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FOR AGENDA

EBS/85/2

CONFIDENTIAL

January 4, 1985

To: Members of the Executive Board

From: The Secretary

Subject: Haiti - Staff Report for the 1984 Article IV Consultation and Review Under Stand-By Arrangement

Attached for consideration by the Executive Directors is the staff report for the 1984 Article IV consultation with Haiti and a review under the stand-by arrangement.

This subject will be brought to the agenda for discussion on a date to be announced.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Pujol, ext. 8480.

Att: (1)

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INTERNATIONAL MONETARY FUND

HAITI

Staff Report for the 1984 Article IV Consultation and Review Under Stand-By Arrangement

Prepared by the Western Hemisphere Department 1/

(In consultation with the Exchange and Trade Relations, Fiscal Affairs, Legal, and Treasurer's Departments)

Approved by Eduardo Wiesner and Manuel Guitian

January 3, 1985

I. Introduction

The 1984 Article IV discussions with Haiti were held in Port-au-Prince during July 6-25, 1984, September 10-18, 1984, and September 27, 1984.2/ Representatives of Haiti in the discussions included the Minister of State for Economy, Finance and Industry; the Minister of State for the Presidency, Information and Public Relations; the Minister of State for Internal Affairs and Defense; the Ministers of Commerce, Agriculture and Natural Resources, and Planning; the Secretary of State for Finance and Budget; the Governor and other senior officials of the Bank of the Republic; the President of the National Credit Bank; and senior officials of various ministries, government agencies and state enterprises.

In the course of the consultation discussions, the staff also reviewed with the authorities the performance under the program undertaken in September 1983, which is being supported by a two-year stand-by arrangement with the Fund for an amount equivalent to SDR 60 million (136 percent of Haiti's present quota). This arrangement, which extends through September 30, 1985, was approved by the Fund on November 7, 1983 (EBM/83/153, 11/7/83), concurrently with the conclusion of the

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1/ A staff team consisting of Messrs. Pujol (Head), Hodjera, DeMilner, Ewenczyk (all WHD), Begashaw (ETR), and Ms. Cheriyan (Secretary-TRE) visited Port-au-Prince from July 5-25, 1984 to start the discussions which provided the basis for this paper. These discussions were continued during another visit to Port-au-Prince on September 10-18, 1984; on that occasion Mr. El-Erian (ETR) replaced Mr. Begashaw and Ms. Carr (Secretary-WHD) replaced Ms. Cheriyan. The consultation discussions were concluded in Washington during the annual meetings of the Fund on September 27, 1984. The mission was assisted by Mr. Selby, the Fund resident representative in Haiti.

2/ Haiti has accepted the obligations of the Article VIII, Sections 2, 3, and 4, of the Articles of Agreement.

1983 Article IV consultations; the staff reports on the 1983 consultation discussions and the stand-by arrangement are EBS/83/222 (10/11/83) and SM/83/209 (10/19/83).

The current two-year stand-by arrangement provides for a total possible access to Fund resources for the equivalent of SDR 28 million (63 percent of quota) in the first year and SDR 32 million (73 percent of quota) in the second year of the arrangement. Through the end of the first year--September 30, 1984--Haiti had purchased a total amount equivalent to SDR 21 million (Table 1). Haiti's last purchase under the arrangement was made in April 1984; Haiti was unable to make further purchases through end-September because some of the performance criteria under the arrangement were not being met. Purchases beyond September 30, 1984 are contingent on the establishment of suitable performance clauses for the second year of the program.

As of November 30, 1984 the Fund's holdings of Haitian gourdes amounted to SDR 130.2 million, equivalent to 295.2 percent of quota, of which 38.5 percent corresponded to purchases under the compensatory facility, 67.8 percent to purchases in the credit tranches, 24.4 percent to purchases under the extended facility, and 64.5 percent to purchases under the policy of enlarged access (Appendix I). In the past, Haiti has experienced brief delays in making payments to the Fund but is now current in its obligations to the Fund.

