

Report No. 7469-HA

Economic Recovery in Haiti: Performance, Issues and Prospects

December 23, 1988

Latin America and the Caribbean Regional Office

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CURRENCY EQUIVALENTS

Currency Unit = Gourde (G)
G 1 = US\$0.20
US\$1 = G 5

The Gourde has been pegged to the U. S. Dollar since 1919 at the rate of
G 5 = US\$1.

WEIGHTS AND MEASURES

Metric System

1 carreau = 1.29 hectares
1 hectare = 0.78 carreau

FISCAL YEAR

October 1 - September 30

This report uses FY for fiscal year. Thus FY87 refers to the period from
October 1, 1986 to September 30, 1987.

This report is based on the findings of an economic mission which visited
Haiti in April-May 1988 and additional findings obtained in September 1988.
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coordinated the printing of the report.

TITLE : ECONOMIC RECOVERY IN HAITI: PERFORMANCE,
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ABSTRACT : This report reviews economic developments in Haiti during the country's fiscal years 1986-88 (FY86-88), focusing on the contents and the outcome of an adjustment and recovery program that was initiated early in 1986 following a major change of political regime. An impressive array of economic policy reforms and an improved economic performance in FY86-87 were followed in FY88 by a profound economic setback, including suspension of some vital external aid, brought on by recent political events. Taking into account the currently depressed domestic economic situation and external aid environment facing Haiti, the report recommends a program of short-to medium-term policy and expenditure priorities aimed at averting a further economic backslide.

ECONOMIC RECOVERY IN HAITI: PERFORMANCE, ISSUES AND PROSPECTS

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GLOSSARY

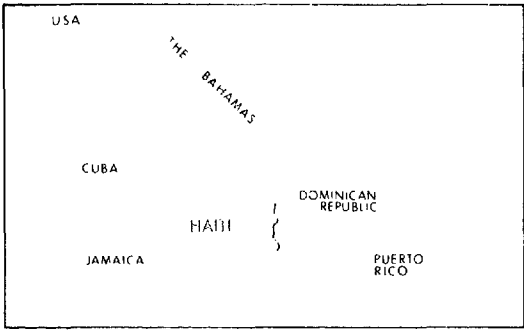
AAN	Autorité Aéroportuaire Nationale (National Airport Authority)
APN	Autorité Portuaire Nationale (National Port Authority)
BCA	Bureau de Crédit Agricole (Agricultural Credit Bank)
BCI	Banque de Crédit Immobilier (Mortgage Bank)
BNC	Banque Nationale de Crédit (National Credit Bank)
BNDIAI	Banque Nationale de Développement Agricole et Industriel (National Agricultural and Industrial Development Bank)
BRH	Banque de la République d'Haïti (Bank of the Republic of Haiti - Central Bank)
CAMEP	Centrale Autonome Métropolitaine d'Eau Potable (Metropolitan Water Authority)
CIF	Cost, Insurance and Freight
EdH	Electricité d'Haïti (Electricity company)
ENAOL	Entreprise Nationale des Oléagineux (edible oil company)
EPPLS	Entreprise Publique des Logements Sociaux (Public Housing Agency)
FDI	Fonds de Développement Industriel (Industrial Development Fund)
FOB	Free on Board
FY	Fiscal Year
GDP	Gross Domestic Product
GNP	Gross National Product
ha	hectare
HASCO	Haitian American Sugar Company
ICA	International Coffee Agreement
ICOR	Incremental Capital Output Ratio
IDA	International Development Association
IHSI	Institut Haïtien de Statistique et d'Informatique (Haitian Institute of Statistics and Data Processing)
ILO	International Labor Organization
IMF	International Monetary Fund
MARNDR	Ministère de l'Agriculture, des Ressources Naturelles et du Développement Rural (Ministry of Agriculture, Natural Resources and Rural Development)
MSPP	Ministère de la Santé Publique et de la Population (Ministry of Public Health and Population)
NFS	Nonfactor Services
OFATMA	Office d'Assurance--Accidents du Travail, Maladie et Maternité (Workers' compensation, sickness and maternity insurance agency)
ONA	Office National d'Assurance (Social Security Agency)
ONAC	Office Nationale de l'Aviation Civile (National Civil Aviation Office)
OPRODEX	Office de Promotion des Denrées Exportables (Commodity Export Promotion Agency)
POCHEP	Postes Communautaires d'Hygiène et d'Eau Potable (Community Health and Drinking Water Posts)

SEN	Société d'Equipement National (Construction)
SEPPRN	Service d'Entretien Permanent du Resseau Routier National (National Road Maintenance Organization)
SOFIHDES	Société Financière Haïtienne de Développement S. A. (Haitian Development Finance Company)
SNEP	Service National d'Eau Potable (National Water Service)
SONAPI	Société Nationale des Parcs Industriels (National Industrial Park Company)
USAID	United States Agency for International Development
USN	Usine Sucrière du Nord (National Sugar Refinery at Citadelle)
USND	Usine Sucrière Nationale de Darbonne (National Sugar Refinery at Darbonne)

TABLES AND SYMBOLS

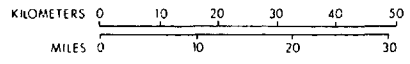
Totals in tables do not always equal the sum of their components due to rounding.

.. Not available
 - Zero or insignificant
 NA Not applicable

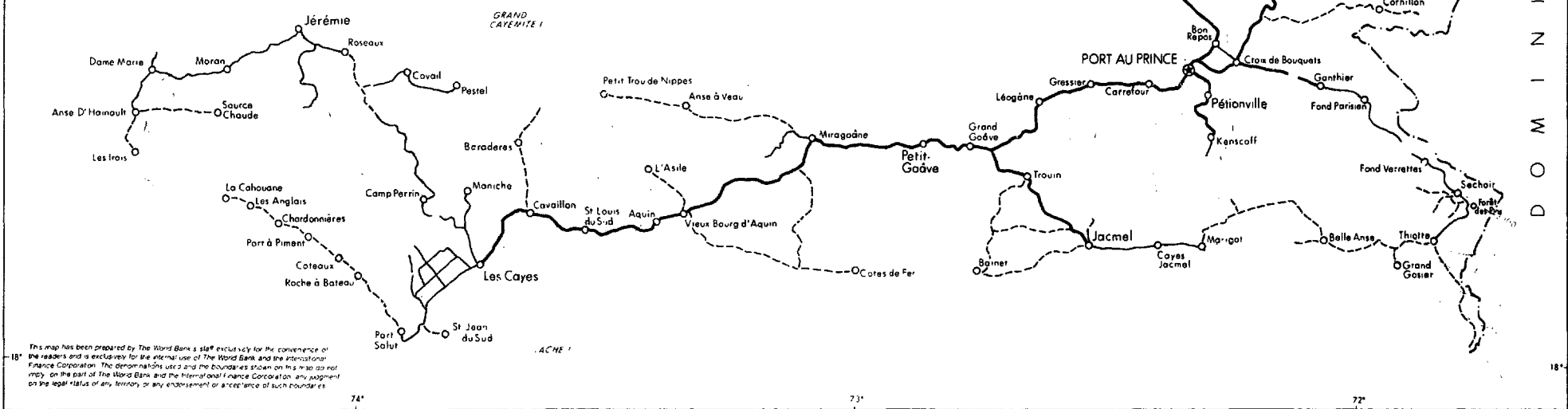


HAITI

- Ecological zones:
Very humid
Humid
Dry
- Annual average rainfall in millimeters
Rivers
- Main highways
— Secondary roads
- - - Tertiary roads
- . - International boundary



* Data depiction of Ecological zones is for Haiti only.



This map has been prepared by The World Bank's staff exclusively for the convenience of the readers and is exclusively for the internal use of The World Bank and the International Finance Corporation. The denominations used and the boundaries shown on this map do not imply, on the part of The World Bank and the International Finance Corporation, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries.

HAITI - COUNTRY DATA SHEETArea: 27,800 sq kmPopulation: 6.2 million (1987)Density: 223 per sq kmRate of growth: 1.9% (1977-87)Population characteristics

Crude birth rate (per 1,000): 35

Crude death rate (per 1,000): 13

Health

Infant mortality (per 1,000 live births): 123

Population per physician: 8,200

Population per hospital bed: 1,400

Income distribution

% of national income, highest quintile: ..

lowest quintile: ..

Distribution of land ownership

% owned by top 10% of owners: ..

% owned by smallest 10% : ..

Access to safe water

% of population - urban: 73

- rural: 25

Access to electricity

% of population - urban: 45

- rural: 3

Nutrition

Calorie intake as % of requirements: 80

Per capita protein intake (g/day): 42

Education

Adult literacy rate (%): 35

Primary school enrollment

(% of relevant age group: 76)

GNP per capita (US\$, 1987) 1/ : 360GROSS NATIONAL PRODUCT, FY87

	US\$ Mn	%	ANNUAL RATE OF GROWTH (% , FY80 prices)			
			FY75-80	FY80-85	FY86	FY87
GNP at Market Prices	2230.6	100.0	5.2	-0.9	0.6	0.5
Gross Domestic Investment	280.0	12.6	10.1	-2.1	-14.5	4.6
Gross National Saving	147.7	6.7	14.0	-3.5	-9.1	-19.6
Current Account Balance	-132.3	-5.9				
Export of Goods, NPS	277.6	12.4	10.3	-1.3	-9.2	-7.0
Import of Goods, NPS	449.7	20.2	10.0	-2.9	-6.4	4.0

OUTPUT, EMPLOYMENT AND PRODUCTIVITY IN FY87

	Value Added		Labor Force		V.A. per Worker
	US\$ Mn	%	Mn	%	US\$
Agriculture	728.2	35.4	2.0	66.7	364.1
Industry	498.8	24.2	0.3	10.0	1662.7
Services	830.6	40.4	0.7	23.3	1186.6
Total / Average	2057.6	100.0	3.0	100.0	685.6

GOVERNMENT FINANCE

	Consolidated Public Sector			General Government		
	G Mn	Percent of GDP		G Mn	Percent of GDP	
	FY87	FY87	FY82	FY87	FY87	FY82
Current Receipts	1876.1	16.7	17.2	1020.5	9.1	10.1
Current Expenditure	1909.5	17.0	16.6	1218.5	10.8	11.4
Current Surplus	-33.4	-0.3	0.6	-198.0	-1.7	-1.3
Capital Expenditure	756.4	6.7	9.8	610.6	5.4	8.4

1/ World Bank Atlas methodology.

HAITI - COUNTRY DATA SHEETMONEY, CREDIT & PRICES

	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>
	(Mn Gourdes outstanding at end of period)				
Broad Money Supply	2118.5	2357.8	2547.5	2835.3	3076.3
Bank Credit to Public Sector	1587.0	1933.9	2150.2	2113.5	2164.9
Bank Credit to Private Sector	1013.2	1070.3	1164.7	1172.4	1190.0
	(Percentage or Index Numbers)				
Broad Money as % of GDP	26.0	26.0	25.4	25.3	27.4
General Price Index (FY80 = 100)	127.0	137.1	148.7	160.8	154.5
Annual percentage changes in:					
General Price Index	8.5	8.0	8.5	8.1	-3.9
Bank Credit to Public Sector	40.3	21.9	11.2	-1.7	2.4
Bank Credit to Private Sector	-6.9	5.6	8.8	0.7	1.5

BALANCE OF PAYMENTSMERCHANDISE EXPORTS (AVERAGE FY84-87)

	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>		<u>US\$ Mn</u>	<u>%</u>
	(millions of US\$)						
Exports of Goods, NPS	317.3	304.0	291.6	277.6	Coffee	46.6	21.7
Imports of Goods, NPS	481.6	468.3	423.3	449.7	Cocoa	5.5	2.5
Resource Gap (deficit = -)	-164.3	-164.3	-131.7	-172.1	Essential Oils	4.7	2.2
					Other Agriculture	7.2	3.3
Interest Payments (net)	13.8	8.4	10.5	9.5	Manufactured Goods	127.6	59.3
Other Factor Payments (net)	6.0	6.2	6.2	6.9	Other Commodities	23.7	11.0
Net Current Transfers	45.0	48.1	52.0	56.3	Total	215.1	100.0
Balance on Current Account	-139.1	-130.8	-96.4	-132.3			
					<u>EXTERNAL DEBT, SEPTEMBER 30, 1987</u>		
Direct Pvt. For. Investment	4.5	4.9	4.8	5.0		<u>US\$ Mn</u>	
Net HLT Borrowing	46.9	39.7	33.0	43.7	Public Debt, incl. Guaranteed	760.0	
Disbursements	62.6	65.2	43.8	64.5	Non- Guaranteed Private Debt	..	
Amortization	15.7	25.5	10.8	20.8	Total Outstanding & Disbursed	760.0	
Subtotal (Dir.Inv.+Net HLT)	51.4	44.6	37.8	48.7			
					<u>NET DEBT SERVICE RATIO FOR FY87 2/</u>		
Other Capital (net)						<u>%</u>	
and Capital n.e.i.	61.3	81.5	89.8	110.9	Public Debt, incl. Guaranteed	19.5	
Increase in Reserves (+)	-26.7	-4.7	31.2	27.4	Non- Guaranteed Private Debt	..	
					Total Outstanding & Disbursed	19.5	
Gross Reserves 1/(end-year)	23.4	12.8	15.7	24.3			

RATE OF EXCHANGE

	<u>Annual Averages</u>				<u>IBRD IDA</u>	
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY88</u>	<u>(US\$ Mn)</u>	
US\$1.00 = G	5.00	5.00	5.00	5.00	Outstanding & Disbursed	0.0 263.3
G1.00 = US\$	0.20	0.20	0.20	0.20	Undisbursed	0.0 82.6
					Outstanding incl. Undisbursed	0.0 345.9

1/ Includes gold holdings.

2/ Debt service, net of interest earned on foreign exchange reserves, as a percentage of Exports of Goods and NPS.

EXECUTIVE SUMMARY

1. This report examines the evolution of Haiti's economy in the context of policies and government administrative practices which existed before and after the economic reforms undertaken from early 1986. It also highlights the current financial and economic crises, which began in 1987/88, and recommends government economic policy and expenditure priorities to avert further economic deterioration.

2. The report's medium-term scenario envisages maintenance of tight but viable financial balances and modest economic growth, averaging 2% per year. To attain this scenario, Haiti should maintain the economic reforms of 1986-87, which are elaborated in Chapter II. Those reforms, moreover, should be consolidated with additional measures, which are listed below and elaborated in Chapter III of the report.

3. The additional macroeconomic measures suggested at present include:

- (a) A review of export competitiveness to ascertain that the country remains attractive in manufactured exports vis-a-vis its neighboring countries, and to induce the production and exports of other commodities.
- (b) Introduction, after a necessary study, of a variable levy to replace the existing import licensing system for the seven designated agricultural products.
- (c) Removal of the residual anomalies in the new Tariff Code regarding the treatment of finished goods and raw materials.
- (d) Increased mobilization of domestic resources, especially where there is scope (e.g. raising state land rentals to market values, closing wide exemptions in taxes) for doing so without harming production incentives or overburdening consumers.
- (e) Improved allocation of government expenditures, emphasizing adequate funds for supplies, materials and equipment necessary for public employees and infrastructure to function effectively.
- (f) Careful monetary management, keeping the banking system's reserve requirements under review to match the demand for private sector credit, and promoting collaboration of commercial banks with the FDI to facilitate term lending to the private sector.

4. For the main sectors of the economy, the following policy and expenditure priorities are proposed:

- (a) In agriculture, Haiti should maintain the recent reforms (the elimination of export taxes, removal of direct quantitative restrictions, break-up of trading monopolies) and desist from any other forms of government price intervention. Agricultural investments should emphasize completion of

ongoing and initiation of follow-up projects to raise and spread smallholder output, employment and incomes, and export earnings. This applies, in particular, to projects in rice, vegetables, coffee and mangoes. The coffee sector being especially important in Haiti, efforts should be made to identify alternative sources of funds to continue the production of improved seedlings previously financed by USAID. Alternative sources of funds should be sought also for the targeted watershed management and secondary roads development projects.

- (b) In industry, Haiti should act to harmonize the 1985 Investment Code with the recent trade reforms; pursue efficient operation of Customs facilities and procedures; seek financial and technical assistance to effect smooth transition to the liberalized trade regime; and provide adequate supporting infrastructure at competitive rates.
- (c) Actions needed in the transport and power sectors are adequate operations and maintenance of the roads network; demand management--via peak pricing--before capacity expansion to deal with the passenger traffic load at the international airport in Port-au-Prince; greater use of provincial cabotage ports; investments to lower the average cost of electricity; and elimination of arrears payable to Electricite d'Haiti, the power company.
- (d) Policies in the water supply, and urban and housing sectors should focus on pricing and management problems. In addition, there are critical requirements for upgrading investments in water supply--and power--to uphold even the present low states of health and industry in Port-au-Prince and the vicinity. In urban housing, a basic change of government strategy is warranted. Instead of limiting itself to low-income housing construction only, Government should focus also on strengthening the urban land market and encourage the private sector to undertake the needed housing construction and finance.
- (e) The deep-seated management problems of the education and health sectors call for special emphasis on raising the efficiency of resources devoted to these sectors, and for closer monitoring of the progress of the line ministries by the central budgetary authorities. The available resources, furthermore, should be augmented by continuing the systematic involvement of non-governmental organizations in these sectors.

5. Given the severity of Haiti's development problems and its low-income levels, the success of domestic efforts to implement the policies and expenditures suggested above would be limited without the availability of external assistance. Hence, donor support will be essential to enable Haiti to uphold its recent economic policy reforms.

SUMMARY AND CONCLUSIONS

i. This report reviews economic developments in Haiti during the country's fiscal years 1986-88 (FY86-88), focusing on the contents and the outcome of an adjustment and recovery program that was initiated early in 1986 following a major change of political regime. An impressive array of economic policy reforms and an improved economic performance in FY86-87 were followed in FY88 by a profound economic setback, including suspension of some vital external aid, brought on by a series of largely constitutional crises. Taking into account the currently depressed domestic economic situation and external aid environment facing Haiti, the report recommends a program of short-to medium-term policy and expenditure priorities aimed at averting a further economic backslide. Such a program at this time would provide a viable base on which to mount a full-fledged recovery program once domestic confidence increases and aid prospects improve.

ii. Until the interruption in FY88 of its recovery program, Haiti had pursued a wide-ranging program of economic policy reforms along the lines suggested in the World Bank's previous economic report on the country (Report No. 5601-HA dated June 10, 1985). The objectives of the program, which received substantial external assistance in FY86-87, were to establish conditions for a viable, growing economy and relieve the average Haitian of the burden of high consumer prices arising from the country's past policies of suppressing competition.

iii. Those past policies were symbolized by the inefficient and inequitable economic system in place during FY80-85. The system was based on fiscal and trade regimes employing a variety of instruments (export taxes, excise duties, import quotas and prohibitions, customs tariffs) set at excessively high levels as well as on restrictive institutions and practices, such as trade monopolies, outright closure of provincial ports and discriminatory administration of investment promotion schemes. Large portions of public revenues accruing from that system, and public borrowing, were deployed to administer the system and to undertake capital expenditures that were uneconomic or unaccounted for, rather than to expand efficiently the country's productive capacity or provide essential public services.

iv. The economic distortions and the financial drain inherent in Haiti's policies in FY80-85 had resulted in very significant erosions of the country's incomes, living standards and finances. In that period, agricultural output declined by 1.3% per year on average and industrial output by 2.5% per year on average, while unemployment rose from 22% to 30% and inflation accelerated from 6% to 8%. In the same period, real incomes and private consumption per head each declined by 3% per year on average. Public consumption, on the other hand, grew faster than revenues, eroding public sector savings at the same time as public capital expenditures were increased. The overall public sector deficit averaged 9% of GDP in FY80-85 and the external current account deficit, 8% of GDP. The public sector deficit was financed principally by money creation--which, spilling into the balance of

payments, led to loss of international reserves by US\$22 million per year on average--and by stepped up credits from overseas suppliers and private banks--which contributed to the increase in the country's external debt, from around US\$320 million (22% of GDP) in FY80 to US\$690 million (34% of GDP) in FY85.

v. To alter the economic system and situation described above, economic policies from March 1986 to November 1987 focused first on macroeconomic stabilization, and, second, on improvement of resource allocation and growth prospects. This was accomplished through reform of taxes, public expenditure, public enterprises, competition and industrial incentives, and agricultural pricing. Both expenditure and taxes were cut by about 2% of GDP, but education and health spending were increased by over 20% in real terms. Taxes on basic food items were reduced, helping to lower prices and raise private consumption among the low-income people. Income taxes were simplified, top marginal rates lowered and measures to strengthen tax collection initiated. The public investment program was pruned and concentrated on completing priority ongoing projects while the public sector's debt to the domestic banking system was reduced. Trade monopolies, both public and private, were dismantled. Of the five public industrial firms, two (the Darbonne sugar factory and the ENAOL vegetable oil mill), which were uneconomic, were closed, and another two (the flour mill and the cement factory) began to be restructured.

vi. In a major reform of the trade regime, all but seven of the 111 quantitative restrictions on imports were eliminated. The remaining seven products (rice, maize, millet, beans, sugar, chicken parts and porkmeat parts), representing less than 20% of imports, became subject to import licensing without formal ceilings. Further, specific tariffs were all replaced by ad valorem ones, and the general level of protection was reduced drastically, with a view to both lowering prices and stimulating competitive efficiency, including at public enterprises. The export tax on coffee was phased out and other agricultural export taxes (on cocoa and sisal) were abrogated.

vii. The reforms listed above were remarkably extensive and swift, the more so as they were initiated even before all commitments of supporting external aid were made to Haiti. The various measures began to stabilize and restructure the economy during FY86-87: the public sector deficit averaged an equivalent of 6% of GDP, compared to 9% in FY80-85; the external current account deficit averaged 5% of GDP, compared to 8% in FY80-85; the rate of inflation was brought down to 2% per year, compared to 8% per year on average in FY80-85; and the effective exchange rate depreciated by 14% in real terms, compared to a 40% appreciation, in real terms, between FY80 and FY85. At about 7% of GDP, Haiti's national savings remained low in FY86-87 owing to the policy-induced growth of private consumption and a decline in FY87 public sector receipts. The latter reflected, in the main, the difficulties of revenue collection by Customs and public utilities in an atmosphere of elections-related unrest which broke out in the last quarter of the fiscal year. Nonetheless, the overall investment-savings gap in FY86-87 was narrowed to a more sustainable 5% of GDP, compared to 8% of GDP in FY80-85.

viii. Economic growth in FY86-87 averaged slightly under 1% per year, not enough, but better than the decline of about 1% per year in FY80-85. In large part, economic growth in FY86-87 was marred by the collapse of coffee export volume and prices, and, in the latter half of 1987, by disturbances related to the electoral process. Also, domestic agriculture and industry, already under expected stress from trade liberalization, had to endure added competition from the upsurge of contraband imports, which intensified when provincial ports, formerly closed, were opened up to international traffic. While such developments entailed hardships for local producers--for example, in the rice and other marketed food growing areas--there were, on the other hand, offsetting factors, such as greater availability of basic wage goods, lower consumer prices, and the opening up of economic and employment opportunities in the trade and transport sectors.

ix. Haiti's economic policies during 1986 and most of 1987 drew significant international support. Capital grant and net loan disbursements from official sources, including use of IMF Credits, increased by 27% in FY86-87 over the average amount of FY80-85. The higher inflows, coupled with lower current account deficits, enabled the country to retire some arrears and accumulate some gross reserves. Consequently, import coverage improved to about two and a half weeks at the end of September 1987, compared to less than one and a half weeks at the end of September 1985.

x. While the reforms initiated in 1986 still needed refinements, and many deep-seated problems of longer-term development (such as, the critical situation in health and nutrition, poor agricultural performance and deteriorating natural environment) remained to be tackled, Haiti had made a promising start. The momentum of the original economic reforms was lost, however, by a series of essentially constitutional crises, beginning in the last quarter of FY87 and persisting for over a year, that then compounded the country's economic and financial situation during FY88.

xi. Economic developments in FY88 were characterized by work stoppages, investor uncertainties, distraction of government attention from economic policy reforms, shortfalls in public revenue, especially during the first half of the fiscal year, and slower disbursements as well as suspension of vital external assistance. Economic growth was negligible, the rate of unemployment exceeded 30% and inflation accelerated to 6%. In response to the changing domestic and external circumstances, the four different Governments in FY88 made strong efforts at limiting the size of the budget and the external deficits. However, the shortfalls in budget support grants and in gross aid disbursements proved too big for the country to deal with. In the end, there was a fiscal gap of over G150 million (nearly 2% of GDP) financed by monetary expansion, and external payments arrears of about US\$20 million were incurred.

xii. The political, economic and financial difficulties of FY88 notwithstanding, thus far Haiti has kept in place the basic fiscal and trade reforms that were implemented in 1986-87 (see paragraphs v and vi). The maintenance of those policies, together with additional adjustments outlined in paragraphs xiii to xx below, could form the

basis for a core medium-term program aimed at averting a further economic backslide under the currently depressed state of the economy and unclear prospects for obtaining external aid at FY86-87 levels. The immediate implementation of a core program of priority macroeconomic and sectoral policies would prevent further impoverishment at the moment and lay the foundations on which to build a full-fledged adjustment program when domestic confidence increases and aid prospects improve.

xiii. On the macroeconomic front, Haiti will need to review its export competitiveness to ascertain that the country remains attractive in manufactured exports over the medium term vis-a-vis its neighboring countries, and to promote the production and exports of other commodities. In other aspects, Haiti's trade regime already has been liberalized extensively. What is needed at present is to (a) sort out a few residual anomalies in the new Tariff Code regarding the treatment of certain finished goods (e.g. colored fabric) and raw materials (e.g. textile dyes) and (b) introduce a variable levy system to replace the existing import licensing system for the seven designated agricultural products (see paragraph vi), for which a study is required urgently.

xiv. Another pressing macroeconomic issue for the medium term is that of increased domestic resource mobilization and improved allocation of government current expenditures. These are needed to substitute for external budget support, the restoration of which remains uncertain, and to provide adequate funds for operations and maintenance--and hence fuller utilization--of existing infrastructure. There is scope for mobilizing additional revenues by raising state land rentals for primary lease holders, who mostly sublease land or sell lease rights at market rates up to twenty or thirty times the primary rates charged by the Government. A study on this subject now under way in Haiti should be completed on time and its proposals followed up. Extra revenues could also be obtained by reducing or eliminating exemptions under the existing laws on income taxes, the general sales tax and Customs duties applicable to private and public enterprises. A good start was made in the August 1988 report prepared by a commission (La Commission d'Etude des Ressources Budgetaires) that had been charged to propose revenue measures for FY89. It is important to extend the scope of this study to the medium term.

xv. The mobilization of revenues should be accompanied with improved allocation of expenditures, emphasizing adequate funds for non-salary operations and maintenance expenses. For several years now, including FY88, nearly 80% to 90% of government recurrent expenditures have been devoted to salaries, leaving little for supplies, materials and equipment necessary for the public employees and infrastructure to function effectively. A mere increase in funds for supplies and equipment, however, will not suffice. Haiti will also need to review the existing functions and size of its civil service establishment, and eliminate inessential functions. In this regard, an implementable action program should be prepared and undertaken, based on an ongoing study on public service pay and employment.

xvi. Finally in the macroeconomic arena, monetary management will need to be consistent with balance of payments viability and the demand for private sector credit. Here, the banking system's reserve requirements, although not yet constraining credit to the private sector, should be kept under review in case lending opportunities for viable productive investments increase in the country. The cost and the facilities for term credit, on the other hand, have been perceived as constraints to private investment. The problem, partly, is that commercial banks in the country lack a tradition and specialized practice (e.g. project appraisal) of term lending. The banks, therefore, employ large collateral requirements in addition to wide spreads between deposit and lending rates. One way to deal with this constraint in the near term would be to seek collaboration of commercial banks with the FDI, the country's specialized agency for term lending.

xvii. As in the case of macroeconomic policies, the proposals for medium-term sector policies in this report are focused on implementing a core program critical to preventing a further backslide in economic conditions and poverty levels. In agriculture, it will be important to maintain the FY86-87 reforms (the elimination of export taxes, removal of direct quantitative restrictions, break-up of trading monopolies) and to desist from any other forms of government price intervention. Agricultural investments should emphasize completion of ongoing and initiation of follow-up projects to raise and spread smallholder output, employment and incomes, and export earnings. This applies, in particular, to projects in rice, vegetables, coffee and mangoes. The predominantly smallholder coffee sector being especially important in Haiti, efforts should be made to identify alternative sources of funds to continue the production of improved seedlings previously financed by USAID. Alternative sources of funds should be sought also for the targeted watershed management and secondary roads development projects.

xviii. The importance of upholding efficient production and employment in Haiti's largely private and labor-intensive industrial sector cannot be overemphasized, especially in view of the high and rising urban unemployment. For this sector, the required core policies include the trade promotion measures suggested earlier on (paragraph xiii), harmonization of the 1985 Investment Code with the recent trade reforms, efficient operation of Customs facilities and procedures, financial and technical assistance to effect smooth transition to the liberalized trade regime, and provision of adequate supporting infrastructure at competitive rates.

xix. Based on recent developments and current conditions, the overall assessment of the infrastructure sector in Haiti is that pricing policies, financial performance and management standards are satisfactory in the transport and power subsectors. The key economic policy issues in these subsectors are the need to ensure adequate operations and maintenance of the roads network; the choice of demand management (e.g., via peak pricing) versus capacity expansion to deal with the passenger traffic load at the international airport in Port-au-Prince; greater use of provincial cabotage ports; and measures to lower the average cost of electricity and to eliminate arrears payable to Electricité d'Haiti, the power company. The water supply, and

urban and housing subsectors, on the other hand, are beset with pricing and management problems. Present policy will need to focus on both these issues. In addition, there are critical requirements for upgrading investments in water supply--and power--to uphold even the present low states of health and industry in Port-au-Prince and the vicinity. Without such investments, private manufacturing output and employment could not be upheld, and the livelihoods of the employees and their dependents (averaging five per employee) would be severely threatened. In urban housing, a basic change of government strategy is warranted. Instead of limiting itself to low-income housing construction only, Government should focus also on strengthening the urban land market and encourage the private sector to undertake the needed housing construction and finance. The Government itself would still have a role in installing urban public utilities and other social services.

xx. In the social sectors, despite the higher budgetary allocations for education and health since FY86-87, the deep-seated sectoral management problems persist, calling for special emphasis on raising the efficiency of resources devoted to these sectors, and for closer and regular monitoring of the progress of the line ministries by the central budgetary authorities. Haiti's stated strategies and policies for these sectors (the Educational Reform Program and the Nouvelle Orientation in health, both described in chapter III of this report) are considered appropriate for the country situation. The core medium-term policy, therefore, should largely seek vigorous improvements of the internal efficiencies of these sectors in public and private facilities. Provided Government acts on this front, the social sectors should be among the priority areas for external aid to Haiti.

xxi. The commitments and disbursements of official aid to Haiti had increased substantially in FY86-87, compared to FY80-85. Aid commitments had averaged about US\$145 million per year in FY80-85; these were boosted to average US\$225 million per year in FY86-87. Net disbursements of grants and loans from official sources, including use of IMF Credit, had averaged about US\$110 million per year in FY80-85; and those rose to US\$140 million per year in FY86-87. Aid prospects for the medium-term, however, are not quite clear at present. In view of this uncertainty, the core scenario developed in this report projects new commitments of aid in FY88-92 at the same nominal levels as in FY80-85. Net disbursements of aid in FY88-92 are also projected at the same nominal level as FY80-85, with up to 60% of the loan disbursements in FY88-92 expected on account of past commitments; that is, commitments made prior to October 1987.

xxii. While the levels of aid projected for FY88-92 are lower than FY86-87, they are nevertheless predicated on the implementation of core medium-term policies summarized in paragraphs xii to xx above and elaborated in chapter III of the report. If those policies are followed, real GDP growth in the next four years could feasibly average about 2% per year, rising gradually from 0.3% in FY88 to between 2% to 3% in FY92, and accelerate a little thereafter. This rate of total GDP growth implies very modest growth of real income per capita. The growth of private consumption per head, in real terms, is

projected to be smaller than the growth of incomes. Such a restrained growth of consumption will be necessary to establish and maintain a viable macroeconomic balance in the face of lower levels of aid assumed for the medium term compared to FY86-87.

xxiii. Barring some major exogenous shocks, the pursuit of appropriate growth and trade policies would avoid deterioration of the external current account balance, enabling Haiti to cover the current deficits, meet debt repayment obligations and maintain modest amounts of gross reserves with the external capital inflows projected on the assumptions specified in paragraph xxi. The projected capital disbursements have been assumed to consist of grants and concessional loans only; in other words, no medium-term commercial borrowing has been assumed. Provided this is adhered to, the projected debt service payments relative to GDP, export receipts and public revenues would remain manageable. As the old Stand-by Credits of the IMF are paid off, the debt service ratio would decline, from 15% in FY87 to 9% in FY92. As a proportion of projected public revenues, external debt service payments in FY92 would be about 25%, the same as in FY87.

xxiv. The analysis of medium-term outlook for this report has explored the economic consequences in case the proposed core policies are not undertaken. As might be expected in such a case, Haiti's economy would stagnate or decline further and its financial situation exhibit large and growing deficits. Such a scenario would bring about major dislocations in the economy and perpetuate, if not worsen, the misery of a large part of Haiti's population. The preferable way out of the current situation, especially in view of the lower levels of aid anticipated at present, would be to consolidate the economic policy reforms already in place so as to attain at least a little economic growth while maintaining viable financial balances. This is an approach that would retain a base on which to found an enhanced adjustment program when one becomes feasible.

xxv. Finally, given the severity of Haiti's development problems and the constraints imposed by low-income levels on the potential for generating domestic savings, the success of domestic efforts would be limited without the provision of external support. Hence, as Haiti itself acts to consolidate its recent economic reforms, external assistance, in the form of concessional aid, will be essential to promoting the country's economic and social development.

