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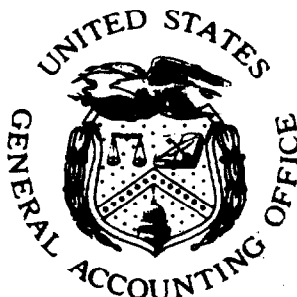
Report To The Honorable
Walter E. Fauntroy
House Of Representatives

U.S. Assistance To Haiti:
Progress Made, Challenges Remain

Although Haiti remains one of the world's poorest countries, development progress is being made through U.S. economic assistance administered by the Agency for International Development (AID). Since GAO's last review in 1981, AID has achieved positive results by increasing its use of non-governmental organizations and by influencing policy changes through food assistance. These efforts have been aided by Haiti's increased commitment to development.

Despite this progress, challenges remain which cannot be met without sustained development efforts. Economic and political constraints slow the pace of development and needed policy changes. GAO recommends that AID (1) assess the adequacy of its oversight and technical assistance to small community-implemented projects and food assistance programs, and (2) encourage Haitian and donor officials to examine whether how to meet the growing costs of operating and maintaining completed development projects.

AID is taking actions to implement GAO's recommendations.



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

B-206226

The Honorable Walter E. Fauntroy
House of Representatives

Dear Mr. Fauntroy:

At your request, we are reporting on the status of programs being implemented in Haiti by the Agency for International Development. As part of our review, we examined the reasonableness of AID's development strategy, Haitian government support of development efforts, AID's use of nongovernmental organizations, and the status of Public Law 480 food assistance programs.

As arranged by your office, we are sending copies of this report to the Administrator, Agency for International Development; Chairmen of the House and Senate Committees on Appropriations, House Committee on Foreign Affairs, Senate Committee on Foreign Relations, and appropriate subcommittees; the Secretary of State; the Director, Office of Management and Budget; and other interested individuals. Copies will be available to others on request.

Sincerely yours,

A handwritten signature in cursive script that reads "Frank C. Conahan".

Frank C. Conahan
Director

D I G E S T

At the request of the Honorable Walter E. Fauntroy, GAO reviewed economic assistance programs being administered by the Agency for International Development (AID) in Haiti; specifically

- the reasonableness of AID's current strategy in meeting development objectives;
- Government of Haiti support of AID development efforts;
- use and selection of nongovernmental organizations to administer programs; and
- status of Public Law 480 food assistance programs.

BACKGROUND

Haiti remains one of the poorest countries in the world, with an average annual per capita income of \$300. It relies heavily on external donors to finance development activities. The United States provides more assistance than any other donor--over \$45 million in development assistance, food and disaster relief, and Economic Support Funds in fiscal year 1984.

A 1981 GAO review of U.S. assistance to Haiti showed that AID efforts to improve government institutions were having limited impact and that many projects were experiencing delays of several years. Haiti was perceived as lacking commitment to the development process. This report shows the current status of AID's efforts. (See p. 5.)

AID STRATEGY

GAO believes that AID has taken a reasonable approach in developing its strategy in Haiti. The strategy is based on past experiences; an ongoing assessment of needs, approaches, and program results; and AID policy guidance. The strategy appears to be consistent with Haiti's official development plans, but some Haitian officials have questioned certain aspects of AID's strategy. (See pp. 8 to 13.)

Since fiscal year 1982, Congress has specifically required that AID implement its projects in Haiti to the maximum extent practicable through private voluntary agencies. Although this strategy is also followed by several other donors, the World Bank has questioned whether this strategy detracts from the need to strengthen Haiti's government institutions to manage development activities. Although AID has increasingly used nongovernmental organizations in its program, it still uses public institutions to implement about half of its activities in Haiti. AID recognizes the trade-offs involved in using nongovernmental organizations and will continue to examine projects on a case-by-case basis to select the most appropriate channel for implementation. (See p. 13.)

AID and other donors are coordinating their programs to avoid duplication, and they collaborate on some projects. Informal monthly meetings among the major donors appear to have assisted AID in developing its strategy and projects. (See pp. 13 and 14.)

AID recognizes Haiti's inability to assume the costs of operating and maintaining completed development projects (recurrent costs) as a major constraint to an effective long-term development strategy. Although the major donors can take certain unilateral short-term measures to reduce the need for Haitian government outlays on their projects, a long-term solution requires that Haiti promote economic growth and increase public administrative efficiency to make more revenues available for development. Although both donor and Haitian actions are needed, existing donor coordination forums have not afforded an effective joint examination of this problem. (See pp. 14 to 17.)

GOVERNMENT OF HAITI
SUPPORT OF AID EFFORTS

GAO found that both AID and other donors believe Haiti has shown increased commitment to development. AID cites Haiti's (1) improved performance in meeting commitments on specific projects, (2) responsiveness to specific AID initiatives, especially for private sector development, and (3) attempts to increase financial contributions to development. (See pp. 21 to 24.)

Despite this overall improvement, some projects are still delayed because government personnel are not assigned in a timely manner and funds are not promptly transferred to the field. AID and other donors believe that many of these shortcomings are due to the weakness of Haiti's institutions, economic problems which prevent greater financial support, and domestic political concerns which slow the pace of needed policy changes. The donors generally agree, however, that Haiti needs to improve tax collection and administrative efficiency in order to increase revenues for development. (See pp. 21 to 27.)

USE OF NONGOVERNMENTAL
ORGANIZATIONS

Over 300 nongovernmental organizations annually contribute an estimated \$65 million in resources and services to Haiti's development. AID has recognized these groups as a significant development force and is supporting both U.S. and Haitian organizations as well as local community groups in its program. AID has requested ideas from them for projects, provided training and technical assistance to improve their capacities, and worked toward strengthening coordination of their efforts. AID believes it has achieved significant development results in relatively short periods of time in such areas as agroforestry, agricultural research and development, urban and rural health, and livestock production by using nongovernmental organizations. (See pp. 29 to 35.)

Despite these successes, the strategy has had drawbacks. After much effort AID still lacks complete data on these groups and their activities. Weaknesses have been identified in

small community-implemented projects. The proliferation of small projects has strained AID's ability to provide adequate technical assistance and oversight. (See pp. 36 to 38.)

The Special Development Activities program, under which local communities implement development activities with minimal AID oversight, has grown from \$75,000 to \$200,000 in 3 years. Although the program has potential for delivering low-cost development results and building local commitment to the development process, GAO believes the program should be evaluated. The need for an evaluation is prompted by (1) questions about AID's ability to oversee a growing number of small projects, (2) weaknesses noted in an evaluation of a food assistance program similarly implemented by local groups (Food for Work), and (3) plans to emphasize community-implemented projects in a new major agricultural project. (See pp. 37 to 38.)

PUBLIC LAW 480 FOOD ASSISTANCE

Food assistance is an important component of AID's program, because it has represented about half of all U.S. economic assistance since 1973. It provides sales proceeds to finance a significant portion of Haiti's contribution to development as well as opportunities to influence needed policy changes and to address humanitarian concerns.

The commodity sales program (title I) has provided local proceeds to finance a significant portion of Haiti's contributions to AID projects. Haiti has made policy changes related to customs and tax administration and expansion of agricultural production under this program. A Food for Development program (title III) was approved in May 1985 to replace the title I program. This program requires Haiti to undertake a comprehensive development program and more extensive policy reforms. AID believes the higher levels of assistance under this program and its loan forgiveness feature will enhance AID's ability to influence more substantive policy changes. However, based on AID's experience with this program in other countries, increased administrative and monitoring responsibilities may be placed on weak Haitian institutions as well as on AID. GAO believes that when the program is

implemented, AID needs to be prepared to meet these increased responsibilities to keep the program on course. (See pp. 41 to 45.)

AID provided food donations to over 618,000 Haitians in fiscal year 1984 under School Feeding, Maternal Child Health, and Food for Work programs (title II) administered by four U.S. private voluntary organizations. Recent evaluations have shown that selected programs are improving the nutritional status of beneficiaries. However, although AID and U.S. implementing agencies have corrected many past implementation problems, AID will need to continue technical assistance to the implementing organizations to effect further needed improvements in recordkeeping, monitoring, and program administration. Further, limited government involvement in food donation programs is preventing the program from reaching its full development potential. (See pp. 45 to 53.)

A recent evaluation of the Food for Work program noted that inadequate technical assistance and monitoring may be responsible for poor project quality, limited developmental impact, and commodity diversion in these small community-implemented projects. Because the program has potential for achieving development results as well as meeting humanitarian concerns, GAO believes AID should address these weaknesses which constrain the program's impact. (See pp. 49 to 53.)

CONCLUSIONS

Although AID appears to be taking a reasonable approach in addressing Haiti's development needs, GAO believes AID needs to devote additional attention to the recurrent cost problem in Haiti. This problem, if not addressed, could threaten the sustainability of development results. Because Haiti must ultimately assume responsibility for sustaining the development process and because both donor and Haitian actions are needed to address this issue, GAO believes the donors need to work together with Haitian officials toward solutions. Forming a separate working group to specifically focus on this issue is one step AID can take toward both addressing this issue and laying a foundation for improved communications between Haiti and the

donors. As Haiti's largest donor, it would appear appropriate for AID to assume a leadership role in this undertaking.

Haiti's weak financial and institutional capacities will continue to constrain its ability to translate a desire to support development efforts into concrete actions. These weaknesses will be overcome only through sustained effort by the donors to assist in strengthening Haiti's capabilities.

Involving Haitians in the development process through small community-implemented projects may enhance the prospect that development results can be sustained. GAO believes, however, that AID needs to assess what technical assistance and oversight are needed to achieve the desired results. In GAO's opinion, an evaluation of the Special Development Activities program would assist AID in this regard.

Because food assistance plays such a prominent role in the AID program in Haiti, AID should assess whether the current staff assigned to oversee food assistance programs can (1) meet the increased administrative and monitoring responsibilities the proposed Food for Development program may impose and (2) provide the necessary technical assistance to agencies implementing food donation programs, particularly in view of the weaknesses noted in the Food for Work program.

RECOMMENDATIONS TO THE AID ADMINISTRATOR

GAO recommends that the AID Administrator:

- Encourage formation of a working group of donor and Haitian officials to address the recurrent cost problem.
- Evaluate the Special Development Activities program to determine what technical assistance and oversight the mission needs to devote to community-implemented projects.
- Assess the mission's staffing structure to see if a shift is warranted to oversee Public Law 480 food assistance programs. (See pp. 18, 39, and 52.)

AGENCY COMMENTS

AID considered the report to be a generally thorough and fair analysis which correctly reflects the development progress being made in Haiti. In response to GAO's recommendations, AID has (1) scheduled an evaluation of the Special Development Activities program and (2) shifted program responsibilities among staff overseeing Public Law 480 programs. AID plans to hire an additional person to assist in monitoring food donation programs and will reassess staffing needs when the Food for Development program gets underway. It plans to meet with other donors to examine the recurrent cost problem and expects these meetings to lead to formation of a committee to address this issue. (See app. I and pp. 18, 39, and 54.)

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ABBREVIATIONS

AID	Agency for International Development
GAO	General Accounting Office
HAVA	Haitian Association of Voluntary Agencies
NGO	Nongovernmental organization

CHAPTER 1

FRAMEWORK FOR DEVELOPMENT IN HAITI

BACKGROUND

The media has depicted Haiti as a land devoid of resources, with little hope for an improved future. The fact that Haiti remains one of the poorest countries in the world, that its population continues to have one of the lowest life expectancies in the Western Hemisphere, and that population growth is outstripping agricultural productivity poses the question of what impact the considerable development efforts of the United States and other donors is having on improving the quality of life in Haiti.

As a preface to its proposed development program in Haiti for fiscal year 1986, the Agency for International Development (AID) lists the following major constraints to development.

- Rapid population growth resulting in one of the highest people to arable land densities in the world.
- Severe soil erosion caused by clearing and farming much of Haiti's mountainous terrain.
- Limited natural resources with virtually no known commercially exploitable minerals.
- Underdeveloped human resources with nearly 80 percent of the adult population illiterate.
- Weak public sector institutions and an excessively centralized government structure.
- Periodic and often severe natural disasters, including hurricanes, droughts, and flash floods.
- Weak industrial base with limited access to credit and foreign exchange.
- Inadequate physical infrastructure limiting access to basic services and markets.

Recent economic indices for the 10 poorest AID recipients in the Western Hemisphere rank Haiti last or next to last in per capita income, literacy rate, life expectancy, people per doctor, and infant mortality. Haiti's development lags behind that of other nations in this hemisphere, in part, because (1) Haiti gained its independence in 1804 and did not receive assistance during the 19th and 20th centuries to the degree that other Caribbean nations did, (2) development regressed in the 1960's

when many donors withheld assistance in protest of the policies of President Francois Duvalier, and (3) Haiti did not participate in the Alliance for Progress and therefore did not receive the benefits of this additional U.S. assistance.

Progress made, challenges remain

Development officials face formidable challenges in Haiti. However, because much publicity about Haiti tends to focus on negative aspects, AID officials believe that progress stemming from their efforts and those of other donors is often overlooked. For example:

- In 1971 only a few kilometers of paved highway existed outside Port au Prince; now most provincial towns are connected by all-weather highways.
- Several hundred thousand rural Haitians are now being offered preventive health care services through a growing coalition of public and private health care providers.
- Haiti is placing high priority on increasing food self-sufficiency and is nearly self-sufficient in rice production.
- Although deforestation remains a serious problem, the United States and other donors are implementing major agroforestry programs.
- The 100,000 residents of Cite Simone, a one-square mile urban slum in Port au Prince, are now being offered educational, health, and vocational training services.
- The health of children has been improved through extensive programs in immunization, oral rehydration therapy, and breastfeeding promotion.
- Public finance has improved with the introduction of a budget and consolidation of spending authority in the Ministry of Finance.

