

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



HAITI

**COUNTRY DEVELOPMENT
STRATEGY STATEMENT**

FY 82

January 1980

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

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USAID/HAITI

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HAITI

FY 1982 COUNTRY DEVELOPMENT STRATEGY STATEMENT

I. OVERVIEW

This year's CDSS is a refinement of last year's strategy. It reflects our review of the past pace of Haiti's development (or lack of it), the realities of Haitian rural life as studied for us by an extraordinary group of Creole-speaking cultural anthropologists, the designs of several projects now being implemented in Haiti, and the forces which support and oppose increased emphasis on development within the Government of Haiti (GOH) and Haitian society. From the examination we have drawn several conclusions which are reflected in the strategy presented in this CDSS.

A. The forces opposing and promoting greater development, modernization, and human rights within the GOH are fairly evenly balanced and not always clearly identified. But on balance there has been considerable progress in the past six years since AID returned to Haiti, even if it has often been of the two steps forward, one step backward variety. We believe progress will continue to be made. However, to achieve this, we must work closely with the progressive forces in the country using a broad range of instruments, ranging from PL-480 Title I/III proposals to support policy reforms, to specific development projects with the GOH, and to support of PVOs and private sector initiatives. We do not expect overnight changes or dramatic breakthroughs, but it is imperative that we persevere in our efforts for the sake of the rural peasant and urban poor in Haiti, as well as for the foreign policy interests of the U.S.

B. Haiti is different in an important operational sense from the rest of the countries of the Latin America and the Caribbean. Projects started soon after resumption of the AID program in 1973 were designed by

experts used to working in other parts of the region. They were suitable perhaps for implementation elsewhere, but they proved to be overly complex and overdesigned for Haiti and thus slower in implementation. While Haiti is not as advanced as most other countries in the region in terms of administrative capabilities, financial resources, and technical sophistication, we believe Haiti's level of performance can be improved significantly during the time frame of this CDSS. But until it is, projects in Haiti must be designed specifically for Haiti and respond to Haitian conditions and priorities. Particular attention will be given in the future to analyses of institutional capabilities to implement projects as a part of each new design effort.

C. The Haitian peasant, poor, malnourished, sick, and uneducated as he is, is also tough and enterprising and is used to responding rationally to economic conditions in a market economy. With our better knowledge of his worldview, his values, and the risk-avoidance strategy which he must follow to survive, we have a good chance of designing projects which will provide the incentives for him to respond with a more cooperative and productive behavior.

D. Today Haiti is the quiet point in a time of crisis and confrontation in the Caribbean and Central America. It has enjoyed a growing national income for the last decade and today faces no severe balance of payments and fiscal crises, unlike most of the English-speaking Caribbean where declining per-capita incomes and foreign exchange and domestic revenue crises threaten not only the standard of living but also political stability. Its human rights denial, political unrest, and insurrection levels have been considerably less than those of Nicaragua, El Salvador, and Guatemala.

Yet in the rush of crisis chasing and fire fighting, we must not forget that Haiti is by far the poorest nation in the Caribbean and Central America. Evidence of this is already spilling over to the United States: The " boat people " from Haiti are front page news in Florida and present growing political and economic problems there. In addition Haitian Creole is already the second most common foreign language (next to Spanish) in the New York City Public School system.

The Haitian political situation has some unstable characteristics, both because of the current balance of forces internally in the GOH and because there is as yet no clear perspective for the process of long-run democratic political change. We must also expect natural disasters of a major magnitude in the future in this disaster-prone country which could create unstable conditions.

There will undoubtedly be future crises for Haiti and we should start now to anticipate them and lessen their impact when they come. Only a long-term commitment to development on the part of Haiti will effectively solve the problem of poverty so pervasive and so close to the United States. And only long-run cooperation on our part with the progressive elements now working in the government will help to develop effective political and development policies, avoid excessive and easily dashed hopes, head off demagogery, and help to prevent political instability and disintegration. The planning horizon for this CDSS starts in late 1981 and continues for five years. During the

intervening period, the USAID believes it can lay the basis for greater progress if adequate funds are available for that period to support an expanded program that will effectively anticipate or mitigate the crises that will inevitably confront Haiti.

II. ANALYSIS

A. Who are the Poor ?

Before giving detailed categorizations of the poor population, a short background is in order to provide some perspective. Haiti has been independent since 1804 and was the second independent republic in the hemisphere. Divisions stemming from preliberation origins of the black slave and mulatto freedmen populations have plagued the country at all times and have prevented or disrupted national unity. There has been a strong dualism between urban and rural areas, between the mulatto elite and the black commonpeople, between the French speaking government and the Creole speaking peasants, between the exploiters and the exploited. Despite all the changes in the composition of the opposing forces, there has not been until recently sufficient national unity for the concept of a government that serves its people to take hold. All the efforts at national economic development have ultimately failed through the exploitative nature of class relationships.

Nevertheless, there is probably less caste, class, and color antagonism now in Haiti than ever before and this provides an opportunity to build unity of purpose for economic and social development.

During this long period of essentially unchanging technology and infrastructure, the population has increased some ten times and caused greater pressure on the limited base of agricultural land and a more or less continuous decline in rural living standards, beginning around the start of the century. Population growth is estimated to continue at about 1.8% per year, with a crude birth rate of 37/1000 a crude birth rate of 15/1000 and net emigration of 4/1000. After the prolonged economic stagnation during the sixties, the economy began to grow again in the seventies at a rate of about 4% per year in GDP, according to the national accounts. However, this assumes that peasant subsistence agricultural production has remained constant per capita. This may or may not be true. In any event the concensus is that the well being of the peasant is not improving very fast, if at all, at the present time, More important is the essentially unchanging status of the rural and urban poor as compared with the revitalized modern economic sector which has led to a less equitable distribution of income as the elite have increased their incomes, and the middle income and relatively well paid workers groups have increased their share somewhat.

Agriculture is the most important sector of the economy, accounting for 40% of GDP, followed by manufacturing, commerce and government at around 10% of GDP for each. The housing, personal services, construction, transport, utilities and mining sectors follow in order of size. In 1978 the GDP at market prices was about \$1.3 billion, which, if divided by the official population estimate of 4.8 million, gives a per capita income of about \$275 for that year. Since actual population is closer to 5.5 million, a better estimate of per capita GDP would be \$240 or less.

With the encouragement of the IMF, the GOH has followed restrictive balance of payments and fiscal policies that preserve stability when required at the expense of economic growth and improved public services. There are no important exchange controls, the gourde is maintained at a fixed exchange rate of five to one with the dollar. The rate of inflation has roughly approximated that of the U.S. (as one would expect for a small open economy tied so closely to that of the U.S.). Credit restriction is effective in reducing imports when required. The GOH uses very little or no deficit financing from central bank credit or domestic loans and restricts expenditures to domestic revenues plus foreign concessional loans and grants.

Table I shows the balance of payments for recent years. Traditional exports, largely agricultural, have stagnated as domestic production has declined or increased very little and domestic demand has increased, resulting in a lower export quantum. Only the coffee price boom of recent years prevented further deterioration. This unfavorable

TABLE I

SUMMARY BALANCE OF PAYMENTS, 1975 - 79
(In millions of U.S. Dollars)

HAITI

	FISCAL YEAR ENDED SEPTEMBER 30				
	1975	1976	1977	1978	1979
<u>Goods and services</u>	-66.4	-85.4	-101.0	-109.2	-144.4
<u>Merchandise</u>	-41.9	-52.3	-62.3	- 54.2	- 91.8
Net exports of processing industries	(9.0)	(12.2)	(14.7)	(21.3)	(24.8)
Other exports, f.o.b.	(71.2)	(99.7)	(122.9)	(133.5)	(113.2)
Other imports, f.o.b.	(-122 .1)	(-164.2)	(-199.9)	(-208.9)	(-229.8)
Travel	17.8	19.9	23.8	24.8	32.5
Investment income	-7.0	-7.2	-12.0	-14.7	85.1
Other services	-35.3	-45.8	-50.5	-65.1	
<u>Transfers</u>	39.4	65.1	63.5	67.9	85.0
Private transfers, net	20.4	31.2	30.9	28.7	32.0
Public transfers, net	19.0	33.9	32.6	39.2	53.0
<u>Good, services, and transfers</u>	-27.0	-20.3	-37.5	-41.3	-59.4
<u>Capital and errors and omissions</u>	3.4	38.9	51.1	55.5	75.5
Private capital and errors and omissions	-16.3	14.1	-11.3	7.5	26.7
Public sector capital	19.7	24.8	62.4	48.1	48.9
Central Government	(13.8)	(17.7)	(60.0)	(40.4)	(N.A.)
Other Public sector	(5.9)	(7.1)	(2.4)	(7.7)	(N.A.)
Trust fund	----	----	----	----	----
<u>Unearned foreign exchanged</u>	0.5	0.2	----	----	----
Allocation of SDRs	----	----	----	----	----
Exchange profits and losses					
<u>Change in net international reserves (Increase: -)</u>	23.1	-18.8	-13.6	-14.2	-16.2
Monetary authorities	12.7	-11.6	-12.8	-10.3	-14.0
Commercial banks	10.4	- 7.2	- 0.8	- 4.0	- 2.2

Source: Banque Nationale de la République d'Haiti, Working Documents.

long-term trend has been offset to some extent by the development of local transformation assembly industries, but their contribution to the balance of payments is less than that of the private transfers from Haitians living abroad.

The major factor offsetting the increasing trade deficit caused by rising levels of imports has been public sector transfers and loans from the international and bilateral donors. In 1977, only about 22% of imports were capital goods and raw materials. Food products to meet the increasing food deficit were 28% of imports and other manufactured consumer goods were 30% of imports. Fuel imports were only 11% of the total. While tariff reform can limit imports of non-essential consumer goods to some extent, a faster rate of economic growth and higher investment levels will increase import needs for capital goods. Unless rural production is increased, the need for food imports will continue to grow. At the same time, fuel requirements will also increase as the economy is modernized. Thus the long-term prospect is for rising import levels. The inflow levels of official grants and loans will probably not continue to increase so rapidly in the future. Therefore, unless manufactured exports or private capital inflows increase in the future, the prospect for the balance of payments is not good. In the longer run, increases in agricultural production will be essential to balance of payments stability. The U.S. quota on garments and textiles is not now a major limiting factor on one of the most dynamic parts of the export sector. While U.S. sensitivity to garment imports is understandable, continued differential treatment of the least developed countries, of which

Haiti is one , should be given for these imports in the future.

