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- P1 National Security Classified Information [(a)(1) of the PRA]
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- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

WASHINGTON, D.C. 20523

FACSIMILE MESSAGE
COVER SHEET

DATE: AUGUST 24, 1993

SUBJECT: Haiti PROGRAM - DESCRIPTION OF ONGOING PROJECTS IN HAITI

FUNDED BY AID, NAMES OF IMPLEMENTING PRIVATE VOLUNTARY ORGANIZATIONS (PVOs)

DESCRIPTION OF ACTIVITIES BY OTHER DONORS

NUMBER OF PAGES

INCLDING THIS COVER SHEET 15

PLEASE DELIVER THE FOLLOWING PAGES TO:

(NAME) MS AMY CHRISTENSEN

(TITLE)

(OFFICE) ENVIR POLICY OFFICE FOR

(FAX NUMBER) 9-456-2710

THIS MESSAGE IS FROM:

(NAME) JOAN JOHNSON

(TITLE) OFF IN CHARGE -HAITI/DOMINICAN REP

(OFFICE) AID/LAC/CARIBBEAN

(TELEPHONE)

(FAX NUMBER) 202-647-4791

NOTES: PART 11 PROVIDES DESCRIPTIONS OF ON GOING PROJECT PORTFOLIO

DETAILS ON THE IMPLEMENTATION AND ORGANIZATIONS AND WHAT OTHER DONORS ARE DOING

ACKNOWLEDGE RECEIPT.

VII. USAID Projects in Haiti

Current Assistance Program

Project: Enhancing Food Security (EFS, 521-0241)

LOP Funding: \$30,000,000

Obligations, FY 1992: \$5,991,564

Obligations, FY 1993: \$4,543,737

Date of Project Authorization: 08/14/92

Project Agreement Completion Date: 08/31/95

EFS has three purposes: (1) to increase access to food for nutritionally-vulnerable population groups; (2) to strengthen PVO and Haitian citizens' ability to manage food assistance programs; and, (3) to create jobs. The original \$20 million allocated to the project is to cover the operating costs of the four PVOs involved in building a food distribution system to a target group of over 700,000 beneficiaries throughout the country. Currently, 500,000 individuals are being fed, primarily through school feeding programs and general relief activities. EFS has recently been amended to include a 17.5 million dollar jobs creation program, which will be implemented by U.S. and local NGOs in coordination with municipal officials. Following the resolution of the current political crisis, this initiative will focus on the rehabilitation of badly deteriorated infrastructure, environmental protection, solid waste disposal and drainage canal cleaning in rural and urban areas. The program will employ about 161,000 people throughout the country for an average of two months each by the end of one year of operation.

Project: Private Sector Family Planning (PSFP, 521-0189)

LOP Funding: \$26,931,394

Obligations, FY 1992: \$3,407,555

Obligations, FY 1993: \$5,100,000

Date of Project Authorization: 08/20/92

Project Agreement Completion Date: 9/30/94

The PSFP project strengthens the capacity of PVO health service providers to increase popular access to voluntary family planning services. Approximately 1.4 million Haitians presently have access to family planning services, and more than 175,000 have made use of them; this number is increasing. Since the coup, with the departure of the other donors and the absence of a program with the GOH, A.I.D. and the Pan American Health Organization (PAHO) have intensified their efforts to improve the family planning service delivery capacities of PVOs.

Project: Voluntary Agencies for Child Survival (VACS, 521-0206)

LOP Funding: \$29,932,000

Obligations, FY 1992: \$2,713,672

Obligations, FY 1993: \$6,000,000

Date of Project Authorization: 07/30/87

Project Agreement Completion Date: 09/30/95

The VACS Project develops the institutional capacity of private, voluntary, and non-governmental organizations in Haiti to provide child survival outreach services to increasing numbers of rural poor. Following the September 1991 coup, the VACS Project became USAID's principal health program for providing these services. An estimated 1.3 million people have been served by the PVO health service delivery programs and another 500,000 people will be reached over the next year.

Project: Expanded Urban Health Services (521-0218)

LOP Funding: \$18,500,000

Obligations, FY 1992: \$1,458,561

Obligations, FY 1993: \$3,957,500

Date of Project Authorization: 05/28/89

Project Agreement Completion Date: 09/30/94

The Expanded Urban Health Services Project supports the efforts of the Centers for Development and Health (CDS), a Haitian PVO, to provide affordable and effective primary health care to residents of economically depressed areas of Haiti. CDS facilities are often the only reliable source of primary health, limited curative care, and child survival services in the areas they serve. The project provides services to an estimated 650,000 people in twelve localities.

Project: Awareness and Prevention of Drug Abuse (APDA, 521-0221)

LOP Funding: \$1,150,000

Obligations, FY 1992: \$0

Obligations, FY 1993: \$300,000

Date of Project Authorization: 09/29/88

Project Agreement Completion Date: 12/31/94

The APDA project expands the activities started in 1986 by the Association for the Prevention of Alcoholism and other Chemical Dependencies (APAAC). The project has conducted a systematic study of drug abuse in Haitian society, and is providing drug information and treatment services.

Project: AIDS Control (521-0224)

LOP Funding: \$8,435,000

Obligations, FY 1992: \$2,000,000

Obligations, FY 1993: \$2,200,000
Date of Project Authorization: 04/16/91
Project Agreement Completion Date: 03/30/96

The AIDS project seeks to reduce the transmission of the Human Immunodeficiency Virus (HIV) in Haiti through selected interventions designed to reorient high risk populations to practice AIDS preventive behavior. The project supports clinical AIDS and other sexually transmitted diseases (STDs) prevention activities, information, education and communication services to reduce transmission of HIV and STDs, and makes condoms readily available to at-risk populations through social marketing.

Project: Incentives to Improve Basic Education (IIBE, 521-0190)
LOP Funding: \$20,489,741
Obligations, FY 1992: \$2,500,000
Obligations, FY 1993: \$646,111
Date of Project Authorization: 09/10/92
Project Agreement Completion Date: 08/31/94

The IIBE project works with the private primary education sector to improve education in rural areas and disadvantaged urban centers. Over 70 percent of primary school-age Haitians attend private institutions. The Haitian Foundation for Private Education (FONHEP) was created in April 1989 to support and develop private schools, and prior to the coup was providing assistance to nearly 60,000 children in over 300 schools throughout the country. The project was suspended following the coup and is slated for reactivation pending a strengthening of financial systems.

Project: Caribbean and Latin American Scholarship Program (CLASP II, 521-0227)
LOP Funding: \$2,404,000
Obligations, FY 1992: \$235,000
Obligations, FY 1993: \$190,000
Date of Project Authorization: 06/22/90
Project Agreement Completion Date: 08/30/95

CLASP II provides: short-term technical training for an estimated 120 people in priority fields; nineteen scholarships for U.S. long-term technical training consisting of specialized courses in priority fields; and fourteen scholarships for U.S. long-term academic training consisting of Master's degree work in health, education and agriculture. CLASP II was reactivated in June 1992. During the remainder of this calendar year, twenty short-term participants will receive training in journalism, in the United States.

Project: Democracy Enhancement (DEP, 521-0236)
LOP Funding: \$11,000,000
Obligations, FY 1992: \$1,964,618
Obligations, FY 1993: \$2,585,682

Date of Project Authorization: 05/31/91
Project Agreement Completion Date: 06/30/95

The purpose of the Democracy Enhancement Project is to expand and strengthen autonomous private institutions which facilitate broad-based participation in democratic decision-making and respect for the Constitution. Since the coup, USAID has reactivated only the civil society component of this project, which channels resources to Haitian NGOs and labor groups that seek to help establish the environment for a return to constitutional democracy.

Project: Administration of Justice (AOJ, 521-0238)
LOP Funding: \$18,000,000
Obligations, FY 1993: up to \$3,100,000 contingent upon date of political resolution
Date of Project Authorization: (pending)
Project Agreement Completion Date: (to be determined)

Contingent on a political resolution, this project will seek to improve the effectiveness, accessibility and accountability of the Haitian justice system. Specific priorities and activities will be identified and negotiated with the restored constitutional government following political settlement and illustrative project activities could include: technical assistance in administrative systems for the courts and the Ministry of Justice, in-service training for judges, prosecutors and other justice sector personnel, the provision of basic office equipment for the courts and MOJ; alternative dispute resolution mechanisms; justice advocacy and public outreach.

Project: Productive Land Use Systems (PLUS, 521-0217)¹
LOP Funding: \$30,000,000
Obligations, FY 1992: \$8,352,457
Obligations, FY 1993: \$2,792,555
Date of Project Authorization: 12/12/89
Project Agreement Completion Date: 12/31/94

PLUS identifies and teaches economically sustainable ways to provide incentives to hillside farmers to modify environmentally harmful practices. The project attempts to convince farmers to plant soil-retaining perennials rather than erosion-inducing annual food crops. Sustainable increases in hillside farm productivity and income through the promotion of appropriate land use practices may be the only viable way to protect Haiti's remaining arable soils. Implementation is carried out by two grantees (CARE and Pan American Development Foundation-PADF), and one research institution (South East Consortium for International Development-SECID/Auburn University). They will help establish and maintain outreach programs that stimulate environmentally sustainable crop production in order to provide livable incomes for Haitian hillside farmers. Approximately 300,000 hillside farmers will

¹ Productive Land Use Systems (PLUS) was formerly called Agroforestry II and was recently renamed in USAID/Haiti's 8/5/92 Congressional Notification.

directly benefit from PLUS. Indirect beneficiaries will be lowland farmers and fishermen benefiting from reduced erosion.

Project: Targeted Watershed Management (TWM, 521-0191)

LOP Funding: \$15,700,000

Obligations, FY 1992: \$157,081

Obligations, FY 1993: \$54,673

Date of Project Authorization: 09/3/86

Project Agreement Completion Date: 09/30/94

TWM was designed to arrest the process of environmental degradation in Southwest Haiti. Its specific purpose is to extend soil-conserving and fertility-augmenting land management practices in the Pic Macaya watersheds, in order to increase farmers' income and food production potential on the fertile Les Cayes Plain. Pic Macaya is Haiti's last remaining natural rain forest and provides a watershed to seven rivers which irrigate the most productive land in Southwest Haiti. Since the coup, TWM has been redesigned to decrease pressure on Pic Macaya's forest resources by provision of direct technical assistance to about 1,500 local farmers living on the park periphery. This activity is being implemented by Union des Coopératives de la Région du Sud (UNICORS). The project is intended to serve as a bridge, to help preserve the forest until a prospective \$40 million World Bank project can be initiated following a political resolution and arrears clearance.

Project: Coffee Revitalization (CR, 521-0216)

LOP Funding: \$4,148,000

Obligations, FY 1992: 0

Obligations, FY 1993: \$861,200

Date of Project Authorization: 03/19/90

Project Agreement Completion Date: 02/28/95

This project aims to increase coffee production and small farmers income, and to protect environmentally threatened hillsides by supporting the cultivation of marketable, erosion-controlling perennial crops. The project was approved for reactivation in June 1992 and has been redesigned by USAID and the International Institute for Agricultural Cooperation (IICA) in light of prevailing political and economic conditions. Emphasis is on marketing of quality beans, and sustainable production of rust-tolerant, high-yield coffee seedlings.

Project: Seed Production and Multiplication (521-0245)

LOP Funding: \$1,400,000 (ESF)

Obligations, FY 1993: \$1,400,000

Date of Project Authorization: 9/14/92

Project Agreement Completion Date: 9/30/96

The purpose of this project is to produce and supply to small farmers, high quality seeds such as corn, sorghum, beans and sweet potato cuttings. This will help alleviate the scarcity of seed and provide increased farm incomes as a result of higher yields. This current project will permit the Organization for the Rehabilitation of the Environment (ORE) to expand its

current seed program in the Southern region of the country and enable up to 24,000 farmers to plant over 36,000 hectares with quality seeds and cuttings.

Project: Provincial Enterprise Development (PED, 521-0223)

LOP Funding: \$12,000,000

Obligations, FY 1992: 0

Obligations, FY 1993: \$335,570

Date of Project Authorization: 06/26/91

Project Agreement Completion Date: 06/30/96

The PED project provides support to the Haitian Development Foundation (HDF), which offers technical assistance and small loans to small businesses and microenterprises in both Port-au-Prince and selected provincial towns. Such investment will stimulate local production and employment. PED was suspended for nine months following the coup, and approved for reactivation in July 1992. HDF now has branches in Cap Haïtien and Les Cayes.

Project: Special Development Activities (SDA, 521-0062)

LOP Funding: \$200,000 DA per year and \$200,000 in local currency

Obligations, FY 1992: \$0

Obligations, FY 1993: \$0

Date of Project Authorization: 9/30/68

Project Agreement Completion Date: none

The SDA program provides technical assistance, supplies and construction materials for self-help, primarily rural-based development and economically productive infrastructure activities. The local currency component of the project was approved for reactivation in June 1992.

Suspended Activities:

Project: Economic Recovery and Reform (ERR, 521-0226)

LOP Funding: \$6,000,000 (ESF)

Obligations, FY 1992: \$0

Date of Project Authorization: FY 1991

PACD: N/A

A cash transfer agreement was signed on May 31, 1991. It was designed to encourage and support the GOH's economic reform and stabilization efforts and provided a grant, in two equal tranches of \$6 million, to be used for the payment of Haiti's debt to international financial institutions. The first tranche of \$6 million was disbursed in June 1991, of which about \$1.5 million was frozen in the GOH's account at the New York Federal Reserve pursuant to the U.S. Executive Order after the coup. The second tranche of \$6 million had not yet been disbursed at the time of the coup, and has since been deobligated and reprogrammed to support the OAS Civilian Mission. The Project will remain in suspension pending resolution of Haiti's political situation.

Project: Policy and Administrative Reform (PAK, 521-0222)
LOP Funding: \$9,000,000
Obligations, FY 1992: \$0
Date of Project Authorization: 7/23/91
Project Agreement Completion Date: 9/30/96

The purpose of this project is to enable the GOH to (a) formulate and implement better economic, regulatory and administrative policies; and (b) reform structures, procedures and processes in public administration. The project agreement was signed August 9, 1991, and project activities had not begun at the time of the coup. The project remains in suspension.

Project: Promoting of Business and Exports (PROBE, 521-0186)
LOP Funding: \$12,700,000
Obligations, FY 1992: \$0
Date of Project Authorization: 6/29/86
Project Agreement Completion Date: 9/30/95

The purpose of this project is to improve, expand and professionalize trade and investment promotion services to a wide spectrum of businesses and entrepreneurs in manufacturing, tourism and agro-industry. PROBE went into suspension immediately following the September 1991 coup, just sixty days after the Cooperative agreement for the project was signed with SOFIHDES and CMP. The Mission will reevaluate the project design in light of a changing policy setting at such time as reactivation appears to be a feasible prospect.

USAID/Haiti Program Funding Levels, FYs 1991-93
(in \$US millions)

	FY 1991	FY 1992	FY 1993
Development Assistance	38.6	26.6	23.5
Economic Support Funds	12.5	4.5	8.7
P.L. 480 Title II (direct feeding)	8.6	18.0	15.0*
Title II Monetized (sale of wheat flour)	0	0	10.0*
P.L. 480 Title III	20.6	0	0
Total	80.30	49.10	57.20

* Includes commodity and transportation costs.

USAID/Haiti FY 1993 Program Funding by Project
(Figures do not include post-resolution program funding, to be determined)

NAME OF PROJECT	Title II	DA	ESF	Totals
I. Alleviate Suffering by Protecting and Developing Human Resources				
PVO Direct Feeding (Title II Emergency and Regular)	\$15,000,000			\$48,567,059
Food Imports (Title II Monetization)	\$10,000,000			
Enhancing Food Security		\$1,000,000	\$3,543,737	
Funds from FD&S		\$619,711		
Private Sector Family Planning		\$5,100,000		
Voluntary Agencies for Child Survival		\$6,000,000		
Expanded Urban Health		\$2,501,237	\$1,456,263	
Awareness/Prevention of Drug Abuse		\$300,000		
AIDS Control		\$2,200,000		
Basic Education		\$646,111		
PTUC		\$10,000		
Leadership Training (CLASP II)		\$190,000		
II. Alleviate Suffering by Mitigating Economic Deterioration				
Productive Land Use Systems		\$2,408,555	\$384,000	\$6,011,198
Targeted Watershed Management		\$54,673		
Seed Production and Distribution			\$1,400,000	
Coffee Revitalization		\$861,200		
Special Development Activities				
PD&S Funds		\$567,200		
Provincial Enterprise Development		\$335,570		
III. Promote the Restoration of Constitutional Democracy				
Administration of Justice		\$100,000		
Democracy Enhancement		\$635,682	\$1,950,000	\$2,685,682
Totals	\$25,000,000	\$23,529,939	\$8,734,000	\$57,263,939

Note: Figures for DA and ESF are FY 1993 obligations.

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* Title II Regular program includes commodity costs of \$8 million and transportation costs of \$7 million.

** Title II Monetization program: commodity costs of \$5.1 million and transportation costs of \$4.9 million.

PVOs and NGOs Funded by USAID/Haiti

Democracy Enhancement Project

The project is implemented through two American PVOs: The American Institute for Free Labor Development (AIFLD), and America's Development Foundation (ADF).

- AIFLD supports institutional development of the four largest labor confederations.
- ADF manages the Umbrella Management Unit which provides grants to local NGOs to support their efforts in restoring democracy in Haiti.

The two local NGOs currently receiving funds are:

- Amicale des Juristes (free legal assistance and paralegal training)
- Ecumenical Center for Human Rights (human rights and prison monitoring).

PL480 Title II Program - Enhancing Food Security Project:

Four PVOs participate in the implementation of the Enhancing Food Security Project, as cooperating sponsors for the PL480 Title II program in Haiti:

- **Adventist Development and Relief Agency (ADRA):** Program comprises school feeding (primary school hot lunches), mother/child health (infants and children 0 to 5 years old and pregnant and nursing mothers' nutrition), Food For Work, other child feeding (orphanages and summer camps), and general relief as both institutional (hospitals) and non-institutional food assistance (soup kitchens). ADRA implements their program mainly in and around Port-au-Prince, the Central Plateau, and will soon be working with World Vision on the island of La Gonâve. ADRA's program, including La Gonâve, will soon reach 187,500 beneficiaries.
- **CARE International:** Program comprises school feeding - both preschool and primary school -, and general relief - both institutional and non-institutional. CARE's non-institutional general relief component is implemented in lieu of a mother/child health (MCH) program, as it targets the same population and is implemented in a region of the country where MCH institutional structures are absent. CARE's food program operates in the Northwest and Artibonite, and will soon reach 300,000 beneficiaries.
- **Catholic Relief Services (CRS):** Program comprises school feeding, MCH, other child feeding, and some general relief. CRS will also be involved in a small emergency program, assisting families of those drowned in the NEPTUNE ferryboat disaster that affected the

town of Jérémie recently. CRS implements its food program in the southern part of the country and in Port-au-Prince. Its program will soon reach 183,000 persons.

- **International Lifeline (IL):** Program comprises 11 umbrella groups that combine food assistance (provided by IL) with their own programming. Most of the umbrella groups are missionary-run institutions; schools, hospitals, nutritional centers, etc. IL implements its program within these umbrella groups with school feeding, MCH, Food For Work, and other child feeding. IL reaches 81,000 beneficiaries through this food program via these umbrella groups.

