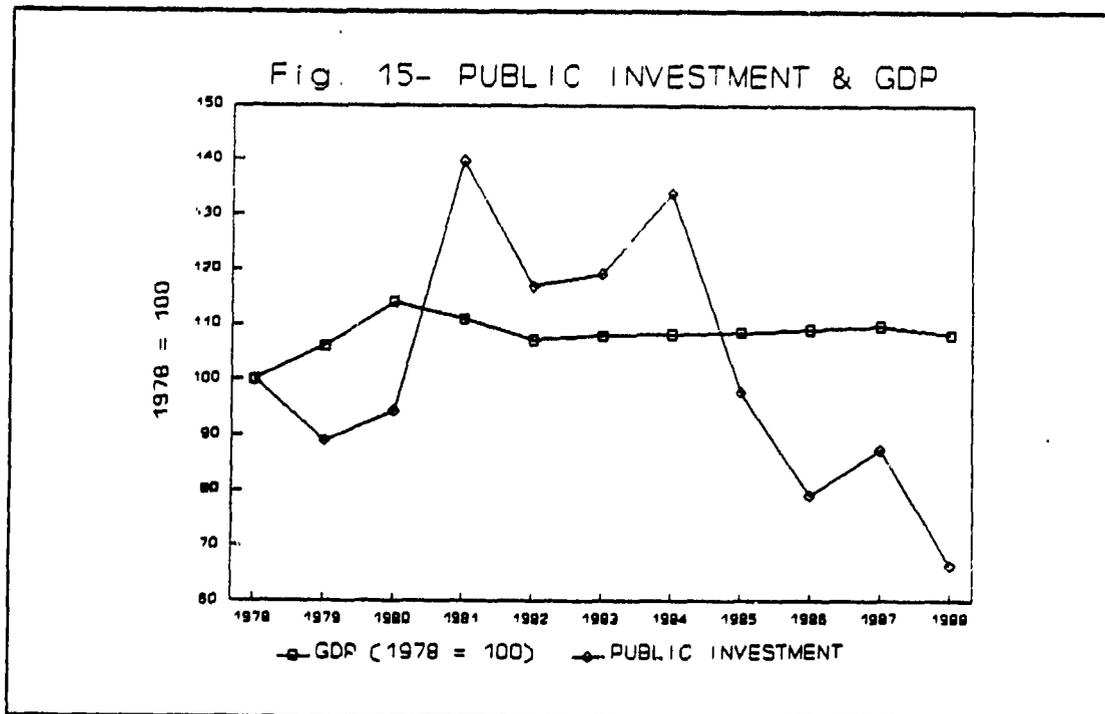
2. Foreign Resource Mobilization

Foreign resources are needed if the level of domestic investment is to rise above the level of national savings. The volume of foreign resource flows may be considered a reliable indicator of the confidence that official donors place in the development strategy pursued by the Government. In that sense, the trend in official flows into the country performs the same function as the trend of private capital flight out of it. It constitutes an acid test of the quality of the macro policies implemented by the authorities. The trend in official flows provides another clear indication that the wrong policies were implemented during most of the 1980's. Fig. 14 depicts the general downward trend in official flows except for the two peaks of 1983 and 1987. In fact, the extreme poverty of the country and the acute distress of social groups that are the weakest may have contributed to mitigate the outcome, as the international community felt compelled to maintain a minimum level of resource flows to alleviate the worst symptoms of poverty (say food aid), however distasteful or unsavory the nature of Government policies. Public transfers have accounted for a rising share of foreign capital flows: 46% in 1978-80; 55% in 1981-83; 70% in 1984-86; 67% in 1987-88.



This rising proportion of public transfers in official flows may

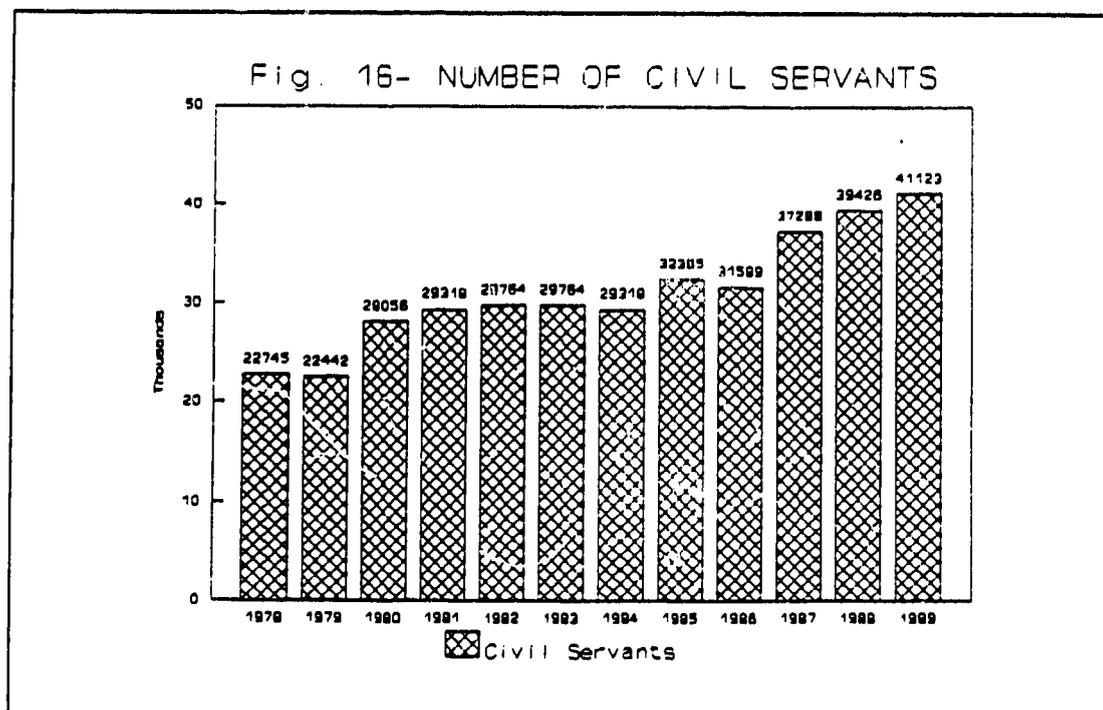
explain another puzzle: as shown in Fig. 15, the trend in GDP seems to be completely unrelated to shift in public investment. Both the sharp increase in Government investment in 1979-81 and the significant decline in 1985-88 have not affected the flat behavior of GDP. Part of the explanation seems to be that a lot of expenditures that are recorded as "investment" are indeed consumption activities. For instance, a lot of the activities financed with public transfers are poverty alleviation type of expenditures. There is nothing wrong with that per se, but it should be recognized that such expenditures do not contribute to increase output and productivity. In other words, while such expenditures may reduce human suffering, they contribute nothing to the eventual growth process itself; therefore, shifts in the levels of expenditures will not have a great impact on GDP. A second reason is that most of the expenditures undertaken under the Government investment budget are in fact just salaries. Recently, for example, the Ministry of Planning has attempted to curtail the share of salaries to 10% of total project cost. The guideline is still largely ignored, and the Ministry of Public Works has gotten closest to the target with a salary component of 25% of total project outlays. For the Ministry of Agriculture, the ratio has remained at 60%.

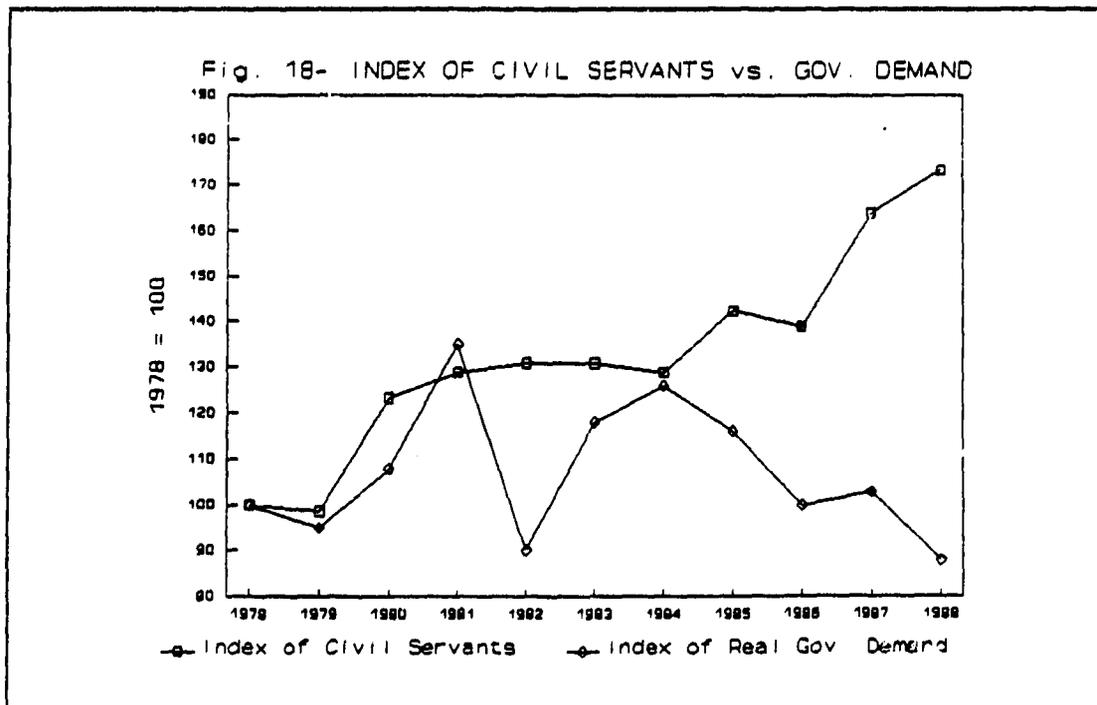
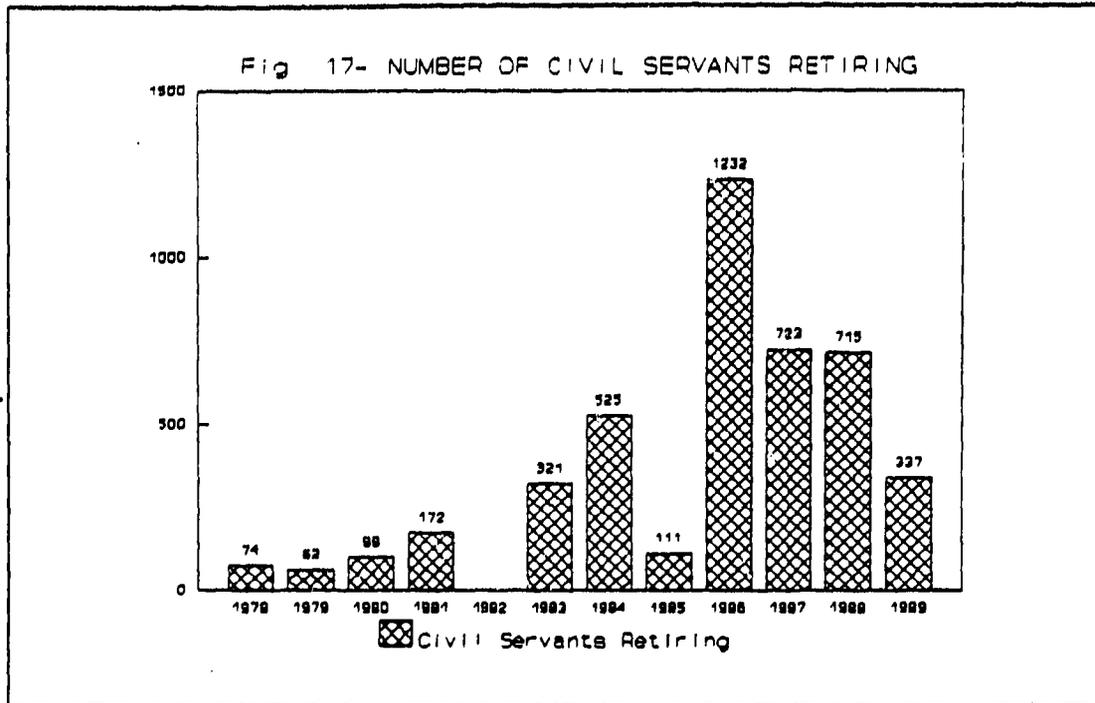


C. THE PROBLEM OF PUBLIC SECTOR EMPLOYMENT AND SALARIES

1) Public Sector Employment

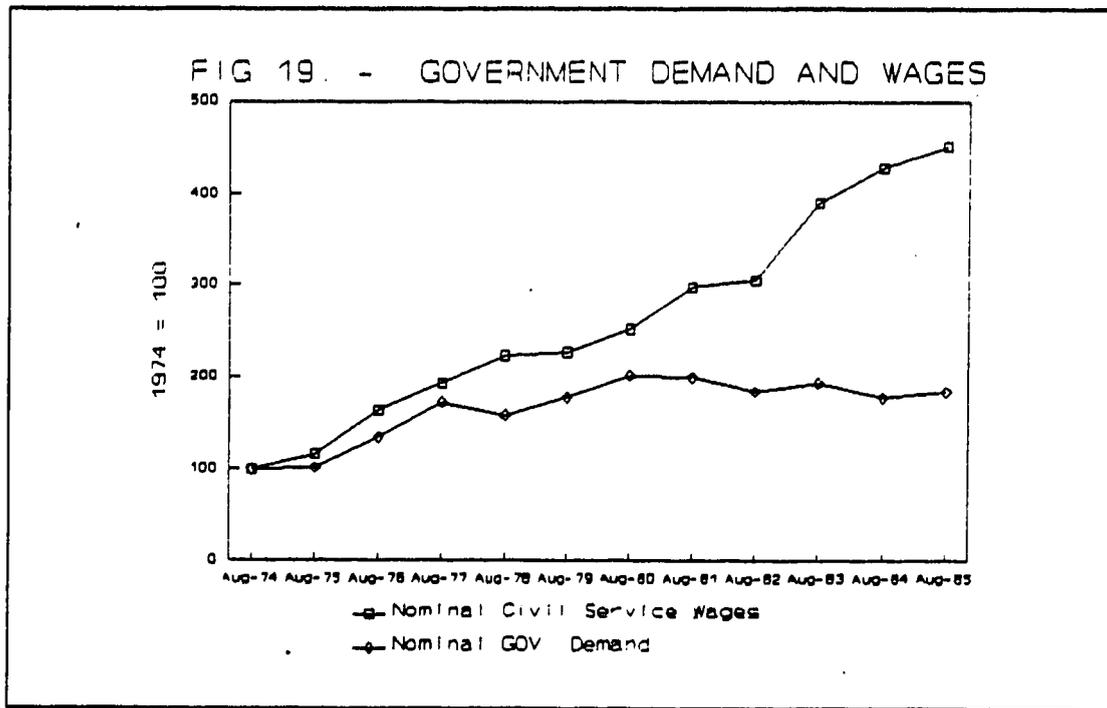
The foregoing discussion illustrates the true nature of Government demand: it is mainly related to the rising weight of the civil service wage bill. The expanding size of public sector employment is absorbing such a share of Government expenditures (including what is defined as investment) that little is left to pay for other legitimate development and/or management tasks of the Government. As illustrated by Figure 16, the number of public servants went from 22,745 in 1978 to 29,318 in 1981, 32,385 in 1985 and to 41,125 in 1989. Civil service employment thus rose by 15% in 1984-87, 5.7% in 1988 and by 4.3% in 1989. It should be noted that the turnover is very low in the sense that very few civil servants are fired or resigned. For example, in 1987-89, 72 employees were hired in the Ministry of Finance, one resigned, none were fired and one retired. The rate of attrition, given by the ratio of retiring civil servants to the total number that are in active service, is also low. Figure 17 depicts the trend in retirement and indicates that after an unusually high number of retirements in 1986-88, 1989 seems to indicate a reversal to the past trends.





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The policy issues raised by the trends in civil service employment are extremely complex and involve very difficult tradeoffs. Figure 18 shows that growth of civil service employment has been greater than that of public demand. Consequently, total salaries also grew at a more rapid rate than that of Government expenditures, as shown in Figure 19.



2) Salaries and Consumption

The share of the wage bill in total Government demand doubled from 18% in 1978 to 36% in 1988. In 1989, the ratio stood at 44%. Notice however that the sharp increase in Government wages registered in 1987 is largely an adjustment illusion, because of the pre-1987 practice of paying civil salaries in two components: the regular wage on the payroll and supplementary allocations paid as "frais". For 1987, both were consolidated for the first time. In other words, the level of 1987 was reached through a smoother gradual path than is indicated by Figure 19. An implication of these trends has been a type of vicious circle: the payroll takes so many resources that nothing else gets accomplished, with the result that the overall efficiency of the civil servants is curtailed by the lack of supplies and the deteriorating and crowded

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physical space within which they operate. This of course also affects employee morale and may induce a higher degree of absenteeism (in some administrations, there are more employees than desks or chairs for them to sit on).

A further point is that the growth of civil service employment seems to have taken place at the lower echelons of the employment scale. In 1989, 74.8% of the civil servants were earning less than \$300 a month, while 14.9% earned between \$300-500 a month. In other words, about 90% of civil servants were earning less than \$500 monthly. Thus most civil servants are either under qualified or reasonably qualified and poorly paid. This fact explains the tradition of holding more than one job within the public sector or of moonlighting outside of it. At the other end of the spectrum, 1.2% of civil servants earned between \$1,200-2,000 monthly, while 0.3% were paid above \$2,000 a month.