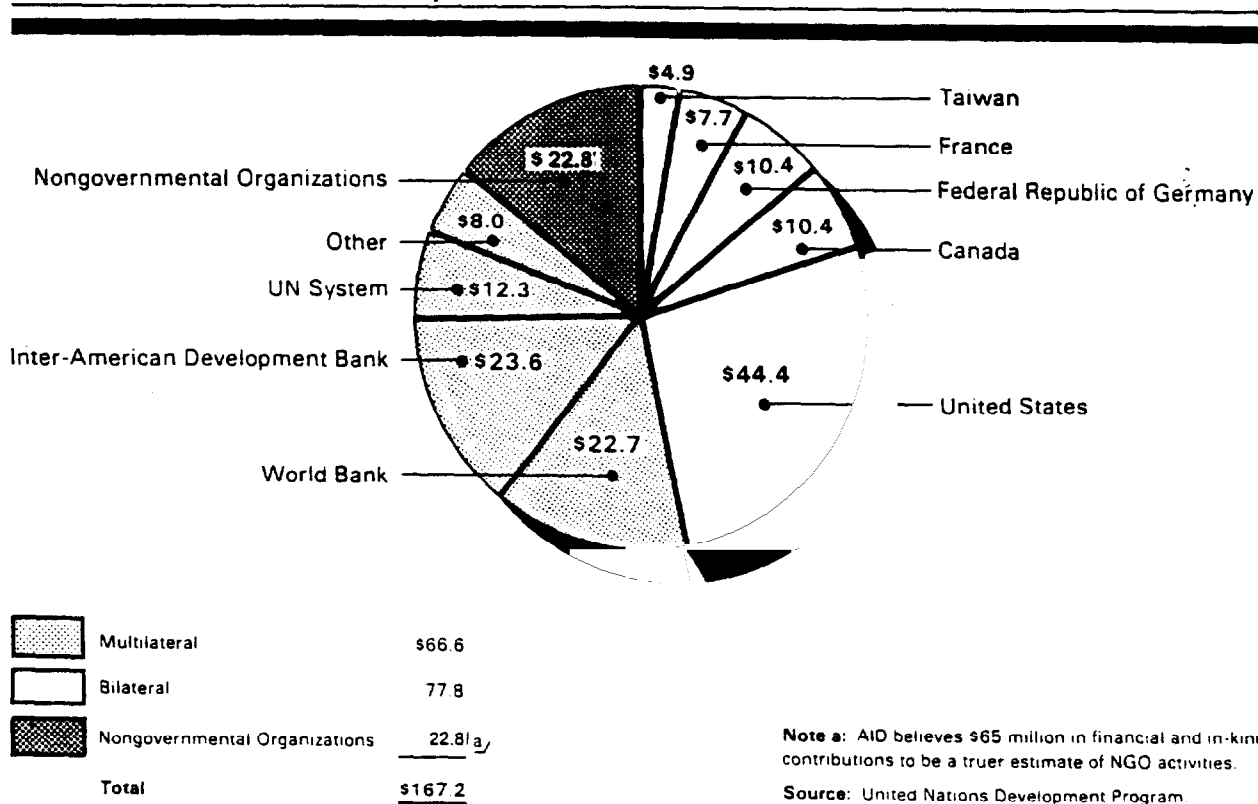
Despite these indications of progress, public institutions and finances are still weak, population growth continues to outstrip agricultural production, malnutrition and disease remain prevalent, and Haiti's per capita income remains at \$300 a year--the lowest in the Western Hemisphere. AID officials believe, however, that their efforts in Haiti are bearing fruit, although not always as quickly as they would like. In their opinion, Haiti's problems will not be solved through short-term,

quick-fix solutions but rather through a long-term sustained effort to encourage policies and institutions that strengthen development.

DEPENDENCE ON EXTERNAL ASSISTANCE

Haiti receives extensive assistance from external donors. In addition to several major bilateral and multilateral donors, AID estimates that over 300 nongovernmental organizations (NGOs), which include private nonprofit as well as profit-making organizations, have programs in Haiti. The following chart summarizes data compiled by the United Nations Development Program on external assistance to Haiti for 1983. It shows that the United States is by far the largest donor; its \$44 million in total assistance is nearly double that of the Inter-American Development Bank and the World Bank, which are the largest multilateral donors. CARE, Catholic Relief Services, and the Adventist Development Relief Agency (formerly Seventh-Day Adventist World Service) lead the nongovernmental organizations in terms of estimated dollar volume of assistance.

External Assistance to Haiti for 1983
(millions of dollars)



TRENDS IN U.S. ASSISTANCE

AID administers three types of economic assistance programs in Haiti: development assistance, Economic Support Funds, and Public Law 480 food assistance. AID's development assistance program finances projects related to agriculture, rural development, and nutrition; health and population; education and human resources; and other selected development activities.

Economic Support Funds were first provided to Haiti in fiscal year 1983 as part of the Caribbean Basin Initiative, a package of trade and aid provisions designed to assist Central American and Caribbean country economies. In Haiti, AID has used Economic Support Funds to finance a variety of projects, most of which are being implemented by NGOs. (See ch. 4.)

AID has provided food assistance to Haiti under titles I and II of Public Law 480. Under title I, Haiti has purchased U.S. agricultural commodities on highly concessional terms, sold them on local markets, and used the proceeds to finance development activities. The title I program has required Haiti to undertake specified "self-help" measures which AID and Haiti agreed would contribute to rural development and enable the poor to participate in increasing agricultural production. Under title II, AID has channeled food donations through four NGOs to nutritionally vulnerable groups under School Feeding, Maternal Child Health, and Food for Work programs.

At the time of our review, AID was concluding negotiations on a multi-year title III Food for Development program to replace the title I program in Haiti. Under the title III program, which was approved in May 1985, Haiti will receive loan forgiveness on its food purchases in return for undertaking a comprehensive development program and initiating policy reforms.

Table 1 summarizes U.S. economic assistance to Haiti since fiscal year 1973. During the previous 10 years, the United States withheld most of its assistance, except for food assistance and humanitarian aid, in protest of the policies of former President Francois Duvalier. Through fiscal year 1985, the United States will have provided over \$169 million in development assistance, \$203 million in Public Law 480 food assistance and disaster relief, and \$20 million in Economic Support Funds.

Table 1

<u>Type of assistance</u>	<u>U.S. Economic Assistance to Haiti</u>					
	<u>Fiscal year</u>					
	<u>1973-81</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985^a</u>	<u>1986^a</u>
	------(millions)-----					
Development Assistance:						
Agriculture, rural						
development, nutrition	\$ 61.9	\$ 3.6	\$ 9.8	\$10.2	\$12.0	\$14.2
Health, population planning	26.5	7.0	6.2	9.0	11.2	6.0
Education, human resources	2.1	.8	.6	.5	1.0	1.4
Selected development	<u>3.3</u>	<u>.6</u>	<u>.7</u>	<u>.9</u>	<u>1.5</u>	<u>3.4</u>
	93.8	12.0	17.3	20.6	25.7	25.0
Public Law 480 Food Assistance ^b and Disaster Assistance	119.8	22.2	18.4	19.8	22.8	22.9
Economic Support Fund	<u>-</u>	<u>-</u>	<u>10.0</u>	<u>5.1</u>	<u>5.0</u>	<u>5.3</u>
Total	<u>\$213.6</u>	<u>\$34.2</u>	<u>\$45.7</u>	<u>\$45.5</u>	<u>\$53.5</u>	<u>\$53.2</u>

^aEstimated

^bFiscal years 1985 and 1986 figures include the title III program levels approved in May 1985.

Source: AID congressional presentations.

PRIOR GAO ASSESSMENT OF THE AID PROGRAM IN HAITI

In 1981, we reviewed U.S. assistance to Haiti and noted that AID's efforts to improve government institutions were having a limited effect, and many projects were experiencing delays of several years.¹ In addition, AID officials perceived the Haitian government as lacking commitment to the development process because of its slow progress toward policy reform and its failure to meet project commitments.

We reported on changes which AID anticipated as a result of its own reassessment made during fiscal year 1981. These included (1) terminating some projects, (2) refocusing strategy away from institution building and toward shorter term, high-impact projects, and (3) conditioning increased assistance on improved performance by the government of Haiti in implementing ongoing assistance projects and economic and fiscal reforms.

¹Assistance to Haiti: Barriers, Recent Program Changes, and Future Options (ID-82-13) Feb. 22, 1982.

OBJECTIVES, SCOPE, AND METHODOLOGY

Based on continuing congressional concerns over the effectiveness of the AID program in Haiti, the Honorable Walter E. Fauntroy asked us to follow up on our previous study and to examine

- the reasonableness of AID's current strategy in meeting development objectives;
- government of Haiti support of AID development efforts;
- use and selection of nongovernmental organizations in the AID program; and
- Public Law 480 food assistance programs.

In reviewing these issues, we examined all three programs being administered by AID--the development assistance program, projects being financed with Economic Support Funds, and the Public Law 480 food assistance programs.

In Washington, we interviewed AID officials in the Bureau for Latin America and the Caribbean and the Bureau for Food for Peace and Voluntary Assistance. At AID headquarters, we reviewed project files and audit and evaluation reports on the program in Haiti. We also talked with officials of the World Bank, International Monetary Fund, Inter-American Foundation, and AID's Advisory Committee on Voluntary Foreign Aid.

In Haiti, during October 1984, we reviewed AID project files and talked with AID and embassy officials to gain an understanding of current development strategy, progress made since our visit in 1981, and perspectives on government of Haiti support of AID development efforts. We examined how AID's strategy for addressing development needs has been developed and whether it is consistent with Haiti's development needs and priorities. We also examined AID's coordination with other donors to determine whether AID adequately considers other development efforts in developing its strategy and projects.

We did not evaluate the impact of individual AID projects in Haiti. However, to gain an overall sense of the effect that AID programs were having in Haiti, we visited AID-financed projects in Port au Prince and in the central, northern, and southern regions of Haiti. We selected some projects aimed at developing government institutions, others being implemented solely by NGOs, and still others being carried out by Haitian community groups. We also visited a cross section of the Port au Prince business community, including establishments in export

and assembly, construction, handicrafts, and service industries. Finally, we met with officials of a Haitian NGO implementing a multifaceted program with AID's assistance in Cite Simone, a major Port au Prince slum area, and toured its facilities.

In reviewing NGO activities, we talked with U.S., Haitian, and third-country organizations which were either implementing programs for AID or programs of their own. To gain a perspective on coordination of NGO development activities, we met with officials of the Haitian Association of Voluntary Agencies and an association of private health care providers.

For Public Law 480 programs, we visited project sites for each of the three major feeding programs (School Feeding, Maternal Child Health, and Food for Work), visited a food warehouse, and met with officials of CARE, Catholic Relief Services, Church World Service, and the Adventist Development Relief Agency who implement these programs for AID. We also reviewed numerous AID and contractor audits and evaluations of Public Law 480 programs made since 1981 and discussed their findings with AID and implementing agency officials in assessing the implementation and impact of these programs.

In evaluating Haitian government support of AID development efforts, we examined its financial commitment, performance in meeting project commitments, and response to recent AID initiatives. We gained the perspectives of representatives of the Inter-American Development Bank, the International Monetary Fund, and the Canadian, French, and German governments in Port au Prince on their experiences in dealing with the Haitian government on development projects. We also discussed Haitian development priorities and problems in supporting AID and other donor assistance programs with officials in the Ministries of Plan, Finance, Agriculture, Health, and Public Works.

We made our review from July through November 1984 in accordance with generally accepted government auditing standards.

CHAPTER 2

AID DEVELOPMENT STRATEGY IN HAITI

In evaluating the reasonableness of AID's strategy in Haiti, we examined the factors that AID considers in developing its strategy and whether AID's approach is consistent with Haitian development priorities. We also examined AID's coordination with other donors to determine whether AID adequately considers their development efforts in developing its own strategy and projects. We found that:

- Although alternative strategies could be devised to address Haiti's development needs, AID mission officials have followed a reasonable course in formulating a strategy based on past experiences, ongoing analysis of program and sectoral assessments, and AID and legislative guidance.
- Although AID's program appears to be consistent with Haiti's official development plans, some Haitian officials question certain aspects.
- AID and other donors are coordinating their efforts to avoid duplication and to broaden geographic coverage. AID has benefitted from this coordination in developing its strategy and projects.

AID recognizes that Haiti's inability to assume the costs of operating and maintaining completed development projects is a major constraint to an effective long-term development strategy. We believe that AID, as Haiti's largest donor, should assume a leadership role in encouraging Haitian and donor officials to jointly examine this growing problem.

DEVELOPMENT OF AID STRATEGY

The AID mission's current development strategy in Haiti has evolved from lessons learned from past experiences, approaches suggested from sectoral and program assessments, and approaches required by legislative mandate and AID policy guidance.

Lessons from past experiences

When AID resumed a full-scale development assistance program in Haiti in 1973, it found that infrastructure in rural areas and provincial towns had been neglected and deforestation and erosion had reduced already scarce agricultural land. In many respects, the majority of Haitians were worse off when AID returned in 1973 than a decade before.

AID officials now recognize that AID and other donors made mistakes in trying to move too quickly to compensate for these development losses. In designing projects, donors did not fully consider the limited capacities of the Haitian government, and by the late 1970's they had become generally frustrated by the poor performance of their programs in Haiti. Few projects had been implemented smoothly and others simply could not get off the ground. There was a growing realization that, if significant development progress was to be achieved, a new approach was needed.

In the spring of 1981, the AID Administrator sent a team of AID headquarters officials to Haiti to assess the program. Based on this assessment, the Administrator sent a new management team to Haiti to implement a different development strategy. The mission's fiscal year 1984 Country Development Strategy Statement published in January 1982 and two subsequent supplements for fiscal years 1985 and 1986 spell out in detail the mission's strategy and development objectives in Haiti.¹ Major elements of this strategy are as follows:

- Emphasize increased agricultural production in commodity markets in which Haiti can best compete, improve the poor's access to a reliable and adequate food supply, and reduce deforestation and soil erosion.
- Increase NGO implementation of programs in priority development areas, especially where quick results might be achieved.
- Strengthen key public and nonpublic institutions working to improve the socioeconomic conditions of the poor.
- Promote and facilitate domestic and foreign investment through private sector development efforts.
- Encourage adoption of policies, procedures, and structural changes conducive to achieving development objectives.

