

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



HAITI

**COUNTRY DEVELOPMENT
STRATEGY STATEMENT**

FY 83

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**UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523**

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TABLE OF CONTENTS

	<u>PAGE</u>
I. Overview	1
II. Analysis	4
A. Who the Poor Are and Why They Are Poor	4
B. Recent Economic Growth in Haiti	9
C. Trends in the Foreign Sector	12
1. Recent Trends	12
2. Areas of Action	14
D. Fiscal and Public Finance Trends	16
E. Progress and Commitment	21
F. Other Donors	24
III. Strategy	27
A. Program Objectives and Areas of Emphasis	27
1. Food Production and Access to Food	28
2. Natural Resource Management	30
3. Population Pressure	31
4. Off-Farm Employment	32
5. Rural Health	34
6. Institutional Strengthening and Commitment to Development	35
B. Strategy Implementation and Program Alternatives	38
1. Relation of Commitment and Performance to Program Strategy	39
2. Program Alternatives	40
a. Minimum Program	41
b. Selective Performance Program	43
c. Expanded Performance Program	45
d. USAID Proposed Strategy	46
C. Staffing Implications of Program Alternatives	47

	<u>PAGE</u>
D. Strategy Issues	49
1. Rationale for Education Sector Initiatives	49
2. Status of Phasing Out Project-Financed Salary Support	50
3. Energy Development	51
4. Integration of PL 480 in Program Strategy	51
IV. Assistance Planning Levels	53
A. Proposed Assistance Planning Levels	53
B. Food Import Requirements	57

USAID/HAITI
FY 1983 COUNTRY DEVELOPMENT STRATEGY STATEMENT

I. OVERVIEW

USAID/Haiti's assistance program has two types of objectives during the FY 83-87 CDSS period. First, the program priorities emphasize growing more food, stopping environmental degradation through reforestation and other income-earning activities for small farmers, reducing population pressure, creating job opportunities, and providing access to an effective rural health system. Second, these programs and other efforts will be aimed at strengthening the Haitian Government's commitment to equitable economic and social development and improving the Government's capacity to implement an expanded development program. A.I.D. development grants, supplemented with PL 480 resources, are designed to meet both objectives. A.I.D. will also continue to support the IMF, the IBRD, and other donors working with the GOH on fiscal, organizational, and planning improvements.

Three alternative programs of project and PL 480 assistance for the CDSS planning period are presented. These programs reflect different assumptions about GOH performance and commitment to development. The first is a minimum program which focuses principally on humanitarian and relief objectives and addresses areas which have a potential to impact directly and negatively on the United States. Development assistance and PL 480 Title I funding levels would be held constant throughout the period, while gradual increases would be budgetted for Title II feeding programs. Project activities with the GOH would concentrate on family planning and malaria control, while a limited number of projects through non-governmental organizations would be financed. The second program assumes success in working

with the Government in certain project areas but without substantial improvement in the overall policy environment or GOH performance on development matters.

Assistance levels would increase above the minimum program level to permit financing of a broader range of FVO development projects and follow-on activities in specific areas where current projects with GOH agencies have been relatively successful. The final program is an expanded one which would allow full implementation of projects in each of the priority areas identified in our strategy and which assumes reasonable and continual progress by the GOH on project performance and on making a greater commitment to development. Sizeable increases in development assistance funds would be required beginning in FY 84 to finance major follow-on projects with nationwide impact. These increases would be accompanied by increases in the PL 480 program, either through additional Title I levels or the negotiation of a Title III agreement.

This past year, 1980, was not a good one for Haiti. A number of developments must be reversed if the greater commitment to equitable development on the part of the Haitian Government and the project implementation performance that are needed are to be secured in the future. Last year was one of increasing food stringency. Food prices were at record levels and Hurricane Allen made a poor situation even worse. While food imports increased, foreign exchange shortages limited those imports and kept food prices high. While poor weather was a proximate cause, the ever-increasing population pressure and the failure of the Government to develop effective programs to increase agricultural productivity were the primary causes. A lack of budget discipline and an attempt to pay higher public sector wages led to a record budget deficit which required drawing on Central Bank reserves. A number of unbudgeted projects of doubtful feasibility

also used up foreign exchange and, combined with higher petroleum prices and the food situation described above, led to the first balance of payments deficit in several years despite a high level of coffee exports. After an excellent export record in 1980, a poor coffee harvest, coupled with low prices, is adding to the pressure on the balance of payments in 1981. The budget and balance of payments deficits reflect a general lack of commitment to act effectively to solve the serious problems which affect development projects. As 1981 starts, no clear course has emerged and the Government has not yet taken the steps needed to overcome the difficulties that have become more pronounced during the last year or to address the country's serious development problems.

Faced with this situation, the Mission cannot now support the expanded program, despite the fact that this is the only program through which the full range of our assistance strategy could be implemented. However, because of the good progress we have made in working with the Government in a few areas and the existence of several good prospects to develop important non-governmental projects, we do not believe the minimum program is called for at this time. Therefore, this CDSS recommends adoption of the second, selective performance approach. This will allow our program to focus on those areas and agencies where we are most likely to succeed and make a development impact in Haiti and will permit us to maintain our dialogue with the Government in crucial areas such as macro-economic and food production policies, as well as areas with more direct potential impact on the United States.

II. ANALYSIS

A. Who the Poor Are and Why Are They Poor

A recent World Bank study established absolute poverty levels for Haiti of around \$140 annual per capita income for 1976, based on the cost of a minimum diet plus 40% for all non-food expenditures. Using this standard, it was estimated that 74% of Haiti's total population, and 78% of the rural population (which is 80% of the total population of the country), was at or below the absolute poverty level. Only in Port-au-Prince did the percent of the population below the absolute poverty line drop below 50% -- to 39%. Thus, in 1976, 85% of the poor were in rural areas, 9% in smaller towns and cities, and 6% in Port-au-Prince. Even with rapid urban growth, Haiti is expected to remain heavily rural through the rest of the century -- perhaps 72% rural in 1986 and still 60% to 66% rural in the year 2000. It is expected, however, that the agricultural labor force will remain essentially constant for the next 20 years.

Although no regional income data are available, there is a general consensus that regional variations in the extent of poverty are small. This is indirectly confirmed by data from the 1978 Nutrition Status Survey. Using the standard Gomez classification, the percentages of preschool children rated as normal ranged from 19.7% to 26.8% among the five geographic regions of Haiti. From 45.4% to 48.8% had first degree malnutrition, 22.8% to 28.3% second degree malnutrition, and from 2.5% to 5.7% third degree malnutrition. In Port-au-Prince, 41.7% of the children were normal and the percentages of second and third degree malnutrition were about half those of the rural areas. The number of children reported sick in the week previous to the survey also showed little variation from region to region, ranging from 50% to 62% in the rural departments, and dropping to 46% in Port-au-Prince.

While most of the poor are not landless, many peasants have very little land to farm. On the average each farm unit consists of 0.8 hectares and supports approximately 4.5 persons. There do not seem to be large regional differences. It is estimated that most farmers spend only from 120 to 175 days per year actually farming and most seek supplementary work. As a result, rural salaries or earnings are very low, ranging from \$0.60 per day for casual labor, firewood gathering and charcoal production, up to \$2.00 per day for skilled workers. The wage of \$1.30 per day paid recently for labor intensive road work in coffee areas has been attractive in all regions and seems to be somewhat above the going wage for able bodied labor.

The poor are almost entirely Creole-speaking and have little or no command of French. They are almost all illiterate and thus have little access to new ideas and approaches. A typical poor family in the rural area usually lives in a mountainous or isolated area, in a small house by itself or in a compound with other members of the extended family. Typically, the man of the house may not be married but lives in a semi-permanent union. He owns several small parcels of land and may rent or sharecrop others. He tries to have land of various types and grows a diversified number of crops in order to minimize the risk of failure of any one crop. He may also raise some coffee as a cash crop. He uses a hoe and hand tools but does not use any purchased inputs except perhaps seeds. He is a full participant in the monetary economy and often sells his crops at harvest time and later buys other foods as needed to make up the family diet. He may work on the side making charcoal or doing other handicraft work. He does not belong to any traditional community based organizations but may belong to a community council which has been organized recently, or to a church group. His wife is probably active in market activities and may spend long

times away from home in these activities. While he and his family are illiterate and speak only Creole, he would like to have his children go to school, learn French, and escape the rural poverty which surrounds them. The primary school teaches only in French, has some 50 students or more per teacher, and only 2% of the students who enter graduate from the primary school. The family has no running water, no sanitary facilities, no electricity, and very few services of any kind. The family probably thinks about escaping their poverty by emigrating and may know of others who have borrowed money and successfully emigrated to the U.S., the Bahamas, or elsewhere in the Caribbean.

The urban poor family typically lives in crowded little house, usually rented, which opens on an alleyway. Many may share cooking facilities. There usually is no convenient supply of potable water, and it frequently must be purchased. Families are more unstable than in the rural areas but somewhat more public services are available. Even so, the infant mortality rate is higher in the urban area than in the countryside. The men exist from casual labor or from handicraft work either in the services sector or as part of the 100,000 people employed in the informal manufacturing sector. On the whole, though, living conditions are much the same as for the rural poor. As one would expect, the rural poor are in contact with the urban poor through family connections and migration from rural to urban areas maintains a rough equality in the welfare levels.

