

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

HAITI

COUNTRY DEVELOPMENT STRATEGY STATEMENT

FY 1985

(SUPPLEMENT TO FY 1984 CDSS)

March, 1983

HAITI
COUNTRY DEVELOPMENT STRATEGY STATEMENT
FY 1985
(Supplement to FY 1984 CDSS)

Table of Contents

	Page
I. INTRODUCTION	1
II. ANALYSIS OF ECONOMIC SITUATION	3
A. Economic Growth	3
B. Balance of Payments	5
C. Public Finance	8
D. Title III	9
III. PRIORITY STRATEGY AREAS	12
A. Policy Dialogue	12
B. Private Sector Development	17
C. Technology Transfer and Research	21
D. Institutional Development	26
IV. OTHER KEY ACTIVITIES	32
A. Participant Training	32
B. Food Aid as a Development Tool	34
C. Other Donor Coordination	37
V. IMPLICATIONS FOR ASSISTANCE PLANNING LEVELS	40
A. Policy Dialogue	40
B. Private Sector Development	40
C. Technology Transfer and Research	41
D. Institutional Development	41
E. Mission Personnel Needs	42

I. INTRODUCTION

One year ago, USAID/Haiti submitted a comprehensive FY 1984 Country Development Strategy Statement to AID/Washington. After its review and approval in principle by the Agency the CDSS was submitted to the House Appropriations Committee Subcommittee on Foreign Operations in response to a request for a comprehensive report on AID's strategy for development in Haiti. The document provided an analysis of the causes of poverty and the constraints on development in Haiti, and proposed a long-term strategy for addressing them at both sectoral and cross-sectoral levels. Two funding options were provided: (1) a "high option" strategy consisting of a resource package totaling \$84 million from all sources (\$35.0 million DA) in FY 1984, with measured increases in the out-years; and (2) a "low option" strategy consisting of a resource package totaling \$43 million (\$18 million DA) for FY 84, with incremental increases in the out years. The latter option was conceded to constitute little more than a strategy to incrementally fund our current project portfolio and seek a few selective "targets of opportunity". It would not permit any substantial new initiatives to address poverty in Haiti nor could it be expected to have significant impact on Haiti's social and economic development.

The FY 1984 CDSS received a very favorable review in AID/W, and the "high option" strategy was approved in principle. This approval was confirmed the following June, when the Development Assistance AAPL authorized for Haiti in FY 1984 was set at \$33.0 million with scaled increases for the out years. However, following a shuffling of GOH cabinet members in July (including the departure of a reformist Finance Minister) questions were raised in AID/W as to the wisdom of proceeding with the long-term, high option strategy put forward by the Mission and approved in Washington. By October, 1982, a decision was taken by AID/W to reduce the higher planning levels earlier approved in both Agency CDSS and ABS processes. This was not only a disappointment to the Mission, but throws into question a fundamental assumption upon which the CDSS was formulated: that the U.S. Government, through its AID program, intends to make a sufficient long-term resource commitment to address the root causes of poverty and constraints on development in the poorest country in the Western Hemisphere. The Mission's strategy in Haiti had been

Really?
|
←

designed so that the shifts of political winds reflected in Haiti's frequent cabinet shuffles would not seriously desorient the program. Much of the portfolio is executed by non-governmental organizations. Projects with the government are carefully drawn to avoid bottlenecks that could impede achieving results aimed at direct improvements in the life of the rural poor. At the policy level, the GOH continues to maintain full compliance with the IMF program and is taking measured steps toward other reforms in public finance and administration and in the tax policy area. Progress in the latter areas is slow but real and needs more than "on-again, off-again" support from the U.S. as Haiti's major donor.

compliance w/IMF

The Mission has repeatedly explained how it is that development resources are being effectively utilized in Haiti, directly reaching high priority AID target groups, under circumstances where channeling dollars through large, government controlled institutions may not accomplish this objective. A major portion, if not the vast majority, of the development activities which are supported by this Mission's program resources are not significantly affected by the frequent minor political changes that are part of this country's political culture. During the last two years even the projects with GOH agencies have been administratively reoriented in such a way to maximize this political "insulation". Therefore, we believe that resource levels which have been approved on the basis of a long-term commitment and rational development criteria (e.g. need, "absorptive capacity" etc.), should not be drastically reduced by ephemeral political occurrences.

✓

Given Haiti's grave poverty, nothing short of a major, long-term, U.S. led assistance effort can begin to create the essential conditions for social and economic progress. The Mission hopes that this FY 85 CDSS supplemental—taken with the FY 84 CDSS approved last year—would provoke a careful reconsideration of the resource levels required from the U.S. to carry out an accelerated and sustained development effort. There is ample reason to believe that if the U.S. will take this lead, concentrating its program in one region of the country, other donors will follow with increased concessionary aid in other regions. The prospects for success, always qualified by Haiti's political legacies, are better now than they have been any time in the last 25 years. It is in the U.S. interest to respond now to these opportunities with a concerted aid effort.

S. Plom!

True

II. ANALYSIS OF HAITI'S CURRENT ECONOMIC SITUATION

A. Economic Growth

Haiti's real GDP grew at an average annual rate of 4.3 percent during the 1970's, up from an average annual rate of only 0.2 percent in the previous decade. International trade expanded at an average annual rate of approximately 10 percent and the country benefited from greatly increased foreign loans and grants. Investment expanded at an average annual rate of 11 percent and comprised 15 percent of GDP in 1980. sound?

The growth that has occurred is producing a gradual transition from an overwhelmingly agrarian economy to a dual economy with a relatively dynamic industrial sector. The agricultural sector, which comprised 32.8 percent of GDP in 1980, has virtually stagnated with a growth rate of only 1.1 during the 1970-80 period. On the other hand, value-added in manufacturing, which accounted for 16.7 percent of GDP in 1980, grew at an average annual rate of 6.9 percent over the same period. This growth in the manufacturing sector has been led by the rapid expansion of transformation and assembly operations which re-export to the United States. Assembly industries now account for more than 15 percent of value-added in manufacturing, and more than 40 percent of manufacturing exports. In addition to rapid growth in manufacturing, there have been high growth rates in utilities (14.9 percent per year), construction (10.2 percent), transportation and communication (9.5 percent), and government (8.4 percent).

In spite of the overall growth in the economy, poverty remains a desperate problem. The best available data indicate that real per capita annual income (1980 US \$) in Haiti increased from \$210 in 1970 to only \$270 in 1980. This makes Haiti the only country in the Western Hemisphere to be included on the United Nations' list of thirty "relatively least developed countries" (RLDC's). And yet even this figure fails to communicate the level of poverty in Haiti. The World Bank estimated that in 1979 more than 80 percent of the population had an average income of under \$150. Conditions of absolute poverty afflict more than half of Port-au-Prince's population and more than 90 percent of the rural agricultural population.

TABLE 1.1

GROSS DOMESTIC PRODUCTION AND GROWTH BY SECTOR, 1970-80
(in percentage)

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

Source: Statistical Bulletin of the OAS

The limited progress that had been attained in terms of increase in per capita income and economic growth has recently been halted. The average annual growth of real GDP is estimated to have been only 0.3 percent in FY 1981 and 1.0 percent in FY 1982. The reduction in the growth rate can be attributed mainly to the deepening world-wide recession, the impact on agricultural production of Hurricane Allen, and GOH fiscal management problems in FY80 and FY81. A net decline in foreign exchange reserves resulted from these effects on the economy. This is discussed in the following section.

B. Balance of Payments

In the past, Haiti has not usually suffered from large balance of payments problems, principally because the GOH has had a long tradition of conservative fiscal management (ie, limited debt financing through monetary expansion) and one of the lowest debt burdens of any country in the region. Because of this, the exchange rate of 5 gourdes to the U.S. dollar has been maintained since 1919. However, in 1980 and 1981, Haiti experienced a major deterioration of its balance of payments situation, when official reserves were reduced by U.S. \$11.8 million and U.S. \$33.3 million respectively (see table 1.2). Official disposable foreign exchange holdings fell to a negligible level during the first quarter of 1981. Acute shortages of foreign exchange continue to hamper economic activity today. U.S. dollars do not circulate as widely as before. A non-official market has developed with a 5-10 percent premium being offered for dollars. Arrears have also accumulated in the public and private banking systems due to the inability of the Central Bank to obtain sufficient foreign exchange.

*Gourde
rate - value*

A combination of internal and external factors produced this economy-wide crisis. Excellent coffee exports in FY 1980 were followed by a decline that resulted from Hurricane Allen, the normal two year coffee production cycle, and a weakening in world coffee prices. At the same time, other external factors impacted adversely upon Haiti, including: (1) rising world prices for petroleum products and other essential imports; (2) deepening recession in the industrial countries; and (3) an unprecedented rise in interest rates in the United States.

