

**FOR  
AGENDA**

SM/00/256

**CONTAINS CONFIDENTIAL  
INFORMATION**

November 16, 2000

To: Members of the Executive Board

From: The Secretary

Subject: **Haiti—Selected Issues**

This paper provides background information to the staff report on the 2000 Article IV consultation discussions with Haiti and the staff-monitored program for FY 2000/01 (EBS/00/221, 11/8/00), which is proposed to be brought to the agenda for discussion on Wednesday, November 22, 2000.

Questions may be referred to Mr. Fritz-Krockow (ext. 38561) and Mr. Verreydt (ext. 35356).

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, November 28, 2000; and to the European Commission, the European Investment Bank, the Food and Agriculture Organization, the Inter-American Development Bank, the United Nations Development Programme, and the World Food Programme, following its consideration by the Executive Board.

Att: (1)

Other Distribution:  
Department Heads

INTERNATIONAL MONETARY FUND

HAITI

**Selected Issues**

Prepared by the staff team consisting of Bernhard Fritz-Krockow,  
Eric Verreydt, Werner Keller, and Randa Sab (all WHD)

Approved by the Western Hemisphere Department

November 15, 2000

Contents	Page
Basic Data.....	5
I. Overview.....	8
II. Deposit and Loan Dollarization in Haiti .....	9
A. Introduction .....	9
B. Dollarization in Developing Countries and Haiti .....	10
C. Dollarization Issues in Haiti.....	20
D. Conclusion .....	27
References .....	28
III. External Resource Flows, Debt, and HIPC Eligibility .....	29
A. Introduction .....	29
B. Resource Flows to Haiti in the 1990s .....	30
C. Haiti's Debt and HIPC Eligibility.....	32
D. Conclusion .....	34
References .....	40
IV. Trade Liberalization in Haiti.....	41
A. Introduction .....	41
B. Trade Liberalization 1986–87 .....	42
C. Trade Policies 1994–95 .....	43
D. Haiti's Accession to the CARICOM.....	46
E. Conclusion .....	48
Reference .....	49

V.	Poverty and Social Policies .....	50
A.	Introduction .....	50
B.	Incidence of Poverty .....	51
C.	Social Sector Indicators .....	54
D.	Conclusion .....	60
	References .....	66

#### Boxes

IV.	Trade Liberalization in the Rice Sector .....	45
V.	1. Reforming the Education System .....	57
	2. Reforming the Health Sector .....	62
	3. Protecting the Environment .....	64

#### Tables

II.	1. Commercial Bank Reserve Requirements .....	13
	2. Reserve Requirements on Foreign Currency Deposits at end-1996 .....	15
	3. Seigniorage Estimates 1996–99 .....	25
III.	1. Indicators of Debt, Debt Service, and Resource Transfers .....	35
	2. Comparative Debt Indicators .....	36
	3. External Public Debt .....	37
IV.	1. Index of Trade Restrictiveness .....	44
	2. Rice Production and Imports, 1986–99 .....	46
	3. Custom Duties on Selected Basic Food Items .....	47
V.	1. Social Indicators: International Comparisons, 1990 and 1998 .....	52
	2. Education Indicators .....	56
	3. Health Indicators .....	59

#### Figures

II.	1. Deposit Dollarization, Exchange Rate and Inflation, 1991–2000 .....	10
	2. Deposit Dollarization and Exchange Rate 1991–2000 .....	11
	3. Deposit Dollarization and Exchange Rate Oct. 1999–Sept. 2000 .....	12
	4. Real Gourde and U.S. Dollar Deposit Rates 1997–2000 .....	16
	5. Gourde and U.S. Dollar Lending Rates 1997–2000 .....	17
	6. Foreign Currency lending and exchange Rate 1994–2000 .....	18
	7. Relation Between Foreign Currency Deposit and Loan Ratios, end-1999 .....	19

8.	Foreign Currency Loan to Deposit Ratio 1994–2000 .....	19
9.	Intermediation Spreads for U.S. Dollar and Gourde Transactions, 1997–2000 .....	22
10.	Difference in Intermediation Spreads for U.S. Dollar and Gourde Transactions, 1997–2000 .....	22
11.	Deposit Dollarization, Exchange Rate, and Inflation Volatility, 1999–2000 .....	26
III.	1. Debt and NPV of Debt, 1999 .....	38
	2. Comparative Debt Indicators, 1999 .....	39
V.	1. Social Indicators—Comparison with PRGF-Eligible Countries .....	65

#### *Statistical Appendix Tables*

1.	National Accounts at Current Prices .....	67
2.	National Accounts at Constant Prices .....	68
3.	Origin of Gross Domestic Product .....	69
4.	Agricultural Production .....	70
5.	Savings and Investments .....	71
6.	Monthly Changes in the Consumer Price Index .....	72
7.	Consumer Price Index .....	73
8.	Changes in Consumer Prices by Category .....	74
9.	Prices of Selected Items .....	75
10.	Selected Price Indicators .....	76
11.	Minimum Wage Rates .....	77
12.	Summary Operations of the Nonfinancial Public Sector .....	78
13.	Summary Operations of the Central Government .....	79
14.	Central Government Current Revenue .....	80
15.	Consolidated Accounts of the Main Public Enterprises .....	81
16.	Accounts of the Telecommunications Company .....	82
17.	Accounts of the Electricity Company .....	83
18.	Accounts of the Port Authority .....	84
19.	Accounts of the Airport Authority .....	85
20.	Accounts of the Water Supply Company .....	86
21.	Accounts of the Central Bank of Haiti .....	87
22.	Accounts of Commercial Banks .....	88
23.	Consolidated Accounts of the Banking System .....	89
24.	Sectoral Distribution of Commercial Bank Credit .....	90
25.	Origin, Destination, and Financing of Bank Credit .....	91
26.	Annual Change in Credit Extended by the Banking System .....	92
27.	Summary Indicators of Commercial Banking Sector .....	93
28.	Interest Rates .....	94

29.	Reserve Requirements by Category of Deposit and Institution.....	95
30.	Reserve Position of the Commercial Banks .....	96
31.	Summary Balance of Payments .....	97
32.	Net International Reserves .....	98
33.	Selected Foreign Trade Indices .....	99
34.	Composition of Exports, f.o.b. ....	100
35.	Exports of Light Manufactures to the United States .....	101
36.	Principal Commodity Exports .....	102
37.	Composition of Imports, c.i.f. ....	103
38.	Official Grants .....	104
39.	Loan Disbursements .....	105
40.	Stock of External Public Debt .....	106
41.	Scheduled External Public Debt Service .....	107
42.	Stock of External Arrears .....	108

#### Appendix

1.	Summary of the Tax System .....	109
----	---------------------------------	-----

## Haiti: Basic Data

### I. Social and Demographic Indicators 1/

Area (sq. km)	27,750	Nutrition (1997)	
		Calorie intake (daily per capita)	1,869
Population (1999)			
Total (million)	7.8		
Annual rate of growth (percent)	2.0	Access to safe water (1996)	28
Density (per sq. km.)	260	Percent of dwellings	
		Urban	37
GDP per capita, (FY 1998/99, US\$)	566	Rural	23
Population characteristics (1998)		Education	
Life expectancy at birth (years)	54	Adult literacy rate (1999, in percent)	51
Crude birth rate (per thousand)	31	Net enrollment rates, in percent	
Crude death rate (per thousand)	13	Primary education (1997/98)	64
Infant mortality (per thousand live births)	71	Secondary education (1997/98)	17-21
Under 5 mortality rate (per thousand)	116	Tertiary education (1997)	1
Health		GDP (FY 1998/99)	G71,979 million
Physicians (1995, per thousand)	0.2		US\$4,306 million
Hospital beds (1996, per thousand)	0.7		

### II. Economic Indicators, 1996-99

	Fiscal Year Ending September 30			
	1996	1997	1998	1999
(In percent)				
<b>Origin of GDP (at market prices)</b>				
Agriculture and mining	31.2	30.3	29.9	29.8
Manufacturing and construction	18.9	19.8	20.5	21.2
Services 2/	49.9	49.9	49.6	49.0
(Annual percentage changes, unless otherwise indicated)				
<b>National accounts and prices</b>				
Real GDP	2.8	1.4	3.1	2.2
Real GDP (per capita)	0.5	-0.8	1.0	0.1
GDP deflator	21.2	16.3	12.7	8.3
Consumer prices (annual average)	21.9	16.2	12.7	8.1
Consumer prices (end-of-period)	20.1	17.0	8.3	9.9
(Ratios to GDP)				
Gross domestic investment	9.5	10.1	10.4	11.0
of which: public investment	5.5	5.7	5.2	5.3
Gross national savings	-2.7	3.1	4.3	3.7
External savings	12.1	7.0	6.1	7.3

II. Economic Indicators, 1996-99

	Fiscal Year Ending September 30			
	1996	1997	1998	1999
<b>Public finances</b>				
Central government				
Total revenue	7.2	8.6	8.3	8.7
Total expenditure	9.7	9.1	9.1	9.5
<i>of which:</i> interest	...	0.7	0.7	0.8
Savings	...	0.7	0.9	1.1
Primary balance	...	0.2	-0.1	0.1
Overall balance	-2.5	-0.6	-1.1	-1.3
Consolidated public sector				
Primary balance	...	...	...	...
Overall balance	-7.6	-3.6	-3.0	-3.0
(12-month percentage changes, unless otherwise indicated)				
<b>Money and credit</b>				
Broad money	10.2	15.4	14.7	17.7
<i>Of which:</i>				
Money	20.8	4.4	10.6	15.8
Quasi money	2.9	24.3	17.2	18.7
Net domestic assets of the banking system 3/	13.7	10.6	11.4	15.1
<i>Of which:</i>				
Credit to non-financial public sector (net) 3/	9.5	-4.9	3.0	7.3
Credit to the private sector 3/	8.3	17.5	7.6	4.4
(In millions of U.S. dollars, unless otherwise indicated)				
<b>Balance of payments</b>				
Current account (including grants)	-65.6	-19.0	-13.1	-59.6
Merchandise trade balance				
Exports	147.7	195.5	284.3	351.9
Imports	-563.9	-588.8	-667.7	-821.6
Services and transfers (net)	57.4	152.6	147.7	153.3
<i>Of which:</i> interest	9.4	14.0	12.5	20.2
Capital and financial account	14.3	46.1	45.5	83.1
Foreign direct investment	4.1	5.0	10.8	30.0
Portfolio investment	...	...	...	...
Other capital (net)	77.8	109.8	70.5	54.0
Errors and omissions	...	-68.7	-35.8	-0.9
Change in net international reserves	-51.3	27.1	32.4	23.5
Exports (in percent of GDP)	...	5.6	7.4	8.2
Imports (in percent of GDP)	...	-17.0	-17.4	-19.1
Current account (in percent of GDP)	-12.1	-7.0	-6.1	-7.3
Merchandise exports (in US\$, annual percentage change)	7.6	32.3	45.4	23.8
Merchandise imports (in US\$, annual percentage change)	-0.9	4.4	13.4	23.0

II. Economic Indicators, 1996-99

	Fiscal Year Ending September 30			
	1996	1997	1998	1999
Real effective exchange rate (12-month percentage change)	15.3	11.4	8.2	8.9
<b>International reserve position and external debt (as of end-September)</b>				
Gross official reserves	215.6	265.7	292.7	329.2
(in months of imports of goods and services)	3.4	4.0	3.6	3.4
Net official reserves	135.0	162.5	194.7	218.1
Net reserves of the banking system	258.0	269.6	303.6	330.9
Outstanding external debt, in percent of GDP				
Public (excl. IMF)	29.8	29.0	28.0	26.3
Total debt service ratio (in percent of exports goods and services)	10.6	11.5	9.8	10.7
<i>Of which: interest</i>	3.8	4.8	2.8	3.9
<b>IMF data (as of September 30, 2000)</b>				
Article VIII status				
Exchange rate 4/	U.S. dollar at G 24.6			
Quota	SDR 60.7 million			
Fund holdings of gourdes	SDR 75.8 million			
As percent of quota	124.9 percent			
Outstanding purchases and loans	SDR 30.4 million			
ESAF arrangements	SDR 15.2 million			
First credit tranche	SDR 15.2 million			
Special Drawing Rights Department				
Net cumulative SDR allocation	SDR 13.7 million			
Holdings of SDRs (as percent of allocation)	0.5			

Sources: Haitian authorities; World Bank; and Fund staff estimates and projections.

1/ Social indicators of development, the World Bank.

2/ Including indirect taxes.

3/ In relation to broad money at the beginning of the period.

4/ Average reference exchange rate of the central bank for September 2000.



## I. OVERVIEW

1. This report presents a set of chapters that examine various topics of current interest in Haiti. Chapter 1 provides an overview of deposit and loan **dollarization** in Haiti, which has been the result of inflation and depreciation expectations, interest rate arbitrage, the use of monetary policy instruments, prudential regulations, and immigration. The chapter also reviews the effects of dollarization on the ability of the Bank of the Republic of Haiti (BRH) to conduct monetary policy and the risks to macroeconomic stability and the banking system.
2. Chapter 2 provides an overview of the **external debt** situation of Haiti in the light of bilateral and multilateral support during the last decade and debt relief under the auspices of the Paris Club. In this context, the chapter compares Haiti's external indebtedness situation with that of some countries eligible for debt relief under the Initiative for Highly Indebted Poor Countries (HIPCs). The chapter also reviews sources of external financing for Haiti during the 1990s, including bilateral and multilateral loans and grant financing.
3. Chapter 3 reviews Haiti's trade regime and **trade reforms**. The chapter describes the two main stages of Haiti's trade liberalization during 1986–87 and 1994–95, which have resulted in the country ranking among the most open economies in the Western Hemisphere. The chapter also discusses Haiti's recent accession to the Caribbean Common Market and discusses the impact of trade liberalization measures on the strategic rice sector.
4. Chapter 4 examines the causes of **poverty** in Haiti and analyzes the education, health, and environment sectors. The chapter provides a description of aggregate social indicators in Haiti and compares them with Heavily Indebted Poor Countries in Latin America and sub-Saharan Africa. It also traces the roots of poverty in Haiti to political instability, poor governance, lack of personal safety, a weak justice system, low levels of physical and human capital investment, lack of basic infrastructure, and demographic pressures.

## II. DEPOSIT AND LOAN DOLLARIZATION IN HAITI<sup>1</sup>

### *Abstract*

*Deposit and loan dollarization in Haiti has been the result of inflation and depreciation expectations and interest rate arbitrage. In addition, the use of monetary policy instruments, prudential regulations, and immigration have underpinned a continuous increase in dollarization since 1994. Dollarization has complicated the conduct of monetary policy by the Bank of the Republic of Haiti (BRH), increased risks to the banking system, and reduced seigniorage derived from currency issue. Overall, the chapter recommends that the BRH harmonize and reduce reserve requirement ratios and continue improving its regulatory framework, to gain better control over the foreign currency components of the monetary aggregates, and to reduce interest rate spreads of commercial banks.*

### A. Introduction

5. Dollarization in this paper refers to the holding by residents of some but not all of their assets and some but not all of their liabilities towards domestic commercial banks in a foreign-currency denominated form. This paper does not discuss full dollarization, that is, the replacement of the entire currency of a country by a currency of another country.

6. **Deposit and loan dollarization has increased in recent years in Haiti.** U.S. dollar deposits accounted for 38 percent of all deposits, while U.S. dollar loans accounted for 41 percent of all commercial bank loans to the private sector in June 2000. While the increase in dollarization in recent years does not constitute in itself a problem, the authorities have begun to address the risks inherent in a high degree of dollarization of the economy for macroeconomic stability and the banking system.

7. **Section B** discusses the roots of deposit and loan dollarization in Haiti. The discussion is based on available economic literature and data and insights provided by Fund economists.<sup>2</sup> **Section C** discusses monetary issues related to the increase in dollarization in Haiti. These are in particular the use of monetary policy instruments, the risks to macroeconomic stability, to

---

<sup>1</sup> Prepared by Bernhard Fritz-Krockow.

<sup>2</sup> I am grateful for the extensive help and data received from a number of desk economists, particularly in the Western Hemisphere Department.

economic agents, and to the banking system, and the impact of dollarization on seigniorage in Haiti. The chapter summarizes conclusions in Section D.

## B. Dollarization in Developing Countries and Haiti

### Foreign currency deposits

8. Various factors can lead to an increase of deposit dollarization in a country. Economic literature has mostly concentrated on episodes of high inflation as the primary trigger for deposit dollarization. Other factors that have led to increases in deposit dollarization include increases in the trade openness of the country, monetary policies, and prudential regulations.<sup>3</sup>

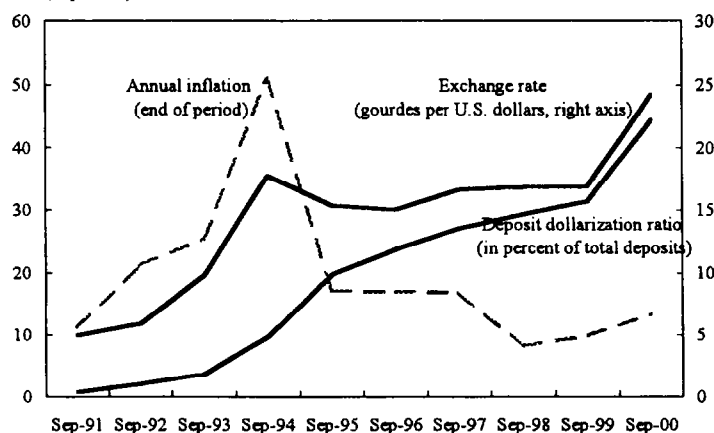
### High inflation

9. **Periods of high inflation or hyperinflation are often starting points for a rapid deposit dollarization process.** The high levels of deposit dollarization in Peru and Bolivia, for example, can be traced to previous hyperinflation episodes. In Bolivia, inflation reached 23,000 percent in 1985 and foreign currency deposits, which accounted for less than 1 percent of total deposits in 1984, increased to 68 percent of total deposits in 1987.

10. Haiti has no history of hyperinflation, but has experienced episodes of high inflation during the last ten years. Figure 1 compares the pattern of inflation during the last ten years with the deposit dollarization ratio. As can be seen from the figure, there is some initial correlation of inflation rates and deposit dollarization in Haiti. When inflation accelerated to 52 percent during FY 1993/94, U.S. dollar deposits in the domestic banking system increased sharply from 4 percent of total deposits in September 1993 to 10 percent at end-September 1994. With the abatement of inflation after the return to democratic rule, the rate of increase of deposit dollarization slowed. However, the increase in deposit dollarization has been continuous since then, indicating some form of ratchet effect or hysteresis (nonreversibility) once dollarization has taken hold.

11. It has been observed that in countries where high inflation rates have led to dollarization, there has not been a reversal of dollarization when stabilization is finally attained. As was the case of Bolivia and Peru, a rapid increase in dollarization happened during and shortly after hyperinflation episodes. However, the process

Figure 1. Haiti: Deposit Dollarization, Exchange Rate and Inflation 1991-2000 (in percent)



<sup>3</sup> IMF (1999).

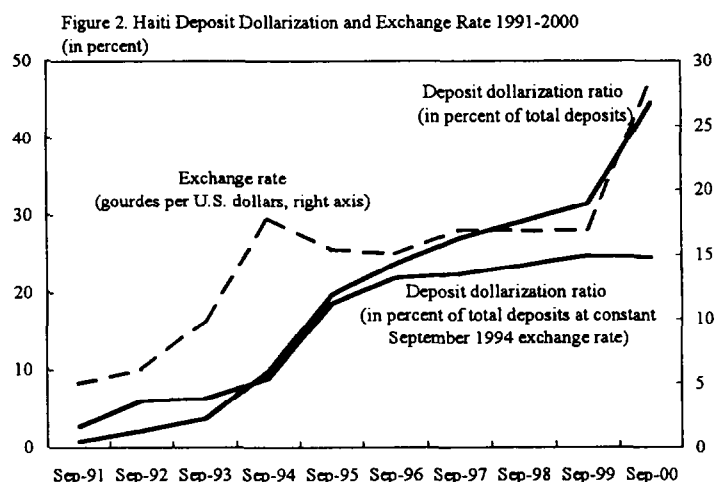
did not reverse with the subsequent sharp decline in inflation rates.<sup>4</sup> A similar process occurred in Haiti, where a rapid dollarization process during the high inflation episode of FY 1993/94 was followed by gradual increase in the deposit dollarization ratio until September 1999 (Figure 1). In the case of Haiti, the ratchet effect can be explained by the change to a dollar valuation of real estate and large consumer good transactions (e.g., vehicles) during 1994–95. This new, agreed valuation standard has been maintained since.

### *Exchange rate expectations*

12. In theory, interest rate differentials between domestic and foreign currency deposits should reflect the public's depreciation expectations. This should make depositors indifferent to holding deposits in domestic or foreign currency, as they should be expecting a similar real return on their financial assets.<sup>5</sup> However, commercial banks in developing countries have often maintained negative real interest rates on domestic currency deposits in times of high inflation, as some time and savings deposits are used for transaction purposes, rather than for portfolio allocation purposes. As depositors' depreciation expectations are not fully reflected in the domestic deposit rates, there is an incentive to switch to portfolio deposits in foreign currency because they carry higher real rates of interest. In addition, domestic currencies lose their function of an intertemporal valuation instrument when prices and exchange rates change rapidly, creating an additional incentive for depositors to maintain foreign currency deposits.

13. **Exchange rate developments in Haiti have tended to reflect political uncertainties, foreign exchange availability, and the fiscal stance.** The exchange rate, long maintained at 5 gourde per U.S. dollar, depreciated considerably between 1990 and 1994 during de-facto rule, reaching around 15 gourde per U.S. dollar in September 1994 (Figure 2). As foreign exchange shortages eased at the time of

return to democratic rule, foreign exchange deposits rose rapidly. This coincided with a time of increased exchange rate volatility, before the exchange rate stabilized at around G16–18 per U.S. dollar. The relative stability of the gourde between 1995 and 1999 led to reduced



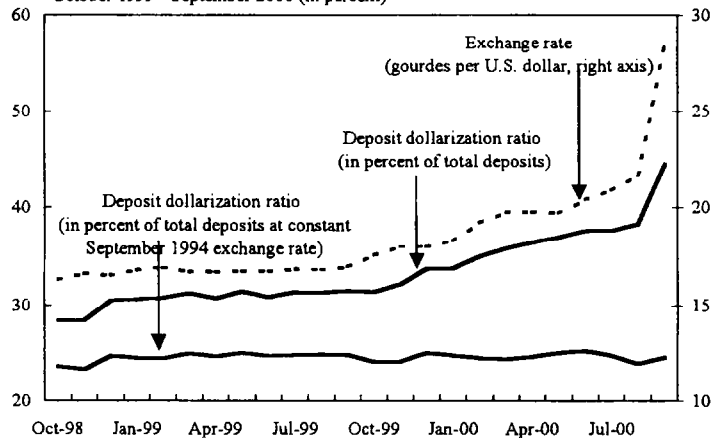
<sup>4</sup> For a different explanation, see Mizen (1996).

<sup>5</sup> More specifically, depositors should expect an equal real return on assets, adjusted for country-risk differences.

depreciation expectations in Haiti, which reduced the incentive for Haitians to move foreign currency deposits abroad.<sup>6</sup>

14. With the increase in political uncertainty and excessive fiscal spending prior to the parliamentary and municipal elections in 1999-2000, depreciation expectations clearly increased again (Figure 3).<sup>7</sup> As a consequence, the deposit dollarization ratio, which had tended slowly upward to 31 percent between September 1996 and September 1999, increased to around 45 percent in September 2000. However, all of

Figure 3. Haiti: Deposit Dollarization and Exchange Rate  
October 1999 - September 2000 (in percent)



the relative increase is attributable to the revaluation of existing dollar deposits. If valued at a constant exchange rate of September 1994, the dollarization ratio would have remained stable at around 25 percent. The relative valuation change did not prompt deposit holders to reduce their dollar deposits in favor of gourde deposits to rebalance their portfolio, which can be considered at least a tacit acceptance of a higher dollarization ratio.

#### ***Banking system soundness considerations***

15. In some countries, the authorities have allowed deposit dollarization to take place to safeguard the banking system from sharp changes in the deposit base as a result of high inflation rates and changes in exchange rate expectations (Argentina, Bolivia, Ecuador, Peru). If dollar deposits were not allowed, depositors would retire domestic currency deposits to purchase foreign currency when they perceive a heightened risk of a faster depreciation pace.<sup>8</sup> This could escalate to a system-wide run on banks if depositors expected a maxi-depreciation. This was the case in Peru in 1990, when depositors depleted their domestic deposit accounts to buy foreign currency and move capital abroad. If dollar deposits had been allowed under

<sup>6</sup> There are no capital controls in Haiti to prevent capital movements or to create an incentive for increased dollarization of residents' deposits in lieu of capital outflows.

<sup>7</sup> This was not only visible in the pattern of the exchange rate itself, but also in the flow of capital out of the country. Haitian banks do not maintain offshore subsidiaries and there is no information on Haitian deposits abroad.

<sup>8</sup> Garcia-Herrero (1997).

such circumstances, depositors would have maintained deposits in the banking system, but switched their denomination.<sup>9</sup>

16. Such a rapid switch in deposit denomination can cause a liquidity problem for commercial banks if reserve requirements have to be maintained in the deposit currency. Countries have attempted to deal with this problem in different ways. Argentina, maintaining a fixed parity to the U.S. dollar, allows banks to maintain required reserves in either foreign or domestic currency. During its hyperinflation episode, Bolivia allowed commercial banks to maintain a part of their required reserves in local currency. Peru, Bolivia, and Mexico have also resorted to prohibition of foreign currency deposits at certain times.

17. The central bank has indicated that banking sector safety considerations in Haiti explain why dollar deposit accounts are permitted and lower reserve requirement ratios have been applied to gourde deposits. One of the reasons dollar deposits were permitted in 1990 was to create an incentive for foreign currency to remain in Haiti, rather than being transferred to residents' deposits abroad, particularly in Miami or New York. In order to retain local dollar deposits, the authorities initially imposed no reserve requirement on dollar deposits. Reserve requirements were applied to dollar deposits since March 1997 and raised over time, but still remain below reserve requirements for gourde deposits (Table 1).

#### *Trade openness*

18. Economic literature suggests that deposit dollarization can originate to finance exports and imports. Increase in foreign trade will necessitate a larger degree of foreign currency transactions. However, we have found no systematic relationship between the degree of trade liberalization or trade openness of a country and the degree of deposit dollarization.

Table 1. Haiti: Commercial Bank Reserve Requirements

	(in percent)	
	Local Currency Deposits	Foreign Currency Deposits
6/1/95 to 8/27/95	48	0
8/28/95 to 9/4/95	50	0
9/5/95 to 10/9/95	53½	0
10/10/95 to 5/5/96	51½	0
5/6/96 to 7/3/96	50	0
7/4/96 to 11/18/96	48	0
11/19/96 to 1/24/96	44	0
11/25/96 to 12/1/96	42	0
12/2/96 to 12/8/96	35	0
12/9/96 to 2/15/97	30	0
2/16/97 to 3/1/97	27	0
3/17/97 to 5/15/97	26	12
5/16/97 to 7/15/97	25	12
7/16/97 to 11/15/97	26	12
11/16/97 to 11/15/99	26½	12 ½
11/16/99 to 4/15/00	26½	15
4/16/00 to 8/31/00	28	17
9/1/00 to 9/14/00	30	20
9/15/00 to present	31	21

Source: Bank of the Republic of Haiti.

<sup>9</sup> Depositors might still prefer to move assets abroad if they were concerned with the possibilities of a freeze, nationalization, or forced conversion into a domestic currency denomination of domestically held foreign currency deposits.

### ***Banking system technology***

19. In increase in dollarization can result from changes in the technology used in the domestic banking system. The creation of a **clearing house for U.S. dollar transactions in Haiti** in 1995 enabled depositors to maintain dollar deposits in Haiti rather than abroad and use these accounts to carry out local transactions.

### ***Monetary policy***

20. The monetary authorities have directly or indirectly influenced the level of deposit dollarization in their countries. At one extreme, some authorities have explicitly opted for full dollarization, for example, in Panama or more recently in Ecuador, while at the other extreme, some authorities have prohibited the establishment of foreign currency deposits in the domestic banking system, for example, in Brazil. A more indirect influence has occurred when monetary policy has favored one currency over another. This is mainly the case in countries where reserve requirement ratios for domestic or foreign currency deposits differ. As depicted in Table 2, 5 of 21 developing countries maintained higher reserve requirement ratios for foreign currency deposits than for domestic currency deposits at end-December 1996. The opposite was the case in 7 of the 22 countries for which information was available. In 9 cases, reserve requirement ratios were identical.

21. Of the 22 developing countries, 13 countries required reserves on foreign currency deposits to be held in foreign currency at end-1996, while 6 required no reserve deposits for foreign currency deposits and only 2 required reserves to be held in local currency.<sup>10</sup> In one case, Belize, maintaining full convertibility and a fixed exchange rate system, commercial banks are allowed to maintain required reserves in either local or foreign currency at their own discretion.<sup>11</sup>

---

<sup>10</sup> In the case of Pakistan, banks were required to surrender their foreign currency deposits to the central bank in exchange for rupees and guaranteed conversion back into foreign currency at the exchange rate prevailing at the time of the initial surrender. The rupee equivalent of the deposit was subject to the normal rupee reserve requirement.

<sup>11</sup> IMF (1999), p.22.

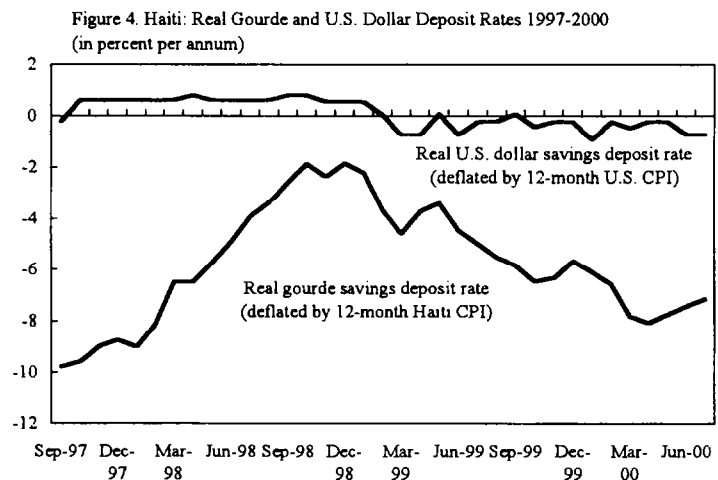
**Table 2: Reserve Requirements on Foreign Currency Deposits at end-1996**

	Reserve requirement ratios on deposits in		Currency of denomination of required reserves on foreign currency deposits	Deposit dollarization ratio
	Domestic Currency	Foreign Currency		
Nepal	12	0	None	7.1
Malawi	20	20	Foreign	11.2
El Salvador	...	...	Foreign	15.9
Jordan	14	14	Foreign	18.5
Haiti (1996)	30	0	None	23.0
Haiti (1999)	26 ½	15	Local	33.7
Tanzania	12	0	None	25.0
Honduras	12	50	Foreign	26.7
Egypt	15	10	Foreign	27.2
Sao Tome and Principe	15	30	Foreign	45.6
Philippines	17	0	None	48.4
Turkey	8	11	Foreign	49.3
Argentina	17	17	Foreign	50.0
Maldives	35	35	Foreign	50.3
Lebanon	13	0	None	53.7
Guinea-Bissau	25	25	Foreign	57.0
Nicaragua	15	25	Foreign	64.4
Peru	45	45	Foreign	74.9
Bolivia	10	20	Foreign	92.0
Belize	24	24	Either	...
India	10	0	None	...
Malaysia	13 ½	13 ½	Local	...
Pakistan	5	5	Local	...

Source: IMF (1999) and IMF staff.



22. **The use of higher reserve requirements for gourde deposits than for foreign currency deposits creates an advantage for foreign currency intermediation in Haiti**, as the higher reserve requirement ratio for gourde deposits leads to a higher intermediation spread in gourde transactions. The deposit rates, which, when deflated by the corresponding inflation rate, have been substantially negative for gourde deposits, but fluctuating between -1 and 1 percent per annum for U.S. dollar deposits (Figure 4).



