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January 10, 2003

To: Members of the Executive Board

From: The Secretary

Subject: **Haiti—Staff Report for the 2002 Article IV Consultation**

Attached for consideration by the Executive Directors is the staff report for the 2002 Article IV consultation with Haiti, which is tentatively scheduled for discussion on **Friday, January 24, 2003**. At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of Haiti indicating whether or not they consent to the Fund's publication of this paper; such communication may be received after the authorities have had an opportunity to read the paper.

Questions may be referred to Mr. Verreydt (ext. 35356) and Mr. Adedeji (ext. 37342) in WHD.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Tuesday, January 21, 2003; and to the European Commission and the Inter-American Development Bank, following its consideration by the Executive Board.

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HAITI

Staff Report for the 2002 Article IV Consultation

Prepared by the Staff Representative for the 2002 Consultation with Haiti

Approved by G. M. Meredith and M. T. Hadjimichael

January 9, 2003

- Discussions for the 2002 Article IV consultation with Haiti were held in Port-au-Prince during September 4–19, 2002. Mission members included Mr. Verreydt (Head), Ms. Camilleri, and Messrs. Melhado and Adedeji (all WHD). Mr. Rached (the Fund's resident representative), Mr. Macia (Executive Director's office), and Mr. Auffret (World Bank) joined the mission during the final discussions.

- Aiming to resolve the political crisis associated with the May 2000 parliamentary elections, a resolution by the Organization of American States (OAS) of September 4, 2002 established conditions for organizing parliamentary elections in 2003, and encouraged IFIs to reengage. The political stalemate has deepened, however, against the backdrop of rising social tensions and worsening macroeconomic conditions. Donors continue to withhold assistance from the public sector, while providing humanitarian aid. At the same time, financial and technical obstacles, as well as the lack of a credible macroeconomic policy framework, block reengagement by IFIs.

- During the Article IV discussions, the staff and senior officials reached agreement on a set of policies that could establish near-term macroeconomic stability. The authorities expressed strong interest in having such policies form the basis of a staff-monitored program (SMP). In addition to promoting near-term stability, an SMP would facilitate the clearance of external arrears and the disbursement of foreign support, and establish a track record of good macroeconomic performance.

- After the mission returned to Washington, however, Haiti's political authorities proved unable to commit to critical revenue actions due to the tense political situation. The staff expressed concern that, absent needed corrections in fiscal and monetary policy, a sharp rise in financial volatility, and a deterioration in economic conditions were likely.

- While Haiti remains current on obligations to the Fund, external arrears are increasing, including to the World Bank and the IDB. Relations with the Fund are described in Appendix I. Relations with the World Bank and the IDB are described in Appendices II and III, respectively. Statistical issues are discussed in Appendix IV.

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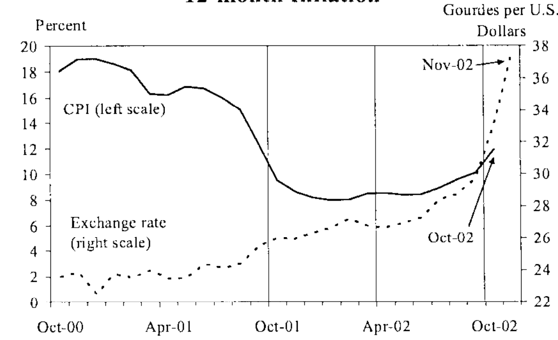
I. Recent Economic Developments

1. **Economic conditions in Haiti have deteriorated significantly in recent years due to the negative effects of the political stalemate on foreign financing and private investment, and a lack of structural reforms** (Box 1). Following a decline to single-digit levels in late 2001, inflation accelerated to 12 percent in October 2002, mainly driven by exchange rate depreciation (Figure 1).Real GDP contracted by an estimated 1 percent in FY 2000/01, and remained flat in FY 2001/02.[1] Exports decreased by a cumulative 20 percent in U.S. dollar terms over the last two years, partly reflecting weaker demand in the U.S. market.

Figure 1. Haiti: Nominal Exchange Rate and 12-month Inflation



2. At the conclusion of the 2001 Article IV consultation in January 2002, **Executive Directors expressed concern about the worsening economic situation, and urged the authorities to implement policy adjustments to promote stability.** Increased tax effort was needed to reduce the fiscal deficit, including the adoption of an automatic price adjustment mechanism for petroleum products, while tightly controlling budgetary spending. The need for enhanced transparency in budget execution was also stressed. On monetary policy, Directors warned that any interest rate cuts should be conditional on inflation remaining subdued, in the context of exchange rate stability and a narrowing in the budget deficit. They emphasized the need for flexible exchange rate management, including refraining from market intervention and stemming the loss of foreign exchange reserves. They also encouraged the authorities to clear overdue obligations to international financial institutions.

3. **Contrary to these recommendations, budget deficits rose during the last two years**, financed mainly by the central bank (BRH) and through accumulating external arrears (Table 2). The budget for FY 2001/02—the first to be formally adopted since 1996—was submitted to parliament in December 2001, but only enacted near the end of the fiscal year. The central government deficit rose to 2.7 percent of GDP in FY 2000/01 (from 2.5 percent in FY 1999/2000) and further to 3.0 percent of GDP in FY 2001/02. After declining to an historic low of 7.3 percent of GDP during FY 2000/01, revenues increased somewhat to

[1] The fiscal year runs from October 1st to September 30th.

Box 1. Haiti: Political Developments

Following the May 2000 parliamentary election, the Organization of American States (OAS) questioned the method used to tabulate the votes for purposes of determining which posts would have to be decided in a second round. Mr. Aristide's party claimed outright victory in 18 of 19 senate posts, without the need for a second round.

In addition to leading donors to withhold non-humanitarian assistance to the government, the political deadlock associated with the disputed elections has created a strong political polarization in Haiti between the ruling Lavalas party and the main opposition coalition (Democratic Convergence). Moreover, recurrent politically motivated violence and disorder have resulted in a climate of insecurity and mutual mistrust which hindered a successful resolution of the political impasse, notwithstanding the efforts of the OAS to mediate the crisis. A violent outbreak on December 17, 2001, which included an attack on the presidential palace and violence against the headquarters of opposition political parties and the residences of private individuals, exacerbated the climate of insecurity.

In January 2002, the OAS called upon the government of Haiti to pursue diligently all efforts to restore a climate of security including the completion of an independent inquiry into the events related to December 17, 2001, and reparations for organizations and individuals who suffered damages as a direct result of the events. In March 2002, the OAS and the government of Haiti agreed to set up a special OAS mission for strengthening democracy in Haiti. In July 2002, President Aristide indicated to the OAS his willingness to organize parliamentary elections in the second quarter of 2003.

In early September 2002, the OAS decided to support the organization of elections and urged IFIs to resume lending to Haiti, once financial and technical obstacles were cleared. According to OAS resolution 822 of September 4, 2002, by November 4, 2002 at the latest, the government of Haiti was: to publish a report by the Minister of Justice on actions taken with respect to persons found to be implicated in the events of December 17, 2001, to strengthen disarmament policies, and to form an independent and credible electoral council, with representatives nominated by the government, the political opposition and civil society.

With little progress on disarmament, the deadline for forming the electoral council was not met, as concerns that Haiti's security conditions would not allow for safe elections forestalled the nomination process. The opposition stepped up efforts to force President Aristide to resign, and violent anti-government demonstrations have recently taken place in provincial towns and in Port-au-Prince. Moreover, worsening economic conditions, declining standards of living, and the collapse of the credit cooperatives have led to rising social tensions and growing discontent among large strata of the population and the business sector.

The fragility of the political and social situation has made it increasingly difficult for the government to take strong macroeconomic policy measures and structural reforms to stabilize the economy and enhance growth. Moreover, financial and technical obstacles to the reengagement of IFIs were not removed. In the absence of an enduring solution to the political stalemate, there is a growing risk that a deepening of the protracted political crisis and a marked worsening of macroeconomic conditions may exacerbate the ongoing economic and social instability.

8 percent of GDP in FY 2001/02, partly due to enhanced collection efforts.[2] Petroleum taxation, however, underperformed in both years because of an absence of adjustment of retail prices to increased landed costs (in contrast to the recommended flexible pricing policy). Total spending rose from 10 percent of GDP in FY 2000/01 to 11 percent in FY 2001/02, reflecting large overruns (relative to the original budget), designed to ease the tense social climate. The long delay in parliamentary approval of the budget facilitated the continued extensive use of nontransparent discretionary ministerial accounts and associated fiscal slippages.

4. **Monetary policy was complicated by the ongoing need to sterilize liquidity created by central-bank financing of the budget deficit**, reflecting the lack of a market for government bonds. During FY 2000/01, the BRH maintained high interest rates on its debt (27 percent on benchmark 91-day paper). Contrary to the Fund's recommendation, however, it supported the exchange rate through a decline in net international reserves (NIR) (Table 3). The BRH subsequently cut interest rates drastically (to about 10 percent by April 2002), while accommodating higher fiscal deficits through increased central bank financing. As a result, NIR declined further and the exchange rate depreciated sharply.

5. **High interest rates in FY 2000/01 contributed to a drop in bank credit to the private sector and a weakening in banking-sector balance sheets**. Notwithstanding subsequent rate cuts, bank credit to the private sector rose only marginally, reflecting depressed economic activity. Nonperforming loans declined from 9.2 percent of total loans in September 2001 to 7.8 percent in June 2002, partly due to the relief provided by lower lending rates (Table 4). As banks remained cautious, the ratio of capital to risk-adjusted assets rose from 14.7 percent in September 2001 to 18.7 percent in June 2002. Banks are vulnerable to a weakening in depositor confidence, however; indeed, a recent run on dollar deposits[3] will likely undermine prudential indicators through the adverse impact of the depreciation on banks' balance sheets.

6. **The BRH strengthened its banking supervisory capacity and regulations over the last two years. Nevertheless, unregulated credit cooperatives offering unsustainably high interest rates tended to proliferate,** until their deteriorating financial condition caused them to gradually stop operations starting in March 2002.[4] A law establishing a new agency to supervise credit cooperatives under the control of the central bank was enacted in

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[2] This is well below the average ratio for other low-income countries of about 15 percent of GDP.

[3] U.S. dollar deposits account for 45 percent of total bank deposits (Tables 3 and 4).

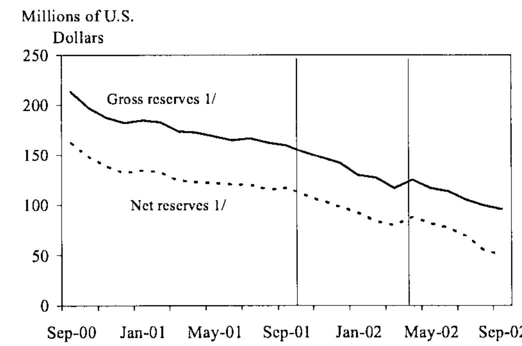
[4] The credit cooperatives are described in Chapter II of the Selected Economic Issues paper.

July 2002, and the government announced its intention to bail out failed cooperatives. By October 2002, about 30,000 requests for compensation by small depositors had been filed.[5]

7. **The external current account deficit (excluding grants) narrowed** from 6 percent of GDP in FY 2000/01 to an estimated 4 percent of GDP in FY 2001/02, as imports declined by more than exports (Table 5). In the absence of capital inflows to the public sector, the deficit was financed through external grants (mainly from bilateral donors to NGOs), declines in NIR, and an accumulation of external arrears.

8. **Indicators of external vulnerability show a further decline in the coverage of imports by reserves** (Table 6). In the 24 months to September 2002, NIR declined by US$113 million to reach US$50 million (about two weeks of imports of goods and services, or 5 percent of external debt) (Figure 2).

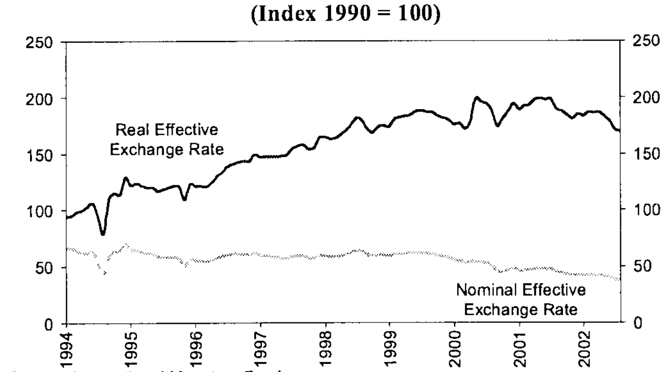
Figure 2. Haiti: Liquid Gross Reserves and Net International Reserves



1/ Excluding dollar deposits of commercial banks at the BRH.

9. **While the currency was broadly stable against the U.S. dollar during FY 2000/01, it depreciated by 17 percent in the 12 months through September 2002 due to monetary accommodation of the fiscal deficit.** More recently, rumors of a forced conversion of dollar deposits into gourdes and the political stalemate led to a sharp fall in dollar bank deposits and a further depreciation of about 30 percent. In response, the BRH raised interest rates on 91-day bonds to 15 percent in mid-November 2002. With continuing strong pressure on the exchange rate, however, it allowed NIR to fall to US$45 million at end-November 2002.

Figure 3. Haiti: Nominal and Real Exchange Rate (Index 1990 = 100)



Source: International Monetary Fund.

10. **Reflecting nominal depreciation, the CPI-based real effective exchange rate (REER) declined during FY 2001/02,** enhancing competitiveness somewhat (Figure 3). Indeed, wage costs are viewed as highly

[5] The plan envisages reimbursement of up to 40 percent of the deposits of small depositors provided they meet certain criteria, including presenting reliable documentation.

competitive.[6] In addition to low labor costs, proximity to the U.S. market gives Haiti a potential advantage over more-distant competitors, particularly in industries where a rapid response to changing customer needs is important.

11. **While Haiti remains current on obligations to the Fund, external arrears are increasing.** They reached an estimated US$55 million as of end-December 2002, of which US$20.5 million is owed to the IDB and US$20.4 million to the World Bank (Table 7). The World Bank closed all projects on December 31, 2001. The IDB placed Haiti in nonaccrual status in February 2002.

12. **No progress has been made toward privatizing nonfinancial public enterprises or the state-owned Banque Nationale de Credit (BNC), which accounts for 7 percent of bank deposits.** The anti-money-laundering law enacted in April 2001 has not been fully implemented, as a Financial Intelligence Unit has not started operation. Haiti is yet to prepare anti-terrorist financing legislation.[7] Work on a new private banking law (to bring it into conformity with international standards) and central bank law (to give it independence in conducting monetary policy) has not been finalized.

13. **With a per capita GDP of about US$500 and more than 80 percent of the population in rural areas living in deep poverty, Haiti is the poorest country in the Western Hemisphere.** While some progress was made in reducing poverty during the past decade, social indicators worsened in the past two years as a result of the economic deterioration. In 2001, the Haitian statistical institute published the results of a new household survey that provides essential social data (Box 2 and Attachment II).

II. Policy Discussions

14. **The Article IV consultation discussions with the authorities** dealt with the key challenges for economic policy in the short and the long terms, and the reforms needed to enhance growth and reduce poverty. The mission met with Finance Minister Faubert Gustave, Central Bank Governor Venel Joseph, other key ministers and senior officials, various political, civil society and private sector representatives, as well as representatives of international organizations and bilateral donors.

15. **The staff encouraged the authorities to seize the opportunity opened by the September 4, 2002 resolution of the OAS to resolve the political crisis.** The authorities agreed that excessive concern about the short-term social and political impact of needed policy actions could result in deferral of essential decisions which, combined with weak

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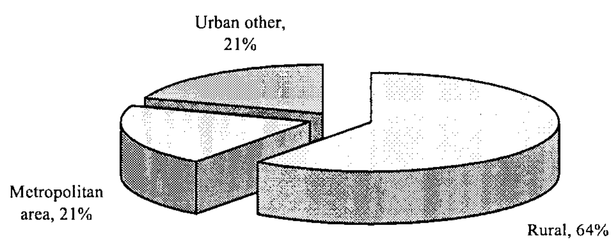
[6] Average daily salaries in the exporting industry are estimated at US$3–4 (equivalent to monthly wages of about US$70).

