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FOOD FOR DEVELOPMENT PROGRAM
PL-480 TITLE III
FY 1985 - FY 1988

December, 1984

FOOD FOR DEVELOPMENT PROGRAM PAPER
FFD-PP

1. COUNTRY: Haiti

2. PROGRAM TITLE: PL 480 Title III - Food for Development Program

3. ESTIMATED DURATION: INITIAL - FY85
   FINAL - FY88

4. ESTIMATED COST:

SOURCE OF FUNDING	FISCAL YEAR FY85	FY86	FY87	FY	FY	TOTAL
A. PL 480 TOTAL $ VALUE ('000)	15.0	15.0	15.0			45.0
B. AID $ ASSISTANCE ('000)						85.2
C. HOST GOVERNMENT ('000)						28.8
D. OTHER ('000)						20.5

5. PL 480 ANNUAL COMMODITY INPUT:

YEAR	COMMODITIES	TONNAGE	ESTIMATED $ VALUE ('000)
FY85	Wheat/Soybean Oil	76,600/2,500	15.0
FY86	Wheat/Soybean Oil	90,200/1,100	15.0
FY87	Wheat	92,000	15.0

6. PROGRAM PURPOSE: (BRIEF DESCRIPTION)

The purpose of the proposed Food for Development program is to reverse stagnation in the agricultural sector by promoting changes in macro-level policies and GOH institutions in the agriculture, health and population, and public works/transportation sectors. Policy reforms and projects designed to increase rural incomes, lower the nutritional deficit of the poor and improve agricultural productivity will be instituted under this program. The program will also improve health status in rural areas, expand the rural road network and improve the delivery of government services to rural communities in support of efforts to increase production. It will also give much-needed balance of payments support.

7. APPROVED BY: Jerome T. French
Director, USAID/Haiti

1-18-85
Date

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PL 480 TITLE III PROJECT PAPER

TABLE OF CONTENTS

PL 480 TITLE III PROJECT PAPER
LIST OF TABLES

LIST OF TABLES (CONT'D)

I. INTRODUCTION AND SUMMARY

Overview

The Title III Food for Development Program (FFD) proposed in this document is the result of a joint effort conducted by the GOH and the USAID Mission to Haiti over a two-year period. The three-year, 45 million dollar program promotes changes in macro-level policies and institutions of the government in three sectors: Agriculture, Health and Population, and Public Works/Transportation. These changes are reinforced by projects funded from the Title III counterpart generations. Lastly, the proposed program includes changes in GOH management of the PL 480 program to assure that the requirements of Title III are met.

The program proposed for Title III was developed to respond to the crisis Haiti is facing in the agriculture sector: a rapidly growing population has increased domestic demand for food while a deteriorating land base has caused agricultural productivity to stagnate. Food crops for domestic consumption are insufficient to meet the nutritional needs of the population and export crops are losing their share of the world market. The result is stagnation in a sector of the economy which employs 72% of the labor force and chronic malnutrition which saps the health and energy of the rural as well as urban poor.

The emphasis of the Title III program is on reversal of the stagnation in the agricultural sector. The program will institute policy reforms and projects designed to increase rural incomes, lower the nutritional deficit of the poor, and improve agricultural productivity. It will also improve health status in the rural areas, expand the rural road network, and improve the delivery of government services to rural communities to support efforts at increasing production.

There are four crosscutting policy objectives on which the FFD program is based:

1. Tax Reforms Supporting Increased Agricultural Production:
   There is a need for a systematic shift of the tax burden away from the agricultural sector and towards the urban-commercial sectors with an associated increase in public goods and services in the rural areas.

2. Containment of Recurrent Costs:
   Because of the stringent budget controls which limit public expenditures, a critical objective is to constrain the growth of the recurrent cost burden on the public budget as an increased investment program is executed.

3. Greater Utilization of Private Resources:
   Governmental policies need to be more broadly supportive of a more collaborative relationship between public and private institutions working in key sectors, particularly in rural areas, so that joint efforts will not be competitive but will significantly increase the scope and availability of services to the rural population.

4. Decentralization of Public Services:
   Finally, the GOH's commitment to regionalization, decentralization, and deconcentration of public services so as to achieve a more balanced distribution of growth (between Port-au-Prince and the provinces) and a more equitable sharing in government investments and their potential benefits must be provided with sustained support.

While the policy or institutional reforms and projects to be funded are discussed in the sector specific sections of the FFD proposal (Agriculture, Health/Population, Public Works/Transport and PL 480 Administration), the following is a brief summary of the issues, policies, and projects for each section of the proposal.

In agriculture, the first step in increasing productivity is to promote pricing and taxing policies which stimulate an agricultural product mix compatible with Haiti's natural and human resource constraints. Policies that expand and diversify Haiti's agricultural export portfolio and improve the productivity of the food production sector are essential. For example, to increase coffee exports, coffee production must be made more profitable by reducing the export tax on coffee and returning the benefits to the farmers. Lowering the taxes on flour will reduce the cost of wheat products enabling the people to purchase more food and improve their nutritional status. An aggressive program to improve cereals production is an essential part of Title III. The program includes projects to increase the availability of credit to small farmers, improve the technical packages available for cereals, coffee, and cocoa, improve crop protection, and provide better disease control for animals. Investments in irrigation and soil conservation, which reduce the risks of crop losses and thereby encourage farmer use of modern technological agricultural inputs, will be emphasized by the program. Assessing the public sector's role in the production, processing and marketing of agricultural commodities will lead to policies that will encourage competition, reduce inefficiencies, and thus lower prices to the consumer.

Continued decentralization of the public sector organizations that service the agricultural sector is necessary to meet the specific needs of farmers. As part of the Title III program, the Ministry of Agriculture will decentralize authority and budgetary control to regional and district offices. Title III will also provide support for a decentralized development organization in the Upper Artibonite region. In addition, laws governing irrigation water user associations will be reformed to assure that funds collected for maintenance are applied to those systems.

An important step for increasing agricultural productivity and the general well-being of the population is improving the health status of the rural population. Increasing the efficiency with which available funds are utilized is essential and includes stricter financial control, completion of administrative decentralization, generation of additional revenues through user fees and greater collaboration with private health organizations. Projects in the health sector increase the availability of primary health care in rural areas, expand family planning services, continue the control of malaria and build community potable water systems.

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Another essential element to increasing agricultural productivity in the country is an expanding system of well-maintained roads. The present system of taxation does not generate enough income to properly maintain and expand the road system. Changes in the tax structure such as increasing the diesel fuel tax, increasing private vehicle registration fees and improving the efficiency of tax collections (particularly road use taxes) will provide several benefits for the country. First, revenues sufficient to expand and maintain a better road system will be generated. Additional revenue to provide funds for other sectors of the economy could also be raised from the transport sector. Second, road user charges will be more equitably distributed. The major project funded in this sector is the secondary roads project which provides support to construction of new roads in the rural areas and maintenance of all roads.

Because the administrative requirements for monitoring this program are so extensive, the GOH will establish a Title III management office to assure that the program's objectives are met and to enable the appropriate allocation of resources to projects in support of these objectives. Also, Title III funds will be used to expand the outreach of the PL-480 Title II Program to increase the availability of food in rural areas.

The proposed Title III program is an essential part of the overall development strategy of the Mission. The FY 1986 CDSS emphasizes agricultural production, resource conservation, improved nutrition, primary health care, family planning, decentralization, private sector initiative, and training. The Title III program of policy changes and projects gives direct support to most of these areas of emphasis. It also supports the major objectives of the GOH Five Year Development Plan: increased agricultural production, job creation, and more balanced distribution of growth between metropolitan Port-au-Prince and the provinces.

The GOH has made significant progress in implementing needed policy reforms. As part of an agreement with the IMF, the Government has already initiated economic policies to promote stabilization and long term growth.

But decreases in public spending have had a severe impact on the development budget. The budgetary support provided by Title III is greatly needed to pursue a program of economic stabilization without severely compromising the country's development effort.

Title III also offers several advantages over the Title I program currently in place in Haiti. First, the multi-year commitment of Title III will greatly aid in the process of project planning and clarification of long-term development objectives. Second, the debt forgiveness aspect of Title III program will ease the financial burden of the GOH and save scarce foreign exchange, providing a strong incentive to undertake policy reforms.

Summary and Benchmarks of Agreed Upon Title III Policies and Administrative Procedures

The Government of Haiti (GOH) agrees to implement the following policy reforms and administrative procedures as part of the proposed three year PL-480 Title III Agreement.

A. Policy Reforms

1. Coffee Tax Reduction

1.1. The GOH will reduce the coffee tax by a total of 25 percent from the rates used before April 22, 1984 (by adding 15% to the 10% reduction) within one year following the signing of the PL-480 Title III agreement.

1.2. A study will be initiated during the first six months of the Title III program and completed during the third year to determine if the income of the coffee producers has increased as a result of the tax reduction. The terms of reference for the study will be determined by a joint GOH-USAID Title III Policy

16

Research Committee, consisting of the Ministers of Plan, Finance, Commerce, Agriculture, Health, TPTC, and the USAID Director or their designees. The Committee will monitor the study's implementation and make policy recommendations based upon the study's findings.

1.3. If it is determined by the committee that at least two-thirds of the tax benefits were returned to the producers, the committee will recommend that the coffee tax be reduced an additional 25% in the next Title III agreement. If sufficient benefits are not found to be going to the producers, the committee will recommend increased investments in coffee research, extension ,credit and marketing.

2. Flour Taxes and Price

2.1. The GOH will reduce the taxes on wheat flour by $0.93 per 100 lbs, thereby reducing the price of wheat flour by that amount within one year of signing the Title III agreement.

2.2. An analysis of the impact of the flour price reduction on such aspects as food production and consumption decisions, real per capita incomes of the urban and rural poor, balance of payments, and GOH finances will be initiated in the first year and completed during the third year of the Title III program. The terms of reference for the study will be determined by the joint GOH-USAID Title III Policy Research Committee. The Committee will monitor the study's implementation and make policy recommendations based upon the study's findings.

3. Grain Import Licensing and Bulk Handling Facilities

3.1. The GOH will conduct a study of grain import licensing procedures and bulk handling facilities with a view towards reducing the cost of imported grains, increasing domestic value added and/or increasing GOH revenues. The study will be initiated during the first year of the Title III program and completed during the third year of the Title III program. The study will assess the potential impacts of recommended reforms on real per capita incomes of the urban and rural poor, the balance of payments and GOH finances. The terms of reference for the study will be determined by the joint GOH-USAID Title III Policy Research Committee. The Committee will monitor the study's implementation and make policy recommendations based upon the study's findings.

4. Management Alternatives of GOH Agricultural Processing Industries

4.1. The GOH will conduct detailed benefit/cost analyses and study alternatives to GOH management and involvement in the sugar, edible oils and cotton processing industries. The studies will be initiated during the first year of the Title III program and completed by the end of the second year of the Title III program. The terms of reference for the studies will be determined by the joint GOH-USAID Title III Policy Research Committee. The Committee will monitor the studies' implementation and make policy recommendations based upon the studies' findings.

5. Decentralization of the Ministry of Agriculture

5.1. The Ministry of Agriculture will prepare and implement the requisite legal, administrative and procedural adjustments necessary for decentralization of authority and budgetary control to regional and district offices during the first year of the Title III program.

6. Increase Availability of Agricultural Credit

6.1. The GOH will increase the amount of credit available to small farmers by increasing the loan capital of the Bureau of Agricultural Credit (BCA) and by improving the financial self-sufficiency of that institution. To accomplish both of these objectives, the GOH will reduce the central office operation costs of BCA such that by the end of the Title III program these costs will not exceed 10% of BCA's operating budget, and the GOH agrees to provide an additional $1.5 million from the counterpart fund each year of the Title III program to the loan funds of BCA.

7. Water User Associations

7.1. During the first year of the Title III program, the GOH will prepare legislation enabling the formation of local water user associations who demonstrate the capacity to maintain irrigation systems either partially or completely. These associations will be able to collect and retain usage fees to be applied to the maintenance of the systems. The membership and operating procedures for these associations will be defined in the legislation which will be finalized by the end of the second year of the program.

7.2. The GOH will assist local water user groups to develop and function under the new legislation during the third year of the Title III program.

8. Increase Taxes on Diesel Fuel

8.1. The GOH will increase diesel fuel taxes from 34 cents per gallon to 54 cents per gallon before the signing of the Title III agreement.

9. Progressive Congestion Tax

9.1. Before signing the Title III agreement, the GOH will increase the urban private vehicle registration fee in lieu of a congestion tax to a minimum of $56 for 4 cylinder vehicles, $102 for 6 cylinder vehicles and $152 for 8 cylinder vehicles per vehicle per year.

10. Revised Procedures for Petroleum Imports

10.1. During the first year of the Title III program, the GOH will revise the procedures to be followed for taxing imported petroleum fuel to enable Haiti to benefit from world petroleum price decreases. The analysis of changes in procedures required will be made with the assistance of USAID financed consultants.

11. Recurrent Costs of Road Maintenance Program

11.1. The GOH agrees to fund the Road Maintenance Service (SEPRRN) from the GOH Operating Budget, guaranteeing that the national road network will be maintained. Full funding by the Operating Budget will begin during the first year of the Title III program.

11.2. By the end of the first year of the Title III program, the GOH will establish procedures that assure that all investment studies for construction of new roads will include the scheduling of the transfer of these roads to the road maintenance program and the recurrent cost implications.

12. Labor Intensive Road Construction and Maintenance Methods

12.1. The transport sector will continue to increase its reliance on labor intensive road construction and maintenance methods, substituting labor for heavy equipment where economically feasible, each year of the Title III program.

13. Improved Management and Financial Control of the Ministry of Health

13.1. The GOH will develop annual plans for the allocation of health resources (personnel,vehicles, equipment and construction) emphasizing rural primary health care.

13.2. The Ministry of Health's functional and development budgets for all three years of the Title III program will reflect the increasing emphasis on rural primary health care by funds provided to regional, district and commune facilities and their activities.

14. Decentralization of the Ministry of Health

14.1 The Ministry of Health will complete the administrative and procedural adjustments necessary for decentralizaton of authority and budgetary control to regional and district offices during the first year of the Title III program. This will include implementing streamlined procedures for the release and management of funds and restructuring the Ministry to provide adequate technical and administrative support to the regions and districts.

14.2. The Ministry of Health will establish annual performance targets in the priority health programs for each region, district, and commune. These performance targets will be used to measure progress and to design or readjust support activities of the central office.

15. Reduction of Recurrent Costs Increases in the Health Sector

15.1. The GOH will develop a standardized system for the collection of health service fees and establish the requisite legal or administrative procedures to permit these fees, as well as the proceeds from drug sales, to be retained by the commune,

15

district and regional public health facilities to augment their operating budgets. The standardized system will be developed during the first year of the Title III program and the requisite legal and administrative procedures will be in place by the end of the second year.

15.2. The Ministry of Health will continue to strengthen and support the community pharmacy program (AGAPCO) with the goal of expanding AGAPCO sales by 25 percent each year of the Title III program.

16. Improvement of Ministry of Health Collaboration with Non Governmental Voluntary (NGOV) Health Providers

16.1. The Ministry of Health will continue to encourage, during the three years of the Title III program, NGOV participation in the implementation of the national health plan by establishing minimum standards of care to be provided by these health services, by continuing to support NGOV community medicine programs and by reducing duplication of services such that the establishment of new public health facilities is reserved for areas with no currently existing public or NGOV services.

17. Improved Access by Population to Family Planning Services

17.1. The Ministry of Health will estabish family planning performance targets for all public health facilities each year of the Title III program. By the end of the first year of the program, the Ministry will establish a monitoring system and determine appropriate incentives to be provided annually to those facilities that achieve or surpass their performance targets.

17.2 The Ministry of Health will expand the utilization of non-clinical family planning programs both within the Ministry and with other GOH Ministries. By the end of the first year of

SUMMARY OF POLICY REFORM BENCHMARKS

	FY 1986	FY 1987	FY 1988
1.	- Coffee tax reduced 25%.		
	- Study of impact of coffee tax reduction initiated.	- Study Continues	- Study completed and recommendations made on additional coffee tax reductions.
2.	- Wheat flour price reduced $0.93 per 100 lbs.		
	- Study of economic impacts of flour price reduction initiated.	- Study Continues	- Study completed and recommendations made for flour pricing.
3.	- Study initiated on grain import licensing procedures and bulk handling facilities.	- Study continues	- Study completed and policy recommendations made.
4.	- Benefit/cost analyses of management alternatives for GOH in agricultural processing industries initiated.	- Analyses completed and policy recommendations made.	
5.	- Decentralize authority and budgetary control of Ministry of Agriculture.		
6.	- Loan capital of BCA increased $1.5 million.	- Loan capital of BCA increased $1.5 million.	- Loan capital of BCA increased $1.5 million.
	- BCA's central office expenses begin to be reduced.	- BCA's central office expenses continue to be reduced.	- BCA's central office expenses reduced to 10% of total operating expenses.
7.	- Legislation to enable water user associations to generate and retain user fees prepared.	- Legislation passed	- Water user organizations assisted to operate under legislation.

SUMMARY OF POLICY REFORM BENCHMARKS (CONT'D)

FY 1986	FY 1987	FY 1988
8. - Increase diesel fuel taxes to 54 cents/gallon by start of Title III.		
9. - Increase urban private vehicle registration taxes by start of Title III.		
10. - Revise procedures for petroleum import taxes.		
11. - Road Maintenance budget fully funded by GOH Operating Budget.		
- Procedures for road investment studies to include scheduling to road maintenance program and recurrent cost implications established.		
12. - Increased reliance on labor intensive methods for road construction.	- Increased reliance on labor intensive methods for road construction.	- Increased reliance on labor intensive methods for road construction.
13. - Annual health resource allocation plan developed.	- Annual health resource allocation plan implemented.	- Annual health resource allocation plan implemented.
- Allocation of DSPP funds to regional, district and commune facilities increased.	- Allocation of DSPP funds to regional, district and commune facilities increased.	- Allocation of DSPP DSPP funds to regional, district and commune facilities increased.
14. - Administrative procedures for DSPP decentralization completed.		

SUMMARY OF POLICY REFORM BENCHMARKS (CONT'D)

	FY 1986	FY 1987	FY 1988
	- Annual performance targets established and used for DSPP management.	- Annual performance targets established and used for DSPP management.	- Annual performance targets established and used for DSPP management.
15.	- System for health service fees developed.	- Legal and administrative procedures for health service fee system established.	
	- Community pharmacy (AGAPCO) sales increased by 25%	- Community pharmacy (AGAPCO) sales increased by 25%	- Community pharmacy (AGAPCO) sales increased by 25%
16.	- DSPP establishes minimum standards for NGOV facilities.		
	- Continued support of NGOV community medicine programs and reduce duplication of services.	- Continue support of NGOV community medicine programs and reduce duplication of services.	- Continue support of NGOV community medicine programs and reduce duplication of services.
17.	- Performance targets for family planning services. set.	- Performance targets for family planning services set.	- Performance targets for family planning services set.
	- Family planning monitoring and incentive system established.	- Family planning monitoring and incentive system implemented	- Family planning monitoring and incentive system. implemented.
	- Pilot family planning program using malaria community volunteers. begun.	- Program expanded.	- Program expanded and additional programs with other governmental services initiated.
	- Encourage promotion of family planning in NGOV facilities.	- Encourage promotion of family planning in NGOV facilities.	- Encourage promotion of family planning in NGOV facilities.

the Title III program, the Ministry of Health will initiate a pilot program utilizing Malaria community volunteers to distribute family planning information and supplies. If that program is successful, the Ministry of Health will continue the expansion and, during the third year of the Title III program, initiate additional programs with other governmental services.

17.3. The Ministry of Health will encourage and support the expansion of non-governmental health and social service providers in the promotion of family planning information and services.

B. Management Responsibilities for the Title III Program

1. Establishment of Executive Committee, Management Office, and Commodity Importation and Sales Unit: Prior to the signing of the PL 480 Title III agreement, the Government of Haiti will:

1.1. Establish a PL 480 Title III Executive Committee composed of the Ministers of Finance, Commerce, Agriculture, Public Works, Public Health, Foreign Affairs and Plan, and chaired by the Minister of Plan. This Committee will be responsible for the Title III program, supervise the Executive Secretary of the program, provide policy guidance for the Title III Management Office and Commodity Importation and Sales Unit, approve and submit the Title III Annual Budget, approve and submit the Title III Annual Evaluation Report, and approve any amendments to the Title III agreement.

1.2. Establish, as a separate unit within the Ministry of Plan, a PL 480 Title III Management Office to ensure proper and timely actions in the generation and use of PL 480 Title III funds. This office, directed by the Executive Secretary of the PL 480 Title III program will be responsible for coordinating the importation and sales of the Title III commodities, managing the Title III counterpart fund and monitoring the Title III funded projects and the self-help measures.

1.3. Establish a Commodity Importation and Sales Unit for Title III commodities within the Ministry of Commerce.

1.4. Appoint the Executive Secretary of the PL 480 Title III program, who will be Director of the Title III Management Office, and the Director of the Commodity Importation and Sales Unit, with the concurrence of USAID in both cases.

2. Management of Program: The Government of Haiti agrees, once the initial Title III agreement is signed, to assure that the Commodity Importation and Sales Unit and the Title III Management Office implement the following procedures for Title III commodity importation and sales, counterpart fund management and program monitoring.

2.1. Commodity Importation and Sales Unit

2.1.1. The Commodity Importation and Sales Unit within the Ministry of Commerce will be responsible for preparing the annual Title III commodity mix request, operational cable, USAID-approved local sales contracts, as well as the quarterly compliance report and shipping and arrival report, and submitting them for the approval of the Title III Management Office. The Commodity Importation and Sales Unit will also be responsible for purchasing the Title III commodities in the U.S. and ensuring their proper delivery to local purchasers in Haiti.

2.1.2. All the functions of the Commodity Importation and Sales Unit under the Title III Program will be monitored by the Executive Secretary.

2.2. <u>Title III Management Office</u>

2.2.1. Coordination of Commodity Importation and Sales: The Executive Secretary of the Title III program will be responsible for coordinating the functions of the Commodity Importation and Sales Unit under the Title III Program. Accordingly, he will submit to USAID the annual Title III commodity mix request and operational cable, as well as the quarterly compliance report and shipping and arrival report.

2.2.2. Counterpart Fund Management: The Executive Secretary will be responsible for ensuring that the terms of the sales contracts with local purchasers of Title III imports are met and that all Title III sales proceeds are deposited into a central account of the Government of Haiti to be used solely for development purposes agreed upon in advance by the PL 480 Title III Executive Committee and USAID. These funds will be released on the basis of an annual budget prepared by the Title III Management Office (based on requests received) and approved by the Executive Committee and USAID. Projects identified as Title III projects will receive priority in the allocation of funds. Any other project for which funds are requested must meet the criteria provided in the Title III Agreement. The Title III Management Office will also be responsible for assuring the disbursement of Title III funds on a quarterly basis to each project and for preparing monthly counterpart fund activity reports for submission to USAID.

2.2.3. Program Monitoring: The Title III Management Office will be responsible for monitoring the implementation of the Title III-funded projects and progress toward achieving self-help measures by means of a USAID-approved annual monitoring plan (with benchmarks) prepared by the Title III Management Office. The Title III Management Office will be responsible for preparing quarterly project implementation reports for submission to USAID.

2.2.4 Any other funding organization may assist in carrying out one or more projects included under the Title III program, if agreed to by USAID and the Government of Haiti. In this case, the sum allocated for a Title III project, in whole or in part, may be considered to be the counterpart required for the other funding organizations to contribute their share.

3. Annual Evaluation: The Government of Haiti agrees to report every year on the progress achieved in the Title III program as a prerequisite for receiving further Title III assistance after the initial allocation.

3.1. This annual evaluation report will be prepared by the Title III Management Office for submission by the PL 480 Title III Executive Committee to USAID/Haiti within the first two months of each fiscal year subsequent to the signing of the Title III agreement. The report will be reviewed in the annual GOH-USAID program review meeting. Once the review is completed, the Report and the results of the review will be submitted to the Interagency Working Group of the United States Government in Washington with a request for the following year's Title III allocation.

3.2. The Annual Evaluation Report will include:

-- Progress in achieving targets established in the annual monitoring plan and under the self-help measures in the Title III Agreement.

-- A specific accounting of the counterpart funds generated, including the amount deposited to the central Title III account, the amounts budgeted and disbursed for each project, and the outstanding balances at the end of the previous fiscal year in the central and project accounts.

-- A review of project activities.

-- Recommendations for program modifications.

Summary and Budget of Title III Projects

1. Agricultural Sector

1.1. Priority Projects

1.1.1. Agricultural Development Support II ($1.5 million Title III funding) will strengthen MARNDR's institutional capacity in agricultural statistics and farming systems research/extension by establishing a reliable system for data gathering, processing and analysis, including a physical inventory of farms (size, land use, farming techniques etc.). Appropriate technological packages will be provided to small farmers designed to both increase income and preserve Haiti's natural resource base.

1.1.2. Strengthening Rural Credit Services ($4.5 million Title III funding) will increase the institutional capabilities of the Bureau de Crédit Agricole (BCA) through the extension of rural financial services to peasant families. The $4.5 million in Title III funds will be used to expand the loan portfolio of BCA over the three-year period. It is expected that BCA will reach financial viability by the end of the time period.

1.1.3. Rehabilitation of Irrigation and Soil Conservation Development ($7 million Title III funding) will improve the physical state and the functioning of irrigation systems by financing the construction or rehabilitation of certain systems selected jointly by MARNDR and USAID, with priority given to sites that are capable of being supervised by a minimum of different agricultural districts, where small farmers would be the major beneficiaries, and which offer the possibility of organizing local user groups (for

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example, have active community councils, or <u>groupements</u> of NGOs) to participate in labor intensive construction or operation and maintenance of the systems once constructed. The Project will follow an approach to watershed management that coordinates irrigation with soil conservation and erosion control methods and introduces the use of appropriate technologies (new seed varieties, farming techniques, etc.) for mountain and low-land agriculture. It will also serve as a pilot program for gathering the necessary data and reviewing lessons learned from other similar projects to prepare a national soil and water management program.

1.1.4. <u>Production Coffee/Cocoa</u> ($1.7 million Title III funding) will concentrate on the essential aspects of coffee/cocoa production in Haiti. Special emphasis will be placed on substantially increasing national production through the development and diffusion on a large scale of appropriate technologies and improved seedlings to improve the yield and increase the number of farmers cultivating coffee. One part of the project will provide assistance, through cooperatives, for the treatment, storage and commercialization of coffee and cocoa.

1.1.5. <u>Cereal Production Improvement</u> ($1.5 million Title III funding) will expand and improve production of low-land rice, corn and sorghum through research and extension activities which emphasize on-farm demonstration trials. The purpose of the project is to rapidly increase the availability of food through the extension and intensification of production. The project will also include in-country training of professional extension agents and Haitian farmers and large scale seed multiplication of improved varieties.

1.1.6. <u>Crop Protection</u> ($0.75 million Title III funding) will enhance MARNDR's institutional outreach capacity in crop protection by developing and disseminating technologies and infrastructure (small silos, dryers, etc.) which reduce pre and post-harvest food losses. Through this activity, Haiti's ability to enforce import regulations and monitor plant imports will also be developed.

1.1.7. <u>Animal Health and Husbandry Improvement</u> ($1.25 million Title III funding) will assist MARNDR's veterinary services in identifying and controlling animal diseases. Emphasis will also be placed on efforts to reconstitute the Haitian swine herd.

1.1.8. <u>Food Sector Analysis</u> ($0.50 million Title III funding) will undertake the necessary studies for monitoring agricultural sector policy reforms and designing new project activities. The studies include:

-- agro-processing and the role of the state;

-- import licensing and its impact on food availabilities;

-- feasibility of building bulk handling facilities for cereal grains;

-- impact of coffee tax reduction

-- consumption and production effects of a reduction in the price of flour; and

-- various studies which will be designed to determine the technical, financial, economic, social, and administrative feasibility of sub-projects proposed under Title III.

1.1.9. Local Resource Development ($1.0 million Title III funding) will support decentralized participatory planning and administration of regional development projects in the Upper Artibonite area. Funds will be used to encourage local groups to define and implement development projects, identify potential areas of investment by other donors and coordinate development activities in the region so that they are mutually reinforcing, both spatially and sectorially.

1.2. Other Categories of Projects or Types of Activities That Could Receive Title III Counterpart

1.2.1. Agricultural outreach development, extension and training;

1.2.2. Alternative energy sources including firewood production;

1.2.3. Agroforestry and natural resources management;

1.2.4. Fisheries development;

1.2.5. Seed multiplication and other agricultural input supplies;

1.2.6. Agricultural storage facilities and market expansion;

1.2.7. Agroindustry development and rural small enterprise promotion;

1.2.8. Rehabilitaton of state farms and other demonstraton activities;

2. Health Sector

2.1. Priority Projects

2.1.1. Targeted Community Health Outreach ($6.0 million Title III funding) will assist the Ministry of Health to consolidate and strengthen its capacity to plan, implement, and evaluate targeted, cost-effective, basic health services aimed at the primary causes of morbidity and mortality in Haiti.

2.1.2. Management of Malaria I and II ($3.1 million Title III funding) will strengthen the institutional capacity of SNEM to plan and implement effective malaria control activities and to significantly reduce the mortality and morbidity due to malaria, using targeted attacks on the geographical foci of the disease.

2.1.3. Family Planning Outreach ($0.9 million Title III funding) will assist the national family planning effort in improving and expanding the delivery of voluntary family planning services though public and private health facilities; in increasing community support for family planning through community councils, women's groups, cooperatives, etc; in improving program management through the use of modern managment techniques; and in promoting a national dialogue on population growth and development interactions.

2.1.4. Community Water Systems Development ($0.4 million Title III funding) will construct community water systems, establish community maintenance groups and reinforce the institutional capacity of SNEP to plan and support the maintenance of potable water systems in the rural areas.

2.2. Other Categories of Projects or Types of Activities That Could Receive Counterpart Funding

2.2.1. Rural Community Sanitation

2.2.2. Health Education including school health

2.2.3. Rural secondary health facilities

2.2.4. Nutrition education and surveillance

2.2.5. Maternal and child health

3. Transport (Public Works) Sector

3.1. Priority Projects

3.1.1. Secondary Roads Development ($10.2 million Title III funding) will develop a Secondary Road Service (SRS) responsible for the rehabilitation and construction of secondary roads and continue to develop SEPRRN's ability to maintain all national roads. Over 300 kilometers of rural farm to market roads will be rehabilitated/constructed using labor intensive methods where economically feasible.

3.2. Other Categories of Projects or Types of Activities That Could Receive Title III Counterpart Funding:

3.2.1. Labor intensive public works project

3.2.2. Secondary roads expansion and improvement project

3.2.3. Tertiary roads

PROPOSED BUDGET FOR TITLE III COUNTERPART FUNDS

PROJECT STATUS*		FY86	FY87	FY88	Total
	AGRICULTURE				
1	ADS II (Farming Systems Research/Extension)	.5	.5	.5	1.50
1	Strengthening Rural Credit Services	1.5	1.5	1.5	4.50
2	Crop Protection	.2	.25	.3	.75
2	Coffee Cocoa Promotion	.5	.5	.7	1.70
3	Cereal Production Improvement	.5	.5	.5	1.50
3	Irrigation and Soil Conservation Development	1.5	2.5	3.0	7.00
2	Animal Health and Husbandry Improvement	.25	.5	.5	1.25
2	Local Resource Development	.3	.4	.3	1.00
3	Agricultural Studies	.15	.25	.1	.50
	Agriculture Total	5.4	6.9	7.4	19.70
	HEALTH				
2	Targeted Community Health Outreach	2.0	2.0	2.0	6.0
1	Management of Malaria	1.1	1.0	1.0	3.1
1	Family Planning Outreach	.3	.3	.3	.9
2	Community Water Systems	.15	.15	.1	.4
	Health Total	3.55	3.45	3.4	10.4
	TRANSPORT				
1	Secondary Roads	3.4	3.4	3.4	10.2
1	**TITLE III MANAGEMENT**	.4	.3	.3	1.0
1	**SUPPORT TO PL 480 TITLE II**	1.0	1.0	1.0	3.0
	Sub Total	13.75	15.05	15.5	44.30
	Unprogrammed Title III funds ** available for Agriculture, Health and Transport Projects	3.25	1.95	1.5	6.70
	GRAND TOTAL	17.00	17.00	17.0	51.00

* PROJECT STATUS:
1- Projects funded prior to FY86 which will continue under Title III with appropriate design modifications
2- New Title III projects starting in FY85 with funding from FY84 Title I imports
3- New Title III projects receiving only Title III funds

** As local commodities' sales prices are greater than costs, counterpart funds generated exceed FOB/FAS prices. Thus a $15 million sales agreement generates $17.0 in counterpart funds.

30

Beneficiaries

The Title III program will have positive impacts on the poor segment of the population through the importation of staple grains and oils, as well as through policy reforms designed to improve the standard of living of rural peasant families. Although projects and policies to be implemented under the Title III program are designed to directly benefit the rural poor whose livelihoods depend on agriculture, increased food production and availability will also benefit the growing number of urban poor.

The importation of $45 million dollars of staple food commodities, in particular wheat, over a three-year period will add significantly to the nutritional status of the poor. Bread consumption has greatly increased as a staple food in the diets of rural poor. A decrease in the price of flour, as agreed to under the new Title III program, is expected to generate an even greater increase in the rural poor's consumption of flour products.

The long-term objectives of the Title III program - to improve the standard of living of the rural poor through increased agricultural productivity and expansion of basic health care - will be addressed through Title III projects. To the extent that these focused rural development projects serve as models for replication, they will strengthen the capacity of the GOH Ministries of Agriculture, Health, Public Works and Plan, as well as private groups, to deliver needed services to rural families over the long run.