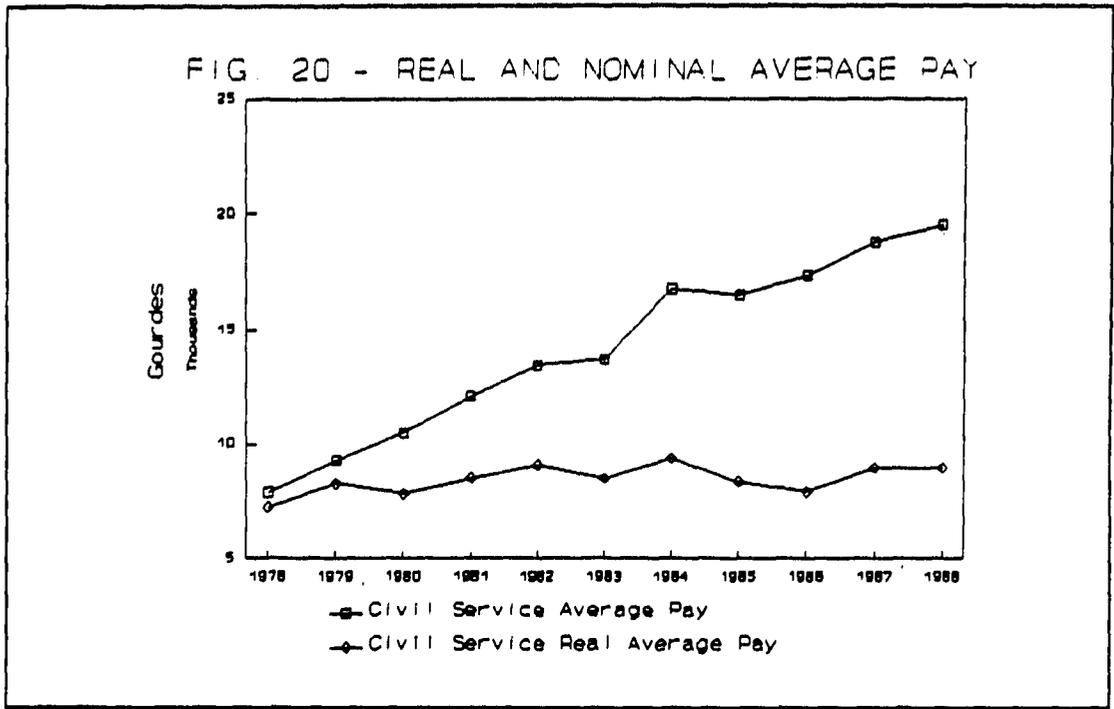
The situation is further complicated by the fact that at the higher end of the spectrum there is an oversupply of generalists and of administrative types, while specialists or technical personnel are in critical shortage. A direct policy implication is that the increased efficiency of the civil service may not be compatible with a shrinking of the overall wage bill, even if the actual composition of the latter were to be changed. This analysis is reinforced by the fact that the Ministries of Education, Health and Justice have the greatest proportional number of employees earning less than \$300 a month. The breakdown is 95% for Education, 75% for Health and 79% for Justice. To the extent that a relevant development strategy will imply greater emphasis being placed on the delivery of education and health care services, and an improvement in the administration of justice, the efficiency of these Ministries will have to be increased. It is difficult to seriously consider meaningful improvement in efficiency when the bulk of an institution's employees is paid less than \$300 a month. Yet, 40% of those earning less than \$300 a month work in the Ministry of Education, with the Ministry of Health employing an additional 22% of the total. In other words, two thirds of those earning less than \$300 a month are employed by these two Ministries.

At the other end of the spectrum, 11.1% of those earning between \$2,000-3,500 a month work in the Ministry of Foreign Affairs, which also employs 15.3% of those earning more than \$3,500 a month. The Ministry of Interior and National Defense employs 2.7% of those earning between \$2,000-3,500 a month and 15.3% of those earning more than \$3,500 a month. No one in the Ministry of Education earns more than \$3,500 a month and only 0.1% of the employees of the Ministry of Health fall within that wage bracket. Finally, it is critical to note that the 90% of the civil servants who receive less than \$500 a month receive two-thirds of the overall wage bill,

while the 0.3% which is paid above \$2,000 a month receives 3.5% of the wage bill.

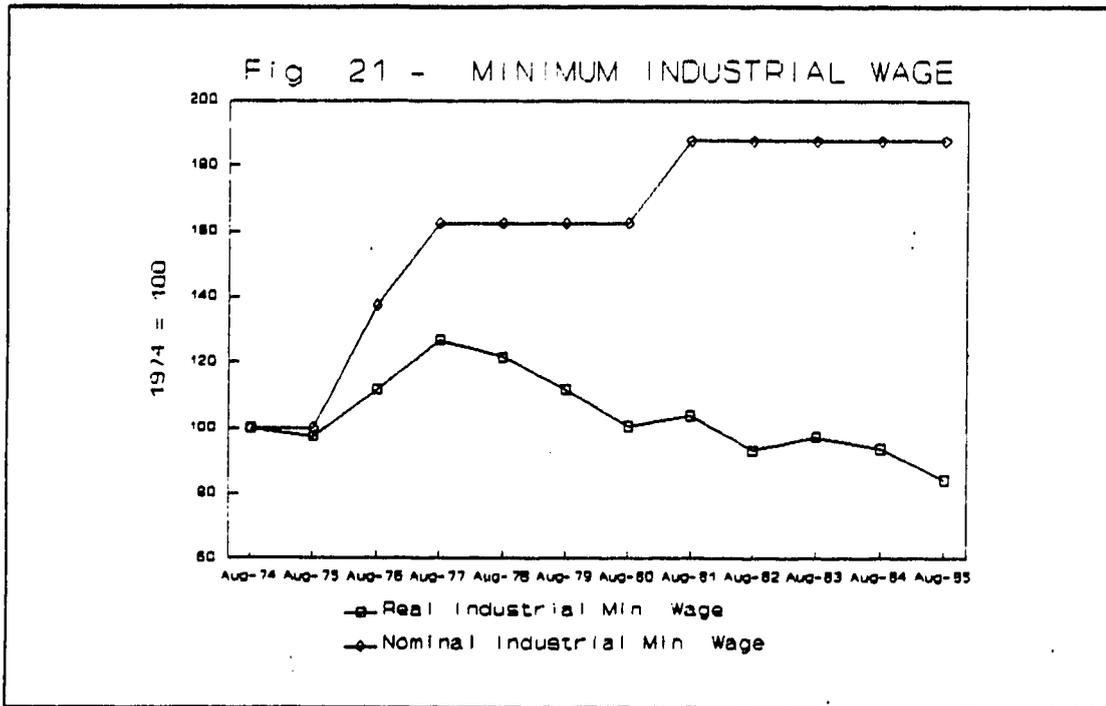
The foregoing analysis indicates that the political economy of public finance in Haiti is different from what it is in most underdeveloped countries. This is in a large part due to the nature of the public expenditures. Very little of public sector demand constitutes a subsidy to private consumption. The Government has had no qualms in compressing private consumption through high excise and indirect taxes and aggressive pricing policy of the public enterprises. In real terms, private consumption fell by 3.3% between 1978 and 1980 and by 6% between 1980 and 1984. It increased by 10% between 1984 and 1988. Yet, in 1988 private consumption in real terms had still not reached the 1980 level. This of course means that there has been a tremendous erosion of per capita private consumption in real terms. In most other poor countries, the situation is quite the opposite as private consumption is usually subsidized. That is why adjustment policies have triggered such political reactions: private consumption is usually directly and adversely affected by such policies. In Haiti such is not the case. Financial adjustments here do not affect private consumption; they mostly impact on Government wage and employment. That is the main reason why financial adjustment policies have not triggered any real popular political backlash, but merely the grumbling of the most politically vocal group, the civil service.

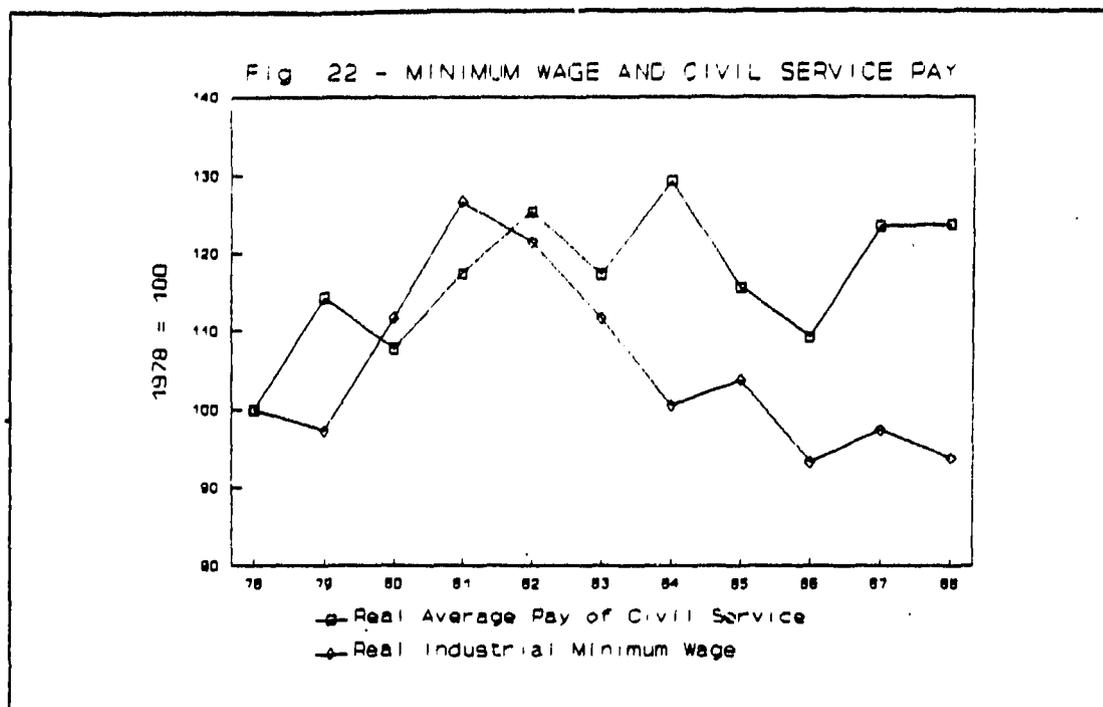
That is why, as shown by Figure 20, the real (deflated) average wage of civil servants has been relatively protected against inflation. The cost has been that the Government has been less and less able to discharge its other duties, as policy makers have essentially been worried about the welfare of one group of constituents at the expense of the general welfare. This conclusion is even stronger if one were to take into account the wage structure of public enterprises, which is much higher than that of the central Government proper.



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Figure 21 shows that the real industrial minimum wage has eroded since 1981 in spite of the periodic adjustments in the nominal minimum wage. This implies that the working classes have borne a disproportionate burden of the economic adjustment, because most low income workers have not in fact benefited from the cushion of the periodic adjustment of the nominal minimum wage. As a result, the discount on the domestic currency has not risen as fast as it should have if workers had been able to maintain the level of their real earnings. This contrasts with the situation of the civil servants as graphically highlighted in Figures 21 and 22.





D. AN INAPPROPRIATE POLICY AND REGULATORY ENVIRONMENT

1) Government Role in Production

Starting in 1979, the Government began to increase the scope of direct intervention in economic production. A decision was made to increase the participation of the public sector in industrial production. The privately owned cement plant was nationalized, while an ambitious industrial investment program was implemented in the face of concerted advice to the contrary coming from the international donor community. An edible oil plant, a new sugar mill and a fishing fleet were acquired using high cost foreign supplier credits. None of these investments were economically viable and, all required subsidies to stay afloat. The subsidy either was a direct budgetary transfer (sugar mill, fishing fleet) or it was an indirect one generated through high domestic prices (edible oil plant). In general, the latter form of subsidy was preferred and was also used to sustain the cement factory and the flour mill. Such a form of subsidization required a wedge between domestic and world prices and the wedge took the form of import restraints backing the monopoly privileges granted to these firms. The policy of high prices to the consumers had also another advantage in that it allowed a more efficient way of siphoning off financial resources than the old ways of using extra budgetary

accounts (which attracted too much attention from the international donor community, particularly the IMF).

2) Private Investment

At the same time that it was expanding its industrial production activities, the Government attempted to secure the backing of important sectors of the business community. Again this was achieved through the liberal granting of monopoly positions backed by extensive quantitative restrictions on imports and high tariffs. Some import substitution industrialization took place, but at the cost of distorting the incentive structure, penalizing consumers and implicitly taxing the export sectors. Furthermore, a complicated and diffuse system of industrial investment incentives was put in place in an attempt to quickly foster industrial growth. The centerpiece of the system was the various versions of the investment code, each one evolving around the mistaken belief that generous tax incentives would provide the spur to greater investment. The objective was not reached, because tax incentives were not enough to overcome the main constraints to growth: a small domestic market, inadequate infrastructure, corruption and inefficiency of the bureaucracy, the contradictory nature of public policy and the unfocused nature of the incentive system itself. The Government attempted to do too much with the sole instrument of the investment code. The latter was supposed to promote investment, foster the use of domestic inputs, achieve a more balanced regional development and encourage technology transfers from abroad.

The central mistake in the design of the investment policy was the incorrect assessment of the root cause of the spectacular success of the assembly operations during the 1970's. The fact that (a) the incentive system had basically been there since 1960 without great effect and (b) that it was essentially neutral (that it did not specifically target the export sector) was completely overlooked. The fact is that very little of the success of the assembly sector can be ascribed to targeted policy decisions. In fact, the various versions of the investment code went overboard in their attempt to foster import substitution. For instance, Article 75 of the November 1989 code specifies that temporary protection can take either the form of quantitative restrictions or of higher tariffs. Similarly, monopoly positions are protected through Article 50, which provides established firms with the right to appeal the decision to grant new investors the benefits to the code.

Quite aside from the mistaken emphasis on import substitution in a small open economy with a restricted domestic market, the various versions of the investment code have been too complex in providing so many incentive packages. The November 1989 version incorporates three different normal regimes (Art. 10), while Article 32

establishes special regimes separate from the preceding three. Additionally, Articles 71-73 are a clumsy attempt to link the different incentives granted to import substitution and export oriented firms, while Article 68 incorporates additional specific measures of incentives and help. At a different level, the approval procedures are complex, lengthy and provide too much scope for unwarranted Government intrusion. This is not a trivial issue given the general level of administrative competence of the bureaucracy. When a weak bureaucracy with limited technical capabilities has to administer an incentive system which is poorly focused and too vague, the result is a too often a nightmare for the private investor.

Of course, quite aside from the problems related to the legal framework is the issue of how the regulatory system operates in practice. Starting and managing an industrial concern in Haiti is a process fraught with difficulties that have constrained the expansion of the private sector. For instance, the establishment of a joint stock corporation will take about 2 months and will cost about \$2,000. Given that the minimum capital required to establish a commercial firm is \$5,000 while the amount is \$20,000 for an industrial firm, the transaction cost is fairly high. Furthermore, the process itself is a frustrating one with a lot of delays: for instance the statutes of the firm must be hand written by the public notary. The administrative approval process is long and tedious, and the process of having to approve statutes published also involves frustrating delays. The main law that regulates the functioning of the joint stocks corporations (August 3, 1955) has been abolished, but no new legal instrument has replaced it. Thus the abolished law is still de facto operative even though it was abolished by the decree of August 28, 1960. Similarly the commercial code was first issued in 1826 and then modified in 1944, which makes the last revision half a century old. As a consequence, there are many contradictions between the code and subsequent laws. A total revision of the code is thus a first order of priority.

The most salient feature of the daily operation of the regulatory system is that private business is confronted with an accumulation of small nuisances and little gaps within the legal framework, so that the end result is an unpredictable environment that heightens the sense of instability. A list of these nuisances and shortcomings includes:

- Unclear bankruptcy laws, regulations and procedures. Although the tax administration (DGI) should act to liquidate the bankrupt firm, it is unclear as to whom or how will the bankrupt firm's debt be handled (e.g., the prioritization of creditors).

- Debtors enjoy more legal protection than creditors. This

limits credit expansion.

- Existence of many petty taxes, fees, etc..
- Minority shareholders' rights are not defined, severely impeding capital mobilization through public offerings.
- Existence of distorting tax laws: 2% tax on salary; 2% on interest payments.
- The inexperience and lack of training of judges with respect to economic and commercial issues.
- Complexity of the fiscal system and the wide discretionary powers of bureaucrats in its interpretation.
- Petty corruption, which can be not so petty when associated with rent-seeking behavior.
- Discriminatory treatment of foreign investors (immigration law, inheritance law...).
- Lack of a clearly stated investment guarantee scheme, although Haiti has signed but not ratified the instruments that establish the new World Bank affiliate, the Multilateral Investment Guarantee Authority.
- Too many problems related to labor disputes and the administration of the workers' social security system (ONA & OFATMA).
- The random enforcement of laws protecting property rights broadly defined.

To summarize, in spite of a strident rhetorical commitment to private sector development, the daily operations of the incentive and regulatory systems have in fact been hostile to private investment growth.