Chapter I

INTRODUCTION: THE BACKGROUND TO RECENT DEVELOPMENTS

A. Overview

1.1 After an improved economic performance in 1986 and most of 1987,¹ Haiti at present is experiencing a profound economic setback brought on by a series of largely political crises.² In contrast to the improvements which had begun in 1986-87, the current economic situation is characterized by stagnant output, a dangerously high and increasing level of open unemployment, especially in the urban areas, rising prices, large budgetary and balance of payments gaps, and rapidly deteriorating provision of economic and social services. This situation will have to be addressed as the political climate facing Haiti becomes clear.

1.2 In view of the ultimate necessity to deal with economic conditions, this report recommends some short-to medium-term policy and expenditure priorities for Haiti, taking into account the current economic situation. Broadly, following a review of recent economic developments, this report contends that, with requisite external assistance, Haiti will need to consolidate the public sector management measures and the growth-oriented policy reforms which it had been pursuing most recently. This is essential to avert a major economic backslide. Once domestic confidence is increased, and aid prospects improve, an enhanced adjustment and growth program should be worked out and backed with firm and adequate external assistance. Until the unfortunate interruption in 1988 of its adjustment and recovery program begun in early 1986, the country lived up to its economic policy undertakings. The economic reforms it pursued in FY86-87 were supported by various donors (see paragraph 3.3 in Chapter III), and were solidly along the lines suggested in the World Bank's previous economic report on Haiti.³

1/ Haiti's annual economic statistics are compiled on the basis of the country's fiscal year, which runs from October 1 to the following September 30. Wherever calendar year notations are used in this report, the convention adopted is to identify fiscal years by the calendar years in which they end. Thus, 1986 means Haitian FY1985/86; 1987 means Haitian FY1986/87.

2/ From July 1987, there had been intermittent civil disturbances associated with the electoral process, culminating in a cancellation of elections at the end of November 1987 amidst violence on election day. Fresh elections were held in January 1988 and a new civilian Government assumed office in February. Four months later, a military Government took over, lasting three months till it too was replaced. These political crises over the past year have impeded economic performance by way of loss of investor confidence, work stoppages, distraction of Government attention from economic policy reforms and slow disbursements as well as suspension of vital external assistance.

3/ World Bank, "Haiti: Policy Proposals for Growth," Report No. 5601-HA, June 10, 1985.

B. The Previous Report: A Background

1.3 The thrust of the last report on Haiti was to propose a mix of fiscal, agricultural, and industrial policy reforms aimed at short-term stabilization, efficient resource allocation, and revival of economic growth. The policy proposals were based on analyses of the extent to which the Haitian economy had deteriorated in 1980-85 compared to 1975-80, the major factors underlying the economic stagnation and the financial disequilibrium that had set in, and the country's long-term potential for sustained growth of output and employment.

Economic Deterioration in 1980-85

1.4 The deterioration of economic performance in FY80-85, compared to FY75-80, is illustrated in Table 1 below, which shows that production in all sectors, trade, incomes, employment and private consumption each declined very markedly. While the overall rate of investment was maintained in FY80-85, a large portion of public investment went into acquisition or establishment of uneconomic state manufacturing enterprises. With public capital expenditures increasing while savings were falling, the overall public sector deficit rose absolutely and as a proportion of GDP. The deficit was financed principally by money creation--which, spilling into the balance of payments, led to substantial loss of reserves--and by stepped up credit from overseas suppliers and private banks--which contributed to the increase in the country's external debt between 1980 and 1985.

Determinants of Decline and Disequilibrium

1.5 As identified in the last report, the major factors underlying Haiti's economic stagnation and financial disequilibrium in 1980-1985 were the pressure of population on land leading to decreasing agricultural productivity, the effect of protection on domestic industry, and the inadequacy and poor allocation of public resources. The deterioration of Haiti's agriculture was, and remains, a long-term phenomenon explained by, among other factors, relentless pressure of population on the country's roughly one million hectares of cultivated land, mostly marginal hillside farms, on which an estimated two million peasants and agricultural workers applied extremely backward cultivation practices.⁴ Much of the state and

4/ Indicators of worsening population pressure on land in Haiti include data such as: (a) increasing population density per square kilometer of agricultural land; this density rose from 296 in 1965 to 408 in the mid-1980s; (b) decreasing farm sizes, revealed by the fact that the proportion of farms of 1 carreau (1.29 ha) or less rose from 39% in 1950 to 71% in 1971, the year of the last agricultural census; (c) rapid increases in the value of land between 1975-81, when prices of poor land rose at 15% per year in nominal terms, and those of fertile lands at much higher rates, sometimes as much as 75% per year; and (d) declining agricultural value added per worker, from G926 in 1965 to G858 in 1985, both measured in constant 1976 prices.

large private land went unexploited while, elsewhere in the country, the shortage of land, coupled with insecurity of tenure and the demand for wood and charcoal for energy, had generated a vicious long-term cycle of deforestation and soil erosion, further intensifying the land shortage.

Table 1: SELECTED ECONOMIC INDICATORS, FY75-80 and FY80-85

<u>Indicator</u>	<u>FY75-80</u>	<u>FY80-85</u>
<u>Average growth rates</u>		
	---(% per year)---	
Gross Domestic Product <u>/a</u>	5.3	-0.9
Agriculture <u>/b</u>	1.6	-1.3
Industry <u>/b</u> <u>/c</u>	9.5	-2.5
Services <u>/b</u>	6.3	-0.8
GNP per Capita <u>/a</u>	3.3	-2.6
Private Real Consumption per Capita	2.5	-3.1
Export Volume <u>/d</u>	10.3	-1.3
Import Volume <u>/d</u>	10.0	-2.9
Consumer Price Index	6.5	8.3
	----- (%) -----	
<u>Unemployment Rate</u> <u>/e</u> , End of Period	21.9	29.8
<u>Ratios to GDP</u> <u>/f</u>		
	----(% of GDP)----	
Gross Domestic Investment	16.6	16.4
Public	9.1	10.0
Private	7.5	6.4
National Savings	9.6	8.2
Public	1.8	0.5
Private	7.8	7.7
Public Sector Balance <u>/g</u> , Before Grants	-7.7	-9.4
Public Sector Balance <u>/g</u> , After Grants	-4.5	-6.0
Domestic Bank Financing <u>/h</u>	1.1	2.8
External Current Account Balance	-7.0	-8.2
	----- (US\$ Mn) -----	
<u>Net Change in Reserves</u> <u>/i</u> (- means drawdown)	29.3	-130.8
<u>External Debt Outstanding</u> <u>/j</u> , end of period	318.2	687.4

/a In real terms, at market prices.

/b In real terms, at factor cost.

/c Includes mining, manufacturing, construction, and water and electricity.

/d Goods and nonfactor services.

/e Estimated from available data on total labor force and civilian employment only. End of FY80-85 period figure refers to 1983.

/f At current prices.

/g Overall budget balance of general government, major public enterprises and nonconsolidated public sector.

/h By monetary authorities.

/i Cumulative during period.

/j Disbursed only.

Sources: Statistical appendices of this and previous Bank reports; ILO and IMF.

1.6 In addition, until 1985, agricultural pricing policy, marked by heavy export taxation, especially of coffee, and quantitative restrictions of food grain imports, had not only distorted the incentives structure of the sector, but also worsened soil erosion by inducing cultivation of grains, such as maize, on the hillsides instead of trees, such as coffee. Public agricultural investment and credit programs were occasionally targeted more to social relief than

to stimulating either growth in productivity, output and employment or effective soil conservation. On the plains, where Haiti's agricultural potential is much greater than on the hillsides, irrigation systems lacked operating and maintenance finance, and were silting up from erosion on the hills.

1.7 In contrast to agriculture, which was undergoing long-term decline, the Bank's last economic report assessed that Haiti's industry in 1980-1985 was then beginning to realize the negative consequences of protection afforded by import quotas and high tariffs that had enabled a number of new import substitution enterprises (e.g., textiles, leather, plastics and rubber products, steel products, paper and board, and metal and enamel household items) to start up and prosper in the 1970s. Having saturated the small domestic market by 1980, these industries were incurring high costs of production because of unutilized capacity, poor management and outdated equipment. On the other hand, Haitian export assembly industries (garments, electrical and electronic equipment, sporting goods)--which had been stimulated with fiscal incentives but were also attractive because of the highly competitive structure of wages in Haiti--were very dynamic from their inception.

1.8 The export processing subsector in Haiti had been the fastest growing assembly industry in the Caribbean Basin well into the mid-1980s, and had conferred distinct advantages in the form of urban employment. Starting only in the 1970s, this subsector had come to account for nearly 50% of manufacturing employment in Haiti by 1983. Were it not for the high prices and substandard products of the protected local industry, the assembly sector might have generated more benefits by way of linkages with local industry. Among the local industries, a group of five enterprises (a flour mill, a vegetable oil mill, a cement factory, and two sugar factories), which were fully purchased or established by the State during 1980-85, posed a further, direct burden on public finances.

1.9 Public expenditures in Haiti had been poorly allocated and controlled for a long time; however, total outlays had been held in line with revenues until 1980. From then, the tradition of "fiscal discipline" broke down and public savings dropped, from an equivalent of 1.8% of GDP on average in 1975-80 to 0.5% of GDP in 1980-85. Despite some important fiscal reforms in the latter period,⁵ Government revenues remained low as a proportion of GDP for several reasons. First, the potential tax base grew only slowly as the economy stagnated in 1980-1985. Second, the actual tax base was

^{5/} For example, the reorganization of the fiscal system to centralize tax collection and eliminate earmarking was continued. It culminated in the absorption of the elusive Regie du Tabac et des Allumettes and the Administration Generale des Contributions into a new Direction Generale des Impots in early 1985. Also, a number of new taxes were introduced, the most important being a value added tax in 1983, a new income tax and ad valorem import duties in place of specific ones.

eroded by the granting of widespread--and, in many instances, economically unjustified--exemptions from taxes and tariffs. Third, revenue collection was inefficient, especially for income and sales taxes. Fourth, the revenue system was poorly designed, with too many taxes, charges and fees at specific or unrealistically high ad valorem rates. Fifth, tax evasion and fraud were prevalent. While the share of current revenue in GDP stagnated, that of current expenditures expanded. The latter reflected four factors: increasing spending on defense and security; the maintenance requirements of Haiti's new economic infrastructure; the operating requirements of its expanded, albeit still small, social infrastructure; and significant, unchecked extrabudgetary expenditures.⁶ Public savings were thus squeezed between sluggish current revenue receipts and rapidly increasing current expenditures, making it even more difficult for the Government to contribute substantially to the public investment program.

1.10 The public investment program, moreover, had become too diffuse (some 300 projects in 1985), and too little information was available about the economic impact and physical and financial progress of its component projects. Donors expressed concern over this state of affairs. When no action was taken to overhaul public investment, foreign aid declined from eight to six percent of GDP during 1980-1985 and some donors allocated their assistance away from the public sector towards non-governmental organizations. Meanwhile, the composition of the public investment program changed from an initial concentration on economic infrastructure, coming to include, during 1980-85, some major public industrial enterprises (see paragraph 1.8 above). The capital outlays on these enterprises and the current transfer to those among them which incurred financial losses (e.g., the sugar mills) despite rent-seeking pricing policies, contributed to the unsustainable fiscal and balance of payments deficits. In turn, such deficits limited Haiti's capacity to revive its stagnant economy.

Major Policy Recommendations

1.11 In view of the unsustainable financial imbalances in 1985, the Bank's last report suggested that stabilization was essential before steps could be taken to achieve sustained economic growth. Haiti was therefore urged to accord top priority to raising public savings and rebuilding international reserves in the short term. Proposals were made to increase the national tax effort, emphasize internal sources of revenues rather than taxes on external trade, strengthen tax administration and control public expenditures. With fiscal and monetary restraint, Haiti's fixed parity with the US dollar since 1919 and its exchange system free of controls could continue to provide a sound basis for the expansion of output and trade.

1.12 The potential for expanding output and trade existed in agriculture as well as industry. This potential was based on Haiti's underexploited opportunity for irrigated plains agriculture; its

6/ A comprehensive treatment of public expenditure issues was provided in The World Bank, "Haiti: Public Expenditure Review" (in two volumes), Report No. 6113-HA, September 29, 1986.

estimated comparative advantage in crops like bananas, coffee, rice and maize when grown with modern inputs; its pool of indigenous entrepreneurial skills and low cost labor; and its proximity to the large North American market.

1.13 The realization of Haiti's agricultural development potential would require a series of linked policy changes, of which two were most important. First, a revamping of the incentives regime to stimulate output response was called for, by way of lower export taxes and, in the case of seed cotton, an increase of producer prices to the equivalent of import parity. Second, it was proposed that resources be concentrated on those farm enterprises with the greatest potential for productivity, output, and employment growth; such enterprises were likely to be found in the plains. Other steps that were considered important to promote agricultural growth included fiscal measures to improve land utilization; a study of the possibility for diversifying sugarcane land into production of alternative crops; land tenure reforms where necessary; reforestation and soil conservation; marketing improvements; and the establishment of a better agricultural information base.

1.14 In industry, a strategy was proposed based on three key elements. First, the anti-export bias of the industrial incentives structure had to be reduced, principally through lower protection and also through the efficient implementation of all administrative procedures for investment, exports, and export-related transactions. Second, the major public industrial enterprises had to be restructured, especially since they were enjoying trade monopolies which permitted them to maintain very high production costs. Third, industry's needs had to be met through the timely provision of infrastructure and an overhaul of the operation and financing of the vocational and technical education system.

1.15 The overall conclusion of the last report was that, although the pace of economic growth and development in Haiti had been slow compared to the country's potential, it could change. Haiti's physical and human resources were not negligible, contrary to common belief outside the country. But, neither the Government nor the people had seized the opportunity that Haiti offered. They could begin to reduce financial imbalances, regain external aid, and stimulate economic growth and employment with new policies proposed in that report. As the following chapter shows, this scenario was realized in 1986-87, but was then interrupted by civil events.

Chapter II

ECONOMIC POLICIES AND PERFORMANCE, 1986-88

A. The Setting

The Initial Policy Environment

2.1 A product of many preceding years, Haiti's economic system at the outset of FY86 was inefficient and inequitable. The predominantly agricultural producers, virtually all smallholders, were receiving farmgate prices about half the border equivalent prices. This was the case, for example, for coffee, cocoa, cotton and sugarcane. On the other hand, consumers--60% to 70% living in absolute poverty--were paying prices about twice the border equivalent prices. This was the case even for essential consumption items such as rice, maize, raw sugar, sorghum, cooking oil, soap, matches, etc. While producers of domestically grown items (e.g., maize, rice and sorghum) received prices above world market levels, their plots and productivity were too small and unaugmentable (for reasons outlined in paragraphs 1.5-1.6) to make any impact on their cash incomes and incentives over time. The whole system was propped on fiscal and trade regimes employing a variety of instruments set at excessive levels as well as on restrictive institutions; for example, export taxes, excise duties, import quotas and prohibitions, customs tariffs, trade monopolies, outright closure of provincial ports and discriminatory administration of investment promotion schemes.

2.2 Large portions of the public revenues accruing from the above system, and public borrowing, were deployed to administer the system and to undertake uneconomic or unaccounted capital expenditures rather than to expand efficiently the country's productive capacity or provide essential public services. For instance, in the initial⁷ FY86 budget, 52% of Government current expenditures (excluding interest payments) had been allocated to the so-called political and "other" ministries, while ministries providing economic and social services were allocated, respectively, 25% and 23% of the expenditures. At that same time, 39% of domestic resources in the public investment program had been allocated to state industries, administration and community and regional "action", while agriculture was allocated 16%; transport and communications, 18%; power, 12%; water supply and health, 9%; education, 3%; and housing and urban development, 3%.⁸

2.3 When Haiti's political regime changed in February 1986, the new Government saw that the financial and economic consequences of the policies then in place were untenable. To deal with the situation,

^{7/} That is, the FY86 budget approved in September 1985 and reflecting the expenditure priorities of the then Government. That budget was subsequently revised following the February 1986 change of regime.

^{8/} The source of this information is the September 30, 1985 publication of Le Moniteur, Haiti's twice-weekly official gazette, in which annual budgets and finance laws are published.

that Government initiated far-reaching reforms in public finances, the trade regime and the management of key state-owned enterprises. The specific reforms that were carried out and their impact are detailed in Section B of this chapter. The most important actions, however, are listed in the following three paragraphs to provide the setting under which the Haitian economy has evolved since then.

The Advent of New Policies

2.4 From March 1986 to November 1987, a period of twenty months, economic policy focused first on macroeconomic stabilization, and, second, on improvement of resource allocation and growth prospects. This was accomplished through the reform of taxes, public expenditure, public enterprises, competition and industrial incentives, and agricultural pricing. Both expenditure and taxes were cut by about 2% of GDP, but education and health spending were increased significantly in real terms. Taxes on basic consumption items were reduced, helping to lower prices. Income taxes were reformed and measures to improve tax collection initiated. The public investment program was pruned and concentrated on completing priority ongoing projects. The public sector's debt to the domestic banking system was reduced. Two uneconomic public industrial enterprises were closed and another two began to be restructured.

2.5 In a major reform of the trade regime, all but seven quantitative restrictions on imports were eliminated, specific tariffs were all replaced by ad valorem ones, and the general level of protection reduced, with a view to both lowering prices and stimulating competitive efficiency, including at public enterprises. The export tax on coffee was phased out and other agricultural export taxes (on cocoa and sisal) were abrogated.

2.6 The reforms listed above were remarkably extensive and swift, the more so as they were initiated even before all commitments of supporting external aid were made to Haiti. From November 1987, the pace of reforms slowed down in the wake of civil unrest associated with the newly-introduced electoral process. Even then, however, and up to the time this report was written, Haiti kept the basic economic reforms for improving resource allocation intact. It will be important for Haiti to continue to do so in order to safeguard the positive effects of its reform efforts. Those effects, although small to begin with, were clearly demonstrated by various indicators of the country's economic performance in recent years.

B. Recent Economic Developments

Macroeconomic Trends

2.7 In aggregate terms, the most notable changes in FY86-87 were the policy-induced reductions of public sector consumption on the one hand and increases of private consumption on the other. The Government which came to power in February 1986 eliminated many wasteful current expenditures and unjustified "development" projects, reducing public sector current and investment outlays from an equivalent of 27% of GDP in FY85 to, on average, 24% in FY86-87. The reduction of its expenditures enabled the Government to reduce excise

taxes on basic commodities such as flour, sugar, cooking oil and petroleum products--a move which led to desirable real increases in private consumption, especially of basic items.

2.8 While public investment was deliberately reduced in FY86, private investment had declined in that year owing to the widespread civil unrest preceding the change of regime. In FY87, however, both public and private investments recovered, the former benefitting from increased concessional assistance, the latter led by an upturn in private residential construction and some expansion of capacity in the export assembly sector. Haiti's national savings performance remained low in FY86-87 owing to the policy-induced growth of private consumption and a decline in FY87 public sector receipts; that decline was larger than anticipated by Government policy, and reflected, in the main, the difficulties of revenue collection by Customs and public utilities in an atmosphere of elections-related unrest which broke out in the last quarter of the fiscal year. Nonetheless, as seen in Table 2, the overall investment-savings gap in FY86-87 was narrowed; on average, it equalled a more sustainable 5% of GDP, compared to nearly 8% of GDP during FY83-85.

Table 2: MACROECONOMIC BALANCES, FY83-87
(Percent of GDP)

	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>
<u>Foreign Savings</u>					
Current Account Balance	-9.3	-7.7	-6.5	-4.3	-5.9
<u>Private Sector</u>					
Gross Domestic Investment	6.6	4.7	6.6	5.2	5.7
National Savings	5.9	7.6	6.7	6.1	6.9
Investment minus Savings	0.1	-2.9	-0.7	-1.0	-1.1
<u>Public Sector /^a</u>					
Gross Domestic Investment	10.4	11.2	8.2	5.7	6.7
National Savings	1.2	0.6	1.6	0.6	-0.3
Current Revenues	18.5	19.3	19.9	18.1	18.7
Current Expenditures	17.3	18.7	18.9	17.7	17.6
Investment minus Savings	9.2	10.6	7.2	5.3	7.0
<u>Public And Private</u>					
Investment minus Savings	9.3	7.7	6.5	4.3	5.9
<u>Memorandum Item:</u>					
Share of Gross Domestic Investment financed by Foreign Savings (%)	56.9	48.2	45.7	39.3	47.3

^{/a} General Government and major public sector enterprises.

Source: Statistical Appendix Tables 2.1, 3.1 and 5.1

2.9 As noted earlier (para 2.4), Haiti's policy reforms from February 1986 were aimed not only at reducing financial imbalances but also at reviving economic growth. The strategy adopted was to restructure the incentive framework at the outset and thereby establish the conditions for efficient expansion of production, trade and employment.

Output and Employment

2.10 The structure of Haiti's output at the beginning of FY86 reveals that the size of the tradeable goods sector (comprising mainly agriculture and manufacturing) was still significant even though, due

to past policies, it had declined, from 65% of GDP in the mid-1970s to 60% in the mid-1980s. In FY85, agriculture accounted for 35% of GDP and 70% of the labor force; industry, 25% of GDP and 8% of the labor force; and services, 40% of GDP and 22% of the labor force. In view of this structure, the Government's emphasis on trade reforms was a well-considered move. In particular, the measures--such as elimination of export taxes, removal of quantitative restrictions, reduction of tariffs-- which began to realign domestic with international relative prices held most promise for efficient expansion of the economy and employment opportunities.

2.11 Albeit gradually, the economy began to turn around. Compared to 1980-85, GDP growth turned positive in FY86-87, employment opportunities rose and private consumption increased significantly. These developments are indicated in Table 3 below:

Table 3: REAL GROWTH RATES OF GDP AND OTHER INDICATORS, FY80-87
(Annual percentage changes)

	FY83	FY84	FY85	FY86	FY87	Average	
						FY80-85	FY86-87
GDP, market price	0.8	0.3	0.2	0.6	0.5	-0.9	0.6
Net indirect taxes	9.1	-0.1	15.4	1.3	-7.3	5.2	-3.1
GDP, factor cost	0.1	0.4	-1.1	0.6	1.3	-1.4	0.9
Agriculture	-3.7	3.5	0.6	2.4	-0.3	-1.3	1.1
Industry /a	-0.2	-3.6	1.3	-3.6	-0.6	-2.5	-2.1
(of which:							
Manufacturing)	(5.4)	(-5.3)	(-2.9)	(-2.9)	(-2.6)	(-2.6)	(-2.4)
Services	3.7	0.3	-4.1	1.6	4.0	-0.6	2.8
Total Consumption	2.2	-2.1	3.1	3.2	2.3	-1.2	2.7
Private	3.1	-2.8	1.8	5.0	3.4	-1.4	4.1
Public	-4.8	3.5	13.4	-9.8	-7.0	0.4	-8.3
Gross Domestic							
Investment	5.4	4.6	-13.6	-14.5	4.6	-2.1	-5.0
Private	11.8	-7.8	12.7	-8.8	3.0	-5.7	-2.9
Public	1.8	12.3	-27.1	-19.1	5.9	0.7	-8.6
Exports of GNFS	-9.5	0.1	-6.0	-9.2	-7.0	-1.3	-8.0
Imports of GNFS	0.5	-0.9	-4.0	-6.4	4.0	-2.9	-1.2
Memorandum items:							
Gross Domestic Income							
per capita	0.2	-1.9	-1.4	0.5	-1.3	-2.8	-0.4
Private Consumption							
per capita	1.3	-4.6	0.0	3.2	1.6	-3.1	2.3

/a Includes mining, manufacturing, construction and utilities.

Source: Statistical Appendix Tables 2.2 and 2.3; and Bank Staff Estimates.

2.12 Agriculture. This sector has grown modestly since 1986. However, the pattern of food and agricultural production (comprising maize, rice, sorghum, sugarcane, bananas, roots and tubers for domestic consumption and coffee, cocoa and mangoes for export) has undergone very little change (Statistical Appendix Table 7.1). The elimination of agricultural export taxes, removal of import quotas, and break up of food import and trading monopolies (for wheat flour and cooking oil) have shifted relative prices in favor of export and more efficient import substitution crops. A quick and major supply response, however, is constrained by deeper structural factors, such as excessive land rentals charged to producers sub-leasing land from relatively large land owners, insecurity of tenure, inadequate support systems and poorly developed infrastructure. For these reasons, Haiti

sought to maintain some protection for its agriculture when, in December 1986, it replaced import quotas with licensing, without formal ceilings, for seven agricultural products: rice, maize, millet, beans, sugar, chicken parts and porkmeat parts.

2.13 The Government became wary of action to remove such protection when even the country's higher-yielding areas in rice (Artibonite Valley), sugarcane (Les Cayes) and maize (Cul-de-Sac) were hard hit by the upsurge of contraband imports of these products in FY86-87 following the sharp decline in international prices of such foods and the opening up of Haiti's provincial ports. The situation for Haiti's farmers improved in FY88, however, as world prices of rice and maize increased, in time for the December 1987 and the June/July 1988 rice crops, and as, during the first quarter of calendar 1988, Government took steps to tighten Customs surveillance against contraband.

2.14 Despite the decline in its relative importance in recent years, arabica coffee remains Haiti's dominant agricultural export and a source of cash income for over a million smallholders--who produce the bulk of coffee in Haiti--located in the Northern, Central and Southern hillsides. The most important areas, accounting for nearly half the total production, are in the South in Petit-Goave, Jeremie, Les Cayes and Jacmel districts. Coffee has had an unfortunate history in Haiti. An export that was very much in demand internationally for its exceptional aroma (St. Marc Coffee), Haiti's annual coffee exports declined from a peak of nearly 450 thousand 60-kg bags in the early 1960s to around 300 thousand bags (25% below its ICA export quota) of low quality product by 1985. Among other factors, this downward trend in volume and quality was related to heavy export taxation (averaging 25% of FOB price between 1965-85) and high intermediary margins (averaging another 20% of FOB price).⁹ It should also be recalled that while returns to coffee production were then depressed, the returns to food crop production were boosted by restrictive trade policies.

2.15 When the export tax on coffee was reduced in October 1986 (from 22% to 10%), and then eliminated in September 1987, it was expected that smallholder incomes and incentives would improve if the tax reductions were passed through to producers. At the same time, the relaxation of food import restrictions--and contraband--were driving down food prices, thus further improving relative prices in favor of coffee. Some mixed signals arose in the short run as world coffee prices fell in 1987 and began to rise in 1988 and the same occurred in the case of maize, while rice prices rose in 1987 and continued to rise in 1988. Nonetheless, looking at coffee itself, spot checks done in April 1988 revealed that, indeed, in the 1987/88 season, some of Haitian coffee producers had obtained up to 70% of the FOB price as a result of the lifting of export taxes and increased competition among local intermediate buyers.

2.16 Thus, by the first quarter of FY88, an appropriate incentive framework was in place for this significant crop in Haiti. The 1987/88 harvest was reported to have improved over the one in 1986/87,

^{9/} Unlike other countries, Haiti did not use the coffee tax receipts for any producer price or income stabilization schemes nor for investments related to the coffee sector.

and export volume for the first two quarters of FY88 rose 16% over the comparable period of FY87. Provided the incentives were maintained, therefore, new plantings of coffee, long neglected, would have been expected to rise. Planting material was to be made available under a USAID-financed coffee/cocoa project producing coffee seedlings at the rate of 2,300,000 per year and cocoa seedlings at the rate of 265,000 per year. But then, that project came to a halt after the U.S. suspended aid to the Government of Haiti at the beginning of FY88. So now the only planting material available must come from farmers' own cuttings of low-yielding trees, some currently threatened by leaf rust disease. The USAID had also installed a monitoring system to assess the impact of coffee tax reduction on producer margins and incomes. The system was very important in Haiti, since a long-standing controversy about the structure, conduct and performance of Haiti's coffee market had hampered sector policy initiatives and decisions in the country. The monitoring system too was discontinued after the suspension of U.S. assistance. While efforts to revive the coffee sector have thus been set back by recent events, this sector still holds promise for future growth once the current uncertainties are overcome. Certain activities in the industry sector also hold such promise as the reforms carried out in recent years were focused well on overhauling industrial incentives.

2.17 Industry. Haiti's industrial sector is characterized by two separate structures that emerged under different trade regimes: the import-substitution industries serving the local market, and until recently highly protected from external competition; and the export assembly sector, operating under a simulated free trade regime. The overall industrial structure is dominated by three industrial groupings, accounting for 70% of the industrial value added: food products (35%), electrical and electronic equipment (22%); and textiles, leather and clothing (13%). The local industry--dominated by foodstuffs, beverages, household goods and building materials--comprises around 500 small, medium and large family-owned enterprises, and a small number of partially-or wholly-owned public enterprises, which began to be restructured from early 1986. Small enterprises employing between 5-50 workers make up 57% of the total number and employ around 10% of the industrial labor force; medium enterprises, employing between 51-300 employees, make up 35% of the total manufacturing units and employ 47% of the industrial labor force; and large enterprises, employing over 300 employees, make up 8% of the units and 43% of the industrial labor force.

2.18 The inefficient industrial incentives framework in Haiti at the beginning of 1986 was referred to earlier in this report (paragraphs 1.7 and 2.1). To lower prices, reverse past distortions and stimulate the economy, Haiti embarked in July 1986 on a thorough program to liberalize trade, stimulate competition and revise the incentive structure. Its objective was a stable, neutral incentive system to channel resources toward competitive rather than rent-seeking activities. The small size of the domestic market meant that industrial expansion had to be driven by exports. Hence the average level of effective protection was progressively reduced and its distribution harmonized across sectors through various reforms.