Incentives to Improve Basic Education (IIBE) Project

The local PVO implementing the IIBE project is the Haitian Private Education Foundation (FONHEP). It was created in April 1989, with two founding members: the Episcopal Commission for Catholic Education (CEEC) and the Federation of Protestant Schools (FEPH).

Productive Land Use Systems (PLUS) Project

- **Cooperative for American Relief Everywhere (CARE)**
Works directly with small producers in the Northwest to assist farmers with conservation through development practices.
- **Pan American Development Foundation (PADE)**
Works through a nationwide network of NGOs to promote sustainable agricultural practices among small farmers.
- **South East Consortium for International Development (SECID)**
Provides project coordination, monitoring and evaluation of the socio-economic impacts of the project.

Targeted Watershed Management (TWM) Project

- **Union des Cooperatives de la Region Sud d'Haiti (UNICORS)**
Promotes protection and rehabilitation of the natural ecosystem, biological diversity and natural resources of Parc Macaya located in the southern peninsula of Haiti.

Coffee Revitalization Project (CRP)

- **Inter American Institute for Cooperation and Agriculture (IICA)**
Works to improve production, processing and marketing of coffee.

Provincial Enterprise Development Project (PED)

- **Haitian Development Foundation (HDF)**
Stimulates and supports small microenterprise growth, especially in provinces.

Seed Production and Multiplication Project (SPM)

- **Organization for the Rehabilitation of the Environment (ORE)**
Promotes production of improved seed for corn, sorghum, beans, sweet potato and yam for use by small farmers. Provides training for seed producers and farmers.

Health Projects: Voluntary Agencies for Child Survival, Expanded Urban Health Services, Private Sector Family Planning, AIDS Control, Awareness and Prevention of Drug Abuse

The following U.S. and local PVOs and international organizations receive USAID support, under various health projects, to provide health and family planning services, AIDS prevention and control, and drug abuse awareness.

HAITIAN PVOs and NGOs

1) Association des Oeuvres Privées de Santé (AOPS) and the following Subgrantees

- Alma Mater (Child Survival Services, Family Planning)
- Béthel (Child Survival Services)
- Bon Samaritain (Family Planning)
- Bouzi (Child Survival Services)
- Calebasse (Family Planning)
- Christianville (Family Planning)
- Dame-Marie (Child Survival Services)
- Dessalines (Child Survival Services)
- Diquini (Family Planning)
- Fermathe (Child Survival Services and Family Planning)
- Clinique François Dugué (Family Planning)
- Hôpital Lumière (Family Planning)
- La Compassion (Family Planning)
- La Fanmi (Family Planning)
- Le Prêtre (Child Survival Services)
- L'Espérance (Family Planning)
- Mare Blanche (Family Planning)
- M.E.B.S.H. (Family Planning)
- Nazartén de Bleck (Family Planning)
- Nazartén de Frères (Child Survival Services)
- O.B.C.G. (Child Survival Services)

- St. Paul Montrouls (Family Planning)
 - Ste. Croix (Child Survival Services and Family Planning)
 - Thlotte - Bon Berger (Child Survival)
- 2) **Comité de Bienfaisance PIGNON (CBP)** (Child Survival Services and Family Planning)
 - 3) **Child Health Institute (CHI)** (Child Survival Services and Family Planning)
 - 4) **Centers for Development and Health (CDS)** (Child Survival Services and Family Planning, AIDS Prevention and Control)
 - 5) **Centre de Promotion des Femmes Ouvrières (CPFO)** (Child Survival Services)
 - 6) **Eye Care** (Child Survival Services)
 - 7) **Fondation Haïtienne de la Santé et de l'Education (FHASE)** (Child Survival Services)
 - 8) **Fondation pour la Santé Reproductrice et l'Education Familiale (FOSEREF)** (Family Planning)
 - 9) **Development Activities and Services for Health (DASH)** (Family Planning, AIDS Prevention and Control)
 - 10) **Group against AIDS (GLAS)** (Education)
 - 11) **Haitian Association of Voluntary Agencies (HAVA)** (Child Survival Services)
 - 12) **Haitian Health Foundation (HHF)** (Child Survival Services)
 - 13) **Institut Haïtien de Santé Communautaire (INHSAC)** (Child Survival Services, Family Planning and AIDS Prevention and Control)
 - 14) **PROFAMIL** (Child Survival Services and Family Planning)
 - Contrôle Fertilité (Family Planning)
 - Pierre Payen (Family Planning)
 - 15) **Gheskio/Cornell University** (AIDS Prevention and Control)
 - 16) **The Association pour la Prévention de l'Alcool et Autres Accoutumances Chimiques** (Drug Abuse and Education)

U.S. PVOs

- 1) **CARE** (Child Survival Services)
- 2) **Catholic Relief Services (CRS)** (Child Survival Services and Family Planning)

- 3) **International Child CARE (ICC)** (Child Survival Services)
- 4) **Service and Development Agency (SADA)** (Child Survival Services)
- 5) **Save the Children Federation** (Child Survival Services)
- 6) **Adventist Development Relief Agency (ADRA)** (AIDS Prevention and Control)
- 7) **World Vision** (Child Survival Services)

INTERNATIONAL ORGANIZATIONS

- 1) **Pan American Health Organization (PAHO)** (Child Survival Services and Family Planning)
- 2) **UNICEF** (Child Survival Services)

Other Donor Humanitarian Assistance in U.S.\$

CANADA - The Assistance Package is \$9.0 million. Pending a resolution of the crisis, Canada continues to work through UN organizations (PAHO/WHO, UNICEF, FAO and PAM) and through Canadian non-governmental organizations (CARE, CECI and CCIC).

The European Economic Community (EEC) - Food: Through a local NGO (BND) EEC plans delivery of 22,735 MT (\$6.0 million) to about 300,000 beneficiaries throughout the country (except the Northwest) using wet and dry feeding. The EEC will fund the Food and Agriculture Organization (FAO) seed distribution program with \$2.4 million. Health Plan - \$1.56 million of assistance, of which \$840,000 will be through the Pan American Health Organization/World Health Organization (PAHO/WHO), \$360,000 will be directed through *Médecins sans Frontières* to La Gonave Island and \$360,000 million to the Red Cross blood center. Other humanitarian assistance is expected to be \$7.08 million, for a total of \$27.04 million.

FRANCE - Food: Corn will be sold to rural collectives and the funds used to mitigate decapitalization in the same communities. Also, nutrition and medical centers will receive various supplements for "infant recuperation" programs (total \$2.0 million). \$1.0 million will be spent on agricultural inputs (including pigs). Health: Provision of medicines, prevention of cholera, public health and AIDS will receive \$50,000; rural access to potable water will receive \$1.0 million. The total assistance will be: \$4.5 million.

GERMANY - Food: Although pledged in 1992, the 200 MT of rice and beans for the IFRC arrived in February 1993 (\$140,000). Health: \$460,000 through PAHO/WHO for cholera prevention.

HOLLAND - Has given \$574,000 to PAHO/WHO.

International Federation of the Red Cross (IFRC) - Food: Phase III (9/92-1/93) consisting of direct individual assistance to repatriates (about 30,000 beneficiaries and \$210,000); Phase IV (2/93-5/93, \$380,000); and, a new feeding program through WFP (5/93-5/94, about \$2 million). All this assistance comes from other donors. Health: Cholera prevention training, \$10,000.

JAPAN - \$40,000 to a local NGO, Centers for Development and Health (CDS).

PAHO/WHO - As prime implementor of health related programs in Haiti, PAHO/WHO expects to execute programs in excess of \$12 million for donors in 1993. PAHO/WHO intends to contribute over \$1.6 million of its own funds for vaccines and medical supplies, and technical and administrative support for humanitarian assistance in health.

United Nations (UN) - UNDP is coordinating and cofinancing the joint economic and sectorial mission assessing the current situation and recommending actions for a short-term economic recovery program to be implemented upon reestablishment of constitutional order. Food. \$2.02 million for rural support programs including reforestation in the Northwest, watershed management,

needs distribution, irrigations systems, flood protection and coordination of environmental activities. Health, \$730,000 for training of midwives, malaria protection and emergency rehabilitation of potable water infrastructure. UNICEF is projecting an assistance of \$4.18 million to Haiti, of which \$2.67 million are UNICEF funds. Their programs include - health: \$1.78 million, humanitarian assistance: \$560,000, other programs and program support: \$1.81 million. UNFP: will continue ongoing mother/child health and family planning/provision of contraceptives activities with \$813,000 in 1993.

USAID - Food: \$19.1 million for direct feeding program. (There is the possibility of an additional \$10 million monetization program.) Program reaches needy children and pregnant and lactating mothers throughout the country. Through programs in school feeding, mother/child health, general relief, food for work and other child feeding, USAID plans to reach 642,000 beneficiaries through four cooperating sponsors (ADRA, CARE, CRS and IL). Health. About \$17.6 million this fiscal year (family planning: \$5.1 million, child survival: \$4.6 million, AIDS: \$2 million, urban health: \$5.5 million, drug abuse: \$400,000). The program is targeted to roughly two million people in urban slums and rural communities. The USAID total planned humanitarian assistance obligations for the year are \$57.2 million.

World Food Program (WFP) - Nutritional rehabilitation throughout the North and Gonave Island serving 37,000 of the most vulnerable (0-5s, pregnant and lactating women, aged and infirm) - \$1.20 million. In the same areas, WFP/PAM will assist repatriates with food for work projects - \$5.48 million for 37,000 beneficiaries. Left from last year is a 2,000 MT (\$2 million) supplemental feeding program for vulnerable groups through MCH centers, expected to reach 30,000 beneficiaries throughout the country. The 1993 projected totals are: 97,000 beneficiaries and \$8.68 million, of which \$6.68 million of anticipated funding will come from the UN/OAS Appeal.

MEMORANDUM
OF CALL

Previous editions usable.

TO: Washington Ctr. on
☐ YOU WERE CALLED BY- Rachel ☐ YOU WERE VISITED BY- Latin America
OF (Organization) Neird

☐ PLEASE PHONE ☐ FTS ☐ AUTOVON

☐ WILL CALL AGAIN ☐ IS WAITING TO SEE YOU
☐ RETURNED YOUR CALL ☐ WISHES AN APPOINTMENT

MESSAGE

544 - 8045

544

RECEIVED BY	DATE	TIME
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63-110 NSN 7540-00-634-4018 **STANDARD FORM 63 (Rev. 8-81)**
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**MEMORANDUM
OF CALL**

Previous editions usable

TO:

☐ YOU WERE CALLED BY-- ☐ YOU WERE VISITED BY--

OF (Organization)

☐ PLEASE PHONE ☐ FTS ☐ AUTOVON

☐ WILL CALL AGAIN ☐ IS WAITING TO SEE YOU
☐ RETURNED YOUR CALL ☐ WISHES AN APPOINTMENT

MESSAGE

Vicki Huddleston
011-509-220354

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MEMORANDUM
OF CALL

Previous editions usable

TO:

☐ YOU WERE CALLED BY- *Emy* ☐ YOU WERE VISITED BY-

OF (Organization)

Bar Johnson
AID Haiti desk
☐ PLEASE PHONE ☐ FTS ☐ AUTOVON

647 3448
☐ WILL CALL AGAIN ☐ IS WAITING TO SEE YOU

MSC
☐ RETURNED YOUR CALL ☐ WISHES AN APPOINTMENT

MESSAGE

RECEIVED BY

DATE

TIME

63-110 NSN 7540-00-634-4018

☆ U.S.G.P.O. 1992 312-070-40024

STANDARD FORM 63 (Rev. 8-81)
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Council on Environmental Quality
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P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
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b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

REQUEST FOR APPOINTMENTS

TO: THE OFFICER IN CHARGE
Workers and Visitor's Entrance
Room 065, OEOB
Fax 5349

Please admit following appointments on 8/23/93 for David Doniger
of the Office on Environmental Policy:

<u>TIME</u>	<u>NAME</u>	<u>DATE OF BIRTH</u>
9:00	Aimee Christensen	(b)(6)

* Meeting Location: Room 360 OEOB

* Requested By: K. Zwally, Room 360, Extension 6224

* Date of Request: August 20, 1993

foreign policy
State
and mission
David Wines
decide what \$ to go to.
Carol Tyson +
Joan Johnson

Part of WB program, WB not in Haiti
 Plc that in areas
 Enormous action - most country doesn't
 \$1 billion project more for Haiti,
 just water each coming in as 90-100 million/yr.
 Once inside back + all today, at that time some
 of other donors (come back in, try to get it with

* no Gov't to work with now, President to
 vet. Nov. 1, ready Dec. 1, so no way
 to work with until early next yr.

Decision needs to be made on mix of
 projects in Haiti; larger # of Enormous proj, where
 take \$.

David Cohen not green Mission Dir.
 "Country team" small exec ettee of heads of federal agencies

France + Canada back w/in coming months.
 Depends if Aristi
 \$109 million TTR 34000 and
 (Human cost 37 mill)
 Econ support 15. 431 will to help
 areas, etc.

Consultative Group Mtg. End of October
 - present human. assist plan, ARS, child survival
 add: jobs, democ.,

CLINTON LIBRARY PHOTOCOPY

- Vicki Hudleston hosting
- session mts
sat.

Jim Falls
Barbara Geyser

HAITI ENVIRONMENTAL DISCUSSIONS

July 30, 1993

Overview

- Population 6.5 million -- growing at two percent annually.
- Death rate declining, but still twice the Latin American average -- high infant mortality rate.
- 6.2 percent of adults HIV positive.
- Least urban population in the hemisphere -- 70 percent reside in the countryside.
- Lowest GDP in hemisphere -- 75 percent of population in abject poverty.

Economic Activity

- 75 percent of the population works in the agricultural sector.
- 30 percent of rice requirements imported -- wheat also a major import -- too much population for arable land.
- NGO's feeding approximately 1 million daily.
- Less than 3 percent of the country remains forested.
- Limited useful life of hydroelectric plant a concern -- reservoir capacity declining due to silting -- essential for electric power and irrigation.
- NW most affected by drought.
- Rural inaccessibility a concern -- poor or nonexistent road systems.

Strategic Issues

- Imperatives: reforestation and civil engineering. *immediate needs*
- Use of charcoal as urban fuel.
- Silting problem at hydroelectric plant.
- Indigenous pig problem.
- Large goat population -- not used to supply milk.

- No water purification or sewage processing capability -- impacts fishing industry and community health.
- Illiteracy approaching 90 percent.
- Lack of road network.

Attachments

- AID Haiti Fact Sheet

Project files

HAITI FACT SHEET**Current Humanitarian Assistance Program:**

- In FY 1993, A.I.D. is providing approximately \$51 million in humanitarian assistance activities in Haiti through private voluntary organizations (PVOs). This includes:
 - Direct feeding of more than one-half million people daily through PVOs sponsored PL480 Title II programs;
 - Health care, child survival, family planning and AIDS prevention services, reaching approximately two million people; and
 - Selected development activities to mitigate environmental and economic deterioration and provide support for the restoration of democracy.
- Since January 1992, A.I.D. has provided \$7 million in ESF to support the OAS/UN international civilian mission to Haiti, i.e., up to 100 human rights observers. An additional \$10 million to support the OAS portion of the joint International Civilian Mission (ICM) is earmarked from the special Haiti Reconstruction and Reconciliation Fund. In FY 1994, a special peace-keeping (PKO) appropriation of \$28 million to expand the ICM has been requested.

Post-Resolution Economic Recovery Strategy to be implemented upon the restoration of a constitutional democracy:

- Using reprogrammed FY 1993 funds authorized under the Haiti Reconstruction and Reconciliation Fund, A.I.D. will finance the following transition support for a new government:
 - initiate a labor intensive infrastructure rehabilitation program through the Pan American Development Foundation (PADF) and other entities to provide short-term (30 to 90 days) employment for up to 163,000 workers (cumulative) over a one year period on various micro and community-based projects (\$4 million plus local currency when available);
 - assist the GOH in clearing arrears owed to international financial institutions (IFIs) to allow the reactivation of suspended loans from the multilateral development banks and access to IMF stabilization assistance (\$8 million);
 - begin a new activity to strengthen the justice sector through administration of justice project (\$3 million) and a parallel ICITAP police professionalization and training project (\$4 million); and
 - Reactivate suspended projects totalling \$5.4 million to provide (a) technical assistance to development ministries in developing their short- and medium-term policies and administrative capacity, and (b) support Haitian public and private democratic institutions, and (c) reactivate other project activities with direct GOH implementation.

USAID's FY 1994 Planned Activities:

- A.I.D. is working with the IFIs and other major bilateral donors to design a coordinated long-term development effort providing \$1 billion in resources over a five-year period to a democratic civilian government in Haiti.*
- USAID's FY 1994 program will continue the current humanitarian feeding and health care activities; fund the balance of the transitional activities in employment generation, BOP support and judicial reform; and reactivate USAID's longer-term development activities on hold since the September 1991 coup.

Budget Levels:	FY 1993 Actual	FY 1994 Proposed
<u>Humanitarian Assistance:</u>		
DA	\$27.5 million <i>as for state</i>	37.0 million
ESF	8.7 million (a)	15.0 million
PL480 T-II	15.0 million	13.3 million
PL480 T-III	20.0 million	TBD (c)
<u>Other:</u>		
OAS/UN Observers	7.0 million	-----
R&R Fund	31.0 million (b)	-----
PKO	-	28.0 million
Total	\$109.2 million	93.3 million

*Per the July 3rd agreement signed by President Aristide and the de facto government, constitutional democracy will return when a new Prime Minister, appointed by President Aristide and confirmed by the Haitian Parliament, assumes office.

- (a) Excludes \$7.0 million provided to the OAS/UN International Civilian Mission; and \$31.0 million in prior year ESF reprogrammed for the Haiti Reconstruction and Reconciliation (R&R) Fund approved June 25, 1993 under Section 614 authority of the FAA.
- (b) Total includes \$10 million to OAS/UN but excludes \$5.4 million in prior year DA obligations, previously suspended.
- (c) FY 1994 PL 480 Title III budget figures not yet available.

MEMO TO ME RE:HAITI
DATE: AUGUST 17, 1993

- Meet with Jim Carman, the Vice-President's NSC person.
- Call USAID to see if any meetings have taken place to further their Haiti work.
 - Three phases of work including humanitarian, economic growth, and democratic capacity building. For six months to a year, they will give aid for economic growth and democracy building in addition to humanitarian aid: The democracy-building will include expanding the judiciary, etc.; the economic growth phase will include tree planting, garbage collection and sanitation;
 - The final phase is the \$1 billion, (\$100 million of it in U.S. funds, coordinated with the IDB, WB, IMF funding activities), five year "Sustainable Development Program." The host country is to develop its own "Environmental Action Plan" as the basis for what AID will fund; countries will need AID's help in capacity building to help them determine their priorities and how to build the plan.
- October 1st there is a Consultative Group Meeting with all donors to Haiti (both MDBs and bilateral organs?) Teams of MDB representatives will be going to Haiti beginning in September, and we need a game plan to coordinate our plan with Jim. *Also-meeting on Saturday to coordinate activities of bilaterals.*
- Key issues that must be dealt with in any AID environmental and/or development initiative are:
 - Water: there is only one hydroelectric dam, and it has lost 1/3 of its capacity due to siltation;
 - Roads: the WB is supposedly planning more roads; are these 'smart' roads, and are we working with them to ensure that they will not worsen erosion?
 - Pigs: "re-pigification" as an option. All native pigs were killed during a swine flu epidemic; we should consider reintroducing pigs who can survive there--our native midwestern pigs couldn't survive because they wouldn't eat slop. Goats are also a problem because they are overrunning the land, eating the plants which help fight erosion--get rid of them?
 - Fisheries: they are trashed by sewage outflow in Port-au-Prince, and by the siltation of the rivers;
 - Population growth is only 2% annually, but there is no more productive land to sustain the people;
 - Illiteracy rate of 85-95%.
- Be sure that the USAID economic growth section includes environmental initiatives.