II. STRATEGIES FOR SUSTAINED GROWTH

A. INTRODUCTION

The review of Haiti's past economic policies presented in the previous chapter vividly illustrates what not to do if growth is to be stimulated in a small open economy such as this one. In a way, the policy agenda today fundamentally remains the same as it was at the onset of the 1980's: how to stimulate growth in a small overpopulated economy without a significant natural resource base.

Success in meeting this challenge will translate into higher rates of labor absorption. Recently, a misleading debate has taken place about the nature of the best development strategy and in particular the merit of import substitution and export led growth strategies. In fact, the proper understanding of the parameters at play leads to the conclusion that there is no real trade off because the success of an import substitution strategy depends on the growth of the domestic market. An expansion of the export sectors will provide a large market to import substitution firms. The problem is that the structure of the incentive system ought to be neutral: there should not be any anti-export bias, as developed in 1980-1986. Thus, the nature of the trade regime is of critical importance, for an inappropriate one will distort the structure of domestic relative prices and lead to an inappropriate pattern of investment. In the most extreme case, as was seen in 1980-88, private investment will contract severely in the face of an unsuited trade regime or of a wrong structure of relative prices. The revival of private investment being a key objective, particular caution should be exercised in the designing of the trade regime.

Recent events in the economic and financial areas present clear evidence that the Haitian economic system is on the verge of a collapse. Obviously the unsettled political conditions of 1986-89 have not been conducive to the focus of the authorities' attention on economic and/or financial problems. The country's economic circumstances have worsened. Bold and thoroughly new policies must be implemented if the current deterioration is to only stop, let alone if growth is to resume. There are four main areas that require urgent attention: the financial posture of the central Government, the trade regime, privatization and public enterprise reform. Furthermore, the overall legal and regulatory framework for conducting business in Haiti should be thoroughly reformed (see previous section on "Private Investment" for some of the areas requiring attention). Before discussing each of these areas in more detail, the strategic conditions for a successful implementation of the new policy package should be discussed.

A standard issue in economic policy is the trade-off between adjustment and financing: that is, to what extent can reforms be postponed or stretched over time while financing carries the economy over. In Haiti's circumstances, there is no such trade-off as official financial flows will materialize only if there is a credible reform package being implemented. In other words, the country will not be able to postpone reforms because the financial means to do so will not be forthcoming.

The successful implementation of a thorough reform package also requires a particular political/bureaucratic arrangement. In particular, the actions of the Ministry of Economy and Finance and

those of the Ministry of Commerce and Industry must be closely coordinated. Such cooperation was not a trivial factor of the fast and successful implementation of the reforms of 1986-87.

B. THE REFORM OF PUBLIC FINANCES

The discussion in Section I suggests that public finance management is an issue of the highest priority. Reform in that area must cover both the expenditures and the resource mobilization aspects. As regards expenditures, the key issue is that their sectoral composition must be seriously reassessed. A serious development strategy will imply a substantial increase in health, education, erosion control, and infrastructure. In the first instance it is likely that foreign resources will be required to supplement unavailable domestic resources to cover expenditures. However, the greater volume of external funds should not be committed before Government expenditures have been scrutinized and a major reallocation of domestic funds has taken place. Improvements in this area will not necessarily translate into lower levels of expenditures. If no fundamental reorientation of expenditures takes place, then their level should probably be approximately 20% lower than what was budgeted for FY 1990. In other words, Government expenditures should be kept at about 100 millions of Gourdes per month. A detailed review of central Government expenditures is of the first order of priorities and should be started as soon as possible to provide guidance to the reform of the budgetary allocations.

1) Institutional Reform

The reform of the budgetary allocations should not hesitate to consider profound institutional changes. In 1956, Haiti had 6 Ministries. The current number of ministries is most likely too high, as is the number of autonomous agencies. Further, the reform of budgetary allocations should be made pari-passu with the privatization of some Government services. Consider the example of the Ministry of Public Works. Today it employs 2,713 people. Of that total, 7.5% earn between \$500-750 a month, 5.12% between \$750-1,200 a month, 2.5% between \$1,200-2,000 a month and 3.7% more than \$2,000 a month. A well known fact is that most, if not all of the technical personnel (engineers, urban planners etc.), also have their own professional practice. Advantage should be taken of the well documented entrepreneurial drive of Haitian professionals to proceed with the restructuring of that Ministry. The ultimate profile targeted for the Ministry of Public Works should be a much smaller institution manned by a small group of high grade professionals whose assignment would essentially be to administer

a contract bidding program through which the actual work of the Ministry would be carried out. All the rest of the personnel would be encouraged to form private engineering firms that would bid for the execution of engineering work in the country. Private firms would do everything: design, execute and supervise projects under the overall control of the small nucleus of professional remaining in the Ministry. The personnel could be induced to take that option by being guaranteed one year of salary. Furthermore, technical assistance could be made available to those who want to start new firms which might be eligible for set aside contracts for say the first two years of the program. Similarly, existing firms could be provided with financial incentive to expand their employment. Such a program would have a specific time frame, its financial cost could be evaluated fairly precisely, and such a program could be funded through external resources for, say, the first two years. Bold departures along those lines could also be considered for the Ministry of Agriculture and the Ministry of Health.

2) Public Investment

Another area of Government expenditures that requires major changes is the public investment program. The need for a separate Ministry of Planning is not a self-evident. It increases coordination difficulties, and the tight link between current investment outlays and future recurrent costs no longer exists. The optimal solution would be a merging of the Ministries of Economy and Finance and of Planning, and a beefing up of the technical capabilities of the Budget Directorate which would oversee the execution of the investment program. A critical reassessment of the public investment program should be implemented with a view to increase its focus and efficiency. More order, coherence and consistency should be brought into the design, implementation and management of the investment program. Instead of trying to do a little of everything, resources and attention should be focussed on 4 to 6 critical priority areas. In parallel, the planning process itself should be revamped. There is no need for a lot of sectoral specialists within the central planning unit. Instead, the planning capabilities of the sectoral Ministries ought to be improved and their level of responsibility increased, so that all the sectoral data gathering and analysis would be done in one place. Furthermore, these sectoral units should have the primary responsibility of overseeing the implementation of the project execution units financed with official capital. Today, the project executing units have too much autonomy and contribute to the fragmentation of the administrative system.

3) Civil Service Reform

The last priority area in the reform of public finances is linked to a reform of the civil service. Such reforms will not necessarily

save money. Their main objective ought to be to increase bureaucratic efficiency. Expectations should be modest when dealing with civil service reforms. In Venezuela for instance, in a context where there was no financial constraints, it took more than 10 years to implement administrative reforms. Still today, the Venezuelan bureaucracy is not known for Prussian efficiency. The objective of civil service reform ought to be to arrest current trends and start a new one aimed at improving performance. The alternative of designing more flexible retirement rules could provide a way to increase the attrition of some categories of civil servants: e.g., inefficient, lowly paid support personnel. Training should also be considered because the experience of 1986-1988 in the Ministry of Economy and Finance does suggest that new technical skills can be acquired. For example, the Budget execution process was automated in the space of a year with minimal disruption to its operations.

4) Revenue Mobilization

The most important concern of public finance reform should be with revenue mobilization. The objective should be to increase the ratio of tax revenue to GDP to 12-13% within 5 years. The agenda of tax reform is dictated by past performance: little will be gained through increasing rates or introducing new taxes. The whole effort should squarely aim at radically improving tax administration. The sources of revenues that could provide much better yields are: property taxes, corporate income tax, individual income tax and the value added tax. The approach should be straight-forward and focused on identification of the taxpayers, their registration, and the strengthening of internal management and control of the tax administration. Training, improved physical facilities and more equipment (cars and computers) are the main areas in need of attention. Personnel management will be a sensitive point as the modernization process may involve firing of dishonest employees or those that cannot be trained (too weak a background, old age and lack of motivation). The decentralization of tax administration is also of the highest priority, since today 80% of the taxes are collected in the Port-au-Prince metropolitan area.

5) Property Taxes

An area that deserve attention relates to property taxes. First, an aerial photography survey should be carried out to construct an updated cadaster. Second, legislation should be enacted to induce the insurance companies to provide data on property coverage, as this will provide a more reliable basis to assess property values. Third, legislation should also be enacted to induce the banks to

make available mortgage information, as this will complement the data furnished by the insurance companies. Fourth, coverage of the main urban areas of the country should receive more attention. Fifth, the linkages between real estate taxes and incomes taxes administration should be strengthened.

C. REFORM OF THE FOREIGN TRADE REGIME

Great progress was accomplished in 1986-87 with the first phase of trade regime reforms. The experience showed that sharp changes in the policy direction could be rapidly implemented and that the catastrophic predictions (e.g., that the industrial sector producing for the domestic market was going to be wiped out) did not materialize. On the export side, the elimination of all export taxes was a good first step, so that now only active measures of export promotion should be considered. Such measures, including differential port charges for export, pre-shipment financing, domestic letter of credit, elimination of export surrender requirements, etc., should be incorporated in an export sector development program.

1) Tariffs

Although progress was made in 1986-87 with respect to the import regime, much remains to be done. In a way, the development of contraband trade has forced the economy closer to a de facto free trade environment. As noted previously, the ratio of import duties to imports has declined consistently and now stands at below 10%. In other words, import substitution firms are not benefiting from any serious tariff protection. However, the existing situation is a source of distortion because the real level of tariff protection is not equalized across firms or sector. This is because contraband does not take place uniformly across products. Furthermore, the importers who are willing to pay duties are at a competitive disadvantage vis-a-vis those who do not. The solution to all these problems is to simply abolish the tariff and to move the economy further along the road to free trade. De facto however, there would still be a "gate fee" equal to about 14% of the c.i.f. value (10% value added tax, 3% consular fee and 1% administrative fee).

Such a policy stance would imply that Government revenues will drop by about 20%. The timing of the measure should be set so as not to adversely impact the fiscal balance. One strategy, similar to what was done in 1986, would be to announce in advance the decision while its effective date of application is delayed. Revenue shortfalls would be mitigated through the adjustment of excise

taxes on selected items. For example, petroleum products could be subjected to a new excise tax equal to the old one plus the tariff duty. The same applies to so-called luxury items (cars, perfume, etc.). Of course, this assumes improved efficiency of excise tax administration.

The timing of any measure to abolish the tariff should be precisely coordinated with the implementation of supporting sectoral policies in agriculture and industry. The issue is perhaps most critical for the agricultural sector. Indeed, the example of the pharmaceutical industry is interesting because all tariffs have been eliminated on imported products without any adverse effects on domestic producers. Furthermore, the current foreign exchange crisis has had the virtue of providing additional evidence of the low level of domestic value added of the import substitution industries. Given the increase in the discount on the domestic currency, industries working for the domestic market should have been expanding as the value of imports is compressed by the foreign exchange constraints. This has not happened simply because firms involved in import substitution are also heavily import dependent for their inputs. Paradoxically, the current situation provides further evidence of the dependence of import substitution industries on a healthy export sector as a generator of foreign exchange. Nonetheless, a second phase industrial restructuring program will be needed to help the firms in need of further adjustment assistance to either start exporting or to face heightened import competition.

2) Agriculture

The agricultural sector will require the implementation of a sectoral adjustment project to both speed its modernization and help it to adapt to the new conditions. Here again, some adjustment has undoubtedly taken place given the spectacular increase in competing agricultural imports. The objective of sectoral adjustment is to improve land productivity and yields. Such a project must incorporate a major institution building component as the Ministry of Agriculture in its current shape is truly unable to implement any kind of serious policy.

3) Exchange Rate

The recent trend in the parallel market for foreign exchange makes it appropriate to consider the adjustment of the exchange rate. It is simply unrealistic to expect that the discount could be driven down to zero without a profound disruption of the economy. It would be counter-productive to simply try to change the peg without attention to the basic macro framework. Furthermore, an attempt to simply move the peg would not be credible today as the Central

Bank does not have the foreign exchange reserves to defend the new peg. Thus an intermediate solution must be taken, even though standard economic theory would argue that a fixed parity is an immediately-desirable policy goal for a small open economy. What needs to be done now is to move all import transactions to the free market, thus removing the implicit subsidy given to petroleum and public enterprises imports. The second measure to be taken in parallel with the first one is to allow all foreign exchange proceeds (exports, transfers, etc.) to be exchanged at the free market rate. Under these circumstances, and provided the financial position of the Government has been strengthened, the free market rate should stabilize. Once this is done, and after the foreign exchange reserves of the Central Bank have been rebuilt, there should be a formal change of the parity with the new one being defined by the level of the free market rate. The success of such an operation critically hinges on the credibility of the whole policy package and of the associated official capital inflows. If the exchange rate change is to be successful, it might be desirable for the Government to actually run a fiscal surplus, i.e. to make reduction in the stock of indebtedness vis-a-vis the Central Bank. That could be achieved with the sterilization of some of the local currency counterparts to official capital program loans disbursements. On the monetary side, not much would be required beyond keeping interest rates free to move upwards given the tight monetary stand that these policies would entail.

4) Free Trade Opportunities

An intriguing implication of the proposal to eliminate tariffs would be the signing of a free trade agreement between Haiti and the United States. Such an agreement would insure unlimited access to the North American market for Haitian exports. This would provide the single greatest boost to Haitian economic growth. In fact, the United States might well shut down the USAID program in Haiti as it would be redundant! The problem with that approach is that the logic of pork barrel politics on Capitol Hill is such that the Free Trade Agreement that would emerge from the Congressional approval process might be seriously emasculated. If a practical way were to be found to avoid this issue, the proposal for a Free Trade Agreement is worth exploring.

C. PRIVATIZATION AND PUBLIC ENTERPRISE REFORM

A paradoxical aspect of public sector intervention in the economy of Haiti is that there is too much intervention in some areas and not enough in others. The issue is not that there is too much state intervention per se. The problem is rather that state intervention is misdirected. This conclusion appears stronger when taking into account the limited human resources capabilities of the

public sector. It is ironic that an institution is unable to properly collect garbage in the city (usually a traditional state function) but aspires to run sophisticated companies (telecommunications, cement, etc.). What should probably be done in the Haitian context is not so much necessarily a shrinking of the state, but rather a refocusing of state interventions into areas where it can have a greatest impact. The scarce human resources of the state should be redeployed.

Such an objective is not alien to the historical experience of the country. Up to the late 1960's, all the now-public enterprises were private entities. Electricite d'Haiti was nationalized only in 1969; before that, it was a privately owned and run company. It is not apparent that the expansion of the scope of state intervention has resulted in any apparent improvement in the welfare of the average Haitian. Of course, some would argue that there is nothing wrong per se with the expansion of the scope of state actions, but that what was wrong was the political context within which such state expansion took place. The implication of this argument is that with a new polity and democratic elections, state enterprises can be reformed to serve the public good. Such a view is mistaken, as demonstrated by the experience of many countries with unimpeachable democratic credentials : Costa Rica, Jamaica and the Dominican Republic, to stay close to home. Indeed, the main problem with state enterprises is more political than economic. As the issue of democracy relates to the balance between state and civil society, the result of the growth of state enterprises has been to further tip the balance of power in favor of the state, by enlarging its access to additional resources. Furthermore, the corrupting influence of state enterprises cannot be underestimated.

Recent changes in Haiti have strengthened the argument against public enterprises. As the legitimacy of their pricing policy has collapsed, and as the opening of the economy has eroded the monopoly power of those public enterprises producing tradables, their financial situation has deteriorated, so that financial considerations now add to the arguments presented previously. Public enterprise reform must be one of the linchpins of new economic policy. It is perhaps unrealistic to contemplate the wholesale privatization of all the corporations in the state portfolio; but it is realistic-and imperative to consider privatizing some of them.

There is no justification for not considering the privatization of the cement plant, the industrial park, the Banque Nationale de Credit, the car insurance company (OAVCT) and the flour mill. The telecommunications company could also be partially privatized. The privatization of these entities should contribute to savings

mobilization, the inflow of capital from abroad (i.e. the Diaspora), the return of some capital flight and the creation of a domestic capital market. There will not be any social gains in transforming public monopolies into private ones. Therefore privatization should be carried out within a liberalized trade regime, with domestic monopoly powers curtailed by import competition.

Ideally the privatization process should involve the domestic private sector, a foreign partner if technical cooperation is needed to ensure plant efficiency, the workers and staff of the unit being privatized, and the participation of Haitians living abroad. In the case of the workers and staff of the enterprises, their participation is likely require a form of leverage buy out, that is, they will have to borrow to pay for the purchase of their shares. The participation of the workers and staff probably should not be below 15% of the firm's capital, while it should not go above 25%. As regards the participation of domestic private sector, the only limitation ought to be an avoidance of increasing the wealth and power of the existing large industrial/commercial groups whose names are too well known to require identification. Individual or related-parties ownership should be kept below 10% except for eventual foreign partners, and severe penalties should be provided to deter evasion. The financial participation of institutional investors such as insurance companies or pension funds should be encouraged, while that of commercial banks should be deterred.

III. RECAPITULATION OF ECONOMIC POLICY CONCLUSIONS

To conclude, Haiti is now entering a critical phase of its economic evolution. A series of key economic policy reforms should be reviewed immediately for coherence and fit with the broader politico-social objectives of the government. The salient themes which are derived from this analysis include:

1) Reform of Public Finance

- a) Reassess the sectoral composition of public expenditures.
- b) Examine options for 20% national budget reduction.
- c) Critically examine the size of the national public service: number of ministries, size/composition of the workforce, salary structure.
- d) Reassess the management of the public investment program:

planning, implementation, maintenance.