Mission officials believe that this strategy reflects several lessons learned from earlier experiences, namely that (1) project objectives and designs must be realistic, (2) institutional development can be achieved with patience, perseverance, and tight monitoring of project implementation, and (3) firmness in dealing with the Haitian government is required to ensure that commitments are met and projects are kept on track.

¹Country Development Strategy Statement, fiscal year 1984, Haiti, AID, Washington, D.C. (also fiscal years 1985 and 1986).

Approaches adopted from program and sector assessments

The mission uses periodic sectoral needs assessments, economic analyses, commodity studies, and project reports in developing its strategy. Since 1980, the mission has commissioned sector assessments for food and agriculture, health, and disaster relief. An assessment of the education sector was underway during our visit in October 1984. The mission has also commissioned several commodity studies; a feasibility study of producing winter vegetables for export; an assessment of the livestock situation; an extensive social analysis of the Cayes Basin where the mission is planning a new project in irrigation and soil conservation; analyses of the need for customs, tax, and administrative reform in Haiti; and an evaluation of investment promotion opportunities, to name but a few.

The mission uses these analyses in developing both its strategy and new projects. We found a strong correlation between AID's project portfolio and approaches recommended by the 1980 food and agriculture sector assessment. Mission health officials were using an extensive health sector analysis in planning a major new health project. The AID mission director advised us that he will use the ongoing education sector assessment in deciding whether AID should launch a new education program.

Other factors influencing AID strategy

The mission's emphasis on using NGOs to implement project activities stems from a specific provision added to the Foreign Assistance Act in fiscal year 1982 which requires that AID implement its projects in Haiti to the maximum extent practicable through private voluntary organizations. President Reagan's emphasis on increasing the role of the private sector in development efforts and the administration's Caribbean Basin Initiative have added impetus to the mission's efforts in that area. AID's strategy also reflects policy guidance related to what AID calls the four pillars of development--policy dialogue, private sector development, technology transfer, and institutional development.

CONSISTENCY OF STRATEGY WITH HAITIAN DEVELOPMENT PRIORITIES

We found that AID's strategy is generally consistent with Haiti's official development plans. We compared Haiti's development plan for fiscal years 1984-86 with AID's strategy and found that AID's project portfolio appears to address the plan's six priority objectives, as shown in table 2. It must be recognized, however, that AID and other external donors greatly influence these development priorities. According to Haiti's plan, external donors will finance two-thirds of the development budget and over half of the resources budgeted for most economic sectors.

Table 2

AID Activities in Relation to Haiti's
Development Plan for Fiscal Years 1984-86

<u>Development plan objective</u>	<u>AID activity</u>
1. Attain a 3-percent gross domestic product growth rate through growth in the agricultural, industrial, and construction sectors.	Private sector development activities intended to increase credit availability, reduce disincentives to investment, and enhance management skills for increased productivity and effectiveness. Irrigation, research, extension, and soil conservation efforts to improve agricultural productivity.
2. Increase public and private domestic savings.	Technical assistance in tax administration to improve revenue collection. Institutional development efforts to improve government efficiency.
3. Remove foreign exchange constraints by promoting exports and limiting imports.	Export promotion of handicrafts. Research into new export crops.
4. Halt the spread of unemployment by creating 70,000 new jobs.	Credit programs to stimulate industrial development of large and small enterprises. Examining how to promote agribusiness opportunities throughout Haiti.
5. Increase purchasing power of lower income groups, primarily through price controls/raising the lowest salaries.	Encouraging coffee tax reduction, fairer distribution of taxes through policy changes required by the proposed Public Law 480 title III program. Agricultural projects to increase income of rural Haitians.
6. Reduce nutritional gap by increasing production of cereals, meat, and bananas.	Irrigation, research, extension, and soil conservation efforts to promote increased agricultural production. Goat improvement and poultry and swine repopulation projects to improve livestock production.

Haitian officials told us they believe the AID program is generally consistent with Haiti's development needs. Agriculture officials particularly supported AID's efforts to develop government capabilities for managing irrigation systems, conducting soil conservation, and extending credit, research, and extension services to small farmers. During our visit to the southern peninsula, Haitian officials working on AID-supported projects in soil conservation and agricultural research and extension emphasized the importance of AID's support to their efforts.

We noted similar support in the health and private sector development areas. Haitian health officials supported AID's decision to assist an association of health care organizations which is enabling public and private health care providers to collaborate in extending preventive health services to rural areas. Finance officials praised AID's private sector development efforts, especially its support of the Haitian Development Foundation and the Development Finance Corporation which are providing credit to both small and large Haitian businesses. Officials of both large and small businesses told us that these credit institutions had helped them to either start or expand their businesses.

There were some differences of opinion, however, on several aspects of AID's program. For example, agriculture, health, and family planning officials said AID should provide more motor vehicles to overcome logistical constraints. Health officials said AID does not recognize their concern that hospital facilities need to be expanded, even though they support AID's emphasis on preventive health services. Transportation officials complained that AID had prematurely withdrawn its technical consultants to the road maintenance project, so the World Bank had to step in and fill this need. Finance officials, concerned that Haiti is becoming increasingly incapable of financing the recurrent costs of social projects, believe AID should invest more in enterprises that generate rather than consume national income.

In commenting on our draft report, AID offered the following explanations for these differences of opinion.

--AID has limited the number of motor vehicles provided because too often they have been misappropriated as private vehicles for Haitian government staff on AID projects.

--AID believes its emphasis on preventive care and simple treatment services through rural clinics is highly cost-effective compared with hospitals in Haiti, which it believes are ineffective and costly in delivering services, have low occupancy rates, and are overstaffed.

--Although no follow-on project was proposed, AID is continuing its technical assistance to both the road maintenance unit and to the maintenance training center.

--AID shares the concern of finance officials over recurrent costs and therefore is (1) helping Haiti to effect tax and customs reforms that will generate revenue and (2) supporting private sector projects directed toward economic diversification, increased employment, and revenue generation.

Emphasis on NGOs

The World Bank has questioned whether the strategy of several donors, including AID, of relying on NGOs rather than government ministries to implement activities may detract from the need to strengthen Haitian government institutions to carry out and manage development activities. Although AID is still financing several agriculture, health, population, and rural development projects aimed at strengthening public institutions, it has channeled about half of its resources through NGOs since fiscal year 1982, when legislation mandated this approach. (See ch. 4.) Canada has similarly shifted its emphasis toward NGOs.

AID officials believe that they have been able to achieve significant project results in relatively short periods of time by using NGOs rather than public institutions to implement some activities; but they recognize that in so doing, they have traded off opportunities to try to strengthen Haiti's weak government institutions. They emphasized that the mission will continue to examine projects on a case by case basis to select the most appropriate channel for implementation.

COORDINATION WITH OTHER DONORS

We discussed donor coordination in Haiti with officials from Canada, Germany, and France, the World Bank, Inter-American Development Bank, and Inter-American Foundation. From these discussions, it appears that AID and other donors are working to avoid duplicating their efforts. For example, several donors agreed to concentrate on certain geographic regions for some activities to avoid such duplication, broaden geographic coverage, and increase the numbers of Haitians benefiting from assistance programs. The donors believe that coordination has improved since they began holding informal monthly meetings. They believe these meetings have fostered productive dialogue on development efforts, implementation problems, and opportunities for collaboration.

Several donors have collaborated with AID on various activities. For example, the World Bank is using AID's commodity studies to plan a new agricultural project. The Inter-American

Development Bank and AID have coordinated their projects to replenish Haiti's swine population, which was eliminated following an outbreak of African Swine Fever. Donors, however, usually collaborate by financing project components rather than by pooling funds and jointly administering projects. One donor pointed out that this type of collaboration is more costly than if projects were jointly administered, because each donor duplicates certain administrative expenses. The donors agreed, however, that differing procurement regulations, policies regarding loan terms, and development philosophies constrain true co-financing of projects.

In commenting on our draft report, AID stated that the problem of donor coordination is not one of a lack of mechanism or lack of will, but rather a problem complicated by regulatory, philosophical, and home/field differences. AID said that it has tried to establish better liaison and communications with the other bilateral and multilateral donors in Haiti over the past several months and will continue this effort.

ADDRESSING THE RECURRENT COST PROBLEM

AID has cited Haiti's inability to assume the increasing costs of operating and maintaining completed development projects as a major constraint to an effective, long-term rural development strategy; however, the AID strategy does not fully come to terms with this problem. We believe this problem, which is sometimes referred to as the recurrent cost problem, could threaten the sustainability of AID's development efforts if not addressed.

At AID's urging through the Ministry of Plan, the World Bank analyzed the recurrent cost problem in Haiti in 1983 and found that these costs were growing faster than the availability of both financial and human resources. According to the Bank, only 10,000 of 70,000 hectares of the land under irrigation systems was actually being irrigated because of lack of maintenance and 6 out of 14 schools built under an education project were empty because of lack of staff and materials. Based on its analysis of 41 projects ongoing in 1983 in agriculture, public works, education, and health, the Bank calculated that recurrent expenditures for these projects alone would grow from 12.8 to 15.6 percent of projected government revenues from 1984 to 1986. The Bank estimated that if all projects were considered, recurrent expenditures could be up to a third higher. More disconcerting was the fact that many donors did not know the future impact of recurrent expenditures on their projects.

The major donors have discussed the recurrent cost problem among themselves but have not agreed on what should be done. Each is considering how best to address the problem. The French, for example, may institute a food assistance program similar to the U.S. Public Law 480 title I program so that

commodity sales proceeds could be used to help finance government contributions to their development projects. The Germans have begun paying part of the recurring operating costs of their projects for 2 to 4 years after project completion, and the Inter-American Development Bank is considering a similar policy. Based in part on AID's positive experiences and technical assistance in programming, the Canadians are implementing more of their projects through NGOs and community groups than they have in the past.

AID has financed recurrent costs for some projects and has also considered continuing project support beyond completion dates. One high-level mission official fears, however, that the latter approach might merely postpone the problem, with a resulting cumulative effect. The mission has also selectively included such mechanisms as user fees and capital saving technology in some project designs to stretch limited resources and reduce the need for Haitian government outlays. (See photo on next page.)

Although financing recurrent costs helps to reduce the need for government outlays in the short term, it has fostered dependencies in some Haitian ministries. For example, a June 1984 health sector assessment pointed out that AID funded 34 percent of the operating expenses of Haiti's Department of Public Health and Population in fiscal year 1983. AID will need to continue its assistance to Haiti's Bureau of Agricultural Credit indefinitely, according to one evaluation, unless administrative costs can be considerably reduced and management improved. Haitian soil conservationists are implementing such expensive terracing measures (\$1,000 per hectare) that they cannot continue without additional AID support.

Need for improved dialogue

Donors can take certain unilateral measures to reduce Haitian government outlays in the short-term, as noted above. However, a 1983 World Bank report points out that the long-term solution to the recurrent cost problem also depends on Haitian actions which will enable economic growth and expansion of the tax base and improve the efficiency of its public administration. Although both donor and Haitian actions appear to be needed, existing donor coordination mechanisms are not functioning effectively to allow Haiti and the donors to work together toward possible solutions.

Donors have not included Haitian officials in their monthly meetings, believing that more candid discussion will ensue if government officials are not present. Further, a Joint Commission chaired by Haiti and composed of both government and donor representatives, which was intended to bring the two groups together to discuss development matters, is marginally useful according to the donors. In fact, AID officials said that donors began holding their informal meetings out of general



AID's use of capital saving tools and methods has helped to reduce the need for Haitian government outlays on some projects. (AID photo)

frustration over the ineffectiveness of the Joint Commission. Some donors felt that Haiti, because it chairs the commission and controls the agenda, uses the meetings to request more financial assistance from the donors rather than to address development problems. AID attempted to improve the commission's effectiveness by encouraging the formation of technical subgroups where substantive issues could be raised and by suggesting that chairmanship of the commission be rotated. However, AID officials said that the subgroups have not improved the commission's effectiveness and Haiti has not agreed to relinquish its leadership of the commission.

AID officials supported Haiti's integration into the World Bank's Caribbean Group for Cooperation in Economic Development in 1982 as a means of compensating for the shortcomings of the Joint Commission as a donor coordination mechanism. However, the infrequent meetings of this multilateral forum of donors and Caribbean nation officials work against its being used to promptly address development concerns. The last meeting was held in February 1984, and the next is not scheduled until June 1985.

We believe that improved communications between Haiti and the major donors could increase the efficiency of development resources through exploring opportunities for joint efforts, co-financing large investments, and sharing information on the results of different approaches. We believe that an improved forum between Haiti and the donors would also provide opportunities to jointly address mutual concerns, such as the recurrent cost problem. Because Haiti must ultimately assume responsibility for sustaining the development process, we believe the donors need to involve Haitian officials in collectively addressing such issues.

CONCLUSIONS

Although any number of alternative development strategies could be devised in a country such as Haiti where development needs are present in every sector of the economy, we believe AID has followed a reasonable approach in developing its strategy. AID has benefited from earlier experiences and is trying to overcome past shortcomings. Its ongoing assessment of needs, approaches, and program results is providing information on what needs are not being met and what approaches might be taken. Finally, the AID mission emphasizes the use of NGOs to implement activities, private sector development, policy dialogue, technology transfer, and institutional development--program directions mandated by Congress, the President, and AID policies.

The AID program appears to be generally consistent with Haitian development priorities, although some Haitian officials question certain aspects of AID's strategy. AID recognizes that in emphasizing implementation of programs through NGOs, it trades off opportunities to strengthen government capabilities to carry out and manage development activities.

Coordination among the donors in Haiti is helping them to avoid duplication of effort, to broaden geographic coverage, and to identify opportunities for collaboration. The donors' informal monthly meetings appear to be helpful to AID in developing its strategy and projects.