### ***Immigration***

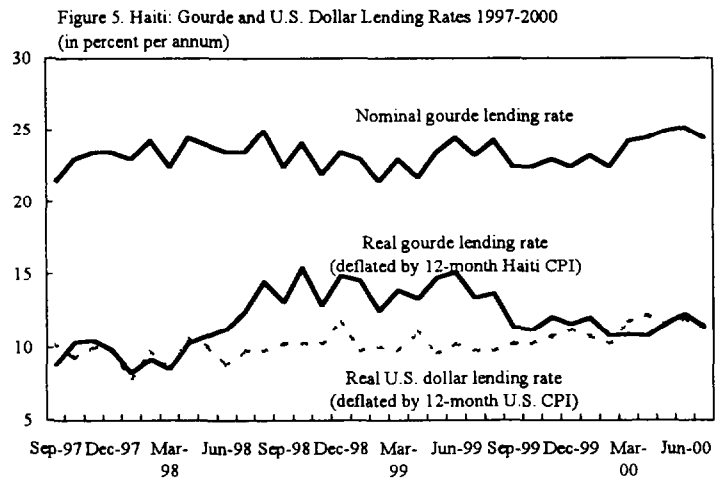
23. A unique element of the dollarization process in Haiti might also have contributed to the initial dollarization around 1994 and the hysteresis observed between 1995 and 1999. The return of democratic rule in Haiti was accompanied by a **substantial immigration of Haitians and expatriates from abroad**, mainly comprised of higher-earning professionals. The returning Haitians and expatriates brought capital and purchasing power into the country, fueling the initial dollarization process but also changing the purchasing patterns of the middle and higher-income economic strata in the country. The change in purchasing patterns was accompanied by a change in the valuation and denomination of transactions and the financial savings pattern. The immigrant community has also maintained close links to friends and families abroad, necessitating a larger amount of foreign currency transactions for visits and purchases of goods and services abroad.

### **Foreign currency loans**

24. Denomination of assets in foreign currency (loan dollarization) was largely ignored in economic literature until recently. This phenomenon has received much more attention since the Asian crises, in particular after many corporations in Indonesia became insolvent due to the sharp increase in the domestic currency value of their foreign-currency denominated liabilities. Domestic borrowers are motivated to borrow in foreign currencies despite the inherent portfolio risk under a number of conditions.

### *Interest rate arbitrage*

25. **Interest rate arbitrage has been a major factor for loan dollarization in Haiti. Demand for dollar loans in Haiti increased** since 1994 as loan rate differentials continuously favored dollar lending (Figure 5). In addition, the period of nominal exchange rate stability between 1995 and 1999 underpinned an environment of low depreciation expectations.



26. **The credit risk analysis undertaken by the domestic banking industry in Haiti also supported loan dollarization.** Commercial banks granted foreign currency loans to borrowers that derived all or most of their income from abroad, that is, exporters. However, they also granted foreign currency loans to clients that derived income from a fully dollarized segment of the economy, for example, car dealerships, clients that were in a position of indexing their prices to the exchange rate, for example, fuel importers, or clients that sold goods for which demand is inelastic, for example, the beverage industries.<sup>12</sup> While all of these arguments are valid credit-risk analysis considerations at the individual loan-approval level at commercial banks, foreign currency loan risk analysis rarely took into consideration the individual and systemic implications of maxi-devaluations.<sup>13</sup> At the individual borrower's level, a maxi-devaluation could increase the domestic value of the foreign currency indebtedness to levels that render the borrower legally insolvent and incapable of servicing the foreign currency loan. At the systemic level, borrowers that derive income from operations in a monopolistic or oligopolistic market position might find it impossible to raise prices significantly in a recessionary environment surrounding a maxi-devaluation.

27. While there is yet no information to compare **nonperforming loan ratios** on domestic currency lending and foreign currency lending, anecdotal evidence seems to suggest that there is no marked difference, despite the recent exchange rate volatility.<sup>14</sup> The fact that banks

<sup>12</sup>In Haiti, foreign currency borrowers tend to be larger commercial entities. The banks tend to restrict foreign currency lending to their best customers and generally lend on terms not exceeding 12 months.

<sup>13</sup> Calvo (2000).

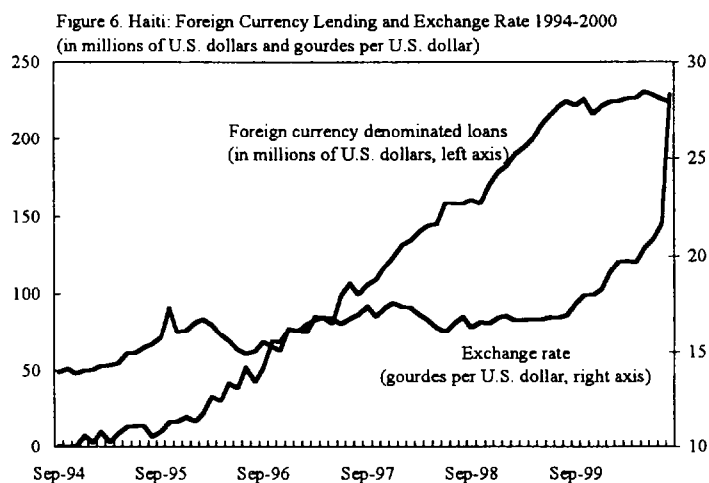
<sup>14</sup> The banking supervision department of the Bank of the Republic of Haiti (BRH) is preparing a circular to be issued to commercial banks requiring loan performance to be reported separately for domestic and foreign currency loans.

restrict foreign currency lending to their best customers tends to decrease nonperforming loan ratios. Conversely, the fact that foreign currency loans are more often granted to corporations tends to worsen the nonperforming loan ratio, as the supervision department of the central bank indicates that corporate loans are generally riskier than consumer loans in Haiti.

### *Public sector exchange rate preferences*

28. **Haitian residents perceived the government to have a clear preference for stability of the nominal exchange rate for several reasons.** The exchange rate was seen as an indicator of the capacity of the government to manage the country's affairs. Also the government was perceived to have an interest in minimizing currency depreciation to prevent the erosion of fiscal revenue and to prevent an increase in the local currency cost of servicing the government's external debt.<sup>15</sup>

29. Despite a substantial but declining inflation differential between Haiti and the U.S., the exchange rate between the two currencies fluctuated in a narrow band between 1996 and late 1999. During that time, private sector borrowers appeared to interpret the nominal exchange rate stability as the result of the government's preference for a stable exchange rate, providing an additional incentive for interest rate arbitrage<sup>16</sup>. The unsettled political environment since mid-1999, the expansionary fiscal stance, the loss of reserves at the BRH, and an increase of inflationary pressures changed the



<sup>15</sup> Currency depreciation, combined with nominally stable oil prices at the pump, would have decreased the variable oil tax receipts that accounted for about a quarter of tax revenue during 1995-98.

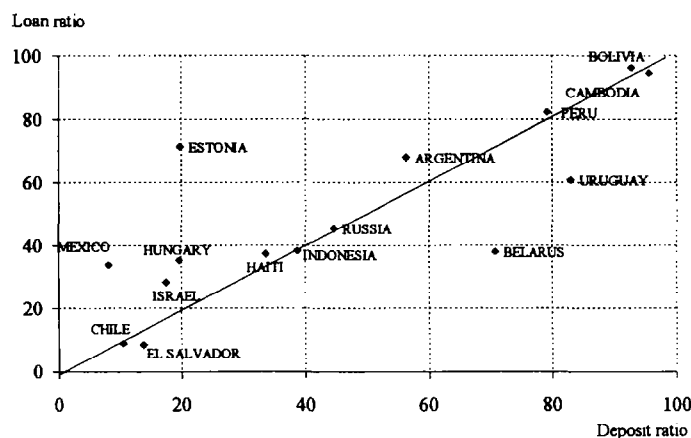
<sup>16</sup> Calvo and Reinhart (1999).

environment significantly in late 1999. Foreign currency borrowing, which had increased steadily since early-1996, leveled off at US\$220 million in August 1999. The exchange rate began to depreciate in October 1999 (Figure 6).

### *Prudential regulations*

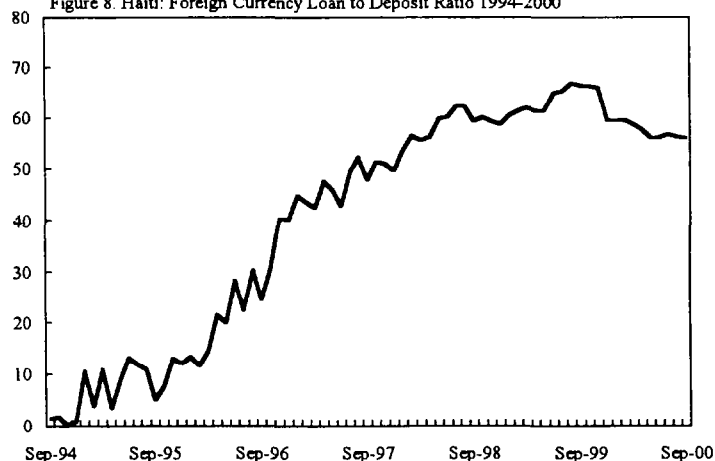
30. **Loan dollarization normally increases in parallel to deposit dollarization** for various reasons. In most countries, banking supervision authorities place limits on the amount of open positions commercial banks are allowed to hold, creating an incentive for banks to offer foreign currency denominated loans to residents so as to avoid a mismatch.<sup>17</sup> The positive relationship between loan and deposit dollarization ratios can be seen in Figure 7.

Figure 7: Relation Between Foreign Currency Deposit and Loan Ratios, end-1999  
(in percent of total deposits or loans)



31. In the case of Haiti, domestic banks are not allowed to maintain open positions. This is not, however, the main reason for increasing loan dollarization in the country. As foreign currency deposits began to increase in 1994-95, banks preferred to invest liquid foreign currency assets in deposits or securities abroad. Most assets were composed of U.S. Treasury bills, but also more risky portfolio choices were used, such as collateralized mortgage obligations. Only when the risk-adjusted return of domestic foreign currency lending appeared to be more profitable than the return on assets invested abroad, did banks begin to increase foreign currency lending (Figure 8). By international standards, Haiti has a low ratio of foreign currency loans to foreign currency deposits, which can be in part attributed to a heightened risk-aversion on the side of the Haitian banking industry.

Figure 8: Haiti: Foreign Currency Loan to Deposit Ratio 1994-2000



<sup>17</sup> Calvo (2000).

### **C. Dollarization Issues in Haiti**

32. The monetary policy instruments of the BRH are unremunerated reserve requirements on domestic and foreign currency deposits and the issuance through weekly auctions of gourde-denominated BRH bonds in maturities of 7, 28, and 91 days. The main reason for the lack of remuneration of the reserve requirements is the low profitability of the BRH. Reserve requirements for foreign currency deposits are somewhat lower than those on domestic currency deposits, although the differential has been decreasing over time. Most outstanding bonds carry a 91-day maturity, while 28-day bonds have not been sold since March 2000.

#### **Risks to macroeconomic stability**

33. **Increased dollarization has complicated the conduct of monetary policy**, because of different money multipliers for gourde and dollar deposits. The instruments the BRH can use are primarily directed towards affecting gourde-denominated monetary aggregates. As a consequence, monetary policy has become less effective as a counterweight to expansionary fiscal policy. Given that dollarization is destined to continue in Haiti, the central bank should consider developing instruments, including in the area of prudential control and regulation, to better address the foreign currency denominated components of the monetary aggregates.<sup>18</sup>

#### **Role of the Central Bank**

34. The process of dollarization can alter the role of the BRH. While foreign exchange reserves are traditionally regarded as a cushion to minimize the effects of exogenous shocks on the economy, foreign reserves could also be called upon to guarantee the stability of the banking system in a dollarized economy. This can take place in two forms.

#### ***BRH as currency regulator***

35. The growth rate of monetary aggregates in the economy, which is the focus of attention of the BRH, includes that of foreign currency denominated components. In order to affect the growth rate of such components, the BRH would have to either intervene in the market directly to purchase or sell foreign exchange or use indirect monetary instruments that directly target foreign currency denominated components of monetary aggregates. The BRH has only limited indirect instruments to achieve these goals. The reserve requirement on foreign currency deposits has been set at levels that encourage dollarization. In addition, the reserve requirements on foreign currency deposits are to be deposited at the central bank in

---

<sup>18</sup> Some countries have used minimum liquidity requirements for foreign currency deposits or foreign currency-denominated central bank bonds to address this issue. However, more recently, central banks have shifted away from issuing foreign-currency denominated bonds because of the exchange rate risks involved, while prescribed liquidity requirements have been abandoned in favor of maturity ladders and an increasing degree of supervisory discretion.

local currency, thereby affecting the volume of foreign currency deposits only indirectly via the implicit taxation that is inherent to the imposition of reserve requirements.

***BRH as a guarantor of the domestic banking system***

36. The BRH is the lender of last resort for the domestic banking system. Thus the BRH needs foreign exchange reserves that would credibly prevent systemic banking crises by sufficiently covering residents' foreign currency deposits in the banking system beyond the reserves traditionally destined to safeguard the domestic economy against exogenous shocks. The reserve coverage of foreign currency deposits in the banking system sufficient to provide **a credible safeguard for the domestic banking system** would vary depending on the solidity of the banking system and credibility of the exchange rate system. A lower level of foreign exchange reserves would be necessary with a lower risk of bank failures and with a more credible exchange rate system.<sup>19</sup>

37. In order to improve the BRH's capacity to fulfill its role as lender of last resort, the BRH should increase its holdings of foreign reserves to keep pace with foreign exchange deposits in the banking system. In addition, the BRH should strengthen banking supervision to insure in general the solidity of the banking system and in particular the availability of sufficient foreign exchange liquidity in the banking system to face possible rapid withdrawals in case of an exchange rate crisis.

38. To insure sufficient **foreign exchange liquidity in the banking system**, the BRH has issued a circular requiring banks to observe a maximum nonguaranteed U.S.-dollar loan to U.S.-dollar liabilities ratio of 50 percent.<sup>20</sup> The regulation becomes effective January 1, 2001. The requirement is not formally a liquidity requirement, as it does not specify the degree of liquidity that has to be maintained with the foreign currency assets that are not being lent. However, it functions de facto as a liquidity requirement as most other assets are invested in U.S. Treasury securities. Banks have an incentive to invest their unlent foreign currency assets in such low-risk securities abroad, as prudential regulations require substantial provisioning for higher-risk or illiquid assets. Nonetheless, the BRH should monitor the degree of liquidity of the foreign currency assets of the commercial banks to ensure sufficient availability to cope with rapid withdrawals in case of an exchange rate crisis.

---

<sup>19</sup> Haiti does not have a deposit insurance scheme.

<sup>20</sup> Loans guaranteed by the head-office of a foreign bank are excluded from the calculation.

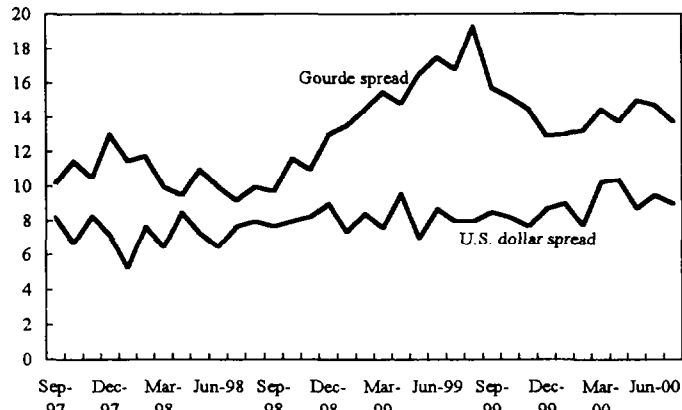
## Use of monetary policy instruments

39. The reserve requirement regime and open market operations in BRH bonds affect dollarization indirectly through differences in the implicit taxation and the impact on interest rate differentials between deposits and loans in local and foreign currencies.<sup>21</sup>

40. **The use of unremunerated reserve requirements constitutes a form of taxation of the banking industry. In Haiti, transactions in gourdes are taxed higher than those in foreign currency, as the reserve requirement ratio for domestic currency deposits is higher than that for foreign currency deposits. In the absence of such differential treatment, the differences in interest rate spreads in local and foreign currency in the**

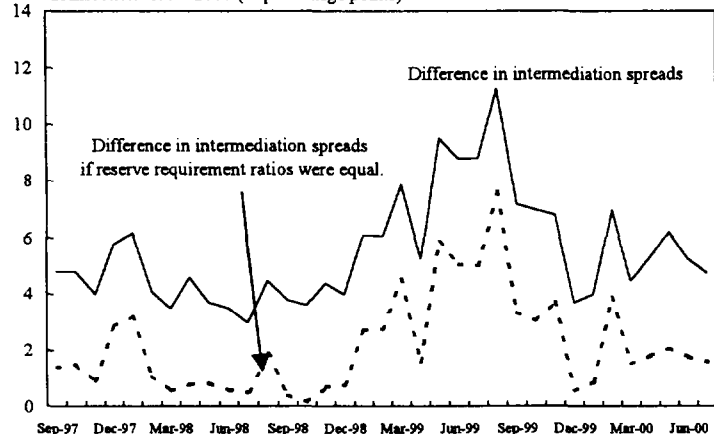
**domestic banking system would reflect exchange rate and inflation expectations, and the market perception of the country risk.<sup>22</sup> The inflation and exchange rate depreciation expectations and the perceived country risk increased towards the end of 1998 (Figure 9). During that period, the differential reserve requirement ratios were kept unchanged. The difference in interest rate spreads in Haiti decreased somewhat in 1999 and 2000 when the reserve requirement ratios for foreign currency deposits were increased more than those for domestic deposits, thereby reducing the differential taxation burden.**

Figure 9. Haiti: Intermediation Spreads for U.S. Dollar and Gourde Transactions 1997-2000 (in percentage points)



41. It is estimated that the difference in interest rate spreads would be reduced from 7.2 percentage points to 3.3 percentage points if reserve requirements for deposits in foreign and local currencies were equalized in September 1999 (Figure 10). This estimate is based on the assumption that reserve requirements on domestic deposits

Figure 10. Haiti: Difference in Intermediation Spreads for U.S. Dollar and Gourde Transactions 1997-2000 (in percentage points)



<sup>21</sup> For a discussion about the impact of inflation vs. exchange rate targeting, see below.

<sup>22</sup> For example, cross-boarder transaction or liquidity risks.

would be reduced to the level of those for foreign currency deposits and that the reduction in the financial burden for the commercial banks would be used to increase domestic deposit rates and reduce lending rates. The remaining difference in the margin can be attributed to the higher risk of doing business in Haiti in local currency. In addition, competition from banking centers outside Haiti would also tend to limit the possible spread that local banks can earn on foreign currency operations.

42. Haiti is also one of the few countries outside eastern Europe that **requires commercial banks to maintain reserves on foreign currency deposits in local currency** (Table 2). In Haiti this requirement is due to the need to mop up gourde liquidity in the banking system without having to issue costly central bank bonds, which would affect the profitability of the BRH. This requirement tends to inhibit dollarization.<sup>23</sup> To be able to cover the local currency reserve requirement for foreign currency deposits, banks have to maintain a larger gourde liquidity to account for possible larger gourde reserve requirements due to valuation changes of the dollar deposits. This would be similar to imposing an additional liquidity requirement on dollar deposits and increases the costs of doing business in foreign currency for commercial banks.

### **Risks to economic agents**

43. As mentioned above, foreign currency borrowers in Haiti do not always receive income in foreign currency. As a consequence, **some foreign currency borrowers maintain an open, unhedged exchange rate risk position.** They face the risk of a sharp increase in indebtedness in the case of a rapid depreciation of the gourde. During periods of relative exchange rate stability, for example, 1996–99, borrowers benefited from lower foreign currency interest rates and a stable exchange rate. This changed during FY 1999/2000, when depreciation increased the borrowers' gourde indebtedness and the debt service obligations in gourdes.

44. To minimize the systemic risk created by the deterioration of some borrowers' debt servicing capacity, the BRH's banking supervision should impose stricter commercial bank lending guidelines for loans denominated in foreign currency. This would take into account the additional unhedged exchange rate risk.

---

<sup>23</sup> It has been argued that this requirement fosters dollarization as banks would maintain a larger spread on gourde transactions than on dollar transactions to account for the local currency reserve requirement on foreign currency deposits. However, the larger gourde spread is better explained through the higher country risk in Haiti and due to the fact that banks cannot increase the dollar spread because of competition from offshore financial centers.



## Seigniorage

45. Seigniorage estimates in the literature for different countries or groups of them arrive at sharply different results, depending on the definition of seigniorage, the estimation methodology used, and the degree of financial intermediation in the countries. Fischer (1982) estimated the annual seigniorage of industrial countries to be about 0.7 percent of GNP and around 0.8 percent of GNP for developing countries.<sup>24</sup> For Lebanon, Bolbol (1999) estimated seigniorage at 1.1 to 2.5 percent of GNP annually between 1984 and 1997.

46. In the case of Haiti, we calculated annual seigniorage as the increase in currency outside of the BRH plus the net interest income that the BRH could derive from the required commercial banks' deposits at the BRH.<sup>25</sup> In our estimates, we have used the time deposit rate at commercial banks as an indicator of the theoretical income that could be derived from such deposits.<sup>26</sup> As can be seen from Table 3, seigniorage estimates for the last 3 years show considerable fluctuation, ranging from 0.4 percent of GDP in fiscal year 1996/97 to 1.1 percent of GDP in fiscal year 1998/99.

47. A simple estimate has been made to separate the seigniorage that the authorities have collected from the inflation tax. **Noninflation seigniorage** can be calculated on the basis of real GDP growth, a real interest rate that would be paid on commercial bank deposits in a noninflationary environment, and a natural rate of increased demand for liquidity (re-monetization) in a noninflationary environment. For sake of simplicity each of the 3 rates is assumed to equal 3 percent.<sup>27</sup> Under these assumptions, noninflation seigniorage can be estimated to amount to slightly more than 0.5 percent of GDP annually in Haiti.

---

<sup>24</sup> Switching completely to a foreign currency would entail one-time costs of about 6 percent of GDP to replace all high-powered money in the country with the foreign currency at end-September 2000.

<sup>25</sup> Currency outside the BRH comprises currency in circulation and currency at commercial banks.

<sup>26</sup> It could also be possible to use the average interest rate paid over a 12-month period for all BRH bonds outstanding over that period as an indication of opportunity costs for the BRH.

<sup>27</sup> Various estimates for Haiti showed a lack of parameter stability that rendered econometric tests to derive a rate of noninflationary re-monetization irrelevant. It is however possible to decompose the nominal increase in currency in circulation into its real and inflation-related component by deflating nominal growth in currency by the consumer price inflation. The results are broadly similar for FY 1997/98 and FY 1998/99 but show a negative zero-inflation seigniorage in FY 1996/97 due to the reduction in real currency in circulation during that year.

48. **Dollarization has resulted in a loss of seigniorage.** First, currency issue by the BRH is reduced by the substitution by economic agents of dollars for gourdes. There is no data available about the amount of dollars in circulation in Haiti, but anecdotal evidence points to a predominant use of gourdes for cash transactions in Haiti and only negligible use of dollars for transactions. This implies that the loss of seigniorage due to currency substitution is rather limited.<sup>28</sup>

49. Second, deposits in dollars have grown rapidly in recent years. This implies a relative loss in seigniorage for the authorities as the reserve requirements on those deposits are levied at a lower rate. If the authorities imposed an identical reserve requirement ratio on domestic and foreign currency deposits, there would be no loss of seigniorage on this account. Table 3 shows that the annual loss of seigniorage due to dollarization has amounted to around G70 million since FY 1996/97 or about 0.1 percent of GDP.<sup>29</sup> The fact that this loss has been decreasing while the dollarization ratio has increased can be explained by the fact that the difference in the reserve requirement ratios has been shrinking faster than rate of increase in deposit dollarization.

Table 3. Haiti: Seigniorage Estimates 1996-99 (in units as indicated)			
	Fiscal years ending September 30		
	1996/97	1997/98	1998/99
(in millions of gourdes)			
Seigniorage	220	598	773
Change in currency outside BRH	-12	244	498
Unpaid interest on banks' deposits at the BRH	232	354	275
Zero-inflation seigniorage	304	335	379
Seigniorage lost to deposit dollarization	78	73	61
(in percent of GDP)			
Seigniorage	0.39	0.92	1.07
Zero inflation seigniorage	0.54	0.52	0.53
Sources: Bank of the Republic of Haiti and Fund staff estimates.			

<sup>28</sup> This assumes that the usage of electronic dollar transactions is not a substitute for gourde cash transactions, in which case there would be a loss in seigniorage. This is a reasonable assumption in Haiti, where large-value transactions are not carried out in cash and dollar transactions are usually related to large-value items.

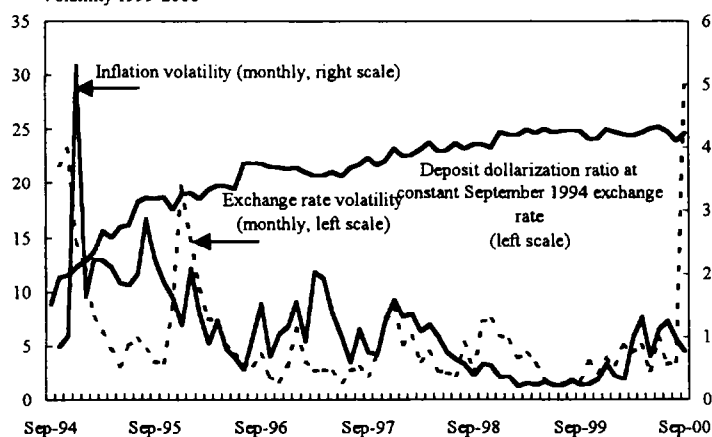
<sup>29</sup> The loss is calculated as the unpaid interest on the additional required reserves that would have been levied if the dollar deposits had been denominated in gourdes. The interest rate used is again the commercial banks' time deposit rate.

## Exchange rate regime

50. **The dollarization process in Haiti can have a negative bearing on the stability of the exchange rate** as a consequence of the factors discussed above. As the conduct of monetary policy becomes more complicated in a dollarized environment exchange rate volatility can increase. In addition, as economic agents could perceive the changing monetary policy environment as a sign of a decreased capacity of the BRH to conduct monetary policy or a sign of increased macroeconomic instability, they would reallocate gourde and dollar portfolios accordingly. The reactions of economic agents to changes in exchange rate expectations in a dollarized environment tend to amplify exchange rate changes. It is therefore necessary for the BRH to sharpen its monetary policy instruments, in particular to gain better control over the foreign currency components of the monetary aggregates and to ensure appropriate levels of liquidity in the banking system through continuous improvements in the regulatory framework.

51. Economic literature suggests that exchange rate volatility tends to be associated with lower degrees of deposit dollarization, while inflation volatility tends to be associated with higher degrees of deposit dollarization.<sup>30</sup> The experience in Haiti does not conclusively support or contradict those findings, as inflation volatility has tended to coincide with exchange rate volatility (Figure 11). Data does therefore not allow distinguishing between periods of exchange rate volatility and periods of inflation volatility and their respective impacts on deposit dollarization. Nonetheless, if the authorities were interested in slowing deposit dollarization, economic literature would suggest it to be preferable to strive to reduce inflation volatility rather than to reduce exchange rate volatility. Consequently, a stabilization policy that targets a lowering of inflation through tighter fiscal policy rather than through an exchange rate anchor may be the most effective in limiting an increase in dollarization.

Figure 11. Haiti: Deposit Dollarization, Exchange Rate, and Inflation Volatility 1999-2000



<sup>30</sup> Ize and Levy-Yeyati (1998).

#### **D. Conclusion**

52. Deposit dollarization in Haiti has been primarily the result of political and economic uncertainty that has been reflected in inflation and depreciation expectations. In addition, the higher reserve requirements on local currency deposits, which have created a cost advantage for dollar intermediation, have promoted deposit dollarization. Dollarization in Haiti has complicated the conduct of monetary policy because of different money multipliers for gourde and dollar deposits. Loan dollarization in Haiti has also increased risks to borrowers and the banking system holding foreign currency denominated assets. To minimize the systemic risks created by deposit and loan dollarization, and eliminate the tax advantage of foreign currency intermediation, the BRH should consider harmonizing reserve requirement ratios. Over the medium-term, the BRH should consider lowering reserve requirement ratios as the profitability of the BRH improves and rely increasingly on open market operations.

### List of References

- Bolbol, Ali, 1999, "Seigniorage, Dollarization and Public Debt: The Lebanese Civil War and Recovery Experience," *World Economy*, Vol. 27, No. 10.
- Brand, Diana, 1993, "Currency Substitution in Developing Countries: Theory and Empirical Analysis for Latin America and Eastern Europe," *Ifo-Studien zur Entwicklungsforschung*, No. 24
- Calvo, Guillermo, 2000, "Capital Markets and the Exchange Rate," *Manuscript, University of Maryland*, April 14.
- Calvo, Guillermo and Reinhart, Carmen, 1999, "Capital Flow Reversals, the Exchange Rate Debate, and Dollarization," *Finance & Development*, September.
- Canto, Victor, 1985, "Monetary Policy, Dollarization, and Parallel Market Exchange Rates: The Case of the Dominican Republic," *Journal of International Money and Finance*, Vol. 4.
- Dancourt, Oscar, 1999, "Neoliberal Reforms and Macroeconomic Policy in Peru," *CEPAL Review* 67, April 1999, Santiago, Chile.
- Fischer, Stanley, 1982, "Seigniorage and the Case for a National Currency," *Journal of Political Economy*, Vol. 90, No. 21.
- Garcia-Herrero, Alicia, 1997, "Banking Crises in Latin America in the 1990s: Lessons from Argentina, Paraguay, and Venezuela," IMF Working Paper WP/97/140.
- IMF, 1999, "Monetary Policy in Dollarized Economies, Occasional Paper 171.
- Ize, Alain and Levy-Yeyati, Eduardo, 1998, "Dollarization of Financial Intermediation: Causes and Policy Implications," IMF Working Paper WP/98/28.
- Melvin, Michael and Peiers, Bettina, 1996, "Dollarization in Developing Countries: Rational Remedy or Domestic Dilemma?," *Contemporary Economic Policy*, Vol. 14.
- Mizen, Paul, 1996, "The Behavior of Foreign Currency Holdings During Currency Crises: Causes and Consequences," *Open Economies Review*, Vol. 7.
- Savastano, Miguel, 1996, "Dollarization in Latin America: Recent Evidence and Some Policy Issues," IMF Working Paper WP/96/4.

### III. EXTERNAL RESOURCE FLOWS, DEBT, AND HIPC ELIGIBILITY<sup>31</sup>

#### A. Abstract

*Haiti has great development needs, but the burden of its external debt is relatively manageable compared with that of other poor developing countries. During the past ten years, a high proportion of external financial flows to Haiti has been in the form of grants rather than loans, and most loans were made on highly concessional terms. Haiti has also benefited from substantial debt relief from the Paris Club and bilateral creditors. Finally, exports grew rapidly during the past five years, especially as the light assembly sector recovered following the lifting of the trade embargo in 1995. As a result, Haiti has avoided the accumulation of a debt and debt service burden sufficiently onerous to make it eligible for debt relief under the Initiative for the Heavily Indebted Poor Countries (HIPC). Presently, Haiti's external debt and debt service position appears manageable, and assuming good economic policy implementation and continued external financial support in the form of grants and concessional loans, it may remain so.*

#### A. Introduction

53. **Despite its low level of social indicators, Haiti has avoided the accumulation of an unsustainable burden of external debt.**<sup>32</sup> This is mainly because most external resource flows have been in the form of grants in recent years and Haiti has benefited from debt relief under the aegis of the Paris Club. Loan disbursements to the public sector have been constrained by repeated political crises and the weak absorptive capacity of public institutions. In addition, the high level of concessionality of Haiti's external debt resulted in debt burden indicators that are relatively low compared with countries considered eligible for debt relief under the Initiative for the Heavily Indebted Poor Countries (HIPC). Thus, Haiti has not been considered as qualifying for debt relief under the HIPC Initiative.

54. **This chapter assesses Haiti's external financing and debt situation as of end-FY 1998/99.** To evaluate the level of indebtedness, it uses relevant HIPC standards. Accordingly, the debt analysis is based on the net present value (NPV) concept.<sup>33</sup> The analysis

---

<sup>31</sup> Prepared by Werner Ch. Keller.

<sup>32</sup> See chapter V for a description of poverty and social indicators.