- e) Raise performance of the civil service.
- f) Tax reform: import duties, improved administration, possible new taxes.

2) Reform of the Foreign Trade Regime

- a) Elimination of all export taxes.
- b) Modifications to the tariff regime: formal and informal.
- c) Abolition of import substitution policy bias.
- d) Reassess exchange rate policy.

3) Privatization and Public Enterprise Reform

- a) Focus on raising efficiency and performance of public enterprises.
- b) Privatization of selected public enterprises.

4) Other

- a) Reform of overall legal and regulatory framework for conducting business in Haiti.
- b) Promote nationwide cadastral survey, leading to land reform.
- c) Organize real inter-ministerial cooperation ("teamwork") on complex, multi-sectoral policy issues.

**Annex C:
POLICY AND INSTITUTIONAL REFORM FRAMEWORK**

- I. ECONOMIC AND INSTITUTIONAL SETTING**
 - A. Macroeconomic Resume**
 - B. Status of the Haitian Public Service**

- II. KEY STAKEHOLDERS IN ECONOMIC POLICY AND ADMINISTRATIVE REFORM**
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- III. CONDITIONS FOR EFFECTIVE POLICY REFORM**
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- IV. A "MENU" APPROACH TO SUPPORTING POLICY CHANGE**
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- V. PROJECT COMPONENTS**
 - A. Diagnostic Studies and Consulting**
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 - 3. Roundtables**

BIBLIOGRAPHY

I. ECONOMIC AND INSTITUTIONAL SETTING

A. Macroeconomic Resume

In the early 1980s, as noted in Annex B, Haiti's economy entered a period recession. This brought Haiti a balance of payment deficit of \$22 million in 1982, inflation, and deficit spending. Protectionism, monopolies, and inefficient parastatal enterprises constituted ongoing drains on the overstressed economy.

The economic stress was aggravated by large public expenditures. Funds were used to increase public employment, which rose from around 23,000 in 1978 to approximately 46,000 in 1991; to raise salaries of government employees; and to create new state entities; not to mention large extra-budgetary expenditures by Jean-Claude Duvalier. In short, the Haitian economy during the 1980s suffered from poor policy choices and weak performance.

The post-Duvalier economy, particularly following the cut-off of donor assistance in 1987, has experienced a steady decline. At present the economy is in dire straits; per capita GDP has fallen 11 percent since 1987, and a total of 25 percent from 1980. Falling revenues from both tax and customs, increasing contraband, and financial mismanagement and corruption have led to shrinking public expenditures and rising deficits. The GOH calculates that public revenues in FY 91 are 11 percent below the level of FY 90, whereas the GOH had projected a 12 percent increase. Assuming current public expenditure rates, the Finance Ministry projects a central government deficit of 259 million Gourdes. This figure does not include the money-losing parastatals. Infrastructure and basic services have suffered, and inflation has increased to 12 percent in 1989 and 20-25 percent in 1990. The current economic crunch poses a major threat to the stability of the Aristide government, given the competing demands and the scarcity of resources.

B. The Status of the Haitian Public Service

A well-recognized constraint to improving Haiti's socio-economic condition is the low level of administrative capacity in the Haitian government system. Haiti's public sector is critically weak in performing as a stimulus and support for socio-economic or political development. The Haitian state has been characterized as a "government by franchise," where those in power use their positions as means to enrich themselves and their supporters at public expense.

Others have termed the Haitian form of government a "kleptocracy."

Despite the existence on paper of a legal framework to regularize the public service, the government structure is made up of a collection of separate ministries, agencies, and bureaus each with its own set of rules, regulations, and procedures. While the fall of the Duvalier regime eliminated the most flagrant abuses of the public trust and introduced selected amounts of openness into the government, these major features of the public sector remain relatively untouched. They constitute a significant impediment to Haiti's transition to broad-based socioeconomic growth and democracy.

The Haitian government drafted and passed in 1982 a set laws governing public sector employment practices. The "General Statute on the Public Service" states its objectives as guaranteeing career opportunities within the bureaucracy and ensuring that the state obtains competent personnel. The law calls for a uniform system of job classification; and it elaborates general rules for merit-based recruitment and promotion, in-service training, compensation policy, disciplinary procedures, and conditions for separation from service. Further steps in elaborating the legal framework for public personnel administration were taken in subsequent years. The 1987 Constitution reinforces the general thrust of the earlier legislation, and explicitly recognizes the rights and responsibilities of public sector employees, reaffirming that employment is to be based on merit and offering protection from arbitrary dismissal.

While Haiti's legal framework for public personnel practices is adequate, reflecting all the major elements found in effective civil service systems around the world, Haiti's record in operationalizing the framework is disappointing. Ten years ago, a USAID/Haiti study expressed reservations about the prospects for the system-wide efficiency-oriented reforms then under consideration, in particular the personnel-related measures, that were promulgated as law the next year. A follow-up study in 1987 reconfirmed the GOH's lack of progress in administrative reform. Despite the impressive base of existing legislation, most of it remains to be implemented.

Nominal attention to administrative reform dates from 1974, when the GOH created the first of a series of organizations to address the issue. The espoused reform agenda has remained relatively constant over the past sixteen years. It has focused on four general areas: (1) improvement of public sector organizational structures and procedures; (2) development and standardization of personnel administration,

(3) training and skill development and (4) decentralization and development of regional public sector capacity. Haiti's administrative reform agenda falls into two categories: system-wide reforms pursuing a classic efficiency agenda coupled with equity objectives concerning decentralization and local government.

International donors have at various times from 1974 to the present undertaken efforts to assist the GOH in building administrative capacity. Most of these efforts, whether oriented toward efficiency or equity objectives, have functioned at the sectoral rather than the system level. Many development projects contained components to build the internal management capacity of their respective public sector implementing agencies. Results were minimal, however, and faced with a public sector lacking capacity and riddled with corruption, most donor agencies in the 1980s began increasingly to work around the GOH, either by collaborating with non-governmental voluntary organizations deemed more honest and efficient or by setting up autonomous public bodies over which they could exercise close oversight.

In summary, there has been only marginal progress from 1974 to 1991 in building an effective and efficient public administration in Haiti. The GOH public service remains in need of substantial reform if it is to support and stimulate sustained economic growth and democracy.

II. KEY STAKEHOLDERS IN ECONOMIC POLICY AND ADMINISTRATIVE REFORM

A. The GOH Executive Branch

Within the Aristide government's new ministerial cabinet, general interest in reform is high, as would be expected given the Lavalas platform. The major locus of concern with macroeconomic policy lies in the Ministry of Economy and Finance (MEF) and the Ministry of Commerce (MOC). The MEF, having in place a technical cabinet of economists and financial specialists, has a clearer picture of the specific policies it considers the most pressing. Priority MEF objectives include: reduction of the GOH budget deficit, increasing public revenues, "cleaning up" public financial procedures and practices, and reorientation of expenditures toward key development sectors. The MEF technical cabinet

has prepared an action plan for the minister's review to initiate an attack on these priority problems. Critical units under the "tutelle" of the MEF are the tax collection bureau (DGI) and the customs service (Douane). Interviews with the directors general of these two units indicate their basic agreement with MEF objectives regarding economic policy.

The MOC, MEF, DGI, and Douane leadership is also immediately concerned with administrative reform as well as the larger economic policy issues facing Haiti. Top leaders recognize the need for an efficient and effective public service in order to achieve economic progress and deliver services to the populace. The Ministry of Plan (MOP), which has the official responsibility for administrative reform, is also vitally interested in increasing public sector efficiency and effectiveness. Those interviewed have similar views on what needs to be done in administrative reform: salary rationalization, career planning, training, motivation and incentives, personnel reduction and reassignment, and so on (see Section IV below). There is less unity of perspective on how to go about implementing these reforms. MOP officials continue to view the responsibility as theirs, although the difficulties of MOP technical staff intervening effectively throughout the GOH, given that the MOP is hierarchically at the same level as the other ministries, is well-recognized. The experience of the Mission's Technical Consultants and Training Project (TCT) illustrates the difficulties of seeking to undertake changes in systems and procedures that extend across GOH ministries.

Sectoral ministry leadership sees administrative reform as key to improving the performance and capacities of its respective ministries. The Minister of Education, for example, has taken steps to precisely identify personnel employed in his ministry (MEN). Besides MEN, the ministers of public works (TPTC), health (MSPP), and agriculture (MARNDR) have also identified civil service structures, procedures, and human resources as paramount policy concerns. Operational action plans in these administrative reform areas have yet to be developed, which is understandable in light of the fact that the Aristide government is, at the time of this analysis, in its infancy.

Specific sectoral policy interests vary, as expected, according to sectoral responsibility. However, two policy areas, besides administrative reform, cut across sectoral boundaries: decentralization/deconcentration and privatization. These are interrelated in Haiti, because one characteristic of GOH service delivery is the extremely

limited capacity to perform outside the capital, thus the heavy reliance on private and NGO providers.

Decentralization and deconcentration are at the forefront of the GOH policy debate, placed there in response to the populist orientation of the new government and the reaction against the wide disparities between the capital and the provinces ("la république de Port-au-Prince" syndrome). Because of its implications for democratization and local government, this policy agenda extends beyond the conceptual boundaries of the Mission's Policy and Administrative Reform Project.

The ministers of TPTC and MARNDR are interested in redefining the roles of their agencies to emphasize sectoral planning, policy analysis and guidance, and management of implementation by private contractors rather than direct service provision. The ministers of MEN and MSPP are concerned with a subset of the private sector in the delivery of education and health services, made up of the NGOs operating in Haiti. The definition and status of PVOs and NGOs is a topic of current policy review.

Members of the GOH executive branch interviewed all expressed the need for, and interest in A.I.D. provision of, support in macroeconomic and administrative policy reform. Of specific and universal concern is the need to be able to move beyond policy design to deal with the thorny issue of policy implementation. The ministerial cabinet has a clearly espoused desire to remain in control of Haiti's policy agenda. Ministers want technical cooperation, not imposed external assistance. The new cabinet and the prime minister appear willing to tackle the tough issues, despite some hesitancy stemming from lack of experience in the face of the urgency of Haiti's economic and social situation.

B. The GOH Legislative Branch

The 1987 Constitution, under Article 295, authorizes the executive branch "to proceed to carry out any reforms deemed necessary in the Government Administration in general and in the Judiciary" within six months, starting from the time the first president elected under the 1987 Constitution takes office. As one of its first and most important actions, the legislature has just debated, for over a week, whether or not the Aristide government would be allowed the full six-month grace period. A strict constructionist interpretation would have decreased the grace period for this president since Manigat served briefly as president after having been "elected" after the 1987 Constitution was adopted. After an

extremely animated debate, followed closely by the public, in the media and by the members of the executive branch, the legislature decided in mid-March to give the Aristide government the full six months. Shortly thereafter, nominations to the Supreme Court were made, the judiciary was instructed to proceed against key members of former regimes known to have frustrated the democratic process, and some key civil servants were replaced.

This is an unprecedented situation. First, it indicates that the legislature, closely watched by members of the public at each session, is taking its constitutional check and balance mandate seriously, even though it has been elected along with a president who had an overwhelming electoral mandate. The legislature is working in the most minimal conditions of comfort, and a dearth of information about the running of the state apparatus, including the civil service, and without staffing or other appropriate and necessary resources. Second, it has the effect of reinforcing the popular mandate given to the present executive to deliver on its promises of justice, transparency and participation.

Many Haitian technocrats, whose experience has been exclusively with governance by the executive branch, predict that the delay imposed by the constitutionally mandated legislative process will hamstring the executive's ability to implement needed policy and administrative reforms despite the approval given in the vote on Article 295. Others are concerned by the bruited "review" of legislative decisions by an informal "third chamber" constituted by the man in the street, and the president's apparent tendency to "rise above" the nuts and bolts of the policy-making process.

Others, however, who were more intimately involved in drafting the constitution and in supporting the electoral process, place considerable emphasis on the need to help strengthen the legislature's capacity, including its access to the kind of information required to assess legislative programs proposed by the executive, or to propose its own legislation on key policy issues.

Some of this assistance is likely to come officially through French technical cooperation (FAC), some more informally through the French Socialist Party, some through the proposed A.I.D. Democracy Enhancement Project. The proposed UNDP project on administrative reform also stresses legislative capacity building. The Policy and Administrative Reform Project could provide assistance to help define and develop the interfaces between the executive and legislative branches of government as these affect macroeconomic policy choice and

implementation as well as the implementation of administrative reform measures. This emphasis can most logically be defined first in the diagnostic phase, and then refined when the GOH has selected from the "menu" of policy domains outlined below, and mechanisms for implementing particular policies are being developed. Amount and type of legislative input might be one of the performance indicators eventually to be used to evaluate policy implementation progress.

Despite the extraordinary powers authorized by the vote on Article 295, the executive branch's official grace period will end in September, and further reform steps which require changes in the organic laws creating the respective ministries, as well as in laws affecting the civil service, - and which embody key policy changes -- will, at a minimum, have to undergo legislative review. By that time, the legislature may be in a position to propose its own legislative agenda as well.

C. The Haitian Private Sector

The small, face-to-face Haitian elite involved in private sector commercial and industrial activity is keenly interested in the macroeconomic and administrative policy reform process that the newly-elected government is likely to generate. A number of opinion leaders in this clearly-bounded social group have gathered together to produce various white papers and other programmatic documents defining and proposing policy reforms. These are designed to develop consensus within the private sector itself about various policy options, and to inform the executive branch about the range of policy choices, the implications of each for private-sector confidence and participation, as well as the economic welfare of the country as a whole. During the transition between the first round of elections in December and the installation of President Aristide in February, the government requested a number of sectoral committees to prepare briefing documents. There has been some overlap in membership between these committees and the groups which have prepared briefing papers and documents on their own.

Interviews with most of the prominent economic, financial and management consultants in Haiti, members and staffs of key professional associations, representatives of groups of industrialists, the banking community, agribusiness, and past managers of mixed or public enterprises revealed a general willingness to help to define the government's policy agenda, and to moderate their own positions of "enlightened self-interest" if that agenda appeared to be founded on sound economic reasoning. Some interviewees were less than

confident that this sound economic reasoning would be forthcoming.

Most entrepreneurs are taking a "wait and see" approach. However, increased capital flight and the high premium on the exchange rate of the Gourde against the U.S. dollar were cited by some as indicators of lack of confidence in the government. Nevertheless, business leaders and analysts of public and private sector behavior seem in agreement that the government has a great wealth of public support, which might to some extent compensate for weak economic policy-making ability and/or interest on the part of the president, if not necessarily on that of all the members of his cabinet. Even the most pessimistic indicated that the present government had at least three to six months grace before public pressure would make visible policy reforms mandatory.

D. The Non-governmental Sector

The NGO community is supportive of administrative reform, and of certain policy reforms, but is maintaining a "wait and see" attitude to the extent that the policy of the GOH with regard to NGO registration and functioning has not yet been officially announced. There was a good deal of dialogue under previous administrations about the status of off-shore and indigenous NGOs, how they should be registered, what rights to information the GOH had about their composition, financing and activities in Haiti, and the overall regulatory climate that the GOH should foster. A draft decree was reviewed by various NGOs and NGO consortia (including HAVA), and revisions were suggested. There have been general and somewhat vague policy statements in the press that also cite the efforts of the NGO community itself to redefine its role. Sectoral ministries that have traditionally worked closely with NGOs have issued a range of largely rhetorical statements, most of which indicate a desire for closer regulation of NGO activities in the interests of more coherently implemented development strategies.

E. The International Donors

Like A.I.D., the rest of the donor community is in the process of establishing contacts with the new government. It appears that, in terms of areas of policy advice and potential assistance, the donors are in general agreement regarding what Haiti needs to do in order to reverse the accelerating socioeconomic decline the country is experiencing. Most closely related to the activities proposed under the Policy and Administrative Reform Project is a project that the UNDP is developing, which offers

assistance in both selecting the content of economic and administrative policies and in managing the process of policy dialogue and eventual implementation. The local UNDP office is interested in coordinating with the Mission on this assistance, and has asked to be kept informed of the eventual specifics of the Mission's policy reform and democracy enhancement projects.

III. CONDITIONS FOR EFFECTIVE ECONOMIC AND ADMINISTRATIVE POLICY REFORM

Both anecdotal evidence and more systematic analysis indicate the links between increased socio-economic development for the majority and the prospects for democracy in developing countries. Eastern Europe is perhaps the most dramatic recent illustration of this relationship, but the trend in Asia and Latin America also provides clear examples. Critical to both sides of the linkage are appropriate policies and the administrative means to implement them, irrespective of differences in resource availabilities. A worldwide study of democracy in developing countries found that, "in the long run, sound policies and capable, honest administration are more important to economic performance than a country's natural resource endowments."

A.I.D. has increasingly incorporated this thinking into its country programs, developing portfolios that address appropriate macroeconomic policies, democratic institutions and processes, and management capacity. The Agency's working definition of democracy, as expressed in an LAC Bureau document, states:

Democracy is a political system that meets three essential conditions: meaningful and extensive competition among individuals and organized groups (especially political parties) for the major positions of government power; a "highly inclusive" level of political participation in the selection of leaders and policies ...; and a level of civil and political liberties sufficient to insure the integrity of political competition and participation. Implicit in this definition is ... that democracy also includes economic participation via a broad-based sharing in economic growth and development.