II. Economic Background and Recent Developments

1. Background developments

Haiti's balance of payments experienced a substantial weakening beginning in late 1979, as a surge in public expenditure gave rise to large public sector deficits which were largely financed with central bank credit. Moreover, in 1981 the world coffee market softened, domestic production and export volumes of coffee declined, and the economy moved into recession. As a result, government revenue dropped in absolute terms and the public sector deficit rose further, while the balance of payments deteriorated sharply and external payments arrears accumulated. In an effort to conserve increasingly scarce foreign exchange for essential imports, the authorities imposed surrender requirements on certain export proceeds and private remittances, and introduced a number of administrative trade restrictions. As the external payments situation grew progressively more difficult, the viability of the official exchange rate came into question and a parallel exchange market developed where the gourde was traded at a discount, which at one point was as large as 15 percent.

In early 1982 the authorities adopted a stabilization program which was supported by the Fund with a stand-by arrangement extending through September 1983. That program envisaged a substantial reduction of the portion of the public sector deficit not financed by concessional

Table 1. Haiti: Purchases and Repurchases, September 30, 1983-September 30, 1984

	Outstanding Sept. 30, 1983	Operations During First Program Year 1983 Oct.- Dec.	1984 Jan.- Mar.	1984 April- June	1984 July- Sept.	Out- standing Sept. 30 1984
	(In millions of SDRs)					
Purchases	65.15	7.00	--	14.00	--	86.15
Under tranche policies	48.15	7.00	--	14.00	--	69.15
Credit tranches	(19.73)	(3.18)	(--)	(7.00)	(--)	(29.91)
Enlarged access	(17.64)	(3.82)	(--)	(7.00)	(--)	(28.46)
Extended facility	(10.78)	(--)	(--)	(--)	(--)	(10.78)
Compensatory financing	17.00	--	--	--	--	17.00
Repurchases		--	--	--	--	
Net purchases		7.00	--	14.00	--	
Memorandum items						
Total holdings (end of period)	99.60	116.20	116.20	130.20	130.20	130.20
Excluding compensatory financing facility	(82.60)	(99.20)	(99.20)	(113.20)	(113.20)	(113.20)
Under tranches	(48.15)	(55.15)	(55.15)	(69.15)	(69.15)	(69.15)
Outstanding under Trust Fund (end of period)	17.93	17.93	17.15	17.15	16.12	16.12
	(In percent of current quota of SDR 44.1 million)					
Total holdings (end of period)	225.85	263.49	263.49	295.24	295.24	295.24
Excluding compensatory financing facility	(187.30)	(224.94)	(224.94)	(256.69)	(256.69)	(256.69)
Under tranches	(109.18)	(125.06)	(125.06)	(156.80)	(156.80)	(156.80)

Source: International Monetary Fund.

external aid, from the equivalent of over 6 1/2 percent of GDP in FY 1980/81 (the year ended September 1981) to 2 1/2 percent of GDP in FY 1981/82 and to 1 1/2 percent of GDP in FY 1982/83. To achieve those objectives, the program envisaged cuts of the order of 25 percent in central government spending. The program also contemplated the introduction of a new sales tax and other measures designed to strengthen government revenue. The improvement in the public finances was expected to reduce pressures on the balance of payments, restore confidence, and increase the availability of credit to the private sector.

The implementation of the above-mentioned stabilization program resulted in a significant reduction of the public sector deficit and an improvement in the balance of payments. The public sector deficit net of concessionary aid flows was reduced by more than 4 percentage points of GDP in FY 1981/82 and by close to another 1 percentage point of GDP in FY 1982/83 (Table 2). Meanwhile, the flows of concessionary external assistance increased, permitting a widening of the current account deficit of the balance of payments. At the same time, the overall balance of payments deficit was brought down from more than US$50 million in FY 1980/81 to about US$10 million in FY 1981/82 and US$12 million in FY 1982/83 (Table 3), and external payment arrears were reduced significantly. As a result, the pressures on the value of the gourde eased and the authorities rescinded most of the administrative trade restrictions that had been introduced in 1981.