[7] An MAE mission discussed issues related to money laundering and the financing of terrorism at end-July 2002, and technical assistance needs in these areas.

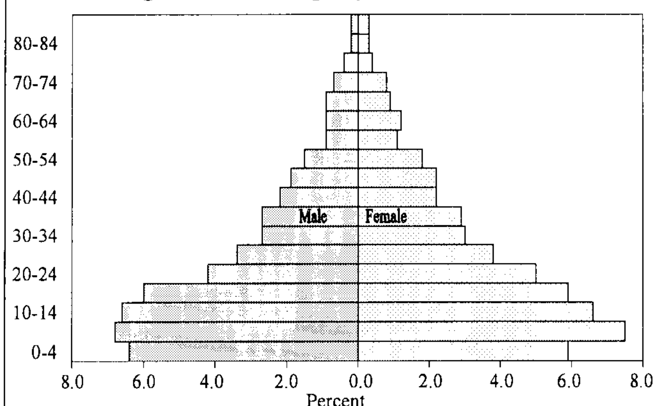
Box 2. Highlights of Haiti's Household Survey

Figure 1. Haiti: Population Geographical Breakdown, 1999–2000



Haiti's Statistical Institute conducts household surveys on a regular basis to update the weights of expenditure components in the CPI basket. Such studies facilitate the compilation of national accounts, and provide a framework for comparing living standards across different regions. Recent findings on the quality of dwellings and households' access to facilities are reviewed in Attachment II. It is notable that most of the population resides in rural areas, as shown in Figure 1, where infrastructure and access to facilities are poorest.

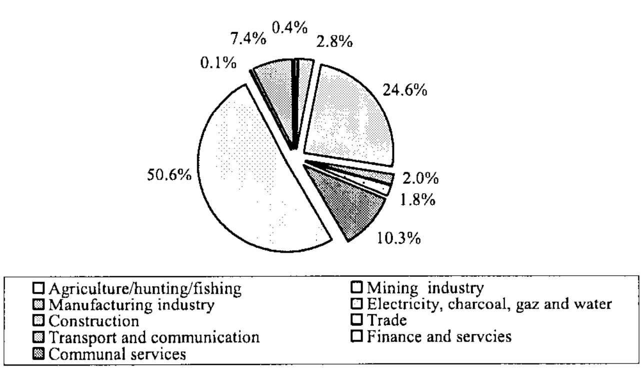
Figure 2. Haiti: Age Pyramid, 1999-2000



The Haitian population is relatively young, with 40 percent estimated to be aged 15 or less (Figure 2). Overall, the ratio of female to male population is 1.08, with a higher gender gap in the metropolitan area (the equivalent ratio is 1.23). Migratory flows amplify demographic disparities between urban and rural areas. While women tend to move from rural areas to the cities in search of domestic employment opportunities, men tend to emigrate abroad.

Attachment II reviews the survey's findings on literacy and school enrolment, and highlights trends in employment and remuneration. Around 18 percent of the gainfully occupied hold more than one job to diversify sources of earnings. This practice is particularly widespread in the agricultural sector; indeed, nearly one quarter of employed men in rural areas have more than one job. Over two thirds of the unemployed are aged 30 or younger, and more than half are women.

Figure 3. Haiti: Active Population Breakdown By Economic Activity, 1999-2000



As seen in Figure 3, agriculture accounts for half of total employment, while commercial activities represent another quarter. Compared with the 1986-87 survey, this reveals a diversification away from agriculture (down from 60 percent) towards commerce (up from 20 percent). A notable increase was also registered in financial services (up from 0.3 to 1.8 percent), mainly due to an extended branch network of banks and credit cooperatives. Neither of these developments are indicative of improved economic conditions however: much of the commercial activity consists of informal street vendors earning an income well below subsistence; and the erosion of household wealth due to the protracted economic crisis was aggravated by the collapse of the credit cooperatives.

institutions, poor governance, and lack of transparency, could exacerbate existing economic and social instability. They also agreed that economic and structural reform measures were important to stabilize activity and set the conditions for sustainable growth.

16. Staff stressed the importance of establishing a **positive track record of taking ownership of required measures consistent with a stable macroeconomic environment and sustainable economic growth,** which would enable discussion of a medium-term program that could be supported by the poverty reduction and growth facility (PRGF). While the authorities indicated that they have begun this process, staff encouraged them to formulate this economic and structural reform program within the context of a dialogue with donors and civil society.

17. **Near-term policy discussions centered on stabilization measures against the backdrop of continued scarce foreign financing.** Preliminary agreement was reached with senior officials on a set of macroeconomic objectives and policy targets.[8] Upon the mission's return to headquarters, however, the authorities indicated that they could not commit to needed revenue measures owing to the tense political and social environment. The staff expressed deep concern that failure to act could push Haiti further from a sustainable growth path and reengagement with the IFIs.[9]

A. Medium-Term Issues

18. **The staff stressed that actions to remove obstacles to growth should include policies to improve governance, build institutional capacity and human capital, and raise the volume and effectiveness of social spending.** It emphasized that privatization and fiscal reform, together with a substantial increase in external support, were needed to raise productivity, increase domestic investment, and boost employment and output growth.

19. **The authorities agreed in principle that this agenda was appropriate. In particular, the experience of the first wave of privatization in the late 1990s was viewed as encouraging.** Eventual privatization of remaining public enterprises was expected to bring new investment in telecommunications, transportation, and electricity services, allowing increases in economy-wide output and efficiency. At the same time, the authorities indicated

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[8] The macroeconomic adjustment scenario proposed by staff during the Article IV consultation discussions is laid out in Tables 1–11 under the label "proposed adjustment scenario."

[9] During an informal donors meeting convened by the World Bank in early December 2002, a strategy to clear arrears was discussed. It included donor support under certain conditions, including a track record of satisfactory performance under an SMP and improved governance.

that they were not yet in a position to formulate the details and start implementing a medium-term development plan.

20. **Representatives of the private sector underscored the importance of upgrading the country's infrastructure.** Unreliable provision of electricity, difficult access to ports, and lack of security were highlighted as impediments to growth and investment. They expressed confidence, however, that improved domestic policies and expanded access to foreign markets would substantially brighten Haiti's growth prospects.

21. **The authorities noted that recent changes to the legislative framework related to investment included a revised Investment Code, and a draft law on free-trade zones awaiting ratification.** While recognizing that free-trade zones may be beneficial for exports and employment, staff warned that they could erode the tax base and create distortions.

22. **The staff emphasized that fiscal reforms (widening the tax base, reducing exemptions, and tightening tax and customs administration) should be implemented to raise central government revenue by at least 3 percentage points of GDP by FY 2006/07 and ensure a sustainable medium-term fiscal position.**[10] Measures would also be needed to reduce the vulnerability of revenues to fluctuations in energy prices.

23. **Recent reports by the World Bank have concluded that poor governance and political instability, along with weak public sector capacity and accountability, are major impediments to sustainable development in Haiti.** The World Bank has taken the lead in coordinating donors' action to enhance governance. Analytical work is envisaged to promote strengthening of key public institutions over the medium term. This work would also include key public expenditure issues. Donors are encouraging the authorities to agree on steps to improve governance and seek technical assistance to implement them.

24. **There are risks that a continued political stalemate would undermine commitment to even the minimal policies needed to maintain macroeconomic stability.** This could result in the depletion of international reserves, renewed pressure on the exchange rate, accelerating inflation, intensified vulnerabilities in the financial system, and further contraction in income.

25. **Absent official economic plans for the period ahead, the staff has prepared an illustrative weak adjustment scenario predicated on the authorities taking the minimal policies needed to maintain near-term macroeconomic stability** (Tables 8 and 9). These policies would include allowing the exchange rate to float to protect NIR and containing central bank financing of the deficit at 2 percent of GDP, mainly by way of expenditure cuts. The staff warned, however, that weak adjustment would be a risky option and most likely

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[10] An analysis of fiscal sustainability under a strong adjustment scenario is presented in Attachment Box 1.

unsustainable, as business confidence would not return and real GDP growth would remain below population growth.

26. **The staff stressed that stronger efforts were needed to promote rising incomes,** as reflected in a scenario that assumed implementation of the macroeconomic policies agreed with the staff in FY 2002/03, stabilization of the political situation, and reengagement of donors (Tables 10 and 11). Under this scenario, strengthened revenue efforts and resumed external assistance would enable higher government expenditures on essential services, as well as increased investment in economic infrastructure, health, and education. Together with strong structural reforms and appropriate macroeconomic policies, this would create the conditions for a marked increase in private-sector led growth.[11]

B. Policies for FY 2002/03

27. **Policy discussions for FY 2002/03 focused on the following issues:**

- monetary actions to stabilize NIR and reduce inflation, while allowing the gourde to float freely;
- fiscal measures to enhance revenues, while allowing expenditures to be undertaken—including to celebrate the bicentennial anniversary of Haiti's independence in 2004—without jeopardizing macroeconomic stability through excessive central bank financing;
- the need for a flexible oil pricing system;
- the importance of improved governance and transparency in budget execution; and
- the authorities' intention to prepare a budget with the recommended fiscal tightening, to be submitted promptly to parliament.

Monetary policy

28. **The authorities shared the staff's view that the most pressing objective in FY 2002/03 was (at a minimum) to stabilize NIR,** indicating that the BRH would let the gourde float freely. The staff advised that the interest rate on bonds be market-determined at the level necessary to sell a volume of bonds consistent with stabilizing NIR and containing inflation at 9 percent. While agreeing with the staff, the authorities expressed confidence that excess liquidity could be sterilized without a substantial increase in interest rates.

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[11] An external debt sustainability analysis under the strong adjustment scenario is presented in Attchment Box 2.

Fiscal policy

29. **At the time of the discussions, the staff emphasized the need for revenue measures yielding 1 percent of GDP.**[12] It urged the authorities to take frontloaded action, including improving tax and customs administration, widening the base of the turnover tax, and including more of the informal sector in the tax system (see Attachment I for details). A key measure recommended by staff was immediate adoption of a flexible pricing mechanism for petroleum products to raise revenue and reduce the budget's vulnerability to external shocks.[13] Subsequently, sharp exchange-rate depreciation in October–November 2002 resulted in a substantial revenue loss on petroleum products (see Table below). Much stronger revenue measures would thus be needed than those discussed at the time of the consultation to meet budget targets.

Haiti: Vulnerability of Oil Taxation to Exchange Rate and U.S. Dollar Price

FY2002/03	Gasoline 91	Gasoline 95	Diesel	Kerosene	All Products	In percent of GDP
Average cif prices per gallon (in gourdes) 1/	25.24	26.00	22.00	23.20	24.12	--
Pump prices per gallon (in gourdes)	46.00	56.00	30.50	26.00	39.63	--
Projected average monthly volumes 2/	2,765. 7	588.9	7,085.4	2,478.4	12,918.5	--
Revenue projection (exchange rate of 30) 3/	305.6	112.1	(96.1)	(192.6)	129.0	0.1
Revenue projection (exchange rate of 40) 3/	(95.3)	18.9	(976.9)	(509.2)	(1562.5)	(1.6)

Source: Fund staff estimates.

1/ At an exchange rate of 1US$ for 30 gourdes and average spot prices of US$ 27.13 per barrel (based on current spot and profile of futures prices) as at January 7, 2003.

2/ In thousands of gallons.

3/ In millions of gourdes.

Note 1: Sensitivity of annual revenue from petroleum taxation to exchange rate depreciation by 1 gourde equivalent to a loss of G155.7 million; sensitivity of annual revenue from petroleum taxation to increase in international prices by US$1.00 per barrel equivalent to a loss of G130.5 million.

Note 2: The prices of petroleum products are fixed by the government. Tax receipts on petroleum products (derived as a residual between variable landed costs and the fixed pump prices) have dwindled in the second semester of FY 2001/02 as a result of increases in international oil prices and the depreciation of the exchange rate. This trend may result in net negative taxes during FY 2002/03 as shown in the above table. A situation of negative taxes may lead to shortages in the supply of petroleum products as petroleum distributors (private importers and independent retailers) would be unwilling to extend credit to the government.

30. **The authorities indicated that immediate adoption of petroleum price reforms was not feasible given political sensitivities, but opened the door to a gradual future move to flexible pricing.** They emphasized that several laws to improve non-oil tax

[12] At that time, the fiscal projection at unchanged policies showed a drop in fiscal revenue by 0.6 percent of GDP to 7.4 percent of GDP (see Table 2, column "projection").

[13] This could be phased in gradually with differentiated pump price increases according to products, placing a greater tax burden on gasoline than on gasoil and kerosene, since the latter are more likely to be consumed by poorer households. Reform of petroleum taxation is discussed in Chapter III of the Selected Economic Issues paper.

collection recently passed by parliament would be implemented in FY 2002/03.[14] Moreover, new revenue measures (mainly administrative) would be included in the budget, in particular strengthening customs administration with assistance of a pre-shipment inspection firm. While welcoming these steps, the staff stressed that additional action was needed to reach the revenue target.

31. **On December 31, 2002, the government increased pump prices of petroleum products by 50–100 percent.** The adjustment was needed in light of a growing subsidy on petroleum products, and mounting shortages of fuel and gas oil. In response to protests by trade unions, the government has agreed to discuss some aspects of its decision. Assuming the recent price increase is retained intact, it could potentially reduce the fiscal deficit by roughly 2 percent of GDP for the remainder of the fiscal year compared with a no-adjustment scenario. However, the issue of the reform toward a fully flexible pricing system appears to remain unresolved.

32. **Staff stressed that expenditure overruns by ministries and other spending units should not be allowed, and that a strong cash management system should be enforced.** The authorities agreed that there was a pressing need to strengthen institutional mechanisms to prevent fiscal slippages and to keep outlays within limits set by available revenue and authorized central bank financing. They also planned to increase transparency by reducing the use of ministerial discretionary accounts, and to publish data on budget execution on a regular basis.[15] The authorities agreed that early adoption of the FY 2002/03 budget would be key in controlling expenditure and improving governance.

33. **The staff cautioned the authorities against a massive bailout of failed credit cooperatives.** The authorities indicated that they would transparently present the cost in the budget, which would not exceed 0.2 percent of GDP (a fraction of the estimated size of the credit cooperatives' liabilities).[16] In principle, the bailout would take the form of temporary lending to small depositors and credit cooperatives deemed to be viable in the medium term, with the assets of cooperatives as collateral. The staff urged the authorities to ensure the

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[14] These laws provide, inter alia, for more clarity in the legal provisions and simpler collection procedures for the turnover tax and the tax on motor vehicles; the widening of the tax on telecommunications to private operators; and a simplification of the income-tax schedule. Administrative measures include, among others, stricter rules for issuing tax compliance certificates (*quitus fiscal)*, strengthened tracking down of delinquent taxpayers, and enhanced efforts to raise tax filings.

[15] They indicated that they would make use of technical assistance to streamline the finance ministry.

[16] Many credit cooperatives did not keep adequate records of their liabilities. Estimates of the size of the sector range from 2-6 percent of GDP.

External sector policies

34. **The authorities agreed on the importance of a multilateral solution for clearing arrears** with the IDB and IDA, and rescheduling and/or clearing arrears with bilateral creditors. They noted that clearing arrears could potentially activate large funds allocated by IFIs to Haiti.

35. Under the strong adjustment scenario, **the staff projected a widening of the current account deficit** (including grants) to 1.7 percent of GDP in FY 2002/03 (from 0.5 percent the previous year). Imports in U.S. dollar terms would increase by about 10 percent, while exports and remittances would grow by somewhat less.