The primary cause of poverty in Haiti is the very low level of agricultural productivity. Extreme population pressure on the land in a mountainous country forces some 85% of the farmers to cultivate small plots located on hillsides which have already eroded considerably. Natural population increase and subdivision of family holdings over the last 175 years have reduced the amount

of land farmed per capita. Moreover, much of this land is unsuitable for permanent agricultural production. There has been very little technological change and investment in agriculture. As hillsides have been cleared for additional food production, firewood and charcoal production, and harvesting of valuable timber, there has been no investment in land conservation measures. Consequently, erosion is literally washing away the agricultural base in Haiti. Investment in irrigation has also lagged badly with less land now under irrigation than two hundred years ago. Maintenance and use of existing irrigation systems is often poor, and the erosion/siltation problem makes maintenance even more difficult. Adoption of more productive technology for such small farms -- often really garden plots -- would be difficult under any circumstances, but a number of conditions have prevented it almost completely in Haiti. Most basically, the ruling groups have traditionally controlled access to resources through their domination of the political systems and have taken either an exploitative or neglectful attitude towards the rural areas. Consequently, there has been little private or public investment in rural areas. Although the rural population is in the market economy and trades extensively, transport has been extremely poor and transport costs very high, which limits agricultural specialization and provision of agricultural inputs. There has been little agricultural research and only limited adaptation of new agricultural methods to the Haitian situation.

Haiti is weak in national resources generally, and no natural resource-based export industries have been developed that would provide employment or foreign exchange and government revenues for a broadened development program. Even specialized agricultural crops, such as bananas, cotton, cocoa, and coffee, which could have increased exports and earned higher

returns per unit of land, have suffered in the past from exploitative policies by governments. These governments maintained high export taxes and thus reduced production incentives or authorized monopolies to inefficient private or public sector entities that reduced prices paid to farmers and failed to market their products effectively.

Another major contributor to poverty has been the failure to develop a strong manufacturing base in the different urban centers. Until recent years the Haitians have been relatively uninterested in manufacturing. In the past, distrust of foreigners, who have played a major role as investors, political instability, and an often unfavorable environment for business and manufacturing development combined to limit development of this sector. The recent development of assembly and other export industries in Port-au-Prince has shown the potential for this sector in providing employment and higher incomes. However, even with the improved business environment now available, potential investors are still wary at times about making major investment commitments in Haiti.

While some current policies, such as the coffee export tax, hinder growth and equity, the poverty of rural Haiti has not been greatly aggravated by uneconomic price incentives and misguided subsidy policies. However, there are growing tendencies in this direction. In the name of fighting inflation, helping the plight of the poor, and promoting industrial development, proposals for distorting price-fixing and subsidy schemes are constantly being put forward. A cut in flour taxes and a subsidy for imported sugar this past year are examples of such tendencies. In the context of sales price policy for PL-480 Title I commodities, USAID has acted and argued against poorly planned food subsidies with some success. However, continued vigilance is necessary to keep the pressures for such policies from growing.

The failure of the Government to provide essential services to its people has exacerbated existing pressures on the land and the need for more resources. Combined with a continuing atmosphere of favoritism and corruption, this has led to growing doubts about the Government's commitment to development and ability to improve its performance in implementing effective projects to address the country's many serious development problems.

B. Recent Economic Growth In Haiti

There is little reliable information on the national accounts in Haiti. The official national account data as presented by the Haitian Statistical Institute show magnitudes and trends contrary to what those familiar with the economic situation in Haiti believe to be credible. For this reason, IMF and IBRD technicians substantially revise the Haitian statistics for use in their work, but they are obviously not in a position to produce precise estimates of the national accounts. Tables 1 and 2 summarize the IMF/IBRD estimates of sectoral output and savings and investment. The importance of agriculture, the variability in agricultural output, and the very low and declining level of private savings as percent of GDP are readily apparent. (By contrast, the official national accounts show consumption as 111% of GDP in 1977 and decreasing rapidly in absolute terms so that it was only 88% of GDP in 1980, with a consequent very rapid increase in private saving.) GDP has grown at an average rate of about 4% over the last decade. The IMF estimates GDP growth in real terms at 7% in 1980, but expects GDP to fall by 1% in 1981, with coffee exports falling from the previous year by 1% of GDP and the rest of the economy flat because of the difficult economic situation.

In 1980, the per capita GDP of Haiti, using a more realistic population estimate of 5.5 million than the official 4.9 million, was about \$300.

TABLE 1

HAITI: INDUSTRIAL ORIGIN OF GROSS DOMESTIC PRODUCT

	Fiscal Year Ending September 30				
	1975	1976	1977	1978	Est. 1979
<u>I. Millions of Gourdes at 1955 prices</u>					
<u>GDP at market prices</u>	<u>1,858.1</u>	<u>2,014.4</u>	<u>2,040.3</u>	<u>2,148.8</u>	<u>2,187.3</u>
<u>Primary sector</u>	<u>833.2</u>	<u>881.5</u>	<u>854.6</u>	<u>916.4</u>	<u>898.6</u>
Agriculture	809.6	849.3	823.7	887.7	869.9
Mining	23.6	32.2	30.9	28.7	28.7
<u>Secondary sector</u>	<u>288.7</u>	<u>342.9</u>	<u>366.6</u>	<u>379.8</u>	<u>410.2</u>
Manufacturing	206.3	250.7	268.4	269.5	291.1
Construction	82.4	92.2	98.2	110.3	119.1
<u>Service sector</u>	<u>736.2</u>	<u>-790.0</u>	<u>819.1</u>	<u>852.6</u>	<u>878.5</u>
Utilities	39.1	48.3	50.0	45.6	47.0
Transport and communications	49.2	55.1	68.3	80.0	85.0
Commerce	193.1	223.5	227.6	238.4	245.5
Financial	12.3	.15.2	17.0	17.4	17.0
Housing	169.8	173.0	176.0	179.1	182.0
Government	148.8	142.1	145.2	150.0	155.0
Other	123.9	132.8	135.0	142.1	147.0
<u>II. Annual Percentage Change</u>					
GDP at market prices	<u>0.1</u>	<u>8.4</u>	<u>1.3</u>	<u>5.3</u>	<u>1.8</u>

Source: IMF

TABLE 2

HAITI: INVESTMENT AND SAVING, 1975-79

(as percentage of GDP)

	1975	1976	1977	1978	1979 est.
Gross Domestic Investment	13.8	13.7	14.1	14.9	14.2
Public	7.3	8.5	9.9	10.1	8.8
Private	6.5	5.2	4.2	4.8	5.4
Gross National Savings	5.4	5.0	5.0	5.1	2.5
Public ^{a/}	1.6	2.1	2.9	2.1	1.4
Private	3.8	2.9	2.1	3.0	1.1
Foreign Saving	8.4	8.8	9.1	9.8	11.7
Grants-in-aid	2.7	3.8	2.9	3.4	4.2
Private remittances	2.3	2.9	2.8	2.5	2.5
Net capital account					
- Changes in reserves	3.4	2.1	3.4	3.6	5.0

a. Consolidated Public Sector

Source: IMF

The growth in per capita income in recent years has been concentrated in urban areas with little or no improvement in the standard of living of rural dwellers.

C. Trends in the Foreign Sector

1. Current Trends

After several years of balance and slight surplus, the balance of payments was negative in 1980, and prospects are grim for 1981. Table 3 provides a summary for the last five years, and provides the IMF forecast for 1981, which forms part of its Extended Facility Agreement program. The 1980 deficit occurred despite an exceptionally large coffee crop that was exported at high prices, earning about \$90 million, as compared with \$42 million for the previous year. There were several negative factors, however. First, the cost of petroleum imports increased from under \$30 million, or about 13% of total import value, in 1978 to over \$75 million, or about 22% of total import value, in 1980. Secondly, because of drought and Hurricane Allen, domestic food shortages developed, driving up prices, and consumers switched from locally-produced corn and millet to flour made from imported wheat, which rose only slightly in price. In 1980, flour consumption was 35% greater than in 1979 and 52% greater than in 1978, and wheat and flour imports were up by about \$8 million. Sugar imports were also substantially higher. Data are not yet available on other food imports, but increases were probably substantial. A third factor was several unbudgeted public sector projects, for which payments exceeding \$10 million were made. A final factor is the drop in official transfers and public capital to the GOH, reflecting the slow pace of implementation of development projects by the Government.

TABLE 3
HAITI SUMMARY BALANCE OF PAYMENTS FY 1976-81
(In Millions of U.S. Dollars)
Fiscal Years Ending September 30

Year	1976	1977	1978	1979	1980 ^{1/}	1981 ^{2/}
<u>Goods And Services</u>	-85.4	-101.10	-109.2	-141.8	-154.0	-233.1
Trade Balance	-52.3	-62.3	-54.2	-89.2	-85.0	-144.2
(Exports, F.O.B.)	(111.9)	(137.6)	(154.8)	(138.0)	(201.3)	(168.8)
(Imports, F.O.B.)	(-164.2)	(-199.9)	(-208.9)	(-227.2)	(-286.3)	(-313.0)
Services (Net)	-33.1	-38.7	-55.0	-52.6	-69.0	-78.9
<u>Transfers</u>	65.1	63.5	67.9	90.0	84.4	115.0
Official Grants	39.3	32.6	39.2	58.0	52.4	80.0
Private Transfers (Net)	31.2	30.9	28.7	32.0	32.0	35.0
<u>Current Account</u>	-20.3	-37.5	-41.3	-51.8	-69.6	-108.1
<u>Capital Account</u>	39.1	51.1	55.5	68.0	56.9	93.1
Private Capital and Errors & Omissions	14.1	-11.3	7.4	19.2	16.0 ^{3/}	28.3
Public Capital	24.8	62.4	48.1	41.2	34.2	61.7
(GOH)	(17.7)	(60.0)	(40.4)	(35.4)	(26.1)	(59.4)
(Other Public Sector ^{4/})	(7.1)	(2.4)	(7.7)	(5.8)	(8.1)	(2.3)
Unrequested Earnings ^{5/}	0.2	-0-	-0-	7.6	6.7	3.0
<u>Change in Net Int'l Reserves (increase-)</u>	-18.8	-13.6	-14.2	-16.2	12.7	15.0
Official	-11.6	-12.8	-10.2	-14.0	11.8	15.0
Commercial Banks	-7.2	-0.8	-4.0	-2.2	0.9	---

1/ Preliminary

2/ Projected - EFF Program

3/ Includes Direct Investment of Mixed Enterprises.