United Nations
Development Programme



World Development

EMERGENCY ECONOMIC RECOVERY PROGRAM

HAITI

Preliminary Report of the Joint Mission

July 1993



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UNITED NATIONS DEVELOPMENT PROGRAMME

HAITI-EMERGENCY ECONOMIC RECOVERY PROGRAM

Preliminary Findings and Recommendations of the Joint Mission

I. FOREWORD

1. In preparation of the constitutional Government's return to office and to assist in determining the major components of what would constitute its immediate economic and social program, a joint mission consisting of representatives of the Presidential Commission, UNDP (coordinator), IMF, World Bank, IDB, OAS and USAID assembled in Port-au-Prince during May 16-June 12, 1993. The mission was supported by a group of Haitian consultants under the direction of Mr. Leslie Pelatour. They carried out all of the necessary investigations and gathered pertinent information about the economy, public finances, monetary developments and key sectors. UNICEF, WFP, FAO-CMS, FAO, IICA, UNFPA, EDC and bilateral donors also provided important insight to the mission's work on the sectors. Madame Marie-Michelle Rey, of the Presidential Commission, worked closely with the mission and gave invaluable advice on policy matters. In addition, Mr. Jean-Marie Cherestal, of the Presidential Commission, participated actively in aspects of physical program implementation.

2. The UNDP Resident Representative in Haiti gave important guidance to the mission. His office and staff were crucial in providing logistic and other support. Special acknowledgement is also made of the EDC and IDB, who graciously supplied office facilities to the mission.

3. The mission wishes to state that the preliminary findings and recommendations are its own and do not necessarily reflect those of the participating institutions. Despite the excellent collaboration provided by the Haitian counterpart team, the lack of direct access to validated information from the *de facto* authorities necessarily makes the conclusions regarding public finances, monetary developments and external accounts tentative and subject to confirmation. Furthermore, as the work of the mission advances, some of the preliminary recommendations may change and others become more specific; these will be reflected in the final report.

II. INTRODUCTION.

4. The focus of the mission is on the first six to twelve months after the return of the constitutional Government. In line with this, it has developed an emergency economic recovery program (EERP) that consists of: a) actions needed to reestablish a stable macroeconomic environment and an incentive framework for private sector development; b) measures to begin promoting economic efficiency; c) short-term programs to improve the social conditions of the population, with concentration on the most disadvantaged groups, employment creation and economic infrastructure; and d) possible arrangements to channel effectively external assistance

for the EERP. Medium-term issues, where appropriate, are broadly identified. The emphasis on the short-term is not intended as a substitute for sound medium-term strategies, policies and investments necessary to correct Haiti's economic and social problems. It is simply based on the need for urgent action to start addressing the country's economic problems and on the premise that Haiti's long-term political and social stability calls for a solid beginning.

5. The EERP would have to be complemented and ultimately superseded by the resumption of externally financed non-emergency project and program assistance, including an IMF stabilization program and project lending that is designed to meet the present needs of the country. To facilitate this, the constitutional government would need to move quickly and boldly in the economic policy area.

6. The mission has taken note of the separate program to strengthen governance being considered by donors; the mission believes that this assistance is of overriding importance since consolidation of a democratic structure and restoration of law and order in Haiti are essential preconditions to social and economic progress; concrete advances in this area are urgently needed. Since these programs are still under formulation, their cost has not been included in the external financial requirements associated with the EERP.

7. In addition to the proposed EERP (estimated to cost about US\$ 195 million) and continued humanitarian assistance during FY 1994 (about US\$ 110 million), external financing will be needed to clear external debt arrears to multilateral agencies (about US\$ 45 million by September 30, 1993) and other priority creditors (about US\$ 30 million). Direct external budget support in the order of US\$ 10-15 million per month for the first three to four months after the return of the constitutional government will also be required. On this basis, the mission estimates the total cost of the programs associated with the economic recovery at about US\$ 425 million.

III. RECENT DEVELOPMENTS.

8. Economic Performance. The continued decline of recorded real GDP experienced since FY 1987 intensified in FY 1992¹. Available data, albeit preliminary and incomplete, indicate that recorded real GDP plummeted by 10.8% in FY 1992. Industrial production, as measured by the Central Bank's Index of Industrial Production, declined substantially (in part attributable to the embargo as many plants for export have closed down) as did agricultural output. Mission's estimates of recorded real GDP in FY 1993 point to a further drop of about 4%. While the weather has been favorable to agricultural production, USAID estimates that the locally produced food supply remains low in most parts of the country until the first harvest in June when it should improve. Electricity continues to be rationed. Although there is sufficient water at the Péligre Dam and two turbines are under operation (total installed capacity of the Dam is 54 MW), power output from the thermal plants (with a combined peak capacity of 97 MW) is hampered by lack of maintenance, spare parts, lubricants and, at times, fuel. Of the 141 MW rated output of Electricite d'Haiti (EDH), only less than two-thirds was under peak production (night) in May 1993 while peak demand stood at 90 MW. In

¹ October 1 to September 30.

addition to outages, the shortage is being compensated by captive plants owned by the private sector (estimated capacity 60 MW).

9. Depreciation of the Gourde has increased its pace (a 45% decline between end-September 1992 and end-May 1993) as has inflation, that reached 32% in FY 1992 and, based on mission's estimates, has accelerated to 60% in FY 1993.

10. Fiscal performance has continued to deteriorate. In FY 1992 the deficit of the consolidated public sector stood at Gdes. 1.2 billion, equivalent to 10.1% of GDP (this is almost twice level of FY 1991, 5.7% of GDP). Projections made by the mission, based on results to end-April 1993, place the deficit of the consolidated public sector in FY 1993 at Gdes. 3.4 billion or 13.7% of GDP (Annex). Credit from the Central Bank and other public sector sources, together with a further accumulation of external debt arrears are estimated to finance entirely the deficit.

11. On record, the de-facto authorities appear to have been restraining overall outlays; yet, there are indications about the existence of a substantially unpaid wage bill (several ministries are reported to be three to four months behind in their wages/salaries and municipalities eight months). Treasury current outlays fell from 9.1% in FY 1991 to 6.7% of GDP in FY 1992; they are projected to rise to 7.4% of GDP in FY 1993. With the lack of external financing, public investment declined from 5.3% in FY 1991 to 1.0% of GDP in FY 1992 and the mission estimates that it will decline to 0.2% of GDP in FY 1993. There are also unrecorded expenditures which the mission derived from identified financing from the banking system. While in FY 1991 the Treasury collected Gdes. 1,287 million (8.0% of GDP) in current revenues, in FY 1992 only Gdes. 875.4 million (4.6 % of GDP) were received, a one year decrease of 32%. TCA (transactions), excise and income taxes are all down, as have customs receipts, reflecting large illegal imports. The mission forecasts that, based on collections to end-April, current revenues will fall further to 4.1% of GDP in FY 1993 and amount to only Gdes. 1,079.1 million.

12. Public enterprises have become an important drain on public sector financial resources. The six largest public enterprises (TELECO, CAHEP, APN, EDH, Minoterie and Ciment, the last two shut down but continue to pay salaries) realized overall deficits of Gdes. 83 million in FY 1991 and Gdes. 61 million in FY 1992. Although as a result of the embargo TELECO has frozen foreign financial assets for services rendered abroad, the performance of the public enterprises as a whole seems to have worsened in FY 1992 as evidenced by the sharp increase in their access to net Central Bank credit (a 136% rise between March 1992 and March 1993, from Gdes. 294 million to Gdes. 646 million). Inexplicably, BNDAL (the agricultural credit bank) is reported to have received Gdes. 107 million from the monetary authorities despite being closed for sometime. At the same time, large unpaid bills from private and public sectors institutions to the public enterprises are reported to exist.

13. As the price of petroleum products has remained fixed since November 1991 while depreciation of the Gourde has intensified, the mission estimates that in FY 1993 the gross petroleum subsidy (before excise taxes) will amount to Gdes. 265 million (1% of GDP) and the net subsidy (after excise taxes) to Gdes. 58 million (0.2% of GDP). This compares

with a gross subsidy of only Gdes. 12 million (0.1 of GDP) and a net income (the opposite of the net subsidy) of Gdes. 194 million (1.1% of GDP) in FY 1992. This net income was generated despite the existence of a cross subsidy among different fuels.

14. The monetary information shows that liabilities to the private sector have grown at a rapid pace both during FY 1992 and in the first half of FY 1993. Net Central Bank credit to the public sector and credit to the private sector appear to have risen substantially during the first half of FY 1993 and have resulted in a decline in net international reserves.

15. External payments arrears have continued to increase, rising by more than US\$ 20 million so far this fiscal year. With no servicing of external payments arrears, the mission estimates that these will increase by an additional US\$ 15 million between May and September 1993, reaching US\$ 123 million (including about US\$ 45 million to multilateral institutions and US\$ 30 million to other priority creditors). Domestic arrears seem to be accruing at a rapid pace.

16. Trade statistics are unreliable and inconsistent because of contraband imports and underinvoicing of exports. Although the partial lifting in February 1992 of the embargo for re-export industries toward the US contributed to a resurgence of assembly activity, overall export levels remained low. Coffee and cocoa exports suffered as a result of depressed world market prices. Estimates prepared by the mission show a decline in official exports from US\$ 158.7 million in FY 1991 to US\$ 74.7 million in FY 1992 and recorded imports from US\$ 230.1 million to US\$ 195.5 million during the same period. Mission's forecast for FY 1993 place official exports at US\$ 80.6 million and recorded imports at US\$ 207.6 million.

17. Since September 1991 external financing from multilateral sources has stopped. Bilateral donors and some of the international specialized agencies have continued to provide assistance, mostly in the form of humanitarian programs. According to USAID, in 1992 external donors provided US\$ 85 million, largely through NGOs with no intervention by the de-facto Government. (The program for 1993 contemplates an additional US\$ 111 million, more than half coming from USAID). In spite of this assistance, the balance of payments registered a deficit of US\$ 36.1 million in FY 1992 and, based on mission's estimates, an external gap of US\$ 37.6 million is projected in FY 1993.

18. Economic and Social Effects of the Post Coup d'Etat Situation. If an assertion can be made, it is that the economy has gone further astray following the coup d'etat of September 1991. The ensuing economic embargo, continued economic stagnation, large unemployment and underemployment, high import costs because of non-regular trading channels, falling per capita real incomes, financial mismanagement in the public sector, inflation, fragile or corrupt institutions, unusually large financial gains to rent seekers, inefficient public and social services, neglected infrastructure, acute shortages of electric power, diminished productive capacity in the private sector and serious erosion problems are leaving the country in a state of ruin and further

impoverishment, with an estimated 70% of the people living in poverty.² While most of the problems have a long standing structural root, the change embodied in the economic and social programs that the constitutional Government had agreed with the external donors prior to the coup d'etat has unfortunately been delayed and, as a result, the situation has reached grave proportions.

19. Industrial job losses to December 1992 are estimated at 71% of the labor force in assembly plants and 59% in the rest of the industry. Many foreign entrepreneurs have withdrawn permanently. In the case of tourism, low hotel occupancy and the postponed opening of beach resorts have resulted in personnel laid off. While the losses in agriculture due to lack of inputs and seeds, deficient marketing and declining incomes are more difficult to estimate, sector decapitalization and intensified deforestation to make charcoal will have lasting repercussions on the country's agricultural potential and the environment. With the suspension of external aid, infrastructure is no longer maintained. The situation in the social sector is no less dramatic. There has been a significant drop in primary school enrollment and financial resources in the public sector are barely sufficient to pay salaries. The return of the population to rural areas has intensified the problem of inadequate drinking water, health and malnutrition. Infectious and parasitic diseases continue to dominate the country's morbidity and mortality picture. Although external humanitarian assistance and specific programs such as HIV prevention have continued, the lack of adequate preventive services, insufficient availability of essential medicines and vaccines as well as poor health, water and sanitation facilities (including solid waste disposal) are putting the country at the risk of increased epidemics.

IV. POLICIES FOR ECONOMIC RECOVERY.

20. Returning Haiti to an economic development path will not be an easy task. In addition to a strong commitment to social and economic change, it will demand relentless efforts and determination from the constitutional Government to reverse the acute deterioration that has taken place in public administration over the last twenty months. While public sector institutions in Haiti have not been strong to start with, after the coup d'etat they have weakened, particularly with respect to implementation capacity. The Government will need to act boldly to correct the institutional constraints. An agile public administration, supported by a lean and competent civil service, should be the goal. In this regard, reconsideration of the role and size of the public sector, and civil service reform are essential. The mission believes that reorganization of the public sector with a view to reducing the number of entities, rationalizing staff, decentralizing responsibilities at the local level, accountability, transparency and privatization of public enterprises, should be part of the Government's immediate program.

21. Despite the weak situation, the Haitian economy could regain momentum given a return to political stability, a government committed

² Haiti's GDP per capita was estimated in 1991 at US\$ 320 equivalent. Given the stagnation of the economy during the last two years, it has certainly fallen further.

to reform and sufficient external financial assistance. While commodity prices are less favorable at present and the productive apparatus has fallen behind, renewed and increased outward orientation could rekindle economic activity. Areas of industry and agriculture are considered to enjoy a comparative advantage as does tourism. Although domestic savings are very low and a heavy volume of investment is needed to reactivate the economy and address social needs, with appropriate policies the constitutional Government should be able to mobilize substantial external grants and concessional financing from the international community. For the foreseeable future Haiti will remain heavily dependant on this assistance to finance a significant portion of its economic and social programs.

22. Economic development in Haiti should be based on market forces not harnessed by a cautious and judicious government. Private trade and production need to expand within a stable macroeconomic environment anchored by a tight fiscal discipline, unrestrained by barriers to private investment and foreign trade (i. e., burdensome permits and tariffs), with enlarged access to financial institutions (particularly for agriculture and the informal sector), and with an adequate and well maintained infrastructure (particularly electric power and transport). Greater resource allocation will have to be directed to address the problems of the poorest segments of population (namely education, health, nutrition, water supply and sanitation) but in so doing increased efficiency in the delivery is necessary. Reliance on the private sector for most of the latter, assuming satisfactory unit prices and government supervision, should be continued. Given the large need for investment and social spending, careful selection and prioritization of programs/projects will be essential. In reactivating the rolling public investment program, the constitutional Government should seek external assistance to help strengthen its content. With the support of donors, the constitutional Government may have to revisit some of the externally financed projects under execution prior to the coup d'etat; because of the need to concentrate efforts to maximize the impact of foreign assistance on economic recovery and the dismantling of project executing units, some of the projects may require revision and others possibly cancellation.

23. The most urgent macroeconomic policy requirement is dealing with the large fiscal imbalance, which is the major cause of inflation. Fiscal soundness needs to be achieved by strengthening tax enforcement, tightening expenditure control (discontinuance of ministerial discretionary funds and civil servants allowances), curtailing unlawful activities that have increased since the coup d'etat (such as corruption, contraband trade and tax evasion), eliminating the financial drain imposed by the poor performance of public enterprises and reducing the number of civil servants. The latter, however, would need to be done prudently in order to avoid firing at once a large number; social healing could be adversely affected otherwise. In addition, over 70% of the civil servants earn slightly less than US\$ 110 per month at the current exchange rate and account for about 40% of public sector total wages. The probable savings resulting from a large dismissal, therefore, would not be significant. In the mission's opinion, a better vehicle would be the recommended civil service reform. As part of the reform, the constitutional Government could consider a combination of early retirement and voluntary departures induced by severance payments to

reduce public sector employment. It has to be recognized as well that civil servants in Haiti are generally underpaid; to attract and retain qualified personnel the constitutional Government will have to eventually improve salary scales in the public sector.

24. The constitutional Government has already shown determination to collect taxes due as evidenced by the results of FY 1991. While allowance has to be made for the time needed to rebuild the tax administration and introduce the three-year tax reform prepared with assistance of the IMF, the mission believes that the constitutional Government can nevertheless make important progress towards reducing the overall budget deficit in FY 1994. In addition to restoring petroleum income to help increase fiscal revenues, the constitutional Government should also consider tightening tax deductions and exemptions (including those for NGOs), raising the annual motor vehicle licensing fee, collecting real estate taxes (in nominal terms, during the last four years per capita real estate tax collections in the largest and most affluent municipalities have declined fourfold) and applying a unified tax on all imports on the basis of the free market exchange rate (para. 29). The tax revenue immediate objective should be to return as soon as possible to the level of GDP achieved in FY 1991 (8% of GDP). The longer term goal, however, will necessarily have to be more ambitious since domestic resource mobilization will play a major role in sustaining economic growth and social development.

25. In spite of the recommended reforms, the mission estimates that the constitutional Government will require external budgetary support for a number of months in order to be able to resume its operations (para. 7). First, efforts to increase fiscal revenues will take some time before yielding results. Second, the coffers of the Treasury are mostly empty and expenditures for ongoing operations, including civil service pay, have to be met. Third, aside from external debt arrears, the Treasury will have to service current external debt. Finally, there are the already mentioned large, albeit unconfirmed levels of unpaid domestic obligations that need to be regularized.

26. Given the changes that are occurring throughout the world and the public sector's sharply deteriorated condition, the mission feels that the rationales underlying the public sector's role in the economy, which has hampered development in sectors such as industry and tourism, are no longer valid. The recent performance of the public enterprises (service quality, management and costs) has been poor and is resulting in unsustainable deficits. Unless they are privatized (divestiture, joint operation with private investment partners or contracting out management operations), to upgrade their services and cope with the expected demand, they will need a large volume of financial resources that are clearly beyond the capacity of the constitutional Government. Furthermore, the privileged position previously enjoyed by public enterprises has been gradually dismantled over the years by government measures or undermined by contraband. Therefore, the mission feels that the constitutional authorities should carefully consider their options. If the route chosen is privatization, development of a regulatory framework to deal with monopolies (electricity, telecommunications, water and parts of transport) should be started as soon as possible. A fair competition law would also be required.

27. Awaiting privatization, public enterprises would need to improve their efficiency. Efforts should be made to collect what is owed to them (as of September 30, 1992, private sector liabilities to four of the

enterprises totalled in excess of US\$ 20 million equivalent, excluding frozen monies in deposit because of the embargo). The mission also recommends that the constitutional Government considers entering into management contracts for EDH, AFH and Port-au-Prince's Airport (the mission was unable to learn the whereabouts of departure taxes), and with foreign technical assistance develop a privatization policy, together with appropriate implementation arrangements. Careful consideration would also have to be given to the possibility of divesting of government owned financial intermediaries.