The GOH's recent efforts at budget unification have lead to new estimates of the size of the public sector. Previously the GOH and the IMF had overestimated income and expenditures because of inability to remove double-counting from the complex system of special accounts. While the new data are not yet fully available, current estimates, which may still be excessive, show public sector current receipts as about 12% of GDP, of which 10.8% is GOH current revenue, and 1.3% is profit enterprises. Current expenditures, depending on definition, are from 8% to 11% of GDP, leaving public sector savings on current account of from 1% to 3% of GDP. Capital expenditures are financed almost entirely by public savings and foreign grants and loans, with domestic borrowing less than 1% of GDP. Only about 13% of tax revenues are from income tax. Since the tax system is generally regressive, it acts as a disincentive to coffee and some other exports and has low revenue elasticity.

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, or 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-Paince 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 concensus that regional variations in the extent of poverty are small. This is indirectly confirmed by data from the 1978 Nutrition Status Sdrvey. 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 hectare and supports approximately 4.5 persons. As part of their risk diversification strategy, they usually farm several separate plots under a complex pattern of ownership, renting, sharecropping and use of family lands. Various censuses have shown that from 56% to 100% of farmers own land, and 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 making up to \$2.00 per day for skilled workers. The wage of \$1.30 per day paid 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. Finally, 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.

B. Causes of Poverty

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 elites 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 from exploitative policies by the government which has maintained high export taxes that reduced production incentives. The government has also authorized monopolies to inefficient private or public sector entities that have reduced prices paid to farmers and failed to market their product 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 Haitian elite have been relatively uninterested in manufacturing and trade. 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. But even with the improved business environment now available, potential investors are still wary at times about making major investment commitments in Haiti.

In Haiti, as elsewhere, existing circumstances tend to reinforce and maintain poverty. Because the country is poor, savings are low and investment is low. Because the country is poor, the government has little revenue and provides little services. By highlighting some of the key causes of poverty it is possible to identify points where successful interventions can be made to break the vicious circles of poverty and obtain a higher standard of social and economic development for the poor in Haiti.

C. Progress and Commitment.

There can be no doubt that the Government has sought popular support by undertaking projects that will help to improve the lives of the mass of the people, and it has had some success in this effort. Since 1971 the GOH has made a strong, if partial, commitment to economic development and progress is evident. The economy has generally been sensibly managed and economic crises avoided. Domestic and foreign private investment has been stimulated. The assistance of the donor agencies has been actively sought to support a sizeable development program in all sectors with considerable emphasis on assisting the rural areas and the mass of the population. The fruits of this effort are evident: a higher level of economic activity in the Port-au-Prince area with new industry and much new construction, completion of good highways to the north and south, reconstruction of rural roads and establishment of an effective maintenance program for the national highway system, construction of new schools, health centers and hospitals in secondary towns and rural areas, new agricultural infrastructure and some improvement in credit, reforms in primary education and use of Creole, organization of community councils to work for community development, establishment of adult literacy and education courses and improvements of ports, water systems, electricity and other urban infrastructure.

But old ways die hard and all too often the government role has been a passive one. However, it has not been easy to convert ineffective patronage ridden agencies into effective development agencies, to establish higher performance standards in government, to eliminate the view that

personal enrichment is a prerogative of high office, and to defeat the idea that tight control and repression as required is the best way to maintain power and political stability.

The battle, which still goes on, has at least four fronts. One important front is that of reforms in fiscal policy, budgeting, and expenditure control. It was clear that the existing practices have been inadequate to provide the base for a major development program. Many government revenues were not fiscalized, expenditures were not reported in the budget, and there was no control over many expenditures. After considerable hesitation the GOH announced in the summer of 1978 that it would restrict tax collections to the internal tax and customs offices, abolish all earmarked taxes, put all taxes and revenues into the general fund, combine all operating, development, and other government expenditures into a single budget, use the budget as the sole control for government expenditures, and institute new measures for control and audit of government expenditures. Much of this has been done. Considerable progress has been made in budget unification, satisfactory decrees have been issued on control and audit of expenditures, and most revenues are now included in the Government budget. While these efforts must be consolidated and expanded to all levels of government, progress is evident.

The Government has also given some attention to the necessity for increasing its revenues. Administration of the income tax is being improved, some customs tariffs have been adjusted, and more attention is being given to forecasting revenues and planning ahead. But most of the work of reforming and modernizing the tax system lies ahead.

The IMF has taken the lead in working with the GOH on budget and fiscal reforms. In November 1978 an Extended Fund Facility Agreement for three years was signed in support of the reforms announced in the summer of 1978. Through September 1979 implementation had been satisfactory, but recent negotiations to conclude an agreement on the specific targets in the EFF to be operative for the second year of the agreement have been delayed by a decision of the GOH to undertake a number of development projects that had not been included in the budget, and for which funds could only be made available by cutting back on budgeted expenditures or by unplanned borrowing by the government. A 20% cutback in non-salary operational expenses for three months has been decreed which will reduce government effectiveness in some cases by limiting supplies, per diem travel funds, and other items required for effective performance. Some other negative signs also remain. For example, the fees collected by the Regie du Tabac on sugar, flour, cement and cigarettes were redefined as commercial profits. However, no public accounting is made of 50% of the revenues that are not paid into the general fund as a contribution of net profits by the Regie.

A second front is the improvement of public administration. The government took note of the deterioration in the real wages of its employees during the first part of the decade and has increased salaries considerably in recent years so that it now is in a position to demand better performance. A number of Ministries have also established planning and O&M sections and are attempting to improve their internal operations. Salary supplements have been authorized for key employees and attempts made to recruit more qualified specialists. However, a government, wide civil service system still must be created. Over 75% of current government employees were appointed by patronage

with no system of performance appraisal, no security of tenure, no uniform salary scale, no normal way to transfer from one job to another, no system of promotion or reward for good work. There is also need for a more uniform government organization to avoid conflicts of jurisdiction and to make inter-ministerial transfer easier. Draft laws have been prepared to start both reforms and the GOH promised early implementation at the Joint Commission meeting with donors in August 1979. But as yet the reform process, which will inevitably be a long one, has not been started.

A third front is to provide more rigorous appraisal of project proposals and to be more restrictive in selecting projects to be implemented. Despite the efforts to strengthen the Ministry of Plan, there is still too ready acceptance of project offers to the development ministries by foreign donors without careful scrutiny to see if the benefits they offer are sufficiently great and whether they can be implemented with existing and prospective resources and staff of the implementing agencies. In some cases, acceptance of too many projects, even if they are basically desirable, can overstrain a sector and lead to poor development performance. More importantly, acceptance of projects for which no feasibility studies have been prepared should be avoided. As noted above, this has been the case with a number of the projects recently accepted for funding by the GOH which had not passed through the budget process.

A final front is that of providing a neutral environment for private investment. While much work needs to be done on promotion of new industry and refinement of the laws that regulate business activity, a major cause of discouraging investment has been the arbitrary granting of monopolies and special privileges to favored private groups by the government. This has not only discouraged investment overall but has also encouraged

some investments in inefficient or unsuitable projects that would not meet normal market tests.

The international and bilateral donors are not passive bystanders in these struggles. Individually and together at the Joint Commission meetings, they have made it clear that a stronger commitment to development by the GOH is required if their programs are to be continued and expanded. Their views are shared by an increasing number of people within the government who see the benefits of such a commitment and who are determined to pursue such a course. While there is sufficient commitment to continue programs, it is not always adequate to expand them as rapidly as may be desired.

There has also been considerable improvement in commitment to other aspects of human rights. While Haiti remains basically authoritarian with restrictions in many areas, substantial progress has been made in respect for personal integrity. There have been no disappearances or assassinations in recent years. Political prisoners were released in 1977; in 1979 only a few people were expelled from the country for political reasons and only a half dozen or less were detained for political reasons at the end of the year. Conditions in the prisons have been improved, and torture and cruel punishment are not officially condoned although they may still exist occasionally at lower levels. The judicial process has been reactivated, and attempts are being made to hold hearings and trials more promptly for those arrested. The recent signing of an AID funded project with the Port-au-Prince Bas Association to provide legal assistance to the poor is a further indication of improvement. Several recent cases have shown that the security forces, including the militia, no longer are immune from prosecution when they attack private citizens.

Less progress has been made in other areas. Although two independent political parties were formed 1979, the leader of one was in jail at the end of the year and political activity is closely monitored. A human rights meeting

was broken up by unidentified attackers. The Legislature, which has only one or two independent members, is completely subordinated to the executive power. In practice, freedom of assembly is denied to those groups considered anti-government. Freedom of cultural expression and of the press was limited during the year by two new laws. In May, the government required prior approval of plays and films. In October, a new press law established mechanisms to monitor and control the press and legalized censorship. In reaction to protests against the new press law, the President appointed a commission, including several public leaders and some critics from the press, to review the law and make recommendations for changes to him.

In summary, the commitment to other human rights in Haiti has been similar to that of the commitment to economic and social development. Starting from a low base it has continued to improve measurably and is reflected in a much improved situation. But the commitment is still far from complete, and more efforts is needed to achieve desired improvement.

D. Development Plan and Budget

Haiti is now implementing its 1978-82 development plan and will soon start preparation of the next plan. While the current plan is not a technically sophisticated document, it has guided an increasing development effort, much of it financed by foreign donors. The announced priorities are agriculture, decentralized infrastructure, and education and occupational training, plus improved health services. The specific goals of the plan are admirable: increases in the rural standard of living, increases in production and exports, more comprehensive and suitable education, development and utilization of intermediate technology, improvement of human resources,

protection of the environment, and decentralization of economic activity. As in AID projects, however, achievement of the goals often a long way off. Actual implementation of the plan has often fallen short, more often due to delays in planning and implementation than to lack of funds. Table II shows actual FY 1978 expenditures in the development program as financed by domestic and foreign resources. Overall only 73% of planned expenditures were made.

TABLE II
HAITI: DEVELOPMENT BUDGET FY 1977-78
ACTUAL EXPENDITURES (millions of US dollars)

<u>SECTOR</u>	<u>Domestic Resources</u>	<u>Foreign Resources</u>	<u>Total</u>
Agricultural	8.5	9.0	17.5
Health	1.6	6.6	8.2
Education	1.6	4.9	6.5
Community Development	1.1	15.1	16.2
Potable Water	0.1	0.4	0.5
Transport	24.3	28.5	52.8
Energy	2.7	10.2	12.9
Communications	2.4	0.4	2.8
Industry	2.8	0.1	2.9
Mines	0.2	1.1	1.3
Tourism	0.4	0.1	0.5
Housing	0.1	-	0.1
Social Affairs	-	0.1	0.1
Other	4.7	0.6	5.3
Total	50.5	77.1	127.6

Source: Secretariat of Plan

E. Absorptive Capacity.

Lack of qualified personnel, lack of good management and organization, and lack of domestic funds have all contributed to the limited absorptive capacity of Haiti's development programs. Except in sectors of low priority to donors, such as housing, tourism and communications, until now a lack of foreign resources has not been the main restraining factor on the pace of development. But limited absorptive capacity has been particularly severe in agriculture

potable water, and education. While much of the difficulty is in the public sector, where shortages of personnel, funds and management have been severe in the past and are not easily overcome, even if a high level of commitment exists, there are also serious difficulties in the private sector where competent and responsible private organizations to accept government contracts are often difficult or impossible to find. Failure to get bids from domestic contractors at realistic prices, failure to perform satisfactory work, and failure to complete work are all common complaints about private sector performance. There are no instant solutions to increasing absorptive capacity.