Compounding the impact of these external shocks, the GOH authorized expenditures in 1981 for three extra-budgetary capital projects which were of questionable economic value. The resulting budget deficit was in part financed by the Central Bank and this put additional pressure on scarce foreign exchange reserves. This decision on the fiscal side violated the conditions of the existing EFF (Extended Fund Facility) agreement with the IMF and resulted in curtailed access to IMF balance of payments financing.

Several steps were taken during 1981 and 1982 to deal with the scarcity of foreign exchange. In July 1981, the Central Bank instructed the exchange houses to negotiate all foreign transfers with the government owned commercial bank (BNC). And in August, 1981, the Central Bank introduced restrictions on foreign exchange transactions. All foreign exchange derived from exports was required to be surrendered on demand to the Central Bank, which established priorities for the use of the exchange for imports.

In August 1981, the GOH also put forth an economic austerity plan to increase Haiti's ability to finance its own development through increased domestic savings, improved management of public funds, fiscal discipline, and limitations on imports and promotion of exports. These reforms paved the way for an IMF approval of a \$20 million CFF (Compensatory Finance Facility) in December, 1981, which was needed to cover the Hurricane Allen coffee export losses, etc. While fiscal targets were exceeded in January and February of 1982, later compliance with IMF fiscal targets led to IMF Board approval of a Standby Agreement in August 1982 for \$38 million. The first disbursement of \$11 million was made in August 1982 and to date the GOH fiscal performance under the Standby Agreement has been very good.

currently effect.

The overall performance of the balance of payments for FY 1982 and as projected for FY 1983 suggest that the IMF mandated austerity program is having its intended effects. Declining imports are largely responsible for an improving trade and current account balances. If the capital account balances continue to improve, the total balance of payments deficits should be significantly reduced. However, the overall deficit could increase if the world-wide recession were to deepen, coffee production and or coffee prices were to fall,

TABLE 1.2

BALANCE OF PAYMENTS, 1978-83

(US\$ Million)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u> Estimated	<u>1983</u> Projected
Merchandise Trade, FOB	-52.9	-106.4	-89.7	-144.3	-126.7	-109.4
Exports	154.6	138.6	212.3	153.7	157.1	160.2
Imports	-207.5	-245.0	-302.0	-298.0	-283.8	269.6
Services (net)	-50.4	-40.1	-50.5	-59.1	-88.1	-85.6
Transfers (net)	77.9	85.8	71.3	87.4	99.9	114.9
<u>Current Account Balance</u>	<u>-25.4</u>	<u>-60.7</u>	<u>-69.8</u>	<u>-116.0</u>	<u>-114.9</u>	<u>-80.1</u>
Public Sector Capital (net)	42.2	33.1	36.6	42.6	34.4	NA
Private Investment (net)	10.0	12.0	13.0	15.7	13.6	15.0
Other	-16.5	29.8	8.4	24.4	56.2	NA
<u>Capital Account Balance ^{1/}</u>	<u>35.7</u>	<u>74.9</u>	<u>58.0</u>	<u>82.7</u>	<u>104.2</u>	<u>NA</u>
Change in Foreign Reserves						
(increase;-)	-10.3	-14.0	11.8	33.3	10.7	NA

^{1/} Includes SDR allocation and other unrequited earnings.

Sources: Bank of the Republic of Haiti, and International Monetary Fund, and World Bank

the GOH's fiscal management were to deteriorate, or donor financing in Haiti were not to expand as projected.

It is still too early to know when and to what degree Haiti will emerge from its economic crisis. GOH officials are predicting continued improvement in the short-run, with a significant decline in the premium paid for dollars by midsummer or the end of the FY. However, given the depletion of export grade bauxite and the very uncertain prospects for world coffee prices, coupled with the increasing demands for imports and government services, it is reasonable to assume that foreign exchange pressures will be a recurrent problem over the long-run for Haiti.

C. Public Finance

GOH management of fiscal policies have both contributed to and have been affected by the balance of payment crisis. The GOH dramatically increased its current expenditures in 1980 (largely for needed salary increases) as well as budgeted and extra-budgetary capital expenditures in 1981 (see Table 1-3). The increased expenditures were financed by increased borrowings from the Central Bank. The resultant expansion of the money supply added to the demand for foreign exchange, which was already under pressure as a result of the recession, decreasing coffee exports, etc. The deteriorating balance of payments situation forced the GOH to take steps to control expenditures. The terms of the IMF Standby Agreement negotiated in early 1982 mandated a program of further fiscal austerity. Total GOH expenditures were reduced from G 1,216 million in 1981 to G 960 million in 1982 and G 900 million in 1983. The general government deficit to be financed by credit from the Central Bank was limited to G 225 million in 1982 and G 150 million in 1983.

The fiscal austerity program has had a severe impact on the development budget. GOH treasury support for the development budget fell from G 377.7 million in 1981 to G 148.9 million in 1982 and G 120 million in 1983 (see table 1-3). The overall development budget (including external financing) was reduced from G 804.7 million in 1981 to G 654.7 million in 1982 and then increased to G 775.0 million in 1983. In real terms, the overall

development budget fell 27 percent in 1982 and then increased only 7 percent in 1983. The overall development budget would be further reduced were it not for the improved performance of GOH tax revenues and public enterprises revenues, and increased foreign assistance in the form of grants-in-aid and concessionary loans. However, it is anticipated that the projections for foreign assistance disbursements may not be realized because of limited GOH counterpart funding.

Donor financed projects in education, roads, health, and agriculture are requiring a significant increase in recurrent cost expenditures. The GOH is caught in a crunch between the mandated fiscal austerity program and its commitments to cover both an agreed GOH share of the investment projects and the recurrent costs resulting from these projects. Any proposed expansion of programs runs up against this constraint. Thus, there is a need to increase efficiency and to assure that persons be kept on the public payroll only if they are making a substantial contribution to the Government's operational and development objectives. It is clearly unacceptable from both the donor and the GOH viewpoints that the Haitian development program be without a reasonable government contribution. Given the current fiscal austerity program the GOH is undertaking, a program of action acceptable to both sides needs to be initiated which will permit a high level of development investment with minimum requirements in the near term for GOH public treasury contributions. There is also a need for an investment strategy which will minimize the build-up of recurrent cost obligations and which will concurrently increase revenue coming from users of expanding public facilities.

D. Title III

A multi-year PL 480 Title III program is an important form of assistance which can be well utilized by the GOH. It would address the major economic constraints that not only thwart future development programs, but severely compromise the government's ability to provide basic services to the rural and urban poor. More specifically, a Title III program will assist Haiti's economic development in two ways:

- 1) Foreign exchange that would otherwise have to be used to finance commercial food imports can be invested in export earning or import substituting projects. The Title III would provide the country with US\$45-75 million in balance of payments assistance over a three-year period. This will be especially important for the continued development of the light manufacturing sector, which needs foreign exchange for imports of fuel, semi-processed materials, and machinery.

- 2) Local currency generated by the Title III food imports will be used to cover the counterpart costs of ongoing and new development projects that would otherwise suffer delays and setbacks from the austere budgets. Without the Title III development projects the rural poor would be considerably adversely affected by the Stabilization Program.

TABLE 1.3

HAITI: PUBLIC SECTOR OPERATIONS

	Fiscal Year Ended September 30					
	1978	1979	1980	1981	Program	
					1982*	1983
	(In millions of gourdes)					
General Government Revenues	548.6	570.1	691.1	659.8	725.0*	750.0
General Government Current Expenditures	468.6	543.8	727.6	838.2	811.1	780.0
General Government current account surplus or deficit (-)	80.0	26.3	-36.5	-178.4	-95.3	-30.0
Public enterprises current account surplus or deficit (-)	67.1	61.2	62.1	97.2	120.0	130.0
<u>Public sector savings</u>	<u>147.1</u>	<u>87.5</u>	<u>25.6</u>	<u>-81.2</u>	<u>24.2</u>	<u>100.0</u>
Grants-in-aid	136.0	167.5	160.5	170.5	210.0	250.0
<u>Capital expenditure</u>	<u>527.7</u>	<u>485.7</u>	<u>577.5</u>	<u>804.7</u>	<u>654.7</u>	<u>775.0</u>
Treasury Development Expenditures		(58.8)	(165.2)	(377.7)	(148.9)	(120.0)
<u>Overall public sector deficit</u>	<u>-244.6</u>	<u>-230.7</u>	<u>-391.4</u>	<u>-715.4</u>	<u>-420.0</u>	<u>-425.0</u>
Net domestic borrowing	42.8	60.2	213.4	446.2	225.0	150.0
Monetary authorities	(43.9)	(60.2)	(213.4)	(261.4)	(225.0)	(150.0)
Private banks	(-1.1)	(—)	(—)	(-15.2)	(—)	(—)
Net external borrowing	201.8	170.5	178.0	469.2	195.0	275.0
Concessional	(213.5)	(150.6)	(184.3)	(203.1)	(195.0)	(275.0)
Commercial	(-11.7)	(19.9)	(-6.3)	(266.1)	(—)	(—)

Source: Ministry of Finance and Economic Affairs; Ministry of Planning; Bank of the Republic of Haiti; and International Monetary Fund.