4/ Trust Fund - IMF

5/ SDR Allocations, Gold Revaluation, Exchange Profits

Source: BRH, IMF

The prospects for 1981 (and following years) are not good unless a major effort is made to increase local food production, conserve petroleum use, and increase the rate of expenditure of foreign assistance funds. Because of a small crop (caused in part by Hurricane Allen) and lower prices, coffee exports will be in the area of \$40 million in 1981. Petroleum price increases and growth of the urban sector will drive petroleum import costs still higher. The Mexican and Venezuelan governments will provide long-term concessional loans for 30% of crude oil costs starting in mid-FY 81, which will provide about \$10 million of financing during 1981, and double that or more in future years. Food will continue to be scarce and import levels high, at least for the first half of the fiscal year. Payments for the unbudgeted projects may continue. Bauxite exports, which have been at \$18 million per year until 1979, will also fall as the mines approach exhaustion. At the recent Joint Commission Meeting, the GOH announced a level of foreign assistance in 1981 10% below that of the previous year; project implementation rates are still slow.

The prospect, as shown in Table 3, is for a sizeable loss of reserves in 1981, despite an optimistic estimate of public transfers and public capital disbursements. All concerned with Haiti and its development are becoming aware of the constraints that will be put on Haiti's progress unless the present balance of payments situation is changed.

2. Areas of Action

A number of measures could be taken to improve the balance of payments situation:

- The coffee export tax needs revision since it taxes exports at a rate of about 26% ad valorem even when prices are depressed. The neighboring

Dominican Republic taxes coffee exports only when the price rises above 80 cents per pound at 30% of the excess over 80 cents , and contraband coffee from Haiti to the Dominican Republic is extensive.

- In an ill advised attempt to fight inflation in 1980, excise taxes on diesel fuel and kerosene were eliminated, and the gasoline tax was cut by eight cents per gallon. Higher taxes would restrain petroleum demand, as would higher import taxes on pleasure vehicles and much fewer exemptions from paying duties.

- In early 1981, the price paid for sugar cane was increased, and the price of sugar raised to closer to the world market price, but further measures may be needed to avoid disincentives to domestic sugar production.

- A new customs tariff with higher rates on imported luxury and inessential goods has been promised but has not yet been implemented.

- A government monopoly over essential oils exports followed a high price policy and cut off exports in a falling market, hurting foreign exchange earnings and the industry. Greater freedom of export will be needed if the industry is to recover.

- For industry, care must be taken not to drive up the minimum wage too rapidly, and threaten the development of the export-oriented assembly industries, which are one of the most dynamic parts of the economy.

- Finally, the rate of implementation of development projects must be improved. If food output is to be increased, the rate of execution of agricultural projects must be greatly accelerated. Also, since most donor-financed projects pay some local cost expenses, a greater rate of project execution generally will provide foreign exchange to support the balance of payments.

In recent years, both Title I and Title II PL-480 agreements in Haiti have supplemented the domestic food supply without requiring use of foreign exchange. These programs make a humanitarian contribution at a time of foreign exchange shortages, and if present trends continue may become more important. Title I programs also provide financial support for development projects. Both programs are being coordinated more closely with the ongoing AID program so that their development impact will be increased. If GOH commitment and support for development increases in the coming years, negotiation of expanded Title I (or Title III) agreements can support policy reforms in the GOH, provide funds to supplement GOH financing of its expanded development effort, and ease the balance of payments constraint on more rapid development.

D. Fiscal and Public Finance Trends

The Haitian fiscal system has generally been recognized as being in need of reform. Starting in October 1978, an Extended Fund Facility Agreement with the IMF foresaw fiscalization of all revenues, unification of the budget, improved control of all expenditures, reform of the tax system, and increases in revenues and public savings as a percent of GDP. Public sector borrowing from the monetary system was held to tight limits as a condition for eligibility to draw on the Agreement. Some progress has been made on the first two objectives, but generally the progress to date has been much less than expected. Borrowing from the Central Bank has consistently exceeded the limits, and the ceilings have been raised by the IMF in an attempt to keep the Agreement operational. The lack of progress on fiscal reform has severely affected public savings and the funds available for development programs.

Table 4 summarizes recent public sector fiscal operations.

The picture is one of gradual deterioration in fiscal performance over the past several years. As a percent of GDP, current revenues have not risen, while current expenditures have, so that public saving has decreased. Capital expenditures have dropped slightly, but domestic financing by the Central Bank has increased, since concessional external financing has tended to fall. Not included are the operations of the Régie du Tabac, which after transferring most of its taxes to the GOH still earns considerable revenue from commissions on the sale of six commodities (flour, tobacco, sugar, cement, cigarettes, and matches). These revenues amount to about one percent of GDP, or \$15 million per year. Only about 15% of revenues, including Régie Commissions are now extra-budgetary. The fiscalization of revenues carried out in 1979 and 1980 not only included new revenues in the budget, but also showed that the amount of extra-budgetary revenues and expenditures had previously been overestimated by about 2% of GDP. Public sector revenues and current expenditures are now shown as much smaller than they were previously.

The only aspect of the fiscal reform conceived as part of the Extended Fund Facility Agreement with the IMF that has been carried out is that of fiscalizing revenues. An increase of 2.7% of GDP in current revenues foreseen in the original Agreement over the three years (1979-81) of the Agreement has totally failed to materialize. The revised targets for 1981 forecast lower revenues as a percentage of GDP than before the Agreement started, since other recent tax increases which will yield just under 1% of GDP will not offset lower coffee tax revenues. As a result, the GOH has consistently exceeded the targets on borrowing from the Central Bank. Even with the borrowing that has taken place,

TABLE 4 ^{1/}
Haiti Public Sector Fiscal Operations FY 1976-81
 (In Percent of GDP)
Fiscal Year Ending Sept, 30

Year	1976	1977	1978	1979	1980 ^{2/}	1981 ^{4/}
<u>General Gov't.</u>						
Revenue	8.9	9.3	9.4	9.3	9.1	8.8
Current Expendi- ture	-7.6	-7.4	-8.0	-9.0	-8.9 ^{3/}	-8.7
Surplus on Current Account	1.3	1.9	1.4	0.3	0.2	0.1
<u>Public Enterprise Current Account Surplus</u>	0.4	0.8	1.1	0.8	0.8	0.7
<u>Public Sector Saving</u>	<u>1.6</u>	<u>2.7</u>	<u>2.5</u>	<u>1.1</u>	<u>1.0</u>	<u>0.8</u>
<u>Grants-In- Aid</u>	<u>3.8</u>	<u>2.9</u>	<u>3.4</u>	<u>4.6</u>	<u>3.4</u>	<u>3.5</u>
<u>Capital Expenditures</u>	<u>8.5</u>	<u>10.0</u>	<u>10.1</u>	<u>9.1</u>	<u>9.2</u>	<u>9.3</u>
<u>Public Sector Deficit</u>	<u>-3.1</u>	<u>-4.4</u>	<u>-4.2</u>	<u>-3.4</u>	<u>-4.8</u>	<u>-5.0</u>
External Financing (Net)	2.5	5.4	3.5	2.4	2.2	3.6
Domestic Financing (Net)	0.6	-1.0	0.7	1.0	2.6	1.4

1/ Excludes Régie Operations Except for Transfers to Gen'l Government Revenues

2/ Preliminary

3/ Includes G 15 million in sugar subsidies

4/ Projected - EFF Program

Source: GOH, BRH, IMF.

the Government failed in FY 80 by a large margin to fund budgeted contributions for development projects. According to the approved EFF program for FY 81, the GOH will be able to fund only about half of the amount that has been included in its 1981 budget for development projects. The operating budget increased only slightly for FY 81 from the previous year, since no general pay raises were given, despite the 13% inflation in the previous year. The only Ministries with noticeable increases in their budgets in FY 81 are Presidency, Information and Public Relations, and Interior, plus Education which received funds to hire a few more teachers. Since the exchange rate between the gourde and dollar is fixed at 5 gourdes to the dollar, Haiti must expect a rate of inflation similar to that of the U.S. in the longer run, and inflation is continuing.

Despite the unsatisfactory state of its finances in FY 80 the GOH approved and funded three projects outside the development budget, and has been considering others. The three projects being implemented are a new sugar mill, a fishing fleet, and a vegetable oil mill. At the request of the GOH, the IBRD made studies of their economic feasibility, and gave negative reports, largely because the raw materials supplies required by these projects are not available domestically now nor will be in the foreseeable future. The IBRD also studied cement and textile mill projects being proposed, and made suggestions on the approaches to be taken to these projects. To date, the Government has refused to give any assurances of avoiding future extra-budgetary projects, or of demanding the demonstration of economic feasibility before it invests in commercial type projects. However, the Ministry of Finance has issued a decree stating that in the future the Minister of Finance can authorize government loan guarantees only to projects with a positive economic rate of return.

An important element of the GOH development budget is PL-480 Title I counterpart. The USAID has participated in the programming and allocation of these funds, which have provided an assured source of local funding for many USAID-supported projects. As a result, these projects have generally avoided major funding problems during a difficult period. The Title I counterpart process is also the occasion for an on-going dialogue on project planning, funding, personnel and salary policies, project reporting and project evaluation, and is a useful vehicle for introducing improved planning and management methods into the GOH.

The IMF has taken primary responsibility for assisting in tax reform in Haiti and has made a number of suggestions for changes. A modernized customs tariff on an ad valorem basis, with higher rates for nonessential items, is being prepared and may be put in force soon. The GOH has also stated its intention to replace the present system of specific excise taxes with a general sales tax system, but preparations for this are not yet underway. The need for a reform in the coffee export tax has already been discussed. This would necessarily cause greater variations in the yield of the tax as prices change, but would remove the current disincentive to growing coffee. In urban Port-au-Prince, it is obvious that real property and the incomes of the professional class are undertaxed, but little action has been taken as yet to increase revenues and the equity of the tax system through this route.

