

DOCUMENT OF INTERNATIONAL MONETARY FUND  
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**FOR  
AGENDA**

EBS/88/173

CONFIDENTIAL

August 17, 1988

To: Members of the Executive Board

From: The Secretary

Subject: Haiti - Overdue Financial Obligations to the Fund -  
Report and Complaint Under Rule K-1

The attached paper is scheduled for consideration by the Executive Directors on Wednesday, August 24, 1988. A draft decision appears on page 2.

Mr. Blalock (ext. 8341) or Mr. Ross (ext. 8254) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

INTERNATIONAL MONETARY FUND

Haiti - Overdue Financial Obligations to the Fund -  
Report and Complaint Under Rule K-1

Prepared by the Treasurer's, Western Hemisphere, and Legal Departments

Approved by Gerhard Laske, S.T. Beza, and F.P. Gianviti

August 17, 1988

1. On August 24, 1988 the Executive Board will give substantive consideration to the Managing Director's complaint under Rule K-1 with respect to Haiti's overdue financial obligations to the Fund in the General Department (EBS/88/134, 7/11/88, and Sup. 1, 7/15/88). Since issuance of the complaint, which was noted by the Executive Board on July 18, 1988 (see Attachment I), Haiti has made a payment to the Fund of SDR 1.1 million on July 13, 1988. Taking into account this payment and newly overdue obligations totaling SDR 3.3 million, Haiti's overdue financial obligations to the Fund amounted to SDR 7.0 million as of August 16, 1988 (see Attachment II), of which SDR 5.6 million were in the General Department. 1/ 2/

2. In late December 1987 external aid flows to Haiti were curtailed, resulting in a large financing gap in the program for FY 1987/88 3/ that had been prepared in September 1987 as the basis for a second annual arrangement under the SAF. In the wake of these developments, conclusion of the Article IV consultation was delayed until April 22, 1988 and the request for the second annual arrangement under the SAF was not discussed by the Executive Board. In addition to the pressure on available resources occasioned by the curtailment of aid flows, domestic fiscal performance deteriorated during the first nine months of FY 1987/88. At the end of June 1988, disposable gross official reserves stood at about US\$6 million (the equivalent of one week of imports).

3. A draft decision for adoption by the Executive Board on August 24, 1988 is provided below. This draft, which would be revised as appropriate to take into account any new relevant information, the

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1/ In addition, quarterly charges of SDR 192,132 are due on August 18, 1988.

2/ In addition to its overdue obligations in the General Department, Haiti has overdue net SDR charges, Trust Fund repayments, and Trust Fund interest. If these obligations are not settled shortly, a report and complaint under Rule S-1 and a notice of failure to settle Trust Fund obligations will be issued.

3/ The Haitian fiscal year runs from October 1 to September 30.

presentation of Haiti's case, and the views of the Executive Board, incorporates action identical to that taken by the Executive Board on the occasion of its substantive consideration of K-1 complaints in most other cases.

Draft Decision

1. The Managing Director has reported to the Executive Board, under Rule K-1 of the Fund's Rules and Regulations, the facts on the basis of which it appeared to him at the date of this report that Haiti was not fulfilling its obligations under the Articles of Agreement, and submitted a complaint on July 11, 1988 (EBS/88/123 and Sup. 1) in accordance with that Rule. The revised complaint under Rule K-1 was that as of July 14, 1988, Haiti was not fulfilling its obligations relating to repurchases and the payment of charges and interest in the General Department in the total amount of SDR 4,351,610. These facts and the complaint of the Managing Director were communicated to the authorities of Haiti on July 19, 1988.

2. The Fund finds that Haiti has failed to fulfill its obligations under the Articles of Agreement relating to repurchases and the payment of charges and interest in the General Department.

3. The Fund regrets the nonobservance by Haiti of its obligations, urges Haiti to resume their observance forthwith, and decides, pursuant to Rule K-2 of the Fund's Rules and Regulations, that Haiti shall not make use of the general resources of the Fund until such time as Haiti has become current in its obligations under the Articles of Agreement relating to repurchases and the payment of charges and interest in the General Department.

4. The Fund shall review the matter of Haiti's overdue financial obligations to the Fund within a period of three months from the date of this decision.

Attachments

INTERNATIONAL MONETARY FUND

Haiti - Overdue Financial Obligations -  
Report and Complaint Under Rule K-1

Executive Board Decision No. 8921-(88/107) -  
Adopted July 18, 1988, As Amended

1. The complaint of the Managing Director under Rule K-1 dated July 11, 1988 on Haiti in EBS/88/134, July 11, 1988, is noted. It shall be placed on the agenda of the Executive Board for August 24, 1988.
2. The Fund urges Haiti to become current in its financial obligations to the Fund promptly and to avoid thereby the need for the Fund to take remedial action.
3. Consideration of the complaint in accordance with Rule K-1 particularly affects Haiti. The member shall be informed by rapid means of communication of this matter and of its right to present its views through an appropriately authorized representative.

Haiti - Overdue Financial Obligations to the Fund 1/  
(As of August 16, 1988)

Type of Obligation	Date of Purchase or Loan	Due Date	Days Overdue	SDR Amount
<u>General Resources Account</u>				
CT repurchase	11/15/83	5/13/88	95	396,928
Quarterly charges	--	5/16/88	92	162,084
CT repurchase	11/15/83	5/20/88	88	477,273
CT repurchase	11/30/82	6/06/88	71	132,102
EF repurchase	12/10/80	6/09/88	68	900,000
CT repurchase	9/30/83	6/29/88	48	539,773
CT repurchase	6/30/83	6/29/88	48	454,542
CT repurchase	6/30/83	7/06/88	41	545,455
Special charges	--	7/11/88	36	2,070
Semiannual charges (EA)	--	7/18/88	29	719,454
CT repurchase	4/30/84	7/29/88	18	875,000
CT repurchase	11/15/83	8/12/88	4	<u>397,727</u>
Subtotal				5,602,408
<u>Special Disbursement Account</u>				
SAF interest	--	6/30/88	47	21,929
<u>SDR Department</u>				
Net SDR Charges	--	8/01/88	15	205,636
<u>Trust Fund</u>				
Interest	--	6/30/88	47	11,871
Special charges (TF)	--	7/11/88	36	2,545
Repayment	7/27/78	7/26/88	21	458,803
Repayment	7/31/79	7/29/88	18	207,100
Repayment	1/31/79	7/29/88	18	243,200
Repayment	7/31/80	7/29/88	18	91,200
Repayment	1/31/80	7/29/88	18	<u>161,500</u>
Subtotal				1,176,219
Total				<u>7,006,192</u> =====

1/ In addition, quarterly charges of SDR 192,132 are due on August 18, 1988.