28. Haiti's exchange system is free of restrictions: all transactions are taken place at the free (interbank) market rate. The constitutional Government should continue this policy and allow the Central Bank to intervene only to purchase foreign exchange for its operations. The de-facto removal of the 40% export retention should be legalized.

29. Monetary policy should be consistent with the objective of lowering inflation, improving balance of payments performance and supporting private sector activity. It should be buttressed by a stronger fiscal position. Interest rates should be liberalized to reflect market conditions. Temporarily, reserve requirements may have to be raised to mop excess liquidity. However, as the economy recovers, a lowering of reserve requirements should be considered to provide for additional credit to the private sector. Unifying reserve ratios across deposit categories should be instituted to avoid unintended changes in the money multiplier which make difficult the conduct of monetary policy. At the same time banking supervision requires strengthening; for this, technical assistance, possibly from the IMF, is recommended.

30. Repression, a weak constituency and unemployment have kept labor demands under control but with the return of the constitutional Government this situation could change. Although no reliable data exist on wages actually paid, it is clear that in recent years there has been a marked deterioration of real wages in the formal sector. To avoid that wage pressures could have an adverse effect on the needed economic stabilization, the mission feels that the constitutional Government may consider working out an agreement with the private sector that, on its own, will voluntarily adjust wages to reflect increases in the cost of living and productivity.

31. The international trade system needs to be further overhauled to set up a stable and neutral system. In addition to having too many different rates and making it difficult to administer, the import duty structure has a large number of exemptions. In spite of the fact that the de-facto Government has continued to eliminate import duties on a number of products, custom duty rates are too high and encourage smuggling (a major practice at the present time). To avoid this situation and to encourage economic efficiency, the mission believes that a uniform tariff system of 5-10% would be easier to administer and could reduce contraband considerably (the tariff duties on petroleum imports would have to be converted into additional excise taxes). Revenue losses stemming from the lowering of overall import tariffs would be offset in part by the augmented imports passing through customs. A further gain in custom receipts would accrue from the wider tax base, if for custom duty valuation imports are priced at the free market rate (presently a fictitious rate of Gds. 5 per US\$ plus a 30% premium is used).

*Higher
level f
import*

32. In view of the magnitude of the problems found, the mission sees the possibility of eradicating poverty in the immediate term as very difficult. It would be unrealistic in face of the massive poverty and the domestic resource constraint, to deal with it through hefty subsidies or large scale income transfers. The country cannot afford these; but for carefully selected programs focusing on vulnerable groups in urban and rural areas explicit subsidies, even if the services delivery is handled through the private sector, could be justified if the fiscal situation improves. Programs to reduce the cost of water to the poor, increase affordable health and education (particularly literacy and vocational training), improve nutrition and sanitation would help make a meaningful headway in helping the poor. Yet, sustained progress can mainly come about through actions to create jobs, and upgrade labor skills and productivity. The constitutional Government must intensify investing in the development of human capital to improve social conditions.

33. While implementation of an economic development strategy will rest primarily with the constitutional Government, success in achieving this objective will also depend on the active participation of the private sector. The political crisis has caused the private sector to split into small interest groups that lack a clear and coherent long-term perspective. Building a common position based on respect for the principles of democracy and the market is essential to enable the private sector to play its indispensable role of economic and social development.

V. SECTOR COMPONENTS OF THE EERP.

34. The mission has reviewed the situation of the major sectors, excluding the informal sector because of the insufficient information and time limitations. Yet, the mission recognizes that the informal sector in Haiti is large and has been growing fast. It is an important employer and, properly supported, could make a significant contribution to the economy. USAID is undertaking a research study that once completed should shed light into the size, composition and requirements of the informal sector. This should permit that future external assistance pay increased attention to the development of the informal sector.

35. The mission has identified emergency programs in the principal sectors totalling US\$ 195 million to be carried out during the first twelve months after the return of the constitutional Government. Nearly two-thirds of the programs involved labor intensive works. Social programs directed at poverty alleviation, repair of basic infrastructure, protection of the environment and initial support to private importing industries constitute the bulk of the proposed assistance. The remainder is for technical assistance to help reorganize the public sector, strengthen economic management and assist in carrying out the EERP. A brief description of the programs is given below.

36. Agriculture (US\$ 26.1 million or 13.4% of the total). 71% of the population is engaged in agriculture and most are extremely poor since on average they cultivate about 0.65 hectares each. The proposed assistance, therefore, has an important social dimension.

37. The EERP for agriculture would be aimed at improving income generation to reverse the acute decapitalization that has occurred in the

sector, rapid restoration of the productive infrastructure and a limited number of actions to buttress the sector's medium-term production potential. It would consist of labor intensive rural roads, restoration of irrigation infrastructure and site-specific anti-erosion works (the public works program would provide annual supplemental incomes of about Gdes. 2,000 to one-fifth of the cultivating rural households).¹ It would also make use of the still available but diminished implementation capacity in rural areas for seeds programs, livestock production and vaccination, and nursery and grafting of fruit trees. In addition, it would support competitive market development for agricultural inputs and outputs as well as the re-starting of the reorganization of the Ministry of Agriculture (MAC).

38. The agricultural component of the EERP (and those for other sectors) would be coordinated by a central implementation unit (CIU) to be set up (para. 31). CIU would be supported by an unit in MAC and nine departmental units. Planning, monitoring and supervision would be done by the ministerial unit and execution by the departments. In addition to representatives of MAC, departmental units would have the participation of peasant organizations, NGOs, donors and technical specialists. The active involvement of beneficiaries is intended to limit fraudulent practices, promote accountability and ensure that meaningful programs are undertaken.

39. Public Health and Nutrition (US\$ 23.3 million or 11.6% of the total). The EERP component for public health and nutrition would expand on ongoing humanitarian assistance. The political crisis has weakened the role of the public sector in health while enhancing that of NGOs (almost three-fourths of the primary health care is now handled by NGOs). Except for salaries, the Ministry of Public Health (MPH) has no operating budget and, consequently, its supervisory and training functions have suffered as have its secondary and tertiary health facilities. Therefore, the proposed assistance would be channelled mostly through NGOs.

40. The EERP would support the acquisition of essential drugs for the population at large, primary health care for the maternal and child population, cholera emergency readiness plan, increased vaccination coverage (particularly among pregnant women and children under five years of age), improved nutrition of the neediest population, supply of early-morning locally procured protein to poor children and food-for-work to returned illegal immigrants. It would also start the strengthening of MPH by helping redefine its functions, supporting decentralization of responsibilities, training and rationalization of staff, reinforcing the Basic Services Delivery Model (SOTCS) and centralizing under one agency (Programme des Medicaments Essentiels) the procurement and distribution of essential drugs.

41. Education (US\$ 9.4 million or 4.6% of the total). The fall in disposable incomes, rising fees and urban-rural migration have taken a toll in primary school enrollment. Estimates about the drop in enrollments range from 18 to 27%, although some improvement in the school

¹ According the 1971 census, the total number of cultivating households was 616,710. This figure is still in use.

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which transit is now possible only with four-wheel-drive vehicles; b) elimination of regressive embankment erosion and landslides; c) routine manual maintenance of about 300 km of roads; and d) reconstruction and protection of several main bridges.

48. The aim of program for urban infrastructure and municipalities (totalling US\$ 14.5 million) is to bring about an immediate and visible improvement to an alarming situation. It would consist of repair and maintenance of major urban arteries carrying heavy traffic, rehabilitation of four main road intersections, ad hoc improvements on seven markets (two in Port-au-Prince and one each in Petionville, Jacmel and Cap-Haitien), refurbishing of the central abattoir at Port-au-Prince, general cleaning (including prevention of land erosion) and relocation of street hawkers to appropriate areas.

49. The program for water supply, sanitation and solid waste (estimated to cost US\$ 15.8 million) would help rehabilitate existing water plants, improve the quality of water, increase access to water to the low income groups, and reduce losses. With regard to sanitation and solid waste, the program would carry out emergency actions (cleaning out and disposal) and provide for permanent systems to sustain improvements in the future. Specifically, the program would: a) at Port-au-Prince, rehabilitate physical facilities to achieve a 50% increase in the supply of water, restore 50 standpipes and construct 100 new ones, augment the number of water meters, construct additional latrines in low income areas, open up outlets of main sewers and clean 150 km of drains along main roads, removal of heavy waste accumulations on streets/vacant land, develop 100 secondary waste dumps, construct road access to waste dumps and provide for the acquisition of a weight station; and b) in secondary towns and rural areas, continue suspended water programs, carry out emergency sewerage works and waste disposal.

50. The program for ports (totalling US\$ 9.7 million) is designed to correct deficiencies in APN's facilities and to prepare the institution for eventual privatization. It would finance the procurement of maritime signaling, cleaning, traffic and container handling improvements, replacement of all electrical circuits and power takeoffs for refrigerated containers at Port-au-Prince, dock repairs at the City Soleil Port, drainage of the Jeremie Port and several works at the ports of Cap-Haitien and Saint Marc. Consultants would be retained to reorganize APN into a private enterprise, carry out an inventory of its equipment and facilities, redefine its tariff policy and set up adequate security measures.

51. Electric Energy (US\$ 22.5 million or 15.1% of the total). For several years now owing to a decline in its generating capacity, EDH has met peak demand by load shedding. Insufficient supply capacity, non-reliable service with frequent and prolonged interruptions, sub-standard quality of electricity with voltage and frequency variations and system losses of about 45% have affected economic activity adversely. This condition has caused a rapid expansion of privately owned generating backups which, in turn, have increased fuel demand and are contributing to decreased energy efficiency. Institutional, management and financial problems (only 60% of generation is billed and 75% collected) have aggravated the overall situation. Although prior to the coup there were externally supported programs of institutional strengthening,

rehabilitation and generation expansion, their suspension and the economic embargo have left EDH in a serious crisis.

52. The emergency program for electricity under the EERP would include a) an aggressive program of rehabilitation and maintenance with a view to recovering up to 75 MW of installed capacity in thermal plants; b) minor emergency works at the Peligree Dam; c) rehabilitation kits for Carrefour, Varreaux and Delmas; works and spares for Cap-Haitien; d) transmission and distribution components (transformers, capacitors, protection, control and metering equipment, and emergency vehicles). If the program proposed by the mission would be carried out on time, a shortage of 20-30 MW would still prevail. Under IDA's (World Bank) fifth power project a 20 MW gas turbine unit had been called for tender but, as a result of the coup, was suspended. US suppliers are now offering off-the-shelf 20-30 MW gas turbine packages with installation under three months. Therefore, once IDA resumes activities in Haiti, this alternative would have to be pursued.

53. The emergency program also makes provision for a two-year management performance contract with a foreign utility to take over management, operation and administration of EDH. The utility company would be given complete responsibility for turning around EDH and for achieving in a short period a major improvement in its operations. This would facilitate the privatization of the enterprise. The utility company would carry out the physical program in consultation with the CIU.

54. Industry (US\$ 33.0 million or 16.8% of the total). To facilitate the process of adjustment and trigger an early supply response, the mission concentrated its focus on export manufacturing (assembly) since prior to the coup it accounted for over two thirds of employment and for more than half of domestic manufacturing value added. Yet, it has to be recognized that all industrial firms have been hard hit by the crisis and, as a result, several have their financial situation impaired. Relief in the form of refinancing arrangements for viable firms will have to be considered by the Central Bank in cooperation with the commercial banks. Of great urgency, however, is credit for working capital to insure a quick relaunching of industrial production, particularly manufactured exports. Consistent with this, the EERP includes a line of credit for this purpose channelled through the industrial rediscount facility (RFI) of the Central Bank. Subloans would be made at market rates to encourage appropriate resource allocation.

55. The return to political stability will encourage a gradual resumption of industrial activity. The unfortunate disruption of manufacturing exports provoked by the embargo need not to be an insuperable constraint. The country's international attractiveness as a base for low cost export manufacturing remains. There is local entrepreneurial talent and an abundance of competitive productive labor. Furthermore, Haiti enjoys preferential market access in the US (Generalized System of Preference, Caribbean Basin Initiative and Tariff Item 807 and 807A) and Europe (Lome Convention); the international community may be willing to consider others to assist the economic recovery.

56. Technical Assistance (US\$ 19.9 million or 10.2% of the total). Consistent with the recommendations made in this paper and as part of the

EEPR, the mission considers of utmost importance the provision of technical assistance to: a) support the implementation of the EEPR; b) strengthen macroeconomic management; c) define an appropriate privatization strategy for the public enterprises; and d) initiate reorganization of the public sector, including reform of the civil service. In addition to the assistance to strengthen governance already mentioned, the UNDP is considering the preparation of a three-year technical assistance program (FY 1995-FY 1997) that in the medium-term would help expand assistance to other areas, placing emphasis on capacity building in the public sector and staff training.

57. The execution of the EEPR will be complex and demand swift actions. The reactivation of the economy, and for that matter the wellbeing of the citizenry, depends heavily on the successful execution of the program. Furthermore, a strong organization in charge of implementation, would provide significant assurance to donors that the chances of success are good. The proposed technical assistance is intended to reinforce implementation capacity; it would help staff the central unit and, as needed, sectorial ones.

58. Among the skilled manpower shortages, the entities responsible for macroeconomic management and those supplying basic statistics are the most seriously affected. Specifically, technical assistance would be provided to the Ministry of Finance to prepare and monitor comprehensive financial programs, and improve tax revenue collections; to the Central Bank to strengthen its research, accounting, international operations and supervision departments; and to the Institute of Statistics to improve the national accounts.

59. Fundamental to the conduct of a successful privatization program is an agreed strategy. To assist the constitutional Government a) define objectives of privatization, b) design criteria for determining the eligibility of enterprises for privatization, c) develop arrangements and technical procedures to be followed in formulating and executing transactions, d) carry out necessary asset valuations, e) formulate management performance contracts and f) prepare a regulatory framework to deal with monopolies, technical assistance is proposed.

60. The organization of the public sector is too centralized and with excessive manpower to discharge its functions effectively. The staff structure is bottom-heavy, i.e., well over two-thirds are in the lowest semi-skilled and unskilled positions. Given the need to manage carefully the economic recovery and to increase public sector efficiency, the mission feels that a restructuring of the public sector (that will lead to a consolidation of scarce management and technical resources, a reduction in staff, responsibility and employee motivation) should be initiated as soon as possible. Technical assistance for this purpose is included in the EEPR.

SUMMARY of the EURE.

(In US\$ million)

	<u>Amount</u>	<u>1 of the TOTAL</u>
Agriculture	26.1	13.4
Public Health and Nutrition	23.3	12.0
Education	9.4	4.8
Roads, Urban Infrastructure, Water, Sanitation And Ports	53.8	27.6
Electric Energy	29.5	15.1
Industry	33.0	16.9
Technical Assistance	<u>12.2</u>	<u>10.2</u>
Total	195.0	100.0

61. Implementation Arrangements. In view of the urgency to initiate and sustain the progress of the program identified above, and taking into account the serious bottlenecks in program execution found in the public sector, the mission recommends the creation of a central implementation unit (CIU). This unit would be responsible for coordination and management support of the physical part of the ERP and would oversee operation once sufficient national capacity would be created. The CIU would facilitate rapid procurement, contracting and disbursement of externally financed emergency programs, while ensuring efficiency, accountability and transparency. All external financing for the ERP would be recorded with CIU. This would help track progress and impact of the ERP, avoid duplication and strengthen coordination of donors' initiatives.

62. The CIU would be under the jurisdiction of an appropriate ministerial office. It would be headed by a Haitian National of the highest level, with technical backstopping provided by national and international experts.

61. Procurement of goods and services under the EXIM would involve simple, uniform and quick procedures to be agreed between the constitutional Government and donors. In cases where donors are unable to operate with such procedures, they would need to make every effort to apply their own in a flexible and expeditious manner. A special account, subject to audit, would be established in the Central Bank to channel all the external funds managed by the CIB. Disbursements from this account would be made upon receipt of appropriate documentation.

64. The constitutional Government would need to officially authorize the creation, operation and staffing of the CIU, and, most importantly, the extraordinary procurement procedures envisaged. Prompt action in this regard would permit starting the program following the approval of external funds.

VI. FINANCING OF THE ZERP

65. The mission is still refining the projections for the balance of payments. It appears already, however, that in the short-term the external current account will be determined by the external financial support given to the ZERP and its implementation. While some recuperation of light manufacturing and agricultural exports is envisaged after lifting of the trade embargo, tourism is forecast to remain depressed. By the same token, no major private capital inflows are anticipated until the situation normalizes and confidence is regained. On this basis and assuming resumption of multilateral financial assistance during the second half of the year, the preliminary estimate of the external financing gap for FY 1994 prepared by the mission is about US\$ 240 million, including accumulated external debt arrears of around US\$ 75 million. With the support of bilateral donors the constitutional Government will have to regularize these arrears without delay and, on its own, preclude foreign commercial borrowing by the public sector.

SUMMARY ACCOUNT of the Balance of Payments, FY 1994.*

(in US\$ million)

Exports GNFS	234
Imports GNFS	570 a
Trade Balance	-336
Net Services	-89
Transfers	25
Current Account Balance	-350
Official Grants and Humanitarian Assistance	110
External Financing:	
i. Multilateral (net)	75 b
ii. Bilateral (net)	--
Unfinanced Gap	-165
Debt Arrears	-75 c
External Financing Required	240 d

Notes

- * Preliminary.
- a) Import levels are equivalent to those of FY 1988 adjusted by international inflation and include the ZERP.
- b) Does not include resumption of project assistance.
- c) It includes debt arrears requiring immediate cancellation only.
- d) Omits financial assistance for governance.

66. If the external financing required for the ZERP is successfully mobilized, Haiti should be able to attain a GDP real growth rate of 3-4% in FY 1994. This would permit an appreciable improvement in private per capita consumption that has fallen drastically over the years; it would also help the unemployment problem. Better use of infrastructure as a result of the ZERP, would contribute to improving the efficiency of investment while encouraging private sector activity. At any rate, given

the low level of investment that has taken place in recent years, a high capital-output relationship will be necessary in the future to reactivate the economy. This can be achieved only with the continued support of external donors, given the insufficiency of domestic savings for the level of needed investment to sustain economic growth.

67. The mission has made an indicative disbursement projection, by quarters, of external financial requirements associated with the EERP, including clearance of the external debt arrears and direct budget support. It excludes humanitarian assistance and the reactivation of project lending from the multilateral institutions. On this basis, needed disbursements would be as follows: US\$ 130 million in the first and US\$ 165 million in the second, third and fourth quarters combined. About 24 % of the requirements would be provided by multilateral sources, the rest (76%) would need to be mobilized.

EERP - Indicative Disbursements, FY 1994
(in US\$ million)

	Q1	Q2-Q4
Clearance of Arrears	78	--
Direct Budget Support	45	--
EERP	123	165
Total	150	165
Multilateral sources*	(---)	(75)
Unfinanced	(150)	(90)

Note: * Net resource transfer after servicing current debt obligations.

VII. EXTERNAL AID AND THE NEED FOR COORDINATED EFFORT.

68. During the political crisis, humanitarian assistance and other programs have been carried out without the participation of the de-facto authorities. Priorities were determined by donors in consultation with the executing bodies (NGOs). The aim of this assistance has been to meet urgent needs and not necessarily an established development objective. While indeed it helped mitigate some of the people's suffering, it did so at the expense of institution building in the public sector. After a period of transition, it is to be expected that donors will discontinue this practice and return to financing priority programs/projects that are included in the public sector investment program.