This definition highlights the importance of government capacity both to promote socio-economic development and assure the equitable distribution of the benefits of that development.

A. Haiti's Prospects for the Transition to Sustained Economic Growth and Democracy

As the definition of democracy presented above indicates, an important aspect of the transformation to sustained growth and democratic systems is government capacity to support socio-economic development that spreads benefits equitably among citizens. This puts a premium on an effective state apparatus that can transform the mandate of the governed, expressed through elections, into practice and results. It means that government fulfills the roles of facilitator, creator of appropriate policy frameworks, regulator, and enforcer of rules and contracts. Advanced country governments are not immune from the strains of fulfilling these roles. For developing nations they can pose almost insurmountable challenges. Effective governance requires that the public sector carry out certain minimum management functions, including: (1) public sector productivity, (2) formulation and implementation of reform in the long-term, (3) effective human resource utilization and development, (4) provision and use of information for accountability purposes, and (5) resource management.

1. Productivity of the Public Sector.

In terms of the standard criteria for "modern" public administration, Haiti's public sector is unproductive and poorly organized. On the public investment side, inefficiencies are legion and rates of return low. In many sectors, such as agriculture, returns could have been much higher, but productivity suffered and continues to suffer from lack of structural reforms to set appropriate incentives for private producers; the diversion of investment capital for uses such as payment of salaries; poor project selection; and the lack of recurrent expenditure to maintain investments. The strangulating effects of centralization and the paradoxically simultaneous existence of both over- and under-bureaucratization of the public service diminish the productive use of the few resources allocated to programs and projects.

The Aristide government has expressed the desire to improve public sector performance and organization. Although popular support for improvement exists, the constituency internal to the state apparatus favoring change is still very small. An immediate action that would raise productivity is reduction of the public wages bill. However, with unemployment running at about 50 percent, the prospects for significant public-sector streamlining in the near term are limited, given the intention of the new government, expressed in many of the

team's interviews, to remain sensitive to the social impacts of economic efficiency measures.

2. Formulating and Implementing Long-Term Reform Policies.

Both Haiti's recent history and evidence from around the world indicate that systemic change and reform are difficult to implement successfully. Reform capacity has both technical and political dimensions. In terms of the technical aspects of "what to do," the government's administrative reform agenda summarized above adequately describes the features that are needed. Haiti's new leadership is interested in pursuing that agenda.

A theme repeatedly observed in administrative reform exercises around the world is the necessity of "political will," by which is usually understood strong commitment from the top to force innovation on the bureaucracy. Periods of societal turmoil such as Haiti is now undergoing often serve as a catalyst for this type of leadership. Experience in Latin America also suggests that top-level pressure for administrative reform is more likely to come from leaders with administrative or technocratic experience. The Aristide government has clearly expressed a desire for administrative reform. However, the political leadership's lack of experience in administration generally, and in reform's technical dimensions in particular, both understandable given the government's newness, could make pursuit of reform difficult over the long haul.

The political aspect of reform capacity is the more difficult and intractable one. For Haiti the question to ask is not so much what to do, but who will support doing it and what incentives can be mustered? The Aristide platform of "Justice, Transparency, et Participation" encapsulates the popular outrage at public sector inefficiency and venality. The new government, though, is preoccupied with an economic and financial crisis, and appears consumed by the effort to maintain some minimum level of stability. The challenge will be to sustain commitment to reform while coping with the immediate crisis.

Although the government does contain technicians interested in reform, without strong and continued signals from the Aristide government, they will be relatively ineffective as a source of clout to push for implementation of changes. Further, the average civil servant is an uncertain and largely unwilling source of support for reform. Haitian civil servants in general are products of a political culture that views administration primarily as a mechanism for social control and personal sinecure. This suggests that an

important component of reform is informed attention to anti-corruption measures.

Another obvious source of support for reform is the donor community. "Policy dialogue" on the subjects of macroeconomic stabilization, structural adjustment, democratization, and administrative reform is likely to continue. Past experience in other developing countries and in Haiti, however, indicates that donors have limited influence on policy, even when they attach conditions to their assistance programs. Donors need to recognize that upfront work on building a constituency in the government can be more effective than forcing reforms onto unwilling and unconvinced government "partners".

A precondition for genuine administrative reform, whether oriented to efficiency or equity, to systemic or more piecemeal change, is the existence of an alliance of politicians (backed by popular demand), bureaucrats, and technical experts. Should any side of this triangular coalition be absent a stalemate is highly probable. The Mission's Policy and Administrative Reform Project can provide support to build up such a coalition in Haiti. Any assistance provided must be carefully designed so as not to be seen as advancing any specific American reform agenda for Haiti, but rather as helping Haitian actors decide for themselves what must be done.

3. Effective Human Resource Utilization and Development.

Despite the existing legal framework described above, Haiti's civil service remains particularistic, quixotic, and riddled with favoritism and patronage. In light of this, it is not surprising that remuneration remains as unsystematic and idiosyncratic as in 1981. The job classification scheme and related salary grid envisioned by the 1982 General Statute have been neither developed nor implemented, so the public payroll continues to be a chaotic patchwork. The current pay scales can vary up to 150 percent for the same technical post, depending on the agency in question.

The distribution of salaries is also highly skewed. Figures for 1989 indicate that 75 percent of public employees earn less than US\$300 per month, and 15 percent between US\$300 and US\$500. Thus, the vast bulk of the Haitian civil service is comprised of either minimally-qualified personnel, or technically-qualified staff who are underpaid. Salary issues are a critical area requiring reform. Related human resource issues here are career planning, plus benefits and retirement policies.

In addition, the GOH's human resource skill mix needs attention. As noted above, several of the new government's ministers are interested in shifting their ministries out of direct provision of services and project implementation. This role change calls for different technical and, especially, managerial skills and implies substantial reductions in force. Given that wholesale firings or "mise en disponibilité" are unlikely, the public service faces a significant training and retraining challenge.

4. Provision and Utilization of Information for Accountability Purposes.

Key to effective governance is broad-based availability of information and the use of that information, both inside and outside government, to monitor performance and ensure accountability; in short, openness or "transparency". Donor agency and GOH reports have repeatedly cited the government's lack of capacity in data collection, availability, and monitoring and evaluation, at the project, program, and national levels. Statistics in all areas are difficult to come by in Haiti, and are notoriously unreliable.

This is not simply a technical problem. Elites and GOH agencies have abided by the maxim that "information is power," treating operational data, especially financial, as essentially secret. The Aristide government, as part of the "transparence" agenda, has expressed the desire to open up information flows, an important component of which deals with finances in the parastatals. An ambitious program of audits and investigations is planned. However, in terms of a sustained audit and investigatory capacity, Haiti's equivalent to the U.S. General Accounting Office, the "Cours Supérieur des Comptes," is pitifully limited in fulfilling the national audit function. Under discussion among top leadership are possibilities for contracting out this function, though official documents, including the 1987 Constitution, make reference to building up the capacity of the Cours.

5. Resource Management.

Effective governance requires some minimum capacity to manage public resources, both on the expenditure and collection sides. This includes such functions as planning, budgeting, taxation, capital market organization, debt management, and so on. Particularly critical for sustainable development and effective democracy is the management of resources to create benefits efficiently and to distribute them equitably. Haiti's capacity for resource management, both past and present, is extremely low. For example, shortages of funds

for government supplies and equipment are truly acute. One estimate indicates that, in the 1988 government budget, the provision for operating funds was 64 percent below what was needed, with the budget revised to accommodate foreign aid cuts. In certain line ministries with development functions, the extent of underfunding was actually worse than indicated by the aggregate figure. The Ministry of Agriculture, for example, was underfunded by 90 percent; Public Works by 88 percent, and Education by 80 percent. When non-salary operations and maintenance items are so severely underfunded, the service delivery capacity and efficiency of the civil service is reduced immensely. This problem is well-recognized among the GOH officials the team interviewed.

A balanced budget for the public sector, financed by tax and customs revenues, earnings of public enterprises and concessional aid, is essential for Haiti's future well-being; it is a stated priority among the finance ministry's immediate objectives. The public resource management task has important implications for the GOH administrative reform agenda as well as being integral to macroeconomic policy implementation.

Tax and customs revenue collection suffer from serious weaknesses. These functions have been the target of bilateral and multilateral donor assistance in the past. Progress has been made in legal frameworks, tax and customs code revisions, and training. Collections, monitoring and enforcement have seen less progress; these are key areas for corruption, kickbacks, and skimming. Although Haiti in the aggregate is desperately poor, under-collection, particularly of income and property taxes from the elite, allows a significant portion of national resources to go untapped. Arrears in collection, e.g., for electricity, is a similar brake on revenue collection. Further, the volume of economic activity in contraband also escapes fiscalization. The growth of contraband, not to mention the drug trade (reputedly especially among members of the military), poses a threat to creating the kind of public resource management capability necessary to support democracy, much less to give citizens the confidence that national resources are effectively used for the benefit of the majority.

B. GOH Absorptive Capacity for Assistance in Policy and Administrative Reform

As those familiar with Haiti are well aware, a key problem is the bottleneck posed by the relatively limited absorptive capacity of the GOH to utilize assistance effectively. The present lack of a "pipeline" problem in Haiti reflects the

low levels of bilateral assistance provided to the immediate post-Duvalier governments rather than any sort of efficiency in external resource use. There is a real danger as the donor community gears up to offer help to the Aristide government of overloading the country's capacity, with consequent detrimental impacts on progress, waste of scarce resources, increases in corruption, distortions in the economy, and so on.

Regarding policy and administrative reform, the capacity issue is twofold. First, the cadre of capable Haitian personnel to draw upon is limited, over-committed, and likely to be more so in the near future. Second, partly as a function of the first factor, attention to reform risks being dissipated as the small group of competent people is called upon to deal with emerging crises and emergencies. As the preceding analysis demonstrates, the GOH is a long way from fulfilling the functions necessary for sustained economic growth and democracy. Ongoing, persistent attention and commitment will be required to make progress.

IV. A "MENU" APPROACH TO SUPPORTING POLICY CHANGE

A. Project Assumptions

Intrinsic to the design concept for an A.I.D. project to support the GOH in making key economic and administrative policy changes, is the premise that flexibility and subtlety in approach are of paramount importance. During the design phase, this is true for two reasons. First, the new Haitian government's policy agenda remains embryonic and evolving. Second, the government and the public are sensitive to having policy dictated to them from abroad, either through embassies or multilateral donor agencies. If A.I.D.'s proffered support to the GOH is to be useful, used, and to lead to better and more effectively implemented policies, it must be provided in such a way that the government perceives it as being collaborative rather than predetermined.

A second design assumption is that emphasis on the **process** of policy choice and implementation, rather than exclusively on **policy content**, is critical to policy impact. Put somewhat differently, unless key stakeholders in the policy selection process take sufficient ownership of the policy and manage its implementation strategically, especially where the political and bureaucratic costs are likely to be high, policy definition and choice are essentially irrelevant. Haiti is a good example of a polity in which policies, including that of administrative reform, have been adopted and enacted into perfectly serviceable laws, but have then

remained unimplemented over a series of regimes and administrations.

The third basic assumption is that some of the policies selected by the GOH will be macroeconomic and over-arching, while others will be more clearly sectoral. Table 1 presents a matrix illustrating the predicted impacts of broad policies on the sectoral actors involved. Thus, a policy which removed protective tariffs on key agricultural commodities would have predictable impacts on production and investment decisions of small and large scale agriculturalists. These would be supported and/or compensated for by sector-specific policy choices and public-sector programs. To take another example, a decision to implement a system-wide policy of down-sizing ministerial staffs would entail a number of related decisions about the composition, role and span of control of TPTC, and about the role of the private sector in infrastructure development and maintenance. A third likely example concerns deconcentration and decentralization. Government-wide decisions about local revenue generation and the allocation of tax receipts will have significant impacts on the role and provenance of newly-elected councils, territorial collectivities, municipalities, and on the delivery capacity of regional representatives of key technical ministries and their respective budgets.

Table 1: Matrix of Macro and Sectoral Policy Impacts

Sect- oral Actrs	Exchange Rate	Balance of Paymnts	Decn- tral- izat- ion	Revnue Incrse (tax & tariff)	Expndtre Control (deficit)	Public Mgmt. & Corrptn
Agric.	Hi	Hi	Hi	Hi	Med/Lo	Hi/Med
Health	Lo	Lo	Hi	Med/Lo	Med/Lo	Lo
TPTC	Hi	Hi	Hi	Hi/Med	Hi/Med	Hi
Educ.	Lo	Lo	Hi	Lo	Med/Lo	Lo
Comm.	Hi	Hi	Med	Hi	Med/Lo	Hi
MEF	Hi	Hi	Hi/Med	Hi	Hi	Hi
MOP	Lo	Lo	Med	Med/Lo	Hi	Hi
NGOs	Lo	Lo	Hi	Med/Lo	Hi	Hi
Private	Hi	Hi	Hi/Med	Hi	Med	Hi/Med

Code:

Hi: Immediate, broad impact on sector activities and performance, including sectoral policy shifts.

Med: Mid-term impact on sectoral activities and performance with potential sectoral policy shifts.

Lo: Limited and/or long-term impact on sectoral activities and performance, sectoral policy remains unchanged.

B. Nature and Timing of GOH Assistance Requests

The GOH will, in the first instance, make some of the key economic and administrative reform decisions that will have broad effects, while at the same time making some discrete sectoral policy decisions. However, the timing and dovetailing of these decisions is not readily predictable. The government, despite early disclaimers, feels the need to increase the speed with which it undertakes policy selection and enunciation. It has expressed its awareness of the need to articulate its economic policies to multilateral donors as well as bilateral ones. The A.I.D. Program Assistance Approval Document (PAAD) for FY 91 economic support outlines some of the policy areas to be attended to in exchange for the budgetary support being offered, and outlines a fairly specific timeframe over which this is to be done.

Even if the members of this government had had more practice at policy formulation and implementation, and were not, instead, faced with breaking in a new constitutionally-mandated government machinery, policy making and implementation would not be simple. Especially in a pluralistic democracy in a time of economic crisis, policy making and implementation are not completely coherent and purposive processes.

For the present GOH, making these crucial policy choices, determining how and when they should be implemented, how much this will cost, from where the resources are to be drawn, and what constitutes impact or success, will take time, acuity, political will, and support from the decentralized and representative structures mandated by the constitution. It will also require support from the main national economic actors, the government's multiple domestic stakeholders, and the international community, including the donor agencies.

Based on interviews with GOH ministers, directors-general, technicians, with private-sector individuals who are attempting to support and influence the policy selection and implementation process, as well as with other donors, the following seem to be the most urgent priorities of the GOH for policy and administrative reform support. In parentheses after each policy area is indicate which government entity and/or interest group expressed interest in policy selection and implementation assistance.

- Determining the overall contours of the executive branch and its interfaces with other branches of the government, including the territorial collectivities (Prime Minister);

- Reviewing the possibilities of increasing internal revenues by improving the capacity of revenue collecting GOH entities (DGI and Customs, MEF, PM);
- Reviewing the possibilities for increasing revenues by rationalizing the performance of revenue-generating entities, especially public enterprises -- the Flour Mill, the Cement Plant, the Phone Company, the Power Company, the Airport Authority (MEF, PM, TPTC, private sector);
- Revising the organization and improving the functioning of the Ministry of Economy and Finance, including the Budget Office (MEF, sectoral ministries, private sector);
- Cleaning up ministerial performance, and enhancing ministerial capacity to deliver services, including introduction or improvement of financial and human resources management systems (MOC, TPTC, MSPP, MEN, MARNDR, MEF, PM, MOP);
- Reforming the Civil Service, including implementing the existing legislation, eliminating obviously corrupt systems and individuals, and improving civil service performance (PM, MOP, MEF, MOC, and all sectoral ministries, plus private sector);
- Reviewing macroeconomic policies, especially what to do about the exchange rate, tariffs, price supports, import licensing, reform of the banking sector (PM, MEF, MOP, private sector);
- Deciding how to provide a safety net for civil servants who will be without jobs due to an eventual reduction in force, including within existing public enterprises (PM, MOP, MOC, MEF, sectoral ministries, private sector).

The newly-elected GOH has an enormous challenge to meet in terms of delivering on its mandate to clean up government and fight corruption, implement the changes and actions called for in the constitution, improve the quality of life of the majority of the people--including lowering the cost of living, creating new jobs for the jobless, improving agricultural production while encouraging new industrial and commercial activity--dealing with the budget deficit, by increasing government revenues and reducing government expenditures, and rationalizing the civil service while at

the same time providing a safety net for displaced employees.

As shown in Table 2, the relative priority and complexity of particular policies can be assessed in advance. Selecting from the "menu" of choices should involve both the GOH and A.I.D. in a collaborative process of assessment of: a) the priority and urgency and b) the likelihood of implementation success of each policy selected. Selection should aim to achieve a balance between policies that are relatively easy to implement and those that are harder and more risky.

The Policy and Administrative Reform Project should provide the executive branch of the GOH with a variety of types of support to the policy implementation process. Rather than determine in advance policies and implementation modalities, these should be determined as a function of the joint choices made from the "menu." Identification by the GOH of the policy domains in which it wishes A.I.D. support will to a large extent determine the way in which that support can best be provided. The range and types services which seems most appropriate are presented as project components in the next section.