F. Other Donors

Other donors are very active in Haiti. Table III shows actual disbursements by agency for FY 1978. Table IV shows the planned activities of the donors by sector for FY 1979 and coming years.

The OAS-sponsored Joint Commission has served as the principal coordinating agency for the donors. At recent annual meetings problems of fiscal and administrative reform and coordination of donor activities have been discussed. Attempts have been made to hold interim meetings on a sectoral basis to coordinate activities at the project level, but they have not had been held regularly, and sectoral coordination still is not fully satisfactory. There is no clearly defined division of activity between the international agencies and a number of them are active in many of the same sectors e.g. education. While some flexibility of approach is desirable, there have been a number of cases where an agency entered a field and tried to implement a program where projects of other agencies were already committed or underway without any coordination with the existing program. There will be no solution to this problem until the GOH itself is better able to set priorities, demands that agencies design their projects more realistically to be successful in the local circumstances, and feels free to reject or postpone projects when they find that their domestic resources are already fully committed to other projects in the sector.

TABLE III

EXTERNAL ASSISTANCE, BY AGENCY
 FY 1978 (Millions of U.S. Dollars)

	DISBURSEMENTS		COMMITMENTS	
	Amount	%	Amount	%
<u>Multilateral</u>	\$ <u>37.6</u>	<u>48.8</u>	\$ <u>46.1</u>	<u>49.9</u>
IDB	21.0	27.5	26.0	28.1
IDA/IBRD	9.6	12.4	13.1	14.2
UNDP	3.4	4.4	3.4	3.7
UNICEF	1.4	1.7	1.4	1.5
WFP	0.8	1.1	0.9	0.9
WHO/PAHO	0.7	0.9	0.7	0.8
OAS	0.3	0.4	0.3	0.3
IICA/FSB	0.3	0.3	0.2	0.3
ICO	0.1	0.1	0.1	0.1
<u>Bilateral</u>	<u>27.5</u>	<u>35.6</u>	<u>34.0</u>	<u>36.7</u>
AID - U.S. ^{1/}	9.1	11.8	9.8	10.6
CIDA - Canada	4.8	6.2	4.9	5.3
FAC/SCCF-France	6.0	7.8	5.4	6.0
W. Germany	7.0	9.0	13.3	14.3
Taiwan	0.6	0.8	0.6	0.6
<u>Private</u>	<u>12.0</u>	<u>15.6</u>	<u>12.4</u>	<u>13.4</u>
CRS	6.4	8.3	6.4	7.0
CWS/SCH	3.5	4.6	3.6	3.8
CARE	2.1	2.7	2.4	2.6
TOTAL	\$ <u>77.1</u>	<u>100</u>	\$ <u>92.5</u>	<u>100</u>

^{1/} Does not include PL-480

SOURCE: Secretariat of Plan

Table IV

HAITI: SUMMARY OF THE TECHNICAL AND FINANCIAL COOPERATION ACCORDING TO SECTOR
(Value in millions of US\$ Oct. 1 - Sept. 30) 1/

Sector/Project	Total 1979 (est.)		1980 (proj)		1981 (proj)		1982 (proj)			
	External Financing	Local Counterpart	External Disbursement	Local Counterpart	External Disbursement	Local Counterpart	External Disbursement	Local Counterpart		
1. Agriculture	225.8	55.6	30.8	7.7	39.0	13.5	41.3	11.8	36.1	7.6
2. Mines	19.9	4.0	2.0	0.7	5.7	1.0	5.7	1.4	4.6	0.6
3. Industry/Handicrafts	57.0	27.5	1.7	7.0	5.2	3.4	6.2	3.9	4.4	1.9
4. Electricity	92.1	19.1	9.2	1.9	17.1	3.6	15.3	3.2	9.0	1.7
5. Drinking water	51.5	27.9	5.9	1.1	7.1	2.6	8.6	2.4	4.6	2.8
6. Tourism	0.8	2.8	0.2	...	0.3	0.9	0.2	1.3	...	0.6
7. Transportation	191.2	70.4	23.4	6.9	15.3	8.4	14.6	5.4	14.4	4.7
8. Communications	7.5	11.6	0.1	2.0	4.8	1.2	2.0	2.0	...	...
9. Urban Development/Housing	53.0	13.5	3.2	1.5	9.6	2.9	14.1	3.5	13.2	3.4
10. Education	94.0	19.3	12.4	2.0	13.5	2.4	11.6	2.5	12.6	2.9
11. Health	63.9	33.0	10.2	1.7	14.4	7.7	13.6	7.9	8.0	7.6
12. Social Affairs	0.1	...	...	...	...	...	...	...	...	...
13. Community development	64.2	4.3	8.4	0.9	9.7	1.3	10.6	1.0	11.0	0.8
14. Other agencies	21.5	3.1	2.1	0.1	2.7	0.3	2.3	0.3	1.4	0.2
TOTAL	942.5	292.1	109.6	33.5	144.4	49.2	146.1	46.6	119.3	34.8

1. Data adjusted to Haitian Fiscal Year.
2. Total for the project. This may not be the sum of 1979-1982 figures where projects are already in execution, and/or where the projects run beyond 1982.

Source: OAS

III. STRATEGY

A. Objectives

The objectives of our program over the CDSS planning period are to lessen or to eliminate constraints which cause widespread poverty throughout rural Haiti. In summary, these constraints are: (1) an extremely poor and deteriorating productive base for agriculture, (2) considerable population pressure on available productive land, (3) serious malnutrition and high incidence of basic health problems, and (4) weak development institutions coupled with a limited commitment to equitable rural development on the part of the Government.

The A.I.D. program in Haiti focusses on four central themes: (1) rural development, (2) improved health and family planning services, (3) improved institutional environment for development activities, and (4) alternative energy development.

1. Rural Development

The program objectives in this area are threefold: (1) to increase food production and provide greater access to food by the poor (2) to undertake environmental preservation efforts to protect the productive potential of the land, and (3) to expand off-farm employment opportunities, especially in rural areas and secondary cities and market towns, in order to reduce population pressure on productive agricultural land. With respect to food production and increased access to food by the poor, our long-term development goal is to help the GOH provide adequate food to reduce significantly malnutrition created by caloric deficits. This will be achieved through increased food production in Haiti, the creation of improved marketing systems for more effective food distribution throughout the country, improvements in small farmer cropping systems to emphasize the quality of food produced, and improved and expanded nutrition education programs. Over the CDSS planning period, we expect gains to be made in the

production of basic foodstuffs, and to reduce the prevalence of malnutrition by 50%.

In the area of environmental preservation, the long-term objective is to work with the GOH and other donors to halt the deterioration of the land base of Haiti due to erosion and to reclaim deteriorated areas. In the CDSS period, we will support the creation of a viable Soil Conservation Service within the Department of Agriculture (DARNDR) which can implement soil conservation/watershed management programs, to reduce, and hopefully in some cases to eliminate, erosion in selected geographic regions, and to help develop effective reforestation techniques which will contribute to environmental preservation and satisfy the fuelwood and other forestry needs of Haiti.

Regarding off-farm employment, the long-term goal is to assist in the creation of sufficient alternative employment opportunities in order to reduce population pressure on agricultural land and to revitalize secondary cities and market towns to be more effective service centers for rural areas. Within the CDSS timeframe, USAID projects will help develop successful replicable approaches to assist small rural enterprises, create jobs through labor-intensive industries, and help the GOH and private voluntary organizations in Haiti to establish effective labor-intensive rural works programs. In addition to providing jobs and building market town facilities and infrastructure, the rural works program will support the other two objectives in the rural development effort through the construction of rural infrastructure and soil conservation and reforestation works.

2. Health and Family Planning

Our program objectives in this area are to improve the health status in rural areas of Haiti and to reduce the current rate of population growth. Our long-term objectives in health are to assist the GOH to extend effective pre-

ventive and curative health services to the majority of the rural populace and to effectively control malaria in Haiti. During the CDSS planning period, USAID projects will help the Government to establish a sound model for the delivery of rural health services, including family planning, maternal and child health and nutrition rehabilitation and surveillance services; and enable the Department of Public Health and Population (DSPP) to administer the expanded rural health delivery system more effectively and to reduce the incidence of malaria.

In the area of family planning, the GOH's and our goal for the year 2000 is to extend the availability of family planning services to the entire population, to reduce the crude birth rate by 50%, to reduce substantially infant and maternal mortality rates, to offer prenatal consultations to all pregnant women, and to create adequate and sanitary conditions for delivery by all women. Over the CDSS period, we will assist the DSPP to make gradual and steady progress toward these goals. We expect that the level of family planning acceptors will increase to 20% of the population of reproductive age, the level necessary to produce a measurable demographic impact.

3. Institutional Development

This area has received substantial emphasis in past planning documents and remains a major focus of our program. There are two components: (1) to strengthen the GOH agencies primarily responsible for implementing development programs and to increase the allocation of GOH resources for the development budget, and (2) to encourage the creation and strengthening of indigenous private institutions through which people, particularly the poor, learn to participate in the processes of development and through which they can mobilize resources more effectively for the improvement of their living conditions. Both elements relate directly to the principal areas of USAID involvement. Beyond that, however, both merit special individual attention since they are fundamental to our support

for Haiti's development effort.

Our long-term goal with respect to GOH institutional capabilities is to support improved management of the principal development agencies with trained staff and adequate budgets. This includes the adoption of basic budgetary, tax and civil service reforms and increased GOH contributions to its development budget. In the medium-term we will encourage these reforms through such means as the proposed PL 480 Title III program and other AID projects whose purpose is to support administrative improvement of those Ministries primarily involved in the delivery of services to rural areas. Simultaneously, our long-term goal regarding local institutions is the creation of private indigenous groups which can be effective channels for development efforts at the local level and thus expand participation in the development, and ultimately the political, process. Over the CDSS planning period, USAID projects will help develop successful models for the organization of private local groups and support the activities of existing community groups and indigenous PVOs and their efforts to strengthen their institutional bases.