69. Implementation of the EERP requires close collaboration between the constitutional Government and donors, and among donors. Its success is crucial to help restore viability to productive activities, employment creation and social development. Given its short duration, it is essential that external assistance be well managed and coordinated in order to have the intended impact. Attaining this goal should be facilitated by the fact that unlike past programs in which donors supported different objectives, the EERP concentrates on one, the rehabilitation of the Haitian economy.

Port-au-Prince, Washington, D.C.

July 14, 1993

ANNEXSummary of Public Sector Operations
(in million Courdes)

	<u>Preliminary</u>		<u>Projection</u>
	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
Total Revenues	1390.1	833.7	1027.4
Treasury Current Revenues	1287.0	875.4	1079.1
Public Enterprises (deficit -)	103.1	-41.7	-41.7 ¹
Total Expenditures	2315.6	1377.6	1923.2
Treasury Current Outlays	1458.3	1197.6	1873.2
Public Sector Investment	647.3	179.8	50.0
Other Expenditures	---	1271.4 ²	2564.6 ³
Public Sector Deficit	-925.5	-1615.3	-3450.4
Grants-in-Aid	495.0	---	---
Overall Public Sector Deficit	-430.5	-1615.3	-3450.4
Financed by:			
External Financing (net)	253.0	-121.2	-217.6
Domestic Credit (net)	172.5	1539.1	2800.7
External Debt Arrears	5.0	377.4	867.1
(as a % of GDP)			
Total Receipts	8.6	4.6	4.1
Total Expenditure	14.4	7.7	7.6
(of which investment)	(5.3)	(1.0)	(0.2)
Other Expenditures	---	7.1	10.2
Overall Public Sector Deficit			
After Grants-in-Aid	-2.7	-10.1	-12.7

¹ Given the increase in net credit to end-March and the insufficient information available, a conservative projection would be that the situation remains the same as FY 1992.

² Derived from banking system statistics and include external debt arrears.

³ Derived from banking system statistics and include external debt arrears.



EMERGENCY ECONOMIC RECOVERY PROGRAM

HAITI

Preliminary Report of the Joint Mission

FILE

July 1993



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ANNEX

UNITED NATIONS DEVELOPMENT PROGRAMME

HAITI-EMERGENCY ECONOMIC RECOVERY PROGRAM

Preliminary Findings and Recommendations of the Joint Mission

I. FOREWORD

1. In preparation of the constitutional Government's return to office and to assist in determining the major components of what would constitute its immediate economic and social program, a joint mission consisting of representatives of the Presidential Commission, UNDP (coordinator), IMF, World Bank, IDB, OAS and USAID assembled in Port-au-Prince during May 16-June 12, 1993. The mission was supported by a group of Haitian consultants under the direction of Mr. Leslie Delatour. They carried out all of the necessary investigations and gathered pertinent information about the economy, public finances, monetary developments and key sectors. UNICEF, WFP, PAHO-OMS, FAO, IICA, UNFPA, EEC and bilateral donors also provided important insight to the mission's work on the sectors. Madame Marie-Michelle Rey, of the Presidential Commission, worked closely with the mission and gave invaluable advice on policy matters. In addition, Mr. Jean-Marie Cherestal, of the Presidential Commission, participated actively in aspects of physical program implementation.

2. The UNDP Resident Representative in Haiti gave important guidance to the mission. His office and staff were crucial in providing logistic and other support. Special acknowledgement is also made of the EEC and IDB, who graciously supplied office facilities to the mission.

3. The mission wishes to state that the preliminary findings and recommendations are its own and do not necessarily reflect those of the participating institutions. Despite the excellent collaboration provided by the Haitian counterpart team, the lack of direct access to validated information from the de facto authorities necessarily makes the conclusions regarding public finances, monetary developments and external accounts tentative and subject to confirmation. Furthermore, as the work of the mission advances, some of the preliminary recommendations may change and others become more specific; these will be reflected in the final report.

II. INTRODUCTION.

4. The focus of the mission is on the first six to twelve months after the return of the constitutional Government. In line with this, it has developed an emergency economic recovery program (EERP) that consists of: a) actions needed to reestablish a stable macroeconomic environment and an incentive framework for private sector development; b) measures to begin promoting economic efficiency; c) short-term programs to improve the social conditions of the population, with concentration on the most disadvantaged groups, employment creation and economic infrastructure; and d) possible arrangements to channel effectively external assistance

for the EERP. Medium-term issues, where appropriate, are broadly identified. The emphasis on the short-term is not intended as a substitute for sound medium-term strategies, policies and investments necessary to correct Haiti's economic and social problems. It is simply based on the need for urgent action to start addressing the country's economic problems and on the premise that Haiti's long-term political and social stability calls for a solid beginning.

5. The EERP would have to be complemented and ultimately superseded by the resumption of externally financed non-emergency project and program assistance, including an IMF stabilization program and project lending that is designed to meet the present needs of the country. To facilitate this, the constitutional Government would need to move quickly and boldly in the economic policy area.

6. The mission has taken note of the separate program to strengthen governance being considered by donors; the mission believes that this assistance is of overriding importance since consolidation of a democratic structure and restoration of law and order in Haiti are essential preconditions to social and economic progress; concrete advances in this area are urgently needed. Since these programs are still under formulation, their cost has not been included in the external financial requirements associated with the EERP.

7. In addition to the proposed EERP (estimated to cost about US\$ 195 million) and continued humanitarian assistance during FY 1994 (about US\$ 110 million), external financing will be needed to clear external debt arrears to multilateral agencies (about US\$ 45 million by September 30, 1993) and other priority creditors (about US\$ 30 million). Direct external budget support in the order of US\$ 10-15 million per month for the first three to four months after the return of the constitutional Government will also be required. On this basis, the mission estimates the total cost of the programs associated with the economic recovery at about US\$ 425 million.

III. RECENT DEVELOPMENTS.

8. Economic Performance. The continued decline of recorded real GDP experienced since FY 1987 intensified in FY 1992¹. Available data, albeit preliminary and incomplete, indicate that recorded real GDP plummeted by 10.8% in FY 1992. Industrial production, as measured by the Central Bank's Index of Industrial Production, declined substantially (in part attributable to the embargo as many plants for export have closed down) as did agricultural output. Mission's estimates of recorded real GDP in FY 1993 point to a further drop of about 4%. While the weather has been favorable to agricultural production, USAID estimates that the locally produced food supply remains low in most parts of the country until the first harvest in June when it should improve. Electricity continues to be rationed. Although there is sufficient water at the Péligre Dam and two turbines are under operation (total installed capacity of the Dam is 54 MW), power output from the thermal plants (with a combined peak capacity of 87 MW) is hampered by lack of maintenance, spare parts, lubricants and, at times, fuel. Of the 141 MW rated output of Electricite d'Haiti (EDH), only less than two-thirds was under peak production (night) in May 1993 while peak demand stood at 90 MW. In

¹ October 1 to September 30.

addition to outages, the shortage is being compensated by captive plants owned by the private sector (estimated capacity 60 MW).

9. Depreciation of the Gourde has increased its pace (a 43% decline between end-September 1992 and end-May 1993) as has inflation, that reached 32% in FY 1992 and, based on mission's estimates, has accelerated to 60% in FY 1993.

10. Fiscal performance has continued to deteriorate. In FY 1992 the deficit of the consolidated public sector stood at Gdes. 1.8 billion, equivalent to 10.1% of GDP (this is almost twice level of FY 1991, 5.7% of GDP). Projections made by the mission, based on results to end-April 1993, place the deficit of the consolidated public sector in FY 1993 at Gdes. 3.4 billion or 13.7% of GDP (Annex). Credit from the Central Bank and other public sector sources, together with a further accumulation of external debt arrears are estimated to finance entirely the deficit.

11. On record, the de-facto authorities appear to have been restraining overall outlays; yet, there are indications about the existence of a substantially unpaid wage bill (several ministries are reported to be three to four months behind in their wages/salaries and municipalities eight months). Treasury current outlays fell from 9.1% in FY 1991 to 6.7% of GDP in FY 1992; they are projected to rise to 7.4% of GDP in FY 1993. With the lack of external financing, public investment declined from 5.3% in FY 1991 to 1.0% of GDP in FY 1992 and the mission estimates that it will decline to 0.2% of GDP in FY 1993. There are also unrecorded expenditures which the mission derived from identified financing from the banking system. While in FY 1991 the Treasury collected Gdes. 1,287 million (8.0% of GDP) in current revenues, in FY 1992 only Gdes. 875.4 million (4.6 % of GDP) were received, a one year decrease of 32%. TCA (transactions), excise and income taxes are all down, as have customs receipts, reflecting large illegal imports. The mission forecasts that, based on collections to end-April, current revenues will fall further to 4.1% of GDP in FY 1993 and amount to only Gdes. 1,079.1 million.

12. Public enterprises have become an important drain on public sector financial resources. The six largest public enterprises (TELECO, CAMEP, APN, EDH, Minoterie and Ciment, the last two shut down but continue to pay salaries) realized overall deficits of Gdes. 83 million in FY 1991 and Gdes. 61 million in FY 1992. Although as a result of the embargo TELECO has frozen foreign financial assets for services rendered abroad, the performance of the public enterprises as a whole seems to have worsened in FY 1993 as evidenced by the sharp increase in their access to net Central Bank credit (a 136% rise between March 1992 and March 1993, from Gdes. 294 million to Gdes. 646 million). Inexplicably, BNDAI (the agricultural credit bank) is reported to have received Gdes. 107 million from the monetary authorities despite being closed for sometime. At the same time, large unpaid bills from private and public sectors institutions to the public enterprises are reported to exist.

13. As the price of petroleum products has remained fixed since November 1991 while depreciation of the Gourde has intensified, the mission estimates that in FY 1993 the gross petroleum subsidy (before excise taxes) will amount to Gdes. 265 million (1% of GDP) and the net subsidy (after excise taxes) to Gdes. 58 million (0.2% of GDP). This compares

with a gross subsidy of only Gdes. 12 million (0.1 of GDP) and a net income (the opposite of the net subsidy) of Gdes. 194 million (1.1% of GDP) in FY 1992. This net income was generated despite the existence of a cross subsidy among different fuels.

14. The monetary information shows that liabilities to the private sector have grown at a rapid pace both during FY 1992 and in the first half of FY 1993. Net Central Bank credit to the public sector and credit to the private sector appear to have risen substantially during the first half of FY 1993 and have resulted in a decline in net international reserves.

15. External payments arrears have continued to increase, rising by more than US\$ 20 million so far this fiscal year. With no servicing of external payments arrears, the mission estimates that these will increase by an additional US\$ 15 million between May and September 1993, reaching US\$ 123 million (including about US\$ 45 million to multilateral institutions and US\$ 30 million to other priority creditors). Domestic arrears seem to be accruing at a rapid pace.

16. Trade statistics are unreliable and inconsistent because of contraband imports and underinvoicing of exports. Although the partial lifting in February 1992 of the embargo for re-export industries toward the US contributed to a resurgence of assembly activity, overall export levels remained low. Coffee and cocoa exports suffered as a result of depressed world market prices. Estimates prepared by the mission show a decline in official exports from US\$ 198.7 million in FY 1991 to US\$ 74.7 million in FY 1992 and recorded imports from US\$ 330.1 million to US\$ 196.5 million during the same period. Mission's forecast for FY 1993 place official exports at US\$ 80.6 million and recorded imports at US\$ 207.6 million.

17. Since September 1991 external financing from multilateral sources has stopped. Bilateral donors and some of the international specialized agencies have continued to provide assistance, mostly in the form of humanitarian programs. According to USAID, in 1992 external donors provided US\$ 85 million, largely through NGOs with no intervention by the de-facto Government. (The program for 1993 contemplates an additional US\$ 111 million, more than half coming from USAID). In spite of this assistance, the balance of payments registered a deficit of US\$ 36.1 million in FY 1992 and, based on mission's estimates, an external gap of US\$ 37.6 million is projected in FY 1993.

18. Economic and Social Effects of the Post Coup D'etat Situation. If an assertion can be made, it is that the economy has gone further astray following the coup d'etat of September 1991. The ensuing economic embargo, continued economic stagnation, large unemployment and underemployment, high import costs because of non-regular trading channels, falling per capita real incomes, financial mismanagement in the public sector, inflation, fragile or corrupt institutions, unusually large financial gains to rent seekers, inefficient public and social services, neglected infrastructure, acute shortages of electric power, diminished productive capacity in the private sector and serious erosion problems are leaving the country in a state of ruin and further

impoverishment, with an estimated 70% of the people living in poverty.² While most of the problems have a long standing structural root, the change embodied in the economic and social programs that the constitutional Government had agreed with the external donors prior to the coup d'etat has unfortunately been delayed and, as a result, the situation has reached grave proportions.

19. Industrial job losses to December 1992 are estimated at 71% of the labor force in assembly plants and 39% in the rest of the industry. Many foreign entrepreneurs have withdrawn permanently. In the case of tourism, low hotel occupancy and the postponed opening of beach resorts have resulted in personnel laid offs. While the losses in agriculture due to lack on inputs and seeds, deficient marketing and declining incomes are more difficult to estimate, sector decapitalization and intensified deforestation to make charcoal will have lasting repercussions on the country's agricultural potential and the environment. With the suspension of external aid, infrastructure is no longer maintained. The situation in the social sector is no less dramatic. There has been a significant drop in primary school enrollment and financial resources in the public sector are barely sufficient to pay salaries. The return of the population to rural areas has intensified the problem of inadequate drinking water, health and malnutrition. Infectious and parasitic diseases continue to dominate the country's morbidity and mortality picture. Although external humanitarian assistance and specific programs such as HIV prevention have continued, the lack of adequate preventive services, insufficient availability of essential medicines and vaccines as well as poor health, water and sanitation facilities (including solid waste disposal) are putting the country at the risk of increased epidemics.

IV. POLICIES FOR ECONOMIC RECOVERY.

20. Returning Haiti to an economic development path will not be an easy task. In addition to a strong commitment to social and economic change, it will demand relentless efforts and determination from the constitutional Government to reverse the acute deterioration that has taken place in public administration over the last twenty months. While public sector institutions in Haiti have not been strong to start with, after the coup d'etat they have worsened, particularly with respect to implementation capacity. The Government will need to act boldly to correct the institutional constraints. An agile public administration, supported by a lean and competent civil service, should be the goal. In this regard, reconsideration of the role and size of the public sector, and civil service reform are essential. The mission believes that reorganization of the public sector with a view to reducing the number of entities, rationalizing staff, decentralizing responsibilities at the local level, accountability, transparency and privatization of public enterprises, should be part of the Government's immediate program.

21. Despite the weak situation, the Haitian economy could regain momentum given a return to political stability, a government committed

² Haiti's GDP per capita was estimated in 1991 at US\$ 320 equivalent. Given the stagnation of the economy during the last two years, it has certainly fallen further.

to reform and sufficient external financial assistance. While commodity prices are less favorable at present and the productive apparatus has fallen behind, renewed and increased outward orientation could rekindle economic activity. Areas of industry and agriculture are considered to enjoy a comparative advantage as does tourism. Although domestic savings are very low and a heavy volume of investment is needed to reactivate the economy and address social needs, with appropriate policies the constitutional Government should be able to mobilize substantial external grants and concessional financing from the international community. For the foreseeable future Haiti will remain heavily dependant on this assistance to finance a significant portion of its economic and social programs.

22. Economic development in Haiti should be based on market forces but harnessed by a cautious and judicious government. Private trade and production need to expand within a stable macroeconomic environment anchored by a tight fiscal discipline, unrestrained by barriers to private investment and foreign trade (i. e., burdensome permits and tariffs), with enlarged access to financial institutions (particularly for agriculture and the informal sector), and with an adequate and well maintained infrastructure (particularly electric power and transport). Greater resource allocation will have to be directed to address the problems of the poorest segments of population (namely education, health, nutrition, water supply and sanitation) but in so doing increased efficiency in the delivery is necessary. Reliance on the private sector for most of the latter, assuming satisfactory unit prices and government supervision, should be continued. Given the large need for investment and social spending, careful selection and prioritization of programs-projects will be essential. In reactivating the rolling public investment program, the constitutional Government should seek external assistance to help strengthen its content. With the support of donors, the constitutional Government may have to revisit some of the externally financed projects under execution prior to the coup d'etat; because of the need to concentrate efforts to maximize the impact of foreign assistance on economic recovery and the dismantling of project executing units, some of the projects may require revision and others possibly cancellation.

23. The most urgent macroeconomic policy requirement is dealing with the large fiscal imbalance, which is the major cause of inflation. Fiscal soundness needs to be achieved by strengthening tax enforcement, tightening expenditure control (discontinuance of ministerial discretionary funds and civil servants allowances), curtailing unlawful activities that have increased after the coup d'etat (such as corruption, contraband trade and tax evasion), eliminating the financial drain imposed by the poor performance of public enterprises and reducing the number of civil servants. The latter, however, would need to be done prudently in order to avoid firing at once a large number; social healing could be adversely affected otherwise. In addition, over 70% of the civil servants earn slightly less than US\$ 110 per month at the current exchange rate and account for about 40% of public sector total wages. The probable savings resulting from a large dismissal, therefore, would not be significant. In the mission's opinion, a better vehicle would be the recommended civil service reform. As part of the reform, the constitutional Government could consider a combination of early retirement and voluntary departures induced by severance payments to

reduce public sector employment. It has to be recognized as well that civil servants in Haiti are generally underpaid; to attract and retain qualified personnel the constitutional Government will have to eventually improve salary scales in the public sector.

24. The constitutional Government has already shown determination to collect taxes due as evidenced by the results of FY 1991. While allowance has to be made for the time needed to rebuild the tax administration and introduce the three-year tax reform prepared with assistance of the IMF, the mission believes that the constitutional Government can nevertheless make important progress towards reducing the overall budget deficit in FY 1994. In addition to restoring petroleum income to help increase fiscal revenues, the constitutional Government should also consider tightening tax deductions and exemptions (including those for NGOs), raising the annual motor vehicle licensing fee, collecting real estate taxes (in nominal terms, during the last four years per capita real estate tax collections in the largest and most affluent municipalities have declined fourfold) and applying a unified tax on all imports on the basis of the free market exchange rate (para. 28). The tax revenue immediate objective should be to return as soon as possible to the level of GDP achieved in FY 1991 (8% of GDP). The longer term goal, however, will necessarily have to be more ambitious since domestic resource mobilization will play a major role in sustaining economic growth and social development.

25. In spite of the recommended reforms, the mission estimates that the constitutional Government will require external budgetary support for a number of months in order to be able to resume its operations (para. 7). First, efforts to increase fiscal revenues will take some time before yielding results. Second, the coffers of the Treasury are mostly empty and expenditures for ongoing operations, including civil service pay, have to be met. Third, aside from external debt arrears, the Treasury will have to service current external debt. Finally, there are the already mentioned large, albeit unconfirmed levels of unpaid domestic obligations that need to be regularized.