Structural reforms

36. **The authorities indicated that they expect the Financial Intelligence Unit (FIU) to become operational in the first quarter of FY 2002/03.** While the FIU is expected to intensify efforts to combat money laundering, work would start toward making terrorist financing a crime. The authorities indicated that the new banking law under preparation would be finalized during FY 2002/03 with technical assistance from the Fund. The staff cautioned the authorities against authorizing the resumption of new lending by BNC.

37. **The Fund has continued to provide technical assistance to Haiti during FY 2001/02,** mainly in the form of missions, short-term visits of experts, a national course on financial programming, and the resident representative office. The staff commended the authorities for their efforts to implement the recommendations of Fund technical assistance in banking supervision and money laundering areas, notwithstanding weaknesses in human resources. The staff also welcomed publication of the results of the household survey by the statistical institute.

III. Staff Appraisal

38. **Haiti's difficult economic situation worsened over the last two years**, as the political crisis went unresolved and foreign financing remained constrained. The staff urges the government, political parties, and civil society to seize the opportunity opened by Resolution 822 of the Organization of American States of September 4, 2002 to organize parliamentary elections in 2003, with a view to restoring political stability and establishing a path of economic development and improved living standards.

39. **Prerequisites for raising growth over the medium term** would include, in addition to resolving the political crisis along the lines indicated by the OAS, prudent macroeconomic policy, a demonstrated commitment to good governance, and clearance of external arrears. The staff welcomes the authorities' commencement of work on a comprehensive medium-term development plan that could be the backbone of an eventual Poverty Reduction Strategy Paper (PRSP). However, it warned that failure to take quickly strong near-term stabilization measures would result in destructive economic and financial volatility.

40. **Renewed medium-term growth would depend critically on raising private-sector confidence and investment**, as well as increased public infrastructure spending, following a resolution of the political impasse. Privatization and fiscal reform, together with a substantial external support, would be needed to raise productivity, increase domestic investment, and boost employment and output growth.

41. **During the discussions, the staff and the authorities agreed on a strategy for FY 2002/03 that would focus on stemming the loss in international reserves, containing inflation, and setting the stage for renewed growth.** This would require tightening monetary policy and reducing the fiscal deficit, consequently reducing central-bank financing. The staff regrets that the current political difficulties have deterred the authorities from committing to measures consistent with these objectives.

42. **The most pressing policy objective during FY 2002/03 is, at a minimum, to stabilize NIR**. The staff is particularly concerned by the outflow of dollar deposits in recent months and ensuing pressures on the exchange rate. In this regard, staff welcomes recent interest rate increases and urges the BRH to allow interest rates on bonds to be market-determined at a level consistent with stabilizing NIR and containing inflation.

43. **Fiscal revenues are too low to finance needed public services and ensure fiscal sustainability**. Tax measures should be implemented to substantially raise revenues over the medium term and reduce the budget's vulnerability to external shocks. The FY 2002/03 budget should include measures to improve tax and customs administration, widen the base of the turnover tax, and include more of the informal sector in the tax system. Moreover, the staff strongly recommends the immediate introduction of a flexible pricing mechanism for petroleum products, with gradual steps and differentiated price increases by product, to raise revenue and reduce the budget's vulnerability to fluctuations in world oil prices and the exchange rate.

44. **The staff welcomes the authorities' intention to continue administrative efforts to improve revenue collection** and implement revenue laws recently passed by parliament. It commends the authorities for identifying new measures to be included in the budget, in particular strengthening customs administration with assistance of a pre-shipment inspection firm. Additional frontloaded actions, however, would be needed to attain the targeted reduction in the deficit. In this context, the staff welcomes the recent increase in domestic fuel prices, and encourages the authorities to reform the pricing system on a more permanent basis. Given the political sensitivity of reforms to petroleum prices, consultation with all affected parties should be organized to design specific measures while shielding the poorest segments of the population.

45. **Increased fiscal accountability is needed to enhance governance** and improve the confidence of donors and the public in government operations. In this context, the staff welcomes the authorities' intention to strengthen cash management, but notes that the system has not prevented excessive central-bank financing in the past. The staff welcomes the authorities' intention to improve governance through restricting the use of discretionary

ministerial accounts for only emergency outlays. Expenditure management, control, and reporting in ministries should be enhanced, and detailed fiscal data should be published on a monthly basis.

46. **The staff welcomes the authorities' intention to present in the budget an upper limit of the cost of the bailout of failed credit cooperatives**, and their strategy to assist small depositors for social reasons. It urges the authorities to ensure the transparency of the bailout to avoid the perception or reality of subsidization of selected groups. The staff supports continued efforts to improve the supervision and health of banks, with technical assistance from the Fund. Priority should be given to completing the draft texts for new commercial banking and central bank laws to bring them into conformity with international standards. The staff urges the authorities to put a freeze on new lending by the BNC, pending the adoption of a privatization plan for the bank. It will be important that the authorities continue their efforts to combat money laundering and drug trafficking by making the FIU operational.

47. **The authorities' intention to refrain from foreign exchange intervention** and allow the exchange rate to be freely determined by market forces is welcome. The depreciation of the real effective exchange rate has enhanced competitiveness, and the staff notes that at the current level of the exchange rate and wage costs in Haiti appear to be highly competitive.

48. **The staff urges the authorities to seek a multilateral solution for clearing arrears** with the IDB and IDA, and rescheduling or clearing arrears with bilateral creditors. Arrears clearance could potentially pave the way for a re-engagement of IFIs in Haiti.

49. **Haiti's data problems** in the public sector accounts and the balance of payments continue to hinder surveillance, as well as program design and implementation. The authorities should continue efforts to improve real sector statistics, strengthen the technical and managerial capacity of the National Statistics Institute, and improve external and public sector statistics. Further technical assistance will be required to complement the efforts of the authorities to improve macroeconomic, fiscal, and social sector data.

50. It is recommended that the next Article IV consultation be held on the standard 12-month cycle.

Table 1. Haiti: Selected Economic and Financial Indicators

	Fiscal Year Ending September 30					
	1998	1999	2000	2001	Proj 2002	Staff Proj. 1/ 2003
(Annual percentage change, unless otherwise indicated)						
National income and prices						
GDP at constant prices	2.2	2.7	0.9	-1.1	0.0	1.0
GDP deflator	14.2	7.0	11.2	16.3	9.0	9.0
Consumer prices (period average)	12.7	8.1	11.5	16.8	8.7	9.5
Consumer prices (end-of-period)	8.3	9.9	15.3	12.3	10.1	9.0
External sector						
Exports (f.o.b.) 2/	45.7	13.4	-2.5	-7.8	-11.6	5.9
Imports (f.o.b.) 2/	16.9	23.8	6.8	-2.9	-7.3	10.1
Real effective exchange rate (+ appreciation) 3/	8.2	8.7	-6.3	7.6	-10.4	...
Central government						
Total revenue 4/	11.3	17.1	-0.3	3.8	19.3	15.3
Total expenditure	18.1	19.7	13.4	8.7	19.8	11.9
Money and credit						
Net domestic assets 5/	11.4	15.1	18.1	9.4	17.2	9.5
Credit to public sector (net) 5/	3.4	7.7	8.0	8.5	9.4	4.0
Credit to private sector 5/	7.6	4.4	16.9	-3.5	5.8	5.5
Broad money	14.7	17.7	36.2	5.2	17.1	10.1
Velocity (GDP relative to broad money)	3.3	3.1	2.6	2.8	2.6	2.6
Average interest rate on time deposits	14.8	6.8	12.7	13.5	7.6	...
(In percent of GDP, unless otherwise indicated)						
Gross domestic investment	26.0	27.7	27.3	22.8	20.3	22.1
Gross domestic savings (excluding grants)	20.5	20.5	20.8	16.7	16.1	15.9
Of which						
Public sector savings	2.2	2.0	0.7	-0.6	-1.1	0.0
Central government overall balance	-1.1	-1.4	-2.5	-2.7	-3.0	-2.8
Central government overall balance including grants	0.0	-1.2	-2.2	-2.3	-2.9	-1.9
Overall public sector balance	-3.3	-3.7	-5.2	-3.5	-3.4	-3.4
External current account balance	-5.5	-7.2	-6.6	-6.1	-4.2	-6.2
External public debt (end-of-period)	29.2	27.6	28.9	31.2	32.6	32.0
Total public debt (end-of-period)	39.5	39.0	41.4	45.0	48.3	47.7
External public debt service (in percent of exports of goods and services)	8.0	8.5	7.8	8.6	8.3	7.8
(In millions of U.S. dollars, unless otherwise indicated)						
Overall balance of payments	32.3	23.5	-52.0	-8.0	-71.0	-2.5
Gross international reserves (end-of-period)	292.0	329.0	272.0	277.0	227.7	216.7
Net international reserves 6/	189.3	208.7	162.9	108.8	50.5	51.8
Net international reserves (in months of imports of goods and services, end-of-period) 6/	2.2	2.0	1.4	1.0	0.5	0.5
Exchange rate (end-of-period)	16.9	16.9	28.3	25.5	29.7	...

Sources: Ministry of Economy and Finance; Bank of the Republic of Haiti; and Fund staff estimates.

1/ Proposed adjustment scenario (October 2002–September 2003).
2/ Revised data from the central bank.
3/ August 2002.
4/ Excluding grants.
5/ In relation to broad money at the beginning of the period.
6/ Excludes commercial banks' foreign currency deposits with the BRH.

Table 2. Haiti: Central Government Operations 1/

	Fiscal Year Ending September 30								
					2002			2003	
	1998	1999	2000	2001	Budget	Staff Proj. 2/	Prel.	Proj. 3/	Staff Proj. 4/
	(In percent of GDP)								
Total revenue	**8.5**	**9.1**	**8.1**	**7.3**	**9.7**	**7.8**	**8.0**	**7.4**	**8.4**
Current revenue	8.3	8.8	8.1	7.3	8.4	7.8	8.0	7.4	8.4
Of which									
Internal	6.6	6.8	5.6	5.1	5.5	5.4	5.7	5.3	6.1
Customs	1.7	1.9	2.1	2.0	2.6	2.2	2.1	1.9	1.9
Other	0.1	0.1	0.3	0.3	0.2	0.2	0.2	0.2	0.3
Transfers from public enterprises	0.2	0.3	0.0	0.0	1.3	0.0	0.0	0.0	0.0
Total expenditure	**9.3**	**9.9**	**10.1**	**9.8**	**12.5**	**9.4**	**11.0**	**11.4**	**10.8**
Current expenditure	7.4	7.7	7.5	8.0	7.4	7.6	9.0	9.2	8.5
Of which									
Wages and salaries	4.5	4.2	4.2	3.8	3.7	3.7	3.6	3.6	3.6
Interest	0.7	0.9	0.8	0.9	...	0.7	0.7	0.7	0.9
Of which									
Foreign	0.3	0.5	0.4	0.5	...	0.3	0.4	0.4	0.4
Domestic	0.4	0.4	0.4	0.4	...	0.4	0.4	0.4	0.6
Operations	2.3	2.5	2.3	2.8	...	2.7	4.1	4.1	3.3
Transfers	0.4	0.5	0.4	0.4	...	0.6	0.8	0.8	0.8
Unrecorded expenditure	-0.4	-0.4	-0.2	0.1	3.7	-0.2	-0.1	0.0	0.0
Capital expenditure	1.9	2.1	2.7	1.8	5.2	1.8	2.0	2.2	2.1
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Current account balance	**0.9**	**1.1**	**0.6**	**-0.7**	**1.0**	**0.2**	**-1.1**	-1.7	**-0.2**
Overall balance, excluding cost of reforms and hurricane relief	**-0.8**	**-0.8**	**-2.0**	**-2.5**	**-2.8**	**-1.6**	**-3.0**	**-4.0**	**-2.5**
Cost of structural reforms	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cost of hurricane relief and reconstruction	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cost of elections	0.0	0.0	0.5	0.2	0.0	0.1	0.0	0.4	0.4
Overall balance, including cost of reforms, hurricane relief, and elections	**-1.1**	**-1.4**	**-2.5**	**-2.7**	**-2.8**	**-1.7**	**-3.0**	**-4.4**	**-2.8**
Financing	**1.1**	**1.4**	**2.5**	**2.7**	**2.8**	**1.7**	**3.0**	**4.4**	**2.8**
External (net)	0.6	-0.4	0.0	0.2	0.8	0.2	0.4	1.6	0.3
Of which									
Grants	1.1	0.2	0.3	0.4	0.7	0.3	0.1	1.0	0.9
Loans (net)	-0.5	-0.6	-0.4	-0.5	0.1	-0.3	-0.5	-0.4	0.3
Of which									
Disbursements	0.0	0.0	0.2	0.1	0.5	0.3	0.1	0.3	1.0
Amortization	-0.5	-0.6	-0.6	-0.6	-0.4	-0.6	-0.6	-0.7	-0.7
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0
Change in arrears (- net reduction)	0.0	0.0	0.0	0.3	0.0	-0.2	0.8	1.0	-1.3
Domestic	0.5	1.8	2.6	2.5	2.0	1.4	2.6	2.7	1.4
Of which									
Central bank 5/	1.1	1.6	2.5	2.5	2.0	1.6	3.0	2.8	1.5
Commercial banks 5/	-0.2	0.2	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Nonbank private sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears (- net reduction)	-0.4	0.1	0.2	0.0	0.0	-0.1	-0.2	0.0	0.0
Financing gap 6/	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	1.5
Memorandum items:									
Overall balance including grants	0.0	-1.2	-2.2	-2.3	-2.1	-1.4	2.9	-3.4	-1.9
Nominal GDP (millions of gourdes)	62,997	69,254	77,580	89,190	99,580	99,535	97,217	107,026	107,026

Table 2. Haiti: Central Government Operations 1/

	Fiscal Year Ending September 30								
					2002			2003	
	1998	1999	2000	2001	Budget	Staff Proj. 2/	Prel.	Proj. 3/	Staff Proj. 4/
	(In millions of gourdes)								
Total revenue	**5,371**	**6,292**	**6,272**	**6,509**	**9,614**	**7,713**	**7,762**	**7,962**	**8,953**
Current revenue	5,252	6,084	6,256	6,509	8,321	7,712	7,760	7,962	8,953
Of which									
Internal	4,139	4,706	4,363	4,504	5,498	5,390	5,538	5,714	6,560
Customs	1,078	1,306	1,651	1,772	2,616	2,146	2,052	2,048	2,073
Other	35	73	242	233	208	176	170	200	320
Transfers from public enterprises	119	207	16	0	1,292	1	2	0	0
Total expenditure	**5,888**	**6,827**	**7,850**	**8,728**	**12,436**	**9,318**	**10,706**	**12,232**	**11,596**
Current expenditure	4,680	5,310	5,795	7,150	7,322	7,534	8,798	9,826	9,126
Of which									
Wages and salaries	2,815	2,926	3,243	3,387	3,692	3,719	3,480	3,825	3,825
Interest	437	616	628	767	...	717	729	763	1,003
Of which									
Foreign	215	339	323	436	...	337	353	384	384
Domestic	222	276	305	331	...	380	376	379	619
Operations	1,434	1,735	1,794	2,510	...	2,713	3,947	4,419	3,479
Transfers	243	326	292	369	...	562	767	819	819
Unrecorded expenditure	-249	-293	-161	117	3,630	-175	-125	0	0
Capital expenditure	1,219	1,488	2,063	1,578	5,120	1,784	1,908	2,407	2,270
Net lending	-11	30	-9	0	-7	0	0	0	200
Current account balance	**571**	**775**	**461**	**-641**	**999**	**178**	**-1,038**	**-1,863**	**-172**
Overall balance, excluding cost of reforms and hurricane relief	**-517**	**-535**	**-1,577**	**-2,219**	**-2,822**	**-1,605**	**-2,944**	**-4,270**	**-2,642**
Cost of structural reforms	181	178	31	6	0	0	0	0	0
Cost of hurricane relief and reconstruction	0	236	4	0	0	0	0	0	0
Cost of elections	0	21	352	215	0	55	17	400	400
Overall balance, including cost of reforms, hurricane relief, and elections	**-699**	**-970**	**-1,964**	**-2,440**	**-2,822**	**-1,660**	**-2,961**	**-4,670**	**-3,042**
Financing	**699**	**970**	**1,964**	**2,440**	**2,822**	**1,660**	**2,961**	**4,670**	**3,042**
External (net)	390	-280	-26	175	822	-247	399	1,764	-8
Of which									
Grants	719	115	265	370	698	274	113	1,080	1,000
Loans (net)	-329	-395	-291	-481	124	-279	-482	-396	351
Of which									
Disbursements 5/	0	0	139	50	495	291	102	300	1,050
Amortization	-329	-395	-429	-531	-371	-569	-584	-696	-699
Exceptional financing	0	0	0	0	0	0	0	0	0
Change in arrears (- net reduction)	0	0	0	286	0	-242	768	1,080	-1,359
Domestic	309	1,249	1,990	2,265	2,000	1,417	2,562	2,906	1,494
Of which									
Central bank 6/	687	1,090	1,951	2,248	2,000	1,625	2,898	3,012	1,600
Commercial banks 6/	-149	144	-94	7	0	-80	-103	-106	-106
Nonbank private sector	0	-27	-11	-9	0	0	0	0	0
Change in arrears (- net reduction)	-229	43	144	19	0	-128	-233	0	0
Financing gap 7/	0	0	0	0	0	490	0	0	1,557
Memorandum items:									
Overall balance including grants	20	-855	-1,699	-2,070	-2,124	-1,387	-2,848	-3,590	-2,043
Nominal GDP (millions of gourdes)	62,997	69,254	77,580	89,190	99,422	99,377	97,217	107,026	107,026

Sources: Ministry of Economy and Finance; Bank of the Republic of Haiti; and Fund staff estimates.