2.19 To begin with, in July 1986, the Government reduced the number of products subject to licensing, quotas or prohibitions from 111 to 35. In December 1986, it abrogated the import licensing and

quota law. No import monopoly remained in effect. Two products were restricted for sanitary reasons: used newspapers and used clothes. A new import licensing law, without formal ceilings, was introduced for seven agricultural products (see para 2.12).

2.20 The quantitative restrictions removed in July 1986 were replaced by ad valorem tariffs averaging about 20 percent with a maximum of 40 percent. At the same time, specific tariffs were replaced with ad valorem ones and existing ad valorem tariffs were lowered for approximately 300 of the 2,000 tariff positions. In February 1987, following the abrogation of the remaining quantitative restrictions, the Government implemented a complete revision of the entire tariff structure. All specific tariffs were replaced with ad valorem ones. With five exceptions (rice, maize, millet, flour and petroleum), rates ranged between 0 and 40 percent; medical supplies and agricultural imports were exempted.

2.21 The cascading of the rates followed a physical input/output rule rather than the necessities of the industrial base then existing to avoid, as far as possible, ex-ante negative protection or sectoral biases. Consumer and final goods were subject to maximum rate of 30 percent, whereas equipment, raw materials and some inputs, 10 percent. A 5 percent rate was used to provide a little protection to locally produced essential intermediate goods (such as packaging, cans, and metal working) without overburdening downstream industries. The targeted average tariff rate was 20 percent.

2.22 The level of effective protection for existing firms was drastically reduced by the above measures, from an average of over 100 percent to below 40 percent; 95 percent of industrial firms now have less than 60 percent effective protection. At the time of the tariff reform, Government introduced a 9-month grace period to accord some temporary protection to the most affected domestic industries. The new rates went into effect promptly in January 1988, when the grace period expired.

2.23 In addition to these major changes, Government began to streamline the various Customs procedures and rationalize petty taxes on trade. Import notifications (for record purposes) are now processed automatically at the Ministry of Commerce and Industry. Customs clearance procedures were simplified. Further institutional strengthening of the Customs is, however, necessary. An administrative charge of one percent of CIF value was extended to all imports except pharmaceuticals and petroleum to cover the costs of an independent, foreign firm responsible for import verification. Over a dozen petty taxes on imports and exports were eliminated in September 1987.

2.24 Policy toward public industrial enterprises also underwent a radical change. The five major public industrial enterprises existing at the beginning of 1986 (a vegetable oil mill, two sugar factories, a cement plant and a flour mill) used to enjoy trade privileges which, in each case, protected grossly inefficient operations and enabled questionable financial practices. On account of these enterprises, Haiti had incurred annual economic losses equalling almost four percent of GDP in FY82-85, a period in which economic growth in Haiti

never reached even one percent per year. In addition, the two sugar mills and the vegetable oil mill incurred heavy financial losses. To stem and eventually reverse this economic and financial waste, the Government combined closure and restructuring of enterprises with market liberalization and the introduction of financial monitoring.

2.25 The vegetable oil mill and one of the sugar factories (the Usine Sucriere Nationale de Darbonne) were closed in July 1986; their employees (300 at the oil mill and 700 at the sugar factory) were offered a choice between severance pay (nine months' salary) and the formation of a cooperative (without any Government subsidies, loan guarantee or other privileges) to run the enterprise. About 40% of the oil mill employees opted to form a cooperative, whereas all those at the sugar factory chose to receive severance pay. The cement factory and the flour mill were subjected to independent audits; each lost its trade privileges; each has implemented measures (such as reduction of inflated labor forces, increased milling efficiency, cheaper energy sources, tighter inspection of stocks and sales) to reduce operating costs; and a report to divest the cement factory was completed in late 1987, but, with three changes of government since then, no decision has been taken yet on the recommendations of the report.

2.26 Domestic manufacturing enterprises were expected to decline as a result of the sweeping reforms in the trade regime. As noted above (para 2.22) some transitional relief was provided in the tariff reforms to cushion the impact of the drastic reduction in protection. In addition, the Government made provisions for both technical and financial assistance to individual firms wishing to restructure to operate in the new policy environment. The transition, however, has not been smooth on the whole, and domestic manufacturing output and employment has declined at a rapid rate since 1986.

2.27 In the first place, the upsurge of contraband largely negated the transitional protection accorded to some industries, so that production and sales of those enterprises directly hit by contraband (sugar, flour, edible oil, textile and toilet soap factories) declined by 20% to 40%; textile production went down by 75% in FY87. (Statistical Appendix Table 8.1) Second, while the initial diagnostic studies of firms wishing to restructure their operations were initiated on time, subsequent delays in proceeding to in-depth studies and processing financial assistance put back the adjustment program. In part, the delays were attributable to the civil unrest that preceded the November 1987 elections. Third, the civil unrest itself adversely affected production and sales of Haiti's small scale, export-oriented handicrafts sector, whose production dropped by 40% in FY87.

2.28 Sales of the export assembly sector picked up in FY87, after having declined in the preceding year, which had witnessed widespread unrest prior to the February 1986 change of Haiti's political regime. Growth in FY87 was especially strong in the second and third quarters (the period January to June 1987), led by a virtual doubling of garment exports made possible by increased quotas provided to Haiti under the January 1987 textile agreement with the U.S. Elections related civil unrest from the fourth quarter of FY87, however,

resulted in lower levels of production and exports as some firms closed their operations and some clients cancelled or postponed orders. Exports dropped in the machine assembly, electrical machinery, and electrical appliances and accessories categories. It should be noted, however, that, in addition to the uncertainties associated with recent unrest, the Haitian assembly products whose exports dropped in FY87 were already facing increased competition from Costa Rica, the Dominican Republic and Jamaica. This underscores the importance of measures to uphold Haiti's competitiveness if the existing industrial export activities--those using domestic raw materials as well as the assembly firms--are to be retained and new ones attracted.

2.29 New industrial and business investments had been picking up in FY87 prior to the disturbances which began in July 1987. The Office Nationale d'Assurance Vieillesse (Social Security Agency) registered 22 new enterprises during April-June 1987, compared to 9 in the same period in 1986. New construction declared in the Port-au-Prince metropolitan area totalled 181 in the period April-September 1987, compared to 150 in April-September 1986. The tempo of investments, however, was interrupted from the latter half of FY87, considerably reducing the growth of employment opportunities in the formal sector.

2.30 Unemployment had risen in Haiti as a result of disturbances which led to the change of regime in February 1986. Afterwards, according to data on employees registered at the Office Accident Travails Maladie et Maternite (OFATMA - a Government-run employees' medical insurance scheme), employment rose in agriculture, manufacturing, utilities, and banking, insurance and real estate. On an annual basis, OFATMA recorded a 1.6% growth of employment in FY86. The growth trend had continued in the first three quarters of FY87, with the construction sector, and trade and transport in the provinces providing more job opportunities. But the unrest which began in the last quarter of FY87 again led to loss of employment and, on an annual basis, OFATMA recorded a 6.5% decline in employment during FY87. As FY88 began with considerable uncertainty and external aid disbursements were curtailed or slowed down, more layoffs are reported to have occurred in the public and private sectors, although no precise estimates are available. While not reflected in the OFATMA data, significant growth of employment occurred in the social services sector in FY86-87.

2.31 Services. The large growth of the services sector in FY86-87 (Table 3) is attributable mainly to a special emphasis placed on education and health in expenditure allocations by the Government which came to office in February 1986. In FY86-87, total current expenditure (excluding interest payments) rose by 2.7% per year in nominal terms, but those for education and health were increased by, respectively, 28% and 26% per year. In real terms, the total declined by 1% per year, whereas those for education and health were increased by, respectively, 23% and 21% per year. As a result, the total number of teachers in public and private primary schools (the central government provides some subventions to private schools) rose by 14% in FY86 and another 5% in FY87. The total number of primary school pupils rose by 6% in each FY86 and FY87. In secondary schools, the

number of teachers increased by 13% in FY86 and 6% in FY87. The number of secondary school pupils increased by 15% each year in FY86 and FY87. In public health, the number of budgeted staff positions in the Ministry of Health was raised by over 1% in FY86 and 9% in FY87.

2.32 The increases in current expenditure allocations to the education and health sectors in FY86-87 were well considered and--in the budgetary revisions carried out in mid-FY86 (see footnote 6/ and para 2.4)--were drawn from savings realized by elimination of inessential expenditures. Furthermore, the higher expenditures in the education sector were accompanied by sector policy reforms that involved a realistic approach to the issue of Creole and French languages in primary schools, upgrading of teacher training, a restructuring of the Ecole Fondamentale (primary school) cycle, adoption of an official curriculum and assessment system, and initiation of more cooperation with the private sector. Reforms in the health sector were not as readily pursued as in education, although a national health policy and strategy (the "Nouvelle Orientation", described in the next chapter) had been formulated several years before. Nevertheless, as explained in the next chapter, both the education and health sectors remain riddled with major policy design and implementation problems, and high internal inefficiencies. It will be important to address these in order to obtain better returns from both private and public financial resources that are being devoted to Haiti's education and health sectors.

Public Finance

2.33 Haiti's fiscal system had been reformed continuously since the late 1970's, but the financial situation had deteriorated in FY80-85, and the revenue and expenditure systems remained deficient in several aspects (see paragraphs 1.9-1.10). The new Government which took office in February 1986 made determined efforts at reducing the public sector deficit as well as at improving the efficiency and equity of taxation, raising the elasticity of the revenue system and strengthening tax administration.

2.34 Remarkable progress was achieved on all fronts in FY86 and the first three quarters of FY87, after which, however, the financial situation became highly strained mainly due to revenue shortfalls as contraband reduced Customs receipts and civil disturbances hampered the collection of taxes and public utility tariffs. Then, soon after FY88 began, external budget support equalling 10% of programmed Treasury receipts was withdrawn. Even so, the Government acted to mobilize alternative sources of revenue while maintaining the fiscal policy reforms in place. Nonetheless, the FY88 outturn was a deficit financing (by monetary authorities) equalling nearly 2% of GDP, countering the progress towards stabilization which had occurred in FY86-87, when financing by monetary authorities had gone down to 0.3% of GDP, from an average of nearly 3% of GDP in FY80-85.

2.35 In its efforts to stabilize the economy, the new Government in February 1986 cancelled almost a fifth of the appropriations in the original FY86 budget and reallocated about one-half of the cancelled amount to education, health, agriculture and internal security. The spending cuts, together with savings realized by the closure of two loss-making public industrial enterprises (para 2.25), helped offset

revenue losses arising from the elimination of a number of low-yielding specific taxes, the reduction of special excise taxes on staples and the abrogation of the September 1985 tax increases on petroleum products.¹⁰ The FY86 outcome was (an intended) reduction of total public sector receipts, from the equivalent of 14% of GDP in FY85 to 12% in FY86. Public sector expenditures were reduced from an equivalent of 21% of GDP in FY85 to 17% in FY86. Thus the overall fiscal deficit, before grants, was cut from 7% of GDP in FY85 to 5% of GDP in FY86; after grants, the deficit had been reduced from about 4% of GDP in FY85 to 1% of GDP in FY86.

Table 4: SUMMARY OPERATIONS OF THE PUBLIC SECTOR, /a FY83-87

	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>
	----- (In millions of Gourdes) -----				
Total Receipts	1036.6	1171.2	1382.6	1326.2	1186.1
Treasury current revenue	848.5	914.1	1124.2	1129.9	1020.5
Public enterprise current balance, of which:					
transfers to Treasury	189.1 (74.4)	257.1 (90.9)	258.3 (78.2)	195.3 (104.6)	164.6 (88.5)
Total Expenditure	1789.0	2129.7	2105.0	1915.0	1975.0
Treasury current outlays	939.0	1114.7	1281.5	1271.4	1218.5
Public sector capital expenditure	849.1	1014.9	823.6	643.5	756.5
Overall Balance	-753.4	-958.4	-722.5	-589.8	-789.9
Financed by:					
Grants-in-aid	280.5	310.0	359.5	470.0	497.0
External loans (net)	376.2	313.9	148.7	156.5	241.4
Domestic financing (net)	96.7	334.6	216.3	-36.7	51.5
of which: monetary authorities /b	(74.6)	(312.1)	(216.8)	(3.2)	(70.1)
	----- (In percent of GDP) -----				
Total Receipts	12.7	12.9	13.8	11.8	10.5
Total Expenditure	22.0	23.4	21.0	17.1	17.6
Overall Balance	-9.2	-10.6	-7.2	-5.3	-7.0
Grants-in-aid	3.4	3.4	3.6	4.2	4.4
Financing by monetary authorities	0.9	3.4	2.2	0.0	0.6
Memorandum Item:					
GDP (G Mn, current prices)	8148.0	9082.0	10047.0	11218.0	11285.0

/a General Government and major public sector enterprises.

/b Central Bank and the state-owned Banque Nationale de Credit.

Source: Statistical Appendix Table 5.1.

^{10/} This does not mean that petroleum products are now taxed lightly in Haiti. Gasoline imports are subject to an ad valorem tariff at the rate of 57.8% of the c.i.f. price. In addition, excise taxes on petroleum products amount to 80% of c.i.f. import value of these products.

2.36 In FY87, Haiti continued its policy thrust of reducing public sector revenue demands on the economy and containing and prioritizing expenditures to bring the overall deficits down to sustainable levels. In view of the tax and tariff reductions that were being implemented, Treasury receipts in FY87 had been programmed at a level 4% below the FY86 level. But, the actual receipts in FY87 turned out 10% below the FY86 level owing to rising contraband, the initial unfamiliarity with new income tax and tariff rates on the part of revenue officers, and the civil unrest in the fourth quarter. However, higher grants for budget support (G 110 million in FY87 compared to G 40 million in FY86) and the maintenance of strict control over the current outlays of the Treasury kept the overall public sector deficit in FY87 within the programmed level.

2.37 At the same time as it reduced the public sector deficits, the Government also improved the system and the administration of public revenues and expenditures from February 1986 onwards. The efficiency of the revenue system was improved by phased elimination of export taxes (see paragraphs 2.5 and 2.15), the tariff reforms (described above in paragraphs 2.20-2.23) and the income tax reform (enacted in September 1986), which lowered the top rate from 50 to 30 percent. The income tax reform also replaced the previous ten tax brackets with five brackets and made the same rate structure applicable to both corporate and individual taxpayers. The equity of the revenue system was improved by significant reduction in special excises previously charged on consumer staples and the elimination of petty taxes on trade which used to be passed on to consumers at large. It should be noted that the elimination of the coffee export tax also had an equity improvement aspect since the incidence of this tax had fallen on smallholders, who produce the bulk of coffee in Haiti.

2.38 Table 5 below shows the progress over the last three years towards less reliance of Treasury revenues on international trade taxes, especially through the elimination of export taxes, and on excises charged to consumer staples. While import tariffs and marginal income taxes were also lowered, the share of these two items in Treasury revenues does not show a decline. There are two reasons for this; first, as part of the income tax reform, the tax on the transfer of profits overseas by foreign-owned companies was increased from 15 to 30 percent and this item is included in the line showing taxes on income and profits in Table 5; second, while the income tax and import tariff rates were lowered, the total receipts from these items were expected to rise from FY88 as the lower rates would reduce the incentive to evade payment.

TABLE 5: COMPOSITION OF TREASURY REVENUE, FY83-88
(Percent of Total Revenue)

	FY83	FY84	FY85	FY86	Budget	
					FY87	FY88
Taxes on International Trade	34.9	32.0	27.1	27.6	21.3	22.3
Export taxes	8.7	6.9	5.4	4.9	1.8	0.0
(Tax on coffee)	(8.2)	(6.4)	(5.1)	(4.6)	(1.7)	(0.0)
Import duties	26.2	25.1	21.7	22.7	19.5	22.3
Internal Revenue	65.1	68.0	72.9	72.4	78.7	77.7
General sales tax	10.3	11.8	16.5	15.7	17.2	18.4
Taxes on net income and profits	15.2	15.5	13.7	13.6	13.6	16.3
Taxes on property	1.5	1.6	1.5	2.3	2.0	1.9
Taxes on goods and services	23.1	23.6	25.1	29.0	32.2	28.3
(Excises on Staples) <u>/a</u>	(3.6)	(3.1)	(3.2)	(3.3)	(2.4)	(0.5)
Other <u>/b</u>	15.0	15.5	16.1	11.8	13.7	12.8
Memorandum Item:						
Total Revenue (G Mn) <u>/c</u>	846.5	914.1	1124.2	1129.8	1020.5	1033.3

/a Flour, sugar, cooking oil.

/b For example, municipal taxes, stamp duties, business identity cards, etc.

/c Excludes pension fund revenues and interaccount transfers.

Source: Statistical Appendix Table 5.2 and Ministry of Finance.

2.39 The reforms in the revenue system also helped to raise the elasticity of the system as designed. Important in this regard were the conversion of specific import duties to ad valorem rates and the decision to end general import duty exemptions provided under the Investment Code. Moreover, some revenues were unrealized in the past because the administration was unequipped to identify all payers and/or detect evasion. As a result, the effective tax base--and hence elasticity--was smaller than the legislated base. As a means to strengthen the tax administration, therefore, a new organizational structure for the Directorate General of taxes, creating a single collections department and independent divisions for other operations, including verification, was introduced at the beginning of FY88. On the same date, new business licensing and identity card laws (for tax purposes) went into effect; with the aid of computerized monitoring that was then introduced, the new legal instruments for the first time allowed systematic cross-checking between tax returns under the value added tax, income tax and business licensing.

2.40 On the spending side, there were two major resource allocation and expenditure control problems of the central Government before FY86. First, the four development-oriented ministries--agriculture, public works, education and health--suffered from inadequate non-salary operating funds. Second, the size and composition of the public investment program had been determined more by the availability of externally packaged and aided projects than by careful consideration by the Government of national priorities and domestic resources likely to be available as counterpart funds for these projects. Reflecting these two problems was a complex system of planning, budgeting, monitoring and disbursing public investment, which provided numerous opportunities to divert funds. The situation regarding current expenditure was little better.

2.41 The new Government from FY86 embarked on a widespread program of reforms designed to begin to tackle these problems. Its aim was to

manage public finances transparently, to reallocate current expenditure toward development-oriented ministries and the non-wage needs of development projects, while concentrating public investment on the consolidation and rehabilitation of existing and ongoing investments. These objectives were modest but well chosen. At the outset of FY88 substantial results had been achieved by comparison with the past, but much remained to be done, especially in the complex and difficult areas of rationalizing public employment and establishing efficient procedures for planning, budgeting, disbursing and monitoring public expenditure. This said, it was the successful containment of expenditures in the face of the policy-induced plus extraneous (considering the impact of civil unrest) reduction of revenues that enabled the public sector to limit recourse to the domestic banking system in FY86-87.¹¹

Money and Credit

2.42 In the five years up to FY85, monetary developments in Haiti were dominated by a continued expansion of credit to the public sector and an associated loss of international reserves. Between September 1981 and September 1985, the annual growth rate of the banking system's liabilities to the private sector averaged 9%. On the other hand, measured in relation to the stock of liabilities to the private sector at the beginning of each year, the rate of domestic credit expansion averaged over 13% a year. The net international reserves of the banking system declined by US\$62 million over the same period.

2.43 The trend of excessive credit expansion and associated reserve losses was halted in FY86. The banking system's liabilities to the private sector rose by about 11% in FY86 and 10% in FY87, while net domestic credit contracted in FY86. In FY87, credit expansion in relation to the liabilities to the private sector was less than 5%, well below the average of the previous five years. As a result, the net international reserves of the banking system rose by US\$26 million in FY86 and US\$35 million in FY87 (Table 6), reestablishing the strongest foreign reserve position in six years. In the course of FY88, however, this situation changed for the worse. As a result of increased financing needs of the public sector, the net domestic assets of the monetary authorities increased by almost G100 million in

^{11/} Haiti's banking system comprises the Central Bank (Banque de la Republique d'Haiti, BRH); a state-owned commercial bank (Banque Nationale de Credit, BNC); five locally incorporated banks; and four branches of foreign banks (Citibank, the Bank of Boston, the Bank of Nova Scotia and Banque Nationale de Paris). The BRH and the BNC are referred to as the monetary authorities. The five locally incorporated banks are the Banque Populaire Haitienne, Banque de l'Union d'Haiti, Banque Industrielle et Commerciale d'Haiti, Banque Commerciale d'Haiti and Sogebank (formerly a branch of the Royal Bank of Canada, which became locally incorporated in 1986). Outside the banking system there are five small development finance institutions (the Banque Nationale de Developpement Agricole et Industrielle, BNDAI; the Bureau de Credit Agricole-BCA; the Societe Financiere Haitienne de Developpement - SOFIHDES; the Fonds de Developpement Industrielle - FDI; and the Haitian Development Foundation). A recently established mortgage bank (Banque de Credit Immobilier, BCI) started operating at the end of FY86.

the first eight months of FY88 as against a decline of similar magnitude in FY87.

Table 6: CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, FY83-87

	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>
	----- (In millions of Gourdes) -----				
Broad Money	2118.5	2357.8	2547.5	2835.3	3188.8
Money Supply	986.8	1117.1	1204.2	1381.2	1584.7
Quasi-money	1152.5	1240.7	1343.3	1454.1	1548.9
Net Domestic Credit	2600.2	3004.2	3314.9	3285.9	3384.3
To Government	1542.3	1848.6	2069.7	2088.3	2156.6
To Official Entities	44.7	85.3	80.5	25.2	42.7
To Private Sector	1013.2	1070.3	1164.7	1172.4	1186.0
Net Foreign Assets	-230.2	-269.7	-432.2	-300.2	-126.7
Net other Assets and Liabilities	-252.5	-376.7	-335.2	-150.4	-124.0
<u>Offsets to Expansion of</u>					
<u>Broad Money</u>	----- (Percentages) -----				
Net Foreign Assets	-45.7	-18.5	-85.7	45.9	58.2
Credit To Government	475.4	128.0	110.6	6.5	22.9
Credit to Official Entities	-85.3	17.0	-2.5	-19.2	5.9
Credit to Private Sector	-84.2	23.9	49.8	2.7	4.2
Net Other Assets & Liabilities	-180.2	-52.3	21.9	64.21	8.9
Increase in Broad Money	100.0	100.0	100.0	100.0	100.0

Source: Statistical Appendix Table 6.1

2.44 The reduction of public sector demand for credit in FY86 left some room for growth of credit to the private sector. However, monetary policy had to be cautious on the whole. In July 1986, therefore, the authorities increased the reserve requirements of commercial banks by an average of almost 6 percentage points, to 37% of deposit liabilities, to relieve the pressures on the Central Bank's foreign exchange reserves from the overhang of liquidity stemming from previous Central Bank deficit financing.¹² Another change in reserve ratios took place in June 1987, when the reserve ratio on demand deposits was increased by 3 percentage points to 49%, while the reserve ratios on term deposits were cut by almost half. One of the aims was to provide greater stimulus for a shift in the deposit structure of commercial banks towards time deposits.

^{12/} It should be pointed out, however, that reserve requirements in recent years have not been detrimental to expansion of credit to the private sector in Haiti. Commercial banks in fact have tended to hold reserves in excess of their legal requirements, reflecting excess liquidity in the banking system, in part owing to weak private sector demand for credit in the atmosphere of political uncertainty.

2.45. For some time, commercial banks in Haiti had been reluctant to accept time deposits, on the grounds that the minimum interest rate on such deposits set by the Central Bank was too high. This situation had arisen because, contrary to its usual practice, the Central Bank since 1983 had not altered the minimum interest rates *pari passu* with the decline in external interest rates.¹³ In July 1986, therefore, interest rate regulations were relaxed by widening the legal interest rate bands and decreasing the minimum interest rates. A year later, interest rate bands were lowered again.

2.46 The strongest reduction of interest rates applied to the range for time deposits with maturities of one year and above, which went from 10-17 percent to 7-11 percent. The range on time deposits with maturities below one year was reduced from 8-13 percent to 6.5-10 percent, and the range on savings deposits, from 5-8 percent to 4.5-7 percent. The interest range on loans was reduced by 2 percentage points to 8-18 percent (Statistical Appendix Table 6.2). Despite these reductions in nominal interest rates, the interest rates on deposits and loans increased significantly in real terms as inflation was brought down in Haiti during FY87.

Prices

2.47 Shortly after taking office in February 1986, the Government lowered the prices of several key commodities--including flour, sugar, and vegetable oil--through the liberalization of imports and through reductions in excise taxes and the prices charged by public enterprises. Since December 1986, only nine products remain subject to quantitative import restrictions, while almost all price controls were lifted by September 1987.

2.48 Prices, as measured by the consumer price index for the Port-au-Prince metropolitan area, fell by 5% during the 12-month period ended June 1987. For FY87 as a whole, prices are estimated to have declined by about 4%. During the year, the decline in the rate of inflation accelerated to leave consumer prices down by over 8% in the 12 months ended February 1987, and then leveled off, as social unrest contributed to some price increases during the last quarter of the fiscal year (Table 7, and Statistical Appendix Table 9.1).

^{13/} The Central Bank in Haiti establishes ranges within which commercial banks are free to set interest rates payable on savings and term deposits or charged on loans. These ranges have been usually modified whenever reserve ratios changed and they have been adjusted periodically to reflect changes in inflation and external interest rates.

2.49 Movements in the consumer price index during FY87 were dominated by the index for food prices--which carries a weight of 64.5 percent in the total index--although there was a decline also in the index for clothing. The housing component registered an increase as a result of higher electricity costs and a rise in the price of charcoal--an important fuel for heating and cooking--which recorded an increase of 12% between August 1986 and July 1987.

Table 7: CHANGES IN CONSUMER PRICE INDEX /a FY83-87
(Percentage change over preceding year)

	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>
Food	7.2	8.5	7.8	11.7	-8.5
Clothing	11.0	8.9	11.3	16.1	-8.2
Housing	19.3	9.1	11.7	-4.4	6.3
Furniture and Household Items	6.3	8.2	4.5	1.9	2.6
Services	5.6	8.1	7.0	10.2	5.5
Index of All Items	<u>8.8</u>	<u>8.0</u>	<u>8.4</u>	<u>8.5</u>	<u>-3.9</u>
<u>Memorandum Item:</u>					
U.S. Consumer Price Index /b	2.6	4.3	3.3	1.7	4.1

/a Port-au-Prince Metropolitan Area

/b In the period shown, the U.S. was Haiti's major trading partner, accounting for 75% to 80% of Haiti's exports and 60% to 65% of Haiti's imports.

Sources: Statistical Appendix Table 9.1; IMF staff estimates; and International Financial Statistics, various years.

2.50 When external budget support was withdrawn during the first quarter of FY88, the Government decreed discretionary tax and price increases (on flour, cigarettes, alcoholic beverages, electricity and telecommunications bills, airline tickets, cable TV) in an effort to offset, partially, the loss of budget support. Consequently, in the second quarter, the CPI began to rise further. There was, moreover, an upturn in international prices of imported foods and other consumer goods. The result of all these factors was that domestic prices rose at an annual rate of nearly 6% in the first three quarters of FY88.

2.51 FY88 thus saw a gathering inflation in Haiti due to discretionary and exogenous increases in consumer prices. In addition, as noted above, the financially hard-pressed public sector resorted to borrowing from the monetary authorities. These developments did not augur well for Haiti's balance of payments situation, which had barely improved in FY86-87.

Balance of Payments

2.52 The structure of Haiti's balance of payments reveals dependence on a narrow range of items for current receipts. About 50% of current receipts are derived from exports of goods, 20% from services and 30% from private transfers. The bulk (70%) of merchandise export receipts are on account of coffee and (net) earnings from the export assembly sector, the latter having become more prominent in recent years as the value of coffee earnings declined. A variety of minor agricultural exports (cocoa, aromatic oils, sisal twine) have progressively lost significance. Exports of mangoes to the U.S. had grown phenomenally (from 75,000 cases in 1968 to nearly a million cases ten years later) but faced extinction in 1984 when the sterilization method employed in Haiti was prohibited in the United States. A new process was later worked out and exports resumed, reaching two million cases in FY87. Haiti's receipts in the services account derive mainly (70%) from tourism, which declined in recent years owing to publicity related to the AIDS disease and the civil unrest. Most of the private current transfer receipts represent remittances from Haitians working abroad. This item has become more prominent over the years.

2.53 Of the current payments, about 50% are for merchandise imports (f.o.b) and 50% for invisibles. Food imports make up about 20% of merchandise imports; fuel, 12% (down from about 15% in the early 1980s); raw materials, 33%; and capital goods, 35%. Merchandise freight and insurance, and other transportation constitute 30% to 35% of invisible payments; travel abroad by residents, about 15%; interest and dividends, 8% (down from 12% in the early 1980s); and private transfers, 22% (up from 18% in the early 1980s). The remaining 20% to 25% of invisible payments are for diplomatic representation abroad, non-merchandise insurance and other services.

Table 8: SUMMARY BALANCE OF PAYMENTS
(US\$ Million)

	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>
Exports, GNFS	285.5	317.3	304.0	291.6	277.6
Imports, GNFS	455.1	481.6	468.3	423.3	449.7
Net Factor Income	-24.5	-19.8	-14.6	-16.7	-16.4
Net Current Transfers	42.5	45.0	48.1	52.0	56.3
Current Account Balance	-151.6	-139.1	-130.8	-96.4	-132.3
Grants	69.3	78.2	87.3	106.7	121.8
Government organizations	(56.1)	(63.6)	(73.3)	(94.0)	(99.4)
Private organizations	(13.2)	(14.6)	(14.0)	(12.7)	(22.4)
Loans (net)	74.1	57.8	17.0	24.9	43.7
Official sources ^{/a}	(63.3)	(65.9)	(42.2)	(29.3)	(52.8)
Commercial sources ^{/b}	(10.8)	(-8.1)	(-25.2)	(-4.4)	(-9.1)
Other Capital (net) ^{/c}	-9.5	-17.3	12.2	-8.4	-2.9
Net Change in Arrears ^{/d}	-12.2	-6.3	9.6	2.4	-2.9
Net Change in Reserves ^{/e}	29.9	26.7	4.7	-31.2	-27.4

^{/a} Includes IMF Trust Fund Loan.

^{/b} Includes short-term capital.

^{/c} Changes in net foreign assets of commercial banks, private capital, and errors and omissions.

^{/d} Minus sign denotes a decrease of arrears.

^{/e} Minus sign denotes an increase.

Source: Statistical Appendix Table 3.1

2.54 After six consecutive years of overall deficits, Haiti's balance of payments recorded surpluses both in FY86 and FY87. Whereas the improvement in FY86 was mainly due to a sharp drop in the trade deficit, itself due to a drop in imports, in FY87 the balance of payments benefited from increased inflows of capital, including official grants. However, due to the long string of deficits in the first half of the 1980s, Haiti's international reserve position remained weak, albeit somewhat improved since FY85.

2.55 The stronger current account together with an increased capital account surplus swung the overall balance of payments from a deficit of US\$14 million in FY85 to a surplus of US\$29 million in FY86. Despite the achievement of an overall surplus, external payments arrears of US\$2.4 million were accumulated, bringing the stock of outstanding external arrears to US\$14.4 million as of September 30, 1986. The current account deficit widened in FY87 to US\$132 million (6% of GDP), reflecting a deterioration in both the trade and the service balance, especially in the second half of 1987. Coffee export earnings fell sharply, while tourism receipts remained depressed and the deficit on other services increased. The deterioration of the current account, however, was more than matched by a substantial increase in concessional loans and official grants so that an overall balance of payments surplus of US\$30 million was obtained. Gross reserves then stood at US\$24 million, equivalent to two and a half weeks of imports of goods and services. During FY87 some US\$2.9 million in external payments arrears were repaid, so that the stock of outstanding arrears was reduced to US\$11.5 million as of September 30, 1987.