Despite these developments, the international reserve position remained weak, and in late 1983 the authorities formulated a new program designed to consolidate the gains made in the public finances and bring international reserves to a higher level, with a view to providing a solid base for the resumption of sustained economic growth. This program was supported by the Fund with a new stand-by arrangement covering the period through September 30, 1985. An important aim of the program was to increase the country's net international reserves by at least US$8 million (G 40 million) in the first year of the arrangement, with a further accumulation of about the same order of magnitude during the second year. Such an improvement, together with the purchases contemplated under the arrangement with the Fund, was expected to enable the central bank to attain a gross foreign asset position sufficient to avoid a recurrence of payments arrears. Restoration of confidence in the gourde through an improved reserve position also was expected to enhance Haiti's ability to attract and retain private investment.

In order to achieve its balance of payments objective, the program sought to reduce the public sector deficit so that financing from the central bank and nonconcessional external loans would be no more than G 60 million in FY 1983/84 (less than 1 percent of GDP). Continuation of the fiscal reform, involving both revenue and expenditure measures, was considered essential to mobilize the domestic savings needed to finance the development effort and to attract a larger volume of external concessional assistance. It was also considered important to strengthen the various administrative and institutional units of the public sector,

Table 2. Haiti: Public Sector Operations

	Fiscal Year Ended September 30						
					1984		1985
	1980	1981	1982	1983	Prog.	Est.	Budget
	(In millions of gourdes)						
Current surplus or deficit (-) of general government	-45.3	-157.9	-95.8	-105.8	36.0	-160.3	130.0
Current revenue	691.1	659.8	749.3	846.5	950.0	914.8	1,080.0
Current expenditure	-736.4	-817.7	-845.1	-952.3	-914.0	-1,075.1	-950.0
Current surplus or deficit (-) of public enterprises	62.1	97.2	146.1	189.1	154.0	264.7	300.0
Of which: transfers to Government	--	--	75.1	74.4	--	112.4	53.0
Total savings of the public sector	16.8	-60.7	50.3	83.3	190.0	104.4	430.0
Capital outlays	597.9	891.0	732.2	843.5	872.0	876.5	1,042.8
Investment	597.9	891.0	732.2	833.5	872.0	844.5	1,042.8
Of which: nonconsolidated public sector	(19.0)	(-7.3)	(20.0)	(41.6)	(--)	(25.7)	(--)
Financial capital 1/	--	--	--	10.0	--	32.0	--
Public sector deficit	-580.7	-951.7	-681.9	-760.2	-682.0	-772.1	-612.8
Grants-in-aid	192.0	236.5	285.0	280.5	329.0	310.0	337.5
Overall deficit of the public sector (including grants-in-aid)	-388.7	-715.2	-396.9	-479.7	-353.0	-462.1	-275.3
Financing	388.7	715.2	396.9	479.7	353.0	462.1	275.3
External financing	175.5	469.0	156.0	382.9	293.0	249.1	260.3
Concessional loans	(158.5)	(217.0)	(195.5)	(326.1)	(293.0)	(300.3)	(275.3)
Commercial borrowing	(17.0)	(252.0)	(-39.5)	(56.8)	(--)	(-51.2)	(-15.0)
Domestic financing	213.2	246.2	240.9	96.8	60.0	213.0	15.0
Consolidated central bank and BNC	(213.2)	(261.4)	(241.3)	(74.6)	(60.0)	(207.1)	(15.0)
Private banks	(--)	(-15.2)	(-0.4)	(22.2)	(--)	(5.9)	(--)
Memorandum item							
Public sector deficit (program definition) 2/	-230.2	-498.2	-201.4	-153.6	-60.0	-161.8	--
	(In percent of GDP)						
Current surplus or deficit (-) of general government	-0.6	-2.1	-1.3	-1.2	0.4	-1.8	1.3
Current revenue	9.5	9.0	10.1	10.3	10.5	10.1	10.7
Current expenditure	-10.1	-11.1	-11.4	-11.6	10.1	-11.9	-9.4
Current surplus or deficit (-) of public enterprises	0.8	1.3	2.0	2.2	1.7	2.9	3.0
Of which: transfers to Government	--	--	1.0	0.9	--	1.2	0.5
Total savings of the public sector	0.2	-0.8	0.7	1.0	2.1	1.1	4.2
Capital outlays	8.2	12.1	9.9	10.3	9.6	9.7	10.3
Investment	8.2	12.1	9.9	10.2	9.6	9.3	10.3
Of which: nonconsolidated public sector	(0.5)	(0.2)	(0.1)	(0.5)	(--)	(0.3)	(--)
Financial capital	--	--	--	0.1	--	0.4	--
Public sector deficit	-8.0	-13.0	-9.2	-9.3	-7.5	-8.5	-6.1
Grants-in-aid	2.7	3.3	3.8	3.4	3.6	3.4	3.4
Overall deficit of the public sector (including grants-in aid)	-5.3	-9.7	-5.4	-5.9	-3.9	-5.1	-2.7
Financing	5.3	9.7	5.4	5.9	3.9	5.1	2.7
External financing	2.4	6.4	2.1	4.7	3.2	2.8	2.5
Concessional loans	(2.2)	(3.0)	(2.6)	(4.0)	(3.2)	(3.3)	(2.7)
Commercial borrowing	(0.2)	(3.4)	(-0.5)	(0.7)	(--)	(-0.5)	(-0.2)
Domestic financing	2.9	3.3	3.3	1.2	0.7	2.3	0.2
Consolidated central bank and BNC	(2.9)	(3.5)	(3.3)	(0.9)	(0.7)	(2.2)	(0.2)
Private banks	(--)	(-0.2)	(--)	(0.3)	(--)	(0.1)	(--)
Memorandum item							
Public sector deficit (program definition) 2/	-3.1	-6.8	-2.7	-1.9	-0.7	-1.8	--