Projects in the agricultural sector are intended to support the new agricultural policy reforms and are designed to benefit poor rural farmers. For example, recent studies indicate that the coffee tax reduction will primarily benefit up to 384,000 peasant coffee producers or approximately 40 percent of Haiti's population. Over the next three years, the BCA project will benefit 35,000-45,000 small farm families through expanded credit services. The beneficiaries of the project are located throughout the country due to the wide geographic dispersion of the 46 local offices of the BCA. The ADS II project will benefit not only rural farm families through the extension of improved seed varieties and agricultural practices, but also over 200 agricultural extension agents, who will receive training in Farming Systems Research. The immediate beneficiaries of the crop production project will be 70,000 small rice producers in the Artibonite, Cayes and northern regions of Haiti. Other direct beneficiaries will be thousands of peasant farmers engaged in corn, bean, sorghum, coffee and cocoa production.

The beneficiaries of the Title III health and family planning projects will include the vast majority of the rural population. Women and children under five, in particular, will benefit from these projects. Under the Targeted Community Health Outreach project, access to priority health services will be provided to 75% of the mothers and children under five in rural areas. The health of mothers and children will also improve through expanded availability of family planning services in rural areas. Community Water Systems development will also directly benefit primarily women and children since they are the main water carriers. Conveniently located supplies of potable water will result in a savings of labor and time spent on this task and allow women more time to pursue other economic activities.

Among the principal beneficiaries of the Title III transportation sector program are the small scale peasant producers in agricultural areas hindered by limited access to markets. Increasing this group's ability to expand marketing of their products through reduced transportation cost and an improved road network will increase incomes and incentives to produce more. The construction and rehabilitation of secondary roads will benefit, in the long run, rural market women ("Madame Sarahs"), who are the principal marketers of agricultural products in Haiti. These women, delivering produce to Haiti's rural markets, usually cover great distances by donkey or on foot. Time saved through an improved road network will allow these women to increase their income-generating activities.

Labor intensive methods of road rehabilitation and construction benefit the rural unemployed and underemployed. The labor intensive rural roads project provides for some 80,000 person-months of work over the project period. This translates into some 26,000 short term jobs (3-4 months long) for unskilled laborers. The estimated $185 earned for this work will increase family income by approximately 25%. Road maintenance activities through the Community Action Maintenance Program and other public works projects will also provide a source of recurring employment opportunities for rural community members.

II. BACKGROUND AND RATIONALE

A. ANALYSIS OF HAITI'S CURRENT ECONOMIC SITUATION

Economic Growth

Haiti's real GDP growth during the 1970's averaged almost 4 percent and per capita income grew 2 percent annually. Gross domestic investment expanded at an average annual rate of 11 percent and comprised over 16 percent of GDP in 1980. International trade, which expanded at an annual average rate of approximately 10 percent, was led by the growth of the assembly re-export industry. Net assembly industry exports increased from less than $3 million in 1970 to over $48 million in 1980.

The growth that occurred during the 1970's was primarily in the urban industrial sectors. The agricultural sector, which provided the livelihood for some 72% of the population while contributing only 32.8 percent of GDP in 1980, virtually stagnated with a growth rate of only 1.1 percent during the 1970-80 period (see Table II.1) The sector declined in the early 1980's, as shown in Table II.2. On the other hand, value-added in manufacturing, which accounted for 16.7 percent of GDP in 1980, grew at an average rate of 6.9 percent over the decade. In addition, there were high annual average growth rates in utilities (14.9 percent), construction (10.2 percent), transportation and communication (9.5 percent) and government (8.4 percent).

Haiti's economic expansion was interrupted by the world recession of the early 1980's. Haiti's real GDP dropped over 3 percent between 1980 and 1982. Most of the decline occurred in 1981. Economic activity was relatively stagnant in 1982 and 1983. The sectors most severely impacted by the recession included mining, manufacturing, and construction. Investment and exports both declined in 1981 and 1982. As a result of these declines, real per capita consumption in 1983 is estimated to be 8.6 percent below the 1980 level.

34x

Table II.1
GROSS DOMESTIC PRODUCT AND GROWTH BY SECTOR, 1970-80
(in percentage)

	Contribution to GDP		Average Annual Growth - Rate
	1970	1980	1970 1980
Agriculture	44.7	32.8	1.1
Mining	2.8	1.3	-1.3
Manufacturing	13.0	16.7	6.9
Utilities	0.1	0.3	14.9
Construction	2.7	4.7	10.2
Wholesale and Retail Trade	16.8	18.9	5.5
Transportation and Communication	1.8	3.0	9.5
Financial Services	5.3	5.1	3.8
Government	5.6	8.3	8.4
Other Services	7.6	8.9	5.9
Total GDP	100.0	100.0	4.3

Source: Statistical Bulletin of the OAS

Table II.2
PERCENT CHANGES IN GROSS DOMESTIC PRODUCT, 1980-84
(constant 1976 prices)

	1980	1981	1982	1983	1984
	I. GDP by Sector				
Agriculture	-1.0	-4.7	-0.6	--	--
Mining	-4.3	-14.9	-22.8	--	--
Manufacturing	12.3	-9.5	0.3	--	--
Construction	2.9	-1.0	-14.4	--	--
Services	9.5	-1.1	0.0	--	--
Gross Domestic Product	6.1	-3.0	-0.4	1.0	3.0
	II. GDP by Expenditures				
Consumption	3.4	1.9	-4.0	-0.2	1.4
Investment	6.9	-2.0	-13.6	10.0	10.3
Exports	27.7	-5.2	-3.5	4.1	5.2
Imports	10.2	13.5	-20.0	10.3	4.5
Gross Domestic Product	6.2	-3.0	-0.4	1.0	3.0

Source: World Bank and International Monetary Fund

The consequences of the Haitian recession have been particularly severe, since most of the population live near the subsistence level. Per capita income is estimated to have been only $300 in 1982. Conditions of absolute poverty, defined as an income level under $150 per capita, affect more than half of the Port-au-Prince population and over 90 percent of the rural agricultural population.

The economic recovery, which began in 1983, is estimated to have generated a 3 percent growth in real GDP for 1984. Gross domestic investment is estimated to have increased over 10 percent and exports are expected to have increased 5 percent. Real exports of manufactured goods and non-factor services (including tourism) are estimated to have grown at annual rates of 6 and 10 percent respectively. The assembly export sector, which experienced very little decline during the recession, has resumed its rapid pace of growth as the US economy expands and the CBI trade concessions take effect. The economic recovery in the assembly re-export industry in Port-au-Prince has had little or no impact in rural areas, where counterpart-short development projects have had less than expected influence on deteriorating employment and earning opportunities. The recent riots and political tension may be explained in part by the stagnating or deteriorating economic status of the rural poor majority. The continued weak performance of agricultural production and export crop prices coupled with the cessation of bauxite exports will restrain the overall growth performance of the economy.

The growth of the Haitian economy is constrained by a number of factors including over-population, illiteracy, low savings rates, foreign exchange shortages, a stagnant agricultural sector, an eroding natural resources base, limited physical infrastructure, and weak public and private service institutions. Inappropriate governmental policies, including excessive import, export, and excise tax rates and exclusions; direct state investments in productive enterprises; and budgetary and disbursement practices have also limited the economy's performance. Without growth in manufactured exports and expanded foreign assistance levels, the prospects for economic growth and development would be poor. Agricultural exports, especially tree crops, have significant potential if appropriate development policies are pursued.

Balance of Payments

In the short run, foreign exchange shortages will be one of the more severe constraints to growth. Haiti has seldom experienced balance of payments problems in the past principally because the GOH has had a long tradition of conservative fiscal and monetary management (i.e., limited deficit financing through monetary expansion) and one of the lowest debt burdens of any country in the region. Because of this, the exchange rate of 5 gourdes to the U.S. dollar has been maintained since 1919. However, in 1980 and 1981, Haiti experienced a major deterioration of its balance of payments situation, with foreign exchange reserves falling by $12.2 million in 1980 and $34.1 million in 1981 (Table II.3). As the financial imbalance became more acute, a parallel market for foreign exchange emerged with the Gourde selling at discounts of 10 to 15 percent. These developments contributed to a loss of confidence on the part of the private sector and precipitated a flight of short term capital, contributing to a further loss of scarce international reserves. Increased reliance on Central Bank credit to finance excessive government deficits in 1980 and 1981, together with a recession-induced weakening of export earnings in 1981, were the basic causal forces of the crisis.

In 1982, the GOH adopted a stabilization program which was supported by a SDR 34.5 million IMF Stand-by Arrangement extending through September 1983. The austerity program focused on increasing fiscal revenues, cutting expenditures, and limiting credit expansion. Even though the austerity program has reduced the balance of payments deficit, the deficit remains. It was reduced from US$53 million in 1981 to US$9.9 million in 1982, US$12.0 million in 1983, and US$7.4 million in 1984 (see Table II.3).

Table II.3
BALANCE OF PAYMENTS, FY 1980-1984
(US $ million)

	1980	1981	1982	1983	1984
Merchandise Trade, FOB	-57.9	-157.8	-74.6	-86.7	-71.3
Exports	226.2	166.8	203.9	212.8	249.2
Imports	284.1	324.6	278.5	299.5	320.5
Services (net)	-87.6	-81.7	-93.3	-107.5	-118.0
Transfers (net)	85.4	130.9	118.9	111.8	123.2
Current Account Balance	-60.1	-108.7	-49.0	-82.4	-66.1
Public Sector Capital (net)	65.2	102.0	30.3	75.9	51.6
Private Capital (net)	-21.5	-48.3	8.7	-5.5	7.2
Other	6.8	1.7	-	-	-
Overall Balance (deficit-)	-9.6	-53.3	-9.9	-12.0	-7.4
Change in net international reserves (decrease -)	-12.2	-34.1	-17.6	-29.8	-21.8

Source: International Monetary Fund and Bank of the Republic of Haiti.

The progress with reducing the balance of payments deficit encouraged the IMF and the GOH to negotiate a new SDR 60 million Stand-by Arrangement for FY 1984 and 1985. The IMF Board approved the Stand-by in November 1983. The program was designed to re-establish a satisfactory internal reserve position and to consolidate the strengthening of public finances, and thus establish the basis for sustained growth. However, with the 1980-1984 net loss of $116 million in foreign exchange, balance of payments surpluses will have to be registered over a period of several years if Haiti is to rebuild its international reserves to a level that would provide a sufficient cushion to cope with balance of payments fluctuations. Unfortunately, the GOH has not been in a position to make drawings under the IMF Standby Arrangement since March 1984. This has, to date, produced only a minor impact on the parallel market rate for dollars, which is currently between 6-10 percent. However, unless the GOH is able to reestablish a new program with the IMF very soon, the free market exchange rate could be expected to increasingly reflect the disequilibrium in the economy.

Public Finance

GOH fiscal policies have both contributed to and have been affected by the balance of payments problems. The GOH significantly increased its expenditures in 1980, largely for needed salary increases, and in 1981, for budgeted and extra-budgetary capital expenditures (see Table II.4). The increased expenditures were largely financed by increased credit from the Central Bank, which increased the demand for foreign exchange. The deteriorating balance of payments situation forced the GOH to take steps to control expenditures. The terms of the IMF Standby Agreement mandated a program of further fiscal austerity for 1982 and 1983. Total GOH Treasury expenditures were reduced from $238.1 million in 1981 to $187.6 million in 1982 and $180.0 million in 1983. This was a two-year reduction of 24% in nominal terms but closer to 35% considering inflation.

Table II.4
HAITI: PUBLIC SECTOR OPERATIONS

Fiscal Years	1979	1980	1981	1982	1983	1984	Proj. 1985	Proj. 1986
		(US $ Million)						
Treasury Expenditures	188.1	180.3	238.1	187.6	180.0	201.0	216.0	245.2
Capital	11.8	33.0	74.6	20.7	17.2	20.4	26.0	28.0
Current	106.3	147.3	163.5	166.9	162.8	180.6	190.0	217.2
Treasury Revenue	114.0	138.2	132.0	149.9	169.3	182.9	216.0	234.8
Current Account Surplus or Deficit (-)	7.7	-9.1	-31.6	-17.1	6.5	2.3	26.0	17.6
Public Enterprises Current Account Surplus or Deficit (-)	12.2	12.4	19.4	29.2	28.7	30.8	33.0	35.5
Public Sector Savings	19.9	3.4	-12.1	12.2	35.2	33.1	44.8	53.1
Non consolidated Public Sector	-1.2	-3.8	1.6	-4.0	-3.3	-	-	-
Net Domestic Borrowing	12.0	42.6	49.2	48.2	14.5	10.9	-	-
Net Foreign Commercial Borrowing	4.3	3.4	50.4	-7.9	3.8	6.0	8.0	8.0
Net Foreign Concessional Borrowing	29.1	31.7	44.6	46.3	44.0	58.6	58.2	58.4
Foreign Aid Grants	31.9	37.1	43.6	52.0	65.4	65.8	68.0	70.0
Public Sector Capital Expenditures	96.0	114.4	177.3	146.7	159.6	174.4	179.0	189.5

Source: International Monetary Fund, World Bank, and GOH.

-36-

To increase GOH revenues, a number of reforms were adopted, including: (1) a new income tax law designed to improve the equity and elasticity of the system; (2) a reference price system for valuation of coffee exports; (3) a new diesel fuel tax; (4) increased import duties on luxury items, alcoholic beverages and cars; and (5) a value added tax of 7 percent to replace a multitude of excise taxes. These changes increased GOH Treasury revenues from \$132 million in 1981 to \$149.9 million in 1982 and \$169.3 million in 1983, a two-year increase of 28%. As a result, the public sector deficit financed by non-concessionary means was reduced from 6.6. percent of GDP in 1981 to 2.5 percent in 1982 and 1.0 percent in 1983.

Under the terms of the FY84-85 IMF Standby Agreement, improvement in the government's public finances was to be achieved through implementation of a number of fiscal reforms, including the introduction of a comprehensive taxpayer identification system to facilitate cross-checking among the new sales tax records, custom returns, and income tax returns; the strengthening of tax assessment procedures; the simplification of appeal procedures in tax delinquency cases; and the reformulation of the accounting and expenditure control procedures. These reforms and the economy's recovery were expected to generate over a 12 percent increase in Treasury revenues in 1984. Unfortunately, the actual increase in Treasury revenues was limited to around 8 percent. This weak revenue performance coupled with the large unplanned expenditures by the public sector that resulted in part from the civil disturbances last May produced public sector deficits in excess of the IMF Standby Agreement during the third and fourth quarters of FY 1984. In an attempt to increase revenues and regain an IMF Agreement, the GOH recently increased taxes on diesel, gasoline, auto registrations, alcoholic beverages, and soft drinks (1). In addition, the value added tax was increased from 7 to 10 percent. With these tax increases and controls on spending, the Government hopes to have both a balanced budget in FY 1985 and a new IMF Standby Agreement. The first objective will require a large (18 percent) increase in

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(1) The taxes on diesel and auto registrations were increased in conformance with GOH/USAID Title III negotiations.

revenues. The second objective calls for firmer control of expenditures and credit expansion than has been demonstrated over the past six months. The GOH is currently following a "shadow program" whereby the IMF monitors on a monthly basis GOH performance in five main areas: Treasury revenues and expenditures, private sector credit by the National Credit Bank, net domestic assets of the Central Bank and public sector deficit. Compliance with the "shadow program" could lead to a renewed IMF Standby Agreement in early 1985.

The urgent need for increased public sector revenues guided the Title III policy negotiations between the GOH and USAID/Haiti. Care was taken to assure that the overall fiscal impact of the package of Title III policy changes would be strongly positive. The fiscal costs of the 25 percent coffee tax reduction ($3 million per year) and flour tax cut ($2.9 million per year) are more than offset by the revenue gains associated with the increased diesel tax and auto registration fees ($6.3 million and $1 million respectively).

The fiscal austerity program has had a severe impact on the development budget. GOH Treasury support for the development budget (capital expenditures) fell from $74.6 million in 1981 to $20.7 million in 1982 and $17.2 million in 1983, for a two-year reduction of 77 percent (see Table II.4). Only $20.4 million was disbursed for 1984. Even if the Leogane sugar mill construction costs of $41.8 million were not included in the FY81 development expenditures, the two-year decline would still be 48 percent. The overall capital development budget (including foreign assistance financing) was reduced from $177.3 million in 1981 to $146.7 million in 1982. The 9 percent per year nominal increases in 1983 and 1984 provide for little real increase in overall development activity after adjusting for inflation. The overall development budget would have been further reduced were it not for the improved performance of GOH tax and public enterprise revenues and increased foreign assistance in the form of grants-in-aid and concessionary loans.

Projections for 1985 and 1986 provide for very limited increases in overall public capital expenditures (Table II.4). After adjusting for the probable rate of inflation, little real increase is anticipated. Even with increased Treasury revenues and limited current expenditures growth, the anticipated increase of public sector savings is largely offset by the decreased levels of borrowing from the Central Bank and abroad. As a result, total GOH resources for development will probably not be able to increase much in 1985 and 1986.

Likewise, the expected donor commitments for foreign concessionary loans and grants provide for almost no increase in resources for development. This is in part the result of the limited capability of the GOH to generate counterpart revenues for donor financed development projects, especially IBRD and IDB projects. THe GOH is caught between the fiscal austerity program and its commitments to cover both an agreed GOH share of the investment projects and the recurrent costs resulting from these projects. Any proposed expansion of the development budget runs up against this constraint. Thus, there is a need to further increase the efficiency of GOH expenditures through administrative reforms, especially in the areas of budgeting, disbursements and personnel procedures. Increased proportions of the GOH development budget could be made available as counterpart for donor supported development projects by ending the unnecessary GOH investments in directly productive enterprises. There is also a need for an investment strategy which will minimize the build-up of recurrent cost obligations and which will concurrently increase revenues coming from users of expanding public facilities.

PL 480 Title I/III Program

The USAID Title I program is consistent with the LAC Bureau's strategy to encourage host governments to undertake stabilization programs. Without the balance of payments support provided by the Title I program (representing 19.8% of GOH contribution to the development budget in FY 82, 25% in FY 83 and 23.8% in FY 84), the fiscal austerity program would have even more severely compromised the development program and the ability of the government to provide basic services to the rural and urban poor.

The Title I generated local currency has primarily been used as counterpart for donor projects, including major USAID, IDB and IBRD projects. However, while USAID's DA and ESF combined levels nearly tripled between FY 1978 and FY 1984 (from $8.9 million to $25.2 million), Title I levels have been limited to the $9 to $13 million-dollar range. As a result, the integrated programming of DA, ESF and Title I funds has been focused increasingly on USAID projects and has reduced the availability of Title I counterpart for other donor projects. The Mission is aware of this problem and the need to increase Title I/III levels commensurate with the growth of DA and ESF funding levels or reduce the counterpart requirements of USAID projects. The latter would mean a reduction in the size of the development program that USAID directly controls.

The multi-year Title III program is an important form of aid which can be constructively used to assist Haiti's economic development in at least three ways:

1) Foreign exchange that would otherwise have to be used to finance commercial food imports can be invested in export earning or import-substitution projects. The Title III program would provide the country with at least US$45 million in balance of payments assistance over a three-year period. This will be especially important for the continued development of the light manufacturing sector, which needs foreign exchange for imports of fuel, semi-processed materials and machinery.

2) Local currency generated by the Title III food imports will be used to cover the counterpart costs of ongoing and new development projects that would otherwise suffer delays and setbacks from the austerity budget. Without the Title III development projects, the rural poor would be more adversely affected by the stabilization program.

3) The Title III program will provide the needed incentive for a number of GOH policy reforms in the agricultural, health and transport sectors. These reforms will help increase the productivity and earnings of the poor, especially those working in agriculture, and improve the efficiency of development programs and governmental services.

B. AGRICULTURAL SITUATION

The agricultural sector in Haiti has been unable to keep pace with increased domestic demand and the country is losing world market shares in the commodities it exports. This situation, the result of a series of physical, technical, institutional and policy constraints combined with rapidly increasing population working a steadily declining base of arable land, has increased poverty among rural people and widened the nutritional gap in the country. The intent of the Title III program for the rural sector is to reverse this agricultural stagnation, thereby increasing rural incomes and improving food availability throughout the country.

This section provides a detailed summary of the agricultural situation as reported in a number of studies undertaken in preparation for the Title III Project Paper. Studies were conducted on specific commodities, including coffee, cocoa, rice, edible oils, essential oils, sugar and food grains. The policy implications were reviewed in a synthesis study entitled "Haiti: Agricultural Policy Reforms", which also proposed a strategy to increase agricultural production. These studies should be consulted for further detail; they are available in LAC/DR as part of an unattached annex of this paper.

Agricultural Production

Despite differences in the estimates of staple food crops produced in Haiti, the data in Table II.5 indicate that cereals production has stagnated for the past seven years. The export figures tell a similar story. In volume terms, coffee exports have declined . The other main export commodities have either stagnated (cocoa, essential oils) or vanished from the export list (sugar). Table II.6 shows the evolution of exports by value since the mid-70's. It also shows the decline of agriculture's share in total exports.

Constraints to Increased Production

The poor performance of the agricultural sector has its origin in physical constraints which serve as structural barriers to agricultural improvement, and

Table II.5
ESTIMATES OF AGRICULTURAL PRODUCTION 1977-1983

	DARNDR 1/	USDA 2/	FAO 3/
CORN -000 MT-			
1976-77	168.3	180.0	168.0
1977-78	161.4	302.0	161.0
1978-79	183.3	260.0	183.5
1979-80	186.2	225.0	175.0
1980-81	179.2	295.0	180.0
1981-82	175.7	185.0	190.0
1982-83	170.9	170.0	N/A
SORGHUM -000MT-			
1976-77	110.8	100.0	111.0
1977-78	99.5	185.0	100.0
1978-79	123.3	190.0	123.6
1979-80	125.2	150.0	110.0
1980-81	120.2	180.0	110.0
1981-82	117.8	112.0	N/A
1982-83	106.6	110.0	N/A
RICE -000 MT-			
1976-77	90.5	56.0	100.0
1977-78	113.6	105.0	114.0
1978-79	122.1	95.0	122.0
1979-80	124.1	85.0	91.0
1980-81	119.7	90.0	90.0
1981-82	115.8	71.0	N/A
1982-83	113.4	65.0	N/A

1/ DARNDR

2/ USDA, Agricultural Attaché, Annual Grain and Feed Report, 1981, and memo for 1982 and 1983.

3/ FAO Production Yearbooks.

Table II.6: EXPORTS BY MAJOR COMMODITY GROUPS, 1965-83
(US$ million)

	1965	1970	1975	1976	1977	1978	1979	1980	1981	1982	Est. 1983
Agricultural Exports	26.5	25.4	48.2	66.3	88.3	94.6	69.1	129.6	62.0	75.8	95.4
Cocoa	--	1.1	1.4	2.1	4.1	5.5	6.8	4.5	3.4	2.2	4.3
Coffee	19.4	15.2	18.4	44.0	63.6	62.3	39.3	90.9	33.1	35.9	56.3
Essential Oils	1.2	2.7	4.9	8.2	6.5	9.7	6.7	5.4	4.9	5.6	6.0
Meat	1.0	0.5	0.5	1.0	1.5	1.7	3.1	1.8	4.2	1.7	0.8
Sisal	2.5	1.8	2.8	1.5	1.0	1.5	2.7	9.5	7.3	9.7	10.0
Sugar	2.4	2.8	8.3	1.8	-	2.3	-	6.5	-	-	1.5
Other	-	1.3	11.9	7.7	11.5	11.5	9.7	11.1	9.1	20.0 a/	16.5 a/
Minerals	6.3	6.9	10.5	18.2	17.3	17.2	18.7	20.3	16.6	21.4	-
Bauxite	3.9	5.6	10.5	18.2	17.3	17.2	18.0	19.6	16.6	21.4	-
Copper	2.4	1.2	-	-	-	-	-	-	-	-	-
Cement	-	-	-	-	-	-	0.7	0.7	-	-	-
Industry	5.0	11.0	21.5	27.4	31.9	42.9	56.1	68.0	77.6	84.8	94.0
Assembly Industry (net)	-	2.8	9.0	12.2	14.7	21.1	30.6	36.8	43.0	46.5	50.5
From domestic materials	5.0	8.2	12.5	15.2	17.2	21.7	25.5	31.2	34.6	38.3	43.5
Total	37.8	43.3	80.2	111.9	137.6	154.7	143.9	217.9	156.2	182.0	189.4
(In percent of total exports)											
Agricultural products	70.1	58.7	60.1	59.2	64.2	61.2	48.0	59.5	39.7	41.6	48.7
Light manufactures	13.2	25.4	26.8	24.5	23.2	27.7	38.9	31.2	49.7	46.6	51.3
Minerals	16.7	15.9	13.1	16.3	12.6	11.1	13.1	9.3	10.6	11.8	8.6
(Annual percentage changes)											
Agricultural products		-1.0	89.8	37.6	33.2	7.1	-27.7	87.5	-52.1	22.2	21.9
Light manufactures		120.0	95.5	27.4	16.4	35.5	20.3	21.2	14.1	9.3	14.3
Minerals		9.5	5.2	73.3	4.9	-.5	-7.4	8.5	-18.2	28.9	-100.0

Sources: Banque de la République d'Haiti, Administration des Douanes, and IMF.
a/ Includes exports by SODEXOL

in technical, institutional and policy constraints which limit growth in the short and medium term.

Physical Constraints - Much of the Haitian terrain is not favorable to sustained agricultural activity. Table II.7 shows that 68.6% of the land is steep, mountainous terrain suited only for forest. While only 28.6 of the land is classified as suitable for crops, 42.9% of it is actually cropped, causing considerable environmental damage. As trees are cut down to make room for food crops, valuable top soil is washed away, silting up irrigation works downstream. Irregular, and in some areas scarce, rainfall patterns further limit productivity of the land. Floods from torrential rains, devastating hurricanes and droughts have caused major developmental setbacks.

High population densities, particularly per square kilometer of cultivated land, place high demand on available land and limit the expansion of agriculture (See Table II.8). The small size and fragmentation of land holdings are also problems. According to the figures shown in Table II.9, there are some 617,000 farm units in Haiti on about 864,000 hectares of land. The average size for over 90% of these farms is .96 of a hectare. Each unit, however, consists of more than one plot, and plots used by a single farmer are often widely dispersed. The average plot size for 90% of the farms is 0.57 hectares and the average number of plots held by each farmer is 1.68.

The lack of a better transport infrastructure is another constraint to increased production. The secondary road network is poorly developed, with more than one-third of the towns and villages in which there are public markets lacking roads which permit vehicle access. An additional two-fifths of the existing market roads are in poor condition and may be traversed only by four-wheel drive vehicles; many are accessible by truck only in the dry seasons. The consequent high transport costs discourage many farmers from producing for either domestic or export markets.

Technical Constraints - The most important constraint here is the sparsity of new technology presently available to Haitian peasants. A number of major areas of technical problems can be pinpointed. First, low yielding varieties

Table II.7
HAITI: LAND SUITABILITY

Soil Class	Potential	% of Total Area	
I	Suitable for irrigation; plain topography without any limiting factors		
II	Suitable for rainfed and irrigated agriculture; few limitations	8.4	
III	Suitable for rainfed agriculture and for irrigation of high value crops; more limitations; requires soil conservation measures	11.0	Cropland 28.6%
IV	Limited possibilities for field crops; suitable for permanent crops (pastures, trees)	9.2	
V	Severe limiting factors (salinity, drainage, fertility); requires substantial investments for field crops such as rice	2.8	
VI	Suitable for trees and pastures, requires terracing for field crops	13.8	Forest Potential 68.6%
VII	Suitable for tree crops, forestry, and pastures	51.0	
VIII	Mountain areas and coastal marshes, best suited as forest or game reserves	3.8	
Total		100.0	
Total in 1,000 km^2		27,700	

LAND USE

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

* negligible
Source: IICA

Table II.8

HAITI: TOTAL AREA, CULTIVATED AREA AND POPULATION DENSITY, 1982

Region	Surface Area		Total Population	Population Density	
	Total	Cultivated		Total	Cultivated
	(1000 Km squared)		(1000's)	(Persons/km squared	
L'Ouest	4.649	1.546	1551.792	334	1004
Sud-Est	2.215	0.601	367.911	166	612
Nord	2.045	0.873	564.002	276	646
Nord-Est	1.752	0.420	189.573	108	451
Artibonite	4.532	1.214	732.932	162	604
Centre	3.700	0.820	361.470	98	441
Sud	2.894	1.158	502.624	174	434
Grande Anse	3.284	0.848	489.957	149	578
Nord-Ouest	2.330	0.711	293.530	126	413
Unknown*	0.299				
TOTAL	27.700	8.191	5053.791	182	617

Note: One square kilometer equals 10 hectares.
Note: The population is quoted between 5 and 6 million.
* To balance Haiti total surface area.

Source: Institut Haitien de Statistique et d'Informatique, Analyse de quelques indicateurs demographiques tiré des Recensements de 1950, 1971, et 1982; April, 1982, Port-au-Prince, Haiti.

Table II.9
NUMBER OF HOLDINGS AND PARCELS AND TOTAL SURFACE AREA
OF AGRICULTURAL LANDS IN HAITI
(grouped by size of holding, 1971)

Size of Holding	Holdings No.	Holdings %	Parcels No.	Parcels %	Total Area Hectares	Total Area %	Rural Population No.	Rural Population %
0 to 1 ha.	361,985	59.0	530,480	47.4	184,843	21.4	1,498,020	54.0
1 to 2 ha.	141,930	23.0	275,510	24.6	211,940	24.5	666,180	24,0
2 to 3 ha.	53,600	8.7	130,400	11.7	137,359	16.0	279,990	10.0
Subtotal:	557,515	90.7	936,390	83.7	534,142	62.0	2,444,190	88.0
			1.68 parcels per holding		0.96 hectares per holding			
3 to 4 ha.	27,370	4.3	74,390	6.7	96,762	11.2	143,800	5.2
4 to 5 ha.	8,440	1.2	29,340	2.6	38,790	4.4	48,000	1.7
5 + ha.	23,385	3.8	78,110	7.0	193,822	22.4	143,030	5.1
Subtotal:	59,195	9.3	181,840	16.3	329,374	38.0	334,830	12.0
			3.07 parcels per holding		5.56 hectares per holding			
Total	616,710	100	1,118,230	100	863,516	100	2,779,020	100
			1.81 parcels per holding		1.4 hectares per holding			

Source: Institut Haitien de Statistiques and the 1971 Census.

persist throughout the country. Haitian crop varieties planted today were introduced in colonial times. Over the past two decades, improved varieties of sugarcane, cotton, rice and corn have been introduced with only limited impact. Yet, recent work has demonstrated that yields could be considerably increased if higher yielding varieties and improved crop and soil management practices were employed.

Second, crop management is poor. There is inadequate weed control, very limited use of off-farm inputs, poor land preparation and uneven quality control. Crop protection is often lacking, and estimates show that yields could be increased by 20-50 percent by protecting crops from rats, birds, diseases, weeds, insects and root nematodes.

Third, water use and irrigation practices are deficient. Irrigation has great potential, as approximately 180,000 hectares are suitable for irrigation nationwide. Yet only 75,000 hectares are now under any kind of water control. The irrigation network is old. Much of it is in disrepair, especially since the hurricanes of the 1960's. Water intakes and canals are silted up because of erosion. The absence of parallel drainage systems often lead to salinity problems, waterlogging and, at times, over-irrigation. Poor leveling of land and scattered trees in fields contribute to the uneven application of water.

Problems of organizing and financing irrigation system maintenance are serious deterrents to more effectively achieving the country's irrigation potential. Local organizations for water distribution are either non-existent or lacking resources and authority to maintain the system. Current legislation provides for the collection of 2-10 dollars per hectare per year, which is well below the levels needed to finance operation and maintenance costs. Moreover, as these fees are paid to a central government account, they are not retained by the area to cover the recurrent cost of the system. Thus the rate of delinquency in payment of water charges is high, partially because farmers see no immediate results from their payments and collection agents have limited incentive to agressively collect the fees.

Fourth, the livestock and small animal subsector is plagued by poor animal nutrition, as well as problems of animal disease and parasitic infestations. Better animal husbandry practices are needed, particularly to improve the nutritional status of animals. A recent subsector assessment notes that four methods are available to improve the quality of feed available to animals: 1) improvement of existing pasturelands; 2) increase in direct production of forage and other crops for animals; 3) intensification in the use of on-farm crop by-products; and 4) greater use of agro-industrial by-products in the form of processed feed. While none of these methods are without problems, efforts must be made to increase the amount of food available to animals if productivity in the sub-sector is to improve. Furthermore, with the elimination of the national stock of pigs and the introduction of new species to the country, the Veterinary Service will have to improve surveillance and control of disease. Better surveillance and immunization services are therefore needed.

Institutional Constraints - The public sector institutions which provide agricultural support services have generally not been able to deliver resources in a coordinated, continuing and timely manner. There are many reasons for this. The persistent lack of budgetary resources for non-salary recurrent costs such as vehicle spare parts, repairs and gasoline has often slowed the delivery of services to rural areas. Cuts in development budgets have also affected the ability of the Ministry of Agriculture to carry out needed investment. In the 1984-1985 Development Budget, investment in agriculture represents only 18% of a much reduced development budget compared to 23% in 1980-1981 (prior to the IMF program).

Other organizational difficulties have prevented the optimal use of the funds that have been allocated to the sector. Too few extension workers have been stationed outside of Port-au-Prince. District offices lack resources and the flexibility to effectively respond to local problems. Field projects have too little operational autonomy, with too many of the decisions made by managers working primarily in Port-au-Prince. Lines of authority between the Ministry of Agriculture and the various regional development agencies are unclear and communication between them inadequate. The passage of the regionalization law of November 8, 1982, provides the framework for increased decentralization of government services. The new Minister of Agriculture has begun a major effort to decentralize authority and budgetary controls to regional and district offices of MARNDR. Aware of how thinly its staff is already spread and recognizing the advantage of increased public/private sector cooperation and assistance, the Ministry plans to work more closely with Non-Governmental Organizations (NGOs). Agricultural projects under Title III have been designed to assist the Ministry in its efforts to decentralize and to increase agricultural support services at the local level.

Policy Constraints

The policy environment in which production decisions take place has also contributed to the problems faced by the agricultural sector. Despite the relative lack of policies that distort prices in many developing countries (such as over-valued national currency), certain policy deficiencies in Haiti are significant in explaining past poor performance, and -- more critical -- in constraining future development. Two sets of agriculture-related policy problems stand out. First, there is the problem of relative prices distorting the country's production mix. The second area concerns the role of the GOH in agricultural processing enterprises and the marketing of coffee.