1/ Does not include most expenditures on projects and technical assistance financed with concessional loans and grants.
2/ Actuals for first semester with targets for second semester as in the adjustment scenario proposed by staff in April 2002.
3/ Passive projection. Assuming a continuation of 2002 trends and policies.
4/ Proposed adjustment scenario (October 2002–September 2003).
5/ In 2003, includes a first tranche disbursement on IDB's Sectoral Investment Loan under the proposed adjustment scenario.
6/ As reported by the Finance Ministry.
7/ To cover the clearance of external arrears and current debt service. A strategy agreed by donors to clear the arrears involves financing subject to a Fund-supported program and other conditions.

Table 3. Haiti: Summary Accounts of the Banking System

	Fiscal Year Ending September 30					
	1998	1999	2000	2001	Prel. 2002	Staff Proj. 1/ 2003
	(In millions of gourdes)					
	I. Central Bank					
Net foreign assets 2/	**3,281**	**3,695**	**4,881**	**4,491**	**3,939**	**4,104**
(in millions of U.S. dollars)	195	218	172	176	133	137
Net international reserves (program)	189	209	163	109	50	52
Commercial bank deposits	5	9	9	67	82	85
Net domestic assets	**235**	**294**	**402**	**1,142**	**2,729**	**3,272**
Credit to the nonfinancial public sector 3/	6,687	7,861	9,676	12,169	15,193	16,793
Liabilities to commercial banks	-5,532	-7,029	-8,465	-10,468	-12,107	-13,150
Of which						
Cash-in-vault and reserve deposits	-3,903	-3,924	-7,164	-7,691	-8,954	-9,896
BRH bonds	-1,629	-3,105	-1,301	-2,777	-3,153	-3,254
Other	-920	-538	-809	-560	-357	-372
Currency in circulation	**3,516**	**3,990**	**5,284**	**5,633**	**6,668**	**7,376**
	II. Consolidated Banking System					
Net foreign assets	**5,115**	**5,605**	**9,635**	**8,354**	**8,338**	**8,574**
(in millions of U.S. dollars)	304	331	340	328	281	286
Of which : commercial banks NFA	109	113	168	152	148	149
Net domestic assets	**13,709**	**16,552**	**20,554**	**23,400**	**28,853**	**32,369**
Credit to the nonfinancial public sector 3/	6,485	7,937	9,700	12,257	15,244	16,738
Credit to the private sector	9,124	9,946	13,685	12,636	14,477	16,515
In gourdes	6,455	6,135	7,406	7,414	8,092	9,435
In foreign currency	2,669	3,811	6,279	5,222	6,384	7,080
(in millions of U.S. dollars)	164	225	222	205	215	236
Other	-1,900	-1,331	-2,832	-1,493	-868	-884
Broad money	**18,825**	**22,158**	**30,189**	**31,753**	**37,191**	**40,943**
Currency in circulation	3,516	3,990	5,284	5,633	6,668	7,376
Gourde deposits	10,816	12,443	14,084	15,395	16,772	19,467
Foreign currency deposits	4,492	5,725	10,821	10,725	13,751	14,100
(in millions of U.S. dollars)	276	338	382	421	463	470
	(Percentage change relative to broad money a year earlier)					
Net foreign assets	3.3	2.6	18.2	-4.2	0.0	0.6
Net domestic assets	11.4	15.1	18.1	9.4	17.2	9.5
Credit to the nonfinancial public sector 3/	3.4	7.7	8.0	8.5	9.4	4.0
Credit to the private sector	7.6	4.4	16.9	-3.5	5.8	5.5
	(12-month percentage change)					
Broad money	14.7	17.7	36.2	5.2	17.1	10.1
Currency in circulation	4.8	13.5	32.4	6.6	18.4	10.6
Gourde deposits	13.7	15.0	13.2	9.3	8.9	16.1
Foreign currency deposits	26.7	27.4	89.0	-0.9	28.2	2.5
Credit to the nonfinancial public sector 3/	9.4	22.4	22.2	26.4	24.4	9.8
Credit to the private sector	15.8	9.0	37.6	-7.7	14.6	14.1
Memorandum items:						
End-of-period exchange rate (gourdes per U.S. dollar)	16.90	16.94	28.33	25.49	29.70	...
Net international reserves (in percent of broad money)	17.4	16.7	16.2	14.1	10.6	10.0
Percent in foreign currency						
Bank deposits	29.3	31.5	43.4	41.1	45.1	42.0
Credit to the private sector	29.3	38.3	45.9	41.3	44.1	42.9
Commercial bank US$ loan / US$ deposits	59.4	66.6	58.0	48.7	46.4	50.2

Sources: Bank of the Republic of Haiti; and Fund staff estimates.

1/ Proposed adjustment scenario (October 2002–September 2003).

2/ Includes commercial banks' foreign currency deposits. For program monitoring, they are excluded from net international reserves.

3/ Excludes special accounts.

Table 4. Haiti: Summary Indicators of Commercial Banking Sector Soundness

	Fiscal Year Ending September 30						
	1998 1/	1999	2000	2001	Dec. 01	Mar. 02	Jun. 02
Capital							
Capital, reserves, undistributed profits/total assets	5.7	5.2	5.1	5.8	5.8	5.9	5.8
Capital/risk-weighted assets (capital adequacy ratio)	...	9.4	12.1	14.7	14.9	16.1	18.7
Nonperforming loans							
Nonperforming loans/total loans	8.6	7.9	6.8	9.2	8.5	8.9	7.8
Excluding BNC	6.7	6.5	5.5	7.8	7.2	7.6	6.7
Provisions/nonperforming loans	56.2	62.3	62.6	66.3	72.7	69.7	82.0
Nonperforming loans/capital, reserves, undistributed profits	30.3	24.7	20.5	20.0	15.4	17.3	8.9
Excluding BNC	27.5	21.3	17.7	21.0	15.6	18.4	9.9
Profitability							
Return on assets	0.6	1.0	1.7	1.3	0.6	1.0	1.1
Excluding BNC	1.1	0.9	1.6	1.2	0.1	1.3	1.0
Return on equity	10.1	18.5	32.8	23.2	9.7	17.6	19.0
Net interest income/gross interest income	55.8	60.2	60.2	54.6	60.4	66.3	71.0
Operating costs/net interest and non-interest income	78.4	77.2	69.4	74.4	81.1	81.4	79.6
Excluding BNC	75.9	78.0	70.0	77.9	84.4	73.5	80.9
Net income/employee (in thousands of gourdes)	594.6	606.5	793.4	848.7	799.5	794.0	825.4
Number of branches	82.0	99.0	115.0	139.0	116.0	..	...
Number of employees	2591.0	2659.0	2989.0	3351.0	3351.0	3432.0	3324.0
Liquidity/dollarization							
Total loans/total deposits 2/	57.3	53.8	53.9	47.1	48.9	48.0	46.7
Foreign currency loans/foreign currency deposits 3/	59.4	66.6	58.0	48.7	48.2	49.4	47.9
Foreign currency loans/total loans	29.3	38.3	45.9	41.3	40.6	42.2	42.8
Foreign currency deposits/total deposits	29.3	31.5	43.4	41.1	42.3	42.2	44.1
Intermediation							
Private sector bank deposits/broad money	81.3	82.0	82.5	82.3	80.2	81.0	82.0

Sources: Bank of the Republic of Haiti; and Fund staff estimates.

1/ Criteria for loan classification were tightened in March 1998.

2/ Denominated in gourdes and in foreign exchange.

3/ Foreign exchange operations of the private sector only.

Table 5. Haiti: Balance of Payments

(In millions of U.S. dollars, unless otherwise indicated)

	Fiscal Year Ending September 30					
	1998	1999	2000	2001	Prel. 2002	Staff Proj. 2003 1/
Current account deficit (-) (excluding grants)	**-205.0**	**-298.3**	**-258.8**	**-224.1**	**-151.4**	**-221.2**
Trade balance (deficit -)	-522.8	-678.2	-755.8	-750.2	-708.1	-790.8
Exports (f.o.b.)	299.4	339.4	331.0	305.2	269.9	285.8
Of which						
Assembly industry exports	211.2	263.9	257.7	251.2	218.5	232.7
Imports (f.o.b.)	-822.2	-1,017.6	-1,086.7	-1,055.4	-978.0	-1,076.6
Services (net)	-19.6	-48.8	-96.3	-108.1	-100.5	-100.6
Receipts	180.0	188.8	172.0	137.4	155.8	169.3
Payments	-199.6	-237.6	-268.3	-245.4	-256.3	-269.9
Income (net)	10.1	6.6	15.2	10.6	8.3	9.1
Of which						
Interest payments	-12.9	-20.2	-13.8	-10.7	-14.5	-14.2
Private transfers (net) 2/	327.3	422.1	578.0	623.6	649.0	661.1
External grants 3/	**222.6**	**256.8**	**221.3**	**160.6**	**135.1**	**161.8**
Current account deficit (-) (including grants)	**17.6**	**-41.5**	**-37.6**	**-63.4**	**-16.2**	**-59.4**
Capital and financial accounts (deficit -)	**14.6**	**65.0**	**-14.4**	**55.5**	**-54.8**	**56.9**
Public sector capital flows (net)	72.2	57.9	44.3	0.8	-8.7	27.8
Loan disbursements	97.4	82.4	69.9	28.3	12.2	49.3
Amortization	-25.2	-24.5	-25.7	-27.5	-21.0	-21.5
Banks (net)	-1.7	-3.9	-55.1	16.0	3.4	-0.9
Direct investment	10.8	30.0	8.0	2.0	4.7	30.0
Other 4/	-66.6	-19.0	-11.6	36.7	-54.1	0.0
Overall balance (deficit -)	**32.3**	**23.5**	**-52.0**	**-8.0**	**-71.0**	**-2.5**
Financing	**-32.3**	**-23.5**	**52.0**	**8.0**	**71.0**	**-49.5**
Change in net international reserves (increase -)	-32.3	-23.5	46.0	-3.9	43.5	-4.2
Change in arrears (reduction -)	0.0	0.0	6.0	11.8	27.4	-45.3
Financing gap 5/	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**52.0**
Memorandum items:						
Current account balance, excluding grants (in percent of GDP)	-5.5	-7.2	-6.6	-6.1	-4.2	-6.2
Current account balance, including grants (in percent of GDP)	0.5	-1.0	-1.0	-1.7	-0.5	-1.7
Exports (f.o.b.) growth	45.7	13.4	-2.5	-7.8	-11.6	5.9
Import (f.o.b.) growth	16.9	23.8	6.8	-2.9	-7.3	10.1
External debt as percent of exports	226.5	216.3	226.8	260.6	275.0	250.9
Debt service as percent of exports	8.0	8.5	7.8	8.6	8.3	7.8
Net foreign assets of the central bank (US$ million)	194.8	218.1	172.3	176.2	132.6	136.8
Net international reserves (US$ million) 6/	189.3	208.7	162.9	108.8	50.5	51.8
Gross international reserves (in months of imports of goods and services)	3.4	3.1	2.4	2.6	2.2	1.9
Net international reserves (in months of imports of goods and services) 6/	2.2	2.0	1.4	1.0	0.5	0.5

Sources: Data provided by the Central Bank; and Fund staff estimates.

1/ Proposed adjustment scenario (October 2002–September 2003).
2/ Based on remittances transferred through authorized "transfer houses" and central bank, estimates of such transfers channeled through other means.
3/ World bank survey of donor-provided external financing, and staff estimates.
4/ Includes short-term capital and errors and omissions.
5/ In 2003, to cover the clearance of external arrears and current debt service. A strategy agreed by donors to clear the arrears involves financing subject to a Fund-supported program and other conditions.
6/ Program definition, excluding commercial banks' dollar deposits at the BRH.

Table 6. Haiti: Indicators of External Vulnerability

(Units as indicated)

	Fiscal Year Ending September 30					
					Prel.	Staff Proj.
	1998	1999	2000	2001	2002	2003 1/
Debt indicators						
Total external public debt in percent of GDP	29.2	27.6	28.9	31.2	32.6	32.0
Total external public debt in percent of exports 2/	226.5	216.3	226.8	260.6	275.0	250.9
External public debt service in percent of GDP	1.2	1.3	1.1	1.0	1.0	1.0
Amortization	0.7	0.6	0.7	0.7	0.6	0.6
Interest	0.5	0.8	0.4	0.3	0.4	0.4
External public debt service in percent of exports 2/	8.0	8.5	7.8	8.6	8.3	7.8
Amortization	5.3	4.6	5.1	6.2	4.9	4.7
Interest	2.7	3.8	2.7	2.4	3.4	3.1
External public debt service in percent of current central government revenues	12.3	12.3	12.4	14.2	12.4	12.0
Amortization	8.1	6.7	8.1	10.2	7.3	7.2
Interest	4.2	5.6	4.3	4.0	5.1	4.8
Other indicators						
Exports (percent change, 12-month basis in U.S. dollars)	45.7	13.4	-2.5	-7.8	-11.6	5.9
Imports (percent change, 12-month basis in U.S. dollars)	16.9	23.8	6.8	-2.9	-7.3	10.1
Remittances and grants in percent of gross disposable income	12.9	14.1	16.8	17.5	17.9	18.7
Real effective exchange rate (appreciation +) (end of period)	8.2	8.7	-6.3	7.6	-10.4	...
Exchange rate (per U.S. dollar, period average)	16.9	16.7	19.7	24.2	27.1	30.0
Current account balance (US$ million) 3/	17.6	-41.5	-37.6	-63.4	-16.2	-59.4
Capital and financial account balance (US$ million)	14.6	65.0	-14.4	55.5	-54.8	56.9
Public sector	72.2	57.9	44.3	0.8	-8.7	27.8
Private sector 4/	-57.6	7.1	-58.7	54.7	-46.0	29.1
Liquid gross official reserves (US$ million)	231.5	269.9	213.0	159.9	95.6	84.6
In months of imports 2/	2.7	2.6	1.9	1.5	0.9	0.8
In percent of amortizations due in the following year	918.7	1103.2	829.5	581.2	456.1	393.8
In percent of base money	47.4	59.0	49.5	34.2	18.3	15.3
Liquid assets of commercial banks / dollar deposits (percentage)	42.9	36.2	46.4	52.0	49.7	49.8

Sources: Central Bank of Haiti; and Fund staff estimates.