Table 2: Policy Areas by Priority and Complexity

Policy Areas	Priority		Complexity
	GOH	Donors	
Exchange Rate	Hi	Hi	Lo
Balance of Payments	Hi	Hi	Lo
Revenue Increase, National	Hi	Hi	Hi
Revenue Increase, External	Hi	Hi	Med
Public Sector Expenditure Control (Deficit Reduction)	Hi	Hi	Hi
Privatization	Med	Hi	Hi
Decentralization	Hi	Med	Hi
Land Reform/Tenure	Med	Med	Hi
Job Creation, Public/Private	Hi	Med/Lo	Hi
Consumer Subsidies	Med	Lo	Lo
Producer Subsidies	Med	Med	Lo
Equitable Income Distribution	Hi/Med	Med/Lo	Hi/Med
Public Enterprise Reform	Hi	Hi	Med
Civil Service Reform	Hi	Hi	Hi
Donor Coordination	Hi	Med/Lo	Hi/Med
Public/Private Collaboration	Med	Med	Med

Complexity

Hi: Lge #s of actors involved
in implementation
Med: Fewer actors involved
Lo: Policy involves few actors

Priority

Hi: Top priority
Med: Secondary priority
Lo: Reduced, and/or
longer-term priority

V. PROJECT COMPONENTS

The following project components are proposed: diagnostic studies and consulting assistance, in-depth studies, facilitation of policy implementation, and short-term training. They represent the best assessment of what the GOH will want and need over the proposed life-of-project given current information.

A. Diagnostic Studies and Consulting

1. Quick Diagnostic Updates and Reviews.

A number of gaps remain to be filled in terms of basic data, explorations of recent experience in public management reform, provision of cost/benefit and feasibility analyses of various reform options, and assessments of capacity for support to the policy implementation process as well as of the existing GOH capacity to absorb such support. What is required is to update existing databases and analyses, and to write up summaries of past GOH experiences both in macroeconomic policy reform and in administrative reform and improvement of the functioning of key sectoral ministries and services of the GOH.

An initial product of these updates, summaries and revisits would be background and options papers presented in a form suitable for briefing busy decision-makers, summarizing policy options and related implementation actions. Where a variety of options for implementation exists, with significantly different consequences, these would be outlined, and the cost and management requirements and implications specified. Where appropriate, the need for further study, and the outline of terms of reference for follow-on activity would be provided. In such instances (e.g., the tax service, the customs service, the budget department of the MEF), the link between initial diagnosis and the studies, commodity procurement and technical assistance components of the project is already fairly clear.

2. Defining the Shape and Functioning of the GOH Within the Constitutional Mandate.

This is an area that will require more original work and a considerable amount of collaboration with the GOH, under the aegis of a sufficiently authoritative GOH entity (either MOP or the PM's Office). This has to do with the redefinition of the "contours" of the Executive Branch itself, including any

changes in the attributions of particular ministries, hopefully as a function of the general policy stance of the GOH. Allied with this is the yet largely unexamined question of the creation of useful interfaces between the executive and legislative branches of the GOH, especially those which will influence the making and implementation of macroeconomic and sectoral policies.

This effort relates to what might subsequently be done under the project in the area of administrative reform. It also will to a large degree set the stage for decisions about which ministries and which policy domains should be areas for emphasis over the LOP. It is best handled through a process consulting mode in which, for example, the Council of Ministers would discuss certain key policy areas drawing on the updated reports prepared under (1) above, and bringing in appropriate sectoral and technical specialists from the various ministries.

B. In-Depth Studies

1. Analyses of Government Fiscal Problems: There has been competition for some years between various organs of the GOH to control the generation, receipt and expenditure of revenues, as well as the policy which governs revenue generation, allocation and expenditure. As ministries of finance have waxed and waned in strength, so has the DGI, and the budget department of the ministry of planning. The DGI and the customs service have received considerable donor support in the past, as have the ministry of finance and the ministry of planning. A number of proposals have been made for the reform of the GOH revenue-generating process as well as of the expenditure process. It is not yet clear which ministries and entities will become the most powerful in terms of policy making and implementation in this area under the current government. A series of options papers should be prepared to provide the government with the basis for decision-making about alternative modes of revenue generation enhancement, policy change and implementation, and monitoring of policy implementation.

2. Tax Policy and Tax Collection: The importance and the history of the DGI as well as the MEF in terms of setting tax policy and improving the tax base and tax collection warrant separate study. The DGI has a project proposal; the approach recommended informally by the MEF and private sector economists is different. A study should be undertaken to weigh these different viewpoints, present recommendations, and outline the costs and benefits of each option for GOH and donor review.

3. Individual Financial, Economic and Technical Assessments of Public Enterprises: In order better to manage existing public enterprises in the short term, and/or to sell them off in the medium term, the GOH must have a realistic assessment of what each of them is worth. These would be feasibility studies, including the business (profitability) basis of proposals for reform and reorganization. There would be a technical assessment, including, where necessary, the salvage value of the plant, equipment and inventory, as well as an estimation of the potential market for sale of the enterprise as a viable ongoing concern. A second stage would be a financial/fiscal analysis to determine the probability that the firm can be run efficiently either as a public, private or mixed enterprise, and how much it would cost to get it into the shape required to run it profitably. These technical studies would be preceded, where necessary, by financial audits.

4. Corruption and Information Management: There is a broad literature on the use and management of information and civil service corruption and reform, as well as some literature particularly relevant to the Haitian case. Previous Haitian administrations have made attempts to combat corruption in the civil service with very little success. There are also models from other country experience. A literature summary, followed by a summary of the experience in particular sectoral areas in the GOH would be useful, as well as an inventory of the mechanisms that are still in place (the NIF, the computerized payroll system, separation of tax "fields" from tax administration functions in the DGI, etc.). A number of these mechanisms have involved computerization, and other improvements in information management, including the development of MIS's for specific ministries or offices. This study might focus on information management, with options and estimates of costs, but it would also assess the broader context in which these mechanisms would be implemented, giving an estimate of the relative merits and costs of systematization across ministries and sectors versus a ministry by ministry approach.

5. The Civil Service Pension System: The Haitian civil service pension system should be revamped to reduce disincentives to early retirements and other forms of attrition, and to create incentives for better civil service performance. This will allow retirement to be used as an instrument of public sector reform, while at the same time, providing some funds which can be responsibly invested.

A feasibility study would address such issues as an actuarial analysis of the pension fund as presently constituted, a cohort analysis of the present composition of the civil

service, approaches for grandfathering persons presently covered by the old system, means for persons who have additional resources to contribute after leaving the civil service to continue to do so, indexing of pensions to the cost of living (provided for in the constitution), and rights of dependents to pensions of retired or deceased civil servants.

6. Creating a Safety Net for Former Civil Service Employees:

A number of measures and models have been cited to help to provide a safety net for civil service employees whose services are no longer required. This includes employees of some state enterprises likely to be streamlined. One possible model is a socio-economic fund which could be administered by the Fonds d'Assistance Economique et Sociale (FAES), for former public enterprise employees. This might involve a phased payment regime for those who will be displaced, sufficient to give them some investment capital while, at the same time, tiding them over their first period of unemployment. Another is the model where a team from a division of TPTC, for example, are given investment capital so that, together, they can operate an infrastructure maintenance company (this goes with decentralization). A third approach that has been discussed is to encourage higher level cadres to form private companies that would contract with government agencies, e.g., civil engineers, auditors, computer specialists and the like. A fourth approach would explore ways in which private-sector firms would be encouraged to employ a certain number of ex-civil service employees, especially those from streamlined public enterprises.

This study would present and evaluate various options to creating the "safety net" necessary in the absence of a formal unemployment insurance system; calculate the approximate cost of each option, and the related estimated savings to the government over a determined timeframe, and make recommendations for implementation modalities.

7. Decentralisation and Local Revenue Generation: There is a need for a better understanding on the part of the executive branch of its responsibilities and options in this area. Such a study might include an emphasis on assessing the tax bases and local revenue generation potential of the three largest metropolitan areas, and the relation of that potential to the need and ability of the executive branch to provide services in key areas such as education, health and sanitation, and infrastructure development and maintenance. A similar study could address these questions in several key rural areas, including some of the traditionally most under-served. Elements of such studies might include an aerial

mapping approach so as to determine what the property tax base really is so that property taxes may be enforced, building permit enforcement and other forms of revenue generation and enforcement of existing laws and regulations would be explored.

8. Decentralization Modalities and Costs: The framework for interaction between the GOH executive branch ministries and the elected bodies is outlined in the constitution, but the mechanisms by which that interaction will be facilitated may not yet be clearly defined or understood. Under the Democracy Enhancement Project, support will be provided to the elected bodies; under this project, public administration options models might be explored from the viewpoint of the line ministries. Earlier studies and experience should be summarized, along with an estimate of relative costs and benefits for each option suggested.

9. Internal GOH Auditing Capacity: The role of the Cours Supérieur des Comptes is a key one in improving transparency and public-sector management overall. There are a number of possible models for strengthening the capacity of this key institution. A study should be carried out that would present options to the GOH, including contracting out the majority of the internal auditing function, building up internal capacity; the periodicity of audits and their relation to budgeting and expenditures; the laws and regulations governing the "decharge" of individual members of the government, including cost estimates that go with the various organizational options.

10. Revamping the National Accounts: The national economic data base in Haiti has significant gaps. Much of the available data are unreliable and/or unexploitable. Access to data is a perennial problem. Partial databases exist in a number of ministries, directorates, and in institutes such as the Institut Haitien de Statistiques et d' Information (IHSI). There is an urgent need to establish a baseline so as to be able to gauge the economic performance of the GOH and of the economy as a whole. Key areas of need are trade flows, GDP, the tax base, and the like.

11. Tariffs and Trade Regulation: Trade policy is one of the key areas identified by the private sector and donors as suitable for revision and reform. A number of proposals have been made, both in the Private Sector White Paper, the FONDIS report, and in the "Economic Group" paper. At the same time, there is considerable interest in restructuring and strengthening of the Customs Service, including its decentralization. A serious review of the various tariff and trade policy options should be undertaken, with

implementation recommendations and revenue enhancement and loss scenarios presented for GOH review.

12. Reform of the Banking Sector: The Professional Bankers Association (APB) has been active in working toward improved self-regulation of the banking industry. Other areas remain to be improved, such as reform in the Central Bank and the rest of the public sector banks vis-a-vis the commercial banks, credit verification and rating, and the reserve requirements for public and private sector banks. Related to banking is the question of setting up a bond market so that the GOH could issue bonds in a credible financial market setting.

13. Social Insurance Systems: Among agencies that most need review and reform are the two which are supposed to manage workers compensation and pensions. The pension system is already proposed as a separate subject for study. Here, workers compensation, and the possibilities for providing health insurance coverage to public-sector employees, perhaps through an HMO, would be the major areas for study. Such a study would explore options for private sector provision of insurance services to public sector employees.

14. Public/Private Sector Linkages: The GOH has historically been unable to provide even minimal services to the majority of the population. A number of private/public sector linkages have developed, however, to assist in meeting basic needs, notably in the health and education sectors, and to some extent in agriculture and the public works/infrastructure sectors. Despite its decentralization mandate, the democratically-elected GOH is unlikely to be able to replace private sector service provision in even the medium term. Instead, it is likely to have to rely on private sector service providers in these same sectors, and may choose to streamline the ministerial functions to those of policy making, monitoring and evaluation. Meanwhile, it is likely to wish to have a greater regulatory and norm-setting power over the private sector entities that contract with it to provide services and which follow the "institution mixte" model. To some extent, it may wish to reduce the span of control of umbrella PVOs, or at least to have more of a say in their operations in Haiti. Given these hypotheses, an update of the Options for Service Delivery Through NGO's study of 1987 should be undertaken, but with greater emphasis on the public sector role and its interaction with the private sector entities available than was the case in the earlier study. Such a study would, ideally, have GOH participation as well as private sector participation.

15. Stability and Security of Tenure: The Haitian Constitution calls for the creation of an Institute of Agrarian Reform. Meanwhile, there is a recognized need for an inventory of state-owned lands, and the land use planning implications of state ownership of large under-exploited (or over-exploited) tracts of arable land. This is a highly sensitive topic politically, but one which is central to the ability of the GOH to deliver on its promises to rural dwellers that they will enjoy both justice and participation. This is a key policy area identified by MARNDR. A good deal is being said inside and outside government about setting new standards for land management, and land utilization, e.g., taxing unused agricultural land at a higher rate than land that is under cultivation. There are also a number of points of view about the relation between security of tenure -- and the basis for that security -- versus stability of tenure and resulting investment in productive and sustainable agricultural activities. Concerned Haitian private-sector advisory groups have been recommending actions to increase security of tenure short of titling, but also recommend consideration of review and reform of land registration procedures.

16. Impact of Fiscal and Administrative Reform on the Socioeconomic Status of Women: This study would assess the likely impact on women-headed households of a set of key policy changes supported by the Policy and Administrative Reform Project. Ideally, where possible and germane, data from each of the studies outlined above would be disaggregated by gender, and the impact on women's socioeconomic participation would be included among other considerations in the discussion of each option proposed.

17. Assessment of the Haitian Consulting Industry: Consulting capacity is crucial to the type of public sector reform and cost-cutting that has been supported by A.I.D. in Haiti to date, and that will be supported under this project. Various GOH entities have already indicated their interest in receiving support from individuals and firms. A.I.D. is a significant client of management and financial consulting firms in Port-au-Prince, as well as a major client for individual consultant services. As the public sector becomes a more active client, there are a number of issues that arise, including diversification and quality control, as well as the impact of the exchange premium on price structures and costs to firms and clients; contracting modalities; depth of capacity represented by individuals vs. firms; establishment of appropriate overhead rates; payment of taxes by individuals and firms, and other aspects of self-regulation by the industry. A study exploring these issues would be of value directly to the implementation of this project, and

more generally to the GOH, other donors, as well as the industry itself.

C. Process Consulting and Facilitation: Implementing Policy Choices

The ministers interviewed agreed that the implementation of policy and administrative reform changes constitutes the real challenge, and the management of that process is key to potential success. However, how to do this is not clear, especially to those who have not served in the public sector before, and who know very little about what the attributions of their respective ministries actually are or should be.

To a considerable extent, the results of the diagnostic phase, and the options presented in the studies outlined above, should provide the basis for the GOH and for A.I.D. to select among the broad range of policy implementation tasks with which the government is confronted.

Depending on the selections from the policy "menu" summarized in Tables 1 and 2, the policy implementation process would bring together a mix of actors. It could involve the central policy-making ministries (MOP, MEF); various sectoral ministries; members of the various GOH clientele affected by the policy in question -- unions, professional associations, legislative and territorial bodies, industrialists and business persons, NGOs; and direct users of public-sector services.

These actors would be engaged in carrying out an evolving set of implementation tasks, including planning, monitoring and evaluation of key elements of the policy implementation process. This would be facilitated through consultations using workshops, roundtables, and seminars as the main modalities for support. Working groups, taskforces and other temporary bodies would be convened to define and carry out these ongoing tasks. Wherever possible, the actual implementation of the tasks would devolve to existing governmental and extra-governmental entities (e.g., units of the MOP, MEF, professional associations, technical committees of NGO consortia, and implementing units in individual sectoral ministries). The working groups and other temporary bodies would have an oversight function rather than an implementing function in most cases.

D. Short-Term Training

To a certain extent, the process approach to policy implementation incorporates training. Workshops, seminars, task groups, roundtables and media presentations are all training interventions appropriate at various stages of the policy implementation process. There are some "hard" or "technical" areas in which the GOH would like training support, such as accounting and management information systems. However, the line between training and technical assistance is also not always a clear one, even for these areas.

1. Study Tours.

Study tours are sometimes regarded with considerable suspicion, since they can operate more as payoffs than as learning experiences unless they are carefully designed. In this instance, however, a certain number of study tours for key GOH officials might be of genuine value. This would allow them to see how other similar institutions operate, what the available models are, and to discuss advantages and disadvantages of various approaches with counterparts in other countries.

The Aristide government has stressed, in its first general policy declarations, its desire to cooperate on a South-South basis, and to profit from the experiences of other developing countries. Study tours to a selected number of third countries as well as to the U.S. could be substantively useful as well as demonstrating to the new GOH that A.I.D. is supportive of its stated policy position on the matter of models.

2. Short Courses.

Various members of the GOH as well as members of the private sector have identified areas in which short-term training, or specific short courses, would be desirable. To date, most of these have involved financial management, computerization of financial management and management information systems, and human resources management. There is considerable capacity in Haiti to develop and run such courses, some of which already exist, such as the CEFOPAFOP, CTPEA, and CMP, and some accounting and consulting firms. The capacity of these entities to meet the increased demand that will be generated by the Democracy Enhancement Project, other A.I.D.-funded activities, and other-donor activities, will need to be assessed.

3. Roundtables.

A number of professional associations and sector interest group associations already conduct programs of roundtable discussions in Haiti. Among these are ADIH, (and its associated foundation, FONDIS), APA, the Chamber of Commerce, the Chambre Franco-Haitien, APB, and the Centre Petion-Bolivar. Additional roundtable discussion programs could be designed under this project to be run and facilitated by these existing groups, or else through other fora. If funds permit, some of these discussion series could be recorded on audio and video tape and then aired on the mass media. This would provide an excellent opportunity for the GOH to demonstrate to the public and to specific target audiences the steps it is taking in administrative and policy reform, and the decision-making background to those implementation steps.