The Relative Price Problem

Coffee is the principal export crop for Haitian farmers. Some 25% of all farm households grow coffee -- perhaps a million people -- and it is the major source of income for many of these households. In many parts of the country, coffee and food crop production are major elements of the farming system, competing for the use of household labor and other inputs. For some years coffee prices have been losing economic attraction compared to food prices. Available data suggest that coffee production for export has been relatively less rewarding for farmers in most years than production and sale of corn and other staples. Table II.10 shows comparative price movements during 1970-1983 for corn, sorghum, rice, flour and coffee. Prices of the locally produced staples have risen considerably more rapidly than the price of coffee or the government-controlled price of flour made from imported wheat. A number of factors have influenced this pattern of relative prices.

Domestic demand fueled by rapid population growth, estimated at 1.7% per annum, has continued to grow more quickly than the ability to increase production. Despite increased returns to food crop production, which in a more price responsive rural economy would induce greater production, the agricultural sector has not been able to sufficiently overcome the types of physical, technical and institutional constraints mentioned above.

Several GOH policies have accentuated the decline of coffee returns relative to those of food staples: Taxing policy and restrictions on the issuance of import licenses are among the most significant. Export taxes on coffee have taken a significant share of potential producer incomes for many decades. Table II.11 shows the allocation of total proceeds from coffee exports over the past twenty years. In the early 1950's, the effective tax rate (1) on coffee growers averaged 20%. During the 1960's, the rate rose to an average 47.2%. Because of changes in the nature and structure of the coffee export tax, the effective tax rate has fallen since the 1960's. The rate was still over one third of potential producer income in the period from 1980-1983.

Prices of food grains have been supported at levels well above import parities, mainly by a restrictive policy on imports. Table II.12 shows cereals availability for a typical recent year (1980). It shows that very little corn, sorghum or rice is imported; wheat is essentially the only imported cereal. The limitations placed on the import of grains has helped to create a wide differential between domestic and world grain prices.

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(1) Capital Consult, S.A., An Analysis of the Haitian Coffee Sector: Toward New Policy Directions, July, 1983. pp. 20-28. The effective rate of taxation is defined as tax divided by potential producer income. The estimate is from JWK International, Agricultural Policy Studies in Haiti: Coffee, (mimeo, 1976), Table V.7.

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Table II.10
INDEX OF CONSUMER PRICES FOR MAJOR STAPLES

	Corn	Sorghum	Rice	Flour	Coffee
1970	100	100	100	100	100
1971	103	111	126	100	94
1972	126	111	119	100	89
1973	246	211	185	100	113
1974	231	187	175	130	136
1975	351	264	224	150	111
1976	243	213	221	150	174
1977	392	304	232	150	431
1978	282	240	217	150	346
1979	369	349	274	150	309
1980	487	422	317	150	386
1981	541	493	394	188	257
1982	470	493	321	188	248
1983	511	501	336	188	234

Source: Unpublished data IHSI: Corn is "ground corn" - Rice is the "superior grade" - data for corn, millet and rice are for Port-au-Prince area. Data for flour are from Minoterie d'Haiti and include taxes. Coffee data are from Capital Consult, S.A. An Analysis of the Haitian Coffee Sector, Toward New Policy Directions, July 1983, and OPRODEX.

Table II.11

EVOLUTION OF COFFEE PRODUCTION, EXPORTS, TAXES, MARKETING COSTS, AND PRODUCER'S SHARE

	1950-54	55-59	60-64	65-69	70-74	75-79	80-83
Production (000 Tons)	36.5	33.8	35.6	32.9	32.9	30.1	35.4
Exports (000 Tons)	27.6	23.9	25.3	20.4	18.9	18.6	19.3
Exports as % of Production	75.2	69.4	70.6	61.9	57.5	61.5	54.0
Taxes (nominal)	17.0%	26.6%	38.5%	34.2%	28.6%	24.2%	26.0%
Marketing Costs	15.4	16.4	21.0	25.2	25.2	24.8	24.3
Producer's share	67.6	57.0	40.5	40.6	46.2	51.0	49.6
Effective tax rate on Producer	20.0	31.8	48.7	45.7	38.2	32.1	34.4

Source: Capital Consult, Op. Cit., p. 15, and USAID.

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The percentage difference between Haitian grain prices and the price of U.S. grain imports into Haiti are shown in Table II.13. The comparisons are clouded by, among other things, the absence of adequate bulk handling facilities in Haiti and the substantially higher cost of sacked grain. Assuming that imports arrive in sacks, domestic retail prices have averaged some 75% higher than border prices in recent years, except for corn which has more or less been at border parity. Assuming bulk prices for imports, domestic prices have averaged some 120% higher than border prices, including corn.

This gap between import parities and domestic prices imposes some heavy costs on the Haitian economy.

Higher prices for cereals restricts the consumption of food for the poor and exacerbates the problem of nutritional deficiencies. While imports fill some of the growing gap between consumption and domestic production, much of the gap remains unfilled and persists in the form of malnutrition. When estimates of actual consumption are compared to minimum requirements, it is clear that the average Haitian is eating neither sufficient calories nor sufficient protein (See Table II.14).

Both acute and chronic undernutrition are widely prevalent. A 1978 national nutrition survey found some 27% of the children five years of age were suffering chronic undernutrition. Some six percent were suffering from acute undernutrition (See Table II.15). Two more recent nutrition surveys suggest that malnutrition in both rural areas and Port-au-Prince may be increasing. A 1981 reassessment of the nutritional status of children in the Southwest (using the same sample as the 1978 survey) indicates a significant increase in acute undernutrition together with sustained levels of chronic undernutrition. A 1980 survey of one of the poorest areas of Port-au-Prince, Cité Simone, showed both acute and chronic malnutrition at levels significantly higher than the survey of 1978.

All available surveys suggest also that the composition of diets leaves much to be desired. Root crops, tubers, plantain, bananas and sugar make up much of the calorie intake, while foods of better nutritional value are

Table II.12
SUPPLIES AND CONSUMPTION OF RICE, CORN, SORGHUM AND WHEAT - 1980

Item	Units	Rice	Corn	Sorghum	Wheat	Total
Area Harvested	hect.	50,000	245,000	160,000		455,000
yield	kg/hect	2,480	714	688		899
Production	m. ton	124,000	174,930	110,080		409,010
(loss*)	m. ton	(24,800)	(52,472)	(33,024)		(110,303)
Available	m. ton	99,200	122,451	77,056		298,707
Import	m. ton	160	1,191	0	138,000	139,351
Supply	m. ton	99,360	123,642	77,056	138,000	438,058
Per capita	kg	19.8	24.7	15.4	27.5	87.4

* Loss assumed = rice 20%; corn 30%; sorghum 30%.

Population in millions = 5.009 is consistent with data for 1980 in Table 9 and Annex 2.

Source: Rod Kite and Shirley Pryor, "Haiti: Food Policy Options", 1984, Table 12

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Table II.13
PERCENT DIFFERENCE BETWEEN GRAIN PRICES IN HAITI AND PRICE OF U.S. GRAIN IMPORTS INTO HAITI

Commodity	1981	Average
Corn		(1973-82)
Sack	26%	0
Bulk	104%	67%
Flour	99%	(1979-83) 60%
Rice		(1973-82)
Sack	140%	72%
Bulk	155%	80%
Sorghum		(1977-82)
Sack	135%	77%
Bulk	293%	212%

Source: Rod Kite and Shirley Pryor, "Haiti: Food Policy Options", 1984.

Table II.14
NUTRITIONAL LEVEL IN HAITI

	Per Capita Food Supply			Recommended Per Capita Consumption	Deficit
	Domestic Supply	Imports	Total		
Food (kg/year)	371.2	38.8	410	503.5	93.5 (18.6%)
Energy (calories/day)	1605.0	296.10	1901.0	2375.0	474.0 (20.0%)
Total Protein (gr/day)	37.9	3.2	41.1	60.0	19.9 (31.5%)
Animal Protein (gr/day)	6.9	0.2	7.1	10.5	3.4 (32.4%)

Source: DIFPAN, 1978.

under-utilized. Thus, consumption of roots, tubers and plantains is three times greater than the prevailing dietary recommendations, while nutritionally high-valued foods (cereals, beans, seeds, and vegetables) contribute a disproportionally low share of caloric intake. According to the Ministry of Plan in Diagnostic de la Situation Alimentaire et Nutritionnelle de la Population Haitienne (1980), cereals constituted some 22% of the total Haitian diet, of which imported wheat was some 32% (see Table II.12) or about 6.7% of the total diet.

The relatively high prices for cereals induced by import controls certainly impede nutritional improvement in the country. Haiti's people are already far behind their neighbors in terms of general health status, and nutrition is one of the important determinants of overall health status. Reduced access to foodgrains must be counted as a significant cause of both malnourishment and poor health status.

The second negative consequence of the price differentials between export crops and cereals is that Haitian incomes are lower and economic growth slower than they would otherwise be. This follows from the fact that while Haiti has a long-run comparative advantage in coffee on some of its mountainous slopes, corn and sorghum are now inefficiently produced there. Coffee exports are also advantageous in terms of contribution to balance of payments equilibrium; Haiti earns foreign exchange more economically by exporting coffee than by import-substituting for corn and sorghum.

The third negative effect is longer-term, but nonetheless of critical importance: encouragement of erosion-accelerating cereals production on hilly land. Erosion on the hills, in addition to reducing fertile topsoil, creates severe problems for irrigation systems due to siltation at major water control points. According to some observers, fifty percent of the better land was lost by erosion between the late 1930's and the late 1960's (See Mats Lundahl, Peasants and Poverty: A Study of Haiti, New York, 1979).

There is, finally, the question of equity. The present pattern of incentives hurts producers of coffee, urban consumers of cereals, and that segment of the rural population which is a net buyer of cereals. The effect

Table II.15
PERCENTAGE DISTRIBUTION OF PRESCHOOL CHILDREN BY
VARIOUS ANTHROPOMETRIC INDICES
(percent of population under 5 years of age)

Region	Wasted (a)	Stunted (b)	Protein-Calorie (c) Malnutrition
Northwest	5.3	26.6	25.8
North	6.8	33.4	34.2
Artibonite	6.9	29.2	30.8
West*	5.1	27.1	26.1
South**	7.3	26.9	29.5
Port-au-Prince	3.8	25.8	14.6
National	6.0	26.6	27.3

a) Wasted = Acute undernutrition = a weight for height value less than 80% of the reference population.

b) Stunted = Chronic undernutrition = a height for age value less than 90% of the reference population.

c) Protein calorie malnutrition = 2nd and 3rd degree Gomez. Classification: less than 75% weight for age of reference population. This is a summary measure of acute and chronic undernutrition.

* West Region = Cul de Sac Plain exclusing Port-au-Prince, Districts of Jacmel and Petit Goave.

** South Region = Southwest, Districts of Les Cayes, Jérémie.

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Table II.16
CEREAL AND NUTRITION GAP PROJECTIONS

	Actual 1980-83	1985	1986	1987	1988	1989
	(000 MT)	Projected				
Local Cereals Production (1)	409	411	413	415	417	419
26% Losses	105	106	107	108	109	110
Available Local Cereals	304	305	306	307	308	309
Consumption (2)	449	457	464	472	480	488
Cereals Gap	145	152	158	165	172	179
Total Cereal Needs (3)	725	737	750	763	775	789
Available Local Cereals	304	305	306	307	308	309
Projected Wheat Imports (4)	145	187	201	230	260	299
Cereals Needed to Fill Nutrition Gap	276	245	243	226	207	181

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(1) Average total of corn, sorghum and rice. For projections, a growth rate of 0.5% was assumed, which is seven year trend corrected downward for continued declining yields.

(2) Available local cereals (plus) wheat imports (average 1980-83, 145,000 MT/year), projected forward at the population growth rate of 1.7% per annum to keep projected per capita consumption at the same level.

(3) Projections based on 1.7%/year growth rate. Base level (1980-83) assumes food gap (caloric) of 20%. If cereals were to fill this 474 calorie/day gap (see table II.14) consumption of wheat would go up .31 lb/person/day, based on 1510 calories/lb. of flour as shown in the USDA's "Composition of Foods" tables, or in total, some 176,000 metric tons/year.

(4) Based on Table II.26, total wheat consumption projections.

on urban people is clearly negative; on rural people it is mixed. To the extent that a rural inhabitant is a net buyer rather a net seller of grain, high grain prices are detrimental. This would include many small farmers who produce export crops (coffee, cocoa, vetiver, etc.) and the large number of cash laborers and non-farm workers. Net sellers of grain (usually the larger better-off farmers) benefit from the high grain prices. While the high prices of foodgrains benefit a minority of farmers, the cost is borne by the other members of society, most of whom are poor. The pattern of price distortions thus contributes to Haiti's sharply unequal distribution of income.

Future Grain Supply and Demand

Future cereals supply is dependent on a series of factors including relative prices, availability and quality of land, availability and cost of labor and capital, changes in technology and weather. Over the next several years, we would expect the availability of local cereals to grow very slowly, as shown in Table II.16. This estimate is based on the aggregate trend in the production of corn, sorghum and rice over the past seven years. We expect the production of corn and sorghum to stagnate or decline due to continued problems with erosion and limited application of improved varieties or other yield-increasing technologies.

Rice production and low land cereal production, on the other hand, should improve with continued efforts at increasing irrigation and available credit. Losses, both before and after harvest, will continue to reduce the amount of available cereals by an estimated 26%, if the present trends continue.

Future demand for cereals depends on relative prices, population growth, increases in income levels, and changes in taste and consumption patterns due to factors such as urbanization. The demand for wheat has grown quickly over the past decade (see Table II.25) due to rising prices of local grain, a growing population and increased urbanization. Average annual consumption during the period 1980-1983 (smoothed for the unusually high imports of wheat in 1981 due to hurricane-caused crop failures) was some 145,000 metric tons, or some 32% of cereals consumption. Assuming a 1.7% population growth rate and the projected availability of local cereals, wheat imports would have to grow by some 7,000 mt/year (about 5%) just to keep per capita cereals consumption at the same level (see Table II.16). But this does not indicate the magnitude of the need for increased grains to help fill the estimated nutritional gap.

The bottom four rows of Table II.16 attempt to put the food gap problem into perspective. If 50% of the gap were to be filled by grains, the need for cereals would be considerably higher. Even if enough wheat were imported to meet the projected rapid growth in the demand for wheat (1), there would still be a substantial food gap in the country. Increased wheat imports are clearly needed, even if they only fill a part of the country's nutritional gap. There remains much room and a great need for increases in the local food supply.

GOH Participation in Agricultural Processing Entreprises

A second policy problem concerns the role of parastatals and their impact on the agricultural sector's ability to provide the country with goods such as sugar, edible oils and cotton. Until recently, the GOH's role in agricultural processing was primarily limited to flour milling. Over the past five years, however, the GOH has become an active partner in sugar mills and a vegetable oil processing plant.

-- Sugar

Within the last several years, the government has become one of the main producers of refined sugar in Haiti by becoming the sole owner of the Darbone mill at Leogane and a much smaller mill on the northern plain. A major concern relates to the Darbone mill, and arises mainly from the inadequacy of cane supply. The mill will require 288,000 tons of cane a year to run at 80% capacity, implying land requirements of 6,000 hectares in cane (at an assumed productivity of 50 tons/ha.). But the total area

(1) A 10.9% increase is projected. See "Demand for Wheat" section of the Commodity Mix.

of the Leogane plain is only about 8,000 ha. (including towns, roads, etc.), with 4,000 hectares in the production of cane, some of which supplies the numerous distillers in the region. Most of the rest of the available land area (3,500 ha.) is devoted to vegetable truck farming. Recognizing the critical importance of increased sugar production for the mill, the GOH has embarked on an ambitious program to increase agricultural productivity in the Leogane Plain. Focusing on irrigation systems rehabilitation, improved drainage, construction of access roads and agricultural research and extension, the GOH hopes to significantly increase yields. Even with these efforts, it may prove difficult to increase production enough to adequately supply the Darbone mill, and the capital costs of that mill, estimated at some $42 million, have created a strain on the development budget of the GOH.

There are other problems related to sugar marketing and pricing. First, the domestic retail price ($0.34/lb) for refined sugar is much higher than the international price. Secondly, the officially fixed producer price for cane (now $13 a ton) may not be attractive enough for growers in most of the country to expand sales to refineries. Thirdly, the gap between domestic and border prices is stimulating a growing volume of contraband sugar into Haiti.

It is no longer clear that anyone is benefiting from the present mix of policies. Existing private sector mills are operating well below capacity. Exports have shrunk to nothing in most years. Consumers are denied the benefits of low world prices for refined sugar. And now the coming on stream of the Darbone mill injects the possibility of a large stream of future subsidies to the government sugar sector.

The issue requires a full review to determine the range of options open to the government. An in-depth analysis of the costs and benefits of various policy and management options for the sugar production, processing and marketing sectors is essential.

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-- Edible Oils

Until 1981 Haiti's needs in edible oils were met by seven private refiners, who imported once-refined oils for further processing and sale. Vegatable oil imports in the period 1976-1981 averaged about 20,000 tons a year.

In 1979 the Société d'Exploitation d'Oléagineux (SODEXOL) was formed to produce once-refined oil from oil seeds. The original plan was for ownership to be shared between the Haitian Government (34%), a private Haitian group, LINSA (33%) and a foreign investor, the Universal Seeds and Oil Products, Inc., USOP (33%). Total capital costs were approximately $13 million. It is probable, however, that the GOH will obtain a majority share in the near future.

The operation thus substitutes imports of oil seeds for imports of once-refined oil. SODEXOL's financial viability is assisted by its monopoly control of the market; the refiners, who process once-refined into refined oil, are legally prohibited from directly importing once-refined products. (1)

There are two interpretations of the economic impact of SODEXOL, neither of them positive. The first is that it represents simply a transfer of "rents" (unearned income due to monopoly privileges) from the refiners of once-refined oils to SODEXOL. Table II.17 reflects this view, based on 1980 data.

A more recent analysis suggests that the entry of SODEXOL entails more than a simple transfer of "rents", with consumers being little worse off than before. Recent data indicate rather that the previously existing

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(1) Only SODEXOL has the right to import oil seeds, refined edible oils, crude edible oils and by-products. But despite these restrictions, import licenses have been granted to other firms for import of soybean oil. These were not significant in 1981 (200MT), but were considerable in 1983 (5000MT). (Food and Feed Grain Institute, Kansas State University, The Edible Oil and Fat Sector In Haiti. A report for USAID/Haiti, December, 1983, p.14).

Table II.17
TRANSFERS IN THE MARKET FOR EDIBLE OILS
($/MT)

	World Price	Pre-SODEXOL Situation	With SODEXOL
Price refined oil	753	1,223	1,223
Tax	0	0	50
Cost of Refining	35	35	35
Price of once-refined oil	718	718	1,067
Transfers:			
Consumer to refiner	0	420	71
Consumer to Government (a) (b)	0	50	50
Refiners to SODEXOL	0	0	349
Consumer loss	0	470	470

(a) Excludes Government's share of SODEXOL
(b) Excludes import duties of 2% on once-refined oil.

Source: World Bank, Haiti: Economic Memorandum: Recent Economic Industrial and Sector Developments, Feb. 17, 1981, P. 61.

link between world crude oil price changes and domestic retail prices of refined oil has been severed, at great cost to Haitian consumers. While world prices have fallen substantially since 1980, SODEXOL's prices and retail prices in local markets have not fallen in parallel fashion. In 1983, in fact, SODEXOL raised its ex-refinery prices despite falling world prices.

Several problems, therefore, call for policy attention. First is the overall role of SODEXOL and its relationship to the private refiners. By inappropriate actions, direct and indirect, the GOH could permanently damage the private refining and marketing structure that has served Haitian consumers in the past. Second is the issue of setting ceiling prices at which the refiner can sell liquid vegetable oil. By itself, this price-setting probably has little effect on actual prices paid by consumers; it rather affects the allocation of unearned incomes or "rents", since it is the quantity of oils and fats available that determines market price, given the demand. So it is really a third aspect of policy that is critical: the grant to SODEXOL of monopoly right on import of oilseeds and crude or once-refined edible oils.(1) A final issue concerns SODEXOL's present management. There are reasons to question the appropriateness of the management system that is part of the existing contract. For example, there may be a conflict of interest in the way in which the contract structures the incentive to import soy beans for crushing.

No easy policy options are at hand to deal with these issues. One option for addressing the overall problem is to privatize SODEXOL - sell it to a private buyer. A second option would be to remove SODEXOL's import monopoly. With respect to the management contract, a renegotiation of its terms may be in order. Again, a full analysis of all the options available to the government should be undertaken under the Title III program, and actions taken to correct the present situation.

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(1) The Kansas State study estimates that Haitian consumers paid at least $4.4 million more for edible oils from 1981 to 1983 than they would have paid under the past system of private refiner imports of once-refined oil. (KSU, The Edible Oil and Fat Sector in Haiti, P. 54).

-- Coffee Marketing

OPRODEX (Office pour la Promotion des Exportations) is responsible for general export promotion. In practice it appears to have few functions other than the allocation of export rights to coffee producers. It is thus the agency that implements the quota arrangements of the International Coffee Agreement (ICA).

When the volume of coffee exports is below the quota allotted to Haiti, the "licensing" authority of OPRODEX is simply theoretical; all exporters can obtain the required export stamps. Since there is a sizeable price differential between ICA-quota coffee and non-quota coffee, the stamps are marketable.

A special problem has arisen in the 1983-1984 crop year with a shortage of stamps for existing coffee exporters. Complaints have been voiced and OPRODEX has been charged with misallocating available stamps. Some traditional exporters say they are being squeezed out. The number of active coffee exporters does appear to have diminished, though it is not clear for how long. There is considerable disarray among coffee exporters as a result of 1983-4 export stamps allocations.

The interests of the GOH and the coffee industry would be better served if the operations of OPRODEX in the area of export stamp allocations were more open to public view. One possible organizational change is the participation of private exporters in the deliberations of OPRODEX; they might be part of a policy advisory board, for example. But other approaches may also be available to increase the transparency of OPRODEX activities and otherwise augment its utility to the industry.

C. RATIONALE FOR A TITLE III PROGRAM

1. Advantages offered by a Title III Program

The challenge presented in policy guidance from AID/W to use food aid more effectively to meet development objectives is one that the USAID Program in Haiti has been attempting to meet in recent years under its Title I program. The Mission's PL 480 programs are fully integrated into our overall development strategy, and Title I counterpart fund generations have played an increasingly important role in supporting USAID efforts in furthering Haiti's economic development and growth. In the absence of Title I resources which enable the GOH to meet project counterpart requirements, the fiscal austerity program would have severely compromised the GOH's development investments and further reduced the government's ability to provide basic services to the poor majority of the population.

However, the Title I program currently being implemented suffers from two clear constraints. First, funding levels are determined on a year by year basis, which results in less efficient project planning for both USAID and the GOH and does not permit the elaboration of self help-measures requiring more than one year for achievement. The ability to commit funds on a multi-year basis would greatly aid in the process of clarifying long-term development objectives with the GOH.

Second, Title I, still a loan even if on concessional terms, does not provide adequate financial incentives to support the structural reforms needed in agricultural, health and public works. Despite increased GOH interest in initiating specific policy reforms, the financial recovery program initi in 1982 to permit conformity with the IMF program includes drastic expe cuts to reduce the public deficit. The Government's willingness to austerity conditions (including some resulting political problems) in of economic stabilization and growth and embark on a serious dev effort merits USG support.

The advantages and incentives offered by a Title III program, specifically the multi-year programming of commodities and the debt forgiveness aspect of Title III, are particularly relevant to Haiti's situation. The Government has already initiated economic policies to promote stabilization and adjustment in the economy. Yet budgetary support is required to follow through with these initiatives and implement new policies.

a. Commitment to Policy Reforms

The GOH has demonstrated a willingness to implement critical structural reforms not only through the response to the IMF stabilization program (see Economic Situation section), but also through the reforms initiated in 1982 that were proposed in the aborted Title III proposal and the reforms made in 1984 during this most recent period of preparing a Title III program.

In reviewing the first Title III program, we found that the GOH had implemented many of the policy reforms negotiated, even though the program was never implemented. These include:

-- a fiscal austerity program and reduction of the Government's operating budget.

-- fiscalization of revenues from the operations of "Régie du Tabac et des Allumettes".

-- administrative reform of the public agencies, including financial and administrative decentralization.

-- imposition of a value added tax.

-- increases in salaries for government employees in the Health and Agriculture Ministries.

As a result of the current Title III discussions, the Ministry of Agriculture, in particular, is undergoing a major restructuring to permit a greater allocation of resources to rural areas. The recent tax reforms adopted by the GOH included a reduction of the coffee tax and an increase in the diesel fuel tax and car registration fees, which reflect the dialogue engaged in during the Title III discussions.

The GOH has also devoted much time and effort in the collaborative development of policy issues to be addressed under the new proposed Title III program. During the preparation of the PP, the Ministries of Plan, Finance, Health, Agriculture and Public Works and Transportation established Title III committees in each of their Ministries to map out sectoral strategies, develop projects and identify policy issues to be included in the proposed Title III program.

Policy and technical studies were undertaken in the areas of health, agriculture, regional development and transportation and jointly reviewed by these Title III technical committees and representatives from the Ministries of Plan and Finance. For the Haitian health sector, a policy issues and program options paper was prepared on implementation constraints for a national primary health care program. In agriculture, a series of commodity studies on rice, coffee, edible oils, cotton, essential oils, cocoa and the centrifugal sugar sector was produced as well as a paper synthetizing these studies into recommendations for agricultural policy reforms. In transportation, a joint GOH/USAID comprehensive study on road user charges and maintenance costs was undertaken. Three studies were also completed on regional development and decentralization, including a Social Institutional Profile analysis of the Cayes Plain basin and the Central Plateau, an associated study that examined the status of water user and irrigation laws and a historical study of the "Offices de Développement" established by the GOH throughout the country (a complete listing of Title III PP background documents and studies is contained in annex 1).

On the basis of these studies the technical committees prepared a Title III policy agenda which was reviewed extensively with the Ministers and resulted in the policy reforms included in the Title III program. Though a more detailed description of the policies as they relate to sectoral strategies are provided in the respective sectoral descriptions, the following summarizes the salient points:

AGRICULTURE

-- Promotion of pricing and taxing policies which stimulate an agricultural product mix compatible with Haiti's natural and human constraints.

-- Reassessment of public sector interventions in the production, processing and marketing of agricultural commodities.

-- Decentralization of authority and budgetary control within the Ministry of Agriculture.

-- Establishment and support of local organizations capable of managing and maintaining irrigation and soil conservation works.

TRANSPORTATION

-- Generation of additional revenues to meet the requirements of the transport sector.

-- Improvement in the transport maintenance sector.

HEALTH

-- Reinforcement of management and financial control of operating costs.

-- Completion of decentralization process.

-- Expansion of systems for generation of additional revenues at all public health institutions.

-- Expansion of collaboration with PVO health providers.

PL 480 MANAGEMENT

-- Creation of a Ministerial level executive committee specifically charged with overseeing administration of the program.

-- Establishment of management offices within the Ministries of Plan and Commerce to enable proper administration of the program.

-- Changes in GOH collection, budgeting and disbursement policies to permit more timely receipt and utilization of counterpart generations.

Recognizing that changing existing policies and, more importantly, that their implementation is a slow process demanding careful monitoring, the Title III agreement includes a set of annual benchmarks and a realistic timeframe for achieving the policy reforms. The Title III program, because of the process of negotiation, the establishment of policy targets, and the annual review of progress in achieving these reforms, provides an appropriate administrative mechanism to support these new policy reform initiatives as well as achieve USAID development objectives.

b. Annual Review of Program and Use of Funds

One of the limitations of a Title I program is the absence of a requirement for formal, joint GOH/USAID, annual reviews of program accomplishments. Under a Title III program, since Washington approval of the annual commodity allocation is contingent upon submission of an evaluation report and review, such a review of progress in achieving policy reform benchmarks and program objectives is required. The process of evaluating the program strengthens the integrity of the program. Additionally, institutionalized procedures for an annual financial review of the program will provide both the GOH and USAID with a better accounting of how funds were actually used. The annual review process will also serve as a useful vehicle for modifying the program where necessary, addressing problem areas, and assuring that local currency generated under Title III is allocated on the basis of actual performance as measured against implementation targets for each project.

c. Improved Administrative Procedures

Since 1975, when the PL 480 Title I program began, procedures have been established and continually improved for the administration of the Title I program. Management of the PL 480 counterpart generations on the U.S. side has been traditionally the responsibility of the AID Mission. Tasks related to the importation of PL 480 commodities have been the responsibility of the Ministry of Commerce and the U.S. Embassy.

On the GOH side, there have been four ministries involved in managing the program. The Ministry of Commerce, through the PL 480 Management Office, has responsibility for the importation, storage, and sale of commodities and for collection of counterpart generations. The Ministry of Plan establishes the budget for uses of the counterpart funds and, with USAID's approval, authorizes the transfer of funds to projects and monitors disbursements by these projects. The Ministry of Finance actually releases the funds upon the authorization of Plan. The Ministry of Foreign Affairs formally negotiates the PL 480 Agreement with the Embassy.

In response to guidance received from AID/Washington on increasing AID participation in the programming of local currency generations, we have made the following adjustments in PL 480 Title I administrative procedures in recent years:

-- PL 480 counterpart funds are deposited into a special account in the Central Bank;

-- USAID negotiates the use of funds prior to the signing of the agreement;

-- allocations to projects are monitored to assure that proceeds are used properly;

-- logistic support for the Title II program is funded as well as other PVO activities;

-- private sector activities are funded under Title I;

-- funds are spent soon after PL 480 imports are sold and collections received; disbursement is now almost 100% of availabilities;

-- key policies are discussed during Title I agreement negotiations.

The only recommendation that has not been implemented is the depositing of the funds in an interest bearing account. However, as we are now spending at the rate of almost 100 percent of available funds soon after generation, there would be little interest to be collected. Table II.18 shows the history of the counterpart generations since 1980 and Table II.19 shows the allocation of FY84 and FY85 funds by sector.

These tables do not show, however, the magnitude of the PL 480 contribution to the GOH Development Budget. The FY85 total Development Budget is $249 million, of which $84 million is the GOH contribution and $165 million is anticipated from external sources. Funds generated through PL 480 Title I sales will be approximately 18% of the total GOH contribution to that budget and about 6% of the FY85 Total Development Budget. PL 480 is shown as part of the GOH contribution, which breaks down as follows:

Table II.18
HISTORY OF PL-480 TITLE I
COUNTERPART FUNDS
(millions of dollars)

Agreement Year	Agreement value	GOH Budget Year	Deposit Counterpart	Funds from previous years	Total Funds Available	Total Funds Disbursed	Disb. as % of Funds available
FY80	9.0	FY81	11.3	3.1	14.4	12.9	90%
FY81	9.0	FY82	11.6	1.5	13.1	13.1	100%
FY82	13.0	FY83	19.1*	-	19.1	19.1	100%
FY83	11.0	FY84	15.4*	-	15.4	15.4	100%
FY84	11.0	FY85	15.2*	-	15.2 (est)	15.2 (Budgeted)	100%

* Includes "balances due" from all earlier agreements.

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Table II.19
TITLE I COUNTERPART FUND BUDGET
FY 84 DISBURSED AND FY 85 BUDGETED

Sector	FY 84		FY 85	
	Disbursed Amount (000's)	% Total Disbursements	Budgeted Amount (000's)	% Total Budgeted
Agriculture	$ 3,628	24%	$ 3,650	24%
Transport	5,263	34%	4,442	29%
Education	159	1%	-	-
Health	4,351	28%	4,144	27%
Comm. Devl.	756	5%	1,178	8%
Statistics	160	1%	100	1%
Potable Water	20	under 1%	212	1%
Commerce	-	-	300	2%
Regional Dvl.	-	-	200	1%
Other Admin.	1,081	7%	1,010	8%
Total	$15,418	100%	$15,236	100%

GOH INVESTMENT BUDGET (1985)

Public Treasury	$ 26.0 million
PL 480	15.2 million
Revenue Producing Govt. entities	43.3 million
TOTAL	$ 84.5 million

Furthermore, since PL 480 is allocated primarily to three sectors, Agriculture, Health and Population, and Public Works/Transport, the importance of these funds in those three sectors is even greater than for the overall investment budget. As Table II.20 indicates, the Title I counterpart fund will be financing 46% of the GOH investment in agriculture and 63% of the investment in health.

Table II.20
FY 85 PL 480 COUNTERPART FUNDS SECTORAL ALLOCATION
CONTRIBUTION OF PL 480 TO GOH DEVELOPMENT BUDGET
(US $000)

	TOTAL GOH INVESTMENT	PL 480 CONTRIBUTION	% PL 480
Agriculture	8.0	3.7	46%
Transport	14.5	4.4	30%
Health	6.5	4.1	63%
Community Development	3.1	1.2	39%
Statistics	.7	.1	17%
Potable water	1.4	.2	14%
Commerce	.5	.3	60%
Regional Development	3.0	.2	7%
Other Administrations	4.5	1.0	22%

As a result of the significance of these funds to the development budget and to meet the increased reporting and monitoring responsibilities associated with the implementation of a Title III Program, the USAID Mission in collaboration with the GOH has developed a new management system. The GOH has agreed to establish a separate office under the Ministry of Plan to coordinate all administrative aspects of the Title III Program, including commodity importation and sales, directly manage the counterpart fund and monitor program implementation. Functions currently dispersed among and within the Ministries of Plan, Commerce and Finance will be consolidated and centralized in the new Title III office. A PL 480 Title III Executive Committee, composed of the Ministers of Finance, Commerce, Agriculture, Public Works, Public Health, Foreign Affairs and PLan will serve as the governing body for the Title III office program.