1/ Proposed adjustment scenario (October 2002–September 2003).

2/ Goods and services.

3/ Including grants.

4/ Includes short-term capital, errors and omissions.

Table 7. Haiti: Stock of External Arrears and Projected Debt Service

(In millions of U.S. dollars)

	Fiscal Year Ending September 30					
	1998	1999	2000	2001	2002	2003 1/
External arrears						
Total	**0.0**	**0.0**	**6.0**	**17.8**	**45.3**	**0.0**
Multilateral creditors	**0.0**	**0.0**	**2.1**	**11.3**	**33.4**	**0.0**
IDB	0.0	0.0	0.2	4.0	15.4	0.0
World Bank/IDA	0.0	0.0	0.8	6.1	17.6	0.0
IMF	0.0	0.0	0.2	0.0	0.0	0.0
Other (OPEC and FIDA)	0.0	0.0	0.9	1.1	0.4	0.0
Bilateral creditors	**0.0**	**0.0**	**3.9**	**6.6**	**11.9**	0.0
United States	0.0	0.0	0.1	0.7	0.8	0.0
Canada (Wheat Board)	0.0	0.0	0.1	0.1	0.1	0.0
France (Banque de France, CFD, and COFACE)	0.0	0.0	2.1	3.3	6.1	0.0
Italy (SACE)	0.0	0.0	0.6	1.3	3.3	0.0
Spain (CESCE)	0.0	0.0	0.6	1.3	1.6	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Projected debt service						
Total	**...**	**...**	**...**	**...**	**...**	**49.8**
Multilateral creditors	**...**	**...**	**...**	**...**	**...**	**40.7**
IDB	...	...	...	...	...	11.8
World Bank/IDA	...	...	...	...	...	12.7
IMF	...	...	...	...	...	13.7
Other (OPEC and FIDA)	...	...	...	...	...	2.5
Bilateral creditors	**...**	**...**	**...**	**...**	**...**	**9.1**
United States	...	...	...	...	...	1.1
Canada (Wheat Board)	...	...	...	...	...	0.1
France (Banque de France, CFD, and COFACE)	...	...	...	...	...	4.1
Italy (SACE)	...	...	...	...	...	1.2
Spain (CESCE)	...	...	...	...	...	0.6
Others	...	...	...	...	...	2.0

Sources: Bank of the Republic of Haiti; the World Bank; and Fund staff estimates.

1/ Proposed adjustment scenario (October 2002–September 2003).

Table 8. Haiti: Medium Term Weak Adjustment Scenario

	Fiscal Year Ending September 30									
					Prel.	Staff Projections 1/				
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Real sector	(Annual percentage rate)									
Real GDP growth	2.2	2.7	0.9	-1.1	0.0	1.0	1.0	1.0	1.0	1.0
Inflation (CPI end-of-period)	8.3	9.9	15.3	12.3	10.1	15.0	15.0	15.0	15.0	15.0
Savings and investment	(In percent of GDP)									
Gross investment	26.0	27.7	27.3	22.8	20.4	21.4	21.6	21.5	21.5	21.4
Public	6.7	7.2	6.3	3.6	3.3	4.3	4.5	4.4	4.4	4.3
Private	19.3	20.5	21.1	19.2	17.1	17.1	17.1	17.1	17.1	17.1
Domestic saving 2/	26.5	26.7	26.4	21.1	19.9	20.4	20.7	20.8	20.9	20.9
Public	4.8	4.0	1.9	0.7	0.0	1.4	1.6	1.6	1.5	1.4
Private	21.7	22.7	24.5	20.4	19.9	19.0	19.1	19.3	19.4	19.5
External savings 2/	-0.5	1.0	1.0	1.7	0.5	1.0	0.8	0.7	0.6	0.5
Fiscal sector										
Overall public sector balance 3/	-3.3	-3.7	-5.2	-3.5	-3.4	-3.5	-3.5	-3.5	-3.5	-3.5
Of which										
Central government revenue and grants	9.7	9.2	8.4	7.7	8.1	8.5	8.5	8.5	8.5	8.5
Grants	1.1	0.2	0.3	0.4	0.1	0.6	0.6	0.6	0.6	0.6
Central government expenditure	9.6	10.5	10.6	10.0	11.0	11.2	11.2	11.2	11.2	11.2
Total public sector debt	39.5	39.0	41.4	45.0	48.3	51.8	54.2	53.9	53.7	53.6
Monetary sector	(Growth relative to the stock of broad money at the beginning of the period)									
Growth in broad money	14.7	17.7	36.2	5.2	17.1	16.2	16.2	16.2	16.2	16.2
Credit to the nonfinancial public sector	3.4	7.7	8.0	8.5	9.4	5.8	6.6	6.8	7.0	7.4
Credit to the private sector	7.6	4.4	16.9	-3.5	5.8	8.4	9.6	9.3	6.4	6.1
External sector	(In percent of GDP)									
Exports	8.0	8.2	8.4	8.3	7.5	8.6	9.3	9.3	9.3	9.4
Imports	-22.1	-24.6	-27.6	-28.6	-27.3	-32.1	-35.0	-35.4	-35.6	-35.7
Private transfers	8.8	10.2	14.7	16.9	18.1	20.4	22.3	22.9	23.2	23.5
Current account balance	-5.5	-7.2	-6.6	-6.1	-4.2	-6.0	-6.4	-6.0	-5.8	-5.6
External grants	6.0	6.2	5.6	4.4	3.8	5.0	5.5	5.4	5.2	5.1
Foreign direct investment	0.3	0.7	0.2	0.1	0.1	0.3	0.2	0.1	0.1	0.1
Official capital flows	1.9	1.4	1.1	0.0	-0.2	-0.4	-0.4	-0.4	-0.5	-0.5
Overall balance of payments	0.9	0.6	-1.3	-0.2	-2.0	-1.3	-1.1	-1.0	-1.0	-1.0
External public sector debt	29.2	27.6	28.9	31.2	32.6	36.4	38.8	38.4	38.0	37.6
(in percent of exports of goods and services)	226.5	216.3	226.8	260.6	275.0	274.6	266.8	262.7	258.4	255.6
Net international reserves 4/										
(in millions of U.S. dollars)	194.8	218.1	172.3	176.2	132.6	124.0	124.0	124.0	124.0	124.0
(in months of imports of goods and services)	2.3	2.1	1.5	1.6	1.3	1.2	1.1	1.1	1.0	1.0
Net international reserves 5/										
(in millions of U.S. dollars)	189.3	208.7	162.9	108.8	50.5	51.8	51.8	51.8	51.8	51.8
(in months of imports of goods and services)	2.2	2.0	1.4	1.0	0.5	0.5	0.5	0.4	0.4	0.4

Sources: Haitian authorities; and Fund staff estimates.

1/ Assumes monetary and fiscal policies to stabilize NIR and keep BRH financing of the budget deficit at 2 percent of GDP, and an accumultion of external arrears.

2/ Includes grants.

3/ Includes public enterprises and foreign-financed projects and technical assistance.

4/ Includes commercial banks' deposits with the central bank.

5/ Excludes commercial banks' deposits with the central bank.

Table 9. Haiti: Medium-Term Weak Adjustment Scenario Balance of Payments

(In millions of U.S. dollars; unless otherwise indicated)

	Fiscal Year Ending September 30					
	Prel.	Staff Projections 1/				
	2002	2003	2004	2005	2006	2007
Current account deficit (-) (excluding grants)	**-151.4**	**-193.1**	**-195.7**	**-191.1**	**-189.8**	**-187.3**
Trade balance (deficit -)	-708.1	-762.7	-791.5	-825.2	-853.3	-882.0
Exports (f.o.b.)	269.9	278.0	286.3	294.9	303.7	312.9
Imports (f.o.b.)	-978.0	-1,040.7	-1,077.8	-1,120.1	-1,157.0	-1,194.9
Services (net)	-100.5	-100.6	-95.0	-94.1	-92.0	-92.0
Receipts	155.8	151.0	161.6	167.5	174.6	179.6
Payments	-256.3	-251.6	-256.6	-261.6	-266.6	-271.6
Income (net)	8.3	9.1	5.5	4.0	2.1	0.5
Of which						
Interest payments	-14.5	-14.2	-11.1	-9.7	-8.4	-5.9
Private transfers (net) 2/	649.0	661.1	685.3	724.2	753.4	786.2
External grants 3/	**135.1**	**161.8**	**170.0**	**170.0**	**170.0**	**170.0**
Current account deficit (-) (including grants)	**-16.2**	**-31.4**	**-25.7**	**-21.1**	**-19.8**	**-17.3**
Capital and financial accounts (deficit -)	**-54.8**	**-10.5**	**-8.0**	**-12.0**	**-13.0**	**-15.0**
Public sector capital flows (net)	-8.7	-11.5	-13.0	-14.0	-15.0	-17.0
Loan disbursements	12.2	10.0	10.0	10.0	10.0	10.0
Amortization	-21.0	-21.5	-23.0	-24.0	-25.0	-27.0
Banks (net)	3.4	33.0	0.0	0.0	0.0	0.0
Direct investment	4.7	10.0	5.0	2.0	2.0	2.0
Other 4/	-54.1	-42.0	0.0	0.0	0.0	0.0
Overall balance (deficit -)	**-71.0**	**-41.9**	**-33.7**	**-33.1**	**-32.8**	**-32.3**
Financing	**71.0**	**41.9**	**33.7**	**33.1**	**32.8**	**32.3**
Change in net international reserves (increase -)	43.5	8.6	0.0	0.0	0.0	0.0
Change in arrears (reduction -)	27.4	33.3	33.7	33.1	32.8	32.3
Rescheduling	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:						
Current account balance, excluding grants (in percent of GDP)	-4.2	-6.0	-6.4	-6.0	-5.8	-5.6
Current account balance, including grants (in percent of GDP)	-0.5	-1.0	-0.8	-0.7	-0.6	-0.5
Exports (f.o.b.) growth	-11.6	3.0	3.0	3.0	3.0	3.0
Imports (f.o.b.) growth	-7.3	6.4	3.6	3.9	3.3	3.3
External debt as percent of exports	275.0	274.6	266.8	262.7	258.4	255.6
Debt service as percent of exports	8.3	8.3	7.6	7.3	7.0	6.7
Net foreign assets of the central bank (US$ million)	132.6	124.0	124.0	124.0	124.0	124.0
Net international reserves (US$ million) 5/	50.5	51.8	51.8	51.8	51.8	51.8
Gross international reserves (in months of imports of goods and services)	2.2	2.0	1.9	1.9	1.8	1.8
Net international reserves (in months of imports of goods and services) 5/	0.5	0.5	0.5	0.4	0.4	0.4

Sources: Data provided by the central bank; and Fund staff estimates.

1/ Assumes monetary and fiscal policies to stabilize NIR and keep BRH financing of the budget deficit at 2 percent of GDP, and an accumulation of external arrears.

2/ Based on remittances transferred through authorized "transfer houses" and central bank, estimates of such transfers channeled through other means.

3/ World bank survey of donor-provided external financing, and staff estimates.

4/ Includes short-term capital and errors and omissions.

5/ Program definition, excluding dollar commercial banks' deposits at the BRH.

Table 10. Haiti: Medium-Term Strong Adjustment Scenario

	Fiscal Year Ending September 30									
					Prel.	Staff Proj. 1/	Staff Projections 2/			
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Real sector	(Annual percentage rate)									
Real GDP growth	2.2	2.7	0.9	-1.1	0.0	1.0	3.0	4.0	5.0	6.0
Inflation (CPI end-of-period)	8.3	9.9	15.3	12.3	10.1	9.0	7.5	6.5	5.5	5.0
Savings and investment	(In percent of GDP)									
Gross investment	26.0	27.7	27.3	22.8	20.3	22.1	25.3	27.5	28.6	29.4
Public	6.7	7.2	6.3	3.6	3.3	4.5	7.2	8.3	8.3	8.2
Private	19.3	20.5	21.1	19.2	17.1	17.7	18.1	19.2	20.3	21.2
Domestic saving 3/	26.5	26.7	26.4	21.1	19.9	20.5	23.3	24.7	25.6	26.8
Public	4.8	4.0	1.9	0.7	0.0	2.0	4.0	4.9	5.1	5.3
Private	21.7	22.7	24.5	20.4	19.9	18.5	19.3	19.8	20.5	21.6
External savings	-0.5	1.0	1.0	1.7	0.5	1.7	2.0	2.8	3.0	2.6
Fiscal sector										
Overall public sector balance 4/	-3.3	-3.7	-5.2	-3.5	-3.4	-3.4	-4.0	-4.2	-3.9	-3.6
Of which										
Central government revenue and grants	9.7	9.2	8.4	7.7	8.1	9.3	10.1	11.1	11.5	12.0
Grants	1.1	0.2	0.3	0.4	0.1	0.9	0.5	0.5	0.4	0.4
Central government expenditure 5/	9.6	10.5	10.6	10.0	11.0	11.2	11.3	11.9	12.2	12.5
Total public sector debt	39.5	39.0	41.4	45.0	48.3	47.7	47.8	48.6	49.2	47.6
Monetary sector	(Growth relative to the stock of broad money at the beginning of the period)									
Growth in broad money	14.7	17.7	36.2	5.2	17.1	10.1	12.7	12.7	13.3	13.0
Credit to the nonfinancial public sector	3.4	7.7	8.0	8.5	9.4	4.0	2.5	1.7	1.7	1.5
Credit to the private sector	7.6	4.4	16.9	-3.5	5.8	5.5	7.5	8.8	8.6	8.8
External sector	(In percent of GDP)									
Exports	8.0	8.2	8.4	8.3	7.5	8.0	8.0	8.2	8.6	9.0
Imports	-22.1	-24.6	-27.6	-28.6	-27.3	-30.2	-30.9	-31.7	-31.7	-31.1
Private transfers	8.8	10.2	14.7	16.9	18.1	18.5	17.4	16.9	16.2	15.5
Current account balance	-5.5	-7.2	-6.6	-6.1	-4.2	-6.2	-7.6	-8.4	-8.3	-7.8
External grants	6.0	6.2	5.6	4.4	3.8	4.5	5.6	5.6	5.3	5.2
Foreign direct investment	0.3	0.7	0.2	0.1	0.1	0.8	1.0	1.2	1.6	1.4
Official capital flows	1.9	1.4	1.1	0.0	-0.2	0.8	2.4	2.8	2.6	2.4
Overall balance of payments	0.9	0.6	-1.3	-0.2	-2.0	-0.1	0.9	0.8	0.8	0.8
External public sector debt	29.2	27.6	28.9	31.2	32.6	32.0	32.9	34.7	36.0	35.3
(in percent of exports of goods and services)	226.5	216.3	226.8	260.6	275.0	250.9	256.1	261.8	260.1	243.2
Net international reserves 6/										
(in millions of U.S. dollars)	194.8	218.1	172.3	176.2	132.6	136.8	174.1	207.0	246.3	286.7
(in months of imports of goods and services)	2.3	2.1	1.5	1.6	1.3	1.2	1.4	1.5	1.6	1.8
Net international reserves 7/										
(in millions of U.S. dollars)	189.3	208.7	162.9	108.8	50.5	51.8	89.1	122.0	161.3	201.7
(in months of imports of goods and services)	2.2	2.0	1.4	1.0	0.5	0.5	0.7	0.9	1.1	1.2

Sources: Haitian authorities; and Fund staff estimates.

1/ Proposed adjustment scenario (October 2002-September 2003).

2/ Assumes strong macroeconomic policies, structural reforms and the reengagement of donors.

3/ Includes grants.

4/ Includes public enterprises and foreign-financed projects and technical assistance.

5/ Includes expenditure for structural measures, hurricane relief, and elections.

6/ Includes commercial banks' deposits with the central bank.

7/ Excludes commercial banks' deposits with the central bank.