<sup>33</sup> The NPV of debt is defined as the sum of all future interest and principal payment obligations on the existing debt, discounted at the market interest rate (IMF 1999).

also compares Haiti's debt service with the inflows of external loans and grants. However, the chapter does not provide a forward-looking debt sustainability analysis for Haiti, as this would imply a complete medium-term policy framework, including projected loan disbursements to finance balance of payments needs in the context of an economic program supported by a Fund facility.

55. **Section B** of this chapter presents a short history of the flows of external resources to Haiti and the process of debt accumulation and relief in the 1990s. **Section C** analyzes Haiti's external debt situation, in nominal and NPV terms, relative to the criteria determining eligibility for the HIPC Initiative, and compares Haiti with the countries in the Western Hemisphere and a sample of African countries that are being considered eligible for debt relief under the HIPC Initiative. Finally, in **Section D** the debt situation is placed in the context of past economic performance.

### **B. Resource Flows to Haiti in the 1990s**

56. **During the first half of the 1990s, Haiti suffered a dramatic deterioration in economic and social conditions.** Shortly after the inauguration of President Aristide, bilateral and multilateral institutions increased loan commitments, but were only able to disburse small amounts before the September 1991 military coup led to embargoes on most trade and financial transactions. A major collapse of the economy ensued. Real GDP is estimated to have fallen by 19 percent between 1990 and 1994. Loan disbursements were stopped and substantial arrears accumulated on external debt service payments to bilateral and multilateral creditors, including to the Fund. As a result, Haiti's external debt increased from US\$850 million (45 percent of GDP) at end-fiscal year 1989/90 to US\$940 million (50 percent) at end-FY 1993/94, including arrears of over US\$200 million (Table 1).

57. After the return to democratic rule in October 1994, the government's Emergency Economic Recovery Program and the normalization of external financial relations were supported by a stand-by arrangement with the Fund. The Fund approved a stand-by arrangement in the amount of SDR 20 million to support the FY 1995/96 economic program in March 1995. This paved the way for a substantial increase in financial flows to Haiti. As a contribution to the government's Emergency Economic Recovery Program, multilateral institutions stepped up their financial efforts seeking to rehabilitate the battered Haitian economy and initiate a period of economic growth and social development. Multilateral loan disbursements, including a purchase from the Fund, reached US\$150 million in FY 1994/95, while grants amounted to US\$410 million.

58. A substantial reduction of bilateral debt was achieved as a result of the May 1995 Paris Club agreement with bilateral creditors.<sup>34</sup> The agreement provided for concessional Naples terms, involving a 67 percent NPV reduction of the amounts rescheduled. The agreement covered arrears (including late interest) as of February 28, 1995 and principal and interest payments through end-March 1996. As this covered almost all of Haiti's debt to Paris Club members, it was almost equivalent to a rescheduling of Haiti's stock of bilateral debt. Five creditors were involved in the rescheduling of debt and debt service amounting to US\$113 million, or 4.3 percent of GDP, including US\$82 million of debt in dispute. Three creditors (Canada, France, and the United States) opted to write-off two thirds of the rescheduled obligations, with the remainder to be consolidated at market interest rates over a period of 23 years, including a grace period of 6 years. The other two creditors (Italy and Spain) chose to reschedule 100 percent of obligations due at concessional rates with repayment over 33 years, so as to reduce by 67 percent in NPV terms the payments due on the rescheduled debt. Partially as a result of debt relief and forgiveness the face value of total external public debt was reduced in FY 1994/95 by US\$160 million to US\$781 million (30 percent of GDP).

59. **Since 1995, Haiti has attracted substantial amounts of international resources, but debt indicators have fallen significantly.** In FY 1994/95, following the lifting of the embargo, net external resource flows amounted to around US\$650 million or 25 percent of GDP, before leveling off to around US\$300 million (7 percent of GDP) in FY 1998/99. Net debt-creating loan disbursements on average represented only around 30 percent of inflows of gross public resources in FY 1999/2000. External debt outstanding rose by 50 percent from US\$780 million in FY 1994/95 to US\$1.2 billion in FY 1998/99, while GDP over the same period grew by 63 percent in U.S. dollar terms. As a result, the ratio of debt to GDP decreased slightly from 30 percent of GDP to 27 percent. However, over the same time period, debt in relation to exports of goods and services fell substantially from 370 percent to 224 percent, due to the robust increase in exports, which grew by 157 percent from US\$137 million to US\$352 million, driven by the recovery of exports from the light assembly sector.

60. **In the second half of the 1990s, inflows of financial resources mirrored the mixed performance under Fund arrangements.** Over this period, Haiti remained current with its external payment obligations. Haiti's overall balance of payments position moved into surpluses of US\$25–30 million per year for FY 1996/97 through 1998/99 as a result of economic stabilization measures, a sustained strong growth of exports from the light assembly sector, and remittances from Haitians living abroad. A three-year program was supported by an agreement under the Fund's Enhanced Structural Adjustment Facility (ESAF) approved in October 1996. However, the mid-term review of the first year arrangement could not be completed, as a deepening political crisis adversely affected the implementation of structural

---

<sup>34</sup> This was Haiti's only debt rescheduling from Paris Club creditors. For details see Haiti—Report on External Debt Renegotiation (SM/95/170), 7/17/95. In previous years, some bilateral creditors had forgiven debt or transformed small amounts into grants.



reforms, the disbursements of external aid flows, and economic recovery. Since 1996, the Haitian parliament ceased ratification of new multilateral loans, including IDB loans totaling almost US\$200 million;<sup>35</sup> while the World Bank substantially curtailed the preparation of new project lending. Between 1995 and 1999, annual loan disbursements from multilateral sources declined gradually, falling from US\$150 million in FY 1994/95 (5 percent of GDP) to US\$100 million (2.5 percent of GDP) in FY 1998/99. However, the share of multilateral loan disbursements continued to average more than 95 percent of total external loan disbursements. During the same period, amortization payments amounted to US\$20–30 million per year, of which about three-quarters went to multilateral institutions. In November 1998, Fund Emergency Assistance in the amount of SDR 15.2 million was provided to support recovery and reconstruction after the destruction caused by hurricane Georges.

61. **External grants represented about 70 percent of total disbursements of grants and loans between 1995 and 1999.** Grants have come from a diversified range of international, bilateral, nongovernmental, and private sources; they are both tied or untied and take various forms, including budget or balance of payments support, in-kind contributions of goods and services, and technical assistance. The vast majority of grants is channeled through nongovernmental organizations and is directed towards specific social sectors or projects. Between 1995 and 1999, external grants amounted to some US\$1.4 billion compared to US\$600 million in loan disbursements. Grant flows declined from a peak of US\$400 million in FY 1994/95 to US\$300 million in FY 1995/96, before stabilizing at US\$200–250 million (about 6 percent of GDP) a year during the following three years.

### **C. Haiti's Debt and HIPC Eligibility**

62. The Initiative for the Heavily Indebted Poor Countries (HIPC) is designed to help countries with a track record of sound economic policies to reduce a debt burden that remains unsustainable even after all debt relief available under other mechanisms, including Paris Club Naples terms, has been provided. To qualify for HIPC debt relief, a poor country has to satisfy specific criteria for high indebtedness. The countries' debt burden, in net present value (NPV) terms, has to exceed 150 percent of exports (three-year moving average of exports of goods and nonfactor services) or exceed 20 percent of GDP. Alternatively to the above criteria, the enhanced HIPC Initiative provides for a fiscal window for open economies undertaking a strong revenue effort, if the NPV of external debt exceeds 250 percent of central government

---

<sup>35</sup> The loans approved by the IDB Board in 1996 and 1997 were not ratified by parliament and US\$95 million in 1998 IDB loans could not be presented to parliament.

revenue.<sup>36</sup> HIPC debt relief is provided to an extent that reduces the debt burden to the level of the threshold that qualified the country for HIPC debt relief.

63. **Haiti's external debt service burden in relation to GDP and exports is relatively light.** Total debt service payments, amortization and interest combined, represented 4.8 percent of external debt outstanding in FY 1998/99.<sup>37</sup> In comparison, only Malawi and Uganda were paying relatively less. Haiti's debt stock amounts to 27 percent of GDP, half of Bolivia's 53 percent or Uganda's 56 percent (after both countries availed themselves of a first package of debt relief under the HIPC initiative), or a third of that of other HIPC countries (Honduras, Senegal, Tanzania, (Table 2)). Similarly, debt service as a percentage of GDP in Malawi, Senegal, and Tanzania was 4–5 times higher than the 1 percent of GDP paid by Haiti.

64. **The degree of concessionality of Haiti's total external debt is among the highest worldwide.** Haiti's debt profile has an average concessionality of 49 percent. This is higher than the any one of the HIPC countries in the comparator sample. Uganda's and Malawi's concessionality are 46 percent and 43 percent, respectively, although both countries have a slightly higher share of highly concessional multilateral debt. Uganda has already received debt relief in NPV terms under the original HIPC Initiative.

65. **At end-FY 1998/99, the net present value of Haiti's external debt** amounted to US\$591 million. Of that amount, US\$497 million (84 percent) was due to multilateral institutions, of which 40 percent was owed to IDA, 34 percent to the IDB, and 7½ percent to the Fund. Bilateral creditors held US\$94 million or 16 percent, of which Paris Club creditors represented 94 percent (Table 3).

66. **Haiti does not meet the thresholds for a highly indebted country by the standards established under the enhanced HIPC Initiative.** At end-FY 1998/99, Haiti's debt in NPV terms amounted to 13.7 percent of GDP, below the minimum threshold of 20 percent established in the enhanced HIPC Initiative. Haiti's NPV debt-to-exports ratio amounted to 141 percent at end-FY 1998/99, below the minimum threshold of 150 percent established in the enhanced HIPC Initiative. Haiti's NPV debt-to-revenue ratio amounted to 166 percent, below the minimum threshold of 250 percent established in the enhanced HIPC Initiative. The fiscal window is also not applicable, as Haiti's fiscal revenue

---

<sup>36</sup> An open economy for the purpose of the HIPC Initiative is defined as an economy exporting more than 30 percent of GDP; a strong revenue effort is defined as fiscal revenue exceeding 15 percent of GDP.

<sup>37</sup> Concessionality or grant element is the discount between the value of debt in NPV and in nominal terms. The degree of concessionality is very sensitive to the interest rate applied for its calculation. Higher world interest rate levels imply a higher level of concessionality and a lower level of NPV. A discount rate of 7 percent was applied to calculate the NPV of Haiti's dollar-denominated debt.

represented only 8.7 percent of GDP during fiscal year 1999/2000, below the minimum threshold of 15 percent established in the enhanced HIPC Initiative.

67. **Haiti has not yet established a track record of good economic performance.** In order to be eligible for assistance under the HIPC Initiative, a country must first establish a track record of good economic performance, including the adoption of a comprehensive strategy for poverty reduction and growth, established through a broad-based participatory process. Haiti has had some success in stabilizing its economy for two years, but economic performance deteriorated in FY 1998/99 and a staff-monitored program could not be presented to Fund management for FY 1999/2000.

#### **D. Conclusion**

68. **Presently, Haiti's debt and debt service position appears manageable.** Although being poor, Haiti is not heavily indebted by HIPC standards. Haiti's debt and debt service ratios have remained at levels that are already below those that could be achieved through debt relief under the enhanced HIPC Initiative. This is the result of the combined effect of debt relief from Paris Club creditors, large inflows of external grants instead of loans, highly concessional multilateral loan disbursements, and growing export earnings. Haiti's debt service position also appears modest in relation to grant and loan inflows, as total debt service during fiscal years 1995/96–1998/99 amounted to US\$160 million, compared to inflows of grants and loans of US\$1450 million during the same period.

69. **Rather than debt reduction, the major developmental issue in Haiti is the efficient absorption of the external financial and technical assistance** that Haiti receives. Since the embargo was lifted in 1995, Haiti has received on average a net inflow of international resources equivalent to 12 percent of annual GDP, of which over 70 percent was in grants. However, this inflow has underpinned an annual average real GDP growth of only 2½ percent, barely exceeding population growth. Although there was some progress in improving Haiti's administrative and technical capacity to absorb external assistance, the weakness of existing structures and the structural growth impediments have prevented a sustained growth of per capita income and a reduction of widespread poverty. The low overall return on external assistance inflows in terms of growth and poverty alleviation points toward focusing on increasing the effectiveness in the use of external financial resources and the elimination of structural impediments as the most effective development strategy ahead. Assuming good economic and social policy implementation and continued support in the form of grants or highly concessional loans in the framework of a comprehensive medium-term program, Haiti's economy can grow and the poverty of its population be reduced, while the external debt and debt service position may remain manageable.

Table 1. Haiti: Indicators of Debt, Debt Service, and Resource Transfer

	Fiscal year ending September 30									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
(In millions of US dollars)										
Public external debt	850.8	837.0	845.5	862.4	940.5	781.2	905.4	1029.5	1107.2	1165.6
to multilateral creditors	552.4	567.9	559.3	538.9	516	646.6	756.3	856.8	933.0	993.3
to bilateral creditors	298.4	269.1	286.2	343.5	431.1	160.8	174.4	218.7	212.2	203.9
Change of external debt stock	30.2	-13.8	8.5	16.9	78.1	-159.3	124.2	124.1	77.7	58.4
Public external debt service	51.8	29.5	23.1	37.8	38.3	28.8	26.3	33.6	43.4	55.9
Amortization	37.8	19.3	12.7	27.2	25.8	19.8	16.9	19.6	30.5	35.7
Interest payments	14.0	10.2	10.4	10.6	12.5	9.0	9.4	14.0	12.9	20.2
Loan disbursements	74.2	43.3	0.5	0.0	0.0	150.0	121.5	131.9	97.4	103.0
Net resource flows	166.7	190.3	80.0	104.3	112.0	644.0	388.3	320.2	276.6	303.8
External grants	131.9	164.7	85.0	100.0	113.3	409.9	293.1	221.9	222.6	256.8
Net lending 1/ 2/	34.8	25.6	-5.0	4.3	-1.3	121.2	95.2	98.3	54.0	47.1
Debt relief	0.0	0.0	0.0	0.0	0.0	112.9	0.0	0.0	0.0	0.0
(In percent of total debt)										
Multilateral debt	64.9	67.8	66.2	62.5	54.9	82.8	83.5	83.2	84.3	85.2
Debt service	6.1	3.5	2.7	4.4	4.1	3.7	2.9	3.3	3.9	4.8
(In percent of GDP)										
Public external debt	44.9	34.8	40.6	47.4	49.7	29.7	30.6	29.7	28.8	27.1
Public external debt service	2.7	1.2	1.1	2.1	2.0	1.1	0.9	1.0	1.1	1.3
Net resource flows	8.8	7.9	3.8	5.7	5.9	24.5	13.1	9.2	7.2	7.1
Net loan disbursements	1.9	1.0	-0.6	-1.5	-1.4	4.9	3.5	3.2	1.7	1.6
Loan disbursements	3.9	1.8	0.0	0.0	0.0	5.7	4.1	3.8	2.5	2.4
Amortization	-2.0	-0.8	-0.6	-1.5	-1.4	-0.8	-0.6	-0.6	-0.8	-0.8
Net arrears accumulation	0.7	0.5	0.9	2.3	2.0	0.0	0.0	0.0	0.0	0.0
Net debt relief from Paris Club creditors	0.0	0.0	0.0	0.0	0.0	4.3	0.0	0.0	0.0	0.0
Grants	7.0	6.8	4.1	5.5	6.0	15.6	9.9	6.4	5.8	6.0
Interest payments	-0.7	-0.4	-0.5	-0.6	-0.7	-0.3	-0.3	-0.4	-0.3	-0.5
(In percentage)										
Loan disbursement share of										
grants and loans	36.0	20.8	0.6	0.0	0.0	26.8	29.3	37.3	30.4	28.6
Debt to GDP	44.9	34.8	40.6	47.4	49.7	29.7	30.6	29.7	28.8	27.1
Debt to exports of GNFS	267.5	373.3	595.8	560.5	720.6	369.5	366.4	353.4	250.7	224.1
Debt service to exports of GNFS	16.3	13.2	16.3	24.6	29.3	13.6	10.6	11.5	9.8	10.7
Debt service net to international reserves 3/	...	...	...	...	...	15.5	19.5	20.7	22.3	25.6
Memorandum items:										
GDP (in US\$ million)	1895	2407	2084	1818	1891	2634	2955	3462	3839	4307
Exports of GNFS (in millions of US\$)	318.0	224.2	141.9	153.9	130.5	211.4	247.1	291.3	441.7	520.0
Current account to GDP (in percent) 4/	-4.7	-5.1	-2.0	-3.8	0.9	-1.2	-2.2	-0.6	-0.3	-1.4

Source: Bank of the Republic of Haiti, and Fund staff estimates.

1/ New loans, minus amortizations and interest payments.

2/ Including, from 1990 to 1994, accumulation of external payment arrears.

3/ In FY 1989/90 through 1994/94, the level of net international reserves was negative.

4/ Including grants.

Table 2. Haiti: Comparative Debt Indicators 1/

(In millions of US dollars, unless indicated otherwise)

	Haiti	Bolivia 9/	Guyana	Honduras	Nicaragua	Malawi	Senegal	Tanzania	Uganda 9/	Zambia
	end-Sept 99	end-1998	end-1998	end-1999	end-1999	end-1999	end-1999	end-June 99	end-June 99	end-1999
<b>Debt</b>										
External public debt	1,166	4,467	1,383	4,373	6,358	2,597	3,763 10/	6,385	3,217	7,056
Share of bilateral debt (in percent)	13	34	28	34 10/	66	16	37	45	13	46
Share of Paris Club debt (in percent)	13	33	...	27 10/	26	13	21	31	9	40
Share of multilateral debt 3/	83	65	70	55 10/	34	84	63	54	86	54
External public debt service	56	372	130	382	323	82	216	413	134	328
NPV of debt 4/	589	3,521	1,078	3,220	5,487	1,479	2,495	4,613	1,748	5,075
<b>Debt ratios (in percent)</b>										
Debt to GDP	27	52	192	83	280	142	79	74	56	249
Debt to exports 5/	224	329	201	178	761	479	238	591	443	838
Debt to service to GDP	1	4	18	7	14	4	5	5	2	12
Debt service to exports 5/	11	27	19	16	39	15	14	38	18	39
Debt service to debt outstanding	5	8	9	9	5	3	6	6	4	5
NPV to GDP	14	41	150	61	242	81	52	54	30	179
NPV to Exports 5/	114	260	157	131	657	273	158	427	241	603
NPV to three-year average exports 5/ 6/	141	259	151	147	656	262	166	397	240	539
NPV to Revenue 7/	157	180	312	338	961	517	303	340	175	702
<b>Memorandum Items</b>										
GDP	4,307	8,555	721	5,268	2,268	1,833	4,756	8,585	5,791	2,835
GDP per capita (in US\$)	552	1,051	848	852	459	172	513	262	268	272
Debt per capita (in US\$)	149	549	1,627	708	1,287	244	405	195	149	678
Exports	520	1,356	688	2,463	835	542	1,582	1,081	726	842
Three-year average exports 6/	418	1,361	715	2,184	837	565	1,505	1,162	728	942
Current account balance	-60	-675	-85	-504	-840	-99	166	-558	-240	-498
Current account balance to GDP (in percent)	-1.4	-7.9	-11.8	-9.6	-37.0	-5.4	3.5	-6.5	-4.1	-17.6
Revenue 7/	376	1,959	345	952	571	286	823	1,358	997	723
Revenue to GDP (in percent)	8.7	22.9	47.9	18.1	25.2	15.6	17.3	15.8	12.1	25.5
Exports to GDP (in percent) 6/	12.1	15.9	95.4	46.8	36.8	29.6	33.3	12.6	12.5	29.7
Concessionality 8/	49%	21%	22%	26%	14%	43%	34%	28%	46%	28%

Source: national data, IFS, and Fund staff estimates.

1/ Country sample includes all Western Hemisphere and some African HIPC countries.

2/ For all countries, except for Haiti and for Bolivia and Uganda (footnote 5): date before HIPC debt relief.

3/ Including IMF.

4/ As calculated in respective HIPC documentation.

5/ Exports of goods and non-factor services.

6/ Backward-looking three-year moving average.

7/ Central government revenue.

8/ Concessionality is the grant element consisting of the percentage difference between the nominal and the net present value of debt.

9/ Bolivia and Uganda: after first HIPC assistance.

10/ End-1998.

Table 3. Haiti: External Public Debt

(In millions of US Dollars)

	Debt stock outstanding 1999/2000	NPV 1999/2000
<b>Total</b>	<b>1,165.6</b>	<b>589.3</b>
<b>Bilateral</b>	<b>172.3</b>	<b>92.0</b>
Paris Club	167.4	88.2
pre-cutoff	167.4	88.2
ODA	143.4	65.0
non-ODA	24.1	23.2
post-cutoff	0.0	0.0
Other official bilateral 1/	4.9	3.7
pre-cutoff	0.0	0.0
post-cutoff	4.9	3.7
<b>Commercial</b>	<b>0.0</b>	<b>0.0</b>
<b>Multilateral</b>	<b>993.3</b>	<b>497.4</b>
IMF	51.5	43.9
IDA	515.2	239.2
IDB/FSO	400.2	199.5
IFAD	22.4	11.7
OPEC Fund	4.0	3.0
<b>Ratios</b>		
Debt/GDP	27.1	13.7
Debt/Exports (in percent) 2/ 3/	279.1	141.1
Debt/Central government revenue (in percent)	309.6	165.5
<b>Memorandum items:</b>		
GDP	4,306.5	4,306.5
Exports 2/	520.0	520.0
Exports, three-year moving average 2/ 3/	417.7	417.7

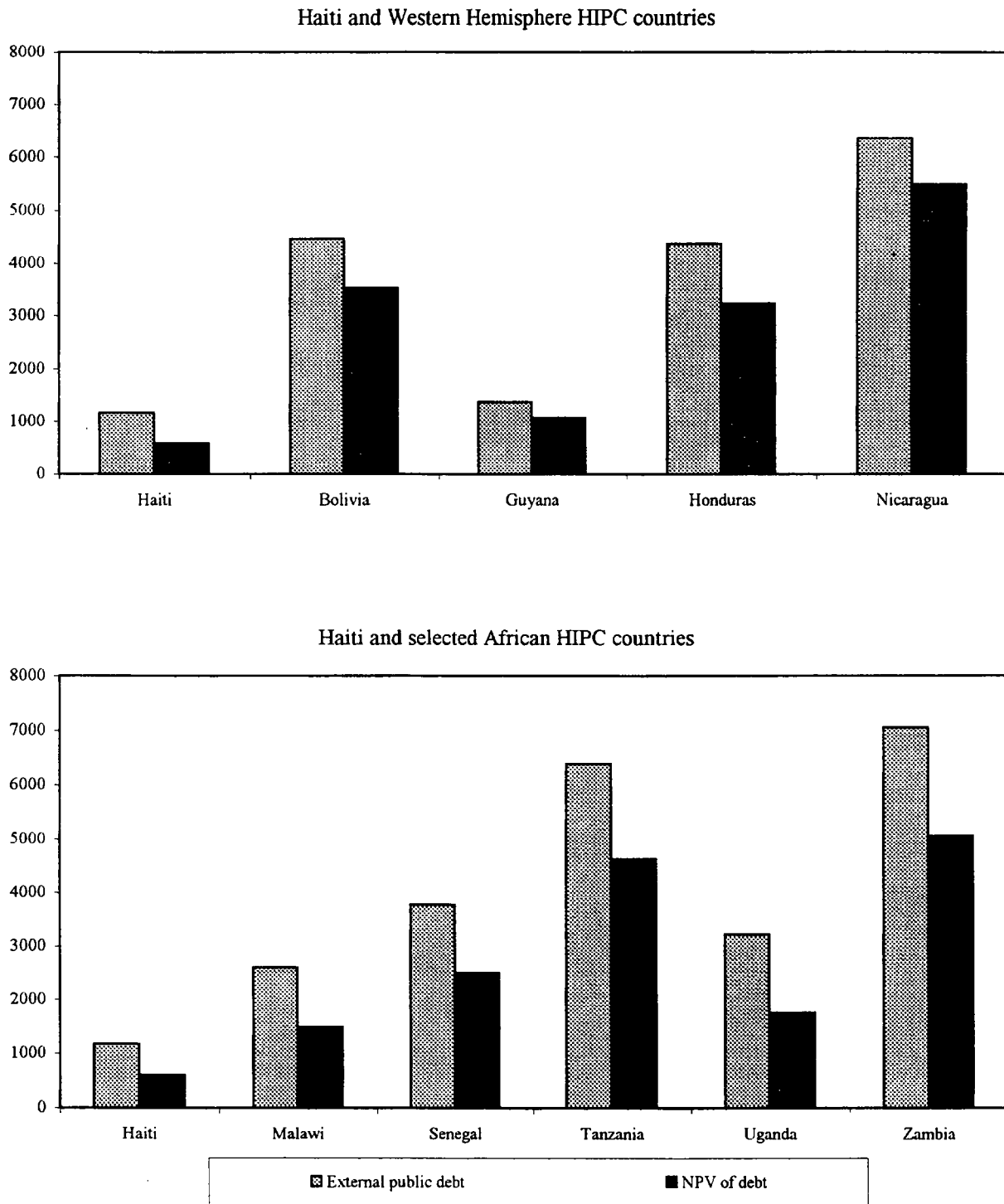
Source: Bank of the Republic of Haiti, and staff Fund estimates

1/ Taiwan, Argentina, and Venezuela.

2/ Exports of goods and non-factor services.

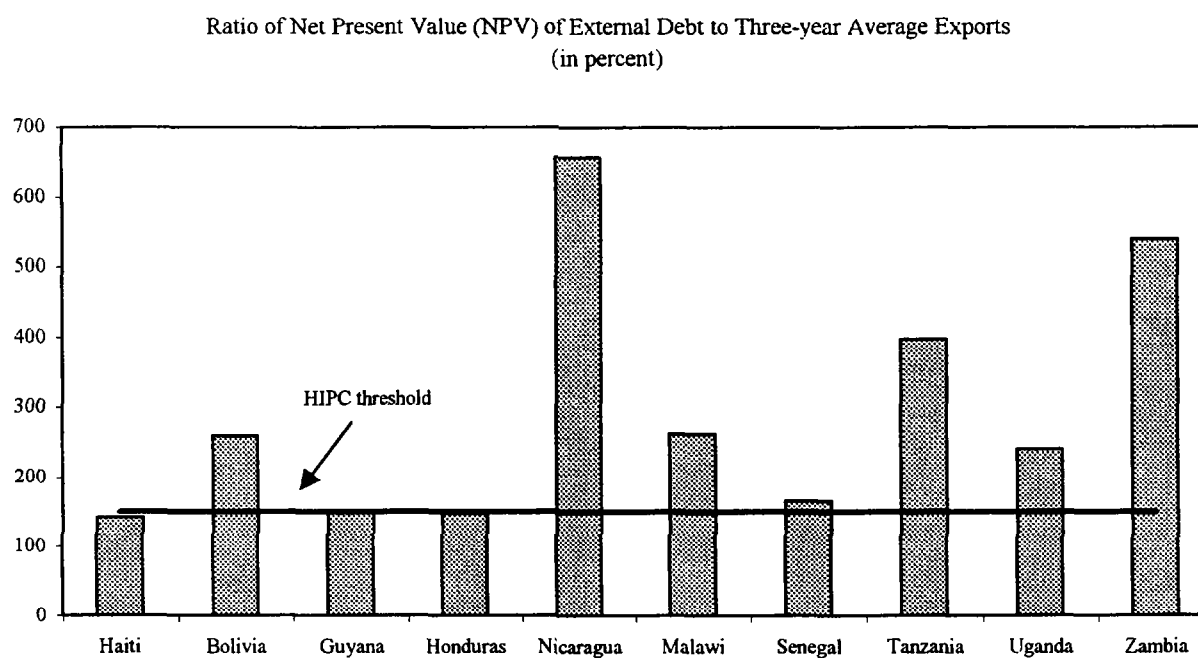
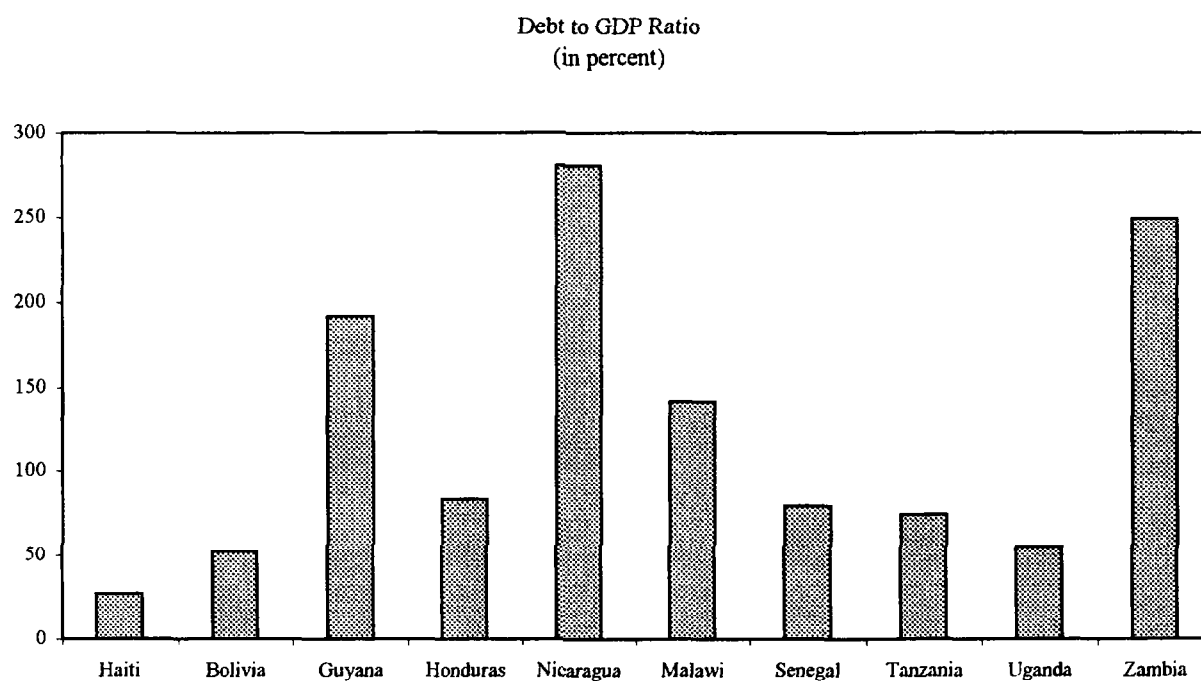
3/ Backward-looking three-year moving average of exports.

Figure 1. Haiti: Debt and NPV of Debt, 1999  
(in millions of U.S. dollars)



Source: National data, IFS, and staff estimates.

Figure 2. Haiti: Comparative Debt Ratios, 1999



Source: National data, IFS, and staff estimates.



International Monetary Fund, 1999, "Debt Relief for Low-Income Countries—The Enhanced HIPC Initiative," Pamphlet Series No. 51.

#### IV. TRADE LIBERALIZATION IN HAITI<sup>38</sup>

##### Abstract

*This chapter describes the two main stages of Haiti's trade liberalization (1986/87, 1994/95), that have resulted in the country ranking among the most open economies in the Western Hemisphere. It argues that an important objective of trade liberalization was lowering the cost of food and basic commodities to the poorest segments of population. Evidence from the rice sector suggests that this policy put downward pressure on the domestic price of rice, as well as on domestic rice output. The government is currently seeking to consolidate the liberal trade regime through membership in the CARICOM and further tariff reduction. However, other crucial structural reforms have lagged behind trade liberalization. A sustained improvement in living conditions of the poor will require more determined pro-growth structural reforms in these other areas, as well as the maintenance of macroeconomic stability.*

##### A. Introduction

70. Since the restoration of democracy in 1986, the Haitian authorities have persevered in establishing and maintaining a liberal trade regime, under difficult political and economic circumstances. Starting in 1986/87, Haiti boldly dismantled the protectionist trade system that was in place at the time. It liberalized its trade regime by eliminating nontariff barriers (NTB's), including import and export licensing restrictions, and dramatically lowering customs tariffs. Haiti has actively sought membership in the African Caribbean Pacific Countries (ACP) group under the Lome convention; it became a member of the WTO in 1996, and acceded in July 1999 to the Caribbean Community and Common Market (CARICOM).<sup>39</sup> Haiti's actual accession to the CARICOM will take place once parliament ratifies the treaty. As a result of its liberal trade policy, Haiti, albeit the poorest country in the Western Hemisphere, **currently ranks among the most open economies worldwide.**

71. The boldness of Haiti's trade policies stands in **sharp contrast with the slow pace of structural reforms in other crucial areas**, in particular the privatization of public enterprises, thereby depriving the population of some of the benefits of the liberal trade policy. The swift opening up of the economy to competing imports has been effected in the absence of a strong domestic private sector free-trade constituency and would seem to have been

---

<sup>38</sup> Prepared by Eric Verreydt.