2.56 Prior to the elections-related disturbances in November 1987, it had been expected that the resumption of growth in manufactured exports and a further increase in foreign grants and concessional loans would permit a strong recovery in imports in FY88, while maintaining the overall balance of payments in surplus. But civil disturbances and the associated uncertainties impeded export growth. At the same time, aid-financed project imports also declined (as disbursements slowed down or were suspended) and thus contained the current account deficit at between 5% to 6% of GDP (the same as in FY87). However, taking into account the FY88 shortfall in project as well as non-project aid disbursements, net capital inflows (including grants and IMF inflows) in FY88 was estimated to have been some US\$40 million below FY87, when it had amounted to US\$162 million. The outcome was an accumulation of external payments arrears, with nearly US\$10 million of arrears added in FY88 to the stock of arrears at the beginning of the fiscal year (US\$11.5 million).

2.57 External Assistance. The external assistance environment for Haiti in FY88 represented a reversal of the significant support which had been built up in FY86-87. That support was evident from the substantial increases in commitments and disbursements of official aid to Haiti, especially in FY87 when aid negotiations started in FY86 were completed and translated into financial commitments and actual disbursements.

Table 9: COMMITMENTS AND DISBURSEMENTS OF OFFICIAL AID /^a, FY83-87
(US\$ Million)

	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>
<u>Commitments</u>	<u>164</u>	<u>141</u>	<u>142</u>	<u>147</u>	<u>303</u>
<u>Grants /^b</u>	<u>69</u>	<u>78</u>	<u>87</u>	<u>107</u>	<u>122</u>
<u>Loans</u>	<u>95</u>	<u>63</u>	<u>55</u>	<u>40</u>	<u>181</u>
Bilateral	(15)	(48)	(23)	(15)	(26)
Multilateral / ^c	(80)	(20)	(32)	(25)	(156)
<u>Disbursements (Net)</u>	<u>159</u>	<u>166</u>	<u>120</u>	<u>118</u>	<u>162</u>
<u>Grants</u>	<u>69</u>	<u>78</u>	<u>87</u>	<u>107</u>	<u>122</u>
Bilateral	(43)	(49)	(63)	(84)	(87)
Multilateral	(13)	(14)	(10)	(10)	(13)
Private Organizations	(13)	(15)	(14)	(18)	(22)
<u>Loans (Net)</u>	<u>64</u>	<u>68</u>	<u>42</u>	<u>29</u>	<u>53</u>
Bilateral	(1)	(9)	(25)	(13)	(9)
Multilateral / ^d	(63)	(57)	(17)	(16)	(44)
<u>IMF Credit (Net)</u>	<u>26</u>	<u>22</u>	<u>-9</u>	<u>-18</u>	<u>-13</u>

/^a Does not include commercial loans. There were no new commitments of commercial loans in FY83-87. Net disbursements of previously contracted commercial credit were negative in FY84-87. See Table 8 for the annual net flows from that source.

/^b Aid statistics for Haiti, as for many countries, do not distinguish grant commitments and disbursements systematically. The convention adopted in all such cases is to assume that grants disburse in the year in which they are committed.

/^c Includes IMF's three year Structural Adjustment Facility (SAF) committed in FY87.

/^d Not counting disbursements by IMF of first year SAF, which is included in the line below.

Sources: Statistical Appendix Tables 3.1, 4.1, 4.2 and 4.6.

2.58 As in FY85, virtually all external aid commitments and disbursements to Haiti in FY86-87 were on concessional terms so that, despite the increase in debt incurred in recent years, the terms and the implied future debt service obligations of new debt outstanding are not onerous. At the end of FY87, the stock of Haiti's public and publicly guaranteed external debt outstanding and disbursed amounted to US\$760 million, composed as follows:

Table 10: COMPOSITION OF EXTERNAL PUBLIC DEBT OUTSTANDING IN FY87

	<u>US \$Mn</u>	<u>% of Total</u>
<u>Nonfinancial Public Sector</u>	<u>675</u>	<u>88.8</u>
<u>Official Creditors</u>	<u>607</u>	<u>79.9</u>
Bilateral	(187)	(24.6)
Multilateral	(420)	(55.3)
Commercial Debt	68	8.9
<u>Central Bank</u>	<u>73</u>	<u>9.7</u>
Liabilities to IMF	65	8.6
Other Liabilities	8	1.1
<u>Publicly Guaranteed Debt (private lending)</u>	<u>12</u>	<u>1.5</u>
<u>Total Public Debt Outstanding</u>	<u>760</u>	<u>100.0</u>

Sources: BRH; IMF; World Bank, International Economics Department.

2.59 While new debt contracted by Haiti in FY85-87 was largely on concessional terms, the rapid increase in nonconcessional debt and liabilities to the IMF during FY80-84 did entail rising debt service payments through FY87. The service payments and a few indicators are shown below.

Table 11: EXTERNAL PUBLIC DEBT INDICATORS

	<u>FY80</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>
	(US\$ Million)					
Debt Outstanding (end-yr.)	318.2	586.7	673.7	687.4	715.4	760.2
Debt Service Payments	25.5	28.7	34.0	48.0	43.5	59.4
Interest	7.2	16.4	18.8	13.1	15.1	14.7
Amortization <u>/a</u>	18.3	10.3	15.7	34.9	28.4	44.7
	(Ratios to GDP, %)					
Debt Outstanding (end-yr.)	21.8	38.0	37.1	34.2	31.9	33.8
Debt Service Payments	1.7	1.6	1.9	2.4	1.9	2.6
Interest	0.5	1.0	1.0	0.7	0.7	0.7
Amortization <u>/a</u>	1.3	0.6	0.9	1.7	1.3	2.0
	(Ratios to Exports, %)/b					
Debt Service Payments	6.0	7.0	8.8	11.9	10.8	15.0
Interest	1.7	4.3	4.4	3.2	3.8	3.7
Amortization <u>/a</u>	4.3	2.7	3.8	8.6	7.1	11.3
	(Ratios to Public Revenues, %)/c					
Debt Service Payments	16.9	12.9	14.5	17.4	16.4	25.1
Interest	4.8	7.9	7.8	4.7	5.7	6.2
Amortization <u>/a</u>	12.2	5.0	6.7	12.6	10.7	18.9
Memorandum Items:						
	(Percent)					
Effective Interest Rate <u>/d</u>	2.8	5.2	3.1	1.9	2.2	2.1
	(US\$ Million)					
GDP	1461.8	1629.6	1816.4	2009.4	2243.6	2247.0
Exports <u>/b</u>	425.6	380.0	411.8	404.1	401.6	396.0
Public Revenues <u>/c</u>	150.6	207.1	234.2	276.5	265.0	237.0

/a Includes IMF repurchases.

/b Exports defined to include goods, all services and private transfer receipts.

/c Public revenue defined as Treasury current revenue plus current surplus of public enterprises before transfers to Government. Excludes grants-in-aid.

/d Interest payments during fiscal year over debt outstanding at the beginning of fiscal year.

Source: Statistical Appendix Tables 2.1, 3.1, 4.5, 5.1; IMF; and Bank staff estimates.

2.60 As indicated in Table 11, Haiti's debt service ratio virtually doubled between FY83 and FY87 because, while service payments to commercial creditors and the IMF increased, export receipts hardly increased at all. To a large extent, the poor export performance was due to distortions in the incentives framework. It was only in the past two years that Haiti began to strengthen trade policies and other incentives for the growth of production and exports. Haiti's terms of trade, influenced largely by coffee export prices and oil import prices, had declined by 10% between FY80 and FY85, but rose sharply in FY86 when coffee prices increased and oil prices dropped. In FY87, the further drop in oil import prices was mostly offset by a 17% decline in coffee export prices, leaving the terms of trade unchanged from FY86. The evolution of various incentive and trade indicators is illustrated in Table 12, and the policies and measures underlying it were analyzed at various points in the preceding parts of this chapter.

Table 12: KEY ECONOMIC VARIABLES, FY83-87

	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>
<u>Incentive Indicators</u>					
Real Effective Exchange Rate					
Index (FY80=100)/ ^a	121.0	130.0	141.3	139.4	121.8
Annual change (%)	9.7	7.3	8.7	-1.3	-11.6
Real Interest Rates					
Short-term deposit rate (%) / ^b	1.2	-1.0	-0.4	-1.4	8.0
Short-term lending rate (%) / ^b	5.1	3.1	3.7	2.2	9.9
Index of Real Wages					
Minimum wage index (FY80=100)	94.2	87.5	91.5	83.6	86.9
Manufacturing wages (FY80=100)	91.2	89.6	86.4	70.4	71.9
Ratios of Domestic Agricultural Prices to International Prices (%)					
Coffee	43.7	55.6	53.3	60.0	71.1
Cocoa	50.0	50.0	50.0	50.0	56.8
Maize	105.8	125.1	151.9	223.0	206.5
Rice	132.9	146.1	184.6	203.6	120.1
<u>External Trade Indicators</u>					
Volume Index of Major Exports					
Coffee (FY80=100)	94.9	93.8	70.7	66.4	48.1
Cocoa (FY80=100)	100.9	156.5	156.6	121.7	126.1
Essential oils (FY80=100)	145.1	91.2	66.3	58.0	82.9
Manufactured Exports					
Real growth rate (%)	4.2	26.4	0.8	-13.2	-7.0
Value as share of total exports (%) / ^c	35.2	39.3	41.7	44.6	46.3
Commodity Terms of Trade					
Index (FY80=100)	92.9	90.2	90.4	103.7	103.9
Annual change (%)	8.7	-2.9	0.2	14.7	0.2

/^a Increase of index denotes appreciation.

/^b Minimum rate set by Central Bank.

/^c Total exports defined as exports of goods and nonfactor services.

Sources: Statistical Appendix Tables 3.2, 3.3, 6.2; Ministry of Social Affairs; OFATMA; BRH; IMF; World Bank, International Economics Department; and staff estimates.

Conclusion

2.61 This chapter has reviewed recent trends in Haiti's economy in the context of the policy environment which existed before and since the far-reaching economic reforms that were put in place from early 1986. Those reforms, especially the overhaul of the inimical fiscal and trade regimes, were well considered. A conclusive empirical assessment of the impact of all those reforms is no doubt limited by the short observation period (less than two years) since the advent of new policies. In addition, extraneous factors (the collapse of coffee export prices, the upsurge of contraband, and the political crises leading to suspension and/or delayed disbursement of vital external assistance) further confound the analysis of the impact of the various reform measures. On the whole, however, available evidence suggests that, with enhanced external assistance, Haiti's economic reforms from February 1986 began to stabilize the economy and to establish the incentives for efficient growth of production and trade while, at the same time, starting to alleviate the crushing burdens of unemployment, high cost of living and lack of social services that had been afflicting the overwhelming majority of the population.

2.62 While the initial reforms still needed refinements, and many deep-seated problems of longer-term development (such as, the critical situation in health and nutrition, poor agricultural performance and deteriorating natural environment) remained to be tackled, Haiti had made a promising start. The momentum of the original economic reforms was lost, however, by a series of essentially constitutional crises that then compounded the country's financial and economic problems. Because these problems are already pervasive and acute now, it would be prudent not to add to them by rescinding the recent reforms. Rather, it would be important to safeguard those reforms and, when the political environment permits a full resumption of the needed external aid, to advance the original economic reforms with additional policy changes. Consolidating and safeguarding the recent reforms is the subject of the next chapter.

Chapter III

DEVELOPMENT POLICIES AND PRIORITIES

A. Economic Adjustment and Recovery Program

Program Objectives and Instruments

3.1 Haiti's economic policy reforms described in the preceding chapter were integral components of a medium-term economic adjustment and recovery program initiated soon after the change of political regime in February 1986 and refined thereafter. The fundamental objectives of the program were to establish conditions for a viable, growing economy and relieve the average Haitian of the excessive burden of high consumer prices arising from past policies of suppressing competition. Those objectives were to be fostered directly by removing impediments to efficient resource allocation, and indirectly by attracting higher capital inflows with a sound policy environment.

3.2 The major policy instruments of the adjustment and recovery program were fiscal reforms aimed at improving the efficiency and the equity of the public revenue and expenditure systems, and trade reforms aimed at phased elimination of the numerous price distortions in the economy. In the process, Haiti expected to reduce financial imbalances, lower inflation, augment its international reserves, and promote economic expansion through export-led growth (initially, coffee and assembly products) and improved agricultural performance. Among the means to induce the expansion of output and trade, Haiti chose to emphasize fiscal and monetary restraint while maintaining the (nearly 70-year old) fixed parity of the gourde vis-a-vis the U.S. dollar and the country's free exchange system.

Program Implementation

3.3 The specific policy measures implemented in FY86-88 and the impact of those measures were described and reviewed in Chapter II of this report. (Reference is made especially to paragraphs 2.4-2.5, 2.18-2.24, 2.37, 2.39-2.41 and 2.61-2.62). The adjustment and recovery program was to span Haiti's FY86-89 and was underpinned directly by three principal sources of policy-based external assistance in the following amounts:

	<u>Gross Disbursements (US\$ Million)</u>			
	<u>Actual</u>		<u>Planned</u>	
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>
USAID, Economic Support Fund	20	27	30	-
IDA, Economic Recovery Credit	-	20	20	-
IMF, Structural Adjustment Facility	-	11	17	8

In addition to the above amounts of direct balance of payments support, Haiti's donors, in the context of the Caribbean Group for Cooperation in Economic Development, had pledged substantial financial

assistance in the form of commodity and project aid to support the country's adjustment and recovery program. For the period FY87-89, the height of the initial program period, all donors together had indicated that net disbursements of concessional aid to Haiti would average about US\$185 million per year. This would have represented a nearly 25% increase in annual net disbursements over the period FY83-85.

3.4 As pointed out in the preceding chapter, during FY86 and the first nine months of FY87, policy reforms and economic performance, and the corresponding inflows of external aid, broadly conformed to the program objectives. From thereon, however, amidst a series of constitutional crises, the implementation of the program was impeded as Haiti's policy-making machinery was distracted by political crises and as the program's external financing package fell apart. Based on donor intentions, the program had envisaged FY88 gross aid disbursements of US\$220 million, made up of US\$70 million from policy-based operations and US\$150 million in the form of commodity and project aid. Because of the circumstances which arose in FY88, none of the policy-based disbursements materialized. The second tranche of the IDA-assisted Economic Recovery Credit was among those policy-based disbursements expected in FY88; but it could not be disbursed because all conditions had not been completed for nearly a year beyond the originally targetted date. At the same time, about US\$30 million of the expected commodity and project aid were withheld. There was thus a 45-50% shortfall in gross aid disbursements in FY88, and the program was more or less at a standstill.

3.5 At present, the prospects for reviving the program, which would need joint financial backing from all major donors, are unclear. Moreover, as noted in Chapter I (see paragraph 1.1) the events which led to program interruption, including the cuts in external assistance, have taken a severe toll on Haiti's fragile economy, and have brought forth pressures and uncertainties which have changed the current financial and economic picture. A few examples will serve to illustrate this point.

3.6 The shortfall in Customs receipts, the withdrawal of direct bilateral budget support and the unavailability of counterpart funds originally anticipated from disbursements of policy-based external credits all necessitated FY88 expenditure cuts. Although some civil service salaries were cut, the brunt of the cuts fell on non-salary operations and maintenance expenses, such that the revenue service, for instance, lacked postage stamps to mail tax assessments and it had no funds for bicycles to enable hand-delivery of tax assessments or collection of taxes due. There are reports of tax inspectors having left; development projects (malaria control, population program, production of improved coffee seedlings, industrial restructuring credit, maintenance of power generation and distribution) have been closed down or delayed considerably; and private factories, including a major textile factory (FITICOSA), have closed. For nearly a year now, events like these have engendered crises on a daily basis almost. In such an atmosphere, all parties--the Government, the private sector and donors--have found it difficult to press on with the previous reform agenda.

3.7 In the situation illustrated above, and especially if the present standoff continues much longer, Haiti and its donors cannot simply pick up and go on from where the previous adjustment and recovery program was left off. Both sides need to reassess the economic situation and prospects and design a suitable new program. Meanwhile, this report suggests, an appropriate approach should be to undertake a core program of priority measures and expenditures to address some current issues and thereby safeguard recent reforms. A core program at present would provide a base on which to found an enhanced adjustment program when one becomes feasible.

B. Current Issues and Priorities

Priority Economic Objectives and Strategy

3.8 That Haiti's poverty is unmatched in the Western Hemisphere is well known. Less commonly known, but revealed by comparator data, is that in 1980-85 Haiti was falling further behind even the low-income group of countries in Africa and Asia. This was true in terms of growth performance, use of productivity-enhancing inputs (fertilizers and energy), daily food supply, child death rate and secondary school enrollment rates. The country had barely begun the arduous process of climbing out of this situation in 1986-87 when, today, it is gripped again in a downward spiral characterized by stagnant or declining GDP; a dangerously high level of unemployment (over 30%) and still increasing, especially in the urban areas; rising prices; and rapidly deteriorating provision of economic and social services. Efforts to escape this spiral are severely constrained by Haiti's weak development management capability as well as acute scarcity of financial resources.

3.9 Under the current circumstances then, the priority goal of the country should be to prevent a further backslide by emphasizing the following medium-term socio-economic objectives, which may be termed the core or base case objectives:

- a) To obtain a minimum real GDP growth averaging about 2% per year. This would imply no real growth in per capita GDP but, if attained, it would constitute an improvement on the 1981-87 period, when, in real terms, per capita GDP declined at an average rate of about 2% per year.
- b) As a minimum, to increase employment at about 3% per year.¹⁴ This rate would be only marginally above the estimated rate of growth of the labor force in Haiti

^{14/} This implies a high elasticity of employment with respect to GDP. While a firm estimate of this parameter based on a proper time series is not available for Haiti, there were two periods in recent history when, due to policy action, employment was buoyant: one was in the 1970s, when the establishment of the export processing zone boosted employment; the other was during March 1986-May 1987, when employment grew rapidly, propelled by trade liberalization, the boom in construction financed by private remittances, and the expansion of education and health services.

(2.2% per year). Given the dangerous backlog of the unemployed in Haiti, it is vital that the growth of employment should exceed that of the labor force.

- c) To upgrade the existing provision of basic social services, especially primary health care and education.

3.10 The strategy for attaining the above objectives should be to:

- a) Strengthen and maintain the macroeconomic incentives framework, including the economy's competitiveness, and measures to mobilize domestic public and private savings. In practice, this will mean an appropriate mix of effective real exchange rate, taxes, tariffs, wages, interest rates, public utility prices and Government expenditures. Major distortions on these counts in Haiti were removed in FY86-87. Provided no reversal occurs, then, as elaborated later, some fine tuning should suffice to remove existing anomalies in, for example, the food import regime, the new tariff code, excise and sales taxes, and the taxation of public enterprises.
- b) Promote viable pockets for quick-yielding private investments in the commodity producing sectors, paying special attention to the impact of such investments and production on direct and indirect employment. Opportunities, which need to be facilitated, exist in coffee, rice, mangoes, certain domestic industries (e.g. enamelware, food processing, pharmaceuticals), the assembly industry, and, reportedly, in quarrying and exports of marble.
- c) Provide adequate public infrastructure (especially transport, water and power) to support production and trade. This would call for (i) efficient operation and maintenance of existing infrastructure in the principal producing areas and along major trade routes; (ii) selective additions to the existing infrastructure; (iii) strengthening of key public institutions in the infrastructure sector; and (iv) wherever possible, devolution of work to the private sector in order to reduce the burden on the public sector. Activities in the infrastructure sector also should be designed with special attention to maximizing efficient employment opportunities.
- d) Improve vigorously the internal efficiencies of the health and education sectors so as to obtain greater coverage with available resources. The available resources, furthermore, should be augmented by promoting involvement of non-governmental organizations in sector activities.

3.11 It will be seen that the core objectives and strategy proposed above would involve policy attention and development

assistance to productive and economic infrastructure sectors as well as to social sectors. This proposal stems from practical conditions in Haiti. A strategy of assisting social sectors alone would merely add to the financial burden of operating and maintaining social infrastructure that may be created when Haiti is strapped for recurrent funds to maintain even the existing establishments in the sector.

3.12 In FY88, for example, the four district establishments of the Ministry of Health had no operating funds whatsoever apart from salaries; and, at the Ministry of Health headquarters in Port-au-Prince, four out of the five directorates also had no operating funds except salaries. Unless highly concessional external financing is available to cover all the non-salary recurrent costs, it would seem pointless to continue investing in social infrastructure. (See also paragraph 3.25 below.) Cost recovery, already practiced partially in Haiti, or other forms of Government revenue, could not be raised if the productive sectors are left to decline and unemployment allowed to rise unchecked.

3.13 Furthermore, recent economic reforms in Haiti were aimed precisely at strengthening the incentives for production and trade. If those reforms are not followed up now with even the minimal complementary policies and investments, the recent efforts of Haiti and donors will have been in vain. This said, it is conceivable, of course, that the Government or donors may judge policy actions and investments in one sector more feasible than in another. That can be determined only in the context of designing and timing specific operations. The point made above is simply that, even as a matter of core strategy, the relevance and viability of policies and expenditures in various sectors cannot be isolated for long from one another.

3.14 To implement the core strategy, some key policy measures will be needed. These actions pertain to both macroeconomic and selected sector policies, which are elaborated below. The important macroeconomic policies are grouped under trade promotion, domestic resource mobilization and expenditure actions, and monetary policy.

C. Macroeconomic Policies

Trade Promotion

3.15 Among macroeconomic instruments for trade promotion, Haiti has traditionally preferred fiscal and monetary restraint, and it has relied on the relative attraction of its low-cost labor for the growth of the export assembly sector. Indeed, even when the gourde appreciated in real effective terms until the third quarter of 1985, Haiti's competitive loss thereof was offset somewhat by movements in the country's labor costs (see Table 12, chapter II). There is, in addition, a parallel exchange market, which has been widely accessible to the public since its emergence in the early 1980's. In this market, the discount on the gourde has ranged from 5% in periods of fiscal and political stability (e.g. in the first quarter of FY87) to about 20% to 25% in periods of large fiscal deficits (e.g. in FY84) or

political instability (e.g. in early 1986, and again during FY88). Compared to other countries now, recent exchange rate depreciations and wages policies in some neighboring countries (Jamaica and the Dominican Republic, for example) have made those countries quite attractive.¹⁵ Haiti, therefore, will need to review its competitiveness to ascertain that the country remains attractive in manufactured exports vis-a-vis its neighboring countries.

3.16 Improved competitiveness is also essential to promote the production and exports of other commodities. Admittedly, the recent elimination of the export tax on coffee was synonymous to an exchange rate depreciation. It is reported, however, that last season, the domestic intermediaries exchanging dollars in the parallel market were the ones more able to pay coffee producers higher prices in gourdes. To the extent this is true, more uniform incentives would equalize competition among intermediaries and work to the benefit of local producers, while obviating the need for designing and administering cumbersome fiscal incentives (such as duty exemptions, tax holidays, accelerated depreciation allowances, etc.) for export promotion. Such schemes are invariably subject to abuse anywhere in the world and can--as has happened in Haiti--entail unnecessary forfeiture of Government revenue.

3.17 In other aspects, as already described in the previous chapter, Haiti's trade regime was liberalized extensively in FY86-88. There are two matters, however, which need to be addressed at present: one is the issue of the import licensing in force for the seven agricultural products (rice, maize, millet, beans, sugar, chicken parts and porkmeat parts); the other is the issue of some residual anomalies in the new Tariff Code.

3.18 The consolidation of recent trade reforms would call for removing import licensing for the agricultural products in question. This is a highly contentious issue, however, since it involves the livelihood of a vast number of Haitian farmers, millers and traders, and it is feared that, without some protection, they would be subjected to unfair competition from cheap imports subsidized in the originating countries. The depressing effects of de facto liberalization of rice and sugar imports, brought on by contraband, have intensified the fears of a sudden withdrawal of the existing protection. More recently, even the licensed importation of cheap porkmeat parts from the U.S. has been a subject of fierce debate in Haiti. While the need to remove licensing in the interest of efficient resource allocation remains valid, a graduated approach is warranted by the realities of the situation in Haiti and in the countries of origin of the imports in question. To that end, a proposal to study, with external technical assistance, the possibility and mechanism of a variable levy system had been agreed upon. Thus far, the study has not been undertaken; it should be accorded high priority.

^{15/} See World Bank, "Caribbean Exports: Preferential Markets and Performance", Report No. 7207-CRG, May 27, 1988, pp. 29-35.

3.19 The new Tariff Code introduced last year (see paragraph 2.20) has been the subject of extensive consultations between industrialists and the Ministries of Finance, and Industry and Commerce. In the process, some anomalies in the tariff structure have been noted regarding treatment of certain products that constitute finished goods for some firms and inputs for others. For example, colored fabric is exempted, while colors for textiles are subject to a 30% duty. Anomalies in the treatment of some raw material inputs have also been perceived. The appearance of such anomalies in practice is not unusual when an entire tariff structure is overhauled, as was done in Haiti. It is recommended that these residual anomalies be sorted out in the consultation machinery which already exists in Haiti, and the application of the new Code, already in effect, allowed to proceed smoothly. While Haiti has liberalized its trade regime, it still does face various trade restrictions in the overseas markets for its exports. Accordingly, Haitian trade would be boosted further if the trade restrictions it faces are also relaxed.

Domestic Resource Mobilization

3.20 Government revenue sources should be examined with a view to mobilizing additional domestic resources, without, however, reducing production incentives or overburdening consumers. There is scope for doing so in Haiti on at least three counts.

3.21 First, there is potential revenue from state land rentals. Only last year it had been estimated that large areas of public lands are leased to a few individuals whose primary leases are assessed at G15-60 per hectare. The primary lease holders, however, subleased the same lands to small farmers or sold lease rights at market rates, assessed at G250-2,000 per hectare. The differential accrued, untaxed, to the primary lease holders. Taking into account the total area involved, it was estimated that the Government was thus foregoing G100-200 million per annum in revenues, a significant amount considering that Treasury revenues in FY86-87 totalled about G1,100 per annum.

3.22 Second, there is potential for extra revenue by reconsidering exemptions granted under the existing laws on income taxes, the general sales tax and customs duties. The sales tax law, for instance, exempts tradesmen with turnover of less than G250,000; providers of services with turnover of less than G125,000; medical and legal services; and banking and insurance. This is not an exhaustive or prescriptive list; it is simply to illustrate the kind of exemptions referred to in a country where average per capita income is less than G2,000 per year.

3.23 Third, there is potential for revenue mobilization from public enterprises, some of which are assessed fixed annual transfers to the Treasury, but none of which pay corporate taxes and all of which are exempt from charges such as Customs duties. This issue is complex, of course, as most of the enterprises concerned are natural monopolies providing public utilities. Measures to mobilize tax instead of transfer revenues from them will need to be combined with measures to enhance operational efficiency of the enterprises; otherwise the additional charges may translate only into higher prices for the public.

3.24 A study on state land rentals is already under way in Haiti, and a wider study on the prospects for medium-term domestic resource mobilization had been planned to take place before FY89. The latter study has been delayed but it should be carried out soon to recommend detailed measures.

3.25 The mobilization of domestic resources should be accompanied with improved allocation of expenditures, emphasizing, in particular, adequate funds for non-salary operations and maintenance expenses. The shortage of funds for supplies and equipment is truly acute now in Haiti. A quick estimate indicates that, in the FY88 budget, the provision for such funds was only half of what would have been required normally. Later, the budget was revised to accommodate foreign aid cuts, and the funds for supplies were reduced to only 36% of normal requirements;¹⁶ that is, underfunding by 64%. In certain line ministries with development functions, the extent of underfunding was actually worse than just indicated by the aggregate figure. Whereas, in the aggregate, supplies were underfunded by 64% after the budget cuts in FY88, the Ministry of Agriculture was underfunded by 90%; Public Works, by 88%; and Education by 80%. When non-salary operations and maintenance items are so severely underfunded, then, quite clearly, the overall delivery and efficiency of the civil service is reduced immensely.

3.26 This issue, however, cannot be resolved merely by increasing the allocations for supplies and equipment while retaining the existing functions and size of Haiti's civil service establishment. When conditions permit, the latter merits government-wide action, with a view to eliminating inessential or unaffordable functions. An important first step in this direction was taken in March this year with the commencement, albeit delayed, of a public service pay and employment study under the aegis of the IDA-financed Technical Assistance Credit. This study should be completed as planned, and any gaps in it addressed in follow-up investigations to derive an implementable restructuring program.

3.27 Meanwhile, in the context of the core policy framework, it is proposed that the measures to eliminate salary expenses of fictitious employees in the Ministry of Education, begun under the IDA Education IV Project, should be sustained; a similar effort should be mounted in the Ministry of Public Health; and the Ministry of Agriculture's own initiatives along these lines, begun in April this year, should proceed. These three ministries are important in terms of potential savings that can be obtained from the salaries bill. In FY88, these three ministries and their agencies accounted for 40% of the civil

16/ The calculation of "normal requirement" is done using the commonly employed rule of thumb, in which the ratio of salaries to supplies expenses is 65:35. On the basis of this rule, given the FY88 salaries budget of G791 million, the "normal" amount provided for supplies should have been G426 million. The actual provision for supplies in the original budget was G218 million (or about 50% of norm); after the cuts, the provision for supplies was reduced to G153 million (or 36% of norm).

service salaries bill (50% if the salaries of the interior ministry and the army are excluded from total salaries.) Efforts to thus reduce or at least contain the salaries bill could be combined with the revenue mobilization measures suggested above to augment the funds for non-salary operations and maintenance, and to generate needed counterpart funds for externally-aided development projects.

Monetary Policy

3.28 Strong policies for trade promotion and public sector savings should enable monetary policy to cater to the demand for private sector credit, which, although weak because of recent uncertainties, may be expected to pick up under stable political conditions and a favorable domestic economic environment. Should lending opportunities for viable productive investments increase in the country, the monetary authorities will need to exercise flexibility in the reserve ratio policy. Thus far, the deployment of this instrument of monetary policy in Haiti has not been a principal constraint to the provision of credit to the private sector; it simply needs to be kept under review.

3.29 The cost and the facilities for term credit, however, have been perceived as constraints to private investment in Haiti. While monetary restraint has been the country's preferred stance, and appropriately so, the range of lending rates set by the Central Bank was lowered in FY86-87 (see paragraphs 2.45-2.46) when the general price level declined in Haiti. Even so, the private sector still considered real interest rates to be prohibitive. The problem, partly, is that commercial banks in Haiti simply lack a tradition and specialized practice (such as project appraisal) of term lending. The banks, therefore, employ large collateral requirements, in addition to maintaining wide spreads between deposit and lending rates. In the long term, such constraints can be overcome by training and by competition as investment opportunities increase. For the near term, it would help to seek collaboration of commercial banks with a specialized term-lending agency such as the FDI, which has received external technical assistance. But to play such a catalytic role for private investment promotion, the FDI should be supported with immediately needed external financial and technical assistance.

3.30 The financial and banking sector generally should also be reviewed to assess the need and prospects for: consolidation of the development banking institutions, strengthening of the supervisory role of the BRH, streamlining legal procedures related to foreclosures, and establishing prudent standards regarding risk exposure, bad debt provision, capital structure and lending practices. In a similar vein, reviews of the non-banking financial sector and the informal credit sector are needed to assess their size and importance in Haiti's economy, the need for any regulation and the protection of small savings.

D. Selected Sector Policies

3.31 As in the case of macroeconomic policies, the proposals for key sector policies in this section are focused on implementing the core objectives and strategy suggested early in this chapter. Accordingly, only a few measures, critical to preventing a major backslide in economic conditions, are broached. Should the outlook for enhanced adjustment financing improve, the measures proposed below will remain essential, but will need to be supplemented with additional reforms and investments.

Agriculture

3.32 Measures (such as elimination of export taxes, removal of direct quantitative restrictions, break-up of trading monopolies) to reduce government price intervention in agriculture were among the significant economic reforms carried out in Haiti during FY86-87. It is important to allow this improved agricultural incentives framework to operate unhindered and, as suggested above (paragraph 3.18), to strengthen it further as soon as possible. In this regard, it is recommended that Government should desist from any other forms of agricultural price intervention.