Table 11. Haiti: Medium-Term Strong Adjustment Scenario Balance of Payments

(In millions of U.S. dollars; unless otherwise indicated)

	Fiscal Year Ending September 30					
	Prel.	Staff Projections 1/				
	2002	2003 2/	2004	2005	2006	2007
Current account deficit (-) (excluding grants)	**-151.4**	**-221.2**	**-301.0**	**-359.3**	**-387.8**	**-395.3**
Trade balance (deficit -)	-708.1	-790.8	-903.7	-1,008.8	-1,077.5	-1,124.5
Exports (f.o.b.)	269.9	285.8	316.2	351.6	398.6	459.1
Imports (f.o.b.)	-978.0	-1,076.6	-1,219.9	-1,360.3	-1,476.1	-1,583.6
Services (net)	-100.5	-100.6	-97.7	-94.8	-82.5	-75.6
Receipts	155.8	169.3	191.0	216.2	245.5	279.7
Payments	-256.3	-269.9	-288.7	-311.0	-328.1	-355.3
Income (net)	8.3	9.1	15.1	20.0	18.8	18.7
Private transfers (net) 3/	649.0	661.1	685.3	724.2	753.4	786.2
External grants 4/	**135.1**	**161.8**	**222.4**	**239.3**	**247.4**	**263.7**
Current account deficit (-) (including grants)	**-16.2**	**-59.4**	**-78.6**	**-120.1**	**-140.4**	**-131.6**
Capital and financial accounts (deficit -)	**-54.8**	**56.9**	**116.0**	**152.9**	**179.8**	**172.0**
Public sector capital flows (net)	-8.7	27.8	92.9	121.4	122.9	122.2
Loan disbursements	12.2	49.3	115.9	149.3	154.3	159.3
Amortization	-21.0	-21.5	-23.0	-27.9	-31.4	-37.1
Banks (net)	3.4	-0.9	-16.9	-18.5	-18.1	-20.2
Direct investment	4.7	30.0	40.0	50.0	75.0	70.0
Other 5/	-54.1	0.0	0.0	0.0	0.0	0.0
Overall balance (deficit -)	**-71.0**	**-2.5**	**37.3**	**32.9**	**39.3**	**40.4**
Financing	**71.0**	**-49.5**	**-37.3**	**-32.9**	**-39.3**	**-40.4**
Change in net international reserves (increase -)	43.5	-4.2	-37.3	-32.9	-39.3	-40.4
Change in arrears (reduction -)	27.4	-45.3	0.0	0.0	0.0	0.0
Rescheduling	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	**0.0**	**52.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:						
Current account balance, excluding grants (in percent of GDP)	-4.2	-6.2	-7.6	-8.4	-8.3	-7.8
Current account balance, including grants (in percent of GDP)	-0.5	-1.7	-2.0	-2.8	-3.0	-2.6
Exports (f.o.b.) growth	-11.6	5.9	10.6	11.2	13.4	15.2
Import (f.o.b.) growth	-7.3	10.1	13.3	11.5	8.5	7.3
External debt as percent of exports	275.0	250.9	256.1	261.8	260.1	243.2
Debt service as percent of exports	8.3	7.8	7.2	7.5	7.4	7.4
Net foreign assets of the central bank (US$ million)	132.6	136.8	174.1	207.0	246.3	286.7
Net international reserves (US$ million) 6/	50.5	51.8	89.1	122.0	161.3	201.7
Gross international reserves (in months of imports of goods and services)	2.2	1.9	2.5	2.9	3.3	3.2
Net international reserves (in months of imports of goods and services) 6/	0.5	0.5	0.7	0.9	1.1	1.2

Sources: Data provided by the central bank; and Fund staff estimates.

1/ Assumes strong macroeconomic policies, structural reforms and the reengagement of donors.
2/ Proposed adjustment scenario (October 2002–September 2003).
3/ Based on remittances transferred through authorized "transfer houses" and central bank, estimates of such transfers channeled through other means.
4/ World bank survey of donor-provided external financing, and staff estimates.
5/ Includes short-term capital and errors and omissions.
6/ Program definition, excluding dollar commercial banks' deposits at the BRH.

Box 1. Haiti: Public Sector Debt Sustainability, 1998–2007

Baseline scenario

The medium-term projections (see Tables 10 and 11) assume strong macroeconomic policies and structural reforms, and the reengagement of donors during FY 2002/03–FY 2006/07. Assumptions underlying the strong-adjustment scenario are described below:

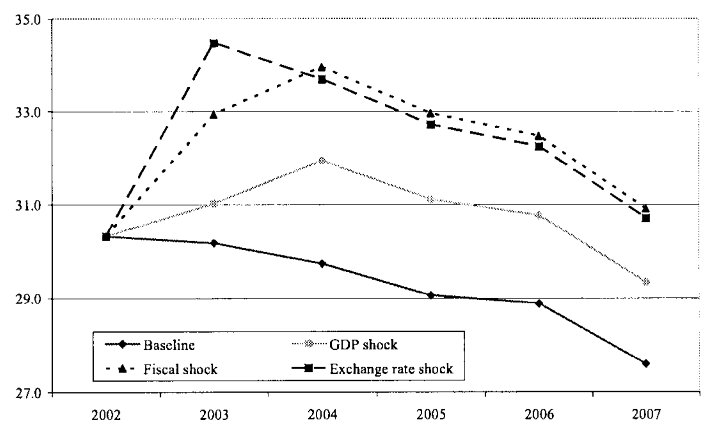
- A moderate recovery in real GDP growth to 1 percent in 2002/03 (from 0 percent in FY 2001/02), and an annual average growth rate of 4.5 percent during the period 2003/04–2006/07.
- A gradual decrease in the rate of inflation, from 8.7 percent in 2001/02 to 5.3 percent by 2006/07.
- Concessionary interest rates on external debt are assumed to remain broadly stable at about 1 percent. The interest payment on domestic debt is based on an arrangement between the BRH and the ministry of finance. The NPV of debt is used in the debt sustainability analysis, reflecting the concessionary nature of Haitian debt.
- Following an increase in the primary deficit of the public sector at the beginning of the program, the primary deficit is targeted to slightly decline to 2.4 percent of GDP over the medium term. During the same period, the overall deficit would decline to about 3.2 percent of GDP.
- The exchange rate is assumed to be broadly stable during the period 2003–07.

Reflecting the assumptions above, the public debt-to-GDP ratio would decrease over the medium-term, declining from 30.3 percent in FY 2001/02 to 27.6 percent by 2006/07 (Attachment Table 1.).

Sensitivity analysis

Given Haiti's context, this section focuses on shocks arising from lower growth, absence of sufficient fiscal reforms resulting in less than envisaged primary surplus and a one-time 30 percent real depreciation in 2003. If real growth rates in 2003 and 2004 are projected to be two standard deviations below the average for the past five years, the public debt-GDP ratio would be about 2 percentage points above the projected ratio under the baseline. A similar shock to the primary balance would yield an increase of about 3 percentage points in the public debt-GDP ratio compared with the baseline. A one time 30 percent real depreciation in 2003 would produce an increase in the public debt-GDP ratio by 3 percentage points relative to the baseline.

Haiti: Sensitivity Tests on the Public Debt-GDP Ratio



Conclusions

In the event of strong fiscal measures and structural reforms a decrease in the ratio of public debt to GDP (to about 28 percent) is expected by FY 2006/07. However, there are risks associated with changes in the macroeconomic environment, especially lower growth, higher primary deficits, and exchange rate depreciation. These risks are suggestive of the need to pursue measures that will enhance GDP growth, consolidate the fiscal position and achieve macroeconomic stability in order to prevent upward pressures on the exchange rate with adverse impact on the public debt dynamics.

Table 1. Haiti: Public Sector Debt Sustainability Framework, 1998-2007

	1998	1999	2000	2001	2002	Staff Projections 2003	2004	2005	2006	2007
I. Baseline Medium-Term Projections										
Public debt/revenues 1/	154.8	162.5	205.5	249.1	263.2	234.2	240.1	217.0	211.2	197.7
Public debt/GDP 1/	23.6	23.5	25.3	27.7	30.3	30.2	29.7	29.1	28.9	27.6
Change in public debt/GDP	-1.5	-0.1	1.8	2.4	2.6	-0.1	-0.4	-0.7	-0.2	-1.3
Net debt-creating flows/GDP (5+6)	-1.4	1.4	2.3	-0.2	1.0	-0.3	0.4	0.7	0.6	0.2
Overall deficit, excluding net interest payments/GDP (=primary deficit)	1.5	2.7	4.1	2.4	2.5	1.7	2.8	3.0	2.8	2.4
Total interest rate and GDP growth effect $((r - \pi) - g(1+\pi))/(1+g+\pi+g\pi)$)debt/GDP (8/7) 2/	-2.9	-1.2	-1.8	-2.6	-1.5	-2.0	-2.4	-2.3	-2.2	-2.3
Adjustment factor: $1+g+\pi+g\pi$	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Combined interest rate and GDP growth effect $((r - \pi) - g(1+\pi))$debt/GDP (9+10)	-3.4	-1.4	-2.0	-3.0	-1.6	-2.2	-2.6	-2.5	-2.5	-2.5
Real interest rate cost $(r - \pi)$ times debt/GDP	-2.7	-0.7	-1.8	-3.3	-1.6	-1.8	-1.7	-1.3	-0.9	-0.7
Minus Real GDP growth effect, adjusted for inflation $g(1+\pi)$ times debt/GDP	-0.6	-0.7	-0.2	0.3	0.0	-0.3	-1.0	-1.3	-1.5	-1.8
Residual, including asset changes, privatization receipts (negative), and valuation changes in external debt /GDP (3-4)	-0.1	-1.5	-0.6	2.6	1.6	0.1	-0.9	-1.4	-0.8	-1.5
Memorandum items: key macro and external assumptions										
Nominal GDP (local currency)	63	69	78	89	97	107	119	133	148	165
Real GDP growth (in percent per year)	2.2	2.7	0.9	-1.1	0.0	1.0	3.0	4.0	5.0	6.0
Consumer price index (change, in percent per year)	12.7	8.1	11.5	16.7	8.7	9.5	8.3	7.0	6.0	5.3
Exchange rate (local currency per U.S. dollar)	16.9	16.7	19.7	24.2	27.1	30.0	30.3	31.0	31.8	32.4
Nominal appreciation of local currency against U.S. dollar	-4.6	1.4	-15.0	-18.6	-10.9	-9.6	-0.9	-2.3	-2.5	-2.0
GDP deflator (change, in percent per year)	14.2	7.0	11.1	16.3	9.0	9.0	8.3	7.0	6.0	5.3
Average interest rate on public debt (percent per year)	3.2	4.1	3.5	3.2	3.1	2.9	2.8	2.8	2.9	2.9
Average real interest rate (nominal rate minus change in GDP deflator, percent)	-10.9	-2.9	-7.5	-13.1	-5.9	-6.1	-5.5	-4.2	-3.1	-2.4
Growth of revenues (deflated by GDP deflator, in percent per year)	-2.6	-2.5	-14.2	-10.6	3.4	13.0	-1.0	12.5	7.2	8.2
Growth of noninterest expenditure (deflated by GDP deflator, in percent per year)	-0.8	5.3	-3.3	-18.4	3.3	5.1	7.2	12.3	5.4	5.7
II. Stress Tests										
If real GDP growth rate in 2003 and 2004 is average minus two standard deviations, others at baseline					30.3	31.0	31.9	31.1	30.8	29.3
If primary balance (in percent of GDP) in 2003 and 2004 is average minus two standard deviations, others at baseline					30.3	32.9	34.0	33.0	32.5	30.9
One-time 30 percent real depreciation in 2003, others at baseline 3/					30.3	34.5	33.7	32.7	32.3	30.7
Memorandum items:										
Primary deficit (percent of GDP, average of past 5 years)					2.4	2.4	2.4	2.4	2.4	2.4
Primary deficit (percent of GDP, standard deviation of past 5years)					1.0	1.0	1.0	1.0	1.0	1.0
Real GDP growth rate (average of past 5 years)					1.2	1.2	1.2	1.2	1.2	1.2
Real GDP growth rate (standard deviation of past 5 years)					1.6	1.6	1.6	1.6	1.6	1.6

Source: Fund staff estimates.

1/ Indicate coverage of public sector; external debt in NPV terms

2/ Defined as: r = interest rate; π = GDP deflator, growth rate; g = real GDP growth rate.

3/ Real appreciation is approximated by nominal appreciation against U.S. dollar plus increase in domestic GDP deflator.

Box 2. Haiti: External Debt Sustainability, 1998–2007

- The high-growth baseline scenario (see Tables 10 and 11) assumes strong macroeconomic policies, structural reforms, and the reengagement of donors during 2004–07 with accelerating exports and real GDP growth.

- The dynamics of external debt under the high-growth baseline scenario shows that, owing to the gradual reengagement of donors starting in 2004, the external debt-to-GDP (in NPV terms) ratio would increase from 14.6 percent in 2002 to 15.3 percent in 2007 (Attachment Table 2.).

- The increase in debt-to-GDP ratio appears manageable as the NPV of external debt-to-exports ratio would decline under this scenario. It should be noted that Haiti does not qualify for debt relief under the HIPC initiative owing to her low debt indicators.

- The sensitivity analysis shows that if key variables are projected to remain at their average level of the past five years (1997 to 2001), the ratio of external debt to GDP would remain at 14.6 in 2007. This would occur mainly because the low GDP growth during the reference period was accompanied by low current account deficits.

- External debt is not highly sensitive to nominal interest rates, reflecting the concessional conditions attached to Haiti's external debt.

- Stress tests indicate that the projection is most sensitive to changes in the U.S. dollar GDP deflator. The ratio of external debt to GDP would rise to 22.9 in 2007 (8 percentage points of GDP more than the baseline) under the scenario of a change in the U.S. dollar GDP deflator of minus two standard deviations in 2003 and 2004. A depreciation shock in 2003 or lower GDP growth would also increase the external debt-to-GDP ratio.

- This sensitivity to shocks is a vulnerability, given the recent depreciation trend and sluggish GDP growth. It highlights the need for macroeconomic stabilization and a careful selection and implementation of foreign-funded projects.