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ANNEX D: DETAILED PROJECT BUDGET

The individual items noted below are keyed to Table 2, Summary Project Costs, contained in the PP Financial Plan. All calculations in this detailed annex are stated in \$US and at real prices (including a 5% per year additional cost, starting in Year 2, to account for contingencies and inflation).

The project will be funded by both DA funds and local currency generated by ESF or, potentially, PL480 funds. Local currency funds are considered to be the host country contribution to the project. For illustrative purposes, information has also been provided on the estimated derivation of ESF-generated local currency, although final programming of those funds has not yet been made.

1. Technical Assistance

TA is calculated according to the following cost scale (all expenses included):

- U.S. TA, short-term = \$20,000/mo.
- U.S. TA, long-term = \$200,000/yr.

(\$000)

	L-T	S-T
1991	200	200
1992	440	400
1993	660	400
1994	690	400
1995	730	400
1996	480	200
Total	3200	2000

Estimated Level of Effort for U.S.TA

<u>LT</u>	<u>ST</u>
14py	89PM

However, some TA, especially short term, will be furnished by local experts. Therefore, 100 pm of short term TA seems a reasonable estimate.

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2. Training

It is expected that training will all be of short-term nature. It is assumed that DA-funded training will be distributed between U.S. and local categories on a 3:1 ratio. U.S. training costs are calculated at \$5,000/person and local costs at \$1,000/person.

(\$000)		
	U.S.	Local
1991	0	0
1992	100	35
1993	244	81
1994	195	65
1995	145	50
1996	65	20
Total	749	251
Est. No. of Trainees:	150	251

3. Seminar/roundtable

All seminars and roundtables were assumed to take place in Haiti and to include an average of 50 participants. Costs are globally assumed at \$10,000 per activity.

year	No. of activities	Cost
1991	0	0
1992	5	50,000
1993	5	50,000
1994	5	50,000
1995	5	50,000
1996	5	50,000
Total	25	250,000

4. Commodities

Broad types of "commodity" needs have been identified and have only been used in the most indicative fashion in this cost estimate: computer hardware/software package (\$5000/package), vehicles (\$20,000/unit), expendables (undifferentiated lump sum of \$50,000). It is also worth noting that the ESF-generated funds may be called upon to cover a limited number of minor construction contracts. An illustrative commodity listing for DA-funded purchases is shown below:

Illustrative Commodity Listing
(\$000)

Commodity	Unit Price	Years					Total
		2	3	4	5	6	
Two-wheel drive Minivans	20	40	--	--	--	--	40
Personal computers	5	60	100	50	50	50	310
Local Area Networks	20	20	40	40	40	40	180
Mini Computers	100	100	--	100	--	--	200
Office Furniture sets	5	25	--	--	--	--	25
Typewriters	2	6	--	--	--	--	6
Fax machines	1	3	--	--	--	--	3
Photocopiers	3	6	--	--	--	--	6
Security Equipment	50	30	50	--	100	--	180
Expendables	--	10	10	10	10	10	50
Total		300	200	200	200	100	1,000

5. Evaluation and Audit

Two external evaluations and two audits are foreseen over the life of the project. They have been each costed at \$75,000/activity X 4 = \$300,000.

6. Management

A U.S. Personal Services Contractor and a mid-level Foreign Service National will be recruited under contract to assist USAID with the technical and administrative tasks of implementing PAR. The annual USPSC cost is estimated at \$200,000 (if recruited in the U.S.). Due to current local staff availability, that person will not be needed until mid 1992. The FSN will be needed sooner (mid 1991) starting at approximately the level of FSN-9 or \$28,000 per year. Annual increases of 5% have been included in future costs.

(\$000)

	1991	1992	1993	1994	1995	1996	Total
USPSC	0	126	220	230	242	255	1073
FSN	15	29	31	32	34	36	177

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ANNEX E: ILLUSTRATIVE TERMS OF REFERENCE

- Local Currency Contract
- Long-term PSC for USAID
- Long-term TA for IPC Contract
- Long-term Foreign Service National Contract

I. TERMS OF REFERENCE: Local Currency Support Contract

A. Background: The USAID-funded Policy and Administrative Support (PAR) Project has been formulated around the provision of some 14 p-y of long-term and 100 p-m of short-term technical assistance, both expatriate and Haitian, plus a large number of additional Haitian experts funded by the GOH. The contractor finally retained for this contract will provide core logistic services to all specialists hired by the project, and should be prepared to supply selected services to the PAR project in line with the special tasks listed below.

The contract will be signed directly with the Ministry of Finance's Coordination and Programming Unit (UCP), which will be responsible for management oversight of the contract. The contractor will be responsible for maintaining complete records on all services rendered, and their cost, to be reported to the UCP on a monthly basis. The contractor will be periodically audited and evaluated to determine the level of performance in relation to announced project objectives.

B. Specific Tasks:

1. Logistic Support Services: The contractor will supply basic logistic support services. Provision of these services should be adjustable, to expand and contract depending upon demand, and should include
 - office space for up to a maximum of 5 specialists at any one time;
 - a secretariat, composed of one typist/receptionist and one office manager; a prequalified pool of additional secretarial help to handle peak workloads.
 - properly functioning office equipment, including telephone, fax machine, photocopier, two 286-model computer/word processing stations;
 - a motor pool, including 2 mini-vans and 2 drivers.

2. Administrative Support Services: The contractor will supply basic administrative support services to the full range of technical assistance, to include
 - visa, and other official GOH paperwork requirements;

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- lodging assistance, including hotel reservations for short-term TA, meeting airport arrivals, exchanging foreign currencies, listing local medical services, location of housing and establishing basic utilities and other local services for long-term personnel;

3. Other Required Services: The contractor will provide, as part of the contract proposal, a system for provision of other special local cost services for local technical assistance, local training, local commodity procurement, and selected minor construction. These services may be provided directly or on a sub-contract basis, to be drawn down through periodic work orders issued by the UPC.

II. TERMS OF REFERENCE: Long-term USPSC for USAID

A. Background: The Policy and Administrative Reform Project (PAR) seeks to offer the GOH a variety of policy analytic and implementation services relating to economic, sectoral, and administrative reforms. The project's design allows for a significant degree of flexibility in the choice of policy areas, the types of services provided, and the timeframe of assistance. The project collaborates with numerous GOH entities, both on an individual basis, but more commonly across several agencies at once. The complexity and the flexibility contained in the PAR entails a significant management task for USAID/Haiti, requiring the services of a USPSC policy specialist over the life-of-project.

B. Specific Tasks: Activities required of the PSC include a mix of administrative and technical responsibilities. Under the guidance the Direct Hire Project Officer, the contractor will perform the following tasks:

1. Identify, discuss, and develop plans for PAR activities in collaboration with the GOH, Haitian private sector and NGOs, the long-term policy implementation specialist, plus USAID/Haiti and AID/W staff as needed and appropriate.
2. Negotiate, prepare, and/or oversee preparation of, scopes of work and terms of reference for studies, long- and short-term TA required by the project.
3. Review PIO/Ts and PIO/Cs prepared by the FSN contractor, prepare other required documents associated with PAR (e.g. QPSRs, special reports etc.), and maintain PAR project files in the Mission.
4. Monitor and report on contractor and GOH performance; track and report on policy implementation impacts; participate in team planning meetings and those of the Project Implementation Committee, briefings, and other relevant fora.
5. In close collaboration with other members of the Project Implementation Committee, facilitate GOH and other Haitian contacts for PAR TA personnel, provide information to interested GOH and other parties about PAR services and resources available, collect relevant documents and other background material for storage in the project database.

6. Provide liaison, technical advice and briefings and administrative support, as requested by the Project Officer.

7. Serve as a principal liaison to the PAR Project Implementation Committee, and other Mission offices and projects that are relevant to PAR, such as Democracy Enhancement, Administration of Justice, PROMINEX, and so on.

C. Required Qualifications: The policy specialist should have the following qualifications to carry out this scope of work:

1. A graduate degree in development management, public administration, economics, or other relevant social science discipline; or a bachelors degree and significant field experience relating to these disciplines.

2. Experience in working collaboratively with senior-level developing country officials and technical personnel in areas related to PAR activities.

3. Experience in, and knowledge of, A.I.D. procedures and systems.

4. Demonstrated French language capacity (FSI 3+ minimum). If the candidate is a Haitian national, demonstrated capacity in spoken and written English.

5. Prior professional experience in Haiti is highly desirable.

III. TERMS OF REFERENCE: Long-term TA for IPC Contract

A. Background: The Policy and Administrative Reform Project (PAR) seeks to offer the GOH a variety of policy analytic and implementation services relating to economic, sectoral, and administrative reforms. The project's design allows for a significant degree of flexibility in the choice of policy areas, the types of services provided, and the timeframe of assistance. The project collaborates with numerous GOH entities, both on an individual basis, but more commonly across several agencies at once. A major characteristic of policy implementation is that it requires the concerted actions of multiple actors. To assist the GOH to effectively analyze and select policies for design and implementation, plan and manage their implementation, and monitor and evaluate their impact, PAR requires a long-term policy implementation specialist over the life-of-project. The services of the specialist are to be included as a component of USAID/Haiti's buy-in to AID/S&T Implementing Policy Change (IPC) Project. The person selected will serve as Chief of Party (COP) for the IPC contract team as well as advisor to the GOH. In his advisory responsibilities, the COP will be guided by the USAID Project Officer and, through delegation, by the PSC policy specialist.

B. Specific Tasks: Activities required of the policy implementation specialist include a mix of substantive and administrative tasks. The specialist will perform the following:

1. Collaborate with GOH officials, private sector and NGO actors as appropriate, to assess policy problems and policy implementation issues and needs.
2. As needed and as appropriate, especially in the early years of the project, prepare, edit or guide preparation of, options papers, "think pieces," and diagnoses of policy selection and implementation issues, needs, constraints, and opportunities.
3. Jointly develop action plans for collaborative work in policy areas selected for assistance.

4. Provide process consultation services to: a) develop GOH ownership for policy selection and implementation, and b) monitor and advise on the policy implementation process. Such services will include individual consultation, group workshops, field visits, etc.
5. In consultation with the GOH and the PSC policy specialist, draw upon and coordinate the technical assistance resources made available through the IPC buy-in.
6. Assist the GOH to develop terms of reference for short-term (or long-term) technical assistance relating to macroeconomic, financial, sectoral, decentralization, and/or administrative reforms and their implementation.
7. Provide directly, or via short-term TA, training in policy implementation planning, strategic management, and implementation issues related to specific policy areas.
8. Organize and/or deliver team planning meetings (TPMs) for short-term technical assistance personnel and their GOH counterparts as needed over the life of PAR.
9. Provide input to the data base work of the FSN contractor regarding: a) policy implementation experience and issues in Haiti, and b) the specific policy implementation experience of activities conducted under PAR.
10. Provide liaison and consultation to USAID/Haiti on PAR activities, results of PAR assistance, and information required for Mission management of PAR, operating through the PSC policy specialist and the Project Officer.

C. Required Qualifications: The policy implementation specialist should have the following qualifications to carry out this scope of work:

1. A graduate degree in development management, public administration, economics, or other relevant social science discipline.
2. Extensive experience with senior-level developing country officials and technical personnel in areas related to PAR activities.
3. Demonstrated ability to work collaboratively with developing country officials in complex policy areas in inter-organizational settings.

4. Skills and experience in process consultation, strategic management, policy dialogue, and/or program implementation.
5. Demonstrated French language capacity (FSI 3+ minimum).
6. Prior professional experience in Haiti and with A.I.D. personnel and procedures is highly desirable.

IV. TERMS OF REFERENCE: Foreign Service National Contract

A. Background: A mid-level Foreign Service National (FSN-9 or thereabouts) will be recruited to work on the staff of the USAID Planning Office, reporting to the PSC Policy Specialist. The FSN will assist the Project Officer and the Policy Specialist on all AID direct contracting and buy-ins and other administrative responsibilities. The FSN will advise the GOH on USAID requirements and regulations for technical assistance, procurement and training. He/she will establish and keep current a management information system on project plans and activities and will assist the personnel who carry out the evaluation and audit functions of the project.

B. Specific Tasks: The FSN will perform the following functions:

1. Provide administrative support to the Project Officer and the Policy Specialist, particularly with respect to USAID buy-ins and contracting actions. This will include preparation of AID documents for contracting technical assistance (PIO/T's, purchase orders, contracts, contract amendments, work orders, etc.) for training, study tours and workshops, and for the procurement of commodities. He/she will monitor the execution of contract and procurement actions.

2. In consultation with the Project Officer and the Policy Specialist, establish and maintain a management information system so that project activities can be monitored, progress tracked and problem identified. He/she will monitor the reporting requirements included in the various project-funded contracts to see that they are met. The FSN will assist the Policy Specialist and the Project Officer with the preparation of quarterly implementation progress reports, the semi-annual project reports (SAPRs) and the annual status reports. He/she will prepare the minutes of the meetings of the USAID Project Implementation Committee and will monitor the execution of the the Committee's decisions.

3. The FSN will establish and manage a readily accessible hard cover and electronic data base on subjects related to PAR activities. The data base will include both information generated by the project as well relevant statistics and documents produced by Haitian and foreign sources. In particular, the FSN will seek to retrieve, duplicate and otherwise assemble reports and analyses relating to Haiti's experience with previous policy and administrative reform activities.

4. The FSN will maintain close liaison with the GOH Operations Officer and consult with that person periodically on the work of the host country logistic support contract and other local currency-financed project activities, keeping the Project Officer and Policy Specialist currently informed as to the status of all activities.

C. Required Qualifications: The FSN should have the following qualifications:

1. Appropriate educational credentials and mid or upper level management experience in the Haitian private sector, a parastatal or a government agency. Prior experience with A.I.D. or other donor agency would be highly desirable.
2. Experience in working collaboratively with GOH agencies and personnel in areas related to PAR activities. The candidate should have good interpersonal skills.
3. Experience in setting up and managing a documentary collection and computerized management information system for the purpose of building a program-related data base and monitoring diverse project activities.
4. Excellent skills in writing and verbal communications. High proficiency in written and spoken English. Proficient in the use of computer for creating documents and for data base storage and management.

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SUBJECT: NPD REVIEW: PROMOTION OF BUSINESS EXPORTS;
POLICY AND ADMINISTRATIVE REFORM

1. BUREAU COMPLETED ITS REVIEW OF SUBJECT ACTIVITIES ON MARCH 11, AT A MEETING CHAIRED BY ACTING DIRECTOR/LAC/DR. JEFFREY EVANS.

2. ASSISTANT ADMINISTRATOR JAMES MICHEL DELEGATES AUTHORITY TO USAID/HAITI TO APPROVE THE PIDS. BUREAU SUGGESTS THAT IN DEVELOPING THE PROMOTION OF BUSINESS EXPORTS PROJECT (521-2186) EMPHASIS BE GIVEN TO MOVING AWAY FROM PROMINEX TO SUPPORT OF PRIVATE SECTOR ORGANIZATIONS THAT CAN ASSIST IN DEVELOPING AND SUPPORTING OTHER FIRMS IN PROMOTING EXPORTS AND THAT THE PROJECT WORK TOWARD CHANGING THE MIND SET OF THOSE WHO FAVOR DOMESTIC INDUSTRY PROTECTION BY EMPHASIZING THE BENEFITS OF OPEN TRADE AND EXPORT INDUSTRIES. THE PROJECT SHOULD ALSO ENHANCE THE INVESTMENT AND FREE TRADE CLIMATE AND, METHODOLOGIES NEED TO BE DEVELOPED TO MOTIVATE GOVERNMENT AND THE PRIVATE SECTOR IN STIMULATING INVESTMENTS AND FREE TRADE.

3. AS REGARDS THE POLICY AND ADMINISTRATIVE REFORM PROJECT (521-2222), BUREAU REQUESTS THAT MISSION DEVELOP CRITERIA AND A PRIORITIZATION SYSTEM FOR REVIEWING REQUESTS FOR ASSISTANCE TO ENABLE THE PROJECT TO BE FLEXIBLE ENOUGH TO SUPPORT THE EXAMINATION OF SERIOUS POLICY ISSUES YET SUFFICIENTLY DEFINED TO PERMIT THE REJECTION OF PERIPHERAL AND TANGENTIAL REQUESTS FOR TECHNICAL ASSISTANCE. BUREAU WISHES TO AVOID A FLOODING OF ACTIVITIES UNRELATED TO OVERALL MISSION DEVELOPMENT STRATEGIES. THE BROAD SCOPE OF REFORM ACTIVITIES LISTED AS ILLUSTRATIVE AREAS WHICH THE PROGRAM MAY ADDRESS SUGGESTS THAT MISSION MAY WISH TO NARROW THE SCOPE AND CONSIDER MORE DISCRETE POLICY REFORM PACKAGES FOR INDIVIDUAL SECTORS, LAND TITLING AS PART OF AN AGRARIAN POLICY REFORM EFFORT. MISSION SHOULD ALSO ENSURE THAT THE ADMINISTRATIVE REFORM AND CIVIL SERVICE EFFICIENCY/CORRUPTION AND ACCOUNTABILITY REFORM AREAS PERMIT THE EXAMINATION OF MEANS TO DECENTRALIZE DECISION MAKING AND IMPROVE PERFORMANCE BEYOND THE CENTRAL GOVERNMENT LEVEL. BAKER

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ANNEX F (2)

René Préval
Premier Ministre
Ministre de l'Intérieur et de la Défense Nationale
Palais National

No.....BPM/0391

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OFFICIAL FILE

Port-au-Prince, le 17 septembre 1991

Monsieur le Directeur,

Nous avons l'avantage de soumettre à votre attention, au nom du Gouvernement d'Haïti, une requête pour l'obtention d'une aide financière de la Mission de l'A.I.D. en Haïti (U.S.A.I.D.) au bénéfice du "Projet de Réforme Administrative et de Politique Economique".