"GOH expenditures" (pg.8) = "General Current Expenditures" plus "Treasury Development Expenditures".

* Note: Minor internal inconsistencies exist in the 1982 figures.

III. PRIORITY STRATEGY AREAS

A. Policy Dialogue

USAID/Haiti has a long standing, active commitment to increase both the scope and quality of policy dialogue with the Government of Haiti. Major efforts have already been made to enhance the Missions' understanding of GOH policies which may impinge on the efficient functioning of the agricultural sector and the income levels of the rural poor. A major sectoral study in 1982 ("Food and Agricultural Sector Strategy for Haiti", Annex III, FY 1984 CDSS) identified policy issues requiring further investigation. Further, the current development of a PL 480 Title III program is being utilized by the Mission as a basis for the clarification of appropriate policy issues and for influencing the GOH to effect a variety of policy reforms. There are at least four fundamental areas of reform on which the Title III negotiations will focus. These are:

1. Improved Budgeting of Recurrent Costs: The commitment of the GOH will be sought to an improved budgeting process which clearly identifies the recurrent costs involved in the operations of the Ministries involved in the development investment program (e.g. Agriculture, Education, Health & Population, Public Works & Transportation). In the past, many of these costs have been buried in the GOH "development budget" and supported largely through donor-financed projects or Title I generated counterpart contributions, rather than being financed by GOH public treasury funds. A clearer identification of the recurrent costs of development investments and greater GOH efforts to absorb them are critical to long-term development, and reform in this area is indicated by AID's Recurrent Cost Policy.

2. Tax Burden Sharing: A greater GOH commitment to progressive shifts in the overall tax burden will be sought through the Title III process. Incremental shifts in tax burden would be designed to increase overall GOH revenues while reducing the proportion now borne by the rural/agricultural sector of the economy. Rural Haiti now provides about 55% of GOH revenues but receives only about 13% of public service expenditures.

Historica

3. Public/Private Collaboration: A greater GOH commitment will be sought to increase the cooperative relationship of the public and private sectors in the provision of basic public services to the rural population. Further measures will be agreed upon to assure a growing confidence in key public sector agencies by private business organizations. The first element will be addressed partly through the design of AID projects affecting basic agricultural and health services; the second through a specific AID project to provide extensive technical assistance and training to Ministry of Finance personnel who deal with private sector entities in the assessment and collection of taxes and duties.

4. Agricultural Market Structures: A greater GOH commitment will be sought to making alterations in the marketing structures of various cash crops grown by peasants, which are now characterized by monopsonistic/oligopsonistic power and other inequities which reduce the return to the farmer and discourage production. In this regard, the development of the final Title III proposal will require several economic studies upon which specific reforms in the agriculture/food sector may be based. These studies will include the following:

} Touch on power structure

a. A study of the structure of the coffee market in Haiti, in all aspects and at all levels. The study will specifically address and project the effects of the possible reduction or removal of the 24% coffee export tax on the small coffee producer. Also, the apparently oligopsonistic market structure will be analyzed as a possible hindrance to the small farmer receiving the additional returns should the export tax be reduced or removed.

b. A study of the parastatal organizations which control the marketing of cotton and other commodities will be undertaken. It is hypothesized that controlled farm gate prices which are below the free market prices constitute major disincentives to increased commodity production and local production and exports.

c. A study of the government-regulated (and partially-owned) monopoly for vegetable oil processing will determine if oil seeds can be produced locally at a profit by small farmers so as to replace a significant share of imported oil seeds.

d. A study of the role of taxes and market structure as disincentives to the production of essential oils (e.g. vetiver, lime etc.) for export.

e. A study of the potential for increasing the profitability of cocoa production by small farmers by modifying the current market structure and tax policies affecting this commodity.

To ensure that there is capacity within USAID/Haiti to assist in defining the important development policy issues, USAID/Haiti has recently established an Office of Economic Analysis consisting of a program economist, an agricultural economist and a Haitian financial analyst. This office will supervise these as well as other analytical studies.

To facilitate the development of the Title III proposal, a working group of Haitian officials and USAID/Embassy staff has been established. The economic studies described above will form the basis for discussion and negotiation for GOH agricultural policy reforms. It is anticipated that policy reforms in several of the above areas can be effected as part of the Title III program. However, the limited size of the currently proposed Title III program gives the U.S. Mission limited leverage to support major policy changes. For example, a 50% reduction in the coffee tax, would cut annual GOH revenues by up to \$10 million. This may not be feasible if the Title III program is approved at a low option of \$15.0 million per year, (only \$4.0 million greater than the current Title I agreement). The Mission therefore will seek Title III approval at the "high option" proposed in the FY 84 CDSS, so that a coffee tax reform will be cushioned by counterpart generations sufficient to bridge the immediate revenue gap.

Reaction
GOH?
A quick
program
needs to be
understood
& not just

While agricultural policy reform will be the main focus of Title III dialogues, negotiations will also focus on needed sectoral reforms in the areas of rural infrastructure, nutrition, health, and population planning. First, is the need to increase GOH resources committed to the recurrent costs of maintaining rural roads and other physical infrastructure. Second is the need to increase the availability of primary care and family planning services for the rural population through expanded private facilities, and shared use of public facilities with increased financial contributions by recipients to offset both GOH and PVO recurrent expenditures.

Outside the specific context of Title III, the Mission will continue its policy dialogue for reform in the areas of private sector development and GOH administrative rationalization and decentralization. At the policy level, the Mission has engaged in lengthy and detailed discussions with the Ministries of Finance and Plan on potential GOH measures to increase local and foreign investor confidence. Many of the measures discussed involve the rationalization of tax and customs rules and procedures and the elimination of capricious and/or discriminatory treatment. These discussions have resulted in the development of a new project (Technical Consultancies and Training 521-0167) under the Mission's CBI program, to be undertaken with these two Ministries. Some of the activities of this project are intended to reduce tax avoidance and under-payment of duties as well as increase the efficiency and integrity of the Government's fiscal agents dealing with the private sector.

Further, the Mission has undertaken to support the process of public administrative reform which was initiated by the GOH through the establishment of a National Administrative Reform Commission. A major study of the area was conducted by a Mission-financed team of experts in 1982 (See Annex IV, FY 1984 CDSS) in cooperation with the Commission and formed the basis for some of the reforms proposed in legislation drafted by the Commission. A major emphasis of this reform is on the decentralization of planning, public investment, and public service agencies. This Policy dialogue is carried on primarily by the Mission's senior staff in each sector and, on key issues, by the Director with the relevant Ministries. The Director's office has also actively participated in and supported the multilateral policy dialogue that takes place under the

auspices of the "Joint Commission", the formal OAS mechanism for coordination of GOH and donor agency dialogue and more recently within the Consultative Group for Caribbean Economic Development. Under the Commission Mixte, Five Technical Commissions (Infrastructure; Agriculture; Health and Social Services; Industry and Commerce; and Budget, Public Administration, and Financial Management) have been established to review on-going projects and assist the GOH in developing policies for the sectors concerned. The bi-annual technical commission meetings provide opportunities for the donors to engage the GOH in policy and program discussions. These consultations have not been adequately staffed with advance issues papers and sector planning documents. We hope that with the addition of staff support, funded by the UNDP, the process will greatly improve in FY 84. If so, it should significantly improve donor/GOH resource planning and program implementation as well as enhance GOH preparations for the annual CGCED meetings.

Finally, USAID/Haiti is also involved in developing indigenous capacity in policy analysis. GOH has very little reliable statistical information on demographic trends, agricultural production, manpower needs, etc., upon which to base policy decisions. The Mission has undertaken to assist the Ministries of Plan, Agriculture and Health in the upgrading of their statistical collection and analysis capabilities. This is being done and will continue both through existing projects and non-project training opportunities in the U.S., in order to enhance the quality of the policy dialogue.

Policy reforms in Haiti, as elsewhere, are incremental in development and implementation. Consistent and unwavering pressure by U.S. agencies is required, and is indeed welcomed by many in the middle and upper reaches of the GOH. Clear progress has been made in the policy dialogue in the fiscal and economic spheres over the past year, especially in conjunction with the IMF. Although progress in other areas may be slower, the effort must and will continue to be made by the Mission in collaboration with the Embassy and the multilateral agencies.