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

1/ Includes expenditures by the Government for the acquisition of Ciment d'Haiti.

2/ Financed with credit extended by the central bank and BNC, private banks in Haiti, and commercial financing institutions abroad and hence, not including expenditures financed by grants-in-aid and credits on concessional terms.

Table 3. Haiti: Summary Balance of Payments

(In millions of U.S. dollars)

	Fiscal Year Ended September 30					
	1980	1981	1982	1983	Est. 1984	Proj. 1985
Goods and services	-145.52	-239.56	-167.85	-194.16	-189.31	-179.27
Trade balance	-108.05	-215.12	-123.67	-139.56	-127.85	-120.94
Exports, f.o.b.	(226.15)	(166.78)	(203.93)	(212.84)	(249.22)	(278.75)
Coffee	/90.90/	/33.10/	/35.90/	/52.48/	/47.50/	/56.00/
Light assembly industry	/43.18/	/50.60/	/65.44/	/69.03/	/86.70/	/95.37/
Other	/92.07/	/83.08/	/102.59/	/91.33/	/115.02/	/127.38/
Imports, c.i.f.	(334.20)	(381.90)	(327.60)	(352.40)	(377.07)	(399.69)
Petroleum imports	/56.80/	/62.80/	/50.50/	/54.32/	/58.12/	/61.61/
Other	/277.40/	/319.10/	/277.10/	/298.08/	/318.95/	/338.08/
Investment income	-15.87	-14.74	-16.78	-24.50	-19.80	-23.95
Interest on public debt	(-7.17)	(-9.41)	(-13.38)	(-16.42)	(-18.30)	(-21.95)
Other	(-8.70)	(-5.33)	(-3.40)	(-8.08)	(-1.50)	(-2.00)
Travel	35.90	43.80	39.50	33.30	28.04	32.53
Other services (net)	-57.50	-53.50	-66.90	-63.40	-69.70	-66.91
Transfers	85.40	130.90	118.90	111.80	123.20	133.23
Private transfers	52.00	64.80	49.70	42.50	45.00	48.15
Public transfers	33.40	66.10	69.20	69.30	78.20	85.08
To private sector	(10.60)	(18.80)	(12.20)	(13.20)	(16.20)	(17.60)
To public sector	(22.80)	(47.30)	(57.00)	(56.10)	(62.00)	(67.48)
Current account balance	-60.12	-108.66	-48.95	-82.36	-66.11	-46.04
Capital movements (net)	46.92	55.34	39.01	70.33	58.76	62.48
Official capital	65.20	101.98	30.30	75.86	51.61	61.57
Multilateral and bilateral	(40.60)	(43.40)	(39.10)	(65.76)	(61.99)	(79.27)
Drawings	/42.90/	/45.90/	/42.40/	/70.23/	/67.01/	/84.01/
Amortization	/2.30/	/2.50/	/3.30/	/4.47/	/5.02/	/4.74/
IMF Trust Fund	(8.00)	(0.08)	(-0.10)	(-0.54)	(-1.90)	(-2.76)
Commercial credits medium- and long-term	(13.80)	(56.80)	(-4.30)	(-4.86)	(-0.08)	(-11.86)
Drawings	/23.00/	/65.00/	/4.00/	/3.75/	/16.76/	/5.00/
Amortization	/9.20/	/8.20/	/8.30/	/8.61/	/16.84/	/16.86/
Of which: changes in publicly guaranteed debt	/13.20/	/8.10/	/-0.80/	/-0.60/	/-3.10/	/-2.24/
Drawings	[14.90]	[10.50]	[1.60]	[--]	[--]	[--]