Les objectifs du Projet qui ont été fixés conjointement par les officiels du Gouvernement Haïtien et l'U.S.A.I.D., sont de fournir un appui au Gouvernement d'Haïti en vue de (a) formuler et appliquer les politiques de réforme prioritaire et (b) renforcer les structures et procédures du Gouvernement pour la mise en place des programmes de réforme administrative nécessaires et faciliter l'essor d'une croissance économique soutenue et équilibrée.

Le coût total du Projet est estimé à Treize Millions de dollars américains environ (E.U. \$ 13,000,000). De ce total, on sollicite de l'U.S.A.I.D. un financement de Neuf Millions de Dollars américains (E.U. \$9,000,000) sous forme de don. Il demeure entendu que les fonds fournis par la Mission de l'A.I.D. seront versés par tranches. Les versements s'échelonnent sur la durée du Projet.

La balance de fonds requis pour le financement du Projet, approximativement l'équivalent en gourdes de Quatre Millions de Dollars américains, sera fournie par le Gouvernement d'Haïti. Tous les efforts seront

Monsieur David COHEN
Directeur de la Mission de
l'U.S.A.I.D. en Haïti
Port-au-Prince.-

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déployés pour que lesdits fonds soient versés de manière ponctuelle en fonction de la disponibilité des ressources du Gouvernement.

Tout en vous remerciant pour l'attention que vous ne manquerez pas d'accorder à l'objet de la présente, nous vous prions d'agréer, Monsieur le Directeur, l'expression de nos salutations distinguées.



René PREVAL
Premier Ministre

c.c.: Madame Marie Michèle REY
Ministre de l'Economie et des Finances

Monsieur Renaud BERNARDIN
Ministre de la Planification, de la Coopération Externe
et de la Fonction Publique

JMC/csm

ANNEX F (3)

STATUTORY CHECKLIST

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to:

- (a) increase the flow of international trade;
- (b) foster private initiative and competition;
- (c) encourage development and use of cooperatives, credit unions, and savings and loan associations;
- (d) discourage monopolistic practices;
- (e) improve technical efficiency of industry, agriculture, and commerce; and
- (f) strengthen free labor unions.

2. U.S. Private Trade and Investment (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The project aims at major reforms to improve the efficiency, integrity and economic policies of the GOH and thereby create a positive environment for host country development efforts. It contemplates specific reforms in the foreign exchange regime, banking system, tax system and public enterprises which will directly contribute to the country's development.

Contemplated reforms include reforms in export and import taxes, the foreign exchange regime, central banking and private banking regulations which should stimulate foreign investment, especially U.S.

3. Congressional Notification

a. **General requirement (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A):** If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

YES

b. **Notice of new account obligation (FY 1991 Appropriations Act Sec. 514):** If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c. **Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec. 575(b)(3)):** If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

N/A

4. **Engineering and Financial Plans (FAA Sec. 611(a)):** Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

YES

5. **Legislative Action (FAA Sec. 611(a)(2)):** If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action

No legislative action is required except as may be developed under the project. Discussions with the new government indicate a desire and will to carry out serious reforms including those requiring legislative changes.

will be completed in time to permit orderly accomplishment of the purpose of the assistance?

6. **Water Resources** (FAA Sec. 611(b); FY 1991 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. **Cash Transfer and Sector Assistance** (FY 1991 Appropriations Act Sec. 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

N/A

8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The project aims at major reforms to improve the efficiency, integrity and economic policies of the GOH. Contemplated reforms include a selection of the following: the foreign exchange regime, banking system, the customs structure, government enterprises and land tenure systems.

10. **U.S. Private Trade** (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The project contemplates reforms in the foreign exchange system, tax and customs administration, the central and commercial banking sectors, decentralization of government functions and improved financial accountability and management of public sector agencies. These changes should have a positive impact on US trade and investment.

11. **Local Currencies**

a. **Recipient Contributions** (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

The project budget includes an over 25% host country contribution to project costs. U.S. does not own foreign currencies.

b. **U.S.-Owned Currency** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

NO

c. **Separate Account** (FY 1991 Appropriations Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

N/A

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

12. Trade Restrictions

a. Surplus Commodities (FY 1991 Appropriations Act Sec. 521(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

N/A

b. Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec. 521(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of

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textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

13. **Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3)):** Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas? NO

14. **PVO Assistance**

a. **Auditing and registration (FY 1991 Appropriations Act Sec. 537):** If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A

b. **Funding sources (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"):** If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A

15. **Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)):** Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). N/A

16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy):
Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

YES

17. **Women in Development** (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

YES

18. **Regional and Multilateral Assistance** (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

NO

19. **Abortions (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):**

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? NO

b. Will any funds be used to lobby for abortion? NO

20. **Cooperatives (FAA Sec. 111):** Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life? NO

21. **U.S.-Owned Foreign Currencies**

a. **Use of currencies (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509):** Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. No foreign currencies are owned by the U.S.

b. **Release of currencies (FAA Sec. 612(d)):** Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? N/A

22. **Procurement**

a. **Small business (FAA Sec. 602(a)):** Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Procurement will be effected by AID/W's Office of Procurement or by USAID following AID procedures.

b. **U.S. procurement (FAA Sec. 604(a)):** Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him? YES

c. **Marine insurance (FAA Sec. 604(d)):** If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? YES

d. **Non-U.S. agricultural procurement (FAA Sec. 604(e)):** If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A

e. **Construction or engineering services (FAA Sec. 604(g)):** Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) N/A

f. **Cargo preference shipping (FAA Sec. 603):** Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? Not excluded

g. **Technical assistance (FAA Sec. 621(a)):** If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the YES

facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

h. U.S. air carriers

(International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

YES

i. Termination for convenience

of U.S. Government (FY 1991 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

YES

j. Consulting services

(FY 1991 Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

YES

k. Metric conversion

(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest

YES

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documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

1. Competitive Selection

Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? YES

23. Construction

a. Capital project (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used? N/A

b. Construction contract (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A

c. Large projects, Congressional approval (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress? N/A

24. U.S. Audit Rights (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A

25. Communist Assistance (FAA Sec. 620(h)). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? YES

26. Narcotics

a. **Cash reimbursements (FAA Sec. 483):** Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? N/A

b. **Assistance to narcotics traffickers (FAA Sec. 487):** Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? YES

27. Expropriation and Land Reform (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? YES

28. Police and Prisons (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? YES

29. CIA Activities (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? YES

30. Motor Vehicles (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? YES

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31. **Military Personnel (FY 1991 Appropriations Act Sec. 503):** Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? YES

32. **Payment of U.N. Assessments (FY 1991 Appropriations Act Sec. 505):** Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? YES

33. **Multilateral Organisation Lending (FY 1991 Appropriations Act Sec. 506):** Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? YES

34. **Export of Nuclear Resources (FY 1991 Appropriations Act Sec. 510):** Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? N/A

35. **Repression of Population (FY 1991 Appropriations Act Sec. 511):** Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? YES

36. **Publicity or Propoganda (FY 1991 Appropriations Act Sec. 516):** Will assistance be used for publicity or propoganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propoganda purposes not authorized by Congress? NO

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37. **Marine Insurance** (FY 1991 Appropriations Act Sec. 563): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

YES

38. **Exchange for Prohibited Act** (FY 1991 Appropriations Act Sec. 569): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

NO

B. **CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY**

1. **Agricultural Exports (Bumpers Amendment)** (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

N/A

2. **Tied Aid Credits** (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?

N/A

3. **Appropriate Technology** (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A

4. **Indigenous Needs and Resources** (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

Project aims at increasing the integrity of the government and encouraging the placement of honest, capable personnel in management positions, the training of personnel for more responsible and efficient job performance and for increasing collaboration and cooperation between the legislative, judicial and executive branches.

5. **Economic Development** (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

YES, due to the close relationship between honest, efficient government and economic development in Haiti.

6. **Special Development Emphases** (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries

For (a) and (d) there will be an indirect impact; for (b) and (c) the project contemplates decentralization of government functions and powers (including taxation) to provincial and local authorities. All project components will support self-help efforts.

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and the improvement of women's status; and
(e) utilize and encourage regional
cooperation by developing countries.

7. **Recipient Country Contribution**
(FAA Secs. 110, 124(d)): Will the
recipient country provide at least 25
percent of the costs of the program,
project, or activity with respect to which
the assistance is to be furnished (or is
the latter cost-sharing requirement being
waived for a "relatively least developed"
country)?

YES

8. **Benefit to Poor Majority** (FAA
Sec. 128(b)): If the activity attempts to
increase the institutional capabilities of
private organizations or the government of
the country, or if it attempts to
stimulate scientific and technological
research, has it been designed and will it
be monitored to ensure that the ultimate
beneficiaries are the poor majority?

YES

9. **Abortions** (FAA Sec. 104(f); FY
1991 Appropriations Act, Title II, under
heading "Population, DA," and Sec. 535):

a. Are any of the funds to be
used for the performance of abortions as a
method of family planning or to motivate
or coerce any person to practice
abortions?

NO

b. Are any of the funds to be
used to pay for the performance of
involuntary sterilization as a method of
family planning or to coerce or provide
any financial incentive to any person to
undergo sterilizations?

NO

c. Are any of the funds to be
made available to any organization or
program which, as determined by the
President, supports or participates in the
management of a program of coercive
abortion or involuntary sterilization?

NO

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d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? N/A

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? N/A

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? NO

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? NO

10. **Contract Awards (FAA Sec. 601(e)):** Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? YES

11. **Disadvantaged Enterprises (FY 1991 Appropriations Act Sec. 567):** What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? No funds will be specifically reserved for these activities but disadvantaged and Grey Amendment firms will be given preference, other factors being equal.

12. **Biological Diversity** (FAA Sec. 119(g): Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? N/A

13. **Tropical Forests** (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) & (g)):

a. **A.I.D. Regulation 16:** Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? YES, with a categorical exclusion.

b. **Conservation:** Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions N/A

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which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. Forest degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded

N/A

forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

d. **Sustainable forestry:** If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry? N/A

e. **Environmental impact statements:** Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment? N/A

14. **Energy (FY 1991 Appropriations Act Sec. 533(c)):** If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases? N/A

15. **Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec. 562, adding a new FAA chapter 10 (FAA Sec. 496)):** If assistance will come from the Sub-Saharan Africa DA account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote sustained economic growth, encourage N/A

private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) to be provided in a manner that takes into account, during the planning process, the local-level perspectives of the rural and urban poor, including women, through close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) to be implemented in a manner that requires local people, including women, to be closely consulted and involved, if the assistance has a local focus; (e) being used primarily to promote reform of critical sectoral economic policies, or to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities; and (f) to be provided in a manner that, if policy reforms are to be effected, contains provisions to protect vulnerable groups and the environment from possible negative consequences of the reforms?

16. Debt-for-Nature Exchange (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

17. **Deobligation/Reobligation** (FY 1991 Appropriations Act Sec. 515): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified? N/A

18. **Loans**

a. **Repayment capacity** (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest. N/A

b. **Long-range plans** (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities? N/A

c. **Interest rate** (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? N/A

d. **Exports to United States** (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest? N/A

19. **Development Objectives** (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from

For (1) and (4) there will be an indirect impact; for (2) and (3) the project contemplates the decentralization of government functions to local entities and promoting government reforms conducive to encouraging private firms. All categories of the project call for strenuous self-help measures.

cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries? (5) N/A

20. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made. N/A

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people. N/A

c. **Food security:** Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

N/A

21. **Population and Health (FAA Secs. 104(b) and (c)):** If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N/A

22. **Education and Human Resources Development (FAA Sec. 105):** If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

The project will finance short term training at Haitian, U.S. and third country agencies, conferences, workshops and seminars in Haiti and study tours in the U.S. and third countries, all aimed at increasing the integrity and efficiency of Haitian government agencies and upgrading the capabilities of Haitian personnel to plan and implement development activities.

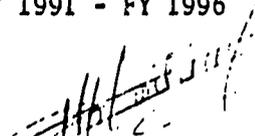
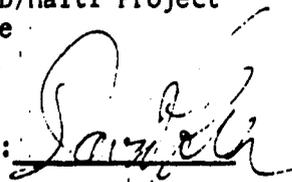
23. **Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106):** If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

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- a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment; N/A
- b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations; N/A
- c. research into, and evaluation of, economic development processes and techniques; N/A
- d. reconstruction after natural or manmade disaster and programs of disaster preparedness; N/A
- e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance; N/A
- f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development. N/A

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INITIAL ENVIRONMENTAL EXAMINATION

- A. PROJECT LOCATION: Haiti
- B. PROJECT TITLE: Policy and Administrative Reform
(521-0222)
- C. TOTAL A.I.D. FUNDING: \$9.0 million
- D. LIFE OF PROJECT: FY 1991 - FY 1996
- E. IEE PREPARED BY: 
Michelet Fontaine
Mission Environmental
Officer (ADO)
- F. THRESHOLD DECISION RECOMMENDED: Categorical Exclusion
per Reg. 16, section 216.2
- G. CONCURRENCE: 
Rosalie Fanale
Project Development and
Implementation Office
for USAID/Haiti Project
Committee
- H. MISSION DIRECTOR'S DECISION: Approved: 
Disapproved: _____
Date: 6/19/91
- I. LAC ENVIRONMENTAL OFFICER'S
DECISION: Approved: See State 192188 of 6/12/91
attached
Disapproved: _____
Date: June 12, 1991

Policy and Administrative Reform Project (521-0222)

(IEE - Negative Determination)

A. PROJECT DESCRIPTION

This \$9.0 million project will work collaboratively with the Government of Haiti (GOH) to improve economic policy analysis, understanding of constraints to effective and efficient public administration, and implementation of policy and administrative reform. The project's purpose is that the GOH (a) formulates and implements appropriate policies, and (b) reforms structures, procedures and processes, to facilitate balanced, sustainable economic growth.

B. PROJECT ACTIVITIES

The project will be implemented with the Government of Haiti, through a bilateral agreement. Assistance with project implementation will be provided through long-term and short-term contracted technical assistance, using buy-ins to centrally funded projects and direct contracting by USAID/Haiti.

Project outputs will include: studies of economic policy reforms; public-private sector dialogue on policy issues, through workshops and seminars; institutional and financial management studies; strategic implementation plans; and skills enhancement within participating government institutions. The Ministries of Finance, Planning, and Commerce, as well as sectoral ministries, will participate in project activities. Project inputs will be primarily technical assistance and training, with some commodity support (primarily computers) to facilitate implementation of reforms.

C. RECOMMENDED THRESHOLD DECISION

In accordance with Sections 216.1 and 216.2 of A.I.D. Regulation 16, a categorical exclusion is recommended, and no further environmental examination is deemed necessary for the Policy and Administrative Reform Project (521-0222).

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STATE 192188

ACT: AID-3 INFO: AMB DCM (5)

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CHRG: AID
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AIDAC PORT AU PRINCE FOR MICHELET FONTAINE, BRIDGETOWN

E.O. 12356: N/A

TAGS:

SUBJECT: ENVIRONMENTAL THRESHOLD DECISIONS FOR
USAID/HAITI POLICY AND ADMINISTRATIVE REFORM PROJECT
(521-0222), AND AGRICULTURAL MARKET LINKAGE PROJECT
(521-0231).

RDO/C FOR GENE WILKIN, REA/C

REF: (A) PORT A 04200, (B) PORT A 04199

1. LAC HAS REVIEWED AND HEREBY APPROVES MISSION REQUEST
(REF. A) FOR A CATEGORICAL EXCLUSION FOR THE POLICY AND
ADMINISTRATIVE REFORM PROJECT (521-0222). IEE NUMBER
IS LAC-IEE-91-55.

2. LAC HAS ALSO REVIEWED AND HEREBY APPROVES MISSION
REQUEST (REF. B) FOR A POSITIVE DETERMINATION FOR THE
AGRICULTURAL MARKET LINKAGE PROJECT (521-0231). IEE
NUMBER IS LAC-IEE-91-56. AN ENVIRONMENTAL ASSESSMENT
(EA) MUST THEREFORE BE PREPARED FOR THIS PROJECT.
BEFORE STARTING THE EA, A SCOPE OF WORK MUST BE
DEVELOPED BY THE MISSION AND APPROVED IN WRITING BY THE
LAC CHIEF ENVIRONMENTAL OFFICER. THIS SCOPING EXERCISE

SHOULD INCLUDE MISSION, GOVERNMENT AND, IF APPROPRIATE,
NGO EXPERTS.

3. COPIES OF ENVIRONMENTAL THRESHOLD DECISIONS ARE
BEING POUCHED TO MISSION FOR INCLUSION IN PROJECT
FILES. BAKER

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