<sup>39</sup> Haiti was admitted to the Caribbean Community in 1997.

mainly motivated by domestic politics, in particular in regard to reducing food prices. After years of embargoes, the drastic reduction in customs tariff rates in early 1995 was designed to benefit consumers, making imports of basic commodities and food staples, in particular of food products, more affordable. Another objective was to reduce the incentive for fraud. While the relative prices of rice seems to have declined since 1995, there is no strong evidence that overall the tradable-goods component of the CPI has become relatively cheaper in the aftermath of trade liberalization.

72. Output in some sectors was displaced by imports, notably lower grade rice, which attracted criticism. The latter, however, does not appear to take into account the broader policy perspective. The prolonged political crisis since end-1996, and the associated uncertainty, have depressed investment and growth, while the postponement of essential structural reforms, in particular the privatization of the main utilities, has led to a substantial deterioration of infrastructure. Moreover, in FY 1999/2000, excessive budget deficits have imposed a toll on the poor through higher inflation. The unfinished reform agenda has not permitted Haiti to fully benefit from its bold trade liberalization policy.

73. The remainder of this chapter is organized as follows. Sections B and C describe the two-stage trade liberalization that occurred in 1986–87 and 1994–95. Section D discusses Haiti's recent accession to the Caribbean Common Market. Discussion of issues related to the rice sector is enclosed in the Text Box, Section E summarizes the chapter's conclusions.

## **B. Trade Liberalization 1986–87**

74. As in many Latin American countries pursuing an import-substitution industrial policy, the pervading import restrictions in Haiti during the 1970's and early 1980's adversely affected agricultural exports and led to inefficient industries developing behind protective barriers. By contrast, the unprotected export assembly industry grew rapidly. Import restrictions on rice and an export tax on coffee resulted in high domestic prices for rice and low prices for coffee, encouraging inefficient rice production on hillsides.

75. **The administration that came to power in Haiti in 1986 undertook to dismantle domestic private monopolies, and spur competition through trade liberalization.** By December 1986, quantitative import restrictions had been removed for all but seven agricultural products, which remained subject to import licensing, including rice, sugar and pork. In March 1987, a new 13-band tariff structure was introduced with ad valorem rates mostly between zero and 40 percent (exceptions were 50 percent for rice and 57.8 percent for gasoline), with an average of around 16–20 percent. This trade regime was maintained until embargoes on most external transactions were imposed on Haiti, following the military coup that ousted President Aristide in September 1990.

### C. Trade Policies 1994–95

76. Following the return to constitutional rule in October 1994, and the lifting of the embargoes imposed on most trade and financial transactions in 1991–94, the government of Haiti embarked on an economic recovery program, supported by the international community, as well as on a medium-term structural adjustment strategy. The latter included sweeping trade liberalization measures.

77. In FY 1994/95, all remaining import restrictions on agricultural commodities were eliminated. Under the tariff reform, approved in February 1995, imports were to be valued using the market exchange rate, as opposed to the fixed preferential rate of G 6.5 per U.S. dollar in effect since August 1989. The resulting large valuation increase was broadly offset by a reduction in tariffs rates. The tariff schedule adopted in February 1995, that is still in effect, reduced the maximum tariff rates from 40–50 percent to 15 percent and consolidated the 13-band rate structure into a four-band tariff structure (0, 5, 10, 15 percent). Specific rates (0–3 percent) were stipulated for certain basic products (rice, sugar, flour, cement). As rice and flour were previously subject to a rate of 50 percent, the reform entailed an actual lowering of the tax incidence on these basic products. However, gasoline remained taxed at 57.8 percent. Under the current tariff structure, the simple average tariff rate is 5 percent, and over half of the close to 1,600 tariff lines bear a zero rate. The tariff structure was notified as binding to the WTO, making it difficult to increase rates. In addition to customs duties, an import verification fee of 4 percent is applied on non-exempt imports, as well as a 2 percent advance income tax payment. The latter is deductible from income tax for registered businesses, and is final for businesses that do not file income tax returns, for example, small or informal businesses.

78. Including the numerous exemptions on imports by public sector entities, donor-funded projects and NGO's, the average total custom duty is currently around 8 percent.<sup>40</sup> The relatively low customs duties, the elimination of NTB's and of all economically relevant import and export licensing requirements, have put Haiti in the category of countries with the most liberal trade regime. In the Western Hemisphere, only Chile and Panama, countries that have a much larger GDP per capita, have a similarly liberal trade regime.<sup>41</sup> A further lowering of custom tariffs to a maximum of 10 percent was to be implemented by end-1996 (some tariffs that are currently less than 10 percent, such as those for rice and sugar, would be raised somewhat). However, following the onset of the prolonged political crisis, this lowering has not been implemented to date pending parliamentary approval. It remains however on the government's agenda.

---

<sup>40</sup> Including the verification fee. An important exemption is gas oil supplied to the electricity company EDH.

<sup>41</sup> According to the 1999 IMF's trade restrictiveness rating (Table 1).

Table 1: Index of Trade Restrictiveness (as of end-1999)

	Tariff Index	Overall Index	NTB Index
CARICOM countries			
Antigua and Barbuda	5	2	2
The Bahamas	5	1	5
Barbados	5	2	2
Belize	5	2	2
Dominica	5	2	2
Grenada	9	3	3
Guyana	2	1	2
Jamaica	5	2	2
St. Kitts and Nevis	2	1	2
St. Lucia	5	2	2
St. Vincent and the Grenadines	5	2	2
Trinidad and Tobago	4	2	1
HISPANIOLA countries			
Dominican Republic	6	2	3
Haiti	1	1	1
Source: IMF.			
See IMF: "Trade Liberalization in IMF-Supported Programs, Appendix 1," February 1998, for a description of the methodology used to build the index.			

79. Export industries, mainly in the agricultural sector, were unable to seize the opportunities provided by the liberalized trade regime.<sup>42</sup> While the new trade regime offered lower cost inputs and better market access abroad, export industries could not fully benefit from the trade liberalization effort due to the widespread structural impediments in the Haitian economy. The main impediments to increased export activity continued to be the poor road and port infrastructure and the severe supply bottlenecks in the utility sectors. In addition, some industries operating inefficiently under the previous protected regime faced increased competition from lower cost imports (see box below).

#### Box. Trade Liberalization in The Rice Sector

**The opening up of the agricultural sector to imports has benefited consumers through lower relative prices for rice. Domestic rice output has declined. However, high-quality domestic production has not been displaced by lower-grade imports.** In the early eighties, Haitian agricultural production was highly protected from imports. Custom tariffs on food products were on the order of 40–50 percent, and NTB's included prohibition of imports, licensing requirements, and quotas. While NTB's on seven sensitive food products were retained after 1986/87, in February 1995 under the Aristide-Michel government, import restrictions were lifted and customs tariffs on food products were lowered dramatically, as part of the overall reduction in custom tariffs. Custom tariffs on most food imports went from 40–50 percent to 0–5 percent; the tariff on rice, a major component of Haitians' diet, was lowered from 50 percent to 3 percent.

Trade liberalization has contributed to a large increase in imports of rice. (Table 2). At the same time, domestic production has gone down substantially (from around 180,000 tons of paddy rice in 1986–89 to 105,000 tons in 1997–99). Imports of rice, are currently estimated to account for about two-thirds of domestic consumption. Between 1994 and 1999 whereas the CPI rose by about 125 percent, the domestic price of rice increased by around 65 percent, entailing a 25 percent decrease in the relative price of rice. Partial evidence tends to show that margins of traders has increased. The downward pressure on domestic price of rice has stemmed from competition from U.S. imports. Competition from imports notwithstanding, domestic production remains significant, as Haitian rice producers have tended to specialize in higher grade varieties (*Gougousse, la Crete*) that sell at a premium over lower-quality imported rice.

The authorities' policy of securing access to relatively cheap rice imports by the majority of the population, in particular the poorest, as opposed to maintaining more remunerative producers prices, has attracted criticism. It has been argued that competition is unfair, as U.S. rice producers receive income support; that it has benefited traders more than consumers; and that it has led to displacement of local rice. Some donors involved in agricultural projects have recommended raising tariffs to the 20–25 percent range, in order to secure higher producer prices. The Haitian government has consistently favored a low-tariff policy, arguing that the supply response of rice producers to higher prices is long and uncertain. In the authorities' view, the loss of production reflects impediments to growth other than prices, in particular inadequate irrigation, low investment in hulling machines by traders, and land tenure issues.

<sup>42</sup> See "Libéralisation des échanges: Positions et recommandations des industriels travaillant pour le marché local," Groupe Corissance, May 1996.

Table 2: Rice Production and Imports, 1986–99 (in tons)		
	Production 1/	Imports 2/
1985–86	180,000	n.a.
1986–87	180,000	n.a.
1987–88	202,000	n.a.
1988–89	183,000	n.a.
1989–90	130,000	5,919
1990–91	128,000	3,776
1991–92	126,000	188,309
1992–93	124,000	9,132
1993–94	n.a.	90,163
1994–95	88,711	84,245
1995–96	100,000	145,351
1996–97	110,000	108,407
1997–98	100,000	n.a.
1998–99	105,000	115,449

Sources: Ministère de l'Agriculture, des Ressources naturelles et du développement Rural; and Administration Generale des Douanes.

1/ Paddy rice. The transformation coefficient in Haiti is low owing to the obsolescence of hulling machines (60 percent on average).

2/ Harbor of Port-au-Prince only. Does not include unrecorded imports.

#### D. Haiti's Accession to the CARICOM

80. Haiti was admitted to the Caribbean Common Market in July 1999 with the special status of a less developed country. This enabled it to negotiate numerous suspensions to the common external tariff. In addition to trade-related issues, Haiti has become part of the agreement on free capital flows that is intended to facilitate direct investment from member countries. The main impetus to joining the CARICOM has been a desire to put an end to political isolation within the region and expand economic ties, by integrating into the main Caribbean regional organization. Haiti also wishes to be in a position to participate in the Free Trade Zone of the Americas by 2005.

81. Tariffs applied by other members of the CARICOM are generally higher than in Haiti. The common external tariff (CET) of the CARICOM was introduced in the community in January 1991. Customs tariffs initially ranged between 5 percent and 35 percent (40 percent for agricultural products). They were to be gradually reduced to a range of 5–20 percent by 1998, but were to remain at 40 percent for agricultural products. Member countries were allowed to conform with the CET tariffs at their own pace. The implementation of the CET

has been slower than anticipated, and some member countries still maintain tariffs in excess of 20 percent. Moreover, members countries have generally retained NTB's.

82. Haiti's trade with CARICOM countries is very small (less than 2 percent of Haitian imports and less than 1 percent of exports). Implementing the CET without suspensions or temporary waivers would entail a large increase in Haiti's average tariff rate, as the higher rates on non-CARICOM imports would not be compensated by zero rates on intra-community trade. In negotiating the terms of Haiti's accession to the CARICOM, the authorities have taken considerable care in preventing a rate increase on the bulk of imports, including on food imports (Table 3). **Haiti negotiated therefore suspensions of the implementation of the CET for about 500 products.** With a view to safeguarding custom revenues, it also negotiated waivers ("*dérégations*") to the implementation of the intra-CARICOM free trade policy on a number of important products, including rice, pork, and gasoline, that could potentially be supplied in part by partner countries. The negotiated tariff, a five-band structure (0, 5, 10, 15, 20 percent) may enter into force after a transitional period following ratification. Estimates of the impact of the negotiated tariffs show an increase of about 2 percentage points in the average rate, as rates on many products, accounting for about one-third of the value of imports, will go up. With regard to the application of the full CET, CARICOM members have agreed to grant Haiti an adjustment period of five years after parliamentary ratification, postponing it until 2005 at the earliest. The adjustment period is renewable.

Table 3: Custom Duties on Selected Basic Food Items (in percent)			
	Current rate	CET rate 1/	Entry rate 2/
Rice	3	25	5
Flour	3	20	0
Sugar	3	40	5
Maize	15	40	15
Peas	5	20	5
Pork meat	5	40	15
Chicken meat 4/	5	"A" list	"A" list
Eggs	0	40	20
Milk 4/	0	"A" list	"A" list
Edible oil	0	40	0
Source : Haitian authorities.			
1/ Common external tariff of the CARICOM, at the time of negotiations (early 1999).			
2/ Rate negotiated by Haiti for membership into CARICOM, valid for five years.			
3/ "A" list: member states can set the custom duty rate, subject to a ceiling.			



83. In parallel to CARICOM negotiations, technical work has been completed in the ministry of finance to update the 1996 draft revised custom tariff law that will provide for a **maximum rate of 10 percent**. Once the current macroeconomic instability subsides the draft law will be submitted to parliament. There is an apparent contradiction between the draft customs law and the tariff structure negotiated with CARICOM, which implies rates above 10 percent for some products. The authorities are well aware of the possible conflict between the two tariff schedules. It is however the stated goal of the authorities to implement the lowest possible tariff over the medium-term. In this respect, the authorities are hopeful that the CET will have been lowered by the time it becomes binding, to avoid tariff increases in Haiti.

### **E. Conclusion**

84. The swift liberalization of Haiti's external trade mainly benefited consumers and traders, at some cost to inward-looking agricultural and industrial sectors. However, the slow pace of structural reforms in other areas has so far prevented Haiti from reaping the full benefit of this policy in the areas of efficiency and growth. Trade reform in Haiti was implemented in two bold steps, that each coincided with historical breaks with past economic and political environments: the fall of the dictatorship in 1986 and the lifting of the embargoes after the return to constitutional rule in 1994. As a result, Haiti, ranks among the most open economies. The liberalization of the trade regime was carried out without a strong free-trade constituency within the private sector. One of the policy's main goal was securing access to affordable imports for consumers, in particular of food and basic commodities consumed by the poorest segments of the population. In the medium-term, a further reduction in custom tariff rates is envisaged, in parallel with Haiti's integration in the CARICOM.

85. Through effectively liberalizing trade, Haiti has put itself in a position to exploit its comparative advantages and reallocate its resources efficiently. However, important structural impediments remain, in the utilities sector, infrastructure, education and health, and the judiciary, that constrain growth and investment. Moreover, recently, rising inflation is taking a toll on the poorest elements of the population. The remaining impediments to growth will have to be removed and macroeconomic stability restored, for Haiti to be able to reap the full benefit of its liberal trade regime.

## **List of References**

International Monetary Fund, 1998, "Trade liberalization in IMF-Supported Programs."

Centre pour la Libre Entreprise et la Démocratie (CLED),

- Zone de libre échange des Amériques: quel positionnement pour Haïti?, 1998, "*Bulletin d'Information, No. 4.*"

- Haïti et la CARICOM, 1999, "Une Intégration Difficile mais Possible," "*Bulletin d'Information, No. 5.*"

### **Groupe Croissance S.A.,**

- "Libéralisation des échanges: Position et Recommandations des Industriels Travaillant pour le Marché local.", May 1996.

- (in collaboration with IRAM), 1998, "La Tarification des Principaux Produits Agricoles en République d'Haïti."

Pierre Baris, "Consultation Relative à l'Assistance Technique Ponctuelle d'Appui aux Négociations d'Haïti à la CARICOM."

Bureau de coordination et de suivi des dossiers CARICOM/OMC/ZLEA,

- "Report of the Technical Working Group on the Terms and Conditions of Haiti's Membership in the Caribbean Community." 1999.

- September 2000, "La Communauté de la Caraïbe (CARICOM), Adhésion d'Haïti"

Jeffrey Metzel, 1999, "The Economic Context for Investment in Agricultural Intensification in Haiti."

Caribbean Community Secretariat, 1993, "The Common External Tariff of the Caribbean Common Market."

## V. POVERTY AND SOCIAL POLICIES<sup>43</sup>

### Abstract

*During recent years, Haiti has experienced an extended period of political distress leading to a worsening of the country's social and economic indicators and a deepening of poverty. Social programs, which are largely financed by international donors through nongovernmental organizations, have been scaled down or suspended in the last two years as a consequence of the ongoing political crisis, economic uncertainties, and a slow pace of structural reforms. This chapter examines the causes of poverty in Haiti and analyzes the education, health, and environment sectors. We conclude that it is essential that Haiti returns to a stable and sustainable macroeconomic framework and undertakes structural reforms that will lead to a higher growth path that would permit a reduction in poverty and an improvement in social indicators.*

### A. Introduction

86. Haiti occupies 27,750 km<sup>2</sup> of the western half of the island of Hispaniola. The country is divided into nine departments, 133 municipalities, and 561 districts. It became independent in 1804. In its turbulent political history, poverty alleviation was rarely a priority and recurrent political crises have tended to deepen poverty. The de-facto government that controlled Haiti between 1991 and 1994 faced an international financial and trade embargo, again worsening the country's social and economic indicators. Democratic rule was reinstated in 1994, but the country has suffered a continuous political crisis since 1997, leading to a slowdown in structural reforms, project implementation, and external assistance to alleviate poverty

87. Measured by the Human Development Index (HDI), Haiti is the poorest country in the Western Hemisphere. The **causes of poverty** in Haiti are political instability, poor governance, lack of personal safety, a weak justice system, low levels of physical and human capital investment, lack of basic infrastructure, and demographic pressures. Social programs, which are largely financed by international donors through nongovernmental organizations, have been scaled down or suspended in the last two years as a consequence of the ongoing

---

<sup>43</sup> Prepared by Randa Sab.

political crisis, economic uncertainties, and a slow pace of structural reforms. It is therefore essential that Haiti returns to a stable and sustainable macroeconomic framework and undertakes structural reforms that could lead to a higher growth path and a reduction in poverty.

88. The remainder of the chapter is organized as follows. Section B describes poverty incidence and aggregate social indicators in Haiti and compares them with other countries in the Western Hemisphere and sub-Saharan Africa that are eligible for the Fund's Poverty Reduction and Growth Facility (PRGF). Section C describes the social sectors in Haiti, in particular the education and health systems, and the environment.

### **B. Incidence of Poverty**

89. Haiti's GDP per capita in 1998 was US\$524, just slightly above the sub-Saharan African average. ***Its social indicators are significantly lower than those of the poorest countries in the Western Hemisphere and are comparable to those of sub-Saharan Africa*** (Table 1 and Figure 1).<sup>44</sup> Two-thirds of the population lives in rural areas in Haiti, and over 80 percent of the rural population fall below the poverty line.<sup>45</sup> This compares unfavorably with the rural poverty rates of PRGF-eligible countries in the Western Hemisphere.<sup>46</sup>

90. **Population pressure has exacerbated poverty in Haiti.** Although the growth rate has slowed since 1990, population was still growing at 2 percent in 1998. The fertility rate has declined from 5.1 births per woman in 1990 to 4.3 in 1998, and is lower than the sub-Saharan African countries' average. The high fertility rate exerts pressures on the environment, and reduces available resources per capita for basic education, health, sanitation and access to safe water.<sup>47</sup> The urbanization ratio in Haiti is below the average level for Western Hemisphere

---

<sup>44</sup> Some caution has to be exercised when interpreting available data. Data on social indicators are limited in Haiti and are drawn from different sources and in several cases are not consistent. International donors are working with the government to establish a more consistent database in order to monitor social indicators.

<sup>45</sup> Overall according to the 1987 household survey, 65 percent of Haitians lived below the national poverty line, which is based on population-weighted subgroup estimates from the household survey.

<sup>46</sup> World Bank (1998).

<sup>47</sup> The high fertility rate has a particularly adverse impact on children. Some children of low-income families (mainly girls under the age of 14) are employed as domestics under dismal conditions. Others end up in the streets, or become prostitutes. Some of these children are involved in drugs, become victims of abuse and disease, or turn into criminals.

Table 1. Social Indicators: International Comparisons, 1990 and 1998 1/  
(In percent)

Indicators	Haiti		Bolivia		Guyana		Honduras		Nicaragua		Latin America & Caribbean		Sub-Sahara Africa	
	1990	1998	1990	1998	1990	1998	1990	1998	1990	1998	1990	1998	1990	1998
GDP per capita (in dollars) 2/	331.4	523.5	798.4	1175.6	463.5	948.3	570.6	803.6	405.3	477.4	3,009.2	4,030.5	613.4	515.2
Rural poverty rate 3/	...	80.0	...	79.1	...	...	...	51.0	...	76.1	...	...	...	...
Population growth	2.0	2.0	2.3	2.3	0.1	0.7	3.0	2.8	2.3	2.6	1.8	1.6	3.0	2.6
Population density (people per sq km)	234.9	277.5	6.1	7.3	4.0	4.3	43.6	55.0	31.5	39.5	21.9	25.0	22.6	26.6
Fertility rate (births per woman)	5.1	4.3	4.8	4.1	2.6	2.3	5.2	4.2	4.8	3.7	3.1	2.7	6.0	5.4
Urban population (percent of total)	29.5	34.5	55.6	61.3	33.2	37.1	41.8	50.6	53.1	55.5	71.0	74.5	28.0	33.3
Birth rate (per 1,000 people)	35.8	31.3	36.1	32.4	25.7	21.6	38.0	32.7	39.0	30.9	26.9	23.3	43.6	40.3
Death rate (per 1,000 people)	12.4	12.6	10.7	8.9	8.1	7.6	6.5	5.2	7.3	5.2	6.9	6.5	15.3	14.9
Infant mortality rate (per 1,000 live births) 4/	85.4	70.5	80.0	60.4	63.8	57.4	50.0	35.9	51.0	35.7	40.9	30.8	100.8	91.8
Life expectancy at birth (years)	53.1	53.6	58.3	61.9	62.7	64.1	66.8	69.2	64.5	68.4	68.0	69.7	50.1	50.4
Adult illiteracy rate 5/	60.3	52.2	21.6	15.6	2.8	1.7	31.5	26.6	35.1	32.1	15.2	12.2	50.1	40.5
Human development index 6/	0.3	0.4	0.4	0.6	0.5	0.7	0.5	0.7	0.5	0.6	...	0.8	...	0.5
Rank	137.0	150.0	122.0	114.0	105.0	96.0	116.0	113.0	111.0	116.0	...	...	...	...
Access to safe water 7/	42.0	43.0	46.0	80.0	81.0	91.0	52.0	78.0	53.0	78.0	...	78.0	41.0	54.0
Access to sanitation 7/	22.0	27.0	34.0	65.0	90.0	88.0	33.0	74.0	27.0	85.0	...	71.0	26.0	48.0
Freshwater resources (cubic meters per capita)	...	1,468	...	38,625	...	...	...	9,258	...	37,467	...	27,393	...	8,441
Annual deforestation (average annual percentage change)	...	3.4	...	1.2	...	...	...	2.3	...	2.5	...	0.6	...	0.7

Source: World Development Indicators, 2000, World Bank, unless otherwise indicated.

1/ In some cases, data are not available for the year indicated. In those cases, the reported data refers to a range of +/- 2 years around the year indicated.

2/ World Economic Outlook database.

3/ For Haiti, latest survey year is 1995; for Bolivia, 1995; for Honduras, 1993; for Nicaragua, 1993.

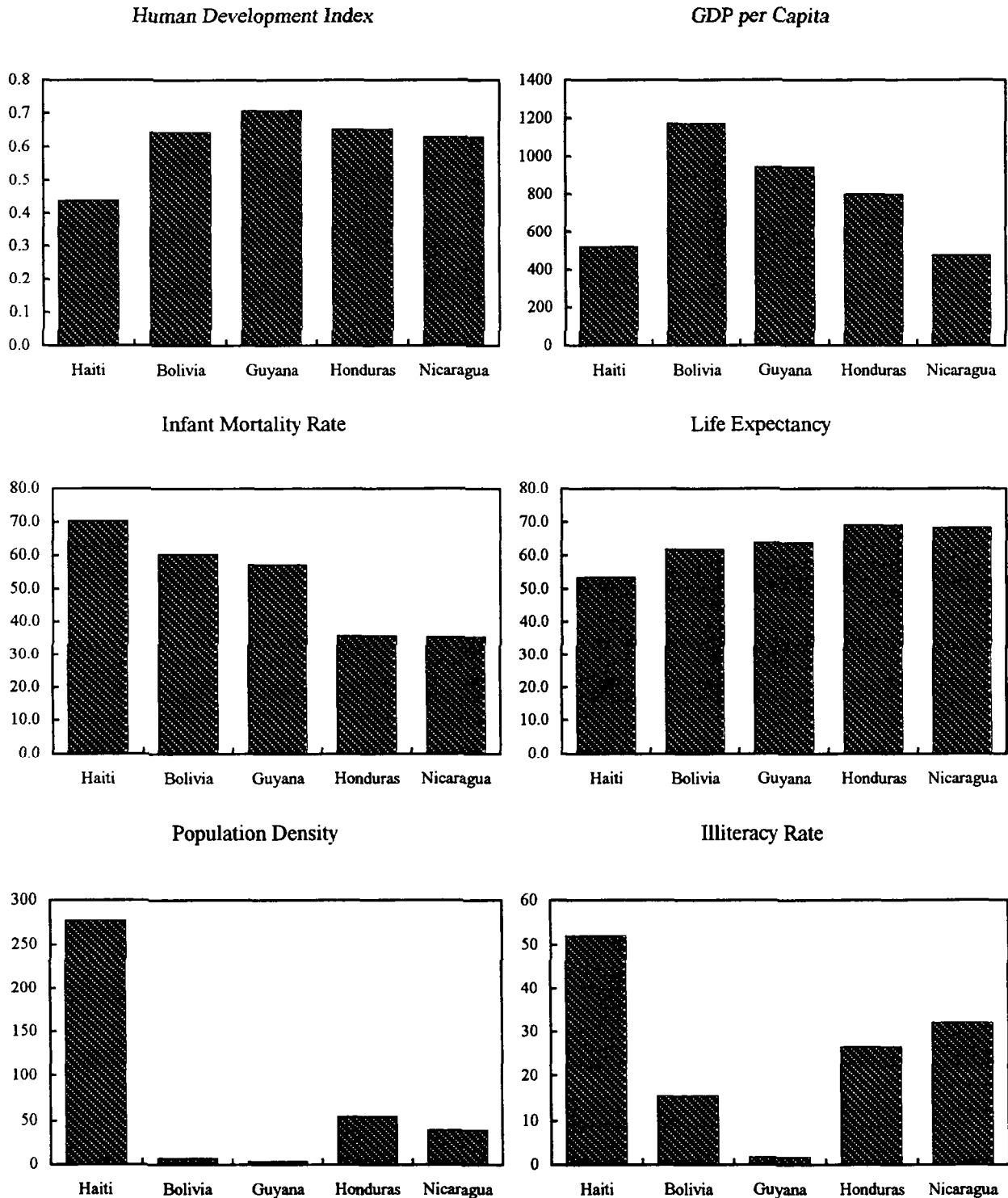
4/ Number of infants who die before reaching one year of age, per 1,000 live births in a given year.

5/ Percentage of population age 15 and above.

6/ United Nations Development Programme, Human Development Report, 1993 and 2000.

7/ Pan American Health Organization, Improving the Health of the Peoples of the America, 1998, and UNDP, World Development Report, 1993 and 2000.

Figure 1. Haiti: Social Indicators—Comparison with PRGF-Eligible Countries



Sources: World Development Indicators, 2000, World Bank; World Economic Outlook; and United Nations Development Programme, Human Development Report.

countries. However, substantial disparities and limited opportunities in rural areas have caused migration to urban areas in recent years and a rapid proliferation of slums in Haitian cities (Port-au-Prince, Cap-Haïtien, Gonaïves, Les Cayes). Overpopulation has also become a major problem in Haiti. Haiti's population density of 278 persons per square km is by far the highest among the comparator countries.

91. **The death rate** in Haiti is 13 per 1,000 people a year and is about twice that of Guyana, Honduras, or Nicaragua. **Life expectancy** is only 54 years, the lowest among the PRGF-eligible countries in the Western Hemisphere and comparing unfavorably to the average for sub-Saharan Africa countries. This has been the result of poor access to health care services, malnutrition, and insecurity created by the economic and political distress that affects the country.

92. The **human development index (HDI)** in Haiti has improved from 0.3 in 1990 to 0.4 in 1998. However, its rank relative to other countries has worsened during the same period from the 137<sup>th</sup> to 150<sup>th</sup> position, comparable to that of the poorest sub-Saharan countries.<sup>48</sup> The HDIs for Bolivia, Guyana, Honduras and Nicaragua are all above 0.6 and their rank is in the range of 96<sup>th</sup>–116<sup>th</sup>

### C. Social Sector Indicators

#### Education

93. **Formal education system in Haiti is mostly provided by the private sector.** About 80 percent of primary students are enrolled in privately operated schools, with somewhat lower percentages for secondary and tertiary education. The large incidence of private schools is a reflection of the marginal government participation in past decades and the intense involvement of religious and foreign-funded NGOs in the sector. Two-thirds of private schools are supported by religious groups and most belong to FONHEP (Fondation Haitienne de l'Enseignement Prive), a foundation created in 1988 by the Episcopal Commission for Catholic Education (CEEC) and the Federation of Protestant Schools of Haiti (FEPH).<sup>49</sup> Most private schools are small (1–2 teachers, 100–150 pupils, 1–2 classrooms) and charge a

---

<sup>48</sup> The HDI is a composite index constructed by the United Nations Development Programme since 1990. It measures average achievements in basic human development and is based on life expectancy, a combination of adult literacy rate and the combined gross primary, secondary, and tertiary enrollment ratios, and by purchasing-power-adjusted real GDP per capita. The index ranges from 0 to 1 with a higher index implying a higher level of human development.

<sup>49</sup> FONHEP is a nonprofit organization whose objective is to restructure the private education sector. Through financing from multilateral and bilateral donors, FONHEP trains school personnel, distributes textbooks, and provides curriculum and institutional development (FONHEP 1998).

moderate schooling fee. Only 10 percent of the private schools at the primary level are licensed, and not more than one-third at the secondary level. Teachers are poorly qualified and paid and schools lack instructional material, and an appropriate curriculum and facilities.<sup>50</sup>

94. **Public spending on education** amounted to 2.1 percent of GDP in FY 1997–98 (Table 2). Access to public schools in Haiti is limited, given the scarce resources from the Ministry of Education. While teachers in public schools are on average better trained than teachers in private schools,<sup>51</sup> they earn about 6 times as much as private school teachers, straining further the scarce public resources.<sup>52</sup> Although public, these schools charge a fee for the academic year destined to defray expenses, but provide uniforms, some school material and meals. Public schools suffer from lack of resources, poorly trained teachers, absence of school maintenance, and an ill-defined curriculum not adapted to the labor market requirements of Haiti.

95. **The quality of the education system in Haiti is poor.** More than half of the adult population in Haiti is illiterate, the highest proportion in the Western Hemisphere and above the average for sub-Saharan African countries. The female illiteracy rate was only slightly higher than male illiteracy, 54 percent and 50 percent, respectively in 1998. The enrollment rate at the primary level deteriorated from 60 percent in 1975 to 51 percent in 1995, but increased somewhat in 1998 after the embargo was lifted and international assistance resumed. Repetition rates in primary schools have increased from about 10 percent in 1985 to 17 percent in 1995. Almost two-thirds of all children drop out of primary school before concluding the six-year course. As a result, it takes 15 pupil-years to have one pupil complete 6<sup>th</sup> grade against 10.5 pupil-years in Guatemala, 8.7 in Chile, and 7.5 in Costa Rica. Secondary school enrollment rates stood at 15 percent in 1998.

96. The high repetition and drop-out rates are due to school fees, child labor, poor education quality, migration, sickness and malnutrition, school population, school location, and teenage pregnancy.

---

<sup>50</sup> According to UNICEF (1999), 58 percent of the current educational buildings in Haiti were not initially built to operate as schools. Many classrooms are so crowded that only one in four children has a seat.

<sup>51</sup> In public schools at the primary level, only 45 percent of teachers were formally qualified in 1996. In private schools, 67 percent of teachers had not concluded primary education and 99 percent were not formally qualified.

<sup>52</sup> Private teachers were paid about US\$20 per month in FY 1999/2000, while public teachers are paid about US\$120 per month. Teachers' salaries account for about one third of the public sector wage sum.