An additional desirable tax reform is one that would lower the distribution commissions still charged by the Régie du Tabac on some commodities to levels in line with the services the Régie actually performs in selling the commodities. The proposed transfer of half of the profits of the Régie to the development budget has not occurred in practice, despite the issuance

of decrees ordering that this be done.

E. Progress and Commitment

As the preceding sections have made clear, at the macro-economic level 1980 was not a year of progress or increased commitment to development. While noting the progress that had been made in previous years, the representatives of both the IMF and the IBRD at the Joint Commission meeting in December were forced to emphasize the setbacks that had occurred in 1980 -- the non-justified extra-budgetary projects that used up scarce budget resources and foreign exchange, the government deficits, the lack of control over expenditures, the lack of progress in increasing public savings, and the shortages of counterpart funds for development projects and the consequent delays and lower disbursements of foreign assistance. The GOH neither contested, explained, nor promised to do better in the future.

Little progress was made in obtaining commitment through the Title III negotiations. In response to an initial proposal received in late 1979, the Embassy and USAID had indicated the need for much additional information on the measures to be taken to increase public savings, the increased budget amounts to be allocated to the agricultural and other sectors to complement Title III funds, the steps to be taken to improve the administration and operative capacity of the development ministries and detailed descriptions of the projects to be financed with Title III funding. Although satisfactory answers to all the questions were not expected in a revised draft, it was hoped inclusion of these topics would form the basis for further negotiations on a detailed basis. The GOH negotiating team understood the need for this information, and some useful exchanges were held, but when the revised proposal was received in November 1980, very little additional information had been supplied. The

projects were not clearly detailed nor their feasibility studied. The data on fiscal reform and revenue targets were sketchy and no discussion of sectoral budget targets was provided.

In 1980, the GOH started work on a new five-year development plan to start in FY 82. Informal contacts did not reveal any outline of the Government's thinking on the new plan, and it was hoped that at least some hints would be given at the Joint Commission Meeting in December. At that time, however, the GOH indicated that key decisions on the composition and direction of the new five-year plan had not yet been taken and there was no discussion of what the goals set in the plan would be.

To stay only at the macro-economic level in reviewing progress and commitment for Haiti in 1980 would be to give much too somber a picture. At the ministerial and project level, progress is more evident and some account of this must be given to provide a balanced picture. The Government has been generally aware of the need for qualified technical leadership at the head of development - related ministries. The Ministry of Finance is now headed by a more qualified technician and the Minister of Education is a career educator who has started a program to introduce Creole as the language of instruction into primary education. He has been dedicated in seeking improvements in his schools. The Minister of Agriculture, who is the former head of a major regional development agency, has good technical qualifications and is seeking to get his agricultural projects moving. The Minister of Public Health has been a distinguished physician who worked hard to improve and unify administration of his Ministry. The Minister of Public Works is a civil engineer who has acted to make needed changes to make an AID-financed project more effective, and has worked hard to get the needed budgetary funds for the expanding road maintenance program. With the cooperation of these ministers and of other dedicated

Officials in the GOH, USAID was able to improve the implementation of a number of ongoing projects, and to identify good prospects for some new projects in key areas.

In 1980, Hurricane Allen struck Haiti a glancing blow, and extensive emergency relief was required. The GOH took much more initiative than in past disasters in mobilizing to provide assistance to the victims, and demonstrated real concern about the welfare of the victims. The relief program has been considerably decentralized and local GOH representatives have been allowed to work closely with voluntary agencies and responsible local groups in providing relief. Community councils continue to be promoted by the GOH, and within limits local initiative and participation are encouraged.

In some other respects, commitment is on a plateau. The GOH operating budgets for health and education totalled 28% of the total operating budget in 1979, and were approximately equal. Following the fiscal reform and the fiscalization of revenues in other ministries, their share of the total operating budget has fallen to 25%, but their allocations have expanded about 50% in FY 80 and FY 81.

The Government is seeking to facilitate new industrial investment. It has followed a responsible monetary policy along the lines suggested by the IMF (with the exception of the recent Central Bank financing of the budget deficit). Interest rates have been raised as required to meet world market levels and controls have been avoided. A new banking law, long sought, has been passed and is expected to improve the business environment. On the other hand, the threat of government favoritism to some industrial interests continues to deter others. The new vegetable oil plant is specifically designed to cut into the margins of the present vegetable oil refiners. Proposed new GOH cement and textile

plants would compete with existing privately-owned facilities.

There is strong concern about control over the flow of information on the part of the GOH, and the widely-publicized recent arrests and exile of journalists, radio commentators and others whom the Government had thought had gone too far in their criticisms were the result. The criticisms in many cases were of the poor conditions in Haiti, the treatment of the "boat people" who leave Haiti, and lack of GOH actions to promote development.

While these events are of great concern to us, to relate development assistance funding levels directly to human rights performance may result in less, rather than more, human rights in Haiti. To the extent that development efforts are well-designed and effective, they can lessen the unrest and underlying conditions towards which criticism of the GOH is directed, and promote a less defensive and repressive attitude on the part of the Government.

F. Other Donors

Other multilateral and bilateral donors continue to be very active in Haiti, but new commitments have now levelled off after the very rapid rise from the early 1970s. In December 1980, at the Joint Commission meeting, the Ministry of Plan announced that new multilateral commitments in FY 81 were expected to be \$61.6 million, off 2% from the previous year, while bilateral commitments were expected to be \$40.5 million, off almost 19% from the previous year, giving a decrease in donor funding overall of almost 10%. The decreases in some cases come from donor funding constraints, but problems with project formulation and implementation in Haiti have also contributed to the slow-down in planned donor activities.

In recent years, the IDB and the World Bank (IDA) have been the main multilateral donors, with the UNDP and other U.N. agencies also significant. The IMF is also an influential member of the donor community. Canada, West Germany and France are the most active bilateral donors in addition to the U.S.

Their levels of assistance to Haiti in recent years have each been comparable to that of AID, but if PL-480 Title I and Title II are taken into account, the U.S. is by far the largest bilateral donor in Haiti. The Canadians, West Germans, and French all have diversified assistance activities with a wide range of technical assistance, but they tend to emphasize capital projects more than AID -- electrification and roads for the Germans, airports and roads for the French, and energy for the Canadians.

There is a need for a more effective forum for donor-GOH discussions of broader policy and macro-economic issues. Donor coordination through the annual Joint Commission meetings and by the Ministry of Plan has not been fully satisfactory. The donors have requested regular sector meetings with the GOH to discuss project and planning issues in FY 81, although this approach has not been very successful in the past. In some areas individual donors have taken the initiative in calling meetings to discuss sectoral activities and coordination. Individual donor agencies are also increasingly working more closely together in project planning and implementation, and the USAID has developed good working relationships with the World Bank, the IDB, and the IMF.

Compared to other donors, bilateral and multilateral, the AID program in Haiti has a number of unique characteristics. AID has much more flexibility to work with private voluntary agencies than any other donor. Only the Canadians among other donors have a strong voluntary agency emphasis, but they do not fund projects of the size of AID OPGs, not to mention the Title II program. In areas such as rural water systems, projects with the GOH have remained stalled for a long period of time, but AID has been able to proceed by OPGs with voluntary agencies. A second characteristic is that AID has greater freedom of choice in selecting sources of technical assistance than some other donors, particularly the multilateral banks which find they

often are limited to technical assistance from U.N. or OAS agencies. A third characteristic is that AID has sought more than other donors to avoid special project implementation offices for its projects within GOH ministries, and has sought to work through regular ministry offices. This at times makes progress slower, but is believed to be more effective in increasing ministerial operating capacity in the long run. Finally, AID, more than other donors, through its Title I and proposed Title III programs, has offered general balance of payments support and some development budget support to the GOH, and has taken a greater interest than almost all the other donors in the overall GOH organizational, fiscal, and administrative reforms there are needed if the pace of development is to be increased significantly in Haiti.

III. STRATEGY

Our assistance strategy remains focused on the same general problem areas described in last year's CDSS. We have refined our rural development strategy and lowered our sights on what we can expect to achieve in the energy development field with limited funding for our program. The tone of last year's CDSS was positive and optimistic. The analysis of the macro-economic situation in the previous section and GOH performance in both the policy area and project implementation over the last year unfortunately does not justify such a high level of optimism at this time. For that reason, we have prepared three alternative program scenarios, based on different assumptions about Government commitment, project performance, and the availability of funding. These program alternatives become the most fundamental aspect of our strategy in this year's CDSS.

This section begins with a general discussion of the Mission's program objectives and the areas we have selected to emphasize in our programming. This is followed with a discussion of the relation of GOH commitment and performance to our program strategy, a description of the three program alternatives, USAID's recommended strategy, and the staffing implications of each program alternative. A final part of this section deals with strategy issues.

A. Program Objectives and Areas of Emphasis

Our development program is designed to lessen or to eliminate certain critical constraints to development in Haiti, particularly in rural areas. In summary, these constraints are: (1) an extremely poor and deteriorating agricultural base; (2) considerable population pressure on available productive land; (3) the poor quality of rural services and infrastructure; (4) serious malnutrition and high incidence of basic health problems; and (5) weak institutions coupled with limited commitment to equitable development on the part of the Haitian Government.

The A.I.D program will have two types of objectives: those related to specific development activities and those related to GOH commitment to development. With respect to the first, we will have five principal goals: (1) to increase food production and provide greater access to food by the poor; (2) to conserve and improve the management of Haiti's natural resources; (3) to reduce population pressure; (4) to expand off-farm employment opportunities, especially in rural areas; and (5) to improve health conditions in rural areas. Secondly, our program will also focus on ways to improve the institutional environment for development activities in Haiti. We will continue our efforts to improve the management capacity of Haitian Government institutions and strengthen their commitment to development generally and to establish or strengthen indigenous non-governmental organizations that can play important development roles.