The creation of a separate Title III office will facilitate close physical and financial monitoring of Title III program activities. This function is especially important since project monitoring will identify the conditions which justify the loan forgiveness aspect of the Title III Program. Moreover, given the importance of the annual report/review process, the necessity of establishing a separate office that can effectively follow Title III program activities throughout the life of the program becomes clear (Detailed procedures to be followed under the new management system are outlined in the section of the PP on the PL 480 Title III Management System).

d. Minimizing Recurrent Cost Increases

Perhaps the most critical constraint to an effective, long-term rural development strategy in Haiti is the inability of the GOH to assume the recurrent costs of its development programs on a continuing basis. This shortcoming is manifest throughout the public sector, and is reflected in the shortage of field personnel and inadequate staffing of government facilities in the rural areas. In the agriculture sector, this is most readily evident in the lack of support given to the extension program; in the health sector, in the small number of agents de santé (health agents) posted in rural health centers; and in the area of public works, in the lack of sufficient funds to support the national road maintenance program under SEPRRN.

The difficulty in planning for the financing of recurrent costs is due, in part, to a characteristic of the Haitian fiscal system. The Haitian national budget is divided into two distinct components: the budget d'investissement, or investment budget, and the budget de fonctionnement, or operating budget. Under a well-designed national investment program, the

83

recurrent costs associated with public sector investments should be financed from the operating budget -- those costs which are essential to maintain and continue the operations of established public service programs. Unfortunately,in Haiti, the resources necessary to fund operating costs are extremely scarce,due largely to the weak revenue base of the national fiscal system. Recurrent operating costs are often therefore charged to the investment budget and absorbed either by foreign donor contributions or by related counterpart funds for development projects. As a result, recurrent costs of development projects are difficult to identify and plan for.

One of the objectives of the Title III program is to agree upon measures to better manage the budgetary implications of the present recurrent cost burden as well as to determine how to approach new development investments in a way that will suppress recurrent cost build up. Projects designed under Title III are either as close to self-supporting as possible or actually increase revenues so that recurrent cost build up will be minimized.

A number of alternative methods of financing recurrent costs are currently under study by the Mission, the World Bank and the GOH. Some promising avenues of addressing the recurrent cost problem have been identified in preparing the Title III project paper and are reflected in the program's policy reforms.

One such initiative involves financing the maintenance costs for primary and secondary roads through increased user fees (e.g. an increase in diesel tax and levying a congestion tax). Another involves using a low cost community-based road repair system wherever feasible.

Resolving inefficiencies in the allocation and utilization of available resources of the Ministry of Health is the key to holding down recurrent costs in this sector, as well as the introduction of user fees for health services. Efforts are now underway to improve the management of resources at central and regional/district levels. Transferring to the private sector part of the financial burden of providing health services has already begun and will be supported under Title III. Additionally, under the new Family Planning Outreach project, the possibility of establishing a commercial retail sales program for contraceptives will be explored.

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2. Relationships of Title III to USAID and GOH Development Strategies

a. Relationship to CDSS Strategy and Current USAID Program

The Mission strategy discussed in the FY 1986 CDSS is largely constructed around AID's four main pillars: 1) Policy Dialogue; 2) Private Sector Development; 3) Institutional Development; 4) Technology Transfer. The proposed Title III program is an essential part of the overall USAID strategy in Haiti and also reflects the four pillars.

The policy reform agenda established for Haiti in the CDSS revolves in large measure around reforms designed to: (1) stimulate equitable economic growth in a manner which protects the rapidly deteriorating environment; (2) create employment opportunities for the urban and rural poor; and (3) support the decentralization of public sector entities in order to shift resource flows from Port-au-Prince to other urban and rural areas. The Title III program is the major vehicle for the implementation of this policy reform agenda. Title III is both an incentive to undertake needed reforms and a way to provide funds for the projects supporting these reforms. Stimulating sound economic growth is at the base of many of the Title III policy changes. Title III projects in public works and transportation will provide a number of job opportunities for rural and urban job-seekers. Decentralization of the public sector is a fundamental part of the Title III program in agriculture and health. The Title III program also addresses other Mission policy reform objectives such as improvements in the budgeting of recurrent costs, tax burden sharing, public and private cooperation, and improvement in the structure of agricultural markets.

Support for the private sector is provided by Title III projects designed to increase the availability of credit to small farmers, supply better information and technology for growers and exporters of coffee and cocoa, create the necessary conditions for local water-user associations to more effectively maintain irrigation works, and encourage the building of private wings on hospitals. Policy reforms that encourage tax cuts that directly benefit small farmers, promote user fees, and encourage competition also support USAID/Haiti's private sector thrust.

Institutional development is also part of the Mission strategy outlined in the CDSS. Under Title III, the Mission will provide support and training for government institutions such as the Bureau de Crédit Agricole (BCA), the Ministries of Health and Agriculture, and a community-based maintenance program under the Ministry of Public Works, Transport and Communication (TPTC) and its National Road Maintenance Service (SEPRRN). The Title III program will also provide support for several PVOs to expand the outreach of the Title II program.

Technology transfer is a major emphasis of the Title III program in agriculture and health. A number of the program's agricultural projects will develop and diffuse improved technologies in cereals and coffee/cocoa production. In health, projects will use highly skilled and experienced technicians to introduce appropriate technologies for the national diarrhea control program and the Haitian malaria control agency. The newly installed micro-computer-based information system will be adapted and expanded for budgetary control, operations research and survey work in the health sector. The community-based potable water project will help to build appropriate water systems that maximize community participation in the systems construction, operation and maintenance, and minimize recurrent costs to the GOH.

The resources provided by Title III will greatly help the Mission move its overall program along the lines proposed in the CDSS. Furthermore, the program is essential to induce and sustain the policy and institutional changes necessary for sustained and equitable economic growth in Haiti.

b. Relationship to GOH Five Year Development Plan

Preparation of the GOH's 1981-1986 Five Year Plan facilitated a thorough assessment of Haiti's basic social and economic problems and has provided a framework to articulate policies and programs for the 1980s. Past failures are explained by slow productivity growth and inefficiency in agriculture, land erosion, high demographic growth, insufficient savings, inadequate institutions and inequalities in income distribution. As preconditions for future success in the face of these problems, the Plan emphasizes administrative reforms to increase the training and efficiency of civil servants, the development of education and research, and the creation of conditions for the retention of skilled labor.

Three objectives are established in the new plan:

1) Real GDP growth of 4 percent per year, with investment reaching 23 percent of GDP in FY 1985/86. Within this objective the first priority is to increase agricultural production to counter malnutrition. The second priority is to develop industries oriented toward the local market while encouraging the light assembly industries to continue to expand.

2) Job creation, by encouraging the use of labor intensive techniques in agriculture, industry and rural public works.

3) More balanced distribution of growth between metropolitan Port-au-Prince and the provinces. A greater regionalization of government organization and services is envisaged to achieve a better allocation of resources and to promote local initiative and responsibility.

The sectoral distribution of planned spending reflects the high emphasis placed on agriculture in the Plan. The Plan proposes a sharp absolute and relative increase in public investment in agriculture, from an average annual level of 14 percent of total investment during 1976-79 to a planned level of 20.0 percent of total public investment during the 1981-86 period. The FY 85 GOH development budget provides a 18 percent allocation to agriculture.

Other indications that the Plan's stated objectives are in actuality goals of the GOH include the ongoing utilization by the Ministry of Public Works of labor intensive methods for road construction and maintenance. The recent passage of administrative reform legislation, including the law creating the

87

administrative structure for the regionalization of GOH development activities, stems from a broadly-based recognition of the need for administrative reforms and decentralized development.

The Title III program, with its emphasis on agricultural development, the utilization of labor intensive techniques for rural infrastructure projects and institutional reforms in the delivery of rural health services, is clearly in keeping with the GOH's goals and objectives.

3. Additionality

The PL 480 law requires that assistance provided under the Title III program should complement rather than replace the development program of the receiving country as well as the U.S. development assistance program: PL 480 sec. 303 (c) states... "In his review of any utilization proposal for a Food for Development Program, the President shall be satisfied that such assistance is intended to complement, but not replace, assistance authorized by the Foreign Assistance Act of 1961, or any other program of bilateral or multilateral assistance, or under the development program of the country desiring to initiate a Food for Development Program."

The additionality requirement can be interpreted to mean that Title III counterpart fund generations must be used to support new projects, or projects not previously funded by the GOH development budget or the U.S. development assistance program. However, the Title III program proposed herein suggests that further interpretation of the additionality requirement is necessary, due to the nature of the current Title I program in Haiti, as well as the proposed FFD program for Haiti.

As already mentioned, the contribution of PL 480 Title I funds to the GOH Development Budget is substantial. Therefore, it is clear that a few on-going projects currently funded under Title I will be included in the Title III program, since the Title I contribution to the development budget will be replaced with Title III generations. We do not believe that the legislation was intended to prohibit a logical transition from Title I to Title III financing when the basic project in question and the new policy dimension of the program meet the objectives of PL 480 legislation. Moreover, those ongoing projects currently funded with Title I generations have been redesigned in accordance with the overall Title III strategy and will support the policy initiatives of the program.

Guidance received from Washington on the question of "additionality" requires that self-help measures identified in the Title III agreement represent an expanded effort undertaken by the recipient government that would not have been implemented in the absence of the agreement or amendment. It also includes measures previously considered and favored by the host country government, but which require the impetus of a PL 480 agreement to be implemented.

The Title III program presented in this PP represents an increased effort on the part of the GOH to implement policy reforms critical to reversing the stagnation of the agricultural sector, as well as commitments to major new initiatives in public health and public works/transportation. Specifically, the additionality requirement of Title III is being met by this proposal in the following ways:

-- The policy reforms included in the PP are new commitments by the GOH and thus are additional to their ongoing development program, while at the same time reinforcing that program. For example, a necessary step to increase coffee production is to lower the coffee export tax. Additionally, increased agricultural productivity in Haiti depends on an expanding system of well maintained roads. Changes in the structure and collection of fuel taxes will enable the GOH to generate sufficient funds to properly maintain and expand the rural road system.

-- While some ongoing projects will continue to be funded under Title III, the activities in those projects will be reoriented or expanded to support Title III objectives and new policy directions. For example, Agricultural Development Support II will strengthen the institutional capability of the Ministry of Agriculture in farming systems research/extension and statistics. Successful implementation of this project in the dissemination of improved farming practices is linked to the promotion of price and tax policies that will reorient the agricultural product mix so that crops produced are compatible with Haiti's resources. An increased amount of credit will be made available to small farmers under Strengthening of Rural Credit Services (BCA) to support cereal and coffee production initiatives under the Title III Program.

Under Family Planning Outreach, the delivery of voluntary contraceptive services through public, private and voluntary health services will be expanded and improved. Under Malaria II, SNEM Collaborateurs Volontaires will be supplied with information and contraceptives in keeping with Title III policy to improve access to voluntary family planning and contraceptive services. The new Targeted Community Health Outreach project will build on achievements realized by the RHDS project in strengthening the administrative structure of the DSPP and undertake and expanded targeted disease program. RHDS will be phased out as the new targeted community health project comes on line.

The secondary roads project was developed in support of Title III objectives as negotiated during the Title III PID negotiations. Because implementation of the Title III program was delayed, the roads project was initiated with Title I funding. This on-going project will be funded under Title III with an emphasis on assisting the GOH in the development of Secondary Roads Service responsible for the rehabilitation/construction of secondary roads.

-- New projects have been developed in support of our Title III objectives and include Targeted Community Health Outreach, Community Water Systems Development, Cereal Production Improvement, Crop

90

Protection, Irrigation and Soil Conservation Development, Coffee/Cocoa Promotion, Local Resources Development, Animal Health and Husbandry Improvement, and Agricultural Studies. While some of these projects will start up in FY85 and consequently receive Title I funding (from FY 84 Title I imports), they are new Title III projects and will be defined as such in the Title III Agreement (See Table II.21).

-- Although Title I funds have contributed to a number of projects in the development budget, the funds in some cases have been utilized for on-going operational costs of the implementing institutions. Title III contribution to these same projects will be increasingly utilized for investment purposes only. Recurrent personnel operating costs will be absorbed by the GOH functioning budget on a gradual basis. Thus, the same level of PL 480 funding for these projects would mean additional resources for investment.

-- The Title III program is an integrated program depending on each of these contributing projects. For example, Crop Protection and Cereal Production will obviously be linked to the ADS II farming systems research/extension and statistics project. The new Targeted Community Health Outreach project has been designed with an eye to supporting several recent Ministry of Health initiatives under the Rural Health Delivery Systems Project, including the decentralization of management responsibility to the four regions and fifteen districts. Therefore, the Title III program, while including some redesigned on-going projects, is itself a new program that integrates on-going and new projects into a coherent Food for Development Program.

-- Finally, there is an inherent conflict in the guidance we have received on improved programming of Title I and III funds for development purposes. Development projects should be evolutionary in nature, building on the experiences gained until the problems

Table II.21: NEW AND CONTINUING PROJECTS UNDER TITLE III

PROJECT STATUS*		FY86	FY87	FY88	Total
	AGRICULTURE				
1	ADS II (Farming Systems Research/Extension)	.5	.5	.5	1.50
1	Strengthening Rural Credit Services	1.5	1.5	1.5	4.50
2	Crop Protection	.2	.25	.3	.75
2	Coffee Cocoa Promotion	.5	.5	.7	1.70
3	Cereal Production Improvement	.5	.5	.5	1.50
3	Irrigation and Soil Conservation Development	1.5	2.5	3.0	7.00
2	Animal Health and Husbandry Improvement	.25	.5	.5	1.25
2	Local Resource Development	.3	.4	.3	1.00
3	Agricultural Studies	.15	.25	.1	.50
	Agriculture Total	5.4	6.9	7.4	19.70
	HEALTH				
2	Targeted Community Health Outreach	2.0	2.0	2.0	6.0
1	Management of Malaria	1.1	1.0	1.0	3.1
1	Family Planning Outreach	.3	.3	.3	.9
2	Community Water Systems	.15	.15	.1	.4
	Health Total	3.55	3.45	3.4	10.4
	TRANSPORT				
1	Secondary Roads	3.4	3.4	3.4	10.2
1	TITLE III MANAGEMENT	.4	.3	.3	1.0
1	SUPPORT TO PL 480 TITLE II	1.0	1.0	1.0	3.0
	Sub Total	13.75	15.05	15.5	44.30
	Unprogrammed Title III funds ** available for Agriculture, Health and Transport Projects	3.25	1.95	1.5	6.70
	GRAND TOTAL	17.00	17.00	17.0	51.00

* PROJECT STATUS:
1- Projects funded prior to FY86 which will continue under Title III with appropriate design modifications
2- New Title III projects starting in FY85 with funding from FY84 Title I imports
3- New Title III projects receiving only Title III funds

** As local commodities' sales prices are greater than costs, counterpart funds generated exceed FOB/FAS prices. Thus a $15 million sales agreement generates $17.0 in counterpart funds.

92r

addressed are satisfactorily resolved. As such, Title III should build upon experiences of Title I, and additionality should be defined as that growth. If not, those countries following AID guidance to utilize Title I counterpart funds in support of development investments as an addition to their investment budget, as Haiti has done, would be penalized should they request a Title III program. They would be forced to terminate projects prematurely or to absorb these projects in the investment budget -- a step which they might not be able to afford.

Our recommendation then is to interpret the additionality requirement in the following manner: The Title III program should be additional to the participating country's non-PL 480 development program and the U.S. bilateral assistance program.

We believe the proposed Title III program meets this reasonable interpretation of additionality. If it is determined that an "additionality" problem exists, we request that a waiver as defined in section 304 (c) of PL 480 be granted.

D. COMMODITY MIX

To import commodities under the Title III program, a number of conditions must be met: 1) The recipient must have a need for the commodities and they must be available under the PL 480 program, 2) the distribution of the commodities must not result in substantial disincentives to domestic production and marketing; and 3) the recipient must have the ability to receive, handle and store the commodities. In the case of Haiti, the Interagency Working Group raised a number of additional questions in its PP Guidance Cable concerning methodology and the appropriateness of the commodity mix proposed in the PID. Those questions not already responded to in the "Agricultural Situation" section of this PP will be answered here. It is also shown in this section how Haiti satisfies the three conditions listed above.

Need for PL 480 Commodities

As discussed in the "Agricultural Situation" section of this paper, the major problem facing the agricultural sector is its inability to keep pace with increased domestic demand and a declining market share in export commodities. Over the past seven years, per capita cereals production has declined or stagnated, as has the production of coffee, cocoa and cotton. These trends suggest that rural people are becoming poorer. The evidence also shows that the nutritional gap is expanding. Although the Title III program will institute a number of policy reforms and new projects designed to improve rural incomes and increase agricultural productivity, it will take time for the country to increase food production and improve and diversify its export portfolio. In the meantime, Haiti must continue to import food to meet the needs of its rapidly growing population and lower the nutritional deficit of the poor. Title III commodities can help to meet this food import requirement and save scarce foreign exchange, while at the same time serving as an incentive to institute the necessary policy reforms and to undertake the new projects needed to improve the situation in the agricultural sector.

Commodity Mix Recommendation

Based on the commodities best-suited to meet the needs of Haiti and calculations of future demand and the Usual Marketing Requirements (UMRs), we recommend that wheat and soybean oil be imported under the Title III program in the amounts shown in Table II.22.

Table II.22
COMMODITY MIX RECOMMENDATIONS
($000,000)

Commodity	Year of Importation		
	1985	1986	1987
Wheat	13.4	14.3	15.0
Soybean Oil	1.6	0.7	0.0
Total	15.0	15.0	15.0

Both wheat and soybean oil are expected to be available during the life of the program and these commodities best meet the requirements of the PL 480 program: their importation would result in little disincentive to local production, and the country has sufficient facilities to handle their import, storage and distribution. Other commodities generally available under the PL 480 Title III program, including corn and rice, would not be appropriate because of the disincentive effects on local production.

Wheat

Wheat is a desirable commodity to import under the Title III program as:

1) Wheat products are nutritious and easily prepared for consumption;

2) Bread and other wheat products are consumed throughout the country by people in all economic classes, and a drop in the price of wheat, as proposed in the Title III program, would help lead to improved nutritional status in the country;

3) The demand for wheat will continue to grow due to a growing population, increased urbanization and a need to help fill the food gap;

4) The importation of Title III wheat will not act as a disincentive to local production of food staples since it will have no effect on the level of total wheat importations. The GOH sets the price of all the wheat that is needed to satisfy the demand at the controlled price. Increased concessional wheat imports only help to meet the growing demand;

5) Importation of wheat is more easily handled and monitored, as the local flour mill, Minoterie d'Haiti, has successfully imported and processed wheat under the Title I program since 1975.

Wheat, eaten in the form of bread or pasta, is a nutritious food, rapidly and easily prepared. The price of wheat products is very competitive with other staples on a per pound and per calorie basis. For example in 1981, one dollar in Haiti would buy 4.71 pounds of corn, 4.5 pounds of sorghum, 4.8 pounds of wheat flour, and 1.7 pounds of rice. On a per calorie basis, using these figures and nutritional values from USDA food composition tables, corn provides 77.4 calories/cent, while sorghum and wheat flour provide 67.8 and 72.5 calories/cent respectively. When the savings in preparation time is added in, it is clear that wheat products are a good bargain. As people migrate to urban areas, they have less time to spend in food preparation and must buy grains which are already prepared and ready to eat, as shown in a study of Sudan (<u>Consumption Effects of Agricultural Policies: Bread Prices in the Sudan</u>, Sigma One Corporation, April, 1983). Bread and other wheat products often fill that need, as shown throughout history, from increased bread consumption by the workers of the Industrial Revolution in Europe to the growth in wheat consumption in many developing countries today. Note that the Title III program does not propose lowering flour prices to below import

96x

parity (as was the case in Sudan which required a government subsidy). Under the Title III program, real flour prices will be reduced as a result of a flour tax reduction and inflation. Even with these reductions, the GOH will not be subsidizing wheat consumption. Sales taxes and milling costs will keep domestic flour prices above world market prices.

Haitians living in both rural and urban areas consume bread. A nutritional survey done in 1978 showed that bread was available in 86% of the communities surveyed and eaten by 46.8% of the children surveyed in rural areas and 67% of the children surveyed in urban areas (see Table II.23). No precise breakdown of food consumption by income level and region is available; one source does list bread as one of the principal sources of calories in all economic groups, although rural families tend to supplement their diets with other staples, in addition to bread (see Table II.24).

As shown in the "Agricultural Situation" section, there is a serious nutritional gap in Haiti, with food availability as much as 20% below nutritional needs. Under the Title III program, the GOH, which controls the price of wheat flour, will remove part of the taxes on wheat products, lowering the price of bread in the country. In addition, the lower fixed price of wheat coupled with moderate inflation will produce a slowly declining real price of flour. This will allow people to purchase more food in the form of wheat products, helping to improve the nutritional status in the country. It will also relieve at least some of the upward pressure on the prices of local staples and reduce the environmentally unsound planting of annuals on hillsides. The strategy is to provide more food to people in the short run, while programs aimed at improving local food production capacity and increasing rural incomes through greater returns to export crops can take effect. Given the Title III objectives of increasing food availability, increasing rural incomes, reducing erosion, and improving agricultural productivity, the importation of PL 480 wheat is appropriate.

<u>Demand for Wheat</u>

The Haitian demand for wheat has been increasing rapidly and is expected

Table II.23
CONSUMPTION OF STAPLE FOODS

	Availability of food in Rural Area Percent of communities which had food	Percent of Children who consumed food	
		Rural	Urban
Cereal	86.0	63.3	49.4
Bread	86.0	46.8	67.0
Wheat Flour	66.0	16.9	29.0
Tubers	97.0	60.2	39.2

Source: Bureau of Nutrition, DSPP, "Haiti Nutrition Status Survey 1978, Dietary Report", November, 1979.

4872

Table II.24
SOURCE OF CALORIES BY INCOME AND RURAL/URBAN RESIDENCE

CATEGORIES	PRINCIPAL SOURCE OF CALORIES
POOR FAMILIES and PEASANTS	1- Millet, Corn 2- Roots and tubers, bananas and plantains, sugarcane, rapadou, bread
UPPER INCOME RURAL FAMILIES	1- Corn 2- Millet 3- Roots and tubers, bananas and plantains, rapadou, syrup, bread
MIDDLE INCOME URBAN FAMILIES	1- Corn 2- Rice 3- Sugar, bread
UPPER INCOME URBAN FAMILIES	1- Rice 2- Sugar, bread 3- Wines

Source: DIFPAN, 1978.

to continue to increase by approximately 10.9 percent per year. Between 1970 and 1980, wheat imports are estimated to have increased at an annual rate of 12.9 percent. During the 1980-1984 period, the recession, the IMF austerity program and flour price increases held the annual growth rate of wheat imports to 5.2 percent. The forecasted expansion of wheat imports at 10.9 percent per year assumes Haiti will again experience modest growth in its international trade (5 percent) and a declining real price of flour (4.4 percent). This growth rate for wheat imports, after allowing for commercial and other concessionary imports, provides for possible Title III imports of $13.4 million in FY 1985, $14.3 million in FY 1986, and $18.7 million in FY 1987.

Determining the demand for wheat imports is especially difficult in Haiti, given the generally unreliable data series. As Table II.25 shows, there are inconsistencies between data sets even from the same source. Some of the differences can be explained, others cannot. The most reliable wheat import data are generated by the USDA Agricultural Attaché (column 6, Table II.25) and is consistent with the International Wheat Council Data. Unfortunately, this series is only available for the FY 1975-83 period. To build a longer times series to be used for econometric analyses, selected data from the Minoterie flour mill for FY 1970-1974 was merged with the USDA data (column 7, Table II.25). Using this series, it is estimated that total wheat import increased at an annual average rate of 11 percent between 1970 and 1983. The conservative nature of this estimate is suggested by the 11.6 percent annual average growth rate of flour sales over the same time period.

A forecasting model was estimated using the 1970-1983 USDA-Minoterie data series of wheat imports.(1) The model relates the quantity of wheat imports

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(1) The estimated multiple regression model using 1970-1983 USDA-Minoterie data is as follows:

	Coefficient	F (1,11)
Log (wheat imports) = constant	+0.9832	
+log (flour price/CPI)	-1.1979	4.627
+log (exports+imports/CPI)	+1.0776	5.467

STD. Error of EST. = 0.1740
R Squared = 0.8905
Multiple R = 0.9437

/ 90

Table II.25: WHEAT AND FLOUR IMPORTS AND FLOUR SALES

Year	Flour Sales in Wheat Equivalents: Minoterie	Flour Sales in Wheat Equivalents: Minoterie	Wheat and Flour Imports: IWC	Wheat and Flour Imports: Minoterie	Wheat and Flour Imports: Minoterie	Wheat and Flour Imports: USDA	USDA-USAID/H
	1/	2/	3/	4/	5/	6/	7/
1960	29.27	N/A	N/A	N/A	N/A	N/A	N/A
1961	28.99	N/A	N/A	N/A	N/A	N/A	N/A
1962	49.08	N/A	N/A	N/A	N/A	N/A	N/A
1963	58.56	N/A	N/A	N/A	N/A	N/A	N/A
1964	61.45	N/A	N/A	N/A	N/A	N/A	N/A
1965	71.05	N/A	N/A	N/A	N/A	N/A	N/A
1966	51.23	N/A	N/A	N/A	N/A	N/A	N/A
1967	55.94	N/A	N/A	N/A	N/A	N/A	N/A
1968	14.54	N/A	N/A	N/A	N/A	N/A	N/A
1969	14.96	N/A	N/A	N/A	N/A	N/A	N/A
1970	37.45	28.02	N/A	N/A	N/A	N/A	42.2
1971	46.00	42.22	N/A	28.90	N/A	N/A	47.6
1972	53.68	47.61	N/A	52.50	N/A	N/A	52.5
1973	92.18	68.66	N/A	42.90	65.15	N/A	65.2
1974	78.58	89.20	N/A	33.20	78.96	N/A	79.0
1975	92.85	97.02	N/A	81.50	81.70	83.60	83.6
1976	91.28	97.02	N/A	113.60	109.02	155.90	155.9
1977	116.06	143.90	133.90	144.80	116.52	133.90	133.9
1978	88.74	90.99	100.50	112.10	97.15	100.50	100.5
1979	112.01	102.71	117.60	105.60	104.11	117.60	117.6
1980	150.70	139.24	138.10	133.30	135.47	138.10	138.1
1981	138.85	150.11	195.40	N/A	147.20	195.40	195.4
1982	124.16	122.62	163.00	N/A	154.70	155.00	155.0
1983	N/A	156.92	156.55	N/A	156.10	163.00	163.0

1/ Minoterie data. Collected from Minoterie in 1983

2/ Minoterie data. Collected from Minoterie in 1984.

Fiscal Years FY 70-76 June-May
FY 77 June 76-Sept 77
FY 78 onward October-September

3/ International Wheat Council. FY July-June

4/ Data from Annuaire de Commerce Extérieur d'Haiti to 1975 and Minoterie to 1980. 75 percent extraction rate assumed.

5/ Minoterie data FY October-September

6/ USDA data.

7/ USDA data for FY76-FY83. USAID/Haiti Estimates for FY70-FY75 from Minoterie data.

to economic variables determining the demand for wheat. The estimated multiple regression model and forecasts of the explanatory variables are used to project future wheat imports. The demand for wheat would normally be expected to be a function of the price of flour, national income and the price of substitute grains. The econometric analysis revealed that the real price of flour and a national income proxy alone explained most of the variation (89 percent) in demand for wheat. As the price of flour declines relative to other goods, flour consumption would be expected to increase. The estimated price elasticity of -1.2 implies that a one percent decrease in the price of flour will cause a 1.2 percent increase in the quantity of wheat demanded. In a less developed country such as Haiti, the level of real income significantly influences the ability of the population to purchase wheat products. The level of national income was proxied by the real value of exports plus imports. This is a much more reliable and up-to-date data series for Haiti than either GNP or GDP. The estimated income proxy elasticity of +1.08 implies that a one percent increase in real exports plus imports would increase wheat demand by 1.08 percent.

To forecast FY 1985-1987 wheat demand using these elasticities requires projections of real flour prices and real exports plus imports. The real price of flour declined 4.4 percent over the 1970-83 period. The real price may decline as a result of decreases in the GOH set nominal price or as a result of inflation. It is conservatively assumed that a nominal price of flour reduction in combination with inflation will cause the real price of flour to decline 4.4 percent per year over the forecast period. Inflation in Haiti is expected to follow the US inflation rate. The real value of exports plus imports increased at an annual rate of 8.1 percent during the 1970-80 decade. The recession and the IMF austerity program caused real exports plus imports to fall over 20 percent during the 1980-83 period. A modest export expansion driven by CBI-induced light manufacturing investments and a stable US economy may be conservatively translated into a projected 5 percent annual growth of real exports plus imports. Combining the projected growth rates for real flour prices and real exports plus imports with the estimated elasticities generates a 10.9 percent growth rate for wheat imports. Applying this growth rate to the FY 1984 level of wheat imports estimated by the USDA Agricultural Attaché yields a wheat import forecast of 187,400 MT for FY 1985; 206,800 MT for FY 1986; and 230,400 MT for FY 1987 (see Table II.26).

U.S. legislation requires that commercial markets of the U.S. and friendly nations not be disrupted by U.S. concessionary sales. Total consumption needs as projected will increase at a rapid enough pace that the traditional level of commercial imports into Haiti (as proxied by UMRs) will not be disrupted by increased concessionary imports. The maximum amount of PL 480 Title I/III wheat that can be imported is the difference between the UMR and total consumption needs less other concessionary imports. Other concessionary imports are projected to remain at the current level of approximately 10,000 MT. The cost of the possible Title III wheat imports using USDA wheat price projections is $13.4 million in FY 1985; $14.3 million in FY 1986; and $18.7 million in FY 1987.

Disincentives to Local Production

Increased Title III wheat imports will have little or no effect on the level of total wheat importations, the price of flour or the price of locally produced grains. The GOH controls the price of flour and imports all the wheat that is needed to satisfy the demand at the controlled price. Even during the recent balance of payment crisis, wheat imports had priority access to foreign exchange. Increased Title III imports simply provide a concessionary funding mechanism to meet a part of the growing demand for wheat imports.

The anticipated real price declines for flour due to policy changes will put some downward pressure on all grain prices. But the impact of the price change alone will likely be small. Population growth, urbanization and rising real incomes are increasing the demand for all grains. Given the expanding demand for grain coupled with supplies limited by import licensing requirements, a deteriorating land base and stagnating agricultural production levels, it is reasonable to anticipate that grain prices will

Table II.26
POSSIBLE WHEAT IMPORTS UNDER TITLE III

Year	IMPORTS: Commercial 1/	Concessional 1/	Total Consumption Needs 1/	UMRs	Anticipated Other Concessionary Wheat Imports	Title III possible	Cost of Title III: Price $MT 5/	$Million
	-000 MT-	-000 MT-	-000 MT-	-000MT-				
FY78	72.9	27.6	100.5					
FY79	71.9	45.7	117.6					
FY80	110.6	27.5	138.1					
FY81	151.5	43.9	195.4					
FY82	92.1	62.9	155.0					
FY83	114.5	48.5	163.0	90.3				
FY84	115.0	54.0	169.0 3/	89.9				
FY85	100.8 2/		187.4 4/	100.8	10.0	76.6	175	13.41
FY86	106.6 2/		206.8 4/	106.6	10.0	90.2	153	14.35
FY87	105.8 2/		230.4 4/ 5/	105.8	10.0	114.6	163	18.63
FY88	108.5 2/		255.4 4/ 5/	108.5	10.0	145.9	163	23.73
FY89	107.3 2/		289.2 4/ 5/	107.3	10.0	165.9	163	27.04

1/ Based on USDA data supplied by AGATT, includes other concessionary imports of wheat, eg. Title II, EEC Countries.

2/ Assumes that Haiti does not import commercially more than UMRs

3/ Forecast of AGATT, June 1984

4/ Forecast based econometric model.

5/ The Minoterie operating at full capacity six days a week at 700 MT/Day can only process 219.1 a year. Therefore, 219.1 MT is an absolute limit on total imports of wheat. Wheat flour could be imported if Minoterie capacity is not expanded.

5/ Based on wheat price projection in State 120826.

remain well above world market prices (see Agricultural Situation). While bringing these grain prices down towards world market levels should be the objective of an agricultural policy concerned with reducing the nutritional deficit of the poor and preserving the long-run productivity of the land, the anticipated flour price reduction will have minimal impact on other grain prices.

Economic analysis of the demand for wheat supports the view that flour price reductions will have a minor effect on other grain prices (1). Wheat has not served as a major substitute for rice, which is a staple of the middle and upper income groups, nor corn, which is the major staple of the rural poor. It may serve as a substitute for sorghum and millet when there are major food shortages. For example, in 1976 and 1981, there were significant increases of wheat imports to offset the agricultural losses caused by hurricanes. While wheat is undoubtedly a weak substitute for the other grains, it is more likely that it is a substitute for a whole array of foods, including fruits, tubers, and sugars. Wheat is supplementing the general shortage of foods and is helping to fill the nutritional gap. Wheat adds approximately 6.7% to the total availability of food in Haiti. With a nutritional gap in terms of calories of 20% and food prices well above world market levels, wheat imports are critical to the well-being of the masses of the poor.

Import of Other Grain Commodities

While other grains are available under the Title I/III program, such as corn and rice, we do not recommend their importation under the proposed Title III agreement. The importation of corn is not recommended on several grounds. Importation of corn could directly influence the price of corn enough to

(1) There is no statistically significant relationship between wheat imports and rice and corn prices (after controlling for the price of flour and exports plus imports) over the 1970-1983 period. The relationship is significant for sorghum only when data for the hurricane-induced high wheat import years (1976 and 1981) is included in the multiple regression. The relationship is not significant when the hurricane year data is excluded.

interfere with the corn market and serve as a disincentive to production. On these grounds, the Ministry of Agriculture has stated its opposition to importing corn. There would also be problems of distribution and handling because of lack of bulk handling facilities. The inexperience of the marketing system with imported corn and the extra expense of shipping and unloading sacked corn could make it difficult to distribute the corn in a timely fashion. Finally, Haitians prefer a harder corn than that exported by the U.S.