4. Alternative Energy Development

A full-scale program in this new area of emphasis is contingent on increased funding for the USAID program during the CDSS period. The long-term goal is to develop alternative sources of energy and make more efficient use of existing energy sources in order to meet the expanding energy requirements of Haiti. An initial energy assessment will be conducted in 1980, followed by the development of a GOH energy action plan in 1981. Our specific program focus during the CDSS period will be determined by priorities identified in that plan. In any event, work is starting on development of energy-saving appropriate technologies and small hydro-power generation, and identification of ways to develop and exploit renewable energy resources during the planning period. This latter

objective will be closely linked to the environmental preservation efforts discussed above.

B. Strategy

1. Increase Food Production and Provide Greater Access to Food by the Poor

This is the most fundamental and broadest aspect of the USAID program. Our strategy directly addresses one of the principal manifestations of poverty in Haiti -- the lack of a sufficient amount of basic foods needed to provide an adequate, nutritious diet for the vast majority of the population. The short run approach is basically humanitarian: to reduce malnutrition and give the poor enough to eat. The longer term solution requires increased food production, primarily by small farmers. Therefore, our efforts focus on both food and nutrition through increased food production and greater access of the poor to food. Three distinct groups are affected by food and nutrition deficiencies: (1) rural inhabitants, primarily hillside farmers, who gain their living mostly from agriculture, (2) other rural inhabitants who gain only part or none of their livelihood from agriculture, and (3) urban poor in market towns, secondary cities and Port-au-Prince.

The most immediate constraint is simply the unavailability of sufficient food to feed the population adequately. Our response to this problem has been and will continue to be supplemental feeding programs primarily through maternal and child health, school feeding and food-for-work programs carried out under the PL 480 Title II program. It also includes nutrition rehabilitation efforts through the Bureau of Nutrition (BON). Although food aid recipients cover a wide range, these programs generally focus on those groups most at risk nutritionally (children 0-5 years of age and pregnant and lactating women). In terms of larger targets groups, the supplemental feeding programs are primarily aimed at the two rural groups mentioned above.

Due to the magnitude of the problem, it is likely that sizable supplemental feeding programs will continue for the foreseeable future. Current projections show a gradual increase in Title II programs of the four major PVOs (CARE, CRS, CWS, SAWS) over the CDSS planning period.

Feeding programs will also continue as part of our support for nutrition rehabilitation activities of the BON. Recent evaluations of the Nutrition Education and Rehabilitation Centers (CERNS) financed under the Nutrition Improvement project indicated that improvements should be made in the administration and cost-effectiveness of the CERNS. These recommendations will be reflected in the design of a new Intersectoral Nutrition Development project later in FY80. Attempts will be made to maximize the use of locally-produced food in the supplemental feeding provided by nutrition centers supported by AID funds.

Immediate food needs are also in part met by imported food commodities (wheat, rice, vegetable oil) under the PL 480 Title I or Title III program. We are hopeful we will reach an agreement soon with the GOH on a Title III program with an annual level of approximately \$25 million in food commodities in each of the next five years. In the absence of a Title III agreement we will propose continuation of a Title I program at or slightly above current levels, i.e. about \$10 million per year. Either program would help meet immediate needs, particularly in urban areas.

Beyond the immediate supplemental feeding response, USAID projects seek to increase food production by small farmers. Our strategy will emphasize the subsistence aspects of food production as well as commercial food production. In Haiti, this distinction is blurred by the fact that almost all Haitian small farmers sell some of their produce, even if they do not produce enough food to provide an adequate diet for their families. Therefore, emphasis must be placed on increasing food output. However, efforts to increase the nutritional quality

of the food produced can also improve the nutritional status of farm families as output expands. Because of the commercial character of most Haitian farmers, these efforts can have broader impacts beyond the immediate farm family. Thus, our efforts will concentrate on ways to improve both the quantity and quality of food production on small farms.

According to the Zuvekas assessment in May 1978, the principal constraints to agricultural development include lack of productive land, absence of improved technology, continued soil erosion, inadequate supply of inputs, poor transportation facilities, lack of cooperatives and other farmer organizations, poor administrative, managerial, and technical capacities, and inadequate agricultural research. Secondary constraints include limited access to capital, lack of storage facilities, insufficient production credit, and poor agricultural extension services. This aspect of our strategy will focus directly on improved technology and expanded infrastructure, including marketing systems and support services to small farmers. Other USAID activities address the soil erosion and organizational constraints.

The program during the CDSS period will build on efforts already underway. The recently redesigned Integrated Agricultural Development (IAD) project will provide experience on implementing irrigation reconstruction projects and will provide the resources for feasibility-level analysis of future irrigation projects. This project will also focus research efforts in the Department of Agriculture (DAR/DR) on food crops and begin what will most likely be a long-term effort, probably assisted by a Title XII University or consortium, to improve the technology available to small farmers for the production of food crops. The Small Farmer Production project has provided us with a better understanding of small farmer agriculture and has led to the conclusion that future efforts should focus on small farming multi-crop systems rather than exclusively on single

crops. In addition, building on the experience with the credit program under the Small Farmer project, a new effort to strengthen the Agricultural Credit Bureau will begin in FY81. This program will allow BCA to improve its credit and extension services to small farmers. If this project is successful, additional funding will be provided to the BCA during the CDSS period for production credit for food crops. Follow-on efforts to expand the network of agricultural feeder roads, emphasizing labor-intensive techniques to the maximum extent possible, will be undertaken in areas with high potential for increased food production. A rural public works program to construct necessary infrastructure, including support facilities (e.g. markets, hillside terracing, and irrigation systems) will also be financed. Maintenance of rural infrastructure will also be emphasized through programs to strengthen GOH maintenance agencies (e.g. SEPRRN) and to train field level staff in the operation and maintenance of these works.

The precise timing of these efforts will depend on the pace of implementation of on-going projects and the experience gained on these projects regarding the most appropriate approaches. First steps will emphasize improved research, building a strong credit institution and constructing needed infrastructure. To the extent possible, various program components will be combined into larger, integrated projects which focus on increasing commercial food production.

We believe that significant gains in the nutritional level of rural families can be achieved through small scale programs requiring limited investment. Efforts to increase the quality of food produced will concentrate on extension and nutrition education and training activities to encourage the cultivation of more nutritious food crops, usually in a kitchen garden-type arrangement for home consumption, as well as tree crops and small livestock. To date DARNDR has shown little interest in these types of programs. Although we will continue our efforts to encourage their involvement, the bulk of our assistance in this area for the

foreseeable future will take the form of small scale programs by PVOs to develop successful approaches to this type of extension and nutrition education effort. Government sponsored programs such as the present BON agricultural program will also be financed.

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

To summarize, our strategy in this area is aimed at increasing the availability of food to the poor, both in the short and long term, thereby improving the nutritional status of our target groups through reductions in caloric deficits. Supplemental feeding programs through Title II and nutrition rehabilitation efforts and importation of basic food commodities through a continuing Title I/III program will be important short-term responses. Longer term efforts will concentrate on increasing the quantity and quality of food produced on small farms. Programs to encourage increased food production will include increased irrigation of agricultural land and improved access to markets via a well-maintained feeder road system, expanded research on food crops in order to develop improved technologies for use in integrated small farming systems, improved and expanded agricultural credit services for small farmer food production, and improved marketing infrastructure through the construction of facilities by labor-intensive means. Programs in these areas will be financed through direct AID grants, counterpart funds generated from PL 480 Title I/III agreements, and OPGs with private groups.

The major assumptions underlying this strategy are that PL 480 programs can be implemented with no adverse impact on the incentives for domestic food production, that there will be gradual but measurable improvement in the ability of the GOH to implement projects and provide services in support of food production programs over the planning period, that the infrastructure and services provided through USAID projects will be designed to increase food production on small farms, and that increased access to food by the three target groups will decrease malnutrition and improve the standard of living of these groups.

2. Protect the Productive Potential of the Land

A major constraint facing Haitian agriculture is the deteriorating land base. Deforestation and erosion are obvious, even to the casual observer. The principal causes of this land degradation are: (1) the clearing of increasingly marginal land for agricultural production without adequate soil conservation practices, and (2) cutting or collection of fuel wood to meet cooking needs. Our strategy is designed to respond to these major problems. In addition, our proposed activities in energy development will also contribute to improvements in this area.

The Integrated Agricultural Development project emphasizes soil conservation activities in selected areas of the country. Experience with the approach employed in this activity will determine continuation and expansion of efforts in this area. Essentially, this approach involves the institutional strengthening of the DARNDR Soil Conservation Service (SCS) while simultaneously beginning soil conservation activities, initially in one area near Les Cayes. This area will serve as a training ground for SCS personnel and permit testing of appropriate soil conservation techniques and methods to be used by small farmer organizations. Emphasis will be placed on formation of hillside units based on land ownership as the primary small farmer group for implementing soil conservation activities.

These groups will include all farmers affected by soil conservation work in an area and would serve as a basis for cooperation among the farmers to improve conditions on a particular hillside. Substantial technical assistance is provided under the IAD project for field-level work to organize such groups into effective soil conservation units.

Based on experience in the Les Cayes area, soil conservation and watershed management activities will be extended to at least three other areas under the IAD project by 1984. Follow-on support, including further technical assistance to the SCS, would be financed during the CDSS period if this approach proves successful.

Reforestation and forestry-related activities are also important in the environmental preservation area. Several major international donors are interested in this area and our program is being closely coordinated with GOH and other donor activities to benefit from the experience of others and to avoid duplication of effort. Our first major forestry project will start in FY 81. While the details of this project must still be worked out with the GOH, it will probably include strengthening DARNDR's forestry management capacity and expansion of tree planting programs of public and private organizations. Increased production of fuel wood and pilot efforts to test alternative tree-growing schemes (e.g. village woodlots, labor-intensive reforestation efforts) will be considered as well.

In addition to this main USAID activity, financed through direct grants and PL480 Title I/III counterpart generations, PVO reforestation programs will also be financed. Such projects, most likely small scale pilot activities, would be financed through OPGs and possible Title II food-for-work resources. A principal element of such programs would be to experiment with various forms of community or small farmer organization for forestry-related activities.

During the past two years USAID has financed two studies on charcoal production and the fuel-wood situation in Haiti*; as well as an extensive study of erosion control efforts in rural Haiti over the past 25 years**. This research has contributed substantially to our understanding of this complex area and to the formulation of our strategy. We anticipate the need for additional studies in connection with the final design of the FY 81 forestry project. Further experience will be gained by implementing our initial efforts in this area and through monitoring programs financed by the GOH and other donors.

The most critical assumption for our program is that ways can be devised for small farmers to organize themselves effectively for soil conservation and forestry-related activities. Programs in both areas depend to a considerable extent on small farmer groups for the implementation of activities in the field and substantial resources will be included in our projects to create and/or strengthen these organizations.