B. Private Sector Development

USAID/Haiti successfully initiated a major private sector program during FY 1982. A new Division for Private Enterprise Development was established and staffed, and has carried out a very active program of activities. Its strategy focuses on the establishment of institutions which will provide the environment in which trade, industrial and agribusiness development can flourish. The central objective of the private sector program is to promote and facilitate domestic and foreign private investment in Haiti, especially in agriculture oriented processing enterprises and labor-intensive operations that maximize in-country value added to their products. In concrete terms, the USAID Mission is focusing specifically on the establishment of intermediary development banking institutions required to provide capital to such industries, and to the shelter sector. Recent private sector (foreign and domestic) activities sponsored and/or supported by USAID/Haiti, illustrate the willingness and ability of the U.S. and the indigenous business community to play the lead role in Haiti's development. Examples of this progressive role include the following events over the past 18 months:

(1) Unification of the local business Community. The leaders of the five principal business associations in Haiti have met frequently and discussed common goals extensively. A Private Sector Committee for Development was established, and pledged itself to raise a \$1.0 million capital contribution to the establishment of a wholly private sector development finance institution. This pledge is now 90% fulfilled and the Development Finance Corporation Project has been authorized.

(2) Establishment of a Development Finance Corporation (DFC): USAID/Haiti provided \$5.0 million in March 1983 to support the creation of the DFC, an institution that will provide medium and long-term financing to medium and large-scale enterprises. Operations will be initiated in the spring of 1983. Project selection criteria will include economic viability/impact, estimated return on investment, direct employment potential, and foreign exchange earning. Credit will be extended to both industrial and agro-industrial projects which meet these criteria.

(3) Establishment of The Florida-Haiti Program: In late 1981 the State of Florida, under the auspices of the Office of the Governor, organized and carried out an economic mission to Haiti. The Mission's principal objective was to ascertain the opportunities for private investment in Haitian agribusiness, industry and trade, as well as the potential for providing technical assistance to support specific Haitian private sector initiatives. The four-day trip resulted in the identification of potential areas for economic and technical assistance and formed the basis for the implementation of the Florida-Haiti Program. The Lt. Governor of Florida and a Florida-Haiti Committee are responsible for the State of Florida's follow-up actions. The Lt. Governor returned to Haiti in March, 1983 to reaffirm Florida's continuing commitment to a collaborative effort.

(4) OPIC Missions: In December of 1981 and 1982 the Overseas Private Investment Corporation conducted week-long missions to Haiti. USAID used these missions to make the Haitian private sector aware of the possibilities of joint venture opportunities under U.S. investment guarantees and risk insurance, as well as to introduce U.S. participants in the mission to numerous investment opportunities associated with agro-industrial development.

(5) Expansion of the Haitian Development Foundation: The HDF was created in June 1979 by Haitian businessmen concerned that small businesses in Haiti were being crippled by inadequate business management skills and the unavailability of credit from commercial banking sources. During its first three years, the HDF trained loan extension workers and disbursed \$700,000 in loans to small business and artisans to meet their credit needs. Loan size averaged \$3,600. Under the Caribbean Basin Initiative a further grant of \$500,000 is being made to the HDF, to permit an expansion of HDF activities to "growth poles" outside Port-au-Prince. The Foundation has also raised private sector support and foreign assistance from other donors to finance operations and establish a revolving loan fund.

W. T. Rolle

The dynamism of the local private sector and the willingness of Haitian businessmen to become involved in collective action in the public

interest is a new development in Haiti. The above listed developments are indicative only, and the potential for further private sector development remains high. The Mission is now in the process of developing several new project ideas to be financed through the CBI program. These include:

(1) Trade and Investment Promotion

The CBI represents an opportunity for USAID to assist the local business community to develop appropriate mechanisms to respond to the proposed trade and investment programs. A private sector investment promotion project will be a valuable tool in Haiti's attempt to attract new U.S. investment and to open up new U.S. markets for Haitian entrepreneurs. An estimated \$75,000 of Haiti's CBI allocation will be provided to the Haitian-American Chamber of Commerce (HAMCHAM) to initiate a trade and investment promotion project that will be tailored to maximize the CBI's impact in Haiti. The proposed project will work in tandem with local Haitian business associations to ensure that both U.S. and Haitian businessmen are assisted in maximizing investment opportunities, especially in labor-intensive industries.

Significant numbers of jobs can be created by strengthening the private sector's capability to actively promote foreign investment in Haiti's re-export oriented industries. The choice of focusing primarily on the promotion of investment in assembly industries (for export) as a key factor in Haiti's development is justified both by the past performance of this sector as well as by the perceived potential of the market.

(2) Agribusiness Cooperative Development

Various constraints have curtailed agricultural growth in Haiti and continue to inhibit the operations of both large and small scale farms. These include the unavailability of agricultural credit, the scarcity of low-cost agricultural inputs and marketing services, a low level of agricultural technology, and poor farm management practices.

One of USAID's efforts to counter these constraints is through a grant from its CBI allocations to Agricultural Cooperative Development International (ACDI) to carry out a full scale feasibility study, including a

pilot demonstration farm for the production and export marketing of fresh vegetables. With additional support from a group of foreign private investors, the project will test on its farm station modern, high-yield technologies and will extend those through technical and management training to local cooperative members.

The objective of the project is to orient a cooperative group of local agroindustrialists toward long-term agro-market development by means of joint ventures with outside investors and with local farmers. The keys to project success will be the institutionalization of a two tiered approach to cooperative formation (large investors at one level and small producers at another) combined with a strong market oriented approach to adaptive production technologies for key commodities as first demonstrated on the farm station and then extended to and by coop members at both levels.

(3) National Housing Bank (NHB)

The proposed NHB would carry out its initial shelter activities in the Port-au-Prince area and focus on the lower income population under the usual terms of an AID-HIG program. It would later expand to selected provincial capitals and towns. The proposed funding from AID (FY 1984 ESF) would be used to leverage additional private savings and investment from individuals, local insurance companies, commercial banks and other lenders for middle class housing. Such funds would stimulate housing programs and employment generation in provincial capitals, support low-income self-help housing, and promote a national system of savings and loans associations.

✓
Program
Mm?

The Mission and the AID office of Housing have provided the initial technical assistance requested by the GOH for this project. The AID/Mission is now planning to proceed with the GOH and the Haitian private sector in formulating a comprehensive shelter strategy for target populations as well as a general mortgage finance system that will serve to stimulate construction and employment in the building trades.

A full analysis of the constraints on and incentives for private investment and trade in Haiti is contained in Annex II of the USAID/Haiti

FY 1984 CDSS, and should be referred to for a further discussion of the Mission's strategy in private sector development.

Beyond the promotion of and assistance to trade and investment activities in the private sector, the Mission has undertaken a concentrated effort to expand and strengthen the role of the private sector in development activities of high priority. This is particularly true in the health/population sector, where private resources (individual practitioners, private voluntary clinics, etc.) are substantial and where the Ministry has formally recognized the critical role private institutions play in providing primary care services. The establishment of the Association of Private Community Health Organizations (AOPS) was encouraged by the Ministry of Health and a cooperative planning process has been established. The family planning program is experimenting with various community based programs for contraceptive delivery. Private pharmacies in primarily urban areas are selling condoms and foam tablets in very modest but increasing numbers. Many private voluntary health agencies have long, established collaborative relationships with the Government family planning program. Finally, USAID's approach to immunization against preventable childhood diseases is to encourage a partnership between the Health Ministry and the PVO which implemented a highly successful BCG vaccination campaign.

C. Transfer of Technology

USAID/Haiti has actively sought to employ the transfer of technology and research as a development tool in Haiti through project and non-project assistance. The general criteria applied to proposed technological innovations include: 1) suitability to the local physical environment; 2) cost-effectiveness in an economic environment of widespread poverty and cheap, plentiful labor; 3) cultural acceptability, i.e. the potential of the innovation being adopted on a wide scale; and 4) no apparent substantial negative side effects. In the context of these criteria, the Mission has actively applied appropriate technology and adaptive research extensively in the fields of agriculture, health, family planning, rural infrastructure and energy.

The Haitian agriculture sector is marked by low productivity, pre- and post-harvest crop losses, and massive soil erosion. These problems are being directly addressed by the research and technology transfer components of its project activities. A major component of the Integrated Agricultural Development Project (521-0078) is agricultural research. Undertaken by Texas A&M University personnel, research is directed principally toward improving the food crop productivity of the Haitian farmer. Texas A&M researchers are seeking to identify or modify strains of Haiti's traditional crops of corn, sorghum, cassava, potatoes and taro in order to realize higher crop yields. Although much of the initial research has taken place on Ministry of Agriculture research plots, the project (and the Missions' strategy) has shifted from traditional station research to on-farm trials of major crops and production systems. With the exception of the most basic varietal research, we have found that very little is valid in Haiti until tried and proven in the farmer's fields. Therefore we have re-oriented the crops improvement component of the Integrated Agricultural Development Project toward greater peasant participation by using on-farm field verification trials. As the Ministry's extension service is generally weak and ineffective, this approach will bring about more small farmer involvement in the program.

IAD

Emphasis is also being placed on in-country training of middle level technicians. During 1982, short training courses in local crop production were carried out with very good results. Several other such courses in various crops are planned for 1983 and 1984. One of the most effective ways to transfer agricultural technology in Haiti is by providing on-site training to field technicians.