Rice should also not be imported under the Title III program. Rice is the only commodity in which the country may hope to become self-sufficient or even to develop a modest level of export. It is a labor intensive crop grown in the lowland areas of the country. An increase in the hectarage devoted to rice could create productive employment in rural areas without causing environmental damage. Intensive rice production is also largely compatible with the pattern of small scale land ownership that exists in Haiti. Increasing rice production is proposed under the Title III program - a key part of the effort to increase food availability. Rice imports could lower the price of rice sufficiently to negatively affect the profitability of domestic rice production. Given the relatively high use of modern inputs in rice production, a decline in profitability could create severe financial difficulties for growers, and a consequent abrupt drop in production levels. Furthermore, difficulties encountered in marketing rice imported under Title I in 1981 suggest that there may be difficulties in distributing Title III rice due, in part, to a taste preference for local rice and to inefficient distribution and price setting mechanisms at the GOH marketing operation, Magasin de l'Etat.

Vegetable Oil

The per capita consumption of edible oils and fats grew at an average annual rate of 9.5 during the past decade (1). The ability of the Haitian consumers to increase their consumption of edible oils has resulted from

(1) R. Borsdorf and K. Foster, "The Edible Oil and Fat Sector in Haiti", Report prepared for USAID/Haiti, December 1983.

106x

increasing real per capita income and a stable real price of edible oil. Assuming that similar conditions will hold in the future, "The Edible Oil and Fat Sector in Haiti" report projects vegetable oil imports will increase from 29,500 MT in FY 1984 to 32,100 MT in FY 1985, 35,000 MT in FY 1986, and 36,700 MT in FY 1987 (see Table II.27). After allowing for commercial imports equal to the calculated UMRs and the anticipated Title II imports of vegetable oil, total possible Title III imports are estimated to be 10,500 MT in FY 1985, 13,800 MT in FY 1986, and 14,800 MT in FY 1987. This would provide for a maximum Title III oil import program of $6.6 million in FY 1985, $8.9 million in FY 1986, and $9.3 million in FY 1987 (see Table II.27).

The Title III guidance cable raised a question about the potential disincentives associated with importing soybean oil given the in-country capacity of SODEXOL to process beans and crude oil. While SODEXOL has the effective capacity to produce 23,760 MT/year of soybean oil from soybeans, it only imported 14,700 MT of beans in FY 1982 and 14,000 MT in FY 1983 (in oil equivalents). (1)

The remainder of SODEXOL's once refined oil output was supplied by crude soybean oil imports (2). SODEXOL would prefer to use only soybeans, but the short-run instability in the demand for its once refined oil coupled with steady soymeal demand means that oil demand surges are better handled by importing and processing crude oil.

This situation is expected to continue into the future (3). Given the continuing need to import crude oil, Title III imports of crude would not be a

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(1) Data supplied by SODEXOL.

(2) Almost all oils used for producing refined vegetable oils are imported into Haiti. It is estimated that only 100 MT/year of cottonseed oil is processed in Haiti (Borsdorf and Foster Report).

(3) It is also probable that SODEXOL oil demand fluctuations are caused by GOH granting oil import licenses to other refiners and by smuggling of oil.

Table II.27

MAXIMUM SOYBEAN OIL IMPORTS POSSIBLE UNDER TITLE III, IN 000 MT

	Total Veg. Oil Consumption 1/	IMPORTS 1/				U.M.R. 4/	Title III Possible Imports	Total Cost of Imports possible Under Title III Million dollars 8/
		Commercial			Concessional			
		Total	Oil	Beans 3/				
FY77	13.7	7.4	7.4		6.3			
FY78	17.2	13.3	13.3		3.9			
FY79	[illegible]2.9	17.4	17.4		5.5			
FY80	[illegible].1	21.3	21.3		2.8			
FY81	[illegible]2.7	15.9	15.9		6.8			
FY82	27.0	18.0	3.3	14.7	9.0			
FY83	27.7	19.6	5.5	14.13	8.16			
FY84	29.5 2/	23.2			6.36			
FY85	32.1 2/	19.65				19.6	10.5	6.59
FY86	35.0 2/	19.25				19.2	13.8	8.91
FY87	36.7 2/	19.25				19.9	14.8	9.29

1/ USDA Data supplied by AGATT for FY 1977 - 1982.

2/ Forecast developed by Borsdorf and Foster, "The Edible Oil and Fat Sector in Haiti", USAID/Haiti, Dec. 1983.

3/ Data supplied by SODEXOL. Oil equivalents calculated at 18% of oil seeds.

4/ Calculated on five year average on commercial oil and beans imports. Higher than USDA estimate.

5/ Assumption that SODEXOL imports only its UMR.

6/ Title I and Title II vegetable oil imports.

7/ Imports possible given UMRs and 2000 MT/year Title II imports.

8/ USDA price forecast of $628/MT for FY 85 is from AGATT, Santo Domingo cable 0040. USDA forecast for FY 86 OF $646/MT and FY 87 of $623/MT is from State 120826.

disincentive to domestic processing of soybeans. With the total market demand in excess of SODEXOL's capacity, a considerable amount of once refined oil could be imported without creating a disincentive for SODEXOL production. Finally, given the domestic prices of oil seeds (primarily peanuts) and the consumption value of eating whole oil seeds, it is not considered feasible to use domestic oil seeds for vegetable oil production (1). Hence oil imports should not be considered a disincentive to oil seed production in Haiti.

Porthandling and Storage Facilities

-- Wheat

The Title III program proposes the importation of 76,600 MT. of wheat in FY 85, 90,200 MT. in FY 86, and 92,000 MT. in FY 87. Total consumption needs are projected to be 187,400 MT., 206,800 MT., and 230,400 MT. for these same years. In general, the off-loading, processing and storage capacities of the Minoterie are sufficient to handle the proposed levels of imports. Processing capacity does present a potential constraint beginning in FY 1986, but this can be easily overcome as discussed below.

The bulk-handling facilities for receiving wheat imports are located at Laffiteau port adjacent to the Minoterie and SODEXOL facilities. The receiving capacity for wheat is 12,000-14,000 MT per shipload, with an off-loading capacity of 12,000 MT within three-five days. Using the lower estimates, annual wheat off-loading capacity is some 876,000 MT. The storage capacity at the flour mill (Minoterie d'Haiti) totals 33,000 MT for wheat and 3,000 MT for flour. Two warehouses in Port-au-Prince can provide additional storage for 18,140 MT of flour if needed. If wheat arrives regularly over a 9-12 month period, the receiving, off-loading and storage facilities are sufficient.

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(1) Borsdorf and Foster Report.

The only potential short-term constraint is the processing capacity of the Minoterie. The mill can process some 650 MT/day or 202,800 MT/year, assuming a six day week, according to the latest Minoterie estimates. This is sufficient to handle projected commercial and concessional imports until 1986, when total demand is expected to be 206,800 MT. There are several solutions to this problem. First, a portion of commercial or concessional imports could be in the form of flour instead of wheat. Second, there are plans for the possible expansion of the Minoterie's facilities. Either option would give Haiti the ability to import wheat up to the expected level of demand.

-- Soybean Oil

The Title III program proposes the importation of 2,500 MT of soybean oil in FY 85 and 1,100 MT in FY 86, which the GOH has decided to allocate between SODEXOL and Huilerie Tropicale, SA (HUTROSA), a newly established private refinery. The port at Laffiteau is used for the off-loading of vegetable oil into the 6,000 MT capacity storage tanks of SODEXOL. HUTROSA uses a Port-au-Prince wharf to off-load vegetable oil into its 2,000 MT capacity storage tanks.

Private refiners have an additional storage capacity of 15,000 MT. SODEXOL's capacity to crush soybeans and refine oil, combined with the processing capacity of other refiners (93,000 MT), far exceeds the anticipated demand. Hence, the facilities are more than adequate to handle the proposed level of oil imports.

1100

III. DESCRIPTION OF THE FOOD FOR DEVELOPMENT PROGRAM

A. DESCRIPTION OF AGRICULTURAL/REGIONAL DEVELOPMENT

The PL-480 Title III program for Agriculture and Regional Development has been developed to increase Haiti's present and future capacity to provide food and fiber for a growing population. Increasing agricultural productivity, reducing environmental degradation and expanding export earnings are specific objectives of the program. It includes both policy and institutional reforms to correct those public sector policies that distort private resource allocation decisions and the implementation of a set of projects which address some of the critical constraints that have an adverse affect on Haiti's long term capacity to increase food availability.

The "Agricultural Situation" section (IIB) provides a detailed discussion of the problems and constraints faced by this sector. To facilitate understanding of the program proposed for Title III, these problems are summarized here.

Agricultural production has been unable to keep pace with the increased domestic demand for food. At the same time, Haiti has lost part of its market share in export commodities, thus reducing its ability to generate revenues for the importation of needed commodities. Per capita production has stagnated or declined especially in cereal grains. While agricultural exports accounted for over 70% of total exports in 1965, in 1983 these exports were only 48% of total exports. Haiti, once a net exporter of sugar, is now an importer of sugar, and other exports such as cocoa, essential oils, sisal and meat products have either stopped being exported or have remained at a stagnant level.

In response to stagnating agricultural production and population increases, food prices have increased dramatically and environmental degradation has been intensified. During the last 15 years, corn and sorghum prices have increased fivefold, rice threefold and wheat flour twofold. These price increases reflect the widening food gap which, when measured in supply and demand terms or nutritional deficits, indicate the need to rapidly increase food availability. The nutritional deficit in terms of caloric intake is 20% and in terms of protein needs, the deficit is as high as 31.5%. The environmental degradation resulting from farmers seeking new lands for cultivation and from over farming Haiti's fragile land base can be seen most vividly in the estimates of land suitable for crop production (28.6%) versus the land actually in production (42.9%).

The primary constraints to improving this sector can be divided into four categories: farming practices, institutional support systems, human resource base and public sector pricing and taxing policies. The Haitian farming sector follows a bimodal agricultural structure, i.e., where 20% of all farming units are specialized (sugar and rice) and 80% are horticultural. Economies of size are virtually impossible, and production is carried out utilizing archaic technologies. The farm units are very small, with 91% of total farm holdings having less than 3 hectares and 59% less than 1 hectare. Land tenure arrangements are insecure, and access to improved production technologies and modern inputs to replace low yielding crop varieties is limited.

The institutional support system and human resource base needed to improve agriculture are also seriously lacking. The secondary road network, while increasing, still leaves 33% of towns and villages without vehicle access. Irrigation systems could improve farming yields on about 180,000 has. of land but only 75,000 has. are under even partial water control. The formal credit system for agriculture only covers 37,000 small farmers families or about 5% of the total. With limited public sector funding for agriculture and a lack of trained personnel assigned to the field, infrastructure (roads, storage facilities, irrigation and soil conservation works) and services (research and extension, credit etc.) are not being provided in an effective manner.

Finally, some of the Government's policies for taxing and pricing agricultural commodities, controlling imports and stimulating private investment in agriculture have also contributed to the declines in that sector. Current pricing, taxation and import policies do not stimulate an agricultural product mix compatible with Haiti's natural and human resource constraints. For example, coffee is heavily taxed, while prices of cereals are supported at high levels by taxes on imported flour and restrictions on the issuance of grain import licenses. This system distorts Haiti's production decisions by discouraging expansion of coffee on its mountaineous slopes, where it has a long-term comparative advantage, and by encouraging inefficient production of food commodities, such as corn and sorghum, on the hillsides.

Program Objectives

The Title III program will increase agricultural production by raising and sustaining resource productivity, income and market participation of small farmers, and will improve economic efficiency in the marketing and exportation of agricultural products. The strategy consists of promoting reforms in the pricing and taxing policies which stimulate an agricultural product mix compatible with Haiti's natural resource constraints; increasing production of cereal grains and export crops through projects and activities that improve the infrastructure, and in particular, reduce soil erosion; expanding the availability of improved agricultural technologies which reduce farmers' risk; and developing the institutional support systems, including the human resource base, needed to sustain these efforts; and finally, reassessing the public sector's role in the processing and marketing of agricultural commodities.

Program Strategy

The strategy can be summarized as follows:

1. Promotion of an agricultural product mix which is compatible with Haiti's natural and human resource constraints.

    a. Reduction of coffee export tax and promotion of increased coffee and cocoa production.

    b. Reduction in the price of wheat flour by the reduction of taxes on wheat and flour.

c. Study of grain import licensing procedures and bulk handling facilities with a view to reducing the cost of imported grains, increasing domestic value added and/or increasing GOH revenues.

2. Stimulating increased production of cereal grains (with a focus on rice and lowland corn) while reducing soil degradations:

   a. Expanded research and extension programs to improve and protect hillside farming systems and increase cereals production in lowland areas.

   b. Increased credit made available to small farmers.

   c. Decentralized authority and budgetary control of the Ministry of Agriculture regional and district offices to encourage efficiency in the provision of services.

   d. Improved watershed management activities, including irrigation and soil conservation infrastructure investments, and revisions to Haiti's legal framework for the establishment of local water-user groups capable of generating and utilizing fees for the maintenance of irrigation systems.

3. Reassessment of the public sector's role in the production, processing and marketing of agricultural commodities. This will entail undertaking benefit/cost analyses and studies of the alternatives to GOH participation and management of agricultural processing industries.

The creation of a policy environment conducive to increased investments in the agricultural sector is the first essential element for implementing the Title III strategy. The second is a series of projects promoting the Title III program objectives. Although the policy framework influences decisions at all levels, the projects are designed to overcome specific problems and constraints in the development of human resources and institutional capacity, and to generate and diffuse innovative agricultural technologies. With a favorable policy environment, an improved technology and a more effective allocation of resources in the sector, increasing both production and the availability of food should be possible. Under favorable market conditions, these increases in production will generate greater income and a higher quality of life in rural areas.

To measure the effectiveness of the Title III program, specific targets will need to be established for each set of activities. For example, food production should increase in the areas where new technologies are introduced or the infrastructure is improved, farmers' incomes should increase as a result of credit being made available to more farmers or from reductions in the coffee tax accruing to producers. As the projects are further defined with the GOH, these targets will be established to enable more effective monitoring of the achievement of the Title III objectives.

Description of Sectorial Policy Reforms

1. The promotion of pricing and taxation policies which stimulate an agricultural product mix compatible with Haiti's natural and human resource constraints is an essential element of the Title III program. Some of Haiti's export crops - in particular coffee - are heavily taxed, while prices of some foodstuffs, such as cereals and sugar, are supported at high price levels by imposing additional taxes and limiting import licenses. This system distorts Haiti's production decisions by discouraging expansion of coffee in which Haiti has a long-term comparative advantage, and by encouraging production of food commodities such as corn and sorghum on the hillsides. While there are some benefits, principally the reduction of the country's dependence on imported cereals, costs are imposed on the Haitian economy and people in the form of higher food prices, lower export earnings, slower economic growth, and environmental degradation, especially when the crops grown on hillsides use only the existing technology. There are a number of actions which must be taken to improve the situation caused by this relative price problem.

a) It is essential to improve returns to the growers of coffee to stimulate increased production. A necessary step in achieving this objective is reducing the coffee tax, which currently lowers the effective return to coffee growers by some 33%. In response to the Title III negotiations, the GOH lowered the coffee tax by 10% in April 1984. The GOH has agreed to reduce the tax by a total of 25% during the first year of the Title III program. A study will be undertaken to monitor the effects of the tax reductions and assess their impact on returns to coffee growers. If the distribution of benefits from the tax reduction favors the small coffee producer, the GOH will continue to lower the taxes on coffee by an additional 25% in the next Title III agreement.

b) To improve the relative price situation, cereals pricing must also be addressed. Higher returns to coffee could be neutralized by higher prices of corn and sorghum as it is relative returns that shape smallholder production decisions. The key to lower cereals prices is, of course, increased supply. A program to encourage the expansion of local cereals production is one necessary step. But it will take time for any expansion program to be effective, even under optimistic assumptions. For this reason, the Title III program aimed at increasing local production will be supplemented by adjustments in import policies for food grains.

The price of wheat flour will be brought more closely in line with world prices. This will be done by reducing taxes on wheat and flour, thereby lowering the price of wheat flour during the first year. In addition, inflation will further reduce the real price of flour. Increasing supplies of imported wheat will meet the level of demand prevailing at lower prices. During the third year of the Title III program, an analysis of the impact of this action will be completed.

c) A reduction in flour price is aimed largely at improving nutrition. It will also help to relieve upward pressure on corn and sorghum prices. However, the gap between domestic grain prices and border parities now appears so large that the GOH will undertake a detailed analysis of the existing mechanism for issuing food import licenses during the Title III program to identify ways of attaining the goal of greater food availability. The GOH will also conduct a comprehensive analysis of the country's cereal grain bulk handling facilities to determine the adequacy of the existing system to meet future food requirements. This study will also be completed during the third year of program implementation.

2. <u>Assessing the public sector's role in the processing and marketing of agricultural commodities is a second part of the Title III strategy in the rural sector</u>. The role of the GOH in managing agricultural processing industries and the impact on the agricultural sector's ability to provide food and fiber to the country's growing population needs to be reviewed. In recent years, the Government has expanded its role in agro-industrial activities to include sugar and edible oils. The presence of parastatals raises questions of resource allocation within the sector. Sugar and edible oil prices, for example, far exceed comparable world market prices. Because of the need to explore such complex issues as divestiture, alternative public/private sector arrangements, and potential changes in the management systems of the parastatals, the GOH will undertake a series of studies during the first two years of the Title III program which focus on the costs and benefits of public sector intervention in the sugar, edible oils and cotton industries, and which recommend a course of action to be followed. By the end of the second year, recommendations for improving GOH intervention will be made based on these studies.

3. <u>The promotion of increased production of cereal grains with a special focus on rice and lowland corn and improved technology for hillside farming is a third part of the Title III strategy</u>. An aggressive program to expand cereals production could have a major impact on changing relative prices. But overcoming the technical and institutional constraints to increased production

are of particular importance here. There continues to be a lack of technical packages appropriate for small farm agriculture in Haiti, private and public investment in agricultural development, efficiency of the use of funds allocated to public sector research and extension, maintenance of the irrigation systems, and soil conservation infrastructure essential for reversing the stagnation of agricultural production. To deal with these problems, the GOH has agreed to three necessary institutional and policy reforms under the Title III program:

a) The GOH will increase the amount of credit available to small farmers with particular emphasis on those geographic locations where Title III agricultural projects are being implemented. The Bureau de Crédit Agricole (BCA), which currently works directly with groups of small farmers, will be provided an additional $1.5 million of loan capital each year of the Title III program such that by the end of the third year of the program, more credit would have been made available, and the BCA will be closer to reaching its target of financial self-sufficiency.

b) The GOH will promote greater responsiveness and efficiency in the delivery of Ministry of Agriculture services to rural areas through the decentralization of authority and budgetary control to regional and district offices. During the first year of the program, the GOH will prepare and implement the requisite legal, administrative and procedural adjustments necessary to carry out the decentralization objective.

c) The GOH will revise the legal framework for the establishment of local water-user groups which are capable of generating and retaining fees to maintain irrigation systems locally. During the first two years of the Title III program, the GOH will develop the legal framework for effective water-user associations. The GOH will assist local water user groups to develop and function under the new legislation during the third year of the Title III program. The new legislation should include the following provisions:

(1) Each farmer group desiring legal recognition as a water user association (WUA) should furnish its charter to the appropriate Government authority for approval. Each charter should define the area the irrigation system will cover and the way the water user association will be organized and operate.

(2) Each WUA should have authority to handle its own operation and maintenance under the supervision of the appropriate Government authority.

(3) Each WUA should have the right to ask the appropriate authority to allow it to retain water taxes collected from property within its perimeter in the WUA's own account for operation and maintenance of expenses.

(4) Each WUA should have the right to ask the appropriate authority to add an additional fee per hectare to the water taxes collected by the Bureau of Contributions. After allowing for collection expenses, the balance -- with an accounting of who had and had not paid -- should be put in the account of the WUA.

(5) Each WUA should have the authority to hire and pay its own staff for water distribution, systems maintenance, water application and administrative functions. Recognition of the WUA's charter by the appropriate authority should give the WUA authority to have its staff determine water allocation with the consent of its membership.

(6) Each WUA whose charter has been duly recognized by the appropriate authority should have the authority to use such sanctions as are provided by law against individual farmers within its perimeters who: (1) do not pay water fees; (2) misappropriate water; (3) damage canals or irrigation structures. Such sanctions should include cutting off water for a limited period or bringing offenders to court.

Description of Projects

As was stated previously, a policy environment enabling increased investments in the agricultural sector is the first essential element for implementing the Title III strategy. The second is a series of projects promoting the Title III program objectives. A conceptual framework for the interaction between the policy environment and the proposed projects is shown in Figure One.

The projects in the Title III agricultural and rural development portfolio take a systems approach to dealing with the problems and constraints of Haiti's rural sector. The generation and diffusion of technology and the improvement of institutional capacity and human resources are all necessary factors for development to take place, as demonstrated in Figure One. The Title III projects can be clustered around these common themes.

The first group of projects emphasizes the development and the diffusion of technological innovation. The Farming Systems Research and Extension project (ADS II) will develop and extend a series of technological packages for small farmers located on Haiti's hillsides and plains. The Cereal Production Improvement project will concentrate on increased production of rice and lowland corn, while the Coffee/Cocoa Promotion project will focus on the development and dissemination of improved coffee and cocoa technologies. Other projects will work to improve crop protection and animal health and nutrition. The basic thrust of all of these projects is to support the Title III objectives of increasing rural incomes and the availability of food.

The second group of projects comes under the heading of institutional and human resources development. One project will strengthen the institutional capacity of the Agricultural Credit Bureau (BCA) to provide additional credit to groups of small farmers. The Irrigation and Soil Conservation Development project will both strengthen the decentralization of the Ministry of Agriculture by providing support to their local offices and assisting them in the coordination of other donors in the area doing similar projects, and serve

1100

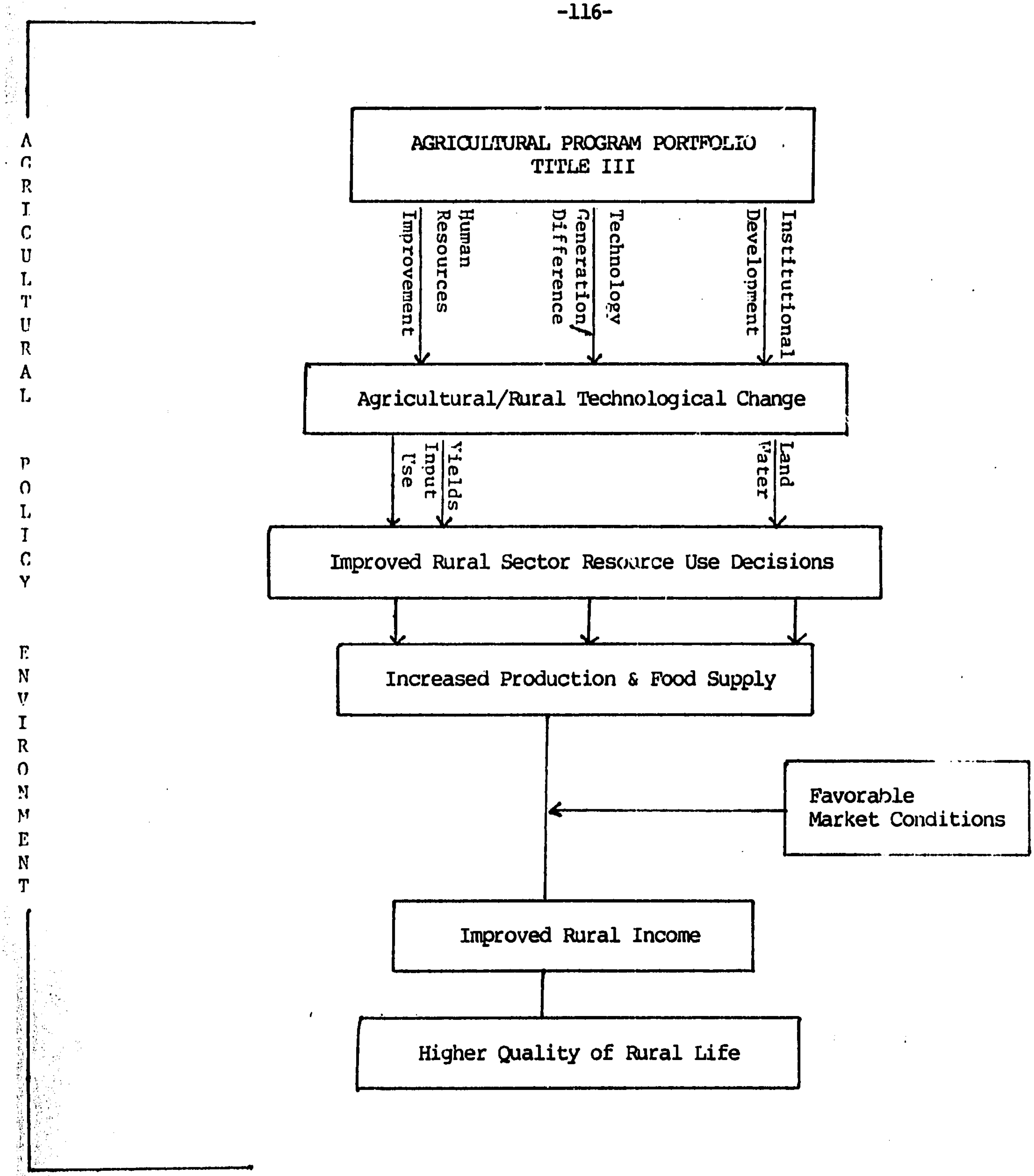

Figure 1: Conceptual Model of Title III Program impact in Agriculture.

as a pilot program for an eventual national program for soil conservation and water management. The project will also test methods for assisting local farmer groups to establish water user associations for the construction, operation and maintenance of irrigation and soil conservation infrastructure. Through the Local Resources Development project, another decentralization program will be supported. The Upper Artibonite Valley Regional Development Office (ODBFA) will also concentrate on irrigation and soil conservation, but will rely more heavily on the participation of local community groups and Non-Governmental Organizations for the determination of specific development activities to be done in the region. The ODBFA will assist in identifying potential areas of investment, encourage local groups to implement the programs and coordinate their efforts to assure that development activities in the region are mutually reinforcing spatially and sectorally.

Finally, a program development and policy support fund will be used to finance the studies and monitoring activities proposed in the section on policy reforms. This fund will finance studies on parastatals, import licensing, the impact of the coffee tax reduction and the economic impact of reducing the price of wheat. It will also finance the local costs of project design and final evaluation.

A summary of the projects and proposed funding levels is shown in Table III.1

The next section contains detailed descriptions of the proposed projects.

Table III.1
SUMMARY DESCRIPTION OF THE PRIORITY PROJECTS FUNDED UNDER TITLE III

Project Title Functional Area	Project Purpose	Title III ($ '000)
A. Technology/Development/ Diffusion		
Farming Systems Research/Extension (ADS II)	To develop a series of technological packages which are appropriate to the needs of small farmers	1,500
Cereal Production Improvement	To expand and improve production of rice and low-land corn and sorghum through a program of on-farm demonstration trials and training	1,500
Crop Protection	To increase GOH technological base in crop protection	750
Coffee/Cocoa Production	To develop and disseminate coffee and cocoa technologies	1,700
Animal Health and Husbandry Improvement	To increase the productivity of Haiti's livestock sub-sector through improved disease surveillance and control and by developing locally-produced livestock feeds	1,250

Table III.1 (cont'd)

Project Title Functional Area	Project Purpose	Title III ($'000)
B. Institutional and Human Resources Development		
Strengthening Rural Credit Services (BCA)	To strengthen the institutional capabilities of the Bureau de Crédit Agricole to provide additional credit to small farmers on a more financially self-sustaining basis	4,500
Irrigation and Soil Conservation	To create a national institutional capacity to effectively promote policies and practices conducive to soil conservation and water management	7,000
Local Resource Development	To assist Upper Artibonite Valley Regional Development Office (ODBFA) to identify and implement investment activities with local community groups	1,000
C. Agricultural Sector Studies	To conduct studies as required to implement policy reforms	500

1240

PROJECT TITLE: Agricultural Development Support II (ADS II)

IMPLEMENTING AGENCY: MARNDR

PROJECT INITIATED = FY 83

PROJECT COMPLETED = FY 88

NEW:

CONTINUING: X

LIFE OF PROJECT FUNDING ($000):

USAID: 3,808

PL 480 TITLE I: 275

GOH: -

PL 480 TITLE III: 1,500

OTHER DONOR: -

PROPOSED PLANNING LEVELS ($000):	FY 86	FY 87	FY 88
Title III	500	500	500

PROJECT PURPOSE:

To develop the institutional capability of MARNDR to conduct and coordinate a national program of farming systems research and statistics to support the country's agricultural development program. Additionally, the traditional small farmer will be provided with a package of appropriate technologies for increasing farm productivity while simultaneously being made aware of the importance of environmental preservation.

PROJECT DESCRIPTION:

The project consists of two components viz: farming systems development and agricultural statistics. On-farm trials will be carried out at two mountainous and two plains locations in the Southwest peninsula. These trials will be carried out by farmers cooperating with recent graduates of the Faculty of Agronomy and project personnel. A total of 1,200 trials will be carried out and 200 student interns trained during the LOP. These trials will lead to the development of field-tested technological packages understood by the farmers using them.

The Agricultural Statistics component will develop a capability within MARNDR to obtain, analyze and disseminate on a timely and on-going basis an integrated system of agricultural and socio-economic information. This information will be current and accurate, serving as a basis for agricultural sector planning and management decision-making.

Inputs provided in the project include technical assistance, related local personnel costs, participant training, vehicles, spare parts, construction supplies and project evaluation.

BENEFICIARIES:

Over 110,000 farm families will benefit as a result of increased productivity, improved income and nutrition levels through the adoption of appropriate technological packages and greater participation in the marketing of their products. Institutionally, a cadre of 200 national technicians will receive sound "hands on" training in farming systems research methodology, agricultural data gathering, compilation, analyses and dissemination. The MARNDR will be equipped with fully functional and operative units of agricultural statistics and training systems.

RELATIONSHIP TO TITLE III STRATEGY:

Through the successful implementation of this project, small farmers will have acquired the know-how for increasing production levels of food crops and coffee on a sustained basis. Increased farm production will be achieved using sound soil conservation and environmental preservation techniques. Additionally, the MARNDR will have at its disposal an on-going functional system for gathering and disseminating accurate agricultural information. Such a system will enable the Ministry of Agriculture to make sound policy level decisions to enhance Haiti's long term capacity to produce and make available food and fiber for Haiti's growing population. These targets are all consistent with the Title III objectives of higher agricultural production, with an emphasis on (i) raising and sustaining the productivity, incomes and market participation of small farmers; and (ii) improved economic efficiency in the marketing and distribution of agricultural and food production.

PROJECT TITLE: Cereal Production Improvement

IMPLEMENTING AGENCY: MARNDR

PROJECT INITIATED = FY 86 PROJECT COMPLETED = FY 89

NEW: X CONTINUING:

LIFE OF PROJECT FUNDING ($000):

USAID:	-	PL 480 TITLE I:	-
GOH:	-	PL 480 TITLE III:	1,500
OTHER DONOR:	-		

PROPOSED PLANNING LEVELS ($000):	FY 86	FY 87	FY 88
Title III	500	500	500

PROJECT PURPOSE:

To expand and improve production of rice and low-land corn and sorghum through a program of on-farm demonstration trials and professional training.

PROJECT DESCRIPTION:

Corn and sorghum predominate on the hillsides of Haiti while rice is cultivated on the irrigated plains and other low-lying areas. Because of the intensity of cultivation, lack of sound soil conservation and soil management practices, as well as poor crop husbandry techniques, yields of corn and sorghum rank among the lowest worldwide and productivity levels are characterized by a steady decline. On the other hand, production and productivity levels of rice have registered impressive gains due to research and development efforts of several donor organizations. In [illegible], Haiti is rapidly attaining self-sufficiency levels in rice given present levels of demand. It is expected that this encouraging trend in rice output will continue and perhaps even improve as more farmers become exposed to technological advances and irrigation becomes more accessible.

In the case of corn and sorghum, much recent developmental work has demonstrated that yields could be tripled under present peasant cultivation practices, provided that higher yielding varieties and improved crop and soil management practices are employed. This project will demonstrate that more corn and sorghum could be produced on the lowlands, valleys and plate[illegible] Haiti while concommitantly reducing significantly the extent to which the hillsides are used for annual crops. As a consequence, the rate of soil loss and stream bank erosion would be lowered. Efforts will also focus on improved rice yields and grain recovery rates.

To achieve these project objectives, the project will undertake a number of activities: 1) a program of "hands on", in-service training of young agronomists ("agronomes") by local professional personnel; 2) adaptive variety and soil management trials by Damien personnel, including on-farm verification trials; 3) a program providing for selected farmers grouped in associations production inputs (seeds, fertilizer, and tillage equipment) to demonstrate the feasibility of technical packages.

The project will provide inputs such as local professional personnel, local supplies, farm tillage equipment and training for farmers.

BENEFICIARIES:

Through extension outreach and provision of credit for production inputs, an estimated 100,000 small farmers will benefit directly from this project. Increased production of cereals will improve the nutritional status of their families.

RELATIONSHIP TO TITLE III STRATEGY:

The Title III Strategy seeks to create an improved agricultural policy environment for promoting changes in Haiti's agricultural product mix and food availability through: (1) higher agricultural production, with an emphasis towards raising and sustaining the productivity, incomes and market participation of small farmers, and (2) improved economic efficiency in the marketing and distribution of agricultural and food production exports, and imports. This project is designed to fulfill these stated objectives by focussing on increased productivity levels of cereals corn and sorghum on the lowlands while concommitantly reducing the intensity and level of cultivation of corn and sorghum on Haiti's hillsides. In so doing, the loss of soils, will be slowed and permanent crops such as pasture, coffee, cocoa, fruit and forest crops can be established to ensure sustained production under sound soil conserving farming practices.