26. Given the changes that are occurring throughout the world and the public sector's sharply deteriorated condition, the mission feels that the rationales underlying the public sector's role in the economy, which has hampered development in sectors such as industry and tourism, are no longer valid. The recent performance of the public enterprises (service quality, management and costs) has been poor and is resulting in unsustainable deficits. Unless they are privatized (divestiture, joint operation with private investment partners or contracting out management operations), to upgrade their services and cope with the expected demand, they will need a large volume of financial resources that are clearly beyond the capacity of the constitutional Government. Furthermore, the privileged position previously enjoyed by public enterprises has been gradually dismantled over the years by government measures or undermined by contraband. Therefore, the mission feels that the constitutional authorities should carefully consider their options. If the route chosen is privatization, development of a regulatory framework to deal with monopolies (electricity, telecommunications, water and parts of transport) should be started as soon as possible. A fair competition law would also be required.

27. Awaiting privatization, public enterprises would need to improve their efficiency. Efforts should be made to collect what is owed to them (as of September 30, 1992, private sector liabilities to four of the

enterprises totalled in excess of US\$ 20 million equivalent, excluding frozen monies in deposit because of the embargo). The mission also recommends that the constitutional Government considers entering into management contracts for EDH, APN and Port-au-Prince's Airport (the mission was unable to learn the whereabouts of departure taxes), and with foreign technical assistance develop a privatization policy, together with appropriate implementation arrangements. Careful consideration would also have to be given to the possibility of divesting of government owned financial intermediaries.

28. Haiti's exchange system is free of restrictions; all transactions are taken place at the free (interbank) market rate. The constitutional Government should continue this policy and allow the Central Bank to intervene only to purchase foreign exchange for its operations. The de-facto removal of the 40% export retention should be legalized.

29. Monetary policy should be consistent with the objective of lowering inflation, improving balance of payments performance and supporting private sector activity. It should be buttressed by a stronger fiscal position. Interest rates should be liberalized to reflect market conditions. Temporarily, reserve requirements may have to be raised to mop excess liquidity. However, as the economy recovers, a lowering of reserve requirements should be considered to provide for additional credit to the private sector. Unifying reserve ratios across deposit categories should be instituted to avoid unintended changes in the money multiplier which make difficult the conduct of monetary policy. At the same time banking supervision requires strengthening; for this, technical assistance, possibly from the IMF, is recommended.

30. Repression, a weak constituency and unemployment have kept labor demands under control but with the return of the constitutional Government this situation could change. Although no reliable data exist on wages actually paid, it is clear that in recent years there has been a marked deterioration of real wages in the formal sector. To avoid that wage pressures could have an adverse effect on the needed economic stabilization, the mission feels that the constitutional Government may consider working out an agreement with the private sector that, on its own, will voluntarily adjust wages to reflect increases in the cost of living and productivity.

31. The international trade system needs to be further overhauled to set up a stable and neutral system. In addition to having too many different rates and making it difficult to administer, the import duty structure has a large number of exemptions. In spite of the fact that the de-facto Government has continued to eliminate import duties on a number of products, custom duty rates are too high and encourage smuggling (a major practice at the present time). To avoid this situation and to encourage economic efficiency, the mission believes that a uniform tariff system of 5-10% would be easier to administer and could reduce contraband considerably (the tariff duties on petroleum imports would have to be converted into additional excise taxes). Revenue losses stemming from the lowering of overall import tariffs would be offset in part by the augmented imports passing through customs. A further gain in custom receipts would accrue from the wider tax base, if for custom duty valuation imports are priced at the free market rate (presently a fictitious rate of Gde. 5 per US\$ plus a 30% premium is used).

32. In view of the magnitude of the problems found, the mission sees the possibility of eradicating poverty in the immediate term as very difficult. It would be unrealistic in face of the massive poverty and the domestic resource constraint, to deal with it through hefty subsidies or large scale income transfers. The country cannot afford these; but for carefully selected programs focusing on vulnerable groups in urban and rural areas explicit subsidies, even if the services delivery is handled through the private sector, could be justified if the fiscal situation improves. Programs to reduce the cost of water to the poor, increase affordable health and education (particularly literacy and vocational training), improve nutrition and sanitation would help make a meaningful headway in helping the poor. Yet, sustained progress can mainly come about through actions to create jobs, and upgrade labor skills and productivity. The constitutional Government must intensify investing in the development of human capital to improve social conditions.

33. While implementation of an economic development strategy will rest primarily with the constitutional Government, success in achieving this objective will also depend on the active participation of the private sector. The political crisis has caused the private sector to split into small interest groups that lack a clear and coherent long-term perspective. Building a common position based on respect for the principles of democracy and the market is essential to enable the private sector to play its indispensable role of economic and social development.

V. SECTOR COMPONENTS OF THE EERP.

34. The mission has reviewed the situation of the major sectors, excluding the informal sector because of the insufficient information and time limitations. Yet, the mission recognizes that the informal sector in Haiti is large and has been growing fast. It is an important employer and, properly supported, could make a significant contribution to the economy. USAID is undertaking a research study that once completed should shed light into the size, composition and requirements of the informal sector. This should permit that future external assistance pay increased attention to the development of the informal sector.

35. The mission has identified emergency programs in the principal sectors totalling US\$ 195 million to be carried out during the first twelve months after the return of the constitutional Government. Nearly two-thirds of the programs involved labor intensive works. Social programs directed at poverty alleviation, repair of basic infrastructure, protection of the environment and initial support to private importing industries constitute the bulk of the proposed assistance. The remainder is for technical assistance to help reorganize the public sector, strengthen economic management and assist in carrying out the EERP. A brief description of the programs is given below.

36. Agriculture (US\$ 26.1 million or 13.4% of the total). 71% of the population is engaged in agriculture and most are extremely poor since on average they cultivate about 0,65 hectares each. The proposed assistance, therefore, has an important social dimension.

37. The EERP for agriculture would be aimed at improving income generation to reverse the acute decapitalization that has occurred in the

sector, rapid restoration of the productive infrastructure and a limited number of actions to buttress the sector's medium-term production potential. It would consist of labor intensive rural roads, restoration of irrigation infrastructure and site-specific anti-erosion works (the public works program would provide annual supplemental incomes of about Gdes. 2,000 to one-fifth of the cultivating rural households).³ It would also make use of the still available but diminished implementation capacity in rural areas for seeds programs, livestock production and vaccination, and nursery and grafting of fruit trees. In addition, it would support competitive market development for agricultural inputs and outputs as well as the re-starting of the reorganization of the Ministry of Agriculture (MAG).

38. The agricultural component of the EERP (and those for other sectors) would be coordinated by a central implementation unit (CIU) to be set up (para. 31). CIU would be supported by an unit in MAG and nine departmental units. Planning, monitoring and supervision would be done by the ministerial unit and execution by the departments. In addition to representatives of MAG, departmental units would have the participation of peasant organizations, NGOs, donors and technical specialists. The active involvement of beneficiaries is intended to limit fraudulent practices, promote accountability and ensure that meaningful programs are undertaken.

39. Public Health and Nutrition (US\$ 23.3 million or 12.0% of the total). The EERP component for public health and nutrition would expand on ongoing humanitarian assistance. The political crisis has weakened the role of the public sector in health while enhancing that of NGOs (almost three-fourths of the primary health care is now handled by NGOs). Except for salaries, the Ministry of Public Health (MPH) has no operating budget and, consequently, its supervisory and training functions have suffered as have its secondary and tertiary health facilities. Therefore, the proposed assistance would be channelled mostly through NGOs.

40. The EERP would support the acquisition of essential drugs for the population at large, primary health care for the maternal and child population, cholera emergency readiness plan, increased vaccination coverage (particularly among pregnant women and children under five years of age), improved nutrition of the neediest population, supply of early-morning locally procured protein to poor children and food-for-work to returned illegal immigrants. It would also start the strengthening of MPH by helping redefine its functions, supporting decentralization of responsibilities, training and rationalization of staff, reinforcing the Basic Services Delivery Model (SYLOS) and centralizing under one agency (Programme the Medicaments Essentiel) the procurement and distribution of essential drugs.

41. Education (US\$ 9.4 million or 4.8% of the total). The fall in disposable incomes, rising fees and urban-rural migration have taken a toll in primary school enrollment. Estimates about the drop in enrollments range from 18 to 27%, although some improvement in the school

³ According the 1971 census, the total number of cultivating households was 616,710. This figure is still in use.

year 1992-93 is being reported. The suspension of external assistance and budgetary constraints have limited the functions of the Ministry of Education to paying salaries. There are limited outlays for operations and maintenance, and a total lack of investment.

42. The short-term intervention proposed under the EERP, to be carried out by UNICEF, UNDP, Fond de Parainage and FONHEP, would consist of primary school teacher training; trade training for young adults; scholarships for about 40,000 low income primary and secondary school students; repair, rehabilitation and equipment of 1,000 schools; and funding of primary school books to help lower the cost to needy children.

43. Inter-City Roads, Urban Infrastructure and Municipalities, Water, Sanitation and Waste, and Ports (US\$ 53.8 million or 27.6% of the total). Physical infrastructure is in serious disrepair. Roads (including farm to market) are in poor shape (96% of the 2,400 km of primary roads are considered to require repair and/or rehabilitation) thereby increasing vehicle operating costs (also pollution), urban infrastructure is in a stage of abandonment, water supply is deficient and encounters heavy losses, sanitation conditions have reached a deplorable state as a result of suspended drainage/collector works that were being financed externally prior to the coup, and gathering and disposal of solid waste is very precarious, particularly in Port-au-Prince. Compounding the problem are the weak sector institutions and the lack of self-financing. The situation at the ports is not better, APN's equipment is antiquated and unsuitable for container traffic, teams of docker are inordinately large and expensive, night work is rare with the result that Port-au-Prince has become the most expensive port in the Caribbean (a detriment to exports). The lack of buoys and lanterns makes coastal shipping hazardous.

44. While the mission recognizes that it will take time, resources and good organization to deal with these problems, it feels that the components identified under the EERP can help ameliorate the situation. Further, they would not only contribute to removing some important bottlenecks to production but also to benefiting directly disadvantaged groups of society through labor intensive works (1.4 million jobs per day over twelve months) and the environment.

45. To ensure rapid implementation of the infrastructure component, an executing unit would be set up in the Ministry of Public Works, Transport and Communications (MPWTC) to liaise with the CIU. The unit would be responsible for program execution, supervision and follow up. It would be supported by international consultants, who under the direction of the ministerial designate would run daily operations.

46. Public works' capacity in Haiti is not very large. Yet, contractors and research firms are quite numerous. The mission estimates that local capacity is of the order of US\$ 15-20 million per year. Therefore, international bidding will be necessary to carry out parts of the EERP.

47. The inter-city and rural roads program (costing US\$ 13.8 million) would concentrate on the rehabilitation of the existing road network and on restoring normal maintenance levels. It would support a) the rehabilitation of badly damaged areas in primary roads (Route National 1 and 2, Route du Sud, Route de l'Amitie and the one between Belladeres and Baptiste) and several unpaved roads (about 1,000 km combined) on

which transit is now possible only with four-wheel-drive vehicles; b) elimination of regressive embankment erosion and landslides; c) routine manual maintenance of about 300 km of roads; and d) reconstruction and protection of several main bridges.

48. The aim of program for urban infrastructure and municipalities (totalling US\$ 14,5 million) is to bring about an immediate and visible improvement to an alarming situation. It would consist of repair and maintenance of major urban arteries carrying heavy traffic, rehabilitation of four main road intersections, ad hoc improvements on seven markets (two in Port-au-Prince and one each in Petionville, Jacmel and Cap Haitien), refurbishing of the central abattoir at Port-au-Prince, general cleaning (including prevention of land erosion) and relocation of street hawkers to appropriate areas.

49. The program for water supply, sanitation and solid waste (estimated to cost US\$ 15.8 million) would help rehabilitate existing water plants, improve the quality of water, increase access to water to the low income groups, and reduce losses. With regard to sanitation and solid waste, the program would carry out emergency actions (cleaning out and disposal) and provide for permanent systems to sustain improvements in the future. Specifically, the program would: a) at Port-au-Prince, rehabilitate physical facilities to achieve a 50% increase in the supply of water, restore 50 standpipes and construct 100 new ones, augment the number of water meters, construct additional latrines in low income areas, open up outlets of main sewers and clean 150 km of drains along main roads, removal of heavy waste accumulations on streets/vacant land, develop 100 secondary waste dumps, construct road access to waste dumps and provide for the acquisition of a weight station; and b) in secondary towns and rural areas, continue suspended water programs, carry out emergency sewerage works and waste disposal.

50. The program for ports (totalling US\$ 9.7 million) is designed to correct deficiencies in APN's facilities and to prepare the institution for eventual privatization. It would finance the procurement of maritime signaling, cleaning, traffic and container handling improvements, replacement of all electrical circuits and power takeoffs for refrigerated containers at Port-au-Prince, dock repairs at the City Soleil Port, drainage of the Jeremie Port and several works at the ports of Cap Haitien and Saint Marc. Consultants would be retained to reorganize APN into a private enterprise, carry out an inventory of its equipment and facilities, redefine its tariff policy and set up adequate security measures.

51. Electric Energy (US\$ 29.5 million or 15.1% of the total). For several years now owing to a decline in its generating capacity, EDH has met peak demand by load shedding. Insufficient supply capacity, non-reliable service with frequent and prolonged interruptions, sub-standard quality of electricity with voltage and frequency variations and system losses of about 45% have affected economic activity adversely. This condition has caused a rapid expansion of privately owned generating backups which, in turn, have increased fuel demand and are contributing to decreased energy efficiency. Institutional, management and financial problems (only 60% of generation is billed and 75% collected) have aggravated the overall situation. Although prior to the coup there were externally supported programs of institutional strengthening,

rehabilitation and generation expansion, their suspension and the economic embargo have left EDH in a serious crisis.

52. The emergency program for electricity under the EERP would include a) an aggressive program of rehabilitation and maintenance with a view to recovering up to 75 MW of installed capacity in thermal plants; b) minor emergency works at the Peligree Dam; c) rehabilitation kits for Carrefour, Varreaux and Delmas; works and spares for Cap Haitien; d) transmission and distribution components (transformers, capacitors, protection, control and metering equipment, and emergency vehicles). If the program proposed by the mission would be carried out on time, a shortage of 20-30 MW would still prevail. Under IDA's (World Bank) fifth power project a 20 MW gas turbine unit had been called for tender but, as a result of the coup, was suspended. US suppliers are now offering off-the-shelf 20-30 MW gas turbine packages with installation under three months. Therefore, once IDA resumes activities in Haiti, this alternative would have to be pursued.

53. The emergency program also makes provision for a two-year management performance contract with a foreign utility to take over management, operation and administration of EDH. The utility company would be given complete responsibility for turning around EDH and for achieving in a short period a major improvement in its operations. This would facilitate the privatization of the enterprise. The utility company would carry out the physical program in consultation with the CIU.

54. Industry (US\$ 33.0 million or 16.9% of the total). To facilitate the process of adjustment and trigger an early supply response, the mission concentrated its focus on export manufacturing (assembly) since prior to the coup it accounted for over two thirds of employment and for more than half of domestic manufacturing value added. Yet, it has to be recognized that all industrial firms have been hard hit by the crisis and, as a result, several have their financial situation impaired. Relief in the form of refinancing arrangements for viable firms will have to be considered by the Central Bank in cooperation with the commercial banks. Of great urgency, however, is credit for working capital to insure a quick relaunching of industrial production, particularly manufactured exports. Consistent with this, the EERP includes a line of credit for this purpose channelled through the industrial rediscount facility (FDI) of the Central Bank. Subloans would be made at market rates to encourage appropriate resource allocation.

55. The return to political stability will encourage a gradual resumption of industrial activity. The unfortunate disruption of manufacturing exports provoked by the embargo need not to be an insuperable constraint. The country's international attractiveness as a base for low cost export manufacturing remains. There is local entrepreneurial talent and an abundance of competitive productive labor. Furthermore, Haiti enjoys preferential market access in the US (Generalized System of Preference, Caribbean Basin Initiative and Tariff Item 807 and 807A) and Europe (Lome Convention); the international community may be willing to consider others to assist the economic recovery.

56. Technical Assistance (US\$ 19.9 million or 10.2% of the total). Consistent with the recommendations made in this paper and as part of the

EERP, the mission considers of utmost importance the provision of technical assistance to: a) support the implementation of the EERP; b) strengthen macroeconomic management; c) define an appropriate privatization strategy for the public enterprises; and d) initiate reorganization of the public sector, including reform of the civil service. In addition to the assistance to strengthen governance already mentioned, the UNDP is considering the preparation of a three-year technical assistance program (FY 1995-FY 1997) that in the medium-term would help expand assistance to other areas, placing emphasis on capacity building in the public sector and staff training.

57. The execution of the EERP will be complex and demand swift actions. The reactivation of the economy, and for that matter the wellbeing of the citizenry, depends heavily on the successful execution of the program. Furthermore, a strong organization in charge of implementation, would provide significant assurance to donors that the chances of success are good. The proposed technical assistance is intended to reinforce implementation capacity; it would help staff the central unit and, as needed, sectorial ones.

58. Among the skilled manpower shortages, the entities responsible for macroeconomic management and those supplying basic statistics are the most seriously affected. Specifically, technical assistance would be provided to the Ministry of Finance to prepare and monitor comprehensive financial programs, and improve tax revenue collections; to the Central Bank to strengthen its research, accounting, international operations and supervision departments; and to the Institute of Statistics to improve the national accounts.

59. Fundamental to the conduct of a successful privatization program is an agreed strategy. To assist the constitutional Government a) define objectives of privatization, b) design criteria for determining the eligibility of enterprises for privatization, c) develop arrangements and technical procedures to be followed in formulating and executing transactions, d) carry out necessary asset valuations, e) formulate management performance contracts and f) prepare a regulatory framework to deal with monopolies, technical assistance is proposed.

60. The organization of the public sector is too centralized and with excessive manpower to discharge its functions effectively. The staff structure is bottom-heavy, i.e., well over two-thirds are in the lowest semi-skilled and unskilled positions. Given the need to manage carefully the economic recovery and to increase public sector efficiency, the mission feels that a restructuring of the public sector (that will lead to a consolidation of scarce management and technical resources, a reduction in staff, responsibility and employee motivation) should be initiated as soon as possible. Technical assistance for this purpose is included in the EERP.

Summary of the EERP.

(in US\$ million)

	<u>Amount</u>	<u>% of the TOTAL</u>
Agriculture	26.1	13.4
Public Health and Nutrition	23.3	12.0
Education	9.4	4.8
Roads, Urban Infrastructure, Water, Sanitation and Ports	53.8	27.6
Electric Energy	29.5	15.1
Industry	33.0	16.9
Technical Assistance	<u>19.9</u>	<u>10.2</u>
Total	195.0	100.0

61. Implementation Arrangements. In view of the urgency to initiate and sustain the progress of the programs identified above, and taking into account the serious bottlenecks in program execution found in the public sector, the mission recommends the creation of a central implementation unit (CIU). This unit would be responsible for coordination and management support of the physical part of the EERP and would cease operation once sufficient national capacity would be created. The CIU would facilitate rapid procurement, contracting and disbursement of externally financed emergency programs, while ensuring efficiency, accountability and transparency. All external financing for the EERP would be recorded with CIU. This would help track progress and impact of the EERP, avoid duplication and strengthen coordination of donors' initiatives.