Table 2. Haiti: Education Indicators 1/

(In percent)

	1970	1975	1980	1985	1990	1995	1998
Public education spending (in percent of GDP) 2/	...	...	...	...	...	1.9	2.1
Adult illiteracy rate 3/	77.8	73.8	69.4	64.9	60.3	55.2	52.2
Female	81.4	77.3	72.7	67.9	63.0	57.6	54.4
Male	73.9	70.1	65.8	61.6	57.3	52.7	49.9
Primary pupil-teacher ratio 4/	47.0	41.0	44.0	38.0	29.0	...	35.0
Secondary pupil-teacher ratio 4/		16.0	23.0	19.0	19.0	...	...
Primary enrollment rate 5/	53.0	60.0	...	52.9	47.8	51.4	64.0
Female	...	55.0	...	51.3	46.4	...	...
Male	...	65.0	...	54.5	49.2	...	...
Secondary enrollment rate 5/	...	8.0	13.5	28.1	20.9	12.8	15.0
Female	...	7.0	12.8	17.0	20.4	...	...
Male	...	9.0	14.2	39.2	21.4	...	...
Tertiary enrollment rate	...	...	0.9	1.1	1.2	1.3	...
Percentage of repeaters at the primary level 4/	...	...	15.5	9.5	12.7	17.0	...
Female	...	...	15.1	9.5	12.6	...	...
Male	...	...	15.8	9.4	12.7	...	...

Source: World Development Indicators, 2000, World Bank, unless otherwise indicated.

1/ In some cases, data are not available for the year indicated. In those cases, the reported data refers to a range of +/- 2 years around the year indicated.

2/ Ministry of Economy and Finance.

3/ Percentage of population age 15 and above.

4/ UNESCO database.

5/ The source is Annuaire Statistique des Ecoles Fondamentales et Secondaires d' Haiti.

97. An additional problem in the education system is the **significant difference in schooling conditions between rural and urban areas**. The rural education system suffers from the limited number of public schools, especially in poor communities. The quality of schooling is particularly poor in rural areas, with high pupil-teacher ratios, commonly exceeding 100 students per class; irregular attendance of teachers; poor teacher qualification; poor school facilities, and a curriculum not adapted to the needs of the poor in rural areas. Private schools are rarely licensed or inspected. Costs associated with schooling, such as uniforms, shoes, and instructional material are often prohibitive for low-income families. To address severe problems in the education system, the government is reforming the education system (Box 1).

#### Box 1. Reforming the Education System

The Ministry of Education developed the National Education and Training Plan (PNEF) in early 1997 to provide a framework for education investment for a ten-year period. This project would be financed by the IDB, IBRD, and the Government of Haiti. The plan has identified 10 major objectives: (1) improve the quality of education; (2) promote a solid strategy for the development of instructional material; (3) attain universal primary education by the year 2010–2015; (4) reform secondary education; (5) coordinate efforts with other agents (Ministry of Health; Ministry of Social Affairs, and NGOs) for the development of children of pre-primary school age; (6) establish technical and professional training schools; (7) implement a system of higher education geared toward research and development; (8) improve informal education services and programs for distance education; (9) reinforce institutional capacity of the Ministry of Education; and (10) reevaluate the quality and professional preparation of teachers. As this plan sets goals for achievement of universal primary education and for improvement of quality, a database with a set of key indicators will be established and will serve as part of the monitoring strategy of indicators to better follow the progress of the plan.

To strengthen efforts for reforming and developing the education system in Haiti within the framework set by the PNEF, the National Partnership Commission (Commission Nationale du Partenariat) was created in December 1999 as a result of an agreement between the Ministry of Education and the USAID. Its main objective is to streamline and develop the education system. This agreement consists of four elements: (1) coordination between private and public schools; (2) reforming the education system; (3) improvement of governance and integration of the national education system; and (4) directing support to key partners in the private sector.

Given the large number of private facilities and the poor quality of education in the private sector, two laws were drafted and are being discussed by the commission. A draft law on private schools was prepared for reforming and setting standards for licensing private schools. The main clauses set in the law are that: (1) the functioning of each private school is conditional upon the possession of a license; (2) each student will have to sit for state exams after completion of their studies; and (3) each private institution should keep records of each student. The other law pertains to subsidies to private schools and will set the criteria to subsidize private schools with public funds.

## Health

98. **The health care system** in Haiti is composed of a public, a donor-financed, and a private sector. Each sector operates about one third of the 663 health care facilities in the country, but donor-financed NGOs mainly provide basic health care services in rural areas, while the private sector consists of physicians, dentists, and other specialists who are employed in private health care establishments mainly in Port-au-Prince. NGO and private health care facilities operate without quality standards or inspections and with little or no coordination with the public sector.

99. Expenditure by the Ministry of Health in FY 1997/98 amounted to only 0.8 percent of GDP (Table 3). As a result, the provision and quality of **public health services** in Haiti is poor. Hospitals and health centers are scarce, ill equipped, lack a sufficient number of skilled workers, and experience recurring drug and supply shortages.<sup>53</sup> In addition, the public sector has been negatively affected by the political crisis, which led foreign assistance to be directed to NGOs and more recently by the suspension of financing for new projects.

100. **Health services and conditions in Haiti are among the poorest in the Western Hemisphere and Sub-Saharan Africa.** Approximately 40 percent of the population has no access to primary health care, compared with 26 percent for the Western Hemisphere countries average. In addition, transportation to health care centers is a problem, particularly in rural areas.<sup>54</sup> Moreover, as costs of modern medication are sometimes prohibitive, Haitians revert to the use of traditional medicine, which consists of family recipes or medicinal herbs, sometimes aggravating their health conditions.

101. **Haiti has the highest mortality rates among Western Hemisphere countries.** Both female and male adult mortality rates have worsened over time, with female mortality increasing from 332 deaths per 1,000 female adults in 1995 to about 340 in 1998, compared to 116 for the Western Hemisphere countries average. The male mortality rate increased from 427 deaths per 1,000 male adults in 1995 to 432 in 1998, compared to 216 for the LAC average. Conversely, infant and under-five mortality rates decreased by almost half since 1970 but remain very high. The infant mortality rate decreased from 141 deaths per 1,000 births in 1970 to 71 in 1998, while the under-five mortality rate fell from 221 to 116 during the same period. The leading causes of child mortality in Haiti are diarrheal diseases, acute respiratory infections, and malnutrition.

---

<sup>53</sup> In 1995 it was estimated that there was only 0.7 hospital bed per 1,000 people and 0.2 physician per 1,000 people.

<sup>54</sup> Patients have to reach the health facilities on foot or by donkey taking sometimes hours to reach the nearest health facility.

Table 3. Haiti: Health Indicators 1/  
(In percent unless indicated otherwise)

	1970	1975	1980	1985	1990	1995	1998
Public health expenditure (percent of GDP) 2/	...	...	...	...	...	0.7	0.6
Hospital beds (per 1,000 people)	0.8	0.8	0.7	0.7	0.8	0.7	...
Physicians (per 1,000 people)	0.1	0.1	0.1	0.1	0.1	0.2	...
Life expectancy at birth (years)	47.6	...	51.0	...	53.1	...	53.6
Female	49.0	...	52.6	...	55.0	...	56.0
Male	46.2	...	49.6	...	51.3	...	51.3
Infant mortality rate (per 1,000 live births) 3/	141.0	127.0	122.8	101.0	85.4	71.1	70.5
Under five mortality rate (per 1,000 live births)	221.0	...	200.0	189.1	131.0	125.0	116.0
Adult mortality rate 4/							
Female (per 1,000 female adults)	325.8	...	274.6	...	290.8	332.0	339.0
Male (per 1,000 male adults)	410.9	...	348.4	...	352.8	427.0	432.0
Immunization rates 5/ 6/							
BCG	...	...	...	66.8	...	73.0	71.0
DPT3	...	...	...	21.7	...	41.0	42.9
Polio	...	...	...	22.7	...	41.0	42.9
Measles	...	...	...	25.8	...	48.0	53.9
Antenatal care visits to a medically trained person 6/	...	...	...	...	...	67.7	78.8
Delivery attendance by a medically trained person 6/	...	...	...	...	...	46.3	59.8
Prevalence of contraceptive 7/							
At least one method	...	5.0	6.9	7.7	10.2	18.0	...
No method	...	95.0	93.1	92.3	89.8	82.0	...
Low-birthweight babies (percent of births)	...	...	15.0	15.0	15.0	15.0	...
Malnutrition prevalence (percent of children under 5)							
Under weight for age 8/	...	...	37.4	...	26.8	27.5	...
Below height for age 8/	...	...	39.6	...	33.9	31.9	...

Source: World Development Indicators, 2000, World Bank, unless otherwise indicated.

1/ In some cases, data are not available for the year indicated. In those cases, the reported data refers to a range of +/- 2 years around the year indicated.

2/ Ministry of Economy and Finance.

3/ Number of infants who die before reaching one year of age, per 1,000 live births in a given year.

4/ The percentage of 15-year-olds who will die before their sixtieth birthday.

5/ Children age 12-23 months.

6/ Survey on Mortality, Morbidity and Utilization of Services, Institut Haitien de l' Enfance, 1987, 1994/1995, and 2000.

7/ U.S. Bureau of the Census, International Data base.

8/ Lower than two standard deviations below the median of the reference population.

102. **The maternal mortality** rate in 1991 was estimated at 456 deaths per 100,000 live births. This high maternal mortality rate results from short intervals between births, chronic malnutrition, including anemia, and low antenatal care visits.<sup>55</sup> Antenatal care visits to a medically trained person took place in 79 percent of pregnancies, while delivery attendance was only 60 percent. About 80 percent of deliveries took place at home in 1995, owing to inadequate access to health centers and the high costs of services when available.

103. **Haiti has low immunization rates**, although some significant improvement has been registered since 1985. Immunization rates for DPT3 (diphtheria, whooping cough, and tetanus), polio, and measles doubled between 1985 and 1998. DPT3 increased from 22 to 43 percent during that period, polio from 23 to 43 percent, and measles from 26 to 54 percent. However, about 17 percent of the population have not benefited from any immunization.

104. The use of modern contraception is very low. In 1995, 82 percent of women did not use any method of contraception. As a result, Haiti registers a high incidence of **sexually transmitted diseases**, further aggravating high mortality rates.<sup>56</sup> While attention has been given to increasing HIV/AIDS awareness, rural areas are particularly affected, given the higher incidence of prostitution and the stigmatization of the disease. In Port-au-Prince, HIV prevalence among antenatal women was estimated at around 8–10 percent between 1986 and 1996. The incidence of tuberculosis has declined from 280 per 100,000 people in 1995 to 180 in 1999 as a result of the establishments of treatment sites countrywide (it is estimated that by March 2001 there will be about 180 sites) including a center for the treatment of resistant tuberculosis in the rural community. Further developments in the health sector are found in Box 2.

---

<sup>55</sup> It is estimated that home deliveries account for 85 percent of maternal mortality (UNICEF 1999).

<sup>56</sup> Since 1991, PAHO, USAID, WHO and the French Cooperation, and UNFPA have been providing technical and financial assistance against AIDS. On January 1, 1996, UNAIDS initiated operation in Haiti. The Ministry of Health introduced a national program for controlling AIDS and other sexually transmitted diseases on December 1, 1996 (PAHO 1998).

### Box 2: Reforming the Health Sector

The misallocation of resources is of great concern given that over the years greater emphasis has been given to financing of tertiary health services in lieu of more cost-effective basic health services, quality standards, and maintenance. According to the World Bank (1993), there should be at minimum a package of essential clinical interventions of high cost-effectiveness. This package should include: (1) services to ensure pregnancy-related care; (2) family-planning services; (3) tuberculosis control; (4) control of sexually transmitted diseases (STDs); and care for the common serious illnesses of young children—diarrheal disease, acute respiration infection, measles, malaria, and malnutrition. It was estimated that these interventions cost substantially less than US\$50 per disability-adjusted life year (DALY) gained.<sup>57</sup> Therefore, in recognition of the importance of basic health care access to all, the Ministry of Health introduced a health program in March 1996 aiming at reforming the health sector as part of the decentralization effort by the government to ensure a minimum package of health services.

The government of Haiti, with the support of the IDB, developed a program for the reorganization of the national health system which would be implemented during a six-year period. The objective of this program is to improve the quality and access to health services; increase efficiency of services; and use new ways of financing and of provision of basic health systems. In addition, as part of the effort for improving health service delivery, the Government of Haiti and international donors have committed to formalize a framework for communal health units (Unité Communales de Santé (UCS)); define a framework for a partnership with the private sector; follow up on analysis of budget execution; finalize the works of the Mixed Commission (Ministry of Health and Ministry of Finance) concerning budgetary allocations; define a framework of cost recovery for health; initiate the implementation of a development program of human resources and of sanitary information system; conduct a drug study that defines an action plan for the next five years; and define the needs concerning contraceptives, vaccines, and anti-tuberculosis for FY 2000/01.

As part of the effort of the Ministry of Health to strengthen the monitoring of health indicators, three surveys on mortality, morbidity and utilization of services (Enquête mortalité, morbidité et utilisation des services) were conducted by the Haitian Children's Institute (Institut Haïtien de l'Enfance) in 1987, 1994/95, and 2000. This most recent survey was financed by the USAID, UNICEF, Haiti-Canada Cooperation Fund, and the United Nations Fund for the Population. The database generated by the three surveys will serve as a basis for monitoring health indicators in the future.

The government of Haiti has signed a cooperation agreement with Cuba to improve the quality of the health system in Haiti. As part of this Cuba-Haiti cooperation, 450 Cuban doctors were sent to work in Haiti for about 2 years. Given the satisfactory results of the program, the Ministry of Health is discussing the renewal of this agreement. In addition, the Ministry of Health has sent 240 Haitian students to study medicine in Cuba and 260 additional will be sent over the course of about four years. The government also aims to send 20 female students to nursing school.

---

<sup>57</sup> DALY captures the burden of disease. It is a measure that combines healthy life years lost because of premature mortality with those lost as a result of disability

## **Nutrition**

105. **The nutritional situation in Haiti is difficult.** It was estimated that the average daily caloric intake per capita was 1,869 in 1997, equivalent to about 80 percent of the daily caloric intake of 2,260 recommended by the Food and Agricultural Organization (FAO).<sup>58</sup> Nutritional deficiency has an adverse effect on the formation of human capital, especially affecting children, and pregnant and breast-feeding women.<sup>59</sup> It has a permanent effect on the future development of a child and in his cognitive skills therefore affecting his performance in school.

106. In 1995 it was estimated that 28 percent of children under five had a weight for age lower than 2 standard deviations below the median of the reference population, compared to 8 percent in Bolivia, and 12 percent in Nicaragua in 1998. In 1995, 32 percent of children had a height for age lower than 2 standard deviations below the median, compared to 27 percent in Bolivia, and 25 percent in Nicaragua in 1998.

107. The poor nutrition of Haitian children has resulted from overpopulation, environmental degradation, lack of economic opportunities in rural areas, and infectious diseases. In addition, the food insecurity during the embargo years and more recently the continued political instability have prevented the establishment of more programs to relieve the worst cases of malnutrition.

## **Water and sanitation**

108. **Access to safe water and basic sanitation** is precarious in Haiti, particularly in Port-au-Prince and other large cities, where demographic pressures have overburdened existing water and sewerage systems. The percentage of the population with access to safe water remained about unchanged at 43 percent between 1990 and 1998, falling far below the average of Western Hemisphere and sub-Saharan African countries. About 22 percent of the population had access to sanitation facilities in 1990, increasing to 27 percent in 1998. There is also a wide disparity in the proportion of the rural and urban population with access to basic sanitation. In 1998, 43 percent of the urban population had access to basic sanitation,

---

<sup>58</sup> According to preliminary results of the household expenditure consumption survey (Enquete-budget-consommation des menages, 1999–2000) by the Haitian Statistics Institute IHSI, spending on food comprises about 72.6 percent of total household consumption spending.

<sup>59</sup> For several years, school feeding programs have been implemented in Haiti. Although those programs are attractive to parents and have been an important factor in raising school enrollment rates, there has been a shift away from these programs for school-age children toward the most vulnerable group, maternal and children health programs.

compared to only 16 percent of the rural population. The lack of access to basic sanitation has further exacerbated water pollution.<sup>60</sup>

109. Lack of maintenance of the existing infrastructure and the suspension of projects during the embargo period resulted in a deterioration of the water and sanitation systems. In addition, an outdated water distribution network and mismanagement have further strained the systems. While most of the water and sanitation projects that were suspended during the embargo resumed since October 1994, investment has fallen short of the necessary expansion and maintenance to cope with demographic pressures and rural-urban migration. As a consequence, access to clean water and sanitation has deteriorated in urban areas.

### **Environment**

110. **Haiti suffers from extreme environmental degradation**, resulting from a high level of poverty, demographic pressure, and the effects of decades of neglect. Due to the critical levels of environmental degradation, Haiti is in danger of experiencing epidemics of diarrheal diseases or cholera mainly in the overpopulated low-income urban areas. The freshwater resources in Haiti were estimated at 1,468 cubic meters per capita in 1998, compared to 27,393 cubic meters for the Western Hemisphere average and 8,441 cubic meters for the sub-Saharan African countries's average.

111. The agricultural sector in Haiti, which employs about a third of the total labor force and provides sustenance for a large majority of Haiti's poor, has been affected by **deforestation and erosion** due to overuse, inadequate agricultural technologies, in particular on steep slopes, and the production of wood charcoal. Deforestation, already extremely advanced in Haiti, is still proceeding at a faster pace than in other countries. Haiti lost 3.4 percent of its forest cover annually during 1990-95, compared to 0.6 percent and 0.7 percent for Western Hemisphere and sub-Saharan African countries, respectively. The nationally protected areas as percent of total land area was estimated at just 0.4 percent for Haiti in 1996, much lower than the average of 7.3 percent and 6.2 percent for Western Hemisphere and sub-Saharan African countries, respectively.

112. Urban environmental degradation has also advanced. Solid waste management is deficient in cities. Poor human waste disposal practices are contaminating all 18 water sources that supply Port-au-Prince. In addition, the growing number of motor vehicles and their inadequate maintenance have created a serious air pollution problem in Port-au-Prince.

113. The Ministry of Environment was allocated G 20 million (0.03 percent of GDP) in the FY 1999/2000 budget. Within their scant resources, the Ministry of Environment is giving

---

<sup>60</sup> The Ministry of Health is working on a system of sanitary information with the support of USAID and the World Health Organization.



emphasis to informing the population, studying plastic waste recycling and deforestation, and conducting an energy study to search for alternatives to charcoal production (Box 3).

#### Box 3. Protecting the Environment

Given the severe environmental degradation and in the spirit of the Rio Declaration on Environment and Development (UN Conference on Environment and Development, Rio de Janeiro, Brazil, June 1992), the Inter-Ministerial Environment Commission prepared an Environment Action Plan (EAP), which was approved by the government in December 1999. This plan was prepared with technical and financial support from the USAID, the World Bank, the UNDP, ACDI, and the Government of Haiti, and provides a framework of ten priority programs to be implemented during a 15-year period. The program includes measures to promote: (1) a better management of national resources; (2) energy for a sustainable development; (3) environmental education; (4) conservation and durable use of biological diversity; (5) management of strategic hydrological basins; (6) integrated management of coastal and maritime zones; (7) rehabilitation of the environment; (8) management of natural disasters; (9) support to activities related to sustainable development; and (10) support to mineral exploration.

#### D. Conclusion

114. During the past 30 years, Haiti has witnessed only a modest improvement in some of its social indicators. Political instability and poor governance, the lack of personal safety and a weak justice system to protect persons and property rights, the lack of economic opportunities and pervasive structural impediments to new investments, low levels of human capital investment, and demographic pressures have prevented Haiti from emerging from a long-lasting vicious cycle of poverty. The unsettled political situation during the early 1990s further aggravated poverty as donors and foreign investors scaled back or suspended financial assistance or investment. After the return of democratic rule in 1994, foreign assistance returned to Haiti and some social indicators have shown improvements. However, the ongoing political stalemate is again reducing foreign aid flows and domestic and foreign investment and Haiti could again experience a deterioration of its already poor socio-economic conditions.

115. In the **education sector**, although primary and secondary enrollment rates have risen moderately, the quality of education has not experienced any significant progress. High repetition and dropout rates reduce the effectiveness of a system that is already marked by poor and inadequate infrastructure, poorly trained teachers, and a curriculum poorly adapted to the necessities of the poor and rural environment of Haiti. Emphasis should be given to increasing in-service training for teachers to improve their qualification and to institute standards to evaluate student performance. While the government should concentrate its scant resources on support services, the international community should support efforts to expand

the system's coverage, reaching students who have dropped out, improving facilities, providing adequate materials, and improving teacher training.

116. Indicators in the **health sector** in Haiti fare poorly in comparison with other countries in the Western Hemisphere. Although there have been improvements in some health indicators, access to health care services is still inadequate and costly. In particular health services for the wider segment of Haiti's poor and rural population are deficient. It is in this area that the largest positive externalities of investment in health services can be expected and the vicious cycle of poverty and ill health broken. The government should therefore give priority to the provision of basic health care services, including to reduce communicable diseases. Basic health care services should strive to close the gap between traditional and modern medicine, reduce malnutrition, promote family planning services, and increase access and coverage of antenatal care and delivery attendance by qualified health personnel.

117. Progress in the education and health sectors is linked. On one hand, several health programs rely on basic skills learned at school regarding personal hygiene and sanitation. Education is also needed for the formation and training of health personnel. On the other hand, health is an important factor affecting school attendance and the results of attending school. It is essential to increase investment in basic education and health to alleviate the burden on the poor from morbidity and mortality and to improve the efficiency of labor in order to attain sustained growth. In addition, the synergy between education and health is evident from the fact that a longer-lived individual will have more years to earn a return on educational investments (Mushkin 1962).

118. Given that factors affecting poverty are interdependent, an improvement in one sector will have a positive impact on other sectors. As a result, policy makers should coordinate policies in the various social sectors and in areas like agricultural policies, property rights and provision of basic infrastructure in their efforts to design a comprehensive strategy to reduce poverty in Haiti.

## List of References

Cadre Strategique de Lutte Contre La Pauvreté (CSLP), 2000, *Document de Project*.

Enquête Mortalité, 2000, Morbidité et Utilisation des Services (EMMUS-III), *Ministry of Public Health and Population*.

FONHEP, 1998, Presentation Fondation Haïtienne de l'Enseignement Privé.

Fondation Haïtien de l'Environnement, 2001, Plan Operationnel.

Ministry of the Environment, 1999, Plan D'Action pour l'Environnement, Haiti.

Mushkin, Selma, 1962, "Health as an Investment," *Journal of Political Economy*, Vol 70, Issue 5, Part 2, pp. 129–157.

PAHO, 1998, Improving the Health of the Peoples of the Americas.

UNAIDS, PAHO, and World Health Organization, 2000, Haiti: Epidemiological Fact Sheet on HIV/AIDS and Sexually Transmitted Infections.

UNICEF, 1999, Haiti faces major education challenge, Internet: C:\haiti\unicefedu.htm

UNICEF, 1999, *Women's Health and Development*.

World Bank, 1998, Haiti: The Challenges of Poverty Reduction, Vols. I and II, Report No. 17242-HA (August).

World Bank, 1993, Investing in Health, *World Development Report*.

World Bank, 2000, Socio-Economic Differences in Health, Nutrition, and Population in Haiti (May) (Washington, World Bank).

World Bank, 2000, World Development Indicators.

Table 1. Haiti: National Accounts at Current Prices 1/

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
(In millions of gourdes)					
<b>Gross domestic expenditure</b>	<b>46,168</b>	<b>55,891</b>	<b>64,102</b>	<b>73,996</b>	<b>82,800</b>
<b>Consumption</b>	<b>42,958</b>	<b>51,383</b>	<b>58,454</b>	<b>67,239</b>	<b>74,858</b>
Central government	3,734	4,459	4,217	4,680	5,509
Other	39,224	46,924	54,237	62,559	69,349
<b>Gross domestic investment</b>	<b>3,210</b>	<b>4,508</b>	<b>5,648</b>	<b>6,757</b>	<b>7,942</b>
Public sector	2,288	2,610	3,172	3,586	3,781
Private sector	922	1,898	2,476	3,171	4,161
<b>Balance of trade in goods and nonfactor services</b>	<b>-7,981</b>	<b>-8,354</b>	<b>-8,133</b>	<b>-8,965</b>	<b>-10,822</b>
Exports	3,061	3,898	4,600	7,307	8,485
Imports	-11,042	-12,252	-12,733	-16,272	-19,307
<b>Gross domestic product at market prices</b>	<b>38,187</b>	<b>47,537</b>	<b>55,969</b>	<b>65,031</b>	<b>71,979</b>
(Annual percentage change)					
<b>Gross domestic expenditure</b>	<b>53.5</b>	<b>21.1</b>	<b>14.7</b>	<b>15.4</b>	<b>11.9</b>
<b>Consumption</b>	<b>47.4</b>	<b>19.6</b>	<b>13.8</b>	<b>15.0</b>	<b>11.3</b>
Central government	144.7	19.4	-5.4	11.0	17.7
Other	42.1	19.6	15.6	15.3	10.9
<b>Gross domestic investment</b>	<b>238.7</b>	<b>40.4</b>	<b>25.3</b>	<b>19.6</b>	<b>17.5</b>
Public sector	2,062.6	14.1	21.5	13.1	5.4
Private sector	9.5	105.9	30.5	28.1	31.2
<b>Exports</b>	<b>59.3</b>	<b>27.3</b>	<b>18.0</b>	<b>58.8</b>	<b>16.1</b>
<b>Imports</b>	<b>167.3</b>	<b>11.0</b>	<b>3.9</b>	<b>27.8</b>	<b>18.6</b>
<b>Gross domestic product at market prices</b>	<b>37.0</b>	<b>24.5</b>	<b>17.7</b>	<b>16.2</b>	<b>10.7</b>
(In percent of GDP)					
<b>Gross domestic expenditure</b>	<b>120.9</b>	<b>117.6</b>	<b>114.5</b>	<b>113.8</b>	<b>115.0</b>
<b>Consumption</b>	<b>112.5</b>	<b>108.1</b>	<b>104.4</b>	<b>103.4</b>	<b>104.0</b>
Central government	9.8	9.4	7.5	7.2	7.7
Other	102.7	98.7	96.9	96.2	96.3
<b>Gross domestic investment</b>	<b>8.4</b>	<b>9.5</b>	<b>10.1</b>	<b>10.4</b>	<b>11.0</b>
Public sector	6.0	5.5	5.7	5.5	5.3
Private sector	2.4	4.0	4.4	4.9	5.8
<b>Balance of trade in goods and nonfactor services</b>	<b>-20.9</b>	<b>-17.6</b>	<b>-14.5</b>	<b>-13.8</b>	<b>-15.0</b>
Exports	8.0	8.2	8.2	11.2	11.8
Imports	-28.9	-25.8	-22.7	-25.0	-26.8

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

1/ There are serious problems with national accounts in Haiti including incomplete coverage, outdated activity surveys, and poor quality of raw data.

Table 2. Haiti: National Accounts at Constant Prices 1/

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
(In millions of 1976 gourdes)					
<b>Gross domestic expenditure</b>	<b>8,029</b>	<b>7,952</b>	<b>7,920</b>	<b>8,254</b>	<b>8,953</b>
Consumption	7,470	7,418	7,155	7,415	8,007
Gross domestic investment	559	534	764	839	945
<b>Balance of trade in goods and nonfactor services</b>	<b>-3,698</b>	<b>-3,501</b>	<b>-3,407</b>	<b>-3,601</b>	<b>-4,197</b>
Exports	1,670	2,140	2,508	3,913	4,535
Imports	-5,368	-5,641	-5,915	-7,515	-8,733
<b>Gross domestic product at market prices</b>	<b>4,331</b>	<b>4,451</b>	<b>4,512</b>	<b>4,653</b>	<b>4,755</b>
(Annual percentage change)					
<b>Gross domestic expenditure</b>	<b>50.0</b>	<b>-1.0</b>	<b>-0.4</b>	<b>4.2</b>	<b>8.5</b>
Consumption	51.8	-0.7	-3.5	3.6	8.0
Gross domestic investment	30.0	-4.5	43.1	9.8	12.6
<b>Exports</b>	<b>149.3</b>	<b>28.1</b>	<b>17.2</b>	<b>56.0</b>	<b>15.9</b>
<b>Imports</b>	<b>187.1</b>	<b>5.1</b>	<b>4.9</b>	<b>27.0</b>	<b>16.2</b>
<b>Gross domestic product at market prices</b>	<b>4.4</b>	<b>2.8</b>	<b>1.4</b>	<b>3.1</b>	<b>2.2</b>

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

1/ There are serious problems with national accounts in Haiti including incomplete coverage, outdated activity surveys, and poor quality of raw data.

Table 3. Haiti: Origin of Gross Domestic Product 1/

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
(In millions of gourdes at 1976 prices)					
<b>Primary sector</b>	<b>1,396</b>	<b>1,391</b>	<b>1,365</b>	<b>1,393</b>	<b>1,416</b>
<b>Secondary sector</b>	<b>756</b>	<b>840</b>	<b>895</b>	<b>955</b>	<b>1006</b>
Manufacturing	313	322	324	334	339
Other	7	8	9	10	10
Electricity and water	38	43	42	42	43
Construction and public works	398	467	520	569	614
<b>Services sector</b>	<b>2,056</b>	<b>2,078</b>	<b>2,091</b>	<b>2,131</b>	<b>2,156</b>
Utilities, transportation, communications	93	96	97	98	112
Commerce	597	600	605	623	637
Government	812	821	820	830	816
Other	554	561	569	580	591
<b>Gross domestic product at factor prices</b>	<b>4,208</b>	<b>4,309</b>	<b>4,351</b>	<b>4,479</b>	<b>4,578</b>
<b>Indirect and import taxes 2/</b>	<b>123</b>	<b>143</b>	<b>161</b>	<b>174</b>	<b>177</b>
<b>Gross domestic product at market prices</b>	<b>4,331</b>	<b>4,452</b>	<b>4,512</b>	<b>4,653</b>	<b>4,755</b>
(Percentage change over previous year)					
<b>Primary sector</b>	<b>-8.9</b>	<b>-0.4</b>	<b>-1.9</b>	<b>2.1</b>	<b>1.7</b>
<b>Secondary sector</b>	<b>17.1</b>	<b>11.1</b>	<b>6.5</b>	<b>6.7</b>	<b>5.3</b>
Manufacturing	9.8	2.9	0.6	3.1	1.5
Other	...	14.3	12.5	11.1	0.0
Electricity and water	31.0	13.2	-2.3	0.0	2.4
Construction and public works	31.4	17.3	11.3	9.4	7.9
<b>Services sector</b>	<b>10.7</b>	<b>1.1</b>	<b>0.6</b>	<b>1.9</b>	<b>1.2</b>
Utilities, transportation, communications	6.9	3.2	1.0	1.0	14.3
Commerce	26.2	0.5	0.8	3.0	2.2
Government	7.0	1.1	-0.1	1.2	-1.7
Other	3.0	1.3	1.4	1.9	1.9
<b>GDP at market prices</b>	<b>4.4</b>	<b>2.8</b>	<b>1.4</b>	<b>3.1</b>	<b>2.2</b>
(Percentage distribution)					
<b>Primary sector</b>	<b>32.2</b>	<b>31.2</b>	<b>30.3</b>	<b>29.9</b>	<b>29.8</b>
<b>Secondary sector</b>	<b>17.5</b>	<b>18.9</b>	<b>19.8</b>	<b>20.5</b>	<b>21.2</b>
Manufacturing	7.2	7.2	7.2	7.2	7.1
Other	0.2	0.2	0.2	0.2	0.2
Electricity and water	0.9	1.0	0.9	0.9	0.9
Construction and public works	9.2	10.5	11.5	12.2	12.9
<b>Services sector</b>	<b>47.5</b>	<b>46.7</b>	<b>46.3</b>	<b>45.8</b>	<b>45.3</b>
Utilities, transportation, communications	2.1	2.2	2.1	2.1	2.4
Commerce	13.8	13.5	13.4	13.4	13.4
Government	18.7	18.4	18.2	17.8	17.2
Other	12.8	12.6	12.6	12.5	12.4
<b>Indirect and import taxes</b>	<b>2.8</b>	<b>3.2</b>	<b>3.6</b>	<b>3.7</b>	<b>3.7</b>
<b>Gross domestic product at market prices</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

1/ There are serious problems with national accounts in Haiti including incomplete coverage, outdated activity surveys, and poor quality of raw data.

2/ Includes import duties.