Although AID has followed a reasonable approach in developing its strategy, we believe AID needs to devote additional attention to the recurrent cost problem. Haiti's inability to assume the growing costs of completed development projects could threaten the sustainability of development results being achieved. Because Haiti must ultimately assume responsibility for sustaining the development process and because both donor and Haitian actions are needed to address this issue, we believe the donors must work together with Haitian officials toward solutions. Existing donor coordination forums have not afforded an effective joint examination of this problem. Formation of a separate working group to specifically focus on this issue is one step AID can take toward both addressing this issue and laying a foundation for improved communications between Haiti and the donors. As Haiti's largest donor, it would appear appropriate for AID to assume a leadership role in this undertaking.

RECOMMENDATION

We recommend that the AID Administrator encourage formation of a working group of Haitian officials and external donor representatives to examine the recurrent cost problem.

AGENCY COMMENTS AND OUR EVALUATION

AID commented that while the donors have been sensitive to the problem of recurrent costs, it is correct to state that the problem persists. In enumerating the ways it has tried to deal with the problem, AID said that it has used grant rather than loan assistance, incorporated user fees and low-cost technologies in project designs, implemented projects through the private sector, and encouraged reforms which reduce administrative costs.

AID further commented that it has taken a leadership role in addressing recurrent costs with other donors. AID said that it has sponsored two technical meetings on this issue in Haiti and that the issue was discussed at the February 1984 meeting of the Caribbean Group for Cooperation in Economic Development. In preparation for this latter meeting, AID stated that it met with the World Bank, the Inter-American Development Bank, and the Ministry of Plan to prepare a strategy for dealing with recurrent costs.

With respect to our recommendation, AID said that it has reviewed its project portfolio from the standpoint of recurrent costs and plans to meet with other donors to address this problem on a larger scale. AID expects these meetings to lead to

the formation of a committee which will make a more concerted and collaborative effort to address recurrent cost problems. (See app. I.)

We believe the unilateral actions which AID has taken are positive approaches which AID should continue and seek to expand in addressing the recurrent cost problem. Because Haiti has sometimes been slow to adopt AID's recommended changes for reducing administrative expenses, we believe AID needs to closely monitor Haiti's progress on specific AID recommendations and to work with Haitian officials to effect needed changes.

CHAPTER 3

HAITIAN GOVERNMENT SUPPORT

OF AID DEVELOPMENT EFFORTS

The legislative requirement which conditions assistance to Haiti on its cooperation in implementing development assistance programs reflects a recognition that the long-term effectiveness of AID's development strategy depends in part on Haiti's willingness and ability to support AID's efforts. In reviewing Haiti's support of development efforts, we found that AID and other donors continue to experience some difficulties in dealing with the Haitian government and that projects are sometimes delayed due to Haiti's inability to meet project commitments. AID officials believe that many of Haiti's shortcomings are due to institutional weaknesses and poor economic and administrative policies rather than to a deliberate lack of cooperation.

Despite these continuing problems, AID and the other donors believe that Haiti's overall support of their efforts has improved. In support of this view, U.S. officials point to Haiti's (1) improved performance in meeting commitments on specific projects, (2) responsiveness to several AID initiatives, particularly in support of private sector development, and (3) attempts to increase financial contributions to development.

Haiti's financial support of development efforts is constrained by a weak economy and the need to follow a stringent economic stabilization program. Domestic political concerns slow the pace of needed policy changes.

CONCERNS OVER HAITI'S COMMITMENT TO DEVELOPMENT

Our previous review in Haiti showed that poor government participation was a major reason that AID projects were having problems. AID officials said that a root cause of the government's poor performance was a lack of commitment to the development process. Because of this perception, Congress began in 1981 to condition continued U.S. assistance, in part, on Haiti's cooperation in implementing U.S. development assistance programs. Other conditions imposed by the Congress related to Haitian cooperation in halting illegal emigration and improvement in the human rights area. Congress also stipulated that assistance for Haiti was to be provided to the maximum extent practicable through private voluntary organizations.

The Continuing Resolution for fiscal year 1985, which authorizes and appropriates funds for AID programs through fiscal year 1985, continues these conditions. On January 28, 1985, the Secretary of State certified that Haiti was making satisfactory progress in the areas listed as conditions to receiving fiscal year 1985 development assistance.

HAITI'S CURRENT PERFORMANCE

AID believes Haiti has shown greater support for AID's efforts in the last few years, as evidenced by its responsiveness to several AID initiatives and attempts to increase financial contributions to development. Weak institutional capacities continue to constrain Haiti's ability to meet project commitments, although some improvement is noted. AID believes Haiti can do more in certain areas, particularly tax and administrative reform, to improve the effectiveness of development efforts.

Performance on project commitments

Some AID projects are still delayed due to Haiti's inability to meet project commitments, but AID officials believe the government's performance has improved in the last few years. They cited particular improvement in agricultural projects, which were especially problematical in the late 1970's. For example, a major agricultural project begun in 1976 experienced so many delays due to Haiti's poor performance that AID dropped several components and redirected others in 1981. Since that time, however, the government has shown increased support for this effort by assigning counterpart personnel in a more timely manner. As a result, Ministry of Agriculture field personnel are now conducting soil conservation measures, managing a major irrigation system, and conducting agricultural research based on the technical assistance provided by AID under this project. In view of this improved performance AID is considering extending the completion dates of the projects for 6 to 9 months and has planned a follow-on project.

Moreover, projects are not being terminated because of poor Haitian government performance as in the past. Whereas AID terminated three projects and revised three others which depended on government support in 1981, no projects have had to be terminated since then due to poor government performance. Mission officials cited an increased willingness by Ministry of Health officials to cooperate with the private sector to expand health services to rural areas, by Ministry of Agriculture officials to honor prior commitments, and improved communications and working relationships with Haitian officials in general as further evidence that Haiti's performance has improved.

Despite this progress, AID project status reports and evaluations indicate that certain problems remain. These include Haiti's tardiness in releasing budgeted project funds to the field and failure to assign government personnel to projects in a timely manner. These shortcomings have sometimes delayed project activity.

Mission officials gave several explanations for Haiti's inability to meet commitments to AID projects--underbudgeting of

government operating expenses; excessive personnel at central ministries which detract from field activities; communication breakdowns and other administrative mix-ups; and government field offices' lack of authority. Frequent turnover of ministry personnel was most often cited; one mission official said that there had been 13 Ministers of Agriculture over the 8-year life of the integrated agricultural development project.

AID officials believe that Haiti's institutional capacities are responsible for many of the shortcomings in Haiti's performance and that Haiti will probably continue to have difficulty meeting project commitments. They believe, however, that their efforts to strengthen government institutions are helping to improve Haiti's performance; therefore, they will selectively initiate projects to improve the government's capabilities where Haiti shows interest and support.

Response to AID initiatives

Mission officials believe the Haitian government recently has responded positively to several AID initiatives related to Public Law 480 policy dialogue and public and private cooperation. While progress is being made toward improving tax and public administration, AID believes Haiti needs to do more in these areas.

Public Law 480 policy dialogue

The Public Law 480 food assistance programs have been used to encourage Haiti to enact needed policy changes. Haiti has successfully implemented (1) self-help measures in its title I commodity sales agreements and (2) other measures as a result of negotiations toward a title III food assistance program. The Haitian government has expanded credit, soil conservation, research, training and extension services to farmers to help increase agricultural production and has begun to decentralize central ministries to improve services outside Port au Prince. (See ch. 5.)

Public and private cooperation

Mission officials believe the Haitian government has taken several positive actions to promote public and private cooperation in support of AID initiatives. The most notable was President Duvalier's creation of a Permanent Joint Committee for Investment Promotion in June 1984 with encouragement by AID officials and the U.S. ambassador. An AID consultant said this was a necessary step in examining what actions should be taken to improve the investment climate in Haiti. The Committee, composed of public and private sector representatives, is examining how to accelerate economic development and is revising Haiti's Investment Code.

Haiti also passed legislation (1) authorizing operation of the Development Finance Corporation, an AID-supported private credit institution which has begun lending to industrial enterprises, (2) supporting establishment of an AID-supported private sector National Mortgage Bank, and (3) revising the customs code according to the recommendations of an AID consultant. These latter revisions, passed in September 1984, are the first substantial ones in over 50 years and are expected to expedite customs clearance procedures and improve customs revenue collection. Finally, at AID's urging, the Ministry of Health adopted a policy of providing services to and through private as well as public health facilities.

Tax administration

Haiti has taken several positive steps related to AID's goal of improving the distribution, collection, and administration of taxes in Haiti. In an action long advocated by AID, Haiti lowered its coffee export tax by 10 percent in 1984. AID officials believe the tax still places a heavy burden on peasant coffee growers and are encouraging further reductions. Haiti has also introduced tax measures which would shift some of the tax burden to those more able to pay, such as tax increases on vehicle registration, diesel fuel, business operations, and certain luxury items.

Six AID consultants studied Haitian customs, income, property, and excise taxes in 1982 and concluded that better tax collection could yield increased revenues for development. AID consultants began by working toward the customs reforms mentioned above and were to begin helping the tax service to improve its auditing capacity during 1985.

Although Haiti has taken initial steps to improve tax collection, AID officials believe additional actions are needed. For example, the Finance Ministry established a new unit at the beginning of fiscal year 1982 to develop lists of possible taxpayers. By June 1982 over 90,000 property, vehicle, and business owners not paying taxes had been identified. However, no system was established to permanently identify taxpayers. Until legislation is passed to create taxpayer and property owner identification systems, Haiti has no way of knowing who should be paying taxes or how much is due.

Public administration

The major donors have identified numerous weaknesses in Haiti's public administration. These include (1) an over-concentration of government personnel in Port au Prince, which results in deficiencies in services in rural areas, and (2) low pay and lack of tenure for civil servants, which causes frequent turnover, cautious decisionmaking, and poor performance. Recognizing these weaknesses, an AID technical assistance team began working with Haiti's Ministry of Plan in 1981 to identify steps

for implementing comprehensive administrative reforms. An AID official told us that the actions necessary to move toward the necessary reforms were so great that AID decided to initiate a more modest endeavor in this area.

As a result, an AID consultant has been working with a division of Haiti's Ministry of Plan to improve its capacity to manage development activities. The project's specific objective is to establish a project planning, monitoring, and evaluation capability within the Ministry. The consultant told us that he has received good support on this project from Haitian officials, who agreed to reorganize the division to better oversee development projects and have cooperated in developing a project evaluation methodology.

Despite this progress, the consultant told us that Haiti's central ministries, including the Ministry of Plan, exhibit many institutional weaknesses which cannot be remedied in the short term. AID officials and the consultant agree that, relative to what needs to be done to improve Haiti's public administration, AID's assistance is only a small step in what must be considered a long-term endeavor.

Financial commitment

Haiti continues to rely heavily on external donors to finance development efforts. According to an AID analysis of Haiti's development budgets for fiscal years 1983-85, external donors were to finance between 65 and 70 percent of Haiti's development expenditures. In recognition of the need to reduce this dependency, Haiti's fiscal year 1985 development budget calls for a 35-percent increase in treasury contributions and increases from 31 to 34 percent the part of the total budget devoted to development. An August 22, 1984, statement from President Duvalier said that this shifting emphasis shows Haiti's resolution to reduce its dependence on foreign sources for financing development. Despite these increases, external donors will still finance about 66 percent of the development budget.

AID questions whether Haiti will actually be able to follow through on its commitment to increase development expenditures. The World Bank estimates that actual amounts available for development from government sources and the donors in recent years have averaged about 70 percent of the amounts budgeted; this is due to lower than expected public revenue and Haiti's inability to meet donor requirements. Also, an AID analysis of Haiti's proposed fiscal year 1985 budget questioned whether Haiti could in fact increase its total revenues for fiscal year 1985 by the projected 19 percent when its total revenues increased only 7 percent in fiscal year 1984.

DONOR VIEWS OF HAITI'S COOPERATION

U.S. officials and donor representatives experience some difficulties in dealing with the Haitian government, but they generally believe that it is showing more support for their development efforts. Some donors believe they have become more adept at working with the Haitian government, and as a result government performance has improved.

In the U.S. ambassador's opinion, Haiti has received much unfair criticism from the media in recent years, with the result that the Duvalier government has not received credit for reforms it has made. He cited Haiti's strong support for AID's private sector initiatives, cooperation with the U.S. Coast Guard in preventing illegal emigration to the United States, and actions taken in the context of the Public Law 480 title III negotiations as evidence of the government's cooperation.

The ambassador also cited Haiti's unprecedented positive response to civil disturbances which occurred in several cities in May 1984 as an indication that it is beginning to approach its problems in a more positive way. He explained that, in the past, Haiti might have used force to quell the disturbances, which involved attacks on food warehouses thought to be owned by the government. Instead, Haitian officials went to the affected cities to listen to the people's grievances and then responded with food aid and a public works program, with AID's help.

Mission officials, while not hesitant to point out continuing frustrations in dealing with the Haitian government, believe that its support of their efforts is improving. One official believes that a positive but firm approach of documenting government commitments and regularly reminding Haitian officials of these commitments has yielded improved support.

Canadian, French, and German development officials and representatives of the World Bank and Inter-American Development Bank told us that overall they are receiving fairly good cooperation from the Haitian government. They cited good cooperation by the Agriculture Ministry and transportation agency in meeting project commitments, positive changes in public finance, and greater government participation in formulating development plans as evidence of increased support of development efforts.

Several donors cited examples of project cancellations which were due to poor government performance or support. However, the donors generally felt that, except for isolated cases, the problems were due more to institutional weaknesses and poor economic and administrative policies than to a deliberate lack of cooperation. The donors believe Haiti needs to do much more to improve public administration and tax collection, increase government contributions to cover operating expenses, and reduce turnover in the ministries.

CONSTRAINTS TO IMPROVED PERFORMANCE

Economic and political factors constrain Haiti's support of development efforts and slow the pace of needed changes. Economic factors limit the financial resources available for development while political factors slow the pace of change.

Economic constraints

A severe economic recession brought on by the world recession, inadequate agricultural production, and excessive government spending led Haiti to enter into an economic stabilization program with the International Monetary Fund in 1982. Haiti's success in complying with the stringent terms of the first Standby Arrangement led to a second 2-year arrangement in November 1983.