3.33 This point is stressed because in April of 1988 the Ministry of Commerce had attempted to counter an increase in retail rice prices by selling imported rice using its agents in Port-au-Prince and the provincial cities. While the quantity imported by the Ministry was small (100,000 sacks, equivalent to barely two to three weeks of consumption), it did constitute an unnecessary intervention, and, in a way, negated the Government's own argument for retaining import licensing for rice, that argument being that unrestricted imports of rice subsidized in the countries of origin posed an unfair competition to Haitian rice producers.

3.34 It is also recommended that the cross-subsidization of the three local raw sugar factories (one private, HASCO; and two publicly-owned; the Usine du Nord and Usine Dessalines) out of the profits of the Sugar Committee¹⁷ should be phased out. These local factories should be induced to become more efficient. The problem, even before contraband in FY86-87 forced the factories to cease grinding for a time, has been low capacity utilization (less than 50%) leading to high unit costs of production. Initially, factory capacity was underutilized because of inadequate supply of cane. The factories tried staying in business by paying growers low prices; this action, in turn, led to even lower supplies of cane, further compounding the

17/ The Sugar Committee, run by the Central Bank, purchases refined sugar in world markets and exports domestically-produced raw sugar to the preferential U.S. market. The Committee makes a profit this way and also by selling refined sugar at a marked-up price at home. In FY87 and FY88, the three domestic factories, producing at US\$24 per 100-lb sack of raw sugar, faced losses as the domestic selling price was around US\$20 per sack. The Sugar Committee paid the factories the differential; the total amount of the cross-subsidy amounted to US\$3 million in FY88.

problems of the industry. A number of recommendations to adjust the sugar industry have been made in previous Bank reports,¹⁸ including measures to improve margins for efficient cane growers by freeing producer prices, and recommendations to improve or close down unprofitable factories, convert the fuelwood-intensive guilddives (artisanal sugar alcohol mills) to use bagasse or fuel oil, and diversify those sugar lands which appeared uneconomic. Some positive steps have been taken: the sugar market was liberalized in FY86 (but the cross-subsidy issue noted above remains to be tackled), one unviable state-owned factory was closed down, and a study of alternatives to sugarcane production in the Plaine du Nord (the area around the closed factory) has been completed. Some investments will be needed to diversify out of sugar cane in the Plaine du Nord, but no specific projects have been prepared yet.

3.35 While the preparation and financing of investment schemes to diversify cane lands will take some time, there are ongoing projects in the North and other parts of the country that have shown promising improvements in yields (of rice and vegetables, for example) and incomes of small farmers. The core program should emphasize completion of these projects and follow-up investments to spread and raise smallholder output, employment and incomes in the short to medium term. Mangoes, found everywhere in the drier parts of Haiti and raised almost exclusively by small farmers is another product of substantial significance for upholding local employment and incomes as well as sizeable export earnings (US\$10 million in 1987). The growing, collection and exports of mangoes is all handled by the private sector. The exporters, members of the private Agricultural Producers Association, should be encouraged in every way (credit and facilities for collection, packaging, storage and export shipment) to continue their activities.

3.36 The production and exports of coffee is also a key to upholding small farmer employment and incomes, and export earnings, in the current circumstances. Recent advances made in improving incentives should be sustained, and efforts made to identify alternative sources of funds to continue the production of improved coffee seedlings.

3.37 Alternative sources of funds should also be sought, as a matter of priority, for the targeted watershed management and secondary roads development projects. The suspension of the former project is particularly unfortunate in view of Haiti's very serious soil erosion problem. While a comprehensive strategy and financing plan for environmental conservation in Haiti is a vital long-term proposition, no efforts should be spared for even limited short-term conservation activities. Haiti can ill-afford the estimated loss of 6,000 to 10,000 hectares of land to erosion every year, when its land area considered suitable for cultivation is about 315,000 hectares only and when, already, nearly three times that area (840,000 hectares) has been forced into cultivation by the pressure of population.

^{18/} A full treatment is contained in Volume II, Annex A of a Bank report titled "Haiti: Agricultural Sector Study" (in three volumes), Report No. 5375-HA, June 14, 1985.

3.38 Land degradation, primarily soil erosion, has reached critical levels in Haiti. Hillside deforestation has reduced watershed protection and has led to siltation of irrigation channels on the plains and in hydroelectric reservoirs. The combination of population pressures on the limited amount of arable land available and soil erosion has caused agricultural output to decline over the long term. Migration to urban areas has been stimulated because of low agricultural productivity and the virtual loss of the main energy source of wood and charcoal through deforestation. Previous governments have had neither the institutions nor appropriate policies to address these issues. Given their gravity, the Government has retained consultants to undertake a study that addresses the complex physical and socio-economic causes and effects of environmental degradation. The study will have three phases: assessment, evaluation, and strategy development. The ultimate objective is to identify a range of feasible economic, social and institutional policy interventions and investment programs to address what may be the most critical environmental problems of any country in the Latin America region. The study is expected to be available early in 1989.

Industry

3.39 Haitian industry in the last two years has been adversely affected by political instability and widespread contraband. These have had an immediate and direct impact on the operation of industrial enterprises, including loss of sales, absenteeism, strikes, irregularity in supply and delivery of raw material inputs, and reduced confidence on the part of commercial banks and foreign partners. Faced with such uncertainties, most industrialists have adopted cautious attitudes.

3.40 While contraband continues to be a problem, its composition seems to have changed, reducing its impact on sugar, flour, and rice, where local prices have been drastically reduced, but continuing in consumer items, such as clothing, cigarettes, and pharmaceuticals. Industrialists seem to complain less about trade liberalization than about contraband. They feel they are in a better position to cope with trade liberalization than with the uncertainties of contraband, regarding both prices and volume of sales.

3.41 While sales have diminished over the last two years and investment has been at a near standstill, some enterprises are beginning to show signs of recovery and are considering investment plans which had been postponed. Such signs of renewed confidence will need to be nurtured, however, with determined action to control contraband and, more important, with measures to ensure competitiveness, together with measures to clarify the signals to various enterprises by sorting out the residual anomalies in the new Tariff Code.

3.42 The business investment climate is also affected by the manner in which administrative decisions are taken. The Investment Code, which was revised and simplified in 1985, needs to be revised further to harmonize it with the recent tariff reforms. The Investment Code is being examined now with external technical

assistance. Industrialists have also complained about the lengthy and complicated formalities governing importation and exportation, which constitute far more than an inconvenience to companies operating within a tight time frame for delivery. In this regard, more needs to be done to improve the efficiency of the Customs Administration, through additional training and establishment of better control systems, in part to speed up the process of Customs clearance, but primarily to reduce corrupt practices developed in relation to contraband trade. The Ministry of Finance, under an ongoing external technical assistance, should stress efforts to design and implement quickly a simple Customs regime and documentation procedure, supplemented by training of Customs personnel.

3.43 The local industry's efficiency levels are also affected by the shortages, high cost and inefficiency of utilities, including electricity, international communications, administrative services in port facilities, cost of sea freight, and wharfage costs, which are some 60% higher than in Jamaica and four times those in the Dominican Republic. Haiti's comparative advantage therefore is centered on its low cost of labor. However, this competitiveness would be in danger of being eroded if an upward pressure on wages is not mitigated.

3.44 The importance of maintaining and consolidating the recent industrial reforms to uphold output and employment in Haiti's largely private and labor-intensive manufacturing sector cannot be overemphasized. Thus far, despite the many economic and other shocks that Haitian industry has had to face, there have been surprisingly fewer factory closings than might have been expected under the circumstances. Part of the explanation for this resilience may be that the large reserves and the highly diversified operations of many of the country's family-owned industries have provided a cushion and allowed resources to be switched between industries, or between commerce and manufacturing. Such a situation, however, cannot last indefinitely. Together with an appropriate incentives framework, the private sector also needs financial and technical assistance to adjust to the new policy framework. Such assistance is required specifically to facilitate: (a) financial restructuring, including divestiture of non-profitable activities; (b) changes in or expansion of products, production scale and/or activities, and increases in productivity and competitiveness; (c) product quality improvement; (d) upgrading production facilities and technical rehabilitation; and (e) creation or expansion of firms to produce for export and sound import-substitution activities.

Infrastructure

3.45 Based on recent developments and current conditions, the overall assessment of the infrastructure sector in Haiti is that pricing policies, financial performance and management standards are satisfactory in the transport and power subsectors. The key economic policy issues in these subsectors are the need to ensure adequate operations and maintenance of the roads network; the choice of demand management versus capacity expansion to deal with current passenger traffic at the international airport in Port-au-Prince; measures to encourage greater use of provincial cabotage ports; and measures to

lower the average cost of electricity and to eliminate arrears payable to Electricity d'Haiti (EdH), the power company. The water supply, and urban and housing subsectors, on the other hand, are beset with pricing and management problems. Present policy will need to focus on both these issues. In addition, there are critical requirements for upgrading investments in water supply--and power--to uphold even the present low states of health and industry in Port-au-Prince and the vicinity. In urban housing, a basic change of government strategy is warranted. This overview of the assessment and principal policy issues in the infrastructure sector is elaborated in the following paragraphs.

3.46 Road Transport. Haiti's level of road user charges, dominated by the proceeds of taxes levied on motor fuels, cover more than road maintenance expenditures. Other elements of the road user charges system comprise vehicle registration fees, drivers' licences, and import duties on vehicles, spare parts and tires. Taxation is higher on gasoline than on diesel-oil consumption. As such, fuel-related user charges on light, gasoline-powered vehicles and on heavy diesel-powered vehicles bear little relation to the respective costs of road use, since heavy vehicles account for most of road wear and tear. Each category of vehicle is nevertheless being charged for the associated long-term marginal cost of road use, and still making a contribution to meet fixed costs. Attempts to maintain the relative retail prices of gasoline and diesel oil in line with international prices have been hampered by the fact that adjustments in passenger transport tariffs have been traditionally linked to variations in diesel oil prices.

3.47 The road transport market is quite competitive, with Government intervention limited to the provision of basic infrastructure, and to the setting of road user charges and passenger fares. Despite previous and ongoing efforts to develop a road maintenance organization, existing infrastructure remains in poor condition, leading to high road related vehicle operating costs. The situation has been exacerbated by severe shortage of maintenance funds (see paragraph 3.25). Available funds are mostly committed to personnel expenses in the force account organization, and as such, the productivity of maintenance operations has declined considerably. Moreover, important programs covering contracted maintenance with local communities have had to be suspended, in view of lack of funds. A possible way of addressing this problem would be to define clearly the periodic and deferred routine maintenance works to be carried out by contract, and incorporate such works in the investment budget, where they could attract external financing. This approach would decrease claims on the sector's recurrent budget, which could then be devoted to the more labor-intensive standard routine maintenance tasks.

3.48 Transport operating costs are high in the urban areas due to the very poor road conditions and perpetually heavy traffic congestion. Nevertheless, and judging by the condition of the existing transport fleet, operators seem to be able to cover depreciation and still earn a profit, probably at the expense of reduced passenger comfort due to the very high vehicle occupancy

rates. Measures already initiated by the Government, including low-cost interventions targeted at improving maintenance of the road network and at rationalizing traffic management, would have a considerable short-run impact on the efficiency of urban transport; such measures deserve utmost priority. In addition, the introduction of congestion pricing schemes in Port-au-Prince should also be considered, if its operational and administrative feasibility is confirmed.

3.49 Ports and Airports. Financial performance of the port and airport authorities (respectively, APN and AAN) has been satisfactory, although port charges are high compared to some neighboring countries. The APN has had working ratios below 60, thus covering depreciation and still earning a net surplus. The airport authority, AAN, has also maintained favorable working ratios below 50, and has been generating financial surpluses, part of which have been used to cover the expenses of the civil aviation office (ONAC), the rest retained in the account of the Aviation Development Fund.

3.50 The importance of air transport in Haiti's international traffic has been increasing, both for passengers and cargo. Aviation infrastructure comprises six airports, of which five have modest facilities and are used mostly for charter flights. The main airport at Port-au-Prince is fully equipped for long distance international flights, but some congestion in the passenger terminal has been registered recently at peak periods. As a result, AAN has plans to increase capacity in passenger facilities. However, there is a strong case for AAN to introduce demand management measures, before undertaking costly capacity expansion. This would involve the introduction of congestion charging, for which appropriate allowance exists in the tariff system.

3.51 Haiti's port system has enough capacity to handle the country's oceanic and cabotage traffic for the years ahead. Financial surpluses generated in Port-au-Prince have been used to cover operating deficits in the cabotage ports. Even so, and despite the fact that, initially, cabotage port tariffs have been set below the operating benefits potentially accruing to port users, these have not encouraged port use instead of either the beach or other free facility. APN is aware of the problem, and is currently in the process of formulating a phased strategy to deal with this issue, taking in due consideration that users may have had difficulties in fully perceiving the advantages in the use of port facilities.

3.52 Power. Electrification in Haiti is limited. In 1986, only 10% of the population had access to electricity, mainly in Port-au-Prince, where 45% of the population was connected to the system as compared to some 3% elsewhere in the country. The pace of growth in electricity consumption has been influenced largely by the expansion in the number of connections, with a larger growth registered in the provinces as a result of investments in distribution and of the conversion of unaccounted-for consumption into sales. Improvements in network renovation and enforcement in the provinces contributed substantially to reducing losses, to some 15% of net generation in 1983, from 26% in 1978, while losses in Port-au-Prince, amounting to

28% of generation in 1984, remain a major source of inefficiency. The Electric Power Company (EdH), has managed to ensure satisfactory development of the subsector. Its financial performance, although acceptable, has been at the cost of high average tariffs compared to the region. The average tariff in Haiti in FY86 was US\$0.151/kwh, compared to US\$0.132/kwh in the Dominican Republic and US\$0.120/kwh in Jamaica. There is, however, the potential for bringing tariffs more in line with regional levels, if EdH succeeds in reducing losses and excess staff.

3.53 Despite past improvements in maintenance, administration and distribution achieved by EdH, which has become one of Haiti's more efficient parastatals, further institutional building efforts are required to enable the enterprise to continue performing its functions effectively. These efforts should emphasize the strengthening of EdH's management, the improvement of its commercial activities, and the correction of prevailing administrative and financial weaknesses. The progressive reduction of losses and the replacement of the outdated thermal plants serving the Port-au-Prince area deserve priority to enable dry season demand to be met. Moreover, the progressive reduction of Government arrears to EdH needs to be enforced, and EdH should be granted the authority to suspend electricity services to public agencies in case of non-compliance.

3.54 Water Supply. With about 40% of the urban and less than 5% of the rural population having access to public piped water, and less than 40% of the population with safe excreta disposal, in the absence of a sewerage system, water and sanitation service levels in Haiti are extremely low. Consequently, deaths from diarrhoeal disease account for the highest proportion of total deaths in the country. Diarrhea in fact accounted for 75% of the registered deaths during the first year of life; for 50% of deaths in the 1-4 year age group; and for 20% of the total number of deaths registered in the country in the early 1980's. Two public enterprises have been responsible for the provision of piped water: the Port-au-Prince Water Company (CAMEP) and the Provincial Water Supply Service (SNEP) in the rest of the country. In addition, the Ministry of Health runs an independent program in small towns, (Community Health and Drinking Water Posts, POCHEP) which are, at the same time, under the jurisdiction of SNEP. Water subsector institutions have a tradition of poor operating and financial performance. Low standards of maintenance, poorly trained staff, large system losses and numerous illegal connections have been characteristic of CAMEP's operations. In the case of SNEP, similar problems have been further compounded by weak planning and operational management and by poor project implementation capabilities. Both CAMEP and SNEP have incurred considerable operating losses, and performance improvements have been hampered by reluctance to increase user charges and reduce staff.

3.55 High operating costs, generally low water charges and poor bill collection continue to prevent water supply institutions from replacing or rehabilitating deteriorated infrastructure as needed. Insufficient investment levels, in turn, also have perpetuated high operating costs and unreliable service, which make it difficult to expand metering and to raise charges. Breaking this vicious circle

would require Government commitment to increasing cost recovery to allow CAMEP to become financially self-sufficient over time. This effort is critical if the subsector is to improve its contribution to the satisfaction of urgent social infrastructure needs.

3.56 Urban Development and Housing. In the urban subsector, some recent developments have shown increasing Government awareness to address identified issues. Urban planning efforts in Port-au-Prince have acquired some momentum with the preparation of the first stage of a comprehensive development plan. Urban transport has also received more attention than hitherto, with the initiation of an integrated program to address street maintenance and traffic management matters in the metropolitan area. However, in housing the performance of EPPLS, the public housing agency, has been below expectations. In the atmosphere of periodic civil unrest, the level of cost recovery from housing schemes declined dramatically throughout FY86-87, when revenues were 75% below target. This compares to a performance very close to targets registered until FY85. The decline in cost-recovery levels was associated with a considerable reduction in the physical output achieved. During FY87, the number of housing units completed declined to some 250, compared to an annual average of about 1,200 units executed throughout FY86.

3.57 To date, Government strategy in housing has emphasized the direct provision of dwellings and associated urban services as a way of improving slums and other subnormal settlements. This type of intervention has had limited impact. Moreover, administrative difficulties have prevented the level of cost recovery from reaching reasonable levels, despite the fact that mortgage charges are within the level of affordability for the target group.¹⁹ Simultaneously, some available evidence for the intervention zones suggests that an informal, yet fairly active and liquid, housing market has developed making use of public land leased under long-term contracts to the private sector. Housing rental values in this market appear to be well above the ones for public promoted housing, the target group being similar. This indicates a higher than initially thought rent-paying ability, and an opportunity cost of land considerably above the lease amount charged on public property. Demand pressures, associated with the scarcity of urbanized land, suggest the need to review urban housing policy. In that context, Government strategy should also focus on strengthening the land market and toward mobilizing private involvement in urban low-income housing construction. A key element of urban development strategy would be the required public provision of utilities and other social services.

^{19/} According to EPPLS information on average monthly incomes and expenditures of its target population in various areas, the monthly charges, as proportions of income and of expenditure, for 1987, were as follows:

	<u>St. Martin</u>	<u>La Fossette</u>	<u>Lintau</u>	<u>Croix de Bossales (B)</u>
% of income	7	15	8	7
% of expenditure	6	19	5	10

3.58 There is scope for increasing participation of the private sector in infrastructure development generally in Haiti, with a potential catalytic role in mobilizing resources, fostering local entrepreneurs, and other efficiency gains. In the housing subsector, small promoters could play an increasing role than hitherto in the provision of housing. In the execution of infrastructure works, particularly maintenance of roads and urban streets, the involvement of small contractors appears attractive, while past initiatives in community involvement should be continued and broadened. These efforts would have to be accompanied by adjustments in the functions of responsible sector agencies, which nevertheless would have an important role to play, particularly in managerial and technical training, provision of tools and minor equipment, and overall programming and quality control.

Human Resources

3.59 After many years of policy neglect, human resources development in Haiti began to receive attention in the early 1980s. The first steps, in 1982, were the formulation of an educational reform program and a health policy statement, the "Nouvelle (New) Orientation". The educational reform program envisaged: (a) replacement of the then primary school cycle (consisting of a preparatory year followed by one cycle of six years) with a system consisting of two cycles of primary education (four and three years), followed by one three-year cycle of basic secondary education; (b) achievement of functional literacy by the end of the first primary cycle; (c) introduction of new curricula; (d) adoption of Creole as the medium of instruction in the primary cycles; (e) change of teaching methods (e.g., a teacher staying with a student cohort for two years, discovery learning rather than memorization, grouping of students by ability level); (f) automatic promotion from grades 1 to 2 and 3 to 4; and (g) improved school supervision and inspection. The "Nouvelle Orientation" defined an integrated health system emphasizing primary health care and specifying, as priorities: (a) diarrheal disease control; (b) immunization against communicable diseases; (c) tuberculosis control; (d) improvement of nutritional status; (e) maternal/child care and family planning; and (f) malaria and endemic disease control.

3.60 By and large, the objectives and the emphases of the education and health policies were considered appropriate for Haiti's situation, albeit ambitious,²⁰ given the scarcity of financial and administrative resources, and, in some aspects, potentially contentious (e.g. the use of Creole in the second primary cycle). Implementation of both of the sector policies proceeded slowly; still, some achievements had been observed by 1985: in education, about a third of all children attending primary school then were enrolled under the reform system; in health, the diarrheal disease control efforts had led to widespread knowledge of oral rehydration, expanded

^{20/} The education reform envisaged complete implementation by FY92, whereas the Nouvelle Orientation was to implement each stated priority, in succession, devoting two to three years of policy focus to each.

use of commercially available packets of oral rehydration salts and a reduction in diarrhea cases brought up for treatment at health facilities.

3.61 The major constraints to implementation of the education and health sector policies, until FY85, were the lack of resources --financial, technical (e.g., trained teachers and health workers) and administrative--and erratic public expenditure priorities. From FY86, as described in the second chapter (paragraph 2.31), budgetary allocations for education and health were increased substantially in real terms even as total Government expenditures were cut. The Government financial efforts notwithstanding, the deep-seated problems of the education and health sectors persist, calling for special emphasis on raising the efficiency of resources devoted to these sectors, and for closer and regular monitoring of the progress of the line ministries by the central budgetary authorities.

3.62 Education. The Government which came to power in February 1986 retained the main thrust of education reforms. Some elements were modified; for example, given the difficulty experienced in adopting Creole, both Creole and the French language could now be used. Also, the primary school cycle was reduced from 7 to 6 years. When additional budgetary funds were provided to education, a major decision taken in the sector was to bring public sector teachers' pay rapidly in line with the rest of the civil service. Just prior to that decision, the average pay of the Education Ministry employees (the bulk of them teachers) was about G7,000 per year; that of the civil service as a whole, about G14,000 per year. Teacher salaries in the public sector were therefore increased by 70%, to begin with.

3.63 The boost in public teacher salaries had two consequences: one was that it consumed virtually the entire increment for current expenditures that was authorized, leaving little to raise the non-salary operations and maintenance items. The other consequence was that it created a financial--and ultimately, morale--crisis in the private education sector, which provides about 60% of primary and 85% of secondary educational services in Haiti. Even before public sector teacher salaries had been raised, a primary private school teacher earned about G3,800 per year, compared to a trained public primary teacher's G6,000 per year. After the salary increases of public teachers, the differential widened. The Government tried to help by providing salary supplements and subventions for textbooks to a selected sample of private schools in its program of enhancing cooperation with the private sector. But the overall financial burden, for the public and private educational services, became enormous.

3.64 With resources limited and the salaries bill now augmented, school supplies, supervision, curriculum development, repairs and maintenance, etc., were squeezed further. Meanwhile, the load of repair and maintenance works mounted when many educational establishments were damaged during the social unrests in FY86-87. When the FY88 budget was finalized in September 1987, the Treasury did make satisfactory provision, under its overall resource constraints,

for non-salary operations and maintenance expenses for education. But these items were slashed during budget revisions in January 1988, following the foreign aid cuts. These cuts, however, only exacerbated a financial situation that was extremely tight and highly intractable to begin with.

3.65 On the one hand, before the pay increases, the large differential between the salaries of teachers and other civil servants had made it difficult to attract and retain qualified teachers (80% of teachers had less than eight years of schooling themselves). As a result, the quality of education was low. On the other hand, if teacher salaries were to be raised, especially as swiftly as they were actually raised, other items would come under squeeze, as they did do. Yet, when only one in four students has access to textbooks, basic educational aids are lacking, classrooms are in disrepair, inspectors cannot visit schools, etc., the quality of education also suffers. The education sector in Haiti therefore remains deficient in quality and continues to make for low efficiency of resource use. Only slightly over 50% of urban children who enroll, and slightly over 30% of the rural children, complete grade 4; the rest drop out before they are supposed to attain functional literacy. Repetition rates are a high 25%. On average, it takes 20 student years to produce one grade 6 graduate in rural areas, and 15 student years in urban areas. These internal inefficiencies can be overcome only by adequate outlays and dedication to improve the quality of education.

3.66 The Government has to confront some hard questions to mobilize the financial resources to raise the quality of education. The community already makes a contribution. Public education is not free in Haiti. Parents pay fees, purchase textbooks and buy their children uniforms, which are compulsory. A rural family spends 6% to 17% of its income per child attending a public school. It is doubtful if parents can afford to pay more for tuition, unless they are relieved of the requirement to dress children in uniforms, which take up about 35% of the cost per child to parents.

3.67 The Government may also need to review its remuneration policy for various ministerial jobs throughout the civil service to generate savings or, at least, to reflect market conditions and relative sectoral priorities. In FY86, for instance, the apparent average salaries of civil servants in various ministries differed widely, with the Ministry of Education at the very bottom among all ministries. The average annual salary of a civil servant was G14,000 and that of a Ministry of Education employee, G7,000, as mentioned before. At the same time, to give a few examples, the average pay in the Ministry of Cults was G57,345; Foreign Affairs, G42,156; Legislative Chamber, G30,277; Planning, G29,472; Public Works, 27,474; Interior and Defense, G23,040; Social Affairs, G12,385; and Youth and Sports, G11,313.

3.68 It should be pointed out, of course, that there are some statistical pitfalls in comparisons like the above. For example, the average for Foreign Affairs included the pay of diplomats, whose salaries had to be commensurate with costs of living in their duty stations. Or, to take another example, Planning and Public Works

included the pay of professionals whose skills may have been in short supply. This said, however, it is puzzling to note that the average salaries of Youth and Sports or Social Affairs employees were 60% to 80% above those of Education employees. The point is that, once wide differentials are allowed to occur for comparable skills and jobs, the pressure will usually be to raise the salaries of lower-paid jobs and thereby increase the total civil service wage bill. The issue of pay differentials within the civil service should be raised in reviewing the ongoing study mentioned in paragraph 3.26 of this chapter.

3.69 To sum up the assessment of the education sector, it is important to upgrade the quality and efficiency of educational services while implementing the reforms that were initiated in previous years. The incentives for teachers have been improved, but further increases could not take place without the mobilization of additional resources. Provided the Government takes action on this front, with technical assistance if necessary, donor support to strengthen both public and private education services would be well-placed.

3.70 Population, Health and Nutrition. The internal efficiency of the health sector is also very low due to a mismatch between financial resources devoted to personnel expenses and other operating expenses, such as drugs, laboratory supplies and equipment, and essential transportation. Here again, recurrent expenditure provisions were increased substantially in FY86-87 (see chapter 2, paragraph 2.31), but the internal allocation of the budget within the Ministry of Health had about 85% devoted to salaries. Hidden salary costs, consisting of daily allowances and compensation for supervision, are estimated to have taken up another 10% of the recurrent budget in FY87.

3.71 In an attempt to strengthen services in the provinces, the Ministry of Health staff positions in Port-au-Prince were reduced by 913 in FY86, and those in the regions increased by 1,006, giving a net increase of 93 positions. By the end of FY87, the budgeted positions in Port-au-Prince had grown back by 642 positions, and those in the regions added another 45 positions. When resources are scarce overall, such swings in staff positions appear puzzling and of course reduce the funds available to enable the staff to function properly.

3.72 The inefficient use of public health personnel has been attributed mostly to the focus on hospital care, the inadequate composition of skills, the concentration of staff in the capital, and the lack of performance at work stations in the districts. There were, in 1986, 12.2 doctors per 10,000 inhabitants, more than twice as many as in Colombia or Chile. The heavily subsidized medical school produces a surplus of doctors estimated at 40 graduates per year (1984), many of whom receive specialized training abroad, often irrelevant to the basic health and nutrition needs of the country. A 1987 sample of health facilities in Port-au-Prince, Cap Haitien and Les Cayes included 264 medical doctors, of whom all except 12 were specialists, but none specialized in community medicine. Also, the ratio of nurses and auxiliaries to doctors, which is 2.5 nationwide, varies from 0.8 to 1.7 in a sample of facilities: this is inefficient

and wasteful, and impedes the integration of primary health care services.

3.73 The personnel management system in the Ministry of Health (MSPP) is also adding to the inefficient use of staff resources. The personnel distribution and status in MSPP is based on a rigid structure of establishments and administrative areas with no functional significance, and multiple layers. There are 12 categories of nurses with 7 salary levels, and 16 salary levels of medical doctors in the administration, with five additional levels of practitioners within each hospital. There is no personnel policy, and staff are assigned on an ad hoc basis, without much consideration to qualifications or seniority.

3.74 The inefficient use of physical resources is due to poor management and lack of integration of services. There are 90 hospitals and 426 other health facilities in Haiti, with a total of about 5,000 beds, which represents a higher number of hospital beds per 10,000 people than in most lower income countries, and half as many as in Colombia and Brazil. Resources are concentrated on the University Hospital (HUEH) which is unable to provide the diversified tertiary services for which its costly structure is designed. Because of the inefficiency of the referral system and the lack of drugs in secondary centers, the first cause of hospitalization in HUEH, outside the gynecology ward, is malnutrition and diarrhea, which could receive more adequate and cheaper attention in small centers near the patients' homes.

3.75 Malnutrition is widespread in Haiti and at the root of most illnesses. Alleviation of its worst consequences, however, is constrained by shortages of food, now exacerbated by lack of money to import and/or distribute the amounts needed to supplement the low volume of domestic production. An assessment of Haiti's food gap, carried out earlier this year for USAID, estimates an emerging wheat-equivalent deficit of 250 to 300 metric tons per year. This translates into about US\$40 million of additional food import needs (if the food deficit is to be covered) over and above the US\$70 million worth of food imported last year. The emerging food deficit underscores the need to develop an overall nutrition policy with targeted objectives at the same time as emphasizing efficient expansion and distribution of domestic food output.

3.76 As in the case of education services, households in Haiti have been willing to pay for health service, as attested by the existence of a sizeable private sector health service. For those less able to pay for, or access, private services, the public sector has been devoting substantial financial resources to health services, especially since FY86. Policy attention now needs to focus on measures and assistance to improve the management and efficiency of resources provided to the public health sector.

E. Conclusion and Summary of Recommendations

3.77 This chapter has reviewed the objectives, instruments and implementation of Haiti's adjustment and recovery program that was

initiated in FY86, and examined the factors which effectively argue for adoption of a narrower, core program under current conditions. The basic aim of a core program would be to prevent a major economic backslide in Haiti in the next few years. The macroeconomic and key sectoral policy priorities of a core program have been proposed in this chapter, emphasizing the maintenance of policies put in place during FY86-87 and suggesting some additional measures to consolidate what is already in place.

3.78 The additional macroeconomic measures suggested for the core program include:

- (a) A review of export competitiveness to ascertain that the country remains attractive in manufactured exports vis-a-vis its neighboring countries, and to induce the production and exports of other commodities (paragraphs 3.15-3.16).
- (b) Introduction, after a necessary study, of a variable levy to replace the existing import licensing system for the seven designated agricultural products (paragraphs 3.17-3.18).
- (c) Removal of the residual anomalies in the new Tariff Code regarding the treatment of finished goods and raw materials (paragraph 3.19).
- (d) Increased mobilization of domestic resources, especially where there is scope (e.g. raising state land rentals to market values, closing wide exemptions in taxes) for doing so without harming production incentives or overburdening consumers (paragraphs 3.20-3.24).
- (e) Improved allocation of government expenditures, emphasizing adequate funds for supplies, materials and equipment necessary for public employees and infrastructure to function effectively (paragraphs 3.25-3.27).
- (f) Careful monetary management, keeping the banking system's reserve requirements under review to match the demand for private sector credit, and promoting collaboration of commercial banks with the FDI to facilitate term lending to the private sector (paragraphs 3.28-3.29).