1. Food Production and Access to Food

Haiti lacks a sufficient supply of basic foods needed to provide an adequate, nutritious diet for the vast majority of its population. Haitian agriculture has not been able to produce enough food. Moreover, the deteriorating macro-economic situation will result in a scarcity of imported foods needed to fill the gap and a consequent rise in food prices. Our activities focus both on efforts to reduce malnutrition and provide the poor enough to eat in the short run and on longer term programs to increase food production, primarily by small farmers.

The immediate problem of insufficient amounts of food will be addressed through the PL 480 program. Title I imports provide increased quantities of basic foods (wheat, rice, and vegetable oil) to urban consumers, as well as relieving some of the pressure on the balance of payments situation. The Title I commodities have been sold on the local markets at prices considerably above their equivalent CIF prices, and there has been no disincentive to local production. For the last two years the domestic farmgate prices for rice, and for corn and millet, which are substitutes for wheat flour in the Haitian diet, have been well above CIF world market prices. Title II supplemental feeding and food-for-work programs

will be especially important, particularly to meet food needs in rural areas and of the groups most at risk nutritionally, i.e. children under 5 years of age and pregnant and lactating women. Due to the magnitude of the needs in Haiti and the likelihood that food production programs will not result in sizable increases in crop yields in the near term, large food import programs will be needed for the foreseeable future and constitute a major element of our assistance strategy in Haiti. We project gradually increasing Title II programs for the four participating FVOs (CARE, CRS, CWS, SAWS) over the CDSS period.

The PL 480 program can make a major contribution to alleviating hunger in Haiti. However, longer term programs to address the causes of malnutrition and insufficient food supplies must be closely coordinated with and eventually replace concessional food imports and supplemental feeding programs.

With regard to nutrition, important areas of emphasis will be nutrition surveillance and education. Surveillance is important to identify malnutrition in its early stages and direct nutrition education and supplemental feeding efforts to those most in need. (Rehabilitation of severely malnourished children is also an element of our assistance strategy in rural health). Nutrition education efforts will also encourage the introduction of more nutritious, locally produceable foods into the diet of the poor.

The long term solution to food and dietary deficiencies is to increase food production and to increase the incomes of the poor so they can purchase additional food. Increases in both the quantity and nutritional quality of the food produced in Haiti are important and will receive attention in our program. Efforts to increase the nutritional quality of food initially will concentrate on agricultural extension and small scale efforts to grow more nutritious food crops, primarily in kitchen garden type settings. We have selected four areas in which we feel we can make the greatest impact in increasing the amount of food produced. Many areas receive insufficient rainfall to support two crops a

year or crops of high nutritional value, and production could be greatly expanded by the introduction or rehabilitation of irrigation systems. Programs to increase the amount of land under irrigation will be a principal element of our food production strategy. However, irrigation will not address the needs of the majority of Haitian small farmers who work on hillside farmsites. Improved research and extension for hillside farming systems is necessary to expand the output of these hillside units. (Soil conservation and environmentally appropriate hillside farming techniques are also critical and will make up a major share of our activities in the natural resource management area.) With irrigation and improved hillside farming systems, Haitian farmers will need increased amounts of credit to maximize their food production potential. Therefore, a third major area which we will support is the improvement and expansion of rural financial services to meet these needs. Finally, increased food production must be able to reach market places in the secondary towns and major cities. Thus, the rural road network serving food producing areas must be expanded, improved and maintained. Activities in each of these four areas have been initiated under several USAID-financed projects, and considerable progress has been made in credit and road construction and maintenance. Thus, our strategy not only focuses on priority food production constraints but also allows us to build on already established programs and relationships in order to achieve greater impact from our efforts.

In addition to increasing the quantity and quality of food production, attention will be given at the national level to nutrition planning efforts which will focus on the relationship of food production to diet and nutritional status. The results of these efforts will then be reflected in future crop research, production, and marketing initiatives, as well as nutrition education programs.

2. Natural Resource Management

Environmental conditions and trends in Haiti are among the worst in the Western Hemisphere. Haiti's deteriorating natural resource base is a serious

constraint to the country's efforts to increase agricultural production. Two main problems characterize Haiti's deteriorating natural resource situation: (1) excessive and inappropriate use of hillside lands for agricultural cropping and grazing, and (2) over-exploitation of forest resources, principally to meet the demand for fuelwood and charcoal, without regard to environmental consequences.

Our strategy has a dual focus. First, we will work with the GOH to improve its capabilities in soil conservation, watershed management and forestry. Through these efforts, the Government will be able to complement its programs to increase food production and small farmer incomes on hillsides and to develop improved hillside agricultural systems. Based on the pace of implementation of these activities, we will expand our focus to include support to broader natural resource management concerns. These efforts will be supplemented with support to non-governmental programs that expand tree production and other conservation practices and that promote resource-conserving farming techniques, meet fuelwood needs, and increase small farmer incomes. During the ODS\$ period, our objectives are to reduce, and perhaps in some cases eliminate, erosion in selected regions, help develop effective reforestation techniques and models which will contribute to environmental preservation and satisfy the fuelwood and other forestry needs of Haiti, and help the GOH improve its capacity to plan and implement natural resource management activities.

3. Population Pressure

Haiti is one of the most densely populated countries in the world, and population pressure on agricultural land and the resulting migration to urban areas and overseas are major problems. Population pressure impacts directly on all of the other priority areas which our program emphasizes: limited food production and access to food, natural resource deterioration, unemployment, and poor health conditions. Although Haiti's population growth rate is moderate compared to many countries in the region, more rapid population growth is kept in check by high infant and child mortality rates and out-migration. Programs to reduce fertility

through expanded access to family planning services and appropriate national population policies are one of our highest priorities.

Our strategy is aimed at reducing the negative aspects of current population growth on development in Haiti. Our assistance goals are increased access to family planning services through both clinical and private commercial channels, and development of appropriate and effective population policies by the Haitian Government. Our project assistance is aimed at strengthening the Government's support for appropriate family planning and population policies, and increasing the availability of family planning information and services by involving non-health governmental agencies, community groups, private voluntary agencies, the private sector and the Armed Forces, as well as the expanding health service network.

The Haitian Department of Health (DSPP) has established the ambitious goals for the year 2000 of providing national access to family planning services; reducing the crude birth rate by 50%; and lowering infant and maternal mortality rates substantially by offering prenatal, delivery and post-partum services to all women, by establishing appropriate family planning services in all health facilities, and by expanding immunization and child care services. Over the CDSS period we will assist the DSPP to make gradual and steady progress toward these goals. We expect that effective use of family planning will increase to at least 20% of the population of reproductive age and result in a measurable decline in fertility. In addition, we will continue our efforts to encourage the Haitian Government to establish policies favoring child spacing and increased access to family planning information and services. To this end we will help Haitian planners to analyze the development impact of present population growth on macro-economic development, land use, employment, migration, food needs, education, and infrastructure.

4. Off-Farm Employment

Population pressure has resulted in widespread unemployment and underemployment and large numbers of rural migrants to urban areas, particularly Port-au-Prince. This migration has aggravated existing crowded and unsanitary

conditions in many urban slum areas. Limited employment opportunities have also been a major factor in the exodus of large numbers of Haitian "boat people".

Agriculture will be unable to absorb significant amounts of additional labor. In fact, agricultural productivity and rural land use could be improved through the creation of non-farm employment opportunities and migration out of farming into other activities. However, the absence of well-developed infrastructure in Port-au-Prince and other major cities to support a large scale industrial expansion program means that the majority of new entrants to the labor force in both urban and rural areas over the next several years will have to be absorbed by the informal sector* and government or PVO-sponsored public works activities.

Our program will emphasize the creation of productive job opportunities to increase incomes, help absorb increases in the rural labor force and, if possible, over the long-term to reduce the existing population pressure on available agricultural land. Off-farm job opportunities in rural areas, market towns and secondary cities that primarily serve rural areas will be emphasized. Through this focus we would hope to help make rural areas and secondary cities more attractive places in which to live and more effective rural service centers, and contribute to a reduction in the number of "boat people" leaving Haiti for the U.S. and other Caribbean islands from selected areas, such as the Northwest.

USAID will focus on three priority areas which promise to make large impacts on the unemployment problem in Haiti: (1) labor intensive rural works, implemented through the Department of Public Works (TPTC), HACHO, or the range of PVOs operating in rural Haiti; (2) assistance to small scale enterprises, including those in the informal sector and housing construction-related businesses; and

* The informal sector is defined as family or other very small establishments involved in producing a wide range of goods and services; e.g. cottage industry, repair of simple equipment, production of simple consumer goods.

(3) establishment and/or expansion of labor intensive industries, particularly agro-industries. The programs developed in these areas will respond to the need to generate employment opportunities in rural Haiti by: (1) gainfully employing rural workers in the construction and maintenance of economically important physical infrastructure; (2) providing small scale enterprises in the informal sector with the resources necessary to increase their output and create additional jobs for the local work force; and (3) within the constraints of existing industrial infrastructure, assisting in the development of private sector initiatives in rural Haiti and secondary cities aimed at creating or expanding medium to large scale agribusiness and other labor-intensive enterprises which are capable of significant employment generation in the near term.

5. Rural Health

Our strategy in the health sector has evolved over the last 10-15 years from vertical programs in malaria control, maternal and child health/family planning, nutrition education and rehabilitation, and institutional strengthening of the DSPP, to the broad-based, integrated approach for the provision of rural health services that characterizes our present program. This evolution will continue during the CDSS period as we help the DSPP establish the new rural health delivery system (RHDS), reduce malnutrition and high morbidity/mortality from infectious diseases, and control the incidence of malaria in Haiti. Continued PL 480 maternal and child feeding programs will be coordinated with the development of the rural health system, although they will continue to be supported logistically and administratively by the various PVOs active in this area.

Our involvement with the Division of Nutrition's activities over the past six years has helped determine the sort of future efforts needed to address the health-related aspects of severe malnutrition in Haiti. USAID will support both preventive and curative nutrition services, the latter through the continuation of more cost-effective rehabilitation of the most severely malnourished children in rural areas.