3. Expand Off-Farm Employment Opportunities

One of the major causes of poverty in Haiti is the tremendous population pressure on the limited available land, the large numbers of rural migrants to urban areas, particularly Port-au-Prince, and the widespread unemployment and underemployment created by these factors combined with limited job opportunities in rural or urban areas. The average size of holding is less than $\frac{1}{2}$ hectare per economically active person. Moreover, this includes a substantial amount of marginal land which is unsuitable for cultivation. Therefore, it is unlikely that agriculture will be able to absorb significant amounts of additional labor. In fact, agricultural pro

* "A Study of the Fuel-Wood Situation in Haiti", by Frederick J. Conway, USAID/Haiti, August 1979.

"Charcoal in Haiti", by Karl Voltaire, USAID/Haiti, August, 1979.

** Terraces, Trees and the Haitian Peasant: An Assessment of Twenty Five Years of Erosion Control in Rural Haiti, by Gerald F. Murray. USAID/Haiti, October 1979.

ductivity and rural land use could be improved by migration out of farming into other activities.

An integral part of the GOH's development plan, which we will support through our strategy, involves the creation of productive job opportunities to 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. This focus will tend to make rural areas and secondary cities more attractive places in which to live and should ultimately contribute to reduced migration flows to Port-au-Prince.

Our strategy for off-farm employment generation is targeted to benefit rural inhabitants who earn only part or none of their livelihood from farming and unemployed people in market towns and secondary cities. Women will figure significantly among the beneficiaries of our job creation programs.

USAID will focus on three priority areas of primary concern to the GOH and which promise to have the largest impact: (1) labor intensive rural public works, (2) assistance to small scale enterprises, and (3) establishment and/or expansion of labor intensive industries, particularly agro-industries.

Several labor intensive rural works activities have been carried out under existing projects with some success. The Agricultural Feeder Roads project and the access road component of the Small Farmer Development project have provided experience with labor intensive road construction techniques and have demonstrated that this approach is feasible in Haiti. Labor-intensive road maintenance techniques are being explored under the Road Maintenance II project. These projects provide a sound basis for expanding labor intensive rural works activities into other areas, including potable water, rural sanitation, irrigation and soil conservation, and market and other productive infrastructure investments

in small towns. A pilot program will be initiated in FY81 through the Department of Public Works (TPTC). The facilities constructed will be chosen to maximize the employment generated both on a permanent basis and on a temporary, seasonal basis and to support the food production and soil conservation/forestry priorities discussed above. This program could be expanded to address the employment needs of Haitian refugees returned from the United States if the need arises. While our program would focus on rural public works, the GOH may want to develop a parallel program emphasizing job creation through public works in urban areas. In addition to this major program, which will be implemented over the CDSS planning period, other opportunities to promote labor intensive rural works will be carried out by PVOs. These will include continuation of the Title III food-for-work programs of the major international PVOs. We will make greater efforts to work with the PVOs to emphasize development activities in their food-for-work programs rather than respond strictly to relief or food-supplement concerns.* The possibility of combining food-for-work and cash for work in rural infrastructure programs will be actively pursued.

Small business development has been under study by the USAID for several years. In 1979, a survey of micro-businesses in urban areas and towns larger than 1,000 inhabitants was conducted**. This study, coupled with previous research on businesses in the "informal" sector in one area of Port-au-Prince financed by DS/UD***, provides important information on the majority of small business which operate in Haiti and their principal problems. Chief among these

* "Food Aid and Labor Intensive Rural Development" by G. Smucker, L. Delatour, and Y. Pinchinat. USAID/Haiti, October 1979.

** "Small Manufacturing and Repair Enterprises in Haiti: Survey Results" by R. Pitman, J. Defay, S. Haggblade, PRAGMA Corporation and Michigan State University, June 1979.

*** Families in Port-au-Prince: A Study of the Economics of Survival, by Simon M. Fass.
TAB/UD, AID, September 1977.

problems are lack of managerial and business administration skills and lack of capital, especially working capital. There exist few, if any, institutions through which to channel assistance to small business in Haiti, particularly in rural areas. We intend to make gradual efforts to build such institutions, starting with modest, experimental efforts and continuing with the replication of successful approaches to larger areas, especially rural areas and secondary and market towns. A first pilot project in the small business area was the creation of the Haitian Development Foundation through an OPG with the Pan American Development Foundation. Results to date have been encouraging and we foresee the gradual expansion of the Foundation's small business assistance program into more rural areas. In addition, with the assistance of DS/UD and through other PVOs we expect to finance several other pilot efforts over the early part of the CDSS period. By the end of the planning period, sufficient experience from these projects will have been gained to mount a larger program and possibly to begin work with GOH institutions. One possibility that will be considered is to expand the range of BCA credit and assistance activities in rural areas to include small businesses.

The employment impact of a program to construct low-cost housing in secondary cities can be great, both directly and indirectly through backward linkages to small businesses which produce building materials. Improved housing would also contribute to the attractiveness of these smaller secondary cities vis-à-vis Port-au-Prince. Again, the lack of an effective implementing institution confronts any large scale effort in this area. One of our pilot small enterprise efforts may include assistance in low-cost housing construction. Other donors are active on a limited scale in this area. We will monitor closely the results of these programs and may consider a low-cost housing program using a combination of HIG and grant funds toward the end of the CDSS period.

The final element in our employment generation strategy is to assist in the creation or expansion of labor-intensive industries, particularly agro-industries with strong backward and forward linkages to small farms. Our efforts in small business assistance will have significant employment impacts only in the long-term due to the current lack of effective implementing institutions and the fact that a large number of businesses must be reached to have a sizable effect. Therefore, our strategy also includes short-term efforts to create jobs in labor intensive industries. These industries will be located to the maximum extent possible outside Port-au-Prince. The primary vehicle for this aspect of the program is the creation and capitalization of a private Development Finance Corporation. We expect our first project to the DFC to be approved later in FY80, with a follow-on effort to provide additional capital to the DFC for these purposes about mid-way through the CDSS planning period, assuming a rapid draw-down of funds from the first project.

4. Improve Health Status in Rural Areas

5. Reduce Population Growth

Our strategy in health and family planning has evolved over the last 10-15 years from our initial efforts in malaria control to vertical programs in maternal and child health/family planning, nutrition rehabilitation, and institutional strengthening of the DSPP, to the broad-based, integrated approach for provision of rural health services that characterizes our present program. We expect this evolution to continue in the planning period, during which time efforts will be focused on helping the DSPP to establish and perfect the new rural health delivery system (RHDS), to reduce malnutrition and high morbidity/mortality from infectious diseases, to control the incidence of malaria in Haiti, and to extend the availability of family planning services through both clinic and non-clinic based distribution programs.

Haiti is characterized by high levels of malnutrition and infectious diseases, coupled with a moderately high crude birth rate and extremely inadequate basic maternal and child health services. As a result, the infant mortality rate is 147/1000, the child mortality rate is 34/1000 and the current maternal mortality rate is 14/10,000 (these figures are GOH estimates; some other estimates are substantially higher). In response to this situation, our past and current projects have been directed toward establishing a maternal and child health/family planning service delivery network working chiefly with the Division of Family Hygiene (DHF). In the last two years, this effort has been extended to rural areas through the development of a network of rural dispensaries and clinics. Simultaneously, efforts have been undertaken as part of the PL480 Title II feeding program to improve the nutritional status of pregnant and lactating women and children under five in order to reduce the effect of severe under-nutrition on the high maternal, infant and child mortality rates. In the future, responsibility for MCH services will be assumed by the DSPP as it implements the RHDS. Continued Title II maternal and child feeding programs will be undertaken at gradually increasing levels. This assistance will also increasingly be merged into the overall DSPP health delivery system, although it will continue to be supported logistically and administratively by the various PVOs active in this area.

Our involvement with the BON's nutrition activities over the past five years has provided much helpful experience to guide future collaborative efforts with the GOH to address the health-related aspects of severe malnutrition in Haiti. We will build on this experience with nutrition rehabilitation programs in an effort to expand, on a more cost effective basis, activities which directly benefit the most severely malnourished members of our target groups. As indicated above, a major focus of our rural development strategy is the reduction of chronic malnutrition through increased food production and greater access to food by the

poor. We will undertake a substantial additional intervention beginning in FY80 and continuing through most of the CDSS period to address the health-related causes of malnutrition through activities in nutrition education and nutrition surveillance.

Another major element of our health strategy is aimed at controlling the incidence of malaria, which affects a large number of poor Haitians, especially in rural areas. Results of our support to SNEM to date have been disappointing in terms of making progress toward controlling malaria. Based on a recent evaluation by an international team, major new steps are being taken to improve the malaria control program. If SNEM remains dedicated to these new measures, we anticipate further support to the malaria control effort over the planning period.

The development of a rural health delivery system by the DSPP represents a gradual integration of these various efforts and a belief, shared by the GOH and the USAID, that the most effective method for bringing modern medical services to rural Haiti and upgrading the health status of the rural population is through the establishment of a permanent, community based health care system. Village-level health facilities and local trained staff are intended to provide preventive and curative services. They form the base for a graduated system of referral 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 overall administrative network. To this end, the integration of the BON, the DHF, and SNEM into the DSPP is expected to begin during the CDSS planning period. However, integration will occur gradually and only to the extent it does not seriously disrupt the services being provided by the agencies.

Our efforts with the GOH in implementing such a comprehensive rural health delivery system have only just begun, and preliminary indications are that this program may proceed more slowly than originally projected. Nevertheless, this effort is the centerpiece of our assistance in the health area and will remain so throughout the CDSS period.

Beyond our grant and PL480 counterpart support to the RHDS, we will finance high-impact, innovative health care activities undertaken by PVOs that can serve as examples and provide lessons for the DSPP's efforts or for other community groups elsewhere in Haiti.

Within this new framework, the focus of the DHF will be altered somewhat. In the future it will play a normative and supervisory role for MCH/FP activities undertaken in the context of the RHDS and will direct its efforts toward various non-clinic based methods of delivering MCH and family planning services. Activities which will be expanded if current pilot programs prove successful include contraceptive distribution at the community level by door-to-door distributors, community volunteers, and mobile teams; distribution through military and factory outlets; commercial distribution through pharmacies, local merchants and sports events; and education in natural family planning. The availability of family planning information and services will be further expanded through the increasing participation of the DHF in the rural programs of other ministries.

Grant assistance will be provided throughout the CDSS period to continue these activities. Centrally-funded family planning commodities will be required on an increasing basis throughout this period as the delivery system expands and the number of acceptors increases.