PROJECT TITLE: Crop Protection

IMPLEMENTING AGENCY: MARNDR

PROJECT INITIATED = FY 86 | PROJECT COMPLETED = FY 89

NEW: X | CONTINUING:

LIFE OF PROJECT FUNDING ($000):

USAID:	600	PL 480 TITLE I:	30
GOH:	-	PL 480 TITLE III:	750
OTHER DONOR:	-		

PROPOSED PLANNING LEVELS ($000):	FY 86	FY 87	FY 88
Title III	200	250	300

PROJECT PURPOSE:

To increase the capabilities within MARNDR for research and extension in crop protection.

PROJECT DESCRIPTION:

Crop protection is an essential part of agricultural production. Yields can often be increased 20-50 percent by protecting crops from weeds, rats, birds, diseases, insects and root nematodes.

Similarly, insects, rats, high humidity and unfavorable temperatures continue to cause significant losses in both quality and quantity during post-harvest storage. These losses in the aggregate significantly reduce food availability and farm income to farm families. In Haiti, where farm production and productivity is marginal, pre-and post-harvest losses exacerbate existing nutritional deficiencies in the human population, further reducing levels of health and productivity.

At present, little effort is made to protect maturing crops. Weeds are removed periodically from fields with crops, but insects, nematodes, diseases, and vertebrate pests are rarely controlled. Similarly, appropriate technology has not as yet been developed to protect products stored for consumption, sale, or for use as seed. Through the Vertebrate Pest Control Project, a start has been made to strengthen crop protection activities in Haiti. This project has established an office-laboratory complex that now houses the Plant Protection Service of the Ministry of Agriculture. From this center, efforts are being made to regulate plant importations, enforce phyto-sanitation regulations, and to develop effective methods to reduce crop damage by vertebrate pests. This work must be continued and new programs are needed to train staff and develop capabilities in:

1. identification and assessment of damage by diverse pest species;

2. development of cost effective control methods to reduce vertebrate and disease losses to crops;

3. extension of methods through on-farm demonstration and training; and

4. laboratory research in the areas of toxicology, physiology, chemistry and biology.

To achieve the stated objectives of this project, the MARNDR must provide its small but highly-trained crop protection staff with the wherewithal to continue present activities and to expand into those areas that are not presently covered. Funds must be budgeted to cover recurrent costs such as salaries, vehicle maintenance, office and laboratory supplies, and field trials.

BENEFICIARIES:

Immediate beneficiaries will be 70,000 small rice producers in the Artibonite, Les Cayes, and Northern regions of Haiti. Other direct beneficiaries will be hundreds of thousands of small lowland and hillside farmers engaged in corn, bean, sorghum, coffee and cocoa production.

RELATIONSHIP TO TITLE III STRATEGY:

For the past seven years, per capita production of cereals, coffee and cocoa has stagnated or even declined. One reason for this is that appropriate technological practices for increasing small farm production levels are lacking. Another is the serious loss of crops during pre and post harvest due to planting and storage methods currently used.

The proposed crop protection program will ensure the continuity of one of the important service divisions of the Ministry, the creation of which was largely accomplished through USAID's Development Assistance and Title I funds. An effective program of crop protection will result in increased food availabilities from improved on-farm storage facilities and planting techniques.

130x

PROJECT TITLE: Coffee/Cocoa Production

IMPLEMENTING AGENCY: MARNDR and Selected Cooperatives and PVO's

PROJECT INITIATED = FY 86 PROJECT COMPLETED = FY 88

NEW: X CONTINUING:

LIFE OF PROJECT FUNDING ($000):

USAID: 4,000 PL 480 TITLE I:

GOH: - PL 480 TITLE III: 1,700

OTHER DONOR: 500

PROPOSED PLANNING LEVELS ($000):	FY 86	FY 87	FY 88
Title III	500	500	700

PROJECT PURPOSE:

To develop and disseminate coffee and cocoa technologies appropriate to local farming systems by reinforcing the private and public institutions involved in coffee and cocoa research, extension, and promotion.

PROJECT DESCRIPTION:

By working through the Ministry of Agriculture's district offices and selected cooperative and PVO groups, the project will promote improved coffee/cocoa production through better varieties and rationalized production techniques.

Farm-level production and income impacts of coffee export tax reductions will be monitored and analyzed by research and policy analysis.

Under this project, a research/extension program on the adaptability of coffee varieties will begin. The development of new coffee farming systems will also be designed and diffused. The Central American coffee program (PROMECAFE) will establish on-farm research trials and provide training to personnel of the coffee exporters association, to monitor field experimentation results and to formulate them into technical packages. On-farm testing of the technical packages will be conducted to determine their acceptability by small farmers. By year 3 of the project, new coffee farming systems will be developed; productive varieties will be identified; and local organizations will be able to support coffee extension activities.

Inputs include project personnel and operating expenses, equipment and supplies for training and on-farm demonstrations.

BENEFICIARIES:

Approximately 384,000 small Haitian farms produce coffee and cocoa, and approximately 2,000,000 people to varying degrees derive their livelihood from the crop. Coffee and cocoa are the principal export crops for Haitian small holders.

RELATIONSHIP TO TITLE III STRATEGY:

Coffee/Cocoa promotion lies at the heart of the Title III Strategy of encouraging those crops in which Haiti has a natural resource comparative advantage. Correcting the policy constraints that discourage increased export of coffee and cocoa (i.e. export taxes and policy distortions in the grain market) is a first necessary step. However, this project will take the second necessary step to make new appropriate coffee and cocoa technology available to the Haitian coffee farmer.

The introduction of improved coffee varieties and modern coffee technology in Haitian peasant farming systems will increase productivity and will bring a sustained increase in the income of small farmers while also serving to check soil erosion on their hillside fields.

PROJECT TITLE: Animal Health and Husbandry Improvement

IMPLEMENTING AGENCY: MARNDR

PROJECT INITIATED = FY 86

PROJECT COMPLETED = FY 88

NEW: X

CONTINUING:

LIFE OF PROJECT FUNDING ($000):

USAID: -

PL 480 TITLE I:

GOH: -

PL 480 TITLE III: 1,250

OTHER DONOR: -

PROPOSED PLANNING LEVELS ($000):	FY 86	FY 87	FY 88
Title III	250	500	500

PROJECT PURPOSE:

To increase the productivity of Haiti's livestock subsector through improved animal disease surveillance and control and through the development of locally produced livestock feeds.

PROJECT DESCRIPTION:

The project will have two major thrusts:

1. Assistance to the Veterinary Service in dealing with the specific requirements of surveillance and control of animal diseases and parasitic infestations in domestic animals.

2. Institutionalization of a Haitian capacity to do feedstuff analyses and a research program aimed at better commercial utilization of the available feed resources in the country.

The project is designed to reach farm animals through the prevention and treatment of contagious diseases. This will be accomplished by improving services and outreach capabilities of MARNDR and PVOs. Data on animal production and distribution will be collected and updated. Additionally, research on livestock feed sources suitable to marginal lands and applicable to the North West Central Plateau's and Southern Peninsula's ecological conditions will be undertaken. The project is expected to reach more than 400,000 animals annually in parasitic control programs, and immunize cattle and equine against prevailing contagious diseases. More than 40,000 cases will be treated in its clinics (ailments and surgery). More than a million cattle, pigs and goats should derive a better feed ration from this project.

Inputs for the project include personnel, materials, equipment and supplies for the facilities needed to control animal parasitism and contagious diseases.

BENEFICIARIES:

Some 200,000 Haitian farm families will benefit from the improved health and nutritional status of the over 400,000 animals helped under the project. Improved animal health will allow farmers to sell or consume their animals more rapidly, thereby increasing farm income and reducing protein malnutrition, a major cause of human disease in Haiti.

RELATIONSHIP TO TITLE III STRATEGY:

This project is part of the Title III strategy for increasing rural income through improved agricultural productivity and making more food available to improve nutritional status. Small animals, such as pigs, goats and chickens, play an important role in the Haitian small farm system. They are a source of savings and income in times of family hardships. As the Title III program strategy for adjusting the relative return to crop productions begins to have an impact, this project will ensure that the peasant's savings are protected through an improved delivery of animal health services.

PROJECT TITLE: Strengthening Rural Credit Services (BCA)

IMPLEMENTING AGENCY: Bureau de Credit Agricole

PROJECT INITIATED = FY 85 PROJECT COMPLETED = FY 88

NEW: CONTINUING: X

LIFE OF PROJECT FUNDING ($000):

USAID:	4,200	PL 480 TITLE I:	500
GOH:	1,000	PL 480 TITLE III:	4,500
OTHER DONOR:	2,000		

PROPOSED PLANNING LEVELS ($000):	FY 86	FY 87	FY 88
Title III	1,500	1,500	1,500

PROJECT PURPOSE:

To strengthen the institutional capabilities of the Bureau de Credit Agricole (BCA) by increasing the scope and quality of credit, savings, and other financial services on a financially sound basis, and to increase the availability of credit for small farm agricultural production.

PROJECT DESCRIPTION:

The need to develop and expand a self-sustaining formal banking institution in Haiti, given limited availability of small credit and other financial services, provides the basic rationale behind this project. Several efforts have been undertaken in the past but have not as yet succeeded in establishing a truly self-sustaining institution. The GOH and donor organizations have a limited capacity to develop new credit institutions, provide increased loan capital, or continue to subsidize operating expenses. Formal rural credit institutions must therefore take measures to develop on a financially sound and self-sustaining basis by minimizing operating costs and loan defaults, strengthening financial/management practices, and mobilizing locally-generated capital.

The project will help the country's principal rural banking institution, the Bureau de Credit Agricole, implement these changes by providing technical assistance and logistical support. Small farmer loan portfolios will be expanded through improvements in financial management practices and loan repayment rates, and increases in rural savings deposited with the BCA.

The productivity of the BCA staff will be enhanced through training and improved office support. The BCA's role in rural financial markets will be expanded.

Technical assistance will be provided in the areas of financial and organizational management, accounting and automated systems and rural financial market policy. The project also will provide training to strengthen personnel skills and enhance organizational productivity. Injections of loan capital will be made as a result of demonstrated improvements in BCA policy and organizational and financial viability indicators.

BENEFICIARIES:

Under the BCA credit policies, loans are generally given to client groups of small farmers called agricultural credit societies, containing on the average ten members. From FY 81 to FY 83, the number of client groups increased from approximately 2,500 to 3,700. These "clients" represent the 37,000 small farm families already benefiting from BCA services. In the next three years, an additional 5 to 15 thousand farm families are expected to benefit from enhanced and expanded services.

The beneficiaries of the project are located throughout the country due to the wide geographic dispersion of the 46 local offices of the BCA.

RELATIONSHIP TO TITLE III STRATEGY:

The small rural farmer has been and continues to be a major focus of AID's development efforts in Haiti. The availability of credit and other financial services in addition to other tangible and non-tangible inputs is essential if the Title III goal of greater food availability through increased agricultural production and higher rural incomes is to be achieved. Through this project an expanded credit portfolio will finance coffee and cocoa production and at the same time provide additional financing for cereal production through improved inputs. The provision of credit is essential to the overall Title III objective of improving food security in Haiti through export earning generations and increases in production of food staples.

PROJECT TITLE: Irrigation and Soil Conservation Development

IMPLEMENTING AGENCY: MARNDR

PROJECT INITIATED = FY 86

PROJECT COMPLETED = FY 90

NEW: X

CONTINUING:

LIFE OF PROJECT FUNDING ($000):

USAID: 10,000

GOH: 7,000

PL 480 TITLE I: -

PL 480 TITLE III: 7,000

OTHER DONOR -

PROPOSED PLANNING LEVELS ($000):	FY 86	FY 87	FY 88
Title III	1,500	2,500	3,000

PROJECT PURPOSE:

To increase farmers' incomes, employment and production of food crops through the establishment of more efficient soil and water management practices, with complementary conservation and irrigation infrastructure in Haiti's better endowed watersheds.

PROJECT DESCRIPTION:

By undertaking the necesssary construction work, the project will improve the physical state of certain key irrigation systems. The irrigable perimeters jointly chosen for attention will be those that:

-- can be supervised by a minimum number of agricultural district offices;

-- have the most equitable distribution of irrigated plots between small holders; and

-- manifest local organizational possibilities for the mobilization of labor intensive inputs and the formation of water users' groups capable of assuming, physically and financially, operations and maintenance responsibilities.

The watershed/catchment basin of each irrigation system chosen will be the focus of soil conservation infrastructure development and other erosion control initiatives. The project will also extend appropriate farming technologies and crop varieties into the production systems on these hillsides and irrigated plains. The data generated and the lessons learned from this project and others like it will be used to prepare a national soil and water management strategy.

BENEFICIARIES:

A total of approximately 400,000 farm families are the expected beneficiaries of this project. Working through soil and water-users' associations, it is expected that Haiti's farm population will improve its capacity to produce irrigated crops effectively.

RELATIONSHIP TO TITLE III STRATEGY:

This project is central to the Title III emphasis on cereals production in Haiti's bottomlands along with soil conservation measures on the slopes upstream. The project addresses the organizational and management dimension of the Title III effort to slow erosion and improve irrigation practices. By encouraging improved utilization of irrigation water, the project will contribute to the overall Title III objective of increasing agricultural productivity and providing more food to Haiti's growing population. Furthermore, the delegation of operations and maintenance responsibilities to water-user associations conforms to the decentralization thrust being made with this Title III program.

PROJECT TITLE: Local Resource Development

IMPLEMENTING AGENCY: Upper Artibonite Watershed Planning Authority (ODBFA)

PROJECT INITIATED = FY 85 PROJECT COMPLETED = FY 90

NEW: X CONTINUING:

LIFE OF PROJECT FUNDING ($000):

USAID (D.A.):	1,000	PL 480 TITLE I:	-
GOH:	-	PL 480 TITLE III:	1,000
OTHER DONOR	-		

PROPOSED PLANNING LEVELS ($000):	FY 86	FY 87	FY 88
Title III	300	400	300

PROJECT PURPOSE:

To provide spatial and sectoral coordination to donor and GOH efforts to stimulate local participation in land use development activities in the Upper Artibonite Watershed (Central Plateau).

PROJECT DESCRIPTION:

Focusing on the Upper Artibonite watershed (5,820 km^2 in Haiti), the proposed project will develop a viable institutional system for the participatory planning, construction, operation and maintenance of land and water use infrastructure. This institutional system will operate at four levels:

-- The regional representatives of the State for budg.ting, supervision, evaluation and the impartial enforcement of land-improvement tax incentives and scientifically-derived water allocation agreements;

-- The Local Development Agency, usually a PVO, but possibly a team of field agents from the Ministry of Agriculture, for the administration and implementation of the local irrigation and soil conservation program;

-- The Animators, employed by the local development agency to train the participating population to mobilize their own labor and organizational resources in their collective interest; and

-- The strategic "groupements" of the participants themselves, dialoguing, through the animators, with engineers, agronomists and administrators at higher levels over the structure of and their access to land use improvements that they would be willing to construct, operate and maintain.

These well-researched, institutional requirements of doing successful soil conservation and irrigation work in Haiti cannot be met, however, if the focus of the requisite organizational work is arbitrarily limited.

Therefore, the project will enable, through the establishment of local participatory development funds, base-level groupements to pursue their advantage in sectors beyond irrigation and soil conservation. This multi-sectoral outlet will ensure that the groupements can sustain at least sufficient corporate cohesion for irrigation and soil conservation co-operation even when a short term soil or water advantage might divide them. At the same time, these participatory development funds, having been invested in a complementary fashion, will ensure that the income generated from the land use improvements is channeled into the economic development of the watershed.

BENEFICIARIES:

100,000 small farmers in the Upper Artibonite watershed (Central Plateau) will benefit from the new local institutional development and regional planning techniques being elaborated through this project.

RELATIONSHIP TO TITLE III STRATEGY:

This project will make a major contribution to increasing food availability in Haiti, a key to the Title III Strategy. Improved irrigation and soil conservation practices encouraged in the project will increase the productivity of bottomlands in the target watershed.

The project will also reinforce the decentralization efforts of the GOH, making project output more responsive to local needs. The participation of local organizations in the benefits of the projected increase in productivity will ensure that these organizations remain cohesive enough to participate in development interventions in other sectors. This participation process, reinforced by a development fund, will help decentralization efforts. Without the support of local grass-roots organizations, regionalized government agencies would have difficulty retaining a decentralized control over their planning and budgetary operations. This local support will be stimulated by the organizational mode of this project.

PROJECT TITLE: Agricultural Sectoral Studies

IMPLEMENTING AGENCY: Various GOH Ministries and Title III Policy Research Committee

PROJECT INITIATED = FY 86

PROJECT COMPLETED = FY 88

NEW:

CONTINUING:

LIFE OF PROJECT FUNDING ($000):

USAID:	-	PL 480 TITLE I:	-
GOH:	-	PL 480 TITLE III:	500
OTHER DONOR:	-		

PROPOSED PLANNING LEVELS ($000):	FY 86	FY 87	FY 88
Title III	150	250	100

PROJECT PURPOSE:

To undertake the studies necessary to propose additional policy reforms under the Title III program or monitor policy changes being put into effect.

PROJECT DESCRIPTION:

While many aspects of the agricultural problems in Haiti were studied during the preparation of the Title III project, further study of some issues is necessary to formulate additional policy reforms. The most important of these issues are: 1) the agro-processing parastatals with the goal of improving their performance or disinvestment; 2) the impact of import licensing on food prices and how to improve procedures; 3) the feasibility of building facilities for the bulk handling of grain. Several studies are required to monitor the policy changes instituted in the Title III program. One study would monitor the success of proposed coffee tax reductions in improving the return on coffee production for Haitian farmers. Based on results of the study, further tax reductions might be undertaken. The second study would survey the economic impacts of proposed cuts in the price of flour (see Proposed Budget for Studies).

BENEFICIARIES:

This project would improve the decision-making capacity of the GOH and USAID to institute food policies which are beneficial to Haitian peasants and consumers in general.

RELATIONSHIP TO TITLE III:

The effective and timely implementation of the Title III program will require a series of studies for further analysis of parastatals, import licensing, cereal grain bulk handling and coffee tax reduction impacts. Through the agricultural sectoral studies project, the Title III policy research coordinating committee will be provided with the necessary local financing to carry out these studies. An improved policy analysis and monitoring capability on the part of the GOH will contribute to the Title III goal of providing additional food security to Haiti and its people.

In addition to providing Title III funding to the above indicated priority projects, the following types of activities could be funded under the program, as they too would contribute to the goal of increasing food availability and food security.

1. Agricultural Outreach Development -- The purpose of this activity is to enhance both private and public sector capabilities to provide rural Haiti with an improved network of agricultural services.

2. Alternative Energy Sources, Including Fire Wood Production -- This effort will be focused on addressing an important factor for deforestation, i.e., the need for energy in rural Haiti. Under the auspices of this project an expanded research/extension program within the Ministry of Agriculture would be financed.

3. Fisheries Development -- This project could finance activities which would increase the productivity of fisheries and improve the marketing of their catch.

4. Agricultural Information Development -- The purpose of this project would be to strengthen the market information services of private and public sector entities.

5. Seed Multiplication and Other Agricultural Input Supplies -- The objective of this project would be to provide improved seed material and other modern agricultural inputs to small commercial farmers in Haiti.

6. Agricultural Storage Facilities -- This project could provide local financing to expand on-farm storage facilities and promote the creation of local cooperatives for the storage and marketing of foodcrops.

7. Agroindustrial Development and Rural Enterprise Promotion -- The purpose of this activity would be to provide venture capital to promising agroindustrial projects and in general farm related rural enterprises.

8. Vocational Agricultural Education -- This project could assist the GOH in expanding its financing to Haiti's vocational agricultural schools.

B. DESCRIPTION OF HEALTH SECTOR PROGRAM

Sectoral Program Strategy

The Title III health program objective is to facilitate an optimum allocation and utilization of GOH health sector resources to improve the basic health and nutritional status of the population.

The poor health of the population is evident in the high rates of malnutrition, and infant, child and maternal mortality and morbidity. Life expectancy at birth is low. The major causes of this poor health are: diarrhea, malnutrition, respiratory infections, immunizable childhood disease, tetanus, malaria, tuberculosis and pregnancy-related complications. As children under five and women of reproductive age are the most vulnerable to these health problems, priority must be given to primary health services to meet their needs. The most important programs, in terms of mortality and morbidity reduction, are family planning service extension, immunization of children and pregnant women, malaria control and use of oral rehydratation therapies (ORT) for diarrhea. For example, investments in family planning service delivery have been shown in other countries to be the most cost-effective means of improving maternal and child health followed by expanded immunizations and ORT programs.

Recent surveys have shown that progress in addressing the priority health problems has been uneven and generally inadequate. For example, the Contraceptive Prevalence Survey just completed indicated that very few women (less than 3% of rural women and 13% of urban women) are currently using a modern method of contraception (Table III.2). In the immunization program, less than 36% of infants under 1 year of age had received a BCG vaccination (Tuberculosis) and less than 11% of these infants had received the necessary DPT injections (Table III.3).

In December 1982, a policy document, Nouvelle Orientation, was published by DSPP, stating the intention of the GOH to provide health care for all by

Table III.2
FAMILY PLANNING USE BY METHOD AND REGION
AMONG WOMEN EVER SEXUALLY ACTIVE
(Percentage)

	Port-au-Prince C P S (1983)	Other Urban C P S (1983)	Rural C P S (1983)	Total C P S (1983)	Total W F S (1983)
Pill	4.74	3.31	1.16	2.60	3.33
Condom	1.44	0.39	0.00	0.50	1.06
Vaginal Methods	0.14	0.19	0.00	0.07	0.07
Injectables	0.29	0.19	0.22	0.23	--
I U D	0.63	0.19	0.00	0.27	0.45
Female Ster.	1.29	1.75	0.22		
Vasectomy	0.00	0.19	0.00	0.81	0.38
Subtotal except injectables	8.25	6.23	1.38	4.22	5.29
Subtotal with injectables	8.54	6.42	1.60	4.45	--
Rhythm	1.87	2.14	0.36	1.12	4.53
Withdrawal	2.01	2.14	0.95	1.47	4.53
Symptothermique	0.14	0.19	0.00	0.07	--
Subtotal	4.02	4.47	1.31	2.66	9.05
Total except injectables	12.03	10.51	2.69	6.88	14.35
Total with injectables	12.32	10.70	2.69	7.11	--

Source: Mohamed Ayad, Westinghouse Health Systems Consultant from preliminary tabulations from the 1983 Haitian Contraceptive Prevalence Survey.

Table III.3
IMMUNIZATION BY AGE OF CHILD* - MAY/AUGUST 1983
(Percentage)

Vaccines	0-12 mo.	13-24 mo.	25-36 mo.	37-59 mo.	Total
BCG	35.6	50.5	47.2	45.7	41.8
DPT 1 dose only	10.8	13.0	14.2	14.0	12.0
DPT several doses	10.9	16.7	18.4	16.5	13.9
Polio 1 dose only	5.4	9.1	14.2	12.8	8.1
Polio several doses	6.4	12.1	22.6	8.5	10.0
Measles	0.6	1.9	3.8	3.0	1.5
No vaccine	47.6	29.3	27.8	24.3	38.2
Don't know	7.3	12.8	11.3	18.4	10.3
Total	(n=895)	(n=430)	(n=212)	(n=164)	(n=1702)

*Note percentages add up to more than 100 because each child may receive more than 1 vaccine.

Source CPS preliminary data, 1984.

the year 2000. While keeping the same objectives and priorities stated in the National Health Plan, it emphasized primary health care as the strategy to reach these objectives.

To assure adequate and appropriate health service coverage, the new orientation of the DSPP included four key elements: a) a focus on priority health problems; b) decentralization and regionalization; c) improved management at central and regional/district levels; and d) greater community and NGO collaboration.

Improved management and decentralization are critical for the other two elements to work effectively. The DSPP has established a four-region, 15-district decentralized management structure and has begun assigning staff to implement it. This decentralized management system requires that appropriate authority and resources be made available at the level of program execution. For this, the central DSPP technical and administrative support functions are being redefined to more adequately support the regions and districts. It is critical that the health management information system be able to monitor the peripheral performance and use of resources so that the regional district Directors perform as required.

Successful implementation of the new orientation strategy also requires that personnel, drugs, supplies and reliable transport be available and used effectively in rural areas and health facilities to provide consistent quality care. Unfortunately, the majority of medical and nursing personnel are employed in Port-au-Prince and other urban areas where less than one fourth of the population lives. In addition, DSPP dispensaries, health centers and hospitals, especially in rural areas, suffer acute shortages of vaccines, drugs, supplies and even basic equipment. Consequently, the "new orientation" priority programs, which are largely preventive primary care, are not able to reach the people most in need.

The GOH presently allocates more than 10 percent of its budgetary resources to Health Ministry support, or roughly $5 per capita. Even so, the GOH is able to finance its current level of health services only with substantial foreign donor support of operating costs. In 1983, 45% of operating costs were provided by donors, USAID alone providing 34% of total operating costs (Table III.4). These levels of donor support are required because inefficiencies in the use of the remaining functional budget resources frequently impede service delivery. Salaries for the 8,100 Health Ministry employees absorb more than eighty-seven percent of the functional budget for health. As the GOH financial situation does not portend any significant increases for the health functional budget, other options for obtaining the financial resources necessary to implement the Ministry's "Health for All" strategy must be aggressively explored.

One of the anomalies of the Haitian health sector is the fact that almost half of all health institutions are managed or largely supported by indigenous or foreign non-governmental (NGO) voluntary organizations. The value of NGO contributions to the health sector has been conservatively estimated at $10-15 million annually. The DSPP has begun an active campaign to focus these NGO resources on assisting the regional and district levels in implementing priority programs. Thus, one way to maximize the impact of the government's expenditure on health care is to increase the DSPP's effective collaboration and partnership with community and private voluntary groups.

The other method is to actively promote self-financing in DSPP facilities using such mechanisms as registration fees, user fees for services, drug sales and community contributions. There are a number of indications that the Haitian public is willing to pay for emergency and curative are.

While self-financing mechanisms have, in the past, been infrequently employed and vary from center to center, they provide the means for allowing the public to directly contribute to health service operating costs. Various studies have shown that, despite poverty and low per capita incomes among the majority population, average annual out-of-pocket expenditures for perceived health needs range from $8-20 per person. However, only about half of this is spent on modern health care. These out-of-pocket modern sector health care expenditures include the costs of drugs and transportation to a treatment

Table III.4
DSPP BUDGET AND EXPENDITURES
FOR FISCAL YEAR 1983
(US $ '000s)

Source	Budget	Expenditures	Percent of Budget Spent	Percent of Expenditures
Tresor Public				
Operating Account (a)	16,082	16,302	101.3	
Development Account (b)	904	874	96.7	
Subtotal	16,986	17,176	101.1	51.1
Other GOH (c)	1,400	1,400	100.0	4.2
USAID				
PL 480 Title I (b)	4,252	5,146	121.0	
Development Assistance (d)	7,000	6,181	88.3	
Subtotal	11,252	11,327	100.7	33.7
Other Donors (e)	3,740	3,740	100.0	11.1
Total	33,377	33,642	100.8	100.0

(a) Budget from DSPP Monthly Allocation Records; Expenditures from Ministry of Finance Records

(b) Budget from Ministry of Finance "Plan d'Investissement 82/83" Expenditures from Ministry of Finance "Ventilation des Depenses des Administrations Publiques au Titre du Budget de Developpement par Origine de Financement et par Comptes Courants Beneficiaires: Exercice 82-83"

(c) Budget from Ministry of Finance "Plan d'Investissement 82/83"; Expenditure data not available - Expenditures assumed to equal budget for purpose of calculating total expenditures.

(d) Budget from USAID/Haiti Public Health Office Expenditures from, "USAID Congressional Presentation: FY85"

(e) Other Donors calculated by subtracting USAID Development Assistance Budget from Total of Foreign Donors. Expenditure data not available - Expenditures assumed to equal budget for purpose of calculating total expenditures.

148

facility. The health system needs to capture a larger proportion of these private resources and utilize them to improve the availability and quality of services.

The DSPP has already taken steps to increase self-financing and improve services through AGAPCO which was created in September 1982 to help reduce the cost of drugs. By using generic drugs and making them accessible to institutional and village pharmacies, AGAPCO, which is intended to become financially self-sufficient in five to eight years, has established a commercial system which provides drugs throughout Haiti. Although considerably more can be done to improve AGAPCO management and drug sales, results to date show that institutional and community pharmacies can generate revenues for health care activities and operational costs while providing the public with drugs at considerably less than private commercial rates.

Since December 1982, in spite of three changes of Minister, the policy outlined in the Nouvelle Orientation has been followed. The six health priorities identified in 1976 are still the official DSPP priorities and several programs in these areas have been launched. Regionalization is now a reality, although decentralization is not yet complete.

In summary, the Ministry of Health and Population has articulated a comprehensive and well-researched "Health for All" strategy for improving health status. Yet only by effectively redirecting its resources can the Government hope to achieve its goal by the end of the century. This will require serious efforts to control recurrent costs, to allocate available funds to more adequately support Government priorities, to generate additional revenues and to maximize use of PVO resources to complement the limited GOH budgetary resources.

In collaboration with the DSPP and in support of the DSPP's "Health for All" strategy, the following strategic operational objectives and policy reforms to support these objectives will be pursued under the Title III program.

Operational Objectives

1. Promotion of cost effective primary health care (PHC) approaches emphasizing collaboration with NGOs and community groups.

Since nearly half of all public health facilities are managed by PVOs, the DSPP will need to take full advantage of their potential contribution to the health sector. USAID, through an FY 83 ESF grant to the Association of Private Health Organizations (AOPS) was able to stimulate support to private voluntary facilities throughout Haiti to implement community health activities which now reach a total population of over 100,000. Support to AOPS will continue as greater emphasis is placed on expanding PHC services and controlling DSPP operating costs.

Recognizing that, in some areas, DSPP and PVO resources should be combined to avoid duplication of services, we will support DSPP policy of encouraging gradual development of mixed facilities.

Various mixed configurations exist, ranging from medical and paramedical staffing by DSPP to program support and supervision by District Administrators. To ensure a minimum of duplicate programs and an increase in mixed health service organizations, the DSPP will promote collaborative planning at district and regional levels.

In addition to expanded utilization of private and mixed health facilities which will stretch limited DSPP resources, greater use of community participation in extending health services will be undertaken. Health staff will work closely with community council health committees to design and implement programs in sanitation, local production of weaning foods, child growth monitoring, and family planning, as well as to support rally posts where MCH/FP services can be provided, community pharmacies and contraceptive and ORTS sales depots.

Haiti's history of strong community involvement in health is evidenced by the national anti-malaria program that relies on over six thousand volunteers. Plans are now being formulated to use these volunteers more effectively in the following ways:

-- Disseminating family planning information and distributing contraceptives;

-- publicizing and promoting immunization programs;

-- assisting with the identification of cases of tuberculosis or severe malnutrition;

-- encouraging attendance at rally posts where nutrition and MCH services will be available.

2. <u>Strengthening of DSPP administrative and financial management capacities</u>.

The strengthening of DSPP management capabilities, including its logistic support system at central and district levels, is crucial for the achievement of other health sector objectives. In this connection, long and short-term technical assistance in appropriate management techniques and procedures will be provided through RHDS and Targeted Community Health Outreach project assistance. Management and supervisory training throughout the regional network will also be increased as regionalization and decentralization are completed.

Assistance will also be provided to assist the DSPP to analyze costs and develop budget control procedures as well as financial management training. This aspect of our assistance will take on greater importance as new revenue generating mechanisms for maintaining the health care system are introduced. Operational and applied research on service delivery mechanisms, community impact and cost effectiveness of present and proposed health activities will be undertaken on a more sustained basis as financial management skills are sharpened through training programs.

Support for the development of computer assisted management information systems will also be provided under the Title III program. Improvement in budgetary control of personnel costs within the DSPP was made possible under the Rural Health Delivery System Project by developing a consolidated computerized list of employees and salaries. This enabled the DSPP to eliminate duplicate payments and reduce costs by over $50,000 a month. Increased use of computers within the DSPP health delivery network will enable the Ministry to develop its computerized management information and reporting systems.

Improved management information and reporting systems will also address the problem of logistics support. An improved delivery of supplies and equipment to local health facilities requires strengthening of management, not only at the district level, but at the central level as well. AGAPCO, which has already realized major improvements in maintaining drug supplies at all levels of the DSPP system, will continue to benefit through expansion under Title III.

3. Identification and development of alternative revenue sources for recurrent health care costs.

One of the primary objectives of the Title III Program is to agree upon measures to better manage the budgetary implications of the present recurrent cost burden, as well as to determine how to approach new development investments in a way that will suppress recurrent cost build up. Management of operating costs in the health sector is a priority problem and must be the cornerstone of any strategy to improve the financial and program stability of the DSPP and to decrease high levels of dependency on foreign donor support of operating costs.

To address the problem, a study of health service user fees will be carried out along with a study of factors affecting demand for and use of health services when fees and charges are levied. Strategies to accelerate generation and use of institutional receipts to fund operating costs must be linked to:

-- improvements in management and supervision at every level of service activity;

-- further decentralization of financial and program activity to the regions;

-- fullest possible use of private and mixed providers.

In some elements of the national health system, there is already significant revenue contribution from patient fees. Over a ten-year period, the proportion of patients not able to pay at least a minimum fee at the Hospital Albert Schweitzer in Deschapelles was reported to be less than 1%.

Another option under study concerns adding private wings on to public hospitals. A portion of fees charged by physicians to private patients would be returned to the institution. For example, the private wing and other revenue operating services of the Justinien Hospital in Cap Haitian generates an amount equivalent to 60% of that provided by the Tresor Public for supplies.

Although there has been progress in reinforcing the health infrastructure, the impact of the priority programs, as could be expected, is not yet apparent at the level of health indicators (see Table III.5). It is clear that the objectives set in 1976 for 1986 will not be met. It is hoped, however, that since some of the necessary programs are in place and the DSPP infrastructure has been strengthened, a favorable change in these indicators will occur.

Before describing the management steps required to meet this operational objective for each of the priority areas, it should be mentioned that a draft population policy has been prepared by an ad-hoc inter-ministerial committee and is presently being reviewed by the GOH. Such a policy, if officially adopted and vigorously supported, could have a great impact both on fertility and on morbidity and mortality rates.