A critical element of our rural health strategy is aimed at controlling the incidence of malaria, which affects a large number of poor Haitians and represents a public health threat to the United States. Until recently, the malaria control agency (SNEM) had not made significant progress toward controlling malaria. However, a detailed evaluation of the malaria program by an international team in 1979 identified necessary remedial actions and subsequent performance has improved significantly. Major new steps are being taken to create an effective malaria control program. SNEM still requires substantial technical and financial assistance if it is to plan and implement its program effectively. Based on recent progress, we anticipate further support to SNEM and the malaria control effort.

The development of a comprehensive rural health system by the DSPP will result in a gradual integration of the various programs in order to provide more effective modern medical services based on a permanent, community-based health care system, and thus improve the health status of the rural population. Village-level health facilities and local trained staff are intended to provide preventive and primary curative services. They form the base for a graduated system through which more serious health problems are referred up to more sophisticated health facilities. This requires an integrated approach which combines the efforts of the various agencies involved in health delivery into a single administrative network. To this end, during the past year planning for the integration of the Divisions of Nutrition and Family Hygiene into the DSPP has begun. The implementation of a comprehensive rural health delivery system will continue to be a major effort throughout the ODS period.

6. Institutional Strengthening and Commitment to Development

The final objective of our assistance strategy in Haiti cuts across sectoral lines and is focused on institutional development at both the Government and community or group level.

a. Strengthen GOH Institutions and Commitment to Development

Development efforts in Haiti can only succeed if the Government institutions responsible for implementing them are greatly strengthened. In part, this is a question of experience in project implementation and availability of greater financial resources and managerial talent. However, in the absence of broader policy reforms in several areas, the impact of the Government's development projects will be limited. Therefore, an integral part of our strategy is to help strengthen the GOH agencies responsible for implementing the projects we finance, while encouraging the adoption of basic reforms which will enhance the ability of the GOH to accelerate its development efforts.

USAID projects in the Departments of Agriculture, Public Works and Public Health have institutional development components. These usually consist of technical assistance and training aimed at improving the administrative abilities of GOH personnel and providing guidance in the initial implementation phases of major project activities. In addition to technical assistance and training for Government officials, emphasis will be given to improving the quality of intermediate level and para-professional personnel needed for successful implementation of projects at the field level through in-country training using existing facilities.

A major thrust of our efforts will continue to be to encourage increased GOH contributions to development. Over the next three to four years, we will discontinue project funding of GOH salary and operating costs in the health sector, the only sector in which this practice continues. We will also continue to encourage the Government to adopt increased salary levels and a merit-based personnel system. During the short term, we will continue to approve the use of PL 480 counterpart funds to provide salary and operating expenses. However, these contributions will be gradually reduced and these costs will become part of the regular GOH budget. Future PL 480 program agreements will also require increased GOH contributions to projects from its own budget resources. This will permit PL 480 counterpart funds to be used for other new high-priority development purposes.

Critical policy changes will be addressed in the context of individual or sectoral program negotiations with the GOH, as well as through our PL 480 negotiations. For example, policies in the area of food production, use of state-owned lands, or export taxes will be discussed in connection with new or on-going projects in agriculture and natural resource management. Policies affecting the private investment climate, private savings, and wages and employment will be discussed in connection with the design of off-farm employment generation and credit projects. These policy areas, as well as the more general fiscal and administrative reforms, will also continue to be the focus of PL 480 discussions.

b. Strengthen Indigenous Private Institutions

In any country it is impossible for a government to provide all of the services needed by its citizens. This is particularly true in Haiti where the needs are so great and the government resources dedicated to development are limited. Therefore, a major aspect of our strategy is to emphasize local private institutional development. Many projects we finance involve the participation of local organizations. Through OPGs we are working with local and international PVOs to implement programs specifically aimed at maximizing local participation. Major portions of our Title II program also encourage and strengthen local community organizations. These efforts will be expanded during the ODSS period.

Many missionary groups, which have had limited programs to date, are now giving more attention to development activities. Several international PVOs have also expressed interest in beginning or expanding programs in Haiti. Where project proposals from these two types of PVOs are compatible with our program objectives and strengthen local organizations, they will be favorably considered. In addition, several indigenous PVOs are beginning to operate in Haiti and will receive support.

A major element of our strategy in this area will be to work with the local business community on projects which support our program objectives. An effort in social marketing of contraceptives and basic pharmaceuticals to be undertaken in our new MCH/FP project is seen as a partnership of governmental policies and private sector expertise in distribution and marketing. In the area of employment generation especially, the private business community is expected to be a major participant in our programs. For example, the Haitian Development Foundation, a non-profit organization of Haitian businessmen, was formed in 1979 through an OPG and is providing technical and financial assistance to a number of very small businessmen in Port-au-Prince. Through these efforts we hope to encourage the private sector in Haiti to become more interested and involved in the country's development efforts.

B. Strategy Implementation and Program Alternatives

The need for technical and financial resources to assist Haiti's development is great. Haiti is one of the poorest countries in the world and its location close to the United States makes its poverty of special concern to us. Based on the Mission's analysis of Haiti's development problems, as well as the programs of other donors here, we have identified above the major areas in which we can make substantial impact in Haiti through our development assistance. However, the maximum impact of our programs can only occur in a favorable environment for development, created by a strong commitment on part of the Haitian Government to promote economic and social development as one of its major priorities. Without such a commitment, many of the activities we might propose to implement our strategy would most likely fail. Therefore, the size and nature of our assistance program in Haiti will depend on the ability and willingness of the GOH to undertake equitable and meaningful development projects and on the Government's performance in taking the necessary steps to improve the conditions and opportunities of its people.

1. Relation of Commitment and Performance to Program Strategy

In determining the size and project mix of our program, we will look specifically at the following factors:

(1) The macro-economic situation as it affects the prospects for development and development policies that benefit the majority of Haiti's population;

(2) The effectiveness of management of development projects and of coordination and planning of the Government's development strategy;

(3) The amount of financial resources provided by the Government for sound development projects aimed at Haiti's poor; and

(4) The existence of incentives to increase and retain the number of trained, qualified people in government service.

In the following section, three alternative development programs are discussed, involving different program sizes and project mixes based on assumptions regarding the GOH's commitment to development and performance on policy and project implementation. In determining the appropriate program level and mix, we will look for measurable progress on the following indicators:

Policy changes: The enunciation and implementation of revised policies intended to improve the living conditions of Haiti's poor and the country's macro-economic situation. Areas in which the policy environment is important to promote the type of development we would like to encourage include agricultural pricing and production incentives, taxation, private sector business and investment climate, savings, wages and employment, use of state-owned lands, and population and family planning. Some specific policy initiatives that would favorably alter Haiti's macro-economic situation are discussed in the Analysis section above.

Project management: Administrative reforms which result in appropriate decentralization of government operations and decisions, improved accountability for project expenditures, less lengthy and cumbersome processes for disbursing funds and procuring commodities for development projects, and greater incentives for good

managers. This would be in addition to greater incentives to attract more highly qualified government employees (see below). With respect to coordination and development planning, indicators would include improved sectoral planning efforts, better data collection and use, the design of more realistic development plans, and investment budgets based on thorough project feasibility studies.

Financial resources: Increases in the operating and development budgets of the Haitian Government and GOH contributions to projects financed by USAID and other donors. This will also almost certainly be connected with efforts to increase public savings, reform the fiscal system, and improve project selection and control, areas in which the IMF and the IERD are expected to take leading roles, which should be supported by AID and other donors.

Human resources: Administrative reforms which provide greater incentives to government employees through, for example, adequate salaries, merit-based personnel systems, improved working conditions, or other incentives or rewards for good performance.

Performance will be measured on a project, sectoral or Government-wide basis. We must be in a position to stimulate and respond to performance at any of these levels, within the scope of the priority areas identified in our assistance strategy. In our programming, we will emphasize areas where there has been performance while continuing to encourage greater performance in other areas in the context of project design and implementation discussions.

2. Program Alternatives

We have developed three alternative programs which reflect different assumptions about GOH performance and commitment. The first is

a minimal program which focuses principally on humanitarian and relief objectives and addresses areas which have a potential to impact directly and negatively on the United States. The second program assumes success in certain project areas in working with the Government but without substantial improvement in the overall policy environment or GOH performance on development matters. The final program is an expanded one which would allow full implementation of projects in each of the priority areas identified in our strategy and which assumes reasonable and continual performance on the commitment indicators discussed above. Each of these program alternatives is briefly described below; proposed funding levels for each alternative are included in Section IV.

a. Minimum Program

If GOH performance continues to be poor on current development projects and if there are no indications of any significantly greater Government commitment to development, we will be forced to limit our assistance objectives severely and thus reduce the level of our assistance program in Haiti. In this "worst case" situation, we would focus exclusively on humanitarian efforts to relieve some of the burdens of poverty on the Haitian people and on areas which, if neglected, could cause serious adverse impacts on the United States. Our program would rely to the maximum extent on non-governmental organizations for its implementation, although in certain areas we would continue a limited number of current activities with selected Government agencies.

At this level, we would be unable to make substantial progress in most of the priority program areas identified above. Current projects to which we are already committed and which would continue as long as

there was a reasonable amount of interest and performance on the part of the GOH would not be supported further. Proposed activities requiring GOH participation in natural resource management or employment generation would not be undertaken. This would severely limit our impact in almost every area of our strategy. Without minimal commitment on the part of the Government, little can be expected to result from new or follow-on activities and any new projects with the GOH would most likely be poor investments.

The basic element of this program would be humanitarian: food provision and relief efforts financed by PL 480 Title II program. Project activities with the GOH would concentrate on population and family planning (in which expanded attention would also be given to non-governmental channels) and the malaria control program. In addition, through FVOs and other non-governmental channels a few projects would be undertaken in small scale irrigation, community and rural development, agroforestry and soil conservation, employment creation through public works (largely food-for-work) and small enterprise development. These projects would be financed through OPGs and a FVO Development Support project which could be initiated late in the CDSS period. Levels of development assistance and PL 480 Title I would remain constant in nominal terms throughout the CDSS period. The use of Title I counterpart would be limited to support for AID-funded activities. Additional Title II funds, possibly including new outreach grants, would be required.