To comply with the terms of the second arrangement, which called for reduced government expenditures, Haiti cut back on certain development programs. The economic repercussions which resulted have been blamed for the May 1984 civil disturbances. In responding to the disturbances with food assistance and a secondary cities' public works program, Haiti exceeded the arrangement's spending ceilings and was unable to make drawings under the arrangement after April 1984. As of May 1985, Haiti still was not in compliance with the terms of the arrangement.

We discussed the status of the Standby Arrangement with both International Monetary Fund and Haitian officials to get a better understanding of the impact that austerity measures would have on development expenditures. A Fund representative told us that excessive Central Bank credit to finance government expenditures in the summer of 1984 caused Haiti to become substantially out of compliance with the terms of the arrangement and that Haiti probably could not get back into compliance by the end of the arrangement's 2-year period in September 1985. He said that if Haiti demonstrated a good faith effort to get back into compliance with the terms of the arrangement, Fund representatives would propose a new Standby Arrangement. As of May 1985, Fund representatives had not proposed a new arrangement.

Officials at the Ministry of Finance acknowledged that the austerity measures required by the arrangement will constrain government outlays of all types, including development expenditures in the short-term. They believe that their difficulties in meeting the targets are temporary and explained that Haiti's difficulties were due to (1) a slower-than-expected recovery from the continuing recession, (2) overestimated revenues, (3) unanticipated purchases of commodity imports to respond to the May 1984 civil disturbances, and (4) the need for the

Central Bank to make short-term loans to two government-owned agricultural processing plants to avert market shortages and default on contractual agreements. The officials said that these plants had begun repaying their loans, which should help Haiti to get back into compliance.

Regardless of the outcome, there is general agreement that in pursuing its economic stabilization goals, Haiti faces austere times ahead. Finance Ministry officials told us that Haiti remains committed to these goals and recognizes that sacrifices must be made to achieve them. They view the required measures as essential to economic growth, which Haiti would have had to adopt even had there been no International Monetary Fund arrangement.

Political constraints

AID and Haitian officials told us that political constraints slow the pace of change in Haiti. We were told that Haitian officials cannot effect changes too quickly for fear of creating dissent, which could fuel opposition to the current government and threaten their own jobs. One official said that the frequent change of ministers has been due in some cases to officials trying to make too many changes too quickly. Others said that government jobs are extensively used to gain support and weaken any political opposition.

Officials at the Ministry of Health cited Haiti's movement toward decentralization as an example of how political constraints slow the process. They said that, although they recognize the need to reduce excess personnel in Port au Prince and shift personnel to the field, personnel levels cannot be reduced quickly in Port au Prince, where the unemployment rate is already about 50 percent. Further, both AID and Haitian officials pointed out the difficulties in getting educated workers, who are accustomed to the urban services of Port au Prince, to relocate in rural areas. The Health Ministry instead is gradually reducing personnel in Port au Prince and now conditions medical school tuition assistance on some rural service.

CONCLUSIONS

The Haitian government appears to be showing greater support for development efforts. U.S. officials and representatives of bilateral and multilateral donor agencies generally agree that although it is not easy to deal with the government, its support of their efforts is improving.

Haiti has responded positively to several AID initiatives, particularly for private sector development. While some progress has been made toward improved tax and public administration, Haiti still needs to do more in these areas.

Several constraints work against greater Haitian government support for development. A weak economy and the need to adopt austerity measures in pursuit of economic stability prevent Haiti from reducing its dependence on external donors in financing development programs. Political constraints slow the pace of needed changes. These weaknesses will not be overcome in the short term but rather through sustained effort on the part of the donors to strengthen Haiti's capabilities.

CHAPTER 4

USE OF NONGOVERNMENTAL ORGANIZATIONS

IN THE AID PROGRAM

The mission's strategy of emphasizing the use of NGOs in its program has achieved significant project results in relatively short periods of time, has increased participation by indigenous groups, and has strengthened coordination of NGO activities. However, although the mission has attempted to gather information on NGO activities to avoid funding projects that would duplicate ongoing efforts, we noted that after much effort the mission still lacks complete data on NGOs operating in Haiti. Also, the proliferation of small projects and the need to provide technical assistance to indigenous groups has strained limited AID staff resources. We believe AID needs to assess the adequacy of its oversight and technical assistance to small community-implemented projects.

ROLE OF NGOS IN HAITI'S DEVELOPMENT

AID officials in Haiti estimate that over 300 Haitian and foreign NGOs annually contribute about \$65 million in cash and donated services to Haiti's development. These organizations, ranging from small church-sponsored organizations and farmer cooperatives to major private and voluntary agencies, such as CARE and Catholic Relief Services, represent a significant development force in Haiti.

AID channeled about 45 percent of the total \$45 million U.S. economic assistance program in fiscal year 1984 through NGOs--over \$6 million in development assistance funds, \$4.5 million in Economic Support Funds, and \$9 million in Public Law 480 funds. The Public Law 480 title II food donation program is administered by four U.S. private and voluntary organizations--CARE, Catholic Relief Services, Adventist Development Relief Agency, and Church World Service. The AID mission funded 18 new NGO projects in fiscal years 1983 and 1984. In fiscal year 1981 NGOs were managing only 8 AID projects, excluding the Public Law 480 programs.

AID officials reported that NGOs have demonstrated through their development activities that they can effectively reach Haiti's poor, achieve relatively quick program results, expand both Haitian government and AID resources, and fill voids in regions where little assistance is available.

AID officials emphasize that, although they are increasingly using NGOs to implement their activities, their goal is to select the most appropriate implementor for each project, whether Haitian government or NGO.

HOW AID USES NGOs

AID finances NGO activities in Haiti in agriculture, rural development, agroforestry, public health, nutrition, family planning services, and community water systems in four ways.

1. Specific support grants, which include operational program grants, are 3- to 4-year grants ranging in value from \$400,000 to \$8 million. These grants are made from development assistance funds to registered private and voluntary organizations that implement projects either directly or through indigenous organizations at the community level.
2. NGO support grants are 1- to 3-year grants, generally ranging in value from \$300,000 to \$500,000, awarded to U.S. and indigenous NGOs from Economic Support Fund appropriations first allocated under the Caribbean Basin Initiative in fiscal year 1983.
3. Special Development Activities grants, ranging in value from \$3,000 to about \$10,000, are awarded for small rural development and infrastructure projects proposed and undertaken by local community groups.
4. Centrally funded support grants are awarded by AID headquarters to U.S. private and voluntary organizations with well-established programs; eight organizations were spending about \$430,000 of their grants in Haiti during fiscal year 1984.

NGO SELECTION

The mission generally selects NGOs for funding according to AID guidelines and its own project proposal review systems. It reviews all NGO proposals for adequate descriptions and objectives, identification of locations and beneficiaries, coordination with other groups, and relationship to AID and government development strategies and activities. It also considers the adequacy of the applicants' systems for controlling funds and qualifications to implement the projects.

Specific review processes vary according to the type of grant. For example, specific support grant proposals are frequently developed jointly by the NGO and AID and most grants are awarded to major organizations with which AID has had experience.

NGO support grant proposals are reviewed first by a mission subcommittee. The best proposals are referred to a full review committee, which decides whether to recommend funding to the mission director. As of August 1984, the mission had received 23 unsolicited proposals for fiscal year 1984; however, some were originally discussed with potential implementors. One mission official said that the mission has been able to give direction to the NGO support program by encouraging project proposals in areas related to the AID development strategy, such as agroforestry, investment finance, rural community health, goat stock improvement, and family planning.

The mission's manager for Special Development Activities assists and reviews project proposals from local community groups and monitors those projects funded. This manager assists indigenous groups in formulating projects, particularly if a group has no previous experience in receiving outside grants. The mission's engineering staff reviews construction projects for design specifications and feasibility and visits proposed construction sites for projects to be funded.

Proposals for centrally funded grants are solicited annually by AID's Office of Private Voluntary Cooperation, which forwards a summary of accepted proposals to the mission for comment.

RESULTS OF THE NGO STRATEGY

Major achievements from the mission's emphasis on NGOs have been quick project results, increased participation by indigenous groups in implementing projects, and strengthened coordination of NGO activities.

Quick project results

Mission officials believe that they have been able to achieve significant project results in relatively short periods of time by using NGOs to implement certain projects. For example, three major NGOs and various smaller groups distributed about 11 million trees to 20,000 peasants, established demonstration plots, trained agroforestry extensionists, and conducted technical research within the first 2-1/2 years of an agroforestry project. We visited another NGO project which had produced and distributed over 200,000 improved fruit tree seedlings to 1,000 families within 1-1/2 years. Within 1-1/2 years of project start-up, 500 swine had been imported from the United States and breeding had begun at a central facility. As of April 1985, over 95 NGOs were establishing breeding centers according to plans for distributing swine to peasants to replace swine destroyed following an African swine fever outbreak in 1979.

Mission officials contrasted these examples with their experiences in implementing projects through the Haitian government, where some projects took several years to get started. The integrated agricultural development project, for example, was funded in 1976 but due to Haiti's failure to meet required conditions, including assigning government personnel, did not get started until 1980. The project is just now starting to show results.

Increased participation by indigenous groups

U.S. voluntary agencies carry out several of the mission's NGO projects and the Public Law 480 title II food assistance program. However, the mission extensively uses indigenous NGOs and community groups to implement other development activities, since it believes the involvement of these groups will improve the chances that development results will be sustained. Accordingly, the mission has channeled most of its \$15 million in Economic Support Funds for fiscal years 1983 and 1984 directly to indigenous groups. The mission has also expanded its Special Development Activities program (carried out entirely by such groups) from \$75,000 in fiscal year 1981 to \$200,000 in fiscal year 1984. In addition, it has supported U.S. voluntary agencies' use of indigenous groups to implement project activities and has helped to establish indigenous institutions important to Haiti's development, such as the Haitian Development Foundation and the Development Finance Corporation.

At the time of our review, indigenous organizations were directly implementing 11 of 16 ongoing NGO projects financed with Economic Support Funds. We visited several of these projects, including a multifaceted program of medical, social, and vocational education services in Cite Simone, a large slum area in Port au Prince. (See photos on the following page.)

Other AID-supported NGOs also were using indigenous groups to implement activities. For example, CARE is using as many as 100 indigenous groups in its rural potable water activities and Catholic Relief Services has used a Haitian counterpart to organize over 500 peasant groups to engage in income-producing activities. A Mennonite group is organizing Haitian cocoa producers into cooperatives and is training them in planting, cultivating, and processing techniques. We visited one such cooperative where the manager told us that significant profits had already been made, most of which had been returned to cooperative members.

The Special Development Activities program has also furthered the mission's use of indigenous groups. Under this program, local groups construct roads, schools, sanitation facilities, clinics, and irrigation systems and conduct projects designed to generate income or to improve animal husbandry practices. Mission officials believe the program builds commitment to the development process among local communities, thereby improving the chances that they will sustain development



An AID-supported NGO provides vocational training to residents of Cite Simone. (GAO photo)

results. They also believe it has potential for delivering development benefits at relatively low cost; for example, local groups have constructed or rebuilt several irrigation systems. We visited one project site where local workers were repairing a dam and constructing irrigation canals for \$10,000. Mission officials said this was a typical cost, and they plan to use this approach to irrigation in a major new agricultural project in the southern peninsula of Haiti.

Interest in the Special Development Activities program has grown to the point where, in recent years, the mission has been able to fund only about half of the proposals submitted. Mission officials are concerned, however, that despite the growth of the program, no evaluation has been made. They believe that an evaluation would have to be made if the program were to be further expanded.

New project to expand use of community groups

A new agricultural project in the southern peninsula of Haiti will use community groups to implement irrigation and soil conservation activities. An AID official told us that this approach will be used because the mission believes that similar activities being conducted under the Special Development Activities Program have proved to be cost-beneficial. As planned, AID will provide \$10 million in funding over the 5-year life of the project.

Strengthened coordination of NGO activities

AID works closely with several NGO associations, including the Haitian Association of Voluntary Agencies (HAVA) and an association of private health care institutions to strengthen coordination of NGO activities.

Haitian Association of Voluntary Agencies

HAVA was formed in 1981 to enable voluntary agencies in Haiti to transmit requests for assistance to agencies in the United States. The original 20 member organizations envisioned HAVA as becoming the coordinating group for all NGO activity in Haiti. AID officials, believing HAVA had potential to encourage more coordinated development efforts, gave it an initial \$10,000 grant for administrative purposes. In July 1984, AID gave HAVA a second grant of \$364,000 to help strengthen and expand its administrative, technical, and financial capacities and to allow it to award small subgrants to member NGOs to carry out development activities.

HAVA has faced several problems in trying to facilitate NGO coordination, including potential members' reluctance to accept

HAVA as a representative body. According to AID, some groups still perceive HAVA as being too American and not representative enough of national groups' interests. Others have complained that meetings are conducted in English, although members said that attendees decide at each meeting which language will be used and that translations are made when necessary.

Despite these problems, HAVA has tripled its membership since 1981, has established seven technical committees, and has continued to recruit new members. It has also conducted workshops aimed at coordinating the efforts of its members and enhancing their capabilities and has established a committee to provide subgrants for member projects. As an example of its efforts in coordination, HAVA representatives said that four members of its water supply and sanitation committee had divided the country into four regions to provide greater geographic coverage.

One AID official said development of HAVA into an effective coordinating body will take time but, if successful, the mission will be able to rely more on HAVA to pass on institutional development support to its members as well as to monitor AID-assisted NGO activities.

Association of private health care providers

In fiscal years 1983 and 1984, AID provided a total of \$716,000 in support of an association of over 50 private health organizations, which is working with Haiti's Department of Health and Population to expand community health care services to rural areas. This support has helped to coordinate health activities not only among NGOs but also with the Haitian government. Each participating organization provides services to a minimum of 10,000 persons in a specific geographical area, and larger organizations are being encouraged to increase the numbers each serves to 50,000. For some of these programs, both private and public health personnel and community volunteers work together to provide services. For example, we visited one rural clinic which was built by community volunteers and staffed by both the government and a member institution of this association. An NGO-operated vision care program was also using the facility.