Table III.5

HEALTH INDICATORS OBSERVED IN 1978 AND 1982

Targets for 1986 and 2000

	1978	1982	1986	2000
General Mortality Rate	14.4	16.5	11	8
Infant Mortality Rate (IMR)	125	124	110	50
Maternal Mortality Rate	3.2	3.2		
Life Expectancy	53 yrs.	52 yrs.	57 yrs.	65 yrs.
Crude Birth Rate (BR)	36.7	36	33	20

4. Increased availability and utilization of family planning services.

In February 1984, the President identified continued population growth as a serious impediment to development. The next step toward a sustained and increased use of family planning services should be a GOH articulation of an official population policy and a means for its execution.

Technical assistance and financial support will be provided to set and monitor appropriate method-specific targets for each cooperating health facility. In addition, appropriate informational materials will be developed and made available to health workers and clients. Support for initial and continuing education and training of medical and paramedical staff in family planning will be continued.

Steps will be taken to improve the availability of contraceptive supplies and services. Specifically, increased participation of "agents de Santé" and NGOs in the provision of family planning services will be encouraged. We will also support, through ESF funds, appropriate NGO requests for assistance in establishing and expanding family planning services.

Increased participation of SNEM (National Endemic Disease Service) volunteers in the delivery of family planning materials is also planned under the Title III program. An operational research project supported by AID/W demonstrated that 80 malaria volunteer workers with only brief training in household contraceptive distribution techniques coul increase rural contraceptive use in 9 months from just under 10% of non-pregnant women in union to over 25% in an overall population of over 50,000. With appropriate project design adjustments, malaria volunteers and other community volunteers throughout Haiti will begin contraceptive distribution on an expanded scale.

Policy Reforms

Current inefficiencies in the allocation and utilization of available health resources are constraining implementation of the GOH "Health for All" strategy. Specifically the strategy is constrained in two critical ways:

1. The financial resources of the Haitian Government available for the DSPP, which are an amazingly high proportion of the national budget (15%), are insufficient to meet requirements, and this gap will increase over the next few years as graduating doctors and paramedics are added to the rolls and newly constructed dispensaries and health centers are put into operation.

2. There are severe imbalances in the present health (DSPP) budget; the 87% devoted to personnel costs leaves a totally inadequate amount to be allocated for drugs, transport, training and health education -- all of which are essential inputs to create effective access to minimum primary health care services.

To meet the budgetary shortfalls needed to cover the costs of delivering health care services, grants and loans from foreign bilateral and international organizations and the contributions of private voluntary agencies are necessary. The Haitian basic health care model and the necessary supporting infrastructure, as they have evolved, have had little reference to the ability of the DSPP to attract government revenues or generate extra budgetary resources to support the growing costs of the total system. In the absence of a carefully focused national health plan and the capacity to evaluate and accurately assess the cost implications, there has been a proliferation of health care initiatives, offered by a host of eager donors. The full cost implications of these health programs are becoming evident as the Haitian Government is experiencing a severe financial and budgetary crisis.

The long-term solution to the health sector financial problems can be partially met by an accelerated rate of national development. In the shorter term, the PL 480 Title III program provides a framework from which to explore and develop a set of complementary actions aimed at creating and/or restructuring an effective and affordable health care system.

We support the GOH health strategy and believe the critical policies and programatic issues required to effectively implement this strategy should be the policy agenda for the health component of the Title III program.

The following five point strategy provides a basic framework designed to achieve the objective and address the key problems impending health sector development. Necessary policy reforms are included in the strategy.

1. <u>Improved Management and Financial Control of the Ministry of Health</u>

   a. The GOH will develop annual plans for the allocation of health resources (personnel, vehicles, equipment, and construction) emphasizing rural primary health care.

   b. The Ministry of Health's functional and development budgets for all three years of the Title III program will reflect the increasing emphasis on rural primary health care by funds provided to regional, district, and commune facilities and their activities.

2. <u>Completion of the Process of Decentralization of the Ministry of Health</u>

   a. The Ministry of Health will complete the administrative and procedural adjustments necessary for decentralization of authority and budgetary control to regional and district offices during the first year of the Title III program. This will include implementing streamlined procedures for the release and management of funds and restructuring the Ministry to provide adequate technical and administrative support to the Regions and Districts.

b. The Ministry of Health will establish annual performance targets in the priority health programs for each region, district, and commune. These performance targets will be used to measure progress and to design or readjust support activities of the central office.

3. Reduction of Recurrent Costs Increases in the Health Sector

a. The GOH will develop a standardized system for the collection of health service fees and establish the requisite legal or administrative procedures to permit these fees as well as the proceeds from drug sales to be retained by the commune, district and regional public health facilities to augment their operating budgets. The standardized system will be developed during the first year of the Title III program, and the requisite legal and administrative procedures will be in place by the end of the second year.

b. The Ministry of Health will continue to strengthen and support the community pharmacy program (AGAPCO) with the goal of expanding AGAPCO sales by 25 percent each year of the Title III program.

4. Improvement of Ministry of Health Collaboration with Non Governmental Voluntary (NGOV) Health Providers

The Ministry of Health will continue to encourage, during the three years of the Title III program, NGOV participation in the implementation of the national health plan by: 1) establishing minimum standards of care to be provided by these health services; 2) continuing to support NGOV community medicine programs; and 3) reducing duplication of services such that the establishment of new public health facilities is reserved for areas with no currently existing public or NGOV services.

5. Improved Access by Population to Family Planning Services

a. The Ministry of Health will establish family planning performance targets for all public health facilities each year of the Title III program. By the end of the first year of the program, the Ministry will establish a monitoring system and determine appropriate incentives to be provided annually to those facilities that achieve or surpass their performance targets.

b. The Ministry of Health will expand the utilization of non-clinical family planning programs both within the Ministry and with other GOH Ministries. By the end of the first year of the Title III program, the Ministry of Health will initiate a pilot program utilizing Malaria community volunteers to distribute family planning information and supplies. If that program is successful, the Ministry of Health will continue the expansion and, during the third year of the Title III program, initiate additional programs with other governmental services.

c. The Ministry of Health will encourage and support the expansion of non-governmental health and social services providers in the promotion of family planning information and services.

Table III.6 is a time table for the implementation of the s ategy.

Projects to be funded under Title III

Despite substantial progress in implementing various activities planned within our current portfolio of health projects, a growing awareness of the underlying financial constraints has necessitated reassessment of our assistance strategies and expectations. The Title III program proposed herein provides a vehicle for more specifically strengthening the underlying financial support mechanisms necessary for sustaining primary health care

Table III.6
TIME TABLE FOR IMPLEMENTATION OF STRATEGY

Strategy Objective	Implementation	Timing
1. Improved management and financial control of Ministry of Health	- Annual health resource allocation plan developed	Annually
	- Increased allocation of funds to regional, district, and commune facilities	Annually
2. Decentralization of Ministry of Health	- Administrative procedures for DSPP decentralization completed.	FY 1986
	- Annual performance targets established and used for DSPP management.	Annually
3. Reduction of recurrent cost increases in health sector	- System for health service fees developed.	FY 1986
	- Legal and administrative procedures for health services fee system established.	FY 1987
	- Community pharmacy (AGAPCO) sales increased by 25%.	Annually
4. Improvement of Ministry of Health collaboration with Non-Governmental Voluntary Health providers	- DSPP establishes minimum standards for NGO facilities.	FY 1986
	- Continue support of NGO community medicine programs and reduce duplication of services.	Annually
5. Improved Access by population to Family Planning Services.	- Performance targets for family planning services set.	Annually
	- Family planning monitoring and incentive system established.	FY 1986
	- Family planning monitoring monitoring and incentive system implemented.	FY 1987 and FY 1988

Table III.6 (cont'd)

Strategy Objective	Implementation	Timing
	- Begin and expand pilot family planning program using malaria community volunteers.	Annually
	- Begin additional family planning programs with other governmental organizations	FY 1988
	- Encourage promotion of family planning in NGO facilities.	Annually

services jointly with the Government of Haiti. This collaboration is the natural and logical mechanism for facilitating the evolution toward a public health system, "capable of assuring total health coverage, of satisfying the most pressing health needs of the population at an affordable cost, sustainable by the country, by combining national resources and external assistance and by stimulating the active participation of the community" (quotation from "New Orientation").

To the extent that the Title III program succeeds in its objectives, effective health coverage can surpass that planned in our current projects. Resources freed through improved management policies and cost control techniques can be targeted for the most pressing health problems, e.g. diarrhea, malnutrition and communicable disease. Effective mobilization of community and private voluntary human and financial resources can stretch the impact on health of Governmental initiatives.

The complementarity between the proposed Title III program and the developmental strategies of both the DSPP and USAID is striking. While it would be unrealistic to anticipate complete resolution of the health sector financial problems within the planned three year Title III period, what can be expected is the establishment of a collaborative process combining indigenous and foreign resources aimed at satisfying basic health needs. This foundation and the more cost effective management systems and services which evolve will be mutually reinforcing. With Haitian will and determination, the necessary restructuring of the health care system can be effected. As private sector participation and community collaboration increase, an impetus toward improved health status will be created.

The following pages contain detailed descriptions of projects to be funded in the health sector under the Title III program.

PROJECT TITLE: Targeted Community Health Outreach

IMPLEMENTING AGENCY: Ministry of Health (DSPP)

PROJECT INITIATED = FY 85 PROJECT COMPLETED = FY 90

NEW: X CONTINUING:

LIFE OF PROJECT FUNDING ($000):

USAID:	13,000	PL 480 TITLE I:	-0-
GOH:	6,000	PL 480 TITLE III:	6,000
OTHER DONOR:	1,200		

PROPOSED PLANNING LEVELS ($000):	FY 86	FY 87	FY 88
Title III	2,000	2,000	2,000

PROJECT PURPOSE:

The project will assist the Ministry of Health and Population (DSPP) to consolidate and strengthen its capacity to plan, implement and evaluate targeted, cost effective basic health services aimed at the primary causes of morbidity and mortality in Haiti.

PROJECT DESCRIPTION:

This project will extend and improve cost-effective primary health care services (PHC) and is especially targeted at ensuring the availability of oral rehydration therapy (ORT) and immunization services which will significantly impact on infant and child mortality. The basic project strategy is to encourage more effective mobilization of existing health sector resources for priority programs. The strategy elements include reallocation of GOH resources, better utilization of PVO health resources, increased use of self-financing schemes, use of cost-effective health technologies, and improved service organization, management and support.

The project will consolidate and strengthen several recent Ministry initiatives begun under the Rural Health Delivery Systems Project, 521-0091 and incorporate several complementary new elements. The major project activities will thus include:

1. Improved financial and administrative management through expanded use of the computer-assisted management information system; training in budgeting and cost control; program-based budgeting and performance-based planning; and evaluation of priority service programs.

2. Decentralization of service organization and management through strengthened supervision; recruitment and training of district and regional technical support staff; closer collaboration and resource sharing among private, community and Ministry health facilities.

3. Emphasis on cost recovery through expanded use of generic drug sales, fees for services rendered, pre-paid health programs and private service wings attached to public facilities.

4. Implementation of four priority primary health care programs using paramedical and village volunteer health collaborators. These programs include diarrhea control, immunization of children and pregnant women, nutrition surveillance, and tuberculosis vaccination and control.

The AID grant will support short- and long-term technical assistance to strengthen the management information system, the organization and management of delivery priority services, the analysis and testing of cost recovery schemes, the logistics support at the central and district levels, and the development of health education services in each district.

The grant will also support the vehicles, equipment, supplies and drugs necessary for the functioning of community health activities. Training primarily in-country will focus on skills necessary to plan, implement, and evaluate the priority services.

BENEFICIARIES:

The project is expected to provide effective access to priority health services to seventy-five percent of the mothers and children under five in rural areas of Haiti. Thus, over 1.8 million children under five will be vaccinated and have access to oral rehydration therapy and growth surveillance monitoring. Nearly 1 million women will be vaccinated against tetanus and receive prenatal and postnatal counselling and services.

RELATIONSHIP TO TITLE III STRATEGY:

The Title III strategy stresses improvements in agricultural productivity. Improved health among the rural population is a necessary element in improving rural productivity. Title III also stresses reduction of the recurrent cost burden of the GOH. This project is essential in reducing recurrent costs in the health sector. First, the project will improve the efficiency with which available resources are spent through stricter financial control and more careful allocation of resources to priority programs. Second, the proposed reforms will allow the health system to collect fees for services which are then spent on improving local service. This will lower the recurrent cost burden on the public treasury to allow a decentralized health system to be more responsive to local needs.

PROJECT TITLE: Family Planning Outreach

IMPLEMENTING AGENCY: DSPP

PROJECT INITIATED = FY 82

PROJECT COMPLETED = FY 88

NEW:

CONTINUING: X

LIFE OF PROJECT FUNDING ($000):

USAID: 14,100

PL 480 TITLE I: 1,200

GOH: 720

PL 480 TITLE III: 900

OTHER DONOR: 4,200

PROPOSED PLANNING LEVELS ($000):	FY 86	FY 87	FY 88
Title III	300	300	300

PROJECT PURPOSE:

This project assists the Government of Haiti in strengthening and extending family planning services throughout Haiti by: (1) improving GOH institutional capacity to plan and implement family planning services, (2) expanding the availability of services provided through the GOH and the private sector.

PROJECT DESCRIPTION:

The project provides assistance in four areas essential to the national family planning effort: (a) improving and expanding the delivery of voluntary contraceptive services through public and private, voluntary health facilities; (b) increasing community support for family planning through community councils, women's groups, cooperatives, etc.; (c) improving program management through use of modern management techniques, operations research and continuous evaluation; (d) promoting a national dialogue on population growth and development interactions.

Over 75,000 couples now practice family planning (12% of the target couples). The 1987 goal is to have 50% of women in union and at risk protected from unwanted pregnancy by temporary methods and 3% protected by permanent voluntary sterilization. AID assistance includes contraceptives, equipment and supplies, technical assistance, participant training and local cost support.

BENEFICIARIES:

The primary beneficiaries of this project are some 200,000 poor Haitian families, particularly the mothers and children whose lives and health are improved through use of family planning.

RELATIONSHIP TO TITLE III STRATEGY:

The Title III strategy in agriculture is based on increasing rural family income. Successful implementation of family planning service programs in rural areas can directly facilitate a reduction in rural population density and improve rural family welfare. Access to family planning services which benefit the most economically vulnerable provides a cost-effective and humane means of encouraging an equilibrium between people and agricultural resources in rural areas.

The implementation of a targeted family planning program is also one of the key elements of the Title III health sector assistance. An effective family planning program in combination with other primary health services is a necessary partnership if the Ministry of Health is to achieve its "health for all" goals by the end of the century. The long-term goal is a balancing of birth and death rates at lower rates which will improve the quality of Haitian life significantly.

PROJECT TITLE: Management of Malaria I and II

IMPLEMENTING AGENCY: SNEM

PROJECT INITIATED = FY 82 | PROJECT COMPLETED = FY 90

NEW: | CONTINUING: X

LIFE OF PROJECT FUNDING ($000):

USAID: 16,000 | PL 480 TITLE I: 3,100

GOH: 1,800 | PL 480 TITLE III: 3,100

OTHER DONOR: 10,000

PROPOSED PLANNING LEVELS ($000):	FY 86	FY 87	FY 88
Title III	1,100	1,000	1,000

PROJECT PURPOSE:

The project purposes are: (a) to strengthen the institutional capacity of the GOH's Service National pour les Endémies Majeures (SNEM) to plan and implement effective malaria control activities; (b) to significantly reduce the mortality and morbidity due to malaria using targeted attacks on the geographical foci of the disease.

PROJECT DESCRIPTION:

AID and the Pan American Health Organization have assisted anti-malaria activities in Haiti since 1961, when malaria affected nearly 30% of the rural population. By 1968, an eradication program based on household spraying with DDT had reduced the number of cases to less than 2,000. In recent years, however, the emergence of DDT-resistent mosquitoes has led to recrudescence of malaria in Haiti.

Since 1980, AID project assistance has focused on building a control program to bring malaria levels under control again. A recent survey in the North during the dry season indicated that the residual parasite prevalence in highly endemic areas probably is still 10-15%.

Under the project, there are two primary activities aimed at reduction of malaria: 1) operational household spraying in localities where annual malaria morbidity rates exceed 30 per thousand; 2) supervision and support of SNEM's network of over 6,000 volunteers who provide treatment for malaria. SNEM is also testing different insecticide dosages to determine the most cost-effective level of application. Other control measures include use of larvicide on breeding sites, targeted distribution of anti-malaria drugs and expanded biological control of mosquito larvae.

The planned project outputs include: (a) upgraded administrative and technical skills of SNEM personnel; (b) increased mobilization of self-help community resources; (c) enhanced SNEM operational research capacity; (d) development of an effective epidemiologic stratification and surveillance system; and (e) strengthened anti-malaria field operations.

Collaborating with SNEM in its program are the Government of Japan, which is providing $8.0 million for insecticides, and PAHO, which is allocating $1.9 million in technical assistance and training. AID's contribution will consist of additional technical assistance, vehicles, anti-malaria drugs, supplies and equipment, and a portion of the project's operational costs.

BENEFICIARIES:

The project directly benefits the over 4 million Haitians exposed to the risk of malaria in rural areas and indirectly protects the urban population of over 1 million persons.

RELATIONSHIP OF PROJECT TO TITLE III STRATEGY:

Improving agricultural productivity in Haiti, particularly in coastal plains and river valleys is a major focus of the USAID development strategy in Haiti. These same areas are subject to seasonal attacks of malaria among adults which significantly reduce agricultural productivity during the planting seasons. Thus, an effective and continuous malaria control program is a complementary and necessary element of the Title III agricultural development strategy.

In addition, malaria is one of six major disease problems affecting young children and pregnant women most seriously. Until malaria is effectively controlled, one element of primary health care is missing.

PROJECT TITLE: Community Water Systems Development

IMPLEMENTING AGENCY: CARE and Ministry of Public Works (TPTC) through SNEP

PROJECT INITIATED = FY 84 PROJECT COMPLETED = FY 88

NEW: CONTINUING: X

LIFE OF PROJECT FUNDING ($000):

USAID:	6,000	PL 480 TITLE I:	200
GOH:	500	PL 480 TITLE III:	400
OTHER DONOR: Local Communities Involved:	900	GTZ:	970

PROPOSED PLANNING LEVELS ($000):	FY 86	FY 87	FY 88
Title III	150	150	100

PROJECT PURPOSE:

The purpose of this project is to construct community water systems, establish community water councils to help ensure system maintenance and improve awareness of environmental sanitation upon completion of construction. It will also strengthen the GOH institutional capability to meet the potable water needs of rural Haiti.

PROJECT DESCRIPTION:

This project will be implemented primarily by the following organizations: CARE, Service National de l'Eau Potable (SNEP) and German Technical Assistance (GTZ).

The project includes three major components:

a) The construction/rehabilitation of low maintenance community water systems (mostly gravity-fed) which will serve some 160,000 persons. The construction/ rehabilitation will be supervised and performed by CARE and possibly other private voluntary organizations. The support of SNEP will be phased in over the life of the project.

b) An institution building effort with GOH to strengthen SNEP's capacity to help communities maintain domestic water systems and to enable SNEP to provide both technical and managerial assistance for the establishment of community water associations. A community water resource office will be established within SNEP to assist community groups to manage and maintain rural water systems. GTZ will also provide technical assistance to improve SNEP's institutional capability.

c) Water user education and environmental sanitation program. Community groups will be educated to improve their understanding of the importance of properly utilizing their water supply. This will include improving drainage around public fountains, storage of water, and cleanliness of containers used to distribute water. A pilot sub-project promoting water seal latrines will be tested in conjunction with the installation of water systems.

BENEFICIARIES:

The principal direct beneficiaries of the project will be the approximately 160,000 inhabitants of rural communities through the south and southwest peninsula, where the project activities will be concentrated. Direct benefits include the savings in labor for water carriers (primarily women), through the provision of a conveniently located supply of potable water. Time saved will allow for the pursuit of additional economic activities, e.g., marketing. Furthermore, since much water carriage is done by school age children, more regular school attendance could also result in some areas.

RELATIONSHIP TO THE TITLE III STRATEGY:

The project will improve agricultural productivity through the improved health of its rural participants. Health benefits include: a) protection from infection caused by contaminated water; b) better nutrition, especially for children who get diarrhea from unclean water; c) improved household and personal hygiene. Less money would be spent for treatment of water-borne disease, thereby improving rural household income.

Additional Health projects which may be funded with Title III include the following:

1. Rural Community Sanitation - This project would facilitate the introduction of individual and community latrines in rural areas as well as promote community responsibility for garbage and refuse collection, for protection of water sources, and for cleaning and maintenance of drains, storm sewers and local irrigation canals.

2. Appropriate Health Education - This project would support the development of targeted health education materials for primary school children and new adult literates on key primary health care issues, including self-protection measures, community-level health activities, benefits of preventing disease and elements of good nutrition.

3. Reinforcement of Secondary Health Facilities - This project would support the renovation and equipping of district level hospitals and health centers. The aim would be to enable them to functionally support the primary health care services provided by dispensaries and community health workers.

4. Nutrition Education and Surveillance - This project would support (a) the development of appropriate materials for nutrition education of mothers and (b) the extension of nutrition surveillance activities into rural communities.

5. Maternal and Child Health - This project would support the improvement of primary health care services for mothers and children including prenatal, postnatal, well baby and immunization services.

C. DESCRIPTION OF PUBLIC WORKS (TRANSPORT) PROGRAM

Sectoral Program Strategy

Essential to increasing agricultural productivity in Haiti is an expanding system of well-maintained roads. The present system of taxation does not generate enough revenue to properly maintain and expand the road system. Hence, the first objective of the Title III program in transportation is:

1. To provide adequate financing to efficiently maintain and construct the rural and urban road transportation network to the level required to meet the socio-economic development needs of Haiti. A further objective is to generate additional revenues from the transport sector to provide finds to the national treasury to help meet development objectives of other sectors and/or other financial obligations of the Government.

Not only are sufficient resources necessary to expand and maintain the road system, but also improvements in the efficiency with which the resources are used. The second objective of the program is:

2. To increase the efficiency of the transport sector by improving the system of road maintenance and construction and the method of allocating budgetary support. The use of labor intensive techniques to build and maintain roads in order to provide employment in rural areas and reduce foreign currency requirements is a further objective.

The Ministry of Public Works, Transport and Communications (TPTC) works with community groups to design and build basic infrastructure such as water systems and feeder roads. The third objective of the Title III program is:

3. To support infrastructure development in disadvantaged areas through the use of labor intensive construction methods.

Policy Reforms

1. Constraints and Reasons for Policy Changes

Inadequate financing and delays in receiving planned budgetary allocations have increased the costs of road construction and maintenance in Haiti. Assuming present tax rates and levels of efficiency of tax collection, future revenues will not cover the expenditures necessary to carry out the GOH's planned road construction and maintenance program, as shown in Table III.7. The results of a study undertaken by TPTC and USAID/Haiti, Analysis of Road User Charges in Haiti, can be summarized as follows:

a. Actual revenues collected were only about 70% of total potential revenues for FY 1981/82. At current tax rates, improved collection procedures could have generated an additional $10 million in annual revenues during that and succeeding years. While improvements have been made since FY 81/82, additional improvements would result in increased revenues, even at current tax rates (see Table III.8).

b. The present system for establishing the contract price for fuel has resulted in windfall profits for oil companies. For example, the companies gained a windfall of some $840,000 in 1983 when world prices of oil fell below the contract price. This amount was a needless cost to the Haitian economy. It should have been passed on to the consumers in the form of lower fuel prices, or the excess profits should have been taxed.

c. Road user charges appear to be equitably distributed with regard to the ability of users to pay for damage done to the roads for all vehicle types except trucks. It was found that cars pay taxes at the rate of 6.3 cents/km. while inflicting 0.4 cent/km. in damage; jeeps pay 2.8 cents/km. and do damage of 0.5 cent/km.; and tap-taps (passenger carrying pick-ups) and minibuses pay taxes of 2.1 cents/km. and 3.3 cents/km. respectively while doing damage at the

Table III.7: PROJECTED ROAD USER REVENUES AND ROAD EXPENDITURES, 1984/85 - 1990/91

Fiscal Year	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91
	(.......... Millions constant US$..........)						
A. Projected Road Sector Expenditures							
1. Road Maintenance Direct Costs	11.20	12.09	13.45	15.86	15.62	15.95	16.39
2. Road Maintenance Total Costs	13.12	14.27	15.91	17.80	18.53	18.99	19.58
3. Maintenance and Construction Direct Costs	35.10	43.01	45.79	44.01	43.72	44.05	44.48
4. Maintenance and Construction Total Costs	46.49	57.26	68.76	56.99	56.47	56.93	57.52
B. Projected Road User Revenue							
5. 1984 Rates and Current Collection Efficiency	35.26	35.97	38.77	40.65	42.63	44.70	46.87
6. 1984 Rates and Improved Collection Efficiency	35.26	39.28	43.76	48.76	54.32	60.52	67.42
C. Net Revenue Surplus/Deficit							
7. Assuming Current Collection Efficiency							
a. Revenue - Maintenance Direct Costs (5)-(1)	24.06	24.88	25.32	25.59	27.00	28.74	30.49
b. Revenue - Maintenance Total Costs (5)-(2)	22.14	22.70	22.85	22.85	24.09	25.71	27.29
c. Revenue - Road Sector Direct Costs (5)-(3)	.16	-6.04	-7.02	-3.36	-1.10	.64	2.39
d. Revenue - Road Sector Total Costs (5)-(4)	-11.23	-28.28	-22.00	-16.34	-13.84	-12.23	-10.65
8. Assuming Improved Collection Efficiency							
a. Revenue - Maintenance Direct Costs (6)-(1)	24.06	29.19	38.31	33.70	38.69	44.56	51.04
b. Revenue - Maintenance Total Costs (6)-(2)	22.14	25.01	27.85	30.96	35.78	41.52	47.84
c. Revenue - Road Sector Direct Costs (6)-(3)	.16	-3.73	-2.02	4.75	10.59	16.46	22.94
d. Revenue - Road Sector Total Costs (6)-(4)	-11.23	-17.98	-17.08	-8.24	-2.15	3.59	9.90

TPTC, Louis Berger Int'l, and U.S. Department of Transportation, <u>Analysis of Road User Charges in Haiti</u>, 1984

<u>Source</u>: All costs and revenues in constant dollars.

Table III.8: COMPARISON OF ACTUAL AND POTENTIAL TAX RECEIPTS FOR FY 1981/82, (1)

	Actual Revenues 1981/82	Potential Revenues 1981/82	Net Revenue Increase	Percentage of Potential Revenues Actually Collected
	(...... 000's US $ ......)			(%)
A. Fuel Taxes				
Excise Tax on Gasoline	3339	3391	52	98.47
Excise Tax on Gasoil	3386	3493	107	96.94
Import Duty on Gasoline	7675	8539	864	89.88
Subtotal	14400	15423	1023	93.37
B. Import Duties on Equipment (2)				
Import Duty on Passenger Cars	4416	8000	3584	55.20
Import Duty on Commercial Veh.	1436	2500	1064	57.44
Import Duty on Spare Tires (3)	888	2000 L	1112 L	44.40 L
		3000 H	2112 H	29.60 H
Import Duty on Spare Parts (3)	525	1000 L	475 L	52.58 L
		2000 H	1475 H	26.25 H
Subtotal	7265	13500 L	6235 L	53.81 L
		15500 H	8235 H	46.87 H
C. Vehicle Registration Taxes, etc.				
Initial Registration Fees (4)	473	1419	946	33.33
Annual Registration Fees (4)	664	996	332	66.67
Inspection Fees	738	1476	738	50.00
Driving License Fees	260	460	200	56.52
Subtotal	2135	4351	2216	49.87
D. Total	23800	33274 L	9474 L	71.53 L
		35274 H	11474 H	67.47 H

Notes: L = Low estimate, H = High estimate.

(1) Potential revenues are defined as total revenues due to the state assuming efficient tax collection procedures. See text for a discussion of each tax.

(2) Data on import duties collected for the year 1980/81.

(3) Import duties collected on the basis of declared imports seem adequate but the total value of declared imports seems to be seriously under-reported. The computer model in the next section was used to estimate the potential shortfall in tax revenues.

(4) Revenue collection for 1982/83 seems to have greatly improved for the first registration fees, and to have sharply dropped for the annual re-registration fees. The actual percentages, therefore, for improved collection procedures vary from year to year.

Source: Analysis of Road User Charges in Haiti, Table 3.14

rate of 1 cent/km. But trucks pay taxes of 5.7 cents/km. while damaging the roads at the rate of 16 cents/km., which is 40 times the damage inflicted by cars.

The study suggests that trucks should be paying taxes in amounts equal to the cost per kilometer of the damage they do to the roads, or at least an increased share of the user charges, since they inflict much greater damage to the roads than other vehicles. In theory, it would be preferable to increase only the contributions of the trucks by requiring them to pay a special tax, collected perhaps at weighing stations. In practice, this is very difficult to do. The most efficient way, then, is to levy additional charges on trucks by increasing the diesel fuel tax.

d. Changes in the tax structure proposed by the study, including increasing the diesel fuel tax from 34 cents to 92 cents per gallon, instituting an urban congestion tax averaging $100 per vehicle per year, increasing the efficiency of tax collections and eliminating windfall profits of oil companies, were analyzed. The projected effects are as follows:

(1) Road user charges would become more equitably distributed as a result of the tax increases. The taxes paid by vehicle type per kilometer traveled would be: trucks-13.7 cents; cars-9.8 cents; jeeps-6.5 cents; minibuses-6.2 cents; and tap-taps (pick-ups) - 4.9 cents. Tap-taps would pay less road taxes than any other vehicle types, only half of what private cars pay, and trucks would pay only 40% more than private cars, even though they inflict many times more damage to roads than do cars.

(2) Increased taxes would have little effect on passenger fares. It is estimated that the cost of operating minibuses and pickups (tap-taps) would increase by 7-14 percent. Due to competition in the transport sector, fares might be expected to rise as little as 5-10%.

(3) The effect of the projected increase in transport costs on food grain prices would be an increase on the order of one percent, and even less for vegetable and coffee prices. This estimate was based a market study which indicated that transportation costs for foodgrains range between 4-6% of total value, and between 2-5% for coffee and vegetables. In addition, improvements in the road network would aid the agricultural sector by easing access to rural areas and increasing competition, which, in the long run, would tend to lower agricultural prices. In the short run, however, there may be a period of transition for the agricultural and trucking sectors. Therefore it was suggested that revenue generating policy changes be implemented gradually.

e. The GOH agreed in principle that the diesel tax should be increased to 92 cents per gallon (equal to the gasoline tax) as proposed by the Analysis of Road User Charges in Haiti. However, the GOH and USAID agreed during the Title III negotiations that this should be done in stages, with the first increase representing one-third of the proposed increased. Future increases will depend upon a later assessment of the impacts of the first tax increase and GOH revenue needs. Likewise, it was agreed that a congestion tax in the form of an increase in private vehicle registration fees averaging approximately $50 per vehicle per year was a sufficient first round increase. In addition, the importance of improvements in the efficiency of tax collections for vehicle registrations, customs on imported vehicles and spare parts has been recognized. The process has already begun and will continue with the assistance of a USAID technical assistance project.

2. Description and Timetable of Reforms

The policy reforms agreed to under the Title III program will, through increased road user fees, generate needed revenues to expand and maintain the road system in Haiti. Road user charges will be more equitably distributed.

In the long run, the improved road network will help to lower vehicle operating costs and transport costs of agricultural goods. The efficiency of maintenance services will be improved and employment in rural areas will be generated through the use of labor intensive methods. The policy reforms are as follows:

a. Generate additional revenues to meet the requirements of the transport sector:

   (1) Diesel fuel tax will be increased from 34 cents per gallon to 54 cents per gallon before the signing of the Title III agreement.

   (2) The GOH will increase the annual private vehicle registration fees in lieu of a congestion tax to a minimum of $56 for 4 cylinder vehicles, $102 for 6 cylinder vehicles, and $152 for 8 cylinder vehicles before the signing of the Title III agreement.

   (3) The structure for administering taxes on imported fuel will be changed to eliminate windfall profits to oil importers. The GOH will revise the contract with the petroleum importing companies during the first year of the Title III program.

b. Improve Efficiency of the Transport Sector

   (1) The GOH will fund the Road Maintenance Service (SEPRRN) from the Operating Budget guaranteeing that the national roads network will be maintained. Full funding by the Operating Budget will begin during the first year of the Title III program.

   (2) By the end of the first year of the Title III program, the GOH will establish procedures that assure that all investment studies for construction of new roads will include the scheduling of the transfer of these roads to the road maintenance program and the recurrent cost implications.

(3) The transport sector will continue to increase its reliance on labor intensive road construction and maintenance methods, substituting labor for heavy equipment where economically feasible, each year of the Title III program.

Title III Projects

The major focus of the Title III program in transportation is the development of secondary roads. A description of the project follows:

PROJECT TITLE: Secondary Roads Development

IMPLEMENTING AGENCY: Ministry of Public Works, Transport and Communications

PROJECT INITIATED = FY 83 PROJECT COMPLETED = FY 88

NEW: CONTINUING: X

LIFE OF PROJECT FUNDING ($000):

USAID:	12,500	PL 480 TITLE I:	6,100
GOH:	11,800	PL 480 TITLE III:	10,200

OTHER DONOR: World Bank - 690

PROPOSED PLANNING LEVELS ($000):	FY 86	FY 87	FY 88
Title III	3,400	3,400	3,400

PROJECT PURPOSE:

(1) To strengthen the GOH institutional capability to rehabilitate, construct and maintain rural secondary roads; (2) To provide improved access to rural commercial market centers both for farmers and consumers through the rehabilitation/construction of 300 kms of rural roads and maintenance of existing road networks through increased use of labor intensive, capital-saving methods.

PROJECT DESCRIPTION:

This Project is assisting the GOH in the development of a Secondary Roads Service (SRS) responsible for the rehabilitation/construction of Secondary

Roads and in the continued development of the National Highway Maintenance Organization (SEPRRN) which is responsible for the maintenance of the complete network of roads in Haiti.

The SRS will be the sole GOH organization responsible for the coordination of all secondary road rehabilitation/construction work in Haiti regardless of the source of funds for the work.