Amortization	[1.70]	[2.40]	[2.40]	[0.60]	[3.10]	[2.24]
Changes in short term commercial debt	(2.80)	(1.70)	(-4.40)	(15.50)	(-8.40)	(-3.08)
Private capital, and errors and omissions	-21.48	-48.34	8.71	-5.53	7.15	0.91
SDR allocation	3.20	1.70	--	--	--	--
Unrequited earnings	3.60	--	--	--	--	--
Overall balance (deficit -)	-9.60	-53.32	-9.94	-12.03	-7.35	16.44
Financing	9.60	53.32	9.94	12.03	7.35	-16.44
Monetary capital (increase -)	-2.60	-1.30	-8.10	-5.62	-8.16	--
Exteral payments arrears (decrease -)	--	20.50	0.40	-12.15	-6.31	-2.44
Changes in net international reserves (increase -)	12.20	34.12	17.64	29.80	21.82	-14.00
Net use of Fund resources (decrease -)	(-2.91)	(13.83)	(28.96)	(25.77)	(21.83)	(22.57)
Other (net) (increase -)	(15.11)	(20.29)	(-11.32)	(4.03)	(-0.01)	(-36.57)
Memorandum items						
GDP (millions of gourdes)	7,309.00	7,344.00	7,378.00	8,183.00	9,055.00	10,108.00
Current account balance as percent of GDP	-4.11	-7.40	-3.32	-5.03	-3.65	-2.28
Gross official reserves (end of period)	40.00	19.30	35.41	27.94	26.86	63.43
(in weeks of imports, c.i.f.)	6.22	2.63	5.62	4.12	3.70	8.25
Net official reserves (end of period)	32.30	-1.82	-19.46	-49.26	-71.08	-57.08

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

including the public sector financial institutions. In this context, technical assistance was provided by the Fund in the fiscal area, and the separation of the operations and accounts of the central bank (BRH)1/ from those of the National Credit Bank (a publicly owned commercial bank) was carried out with the support of the staff. The separation of these two banks was expected to strengthen the central bank's control over the operations of the National Credit Bank (BNC).

2. Performance in the first year of the current stand-by arrangement

Performance during the fiscal year ended September 30, 1984 has fallen significantly short of the program's objectives (Table 4 and Chart 1). Haiti was not able to make the purchase scheduled for the end of January 1984, but the authorities were able to redress the situation sufficiently to make a purchase at the end of April 1984. However, the financial situation deteriorated again in the aftermath of civil disorders in two of the country's main provincial cities in May 1984, and the authorities were unable to bring the program back into compliance with the various quantitative performance criteria by September 30, 1984, the end of the first year of the arrangement. Therefore, no further drawings have taken place.