AID has also helped the association to provide technical and financial assistance to its member organizations. Through its AID grant, the association plans to expand the numbers of people served from 200,000 to 500,000. One Haitian government official said this program has brought health services to many Haitians previously not being served through the government's clinic and hospital delivery system.

INCREASED SUPPORT TO NGOS
NOT WITHOUT PROBLEMS

Despite the positive effects of providing assistance through NGOs, the mission has encountered some difficulties. It has been trying to compile information on NGO activities for several years to avoid funding projects that would duplicate ongoing efforts, but it still lacks complete data on the number of organizations operating in Haiti and the focus of their activities. Problems have been identified with the quality of projects being implemented by community groups under the Public Law 480 Food for Work program. The proliferation of small projects and the need to provide technical assistance to indigenous groups has strained limited mission staff resources available for oversight.

Information lacking on totality
of NGO activity

Although both AID and the Haitian government have been trying to identify and assess the capacities of the estimated 300 private groups operating in Haiti, neither has complete information on the totality of these activities.

Several AID staff and contractors have worked on compiling an NGO inventory since 1982. Mission officials said lack of staff continuity and problems with the data have delayed the project. Problems have included (1) defining what constitutes an NGO or an NGO activity and (2) NGO resistance to providing information when recipients and uses of the information are not identified. AID would like to give the inventory to HAVA to use in recruiting new members and has hired a contractor to complete the work and to help HAVA develop techniques to update and maintain the inventory. The contractor anticipated that all the data would be collected by December 1984 but could not estimate when the inventory would be completed and in a useful format.

The Haitian government also recognized the need for a systematic approach to coordinate NGO activity, and it issued a decree in December 1982 requiring NGOs to register with the Ministry of Plan and to submit information on their activities. Although the decree entitled NGOs to certain customs duty exemptions upon registering, only 50 had registered by October 1984. Mission officials said they believe that some NGOs have not complied because they fear government control over their activities. The decree requires NGOs to disclose their financial data, establish their bank accounts at the National Bank of Credit, and permit the government to review their projects and programs. The government, however, has neither established deadlines for submitting the information nor enforced the banking requirement. Both HAVA and mission officials concluded that the government may not be able to enforce its decree.

Weaknesses noted in small community-implemented projects

A February 1985 evaluation of the Public Law 480 Food for Work program noted numerous weaknesses in projects being implemented by community groups. These weaknesses, which included poor project quality, commodity misuse, and lack of development impact, are discussed in chapter 5. The evaluation noted that inadequate supervision and technical assistance appeared to be the cause of many of the weaknesses identified.

Three of the 17 projects reviewed in detail were Special Development Activities projects. The evaluation rated one of the projects as having the best planning and implementation because of the amount of technical assistance devoted to the project. For the other two projects, however, the evaluation noted weaknesses and characterized one as having the worst planning and implementation of the 17 projects reviewed.

Proliferation of small projects and the need to provide technical assistance strain mission staff resources

While the Food for Work evaluation attributed many project weaknesses to inadequate supervision, some mission officials expressed concern that the growing number of small NGO and Special Development Activities projects is also placing a strain on limited mission staff. They pointed out that each NGO project generates as much paperwork and takes up almost as much time as larger projects and creates additional monitoring responsibilities for mission staff. Further, some NGOs, due to their limited sources of support, have needed additional AID support to sustain their development activities. The mission's continued support for existing projects without curtailing funding of new projects has led to a growing number of NGO projects.

As the number of NGO projects has increased, some non-project staff have become responsible for managing them and personal services contractors have been hired to monitor some projects. One mission official, usually not assigned project responsibilities, said at one point he was spending 90 percent of his time on the one project he was asked to monitor. He felt that this adversely affected his other project development and evaluation responsibilities.

The program manager for Special Development Activities said that the program could be expanded only with additional engineering support and inspection staff. He said that (1) he has not been able to visit every project because of the large number of projects and (2) AID engineers have been able to conduct only initial reviews of projects rather than monitor their progress. He believes site visits are important because illiteracy prevents some rural groups from filing progress reports. Because the Food for Work evaluation identified inadequate monitoring as

a possible cause for some of the program's weaknesses, another mission official feared the same weaknesses might apply to the Special Development Activities program in view of their similarities--both are implemented by local community groups and receive minimal monitoring.

Mission staff are also spending more time providing technical assistance to indigenous groups to overcome their institutional weaknesses. These weaknesses include inexperience in developing project proposals and implementation plans and inadequate accounting and management procedures. The mission has tried to overcome these constraints by providing technical assistance and training through HAVA. However, because not all groups are members of HAVA or want to be involved in its activities, AID provides technical assistance and training to some groups either directly or through NGO projects. For example, AID is directly assisting the health care association to improve its accounting procedures and its capacity for project coordination and evaluation. The association in turn is providing technical and direct financial assistance to its member organizations. Through a U.S. association of cooperatives, AID is helping a poultry cooperative establish a training program for its members. Mission officials recognize that they will need to continue such assistance because of the increasing number of indigenous groups being used in AID programs.

CONCLUSIONS

The large number of NGOs carrying out development activities in Haiti has led both AID and the Haitian government to recognize these groups as an important development force. AID has solicited their ideas for projects, provided training and technical assistance to strengthen their capacities to implement development activities, supported the coordination of their efforts, and attempted to identify the universe of NGOs and their programs in hopes of increasing their effectiveness in the future. AID has selected a wide variety of NGOs for use in its program, including U.S. private and voluntary organizations, Haitian private sector organizations, and indigenous cooperatives and community groups. AID's use of these indigenous organizations has grown significantly as a consequence of the NGO strategy.

Despite these positive benefits, the mission's NGO strategy has resulted in a proliferation of small projects which the mission is finding increasingly difficult to oversee. We believe the mission needs to focus on how it will monitor and provide technical assistance to this growing number of projects.

The Special Development Activities program in Haiti has potential for delivering development benefits at a relatively low cost, and it may build commitment among local communities to the development process. We believe, however, that an evaluation would help in assessing what technical assistance and oversight the mission needs to devote to maximize the development

potential of this program. The need for an evaluation is heightened by (1) the practical limits on the mission's ability to administer and monitor a growing number of projects, (2) recent findings of weaknesses in Food for Work projects, a few of which were Special Development Activities projects, and (3) plans to use community-implemented activities in a new major agricultural project.

RECOMMENDATION

We recommend that the AID Administrator have a comprehensive evaluation made of the Special Development Activities program to assist in assessing whether this approach should be expanded and what oversight the mission needs to devote to such community-implemented projects.

AGENCY COMMENTS

AID said that the Special Development Activities program would be evaluated in June 1985. (See app. I.)

CHAPTER 5

PUBLIC LAW 480 FOOD ASSISTANCE IN HAITI

Food assistance under U.S. Public Law 480--the Agricultural Trade and Development Assistance Act of 1954 (7 U.S.C. 1691)-- is an important component of AID's development program in Haiti. It represents about half of all U.S. economic assistance to Haiti since 1973, provides a major portion of Haiti's contribution to development, affords AID opportunities to influence government policy changes, and addresses humanitarian concerns.

AID has used the Public Law 480 title I commodity sales program to further its development efforts and to foster needed revisions in government policies. AID officials believe a proposed title III program would increase its ability to influence more substantive policy changes and would enhance Haitian government planning and management capacities.

Although no overall evaluation has been made of the impact of the title II food donation program in Haiti, evaluations of selected programs conclude that they appear to be improving the nutritional status of beneficiaries. AID and U.S. implementing organizations have corrected some implementation problems, but improvements are still needed, particularly in the Food for Work program. Although AID policy guidance states that title II programs are intended to be used as development resources, minimal Haitian government involvement in the programs constrains their development potential.

TYPES OF FOOD ASSISTANCE

U.S. Public Law 480 is the principal mechanism for providing U.S. food assistance to developing countries. Haiti has received food assistance under both the title I commodity sales program and the title II food donation program. A title III Food for Development program was approved in May 1985 to replace the title I program. (See p. 4 for program descriptions.)

As shown on the next page, Haiti has received over \$176 million in Public Law 480 assistance since 1973. This represents about 52 percent of the total \$339.8 million in U.S. aid during this period.

<u>Fiscal year</u>	<u>Title I sales</u>	<u>Title II donations</u>	<u>Total</u>
	----- (millions) -----		
1973-81	\$52.0	\$63.8	\$115.8
1982	13.0	9.2	22.2
1983	11.0	7.4	18.4
1984	<u>11.0</u>	<u>8.8</u>	<u>19.8</u>
Total	<u>\$87.0</u>	<u>\$89.2</u>	<u>\$176.2</u>

Source: AID congressional presentations.

TITLE I COMMODITY SALES PROGRAM

The title I program has furthered Haiti's development by providing about one-fourth of the Haitian government's contributions to development programs and effecting policy reforms. AID has worked closely with Haitian officials to improve the management of title I funds.

Sales proceeds finance development activities

Title I sales proceeds have provided a significant portion of Haiti's contribution to development programs. In fiscal year 1984, \$16.2 million, or about 24 percent, of Haiti's \$67.2 million contribution was to come from title I sales proceeds and the rest from the public treasury and other government revenue sources. Although title I proceeds have financed government, AID, and other donors' projects, they have increasingly gone to support AID projects. For fiscal year 1984, about 75 percent of the proceeds went to AID projects. According to AID, without title I funds, Haiti's fiscal austerity program in the last 2 years would have severely compromised its development investments and further reduced its ability to provide basic services to the poor.

Title I fosters policy changes

For the past 3 years, Haiti has implemented the required self-help measures upon which its title I program has been conditioned. These measures have included improving customs and tax administration, expanding agricultural production, and increasing efficiency in marketing and distributing agricultural products.

According to recent self-help compliance reports prepared by AID and the Haitian government, the government has revised the customs code, established a school to train customs personnel, and adopted new taxes on diesel fuel, business operations,

and general sales. In compliance with U.S. Department of Agriculture requests, Haiti has implemented an African swine fever eradication program and, to increase agricultural production, has (1) expanded credit, soil conservation, training and extension services, and agricultural inputs to farmers and (2) conducted research on improved food crops and cultivation techniques.

Improved management
of title I funds

Haiti has taken actions to improve its management of title I sales proceeds. AID officials told us that in the late 1970's, title I funds generally were not disbursed to development projects in a timely manner, some projects received less than the amounts agreed upon, and the government kept the taxes on some processed commodities thereby reducing the deposits of sales proceeds to be used for development projects.

Over the past few years, the mission has helped the government to establish procedures to overcome these deficiencies. The Ministry of Plan now manages a single title I receiving account and has established procedures to assure more timely transfer of funds to projects and preparation of reports and to channel all taxes collected on processed commodities into the title I account.

PROPOSED TITLE III PROGRAM

In May 1985, an interagency committee in Washington approved a title III Food for Development program to replace the current title I program, and the text of the agreement was being finalized.

Under title III, principal and interest on the U.S. loan will be forgiven if Haiti uses the sales proceeds for agreed development purposes and carries out specific reforms. Mission officials believe that the program offers several advantages.

- The higher funding levels under title III would generate higher sales proceeds to help fund government contributions to AID and other donor projects that might otherwise suffer from austere budgets.
- The loan forgiveness feature and the negotiating process would enhance AID's ability to influence policy reforms.
- The multi-year feature would enable the government to undertake long-range planning and to clarify development objectives.

Provisions of the proposed program

The project paper proposed by AID was to provide Haiti with higher levels of food assistance than under title I--\$15 million the first year, \$18 million the second, and \$20 million the third. The approved program calls for levels of \$15 million a year over the 3-year period, which is still higher than recent title I levels--\$11 million for each of fiscal years 1983 and 1984. Mission and government officials have jointly developed a program which emphasizes actions to (1) reverse stagnation in the agricultural sector, (2) improve Haiti's road system, and (3) improve the health status of rural populations. The latter two objectives are designed to support the first through better access to markets and a healthier working population.

The agreement requires the government to

- reduce the coffee export tax by 25 percent to increase coffee production and reduce the tax burden on the Haitian peasant;
- reduce flour taxes to increase food availability and improve the population's nutritional status;
- analyze alternatives to government intervention in several areas of agricultural processing and marketing;
- decentralize the Ministry of Agriculture;
- continue decentralization of health service delivery, expand family planning services, expand collaboration with private health providers, and improve management of operating costs in the health area; and
- increase transportation sector revenues and maintain the national road network.

The Ministry of Plan will also set up a special title III management office to administer and monitor the program.

Potential drawbacks to a title III program

During a recent review of title III programs in several countries, we noted the following implementation problems.

- Weak host government capacity to manage and oversee project implementation.

- AID's inability to provide adequate oversight due to limited staff resources.
- Host government failure to establish a special account and improper management of sales proceeds.
- Late or inadequate host government submission of compliance reports.
- Host government failure to adopt required reforms.

Mission officials believe that many of these problems will be obviated in Haiti, pointing out that Haiti has agreed to establish a separate office to focus on its increased responsibilities under title III and that, unlike some other title III recipients, Haiti has managed a special title I account for several years.

Further, AID officials believe that Haiti has demonstrated commitment to the proposed program. The original title III program proposed in 1978 met with resistance to the proposed policy commitments, and negotiations were suspended for about 2 years in the early 1980's. A new proposal was developed jointly with the Haitian government, whose commitment has been demonstrated by actions being taken related to the agreement's provisions even though the program has not begun. For example, Haiti has lowered the coffee export tax by 10 percent and moved toward administrative and financial decentralization of certain ministries.

Although a mission official minimized the effect that the title III program would have on the mission's workload, during our visit we noted that in addition to the one full-time staff member assigned to the title I program, the Deputy Mission Director and other staff in the agriculture, health, transportation, and economic areas were spending much time designing title III projects and working out the details of the proposed program with their Haitian government counterparts. Our report on title III programs¹ points out that the program places increased administrative and monitoring burdens on AID missions as well as host governments because the program must be managed and documented under more structured procedures than under title I. For example, AID must closely monitor the use of sales proceeds to certify Haiti's eligibility for loan forgiveness and must annually evaluate Haiti's performance. Haiti must meet more stringent reporting requirements than are required under title I.