The Agriculture Development Support II project (521-0092), which will start up during 1983, will emphasize small farmer production systems. All research work will be carried out in farmer's fields, and the farmer will be a direct participant in the research process. In this way the farmer himself becomes the extension agent. This program will involve two expatriates, twenty field level technicians and some forty fourth year university students doing production system trials with cooperator farmers. The project will institutionalize on-farm field verification trials as a research concept.

Sounds like same as IAD

Other AID efforts in promoting agricultural research and technological transfer are to be found in the Mission's projects such as Vertebrate Pest Control, (521-0168) and Agroforestry Outreach (521-0122). The pest control project seeks to reduce the massive damage inflicted by rodents and birds on the farmer crops and produce held in storage. The Denver Wildlife Research Center implements this project under a PASA arrangement with the Department of Agriculture. The Center has undertaken demonstrations of adaptive pest control practices within Haiti and has trained Ministry of Agriculture personnel in the use and extension of pest control techniques. Application of the Center's rodent control program in one test trial reduced preharvest losses on six hectares of Haiti's rice from the usual 12%-15% to less than 1% during one growing season.

Just

In the Agroforestry project, extensive applied research is being carried out on five exotic fast-growing hard woods to determine their adaptability to various Haitian environments. Forestry experts have introduced new varieties of trees to be used for fuelwood, charcoal, lumber and erosion control. Trials are being conducted both at central nursery/tree farm facilities and on hillside plots belonging to participating farmers. In the first full year of project operations 61 peasant groups have participated in tree planting on their own land. Over 2,000,000 trees of all varieties have been planted and in spite of drought, have had a 65% survival rate. The project has received such overwhelming acceptance that it expects to out-plant over 3,000,000 trees in its second year of operation and could easily reach a level of 5,000,000 outplantings the third year if sufficient funds are available.

Funding needed

Technology transfer and research are also essential elements of the Mission's health and population programs. The USAID Public Health Office is assisting the GOH to establish institutions that are well-managed and effectively meet the health needs of the country. The selected use of highly skilled experienced technicians and consultants has facilitated the introduction and use of appropriate technology in health, population and nutrition. The examples are too numerous to detail, but summaries of three follow: USAID and the GOH are collaborating with UNICEF for a national diarrhea control program based on subsidized commercial distribution of ORS

(Oral Rehydration Salts). The introduction and acceptance of oral rehydration therapy is an example of advances in the adoption of appropriate technology introduced by foreign donors.

(2) The Mission has supported CDC collaboration with the Haitian malaria control agency in order to develop operational research skills to monitor the continuing effectiveness of anti malarial drugs and residual insecticides in the program. The present malaria control strategy, based on carefully targeted and controlled spraying using a new organophosphate, is the culmination of years of adaptive research and responds to World Health Organization, GOH and AID program strategies to control malaria within available resources and within environmentally safe standards.

(3) Over the past year, based on the work of USAID technical advisers, the Ministry of Health and Population has recognized the utility of operational research and mini-survey techniques. Results from such surveys are being used to improve and redesign primary health care and family planning service strategies. Rapid availability of health management data utilizing a mini-computer under the Rural Health Delivery Systems project has increased Ministry consciousness of uses of data in management, supervision and evaluation. The acceptance of this technology and the increasing awareness of the utility of survey data in planning and management are indications of the Ministry's commitment to improved primary health care services.

The Mission's Engineering Office focuses its efforts on upgrading the rural infrastructure of Haiti working through both governmental and non-governmental organizations. The new Secondary Roads Development project (521-0149) will continue to build upon the technology transfer mechanisms that were established in the completed Road Maintenance II and the Agricultural Feeder Roads projects. The primary technological innovation involved is the use of specific, appropriate capital/labor mixes in road construction and maintenance. This technology has become widely referred to as the "light brigade" approach, which minimizes heavy equipment inputs, using principally hand tools and tractor-drawn wagons. Machinery is used only for compaction and major haulage of materials. Technical assistance to the Training Center of the GOH road maintenance organization (SEPRRN) will continue under the new project and will

include the training of personnel from the road construction organization, other GOH organizations, and PVO's. GOH technicians and engineers will gain appropriate technological experience under the on-the-job guidance of the project's technical assistance advisors.

The Mission's potable water systems projects are implemented through private voluntary organizations. They focus attention not only on constructing systems but equally on the establishment and improvement of local organizations to maintain and administer these systems. Technology is being transferred in the form of minimum-maintenance pumps and pre-based gravity flow systems. But the key element is the focus on affordable, organized maintenance techniques. The goal is to establish local organizations which can operate and maintain their own public water system with but a minimum amount of assistance from the central government or outside donors.

The newest technological innovation in our on-going community water system project with CARE is the installation of a solar-powered water pumping system which will supply potable water to a remote village in the Northwest. This is the first such AID-sponsored solar project in LAC and the information and experience gained through its use over the coming years will determine its replicability.

In the energy area, the Mission has long been interested in establishing a formal program with GOH Ministry of Mines and Energy (See FY 1984 ABS). Funding availabilities for FY 85 are uncertain, but if adequate, the energy sector will represent a new priority for Mission funded research and technology transfer. Extensive discussions have been carried out with the Ministry as to the nature of initial AID assistance to Haiti in this sector, with the full support and participation of The Science and Technology Bureau's Energy Division. The Mission and S&T/ENG are continuing these discussions with a view toward the establishment of a long-term energy adviser's position in the Ministry, to assist it (and the Mission) in the development of an energy assessment, strategy and program. Until a more ambitious program can be funded, the Mission will continue to pursue its initial efforts to experiment with low-cost energy technologies in fuelwood/charcoal consumption and electric power generation through mini-hydro facilities.

D. Institutional Development

The Mission's FY 1984 CDSS established, as its first cross-sectoral strategy objective, the following: "To strengthen both public and non-public institutions in Haiti working to improve the economic and social conditions of the poor." This Mission objective includes the provision of assistance to the process of policy and institutional reform in the GOH as well as material and technical assistance to the growing numbers of non-governmental organizations (NGOs), to increase their absorptive capacity for development activities. The elements of this strategy are laid out in some detail in the FY 1984 CDSS (pp. 59-64).

The emphasis placed by the Mission on public or private institution-building in a particular sector is largely a function of the nature of the activity to be undertaken and the Mission's assessment of the performance of the potential implementing institutions in carrying out the activities in question. Over the past 3-4 years, the Mission's emphasis has shifted significantly from public to private institutions in the agricultural/rural development sector. In the health sector, work has continued with public institutions, but with a strongly increased emphasis on collaboration with private health care delivery facilities. With respect to rural infrastructure, the Mission has worked principally with public institutions in large-scale road construction and maintenance activities and with private institutions in the development of small/medium community potable water systems. USAID/Haiti believes that a mixed, selective approach based on careful task and performance assessment, is the appropriate modus operandi for its institution building efforts. This approach has been referred to in prior Mission program documents as a "selective performance strategy".

Governmental Institutions

In the public sector, the Mission will continue its efforts to strengthen a limited number of GOH agencies which have proven committed and reasonably cost-effective in carrying out their public service delivery

functions. In many cases, these agencies are semi-autonomous from their sponsoring Ministry, retaining budgetary and project implementation authorities not typical of Ministry sub-divisions per se. Such decentralized authority has frequently been found to be critical to an agency's ability to carry out development activities in Haiti. In the agriculture sector, the Mission considers its Strengthening Rural Credit Services project (521-0121) as its most successful public sector project area, a second phase project in support of the Bureau of Agricultural Credit (BCA) will be developed for initial obligation in FY 1984. The BCA is a semi-autonomous agency of the Ministry of Agriculture, and has developed a strong group lending mechanism (Agricultural Credit Societies) for reaching peasant farmers. With AID funded technical assistance, the BCA has undertaken substantial improvements in management and has moved toward becoming a viable financial institution. It is possible that with one additional assistance project, and increased GOH support, the BCA will require no (or little) further donor assistance.

The Mission's largest-scale projects to strengthen public institutions are now being implemented in the health/population sector. The Ministry of Public Health and Population (DSPP) is greatly increasing its capacity to support rural health care delivery through AID's \$17.5 million Rural Health Delivery Systems Project (521-0091). This project entails substantial technical assistance and training for Ministry personnel as well as the construction of dispensaries, garage and warehousing facilities. A major institutional output of the project has been the establishment of AGAPCO, a national pharmaceutical procurement parastatal organization which is responsible for purchasing, packing and supplying a basic formulary of drugs to a network of rural community pharmacies. The institutional strengthening efforts begun under the RHDS project have begun to show palpable results, particularly in the past 18 months, particularly after the emergence of strong, competent and committed leadership in the Ministry.