Table 4. Haiti: Agricultural Production  
(In thousands of metric tons)

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
<b>I. Major Commodities for Domestic Consumption</b>					
Corn	182	230	...	...	...
Millet (sorghum)	155	195	...	...	...
Rice	89	115	...	...	...
Beans	71	80	...	...	...
Bananas	32	50	...	...	...
<b>II. Exportables</b>					
Coffee	18	13	...	...	...
Sugarcane	527	600	...	...	...
Cocoa	5	5	...	...	...

Sources: Ministry of Agriculture; Food and Agricultural Organization (FAO); and Bank of the Republic of Haiti.

Table 5. Haiti: Savings and Investment 1/

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
(In millions of gourdes)					
<b>Gross domestic investment</b>	<b>3,210</b>	<b>4,508</b>	<b>5,648</b>	<b>6,757</b>	<b>7,942</b>
Public sector	2,288	2,610	3,172	3,586	3,781
Private sector	922	1,898	2,476	3,171	4,161
<b>Gross national savings</b>	<b>-3,174</b>	<b>-1,254</b>	<b>1,752</b>	<b>2,765</b>	<b>2,654</b>
Public sector	-748	-1,090	-1,019	-401	134
Private sector	-2,426	-164	2,771	3,166	2,520
<b>Current account</b>	<b>-6,384</b>	<b>-5,762</b>	<b>-3,896</b>	<b>-3,992</b>	<b>-5,288</b>
<b>External savings</b>	<b>6,384</b>	<b>5,762</b>	<b>3,896</b>	<b>3,992</b>	<b>5,288</b>
Official transfers	5,935	4,707	3,589	3,770	4,292
Official capital (net) 2/	1,575	1,722	1,519	1,223	968
Private capital (net) 3/	-808	-410	-888	-747	446
Changes in net foreign assets (increase - )	-319	-257	-323	-254	-418
(In percent of GDP, at current market prices)					
<b>Gross domestic investment</b>	<b>8.4</b>	<b>9.5</b>	<b>10.1</b>	<b>10.4</b>	<b>11.0</b>
Public sector	6.0	5.5	5.7	5.5	5.3
Private sector	2.4	4.0	4.4	4.9	5.8
<b>Gross national savings</b>	<b>-8.3</b>	<b>-2.6</b>	<b>3.1</b>	<b>4.3</b>	<b>3.7</b>
Public sector	-2.0	-2.3	-1.8	-0.6	0.2
Private sector	-6.4	-0.3	5.0	4.9	3.5
<b>External savings</b>	<b>16.7</b>	<b>12.1</b>	<b>7.0</b>	<b>6.1</b>	<b>7.3</b>
Public transfers	15.5	9.9	6.4	5.8	6.0
Official capital (net)	4.1	3.6	2.7	1.9	1.3
Private capital	-2.1	-0.9	-1.6	-1.1	0.6
Changes in net foreign assets (increase - )	-0.8	-0.5	-0.6	-0.4	-0.6
<b>Memorandum item:</b>					
Nominal GDP (in millions of gourdes)	38,187	47,537	55,969	65,031	71,979

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

1/ There are serious problems with national accounts in Haiti including incomplete coverage, outdated activity surveys, and poor quality of raw data.

2/ Includes Trust Fund, publicly guaranteed capital, SDR allocation, and other unrequited earnings.

3/ Includes monetary capital and net errors and omissions.



Table 6. Haiti: Monthly Changes in the Consumer Price Index

	Fiscal Year Ending September 30				
	1996	1997	1998	1999	2000
(Monthly percentage change)					
Average	1.5	1.3	0.7	0.8	1.2
October	2.9	1.5	1.3	0.6	0.7
November	1.9	1.0	0.4	0.9	0.5
December	1.7	1.8	1.5	0.9	0.9
January	0.3	0.7	0.9	0.8	1.1
February	0.8	1.0	0.2	0.7	1.1
March	1.5	2.4	0.6	0.6	2.0
April	2.0	1.2	1.2	0.7	1.0
May	2.0	1.6	0.8	0.9	0.5
June	1.6	1.4	0.5	1.0	0.7
July	1.4	1.4	0.3	0.9	1.1
August	0.8	0.7	0.1	0.7	1.4
September	1.6	1.0	0.2	0.8	3.3
(Cumulative change during the fiscal year)					
October	2.9	1.5	1.3	0.6	0.7
November	4.8	2.5	1.6	1.4	1.2
December	6.6	4.3	3.1	2.3	2.1
January	6.9	5.1	4.0	3.2	3.2
February	7.8	6.2	4.2	3.9	4.4
March	9.4	8.7	4.9	4.6	6.5
April	11.6	10.1	6.1	5.3	7.6
May	13.9	11.8	7.0	6.3	8.2
June	15.7	13.4	7.5	7.4	8.9
July	17.3	15.0	7.9	8.4	10.1
August	18.2	15.8	8.0	9.1	11.7
September	20.1	17.0	8.3	9.9	15.3
(12-month change)					
October	23.7	15.7	16.7	7.5	10.1
November	28.1	14.6	15.9	8.0	9.7
December	25.5	14.6	15.6	7.4	9.7
January	20.6	15.1	15.7	7.4	10.0
February	17.5	15.2	14.8	7.9	10.5
March	20.3	16.9	12.8	7.9	12.0
April	22.0	16.4	12.8	7.5	12.3
May	22.5	16.6	11.9	7.6	11.9
June	22.0	16.9	10.9	8.1	11.5
July	21.8	17.3	9.7	8.7	11.6
August	20.4	17.6	9.1	9.3	12.5
September	20.1	17.0	8.3	9.9	15.3

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

Table 7. Haiti: Consumer Price Index

(Percentage change in period averages)

	Fiscal Year Ending September 30				
	1996	1997	1998	1999	2000
<b>Average</b>	<b>91.7</b>	<b>106.6</b>	<b>120.1</b>	<b>129.9</b>	<b>144.8</b>
October	85.6	99.0	115.5	124.2	136.7
November	87.3	100.0	115.9	125.2	137.3
December	88.8	101.8	117.6	126.4	138.6
January	89.1	102.5	118.6	127.4	140.1
February	89.9	103.5	118.9	128.3	141.7
March	90.7	106.0	119.6	129.1	144.6
April	92.2	107.3	121.1	130.1	146.1
May	93.5	109.0	122.0	131.3	146.9
June	94.6	110.6	122.7	132.6	147.9
July	95.7	112.2	123.1	133.8	149.4
August	96.0	112.9	123.2	134.7	151.6
September	97.5	114.1	123.5	135.7	156.5
<b>Growth rates</b>					
Average	21.9	16.2	12.7	8.1	11.5
End of period	20.1	17.0	8.3	9.9	15.3

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

Table 8. Haiti: Changes in Consumer Prices by Category

(Percentage change in period averages)

	Fiscal Year Ending September 30				
	1996	1997	1998	1999	2000
<b>Total</b>	<b>21.9</b>	<b>16.2</b>	<b>12.7</b>	<b>8.1</b>	<b>11.5</b>
Food	22.7	18.6	14.5	1.4	6.0
Clothing	26.2	15.3	11.4	18.1	22.6
Housing	13.8	20.8	16.8	16.8	15.6
Furniture and household items	17.1	6.2	8.1	15.3	18.1
Services	20.8	...	...	...	...
Health	...	10.1	9.2	19.5	14.3
Education	...	15.2	17.1	12.4	19.6
Transportation	...	10.3	5.1	5.8	9.1
Other goods and services	...	11.5	8.3	7.3	12.1

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

Table 9. Haiti: Prices of Selected Items

(In gourdes per unit)

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
Rice					
Mme Gougousse (1 pound)	5.8	8.4	7.2	6.2	6.7
Imported (1 pound)	3.7	5.4	5.0	5.6	...
Corn (1 pound)	2.5	3.3	3.4	4.2	4.1
Sorghum (1 pound)	2.6	3.3	3.2	3.7	3.1
Beans (1 pound)	5.3	7.9	7.4	9.5	9.3
Chicken (1 pound)	19.6	22.7	19.0	20.9	23.1
Eggs (pack of three)	4.5	5.7	5.1	5.2	5.4
Fish (1 pound)	20.3	29.8	20.7	22.0	23.6
Charcoal (sack of 60 kilograms)	84.4	98.6	79.2	110.6	141.7

Sources: Haitian Institute of Statistics; and Bank of the Republic of Haiti.

Table 10. Haiti: Selected Price Indicators

(Average for year ended September 30; base year, FY 1975/76 = 100)

Fiscal Year	Consumer Price Index 1/	GDP Implicit Deflator	Import Price Index 2/	Export Price Index 2/	Terms of Trade Index 2/	Real Effective Exchange Rate Index 3/
1976	100.0	100.0	100.0	100.0	100.0	...
1977	107.4	110.9	108.3	110.9	102.4	...
1978	104.3	109.3	122.8	126.0	102.6	...
1979	114.4	112.4	161.9	143.7	88.8	...
1980	135.0	134.3	184.0	158.4	86.1	...
1981	146.1	142.4	174.7	148.9	85.3	120.9
1982	158.1	148.0	164.7	144.7	87.9	126.9
1983	171.4	161.2	158.3	140.2	88.6	137.4
1984	185.1	179.1	153.1	136.3	89.1	147.6
1985	200.7	197.1	150.9	136.9	90.7	133.8
1986	217.8	220.5	161.3	164.5	102.0	129.5
1987	206.8	214.6	185.7	183.9	99.1	116.3
1988	212.8	215.6	193.1	196.2	101.6	105.5
1989	236.1	238.1	200.3	193.9	96.8	105.0
1990	284.2	281.4	223.3	211.7	94.8	100.8
1991	338.2	334.0	217.3	210.7	97.0	102.3
1992	410.1	387.8	222.7	216.6	97.3	99.1
1993	487.4	445.2	208.2	205.1	98.5	86.5
1994	669.8	604.1	213.2	216.6	101.6	97.7
1995	872.3	791.8	235.0	238.2	101.4	119.8
1996	1,063.3	958.9	237.3	229.7	96.8	127.0
1997	1,235.6	1,113.2	219.0	215.4	98.3	149.5
1998	1,392.5	1,254.6	204.8	211.3	103.2	167.7
1999	1,505.3	1,358.8	213.6	207.7	97.3	180.8
2000	1,678.4	1,517.7	...	...	...	...

Sources: Haitian Institute of Statistics; and Fund staff estimates.

1/ Data before 1980 were obtained by splicing the old consumer price index based on 1948. Before 1991 the index covered only the Port-au-Prince area and since 1992 the whole country.

2/ Estimate based on calendar year data from the IMF World Economic Outlook.

3/ IMF Information Notice System data rebased to FY 1980/81 = 100.

Table 11. Haiti: Minimum Wage Rates

(Fiscal Year Ending September 30)

	Standard Minimum Wage Rate (Gourdes per day)	Real Wage Index 1/
1972	5.0	101.0
1973	5.0	82.5
1974	5.0	71.6
1975	6.1	74.4
1976	6.5	71.7
1977	6.5	67.1
1978	8.0	85.0
1979	8.0	77.6
1980	11.0	90.4
1981	13.2	100.0
1982	13.2	92.4
1983	13.2	85.2
1984	13.2	78.9
1985	15.0	72.8
1986	15.0	67.1
1987	15.0	70.6
1988	15.0	68.7
1989	15.0	61.9
1990	15.0	51.4
1991	15.0	43.2
1992	15.0	35.6
1993	15.0	30.0
1994	15.0	21.8
1995	36.0	27.6
1996	36.0	22.7
1997	36.0	19.5
1998	36.0	17.3
1999	36.0	15.4
2000	36.0	14.2

Sources: Ministry of Social Affairs; Haitian Institute of Statistics; and Bank of the Republic of Haiti

1/ Last quarter of 1971=100. Deflated by consumer price index for Port-au-Prince until 1991. Deflated by an index covering the whole country beginning in 1992.

Table 12. Haiti: Summary Operations of the Nonfinancial Public Sector

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
(In millions of gourdes)					
<b>Central government current account</b>	<b>-1,485</b>	<b>-1,281</b>	<b>415</b>	<b>571</b>	<b>774</b>
Current revenue	2,249	3,178	4,770	5,252	6,084
Current expenditure	3,734	4,459	4,355	4,680	5,310
<b>Public enterprises current account balance 1/</b>	<b>605</b>	<b>274</b>	<b>488</b>	<b>842</b>	<b>901</b>
<b>Public sector savings</b>	<b>-880</b>	<b>-1,007</b>	<b>903</b>	<b>1,413</b>	<b>1,675</b>
<b>Capital expenditure</b>	<b>2,288</b>	<b>2,610</b>	<b>2,926</b>	<b>3,370</b>	<b>3,805</b>
<b>Overall balance</b>	<b>-3,168</b>	<b>-3,617</b>	<b>-2,023</b>	<b>-1,956</b>	<b>-2,130</b>
<b>Financing</b>	<b>3,168</b>	<b>3,617</b>	<b>2,023</b>	<b>1,956</b>	<b>2,130</b>
External 2/	3,519	2,393	2,134	1,508	949
Domestic 3/	-351	1,224	-111	448	1,180
Of which					
Central bank	-650	1,081	-38	687	1,090
(In percent of GDP)					
Central government current account balance	-3.9	-2.7	0.7	0.9	1.1
Public enterprises current account balance	1.6	0.6	0.9	1.3	1.3
Public sector savings	-2.3	-2.1	1.6	2.2	2.3
Capital expenditure	6.0	5.5	5.2	5.2	5.3
Overall balance	-8.3	-7.6	-3.6	-3.0	-3.0
Financing	8.3	7.6	3.6	3.0	3.0
External 2/	9.2	5.0	3.8	2.3	1.3
Domestic 3/	-0.9	2.6	-0.2	0.7	1.6
Of which					
Central bank	-1.7	2.3	-0.1	1.1	1.5
<b>Memorandum item:</b>					
Nominal GDP (millions of gourdes)	38,187	47,537	55,969	65,032	71,979

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

1/ Refers to five major enterprises (see Table 15).

2/ Includes budgetary support, project and technical assistance, and support for the clearance of arrears accumulated in FY 1995.

3/ Includes domestic arrears.

Table 13. Haiti: Summary Operations of the Central Government 1/

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
(In millions of gourdes)					
<b>Total revenue</b>	<b>2,449</b>	<b>3,417</b>	<b>4,828</b>	<b>5,371</b>	<b>6,292</b>
Current revenue	2,249	3,178	4,770	5,252	6,084
Internal	1,825	2,678	3,731	4,174	4,779
Customs	424	499	1,039	1,078	1,306
Transfers from public enterprises	201	238	57	119	207
<b>Total expenditure</b>	<b>4,083</b>	<b>4,604</b>	<b>5,084</b>	<b>5,888</b>	<b>6,827</b>
Current expenditure	3,734	4,459	4,355	4,680	5,310
Wages and salaries	1,690	2,083	2,698	2,815	2,926
Operations	1,233	895	1,473	1,434	1,735
Interest payments	212	211	374	437	616
External	154	143	206	215	339
Internal	58	68	168	222	276
Transfers and subsidies 2/	584	622	268	243	326
Other 3/	15	648	-459	-249	-293
Capital expenditure 4/	350	145	737	1,219	1,488
Net lending	0	0	-7	-11	30
<b>Current account balance</b>	<b>-1,485</b>	<b>-1,280</b>	<b>416</b>	<b>571</b>	<b>775</b>
<b>Overall balance excluding cost of reforms</b>	<b>-1,634</b>	<b>-1,187</b>	<b>-257</b>	<b>-517</b>	<b>-535</b>
<b>Cost of structural reforms</b>	<b>0</b>	<b>0</b>	<b>55</b>	<b>181</b>	<b>435</b>
<b>Overall balance including cost of reforms</b>	<b>-1,634</b>	<b>-1,187</b>	<b>-313</b>	<b>-699</b>	<b>-970</b>
<b>Financing</b>	<b>1,634</b>	<b>1,187</b>	<b>313</b>	<b>699</b>	<b>970</b>
External	1,848	77	294	390	-280
Domestic 5/	-215	1,110	18	309	1,249
Of which					
Central bank	-258	1,081	-38	687	1,090
(In percent of GDP)					
<b>Total revenue</b>	<b>6.4</b>	<b>7.2</b>	<b>8.6</b>	<b>8.3</b>	<b>8.7</b>
Current revenue	5.9	6.7	8.5	8.1	8.5
Transfers from public enterprises	0.5	0.5	0.1	0.2	0.3
<b>Total expenditure</b>	<b>10.7</b>	<b>9.7</b>	<b>9.1</b>	<b>9.1</b>	<b>9.5</b>
Current expenditure	9.8	9.4	7.8	7.2	7.4
Capital expenditure	0.9	0.3	1.3	1.9	2.1
<b>Current account balance</b>	<b>-3.9</b>	<b>-2.7</b>	<b>0.7</b>	<b>0.9</b>	<b>1.1</b>
<b>Overall balance excluding cost of reforms</b>	<b>-4.3</b>	<b>-2.5</b>	<b>-0.5</b>	<b>-0.8</b>	<b>-0.7</b>
<b>Cost of structural reforms</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.3</b>	<b>0.6</b>
<b>Overall balance including cost of reforms</b>	<b>-4.3</b>	<b>-2.5</b>	<b>-0.6</b>	<b>-1.1</b>	<b>-1.3</b>
<b>Financing (net)</b>	<b>4.3</b>	<b>2.5</b>	<b>-0.6</b>	<b>-1.1</b>	<b>-1.3</b>
External financing	4.8	0.2	0.5	0.6	-0.4
Domestic financing	-0.5	2.3	0.5	0.5	1.7
Of which					
Central bank	-0.7	2.3	-0.1	1.1	1.5
<b>Memorandum item:</b>					
Nominal GDP (millions of gourdes)	38,187	47,537	55,969	65,032	71,979

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

1/ Does not include expenditures on projects and technical assistance financed with concessional loans and grants.

2/ Includes transfers to public enterprises.

3/ Comprises spending over discretionary checking accounts, regular float, extraordinary carry-over, and discrepancies.

4/ May include outlays on goods and services and other current expenditures.

5/ Includes domestic arrears.



Table 14. Haiti: Central Government Current Revenue

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
(In millions of gourdes)					
<b>Total current revenue</b>	<b>2,249</b>	<b>3,178</b>	<b>4,770</b>	<b>5,252</b>	<b>6,084</b>
Customs	424	499	1,039	1,078	1,306
Internal	1,825	2,678	3,731	4,174	4,778
General sales tax	389	619	1,271	1,420	1,555
Internal	143	214	313	362	425
Customs	246	405	958	1,058	1,130
Taxes on income and profits	253	485	688	671	921
Corporate	126	223	378	410	516
Individual	128	263	310	261	405
Taxes on property	1	...	10	3	0
Other taxes and fees	1,180	...	1,761	2,080	2,302
Excise	506	495	705	855	971
Petroleum	465	460	563	459	538
Cigarette	8	...	23	21	18
Other excises	33	...	119	375	415
Motor vehicles	41	...	57	82	103
Consular services	101	235	26	5	6
Other	533	...	973	1,138	1,222
(In percent of GDP)					
<b>Total current revenue</b>	<b>5.9</b>	<b>6.7</b>	<b>8.5</b>	<b>8.1</b>	<b>8.5</b>
Customs	1.1	1.0	1.9	1.7	1.8
Internal	4.8	5.6	6.7	6.4	6.6
General sales tax	1.0	1.3	2.3	2.2	2.2
Internal	0.4	0.5	0.6	0.6	0.6
Customs	0.6	0.9	1.7	1.6	1.6
Taxes on income and profits	0.7	1.0	1.2	1.0	1.3
Corporate	0.3	0.5	0.7	0.6	0.7
Individual	0.3	0.6	0.6	0.4	0.6
Taxes on property	0.0	...	0.0	0.0	0.0
Other taxes and fees	3.1	...	3.1	3.2	3.2
<b>Memorandum item:</b>					
Nominal GDP (millions of gourdes)	38,187	47,537	55,969	65,032	71,979

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

Table 15. Haiti: Consolidated Accounts of the Main Public Enterprises 1/

(In millions of gourdes)

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
<b>Total revenue</b>	<b>1,339.2</b>	<b>1,955.5</b>	<b>2,328.6</b>	<b>2,721.4</b>	<b>2,853.9</b>
Domestic revenue	710.9	1,039.6	1,040.1	1,265.2	1,615.0
Teleco international services	486.1	506.7	1,236.7	1,330.0	1,181.7
Other 2/	142.2	409.2	51.8	126.2	57.2
<b>Total expenditure</b>	<b>1,187.7</b>	<b>2,267.5</b>	<b>2,164.2</b>	<b>2,272.2</b>	<b>2,420.7</b>
Current	532.8	1,443.0	1,783.6	1,760.4	1,745.9
Wages	174.6	238.5	...	...	...
Interest	84.6	115.4	105.0	184.1	120.8
Repair and maintenance	80.9	136.0	149.4	242.2	178.9
Other 3/	192.7	953.1	...	...	...
Capital	141.9	717.5	380.6	511.9	674.8
<b>Transfers (net)</b>	<b>-201.0</b>	<b>-238.0</b>	<b>-57.0</b>	<b>-119.0</b>	<b>-207.0</b>
<b>Current account balance 4/</b>	<b>605.4</b>	<b>274.5</b>	<b>488.0</b>	<b>842.0</b>	<b>901.0</b>
<b>Overall balance</b>	<b>463.5</b>	<b>-443.0</b>	<b>107.4</b>	<b>330.1</b>	<b>226.2</b>
<b>Financing</b>	<b>-463.5</b>	<b>443.0</b>	<b>-107.4</b>	<b>-330.1</b>	<b>-226.2</b>
Central bank	-394.2	110.5	-8.6	75.4	-114.0
Other 5/	-69.3	332.5	-98.8	-405.5	-112.2

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

1/ Cash basis consolidation.

2/ Includes gain or loss from the exchange rate fluctuation.

3/ Does not include depreciation expenditure.

4/ Includes transfers.

5/ Includes external financing.

Table 16. Haiti: Accounts of the Telecommunications Company

(In millions of gourdes)

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
<b>Balance sheet</b>					
<b>Assets</b>	<b>3,137.9</b>	<b>3,193.4</b>	<b>3,656.1</b>	<b>4,294.8</b>	<b>4,748.1</b>
Cash and receivables	1,398.7	1,289.3	1,672.2	2,090.1	2,124.0
Fixed assets (depreciated)	373.6	570.9	627.5	835.3	1,254.7
Lending to public sector	182.7	182.7	182.7	182.7	182.7
Long-term investments	104.2	106.1	129.2	142.2	142.2
Other assets	1,078.7	1,044.5	1,044.5	1,044.5	1,044.5
<b>Liabilities</b>	<b>3,126.9</b>	<b>3,193.4</b>	<b>3,656.1</b>	<b>4,294.8</b>	<b>4,748.1</b>
Short-term debt and payables	1,368.7	1,282.7	1,120.8	1,332.5	1,603.7
Long-term debt	276.2	124.0	198.8	198.6	164.0
Capital and undistributed profits	1,482.0	1,786.7	2,336.6	2,763.8	2,980.5
<b>Profit and loss statement</b>					
<b>Total revenue</b>	<b>713.0</b>	<b>1,027.5</b>	<b>1,387.7</b>	<b>1,572.0</b>	<b>1,382.8</b>
National services	87.2	115.1	109.4	136.9	152.8
International services	486.1	506.7	1,236.7	1,330.0	1,181.7
Other 1/	139.7	405.7	41.6	105.1	48.3
<b>Total expenditure</b>	<b>385.1</b>	<b>495.0</b>	<b>551.9</b>	<b>930.8</b>	<b>1,135.0</b>
Current	346.0	440.3	473.6	846.1	1,032.1
Wages	132.4	182.6	219.2	263.7	396.2
Interest	27.1	9.5	7.3	96.8	47.1
Repair and maintenance	27.0	27.0	34.3	33.8	51.8
Other	159.5	221.2	212.8	451.8	536.9
Depreciation	39.1	54.7	78.3	84.7	102.9
<b>Earnings before taxes</b>	<b>327.9</b>	<b>532.5</b>	<b>835.8</b>	<b>641.2</b>	<b>247.8</b>
<b>Taxes and transfers</b>	<b>114.7</b>	<b>186.3</b>	<b>284.4</b>	<b>249.7</b>	<b>86.6</b>
<b>Earnings after taxes</b>	<b>213.2</b>	<b>346.2</b>	<b>551.4</b>	<b>391.5</b>	<b>161.2</b>
<b>Cash basis accounts</b>					
Gross capital expenditure	106.2	151.4	134.9	292.5	522.3
Transfers from government	-161.2	-114.7	-54.8	-249.7	-14.0
Current balance	205.8	472.5	859.3	476.2	336.8
Overall balance cash basis	99.6	321.1	724.4	183.8	-185.6
Financing	-99.6	-321.1	-724.4	-183.8	185.6
Domestic	82.9	-299.6	-589.2	-187.5	-39.3
BRH	...	110.7	10.8	71.2	-114.0
Commercial banks	...	8.4	0.0	0.0	0.0
Other	...	-418.7	-600.0	-258.8	74.7
External	-182.5	-21.5	-135.2	3.8	224.9

Sources: Telephone company; and Haitian authorities.

1/ Includes gains and losses from exchange rate changes.

Table 17. Haiti: Accounts of the Electricity Company

(In millions of gourdes)

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
<b>Balance sheet</b>					
<b>Assets</b>	<b>1,492.0</b>	<b>1,856.2</b>	<b>1,867.4</b>	<b>2,250.5</b>	<b>2,337.0</b>
Cash and receivables	271.8	300.2	269.5	347.5	392.1
Fixed assets (depreciated)	1,123.5	1,457.0	1,422.5	1,708.9	1,647.0
Other assets	96.7	98.9	175.4	194.1	298.0
<b>Liabilities</b>	<b>1,492.0</b>	<b>1,856.2</b>	<b>1,867.4</b>	<b>2,250.5</b>	<b>2,337.0</b>
Short-term debt and payables	671.0	1,583.6	1,752.3	1,891.2	1,899.6
Long-term debt	566.2	2,618.2	3,049.7	3,352.3	3,536.8
Capital and undistributed profits	254.8	-2,345.6	-2,934.6	-2,993.0	-3,099.3
<b>Profit and loss statement</b>					
<b>Total revenue</b>	<b>276.4</b>	<b>461.0</b>	<b>495.4</b>	<b>553.5</b>	<b>585.0</b>
Sales	273.9	457.5	485.2	532.4	576.2
Private sector	233.3	385.5	406.1	441.3	489.6
Public sector	40.6	72.0	79.1	91.1	86.6
Other	2.5	3.5	10.2	21.1	8.8
<b>Total expenditure</b>	<b>408.7</b>	<b>768.3</b>	<b>1,046.9</b>	<b>706.8</b>	<b>560.6</b>
Current	339.0	694.2	711.6	590.0	453.5
Wages	...	...	...	...	...
Interest	99.8	88.9	88.9	78.1	64.7
Oil purchases	119.3	272.7	321.7	247.1	196.6
Repair and maintenance	40.3	93.3	87.7	178.8	96.9
Other	...	...	...	...	...
Depreciation and special charges	69.8	74.1	335.2	116.8	107.1
<b>Earnings before taxes</b>	<b>-132.3</b>	<b>-307.3</b>	<b>-551.5</b>	<b>-153.3</b>	<b>24.5</b>
<b>Taxes and transfers</b>	<b>1.5</b>	<b>2.5</b>	<b>2.9</b>	<b>3.2</b>	<b>3.2</b>
<b>Earnings after taxes</b>	<b>-133.8</b>	<b>-309.8</b>	<b>-554.3</b>	<b>-156.4</b>	<b>21.2</b>
<b>Cash basis accounts</b>					
Gross capital expenditure	121.3	1.8	22.8	3.4	32.5
Transfers from government	226.6	...	153.8	0.0	0.0
Current balance	164.0	...	-62.4	-36.5	131.5
Overall balance cash basis	42.7	...	-85.2	-39.9	99.1
Financing	-42.7	...	85.2	39.9	-99.1
Domestic	-42.7	...	85.2	39.9	-99.1
BRH	...	...	...	...	...
Commercial banks	...	...	...	...	...
Other	...	...	...	...	...
External	0.0	0.0	0.0	0.0	0.0

Sources: Electricity company; and Haitian authorities.

Table 18. Haiti: Accounts of the Port Authority

(In millions of gourdes)

	Fiscal Year Ending September 30			
	1995	1996	1997	1998
<b>Balance sheet</b>				
<b>Assets</b>	<b>560.1</b>	<b>608.2</b>	<b>985.3</b>	<b>1,052.0</b>
Cash and receivables	119.3	142.3	506.5	555.1
Fixed assets (depreciated)	312.5	338.5	352.6	360.7
Lending to public sector	-0.4	-0.4	-0.4	-0.4
Other assets	128.7	127.8	126.6	136.6
<b>Liabilities</b>	<b>560.1</b>	<b>608.2</b>	<b>985.3</b>	<b>1,052.0</b>
Short-term debt and payables	192.4	198.6	222.6	242.4
Long-term debt	148.0	174.7	165.3	155.9
Capital and undistributed profits	219.8	234.9	597.4	653.7
<b>Profit and loss statement</b>				
<b>Total revenue</b>	<b>245.7</b>	<b>344.6</b>	<b>419.3</b>	<b>440.9</b>
<b>Total expenditure</b>	<b>199.0</b>	<b>301.5</b>	<b>310.1</b>	<b>345.3</b>
Current	189.0	292.1	299.5	331.8
Wages	...	...	...	...
Repair and maintenance	7.6	9.5	20.3	17.4
Interest	4.5	4.3	4.6	4.3
Other	...	...	...	...
Depreciation	10.0	9.5	10.7	13.5
<b>Earnings before taxes</b>	<b>46.7</b>	<b>43.1</b>	<b>109.2</b>	<b>95.6</b>
<b>Taxes and transfers</b>	<b>38.2</b>	<b>22.0</b>	<b>18.0</b>	<b>18.0</b>
<b>Earnings after taxes</b>	<b>8.6</b>	<b>21.1</b>	<b>91.2</b>	<b>77.6</b>
<b>Cash basis accounts</b>				
Gross capital expenditure	4.3	4.5	7.1	13.5
Transfers from government	-38.2	-22.0	-18.0	-18.0
Current balance	18.6	30.6	101.8	91.1
Overall balance cash basis	14.2	26.0	94.7	77.6
Financing	-14.2	-26.0	-94.7	-77.6
Domestic	...	-52.7	-85.3	-68.2
BRH	...	-5.7	-5.4	11.0
Commercial banks	...	0.0	0.0	0.0
Other	...	-47.0	-79.9	-79.1
External	...	26.7	-9.4	-9.4

Sources: Port Authority; and Haitian authorities.

Table 19. Haiti: Accounts of the Airport Authority

(In millions of gourdes)

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
<b>Balance sheet</b>					
<b>Assets</b>	<b>111.4</b>	<b>128.0</b>	<b>162.1</b>	<b>175.4</b>	<b>201.2</b>
Cash and receivables	61.5	67.9	94.8	78.9	97.5
Fixed assets (depreciated)	49.9	60.1	67.3	96.5	103.7
<b>Liabilities</b>	<b>111.4</b>	<b>128.0</b>	<b>162.1</b>	<b>175.4</b>	<b>201.2</b>
Short-term debt and payables	47.9	22.7	42.1	49.6	62.6
Long-term debt	11.9	47.1	47.2	47.2	47.2
Capital and undistributed profits	51.6	58.2	72.9	78.7	91.4
<b>Profit and loss statement</b>					
<b>Total revenue</b>	<b>64.4</b>	<b>74.9</b>	<b>79.1</b>	<b>80.8</b>	<b>90.4</b>
<b>Total expenditure</b>	<b>51.9</b>	<b>71.8</b>	<b>64.4</b>	<b>75.6</b>	<b>80.6</b>
Current	46.8	64.4	56.0	64.7	67.4
Wages	22.6	31.8	31.2	34.2	33.3
Interest	0.0	0.0	0.0	0.0	0.0
Repair and maintenance	4.9	4.9	3.5	3.9	6.1
Other	19.3	27.7	21.3	26.6	28.0
Depreciation	5.1	7.4	8.4	10.9	13.2
<b>Earnings before taxes</b>	<b>12.5</b>	<b>3.1</b>	<b>14.7</b>	<b>5.1</b>	<b>9.7</b>
<b>Taxes and transfers</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Earnings after taxes</b>	<b>12.5</b>	<b>3.1</b>	<b>14.7</b>	<b>5.1</b>	<b>9.7</b>
<b>Cash basis accounts</b>					
Gross capital expenditure	5.0	18.4	18.9	42.5	30.7
Transfers from government	0.0	0.0	0.0	0.0	0.0
Current balance	17.6	10.5	23.1	16.0	23.2
Overall balance cash basis	12.6	-7.9	4.1	-26.4	...
Financing	-12.6	7.9	-4.1	26.4	...
Domestic	...	7.4	6.6	30.5	...
BRH	...	-3.4	5.8	3.6	...
Commercial banks	...	0.0	0.0	0.0	...
Other	...	10.8	0.8	27.0	...
External	...	0.5	-10.7	-4.1	...