This Project will provide assistance for the establishment of the organizational structure of the SRS by defining lines of authority, modes of operation and overall management systems to be implemented by the SRS. Emphasis will be placed on the use of the very successful capital-saving light brigade method of construction developed under the Agricultural Feeder Roads Project. Initially, there will be four light brigades, expanding to seven during the life of the Project. Where necessary, these light brigades will receive reinforcement from a pool of support equipment.

The project will continue to provide management assistance to SEPRRN through technical assistance to its equipment maintenance section and training division. It will also assist SEPRRN to expand the use of labor intensive maintenance through the Community Action Maintenance Program (CAMP). Through the CAMP, SEPRRN contracts with community groups to maintain roads primarily by labor intensive methods. By the end of the project, SEPRRN will be maintaining 400 kms of road or more yearly by the CAMP method. This support to SEPRRN will build on the organizational development begun by the USAID-funded Highway Maintenance Projects, Phases I and II.

The secondary roads project was developed in support of Title III objectives as negotiated during the Title III PID negotiations. Because implementation of the Title III program was delayed, the roads project was initiated with Title I funding. Funding allocated under the Title III program will help finance implementation costs during the last three years of the project.

BENEFICIARIES:

The establishment of improved secondary roads is expected to induce increased food production and raise incomes in rural Haiti, especially where roads are complemented by other agricultural programs (e.g., credit, extension, etc.). Improved access to agricultural production areas will lower transport costs for agricultural produce and inputs, as well as enhance the timeliness and dependability of their delivery. It will also encourage isolated farmers to shift their current cropping patterns from lower value food crops to higher value, more perishable crops which can be transported more efficiently to market. There will be direct employment to over 26,000 rural inhabitants in performing over 80,000 person/months of service during the labor intensive road construction.

RELATIONSHIP TO TITLE III STRATEGY:

The project responds to the Title III strategy of making the transport sector more cost-effective through strengthening the institutional capacity of the Ministry of Public Works, Transportation and Communications (TPTC) to plan and implement, on a sustained basis, the rehabilitation/construction and maintenance of the secondary road network in Haiti. The project will improve access to rural commercial market centers, both for farmers and consumers, encouraging improved agricultural productivity and greater food security.

Transport sector efficiency is being improved by consolidating all secondary road construction activities under the SRS. Recurrent unit costs of maintenance are being reduced through the rehabilitation of existing roads and their eventual maintenance primarily by the CAMP. Foreign currency requirements are being reduced and employment benefits increased by constructing and maintaining project roads primarily by capital savings/labor intensive methods. Skills of TPTC staff will be upgraded through on-the-job training at project sites and participation in more structured training programs at the SEPRRN Training Center.

A number of public works projects are also proposed to make needed infrastructural improvements and promote employment opportunities in rural areas. A project to build community water systems (described in the projects section of the Health sector) will be coordinated with TPTC. Additional public works projects which may be funded with Title III money include the following:

1. Labor Intensive Public Works - The purpose of this would be to provide productive employment to people from disadvantaged areas of Haiti through the performance of public works activities which will benefit their respective communities. The project would offer short-term jobs to disadvantaged unemployed or under-employed people. The jobs would contribute to these people's welfare, while improving drainage, canals, potable water, roads, small bridges, water crossings, markets, etc. TPTC would supervise and provide technical assistance to those labor intensive public works activities.

2. Secondary Road Improvements - The purpose of the project would be to enable the road system to improve its traffic-carrying capacity to meet increasing transport demands. The project would identify

constraints to expanding the traffic-carrying capacity of secondary roads and then make the necessary improvements. Two specific examples would be the construction of two bridges on the rivers Bac and Bayeux located on the Limbé - Le Borgne road which was built under the Agricultural Feeder Roads Project. Because of the volume and the velocity of the water during the rainy season, a ford is not adequate to cross the river. Bridges are therefore required. The feasibility studies, cost estimates, and the construction of the structural improvements would be conducted by the Ministry of Public Works and submitted to USAID for review and approval before Title III funding is made available.

3. <u>Tertiary Roads</u> - The purpose of this project would be to provide employment and facilitate transport of agricultural goods to markets through the provision of improved access to certain agricultural areas for farmers by the rehabilitation/construction of tertiary roads by labor intensive, capital-saving methods. The project would offer short-term jobs to unemployed and under-employed people. The jobs would contribute to these people's welfare and enable improvements to be made in marketing of agricultural produce through the improvement of tertiary roads. Roads would be carefully selected with regard to environmental impact and community commitment to maintenance. TPTC will supervise and provide technical assistance during implementation of the project.

D. PL-480 TITLE III MANAGEMENT SYSTEM

During the PID phase of the proposed PL 480 Title III program, the GOH and USAID agreed that in view of the increased administrative workload associated with the need to document and manage a Title III program under more structured procedures than a Title I program, it would be advisable to create an organism that would be responsible for the administration of the Title III program. It was also agreed that a Title III management system would be developed which would centralize and consolidate the administrative functions.

The necessity to create an efficient and distinct Title III management system is, in part, founded in PL 480 legislation which states, "...when provisions of the (Title III) agreements are not being substantially met, he (The President of the United States) shall not extend financing for sales under this Title until the end of the following fiscal year or until the situation is remedied." Therefore, in order to avoid any rupture in commodity importations and counterpart fund generation, extra attention and effort must be devoted to the monitoring and reporting requirements associated with the Title III program. Specifically, the annual Title III review and evaluation report should reflect measurable progress in attaining self-help measures to ensure continued commodity financing.

The formation of a separate Title III structure, designed to manage both the Title III commodities and counterpart funds, will enable the Government of Haiti to effectively deal with the increased responsibility in the successful execution of a Title III program. The GOH has decided to establish a PL 480 Title III Executive Committee responsible for the program, with the assistance of a Commodity Importation and Sales Unit to manage the commodities and a Title III Management Office to manage the counterpart funds.

This section of the PP will elaborate the organizational structure, administrative responsibilities and operational procedures to be implemented under the new management system.

1. ORGANIZATIONAL STRUCTURE

a. PL 480 Title III Executive Committee

The PL 480 Title III Executive Committee will be composed of the Ministers of Plan, Finance, Commerce, Agriculture, Public Works, Public Health, and Foreign Affairs, with the Minister of Plan as Chairperson. The Committee will be responsible for the Title III program and constitute its governing body. In this capacity, it will be charged with establishing Title III policy and program implementation guidelines in accordance with the Title III agreement and PL 480 legislation.

The PL 480 Title III Executive Committee will monitor the implementation of the program through regularly scheduled review meetings. Special meetings will be convoked to resolve problems. For day to day operations, the Committee will delegate its authority to an Executive Secretary, selected with USAID concurrence, who will also be the Director of the PL 480 Title III Management Office. The Committee's specific functions will include:

(1) Supervision of the Title III Executive Secretary

(2) Policy guidance for the Title III Management Office and the Commodity Importation and Sales Unit

(3) Approval and submission of the Title III Annual Budget

(4) Approval and submission of the Title III Annual Evaluation Report

(5) Approval of any amendments to the Title III agreement

b. PL 480 Title III Management Office

The PL 480 Title III Management Office will be established as a separate unit within the Ministry of Plan. It will be directed by the

Executive Secretary of the PL 480 Title III Executive Committee and will be responsible for ensuring the timely and efficient performance of all the actions associated with the generation and use of the PL 480 Title III funds. In this connection, the office will be comprised of three functional divisions - commodity marketing coordination, counterpart fund management and program monitoring.

The commodity marketing coordination division will be responsible for coordinating all the tasks related to the importation and sales of the Title III commodities. As such, it will monitor the Title III importation and sale functions of the Commodity Importation and Sales Unit of the Ministry of Commerce and ensure timely preparation and submission of related required documents and reports. The counterpart fund management division will be responsible for ensuring the proper generating, budgeting and disbursing of Title III counterpart funds. In collaboration with the commodity marketing coordination division, it will ensure the timely deposit of sales proceeds into the Title III account and the preparation of counterpart fund availability projections. The principal tasks of the program monitoring division will include monitoring the financial and physical progress of Title III projects, and developing Title III program evaluation criteria.

The strong interrelatedness of the foregoing functional divisions is obvious and supports the establishment of a structure that will centralize the Title III management functions and prov ie for a coherent management system. Although a substantial amount of authority will be delegated to the Title III Management Office for carrying out its functions, however, the office will not operate as an independent entity. For example, given the magnitude of the PL 480 Title III counterpart fund contribution to the GOH investment budget, the planning and budgeting of Title III resources must be done in concert with the preparation of the Public Investment Program by the Ministry of Plan. On the other hand, separateness of PL 480 Title III counterpart fund management from other sources of development funds, as well as the separateness of physical and financial monitoring of Title III projects, will be emphasized.

c. Commodity Importation and Sales Unit

The Commodity Importation and Sales Unit within the Ministry of Commerce will be responsible for importing and selling the Title III commodities for the GOH under the supervision of the PL 480 Title III Management Office.

2. ADMINISTRATIVE RESPONSIBILITIES AND FUNCTIONS

a. Commodity Importation and Sales

Responsibility for the importation and sales of commodities, delegated to the PL 480 Management Office under the Ministry of Commerce for the Title I program, will be transferred with the relevant staff of this office to the Commodity Importation and Sales Unit for the Title III program. However, the Executive Secretary of the PL 480 Title III Executive Committee will be responsible for monitoring these Title III functions of the Commodity Importation and Sales Unit through the commodity marketing coordination division of the Title III Management Office within the Ministry of Plan.

The Commodity Importation and Sales Unit will prepare the annual Title III commodity mix request, local sale contracts and operational cable for submission to the Title III Management Office. It will also monitor the procurement of the Title III commodities in the United States, their transportation to Haiti and their delivery to local purchasers. The Unit will ensure that internal letters of credit are opened for the sales of the commodities in Haiti and that the documents needed for billing local purchasers are promptly received. It will bill local purchasers of Title III commodities. Finally, the Commodity Importation and Sales Unit will be responsible for preparing both the compliance report and the shipping and arrival report for submission to the Title III Management Office within thirty days of the end of each quarter.

b. Counterpart Fund Management

The counterpart fund management division of the Title III Management Office will be responsible for ensuring that the central Title III account is credited in accordance with agreed-upon terms of sale and that Title III funds are disbursed to projects strictly in accordance with approved levels. It will ensure timely submission of Title III requests from sectors concerned, prepare and submit the Title III Annual Budget, and ensure timely disbursement of Title III funds to projects, based on approved implementation documents. This division will prepare monthly reports on the activities of the central Title III account, to be used by USAID in the preparation of the quarterly currency use offset (CUO) reports to Washington.

c. Program Monitoring

Effective physical and financial monitoring of Title III projects is perhaps the most important function of the PL 480 Title III Management Office, as program monitoring will identify the conditions which justify the loan forgiveness aspect of the program.

The Title III Management Office, through its program monitoring division, will be responsible for monitoring the implementation of Title III funded projects and progress toward achieving self-help measures. This division will be staffed with sectoral specialists (e.g. an agronomist, an engineer and a public health specialist), each assigned to monitor specific Title III projects in his/her area of expertise.

Specifically, the program monitoring division will prepare and submit the annual monitoring plan and any amendment thereto. It will ensure timely submission of implementation plans and documents from sectors concerned, their review by the Ministry of Plan and USAID, and their transmittal to the sectors after approval. Finally, it will ensure compliance with the approved annual monitoring plan, review project activities and progress in meeting self-help measures, and assist the Title III Executive Committee in preparing, conducting and following up on the annual review meeting. The program monitoring division of the Title III Management Office will prepare the quarterly project implementation report, which will also be used by USAID in preparing the CUO report for Washington, and the Title III Annual Evaluation Report.

The importance of the timely submission of the Title III Annual Evaluation Report is crucial in maintaining the continuity of commodity arrivals and concurrent replenishment of the Title III counterpart fund acccount. Therefore, procedures for obtaining the information required for the preparation of this report will be worked out by the program monitoring division well before the report's due date. Collaboration with the Control and Evaluation Directorate (DEC) of the Ministry of Plan in developing program evaluation criteria is essential.

In summary, the program monitoring division will constitute the focal point of the Title III Management Office as far as interaction with other key actors involved in the Title III program is concerned. In a sense, it will serve as the chief liaison division for dealing with the project implementation concerns of the sectoral ministries, DEC and USAID.

3. OPERATIONAL PROCEDURES

a. Fund Generation

Before the Title III agreement is signed, and prior to each fiscal year thereafter, the Commodity Importation and Sales Unit will submit to the Title III Management Office the Title III commodity mix request for the coming year, accompanied by related basic sale contracts with selected local purchasers. These contracts will include the quantities ordered, billing components and terms of payment, as well as a commitment by the purchaser to open internal letters of credit through commercial banks in favor of the central Title III account in the amount of the estimated contract sale price prior to delivery of the commodities. After approving the commodity mix request, the Title III Management Office will submit it with the sale contracts to USAID for final approval. USAID will then forward the request with the appropriate justification (including Bellmon requirement information) to the Inter-Agency Working Group of the Food Aid Sub-Committee in Washington for review and approval.

The Commodity Importation and Sales Unit will also submit to the Title III Management Office, at the same time as the commodity mix request, the annual operational cable updating the information on the storage and distribution of commodities with respect to conditions relevant to the specific Title III delivery period. After approving the cable, the Title III Management Office will submit it to USAID for final approval. Once the Inter-Agency Working Group has approved the commodity mix request, USAID will return the sale contracts, with its approval, to the Title III Management Office and send the operational cable to Washington for issuance of the purchase authorizations. The Haitian Embassy in Washington, as instructed by the Commodity Importation and Sales Unit and through the GOH agent, will purchase the commodities in accordance with USDA regulations. Instructions and information pertaining to the importation of the commodities (issuance of purchase authorizations, bidding process, opening of letters of credit, insurance, shipping timetable, loading and unloading) will continue to be exchanged between these three entities as is currently done under the Title I Program.

Prior to the delivery of the Title III commodities, the Commodity Importation and Sales Unit will secure from the purchasers copies of the internal letters of credit promised in the sale contracts. These letters of credit, prepared in compliance with the terms of the sale contracts, will be payable to the central Title III account within ninety days of the arrival of the commodities. A representative of the Commodity Importation and Sales Unit will be present at the unloading of each Title III shipment to ensure that offloading documents are prepared and signed by the designated authorities. An independent surveyor contracted for each Title III shipment will also be present, and his report will be signed by the captain of the vessel, representatives of the local purchasers and of the Commodity Importation and Sales Unit and the surveyor himself.

The Commodity Importation and Sales Unit will issue final bills to local purchasers based on the terms set forth in the sale contracts within sixty days of the delivery of the Title III commodities. All Title III sale proceeds must be deposited into a central Title III account of the GOH to be used solely for development purposes agreed upon in advance by the Title III Executive Committee and USAID.

b. Project Selection

Earlier sections of this Project Paper describe the priority projects that will be funded under the Title III program. These projects will also be included in the Title III agreement. Other development projects that meet the criteria provided in the Title III agreement may become eligible to receive any remaining funds, subject to USAID approval.

If agreed to by USAID and the Government of Haiti, any other funding organization may assist in carrying out one or more projects included under the Title III program. In this case, the sum allocated for a Title III project, in whole or in part, may be considered to be the counterpart required for the other funding organizations to contribute their share.

c. Fund Allocation

The Title III funds will be allocated on the basis of annual monitoring plans developed by the Title III Management Office in collaboration with DEC and USAID. This plan will include specific benchmarks for each project and self-help measure included in the Title III agreement and will be based on targets set forth therein. These benchmarks will assist the participants in the annual GOH/USAID review meeting in assessing the program's progress and identifying areas where program modifications may be necessary. The annual monitoring plan will also include a schedule for on-site project monitoring and regular project implementation review meetings involving GOH and USAID project managers and Title III program staff.

All requests for Title III funds must be received by the Ministry of Plan, broken down by project, no later than April 1 of the fiscal year preceding the one for which they are being made. They will be reviewed within the Ministry of Plan and, before April 15, the Title III Management Office will prepare a preliminary annual budget for Title III program activities. This budget proposal will then be reviewed by the Project Promotion Directorate (DPP) and the Directorate for Economic and Social Programming (DPES) of the Ministry of Plan.

After the preliminary budget has been approved within the Ministry of Plan, the Title III Management Office will submit it to the Title III Executive Committee for approval no later than May 1. Once agreement is reached, the Executive Committee will submit the budget to USAID for approval. The final budget will be approved by both sides no later than May 31. DEC will incorporate the approved budget into the annual GOH Public Investment Program to be voted upon by the Haitian Legislative Chamber.

The Title III Management Office will promptly inform the implementing ministries and agencies of the approved levels and request that they prepare annual work plans and disbursement schedules, or "Fiches d'Identité et d'Opération" (FIOPs), for each project, strictly in accordance with approved budget levels, and submit them to the Ministry of Plan by July 31. The Title III sectoral specialists will assist project managers in preparing the FIOPs and ensure that they are submitted to USAID with the approval of both the DEC and the Title III Management Office no later than August 15, so that all FIOPs are approved by both the GOH and USAID by August 31. Any needed revisions in the FIOPs will be completed and approved by both the GOH and USAID by September 30, so that first quarter disbursement can be made at the beginning of the fiscal year.

d. Fund Disbursement and Monitoring

The following procedures for disbursement of funds to project accounts are premised on the imprest account system that the GOH will put into effect in FY 85 and which will enable project managers to manage their accounts directly (make payments and liquidate obligations). The Title III Management Office will ensure that all Title III advances are accounted for under a system which will enable GOH or USAID auditors, both of whom will have the right to audit Title III financial records, to trace each accounting transaction readily from accounting reports to source documents so as to determine the conformity of the Title III expenditures with the bilateral Title III agreement.

Initial quarterly advances will be made to each project by October 1. These advances will correspond to approved levels set forth in the Title III Annual Budget and FIOPs. Subsequent replenishment of project accounts will be contingent upon the quarterly activity and financial reports, including supporting documentation for disbursements, to be submitted to the Ministry of Plan by the recipients of Title III funds thirty days before the beginning of the next quarter.

No later than fifteen days before the beginning of these subsequent quarters, the Title III Management Office, after verification of the expenses and review of the reports in collaboration with DEC, will prepare a summary of counterpart fund expenditures for submission to USAID . At the same time, the Title III Management Office will prepare the required documentation for the Minister of Plan's signature to authorize the quarter's installment. Upon receipt of the Ministry of Plan's authorization, the Ministry of Finance will ensure the release of the funds from the central Title III account to the project accounts in the approved amounts. The Title III Management Office will follow up with the Ministry of Finance in case of disbursement delay after the authorization has been given.

e. Reports

The GOH, in accordance with the terms of the Title III agreement and PL 480 legislation, will submit the following reports to USAID:

-- monthly computerized reports on counterpart fund activity indicating generations, transfers to projects and balances available in the central Title III account;

-- quarterly reports on project implementation progress, including the deposits and disbursements made from project accounts and balances on hand. These reports will be based on the project activity and financial status reports to be submitted by individual project managers every quarter;

-- quarterly Shipping and Arrival Reports;

-- quarterly Compliance Reports;

-- an annual progress evaluation report on activities and progress achieved under the Title III program (see Section 4).

USAID will prepare and submit to USDA quarterly CUO reports certifying the disbursements of Title III counterpart funds that have been made in accordance with the Title III agreement. USAID will also conduct annual reviews of the Title III program jointly with the GOH.

4. ANNUAL TITLE III PROGRAM REVIEW AND EVALUATION REPORT

The Title III Management Office in collaboration with DEC will prepare the Title III Annual Evaluation Report as called for under PL 480 legislation. This Report, which is required for triggering further Title III assistance, will include:

-- a comparison of program results with projected targets as set forth in the annual monitoring plan and under the self-help measures in the Title III agreement;

-- a financial review of the program, including specific accounting of the funds generated and used, with proper audit certification;

-- a review of Title III funded project activities;

-- a discussion of project and policy implementation problems;

-- recommendations for program modifications.

Since most of the funds generated from the sales of PL 480 Title III commodities will be programmed as GOH contribution to USAID-funded projects, the Title III Annual Evaluation Report will need to incorporate results of earlier and ongoing USAID project evaluations.

The Title III Annual Evaluation Report will be submitted for the approval of the Title III Executive Committee no later than November 1. The Executive Committee will submit the report to USAID by November 15, and convoke a GOH/USAID annual review meeting to discuss its content and agree to program modifications by November 30. The annual report, along with USAID comments based on the review meeting, will be submitted to the Inter-Agency Working Group, with a request for the next allocation of Title III commodities, early enough for thorough review by the Working Group, so that disruptions in the commodity importation schedule are prevented.

ANNEX 1
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196

ANNEX 2

UNCLASSIFIED

AMERICAN EMBASSY, PORT-AU-PRINCE

UNCLASSIFIED
Classification

OFFICE	ACT	INFO
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TAGS:
SUBJECT: PL 480 TITLE III PP
GUIDANCE

1. MISSION IS HEREBY AUTHORIZED TO PROCEED WITH PP DEVELOPMENT FOR SUBJECT PROGRAM. THE FOLLOWING ISSUES SHOULD BE ADDRESSED IN THE DOCUMENT:

A. GOH COMMITMENT: WHAT CONDITIONS EXIST THAT LEAD MISSION TO BELIEVE THAT GOH IS NOW READY TO EFFECT MAJOR POLICY AND ECONOMIC REFORMS THAT WILL BE REQUIRED AS CONDITIONS TO PROPOSED TITLE III PROGRAM, AS WELL AS EFFECTIVELY IMPLEMENT ACTIVITIES TO BE FINANCED BY LOCAL CURRENCY GENERATIONS? THE MISSION SHOULD SPECIFY WHICH OF THESE REFORMS THE GOH WILL BE COMMITTED TO MAKE AND ALSO BE AS SPECIFIC AS POSSIBLE IN DEMONSTRATING PROGRESS MADE SINCE INITIATION OF LAST TITLE III DISCUSSIONS WITH GOH IN ORDER TO SUPPORT NEGOTIATING A NEW TITLE III PROGRAM NOW. FOR EXAMPLE, IN THE AGRICULTURAL SECTOR, THE PP SHOULD DISCUSS THE CHANGES THAT HAVE TAKEN PLACE WITH RESPECT TO CONTROL/OWNERSHIP OF PRODUCTION AND MARKETING NETWORKS OF PRINCIPAL CROPS.
IS GOH COMMITTED TO SUBSTANTIVE AGRICULTURAL POLICY REFORMS? POLICY CONSTRAINTS SUCH AS COFFEE TAX, INADEQUATE CREDIT AND LOW PRODUCER PRICES, ARE RELATIVELY LONGSTANDING, AND HAVE CREATED CONSIDERABLE INSTITUTIONAL FRICTIONS AFFECTING PRIVATE AND PUBLIC INTERESTS.
MISSION SHOULD SPECIFY IN A BENCHMARK ~~CABLE~~ WHEN AND WHICH OF THESE POLICY CONSTRAINTS THE GOH WILL BE COMMITTED TO REFORM DURING THE PROGRAM.

B. GOH INSTITUTIONAL CAPACITY: HOW CONSTRAINING ARE CURRENT PUBLIC INSTITUTIONAL CAPACITIES IN THE CONTEXT OF PRODUCING EXPECTED TITLE III POLICY REFORMS AND IMPLEMENTING PROGRAM ACTIVITIES IN A THREE-YEAR PERIOD? SPECIFY IN PP HOW INTERNAL OPERATIONS OF THREE PARTICIPATING MINISTRIES HAVE IMPROVED. IN ADDITION TO THE ABOVE, PP SHOULD PROVIDE ASSURANCES ON ADMINISTRATION AND THE MANAGEMENT OF SECTORAL POLICY AND PROGRAM IMPLEMENTATION. BECAUSE THE BOLIVIAN TITLE III ADMINISTRATION MODEL WILL BE REPLICATED, ONE CONCERN IS THE EXTENT TO WHICH THE ABSENCE OF EFFECTIVE GOH DELIVERY SYSTEMS WILL AFFECT PROGRAM PERFORMANCE DURING THE FIRST YEAR. WILL THE GOH TAKE TWO YEARS TO ORGANIZE? PP SHOULD DEFINE FOR EACH SECTOR HOW POLICIES AND PROGRAMS WILL BE INSTITUTIONALLY IMPLEMENTED AND MANAGED OVER THE LIFE OF THE PROGRAM. IF A JOINT MANAGEMENT COMMITTEE IS TO BE CREATED, AS PROPOSED IN THE PID, ITS ORGANIZATIONAL STRUCTURE AND AUTHORITY SHOULD BE DISCUSSED IN DETAIL IN PP.

C. ADDITIONALITY: WHAT ASSURES USE OF LOCAL CURRENCY, AS PROPOSED IN THE PID, FROM ALLEGATIONS OF MERELY PAYING LIP SERVICE TO THE CONCEPT OF ADDITIONALITY? USAID/HAITI SHOULD IDENTIFY THOSE ACTIVITIES CURRENTLY FINANCED UNDER TITLE I GENERATIONS, THE CONTINUATION OR EXPANSION OF WHICH IS PROPOSED UNDER TITLE III, AND SHOW

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198x

APPROPRIATENESS OF THIS, I.E., LIKELIHOOD THAT OTHER DONORS OR GOH WOULD NOT FUND, AND, WITH RESPECT TO TITLE III FOLLOW-ON TO EARLIER TITLE I ACTIVITIES, THAT A NET BENEFIT TO GOH DEVELOPMENT, NOT JUST GRANT-BACK, WOULD LIKELY RESULT. LOCAL CURRENCY WILL NEED TO BE ALLOCATED TO ACTIVITIES WHICH ENHANCE RATHER THAN SUBSTITUTE FOR U.S., OTHER BILATERAL, MULTILATERAL OR GOH FUNDS.

CONCERNING POLICY COMMITMENTS, IT IS IMPORTANT TO DISTINGUISH THESE REFORMS SUPPORTED BY THE U.S., PERHAPS AS PART OF AGREEMENTS WITH THE IBRD OR IMF, FROM THOSE REFORMS REQUIRED TO BE NEGOTIATED BY THE U.S. UNDER THE TITLE III AGREEMENT. THE EMPHASIS ON ADDITIONALITY UNDER TITLE III REQUIRES SUPPORT OF POLICY CHANGES IN ADDITION

TO THOSE ALREADY BEING IMPLEMENTED AS PART OF OTHER PROGRAMS.

D. SUB-PROGRAM IN AGRICULTURAL SECTOR: THE PROGRAM'S GREATEST FOCUS IS ON THIS SECTOR AND AIMS TO HELP HAITI ACHIEVE GREATER FOOD SELF RELIANCE. PID PROPOSES THAT ORGANIZATIONAL ARRANGEMENTS FOR A DECENTRALIZATION PROGRAM BE DEVELOPED WHICH WILL SHIFT ADMINISTRATIVE AND OPERATING RESPONSIBILITIES TO THE DISTRICT LEVEL, THEREBY DECREASING THE AUTHORITY AND RESPONSIBILITIES OF THE CENTRAL MINISTRY. PP SHOULD DESCRIBE FEASIBILITY OF THE NEW ORGANIZATIONAL STRUCTURE FOR THE PROPOSED DECENTRALIZATION STRATEGY, DISCUSS THE FEASIBILITY OF PURSUING SUCH A STRATEGY AND IDENTIFY THE FACTORS THAT ACCOUNT FOR THE CONCENTRATED ORGANIZATIONAL STRUCTURE TO DATE AND HOW THEY WILL BE ADDRESSED. SPECIFICALLY, WHAT WILL BE THE RECURRENT COST IMPLICATIONS OF THE PROPOSED DECENTRALIZATION STRATEGY? ALTHOUGH DECENTRALIZED, MOST OF THE ACTIVITIES PROPOSED WITHIN THE SECTOR WILL BE IMPLEMENTED THROUGH THE MOA. [IN LIGHT OF THE WELL-RECOGNIZED PROBLEMS AND WEAKNESSES CHARACTERISTIC OF THE MOA,] SHOULD IMPLEMENTATION RESPONSIBILITIES BE FURTHER DIVERSIFIED SO THAT MORE RESOURCES WILL BE CHANNELED THROUGH ALTERNATIVE ORGANIZATIONS? WHAT INSTITUTIONAL ALTERNATIVES TO THE MOA EXIST AND TO WHAT EXTENT HAVE THEY BEEN CONSIDERED BY THE MISSION?

E. SUB-PROGRAM IN HEALTH SECTOR: PP SHOULD INDICATE ORDER OF PRIORITY OF POLICY REFORMS AND ACTIVITIES TO BE FUNDED UNDER THE TITLE III PROGRAM IN THE HEALTH FIELD. PARTICULAR ATTENTION SHOULD BE GIVEN TO PRIVATE SECTOR INVOLVEMENT AND RECURRENT COST CONSIDERATIONS OF THE VARIOUS INTERVENTIONS IN THE ASSIGNING OF PRIORITIES.

F. SUB-PROGRAM IN TRANSPORT SECTOR: PP SHOULD STUDY WHAT CONSTRAINTS, IF ANY, GOH REGULATIONS IN PUBLIC WORKS WILL CREATE TO RELATED ACTIVITIES PLANNED UNDER THE PROPOSED TITLE III PROGRAM. FOR EXAMPLE, WHAT WILL BE THE EFFECT OF GOH REGULATIONS ON THE NUMBER OF IMPORTED VEHICLES AND SPARE PARTS? PP SHOULD CLARIFY AND UPDATE THE IMPLICATIONS OF IBRD/GOH DISCUSSIONS REGARDING USER FEES FOR AID TITLE III SECTOR ACTIVITIES. MISSION IS ENCOURAGED TO EXPAND DIALOGUE FOCUS WITH GOH TO SPECIFICALLY ADDRESS RURAL TRANSPORT PROBLEMS. IF IT IS DETERMINED THAT CURRENT REGULATIONS DO IN FACT PRESENT CONSTRAINTS IN THIS SECTOR, THE PP SHOULD SPECIFY WHAT CORRESPONDING REFORMS WILL TAKE PLACE UNDER THE PROPOSED PROGRAM.

G. RESOURCE CONCENTRATION: WHY ARE FUNDS BUDGETED TO SO MANY SMALL APPARENTLY UNRELATED ACTIVITIES? BASED ON ILLUSTRATIVE BUDGETS, RESOURCES SHOULD BE CONCENTRATED AND LINKED TO ACHIEVEMENT OF MAJOR POLICY OBJECTIVES IN THE THREE SECTORS SELECTED.

H. APPROPRIATENESS OF COMMODITY MIX: QUESTIONS WERE RAISED DURING THE PID REVIEW ABOUT THE ACCURACY OF THE WHEAT UMRS CITED IN THE PID AND THE APPROPRIATENESS OF THE PROPOSED WHEAT/SOYBEAN OIL COMMODITY MIX. PRIOR TO THE SUBMISSION OF PP, THE MISSION, ARA/DR AND USDA SHOULD

REACH A CONSENSUS ON THESE ISSUES FOR PRESENTATION IN THE FINAL DOCUMENT. SPECIFIC QUESTIONS TO BE ADDRESSED IN REACHING THAT CONSENSUS SHOULD INCLUDE AND BE DISCUSSED IN THE PP AS FOLLOWS: (1) WHAT IS THE BEST ESTIMATE OF INTERNAL DEMAND FOR WHEAT IN HAITI?, (2) HOW APPROPRIATE IS IT TO INTRODUCE WHEAT PRODUCTS INTO HAITI SINCE THERE IS NO FORESEEN DOMESTIC PRODUCTION OF WHEAT?, (3) WHAT IS KNOWN ABOUT THE INCOME LEVELS OF PEOPLE NOW CONSUMING BREAD IN HAITI? (SEE SUPAN STUDY ON THIS ISSUE), (4) WHY ARE THE DOMESTIC PRICES OF CORN/MILLET/RICE ABOVE IMPORTED PRICES?, (5) TO WHAT EXTENT ARE WHEAT AND CORN SUBSTITUTION GOODS?, AND (6) WHAT ARE THE POTENTIAL DISINCENTIVES ASSOCIATED WITH IMPORTING SOYBEAN OIL, PARTICULARLY IN LIGHT OF THE IN-COUNTRY CAPACITY, PRESENTED BY SODEXOL, TO PROCESS BEANS AND CRUDE OIL?

1. DIRECT BENEFITS TO NEEDY: TO AVOID PROBLEM UNDER P.L. 480 SECTION 112 ON HUMAN RIGHTS, PROCEEDS FROM SALE OF COMMODITIES (OR COMMODITIES THEMSELVES) MUST BE USED FOR SPECIFIC PROJECTS OR PROGRAMS WHICH DIRECTLY BENEFIT THE NEEDY. AGREEMENT MUST SPECIFY HOW THE PROJECTS OR PROGRAMS WILL BE USED TO BENEFIT THE NEEDY, AND MUST REQUIRE A REPORT TO USG ON SUCH USE WITHIN SIX MONTHS AFTER DELIVERY TO COUNTRY OF COMMODITIES.

2. TAKING INTO CONSIDERATION THE ABOVE GUIDANCE/QUESTIONS, USAID IS AUTHORIZED TO PREPARE PP AT A FUNDING LEVEL OF DOLLARS 15.0 MILLION PER YEAR FOR THREE YEARS. FYI: IT SHOULD BE NOTED THAT DURING FINAL REVIEW TREASURY DEPARTMENT ARGUED FOR A STARTING LEVEL LOWER THAN DOLLARS 15.0-MILLION, STATING ITS CONCERN THAT BY STARTING AT LEVEL OF DOLLARS 15.0 MILLION AND CONTINUIN AT SAME LEVEL IN SUCCEEDING YEARS, USG WOULD BE FORFEITING SOME OF ITS LEVERAGE TO ASSURE CONTINUED FULL GOH PERFORMANCE ON DEVELOPMENT COMMITMENTS UNDER THE PROGRAM. END FYI. THIS AUTHORIZATION IS NOT REPEAT NOT APPROVAL FOR MULTI-YEAR TITLE III FUNDING. THIS FUNDING WILL DEPEND ON OUTCOME OF INTERAGENCY REVIEW OF PP.
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