USAID/Haiti also addresses the specific problem of malaria in Haiti through an institutional strengthening project with the GOH's National

Service to Eradicate Malaria (SNEM). The capability of this service to extend and support malaria control measures throughout the country has increased markedly in the past 18 months.

Finally, in this sector, the Mission has supported the Division of Family Hygiene (DHF), a sub-division of the DSPP, in the establishment and extension of an active, national family planning program. This project has greatly enhanced the GOH's institutional capability to provide family planning information and services.

Perhaps the most clearly successful public sector development projects implemented through a collaborative GOH/USAID effort have been in the transport sector. The Agricultural Feeder Roads Project (521-0074) and the Road Maintenance II Project (521-0084) resulted in the establishment of strong rural roads and road maintenance divisions in the GOH Ministry of Transportation and Public Works. Indeed, the semi-autonomous GOH road and highway maintenance organization (SEPRRN), initially established through an AID project undertaken in 1983, has become one of the most effective GOH line agencies, and has received increasing financial support from the public treasury to carry out its work. It is expected to operate free of donor assistance by the end of the current follow-on project, Secondary Roads Development (521-0149). This new project also provides for the establishment of a new autonomous Secondary Road Service (SRS), which will be responsible for the construction of all secondary "feeder" roads in rural Haiti.

In addition to the line "development ministries", USAID has undertaken a variety of institutional-strengthening activities with the GOH Ministries of Finance and Plan. These have, in the past, usually taken the form of special studies/reports (e.g. tax & customs administration, administrative reform, etc.) carried out over the short-term. The Caribbean Basin Initiative, however, has provided adequate resources to the Mission to undertake a more thorough, longer-term program of assistance to these two Ministries. A \$1.0 million Technical Consultancies and Training Project

(521-0169) will be undertaken, beginning in April 1983, to provide extensive long and short-term technical assistance and training in high priority areas relating to the functions of these Ministries, particularly as they impact upon the private sector. With respect to Finance, for which the major share of project funds is reserved, TA and training will be provided in tax and customs administration. This assistance is intended to increase GOH revenues by reducing widespread tax and customs avoidance, regularize and standardize assessment and collection procedures and reduce other inequities characterizing the present tax and customs systems. The Ministry of Plan will be assisted through long and short-term TA and training to improve its development project design, monitoring and evaluation capabilities.

The above-mentioned efforts to build the institutional capacities of public sector agencies are considered by USAID/Haiti to be cost-effective means of improving GOH performance. Using our Joint Project Implementation and Planning System, progress in these areas will continue to be monitored closely to assure adequate yields on investment. Further, other opportunities for effective institution-strengthening efforts in the public sector are being considered. As noted above in the Technology Transfer section, the Mission and S&T/ENG are currently negotiating with the Ministry of Mines and Energy for the placement of a long-term technical adviser (energy planner) in that Ministry, to strengthen its capabilities and to assist it to develop, for possible AID (or other donor) financing, an active energy program. The recent leadership of this Ministry has been strong, and energy matters are receiving growing attention and priority by the GOH. USAID therefore expects to expand its institution-strengthening efforts to this Ministry in the near future.

Non-Governmental Organizations (NGOs)

As described in some detail in the FY 1984 CDSS, the Mission has focused increased attention and resources on the implementation of priority development activities through non-public institutions. This has been based in part on the relative weaknesses of public sector institutions and in part

on AID policies favoring increased efforts to strengthen private sector institutions. The private institutions being assisted by USAID/Haiti include both the major program in the "private sector" described in Section III B above, and increasingly large efforts to carry out development projects through the numerous private voluntary agencies in Haiti. In FY 1983, of the \$45 million of U.S. assistance being provided to Haiti (Development Assistance, PL 480 Title I and II, and CBI/ESF supplemental funds), over \$20 million, or 45% is being obligated through NGOs. The Mission has also undertaken the Agency's largest single development assistance project implemented entirely through NGOs, the Agroforestry Outreach Project (\$8 million).

With respect to the private voluntary agencies, primary efforts are being made in agriculture, rural development, agroforestry, public health, nutrition, family planning services and community water systems. Although many of USAID's grant projects are financed through major international NGOs such as CARE, Save the Children, Pan American Development Foundation and Catholic Relief Services, in almost every case the international agency is working directly with and through indigenous Haitian institutions or organizations at the community level to implement project activities. USAID has also made several direct grants to indigenous NGOs, including the Haitian Development Foundation, the Cité Simone Medico-Social Complex and the Haitian Center for the Promotion of Women (CHREPROF).

Under the auspices of the Caribbean Basin Initiative, the level of USAID support to strengthening of indigenous NGOs will make a quantum leap forward. Of Haiti's \$10 million CBI allocation \$9.0 million will be used to fund NGO operations in Haiti. \$5 million will be used to establish the Development Finance Corporation, described in Section III B above. \$4 million will be used to establish an NGO Development Support Program (521-0169), consisting of a series of eleven grants, cooperative agreements and contracts with NGO's carrying out development work in Haiti. Five of these projects will be directly implemented by indigenous organizations, i.e., the Haitian Development Foundation (HDF), the Coffee Confederation of Haiti (CCH), the

Association of Private Health Organizations (AOPS), the Haitian Society for the Study and Implementation of Agricultural Projects (SHEEPA) and the Haitian-American Chamber of Commerce (HAMCHAM). The remaining six will be implemented through international NGOs such as CARE, CLUSA, MEDA and ACDI working in concert with local peasant organizations and cooperatives.

The Mission's goal in this effort to assist NGO's is to maximize the development impact of the U.S. tax dollar by reaching the Haitian people through the most direct route, i.e. through non-governmental organizations and associations working at the community level. NGOs are present in the Haitian countryside on a permanent and constructive basis. The development of CBI-funded NGO Development Support Program has confirmed the Mission's prior assertion that the "absorptive capacity" for additional development resources in Haiti is frequently and seriously underestimated by AID/W planners, particularly with respect to the non-governmental "sector" (see FY 1984 CDSS, pp. 84-85). It has also reinforced the Mission's view that the potential for the implementation of effective development efforts in Haiti through the institutional strengthening of indigenous NGOs of all types remains great.

With USAID encouragement and assistance, the indigenous and international voluntary agencies operating in Haiti have established an "umbrella" coordinating body, the Haitian Association of Voluntary Agencies (HAVA). This organization is undertaking to coordinate and represent the positions of non-profit NGOs working for social and economic development in Haiti. It has already established a constructive relationship with its "counterpart" in Florida, the Florida Association of Voluntary Agencies (FAVA) which will provide it with various types of assistance. HAVA has also already "spun off" three special sub-groups to coordinate NGO activities in the areas of appropriate technology, potable water systems, and handicrafts development. The Mission has a close, positive relationship with HAVA and will coordinate its future efforts to strengthen NGOs operating in Haiti with this organization.

IV. OTHER KEY ACTIVITIES

A. Participant Training Program

In fiscal year 1983 a comprehensive training plan has been developed from an appraisal of training requirements in the broad context the Mission's program in Haiti. Short- and long-term training programs to be held in the U.S. or third countries will be designed to respond in a more effective way to the specific needs of Haiti. Selected academic disciplines are consistent with the overall development goals of A.I.D., and emphasis is being placed on the training of public and private sector managers, middle echelon administrators, technical specialists and professional educators teaching in development-related areas. The LAC Training Initiatives Project has assisted the Mission to expand its participant training program significantly, but unmet needs remain great. We are awaiting guidance on how the Caribbean Basin Scholarship Fund may help to meet some of these needs.

This year the Mission contemplates a significant increase in the number of participant trainees over prior years. Eighty-seven project-funded participants will be funded for training in the U.S. on a short-term basis and four will attend training programs to be conducted in third countries. Areas of concentration in the U.S. will be on agricultural development (55 participants in FY 83 and 22 in FY 84), primary health care (15 in FY 83 and FY 84) family planning and population (11 in FY 83 and 7 in FY 84), private sector development (6 in FY 83 and FY 84). Training programs in Third Countries will emphasize maternal-child health and family planning. Fourteen individuals engaged in agricultural and health planning vocations will start long-term graduate programs at U.S. institutions in FY 1983, through the training components of current USAID projects.

Within the framework of the LAC Training Initiatives Project, the Mission anticipates sponsoring the participation of three agriculturalists in a country group project of professional exchange under the USIS International Visitor's Program. The Mission has also decided to utilize a portion of its LAC regional training allocation to maintain its relationship with the LASPAU

program and provide graduate level training for two professional educators. The two Haitian LASPAU scholars are presently enrolled in extensive English language programs in U.S. universities and are scheduled to commence graduate studies in electrical engineering and animal husbandry in September, 1983.

Other development-related training efforts under the LAC Training Initiatives Project include the financing of long and medium-term graduate programs for three university professors. Their programs of study include electric power engineering, transportation planning and education administration.

