INTERNATIONAL MONETARY FUND

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The International Monetary Fund has approved the use of Fund resources for the Government of Haiti totaling the equivalent of SDR 20.7 million over the next three years under the Structural Adjustment Facility (SAF). Of the total, SDR 8.82 million is available immediately to support the first year of the Government's structural adjustment program. Haiti's quota in the Fund is SDR 44.1 million, and its outstanding financial obligations to the Fund resulting from past operations and transactions, but excluding Trust Fund loans, currently total the equivalent of SDR 58.1 million.

Haiti's economic and financial situation has deteriorated in recent years. The pursuit of generally prudent fiscal and credit policies during the previous decade gave way to a weakening of fiscal performance and to an expansion of the role of the public sector in the economy. The Government also entered into new industrial ventures which required subsidies and extensive protection. During 1980-85 the public sector resorted heavily to central bank credit, bringing pressure on prices and the balance of payments.

The Government that came to power in February 1986 has acted to correct fiscal and balance of payments imbalances and to improve resource allocation. The authorities have been able to reduce public expenditures and to redirect resources to areas such as agriculture, education, and public health. The fiscal deficit was reduced considerably for the first time in many years, and the overall balance of payments registered a surplus in the fiscal year ending September 30, 1986 after running a deficit for a number of years. The authorities have stated their intention to encourage competition in the economy, and in this connection, have closed inefficient public enterprises, engaged in a first round of trade liberalization, and reduced taxation on export commodities.

The medium-term policy framework supported under the SAF seeks to sustain a rate of output growth of at least 4.5 percent over the 1987-89 period, to contain the rate of inflation to no more than that of Haiti's trading partners, and to achieve an overall balance of payments surplus over the period. To these ends, the momentum of policy reforms will be maintained through further steps to liberalize trade to expose public and private firms to greater competition, reform of public enterprises, stringent controls over public expenditure, especially investment projects, and tax reform to simplify the tax system and to raise its elasticity over the medium term.

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