62. The CIU would be under the jurisdiction of an appropriate ministerial office. It would be headed by a Haitian National of the highest level, with technical backstopping provided by national and international experts.

63. Procurement of goods and services under the EERP would involve simple, uniform and quick procedures to be agreed between the constitutional Government and donors. In cases where donors are unable to operate with such procedures, they would need to make every effort to apply their own in a flexible and expeditious manner. A special account, subject to audit, would be established in the Central Bank to channel all the external funds managed by the CIU. Disbursements from this account would be made upon receipt of appropriate documentation.

64. The constitutional Government would need to officially authorize the creation, operation and staffing of the CIU, and, most importantly, the extraordinary procurement procedures envisaged. Prompt action in this regard would permit starting the program following the approval of external funds.

VI. FINANCING OF THE EERP

65. The mission is still refining the projections for the balance of payments. It appears already, however, that in the short-term the external current account will be determined by the external financial support given to the EERP and its implementation. While some recuperation of light manufacturing and agricultural exports is envisaged after lifting of the trade embargo, tourism is forecast to remain depressed. By the same token, no major private capital inflows are anticipated until the situation normalizes and confidence is regained. On this basis and assuming resumption of multilateral financial assistance nearing the second half of the year, the preliminary estimate of the external financing gap for FY 1994 prepared by the mission is about US\$ 240 million, including accumulated external debt arrears of around US\$ 75 million. With the support of bilateral donors the constitutional Government will have to regularize these arrears without delay and, on its own, preclude foreign commercial borrowing by the public sector.

Summary Account of the Balance of Payments, FY 1994.*

(in US\$ million)

Exports GNFS	234
Imports GNFS	<u>570</u> a
Trade Balance	-336
Net Services	-89
Transfers	<u>75</u>
Current Account Balance	-350
Official Grants and Humanitarian Assistance	110
External Financing:	
i. Multilateral (net)	75 b
ii. Bilateral (net)	--
Unfinanced Gap	-165
Debt Arrears	<u>-75</u> c
External Financing Required	240 d

Notes

- * Preliminary.
- a) Import levels are equivalent to those of FY 1988 adjusted by international inflation and include the EERP.
- b) Does not include resumption of project assistance.
- c) It includes debt arrears requiring immediate cancellation only.
- d) Omits financial assistance for governance.

66. If the external financing required for the EERP is successfully mobilized, Haiti should be able to attain a GDP real growth rate of 3-4% in FY 1994. This would permit an appreciable improvement in private per capita consumption that has fallen drastically over the years; it would also help the unemployment problem. Better use of infrastructure as a result of the EERP, would contribute to improving the efficiency of investment while encouraging private sector activity. At any rate, given

the low level of investment that has taken place in recent years, a high capital-output relationship will be necessary in the future to reactivate the economy. This can be achieved only with the continued support of external donors, given the insufficiency of domestic savings for the level of needed investment to sustain economic growth.

67. The mission has made an indicative disbursement projection, by quarters, of external financial requirements associated with the EERP, including clearance of the external debt arrears and direct budget support. It excludes humanitarian assistance and the reactivation of project lending from the multilateral institutions. On this basis, needed disbursements would be as follows: US\$ 150 million in the first and US\$ 165 million in the second, third and fourth quarters combined. About 24 % of the requirements would be provided by multilateral sources, the rest (76%) would need to be mobilized.

EERP - Indicative Disbursements, FY 1994.
(in US\$ million)

	<u>Q1</u>	<u>Q2-Q4</u>
Clearance of Arrears	75	--
Direct Budget Support	45	--
EERP	<u>30</u>	<u>165</u>
Total	150	165
Multilateral Sources*	(---)	(75)
Unfinanced	(150)	(90)

Note. * Net resource transfer after servicing current debt obligations.

VII. EXTERNAL AID AND THE NEED FOR CONCERTED EFFORT.

68. During the political crisis, humanitarian assistance and other programs have been carried out without the participation of the de-facto authorities. Priorities were determined by donors in consultation with the executing bodies (NGOs). The aim of this assistance has been to meet urgent needs and not necessarily an established development objective. While indeed it helped mitigate some of the people's suffering, it did so at the expense of institution building in the public sector. After a period of transition, it is to be expected that donors will discontinue this practice and return to financing priority programs/projects that are included in the public sector investment program.

69. Implementation of the EERP requires close collaboration between the constitutional Government and donors, and among donors. Its success is crucial to help restore viability to productive activities, employment creation and social development. Given its short duration, it is essential that external assistance be well managed and coordinated in order to have the intended impact. Attaining this goal should be facilitated by the fact that unlike past programs in which donors supported different objectives, the EERP concentrates on one, the rehabilitation of the Haitian economy.

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SUMMARY OF CURRENT HAITIAN SOCIOECONOMIC SITUATION (JUNE 1993)

COUP IMPACT

The *coup d'état* of September 1991 made clear the existence of two political camps in Haiti. On the one hand are those sectors of society which are pledged to the continuation of governmental constitutional legitimacy and the rule of law and who take President Aristide's active tenure in office as integral to that continuation, despite their particular political differences. On the other hand are those who justify their usurpation of power by Aristide's alleged abuses while in office and their perception of the implicit threat of mob violence in his overwhelming popular support. Repressive actions either condoned or authorized by the *de facto* authorities have been directed at those social groups who support Aristide's return, whatever their political justification. One consequence of this political division has been a widening of the social and economic gulf already existing between the elite and the popular classes.

EMBARGO EFFECTS

The consequent internationally-imposed embargo has had a whole series of direct material effects, ranging from the absence or limited supplies of certain key imported production commodities, to the closure of certain markets for important exports, to the ramifications of all these factors on domestic production and exchange. While individual social sectors have felt these various constraints in different ways, all Haitians are being affected by the resultant rising inflation and the devaluation of the *gourde*. Although the direct effects of the coup and the embargo are readily delineated, their most deleterious and profound impact has been their amplification into an already declining national and rural economy. Already visible long-term negative trends have intensified and are creating a crisis situation.

POVERTY INDICATORS

For Haiti, the typical poverty indicators, like overall GNP per capita at US \$ 360 [in 1988], infant mortality at 114 per thousand births, average life expectancy at 55 years, or overall nutritional intake at only 80% of daily requirements, tend to obscure the starkly disproportionate distribution of income and wealth between the elite and the popular classes -- where 0.4% of the population average over \$54,000 a year in income, and close to 70% of the population earn less than \$ 150 a year. Although these figures were last reported in 1976, the generally acknowledged causes of this disparity, namely inequity in the country's trade regime and monopoly profits inherent in government taxation, have been given free rein in the current situation, so that analogous figures for this crisis period would undoubtedly show even further disproportion.

PEASANT DECAPITALIZATION

Together, the effects of embargo and the *coup's* reinstatement of a traditional political and economic elite have exacerbated an on-going process of decapitalization of the majority of peasant farmers in this largely rural society. In order to merely survive, peasant farmers have been forced to sell their capital assets. This has entailed primarily the sale of livestock, the sacrifice of perennial crops (trees) to charcoal production and the sale of land, where 58% of the rural population only had access to 21% of all cultivated land and no significant labor market exists. This decapitalization process is increasing already severe pressure on the natural environment, which prior to the coup was characterized by rapidly diminishing groundwater and usable surface water, cultivation of fragile lands, less than 5% forest cover and the equivalent of 6,000 hectares of valuable top soil lost each year.

SELF-HELP

Those genuinely concerned with the improvement of average Haitians' socioeconomic standing have over the years come to recognize that this improvement cannot come about without the active self-interest of Haitians themselves -- an idea embodied in the notions of participation and empowerment. Perhaps more serious even than the tragic material circumstances the majority of Haitians now find themselves in, is the damage now being done to their various efforts at helping themselves.

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THE PRE- AND POST-COUP HAITIAN RURAL SOCIOECONOMIC SITUATION

A. DIRECT EFFECTS OF THE COUP AND CONSEQUENT INTERNATIONAL EMBARGO

The *coup d'état* of September 1991 and the consequent internationally-imposed embargo had certain immediate results. The *coup d'état* itself ushered into *de facto* power certain social groups opposed to, or threatened by, Father Bertrand Aristide and the social forces and policies that he represented. The ostensible rationale for the *coup*, as well as for continuing opposition to Aristide's return, was and is his alleged abuse of power while in office and his implicit threat of mob rule and violence in his capacity as the champion of the overwhelming majority of poorer Haitians. The other side articulates this schism in Haitian society in terms of the constitutionality and thus legitimacy of Aristide as President, with his return a necessary condition for the restoration of a legitimate government and democratic process.

The direct effects of the *coup* are first of all the displacement of popularly-elected government officials at most levels, and the substitution in their place of *coup*-sympathizers, as well as the exercise of power and the maintenance of this "new" order through the military and its associates. The actions of these *de facto* authorities has resulted in widespread repression of all actions or groups associated with either Aristide himself or the brief tenure of the legitimately elected government. Actual instances of repression range from intermittent censorship of the press, the prohibition of public meetings or gatherings, to a campaign of terrorization of the "popular" classes through arbitrary arrests, beatings, disappearances and assassinations. As a consequence, traditional social divisions in Haitian society, those that divide the society into the "political class" and the "ordinary class," have deepened and hardened, with hostility, fear and intimidation characterizing the relations among them.

The internationally-imposed embargo has set in train another whole series of direct material effects. The initial arrest of all international exchange, after the first few months modified by changes in trading partners and external markets as well as contraband, resulted in the absence or limited supplies of certain imported commodities, and serious constraints on the movement of particular export commodities. Among imported commodities, the most significantly affected has been fuel, which with periodic shortfalls and unreliable supplies has been characterized by steadily increasing prices. Lower prices for important export commodities, beset by transportation problems, absent or changed external trading partners and markets, have affected all sectors of the national economy including a majority of rural household farms, where export cash crop production is integral to production strategies. The embargo has accelerated the decline of the assembly sector and various cottage industries, resulting in some 150,000 jobs lost, further increasing pressure on the informal sector and the rural economy.

Long-term inflationary trends in the Haitian economy have accelerated, coupled with a sharp rise in the price index, from an increase of 9% between 1970 and 1987, to between 20 and 30% since the *coup*. The depreciation of the *gourde* in relation to the persistent high price for the dollar has resulted in higher prices not only for imported goods, but also production costs for local manufactured or processed commodities and rents.

B. THE PROCESS OF IMPOVERISHMENT

The often cited fact that Haiti is the poorest country in the western hemisphere is usually accompanied by such indicators as: overall GNP per capita is only US \$360 [1988]; 70% of its urban population and 80% of its rural population are below the poverty line; infant mortality is 114 deaths per thousand births; average life expectancy is 55 years; adult illiteracy is at 65%, population growth is 2.1% per annum [1991]; and overall nutritional intake is only 80% of daily requirements. The observations that over three quarters of the population live in rural areas, but that agricultural production per capita has barely increased since the 1970s, and that agriculture now accounts for only 25% of GDP compared to 50% in the early 1950s, suggest the faltering rural economy as a major contributor to all these downward trends. Real economic growth, averaging 5% a year, noted for the latter half of the 1970s is attributed to increasing public investment financed from abroad and a major expansion in export assembly industries, reaching over 60% of merchandise exports, although agricultural commodities make up most of the rest, with coffee

alone averaging currently 20% of exports. Over the last thirty years, output and employment has shifted toward the urban sector, with the urban population growing at 4% per year. Despite deteriorating agricultural production and a shift to urban industries, most of the country's wealth continues to derive from both domestic and international trade, just exports and imports of goods account for 65% of the GDP.

Although some current reports indicate that the country's trade regime *has become* a source of inequity in income distribution through monopoly controls, most in-depth studies indicate that monopoly profits associated with import and export trade and on domestic distribution of certain locally produced commodities, as well as monopoly profits inherent in government taxation, have long been the source of wealth and power of the political class. Figures showing income and poverty levels per capita tend to obscure the starkly disproportionate distribution of income and wealth between the political class and the ordinary class -- the producers whether urban or rural. The 1988 World Bank report on economic performance in Haiti leaves blank the figures for income distribution or distribution of land ownership in their 'Country Data Sheet,' and any statistics relating to income distribution since that time are exceedingly rare, if they exist at all.

However, distribution of national income figures available from 1976 [Institut Haitien de Statistique and World Bank Mission estimates] are indicative and probably little changed in general outline for the present period.

Income Class [average income per year in \$ equivalent]	Country Total	Port-au-Prince	Other Towns	Rural Areas
\$136	68.4 %	26.2 %	65 %	72.5 %
\$365	20.7 %	11.5 %	13.1 %	22.2%
\$707	8.4 %	47.9%	18.1%	3.8%
\$1400	1.2 %	3.7 %	1.1 %	1.0 %
\$1812	0.5%	5.5 %	1.3 %	0
\$2100	0.3%	2.1%	0.3%	0.2%
\$3000	0.1%	1.2%	0.1%	0.1%
\$54,019	0.4%	1.9%	0.9%	0.2%

While the figures speak for themselves, two aspects are worth noting. The increasing rate of impoverishment of the general population cannot be disassociated from the processes of concentration of wealth in the upper classes. And neither can be confined to either rural or urban sectors.

C. THE NATURAL RESOURCE BASE

It has been estimated that land under some form of agricultural production is six times greater than that which should be cultivated under conventional notions of "good" agriculture. The two most serious factors contributing to Haiti's deteriorating natural resources base are widespread deforestation and soil erosion, and these directly stem from agricultural production exceeding the carrying capacity of cultivable lands and the cultivation of marginal, primarily steep hillside, areas.

The reduction of forest cover, from 20% in the 1950s to less than 5% currently is caused by the continual expansion of cultivation into marginal areas due to population pressure and downward spiralling agricultural yields. Tree cutting has also increased partially in response to an ever increasing demand

for charcoal, as the only cheap alternative to imported fuel resources, and partially to the demand for local, and cheaper, lumber. Groundwater and usable surface water have diminished as well, depending directly as they do on an adequate vegetative cover for water storage and gradual release into river systems and the water table. Loss of permanent vegetative cover is also the first step in soil erosion, which not only affects immediate hillside areas, but through siltation damages the productive potential of lowlands and coastal and marine areas as well. Over the past forty years, estimates of remaining viable agricultural land show a consistent decline of 3 % per year, the equivalent of 6,000 ha of valuable land lost each year.

While all the factors contributing to this degradation of the natural resource base have been implicated in the post-*coup* period, those most alarming are the increased rate of charcoal production to make up for decreasing income and decreasing agricultural yields and prices. The initial high prices for charcoal following gasoline and diesel shortfalls in the early post-*coup* period, together with a sharp reduction in demand for traditional export perennial crops, caused large numbers of peasant farmers to sacrifice coffee and its associated tree cover, as well as mango and avocado trees, to charcoal production and the substitution of annual crops which exacerbate erosion processes. Prior to the *coup*, perennial vegetative cover associated with coffee plantings alone accounted for 54% of remaining forested areas. Given these trends and the current conditions, the yearly 3% loss of arable land in the past applied to this post-*coup* period is likely a serious underestimation.

D. AGRICULTURAL PRODUCTION

Agricultural production is the primary source of livelihood for over 70% of the population, but since the early 1980s productivity in this sector has declined steadily, after a period of weak growth in the 1970s. While more than 80% of cultivated lands is devoted to the production of food crops, their combined value is half or less than that for export crops, excluding sugar. This decreasing productivity is typically seen as the result of increasing population pressure, poor and maladaptive cultivation techniques, lack of investment in production, at either the national or household level, and deteriorating environmental conditions, as well as government taxing and pricing structures, oligopsonistic markets, extremely limited access to credit, weak or nonexistent institutional support and lack of adequate rural infrastructure.

The effects of the embargo have emphasized certain of these contributing factors. The limited supplies of fuel have directly increased transportation costs for agricultural commodities, both domestic and export, by as much as 100% in some regions in the early post-*coup* period. This increase in price has altered the balance between transport costs and market value to the detriment of both the internal marketing system and the movement of commodities still being exported. Most local food crops have experienced a drop in prices due to these fuel-related interruptions or reductions in marketing circuits. Highly productive areas of the country, *viz.* the alluvial plains of the Artibonite, Léogane, and Cayes, dependent on fueled irrigation systems, have had their irrigation perimeters reduced or discontinued altogether, resulting in substitution of less productive crops at lower yields. Rural enterprises dependent on electricity or gasoline have either ceased functioning outright or have switched to charcoal.

Embargo restrictions have limited the availability of seeds and agricultural inputs, most of these normally imported. Lack of, or high prices for, chemical fertilizers and pesticides has had a serious impact on certain crops, particularly those dependent on irrigation, but also on maize, sorghum, beans and other important local food crops. Responses to these constraints have involved substitution of inferior low-yielding local seed varieties, omission of any inputs at all, and cultivation of alternative crops with low production costs and rapid turnover. The overall result has been an increase in deforestation rates and a net decrease in crop yields and lower prices for those yields for the average peasant farmer.

The embargo's closure of certain markets for important export crops, especially mangos, cocoa and sisal, and the initial closure and then realignment of transportation routes for coffee have also had a negative effect on the average peasant farmer. Traditionally these cash crops have been an important steady

source of cash income, serving both consumption and investment needs, and so their absence or limit in the farmer's repertory has ramifications for all crop production.

In sum, reductions in crop yields, lower prices for most crops, and the severing of reliance on export cash crops as a possible "safety net," have led to absolute reduction in income for most small farmers. As cash is integral to the entire agricultural production system, even at the household subsistence level, other sources have been sought to replace income from crop production, *viz.* charcoal production from perennials, sale of livestock, and in extreme cases, land. Lack of sufficient income has also restricted access to land through various tenancy arrangements for both landless farmers and farmers with inadequate landholdings. Land, livestock and perennial crops represent the extent of capital assets owned by any peasant farmer. Thus the effects of the embargo, coupled with long-term decreasing productivity, is resulting in the decapitalization of the majority of Haitian peasant farmers.

The decapitalization of the peasant farmer has been to the benefit of better-off farmers and other economic elite. The proliferation of new monopoly holders in certain areas, and the reinforcement of long-standing elite, have also served to reduce competition and consolidate economic control beyond agricultural production *per se*, affecting both commercial enterprises and circuits of exchange. At the same time, well-documented political repression in rural areas has been directed especially at local peasant organizations. While typically and understandably these organizations do have certain political agendas, they are also at the same time concerned with surmounting agricultural production problems shared by their members. The net effect has been a circumscription of promising local movements directed at collectively solving long-standing production problems and constraints. This represents a serious "decapitalization" of a social organizational base crucial to any long-term and permanent improvements in the rural economy. All these processes together are resulting in a new consolidation of power and wealth and a reinforcement of traditional patterns of stratification and exploitation at the expense of the large majority of small peasant farmers.

E. CENTRALIZATION: RURAL AND URBAN LINKAGES

The concept of centralization, political and economic, applied to Haiti is conventionally understood as the concentration of wealth and political power in the capital with the rest of the country oriented toward this center, all neatly contained in the expression "the Republic of Port-au-Prince." This understanding of centralization in the Haitian context, even when recognizing the relative importance of "secondary" cities, implies an asymmetrical relationship between two separate entities, rural and urban. While the overarching dominance of Port-au-Prince is straightforward, any discussion of centralization and concerns for decentralization should not neglect the issue of concentration of wealth which transcends rural/urban dichotomies.