3.79 For the main sectors of the economy, the following core policy and expenditure priorities are proposed:

- (a) In agriculture, Haiti should maintain the recent reforms (the elimination of export taxes, removal of direct quantitative restrictions, break-up of trading monopolies) and desist from any other forms of government price intervention. Agricultural investments should emphasize completion of ongoing and initiation of follow-up projects to raise and spread smallholder output, employment and incomes, and export earnings. This applies, in particular, to projects in rice, vegetables, coffee and mangoes. The coffee sector being especially important in Haiti, efforts should be made to identify alternative sources of funds to continue the

production of improved seedlings previously financed by USAID. Alternative sources of funds should be sought also for the targeted watershed management and secondary roads development projects (paragraphs 3.32-3.37).

- (b) In industry, Haiti should act to harmonize the 1985 Investment Code with the recent trade reforms; pursue efficient operation of Customs facilities and procedures; seek financial and technical assistance to effect smooth transition to the liberalized trade regime; and provide adequate supporting infrastructure at competitive rates (paragraphs 3.41-3.44).
- (c) Actions needed in the transport and power sectors are adequate operations and maintenance of the roads network; demand management--via peak pricing--before capacity expansion to deal with the passenger traffic load at the international airport in Port-au-Prince; greater use of provincial cabotage ports; investments to lower the average cost of electricity; and elimination of arrears payable to Electricite d'Haiti, the power company (paragraphs 3.47, 3.48, 3.50, 3.51 and 3.53).
- (d) Policies in the water supply, and urban and housing sectors should focus on pricing and management problems. In addition, there are critical requirements for upgrading investments in water supply--and power--to uphold even the present low states of health and industry in Port-au-Prince and the vicinity. In urban housing, a review of policy and a basic change of government strategy are warranted. Instead of limiting itself to low-income housing construction only, Government should also focus on strengthening the urban land market and encourage the private sector to undertake the needed housing construction and finance (paragraphs 3.54-3.57).
- (e) The deep-seated management problems of the education and health sectors call for special emphasis on raising the efficiency of resources devoted to these sectors, and for closer monitoring of the progress of the line ministries by the central budgetary authorities. The available resources, furthermore, should be augmented by continuing the systematic involvement of non-governmental organizations in these sectors (paragraphs 3.65, 3.66, 3.69, and 3.70-3.76).

3.80 As noted already, the recommendations summarized above would be important to upholding Haiti's economy under the current difficult situation facing the country. Based on these proposals, the next chapter presents the prospective expenditure, economic growth and balance of payments outlook for the next few years.

Chapter IV

MEDIUM-TERM GROWTH AND BALANCE OF PAYMENTS PROSPECTS

4.1 This chapter illustrates the macroeconomic and the external accounts scenario that could emerge over the medium term, taking into account: (a) the domestic economic policy reforms which were put in place in Haiti in FY86-87 and which, thus far, are largely intact; (b) the policy proposals put forth in the preceding chapter in the context of a core medium-term economic program; and (c) the currently unclear prospects for resumption of aid at the levels obtained in FY86-87. The economic reforms of FY86-87 were described and analyzed in detail in chapter II; they were focused on improvement of resource allocation and growth prospects through the reform of taxes, public expenditure, key public enterprises, the trade regime and agriculture pricing.

4.2 The main purpose of the core program proposed in chapter III is to avert a major economic backslide in the coming years. As argued there, the core policies should seek to uphold and further strengthen Haiti's present macroeconomic incentives framework, emphasizing trade promotion, domestic resource mobilization, and monetary management consistent with balance of payments viability and the demand for private sector credit. The core policies for various sectors of the economy should seek to promote opportunities for private investment, employment and incomes in agriculture and industry as, in Haiti's situation, this is a critical element of poverty alleviation. In addition, pricing policies and management of supporting infrastructure--especially water supply, and urban and housing facilities--should be improved, and selective rehabilitation and better operations and maintenance of transport and power installations undertaken. Finally, the core policies for education and health should seek vigorous improvements of the internal efficiencies of those sectors in public and private facilities.

4.3 The commitments and disbursements of official aid to Haiti had increased substantially in FY86-87, compared to FY80-85. Aid commitments had averaged about US\$145 million per year in FY80-85; these were boosted to average US\$225 million per year in FY86-87. Net disbursements from official sources, including use of IMF Credit, had averaged about US\$110 million per year in FY80-85, and US\$140 million per year in FY86-87. Aid prospects for the medium-term, however, are not quite clear at present. In view of this uncertainty, the core scenario developed in this chapter projects new commitments of aid in FY88-92 at the same nominal levels as in FY80-85. Net disbursements of aid in FY88-92 are also projected at the same nominal level as in FY80-85, with up to 60% of the loan disbursements in FY88-92 expected on account of past commitments; that is, commitments made prior to October 1987.

4.4 It should be pointed out, however, that while the levels of aid projected for FY88-92 are lower than FY86-87, they are nevertheless predicated on the implementation of core medium-term policies proposed in this report. Thus, to take a very obvious

example, aid disbursements--even from past commitments--would fall short of projected amounts if domestic resources are not mobilized to provide the needed counterpart funds. As another example, new commitments, and disbursements therefrom, would be difficult to obtain if the incentives and the systems for production and distribution of goods and services from ongoing projects are allowed to deteriorate. Above all, without Haiti's own efforts to promote trade and increase its foreign exchange earnings, the projected amounts of aid disbursements will not be sufficient to cover all normal foreign exchange requirements. This might soon lead to the accumulation of payments arrears, which, in turn, would reduce the prospects for aid flows in the succeeding years.

4.5 Within the framework laid out in paragraphs 4.1-4.3, the main macroeconomic assumptions of the projected core scenario to FY92 are as follows:

- a) An export volume growth rate (3.7% per year) that is higher than the GDP growth rate (2.4% per year). The major items and sources of growth of exports and GDP are expected to be coffee, mangoes, assembly products and, beyond FY89, gold and marble. Production of rice, especially in irrigated areas, and of competitive consumer and intermediate manufactures for the domestic market would also contribute to GDP growth, as would the construction sector, partly on account of selective investments in public infrastructure and partly on account of private business and residential construction.
- b) Different categories of imports are linked to specific components of GDP or GDP itself through elasticity coefficients: imports of food and other consumer goods are linked to private consumption; those of petroleum and non factor services to GDP; those of intermediate goods to manufacturing value added; and those of capital goods to total investment. The specification of import elasticities is based, in part, on past import demand. It is further assumed that general and sectoral economic policies will promote greater efficiency in import substitution output, and that the growth of investment, particularly of public investment, will be conditioned by availability of external concessional aid. With these assumptions, the implied elasticity of total imports with respect to GDP is between 0.7 and 0.8.
- c) Investment and GDP growth are linked through ratios, assuming that the incremental investment required for growth will be kept low for the first few years. This would be accomplished by greater utilization of existing capacity through better provision of operations and maintenance resources, and through the efficiencies induced by the competitive impact of the liberalized trade regime. Moreover, new investments would be concentrated in efficient and quick-yielding productive activities. The implied incremental capital output ratio (ICOR) for the five-year period FY87-92 works out at between 4 and 5.

- d) The real growth of total consumption is held below that of GDP in order to raise domestic savings (at a marginal rate of 15% to 20% over the next five years). In particular, public consumption is assumed to remain constant in real terms during FY89-92. This is predicated largely on the fact that those state manufacturing enterprises and institutions (such as the Darbonne sugar factory, the ENAOL vegetable oil mill, BNDAI and SEN) which used to receive annual budgetary transfers have now been closed or trimmed, and will not be making further claims on public resources. Public enterprises (e.g., the CAMEP) which continue to receive budgetary transfers are expected to implement measures (agreed in the context of donor-assisted projects) for greater cost recovery and hence reduce their claims for budgetary transfers. It is also expected that improvements in the internal efficiencies of the agriculture, education and health ministries will enable the functions of those ministries to be carried out without significant growth, in real terms, of resources allocated to them.
- e) External payments arrears accumulated prior to and during FY88 are assumed to be paid off by FY92, while--to enable smooth transactions for essential imports and debt service payments-- imports coverage by the country's gross reserves is kept at between one to two months.

4.6 The results of the projections are summarized, along with recent actuals, in Tables 13-15 below. Haiti's terms of trade are expected to remain stable in the medium term. If the core policies are followed, real GDP growth in the next four years could feasibly average about 2% per year, rising gradually from 0.3% in FY88 to between 2% to 3% in FY92, and accelerate a little thereafter (Table 13). This rate of total GDP growth implies very modest growth of real income per capita; but, if attained, the latter would still be an improvement over FY81-87, when per capita income declined at 2% per year in real terms. The growth of private consumption per head, in real terms, is shown to be smaller than the growth of incomes. Such a restrained growth of consumption will be necessary to establish and maintain a viable macroeconomic balance in the face of lower levels of aid assumed for the medium term compared to FY86-87.

**Table 13: RECENT AND PROSPECTIVE MACROECONOMIC INDICATORS
PROJECTING A CORE POLICY PROGRAM**

	Real Growth Rates (% per yr.)					Shares of GDY (%)		
	Actual		Projected			Actual	Projected	
	FY86-85	FY86	FY87	FY87-92	FY92-97	FY87	FY92	FY97
Gross Domestic Product	-0.9	0.6	0.5	2.4	3.0	100.0	100.0	100.4
Gross Domestic Income	-1.1	2.3	0.5	2.4	2.9	100.0	100.0	100.0
Consumption	-1.2	3.2	2.3	2.1	2.0	95.2	94.4	90.4
Public	0.4	-9.8	-7.0	0.0	0.9	9.8	8.7	7.9
Private	-1.4	6.0	3.4	2.3	2.1	85.4	85.7	82.5
Gross Domestic Investment	-2.1	-14.5	4.6	2.2	7.1	12.5	11.5	14.1
Exports, GNFS	-1.3	-0.2	-7.0	3.7	4.9	12.4	13.2	14.6
Imports, GNFS	-2.9	-6.4	4.0	1.6	2.5	20.0	19.0	18.7
Gross Domestic Savings	0.5	-10.7	-29.2	8.3	14.1	4.8	5.6	9.6

Memorandum Items:

National Income p.c.	-2.7	0.5	-1.2	0.4	1.0
Pvt. Consumption p.c.	-8.1	3.2	1.6	0.3	0.2
Marginal Domestic Savings Rate	22.1	NA	NA	18.3	33.5
Marginal National Savings Rate	35.0	NA	NA	31.6	28.0
ICOR (5-yr)	17.6	NA	NA	4.7	4.2
Import Elasticity	8.2	NA	NA	0.7	0.8

Source: Statistical Appendix Tables 2.2, 2.3, and Bank staff estimates.

4.7 The viability of the macroeconomic situation will need to be pursued actively with the trade promotion and resource mobilization policies suggested in the preceding chapter, and with the sectoral pricing, management and expenditure policies, also suggested in that chapter. Barring some major exogenous shocks, the pursuit of appropriate growth and trade policies would avoid deterioration of the external current account balance (Table 14), enabling Haiti to cover the current deficits, meet debt repayment obligations and maintain modest amounts of gross reserves with the external capital inflows projected on the assumptions specified in paragraph 4.3.

Table 14: RECENT AND PROSPECTIVE BALANCE OF PAYMENTS PROJECTING A CORE POLICY PROGRAM
(US\$ Mn at current prices)

	Actual			Projected				
	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92
Resource Balance	-164	-131	-172	-156	-160	-159	-164	-167
Exports, GNFS	304	292	278	306	331	338	356	377
Imports, GNFS	468	423	450	462	491	497	520	544
Net Factor Income	-14	-16	-17	-25	-21	-19	-20	-16
Receipts	5	5	5	1	3	4	5	6
Payments, of which:	19	21	22	26	24	23	25	22
(Interest)	(13)	(15)	(15)	(20)	(18)	(17)	(16)	(16)
Net Current Transfers	48	52	56	60	64	64	70	71
Receipts	95	105	113	110	115	116	123	125
Payments	47	53	57	50	51	52	53	54
Current Account Balance	-136	-95	-133	-121	-117	-114	-114	-112
Long-Term Capital Inflow	119	137	175	125	133	139	131	130
Direct Investment (net)	5	5	5	5	7	15	7	5
Capital Grants	87	107	122	80	82	70	70	70
Net Loans	40	33	44	40	44	54	54	55
Disbursements	(85)	(44)	(65)	(58)	(62)	(73)	(76)	(79)
Repayments	(25)	(11)	(21)	(18)	(18)	(19)	(22)	(24)
Other Inflows (net)	-13	-8	4	0	0	0	0	0
Other Capital Items /a	7	-9	-15	22	2	-14	-5	-5
Net Change in Reserves	4	-33	-27	-26	-18	-11	-12	-13
Net Credit from IMF	-9	-18	-13	-24	-16	-11	-9	-8
Other Reserve Changes/b	13	-15	-14	-2	-2	0	-3	-5
Financing Gap	0	0	0	0	0	0	0	0

/a Includes short-term capital, net change in arrears, capital n.e.i., and errors and omissions.

/b Minus sign denotes an increase.

Source: Statistical Appendix Table 3.1, and Bank staff estimates.

4.8 The projected capital disbursements have been assumed to consist of grants and concessional loans only; in other words, no medium-term commercial borrowing has been assumed. Provided this is adhered to, the projected debt service payments relative to GDP, export receipts and public revenues would remain manageable (see Table 15), with the debt service ratio declining from 15% in FY87 to 9% in FY92 as the old Stand-by Credits of the MF are paid off.

**Table 15: RECENT AND PROSPECTIVE EXTERNAL DEBT INDICATORS
PROJECTING A CORE POLICY PROGRAM**

	Actual			Projected				
	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92
	(US\$ Million)							
Debt Outstanding (end-yr.)	687.4	715.4	760.2	755.0	780.0	825.0	870.0	915.0
Debt Service Payments	48.0	43.5	59.4	62.0	52.0	47.0	47.0	48.0
Interest	13.1	15.1	14.7	20.0	18.0	17.0	16.0	16.0
Amortization /a	34.9	28.4	44.7	42.0	34.0	30.0	31.0	32.0
	(Ratios to GDP, %)							
Debt Outstanding (end-yr.)	34.2	31.9	33.8	31.0	29.6	38.9	42.2	45.7
Debt Service Payments	2.4	1.9	2.6	2.5	1.9	2.2	2.3	2.4
Interest	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Amortization /a	1.7	1.3	2.0	1.7	1.3	1.4	1.5	1.6
	(Ratios to Exports, %)/b							
Debt Service Payments	11.9	10.8	15.0	14.8	11.6	10.2	9.7	9.4
Interest	3.2	3.8	3.7	4.8	4.0	3.7	3.3	3.1
Amortization /a	8.6	7.1	11.3	10.0	7.6	6.5	6.4	6.3
	(Ratios to Public Revenues, %)/c							
Debt Service Payments	17.4	16.4	25.1	26.3	20.5	22.9	23.5	24.8
Interest	4.7	5.7	6.2	8.6	7.1	8.3	8.0	8.2
Amortization /a	12.6	10.7	18.9	17.8	13.4	14.6	15.5	16.4
Memorandum Items:								
	(US\$ Million)							
GDP	2009.4	2243.6	2247.0	2434.0	2686.0	2118.0	2063.0	2002.0
Exports /b	404.1	401.6	396.0	418.0	450.0	459.0	485.0	508.0
Public Revenues /c	276.5	285.0	237.0	236.0	254.0	205.0	200.0	195.0

/a Includes IMF repurchases.

/b Exports defined to include goods, all services and private transfer receipts.

/c Public revenue defined as Treasury current revenue plus current surplus of public enterprises before transfers to Government. Excludes grants-in-aid.

Source: Statistical Appendix Tables 2.1, 3.1, 4.5, 5.1; IMF; and Bank staff estimates.

4.9 The analysis of medium-term outlook for this report has explored the economic consequences in case the proposed core policies are not undertaken. As might be expected, Haiti's economic and financial situation in such a case would worsen. At best, real GDP growth would average under 1% per year, implying declining levels of per capita incomes and consumption. Real per capita incomes and consumption in FY92 would be 5% to 10% below those in FY87. The economy's capacity to generate domestic savings would be weakened, with gross domestic savings (in the long term) equivalent to 4% or 5% of gross domestic income. In turn, the poor savings performance would limit Haiti's ability to invest for future growth of output and exports.

4.10 With a weakened base for production and trade, Haiti's capacity to import in FY92 would be nearly 10% below that projected under the core policy scenario. Beyond that, the capacity to import would be impaired further, to about 25% below that under the core policy scenario in FY97. Even if imports are curtailed drastically and official development assistance maintained (at about 60% to 70% of the level assumed in the core scenario), the external payments accounts would exhibit large financing gaps ranging from US\$35 million to US\$50 million annually in the period FY89-92, and grow larger each year thereafter to over US\$150 million in FY97. It would not be possible to fill such gaps with external commercial borrowing.

4.11 The scenario of stagnation and deficits is not desirable because it would bring about major dislocations in the economy and perpetuate, if not worsen, the misery of a large part of Haiti's population. The preferable way out of the current situation, especially in view of the lower levels of aid anticipated at present, would be to consolidate the economic policy reforms already in place so as to attain at least a little economic growth while maintaining viable financial balances.

4.12 The priority policy measures and expenditures needed to consolidate the recent reforms have been spelt out at length in chapter III and termed the core policy program. The economy-wide and sectoral policy priorities are addressed there, and are recommended here for implementation over the short to medium term.

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Table 1.1: POPULATION BY SEX AND AGE : 1950, 1971, 1982 CENSUSES
AND ESTIMATES FOR 1982-83 TO 1986-87
(Thousands)

CATEGORY	1950	1971	1982	1983	1984	1985	1986	1987
Total Population	3,097	4,330	5,053	5,293	5,396	5,930	6,050	6,160
BY SEX								
Male	1,505	2,090	2,450					
Female	1,592	2,240	2,604					
BY AGE								
0 - 04	375	603	730					
05 - 14	798	1,180	1,251					
15 - 24	575	821	969					
25 - 64	1,214	1,531	1,805					
65	134	195	298					

Sources : IHSI, Recensement general de la population et du logement,
1971 (1979).
Resultats anticipes du recensement general, 1982 (1984).

World Bank, International Economics Department.

Table 1.2: URBAN AND RURAL POPULATION : 1950, 1971, 1982 CENSUSES

	Population (000)			Annual Growth Rates (%)		
	1950	1971	1982	1950-71	1971-82	1950-82
TOTAL	3,097	4,330	5,053	1.61	1.41	1.54
Urban a/	255	707	1,042	4.98	3.59	4.50

Port-au-Prince	152	507	720	5.90	3.24	4.98

Towns over 10,000 in 1982	98	180	235	2.94	2.45	2.77

Cap-Haitien	24	46	64			
Gonaives	14	29	34			
Cayes	12	22	34			
St-Marc	9	17	24			
Jeremie	11	17	19			
Port-de-paix	6	14	16			
Jacmel	9	11	14			
Limbe b/	4	7	10			
Petite Riviere de l'Artibonite b/	4	9	10			
Hinche	5	9	10			
Other towns of 5-10,000	5	26	97	8.17	12.71	9.71

Rural	2,831	3,623	4,011	1.18	0.93	1.09

a/ Towns with a population over 5,000.

b/ 1950 population under 5,000 and so should technically be classified "rural" for that year.

Sources: IHSI, Recensement general de la population et du logement, 1971 (1979).

----- Resultats preliminaires du Recensement General, 1982 (1984).

Resultats anticipes du recensement general, 1982 (1984).

Table 1.3: CRUDE POPULATION BIRTH, DEATH, MIGRATION AND
----- NET GROWTH RATES, 1971-82

(Annual Rate per 1000)

	URBAN				RURAL	TOTAL

	Port-au-Prince	Other Towns over 10,000	Towns 5-10,000	Total		

Crude Birth Rate	38.9	32.4	36.6	37.3	36.6	36.7
Crude Death Rate	13.2	12.7	18.1	13.4	18.1	17.2
Natural Growth Rate	25.7	19.7	18.5	23.9	18.5	19.5
Net Migration Rate	6.7	4.8	108.6	12.0	-9.2	-5.4
Actual Growth Rate	32.4	24.5	127.1	35.9	9.3	14.1

Sources: IHSI, Note sur les parametres demographiques pour la periode
----- intercensitaire, 1971-82 (June 1983).

Resultats anticipes du recensement general, 1982 (1984).

Table 1.4: LABOR FORCE AND INACTIVE POPULATION a/, 1950, 1971, 1982
(Thousands)

	1950 b/ -----	1971 -----	1982 -----
Total Country			
Total Employed	2208	2272	2,353
Male	1073 c/	1196	1,257
Female	1135 c/	1075	1,096
Unemployed	110	282	276
Unemployed	(4.7)	(11.0)	(10.5)
Urban			
Total Employed	268	336	450
Male	109	147	218
Female	160	188	232
Unemployed	n.a	84	132
Unemployed (%)		(20.6)	(22.7)
Metropolitan Area			
Total Employed	268 d/	228	315
Male	109 e/	98	151
Female	160 e/	130	164
Unemployed	n.a	58	111
Unemployed (%)		(20.3)	(26.0)
Towns - 5000 inhabitants			
Total Employed	n.a	108	135
Male	n.a	49	67
Female	n.a	58	68
Unemployed	n.a	26	29
Unemployed (%)		(19.4)	(17.7)
Rural and Small Towns			
Total Employed	1938	1936	1902
Male	964 f/	1058	1039
Female	975 f/	886	864
Unemployed	n.a	198	135
Unemployed (%)		(9.3)	(6.6)
Inactive Population	114	850	1297

a/ Active and inactive population aged 10 and above.

b/ The 1950 census defined the active population as those aged 15 and above, compared to those aged 10 and above in the 1971 and 1982 censuses. The 1950 active population has been adjusted to the 1971 and 1982 definition by adding an estimate of the 10-14 year old active population derived as follows :

Active Population (15-19)

Active population (10-14) = ----- x Total population (10-14)

Total population (15-19)

c/ Disaggregation by sex calculated on basis of shares in urban population.

d/ Total urban population.

e/ Disaggregation by sex calculated on basis of shares in urban population.

f/ Disaggregation by sex calculated on basis of shares in rural population.

g/ The definition of the rural female active population differs in 1982 from 1971.

The growth rate of the rural female population between 1971 and 1982 was therefore applied to estimate the female active population in 1982.

h/ The unemployed rural female population was adjusted in line with the reestimated female active population in g/ above.

Sources: IHSI, Recensement general de la population et du logement, 1971 (1979).

----- Resultats anticipes du recensement general, 1982 (1984).

**Table 1.5: EMPLOYMENT a/ BY SECTOR, POPULATION 10 YEARS
AND OLDER, 1950, 1971, 1982
(Thousands)**

	1950	1971	1982
Agriculture	1,649	1,658	1,500
Industry	109	162	209
Services	179	388	578
Unclassified	278	67	66
TOTAL	2,213	2,275	2,353

a/ Employed active population aged 10 and above.

Sources: IHSI, Recensement general de la population, 1950.
----- La population active en 1982 (July 1984), Table 7.
Statistical Appendix Table 1.4.

Table 1 6: DISTRIBUTION OF SALARIED EMPLOYEES COVERED BY OFATMA a/

BY ECONOMIC ACTIVITY AND LOCATION, FY80-87

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
	----	----	----	----	----	----	----	----
1. Agriculture								
Port-au-Prince	744	908	800	855	932	723	757	1106
Other	348	736	466	775	522	741	783	678
Total Country	1092	1092	1266	1630	1454	1464	1540	1784
2. Mining								
Port-au-Prince	239	213	20	219	39	29	12	29
Other	---	---	201	---	---	---	---	---
Total Country	239	213	221	219	39	29	12	29
3. Manufacturing								
Port-au-Prince	22642	23994	24703	27721	25593	26205	28217	25832
Other	1959	1703	1888	2366	2102	2271	2270	2405
Total Country	24601	25697	26591	30087	27695	28476	30487	28237
4. Electricity, Gas, Water								
Port-au-Prince	878	858	855	858	867	854	931	912
Other	30	---	39	36	39	36	36	36
Total Country	908	858	894	894	906	890	967	948
5. Construction and Public Works								
Port-au-Prince	3748	3169	2506	2443	2760	2592	1897	2034
Other	795	212	109	87	146	208	25	32
Total Country	4543	3381	2615	2530	2906	2800	1922	2066
6. Commerce, Restaurants, Hotels								
Port-au-Prince	5922	6186	6474	6028	6284	6628	6431	6428
Other	1768	1740	1908	1604	1425	1296	1296	1330
Total Country	7690	7926	8382	7632	7709	7924	7727	7758
7. Transport, Warehouse and Communication								
Port-au-Prince	2807	3053	2737	2538	2625	2466	2411	1923
Other	61	53	44	48	45	44	43	46
Total Country	2868	3106	2781	2586	2670	2510	2454	1969
8. Banking, Insurance, Real Estate								
Port-au-Prince	949	968	844	1787	1434	991	1913	1406
Other	11	11	---	14	32	26	26	26
Total Country	960	979	844	1801	1466	1017	1939	1432
9. Services								
Port-au-Prince	3810	3900	4284	4135	3631	4593	3854	3891
Other	596	1120	1533	1720	1652	1462	1463	1466
Total Country	4406	5020	5817	5855	5283	6055	5317	5357
10. Unclassified Activities								
Port-au-Prince	469	102	544	407	463	1036	662	15
Other	---	---	---	---	---	---	---	---
Total Country	469	102	544	407	463	1036	662	15
TOTAL								
Port-au-Prince	42208	43351	43767	46991	44628	46117	47085	43576
Other	5568	5575	6188	6650	5963	6084	5942	6019
Total Country	47776	48926	49955	53641	50591	52201	53027	49595

a/ Office Accident Travail Maladie et Maternité.

Sources: OFATMA; BRH - Direction des Etudes Economiques.

Table 2.1: GROSS DOMESTIC PRODUCT BY EXPENDITURE AT CURRENT PRICES, FY80-87

(Million Gourdes)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
	----	----	----	----	----	----	----	----
Total Expenditures	7957.0	6468.0	8180.0	8996.0	9903.5	10868.5	11876.5	12095.6
Consumption	6719.0	7066.0	6950.0	7665.0	8462.5	9437.9	10651.2	10695.6
General Government	736.4	825.6	848.5	871.1	973.8	1197.2	1167.6	1096.5
Private	5982.6	6240.4	6101.5	6793.9	7488.7	8240.7	9483.6	9599.1
Gross Domestic Investment	1238.0	1402.0	1230.0	1331.0	1441.0	1430.6	1225.3	1400.0
Public	572.0	889.0	728.8	849.1	1014.0	823.5	643.5	756.1
Private	666.0	513.0	501.2	481.9	427.0	607.1	581.8	643.9
Resource Balance	-648.0	-1124.0	-755.0	-848.0	-821.5	-821.5	-658.5	-860.5
Exports, GNFS	1580.5	1243.0	1465.0	1427.5	1586.5	1520.0	1458.0	1388.0
Imports, GNFS	2228.5	2367.0	2220.0	2275.5	2408.0	2341.5	2116.5	2248.5
GDP at Market Prices	7309.0	7344.0	7425.0	8148.0	9082.0	10047.0	11218.0	11235.1
Net Factor Income from Abroad	-79.4	-73.7	-83.6	-122.5	-99.0	-73.0	-83.6	-82.2
GNP at Market Prices	7229.6	7270.3	7341.1	8025.5	8983.0	9974.0	11134.4	11152.9
Net Current Transfers	260.0	324.0	248.5	212.5	225.0	240.8	260.1	281.3
Gross Domestic Saving	590.0	278.0	475.0	483.0	619.5	609.1	566.8	539.5
Gross National Saving	770.6	528.3	639.6	573.0	745.5	776.9	743.3	738.6

Sources: INSI; BRH and Ministry of Economy and Finance.

Table 2.2: GROSS DOMESTIC PRODUCT BY EXPENDITURE AT CONSTANT PRICES, FY80-87

(Million Gourdes at FY76 Prices)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
	----	----	----	----	----	----	----	----
Total Expenditures	5752.3	5855.6	5348.7	5493.9	5437.9	5453.1	5488.1	5626.3
Consumption	4818.3	4811.6	4472.0	4569.6	4470.8	4617.8	4774.1	4879.8
General Government	552.4	562.0	533.6	508.2	526.1	596.5	537.8	500.0
Private	4265.9	4249.6	3938.4	4061.4	3944.7	4021.3	4236.3	4379.8
Gross Domestic Investment	934.0	1044.0	876.7	924.3	967.1	835.3	714.0	746.5
Public	434.3	668.4	559.9	570.1	640.4	467.1	378.1	400.5
Private	499.7	375.6	316.8	354.2	326.7	368.2	335.9	346.0
Resource Balance	-410.3	-659.6	-330.7	-437.9	-366.9	-372.1	-375.1	-486.3
Exports, GNFS	1133.0	862.6	1058.5	958.1	1017.0	956.0	868.4	807.4
Imports, GNFS	1543.3	1522.2	1389.2	1396.0	1383.9	1328.1	1243.5	1293.7
GDP at Market Prices	5342.0	5196.0	5018.2	5056.0	5071.0	5081.0	5113.0	5140.0
Net Factor Income from Abroad	-57.4	-51.0	-54.9	-74.8	-54.4	-36.6	-38.6	-38.2
GNP at Market Prices	5284.6	5145.0	4963.1	4981.2	5016.6	5044.4	5074.4	5101.8
Net Current Transfers	188.0	224.0	162.5	129.8	123.5	120.8	120.2	130.8
Terms of Trade Adjustment	-38.5	-63.2	-141.8	-82.3	-105.2	-93.9	-11.8	-8.8
Gross Domestic Income	5303.5	5132.8	4876.2	4973.7	4965.8	4987.1	5101.2	5131.2
Gross National Income	5246.1	5081.8	4821.4	4898.8	4911.4	4950.5	5062.6	5093.0
Gross Domestic Saving	485.2	321.2	404.2	404.1	495.0	369.3	327.1	251.4
Gross National Saving	615.8	494.2	511.9	459.0	564.2	453.5	408.7	344.0

Sources: IHSI; EXR; Ministry of Economy and Finance; and Bank staff estimates.