Sources: Airport Authority; and Haitian authorities.

Table 20. Haiti: Accounts of the Water Supply Company

(In millions of gourdes)

	Fiscal Year Ending September 30			
	1995	1996	1997	1998
<b>Balance sheet</b>				
<b>Assets</b>	<b>117.0</b>	<b>331.3</b>	<b>486.1</b>	<b>631.1</b>
Cash and receivables	56.5	157.8	140.9	139.4
Fixed assets (depreciated)	32.8	135.2	310.8	432.7
Other assets	27.7	38.3	34.4	59.0
<b>Liabilities</b>	<b>117.0</b>	<b>331.3</b>	<b>486.1</b>	<b>631.1</b>
Short-term debt and payables	45.2	59.8	105.1	102.9
Long-term debt	66.3	251.6	377.2	576.9
Capital and undistributed profits	5.4	19.9	3.8	-48.8
<b>Profit and loss statement</b>				
<b>Total revenue</b>	<b>39.9</b>	<b>47.6</b>	<b>65.2</b>	<b>71.0</b>
<b>Total expenditure</b>	<b>48.2</b>	<b>45.3</b>	<b>68.8</b>	<b>103.4</b>
Current	38.7	42.2	60.5	87.6
Wages	19.6	24.1	29.0	36.7
Interest	1.5	1.8	4.2	4.8
Repair and maintenance	1.1	1.3	3.6	8.3
Other	16.5	15.0	23.7	37.8
Depreciation	9.5	3.1	8.3	15.8
<b>Earnings before taxes</b>	<b>-8.3</b>	<b>2.3</b>	<b>-3.6</b>	<b>-32.4</b>
<b>Taxes and transfers</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Earnings after taxes</b>	<b>-8.3</b>	<b>2.3</b>	<b>-3.6</b>	<b>-32.4</b>
<b>Cash basis accounts</b>				
Gross capital expenditure	8.3	105.5	185.0	61.3
Transfers from government	0.0	0.0	0.0	0.0
Current balance	1.2	5.4	4.7	-16.6
Overall balance cash basis	-7.1	-100.1	-180.3	-77.9
Financing	7.1	100.1	180.3	77.9
Domestic	...	-85.2	54.7	-121.8
BRH	...	-9.8	2.6	6.8
Commercial banks	...	0.0	0.0	0.0
Other	...	-75.4	52.1	-128.6
External	...	185.3	125.6	199.7

Sources: Water Supply Company; and Haitian authorities.

Table 21. Haiti: Accounts of the Central Bank of Haiti

(In millions of gourdes, unless otherwise indicated)

	Fiscal Year Ending September 30				June 30	
	1996	1997	1998	1999	1999	2000
<b>Net foreign assets 1/</b>	<b>2,031.6</b>	<b>2,754.3</b>	<b>3,281.4</b>	<b>3,695.5</b>	<b>3,960.0</b>	<b>3,881.8</b>
Assets 1/	3,243.8	4,503.6	4,931.3	5,576.9	5,788.3	5,920.4
Liabilities	-1,212.2	-1,749.3	-1,649.9	-1,881.4	-1,828.3	-2,038.7
Liabilities to the IMF 2/	-374.3	-724.9	-636.6	-855.1	-817.9	-805.9
Other	-838.0	-1,024.4	-1,013.4	-1,026	-1,010.5	-1,232.8
<b>Net domestic assets</b>	<b>1,038.8</b>	<b>600.4</b>	<b>234.8</b>	<b>294.4</b>	<b>-167.0</b>	<b>861.6</b>
Net credit to public sector	5,965.4	5,661.4	6,263.5	7,665.4	7,034.4	8,999.4
Central government	6,318.3	6,360.2	6,930.1	7,952.5	7,352.5	9,353.6
Special accounts 3/	-350.4	-558.3	-521.0	-214.0	-248.5	-247.9
Rest of public sector	-2.4	-140.5	-145.7	-73.1	-69.6	-106.3
Credit to the private sector	140.9	155.6	239.6	288.2	273.2	331.3
Net claims on commercial banks	-4,063.3	-4,187.6	-5,532.3	-7,029.3	-6,833.3	-7,514.7
Cash-in-vault and reserve deposits	-3,949.7	-3,105.1	-3,810.6	-3,764.1	-3,905.3	-5,661.2
BRH bonds	0.0	-954.0	-1,629.0	-3,105.0	-2,720.0	-1,585.0
Other	-113.6	-128.5	-92.7	-160.2	-208.1	-268.5
Net claims on other financial institutions	-2.9	13.2	-5.1	-95.1	-66.8	-42.6
SDR allocation	-296.6	-316.9	-316.4	-322.0	-305.7	-370.9
Capital and surplus	-774.6	-866.1	-927.4	-973.8	-1,040.1	-1,485.3
Other	210.7	296.4	752.7	760.9	771.4	944.5
<b>Currency in circulation</b>	<b>3,070.4</b>	<b>3,354.7</b>	<b>3,516.2</b>	<b>3,989.9</b>	<b>3,793.0</b>	<b>4,743.4</b>

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

1/ Includes commercial banks' foreign currency deposits.

2/ Includes liabilities to the general resources and ESAF Trust Accounts.

3/ Special accounts of donors.



Table 22. Haiti: Accounts of Commercial Banks 1/

(In millions of gourdes, unless otherwise indicated)

	Fiscal Year Ending September 30				June 30	
	1996	1997	1998	1999	1999	2000
<b>Net foreign assets</b>	<b>1,851</b>	<b>1,815</b>	<b>1,834</b>	<b>1,910</b>	<b>1,916</b>	<b>3,373</b>
Assets	1,926	2,108	2,047	2,116	2,096	3,818
Liabilities	-75	-292	-214	-206	-180	-445
<b>Claims on the BRH</b>	<b>4,114</b>	<b>4,099</b>	<b>5,412</b>	<b>6,873</b>	<b>6,624</b>	<b>7,471</b>
Currency holdings	923	628	710	735	715	957
Deposits with the BRH (including reserves)	3,191	2,517	3,073	3,034	3,189	4,930
BRH bonds	0	954	1,629	3,105	2,720	1,585
<b>Net domestic assets</b>	<b>6,143</b>	<b>8,515</b>	<b>9,738</b>	<b>11,184</b>	<b>10,464</b>	<b>13,512</b>
Net claims on the public sector	-41	-430	-511	-249	-472	-196
Central government	-40	-128	-199	79	-107	69
Special accounts 2/	0	-298	-309	-324	-361	-261
Rest of the public sector	-1	-3	-3	-4	-4	-4
Credit to the private sector	5,252	7,724	8,885	9,658	9,572	11,207
In gourdes	4,602	6,025	6,215	5,847	6,086	6,500
In US dollars	650	1,700	2,669	3,811	3,485	4,707
Net claims on other financial institutions	0	-13	-65	-31	-21	-30
Interbank float	147	352	389	502	360	543
Unclassified assets	785	882	1,040	1,303	1,025	1,988
<b>Liabilities to the BRH</b>	<b>67</b>	<b>71</b>	<b>39</b>	<b>35</b>	<b>36</b>	<b>33</b>
<b>Liabilities to the private sector</b>	<b>12,041</b>	<b>14,358</b>	<b>16,945</b>	<b>19,932</b>	<b>18,968</b>	<b>24,323</b>
Deposits	11,152	13,059	15,308	18,168	17,390	22,291
In gourdes	8,498	9,514	10,816	12,443	12,028	13,909
In US dollars	2,654	3,544	4,492	5,725	5,362	8,382
Demand deposits	3,289	3,288	3,833	4,522	4,051	5,273
Saving deposits	5,258	6,008	6,472	7,739	7,581	9,031
Time and other deposits	2,605	3,763	5,004	5,907	5,759	7,986
Private capital and surplus	888	1,300	1,637	1,764	1,578	2,032
(Percentage change from end-period a year earlier)						
Private Sector Deposits	14.1	17.1	17.2	18.7	21.4	28.2
In gourdes	7.8	12.0	13.7	15.0	15.8	15.6
In US dollars	40.2	33.5	26.7	27.4	36.1	56.3
Credit to private sector	21.4	47.1	15.0	8.7	7.1	17.1
In gourdes	6.9	30.9	3.2	-5.9	-7.3	6.8
In US dollars	3,439.5	161.4	57.1	42.8	46.6	35.1
<b>Memorandum Items</b>						
Percent in foreign currency						
Bank Deposits	23.8	27.1	29.3	31.5	30.8	37.6
Credit to the private sector	12.4	22.0	30.0	39.5	36.4	42.0
Net Foreign Assets of Commerical Banks/ Dollar Deposits	69.7	51.2	40.8	33.4	35.7	40.2

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

1/ Includes the government-owned banks, BNC and BPH.

2/ Special accounts of donors.

Table 23. Haiti: Consolidated Accounts of the Banking System

(In millions of gourdes, unless otherwise indicated)

	Fiscal Year Ending September 30				June 30	
	1996	1997	1998	1999	1999	2000
<b>Net foreign assets</b>	<b>3,883</b>	<b>4,570</b>	<b>5,115</b>	<b>5,605</b>	<b>5,876</b>	<b>7,255</b>
Assets	5,169	6,611	6,979	7,693	7,885	9,738
Liabilities	-1,287	-2,041	-1,864	-2,087	-2,009	-2,483
Use of Fund credit	-374	-725	-637	-855	-818	-806
Other	-913	-1,317	-1,227	-1,232	-1,191	-1,677
<b>Net domestic assets</b>	<b>10,340</b>	<b>11,844</b>	<b>13,709</b>	<b>16,552</b>	<b>15,307</b>	<b>19,779</b>
Net credit to the public sector	5,925	5,232	5,753	7,417	6,563	8,803
Central government	6,278	6,232	6,731	8,032	7,246	9,422
Special accounts 1/	-350	-857	-830	-538	-610	-509
Rest of public sector	-3	-143	-148	-77	-73	-110
Credit to the private sector	5,393	7,880	9,124	9,946	9,845	11,538
Net claims on other financial institutions	-3	0	-70	-126	-88	-73
Capital and surplus	-1,663	-2,166	-2,564	-2,738	-2,618	-3,517
Interbank float	130	192	230	311	115	466
Net other assets	558	706	1,236	1,742	1,491	2,562
<b>Broad Money</b>	<b>14,223</b>	<b>16,413</b>	<b>18,825</b>	<b>22,158</b>	<b>21,183</b>	<b>27,034</b>
Narrow Money	6,360	6,643	7,349	8,512	7,844	10,017
Currency in circulation	3,070	3,355	3,516	3,990	3,793	4,743
Demand Deposits 2/	3,289	3,288	3,833	4,522	4,051	5,273
Time and Savings Deposits 2/	7,863	9,771	11,476	13,646	13,339	17,017
(Percentage change from end-period a year earlier)						
<b>Broad money</b>	10.2	15.4	14.7	17.7	19.9	27.6
Narrow Money	20.8	4.4	10.6	15.8	16.2	27.7
Currency in circulation	-1.9	9.3	4.8	13.5	13.6	25.1
Demand Deposits 2/	54.2	0.0	16.6	18.0	18.7	30.2
Time and Savings Deposits 2/	2.9	24.3	17.4	18.9	22.2	27.6
(Percentage change relative to broad money a year earlier)						
Net foreign assets	-3.5	4.8	3.3	2.6	10.6	6.5
Net domestic assets	13.7	10.6	11.4	15.1	9.4	21.1
Credit to the non-financial public sector	9.5	-4.9	3.2	8.8	5.2	10.6
Credit to the private sector	8.3	17.5	7.6	4.4	4.0	8.0
Other	-4.0	-2.0	0.6	1.9	0.2	2.5
<b>Memorandum Items</b>						
Income Velocity of Broad Money 3/	3.5	3.7	3.7	3.5	0.0	0.0
Money Multiplier 4/	4.6	4.9	5.4	5.6	5.6	5.7

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

1/ Special accounts of donors.

2/ Includes dollar-denominated deposits

3/ Nominal GDP at market prices divided by the average of the year-end stock of broad money for the current and prior year.

4/ Ratio of broad money to currency in circulation.

Table 24. Haiti: Sectoral Distribution of Commercial Bank Credit 1/

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
(In millions of gourdes)					
<b>Total</b>	<b>3,392.2</b>	<b>4,072.0</b>	<b>5,520.3</b>	<b>7,605.8</b>	<b>8,282.5</b>
Retail and wholesale trade	1,102.2	1,341.2	2,180.0	3,470.5	4,392.2
Loans to individuals	750.4	1,023.1	1,483.2	1,804.2	1,605.2
Manufacturing	1,035.1	1,176.7	1,347.8	1,573.5	1,338.5
Electricity, gas, and water	149.1	149.8	161.0	156.3	9.8
Construction	62.0	72.3	129.3	204.1	387.7
Insurance and real estate	106.8	73.0	87.8	266.8	313.7
Transport and communication	18.7	54.7	42.4	35.4	160.6
Agriculture	62.9	48.9	30.4	27.9	20.0
Other services	105.0	132.3	58.4	67.1	54.8
(In percent of total credit)					
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Retail and wholesale trade	32.5	32.9	39.5	45.6	53.0
Loans to individuals	22.1	25.1	26.9	23.7	19.4
Manufacturing	30.5	28.9	24.4	20.7	16.2
Electricity, gas, and water	4.4	3.7	2.9	2.1	0.1
Construction	1.8	1.8	2.3	2.7	4.7
Insurance and real estate	3.1	1.8	1.6	3.5	3.8
Transport and communication	0.6	1.3	0.8	0.5	1.9
Agriculture	1.9	1.2	0.6	0.4	0.2
Other services	3.1	3.2	1.1	0.9	0.7

Source: Bank of the Republic of Haiti.

1/ Excludes loans below G 75,000.

Table 25. Haiti: Origin, Destination, and Financing of Bank Credit

(In millions of gourdes)

	Fiscal Year Ending September 30				June 30	
	1996	1997	1998	1999	1999	2000
<b>Total credit</b>	<b>11525.3</b>	<b>13460.3</b>	<b>15662.7</b>	<b>18638.2</b>	<b>17190.7</b>	<b>22182.0</b>
<b>Origin</b>	<b>11525.3</b>	<b>13460.3</b>	<b>15662.7</b>	<b>18638.2</b>	<b>17190.7</b>	<b>22182.0</b>
BRH	5398.7	5104.9	6083.6	7645.7	6972.0	8747.3
Central government and special accounts 1/	5967.9	5801.9	6409.1	7738.5	7104.0	9105.7
Rest of public sector 1/	-2.4	-140.5	-145.7	-73.1	-69.6	-106.3
Private sector	140.9	155.6	239.6	288.2	273.2	331.3
Other	-707.6	-712.0	-419.4	-308.0	-335.6	-583.4
Commercial banks	5996.2	8163.0	9349.2	10681.6	10104.0	12968.4
Central government and special accounts 1/	-40.1	-426.8	-508.0	-244.8	-467.9	-192.5
Rest of public sector 1/	-0.5	-3.0	-2.7	-3.8	-3.7	-3.8
Private sector	5251.9	7724.2	8884.6	9657.9	9571.5	11206.7
Other	784.9	868.7	975.2	1272.2	1004.0	1958.0
Interbank float	130.4	192.3	229.8	310.9	114.7	466.3
<b>Destination</b>	<b>11525.3</b>	<b>13460.3</b>	<b>15662.7</b>	<b>18638.2</b>	<b>17190.7</b>	<b>22182.0</b>
Public sector	5924.8	5231.6	5752.8	7416.8	6562.9	8803.1
Central government and special accounts 1/	5927.7	5375.1	5901.2	7493.7	6636.1	8913.2
Rest of public sector 1/	-2.9	-143.5	-148.4	-76.9	-73.2	-110.1
Private sector	5392.8	7879.7	9124.2	9946.2	9844.7	11538.0
Other	77.3	156.6	555.8	964.2	668.5	1374.6
Interbank float	130.4	192.3	229.8	310.9	114.7	466.3
<b>Financing</b>	<b>11525.3</b>	<b>13460.3</b>	<b>15662.7</b>	<b>18638.2</b>	<b>17190.7</b>	<b>22182.0</b>
Liabilities to private sector	15111.2	17713.1	20461.3	23921.4	22761.1	29065.9
BRH	3070.4	3354.7	3516.2	3989.9	3793.0	4743.4
Commercial banks	12040.8	14358.3	16945.1	19931.6	18968.1	24322.6
Net foreign assets	-3882.6	-4569.7	-5115.1	-5605.3	-5876.1	-7254.9
BRH	-2031.6	-2754.3	-3281.4	-3695.5	-3960.0	-3881.8
Commercial banks	-1851.0	-1815.4	-1833.7	-1909.8	-1916.1	-3373.2
SDR allocation	296.6	316.9	316.4	322.0	305.7	370.9

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

1/ Credit less deposits.

Table 26. Haiti: Annual Change in Credit Extended by the Banking System

(In millions of gourdes)

	Fiscal Year Ending Septembe 30				June 30	
	1996	1997	1998	1999	1999	2000
<b>Total credit</b>	<b>2291.1</b>	<b>1935.0</b>	<b>2202.4</b>	<b>2975.5</b>	<b>1680.8</b>	<b>4991.2</b>
<b>Origin</b>						
BRH	1007.3	-293.8	978.7	1562.1	737.2	1775.3
Central government and special accounts 1/	1082.6	-166.0	607.2	1329.4	699.6	2001.7
Rest of public sector 1/	107.9	-138.1	-5.2	72.6	20.4	-36.7
Private sector	...	14.7	84.0	48.7	68.3	58.1
Other	-324.1	-4.4	292.7	111.4	-51.1	-247.9
Commercial banks	1335.9	2166.9	1186.2	1332.4	905.5	2864.4
Central government and special accounts 1/	25.8	-386.7	-81.1	263.2	194.5	275.3
Rest of public sector 1/	5.6	-2.5	0.3	-1.1	-1.0	-0.1
Private sector	927.0	2472.3	1160.5	773.3	631.0	1635.2
Other	377.5	83.8	106.5	297.0	81.0	954.0
Interbank float	-52.0	61.9	37.5	81.1	38.1	351.6
<b>Destination</b>						
Public sector	1221.8	-693.3	521.2	1664.0	913.5	2240.2
Central government and special accounts 1/	1108.3	-552.7	526.1	1592.6	894.1	2277.1
Rest of public sector 1/	113.5	-140.6	-4.9	71.5	19.4	-36.8
Private sector	1067.9	2486.9	1244.5	822.0	699.3	1693.3
Other	53.4	79.4	399.2	408.4	29.9	706.1
Interbank float	-52.0	61.9	37.5	81.1	38.1	351.6
<b>Financing</b>						
Liabilities to private sector	1858.8	2601.8	2748.3	3460.1	3556.1	6304.8
BRH	-59.9	284.3	161.5	473.6	454.9	950.4
Commercial banks	1918.7	2317.5	2586.7	2986.5	3101.2	5354.4
Net foreign assets	453.2	-687.1	-545.4	-490.1	-1863.6	-1378.9
BRH	844.1	-722.7	-527.1	-414.1	-1563.8	78.2
Commercial banks	-390.9	35.6	-18.3	-76.1	-299.9	-1457.1
SDR allocation	-20.9	20.3	-0.5	5.6	-11.7	65.3
(Change with respect to total liabilities to the private sector 12 months earlier)						
<b>Total credit</b>	<b>17.3</b>	<b>12.8</b>	<b>12.4</b>	<b>14.5</b>	<b>8.8</b>	<b>21.9</b>
<b>Origin</b>						
BRH	7.6	-1.9	5.5	7.6	3.8	7.8
Commercial banks	10.1	14.3	6.7	6.5	4.7	12.6
Interbank float	-0.4	0.4	0.2	0.4	0.2	1.5
<b>Destination</b>						
Public sector	9.2	-4.6	2.9	8.1	4.8	9.8
Central government and special accounts 1/	8.4	-3.7	3.0	7.8	4.7	10.0
Rest of public sector 1/	0.9	-0.9	0.0	0.3	0.1	-0.2
Private sector	8.1	16.5	7.0	4.0	3.6	7.4
Other	0.4	0.5	2.3	2.0	0.2	3.1
Interbank float	-0.4	0.4	0.2	0.4	0.2	1.5

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

1/ Credit less deposits.

Table 27. Haiti: Summary Indicators of Commercial Banking Sector

	Fiscal Year Ending September 30				Dec.	2000	
	1996	1997	1998 1/	1999	1999	Mar.	Jun.
<b>Capital</b>							
Capital, reserves, undistributed profits/total assets	4.6	5.4	5.7	5.2	5.1	4.9	4.9
Capital/risk-weighted assets (capital adequacy ratio)	...	...	...	13.1	10.6	11.9	11.1
<b>Nonperforming Loans</b>							
Nonperforming loans/total loans	4.7	4.9	8.6	7.9	8.6	7.9	8.7
excluding BNC	...	3.2	6.7	6.5	6.7	6.3	7.1
Provisions/nonperforming loans	95.8	79.5	56.2	62.3	57.2	50.0	53.9
Nonperforming loans/capital, reserves, undistributed profits	1.7	8.5	30.3	24.7	30.6	40.7	33.3
excluding BNC	...	1.8	27.5	21.3	22.5	22.5	28.6
<b>Profitability</b>							
Return on assets (in percent)	1.2	1.4	0.6	1.0	1.1	1.7	1.7
excluding BNC	...	1.4	1.1	0.9	1.3	1.0	1.3
Return on equity (in percent)	25.9	28.1	10.1	18.5	21.5	34.9	33.8
Net interest income/gross interest income	55.6	59.3	55.8	60.2	64.0	61.5	59.9
Operating costs/net interest and noninterest income	75.0	75.5	78.4	77.2	78.3	69.8	73.4
excluding BNC	...	74.9	75.9	78	73.9	70.3	76.5
Net income/employee	427.8	634.4	594.6	606.5	667.1	756.9	757.7
Number of branches	58	68	82	99	105	110	112
Number of employees	2,032	2,234	2,591	2,659	2,712	2,799	2,880
<b>Liquidity</b>							
Total Loans/Total Deposits 2/	47.0	58.6	57.3	53.8	53.1	53.1	50.8
Foreign Currency Loans/Foreign Currency Deposits 3/	24.5	48.0	59.4	66.6	59.7	58.8	56.2
Foreign Currency Loans/Total Loans	12.1	21.6	29.3	38.3	37.3	38.9	40.8
Foreign Currency Deposits/Total Deposits	23.8	27.1	29.3	31.5	33.7	35.8	37.6
<b>Intermediation</b>							
Private Sector Bank Deposits/Broad Money	78.4	79.6	81.3	82.0	79.7	81.9	82.5
Private Sector Credit/GDP	10.8	11.9	13.1	13.2	...	...	...

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

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

2/ Denominated in gourdes and in foreign exchange.

3/ Foreign exchange operations of the private sector only.

Table 28. Haiti: Interest Rates

(In percent per annum)

	Gourde Denominated				Dollar Denominated			Memo:
	Deposits 1/		Lending 1/	91-day BRH Bonds	Deposits 1/		Lending 1/	Annual
	Time	Savings			Time	Savings		Inflation 2/
<b>1996</b>								
March	11.0	5.5	29.0	...	...	...	...	20.3
June	11.5	5.3	27.8	...	...	...	...	22.0
September	11.3	5.5	27.4	...	...	...	...	20.1
December	10.5	5.5	23.0	19.4	...	...	...	14.6
<b>1997</b>								
March	10.0	5.5	21.0	15.3	...	...	...	16.9
June	10.0	5.5	20.0	18.0	...	...	...	16.9
September	11.3	5.5	21.5	17.7	4.3	2.0	12.5	17.0
December	10.5	5.5	23.5	17.2	4.8	2.8	12.0	15.6
<b>1998</b>								
March	12.5	5.5	22.5	22.5	4.3	2.8	10.8	12.8
June	13.5	5.5	23.5	23.5	4.5	2.8	11.0	10.9
September	14.8	5.5	22.5	21.3	4.8	3.0	12.5	8.3
December	11.0	3.0	23.5	9.2	5.0	2.8	14.0	7.4
<b>1999</b>								
March	7.5	3.0	23.0	10.3	4.4	1.5	12.0	7.9
June	7.0	3.3	24.5	10.3	3.8	1.5	12.5	8.1
September	6.8	3.5	22.5	10.3	4.0	2.3	12.5	9.9
December	9.6	3.5	22.5	21.1	4.8	2.0	13.5	9.7
<b>2000</b>								
March	9.8	3.3	24.3	23.3	3.8	1.8	14.0	12.0
June	10.5	3.3	25.3	23.3	4.8	1.5	14.3	11.5

Source: Bank of the Republic of Haiti.

1/ Interest rates shown here are a simple average of the lowest and highest end-of-period deposit and lending rates reported by the commercial banks.

2/ Change in consumer prices compared to same period 12 months earlier.

Table 29. Haiti: Reserve Requirements by Category of Deposit and Institution

(In percent)

	Local Currency Deposits				Foreign Currency Deposits
	Demand Deposits	Saving Deposits	Time Deposits		
			Less Than One Year	More Than One Year	
I. Commercial Banks					
March 1, 1993 to May 31, 1995	73 1/2	46	20	20	0
June 1, 1995 to August 27, 1995	48	48	48	48	0
August 28, 1995 to September 4, 1995	50	50	50	50	0
September 5, 1995 to October 9, 1995 1/	53 1/2	53 1/2	53 1/2	53 1/2	0
October 10, 1995 to May 5, 1996 1/	51 1/2	51 1/2	51 1/2	51 1/2	0
May 6, 1996 to July 3, 1996 1/	50	50	50	50	0
July 4, 1996 to November 18, 1996 2/	48	48	48	48	0
November 19, 1996 to November 24, 1996	44	44	44	44	0
November 25, 1996 to December 1, 1996	42	42	42	42	0
December 2, 1996 to December 8, 1996	35	35	35	35	0
December 9, 1996 to February 15, 1997	30	30	30	30	0
February 16, 1997 to March 16, 1997	27	27	27	27	0
March 17, 1997 to May 15, 1997	26	26	26	26	12
May 16, 1997 to July 15, 1997	25	25	25	25	12
July 16, 1997 to November 15, 1997	26	26	26	26	12
November 16, 1997 to November 15, 1999	26 1/2	26 1/2	26 1/2	26 1/2	12 1/2
November 16, 1999 to April 15, 2000	26 1/2	26 1/2	26 1/2	26 1/2	15
April 16, 2000 to August 31, 2000	28	28	28	28	17
September 1, 2000 to September 14, 2000	30	30	30	30	20
September 15, 2000 to present	31	31	31	31	21
II. Mortgage Banks					
March 1, 1993 to May 31, 1995	0	23	10	10	0
June 1, 1995 to August 27, 1995	24	24	24	24	0
August 28, 1995 to September 4, 1995	25	25	25	25	0
September 5, 1995 to October 9, 1995 3/	26 3/4	26 3/4	26 3/4	26 3/4	0
October 10, 1995 to May 5, 1996 3/	25 3/4	26 3/4	26 3/4	26 3/4	0
May 6, 1996 to July 3, 1996 3/	25	25	25	25	0
July 4, 1996 to November 18, 1996 4/	24	24	24	24	0
November 19, 1996 to November 24, 1996	22	22	22	22	0
November 25, 1996 to December 1, 1996	21	21	21	21	0
December 2, 1996 to December 8, 1996	17 1/2	17 1/2	17 1/2	17 1/2	0
December 9, 1996 March 16, 1997	15	15	15	15	0
March 17, 1997 to November 15, 1999	15	15	15	15	12
November 16, 1999 to April 15, 2000	15	15	15	15	14 1/2
April 16, 2000 to August 31, 2000	16 1/2	16 1/2	16 1/2	16 1/2	16
September 1, 2000 to September 14, 2000	18 1/2	18 1/2	18 1/2	18 1/2	18
September 15, 2000 to present	19 1/2	19 1/2	19 1/2	19 1/2	19

Source: Bank of the Republic of Haiti.

1/ This includes mandatory (remunerated) secondary reserves of 3½ percent.

2/ This includes mandatory (remunerated) secondary reserves of 1½ percent.

3/ This includes mandatory (remunerated) secondary reserves of 1¼ percent.

4/ This includes mandatory (remunerated) secondary reserves of ¾ percent.



Table 30. Haiti: Reserve Position of the Commercial Banks

	Fiscal Year Ending September 30				June 30	
	1996	1997	1998	1999	1999	2000
(In millions of gourdes)						
<b>Deposit liabilities</b>	<b>11,152</b>	<b>13,059</b>	<b>15,308</b>	<b>18,168</b>	<b>17,390</b>	<b>22,291</b>
Actual reserves	4,114	3,105	3,811	3,764	3,905	5,661
Required reserves	4,079	2,899	3,428	4,013	3,858	5,319
Excess/deficiency (-)	35	206	383	-249	47	342
(In percent of deposit liabilities)						
Actual reserves	36.9	23.8	24.9	20.7	22.5	25.4
Required reserves	36.6	22.2	22.4	22.1	0.0	0.0
Excess/deficiency (-)	0.3	1.6	2.5	-1.4	22.5	25.4

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

Table 31. Haiti: Summary Balance of Payments

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

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
<b>Current account, excluding grants</b>	<b>-441.0</b>	<b>-358.7</b>	<b>-240.9</b>	<b>-235.7</b>	<b>-316.4</b>
Trade balance	-431.9	-416.1	-393.3	-383.5	-469.7
Exports, f.o.b.	137.3	147.7	195.5	284.3	351.9
Imports, f.o.b.	-569.2	-563.9	-588.8	-667.7	-821.6
Services (net)	-128.3	-109.0	-116.6	-148.5	-185.7
Income (net)	10.8	14.4	13.0	10.1	5.4
<i>Of which</i>					
Interest payments	-9.8	-9.4	-14.0	-12.9	-20.2
Private transfers, net 1/	108.5	152.0	256.0	286.1	333.6
<b>External grants</b>	<b>409.9</b>	<b>293.1</b>	<b>221.9</b>	<b>222.6</b>	<b>256.8</b>
<b>Current account, including grants</b>	<b>-31.1</b>	<b>-65.6</b>	<b>-19.0</b>	<b>-13.1</b>	<b>-59.6</b>
<b>Capital account</b>	<b>154.6</b>	<b>14.3</b>	<b>46.2</b>	<b>45.3</b>	<b>83.0</b>
Public sector capital flows, net	105.7	109.0	93.9	72.2	57.9
Loan disbursements	125.5	121.5	112.3	97.4	82.4
Amortization	-19.8	-16.9	-18.3	-25.2	-24.5
Short-term credit (net)	0.0	4.4	-9.1	—	0.0
Banks (net)	-35.3	-28.4	15.9	-1.7	-3.9
Direct investments	7.4	4.1	5.0	10.8	30.0
Other 2/	76.8	-70.4	-68.7	-35.9	-1.0
<b>Overall balance (deficit -)</b>	<b>123.5</b>	<b>-51.3</b>	<b>27.2</b>	<b>32.2</b>	<b>23.4</b>
<b>Financing</b>	<b>-123.5</b>	<b>51.3</b>	<b>-27.2</b>	<b>-32.2</b>	<b>-23.4</b>
Change in arrears (reduction -) 3/	-121.0	0.0	0.0	0.0	0.0
Change in net international reserves (increase -)	-115.4	51.3	-27.2	-32.2	-23.4
Debt rescheduling	112.9	0.0	0.0	—	0.0
<b>Memorandum items:</b>					
Current account balance, excluding grants					
(in percent of GDP)	-16.7	-12.1	-7.0	-6.1	-7.3
Gross official reserves (US\$ million, end of period)	216.0	215.6	265.7	292.7	329.2
(In weeks of imports, c.i.f.)	16.0	16.3	19.6	19.0	17.4
Exports of goods and services					
(in percent of GDP)	9.2	8.7	8.5	11.5	12.1
Imports of goods and services					
(in percent of GDP)	-30.4	-26.5	-23.4	-25.4	-27.3

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

1/ Based on private remittances transferred through the authorized "transfer houses" and BRH estimates of such transfers channeled through other means.