GOH attitudes toward family planning have been increasingly favorable, as evidenced by President Duvalier's speech last May on the benefits of small families to economic development. However, no formal national population policy yet exists and the family planning activities of the DHF are still funded almost ex-

clusively by various international donors, of which AID is the second largest after UNFPA. Therefore, one area our programs will continue to stress is the need for the formulation of a national population policy and we expect to provide assistance to the GOH in this effort over the next few years.

One further element of an overall health strategy - potable water and environmental sanitation - will be actively explored by the Mission in the next few years. At the moment it appears that the rural water programs of several other donors, including the World Bank and IDB, are absorbing the limited implementing capacity of various GOH institutions in these areas. Our programs will be limited to small scale projects sponsored by PVOs, project activities in connection with labor intensive rural works, and the SDA program. Expansion of these activities will be considered over the CDSS period if they appear feasible. If the current RHDS project advances well, consideration may be given to a program focusing on rural sanitation and sanitation education structured around sanitary agents and officers, who are a part of the rural health system.

6. Strengthen GOH Institutions and Commitment to Development

The effective implementation of development projects in all sectors and at all levels is hampered by the lack of trained personnel and inadequate government funding. Last year's CDSS placed primary emphasis on the need to strengthen GOH institutional capabilities. The strategy described in that document was based on an analysis that significant policy reforms in the areas of budgetary and fiscal resources, taxation and civil service and government administration were critical to create the necessary conditions under which development projects could be implemented successfully. We remain determined in this area. An integral part of our present strategy is to continue to seek budgetary, tax and civil service reforms which will enhance the ability of the GOH to accelerate and expand its development efforts.

To this end, a central element of USAID projects in each major development ministry is institutional development, generally through technical assistance and training efforts aimed at improving the administrative abilities of GOH personnel and at providing guidance in the initial phases of the implementation of major project activities at the field level. Thus, our program with the Ministries of Agriculture, Public Health and Public Works all have major institutional strengthening components. Unlike many projects sponsored by other donors in Haiti, our efforts are aimed specifically at building up the main government services responsible for development activities. This focus will continue and will expand to include the newer areas such as rural credit, forestry and energy.

Beyond 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. The RHDS project includes substantial training of para-professional health and sanitary agents who will be the foundation of this new delivery system. The Resources Training Center project, which will begin in FY80, will focus on field-level personnel required to implement rural infrastructure projects. These efforts will be continued and expanded, as appropriate, during the CDSS period.

While technical assistance and training can have some positive impact on the overall institutional development/absorptive capacity problem, it is essential that the development and operating budgets of the principal development ministries and agencies be increased substantially if there is to be measureable success in Haiti's development. A major thrust of our efforts has been and will continue to be to encourage increased real GOH contributions to development. By the end of the CDSS period, we will discontinue project-funding of GOH salary and operating costs. We will also continue to work toward increased salary levels

and a rational pay system throughout government . During the short-term we will continue to provide supplemental salary contributions from PL480 counterpart generations. However, these contributions will be gradually reduced over the life of each project and the costs will become part of the regular GOH budgetary process. Future Title I/III program agreements will also reflect growing GOH contributions to projects from their own budget resources. This will permit PL480 counterpart funds to be used for other high priority development purposes. These steps will be a necessary precondition to continued assistance in each area.

Discussions on an agreement for a Title III program have included the need for a general GOH commitment to undertake budgetary, tax and civil service reforms. While some progress has been made in this vital area over the last two years, the additional resources and assured support on our part would greatly enhance this progress. In the event current discussions are inconclusive in the short-run, we will continue to pursue these objectives through individual projects, supported by resources from a Title I program of approximately the same level (in real terms) as the present program. As long as steady progress on this front is maintained, we believe our efforts should continue along these lines. However, if progress in these areas stops, a joint review of our program objectives, levels, and implementation arrangements should be undertaken. At the moment, we remain hopeful that a Title III agreement can be achieved. Failing that we would expect to negotiate a Title I agreement by the end of April while continuing our discussions on a future Title III program.

7. Strengthen Indigenous Private Institutions

Another way to overcome at least part of the absorptive capacity constraint is to work through private voluntary and other non-government organizations. This has the added, important advantage of creating and/or strengthening private institutions through which people in our target groups can learn to participate

in the process of development. 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.

Rural Haiti is not organized on a village or community basis. The basic social unit is the extended family, although the traditional pattern of physical proximity has eroded considerably. Further association is built around kinship, "parrainage" (the "godfather" structure), and client-patron relationships. The idea of community organization is not indigenous to Haiti. The Community Council as such (Conseil d'Action Communautaire) was the name given to community groups organized by ONAAC (Organization Nationale d'Alphabetization et d'Action Communautaire). Some community groups organized in the 1950's, including Groupements Communautaires and Cooperatives, were generally based on the existing informal structure headed by local leaders. The spread and health of Community Councils has been spotty. Community Councils were utilized by PVO's with varying degrees of success as channels for post-disaster rehabilitative efforts and in some instances evolved into community development projects.

An estimated 1200 community councils now exist. As many as 80% of these are limited in their effectiveness since they suffer from domination, authoritarianism, or political control by local leadership groups. However, the remaining 20% of the councils are serious, equitable organizations with responsible leadership, open and representative membership, and are interested in improving the well-being of their members. The challenge, therefore, is to identify the good ones and design programs to support and strengthen them.

The implementation of our strategy in this area will take several forms. Most of our programs in rural development involve the participa-

tion of a wide range of local organizations: community councils, groupements, Agricultural Credit Societies, labor-intensive road construction and maintenance groups, water users associations, hillside soil conservation groups and private development foundations. Through OPGs we have also worked with several local and international PVOs to implement specific programs with high local impact and maximum local participation. Major portions of our Title II program have also encouraged and strengthened local community organizations. Through activities sponsored by the major international PVOs, our programs will continue to stress these types of organizations and will seek to improve the effectiveness of government and PVO efforts to create and strengthen these institutions.

During the CDSS period we will substantially increase our financial support and emphasize strengthening local institutions. We plan to finance pilot projects to test different approaches to local organization. For example, since 1977, a USAID-financed OPG to CRS has supported an approach begun in southern Haiti in the mid-1960s to create small groups of 10-20 farmers focusing on agricultural problems. The project uses groupements initially organized around modest revenue-producing activities to introduce improved agricultural methods, health practices, etc. This groupement technique has shown considerable promise in adapting to Haitian social realities while serving as an instrument of change. Based on experience to date, a larger project will be financed through another OPG with CRS to explore further this technique and focus on ways it can be replicated more broadly in Haiti.

We will also investigate the feasibility of encouraging the establishment of a consortium of PVOs or the creation of an institution akin to an intermediate credit institution for community development projects sponsored by local groups. Our SDA program will be used to gain experience with specific community groups to identify the best and most responsible organizations for further activities.

Many missionary groups, which have had limited programs to date, are now giving more attention to development activities. Also, several international PVOs have expressed interest in beginning or expanding programs in Haiti. Where project proposals from these two types of PVOs reinforce our program objectives and strengthen local organizations, they will be favorably considered. In addition several indigenous PVOs, such as a community-health based organization operating in some of the most impoverished slums of Port-au-Prince, are beginning to operate in Haiti and will receive support. We will also continue our discussions with HACHO in an effort to concentrate its programs on community development activities in selected areas of Northwest Haiti in collaboration with the GOH regional development organization for the Northwest (PIRNO). We will also explore the possibility of a closer working relationship with ONAAC, the GOH agency responsible for registering and coordinating the activities of all community councils in the country.

Through these various approaches, we expect to devise a strong program of support to private, voluntary efforts in Haiti which will emphasize local institutional development and participation by the target groups in the development process and which will support the other principal elements of our strategy.

While USAID and other donors have financed numerous studies of rural Haitian life, much remains to be learned about rural culture and socio-economic patterns before a major program aimed at the development of local institutions in this country can be started. Implementation of projects such as the new groupement project with CRS will provide some insights. Lessons learned in their implementation will affect design of future programs of this nature. Beyond this, additional research will be conducted on selected areas of particular interest where substantial information gaps exist.

8. Develop Alternative Energy Sources

Long-term, sustained social and economic development will be difficult to maintain unless answers are found to the crucial energy issues that now, or will soon, confront Haiti.

Haiti's current energy needs are met from two basic sources:

(1) imported petroleum products, which account for approximately 10% of total energy supplied and, (2) domestically produced sources. The latter includes hydroelectricity (approximately 5% of total energy supplied), and fuelwood and charcoal (85% of the total). While petroleum products do not now make up a significant share of the total energy supply, they are likely to increase as different sectors in Haiti begin or continue to modernize. Rising petroleum prices will inevitably have a serious adverse effect on development activities, as a greater share of GNP will be allocated to meet petroleum needs. To lessen the adverse impact of this trend, ways must be found to conserve energy from existing sources and to develop suitable alternative energy sources to support future expansion.

Charcoal and fuelwood production are important, not only because most of Haiti's energy supply currently comes from these two sources, but also because of the employment generated, primarily in rural areas, in the production of charcoal. Charcoal is used basically for domestic cooking, principally in urban areas. It is estimated that the Port-au-Prince area consumes over half the yearly production of charcoal. In addition to being the chief source of domestic cooking for much of rural Haiti, fuelwood also is used by bakeries, essential oil refineries and rum distilleries.

The intensive use of charcoal and fuelwood has been a secondary cause of the severe environmental degradation in Haiti. If deforestation in Haiti is to be seriously addressed and if an adequate supply of charcoal is to be assured for the future, ways must be found to replenish the tree supply systematically. In addition, the feasibility of more efficient charcoal production

and cooking methods must be tested.

Realizing the importance of these issues to future development, the GOH has established two agencies to deal with Haiti's energy problems. These are the Office of National Energy (BNE) and the Office of National Technology (BNT). Established in 1978, the BNE is under the tutelle of the Department of Mines and Energy and coordinates all energy research within Haiti and between Haiti and other Caribbean countries. The BNT was established in 1979 under the tutelle of the Department of Plan. It coordinates all GOH efforts that deal with technology and technology transfer. Through our Appropriate Technology project, the BNT will gain the institutional capability to perform continuing adaptive research, to develop low level technological devices for use in rural Haiti, and to develop appropriate prototypes. While this project's focus is broader than energy many of the prototypes envisioned could prove applicable in the energy area.

During FY80 we will finance a country energy assessment for Haiti, through the BNE. The assessment will provide an inventory of existing and potential energy sources in Haiti and perform pre-feasibility planning for these potential sources. This will be followed in FY81 by the formulation of a GOH energy development plan. The plan will establish intermediate and long range planning goals for the eventual exploitation of possible energy sources. The energy assessment and the energy development plan will lay the groundwork for further USAID participation in energy beginning in FY82 and continuing throughout the CDSS planning period.