Table 2.3: GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN AT CONSTANT PRICES, FY80-87

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
	----	----	----	----	----	----	----	----
	(Million Gourdes at FY76 Prices)							
GDP at Factor Cost	5108	4961	4652	4656	4673	4620	4646	4707
Agriculture	1723	1699	1627	1566	1621	1629	1671	1666
Mining	67	57	70	5	5	6	5	5
Manufacturing	970	856	843	888	836	812	789	773
Construction	288	298	269	286	291	328	308	317
Utilities	36	38	41	42	45	44	47	46
Transport & Communications	99	103	97	106	92	86	88	90
Commerce	963	904	864	906	877	885	868	890
Financial Services	13	14	15	16	16	9	10	10
Restaurants & Hotels	35	32	32	31	28	29	23	23
Housing	250	254	259	264	269	274	280	288
Government	149	167	143	161	188	195	202	205
Other	515	539	392	385	465	323	355	394
Net Indirect Taxes	234	235	366	400	398	461	467	433
GDP at Market Prices	5342	5196	5018	5056	5071	5081	5113	5140
	(Annual Percentage Change)							
GDP at Factor Cost	6.8	-2.9	-6.2	0.1	0.4	-1.1	0.6	1.3
Agriculture	0.9	-1.4	-4.2	-3.7	3.5	0.5	2.6	-0.3
Mining	-4.3	-14.9	22.8	-92.9	0.0	20.0	-16.1	0.0
Manufacturing	14.0	-11.8	-1.5	5.3	-5.9	-2.9	-2.8	-2.0
Construction	2.9	3.5	-9.7	6.3	1.7	12.7	-6.1	2.9
Utilities	9.1	5.6	7.9	2.4	7.1	-2.2	6.8	-2.1
Transport & Communications	-18.9	4.0	-5.8	9.3	-13.2	-6.5	2.3	2.3
Commerce	10.8	-6.1	-4.4	4.9	-3.2	0.9	-1.9	2.5
Financial Services	-7.1	7.7	7.1	6.7	0.0	-43.8	11.1	0.0
Restaurants & Hotels	0.0	-8.6	0.0	-3.1	-9.7	3.6	-20.7	0.0
Housing	2.0	1.6	2.0	1.9	1.9	1.9	2.2	2.9
Government	3.5	12.1	-14.4	12.6	16.8	3.7	3.6	1.5
Other	24.4	4.7	-27.3	-1.8	5.2	-20.2	9.9	11.0
Net Indirect Taxes	18.8	0.4	55.7	9.3	-0.5	15.8	1.3	-7.3
GDP at Market Prices	7.2	-2.7	-3.4	0.8	0.3	0.2	0.6	0.5

Source: IHSI

Table 3.1: BALANCE OF PAYMENTS, FY80-87

(US\$ Million at Current Prices)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
	----	----	----	----	----	----	----	----
A. Exports of Goods & NFS	316.1	248.6	293.0	285.5	317.3	304.0	291.6	277.6
1. Merchandise (FOB)	226.2	158.2	195.3	195.1	229.5	217.2	216.2	197.5
2. Non-Factor Services	89.9	90.4	97.7	90.4	87.8	86.8	75.4	80.1
B. Imports of Goods & NFS	445.7	473.4	444.0	455.1	481.6	468.3	423.3	449.7
1. Merchandise (FOB)	284.1	316.0	269.8	281.7	298.4	283.0	253.1	267.1
2. Non-Factor Services	161.6	157.4	174.2	173.4	183.2	185.3	170.2	182.6
C. Resource Balance	-129.6	-224.8	-151.0	-169.6	-164.3	-164.3	-131.7	-172.1
D. Net Factor Income	-15.9	-14.7	-16.8	-24.5	-19.8	-14.6	-16.7	-16.4
1. Factor Receipts	3.1	4.1	3.6	4.7	4.5	4.7	4.6	5.2
2. Factor Payments	19.0	18.8	20.4	29.2	24.3	19.3	21.3	21.6
of which: Interest payments	7.2	9.4	13.4	16.4	18.3	13.1	15.1	14.7
E. Net Current Transfers	52.0	64.8	49.7	42.5	45.0	48.1	52.0	56.3
1. Current Receipts	106.4	126.6	97.0	89.8	90.0	95.4	105.4	113.2
2. Current Payments	54.4	61.8	47.3	47.3	45.0	47.2	53.4	56.9
F. Current Account Balance	-93.5	-174.7	-118.1	-151.6	-139.1	-130.8	-96.4	-132.3
G. Long-Term Capital Inflow	112.4	174.6	110.9	136.2	141.8	118.7	136.6	174.5
1. Direct Investment	13.0	8.3	7.1	8.4	4.5	4.9	4.8	5.0
2. Official Capital Grants	33.4	66.1	69.2	69.3	78.2	87.3	106.7	121.8
3. Net LT Loans	33.1	90.3	44.4	35.3	46.9	39.7	33.0	43.7
a. Disbursements	48.5	105.5	53.1	45.6	62.6	65.2	43.8	64.5
b. Repayments	15.4	15.2	8.7	10.3	15.7	25.5	10.8	20.8
4. Other LT Inflows (net)	32.9	10.0	-9.8	23.2	12.2	-13.2	-7.9	4.0
H. Total Other Items (net)	-31.1	-35.9	-14.2	-14.5	-29.4	7.4	-9.0	-14.8
1. Net Short Term Capital	2.8	1.7	-4.4	15.6	-1.2	-9.5	-0.2	-4.0
2. Capital Flows N.E.I.	0.6	0.4	-8.1	-5.6	-8.2	13.6	-7.1	-8.4
3. Net Change in Arrears	0.0	20.5	0.4	-12.2	-6.3	9.6	2.4	-2.9
4. Errors and Omissions	-34.5	-58.5	-2.1	-12.3	-13.7	-6.3	-4.1	0.5
I. Changes in Net Reserves	12.2	36.0	21.3	29.9	26.7	4.7	-31.2	-27.4
1. Net Credit from IMF	-2.9	13.8	28.9	25.8	21.8	-9.4	-17.6	-13.2
2. Other Reserve Changes	15.1	22.2	-7.6	4.1	4.9	14.1	-13.6	-14.2

(- indicates increase)

Memorandum Items:

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
International Reserves	20.8	4.9	15.5	13.0	17.2	6.9	8.1	16.0
Gold	12.0	7.7	7.1	7.3	6.2	5.9	7.6	8.3
Gross Reserves including Gold	32.8	12.6	22.6	20.3	23.4	12.8	15.7	24.3
Gross Reserves in Months of Imports	0.8	0.3	0.6	0.5	0.6	0.3	0.4	0.6

Sources: DRH; IMF; and Bank staff estimates.

Table 3.2: COMPOSITION OF MERCHANDISE EXPORTS, FY80-87

(US\$ Million)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
	----	----	----	----	----	----	----	----
Total Exports, f.o.b.	226.2	158.2	195.3	195.1	229.5	217.2	216.2	197.5
Agricultural exports	118.5	52.9	55.2	72.5	68.4	66.5	72.3	48.3
Coffee	90.9	33.1	35.9	52.5	45.8	48.6	57.5	34.4
Cocoa	4.5	3.4	2.2	4.7	4.5	6.9	5.0	5.4
Essential oils	5.4	4.9	5.7	7.7	5.6	4.3	4.3	4.6
Sugar	6.4	0.0	0.0	1.7	6.4	4.3	4.1	2.6
Sisal & sisal twine	9.5	7.3	9.7	5.3	5.7	2.4	1.4	1.3
Meat	1.8	4.2	1.7	0.6	0.4	0.0	0.0	0.0
Bauxite	19.6	16.6	21.3	0.0	0.0	0.0	0.0	0.0
Light manufactures	68.0	79.6	98.9	100.5	124.7	126.9	129.7	128.5
From domestic materials	31.2	26.4	30.0	24.2	27.6	29.4	27.9	26.6
From imported materials a/	36.8	53.2	68.9	76.3	97.1	97.5	101.8	101.9
Other exports b/	20.1	9.1	19.9	22.1	36.4	23.8	14.2	20.7

a/ Only domestic value added by the export assembly industry is included.

b/ Includes items such as soya cake, minor manufactured exports and, in FY80, cement worth US\$700,000.

Sources: BRH; Customs Administration; and IMF.

Table 3.3: VOLUME, UNIT PRICE AND VALUE OF PRINCIPAL COMMODITY EXPORTS, FY80-88

(Volume in thousands of metric tons; unit price in US dollars per metric ton;
value in millions of US dollars) a/

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88 b/
	----	----	----	----	----	----	----	----	----
COFFEE									
Volume	25.0	13.5	14.6	23.7	23.4	17.7	16.6	12.0	14.3
Unit price	3641.8	2451.9	2462.3	2217.1	1957.3	2752.3	3471.0	2866.7	2650.8
Value	90.9	33.1	35.9	52.5	45.8	48.6	57.5	34.4	38.0
COCOA									
Volume	2.3	2.6	1.5	3.7	3.6	3.6	2.8	2.9	1.7
Unit price	1956.5	1307.7	1466.7	1270.3	1250.0	1916.7	1785.7	1862.1	1442.6
Value	4.5	3.4	2.2	4.7	4.5	6.9	5.0	5.4	2.4
ESSENTIAL OILS									
Volume	0.2	0.2	0.2	0.4	0.2	0.2	0.2	0.2	0.5
Unit price	27000.0	24500.0	28500.0	19250.0	28000.0	21500.0	21500.0	23000.0	12235.0
Value	5.4	4.9	5.7	7.7	5.6	4.3	4.3	4.6	5.8
SUGAR									
Volume	19.2	0.0	0.0	7.1	15.2	10.9	11.0	6.5	0.0
Unit price	333.3			239.4	421.1	394.5	372.7	400.0	
Value	6.4	0.0	0.0	1.7	6.4	4.3	4.1	2.6	0.0
SISAL									
Volume	3.3	0.9	2.5	0.3	0.0	0.0	1.4	0.2	c/
Unit price	424.2	555.6	680.0	666.7			571.4	500.0	c/
Value	1.4	0.5	1.7	0.2	0.0	0.0	0.8	0.1	c/
SISAL TWINE									
Volume	10.6	8.8	10.0	7.8	7.5	4.3	0.9	1.9	6.7
Unit price	764.2	770.1	790.0	653.8	640.0	488.4	666.7	631.6	659.1
Value	8.1	6.8	7.9	5.1	4.8	2.1	0.6	1.2	4.4
HEAT									
Volume	0.8	1.5	0.7	0.2	0.2	0.0	0.0	0.0	0.0
Unit price	2250.0	2800.0	2428.6	3000.0	2000.0				
Value	1.8	4.2	1.7	0.6	0.4	0.0	0.0	0.0	0.0
BAUXITE									
Volume	579.0	480.0	622.0	0.0	0.0	0.0	0.0	0.0	0.9
Unit price	33.9	34.6	34.2						
Value	19.6	16.6	21.3	0.0	0.0	0.0	0.0	0.0	0.0

a/ Because of rounding, value figures may not equal the product of volume and unit price.

b/ Provisional.

c/ Included under sisal twine.

Sources: BRH; OPRODEX; Customs; and IMF.

Table 3.4: EXPORTS OF LIGHT MANUFACTURES TO THE UNITED STATES a/,f.o.b.,FY80-87
(In Thousands of US\$)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
PRODUCTS FROM DOMESTIC MATERIALS b/	24,320	23,711	26,969	21,749	24,812	26,415	25,444	23,935
Textile yarns, fabrics & manufactures	13,707	11,180	14,407	10,607	11,723	13,101	12,353	12,622
Cork & wood manufactures	806	842	812	725	1,349	1,417	1,665	1,924
Wood furniture & parts	1,918	2,362	1,317	952	1,102	1,070	1,026	881
Nonmetallic mineral manufactures	221	266	196	398	573	700	561	337
Manufactures of metals	682	290	439	508	301	314	392	492
Manufactured articles c/	6,095	6,104	4,858	3,990	4,203	3,831	5,109	3,938
Paper, paperboard & manufactures	145	1,199	3,699	3,044	3,355	3,455	1,004	1,222
Artworks		406	419	254	578	188	473	159
Other	746	1,062	822	1,271	1,628	2,339	2,861	2,360
PRODUCTS FROM IMPORTED MATERIALS d/	163,665	202,598	218,130	241,545	307,421	308,767	322,319	322,663
Leather, leather manufactures and dressed furskins		10,108	10,907	22,372	33,121	21,430	26,743	9,324
Textile fibres, lace, ribbons, etc.	266	507	774	185	949	760	805	1,707
Wear apparel, accessories, & fur articles	59,061	67,518	73,275	74,849	93,327	120,228	123,024	137,754
Luggage, handbags & similar articles	5,141	8,934	8,355	7,530	9,466	5,405	6,940	8,593
Footwear, excluding military or orthopedic	2,470	5,766	8,602	11,119	5,156	2,237	3,638	1,196
Musical instruments & records	166	206	2,340	572	795	78	501	191
Electrical machinery & equipment	34,626	62,178	64,104	72,084	92,748	95,613	95,077	84,938
Professional, scientific and control instruments	14,504	1,350	1,002	881	2,047	755	4,177	4,057
Baby carriages, toys, etc. & sports goods	42,142	44,775	47,587	44,031	60,480	52,424	48,370	51,918
Articles of rubber or plastic		216	277	4,614	3,418	1,844	1,703	2,002
Tools (hand or machine)		718	289	259	790	714	404	590
Other	5,288	322	618	3,049	5,124	7,279	11,837	20,393

a/ Exports to the U.S. represent about 90% of light manufactures produced with domestic materials and about 95% of those produced with imported materials.

b/ Values in this Table refer to exports to U.S. only; therefore, they are less than the comparable line in Table 3.2, which gives exports to all countries.

c/ Brooms, brushes, buttons, umbrellas, canes, etc.

d/ These are gross values, as opposed to net values shown in Table 3.2. The balance of payments data in Table 3.1 also include only net exports of manufactures assembled from imported materials.

Sources: U.S. Department of Commerce; and IMF.

Table 3.5: COMPOSITION OF IMPORTS, c.i.f., FY80-88

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88 a/
	----	----	----	----	----	----	----	----	----
	(In US\$ Million)								
Total Imports, f.o.b.	284.1	316.0	269.8	261.7	298.4	283.0	253.1	267.1	225.9
Freight & Insurance Payment	50.1	57.3	49.1	52.9	53.7	50.9	45.3	47.9	61.5
Total Imports, c.i.f.	334.2	373.3	318.9	334.6	352.1	333.9	298.4	315.0	287.4
Food products	62.1	81.9	72.8	79.1	79.8	85.9	69.3	71.3	58.8
Beverages and tobacco	7.4	7.3	5.0	8.9	9.1	8.7	7.9	6.6	3.6
Raw material	8.1	9.7	10.5	12.5	13.1	12.2	8.7	7.8	4.8
Fuel and lubricants	61.4	64.7	55.6	61.3	61.4	63.9	50.8	42.0	46.1
Fats and oils	24.4	27.5	15.5	29.8	33.7	31.3	33.9	36.4	26.1
Chemical products	29.9	35.1	35.9	39.8	43.1	42.2	36.0	38.2	27.6
Manufactured products	76.2	43.4	71.9	72.8	73.8	77.9	60.0	65.9	46.8
Machinery & transport equipment	87.3	105.4	89.0	74.0	80.6	82.5	63.0	70.3	50.1
Other manufactures	31.9	40.9	37.7	30.9	37.6	40.5	33.8	35.6	20.7
Other items	1.7	2.6	2.4	2.6	3.0	3.9	3.8	4.1	2.8
BOP adjustment b/	-56.2	-45.2	-77.4	-77.3	-83.4	-115.3	-68.8	-63.2	
	(In % of Total) c/								
Food products	15.9	19.6	18.4	19.2	18.3	19.1	18.9	18.9	20.5
Beverages and tobacco	1.9	1.7	1.3	2.2	2.1	1.9	2.2	1.7	1.3
Raw material	2.1	2.3	2.6	3.0	3.0	2.7	2.4	2.1	1.7
Fuel and lubricants	15.7	15.5	14.0	14.9	14.1	14.2	13.8	11.1	16.0
Fats and oils	6.2	6.6	3.9	7.2	7.7	7.0	9.2	9.6	9.1
Chemical products	7.7	8.4	9.1	9.7	9.9	9.4	9.8	10.1	9.6
Manufactured products	19.5	10.4	18.1	17.7	16.9	17.3	16.3	17.4	16.3
Machinery & transport equipment	22.4	25.2	22.5	18.0	18.5	18.4	17.2	18.6	17.4
Other manufactures	8.2	9.8	9.5	7.5	8.6	9.0	9.2	9.4	7.2
Other items	0.4	0.6	0.6	0.6	0.7	0.9	1.0	1.1	1.0

a/ Provisional.

b/ Adjustment for gross imports of light assembly industry products.

c/ Excludes balance of payments adjustment.

Sources: BRH; Customs Administration; and IMF.

Table 3.6: IMPORTS OF PETROLEUM DERIVATIVES, FY82-88

(Value in Mn gourdes; Volume in Thousands of 42-gallon barrels)

	<u>FY82</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88 a/</u>
Gasoline							
Value	105.7	61.6	70.8	69.9	52.8	51.1	50.4
Volume	449.0	330.7	387.3	381.8	380.4	421.1	430.0
Kerosene							
Value	46.4	36.4	38.5	56.7	41.3	34.4	34.2
Volume	195.6	199.4	223.7	320.2	295.2	358.1	297.6
Diesel fuel							
Value	148.8	126.1	129.5	122.1	90.7	84.1	91.8
Volume	681.0	732.1	728.2	703.5	687.5	793.9	841.9
Fuel oil							
Value	97.1	40.7	40.5	34.8	32.4	20.9	25.0
Volume	514.0	308.5	261.1	226.2	356.7	240.9	329.1
Lubricants							
Value	18.0	17.7	20.4	20.4	16.1	15.5	19.4
Volume	30.3	35.9	32.2	35.0	29.1	7.5	34.4
Bitumen							
Value	2.8	1.3	0.8	2.5	0.6	1.9	..
Volume	16.0	6.8	5.0	16.3	5.3		..
Total							
Value b/	418.8	283.8	300.5	306.4	233.9	207.9	220.7
Volume	1885.9	1613.4	1637.5	1683.0	1754.2	1821.5	1933.0

a/ Provisional.

b/ This total value refers to imports of petroleum derivatives only. Therefore, even converted to US dollars, it differs from the Fuel and lubricants line in Table 3.5 by the amount of non-petroleum fuels (coal) included in that table.

Source: BRH.

Table 3.7: SERVICES ACCOUNT IN BALANCE OF PAYMENTS, FY80-87

(In US\$ Million)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
	----	----	----	----	----	----	----	----
R E C E I P T S	93.0	94.5	101.3	95.1	92.3	91.5	80.0	85.3
Freight & merchandise insurance	3.0	4.0	3.1	3.4	3.7	3.8	3.4	3.6
Other transportation	2.6	2.8	3.7	3.8	4.0	4.3	3.9	4.0
Travel	76.5	74.9	81.2	72.7	68.04	68.0	56.1	60.0
Investment Income	3.1	4.1	3.6	4.7	4.5	4.7	4.6	5.2
Interest on public debt	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0
Other	3.1	4.1	3.6	4.7	4.5	4.7	4.6	5.2
Government, n.e.i.	5.5	6.0	6.5	7.2	7.9	6.0	7.7	8.2
Other services	2.3	2.7	3.2	3.3	4.2	4.7	4.2	4.3
Nonmerchandise insurance	0.8	0.9	1.1	1.1	1.4	1.5	1.4	1.4
Other	1.5	1.8	2.1	2.2	2.8	3.2	2.9	2.9
P A Y M E N T S	180.6	176.2	194.6	202.6	207.5	204.6	191.5	204.2
Freight & merchandise insurance	50.1	57.3	49.1	52.9	53.7	50.9	45.3	47.9
Other transportation	29.4	29.8	32.0	35.0	38.2	38.4	30.6	35.2
Travel	40.6	31.1	41.7	39.4	40.0	42.9	36.5	41.0
Investment Income	19.0	18.8	20.4	29.2	24.3	19.3	21.3	21.6
Interest on public debt	7.2	9.4	13.4	16.4	18.3	13.1	15.1	14.7
Other	11.8	9.4	7.0	12.8	6.0	6.2	6.2	6.9
Government, n.e.i.	32.8	29.5	40.5	34.3	34.7	35.1	39.6	38.9
Other services	8.7	9.7	10.9	11.8	16.6	18.0	18.2	19.5
Nonmerchandise insurance	1.5	1.7	1.9	2.0	2.3	2.5	2.5	2.6
Other	7.2	8.0	9.0	9.8	14.3	15.5	15.7	16.9

Memorandum Items:

Number of visitor arrivals	301,521	283,140	214,150	223,700	228,002	244,469	202,091	200,562
Tourists	138,874	134,129	119,430	127,156	136,429	149,340	117,454	130,047
Excursionists	162,647	149,011	94,720	96,544	91,573	95,129	84,637	70,515

Sources: BRH; Office National du Tourisme; IMF.

Table 3.8: DIRECTION OF TRADE, FY80-87
(Percentages)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
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Exports								
Industrialized Countries	95.3	94.6	94.5	95.0	94.6	94.7	94.4	94.2
United States	54.5	51.3	55.1	51.9	55.0	53.5	53.2	52.7
Canada	1.5	1.6	1.8	1.4	1.5	1.7	1.8	1.9
Japan	5.2	0.4	0.4	0.3	0.3	0.4	0.4	0.5
France	13.2	12.3	9.9	11.8	11.1	11.0	10.8	11.0
Germany	3.0	3.4	3.4	3.2	3.5	3.4	3.9	3.6
Netherlands	1.8	1.4	1.8	1.2	1.7	2.0	1.6	1.7
United Kingdom	0.5	1.0	0.8	0.7	0.9	0.5	0.8	0.9
Belgium	6.6	8.8	7.7	8.2	7.9	8.2	8.2	8.1
Italy	12.7	13.2	12.2	12.8	11.4	12.7	12.1	12.2
Other	1.3	1.2	1.4	3.5	1.3	1.3	1.6	1.6
Developing Countries	4.7	5.3	5.4	4.9	5.3	5.2	5.5	5.6
Caribbean	4.1	4.8	4.8	4.4	4.7	4.6	4.9	5.0
Latin America	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4
Africa	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Asia and Middle East	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other		0.1	0.1	0.1	0.1	0.1	0.1	0.2
T O T A L	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Imports								
Industrialized Countries	75.4	79.1	76.6	77.8	77.5	77.7	78.7	78.2
United States	51.7	50.3	47.9	50.4	50.9	48.4	48.6	45.6
Canada	5.0	6.2	5.3	5.3	5.3	6.1	5.8	6.0
Japan	5.5	6.1	7.3	5.9	5.7	6.5	6.6	6.9
France	3.5	3.9	3.5	3.7	3.3	3.6	4.2	4.9
Germany	2.3	2.5	2.7	2.6	2.6	3.0	3.3	3.4
Netherlands	1.7	3.4	2.3	2.3	2.7	2.8	2.8	3.1
United Kingdom	1.6	1.1	1.6	1.4	0.9	1.5	1.5	1.6
Belgium	0.7	0.6	0.8	0.9	0.8	0.8	1.1	1.3
Italy	0.7	0.7	0.7	0.9	0.8	0.7	0.9	1.0
Other	2.7	4.3	4.5	4.4	4.5	4.3	3.9	4.4
Developing Countries	24.5	20.7	23.2	22.1	22.4	22.1	21.1	21.6
Caribbean	16.3	14.8	16.3	15.1	16.1	15.0	13.5	13.6
Latin America	3.2	2.7	3.0	3.0	2.3	3.1	3.4	3.7
Africa	0.5	0.2	0.3	0.4	0.3	0.3	0.3	0.3
Asia and Middle East	4.5	3.0	3.6	3.6	3.7	3.7	3.9	4.0
Other	0.1	0.2	0.2	0.1	0.1	0.2	0.2	0.2
T O T A L	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Customs Administration; BRH.

Table 4.1: MEDIUM AND LONG-TERM EXTERNAL DEBT, FY82-87
BILATERAL CREDITORS
(US\$ Thousand)

DATE	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER	CHANGES
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT- MENTS	DISBURSE- MENTS	SERVICE PAYMENTS			CANCEL- LATIONS	ADJUST- MENT **
	(1)	(2)	(3)	(4)	PRINCIPAL	INTEREST	TOTAL	(8)	(9)
198209	117,222	122,861	14,403	24,673	2,498	2,356	4,854	-	-
198309	117,941	134,701	15,098	2,710	1,599	1,933	3,532	1,002	-657
198409	136,608	179,983	42,981	13,270	3,971	2,673	6,644	27	6,299
198509	147,849	188,049	22,505	30,613	5,825	3,303	9,128	13,153	4,539
198609	161,733	207,436	15,000	15,059	1,851	3,188	5,039	23	6,261
198709	186,480	236,433	25,472	28,910	4,488	3,591	8,079	3,222	11,235

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category to another in the table.

Source: Debt and International Finance Division, International Economics
 ----- Department, the World Bank.

Table 4.2: MEDIUM AND LONG-TERM EXTERNAL DEBT, FY82-87

MULTILATERAL CREDITORS
(US\$ Thousand)

DATE	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT- MENTS	DISBURSE- MENTS	SERVICE PAYMENTS			CANCEL- LATIONS	ADJUST- MENT **
	(1)	(2)	(3)	(4)	PRINCIPAL	INTEREST	TOTAL	(8)	(9)
198209	207,208	331,164	43,772	26,008	279	1,874	2,153	-	-
198309	244,551	408,092	80,032	39,057	744	1,878	2,622	-	-2,360
198409	283,978	418,942	20,360	44,842	2,131	2,641	4,772	46	-7,333
198509	319,009	451,215	32,045	34,630	4,120	2,976	7,096	4,975	9,223
198609	354,531	492,988	24,700	28,088	6,103	3,527	9,630	-	23,176
198709	419,429	652,826	156,252	65,065	7,539	4,462	12,001	-	11,125

** This column shows the amount of arithmetic rebalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category to another in the table.

Source: Debt and International Finance Division, International Economics
----- Department, the World Bank.

Table 4.3: MEDIUM AND LONG-TERM EXTERNAL DEBT, FY82-87

 SUPPLIERS' CREDITS
 (US\$ Thousand)

DATE	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER	CHANGES
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT- MENTS	DISBURSE- MENTS	SERVICE PAYMENTS			CANCEL- LATIONS	ADJUST- MENT **
	(1)	(2)	(3)	(4)	PRINCIPAL	INTEREST	TOTAL	(8)	(9)
198209	19,531	19,531	2,442	4,040	4,165	695	4,860	-	-
198309	16,948	16,948	-	-	2,583	1,307	3,890	-	-
198409	5,915	5,915	-	-	1,728	472	2,200	-	-9,305
198509	4,271	4,271	-	-	1,644	470	2,114	-	-
198609	2,711	2,711	-	-	1,560	470	2,030	-	-
198709	1,151	1,151	-	-	1,560	470	2,030	-	-

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category to another in the table.

Source: Debt and International Finance Division, International Economics
 ----- Department, the World Bank.

Table 4.4: MEDIUM AND LONG-TERM EXTERNAL DEBT, FY82-87
PRIVATE FINANCIAL INSTITUTIONS
(US\$ Thousand)

DATE	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT- MENTS	DISBURSE- MENTS	SERVICE PAYMENTS			CANCEL- LATIONS	ADJUST- MENT **
	(1)	(2)	(3)	(4)	PRINCIPAL (5)	INTEREST (6)	TOTAL (7)	(8)	(9)
198209	71,680	71,680	3,500	11,140	1,555	1,570	3,125	-	-
198309	68,461	68,461	-	-	2,929	1,146	4,075	-	-290
198409	64,609	64,609	-	-	3,524	536	4,060	-	-328
198509	62,876	62,876	-	-	2,019	373	2,392	-	286
198609	66,189	66,189	-	-	1,640	321	1,961	-	4,953
198709	66,427	66,427	-	-	-	-	-	-	238

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category to another in the table.

Source: Debt and International Finance Division, International Economics
Department, the World Bank.

Table 4.5: MEDIUM AND LONG-TERM EXTERNAL DEBT, FY82-87
TOTAL ALL CREDITORS
(US\$ Thousand)

DATE	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT- MENTS	DISBURSE- MENTS	SERVICE PAYMENTS			CANCEL- LATIONS	ADJUST- MENT **
	(1)	(2)	(3)	(4)	PRINCIPAL (5)	INTEREST (6)	TOTAL (7)	(8)	(9)
198209	415,641	545,236	64,117	65,861	8,497	6,495	14,992	-	-
198309	447,901	628,202	95,130	41,767	7,855	6,264	14,119	1,002	-3,307
198409	491,110	669,449	63,341	58,112	11,354	6,322	17,676	73	-10,667
198509	534,005	706,411	54,550	65,243	13,608	7,122	20,730	18,128	14,148
198609	585,164	769,324	39,700	43,147	11,154	7,506	18,660	23	34,390
198709	672,487	956,837	181,724	93,975	13,587	8,523	22,110	3,222	22,598

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category to another in the table.

Source: Debt and International Finance Division, International Economics
Department, the World Bank.

Table 4.6: GRANT DISBURSEMENTS BY DONORS, FY80-87

(US\$ Million in current prices)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
	----	----	----	----	----	----	----	----
Government Organizations	38.4	47.3	57.0	56.1	63.6	73.3	94.0	99.4
Bilateral Aid	23.9	20.4	42.5	43.5	50.1	62.7	83.5	86.2
Canada	5.8	9.4	9.3	6.0	7.6	3.2	3.1	5.0
France	4.6	4.9	2.0	3.7	3.3	2.5	5.0	9.0
Germany	4.1	2.5	11.6	8.1	8.1	5.0	3.9	2.0
Japan	0.0	0.0	1.0	2.0	3.0	3.0	4.0	9.1
United States	9.4	13.0	17.0	22.6	26.4	45.6	64.9	58.0
Other	0.0	0.5	1.6	1.1	1.7	3.4	2.6	3.1
Multilateral Aid	14.5	16.9	14.5	12.6	13.5	10.6	10.5	13.2
ZEC	0.2	0.2	1.5	1.8	2.9	3.5	3.2	3.8
IDB	1.6	2.7	2.7	1.2	1.2	0.6	0.6	0.6
UNDP/UNFPA	9.6	9.0	6.6	8.3	8.3	3.8	3.5	6.0
Other a/	4.1	5.0	3.7	1.3	1.1	2.7	3.2	2.8
Private Organizations	10.6	18.8	12.2	13.2	14.6	14.0	12.7	22.4
PL-480 II b/	7.7	15.9	9.2	8.1	8.2	7.6	7.0	14.9
Other c/	2.9	2.9	3.0	5.1	6.4	6.4	5.7	7.5
Gross Receipts from all Sources	49.0	66.1	69.2	69.3	78.2	87.3	106.7	121.8
less Public Transfer Payments	15.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
equals Net Grant Receipts d/	33.4	66.1	69.2	69.3	78.2	87.3	106.7	121.8

a/ Includes ICA, FAO, OAS, UNICEF, WFP, WHO.

b/ Estimates of U.S. PL-480 Title II assistance channelled through private organizations.

c/ Includes CARE, CRS, Christian Charities and, beginning FY83, Canadian grants through NGO's.

d/ This is the comparable Grant line appearing in the Balance of Payment Table 3.1.

Sources: Donor information; IMF; and World Bank.

Table 5.1: PUBLIC SECTOR BUDGETARY OPERATIONS, FY80-88
(In Million Gourdes)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88 a/
General Government									
Current Revenue	691.1	659.9	749.1	846.5	914.1	1124.2	1129.8	1020.5	1014.6
Current Expenditure	736.4	825.6	848.5	939.9	1114.7	1281.5	1271.4	1218.5	1189.1
Current Surplus	-45.3	-165.7	-99.4	-93.4	-200.6	-157.3	-141.6	-198.0	-174.5
Capital Expenditures	496.7	738.5	626.2	623.5	752.7	631.4	499.1	610.8	
Investment	496.7	738.5	626.2	613.5	720.7	631.4	499.1	610.8	
Financial capital	0.0	0.0	0.0	10.0	32.0	0.0	0.0	0.0	
Overall Balance	-542.0	-904.2	-725.6	-716.9	-953.3	-788.7	-640.7	-808.8	
Major Public Enterprises									
Current Revenue	398.3	505.2	528.0	658.9	839.3	876.7	905.7	855.6	
Current Expenditure	336.2	408.0	381.9	469.8	582.2	618.4	710.4	691.0	
Current Surplus, of which:	62.1	97.2	146.1	189.1	257.1	258.3	195.3	164.6	
transfers to Treasury b/	0.0	0.0	75.1	74.4	90.9	73.2	104.6	88.5	101.4
Capital Expenditures	101.1	144.4	102.6	225.6	262.2	192.2	144.4	145.7	
Overall Balance	-39.0	-47.2	43.5	-36.5	-5.1	66.1	50.9	18.9	
Consolidated Public Sector									
Current Revenue	1089.4	1165.1	1277.1	1505.4	1753.4	2000.9	2035.5	1876.1	
Current Expenditure	1072.6	1233.6	1230.4	1409.7	1696.9	1899.9	1981.8	1909.5	
Current Surplus	16.8	-68.5	46.7	95.7	56.5	101.0	53.7	-33.4	
Capital Expenditures	597.8	882.9	728.8	849.1	1014.9	823.6	643.5	756.5	
Overall Balance	-581.0	-951.4	-682.1	-753.4	-958.4	-722.6	-589.8	-789.9	
Financed by:-									
External Financing	367.5	705.5	441.0	656.7	623.8	506.2	626.5	738.4	
Grants-in-aid	192.0	236.5	285.0	280.5	310.0	359.5	470.0	497.0	
Concessional loans (net)	158.5	217.0	195.5	319.4	339.1	224.8	166.4	286.6	
Commercial loans (net)	17.0	252.0	-39.5	56.8	-25.3	-78.1	-9.9	-45.2	
Medium term	3.0	243.5	-17.5	-21.2	-19.3	-30.5	-9.0	-25.8	
Short term	14.0	8.5	-22.0	78.0	-6.2	-47.6	-0.9	-19.4	
Domestic Financing	213.2	246.2	240.9	96.7	334.6	216.3	-36.7	51.5	102.6
Monetary authorities	213.2	261.4	241.3	74.6	312.1	216.8	3.2	70.1	99.9
Private banks	0.0	-15.2	-0.4	22.1	22.5	-0.5	-39.9	-18.6	2.7

a/ Provisional.

b/ Not included among General Government current revenues in this table.