Table 2. Haiti: External Debt Sustainability Framework, 1997-2007

(In percent of GDP; unless otherwise indicated)

	Actual				Projections					
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
I. Baseline Medium-Term Projections										
External debt 1/	**13.3**	**12.1**	**12.8**	**14.0**	**14.6**	**14.5**	**14.9**	**15.1**	**15.7**	**15.3**
Change in external debt	-0.9	-1.2	0.7	1.2	0.6	-0.1	0.3	0.2	0.6	-0.5
Identified external debt-creating flows (4+8+11)	-2.2	-1.1	1.4	2.5	0.7	0.9	-0.4	0.4	0.5	-0.1
Current account deficit, excluding interest payments	-0.8	0.5	0.6	1.4	0.0	1.3	1.6	2.5	2.7	2.2
Deficit in balance of goods and services	14.6	17.5	21.6	23.2	22.6	25.0	25.4	25.7	24.9	23.6
Exports	12.9	12.7	12.8	12.0	11.9	12.8	12.9	13.2	13.8	14.5
Imports	27.5	30.3	34.4	35.2	34.4	37.7	38.3	39.0	38.8	38.1
Net nondebt creating capital inflows (negative)	-0.3	-0.7	-0.2	-0.1	-0.1	-0.8	-1.0	-1.2	-1.3	-1.4
Net foreign direct investment, equity	0.3	0.7	0.2	0.1	0.1	0.8	1.0	1.2	1.3	1.4
Net portfolio investment,equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Automatic debt dynamics 2/	-1.1	-0.9	1.0	1.2	0.8	0.5	-1.0	-0.9	-0.8	-1.0
Contribution from nominal interest rate	0.3	0.5	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.3
Contribution from real GDP growth	-0.3	-0.3	-0.1	0.2	0.0	-0.1	-0.4	-0.5	-0.7	-0.9
Contribution from price and exchange rate changes 3/	-1.2	-1.0	0.7	0.7	0.4	0.2	-1.0	-0.7	-0.5	-0.5
Residual, incl. change in gross foreign assets (2-3)	1.3	-0.2	-0.6	-1.3	-0.1	-1.0	0.7	-0.2	0.1	-0.3
External debt-to-exports ratio (in percent)	103.3	94.7	100.5	116.9	123.2	113.9	115.5	114.0	113.6	105.1
Gross external financing need (in billions of U.S. dollars) 4/	0.0	0.1	0.1	0.1	0.0	0.1	0.1	0.2	0.2	0.2
In percent of GDP	0.3	1.9	1.7	2.5	1.3	2.7	2.7	3.5	3.8	3.4
Key macroeconomic and external assumptions										
Nominal GDP (U.S. dollars)	3.7	4.1	3.9	3.7	3.6	3.6	3.9	4.3	4.7	5.1
Real GDP growth (in percent)	2.2	2.7	0.9	-1.1	0.0	1.0	3.0	4.0	5.0	6.0
Exchange rate appreciation (U.S. dollar value of local currency, change in percent)	-4.6	1.4	-15.0	-18.6	-10.9	-9.6	-0.9	-2.3	-2.5	-2.0
GDP deflator in U.S. dollars (change in percent)	8.9	8.5	-5.6	-5.3	-2.9	-1.5	7.3	4.6	3.4	3.1
Nominal external interest rate (in percent)	2.7	4.1	2.8	2.1	2.8	2.7	2.6	2.5	2.5	2.4
Growth of exports (U.S. dollar terms, in percent)	26.4	10.2	-4.8	-12.0	-3.8	6.9	11.4	11.9	13.4	14.7
Growth of imports (U.S. dollar terms, in percent)	16.1	22.8	8.0	-4.0	-5.1	9.1	12.0	10.8	7.9	7.5
II. Stress Tests for External Debt Ratio										
Real GDP growth, nominal interest rate, dollar deflator, noninterest current account, and nondebt inflows are at historical average in 2					**14.6**	**13.8**	**14.6**	**14.6**	**14.8**	**14.6**
Nominal interest rate is at historical average plus two standard deviations in 2003 and 2004					**14.6**	**14.8**	**15.4**	**15.6**	**16.2**	**15.7**
Real GDP growth is at historical average minus two standard deviations in 2003 and 2004					**14.6**	**16.8**	**19.7**	**19.7**	**20.1**	**19.3**
Change in U.S. dollar GDP deflator is at historical average minus two standard deviations in 2003 and 2004					**14.6**	**18.1**	**24.0**	**23.7**	**23.9**	**22.9**
Non-interest current account is at historical average minus two standard deviations in 2003 and 2004					**14.6**	**16.7**	**18.7**	**18.7**	**19.1**	**18.4**
Combination of 2-5 using one standard deviation shocks					**14.6**	**17.7**	**22.9**	**22.7**	**22.9**	**22.0**
One time 30 percent nominal depreciation in 2003					**14.6**	**18.9**	**18.9**	**18.9**	**19.4**	**18.7**

Source: Fund staff estimates.

1/ External debt in NPV terms

2/ Derived as $[r - g - \rho(1+g) + \varepsilon\alpha(1+r)]/(1+g+\rho+g\rho)$ times previous period debt stock, with r = nominal effective interest rate on external debt; ρ = change in domestic GDP deflator in U.S. dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

3/ The contribution from price and exchange rate changes is defined as $[-\rho(1+g) + \varepsilon\alpha(1+r)]/(1+g+\rho+g\rho)$ times previous period debt stock. ρ increases with an appreciating domestic currency ($\varepsilon > 0$) and rising inflation (based on GDP deflator).

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

HAITI: FUND RELATIONS

As of November 30, 2002

I. **Membership status**: Joined September 8, 1953; Article VIII.

II.	**General resources account**	**SDR Million**	**Percent of Quota**
	Quota	60.70	100.00
	Fund holdings of currency	70.12	115.51
	Reserve position in Fund	0.07	0.11

III.	**SDR department:**	**SDR Million**	**Percent of Allocation**
	Net cumulative allocation	13.70	100.00
	Holdings	2.30	16.80

IV.	**Outstanding purchases and loans:**	**SDR Million**	**Percent of Quota**
	ESAF arrangements	12.14	20.00
	First Credit Tranche	9.48	15.63

V. **Financial arrangements**:

Type of Arrangement	**Approval Date**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
ESAF	10/18/96	10/17/99	91.05	15.18
Stand-by	03/08/95	03/07/96	20.00	16.40
Stand-by	09/18/89	12/31/90	21.00	15.00

VI. **Projected obligations to the Fund**: (SDR million; based on existing use of resources and present holdings of SDRs):

	Overdue 10/31/02	**2002**	**Forthcoming**			
			2003	**2004**	**2005**	**2006**
Principal	0.0	3.4	10.6	3.0	3.0	3.0
Charges/interest	0.0	0.2	0.5	0.3	0.3	0.3
Total	**0.0**	**3.6**	**11.1**	**3.3**	**3.3**	**3.3**

VII. **Exchange arrangements**:

Haiti's exchange system is free of restrictions on the making of payments and transfers for current international transactions. Since September 1991 all transactions have taken place at the free (interbank) market rate.

VIII. **Article IV Consultation**

The last Article IV consultation was concluded by the Executive Board on January 18, 2002. Haiti is on the standard 12-month cycle.

IX. **Technical assistance**: A long-term macroeconomic advisor worked in the president's office from May 1999 to February 2001.

Technical assistance missions since 1997:

Department	Dates	Purpose
BTS	October 1997; February 1999	Information technology
FAD	March 1997–September 1998	Exemptions system and investment code
	November 1997	Direct taxation and exemption system
	October 1998	Large taxpayer unit
	June 1999	Industrial exemptions
MAE	October 1995–April 1998	Banking supervision
	January 1997	Role of the central bank
	August 1997	Banking law and monetary policy
	July 1998	Banking law
	August–October 1998; June-July 1999; October 2000	Banking supervision
	June 1999	Central bank organization
	January 2000	Dollarization and policy response
	October 2000	Banking supervision
	October 2000	Money laundering
	May 2001	Banking supervision
	January 2002	Banking supervision
	July-August 2002	Money laundering
STA	January 1996–October 1997; June 1996; July 1996; February 1999; March 2000	Real sector statistics
	February 1997; March 1998;	Money and banking statistics

	August 1998	
	November 1996; March 2000	Balance of payments statistics
LEG	March, June, and September 2000	Banking and central bank laws
INS	April 2002	Course on financial programming

X. **Resident representative**: Mr. Mounir Rached since October 2002.

Haiti: Relations with the World Bank Group

(As of November 30, 2002; in millions of U.S. dollars)

	Commitments 1/ (Net of Cancellations)	Disbursements	Undisbursed Amount
A. IBRD and IDA Operations (from FY 1995 to date)			
Total	243.77	244.62	0.00
First health project 2/	28.20	29.06	0.00
Road maintenance and rehabilitation 3/	27.40	25.12	0.00
Forest and parks TA 4/	16.90	15.29	0.00
Industrial restructuring	8.43	9.62	0.00
Fifth power	23.22	25.55	0.00
Port-au-Prince Water	19.48	20.49	0.00
Economic and social fund	11.03	11.01	0.00
Employment generation	49.11	45.71	0.00
Emergency Economic Recovery I	40.00	40.34	0.00
Seventh transport project	20.00	22.43	0.00
Tap II 5/	0.00	0.00	0.00
Fifth education project 6/	0.00	0.00	0.00
Forestry and environmental project 6/	0.00	0.00	0.00

B. IFC Operations

		IFC Held				IFC Disbursed			
Year of Approval	Project (Sector)	Loan	Equity	Quasi-Loan	Partic.	Loan	Equity	Quasi-Loan	Partic.
1998	Microcredit (Financial Services)	0.00	0.40	0.00	0.00	0.00	0.40	0.00	0.00

C. IBRD and IDA Loan Transactions 7/

FY	1993	1995	1996	1997	1998	1999	2000	2001	2002
Gross disbursements	-0.20	42.60	47.90	56.10	42.00	17.50	8.80	4.70	0.90
Repayments	0.00	8.90	3.70	4.30	4.70	5.20	6.50	5.40	0.00
Net disbursements	-0.20	33.70	44.20	51.80	37.30	12.30	2.30	-0.70	0.90
Interest	0.00	9.70	2.90	3.20	3.40	3.60	3.70	2.80	0.90
Net transfer	-0.20	24.00	41.30	48.60	33.90	8.70	-1.40	-3.50	0.00
Debt outstanding	334.60	397.42	416.79	457.00	477.38	491.29	490.68	466.76	489.79

Source: International Bank for Reconstruction and Development (IBRD).

1/ IDA commitments/disbursements are calculated in Special Drawing Rights (SDRs) and converted to U.S. dollar at varying exchange rates. This accounts for disbursed and undisbursed amounts exceeding or falling short of commitments.

2/ A balance of US$1.41 equivalent remained undisbursed and cancelled on March 31, 2001 and was subsequently cancelled.

3/ Original credit principal was US$50 million equivalent; undisbursed amount represents US$21.47 million equivalent, of which US$8.16 million equivalent cancelled on January 28, 1999, US$12.29 million equivalent cancelled on June 29, 2001, and US$1.03 million equivalent undisbursed at project closing date on December 31, 2001 and subsequently cancelled.

4/ Original credit principal was US$21.5 million equivalent, of which US$ 4.6 million equivalent was cancelled on June 29, 2001, due to non-compliance with project conditions, and US$0.64 undisbursed at project closing on December 31, 2002, and subsequently cancelled.

5/ Original credit principal was US$12 million. TAP II was approved by the Board on September 17, 1996, but was terminated on June 30, 1998 due to lack of approval by the Haitian parliament.

6/ Original credits for the Fifth Education Project (US$ 12.6 million equivalent) and the Forestry and Environmental Protection Project (US$ 26.1 million equivalent) were never declared effective, and ultimately cancelled.

7/ All years are World Bank fiscal years (ending June 30). No transfer took place in FY 1994.

Haiti: IDB Loan Commitments and Disbursements

(As of November 2002, in millions of U.S. dollars)

	Commitment	Disbursements							
		1995–96	1997	1998	1999	2000	2001	2002	Total
Reformulated projects									
Economic and social assistance fund	12.40	10.53	1.63	0.03	0.21	0.00	0.00	0.00	12.40
Primary education	3.60	3.59	0.02	0.00	0.00	0.00	0.00	0.00	3.61
Rural portable water 1/	8.63	7.70	0.71	0.20	0.00	0.00	0.00	0.00	8.61
Irrigation Artibonite (2 projects)	13.30	0.70	1.20	2.86	2.38	3.76	1.18	0.14	12.22
PAP Drainage Project (2 projects) 1/	51.80	30.40	8.64	5.25	2.50	3.65	0.27	0.00	50.70
Road & Bridge Sondé-Mirabelais (2 projects)	48.50	8.98	5.96	12.81	11.24	7.61	0.36	0.00	46.96
Swine repopulation 1/	13.20	3.87	1.20	1.70	1.63	1.11	1.43	0.30	11.24
Subtotal	**151.43**	**65.77**	**19.36**	**22.85**	**17.96**	**16.11**	**3.24**	**0.45**	**145.74**
New projects									
1995									
Emergency Economic Recovery Program (PURE I)-Sector Loan	40.00	40.00	0.00	0.00	0.00	0.00	0.00	1.16	41.16
PURE I-Investment-Emergency Works	28.50	23.52	4.47	0.01	0.05	0.44	0.00	0.00	28.49
National Road Rehabilitation Program	45.00	3.35	9.54	12.19	12.78	2.87	0.45	0.29	41.47
Primary education	17.60	1.80	4.78	7.32	3.06	0.52	0.12	0.00	17.61
PURE II	50.00	0.00	5.25	9.19	15.67	12.60	3.77	0.00	46.48
Subtotal	**181.10**	**68.67**	**24.04**	**28.71**	**31.56**	**16.43**	**4.34**	**1.45**	**175.21**
1996									
Decentralization Technical Cooperation Loan 1/	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Social Investment Help Fund	27.00	0.00	3.58	11.07	7.09	2.41	1.02	0.11	25.29
Investment Sector Loan (ISL)	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Sector Loan (ISL)	2.50	0.00	0.00	0.21	0.20	0.22	0.01	0.00	0.63
Subtotal	**82.50**	**0.00**	**3.58**	**11.28**	**7.29**	**2.63**	**1.03**	**0.11**	**25.92**
1997									
Rural and secondary roads	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal	**50.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
1998									
Health sector reorganization	22.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reform of the potable water sector	54.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Primary education program	19.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal	**95.90**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	0.00
Total	**560.93**	**134.44**	**46.98**	**62.84**	**56.81**	**35.18**	**8.60**	**2.02**	**346.87**

Source: Inter-American Development Bank (IDB).

1/ The disbursement for 1995–96 includes previous disbursements in the life of the project.

HAITI—STATISTICAL ISSUES

Real sector: The Haitian Institute of Statistics is publishing monthly a harmonized CPI, as recommended and facilitated by Fund technical assistance. The institute has made progress in implementing recommendations made by several Fund technical assistance mission to improve the quality of real sector statistics, and it has published national accounts for the period 1986/87 to 1999/2000 based on the interim base year 1986/87. The institute also publishes data on economic activity of the real sector on a quarterly basis, by publishing indices of industrial production, energy, construction, and domestic and external trade. Provisional National Accounts have been issued for 2000/01. The March 2000 technical assistance STA mission recommended that work start to establish a new base year for national accounts, possibly 1999/2000, and a revised CPI. The Institute carries out household budgetary surveys on a regular basis; in the past, these have been complemented by studies on issues such as housing, education and employment. A further study on transport is underway. The Institute is currently also engaged in the preparatory work for the fourth population and habitat census. Further technical assistance may be needed to address the outstanding deficiencies that continue to hinder the quality of real sector statistics.

Government finance: Haiti reports monthly and annual GFS data on a regular basis for publication in the *IFS*. However, no data for Haiti has been published in the *GFS Yearbook* for the past 15 years. This is a disappointing follow-up after the 1995 multisector mission, which recommended the establishment of a system of compilation and reporting of GFS data to the Fund, due, in part, to the lack of human and financial resources (No additional GFS TA mission was fielded). Data provided in 2001 via its Central Bank were not published in the 2001 *GFSY* owing to insufficient detail and consistency problems: further work is required to extend coverage and breakdowns, to improve the link between the nonfinancial and the financial transactions as well as the outstanding of debt, and to compile a functional breakdown of expenditure, which calls for additional human and financial resources. The reporting of budgetary expenditures, especially on the ministerial discretionary accounts should be improved to increase transparency. There is a need to improve the timeliness of publication of accounts of public enterprises, as well as of the accounts of the nonfinancial public sector.

Monetary accounts: Continuous work on monetary statistics has contributed to improve the sectorization and classification of accounts in the analytical balance sheets of the Bank of the Republic of Haiti (BRH) and commercial banks. Efforts have been undertaken to strengthen reporting requirements for commercial banks so as to strengthen bank supervision, enforce reporting according to Basel Core Principles, and step up the fight against illicit transactions. This has at times affected the timeliness of compilation and reporting of money and banking statistics.

Balance of payments: Progress has been made towards improving the reliability of balance of payments data. The implementation of several technical assistance mission recommendations has contributed to an improvement in the balance of payment data. Notwithstanding the progress, there is scope for improvement, most notably in the methodology for compiling trade data, collecting trade and services data and making more systematic use of existing sources, (such as customs, port and airport agencies, airlines, and oil companies).