The intent of the Mission's Health and Population Office in developing its training program is to institutionalize an in-country training capacity. To accomplish this, the PHO plans to send key health specialists to the U.S. for specialized public health training in epidemiology, administration, and training/education methodologies and techniques. In population and family planning, plans are to focus on training in program management skills and contraceptive techniques for physicians and nurses. Working through the centrally-funded JHPIEGO contract the Mission will send 15 physicians to the U.S. to take programs concerned with family planning, anesthesiology and endoscopy.

Through Limited Scope Grant Agreements with the Ministry of Plan, the Mission will provide additional short-term training to middle and upper level officials in development planning and management. This will be principally through sponsoring 4-5 participants at the 10-week Francophone Development Seminar at the University of Pittsburgh. The Mission has also begun negotiations with that University to conduct a similar seminar, or series of seminars, on development planning and management topics in Haiti, financed through the Technical Consultancies and Training Project (521-0167) discussed in Section III D above. This project is expected to significantly advance the Mission's objectives in reinforcing and strengthening the "pockets of competence" that are found in GOH public sector development institutions, and the Mission is hopeful that the magnitude of this project effort can be expanded in the coming fiscal years.

B. Food Aid as a Development Tool

The USAID/Haiti Mission has implemented, with the GOH, a major PL 480 Title I program. USAID/Haiti, more than many other USAID country programs, has kept a tight rein on the uses of the local currencies generated through this mechanism and has assured their utilization for specific development activities, principally to provide counterpart financing to DA funded projects with GOH agencies. The Mission is currently proposing a major Title III program, discussed in Section II above. The primary document describing the history of the Title I program and the proposed structure and function of an expanded Title III program is being submitted to AID/W for review simultaneously with this CDSS supplement, and the reader is referred to that document for more information on the past and proposed uses of Title I and III resources as a tool for development.

The PL 480 Title II program in Haiti provides blended food commodities to four approved U.S. non-profit voluntary agencies for programs of nutritional support and development assistance. In fiscal year 1983, the U.S. Government will donate approximately 29,000 metric tons of food, valued at approximately \$7 million (not including ocean freight) to CARE, Catholic Relief Services (CRS), Church World Service (CWS) and Seventh-day Adventist World Services (SAWS). These foods, consisting of corn-soy-milk (CSM), soy-fortified bulgur (SFB), soy-fortified cornmeal (SFC), flour, vegetable oil and non-fat dry milk (NFDM) are used for a wide variety of PVO programs in maternal-child health, school feeding and food for work.

During the last year, the Mission undertook numerous steps to increase the use of food aid as a development tool by improving the design and implementation of the Title II program. The Mission has increased its program monitoring effectiveness through personnel changes, modifications of reporting requirements and closer collaboration with the voluntary agencies in the implementation of their programs. More effective monitoring will permit the Mission to better direct the program towards the goal of improving development impact. Within the Mission, a special Title II office has been established to coordinate various Title II activities, and a highly qualified and professional Title II program manager has been contracted to oversee the program.

good

The Maternal Child Health program in Haiti is targeted by the four voluntary agencies to obtain the maximum effectiveness in improving the nutritional status of preschool children and pregnant or lactating women. Many of the current programs aim to improve the nutritional knowledge and practice of the mother through basic education and simply-designed surveillance techniques that are easily learned. Many Title II MCH programs are carried out in coordination with development assistance projects, to maximize their impact. An example of such a program within the context of an AID-funded development project is the Community Integrated Nutrition and Education Center (CINEC) project, administered by CARE. The project utilizes Title II foods in implementing its five major integrated activities of pre-school teaching, nutritional and medical surveillance, motor stimulation, social preparedness, and practical hygiene practices. Doctors visit the "head-start" centers on a regular basis and a nutritional surveillance program monitors enrolled children from birth to the age of five.

Catholic Relief Service is presently participating in a nutritional surveillance program as part of the Rural Health Delivery System project being administered by the Ministry of Health. CRS provides Title II foods to the public and private maternal child health clinics covered by the project as a nutritional supplement designed to rehabilitate malnourished children.

Seventh-Day Adventist World Services recently began a maternal-child health program as part of a centrally-funded matching grant. This program utilizes Title II foods in addition to food grown in kitchen gardens to encourage attendance at training and in food preparation sessions. Through the program over 3,000 children under 3 years of age are involved in monthly weight monitoring. More than 600 mothers and 1,200 children have completed nutrition courses.

In addition to these project-related uses of Title II food, food aid is distributed by all four voluntary agencies to independent and governmental maternal child health clinics as part of an overall program aimed at improving the nutritional and development impact of the Title II program.

The largest of the Title II programs in Haiti is the School Feeding Program, which provides daily meals to about 430,000 school children throughout Haiti. The Mission has carried out an extensive, long-term evaluation of this program in order to improve the developmental impact of the food aid. Although the first part of the evaluation was completed in FY 82, a longitudinal analysis of nutritional impact will not be completed until mid-or late FY 83. The major recommendations of the initial phase of the evaluation centered on limiting program size and improving the quality of program implementation, including records management and nutrition education. The evaluation recommended that the voluntary agencies, the Department of national Education (DEN), the DSPP Division of Nutrition and the participating primary schools develop a plan to incorporate the subjects of basic health, nutrition and diet into the national primary school curriculum. Through successful projects such as the CINEC project, the Mission will attempt to assist the DEN to design and integrate the program of food aid and nutrition education at the primary school level.

The Food for Work (FFW) component of the Title II program supports the building of small rural infrastructure, strengthening community organizations and an acquisition of skills in the local labor market. The Mission is in the process of re-designing its system of monitoring FFW projects in order to strengthen overall development impact, primarily by more closely coordinating FFW projects with other DA-funded project activities. This has already been accomplished to some extent through the utilization of food aid in several of the Mission's Operational Program Grants. A specific example of the effective use of Title II commodities as payment for work in a DA-funded project is the Community Water Systems project (521-0147) administered by CARE. This project has benefited from the availability of food as a partial payment for the labor costs entailed in the establishment of 5 community water systems. These systems have an average beneficiary level of 4-8,000 rural Haitians, beyond employment effects.

The Mission has also utilized Title II commodities in support of Special Development Activities self-help projects sponsored by Community Councils. These projects provide materials for small infrastructure

construction required to improve agricultural production, health and sanitary conditions. All SDA road improvement projects are required to use Food-for-Work, as it has been found that projects are implemented on a more sustained and effective basis where food aid is an input.

*from vol
not do it
some work
somebody*

C. Other Donor Coordination

According to recent World Bank estimates the international donor community committed approximately \$117 million of official development assistance to Haiti in FY 1982. That figure represents almost 60% of the GOH development budget for that year and nearly 32% of the country's total budget. The major multilateral donors including the Inter-American Development Bank, World Bank, and the United Nations Development Program, provided approximately \$69 million in FY 82. The United States, West Germany, Canada, and France--the major bilateral donors--provided about \$48 million in FY 82 (not including PL 480 Title I resources). Private voluntary organizations, such as CARE, Church World Services, the Pan American Development Foundation and the Catholic Relief Services, are also important in the overall development program in Haiti. Including PL 480 resources, the U.S. is the largest bilateral donor in Haiti. In FY 1982, the U.S. provided \$12.0 million in development assistance funds, \$13.0 million of PL 480 Title I credits and approximately \$10 million in PL 480 Title II food for peace commodities. This total of \$35.0 million, however, represents less than \$6.00 per capita in U.S. assistance to the hemisphere's poorest country.

In addition to the donor agencies, the IMF has continued its presence in Haiti and is working closely with the GOH in monitoring fiscal performance targets under a formal standby program. Under the standby the GOH will be able to draw a total of approximately \$38 million from the IMF through FY 83. The ability of the GOH to obtain renewed assistance from the IMF in FY 84 under a new agreement will depend on its ability to continue to implement the announced fiscal reforms and show improved performance on revenue and on controlling expenditures and public borrowing. This fiscal austerity program will continue to impede the GOH's ability to meet planned development targets and, unless increases in highly concessional aid are provided, development

investment cannot be expanded in the near term. The USAID Mission has been working closely with the Ministries of Finance and Plan to limit the damage being done to the development budget as a result of GOH compliance with IMF targets.

The GOH Ministry of Plan is responsible for the day-to-day coordination of donor agency programs. The primary formal mechanism for such coordination has traditionally been the "Joint Commission", established under the auspices of the Organization of American States, and chaired by the GOH. During the past year, the GOH has substantially revised the Commission process. Five Technical (Sectoral) Commissions have been established to review the implementation of existing projects and assist the GOH in developing a strategy for the sectors concerned. The Five Technical Commissions are: Infrastructure; Agriculture; Health and Social Services; Industry, Mines and Commerce; and overall (cross-cutting) issues in development (Budget, Financial Management, Public Administration, etc.). Each Technical Commission has met once during this past year. In addition, the GOH has become a member of the World Bank-sponsored Consultative Group for Caribbean Economic Development, and an ad hoc consultative group on Haiti has been formed in the CGCED.