Assuming sufficient funds are available to finance a significant program in the energy area, and depending on the recommendations of the energy development plan, we expect to provide grant and possibly PL480 counterpart assistance in two principal areas. With respect to renewable energy resources, programs will be aimed at increasing the supply of fuelwood and improving the effi-

ciency of charcoal production and use. Activities in this area will start under the planned FY81 forestry-related project described in the environmental preservation section above and the existing Appropriate Technology project. Secondly, studies of alternative rural energy sources should lead to applicable prototypes for field testing under the Appropriate Technology project. Successful prototypes will be replicated through follow-on efforts.

C. Discussion of Involvement in Other Sectors

1. Overall Agricultural Strategy

Last year's CDSS indicated our intention to work with DARNDR to develop an overall sector strategy to devise the framework for our future involvement in agriculture. However, a lack of interest by DARNDR prevented us from making any progress in this area. Therefore, as described above, we have taken an interim step and narrowed our planned involvement in the agricultural sector to focus on GOH priorities in food production and environmental preservation. Although a longer range agricultural strategy would still be useful to both the GOH and international donor organizations, we plan to proceed with our current and planned programs which support the GOH's priorities and our objectives while continuing to encourage DARNDR to undertake a longer range planning effort with our support.

2. Human Resources

Our FY81 ABS outlined a possible involvement in the education area. While we abandoned these plans due to a lack of funds, we support a limited effort in human resource development. First, we will continue to emphasize training of government officials responsible for implementing development programs as part of our activities in our priority areas. Consideration will also be given to a general participant training project to meet important requirements beyond the scope of individual projects. These activities will also contribute to our emphasis on GOH institutional strengthening. We will also focus attention on the training

needs of governmental and non-governmental organizations responsible for implementing rural infrastructure projects. Secondly, we plan to finance in FY80 a CARE-sponsored OPG for a rural pre-school program. The program is fully endorsed by the GOH and will be incorporated into the regular education system by the end of the project. Finally, we have supported several promising small scale initiatives to encourage wider use of Creole in the primary school curriculum. A conference sponsored in August 1979 by the Ministry of Education and USAID explored several approaches to the use of Creole by private organizations. Although plans for a major USAID-funded program in bilingual education have been shelved, we will continue to explore this area through the use of limited amounts of PD&S funds and the collaboration of Indiana University. A modest, high impact OPG which would advance the cause of the use of Creole in the Haitian formal education system might be considered during the CDSS period.

3. Urban Development

The urban poor constitute one of the most disadvantaged target groups in Haiti. Unable to produce any food and often unemployed, large numbers of people in Port-au-Prince and other larger towns -- frequently recent migrants from rural areas -- are truly destitute. Several other donors are involved with large-scale urban development programs, mostly dealing with urban infrastructure. However, there remain major needs, particularly for low-cost urban housing. A preliminary review of these needs and the possible role of private investors will be undertaken by DS/H in the near future. The GOH is also considering modification of current housing loan programs. This may permit use of HIGs during the CDSS period. At the moment, however, our urban program will be limited to supplemental feeding programs through Title II and small scale or pilot projects which are consistent with our principal program objectives (e.g. small enterprise development, community-based health service delivery through indigenous groups). Sales of Title I/III commodities will also benefit primarily urban areas.

To the extent secondary cities and market towns are considered urban, some of our activities aimed at rural off-farm employment generation and improvement of the marketing system for food products will also have an urban focus. Further urban development activities (e.g. a major urban public works project) will be dependent on the success of these efforts and the annual level of funding in future years.

4. Industrial Development

This, too, is an area of great need but, despite considerable GOH interest, we are unable to give it a higher priority given the limitations on USAID staff and financial resources. Our support for industrial development will be limited to the newly-authorized Development Finance Corporation during the CDSS planning period. Our participation in that effort will be directed to industries which strongly support our emphasis on off-farm job creation, primarily in secondary cities.

D. Caribbean Regional Aspects of the Program

The principal focus of the GOH's development efforts, and therefore our program strategy, is internal. As a result, there are only limited prospects to relate our activities to broader regional programs over the planning period.

Haiti has participated to some extent in several regional activities in recent years. In 1979, representatives of Haiti participated in regional conferences on Creole, disaster preparedness and science and technology. We also sponsored two members of the Port-au-Prince Bar Association at a meeting of the Inter-American Legal Services Association board held in the Dominican Republic. Haiti is participating in regionally-financed programs in alternative energy and agribusiness development (LAAD). Some cooperative programs with the Dominican Republic have been initiated recently, especially in the areas of transportation and rural infrastructure along the border. Two of the three road links from Haiti to the Dominican border are included in our Agricultural Feeder Roads

project. Our regional Vertebrate Pest Control project will be active in both countries and will require some collaboration. Efforts in the area of African Swine Fever, however, have not been particularly successful to date, but if the AID-funded control program in the Dominican Republic proves effective, closer collaboration should be possible.

The language, cultural and political barriers to broader Haitian participation with the predominantly English-speaking Caribbean are considerable. Without greater initiatives on the part of regional organizations such as the Caribbean Development Bank and CARICOM, Haiti is not likely to participate more actively in regional programs. The alternate energy program being implemented through CARICOM is one such promising initiative and apparently there is some interest on the part of CARICOM for modest expansion of contacts with Haiti.

We believe relationships between Haiti and the rest of the Caribbean should be encouraged. In the broader Caribbean context, we will look for ways to expand contacts via technical and perhaps Ministerial-level visits, exchanges and attendance at regional conferences on areas of mutual interest. We will attempt to encourage Haiti to host important regional conferences or seminars as a way of expanding its contacts with other governments and private sector groups within the Caribbean. Contacts in the areas of appropriate technologies, expanded use of Creole and alternative energy sources, including improved use and/or production of fuelwood, seem most likely at the moment. Possibilities might also exist in the area of expanded trade in exported food crops and in problems in nutrition through the Caribbean Food and Nutrition Institute. Based on these limited contacts, the prospects for broader participation in regional efforts could be increased over the CDSS planning period. In addition, further possibilities for collaborative programs with the Dominican Republic which fall within our priority program areas will be encouraged.

E. Program Strategy Issues

1. Local Cost Financing

Many of our present projects finance salaries and other operating costs of the GOH implementing institutions. Most others involve some form of operating expenses and salary support from Title I counterpart funds. One of the principal indications of GOH interest in development in general and in the kinds of projects we are financing in particular is their willingness to increase their budgetary allocations to meet these costs. As indicated above in the discussion of our strategy for strengthening GOH implementing capabilities and commitment to development, we plan to phase out the practice of funding these costs under grant-financed projects and to reduce PL480 counterpart funding for them gradually. As this burden is shifted to the GOH, care must be taken to encourage this as a demonstration of their interest in and commitment to long-term development efforts.

2. Relationship to FY81 CDSS Strategy

As indicated above, our strategy remains basically consistent with the emphasis in last year's CDSS on major fiscal, tax and civil service reform. Our approach is changed somewhat to reflect our view that, even in the absence of major policy reforms, there are still viable programs we can undertake with the GOH to improve the living conditions of our target groups and to continue the dialogue on the major reform issues. We believe this is the most realistic approach for us to take in Haiti at this juncture, assuming that there continues to be some progress on improving the overall policy environment. We continue to be cautiously optimistic about the prospects for a Title III agreement in the near future. We are in the process of negotiating with the GOH the specific substance of the commitments that would be necessary to reach agreement on a Title III program. If these negotiations are successful, funding levels for our program could increase as much

as \$5.0-\$7.0 million annually over those projected in Part IV during the planning period, particularly in the area of labor-intensive rural infrastructure. However, we will not enter into such an agreement without basic commitments by the GOH on the major reform issues and without an extension of the EFF by the IMF. If our current Title III negotiations are not successful, but assuming no major setbacks in the policy reform areas, we propose to continue our grant program at the levels indicated in Part IV. In addition, we would sign a Title I agreement with the GOH at basically the same level as the FY79 program. This option is clearly recognized in last year's CDSS and we believe we are entirely consistent with the strategy laid out in that document in this respect. We do not by any means believe that the present situation warrants the drastic reduction in the AID program in Haiti which was identified as the third option in the FY81 CDSS.

IV. ASSISTANCE PLANNING LEVEL

A. Proposed Assistance Planning Level

Table V presents USAID's PAPL for the FY82-86 period. Proposed levels for FY80 and FY81 are also included in the table for purposes of comparison and to demonstrate that additional funds beyond our preliminary allocations for these years are required to support our priority program areas.

The major assumption made in the table is a shift to life-of-project funding beginning in FY82. This creates a large bulge in our program levels in FY82 to fully fund all on-going projects as well as new projects begun that year. While the FY82 proposed level is very high by comparison to previous and subsequent years, the proposed levels for FY83 and FY84 decrease substantially for a three year average of \$28.4 million which is within our IPA level. In addition, the FY82 figures are high because we expect to begin in that year several major follow-on projects in the areas of rural road construction and maintenance, malaria control, and MCH/Family Planning, as well as new programs in the energy field. FY82

TABLE V
PROPOSED ASSISTANCE PLANNING LEVEL
(\$ millions)

	80	81	82	83	84	85	86
I. Rural Development	<u>6.2</u>	<u>8.1</u>	<u>16.4</u>	<u>15.0</u>	<u>13.7</u>	<u>15.2</u>	<u>11.8</u>
A. Increased food production/ access to food							
1. Supplemental feeding	0.3	0.3	1.0	-	-	1.5	-
2. Food production							
- research/extension	-	2.0	3.0	-	5.0	-	-
- rural infrastructure	2.2	2.5	4.7	5.0	-	4.0	-
- credit	-	1.0	-	-	4.0	-	-
3. Nutrition planning/education	0.2	0.2	1.0	-	-	1.5	-
B. Environmental preservation							
1. Soil conservation	-	0.6	1.0	4.0	-	-	6.0
2. Forestry	-	0.3	1.5	-	2.5	-	-
C. Off-farm employment							
1. Labor intensive rural works	-	1.0	2.0	-	0.5	4.5	-
2. Small enterprise assistance	-	0.5	1.5	0.5	1.0	3.0	-
3. Labor intensive industries	3.1	0.2	0.2	5.0	-	-	5.0
D. PD&S	0.4	0.5	0.5	0.5	0.7	0.7	0.8
E. On-going projects (non-add)	(1.7)	(6.3)	(13.6)	-	-	-	-
II. Health and Population	<u>1.9</u>	<u>3.2</u>	<u>15.2</u>	<u>4.1</u>	<u>2.6</u>	<u>12.4</u>	<u>12.2</u>
A. Rural health delivery	0.6	2.0	4.0	4.0	2.0	12.0	-
B. Malaria control	0.2	-	5.0	-	-	-	5.0
C. MCH/FP	1.0	1.0	6.0	-	-	-	7.0
D. PD&S	0.1	0.2	0.2	0.1	0.6	0.4	0.2
E. On-going projects (non-add)	(1.8)	(3.0)	(4.0)	(4.0)	(2.0)	-	-

TABLE V, cont.