¹Draft GAO report entitled Links Between Food Aid and Development Need Strengthening.

Because of the ambitious nature of the proposed program and weak government institutional capacities, we believe AID needs to be prepared to provide the necessary oversight to assure that the program is properly implemented and that its development objectives are met.

TITLE II FOOD DONATION PROGRAM

The title II food donation program in Haiti is carried out by four U.S. private and voluntary organizations: CARE, Catholic Relief Services, Church World Service, and the Adventist Development Relief Agency. Each of the four private and voluntary organizations administers three major programs under title II.

1. The School Feeding program provides daily meals to primary school children in about 50 percent of Haiti's public and private schools representing about 70 percent of all primary school students. The goals of the program are to improve school attendance and enhance learning capability through improved nutritional status.
2. The Maternal Child Health program provides food to mothers and children at over 500 sites. Child growth is monitored, mothers are educated in nutrition and child care, and family planning services are offered at some centers.
3. The Food for Work program provides food as wages to workers conducting activities aimed at needed agriculture, economic and community improvements. As of mid-1984, local groups were implementing 173 projects related to soil conservation, irrigation, construction of roads and schools, and other community activities.

A small percent of title II commodities is also provided to other child feeding programs at orphanages and other institutions.

AID also provides about 2 percent of the total title II commodities going to Haiti to the World Food Program, a multilateral food assistance program sponsored by the United Nations. We did not review this program because the AID mission has no responsibility for monitoring the program.

As shown in Table 3, School Feeding accounted for over 70 percent of program beneficiaries in fiscal year 1984.

Table 3

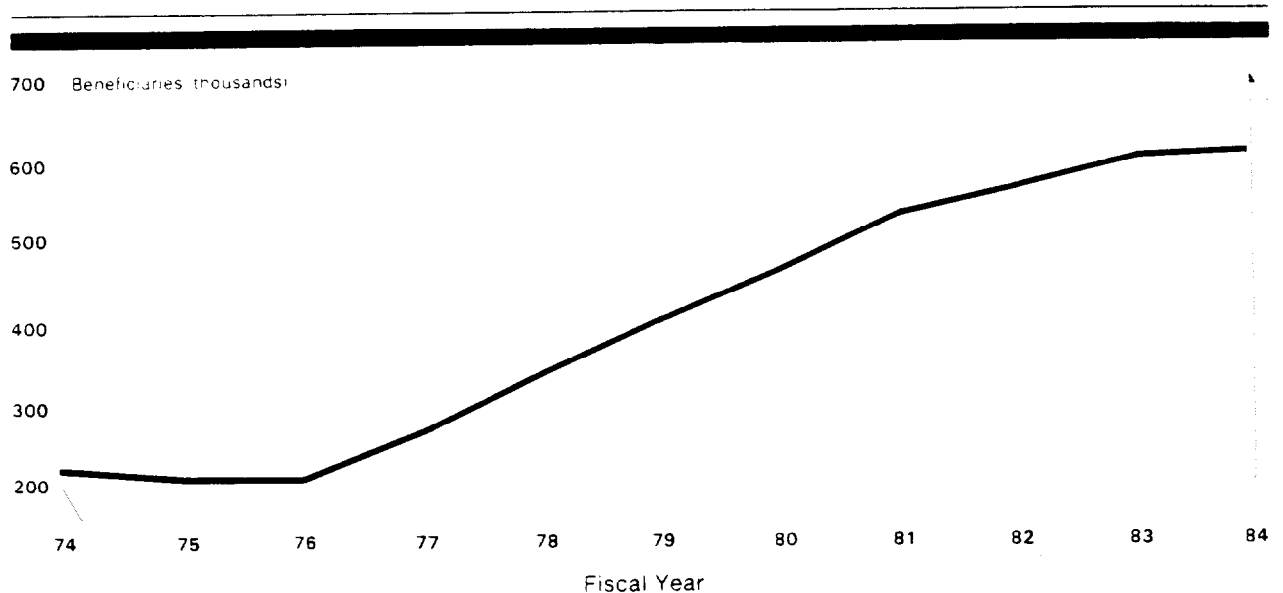
Beneficiaries of the
Title II Program in
Fiscal year 1984

<u>Program</u>	<u>Number of beneficiaries</u>	<u>Percent</u>
School Feeding	442,600	71
Maternal Child Health	92,300	15
Food for Work	77,500	13
Other child feeding	<u>6,500</u>	<u>1</u>
Total	<u><u>618,900</u></u>	<u><u>100</u></u>

Source: U.S. AID/Haiti

In fiscal year 1984, the agencies distributed approximately \$8.7 million worth of bulgar, cornmeal, vegetable oil, and dry milk, with CARE servicing about half of the beneficiaries. Each agency works in a specific area of the country, except for the Adventist agency which operates throughout Haiti. Currently, about 11 percent of Haiti's total population benefits from activities supported by title II. As shown by the following graph, the number of title II beneficiaries has almost tripled in the past 10 years.

Trends in Title II Program Beneficiaries



The mission intends to quadruple Maternal Child Health program coverage by 1990, reflecting an increased emphasis on this program in reducing malnutrition. The mission may also increase the School Feeding program if it initiates a preschool and primary education program. The Food for Work program is expected to remain about the same or to decrease slightly in the next few years as AID examines program objectives in response to findings of a recent evaluation, as discussed in the following section.

Impact of title II programs

No evaluation of the overall impact of the title II program has been made; however, recent AID contractor evaluations of specific Maternal Child Health programs conclude that they have benefited the target groups. An evaluation of the School Feeding program has been in process since 1981, and a final report is expected to be issued during 1985. A February 1985 evaluation of the Food for Work program identified numerous problems limiting the impact of this program.

Maternal Child Health program

A December 1983 evaluation assessed the impact of a Maternal Child Health program funded by AID's Bureau for Food for Peace and Voluntary Assistance, which has been administered by the Adventist Development Relief Agency since 1981. Intensive nutrition and education programs are conducted at 10 centers, which have better trained and better paid staff than other centers. The evaluation showed that the program was saving the lives of some severely malnourished children, achieving significant weight-for-age improvement in most children, and generally improving nutrition. A teacher at a center we visited in northern Haiti told us that almost every child's weight increases steadily when he or she is enrolled in the program.

A May 1984 evaluation of CARE's Community Integrated Nutrition and Education Centers program showed that the program was improving the nutritional status of preschool children and enhancing their later academic performance in school. At a center we visited in Port au Prince, the program coordinator told us the Haitian government has been very supportive of the program and has adopted it as Haiti's official preschool program. (See photo on next page.)

A 1983 AID contractor assessment of program implementation by all four organizations found strengths in the areas of mothers' satisfaction, accessibility to participants, and staff training capabilities. Weaknesses were found in the selection of beneficiaries, monitoring of progress, turnover of participants, and government involvement. The evaluation recommended expanding the Haitian government's role in nutrition planning, training and supervision of staff, and provision of supplies.



CARE improves the nutritional status of Haitian children through its Public Law 480 preschool and nutrition education program. (GAO photo)

School Feeding program

AID staff and contractors have been evaluating the School Feeding program in Haiti since 1981. Phase I of this study, published in 1982, showed that the program's impact was being constrained by lack of a nutrition education component, inadequate Haitian government involvement, and admission procedures which tended to exclude the poorest institutions from participating. It also found that rations were being diluted because more students were being fed than anticipated and because of unexplained commodity shortfalls at schools. At one of the schools we visited in central Haiti, the principal told us he often has to dilute the rations because his food allotment is inadequate for the number of students enrolled.

Phase II of the evaluation is comparing the growth rates of children in participating and non-participating schools over 2 years and is expected to be issued during 1985.

Food for Work program

Under the Food for Work program, all four agencies provide food to local community groups to implement small development projects. Some AID and implementing agency officials believe this program offers the most developmental potential of all the title II programs because it can be used to improve community infrastructure, strengthen community organization, and train people for future employment. However, a February 1985 evaluation of the program by an AID contractor² showed that the program was not achieving its full development potential due to numerous weaknesses. The contractor examined 17 projects in detail and found that:

- Some implementing agencies were approving projects which were relief-oriented rather than those with development potential as the program intended. Although training people for future employment was a major goal, none of the projects had a training component.
- Many irrigation and road construction projects were of poor technical quality and required extensive maintenance or had to be rebuilt. 16 of the 17 projects were of fair to poor quality.
- Some projects were benefiting the most economically or politically advantaged members of a community rather than the community as a whole, while others were of low priority to the community.

²A draft of the final evaluation report was available to AID mission officials in September 1984.

--Some projects were never completed because of commodity misuse; 14 projects experienced commodity irregularities, including commodities being sold by project leaders for personal gain.

The evaluation attributes many of these problems to inadequate supervision and technical assistance. AID and implementing agency officials agree that their inability to provide resources for proper oversight may be responsible for some problems, but they also believe that the structure of the program makes it difficult to administer and monitor. They believe that monitoring is particularly difficult because (1) a large number of projects are being conducted (173 in fiscal year 1984), (2) projects are often in remote areas, usually are of short duration, and have no permanent distribution sites, and (3) groups implementing projects are constantly changing. Further, each of the four implementing NGO agencies has only one or two inspectors to monitor 30 to 60 Food for Work sites and the mission has one inspector to monitor all title II programs--over 2,000 sites in all.

The implementing NGO agencies believe that poor project quality is due partly because they are unable to provide adequate technical assistance and partly because proposals have not always been rigorously evaluated to screen out projects that would be difficult to implement. Although AID program guidance requires missions to evaluate whether they need to provide additional technical assistance to implementing agencies to ensure that the program achieves developmental impact, a mission official acknowledged that the mission has provided little substantive assistance. Another mission official proposed that the mission hire an engineer to provide technical assistance to local project implementors. However, a high-level mission official pointed out that due to financial constraints the mission and/or the agencies would have to reduce the number of projects if additional personnel were hired to provide technical assistance.

In light of the evaluation's findings, the agencies have increased their monitoring and plan to add more inspectors to their staffs through their fiscal year 1985 centrally funded grants. One agency, however, has advised AID that it would like to drop its Food for Work program because of its difficulty in administering and monitoring these projects.

An official in AID's Office of Food for Peace told us that the problems experienced under Food for Work are not unique to Haiti. Because the implementing agencies conduct these programs with a high degree of autonomy, AID missions often are unaware of the scope of these programs and the extent of problems being experienced. Further, he believes that despite AID guidance these programs in most countries are relief-oriented rather than developmental.

At the time of our review, mission and agency officials were reviewing the draft evaluation report and assessing how the program might be redirected. Mission officials were planning a title II conference with agency representatives and said they would discuss how the Food for Work program could be refocused to increase its development impact and reduce commodity misuse. In February 1985, AID advised us that the implementing agencies had commented on the report and had agreed that the identified weaknesses were generally accurate. AID had not yet determined how it would address the evaluation's findings and had postponed the planned conference with NGO representatives.

Improvements in management

Title II program management has improved since April 1983, when two AID Inspector General audit reports found numerous weaknesses. One report on the Catholic Relief Services program found unexplained commodity shortfalls at distribution centers, inadequate monitoring and supervision, communication problems with the Haitian counterpart, inadequate warehouse facilities, and inadequate controls over Food for Work projects. The other report was less critical of the programs administered by the other agencies but noted that commodities were being diverted and that monitoring and recordkeeping at distribution sites was inadequate. The report also noted that (1) the mission was inadequately monitoring the title II programs, due primarily to insufficient staff, and (2) AID had not conducted a comprehensive evaluation of the program although it had been ongoing in Haiti since 1958, even during the period when most other U.S. assistance was suspended.

Implementing agencies have taken steps to correct many of these problems. Catholic Relief Services has hired a new director, closed one of its programs pending construction of a new warehouse, and improved monitoring and control systems. The other agencies have hired additional inspectors and improved their reporting systems. CARE and the Adventist agency have begun computerizing program operations. AID centrally funded grants have been used to achieve some of these improvements.

The mission has improved its oversight of title II programs by creating an office staffed by two full-time contractors, computerizing program data, and having four program evaluations made since 1983. In 1981 the mission also began holding monthly meetings with representatives from the four agencies and the World Food Program. Mission officials believe improvements have reduced inland commodity losses to less than 1 percent of total program tonnage.

Mission and agency officials believe further improvements are needed in recordkeeping, monitoring, standardization of inspection criteria, geographic overlap among the agencies, and

shipment delays. Accordingly, the mission is designing uniform reporting forms, planning a workshop to instruct inspectors on evaluation criteria, considering assigning the Adventist Agency its own territory, and working out shipment delays with AID/Washington. The mission has also proposed that the agencies consider contracting out for a uniform inspection service for all their programs.

Limited government support

AID regulations require that host governments assume increasing responsibility for administering title II programs, with the long-term objective of carrying on without U.S. assistance. Although the title II program has been ongoing in Haiti for over 25 years, the Haitian government's involvement remains minimal, both in terms of financial support and involvement in program design and implementation. This lessens the chance of program sustainability should AID phase out its assistance.

The Haitian government provides some financial support to three of the four implementing agencies through public treasury funds and title I sales proceeds; however, its support has declined in the past few years due to budgetary constraints. As a result, the government has not fulfilled several financial responsibilities required under AID program guidance. For example, it has not paid all the implementing agencies' operating costs, so AID has had to provide almost \$4 million in centrally funded grants to the agencies for warehouse construction, maintenance, personnel, and transportation costs since 1979. According to a mission official, without these grants only one of the agencies would be able to maintain its program at current levels and another would have to terminate its program.

According to AID officials, the Haitian government has also had limited involvement in program planning and implementation. Although the government has provided good support to CARE's pre-school program and has recently become more involved in Maternal Child Health program operations, a mission official said the government has traditionally shown little interest in School Feeding and Food for Work programs. The government has assigned one or two staff persons to oversee School Feeding activities, but their role is limited to data collection and occasional inspections. Government personnel have also occasionally helped to supervise and plan Food for Work projects, but usually on a limited, ad hoc basis.