Sources: Ministry of Economy and Finance; BRH; and INF.

Table 5.2: COMPOSITION OF TREASURY REVENUES, FY80-88
(In Million Gourdes)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	Prov FY88
TOTAL CURRENT REVENUE a/	691.1	659.9	749.1	846.5	914.1	1124.2	1129.8	1020.5	1014.6
Taxes on International Trade	403.7	285.0	289.8	295.3	292.5	305.2	311.1	217.3	180.6
Export taxes	164.3	48.3	83.3	73.4	63.2	61.0	55.1	18.3	0.0
Coffee	116.3	42.5	45.6	69.2	58.3	57.4	52.3	17.2	0.0
Bauxite	43.1	3.2	33.8	0.0	0.0	0.0	0.0	0.0	0.0
Other exports	4.9	2.6	3.9	4.2	4.9	3.6	2.8	1.1	0.0
Import duties	239.4	236.7	206.5	221.9	229.3	244.2	256.0	199.0	180.6
Regular duties	185.6	204.4	193.1	214.6	223.0	232.5	231.0	179.3	
Petroleum derivatives	24.1	35.4	42.1	39.6	39.0	33.1	34.9	30.0	
Other	161.5	169.0	151.0	175.0	184.0	199.4	196.1	149.3	
Fiscalized charges and fees	53.8	32.3	13.4	7.3	6.3	11.7	25.0	19.7	
Internal Revenue	287.4	371.1	447.2	551.2	621.6	819.0	918.7	803.2	834.0
General sales tax	0.0	0.0	0.0	87.2	108.0	185.5	177.1	176.0	193.6
Taxes on income and profits	88.0	115.8	123.3	128.4	141.3	154.4	154.2	139.1	140.5
Corporate b/	71.7	91.1	94.2	98.3	101.8	111.2	107.4	85.3	63.5
Individual	16.3	24.7	29.1	30.1	39.5	43.2	46.8	53.8	77.0
Taxes on property	10.4	12.2	12.4	12.4	14.7	16.4	25.8	20.7	
Real estate	2.9	3.0	3.2	3.3	3.5	2.9	13.0	9.0	
Mortgage registration	7.5	9.2	9.2	9.1	11.2	13.5	12.8	11.7	
Taxes on goods & services	95.7	143.7	183.7	195.8	215.9	282.0	327.2	328.8	
Excises	69.6	115.1	151.1	167.6	184.9	249.3	293.1	280.5	274.9
Flour	11.5	22.1	24.5	0.0	0.0	3.5	2.5	1.2	0.4
Sugar	9.3	23.4	26.5	30.1	28.7	32.6	34.3	23.0	3.7
Cooking oil	2.7	2.8	4.3	0.7	0.0	0.0	0.0	0.0	
Petroleum products	15.7	16.4	14.3	69.2	88.2	135.5	168.9	166.9	153.0
Cigarettes	16.6	31.7	42.0	53.8	59.8	64.1	70.0	75.8	76.0
Other excise	13.8	18.7	19.5	13.8	8.2	14.2	17.4	13.6	
Motor vehicles c/	7.1	8.9	10.1	12.1	13.3	14.4	11.4	12.3	
Consular services d/	19.0	19.7	22.5	16.1	17.7	18.3	22.7	36.0	
Other taxes	32.4	33.1	35.4	36.4	37.8	44.5	25.4	23.8	
Identity card	6.7	6.9	7.4	7.3	8.8	8.1	7.6	8.0	
Stamp duties	20.0	20.0	21.3	22.2	23.2	30.3	15.8	14.2	
Solidarity tax	5.7	6.2	6.7	6.9	5.8	6.1	2.0	1.6	
Other revenue, of which:	60.9	66.3	92.4	91.0	103.9	136.2	109.0	114.8	
municipal taxes	11.3	14.0	19.3	24.3	29.5	34.0	28.7	26.0	
Other Income	0.0	3.8	12.1	0.0	0.0	0.0	0.0	0.0	

a/ Excludes pension fund revenues and interaccount transfers between Internal Revenue Administration and the Treasury.

b/ Includes tax on profits transferred abroad by foreign-owned companies.

c/ Includes motor vehicle inspection and registration fees.

d/ Includes consular and passport fees.

Source: Ministry of Economy and Finance.

Table 5.3: ECONOMIC CLASSIFICATION OF GOVERNMENT CURRENT EXPENDITURES, FY80-88

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	Prov FY88
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(Million Gourdes)									
Wages and salaries	330.1	351.7	400.0	407.1	491.5	534.0	561.0	698.6	743.6
Goods and services	261.7	307.5	365.4	363.4	364.7	424.2	463.7	314.8	
Interest payments	27.3	38.6	51.5	72.0	122.6	121.7	129.0	119.8	
Transfers and subsidies	64.1	66.2	51.7	36.3	52.6	31.9	21.0	31.3	
Extrabudgetary a/	53.2	61.6	-20.1	61.1	83.3	169.7	96.7	54.0	38.0
Total current expenditure	736.4	825.6	848.5	939.9	1114.7	1281.5	1271.4	1218.5	1189.1
(Percent of Total)									
Wages and salaries	44.8	42.6	47.1	43.3	44.1	41.7	44.1	57.3	62.5
Goods and services	35.5	37.2	43.1	38.7	32.7	33.1	36.5	25.8	
Interest payments	3.7	4.7	6.1	7.7	11.0	9.5	10.1	9.8	
Transfers and subsidies	8.7	8.0	6.1	3.9	4.7	2.5	1.7	2.6	
Extrabudgetary a/	7.2	7.5	-2.4	6.5	7.5	13.2	7.6	4.4	3.2
Total current expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a/ Difference between total Treasury receipts plus financing and the total of budgetary current outlays and capital outlays of the Treasury.

Sources: Ministry of Economy and Finance; and IMF.

Table 5.4: FUNCTIONAL CLASSIFICATION OF GOVERNMENT
CURRENT EXPENDITURES a/, FY82-87
(In Million Gourdes)

	FY82	FY83	FY84	FY85	FY86	FY87
Presidency of the Republic	9.5	9.8	16.4	17.6	4.8	
Legislative House	4.7	4.7	4.9	5.7	3.0	4.4
Justice	10.2	10.1	12.1	18.6	21.9	27.1
Information & Public Relations	37.4	30.1	31.9	32.8	32.7	26.4
Foreign Affairs	17.4	16.2	37.1	38.5	17.9	43.6
Religion (cults)	3.3	3.2	3.4	4.0	3.6	4.8
Interior and Defence	26.0	24.2	40.2	42.9	29.6	36.3
Armed Forces	75.6	78.9	88.9	96.2	118.2	142.0
Sub-total of above	184.2	177.2	234.9	256.3	231.7	284.6
Economy and Finance	83.3	85.1	97.7	84.1	85.2	104.6
Cour des Comptes					4.7	5.0
Planning	12.7	11.5	19.7	22.7	21.1	14.9
Sub-total of above	96.0	96.6	117.4	106.8	111.0	124.5
Agriculture	29.0	27.8	31.4	32.5	37.9	46.0
Mines and Natural Resources	7.2	6.5	6.8	6.9	6.4	
Commerce and Industry	13.2	12.8	13.8	13.9	15.8	23.9
Public Works	36.4	31.7	68.5	70.1	74.9	74.5
Sub-total of above	85.7	78.8	120.5	123.4	135.0	144.4
National Education	85.9	87.3	93.4	99.0	104.3	161.3
University					6.7	10.4
Public Health	93.2	81.5	90.0	89.5	97.8	142.1
Social Affairs	15.3	13.3	16.5	16.9	16.0	25.6
Youth and Sports	6.2	5.8	6.1	6.2	6.6	5.2
Sub-total of above	200.6	187.9	206.0	211.6	231.4	344.6
Other b/	250.6	266.4	230.1	292.3	336.6	146.5
T O T A L a/	817.1	806.8	908.8	990.1	1045.7	1044.7

a/ Excludes interest payments and extrabudgetary lines of Table 5.3.

b/ Amortization fund.

Note:- Due to rounding, sub-totals may not add to total exactly.

Source: Ministry of Economy and Finance.

Table 6.1: CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, FY80-88

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88
	----	----	----	----	----	----	----	----	----
	----- (Million Gourdes at end of FY) -----								
Money Supply	675.2	817.7	937.3	966.0	1117.1	1204.2	1381.2	1584.7	1812.9
Money + Quasimoney	1601.0	1803.3	2001.6	2118.5	2357.8	2547.5	2835.3	3133.6	3406.7
Total Net Domestic Credit	2042.5	2809.3	2219.3	2600.2	3004.2	3314.9	3285.9	3384.3	3593.6
To Government	753.6	1619.6	986.6	1542.3	1848.6	2069.7	2088.3	2156.6	2306.8
To Official Entities	278.5	85.8	144.4	44.7	85.3	80.5	25.2	42.7	-4.9
To Private Sector	1010.4	1103.9	1088.3	1013.2	1070.3	1164.7	1172.4	1185.0	1291.7
Net Foreign Assets	147.3	-121.3	-176.8	-230.2	-269.7	-432.2	-300.2	-126.7	-48.6
Net Other Assets and Liabilities	-588.8	-884.7	-40.9	-251.5	-376.7	-335.2	-150.4	-124.0	-138.3
----- OFFSETS TO EXPANSION OF MONEY + QUASIMONEY -----									
	----- (Percentages) -----								
Net Foreign Assets	-18.9	-132.8	-28.0	-45.7	-16.5	-85.7	45.9	58.2	28.6
Credit to Government	96.7	428.1	-319.2	475.4	128.0	116.6	6.5	22.9	55.0
Credit to Official Entities	3.0	-95.3	29.6	-85.3	17.0	-2.5	-19.2	5.9	-17.4
Credit to Private Sector	35.0	46.2	-7.9	-64.2	23.9	49.3	2.7	4.2	39.1
Net Other Assets and liabilities	-15.8	-146.3	425.5	-180.2	-52.3	21.9	64.2	8.9	-5.2
Increase in Money + Quasimoney	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: BRH; and IMF.

Table 6.2: STRUCTURE OF INTEREST RATES

(Percent per Annum)

From	to	Savings Deposits		Time Deposits of less than 1 year		Time Deposits, 1 year & Over				Loans	
		Min.	Max.	Min.	Max.	Below US\$100,000		US\$100,000 and above		Min.	Max.
		-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Nov 15, 1979	Apr 14, 1980	6	6	10	12	10	14	10	14	12	17
Apr 15, 1980	May 14, 1980	6	6	12	14	14	16	14	16	14	18
May 15, 1980	Aug 24, 1980	6	6	10	12	11	14	12	18	14	18
Aug 25, 1980	Dec 11, 1980	6	6	9	12	10	13	11	16	14	18
Dec 12, 1980	Jan 16, 1983	6	6	11	14	12	15	13	18	14 1/2	19
Jan 17, 1983	July 6, 1986	7	7	10	13	11	14	12	17	14 1/2	19
July 7, 1986	June 7, 1987	5	8	8	13	10	17	10	17	10	20
June 8, 1987	Present	4 1/2	7	6 1/2	10	7	11	7	11	8	18

Source: BRH.

Table 6.3: COMMERCIAL BANKS' RESERVE REQUIREMENTS BY CATEGORY OF DEPOSITS

(In percent)

From	To	Demand Deposits	Saving Deposits	Term Deposits	
				Less than One year	One year and Over
Until Nov. 15, 1979		30	30	30	30
Nov. 15, 1979	Apr. 14, 1980	32	32	30	20
Apr. 15, 1980	Nov. 9, 1980	34	34	20	10
Nov. 10, 1980	Jan. 16, 1983	36	36	20	10
Jan. 17, 1983	Mar. 9, 1983	36	32	20	8
Mar. 10, 1983	July 6, 1986	40	32	20	8
July 7, 1986	June 7, 1987	46	38	24	10
June 8, 1987	Present	49	38	12	6

Source: BRH

Table 6.4: RESERVE POSITION OF THE PRIVATE BANKS, FY80-88

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88
(In Million Gourdes)									
Deposit liabilities a/	979.8	1081.4	1148.8	1221.7	1346.4	1497.0	1636.4	1696.0	1816.0
Actual reserves	335.2	383.3	453.1	397.6	488.9	626.5	700.6	808.9	804.8
Required reserves	254.8	296.6	318.4	330.6	389.5	455.3	603.2	664.0	722.7
Excess/deficiency (-)	80.4	86.7	134.7	67.0	99.4	171.2	97.4	144.9	82.1
(In Percent of Deposit Liabilities)									
Actual reserves	34.2	35.4	39.4	32.5	36.3	41.9	42.8	47.7	44.3
Required reserves	26.0	27.4	27.7	27.1	28.9	30.4	36.9	39.2	39.8
Excess/deficiency (-)	8.2	8.0	11.7	5.5	7.4	11.4	6.0	8.5	4.5

a/ In FY80-86, defined as private bank liabilities to the private sector less private capital and surplus items in the accounts of the banking system. In FY87-88, includes only the deposit liabilities subject to reserve requirements.

Source: BRH.

Table 7.1: PRODUCTION OF MAJOR AGRICULTURAL COMMODITIES, FY80-87

(Metric Tons)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87 a/
Food commodities								
Rice	124,050	119,710	115,800	113,400	121,900	124,195	129,195	135,112
Corn	186,230	179,170	175,700	170,900	186,000	186,450	196,295	205,691
Millet	125,170	120,790	117,750	106,600	118,240	121,413	119,165	124,083
Beans	52,630	50,790	50,300	46,700	47,200	47,550	48,195	48,703
Bananas	519,690	501,500	504,140	509,600	500,400	510,400	525,400	530,882
Meat	69,410	61,130	70,880	92,300	41,000	68,781	73,781	92,096
Eggs	17,550	17,830	17,690	18,570	18,920	..	..	..
Export commodities								
Coffee	42,900	33,250	32,250	36,000	36,600	36,900	37,752	30,088
Sugar cane	5,640,830	5,443,400	5,440,000	5,674,360	5,700,000	5,727,487	5,772,487	4,542,947
Cotton	5,900	5,690	5,400	6,000	6,049	..	..	..
Cocoa	3,420	2,220	4,490	4,600	4,710	5,055	5,586	5,189

a/ Estimated by BRH, Direction des Etudes Economiques.

Source: Service des Statistiques - Unite de Programmation, MARNDP.

Table 7.2: FOREST COVER BY MAJOR WATERSHEDS AND ESTIMATED YEAR WHEN

DENSE AND OPEN FOREST IS TOTALLY REMOVED BY
RIVER BASIN

River Basin	Total Tree Area a/ (sq km)	Basin Area (sq km)	Tree Cover b/ (%)	Year Forest Removed c/
Port de Paix/Port Margot	123.8	545	22.7	1995
Limbe	16.8	312	5.4	1986
Zone Cap-Haitien	21.1			
Grande Riviere du Nord	10.0	699	1.4	1981 (Gone) d/
Estere	25.8	834	3.1	1982 (Gone) d/
Upper Artibonite	220.1	4300	5.1	1987
Lower Artibonite	431.3	2562	16.8	2002
Cul de Sac	12.8	1250	1.0	1982 (Gone) d/
Fond Verrettes	69.5	190	36.6	2042
Leogane	1.8	650	0.3	1981 (Gone) d/
Sud-Est	360.7			
Jacmel	9.5	1220	0.8	1981 (Gone) d/
Cavaillon	51.0	380	13.4	1996
Les Cayes	163.3	720	22.7	2008
Tiburon/Port Salut	52.3	540	9.7	1992
Irois/Jeremie	41.8	365	11.5	1995
Grande Anse	117.3	556	21.1	2007
Voldroque/Roseaux	116.8			
Corail/Anse a Veau	1.0	880	0.1	1980 (Gone) d/
T O T A L	1846.7	16003	11.5 e/	

a/ Tree area which existed when areal photos were taken in 1978.

b/ Tree area as a proportion of basin area.

c/ Estimates of year tree cover will disappear based on average rate of decrease of 0.67% per year from 1978 vegetation cover.

d/ "Gone" means there are no stands of dense or open forest according to the criteria (of the Direction d'Amenagement du Territoire et Protection de l'Environnement set in 1983) that could be detected at a scale of 1:250,000.

e/ The Country Environmental Profile gives this proportion as 6.7%.

Source: Country Environmental Profile (Haiti), 1985, Tables III-7/8.

Table 8.1: VOLUME OF INDUSTRIAL PRODUCTION, FY80-87

Product	Unit	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
Matches	Cartons	38807.0	37056.0	39442.0	37533.0	45599.0	36858.0	43655.0	45650.0
Beer	Thousand bottles	5308.0	5629.2	5605.6	6066.1	4354.2	3679.3	3565.0	4142.5
Soft Drinks	Million bottles	73.8	63.8	62.4	72.9	72.4	60.8	65.2	..
Sugar	Thousand MT	53.9	51.6	50.4	48.9	43.0	57.4	41.3	32.5 b/
Molasses	Million gallons	6.7	3.5	2.7	1.9	1.9	1.4	..	..
Bauxite	Thousand MT	414.4	480.4	622.4	0.0	0.0	0.0	0.0	0.0
Cement	Thousand MT	243.2	240.7	206.0	224.5	230.2	262.7	221.4	253.0
Clinker	Thousand MT	..	147.3	177.3	200.0	186.0	163.9	137.2	115.1
Shoes	Thousand pairs	795.3	528.4	588.3	519.2	528.2	..	..	..
Cigarettes	Million sticks	1063.8	852.2	964.6	932.2	938.0	846.2	846.2	887.9
Detergents	Thousand kilos	578.6	513.3	586.4	572.5	544.0	1302.0	1373.3	1916.1
Flour	Thousand MT	84.8	120.8	88.4	118.4	113.7	111.9	127.6	91.8
Toilet soap	Thousand tons	0.2	0.3	0.4	0.4	0.4	1.0	1.1	0.7 c/
Washing soap	Thousand tons	13.1	11.7	12.7	12.4	11.8	28.2	29.8	39.6 c/
Edible Oil	Thousand tons	18.9	24.5	17.1	16.7	15.9	38.0	40.1	24.2 c/
Lard	Thousand tons	3.3	3.1	2.8	2.7	2.6	6.1	6.5	7.3 c/
Essential Oils	Thousand kilos	241.5	208.4	233.5	351.4	211.0	153.5	153.3	166.8
Electricity	GWh a/	355.7	354.7	377.8	393.1	408.3	425.4	440.1	481.8 b/
Synthetic Fiber									
Textiles	Million yards	..	1.0	1.1	1.2	1.1	1.1	0.6	0.7
Cotton Textiles	Million yards	800.0	700.0	572.6	732.0	535.3	512.1	452.3	113.2

a/ 1 GWh = 1 million kWh.

b/ Provisional.

c/ Estimate.

Source: BRH - Direction des Etudes Economiques.

Table 8.2: ELECTRICITY CONSUMPTION, FY80-87

Consumption Category	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
	(Consumption in GWh) a/							
Residential	80.7	89.9	99.2	110.0	109.4	113.9	123.1	135.6
Commercial and Industrial	116.9	122.4	126.7	118.6	130.6	141.6	131.4	129.3
Street Lighting	8.6	8.2	9.0	10.2	8.4	8.1	8.2	9.9
Public Service and Community	10.4	11.8	13.1	16.4	25.2	27.1	28.2	28.8
Sub-Total	216.6	232.2	247.9	255.2	273.7	290.7	290.9	303.6
Private Generation								
Hasco b/	17.8	7.3	6.4	8.6	9.2	6.1	8.9	6.3
Ciment d'Haiti c/	21.5	22.4	19.6	22.1	22.2	22.6	19.8	18.0
TOTAL	255.9	262.0	273.9	286.0	305.0	319.3	319.6	327.9
	(Annual Percentage Change)							
Residential	16.1	11.4	10.3	10.9	-0.5	4.1	8.0	10.2
Commercial and Industrial	8.1	4.7	3.5	-6.3	10.0	8.5	-7.2	-1.6
Street Lighting	4.4	-5.6	10.1	13.2	-17.0	-4.6	2.1	20.4
Public Service and Community	11.9	12.7	11.2	25.4	53.9	7.4	4.0	2.2
Sub-Total	11.0	7.2	6.8	2.9	7.2	6.2	0.1	4.4
Private Generation								
Hasco b/	-33.3	-58.8	-13.3	35.6	6.2	-33.5	45.8	-28.7
Ciment d'Haiti c/	13.5	4.4	-12.7	13.0	0.2	1.8	-12.1	-9.4
TOTAL	6.2	2.4	4.5	4.4	6.6	4.7	0.1	2.6

a/ 1GWh = 1 million kWh.

b/ Haitian American Sugar Company, a private sugar mill.

c/ Cement factory.

Sources: Electricite d'Haiti; BRH, Direction des Etudes Economiques.

Table 9.1: CONSUMER PRICE INDICES a/ , FY80-87

(FY80 = 100)

Fiscal Year and Quarter b/	General Index (100.0)	Food (64.5)	Clothing and Footwear (3.2)	Furniture and Household Items (5.7)	Housing and Household Energy (11.7)	Services c/ (14.9)
FY81	115.2	114.3	125.7	118.5	127.2	107.7
I	110.7	112.8	122.2	107.1	112.6	100.6
II	113.4	115.4	126.3	119.3	111.3	105.9
III	116.5	113.3	128.4	124.3	133.9	111.1
IV	120.3	115.6	125.8	123.6	151.1	113.2
FY82	117.3	114.5	127.9	123.1	136.6	111.6
I	113.5	115.5	126.3	119.5	115.0	106.2
II	116.6	113.3	128.5	124.3	135.7	111.1
III	120.3	115.6	126.0	123.6	151.4	113.3
IV	118.8	113.7	130.9	125.1	144.1	115.7
FY83	127.6	122.7	142.0	130.9	162.9	117.3
I	120.4	114.1	134.4	129.2	154.3	115.3
II	125.7	120.1	142.4	129.7	163.0	116.7
III	132.6	129.6	144.5	131.9	165.3	118.5
IV	131.6	127.2	146.8	132.7	169.2	118.7
FY84	137.8	133.1	154.7	131.2	177.9	126.8
I	134.9	130.4	148.8	130.1	172.8	124.7
II	136.5	132.0	151.4	130.8	175.8	125.2
III	139.3	135.2	161.8	131.1	179.7	128.0
IV	140.3	134.9	156.9	132.9	183.3	129.2
FY85	149.4	143.6	172.2	137.1	199.9	135.5
I	141.8	135.6	159.9	133.5	191.8	129.0
II	146.6	140.2	172.1	136.9	200.1	131.6
III	151.5	145.4	173.5	138.3	203.6	139.0
IV	157.5	153.2	183.4	139.5	204.2	142.3
FY86	162.1	160.3	200.0	139.8	190.1	149.4
I	162.2	162.3	194.2	141.2	186.7	144.9
II	164.1	163.1	201.1	140.8	194.7	146.9
III	161.3	158.2	202.7	140.5	189.5	152.4
IV	160.7	157.5	202.0	136.5	189.4	153.5
FY87	144.1	130.2	186.0	139.8	195.2	157.6
I	152.1	142.1	194.8	144.8	195.0	156.4
II	143.6	129.8	181.3	139.3	196.2	156.4
III	141.0	125.9	180.5	139.5	194.7	157.5
IV	139.6	123.0	187.2	135.7	194.7	160.1

a/ Port-au-Prince Metropolitan Area. Numbers in parentheses under the categories are weights in overall Index.

b/ Haitian fiscal year quarters.

c/ Excludes Housing.

Sources: IHSI and BRH.

Table 9.2: AVERAGE RETAIL PRICES OF PRINCIPAL FOOD PRODUCTS
AND CHARCOAL, FY83-88

Fiscal Year and Quarter a/	Rice	Ground Maize	Ground Millet	Beans	Beef	Goat Meat	Fish	Chicken	Eggs	Charcoal
				(Gourdes per lb)					(G/3 eggs)	(G/bag)
FY83	2.40	1.10	1.10	1.70	8.10	..	8.00	..	1.50	22.95
FY84	2.40	1.30	1.20	2.05	8.20	..	8.00	..	1.75	25.40
FY85	2.60	1.30	1.35	2.55	9.35	..	8.00	6.65	1.80	27.55
I	2.40	1.25	1.20	2.10	8.50	..	..	6.10	1.80	27.15
II	2.50	1.25	1.20	2.15	8.85	9.95	..	6.70	1.80	27.50
III	2.75	1.25	1.30	2.80	9.80	10.50	..	6.70	1.85	28.05
IV	2.80	1.40	1.70	2.90	10.10	10.50	..	7.05	1.70	27.50
FY86	2.80	1.50	1.60	3.05	10.25	10.50	8.05	7.70	1.95	32.30
I	2.80	1.50	2.00	3.10	10.10	10.50	..	7.50	1.90	31.40
II	2.80	1.50	1.60	3.15	10.30	10.50	..	7.90	1.90	34.70
III	2.80	1.50	1.45	2.90	10.40	10.50	..	7.80	2.00	31.50
IV	2.80	1.40	1.40	3.00	10.20	10.50	..	7.60	2.00	31.50
FY87	1.80	1.20	1.15	2.20	10.20	10.00	8.20	7.70	2.00	33.50
I	2.05	1.10	1.20	2.60	10.15	10.10	..	7.70	2.00	34.00
II	1.70	1.20	1.10	2.60	10.25	10.00	..	7.60	2.00	34.45
III	1.80	1.25	1.15	2.25	10.25	10.00	..	7.70	2.00	32.90
IV	1.80	1.15	1.15	2.00	10.25	10.00	..	7.80	2.00	33.40
FY88	2.25	1.19	1.11	2.28	10.30	10.00	..	7.49	1.90	29.98
I	1.80	1.05	1.05	2.15	10.30	10.00	..	7.70	1.90	29.60
II	2.05	1.25	1.10	2.40	10.30	10.00	..	7.50	1.90	30.30
III	2.25	1.25	1.15	2.25	10.30	10.00	8.50	7.15	1.90	30.00
IV	2.90	1.20	1.15	2.30	10.30	10.00	8.50	7.60	1.90	30.00

a/ Haitian fiscal year quarters.

Sources: INSI, BRH.

Table 9.3: MINIMUM WAGE RATES, FY80-87

Fiscal Year	Nominal Wage Rate (G/day)	Real a/ Wage Rate (FY80 G/day)	Real Wage Index (FY80=100)
FY80	11.0	11.0	100.0
FY81	13.2	11.5	104.2
FY82	13.2	11.3	102.3
FY83	13.2	10.3	94.1
FY84	13.2	9.6	87.1
FY85	15.0	10.0	91.3
FY86	15.0	9.3	84.1
FY87	15.0	10.4	94.6

a/ Nominal wage rate deflated by consumer price index for the Port-au-Prince Metropolitan Area.

Sources: Ministry of Social Affairs; IHSI; and Bank staff calculations.

Table 10.1: NUMBER OF PUPILS IN PRIMARY AND SECONDARY SCHOOLS, FY80-87

PRIMARY SCHOOLS									
	T O T A L			U R B A N			R U R A L		
	Total	Public	Private	Total	Public	Private	Total	Public	Private
FY80	580,127	277,458	302,669	275,684	131,098	144,586	304,443	146,360	158,083
FY81	642,391	277,268	365,123	294,023	131,457	162,866	348,368	146,111	202,257
FY82	658,102	282,366	375,736	305,630	134,909	170,721	352,472	147,457	205,015
FY83	723,041	293,328	429,328	389,699	163,816	225,883	333,342	129,512	203,830
FY84	783,000	325,600	457,400	423,300	182,000	241,300	359,700	142,600	216,100
FY85	819,600	337,800	481,800	442,600*	184,800*	257,800*	377,000*	153,000*	224,000*
FY86	872,500	363,400	510,100	471,200*	195,800*	275,400*	401,300*	166,600*	234,700*
FY87	921,500*	379,900*	541,600*	497,500*	209,300*	288,200*	424,000*	170,600*	253,400*

SECONDARY SCHOOLS			
	Total	Public	Private
FY80	87,680	18,341	69,339
FY81	96,596	17,293	79,303
FY82	98,570	15,868	82,702
FY83	117,081	19,253	97,828
FY84	134,300	19,400	114,900
FY85	154,300	20,400	133,900
FY86	176,900	21,100	155,800
FY87	203,000*	28,500*	174,500*

* Estimates by BRH, Direction des Etudes Economiques.

Source: Ministry of National Education, Direction de la Planification.

Table 10.2: NUMBER OF TEACHERS IN PRIMARY AND SECONDARY SCHOOLS, FY80-87

PRIMARY SCHOOLS									
	T O T A L			U R B A N			R U R A L		
	Total	Public	Private	Total	Public	Private	Total	Public	Private
FY80	13,401	5,101	8,300	7,487	3,106	4,381	5,914	1,995	3,919
FY81	14,581	5,359	9,222	7,647	3,191	4,456	6,934	2,168	4,766
FY82	14,927	5,487	9,440	7,691	3,272	4,419	7,236	2,215	5,021
FY83	16,986	5,643	11,343	9,956	3,448	6,508	7,030	2,195	4,835
FY84	18,483	6,311	12,172	10,752	3,910	6,842	7,731	2,401	5,330
FY85	20,302	6,922	13,380	11,332 *	4,705	6,627	8,970*	2,217	6,753
FY86	23,200	8,200	15,000	12,963 *	5,198	7,765	10,237*	3,002	7,235
FY87	24,299	8,659	15,840	13,689 *	5,489	8,200	10,810	3,170	7,640

SECONDARY SCHOOLS			
	Total	Public	Private
FY80	3,637	679	2,958
FY81	4,034	730	3,304
FY82	4,239	807	3,432
FY83	5,367	803	4,564
FY84	5,781	1,087	4,694
FY85	6,106	967	5,139
FY86	6,900	1,000	5,900
FY87	7,280 *	1,166*	6,114*

* Estimates by BRH, Direction des Etudes Economiques.

Source: Ministry of National Education, Direction de la Planification.

Table 10.3: NUMBER OF PRIMARY SCHOOLS, FY80-83, AND SECONDARY SCHOOLS, FY80-87

PRIMARY SCHOOLS									
	T O T A L			U R B A N			R U R A L		
	Total	Public	Private	Total	Public	Private	Total	Public	Private
FY80	2,996	958	2,038	1,197	335	862	1,799	623	1,176
FY81	3,271	994	2,277	1,283	344	939	1,988	650	1,338
FY82	3,221	1,000	2,221	1,245	348	897	1,976	652	1,324
FY83	3,241	1,000	2,241	1,348	381	967	1,833	619	1,274

SECONDARY SCHOOLS			
	Total	Public	Private
FY80	205	24	181
FY81	228	24	204
FY82	244	25	219
FY83	290	26	264
FY84	314	26	288
FY85	360	26	334
FY86	407	27	380
FY87	423*	32*	391*

* Estimates by BRH, Direction des Etudes Economiques.

Source: Ministry of National Education, Direction de la Planification.