	80	81	82	83	84	85	86
II. Institutional Strengthening	<u>1.3</u>	<u>1.8</u>	<u>1.9</u>	<u>2.3</u>	<u>2.5</u>	<u>2.6</u>	<u>3.2</u>
A. GOH institutions	-	0.1	0.2	0.3	0.3	0.4	0.4
B. Local private institutions	1.2	1.5	1.5	1.8	2.0	1.5	2.0
C. PD&S	0.1	0.2	0.2	0.2	0.2	0.2	0.3
D. On-going projects (non-add)	(0.2)	(1.2)	(0.9)	(0.8)	-	-	-
IV. Energy	<u>0.4</u>	<u>0.8</u>	<u>5.2</u>	<u>0.2</u>	<u>2.7</u>	<u>0.4</u>	<u>6.3</u>
A. Renewable energy	-	-	2.2	-	2.5	-	-
B. Alternative energy	0.1	0.3	3.0	-	-	-	0.0
C. PD&S	0.3	0.5	0.1	0.2	0.2	0.4	0.3
V. Other activities	1.0	1.3	1.0	1.0	1.5	1.5	1.5
Total	10.8	16.2	39.7	22.6	23.0	31.6	39.5
PL 480 Title II	<u>8.6</u>	<u>9.4</u>	<u>10.8</u>	<u>11.9</u>	<u>13.1</u>	<u>14.7</u>	<u>16.4</u>
A. Child feeding	4.8	5.3	6.1	6.6	7.3	8.2	9.2
B. Maternal/child health	1.2	1.3	1.5	1.7	1.8	2.1	2.3
C. Food for Work	2.5	2.7	3.1	3.5	3.9	4.3	4.8
D. General Relief	0.1	0.1	0.1	0.1	0.1	0.1	0.1
PL 480 Title I/III	10/12	11/25	12/25	13/25	14/25	15/25	16/25
HIG	-	-	-	-	2.0	-	2.0
Program Total (with Title III)	31.4	50.6	75.5	59.5	63.1	76.3	82.9

represents what we hope will be the fruition of our major efforts of the FY79-81 period to concentrate on project implementation, to limit new obligations and reduce our undisbursed pipeline, and to begin serious collaborative efforts with the GOH in new areas. Overall, we believe the proposed levels in Table V represent a realistic assessment of GOH implementing abilities, respond in a significant way to the major priority areas outlined in our strategy section above, and are generally consistent with the IPA level for Haiti provided by AID/W. Any major reductions in these levels would not enable us to respond in a meaningful way to the problem areas we have described in our strategy statement.

Several other aspects of Table V bear noting. First, our projections are for grant funding, with the exception of loans to the DFC which will make up the majority of our assistance in the area of labor intensive industries. This is consistent with present Agency policy towards the relatively least developed countries. Second, PL480 funding projections are broken-out separately although, as described in Section III above, the use of these resources is tied directly to our priority areas of concern. In fact, the Title II and Title I/III programs relate simultaneously to a number of the specific categories listed in the first part of Table V, and it would be difficult to identify the one category where these resources should be listed. Finally, although GOH institutional strengthening is a major emphasis of our program, only small amounts of funding are listed in the table for this category. This is because the majority of our assistance in this area is to build the capacity of the GOH to implement activities in the various priority concerns of our strategy, and we feel that the proposed funding for this purpose is appropriately placed under each category. The amounts included for GOH institutional strengthening will be primarily for training outside of specific project areas.

B. Food Import Requirements

Title I/III -- Distribution through commercial channels. The commodities to be imported under the Title I/III program are wheat and wheat flour, vegetable oil, rice and possibly corn. Haiti does not grow wheat and must import all its needs. Demand has grown rapidly in recent years. Flour sales are heavily taxed so imported wheat does not provide a disincentive to domestic production of corn and millet, which are the nearest substitutes for flour. Vegetable oil is also almost entirely imported. Plans to grow soybeans and additional cotton as domestic sources of oilseeds may affect import requirements in later years, but until the technical and economic feasibility of these plans is established, their effect on import requirements cannot be estimated. Rice is produced domestically; both consumption and production have been rising, and it is difficult to determine what import requirements will be. Imported rice is sold at prices sufficiently high so as to not cause disincentives to domestic production.

A Title III program for FY 1980-84 now under discussion would provide up to \$25 million per year of commodities. Projected minimum import needs for these food commodities (excluding Title II and other donations) are as follows (000 mt):

Fiscal Year	<u>80</u>	<u>81</u>	<u>82</u>	<u>83</u>	<u>84</u>	<u>85</u>	<u>86</u>
Wheat	108	112	118	124	131	138	145
VegOil	16	17	18	19	20	21	22
Rice	20	20	15	15	10	10	10

C. Staffing Implications of Proposed Strategy

1. Opportunities to Increase Efficiency

A number of measures were recently suggested by AID/W to improve the efficiency of the operations of AID's field missions and to enable the Agency to manage greater amounts of development resources with reduced staff levels. To a considerable extent, the measures were already a part of our strategy. Others that were not have been incorporated into the strategy described above. Our response to these measures is briefly discussed below:

Increased Use of Intermediaries: Our program relies heavily on private voluntary organizations and our strategy calls for increased use of PVOs. In some areas this can result in time savings if the PVOs themselves are adequately staffed. However, our recent experience with an OPG proposal submitted by a major PVO indicated that the required level of analysis and project design skills was below normal AID standards and, as a result, substantial USAID staff-time had to be spent on the proposal to address adequately the project design issues that were raised. In other new areas, it is likely that projects through PVOs, especially indigenous organizations or ones working in Haiti for the first time, will require considerable direct-hire staff support at both the design and early implementation stages. Therefore, while we are prepared to expand our use of intermediaries, we do not regard this as a way to reduce staff levels still further.

We are also financing or have plans to finance several major technical assistance contracts with major consulting firms and other groups, including a PASA with the USDA and a contract with a US university or university consortium. Our experience to date with these contracts indicates that a substantial amount of USAID staff time will be needed to assist and support the contractors and monitor their performance. Furthermore, if contractors are going to substitute significantly for direct-hire AID staff, a new concept of "technical assistance" must be

designed, the preference for host-country contracting must be reconsidered and AID's oversight and project monitoring responsibilities must be redefined.

Reduce Project Proliferation: This has been a problem with our program in the past. The current strategy is designed to concentrate our efforts around more specific objectives and we have dropped or deferred several projects which did not fit within the priority areas defined by our strategy. This will result in considerable savings of staff time. Future projects will also attempt to group similar components as part of a larger package. While this may produce savings in the project design process, staff time required for the implementation of these projects will not be appreciably modified.

Replicate Successful Projects: This has been and will continue to be a major feature of our program. Our efforts in family planning, road maintenance, agricultural feeder roads, small business development and strengthening local organizations will all involve replication of successful efforts. Since many of these programs will be based on pilot programs, which are necessary given the level of development and institutions in Haiti, it is unlikely that this will result in any savings of staff time, at least not in the short-term.

Concentrate on a Limited Number of Sectors: The strategy described above represents a considerable focussing of our efforts on a more limited number of sectors and subsectors. Any further reductions in our focus would severely limit our ability to respond to the principal problems of Haiti and the development priorities of the GOH. This concentration of effort will result in savings of staff time.

Concentrate on Certain Geographic Regions: Consideration will be given to possibilities to concentrate our programs geographically as pilot or initial efforts are replicated. This could result in the more efficient use of USAID staff and operating resources.

Life-of-Project Funding: Life of project funding would save the considerable amount of time necessary to manage incremental increases in grants. Our portfolio would be particularly affected by this since it is made up almost entirely of grants which are incrementally funded. Basically, we are in agreement with this approach, although it raises several important issues. First, given the generally slow pace of project implementation and the need to monitor progress more closely, incremental grant funding provides a certain degree of flexibility that would not be available if projects were fully funded at the outset. Secondly, a great deal of attention has been focussed recently on our "pipeline". It would have to be understood that increased use of life-of-project funding would (somewhat artificially) raise our pipeline of undisbursed funds, at least in the short-run. Finally, recent reductions in our budgets for FY80 and FY81 give us very little flexibility to obligate more than limited initial amounts for new projects, let alone catch up on forward-funding on-going projects. While we believe considerable savings could and should be made through increased life-of-project funding, and we have based our projected assistance levels on this assumption beginning in FY82, these points must be taken into consideration and our budget levels would have to be increased accordingly, especially during the first year.

Streamline Project Approval Procedures: We believe that the steps already taken and now in process by AID/W have resulted in significant savings of time. Increased delegations of authority to the field to approve OPCs would be useful.

2. Personnel and Funding Levels

The present personnel ceiling* (25 USDH, 55 FNDH, 3IDI) is the absolute minimum required to implement our strategy at the proposed levels. Further reductions would seriously jeopardise our ability to operate effectively for several reasons. First, USAID/Haiti is by Agency standards a relatively new mission. As a result, we do not yet have many local professionals with sufficient experience to manage

* USAID reclama requested increase of USDH positions to 27 to provide for Deputy Director and Regional Contracting Officer.

major portions of our operations without close supervision and training by USDH staff. Secondly, implementation difficulties with many of our projects require a considerably greater use of USDH staff to improve program management. This is especially true with regard to the collaborative relationships necessary to guarantee sound project design and timely implementation, which are very labor intensive propositions. Thirdly, many of our current projects or those planned to start during the CDSS period are small-scale, pilot efforts. As such, they require larger amounts of time per dollar of assistance for their design, monitoring and evaluation.

All of these factors are expected to change gradually over the next five years. Some greater efficiency in the use of USDH staff can be expected toward the end of the present planning period as the Haitian staff become more experienced and assume more responsibility. This should allow expansion of the size of the program without personnel increases. In the meantime, implementation of our program within the USDH ceiling of 25 will be difficult at best and major improvements in our implementation performance may be limited. At least one or two additional positions are needed and would result in a significant improvement in the implementation of our projects and the design of new activities within the framework of the strategy described above.

Proposed USDH Staffing Levels*

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Program Direction & Development	10	10	10	10	10
Rural & Community Development**	7	7	7	7	7
Public Health/Population	3	3	3	3	3
Energy	1	1	1	1	1
Program Support***	6	6	6	6	6
Total	<u>27</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>27</u>

* Does not include IDIs

**Includes engineering staff (with exception of energy position) and FFP officer.

*** Includes 1 Regional Contracting Officer