Haiti: Core Statistical Indicators
(As of December 3, 2002)

	Exchange Rates	Interna-tional Reserves	Central Bank Balance Sheet	Reserve/ Base Money	Broad Money	Interest Rates	Consumer Price Index	Exports/ Imports	Current Account Balance	Overall Govern-ment Balance	GDP/ GNP	External Debt/ Debt Service
Date of Latest Observation	Nov. 2002	Nov. 2002	Sept. 2002	Sept. 2002	Sept. 2002	Oct. 2002	Sept. 2002	Sept. 2002	March 2002	July 2002	2001	May 2002
Date Received	Dec. 02	Dec. 02	Nov. 02	Nov. 02	Nov. 02	Nov. 02	Nov. 02	Nov. 02	Jul. 02	Aug. 02	Oct. 02	Jul. 02
Frequency of Data 1/	D	D	M	M	M	W	M	M	A	M	A	M
Frequency of Reporting 2/	D	D	M	M	M	W	M	M	V	M	A	M
Source of Data 3/	A	A	A	A	A	A	A	A	A	A	A	A
Mode of Reporting 4/	O (Res.Rep.)	O/E (Res.Rep.)	O (Res.Rep.)	O/E (Res.Rep.)	O/E (Res.Rep.)	O (Res.Rep.)	M Report to IFS	M Report to IFS	O (Res.Rep.)	O/E (Res.Rep.)	M Report to IFS	O (Res.Rep.)
Confidentiality 5/	C	C	C	C	C	C	C	C	C	C	C	C
Frequency of Publication 2/	M	M	M	M	M	M	M	M	A	Q	A	M

1/ D-daily, W-weekly, M-monthly, Q-quarterly, A-annual, O-other.
2/ D-daily, W-weekly, M-monthly, Q-quarterly, A-annual, V-irregularly in conjunction with staff visits, O-other irregular basis.
3/ A-direct reporting by central bank, ministry of finance, or other official agency, N-official publication and press release.
4/ E-electronic data transfer, C-facsimile, M-mail, V-staff visits, O-other.
5/ A-for use by staff only, B-for use by staff and Board, C-unrestricted.

INTERNATIONAL MONETARY FUND
Public Information Notice
EXTERNAL
RELATIONS
DEPARTMENT

Public Information Notice (PIN) No.
FOR IMMEDIATE RELEASE
[January 24,2003]

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Concludes 2002 Article IV Consultation with Haiti

On [January 24, 2003], the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Haiti.[1]

Background

Over the last two years, the Haitian economy was negatively affected by the continued political stalemate and the ensuing decline in foreign financing and private investment. The 12-month inflation rate declined to 8 percent in January 2002 and accelerated to 12 percent by October 2002, mainly driven by a depreciation of the exchange rate. Real GDP contracted by an estimated 1 percent in FY 2000/01, and economic activity remained weak during FY 2001/02. However, prospects for a recovery of exports in FY 2002/03 appear favorable. While there seems to have been some progress in reducing poverty during the past decade in Haiti—the poorest country in the Western Hemisphere—social indicators worsened again in the past two years as a result of the continued economic deterioration.

Fiscal performance worsened markedly during the last two years, with rising deficits financed mainly by the central bank (BRH), and through an accumulation of external arrears. The overall central government deficit rose to 2.7 percent of GDP in FY 2000/01 (from 2.5 percent in FY 1999/2000)

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. This PIN summarizes the views of the Executive Board as expressed during the [January 24, 2003] Executive Board discussion based on the staff report.

and further to 3 percent of GDP in FY 2001/02. Central government revenue declined to an historically low level (7.3 percent of GDP) during FY 2000/01, but increased to 8 percent of GDP in FY 2001/02 owing in part to enhanced collection efforts. Total budgetary spending rose from 10 percent of GDP during FY 2000/01 to 11 percent of GDP in FY 2001/02, reflecting large expenditures overruns designed to ease the tense social climate.

Monetary conditions remained tight during FY 2000/01, with the BRH maintaining high interest rates on its bonds. However, the BRH allowed net international reserves (NIR) to decline to support the exchange rate. During FY 2001/02, the interest rate on bonds was cut drastically. With monetary policy accommodating the increased fiscal deficit through a substantial increase in central bank financing, NIR further declined and the exchange rate depreciated.

Starting in March 2002, a number of unregulated credit cooperatives offering unsustainably high interest rates reduced or suspended monthly interest payments to their members and some stopped operations completely. A law establishing a new supervisory agency for credit cooperatives under the control of the central bank was enacted in July 2002. The strategy of the government consists in bailing out small depositors for social reasons.

Indicators of external vulnerability show a continued dramatic deterioration in the coverage of imports of good and services by freely usable gross official reserves. NIR declined to US$45 million by November 2002, or about two weeks of imports of goods and services. While the market-determined exchange rate was broadly stable during FY 2000/01, it depreciated by about 48 percent between September 2001 and December 2002, reflecting the expansionary fiscal policy and accommodating monetary policy, increasingly pessimistic private sector expectations owing to the lack of progress on the political front, and lately, rumors of a forced conversion of dollar deposits into gourdes, that led to a significant capital flight. While Haiti remains current on her obligations to the Fund, external arrears are increasing, including to the World Bank and the IDB.

No progress was made over the last two years toward privatizing nonfinancial public enterprises and the state-owned Banque Nationale de Credit. The anti-money-laundering law enacted in April 2001 was not fully implemented, as a Financial Intelligence Unit has not yet started its operations. Haiti is yet to prepare anti-terrorist financing legislation. Work on a new banking law and central bank law are yet to be finalized.

Executive Board Assessment

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Public Information Notices (PINs) are issued, (i) at the request of a member country, following the conclusion of the Article IV consultation for countries seeking to make known the views of the IMF to the public. This action is intended to strengthen IMF surveillance over the economic policies of member countries by increasing the transparency of the IMF's assessment of these policies; and (ii) following policy discussions in the Executive Board at the decision of the Board.

Haiti: Selected Economic Indicators

	Fiscal Year Ending September 30				
	1998	1999	2000	2001	Est. 2002
Domestic economy					
Real GDP (annual percentage change)	2.2	2.7	0.9	-1.1	0.0
Consumer prices (annual percentage change, end of period)	8.3	9.9	15.3	12.3	10.1
Gross domestic investment (percent of GDP)	26.0	27.7	27.3	22.8	20.3
Gross domestic savings (percent of GDP)	20.5	20.5	20.8	16.7	16.1
(In percent of GDP)					
Public finances					
Central government balance	-1.1	-1.4	-2.5	-2.7	-3.0
Overall public sector balance	-3.3	-3.7	-5.2	-3.5	-3.4
Public sector savings	2.2	2.0	0.7	-0.6	-1.1
(Changes in percent of beginning period broad money)					
Money and credit					
Net domestic assets	11.4	15.1	18.1	9.4	17.2
Credit to the nonfinancial public sector (net)	3.4	7.7	8.0	8.5	9.4
Credit to the private sector	7.6	4.4	16.9	-3.5	5.8
Broad money	14.7	17.7	36.2	5.2	17.1
(Annual percentage change; unless otherwise indicated)					
External sector					
Exports (f.o.b. in U.S. dollars)	45.7	13.4	-2.5	-7.8	-11.6
Imports (f.o.b. in U.S. dollars)	16.9	23.8	6.8	-2.9	-7.3
External current account balance (percent of GDP	-5.5	-7.2	-6.6	-6.1	-4.2
External public debt (end-period, percent of GDP)	29.2	27.6	28.9	31.2	32.6
External public debt service (percent of exports of goods and services)	8.0	8.5	7.8	8.6	8.3
Net official reserves (end-period, months of imports of goods and services)	2.2	2.0	1.4	1.0	0.5
Real effective exchange rate (appreciation +)	8.2	8.7	-6.3	7.6	-10.4

Sources: Bank of the Republic of Haiti; Ministry of Economy and Finance; and IMF staff estimates.

Haiti—Economic and Financial Policy Measures Recommended by the Fund Staff for FY 2002/03

Fiscal Policy

1. **Government to submit to Parliament the budget law for FY 2002/03.**
2. **Reduce the fiscal deficit (excluding elections costs) to 2.5 percent of GDP during FY 2002/03.**

Implementation of the following fiscal revenue measures:

1. **As provided by the draft laws annexed to the budget law, modernize collection procedures for the turnover tax (TCA), motor vehicle tax, business license tax, and income tax.**
2. **Expand the tax base for the TCA and tax on communications.**
3. **Ensure a seamless transition to the WTO customs valuation system in January 2003.**
4. Improve the sharing of taxpayer data between the DGT and Customs Administration.
5. Take measure to encourage operators in the informal sector to file tax returns
6. **Introduce a flexible price-setting mechanism for petroleum prices based on the 1995 law, with possible adjustments to the taxation of different products.**
7. **If needed to reach the revenue target, increase the rate of the turnover tax from 10 percent to 12 percent.**

Control of fiscal expenditure:

1. **Continue programming expenditure in the context of the cash management system.**
2. Maintain strict control over wage expenditure.
5. Contain non-interest, nonwage current expenditure at 4.1 percent of GDP during FY 2002/03.
6. Increase civil servants wages in line with projected inflation as of the first quarter of FY 2002/03.

Monetary policy and banking and financial system soundness

1. Continue efforts to improve the quality of bank supervision with technical assistance from the IMF.
2. **Increase interest rates on BRH bonds as necessary to sell a volume of bonds consistent with the monetary framework.**
3. Ensure that the National Council of Cooperatives (NCC) does not license any new savings and loan cooperatives (coopératives d'épargne et de credit–CECs).
4. Provide the General Inspectorate of Credit Unions (IGCP) with the human and physical resources it needs for its mission of supervising the CECs.

5. Adopt regulations aimed at reducing the risk that CECs may be used for money laundering.
6. **Complete an inventory of CECs and collect data on their assets and liabilities and operations.**
7. **Close failed CECs; refrain from bailing out failed CECs.**
8. Obtain technical assistance for the reorganization of the CEC sector in the long-term.
9. **Approve a quantified action plan to deal with the assets and liabilities of failed CECs.**

External Sector

1. **Replenish any loss in net international reserves, excluding the deposits of commercial banks with the BRH, to achieve as a minimum stability over FY 2002/03.**
2. **Avoid an undesirable depreciation of the exchange rate by implementing an appropriate monetary policy aimed at ensuring control of bank liquidity and by reducing the monetary financing of the public sector deficit.**
3. Work with bilateral creditors to establish an orderly plan for the settlement of arrears and current servicing on the bilateral debt.
4. Seek donor assistance to eliminate payments arrears to multilateral creditors and ensure service of the multilateral debt.
5. Continue to service debt owed to the IMF.

Measures to support good governance

1. **Reduce the use of ministerial current accounts by encouraging the use of requisition procedures.**
2. **Regularly publish budget execution data on the web.**
3. **Continue to improve transparency in the recording and collection of taxes on petroleum products.**

Household Survey: Selected Results

Results of a survey on household expenditures conducted by Haiti's Statistical Institute in FY 1999/2000 were published in December 2001. This study serves several purposes: updating the weights on expenditure components in the CPI; facilitating the production of national accounts data; and providing information on comparative standards of living across regions. The survey also provides a wealth of information on social issues. This annex highlights some of the results regarding demographic trends, indicators of housing quality and access to facilities, and education and employment.

Demographic profile

Two thirds of the population resides in rural areas, where access to services is poorest. Given that information on individuals' ages is unreliable in the absence of birth certificates, respondents were referred to a calendar with dates of exceptional weather events and presidential terms. An estimated 40 percent of the population is under the age of 15, while 55 percent of the population is between 15 and 64 years old. About 52 percent of the population is female. In the area of Port-au-Prince, the ratio of females climbs to 55 percent, as many women migrate from rural areas to take up domestic employment in the cities.

Property ownership

Owner-occupied property accounts for more than two thirds of the total, a proportion that is higher in rural areas. In addition, one out of seven households owns property other than their principal residence. Only one out of ten respondents indicated they were debtors, although details on the sources of loans were not provided. Property transactions are relatively infrequent (less than 6 percent of dwellings were obtained through purchase, as opposed to direct construction). The survey revealed that wealth accumulated during economically active lifetimes is subsequently sold to finance subsistence expenses during old age or to cover the cost of emigration. In fact, only one tenth of the properties are passed on to heirs.

Size and quality of dwellings

Most dwellings consist of just over two rooms. Half the households include four to six people, and a quarter of all households include seven to nine persons. The quality of dwellings, construction materials and domestic equipment is generally low. While two thirds of dwellings are defined as ordinary houses (meaning that the external walls are built with bricks, stone, rocks, wooden planks or a mix of these materials), one quarter are slum-type dwellings. The latter (also called "taudis" or "ajoupas") are built with recycled materials, particularly in rural areas and, in most cases the floor is earth. Bathrooms are only available (whether inside or outside the dwelling) in one sixth of the cases; half the dwellings are without lavatories. Only one in ten rural households and one in four urban households have an area within the dwelling which serves as a kitchen, while half of all households use an external space for cooking. A surprising result is that only one percent of households stated they use kerosene for cooking; another 95 percent, predominantly in rural areas, use wood and coal as fuel, while a further 4 percent use propane gas.

Access to facilities

Access to utilities is limited, and subject to rural-urban differences. Eighty-seven percent of households do not have running water. One third of these use rivers nearby, one fifth use public fountains and one fifth rely on commercial sources. Electricity is available only for one-third of the population, while two thirds of households use gas lamps for illumination. While 95 percent of households in Port-au-Prince claimed they had access to electricity, almost half are believed to have illegal connections (called "priz" or "konbelann"). Telephone service is accessible for 6 percent of all households, or just over one percent and 20 percent of rural and urban dwellings, respectively.

Literacy and enrolment ratios

While overall literacy rates improved to over 60 percent (compared with the situation in 1982, when the rate was only one third), the improvement was greater for men than for women and regional differences persist. While more than four fifths of the population in the capital are literate (and three quarters in other cities), less than half of the rural population can read or write. More than a quarter of the population above the age of six has never been to school, and over 60 percent of individuals without education are women. School attendance is low: less than half the population has completed at least one year of primary school, and only one fifth has completed at least one year of secondary school.

In discussing unemployment trends, the survey claims that there is no systematic correlation between the level of studies and labor-market activity (except for individuals with tertiary education). Yet, literacy and education are important prerequisites for participation in the job market. Training and apprenticeships, rather than being substitutes, appear to be complements to the basic education system. Indeed, the survey revealed that individuals with no education are excluded from these schemes, and less than one tenth of trainees and apprentices declared they had never been to school. Over 70 percent of apprentices took up employment in the crafts sector, which accounts for well over half of total employment. The crafts sector regroups three types of activity: production (including blacksmiths, carpenters, sculptors and seamstresses), the arts (including painting and jewelers) and services (such as mechanics and electric or electronic repairs). Traineeships are also widespread for administrators and managerial posts, which account for one third of employment. It is also noteworthy that only one sixth of employees in manufacturing state that they have not had any education.

Economic activity and forms of remuneration

The economically active population declined to 55 percent of the total (compared with 57 percent in 1986/87), notwithstanding an increase in the proportion of gainfully occupied women (from 47 percent to 51 percent). The unemployed tend to turn to a network of family and friends, since they do not receive government transfer payments. Dependency ratios are very high. Indeed, the ratio of inactive to gainfully occupied individuals is close to one (98 percent), with a dependency ratio in rural areas two thirds that of urban areas (156 percent in the metropolitan area). Given the age structure of the population (40 percent are 15 or younger), over two thirds of the inactive population are school children or students. Over two thirds of the unemployed are aged 30 or younger, and more than half are women.

Around 18 percent of the employed hold more than one job to diversify sources of earnings. This practice is more widespread in the agricultural sector, where nearly one quarter of gainfully employed men in the rural area have more than one job. Agriculture accounts for half of total employment, while commercial activities represent another quarter. The survey finds that less than half the gainfully occupied in the metropolitan area receive salaries, as against just over a third in other cities and one sixth in rural areas. The high proportion of self-employed in the area of Port-au-Price suggests an increasingly informal urban economy. Over 85 percent of jobs are in the private sector, which is a good indication of dynamism, compared with 13 percent in public administration and parastatal enterprises.