The Mission assumes that adoption of the minimum program would severely limit possibilities for a meaningful dialogue with the GOH on development and policy issues. Nevertheless, we would want to leave open the possibility of responding to GOH initiatives that could demonstrate

greater commitment to development and policy reform on their part. As those opportunities arose, increased PL 480 or development assistance beyond the minimal levels could be important means of influencing and directing expanded efforts on the part of the GOH. Therefore, the continued presence of a capable USAID mission and frequent reviews of program assumptions and prospects would be necessary.

b. Selective Performance Program

Despite poor performance generally, our experience in working with the GOH has been that in certain areas and at certain levels, there has been acceptable (and in some cases good) performance. Assuming continuation of this limited performance, our second program alternative would expand on the minimum program to include a broader range of PVO development projects and follow-on activities in specific areas where current projects with GOH agencies have been relatively successful. We would not expect major progress on the more general commitment indicators to justify assistance at this level. Rather, we would reinforce progress where it occurs within the priority areas identified in our strategy and seek to institutionalize this performance with continued assistance.

Implementation of this strategy would need to be flexible. Within the overall framework of our priority program areas, projects would be chosen on the basis of specific indications of commitment and continued performance. The impact of our program would still be limited, but the activities chosen for support would be the best prospects for making a substantial difference in selected areas with our assistance.

The specific activities to be financed under this program are difficult to forecast more than a year or two in advance. In addition to projects supported under the minimum program and based on present levels of performance, we would expect major attention to be focused on the expansion of a rural credit program with the Agricultural Credit Bureau, further rural skills training through the Resource Training Center, and a consolidation of the National Road Maintenance Service (SEPRRN) and the Agricultural Feeder Roads unit of the Department of Public Works into a unified national rural roads service, using labor intensive road construction and maintenance techniques to the maximum extent possible. PVO and other private sector development projects would concentrate on agroforestry and soil conservation, labor intensive rural works, small farmer organization, and small enterprise development. Under this program, the PVO Development Support project could be accelerated to FY 85 and more funds would be available for OPGs and other direct grants to support these projects.

This strategy and experience to date would still suggest no follow-on efforts to our major programs in food production and soil conservation with the Department of Agriculture or to the RHDS program with the Department of Public Health. No major natural resource management or employment generation programs with the Government would be initiated. However, we would continue to work towards achieving acceptable levels of performance and commitment in these areas and would respond where possible if these were achieved.

Development assistance levels would expand early in the CDSS period, levelling off during the last three years. PL 480 Title I levels would remain at current levels in real terms throughout the period. As in the minimum program, Title II funding would be expanded.

The selective performance program would allow us to keep open the possibilities for serious reform on the macro level through negotiations of PL 480 Title I agreements and increasing program levels. It would also enable us to demonstrate directly that increased assistance can result from greater commitment and better performance in certain areas, thus serving as an example of what could be possible in other areas. Nevertheless, as we have seen over the past several years, efforts to encourage major reforms in Haiti through our assistance program can be frustrating and often limited in effect. Therefore, while we keep our options open, we must also keep our expectations modest and respond in kind.

c. Expanded Performance Program

If there are significant improvements in the Haitian Government's commitment to equitable economic and social development and the performance of the Government in implementing projects financed by USAID and other donors, we should be in a position to respond with greater development assistance. This program provides for expanded programs directly with the GOH as current projects terminate, as well as new ones in other areas which could serve as the basis for major nationwide efforts. At this level, we could fully implement our assistance strategy with major programs in food production, irrigation, soil conservation, natural resource management, off-farm employment generation, and rural health, as well as the other areas included in lower level programs. Follow-on projects

would begin in FY 84 and FY 85 and result in sizable increases in the proposed funding levels starting at that time. These increases would be accompanied by increases in the PL 480 program, either through additional Title I levels or the negotiation of a Title III program.

d. USAID Proposed Strategy

Because of the poor performance of the GOH on almost all of the commitment indicators during the last year and the resulting poor macro-economic picture and continued delays in project implementation, we cannot now support the expanded performance program, despite the fact that this is the only program through which the full range of our assistance strategy could be implemented. We simply do not believe that such an ambitious and broad range program would have any chance for success if the current attitude and commitment of the GOH to development persists. However, we have made good progress in several areas with the Government, especially working with SEPRRN and the BCA, and there is reason to believe that this progress will continue. In addition, we believe there are good prospects to develop significant programs with non-governmental organizations in agroforestry and employment creation over the next year or two. While we have not been remarkably successful at encouraging major policy or macro-economic reforms with our assistance program in the last year, we believe it is premature to write these efforts off and believe that through continued discussions in these areas we may be able to influence the GOH in positive directions. Therefore, we have concluded that the minimum program alternative is not the correct approach at this time, either. Consequently, we propose adoption of the selective performance program for the time being. This will permit us to continue our relatively successful efforts in rural credit, malaria, family planning and road construction and maintenance, to start new non-governmental programs in agroforestry and labor intensive rural works, and to continue our efforts to implement major

programs with the GOH in agriculture (Integrated Agricultural Development) and health (RHDS). It will also permit us to maintain our dialogue with the Government in crucial areas such as macro-economic and food production policies in the context of PL 480 negotiations and project implementation. If these discussions yield positive results and if implementation of our major projects improves over the next year, we may want to argue for a return to the expanded performance program at that time.

C. Staffing Implications of Program Alternatives

USDH staffing requirements vary greatly among the three program alternatives. The minimum program would require a substantially reduced USAID staff beginning in FY 83, with additional reductions being made as current projects are concluded and no follow-on efforts undertaken in most areas. The selective performance program would also entail gradual staff reductions throughout the CDSS period, since major programs in several key areas would not be continued after FY 84 or FY 85. At both the minimum and selective performance program levels, the volume of contracting activity in our program would not continue to justify placing a Regional Contracting Officer in USAID/Haiti (under the selective performance program, this would not occur until FY 85, however.) Only at the expanded performance level, which entails substantial increases in development assistance and PL 480 programs, would USDH staffing requirements exceed our present levels. Even for this program, however, only one additional USDH position would be required after FY 83, despite a quadrupling of development assistance compared to present (FY 81) levels. Table 5 illustrates the proposed USDH staffing levels for each program alternative.

TABLE 5

PROPOSED USDH STAFFING LEVELS*

	<u>FY83</u>	<u>84</u>	<u>85</u>	<u>86</u>	<u>87</u>
<u>MINIMUM PROGRAM</u>					
Program Direction & Development	5	4	4	4	4
Private & Voluntary Development	2	2	2	2	2
Agricultural Development	2	2	1	1	1
Population/Public Health	3	3	3	2	2
Engineering/Rural Infrastructure	2	1	1	1	1
Program Support	4	4	3	3	3
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	18	16	14	13	13
<u>ELECTIVE PERFORMANCE PROGRAM</u>					
Program Direction & Development	8	8	8	7	7
Private & Voluntary Development	2	2	2	2	2
Agricultural Development	2	2	2	2	2
Population/Public Health	3	3	3	2	2
Engineering/Rural Infrastructure	3	3	3	3	3
Program Support	6**	5**	4	4	4
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	24	23	22	20	20
<u>EXPANDED PERFORMANCE PROGRAM</u>					
Program Direction & Development	10	10	10	10	10
Private & Voluntary Development	2	2	2	2	2
Agricultural Development	3	3	3	3	3
Population/Public Health	3	3	3	3	3
Engineering/Rural Infrastructure	3	3	3	3	3
Program Support**	6	5	5	5	5
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	27	26	26	26	26

* Does not include IDIs

** Includes 1 Regional Contracting Officer

D. Strategy Issues

1. Rationale for Education Sector Initiatives

We do not propose major initiatives in the education sector. However, there are three minor areas in which small amounts of assistance can make an important contribution toward solving some of Haiti's development problems. First, in the training area, the Resource Training Center project, begun in FY 80, is designed to provide training in specific skills required by field-level personnel to construct, operate and maintain rural infrastructure. With limited financial contributions, a substantial impact can be made on the ability of GOH agencies and other organizations to maintain infrastructure (e.g. irrigation systems, roads, potable water systems) critical to increased food production and incomes from farming, and improved rural living conditions in general. Lack of maintenance of such facilities has been a major problem in Haiti, often requiring repeated reconstruction of the same facility. Programs such as the RTC will help avoid these problems.

The second program we are presently supporting in the education sector is the CARE Community Integrated Nutrition Education Center (CINEC) project. This project provides a one-year pre-school program for rural children, coupled with a nutrition outreach program for the families of CINEC students. CARE believes, and project evaluations to date seem to support, that the CINEC program substantially increases a child's ability to learn and the length of time a child is likely to remain in school. This project, which is being carried out in conjunction with an IBRD-financed rural primary education program, is strongly supported by the GOH, which has agreed to continue the CINECs following completion of the OPG to CARE.

Thirdly, we have supported several promising small scale initiatives to encourage the use of Creole in the primary school curriculum. Some important pilot activities have been undertaken to date which will assist the GOH's efforts

to introduce instruction in Creole into the primary school curriculum. The present Minister of Education is dedicated to this effort. Indiana University is uniquely qualified to provide assistance in this area, and with their collaboration we will continue to explore the possibilities for modest programs of this type. Another possibility under consideration is a small Creole radio education program which might be focused on, among other things, furthering women's roles in development.

2. Status of Phasing Out Project-Financed Salary Support

The review of USAID's FY 82 CDSS requested a report on progress in phasing out the practice of financing salaries and other operating costs of GOH implementing institutions. USAID has established a firm policy for all new projects that grant funds will not be used to pay GOH salary or operating costs, except in cases where these costs are associated with new, experimental activities in such important areas as family planning. In these instances, salary support will be programmed to phase out by the time these activities have proven themselves. Careful attention will be given in all projects to assure that adequate GOH counterpart contributions are made to cover all necessary salary and operating expenses.