Recent School Feeding and Maternal Child Health evaluation reports showed that program impacts could be increased by greater government involvement. The School Feeding report said that nutritional impact could be expanded if the government would help the agencies and schools to develop and incorporate a nutrition education program into the public school curriculum. Without a nutrition education component, the report concluded,

the program is essentially a food distribution program rather than an integrated nutrition program. The Maternal Child Health report recommended that the government assume greater responsibility for national nutrition planning and for training and supervising program staff.

The mission plans to help the Ministry of Education design the nutrition education program recommended by the evaluation in fiscal year 1985. With AID's encouragement, the Ministry of Health has also begun working with the agencies and the mission to develop health and nutrition programs and to improve Maternal Child Health programs.

CONCLUSIONS

Public Law 480 food assistance plays an important role in AID's program in Haiti because it has represented about half of total U.S. economic assistance since 1973. AID has used Public Law 480 assistance to further its development efforts, foster government policy changes, and improve the population's health and nutrition.

The title I commodity sales program has provided funds for Haitian government, AID, and other donor development projects and has afforded AID opportunities to influence government policy changes. In addition to providing more funds for development, the approved title III Food for Development program is intended to give AID the potential to influence more substantive policy changes and to enhance long-range government planning and management capacities. However, based on our recent evaluation of title III programs in several other countries, we believe such an ambitious program could place additional administrative and monitoring burdens on weak Haitian institutions as well as on AID. When the program is implemented, AID needs to be prepared to provide the necessary oversight to assure that the program is properly implemented and that its development objectives are met. The current assignment of one staff person to the title I program may be inadequate to meet the increased responsibilities under a title III program.

Evaluations of selected title II food donation programs showed that they are helping to improve the health and nutrition of beneficiaries. The mission and the implementing agencies have corrected some past implementation problems; however, further improvements are needed which will require continued AID technical assistance. Further, some evaluations have concluded that the program is not reaching its full development potential because of limited Haitian government involvement. AID is taking some positive steps to increase the government's involvement in the program and should continue this effort.

The recent Food for Work evaluation noted that inadequate technical assistance and monitoring may be responsible for poor project quality, limited developmental impact, and commodity

diversion. Because the program has potential for achieving development results as well as meeting humanitarian concerns, AID should address these weaknesses which constrain the program's impact.

RECOMMENDATION

In view of (1) the fact that food assistance represents almost half of AID's program in Haiti, (2) indications that title II programs (particularly the Food for Work program) may need additional AID technical assistance and oversight, and (3) increased mission responsibilities associated with the proposed title III program, we recommend that the AID Administrator have the current staffing structure in Haiti assessed to see if a shift is warranted to oversee Public Law 480 programs.

AGENCY COMMENTS AND OUR EVALUATION

AID made the following comments concerning its Public Law 480 food assistance programs. (See app.I.)

Assessment of AID staffing for Public Law 480 programs

In commenting on our recommendation, AID said that it recognizes its staffing problem with its Public Law 480 programs. AID stated that since our field work a U.S. resident hire staff member had been added to manage the titles I, II, and III programs and that the current manager of the title I program will monitor the title III program. AID said that an additional Public Law 480 specialist will be hired to assist in monitoring the title II program. AID added that, after sufficient experience is gained with the title III program, it will again consider whether additional staff are required to help oversee this program.

In seeking clarification of AID's comment, we learned that the resident hire staff member added to manage the titles I, II, and III programs is the same person who has been overseeing the title II program as a personal services contractor for the past 2 years. Because the Public Law 480 specialist who will take his place has not yet been hired, AID's staffing changes, so far, represent a shifting of program responsibility among staff currently overseeing the programs.

Haitian government involvement in Public Law 480 programs

In commenting on our observation that limited Haitian government involvement may hamper the impact of the title II program, AID said that it is monitoring this issue closely. In AID's opinion, the current arrangement is providing an effective distribution program, which reinforces its development efforts.

AID stated that, although some increases in financial support may be possible, the budget and management realities in Haiti dictate that government involvement continue to be minimal. Given Haiti's existing management, human resources, and financial constraints, AID believes that the relative efficiency and smooth operation of the current program would clearly suffer if the government were to replace NGOs in the program and to take a more active implementation role.

We are not suggesting that the Haitian government could replace NGOs in the title II program in the short term. However, if Haiti is ever to assume responsibility for the program, it is important that the government become more involved. Only through working with the implementing agencies can Haitian officials be expected to enhance their capabilities to eventually manage the program. In the interest of sustaining this program over the long term, we believe AID should actively encourage the Haitian government to become more involved and should encourage the implementing agencies to accept its participation.

Improving the Public Law 480
title II program

In response to our statement that AID had not yet determined how it would address the Food for Work evaluation's findings and had postponed the planned conference with implementing agency representatives, AID outlined its plans for improving the title II program. AID said that it had decided to carry out a joint planning process with implementing agency representatives, whose goal would be to maximize the development impact of the title II program. AID and the implementing agencies would address issues identified from AID's on-site inspections and program monitoring as well as issues raised in recent program evaluations. Specifically, AID expects to

- define geographic areas for the implementing agencies;
- improve commodity accountability through better recordkeeping and more effective inspections;
- improve commodity transportation systems;
- establish standardized objectives for each program and criteria for site selection, improve targeting of food resources to the most needy, and standardize rations for each program;
- increase community participation in the program; and

--improve coordination and collaboration among the Haitian government, the implementing agencies, AID, and other donors, especially with regard to AID and Haitian government strategies and priorities.

AID said that the changes in the title II program resulting from this planning process will be reflected in the implementing agencies' title II operating plans for the next 4 years.

ASSISTANT
ADMINISTRATOR

MAY - 7 1985

Mr. Frank C. Conahan
Director, National Security and
International Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Conahan:

Thank you for giving us the opportunity to comment on your draft report "U.S. Assistance to Haiti: Progress Made, Challenges Remain." We consider the report to be a generally thorough and fair analysis of the A.I.D. program in Haiti, which correctly reflects the development progress made since the last GAO visit in 1981. The change in strategy which occurred about that time and which led A.I.D. to concentrate more on implementing projects through nongovernmental organizations has paid off in improved development results, as the report points out. We believe a valid conclusion can be reached that even in a country such as Haiti, where serious development constraints exist, progress can be made by a willingness to change approaches where necessary and by patience and perseverance.

Our substantive comments on the report's recommendations and major themes are summarized below. We have also provided your staff with a listing of technical comments for your consideration in putting the report in final form.

RECOMMENDATIONS

1. Addressing the Recurrent Cost Problem:

Donors have been sensitive to the problem of recurrent costs for some time. Nonetheless, it is correct to state that the problem persists. This issue was discussed in two A.I.D.-sponsored technical meetings in Haiti and in the Caribbean Group for Cooperation in Economic Development (CGCED) meeting in 1984.

Also, this problem has been dealt with in the following ways:

--A.I.D. DA and ESF assistance is granted to Haiti. The absence of need to repay A.I.D. increases resources available for other purposes.

--A.I.D. emphasizes the implementation of projects through the private sector to reduce the costs to the public sector.

--Reforms caused by Title III, including decentralization of the Ministry of Agriculture and legislation to enable water-user associations to generate and retain user fees, emphasize reductions in recurrent costs.

--As a result of the recurrent costs analysis done in 1983 and in June 1984, the Mission included self-financing mechanisms as part of new health projects. The proposed health program deals directly with the recurrent cost problem by emphasizing low-cost/high-return technologies for reducing infant mortality rates. We are testing other financing alternatives, including fees for services to help reduce health service costs to the government while increasing their outreach.

--The Integrated Agricultural Development project includes recommendations for cost reduction within the Ministry of Agriculture.

--Administrative changes in the Bureau of Agricultural Credit will reduce staff in the central bureau, which will decrease recurrent costs, while increasing staff in rural areas working directly with peasant clients. These services will generate income to cover their costs. Also, the Bureau has reduced its administrative costs as part of the negotiations for the Title III program and the negotiations for a two-year extension of a project with that agency.

--Before the CGCED meeting last year, at A.I.D.'s instigation, the IDB, IBRD and A.I.D. met with the Minister of Planning to prepare a strategy for dealing with recurrent costs. The IDB then decided to continue supporting at least one project after it had terminated to assure that the government could gradually absorb costs. We are doing the same for the Ministry of Public Works road maintenance unit.

--The Canadians are increasingly implementing their projects through NGOs as a result of USAID's positive experience and because of the Mission's assistance concerning general programming with NGOs.

2. Evaluation of the Special Development Activities (SDA) Program:

The draft GAO report recommends that the SDA activity be evaluated. This program will be evaluated this June.

3. Assessment of A.I.D. staffing for PL 480 programs:

The draft report recommends that the AID Administrator "assess the mission's staffing structure to see if a shift is warranted to oversee P.L. 480 food assistance programs." A.I.D. recognizes the problem. A U.S. resident-hire has been added to the Mission's staff to manage the PL 480 Title I, II and III programs. The current manager of the Title I program will monitor Title III, and an additional PL 480 specialist will be hired to assist in monitoring the Title II program. After sufficient experience is gained with the Title III program, we will again consider whether additional staff are required to help oversee this program.

MAJOR THEMES

1. Donor Coordination and Improved Dialogue with the Haitian Government:

The GAO draft notes that "existing donor coordination mechanisms are not functioning effectively to allow Haiti and the donors to work together toward solutions to the recurrent cost situation." The problem with donor coordination is not one of a lack of an appropriate mechanism or lack of will, rather it is complicated by regulatory, philosophical and home/field agency differences. Only A.I.D. among the major donors maintains a resident mission in Port-au-Prince. Haiti only recently joined the region's donor consortium, the CGCED, and they spent a great deal of time preparing for their first CGCED meeting. Their presentation, however, did not elicit an early tangible response. Nonetheless, over the past several months, A.I.D. has made special efforts to establish better liaison and communications with the other bilateral and multilateral donors in Haiti. This effort continues and is being strengthened. During this same

period, we have carefully reviewed the recurrent-cost situation as it relates to our portfolio, and soon will meet with other donors to address this problem on a larger scale. We expect these meetings to lead to the formation of a committee, which will make a more concerted and collaborative effort to address recurrent-cost problems.

2. Consistency of A.I.D. Strategy with Haitian Development Priorities:

On page 18, the draft report says that "agriculture, health and family planning officials said AID should provide more vehicles to overcome logistical constraints." USAID/Haiti is aware of these constraints, and has limited the number of vehicles provided because too often they have been misappropriated as private vehicles for GOH project staff. This situation is similar to problems occurring in other developing countries. To reduce its incidence, we have become more conservative in estimating actual numbers of vehicles required and more insistent that A.I.D.-financed vehicles be correctly assigned and not misused.

The report also states that "Health officials said AID does not recognize their concern that hospital facilities need to be expanded..." Our analysis is that, except for facilities in Port-au-Prince, hospitals in Haiti are ineffective and costly in delivering health services. Occupancy rates are low. Government-owned hospitals are overstaffed. For these reasons, we believe there is no need to increase the number of hospitals. A.I.D.'s assistance in Haiti is aimed at preventive care and simple treatment services, which are highly cost effective, with a high impact on the major causes of mortality and morbidity. These services are provided nationwide through rural clinics, which cost less per treatment than those provided through hospitals.

The comments attributed to transportation officials that AID had prematurely withdrawn its technical consultants to the road maintenance project are incorrect. The Mission has, in fact, continued, not withdrawn, road maintenance technical assistance to the GOH. A.I.D. has continued to support technical assistance to the road maintenance unit and to the maintenance training center.

Finally, also on page 18, the report says that "finance officials, concerned that Haiti is becoming increasingly incapable of financing the recurrent costs of social projects, believe AID should invest more in enterprises that generate rather than consume national income." We share this concern, for employment and

national income reasons. We have been particularly concerned about the recurrent cost problem and have developed the Technical Consultants and Training project to produce tax and customs reforms that will have positive revenue-generating results. A.I.D.'s private sector projects also generate national income. The fundamental reason for our support to this sector is precisely its economic diversification, employment- and revenue-creating effects.

3. Haitian Government Involvement in PL 480 Programs:

The draft report states that "limited government involvement in food donation programs is preventing the program from reaching its full development potential." A.I.D. monitors this issue closely. We believe that the current arrangement is providing an effective distribution program, which reinforces our development efforts. The budget and management realities in Haiti dictate that government involvement continue to be minimal, although some increases in the amount of financial support provided to the program may be possible. The relative efficiency and smooth operation of the current program would clearly suffer, given existing management, human resources and financial constraints, if the government were to, in effect, replace non-governmental organizations in these programs and take a more active implementation role.

4. Improving the PL 480 Title II Program:

On page 76, the draft report says that "A.I.D. had not yet determined how it would address the /Food-for-Work/ evaluation's findings and had postponed the conference with NGO representatives" in which the participants would discuss how the Food-for-Work program could be refocused to increase its development impact and reduce commodity misuse. As you appreciate, PL 480 Title II is having a broad and positive impact on most Haitian children. In February 1985, A.I.D. decided to carry out a joint planning process with private voluntary organization (PVO) representatives to improve the program. The goal was to maximize the development impact of the Title II program by addressing MCH, school feeding and food-for-work-related issues identified in the recent evaluation of these programs, on-site inspections, and daily monitoring of the Title II program. Once the process is completed, AID will develop an action plan to increase the development impact of the Title II program. Specifically, AID expects to:

- define the geographic areas of operation for each of the four PVOs implementing the program;

--improve commodity accountability through better record-keeping systems and more effective and more frequent site inspections;

--improve commodity transportation systems;

--establish clear and standardized objectives for each program, criteria for site selection, better targeting of food resources to the most needy, standardized rations for each program, which will be nutritionally beneficial and cost effective;

--improve coordination and collaboration between the GOH, NGOs, AID, and other donors in all the programs, especially with regard to AID and GOH strategies and priorities; and

--increase community participation in the Title II program.

The changes in the Title II program resulting from this planning process will be reflected in NGO Title II operating plans for the next four years.

We trust that these comments will be useful in putting your report in final form.

Sincerely,



Victor M. Rivera
Bureau for Latin America
and the Caribbean

cc: IG/PPP

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