2/ Includes errors and omissions.

3/ Includes arrears clearance vis-à-vis the Fund.

Table 32. Haiti: Net International Reserves

(In millions of U.S. dollars at end of period)

	September 30				June 30	
	1996	1997	1998	1999	1999	2000
<b>Net foreign assets of the banking system</b>	<b>258</b>	<b>270</b>	<b>304</b>	<b>331</b>	<b>352</b>	<b>356</b>
<b>Official reserves (net) 1/</b>	<b>135</b>	<b>162</b>	<b>195</b>	<b>218</b>	<b>237</b>	<b>190</b>
<b>Assets</b>	<b>216</b>	<b>266</b>	<b>293</b>	<b>329</b>	<b>347</b>	<b>291</b>
Gold	7	6	6	0	0	0
Liquid assets	159	209	237	279	297	241
Other assets	49	50	50	49	49	49
<b>Liabilities</b>	<b>81</b>	<b>103</b>	<b>98</b>	<b>111</b>	<b>109</b>	<b>100</b>
Arrears	0	0	0	0	0	0
Of which						
IMF	0	0	0	0	0	0
Liabilities to the Fund 2/	25	43	38	50	49	40
Other	56	60	60	61	60	60
<b>Net foreign assets of commercial banks</b>	<b>123</b>	<b>107</b>	<b>109</b>	<b>113</b>	<b>115</b>	<b>166</b>
Assets	128	124	122	125	125	187
Liabilities	5	17	13	12	11	22
<b>Memorandum items</b>						
Gross official reserves in						
weeks of imports, cif	16	20	19	...	...	...
percent of broad money	23	27	26	25	27	22

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

1/ Bank of the Republic of Haiti.

2/ Excluding arrears.

Table 33. Haiti: Selected Foreign Trade Indices

(FY 1991/92=100)

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
<b>Exports</b>					
Value index, f.o.b.	116.0	124.8	165.1	240.1	297.2
(Annual change in percent)	27.3	7.6	32.3	45.4	23.8
Price index	109.0	109.2	109.2	110.0	111.2
(Annual change in percent)	4.8	0.2	-0.1	0.8	1.0
Volume index	106.4	114.2	151.3	218.2	267.3
(Annual change in percent)	21.5	7.3	32.4	44.3	22.5
Share of traditonal exports	10.3	19.7	9.3	8.9	12.3
<b>Imports</b>					
Value index, f.o.b.	217.4	215.3	224.9	255.0	313.8
(Annual change in percent)	152.2	-0.9	4.4	13.4	23.0
Price index	102.5	102.9	102.2	101.7	102.6
(Annual change in percent)	2.5	0.4	-0.7	-0.5	0.8
Volume index	212.1	209.3	220.1	250.7	306.0
(Annual change in percent)	146.1	-1.3	5.1	13.9	22.0
<b>Terms of trade</b>					
Index	106.3	106.2	106.8	108.2	108.4
(Annual change in percent)	2.3	-0.1	0.6	1.3	0.2
<b>Memorandum items</b>					
U.S. consumer price index (period average) 2/	108.6	111.9	114.5	116.8	119.1
Annual change in percent	2.8	3.0	2.3	2.0	2.0

Sources: Bank of the Republic of Haiti (BRH); U.S. Department of Labor; and Fund staff estimates.

1/ Value and price indices are U.S. dollar based. In contrast to the WEO based indices reported in Table 8 here are adjusted for imports and exports of the assembly industry. The U.S. consumer price index is used as movements of the industry's inputs and outputs.

2/ Index for all urban consumers (CPI-U).

Table 34. Haiti: Composition of Exports, f.o.b.

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
(In millions of U.S. dollars)					
<b>Total exports, f.o.b.</b>	<b>137.3</b>	<b>147.7</b>	<b>195.5</b>	<b>284.3</b>	<b>351.9</b>
<b>Agricultural exports</b>	<b>27.1</b>	<b>13.7</b>	<b>17.5</b>	<b>35.0</b>	<b>40.2</b>
Coffee	17.9	6.9	13.0	21.8	18.0
Sisal and sisal strings	0.9	0.6	0.8	2.0	4.6
Sugar	0.0	0.0	0.0	0.0	0.0
Cocoa	2.0	0.6	0.7	...	6.7
Mango	0.0	...	...	7.5	4.4
Essential oils	6.3	5.7	2.9	3.7	6.5
<b>Light manufactures 1/</b>	<b>96.9</b>	<b>126.6</b>	<b>159.4</b>	<b>239.3</b>	<b>296.2</b>
Domestic inputs	17.9	20.1	24.0	28.1	35.3
Imported inputs	79.0	106.5	135.4	211.2	261.0
<b>Other items</b>	<b>13.4</b>	<b>7.4</b>	<b>18.6</b>	<b>10.0</b>	<b>15.5</b>
(In percent of total exports)					
Agricultural exports	19.7	9.3	8.9	12.3	11.4
Light manufactures 1/	70.6	85.7	81.5	84.2	84.2
Others	9.7	5.0	9.5	3.5	4.4
(Annual percentage changes)					
Total exports	27.3	7.6	32.3	45.4	23.8
Agricultural exports	143.7	-49.3	27.3	100.2	15.1
Light manufactures 1/	9.3	30.7	25.9	50.1	23.8

Sources: Bank of the Republic of Haiti; U.S. Department of Commerce; and Fund staff estimates.

1/ Includes valuation and classification adjustments made by the Bank of the Republic of Haiti.

Table 35. Haiti: Exports of Light Manufactures to the United States

(In millions of U.S. dollars)

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
<b>Total value exported 1/</b>	<b>96.9</b>	<b>126.6</b>	<b>159.4</b>	<b>239.3</b>	<b>296.2</b>
<b>A. Products from domestic materials 2/</b>	<b>17.9</b>	<b>20.1</b>	<b>24.0</b>	<b>28.1</b>	<b>35.3</b>
Textiles: yarns, fabrics, and manufactures	5.0	5.7	9.5	10.3	12.9
Wood manufactures	0.6	1.4	1.2	1.1	1.4
Leather manufactures	5.8	6.8	6.5	5.2	6.5
Other	6.5	6.4	6.9	11.6	14.5
<b>B. Products from imported materials 3/</b>	<b>79.0</b>	<b>106.5</b>	<b>135.4</b>	<b>211.2</b>	<b>261.0</b>
<b>Textiles, apparel, etc.</b>	<b>64.5</b>	<b>96.5</b>	<b>128.5</b>	<b>203.1</b>	<b>251.0</b>
Wear, apparel, accessories, and articles made from fur	63.1	94.6	125.4	199.3	246.3
Travel goods, handbags, and similar articles	0.8	1.9	3.1	2.8	3.5
Footwear, excluding military and orthopedic	0.6	0.0	0.0	1.0	1.2
<b>Machinery and electronics</b>	<b>3.9</b>	<b>3.4</b>	<b>3.6</b>	<b>3.8</b>	<b>4.7</b>
<b>Miscellaneous manufactures</b>	<b>10.7</b>	<b>6.6</b>	<b>3.3</b>	<b>4.3</b>	<b>5.3</b>
Sporting goods, toys, and other similar products	3.6	3.5	3.3	2.3	2.8
Articles of rubber and plastic	0.0	0.2	0.0	2.0	2.5
Other manufactures	7.1	3.0	0.0	0.0	0.0

Sources: Bank of the Republic of Haiti; U.S. Department of Commerce; and Fund staff estimates.

1/ Exports to the United States represent about 90 percent of Haiti's light manufacturing exports.

2/ Fiscal year figures are estimates based on calendar year data.

3/ For 1993 only, fiscal year figures are estimates based on calendar year data.

Table 36. Haiti: Principal Commodity Exports

(Value in millions of U.S. dollars, volume in thousand tons, and unit value in US\$/kg, unless otherwise specified)

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
<b>Total value 1/</b>	<b>28.12</b>	<b>13.72</b>	<b>14.65</b>	<b>28.5</b>	<b>33.5</b>
<b>Coffee</b>					
Value	14.11	6.85	10.16	21.8	18.0
Volume 2/	148.50	70.32	84.90	195.2	205.8
Unit price 3/	95.03	97.41	120.00	111.4	87.7
<b>Sisal and sisal strings</b>					
Value	4.82	0.60	0.84	2.0	4.6
Volume	3.43	1.30	1.87	3.8	8.3
Unit price	0.43	0.46	0.45	0.5	0.5
<b>Cocoa</b>					
Value	1.95	0.61	0.68	1.1	4.4
Volume	3.40	1.05	1.08	1.5	8.6
Unit price	0.57	0.58	0.63	0.8	0.5
<b>Essential oils</b>					
Value	7.24	5.66	2.94	3.7	6.5
Volume	0.23	0.17	0.10	0.1	0.2
Unit price	31.56	33.00	30.10	31.5	33.0

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

1/ Some value figures may not be equal to the product of volume and unit value because of rounding.

2/ In thousands of 60 kilogram bags.

3/ U.S. dollars per 60 kilogram bag.

Table 37. Haiti: Composition of Imports, c.i.f.

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
(In millions of U.S. dollars)					
<b>Total</b>	<b>481.4</b>	<b>687.9</b>	<b>706.6</b>	<b>821.3</b>	<b>1010.6</b>
Food and others 1/	217.0	343.0	318.4	331.8	434.9
<i>Of which</i>					
Food	149.0	219.6	200.4	234.7	295.0
Fuel and lubricants	71.3	79.4	74.9	80.8	85.4
<i>Of which</i>					
Petroleum and derivatives	70.2	70.7	70.6	77.8	82.4
Machines and transport equipment	95.1	125.0	111.5	125.8	194.3
Raw Materials	22.7	7.9	17.2	22.5	18.8
Manufactured goods	68.3	130.6	154.4	202.7	257.2
Other imports	7.0	2.0	30.3	57.7	20.0
(In percent of total)					
Food and others	45.1	49.9	45.1	40.4	43.0
Fuel and lubricants	14.8	11.5	10.6	9.8	8.5
Machines and transportation	19.8	18.2	15.8	15.3	19.2
Raw materials	4.7	1.2	2.4	2.7	1.9
Manufactured goods	14.2	19.0	21.9	24.7	25.4
Other imports	1.5	0.3	4.3	7.0	2.0
(Annual percentage change)					
<b>Total</b>	<b>162.6</b>	<b>42.9</b>	<b>2.7</b>	<b>14.3</b>	<b>23.0</b>
Food and others	118.3	58.1	-7.2	4.2	31.1
Fuel and lubricants	54.3	11.4	-5.7	7.9	5.7
Machines and transportation	1,135.1	31.4	-10.8	12.8	54.5
Raw materials	808.0	-65.2	117.7	31.2	-16.4
Manufactured goods	798.7	91.2	18.2	31.3	26.9

Sources: Bank of the Republic of Haiti; U.S. Department of Commerce; and Fund staff estimates.

1/ Includes beverage, oils and fats, and pharmaceutical products.



Table 38. Haiti: Official Grants

(In millions of U.S. dollars)

	Fiscal Year Ending September 30				
	1995 1/	1996	1997	1998	1999
<b>Total</b>	<b>409.9</b>	<b>293.1</b>	<b>221.9</b>	<b>222.6</b>	<b>256.8</b>
<b>Bilateral donors</b>	<b>297.5</b>	<b>187.3</b>	<b>141.2</b>	<b>143.2</b>	<b>183.1</b>
Canada	31.3	34.3	26.7	24.8	33.2
France	15.9	7.2	21.0	10.0	13.5
Germany	1.4	4.3	3.0	5.0	3.6
Japan	13.6	0.3	7.2	12.7	12.9
Netherlands	1.9	2.9	1.0	2.0	5.5
Switzerland	2.2	5.4	0.4	2.3	2.8
Taiwan Province of China 2/	...	...	9.5	17.4	8.9
United States	225.2	112.9	64.8	64.2	102.8
Other bilateral donors	6.0	20.0	7.7	4.7	0.0
<b>Multilateral donors</b>	<b>112.4</b>	<b>105.8</b>	<b>73.9</b>	<b>79.4</b>	<b>70.6</b>
European Union	60.1	61.1	44.5	49.9	32.1
UNDP	9.6	16.7	14.3	12.8	11.8
WHO-PAHO	2.2	2.6	4.5	0.4	0.5
WFP	1.5	3.0	2.9	3.4	1.4
Other UN organizations	12.5	12.1	5.6	11.3	20.4
Other multilateral donors	26.5	10.3	2.1	1.6	4.4
<b>Nongovernment organizations 3/</b>	<b>0.0</b>	<b>0.0</b>	<b>6.8</b>	<b>0.0</b>	<b>3.0</b>
<b>Memorandum items:</b>					
Humanitarian aid	72.4	67.6	48.3	37.7	48.5

Sources: U.S. Monitoring Report, World Bank survey on donor financing; and Fund staff estimates.

1/ Includes US\$64 million for grants for clearance of arrears to international financial institutions.

2/ For 1995-96, grants provided by the Taiwan Province of China are included under other bilateral donors.

3/ During 1992-94, most official aid was channeled through nongovernment organizations (NGOs). Beginning in 1995, some grants channeled through NGOs may be included in the figures for grants by bilateral donors, but explicit data on grants by NGOs are not readily available.

Table 39. Haiti: Loan Disbursements

(In millions of U.S. dollars)

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
<b>Total</b>	<b>150.0</b>	<b>121.5</b>	<b>131.9</b>	<b>97.4</b>	<b>103.0</b>
<b>Bilateral</b>	<b>2</b>	<b>9</b>	<b>11.7</b>	<b>5.7</b>	<b>1.5</b>
France	2	9	11.7	5.7	1.5
<b>Multilateral</b>	<b>123.5</b>	<b>112.5</b>	<b>100.5</b>	<b>91.7</b>	<b>80.9</b>
EIB	0	1	3.5	0	0
IDA/IBRD	49.4	66.7	39.9	37.8	14.6
IDB	74.1	44.8	57.1	52.4	64.8
OPEC/FIDA	0	0	0	1.5	1.5
IMF	24.5	0	19.7	0	20.6
<b>Memorandum item:</b>					
Total, excluding the IMF	125.5	121.5	112.2	97.4	82.4

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

Table 40. Haiti: Stock of External Public Debt 1/

	September 30				
	1995	1996	1997	1998	1999
(In millions of U.S. dollars)					
<b>Total</b>	<b>781.2</b>	<b>905.4</b>	<b>1,050.4</b>	<b>1,107.2</b>	<b>1,165.6</b>
<b>Medium and long-term debt</b>	<b>771.5</b>	<b>905.4</b>	<b>1,050.4</b>	<b>1,106.2</b>	<b>1,165.5</b>
Bilateral creditors	124.9	149.1	193.6	173.2	155.8
United States 2/	9.7	7.8	11.8	10.8	10.6
France	7.4	43.6	52.4	53.9	48.4
Others 3/	107.8	97.7	108.5	108.5	96.8
Multilateral creditors	620.4	731.0	810.8	895.0	961.7
IDA	388.4	472.5	486.2	523.9	514.7
FIDA	0.0	0.0	22.3	21.4	22.3
IDB	228.5	255.3	298.2	344.9	420.7
OPEC Special Fund	3.5	3.2	4.1	4.8	4.0
IMF and IMF Trust Fund	26.2	25.3	46.0	38.0	48.0
<b>Other debt 4/</b>	<b>9.7</b>	<b>0.0</b>	<b>0.0</b>	<b>1.0</b>	<b>0.1</b>
Short term	9.7	0.0	0.0	0.0	0.0
Arrears	0.0	0.0	0.0	1.0	0.1
(In percent of GDP)					
<b>Total</b>	<b>29.7</b>	<b>30.6</b>	<b>30.3</b>	<b>28.8</b>	<b>27.1</b>
<b>Medium and long-term debt</b>	<b>29.3</b>	<b>30.6</b>	<b>30.3</b>	<b>28.8</b>	<b>27.1</b>
Bilateral creditors	4.7	5.0	5.6	4.5	3.6
United States 2/	0.4	0.3	0.3	0.3	0.2
France	0.3	1.5	1.5	1.4	1.1
Others 3/	4.1	3.3	3.1	2.8	2.2
Multilateral creditors	23.6	24.7	23.4	23.3	22.3
IBRD/IDA	14.7	16.0	14.0	13.6	12.0
IMF and IMF Trust Fund	0.0	0.0	0.6	0.6	0.5
IDB	8.7	8.6	8.6	9.0	9.8
OPEC Special Fund	0.1	0.1	0.1	0.1	0.1
<b>Other debt 4/</b>	<b>0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Short term	0.4	0.0	0.0	0.0	0.0
Arrears	0.0	0.0	0.0	0.0	0.0
<b>Memorandum item:</b>					
Nominal GDP (millions of U.S. dollars)	2,633.8	2,955.1	3,462.4	3,839.0	4,306.5

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

1/ Includes concessional and commercial public debt, officially guaranteed debt, and central bank liabilities, including use of Fund resources.

2/ Debt cancellation by the United States in 1991 was accounted for only in 1995 after Haiti's return to constitutional rule

3/ Increase in 1995 reflect recognition of debt in dispute.

4/ Excludes overdue suppliers' credits in dispute ("dette en litige").

Table 41. Haiti: Scheduled External Public Debt Service

(In millions of U.S. dollars)

	Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
<b>Total scheduled payments</b>	<b>29.6</b>	<b>25.0</b>	<b>31.9</b>	<b>43.4</b>	<b>55.9</b>
<b>Interest</b>	<b>9.8</b>	<b>8.1</b>	<b>12.3</b>	<b>12.9</b>	<b>20.2</b>
Bilateral creditors	1.7	0.7	4.0	2.3	8.0
United States	0.9	0.0	0.8	0.7	0.5
France	0.6	0.5	1.7	1.0	2.1
Others 1/	0.2	0.2	1.5	0.6	5.4
Multilateral creditors	8.1	7.4	8.3	8.6	10.0
IMF	1.9	0.0	0.0	2.0	2.2
IBRD/IDA	2.5	3.0	3.0	3.3	3.8
IDB	3.7	4.2	5.0	4.9	5.6
OPEC Fund/FIDA	0.1	0.2	0.3	0.4	0.5
<b>Amortization payments</b>	<b>19.8</b>	<b>16.9</b>	<b>19.6</b>	<b>30.5</b>	<b>35.7</b>
Bilateral creditors	2.0	2.6	4.2	10.1	8.1
United States	1.2	0.0	0.3	0.5	0.3
France	0.8	0.8	1.2	2.0	4.0
Others 1/	0.0	1.8	2.7	7.6	3.8
Multilateral creditors	15.8	14.3	15.4	15.1	16.4
IMF	3.1	2.6	1.3	5.3	11.2
IBRD/IDA	5.4	3.8	4.3	5.1	6.4
IDB	5.7	6.4	8.3	8.2	8.5
OPEC Fund/FIDA	1.6	1.5	1.5	1.8	1.5

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

1/ The main creditors are Venezuela, Argentina, and Canada.

Table 42. Haiti: Stock of External Arrears

(In millions of U.S. dollars)

	September 30					
	1994	1995	1996	1997	1998	1999
<b>Total</b>	<b>120.9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Multilateral creditors</b>	<b>79.8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
IDB	27.4	0	0	0	0	0
World Bank/IDA	15.1	0	0	0	0	0
IMF	34.4	0	0	0	0	0
Other (OPEC and FIDA)	2.9	0	0	0	0	0
<b>Bilateral creditors</b>	<b>41.1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
U.S. Aid	3.4	0	0	0	0	0
United States (EXIMBANK)	11.9	0	0	0	0	0
United States (FMS)	0.3	0	0	0	0	0
Mexico (PEMEX)	0.7	0	0	0	0	0
Venezuela (FIV)	4.1	0	0	0	0	0
Canada (Wheat Board)	5.4	0	0	0	0	0
Taiwan, Province of China (EXIMBANK)	2.5	0	0	0	0	0
Argentina	12.8	0	0	0	0	0

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

**Summary of the Tax System**  
(As of September 30, 2000)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates												
<b>I. Tax on net income and profits</b>  (Amended by decree of September 29, 1988)  1.1 Corporate income tax	Tax on net industrial and commercial profits of enterprises (including state enterprises) and companies, including capital gains and after deduction of all legitimate charges; dividends paid to affiliated companies are not taxed.	Enterprises with a turnover not exceeding G 50,000. Agricultural cooperatives, mutual loan associations, and enterprises granted privileges under the Investment Code. Fifty percent of capital gains on developed property and 25 percent on undeveloped property.	Net profits of <b>local companies</b> are subject to the actual profits regime ( <i>régime réel</i> ).  The actual profits regime includes the following schedule of marginal rates: <table><tr><th>Profits in gourdes</th><th>Percentage</th></tr><tr><td>1-20,000</td><td>10</td></tr><tr><td>20,001-100,000</td><td>15</td></tr><tr><td>100,001-250,000</td><td>20</td></tr><tr><td>250,001-750,000</td><td>30</td></tr><tr><td>Over 750,000</td><td>35</td></tr></table> Enterprises are required to make an installment payment equal to 1 percent of the previous year's profits <b>plus</b> 1 percent of the current value of imports. Undistributed profits are taxable at the rate of 15 percent after five years unless reinvested.  <b>Foreign companies:</b> In addition to the actual profits regime, a surcharge representing 30 percent of net profits <b>after</b> tax, constituting the final tax on profits to be distributed to foreign shareholders.	Profits in gourdes	Percentage	1-20,000	10	20,001-100,000	15	100,001-250,000	20	250,001-750,000	30	Over 750,000	35
Profits in gourdes	Percentage														
1-20,000	10														
20,001-100,000	15														
100,001-250,000	20														
250,001-750,000	30														
Over 750,000	35														
1.2 Personal income tax	Based on aggregate income, including income from real estate; industrial, commercial, and agricultural profits; investment income; income from literary works and patented inventions; wages and salaries; interest and dividends received; and all types of capital gains.	<b>Exemptions:</b> Foreign diplomatic and consular personnel.  <b>Deductions:</b> (1) deficits carried over from previous fiscal years; (2) for a principal residence: 20 percent of the annual rent or the sum of real estate tax and mortgage interest payments; (3) donations to charitable or public-interest institutions, up to 20 percent of income; and (4) 50 percent of capital gains on developed property and 25 percent on undeveloped property.	For <b>income</b> , a progressive general schedule with the following marginal rates: <table><tr><th>Income in gourdes</th><th>Percentage</th></tr><tr><td>20,001-100,000</td><td>10</td></tr><tr><td>100,001-250,000</td><td>15</td></tr><tr><td>250,001-750,000</td><td>25</td></tr><tr><td>Over 750,000</td><td>30</td></tr></table> with the application of tax credits and source withholding.  For <b>profits</b> , applicable rates are as follows:  <b>Presumptive regime:</b> G 50,000-250,000 1 percent of turnover 2 percent of the value of imports, c.i.f.  (in both cases, constituting payment in full)  <b>Actual profits regime:</b> See 1.1 above.  Taxpayers whose noncommercial profits are less than G 20,000 are subject to a <b>presumptive</b> tax of 1 percent of their gross income, with a minimum of G 600, deductible from the final tax but not refundable. Source withholding on: wages (1½ of the tax paid the previous year), unreported bonuses (10 percent, in full payment), commissions and capital gains on developed land (2½ percent) and undeveloped land (10 percent), and on interest and dividends (15 percent).	Income in gourdes	Percentage	20,001-100,000	10	100,001-250,000	15	250,001-750,000	25	Over 750,000	30		
Income in gourdes	Percentage														
20,001-100,000	10														
100,001-250,000	15														
250,001-750,000	25														
Over 750,000	30														

### Summary of the Tax System (As of September 30, 2000)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
<b>2. Social security contributions</b>			Monthly contribution (Wages in gourdes) (Percentage)
2.1 ONA (old-age pensions)	A monthly contribution by private sector employers and employees to the pension scheme, based on actual wages, with a daily minimum of G 13.50.		Less than 201 2 201-500 3 501-1,000 4 Over 1,000 6 Payable by employer and employee.
2.2 OFATMA (work-related accidents)	Monthly contribution paid by employers to assist employees who are victims of work-related accidents or illnesses, based on actual wages, with a daily minimum of G 8.50.		Paid by the employer:  2 percent for commercial enterprises;  3 percent for agricultural, industrial, and construction enterprises;  6 percent for mining operations.
<b>3. Payroll tax</b> (Decree of October 14, 1988)	Paid by employers and based on the total value of the cash and noncash emoluments of public- and private-sector employees.	Diplomatic missions, NGOs, and international organizations.	2 percent
<b>4. Property taxes</b> (Land tax on developed property) (Decree of April 5, 1979, as amended through January 1982).	Based on the net annual rental value of land and buildings erected with nontraditional materials.	Full exemption for the buildings of government departments providing nonprofit public services; buildings used for religious activities; and buildings belonging to cultural associations, educational institutions, and diplomatic missions.  <b>Reductions:</b>  Single-rental apartments (furnished): 30 percent.  Multiple-rental apartments: Furnished: 50 percent. Unfurnished: 33 percent.  All buildings in locations other than Port-au-Prince and Pétionville: reductions of 75 percent (1st year), 50 percent (2nd year), and 25 percent (3rd year).  Owner-occupied property with a rental value of less than G 480 in urban areas and G 900 in rural areas is exempt.	Annual Rental Value Rate (In gourdes) (In percent)  Up to 2,400 6 2,401- 3,300 7 3,301- 7,200 8 7,201- 9,600 9 9,601-12,000 10 12,001-14,400 11 14,401-16,800 12 16,801-19,200 13 19,201-21,600 14 Over 21,600 15
<b>4.2 Stamp tax</b> (Decree of September 28, 1977)	Stamp tax on sales of tangible or intangible assets or inheritances.		On the selling price or the value of the assets:  Sales of tangible assets: 2 percent Sales of intangible assets: 3 percent  Inheritances: 1-8 percent, depending on the type of goods and the degree of relationship between the parties involved.

### Summary of the Tax System (As of September 30, 2000)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
<b>5. Taxes on goods and services</b>  <b>5.1 Value-added tax</b> (Decree of September 19, 1982, as amended through June 1996)	General tax on sales of goods (including agro-industrial), on the provision of services (including water, electricity, and local bank premiums and charges), and on imports, calculated at each stage in the production/distribution/import chain, with credit for tax paid on purchases.	<b>Exemptions:</b> (1) business persons with a turnover of less than G 100,000; (2) service providers with a turnover of less than G 100,000; (3) international services (transportation equipment maintenance); (4) interest on bank loans and on banking and insurance operations; (5) wages and education and health care expenses; (6) operations of nonprofit organizations; (7) exports and re-exports; (8) imported petroleum products; (9) equipment and inputs for agriculture, livestock, and fisheries; and (10) supplies for education.  <b>Deductions:</b> The tax collected on inputs of a taxable operation is deductible from the tax applicable to that operation.	10 percent of the price of goods and services, including other duties and taxes.
<b>5.2 Excise duties</b> (Decree of September 3, 1971, as amended in August 1987)  <b>5.2.1 Excise duty on tobacco products</b>	Specific regular and supplementary duty on cigarettes.	Tobacco cultivated and dried domestically with no further processing and powdered tobacco are exempt.	<b>Cigarettes (per pack of 20)</b>  <b>Regular duty</b> Domestic production G 1.00 Imports G 1.25  <b>Supplementary duty (per kg)</b> Domestic G 7.00 Imports G 14.50  <b>Cigars</b> Domestic production G 0.01-0.05 Imports G 0.05-0.50  <b>Tobacco (per kg)</b> Local G 0.10-0.50 Imported G 0.20-2.00



**Summary of the Tax System**  
(As of September 30, 2000)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
<p>5.2.2 Excise duties on alcoholic beverages</p> <p>(Decree of April 1984, as amended in 1988 and 1993)</p>	<p>Specific duties on imported and domestically produced spirits, wines, and malted beer.</p>		<p>(In gourdes per liter)</p> <p><b>Regular duties:</b></p> <p><b>Local</b> Alcohol (&gt;25 percent natural Cartier cane juice) G 100 per month Molasses (&lt;25 percent natural Cartier cane juice) G 150 per month</p> <p><b>Imported</b> Liqueurs G 2.50 Gin, vodka, and cognac G 10.00 Whisky G 15.00 Stout, malted ale (per 24 bottle case) G 2.00 Wine and champagne G 2.00</p> <p><b>Local and imported</b> Beer (per 24-bottle case) G 7.00 Rum (per liter) G 1.00–G 7.35</p> <p><b>Supplementary duties on local and imported beer</b> (per 24-bottle case) G 1–G 7.35 Beer G 2.25 Stout G 2.25</p>
<p>5.2.3 Excise duties on petroleum products</p> <p>(Decree of February 1995, as amended in May 1996)</p>	<p>Specific duties collected by Customs at the time of importation.</p>	<p>Electricité d'Haïti and government bodies; diplomatic missions; and certain NGOs.</p>	<p><b>Fixed duties (in gourdes per gallon):</b> Gasoline G 3.30 Diesel oil G 3.10 Kerosene G 2.50 Aviation fuel G 0.25 Lubricants G 0.15 Heating oil G 0.10</p> <p><b>Variable duties (in gourdes per gallon):</b> Based on original reference levels, as follows: Gasoline G 6.80 Diesel G 4.00 Kerosene G 0.44</p> <p>The price at the pump is to be adjusted upwards or downwards when the change in the landed cost exceeds 5 percent.</p>
<p>5.2.4 Excise duties on other items and on carbonated beverages</p>	<p>Specific duties on refined sugar, flour, and carbonated beverages manufactured locally.</p>		<p>Sugar G 20.00 per 100-lb bag Flour G 3.75 per 100-lb bag Carbonated beverages G 7.20 per 144 bottles</p>
<p>5.2.5 Excise duties on luxury foodstuffs</p>	<p>Levied on a wide range of imported foodstuffs.</p>		<p>5 percent of the value, c.i.f.</p>

### Summary of the Tax System (As of September 30, 2000)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
<b>5.3 Business fees and licenses</b>  <b>5.3.1 Business fees</b> (Decree of September 28, 1987)	Annual presumptive professional fee payable by any individual or legal entity engaged in a professional activity in Haiti, levied by the commune of which the taxpayer is a resident. Communes are classified into three groups, the main one being Port-au-Prince and its suburbs. This fee is either fixed, on the basis of the schedule and depending on the location of the business and the sector of economic activity involved; or variable, based on the difference between the turnover and the wage bill of the business.	Local governments, farmers, stock breeders, fishermen, wage earners, cooperatives, artists, authors, musicians, and singers.	<b>Professional fee (business license):</b>  <b>Group I:</b> From G 40 (small retailers) to G 2,000 (mining industries) Average: G 400-1,000 For exempt export industries: G 7,500  <b>Groups II and III:</b> ½ and 1/4, respectively, of the Group I rate.
<b>5.3.2 Licenses</b> (Decree of January 13, 1978)	Annual tax on the authorization to engage in certain industrial or commercial activities or certain professions. All foreign and domestic enterprises are subject to this tax, as are manufacturers of products for local consumption, distilleries, breweries, and tobacco factories.		Tobacco factories                      G 2,500 Breweries                                G 1,500 Distilleries                              G 20 per boiler Local factories                        G 250-1,000 based on turnover
<b>5.4 Motor vehicle tax</b>  <b>5.4.1 Tax on initial registration</b> (Decree of February 18, 1987)	Based on the value, c.i.f.	25-seat van 2-ton truck	Van (12-24 seats): 5 percent of the value, c.i.f. Truck (< 2 tons): 5 percent of the value, c.i.f.  <b>Other vehicles</b>  G 0-35,000                      5 percent G 35,000-55,000              10 percent G 55,000-75,000              15 percent Over G 75,000                20 percent
<b>5.4.2 Annual fee (April 1993, as amended in May 1996)</b> (Registration tags)	Based on the cylinders, weight, and number of wheels of private and public vehicles.		Excise of 10 percent on all vehicles with a capacity of at least 2000 cubic centimeters. Private (gasoline): 4-8 cylinders: G 60-110 Public (gasoline): 4-8 cylinder: G 60-120 Public (diesel): 2-8 cylinders: G 60-100 Public (trucks): ½-8 tons, 4-6 wheels: G 80-240

### Summary of the Tax System (As of September 30, 2000)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
<b>6. Taxes on international trade and transactions</b>  (Regime amended in February 1995)  6.1 Import duties  6.1.1 Customs tariff	   <		

Source: Ministry of Economy and Finance.