The use of grant funds to pay salaries and other operating costs is presently limited to projects in the health sector. The PP amendment to the RHDS to add a nutrition component calls for salary and operating costs for the Division of Nutrition to be phased out over three years, beginning in 1981. The FY 81 family planning project will include a similar phase-out plan for operating support for the Division of Family Hygiene (DHF). Because of the importance of family planning efforts and the size of the DHF, however, the period over which this phase-out will take place is likely to be longer than in the case of nutrition. The termination of salary and operating support for SNEM will be negotiated in the context of a follow-on malaria project. Salary payments from grant funds are not

expected to be included in this project. The RHDS project provides for salary payments of certain field level health personnel for one year following their training, after which these costs are borne by the DSPP. This practice will continue throughout the life of the project.

3. Energy Development

Last year's CDSS stated that a major program in the energy area would be undertaken if sufficient funds were available. Based on projected funding levels and the absence of significant GOH performance on development over the past year, however, it is impossible to include a program in this important area in our program strategy at this time. USAID will continue to concentrate on the development of environmentally-appropriate means for increasing the fuelwood supply as an objective of forestry-related projects carried out under our natural resources management program. If GOH performance improves and funding becomes available, we may want to finance an initial energy assessment in the near future. The World Bank has recently conducted an energy survey in Haiti, and we will review their report when completed to determine the need for additional initial assessments at this time.

4. Integration of PL 480 in Program Strategy

PL 480 resources are an integral part of our assistance strategy in Haiti. The Title II program is essentially humanitarian in nature, and is the most basic component of our program. Working through four major PVOs, Title II food is an important element of our strategy to relieve hunger, improve access to food and a more nutritious diet by Haiti's poor, and improve the health status of Haitians most in need, especially children under five and pregnant and lactating women. Title II food-for-work programs are already substantial. These programs are an important part of our off-farm employment creation efforts and we will make greater efforts over the next several years to increase food-for-work programs and

encourage a greater development emphasis in the selection of food-for-work sites. Title II food-for-work is already an integral part of two rural potable water OPGs and of the CINEC OPG to CARE. A recent impact evaluation of food-for-work programs in Haiti showed that additional supervision, training, skilled labor, tools and selected materials are required if these programs are to have the most effective development impact. Therefore, consideration will be given to OPGs to the FVOs implementing food-for-work programs to help them improve their programs in these areas. To the extent possible, food-for-work resources will be integrated into the design of future labor-intensive rural works projects supported by development grants.

The Title I program is likewise a major part of our development efforts. Title I imports make a significant contribution to the domestic food situation and to the balance of payments, without which the present bad situation would be even worse. Title I counterpart generations are carefully and jointly programmed to support projects which we are financing and other activities which further our program objectives. Title I counterpart has become an important means of financing local currency items such as materials and labor for road construction and agricultural credit. As our activities in these areas expand, Title I counterpart will become an even more important source of financing for this type of cost, particularly in view of anticipated shortages of development assistance grant funds.

IV. ASSISTANCE PLANNING LEVELS

A. Proposed Assistance Planning Levels

Three proposed assistance planning levels are presented in Tables 6A-C, representing the three alternative programs discussed above. The minimum program (Table 6A) calls for development assistance levels to remain constant at \$10.0 million throughout the period. The majority of these funds will be used to incrementally fund on-going projects through FY85, after which a few new projects (mostly OPGs and a FVO Development Support project) can be financed. PL 480 Title I funding remains constant at its present level of \$9.0 million, while PL 480 Title II funding is expanded gradually (5% per year in real terms, assuming 10% annual increase in food prices) throughout the period.

The selective performance program (Table 6B) calls for increases in development assistance to \$15.0 million in FY83 and FY84, growing to the \$20.0 million level until FY87. Again, the majority of this assistance during the first two years of the CDSS period is required to incrementally fund on-going projects. New projects in malaria control, labor-intensive road construction and maintenance, and employment generation through non-governmental groups make up most of the balance until FY85. PL 480 Title I funding remains constant in real terms (assuming 10% inflation per year) and PL 480 Title II levels are unchanged from the minimum program.

The expanded performance program (Table 6C) provides for substantial increases in development assistance and PL 480 Title I beginning in FY84. This reflects the need to initiate in that year several follow-on projects to major GOH programs we are currently supporting. Significantly increased funding would be available under this program in food production, natural resource management, off-farm employment generation and rural health. PL 480 Title II levels are the same as for the other two programs

TABLE 6A

PROPOSED ASSISTANCE PLANNING LEVEL

MINIMUM PROGRAM
(\$ Millions)

	<u>83</u>	<u>84</u>	<u>85</u>	<u>86</u>	<u>87</u>
I. DEVELOPMENT ASSISTANCE					
A. Food Production/Access	2.5	1.3	0.5	2.5	2.1
B. Natural Resource Management	1.6	2.5	1.5	2.0	2.0
C. Population/Family Planning	2.5	2.5	2.5	2.5	3.0
D. Off-Farm Employment	0.3	0.4	-	-	-
E. Rural Health	2.5	3.2	4.9	1.5	1.6
F. Local Institutional Strengthening	0.3	-	0.4	1.0	1.0
G. Other Activities	<u>0.3</u>	<u>0.1</u>	<u>0.2</u>	<u>0.5</u>	<u>0.3</u>
Subtotal	10.0	10.0	10.0	10.0	10.0
On-going Projects (non-add)*	(9.0)	(8.7)	(6.6)	-	-
I. PL-480					
A. Title I	9.0	9.0	9.0	9.0	9.0
B. Title II	<u>12.4</u>	<u>14.3</u>	<u>16.5</u>	<u>19.0</u>	<u>22.0</u>
Total	31.4	33.3	35.5	38.0	41.0

* Projects authorized in FY81 or earlier

TABLE 6B

PROPOSED ASSISTANCE PLANNING LEVEL
 SELECTIVE PERFORMANCE PROGRAM
 (\$ Millions)

	<u>83</u>	<u>84</u>	<u>85</u>	<u>86</u>	<u>87</u>
I. DEVELOPMENT ASSISTANCE					
A. Food Production/Access	5.6	4.0	7.3	8.7	10.0
B. Natural Resource Management	2.3	2.4	1.5	2.0	2.0
C. Population/Family Planning	2.5	2.5	2.5	3.0	3.0
D. Off-Farm Employment	1.0	1.4	2.0	2.2	2.2
E. Rural Health	2.9	4.1	5.6	2.5	2.6
F. Local Institutional Strengthening	0.4	0.4	0.9	1.4	1.7
G. Other Activities	0.3	0.2	0.2	0.2	0.2
Subtotal	15.0	15.0	20.0	20.0	21.7
On-going projects (non-add)*	(11.2)	(7.6)	(6.6)	-	-
II. PL-480					
A. Title I	10.9	12.0	13.2	14.5	16.0
B. Title II	12.4	14.3	16.5	19.0	22.0
Total	38.3	41.3	49.7	53.5	59.7

* Projects authorized in FY81 or earlier

TABLE 6C

PROPOSED ASSISTANCE PLANNING LEVEL
EXPANDED PERFORMANCE PROGRAM
(\$ Millions)

	<u>83</u>	<u>84</u>	<u>85</u>	<u>86</u>	<u>87</u>
I. DEVELOPMENT ASSISTANCE					
A. Food Production/Access	5.6	5.6	8.9	11.5	13.6
B. Natural Resource Management	2.3	3.8	3.0	5.0	5.0
C. Population/Family Planning	2.5	2.5	2.5	3.0	3.0
D. Off-Farm Employment	1.0	1.9	2.4	3.2	3.2
E. Rural Health	2.9	5.1	6.7	6.5	6.8
F. Local Institutional Strengthening	0.4	0.7	0.5	1.4	1.7
G. Other Activities	0.3	0.6	0.7	0.8	0.3
Subtotal	15.0	20.2	24.7	31.4	33.6
On-going Projects (non-add)*	(11.2)	(8.6)	(5.6)	-	-
PL-480					
A. Title I	11.0	15.5	17.0	19.0	20.0
B. Title II	12.4	14.3	16.5	19.0	22.0
Total	38.4	50.0	58.2	69.4	75.6

* Projects authorized in FY81 or earlier

B. Food Import Requirements

Food imports rose rapidly because of poor domestic crops in 1980, and will stay high at least through the first half of FY81. Although farmgate prices are high for food produced, the domestic supply has not been elastic, and a concerted effort by the GOH and the donor agencies will be required if food production is to increase. Since, as noted, these projects to date, (with the exception of the Title I supported agricultural production project, and similar AID funded Hurricane Allen Emergency Food Production project) are not yet resulting in increased food production, it is difficult to forecast future domestic production in Haiti and food import needs. Although wheat is not produced in Haiti, flour demand clearly fluctuates with domestic corn and millet prices and an increase in domestic food grain availability and lower prices would lessen flour consumption, or at least decrease the rate of growth in demand. Starting in 1982, oilseeds will be imported into Haiti rather than vegoil, and over the years a domestic supply of oilseeds may be developed. However, in the absence of realistic prospects for domestic oilseed production at this time, an increasing amount of vegoil imports is also forecast. Prospects for increases in domestic rice output are somewhat greater, and it is hoped that rice imports will decrease in the future. If commitment to development increases in Haiti and projects related to increasing food production are successful over the CDSS planning period, food import requirements may be less than projected below (in thousands of metric tons excluding Title II and other donations).

FY	<u>80</u>	<u>81</u>	<u>82</u>	<u>83</u>	<u>84</u>	<u>85</u>	<u>86</u>	<u>87</u>
Wheat	135	136	130	134	138	142	146	150
Vegoil	20	20	21	21	22	22	23	23
Rice	24	21	20	15	15	10	10	10

The demand for imported food through the CDSS planning period will allow for Title I agreements of the sizes shown in the various alternatives.