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

The World Bank will continue to focus its resources on primary highways, port reconstruction, electrification and water supply in major provincial towns, rural education, industrial credit, and the integrated regional development organization for the North Region (ODN). None of these activities overlap with those of USAID. Extensive discussions have taken place with World Bank representatives in order to coordinate similar activities undertaken in the provision of agricultural credit and assistance in the forestry area. These discussions have assured the complementarity of our efforts.

*Major
INFRA.*

The Inter-American Development Bank intends to continue its support of the major storm sewer drainage system project for Port-au-Prince, agricultural development of the Artibonite and Cul-de-Sac regions, potable water in major provincial towns, and provision of agro-industrial credit. None of these activities overlap with USAID-sponsored projects. Discussions are continuing with the IDB with respect to its assistance to the Ministry of Health for the construction of regional health facilities, and its assistance to the Ministry of Public Works in secondary road construction. Discussions will also be carried out on the issue of rural credit, with respect to the possible consolidation of the programs of separate rural credit institutions now financed by the IDB and AID. We are also closely following proposed IDB projects for expanding hydro-electric generating capacity and for swine repopulation.

good

On the bilateral side, the Federal Republic of Germany will continue its considerable assistance to Haiti, much of which is folded into World Bank efforts through co-financing arrangements. The Canadians are still in the process of a thorough re-examination of their foreign assistance program to Haiti, a process which began after CIDA's pull-out last year from the major integrated regional development project (DRIPP) on the southern peninsula which it had supported since 1976. A reprogramming of the budgeted funds withheld from the DRIPP project is expected for other areas and other activities, and CIDA representatives have remained in close touch with USAID representatives concerning its plans.

*program -
backing -
costs down
on other*

In general, coordination between donors is good. Activities and areas requiring attention in Haiti are so numerous and widespread that actual "overlap" or duplication is rather easy to avoid. Coordination can and does serve to further AID's objectives in Haiti, but in a way which is somewhat limited by the individual agendas of the other donors and of the GOH. Our greatest need is to improve interdonor dialogue on key policy issues. Hopefully this year's CGCED meeting will provide a more adequate forum to pursue the policy issues than any we have had in the recent past. We believe that the U.S. should be prepared to take the lead in this regard after close prior consultation with the IMF and the World Bank.

V. IMPLICATIONS FOR ASSISTANCE PLANNING LEVELS

The implications of the four priority areas for the validity of the Mission CDSS strategy and assistance planning levels are several:

A. Policy Dialogue: The policy dialogue described in Section III A will bear fruit only if the GOH makes an affirmative decision that the implementation of proposed reforms is worth the potential political and financial sacrifices involved. While some of the reforms may entail a loss of revenue to GOH coffers (e.g. reduction of the coffee export tax), others will require political will to gain new revenues (enforcing tax and customs laws). The reforms described, though not extreme in nature, will require a very substantial incentive in the form of additional development investment resources available to GOH decision-makers. Given the GOH's determination to meet the performance targets under the IMF standby program, and the inevitable, severe budgetary cuts (principally in the investment budget) which this determination implies, the timing and the atmosphere appear favorable to the trading of additional development resources for a reasonable, moderate reform program. USAID/Haiti's estimate is that the resource levels required are, at minimum those described in the "high option" strategy of the FY 1984 CDSS. These levels would probably be adequate to achieve the acceptance of the policy program proposed. These levels were accepted in principle last year by AID/W but have not been authorized. If they are approved in the form of a new Title III program of significant magnitude (e.g. \$75 million over 3 years), an ESF allocation matching or exceeding that under the 1982 CBI supplemental appropriation (\$10-\$15 million), plus Development Assistance funds at the level of the AAPL approved last June (\$33 million for FY 1984), the policy dialogue and the institutional development process will make rapid progress.

B. Private Sector Development: The current Private Sector program described above will move forward due to our seed capital plus the extraordinary commitment and high level of activity manifested by the Haitian private sector over the past 2 years. Of course, an economic turn-around in U.S. industries which rely on Haitian suppliers or assembly operations is needed to fuel this momentum, and increase the effectiveness of the trade and

investment promotion activities now being undertaken with USAID/CBI support by the Haitian private sector. Nevertheless, a major question remains as to the ability of the progressive private sector to underwrite additional new efforts being planned by the Mission, such as the establishment of the National Housing Bank and the formation of a major Agribusiness Cooperative/Farm Station. These initiatives will require significant inputs of AID resources for technical assistance and lending capital. The dearth of SDA Account (Section 106) funds in the agency's program budget has led the Mission to rely heavily on its ESF allocations to finance its numerous private sector initiatives. The currently authorized ESF allocation for Haiti in FY 1984 is only \$5.0 million dollars. This will cover approximately one-third of the Mission's currently estimated needs for private sector development funds.

C. Technology Transfer and Research: As noted in Section III C above, USAID/Haiti has carried out extensive research and technology transfer processes through its development projects. The relation between levels of AID-sponsored research/technology transfer in Haiti and budget levels of DA and ESF is therefore direct. A specific example of this direct relationship is the energy area, an area the Mission believes critical to development in Haiti and in which it has been specifically requested by the GOH to become involved (See FY 1984 ABS pp.10-11). The Mission's failure to undertake an active energy development program to date is attributable solely to DA/ESF funding constraints. Such a program would constitute an initiative in a wholly new area with a new implementing institution. The Mission has carried out extensive discussions with high-echelon officials of the Ministry of Mines and Energy regarding its needs for assistance, and agreement has been reached on the top priority need for a long-term expert to assist the Ministry to undertake an energy assessment and begin to develop more specific programs and projects. S&T/ENG has fully supported this process, but without the commitment of Mission project funds to an energy program by FY 1985, this support may decline.

D. Institutional Development: As with technology transfer, institution-building efforts constitute a significant feature of almost every project in the Mission's portfolio. Like technology transfer, the Mission's capability to significantly address the multitude of weaknesses characterizing both

public and private institutions is a function of project funding levels. The expertise, the methods and the needed experience to further develop indigenous institutions in Haiti are all available in the Mission, and the CBI supplemental has given the Mission an important one-shot opportunity to expand its institution-building efforts in both public and private sectors. This momentum should not be lost.

E. Mission Personnel Needs

The development program in Haiti will, because of the character of the task, continue to be personnel intensive for several years to come. All projects require a well aimed technical assistance component; though mostly provided through contracts, all of the TA must have competent DH support in Mission. The entire portfolio must be carefully and continuously monitored for counterpart performance and for financial integrity. Although the Mission is coping with this task at an authorized level of 24.0 full time US direct-hire work-years, we believe that this should be increased to 27.0 work-years in FY 84 and beyond to handle the intensive portfolio management responsibilities (see FY 84 ABS Table VIII). Even this staffing level assumes gradual but continuing increases in PSC staff to supplement US Direct Hire personnel and to compensate for declining FSN work-year authorizations.

Clearly the quality of the staff is as urgent as its size. As Latin America's only francophone country, as well as its least developed, we need to be supported by a continuous and aggressive LAC Bureau recruitment effort to identify French fluent, field experienced officers to fill anticipated vacancies. Since the best Agency-wide source of such personnel is Francophone West Africa, the Mission would welcome a strong effort to monitor anticipated reassignments from that subregion so that we can make early bids for key personnel replacements. It is unfortunate that of the 10 new assignees to USAID/Haiti in FY-83 only two will not have been delayed in arrival by months of preassignment language training. And only these two had prior experience in a black African society. The Mission does not argue that all staff must have these prior qualifications, but that our experience has shown that it clearly helps in gaining early productivity, sustained motivation and fast cross-cultural job orientation.

agued

USAID/Haiti

Proposed Assistance Planning Levels (\$000)

	<u>FY 83</u> (approved)	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>
I. <u>Development Assistance</u>							
A. Agriculture, Rural Dev. and Nutrition	7,905	15,000	17,000	17,000	17,000	17,000	17,000
B. Population Planning	1,530	4,000	4,000	4,000	4,000	4,000	4,000
C. Health	4,215	9,000	9,000	9,000	9,000	9,000	9,000
D. Education & Human Resources	585	1,500	1,500	1,500	1,500	1,500	1,500
E. Selected Dev. Activities	565	3,500	3,500	3,500	3,500	3,500	3,500
Total Dev. Assistance	14,800	33,000	35,000	35,000	35,000	35,000	35,000
II. <u>P.L. 480 Programs</u>							
A. Title I	11,000	-	-	-	-	-	-
B. Title III	-	25,000	25,000	25,000	25,000	25,000	25,000
C. Title II	8,600	9,600	11,600	13,900	16,700	20,000	24,000
Total P.L. 480	19,600	34,600	36,600	38,900	41,700	45,000	49,000
III. <u>Economic Support Funds</u>							
GRAND TOTAL (Resources Package)	44,400	77,600	81,600	83,900	86,700	90,000	94,000