The rural population primarily engaged in agricultural production or some aspect of its commercialization is not a homogeneous, unstratified group. This can be readily seen in the patterns of income distribution within rural areas. It is also evident in the size of landholdings, where 58% of farms operate on one hectare or less, divided into several non-contiguous plots averaging .34 ha each, and together taking up approximately only 21% of all cultivated land. Farms ranging in size from 1 to 5 ha take up 55% of cultivated land, and the less than 4% of farms holding over 5 ha occupy almost 23% of all cultivated land. And in any given rural community there are a number of landless peasants, dependent on wage labor or various tenancy arrangements. The two general marketing systems, one for staple crops, the other for export crops, also engender a series of intermediaries, beginning at the local level with small-scale market women and export crop agents and speculators, and ending with *Madamn Sara*, the regional marketing women, and various agro-industrial enterprises and the export houses -- each marketing level associated with ascending categories of income earnings.

It is nevertheless the case that economic stratification in the rural context begins with the ordinary class of agricultural producers, those holding and working one hectare or less of land. This division of rural society into a large ordinary class, on the one hand, and a small political class on the other -- those with

larger landholdings and at higher levels of the marketing circuits is repeated in the organization and delivery of services from the central government.

The four branches of the Haitian state, military, executive, legislative and judicial, each separately are centered in Port-au-Prince, and their respective organizational levels segment the country following its geographical units: the nine *départements*, further divided into *arrondissements* grouping together the total of 131 *communes*, with each *commune* divided into *sections rurales*, or *sections communales*, the smallest and most localized political-administrative unit. However, the four branches of the state come together at the local level, the *section communale*, in the person of the *Chef de section*, who by a combination of statutory law and practice, acts as police, administrator and arbiter in the affairs of the local community.

Although the 1987 Constitution modified this traditional governmental structure by the addition of an elected three member *Conseil d'administration de la section communale* (CASEC), which in turn forms the *Conseil municipal* at the commune level and sends a delegate to the *Assemblée Départementale*, in order to provide a venue for popular representation at the local level, in its enabling legislation it did not provide the CASECs with a revenue base nor structural integration with other levels of government at the *commune*, *municipale* and *département* levels. Thus at the local level, the CASECs remain without power or function to counteract the position of the *Chef de section*. Below the *Chef de section*, rural society is organized without recourse to external powers, following the parameters set by traditional and functional collectivities, and its own moral, social, economic and political codes.

The constituency of government levels above the *Chef de section* is precisely the political class, who by education, income, language and social accessibility, avails itself of government services and resources, while the ordinary class, for similar reasons, can only appeal to government through the *Chef de section*. Without an elected, legitimate government and structural integration, the promise of the CASECs in giving a modicum of voice and political power to the ordinary class is unfulfilled, and the power of the *Chefs de section* remains unchecked.

F. PUBLIC AND PRIVATE INSTITUTIONS

In addition to the administrative units of the state, the presence of public institutions is felt in relation to certain other sectors and activities. Notably, the Ministries in their various capacities are charged with national policy and planning, as well as research, extension, input supply and infrastructure development in the rural context. But the Government of Haiti is also itself the largest single landholder in the country, and through its parastatal Regional Development Organizations is directly responsible for the maintenance and management of primary and secondary canals in over 90% of the irrigation systems in the country. It is also the implementor of numerous development projects in conjunction with funds from international assistance agencies and just recently operated three sugar mills and a major grain mill. The government's prime actor in rural areas is the Ministry of Agriculture, with staff numbering over 2,500, and another 2,000 or more employed in the various RDOs. The inefficient organization of this Ministry emerges quite clearly with only a consideration of its budget, 96% of which is devoted to salaries. The suspension of foreign assistance during the post-coup period has left this sector with virtually no development funds aside from private sector contributions.

Non-governmental organizations doing development work of one sort or another have been active in Haiti since the 1950s. By 1988, it was estimated that there were between 800 and 1500 NGOs operating in Haiti, with less than 200 actually registered as such at the Ministry of External Planning, External Cooperation and Civil Service. A significant proportion of these, 400 by one study, receive donor assistance for carrying out their activities. Both the proliferation of NGOs and their support by donors are a function of the perceived and actual inefficiencies of government institutions in development activities. While on the whole, this NGO sector has been relatively effective in delivering its assistance and service to the local level, as a whole, it too can be characterized by inefficiency and redundancies caused by their

virtual autonomy, regional overlapping and lack of coordination of services. In certain instances, competition among NGOs has compromised local communities.

The for-profit private sector involved in one aspect or another of agricultural production, range from the very small scale enterprises, generally focussed on domestic marketing and related activities, to the approximately 125 middle and large scale enterprises involved primarily in processing and export. Dominant concerns among them are coffee and cocoa, essential oils and spices, agricultural inputs and supplies, agricultural processing, livestock, staple food crops, sugar cane, mangos and consulting services. Middle and large scale commercial enterprises are primarily based in Port-au-Prince, tend to be linked to producers by hierarchical relationships, and often have tightly interlocking directorates.

The post-coup period has been marked by a virtual termination of development activities in rural areas -- public institutions deprived of funds by international donors, and most NGOs in suspension or switching to humanitarian emergency assistance, or else inactive due to the prohibition against public meetings and political repression. The private sector appears to have shrunk somewhat, either by the reduction in volume and activities by single enterprises or the closure of other, more smaller ones. This effect in the private sector has increased formal unemployment and directly affected peasant producers. In the NGO sector, it appears that many participating farmers have lost confidence in working with any organization outside of their direct control.

G. PARTICIPATION AND EMPOWERMENT

Given the apparent undifferentiation and lack of visible indigenous organization among the ordinary classes, the concept of participation has posed a problem for many development organizations' project interventions in Haiti. The dilemma has been to identify the appropriate interlocutors, the actual interface between project and participants. Under both Duvaliers, this problem was addressed by the creation of community councils, usually situated at the *section communale* level and ostensibly representing the larger community. Unfortunately, in the greatest majority, the community councils' leadership did not represent the interests of the larger community. Community councils became organizations precisely to receive monies from external assistance agencies and in their formation merely recapitulated local hierarchies. Negative experiences with these councils led many development agencies to encourage and develop alternative peasant organization strategies. This "*groupement methodology*" over the years has yielded numerous peasant organizations, some genuinely representative. At the same time, self-initiated peasant groups, many based on long-standing traditional labor collectivities, have made themselves more visible to outsiders, putting themselves in a position to receive development assistance directly.

Despite this increased presence of local organizations, project participation *per se* has not resulted in unequivocal successes. Participation by itself does not ensure either appropriateness of project assistance nor the equitable distribution of project benefits. Both past experiences and a thorough understanding of rural society indicate that development assistance of whatever kind will not succeed unless it is perceived as in the self-interest of the individuals and communities targeted. Without self-interest, and through that a sense of ownership, development issues such as sustainability, appropriateness and democratization have no social base. Without an explicit perception of ownership and self-interest, ordinary people regard most project activities or services as just another job, another source of income, and no different in their relationship to it as that which holds between themselves and traditional Haitian institutions and economic systems. The incipient threat of local organizations, of a popularly elected government, rightly perceived by traditional power holders, is that they offer mechanisms for ordinary people to satisfy their own self-interest through control of the institutions that affect their daily lives. This process of empowerment is at the same time the only way to effect "development" and improvement of the rural economy as a whole.

INTERAMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE -- OFFICE IN HAITI

MEMORANDUM
OF CALL

Previous editions usable

TO:

Aimee Kim Kamborian



YOU WERE CALLED BY--



YOU WERE VISITED BY--

for Vicki Hufleston

OF (Organization)



PLEASE PHONE ▶



FTS



AUTOVON

509/231-477



WILL CALL AGAIN



IS WAITING TO SEE YOU



RETURNED YOUR CALL



WISHES AN APPOINTMENT

MESSAGE

RECEIVED BY

M76

DATE

12/1

TIME

63-110 NSN 7540-00-634-4018

STANDARD FORM 63 (Rev. 8-81)

Prescribed by GSA

☆ U.S. GOVERNMENT PRINTING OFFICE 1991:281-781/40014 FPMR (41 CFR) 101-11.6

MEMORANDUM
OF CALL

Previous editions usable

TO: Haiti

☐ YOU WERE CALLED BY - ☐ YOU WERE VISITED BY -

- until January
OF (Organization)

☐ PLEASE PHONE ☐ FTS ☐ AUTOMON

Paul Varishe - UNESCO

☐ WILL CALL AGAIN ☐ IS WAITING TO SEE YOU

☐ RETURNED YOUR CALL ☐ WISHES AN APPOINTMENT

MESSAGE

Franz Voltaire

Alice Blanchet

011-509-46-5610-
465079

RECEIVED BY	DATE	TIME

63-110 NSN 7540-00-634-4018 STANDARD FORM 63 (Rev. 8-81)
Prescribed by GSA
* U.S. GOVERNMENT PRINTING OFFICE: 1967-787-0004 FPMR (41 CFR) 101-11.6.

PHOTOCOPY
PRESERVATION

By noon Mon.
(Keith)

NATIONAL SECURITY COUNCIL

- Embassy Haiti
- DCM Vicki Wuddleston

(509) 22-03-54
22-03-68
22-02-00
22-06-12

(Amb/DCM Sec) 23-89-95

fax: 23-16-41

← 22-47-21

no lobbyists
+ trees

Mr. Jacques Cousteau - ok'd
Timmy Carter —
Jay Hair

Williams
+ Connolly Law Firm
Gregory Craig

Assistant to the Prime Minister

marine Turtle Biologist

Archie Carr Foundation

UFL

Costa Rica

ecotourism

Chief of Staff, Yanick Laforest

• Gregory Craig rep + spokesperson
of PM - Itinerary for PM's
stay in Washington

NY Times + Newsweek were
going to do it the week of the
30th. But problems so high
priority.

Big delay

Pine Maningos
asleep.

Do a story around X-mas

• Clerical pool to a problem.

NBC + CBS

going in Dec + Jan to do
stories on Ecuadorian

NGOs to meet Dec. 13 or 14
on Ecuador.



République d'Haiti

TELEFAX

TEL: 202-625-4358

FAX: 202-625-4356

4363

NUMERO: _____

DATE: 11/29 1993

ATTENTION: _____

CHRISTIAN MARSH

DE

FROM: _____

YANICK LAFOREST

NUMBER OF PAGES: _____

NOTICE: _____

FAX TO MS. McGINTY

FOLLOWING OUR PHONE CONVERSATION

HERE IS THE FAX FOR MS. MCGINTY -

THANK YOU



République d'Haiti

TELEFAX

TEL: 202-625-4358

FAX: 202-625-4358

625-4363

NUMERO: -----

DATE: -----1993

ATTENTION: Ms. McGinty

DE
FROM: YANICK LAFOREST

NUMBER OF PAGES: 2

+ TERMS

⑥

NOTICE:

Dear Ms. McGinty:

Annexed is a letter from the Prime Minister of the Republic of Haiti asking you to join Haiti's "Haiti-International Task Force on the Environment and Sustainable Development", and a copy of the Terms of Reference.

The Prime Minister is scheduled to arrive in Washington this coming Wednesday, December 1, and will hand-carry the original letter.

With gratitude



Robert Malval

Premier Ministre

November 22, 1993

Dear Ms. McGinty:

I am writing to ask if you would be willing to be a member of Haiti's "Haiti-International Task Force on the Environment and Sustainable Development". If so, I am honored, on behalf of the Government of Haiti, to invite you to join.

As you know, Haiti has profound environmental problems. Haiti's very future depends -- at least in part -- on its ability to address and resolve these problems. The purpose of this task force is to bring together the best minds possible -- experts, scientists, leaders and thinkers from throughout the world -- to provide the best advice possible to the democratically elected Government of Haiti. I anticipate asking the members of the Task Force to work on specific individual projects that are of special relevance to the Haitian situation, e.g., erosion; population; land use; biodiversity; natural resources; energy; etc.

The nation of Haiti -- its people as well as its government -- is under enormous pressure. We need help. I hope that you will be willing to share with us that which we need the most -- your ideas and your expertise.

Rehabilitating and protecting Haiti's environment -- its unique bio-diversity and its ecosystems -- is one of our government's top priorities. It is an essential part of our dream of a prosperous, green and democratic Haiti.

I hope that we can count on you to help us make this dream a reality. My assistant, Ms. Yanick Laforest, will follow up this letter with a phone call. If you wish to respond right away, please feel free to do so by calling her at (202) 625-4358.

Sincerely yours,

Robert Malval
Prime Minister of Haiti

Ms. Kathleen McGinty
Deputy Assistant to the President
Director of the Office on Environment Policy
Office of the Vice President
Old Executive Building, Room 360
Washington, D.C. 20501

HAITI INTERNATIONAL TASK FORCE ON THE ENVIRONMENT AND DEVELOPMENT**(HITFED)****TERMS OF REFERENCE****11/10/93**

A dynamic management plan is proposed by the Malval Government for the environmental protection in Haiti. A technical task force is proposed to work an action plan that will focus in protecting Haitian citizens through management and conservation of the natural environment; develop a training program for potential Haitian technicians involved in natural resources and sustainable development; create a National Alliance on Environment.

INTRODUCTION

The environment degradation in Haiti is of great concern. Efforts had been done during the past 15 years to protect natural resources in Haiti (Woods & al. 1992, Woods & Harris 1986, Woods 1986, Paryski et al 1989, Groupe de travail 1988, Sergile et al, 1992, Woods, Sergile, Ottonwalder, 1992, Sergile, Ross, Severin, Laforest, Voltaire, 1993). The management and protection of the natural resources in Haiti is now at a crossroad. One road - not to progress with what was done for the natural environment of Haiti - will lead to the loss of human lives because there will be no capital natural resources (soil, water, fisheries, biological control, trees) to support men. The second road that will lead to sustainable development is to undertake management and conservation strategies.

OBJECTIVES

The general objective of the dynamic environmental protection proposed by the Malval Government is the **Protection of Haitian Citizens** through the management and conservation of the natural environment. For this reason, a Haiti International Task Force on the Environment and Development composed of key individuals and organizations will be established to provide expert input to the Haitian government on environmental issues. The task force will help to put efforts to address Haiti's severe environmental problems, sustainable solutions to the country's socioeconomic problems, and careful action to direct economic development that will have a significant influence on ensuring that Haiti retains a natural resource base on which to build future prosperity.

Under the auspices of the Haiti International Task Force on the Environment and Development, create a National Alliance on Environment composed of Haitian popular organizations, in a concerted effort to mobilize, calling for the people of Haiti to participate in the conservation of their country's natural environment, adapted to local conditions. The National Alliance will include Haitians from all walks of life, individuals from the theater and the arts, from business and the professions, the law and medicine, professors, deans, novelists, mayors, Senators and Congressmen, from government and diplomacy, presidents of various professional and civic associations.

Ecotourism or tourism managed with the participation of local populations, respecting the cultural patrimony and natural environment of each region, is an activity that will contribute to the rural development of these populations (Renard 1993).

STRATEGIES

The strategies to accomplish these objectives range into short term, mid and long term activities. Many of these activities should be established in the short term and continue in a long term basis. These will require the development and establishment of a Biological Survey of Haiti. An exhaustive biological inventory is an immediate, primer need, and would be fundamental for both, the attainment of sustainable economic development and for the long term conservation and management of Haitian biodiversity (Ottenwalder 1993). A careful plan in order to provide sustainable development in Haiti. Alternatives strategies for the management of natural resources in Haiti proposed a unit solely responsible for its Stewardship (Woods et al. 1992, Woods & Harris, 1986; Sorgile, 1990, Ross, 1993).

TASK FORCE

The government of Haiti is under tremendous pressure to increase economic development with sound measures of conservation. The task force will put together environmental issues in harmony with development and population welfare. Many scholars with long term experiences in the fields are already identified and are willing to give Haiti their best in order to restore and protect the natural environment of Haiti (Ross 1993). This task force is the stepping stone in the accomplishment of the objectives and development of a program geared toward sustainable development.

It is vital for the government of Haiti to take decisions on development actions that will consider short term needs with long term management and conservation of natural resources for future uses. Wise management and conservation of natural resources in Haiti is both challenging and important, and strategies are needed for a number of issues such as watershed management, fisheries, marine parks, sustainable use of natural resources, bi-national projects with the Dominican Republic, improvement of public utilities. This task force should be formed as soon as possible. The task force will work closely with many Government of Haiti institutions such as the Ministry of Agriculture, Natural Resources and Rural Development (MARNDR), the Direction General des Contributions (DCI) of the Ministry of Finances, the Ministry of Commerce and Industries, and hopefully with other ministries involved with impact on nature, the state university and other private institutions.

PERSONNEL AND QUALIFICATION

We recommend that the coordinator of the task force be a Haitian with environmental education background and have field experience with natural resources programs and protected area, high energy public relation skill. The coordinator must be able to gather the best minds possible, experts, scientists, leaders and thinkers from throughout the world and maintain strong ties between all the members; speak French, Creole and English.

- Among other duties, the responsibilities of the Task Force coordinator are as follows:
- Ensure that programs and recommendations of natural resources related projects, management of protected areas and sustainable development are reviewed by the appropriate experts.
- Work with GOH staff involved in sustainable development and management of natural resources.
- Hire and supervise all staff of the Task Force.
- Coordinate project and program in management and protection of natural resources, and sustainable development.
- Ensure the development of a training program for potential Haitian technicians involved in natural resources and sustainable development.

ESTIMATED COST

	Year one	Year two
Task force coordination		
Vehicule support	25,000	10,000
Fuel	6,000	9,000
Rent	24,000	25,000
Telephone	5,000	6,000
Xerox	5,000	5,000
Courier mail	1,000	1,000
Office equipment	60,000	2,000
Office Supplies	4,000	1,000
Utilities	3,000	4,000
Maintenance	3,000	5,000
Total Coordination:	\$136,000	\$68,000
Training		
International travel	24,000	12,000
Per diem support expert	10,000	6,000
Special shipping	1,000	2,000
Printing cost	6,000	15,000
Per diem support trainees	20,000	20,000
Training supplies and material	20,000	10,000
Total Training	\$81,000	\$65,000
Salaries		
Task force coordinator	55,000	55,000
Secretary	12,000	20,000
Chauffeur	6,000	8,000
Consultants	30,000	10,000
Office/gardien	5,000	6,000
Total Salaries	\$108,000	\$99,000
GRAND TOTAL	\$325,000	\$232,000

*République d'Haiti*

TELEFAX

TEL: 202-625-4358

FAX: 202-625-4356

NUMERO: -----

DATE: 11/29 1993

ATTENTION: -----

DE

FROM: -----

NUMBER OF PAGES: 6

NOTICE:

Dear Amy:

Annexed is a letter from the Prime Minister of the Republic of Haiti asking Ms. McGinty to join Haiti's "Haiti-International Task Force on the Environment and Sustainable Development", and a copy of the Terms of Reference.

I also faxed the letter to Christian Marsh.

The Prime Minister is scheduled to arrive in Washington this coming Wednesday, December 1, and will hand-carry the original letter.

With gratitude



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November 22, 1993

Dear Ms. McGinty:

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The nation of Haiti -- its people as well as its government -- is under enormous pressure. We need help. I hope that you will be willing to share with us that which we need the most -- your ideas and your expertise.

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