Some of the difficulties Haiti has encountered during the past year stem from the weakness of its economic recovery, the adverse effects on the tourist industry of publicity abroad about the AIDS disease, and the impact on the public finances of political developments following the May riots. Despite these problems, there has been some improvement in private sector confidence--especially in the assembly industry--which, if sustained, could bring about a strengthening of economic growth in the year ahead. Data for the first eight months of the fiscal year point to an increase in real GDP of 1.8 percent in FY 1983/84, which--though lower than the 3 percent growth originally envisaged under the program--would represent a significant improvement over the performance in the past three years (Table 5).

Following the disturbances of May 1984 there were growing pressures to increase public spending and to relax the adjustment effort. In June and July the public sector incurred sizable outlays for which there was no provision in the budget. These outlays were largely financed with central bank credit. Also, tax receipts weakened starting in the April-June quarter and, for the fiscal year as a whole, they fell short of budget projections. As a result, in FY 1983/84 the part of the public sector deficit not financed by concessional external aid failed to decrease in relation to GDP as had been planned in the program and recourse to central bank financing increased sharply, as there was a large net repayment of external nonconcessional debt.

1/ Bank of the Republic of Haiti.

Table 4. Haiti: Performance Under the Current Stand-By Arrangement, FY 1983/84

(In millions of gourdes, unless otherwise specified)

	1983		1984		
	September	December	March	June	Prel. September
I. Operations of the Treasury					
Treasury revenue		256.5	233.2	224.5	200.6
Cumulative treasury revenue		256.5	489.7	714.2	914.8
Target		245.0	490.0	735.0	950.0
Excess or shortfall (-)		11.5	-0.3	-20.8	-35.2
Expenditure reported by the Treasury		251.8	252.1	252.9	241.7
Cumulative expenditure authorized by the Treasury		251.8	503.9	756.8	998.5 1/
Ceiling		250.0	505.0	760.0	1,010.0
Adjustment 2/		—	8.0	—	-20.8
Adjusted ceiling		250.0	513.0	760.0	989.2
Margin or excess (-)		-1.8	9.1	3.2	-9.3
II. Credit to the Public Sector					
Net domestic bank credit to the public sector	1,535.1	1,594.4	1,478.8	1,656.9	1,748.1
Monetary authorities (net)	(1,514.5)	(1,565.6)	(1,449.3)	(1,624.2)	(1,721.6)
Private banks (net)	(20.6)	(28.8)	(29.5)	(32.7)	(26.5)
Change from September 30, 1983		59.3	-56.3	121.8	213.0
Change in foreign commercial financing 3/	(368.4)4/	-2.5	-9.3	-24.5	-35.6
Adjusted credit		56.8	-65.6	97.3	177.4
Ceiling		5.0	15.0	25.0	60.0
Margin or excess (-)		-51.8	80.6	-72.3	-117.4
III. Net Domestic Assets of the Monetary Authorities					
Actual	1,488.5	1,586.8	1,512.5	1,686.9	1,796.6
Ceiling		1,510.0	1,515.0	1,540.0	1,575.0
Margin or excess (-)		-76.8	12.5	-146.9	-221.6
IV. Foreign commercial financing (In millions of U.S. dollars)					
Foreign commercial debt	73.7	73.2	71.8	68.8	66.6
Increase from September 30, 1983		-0.5	-1.9	-4.9	-7.1
Ceiling		12.0	12.0	12.0	12.0
Margin or excess (-)		12.5	13.9	16.9	19.1
Memorandum items					
Change in international reserves since September 30, 1983 (in millions of gourdes)					
Net	-246.3 4/	-39.3	8.4	-81.7	-109.1
Gross	139.7 4/	-6.8	51.2	17.6	-5.4

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

1/ Includes only budgetary expenditures of the Treasury. In addition, during FY 1983/84 there were extrabudgetary expenditures amounting to about G 97.7 million and interest payments of G 49 million to the central bank. These expenditures are incorporated in Table 6.

2/ The expenditure ceilings may be increased, overall, by the equivalent of two thirds of the cumulative excess in collections above those targeted in the previous quarters or, conversely, reduced by an amount equivalent to the total cumulative shortfall in revenue in the previous quarters.

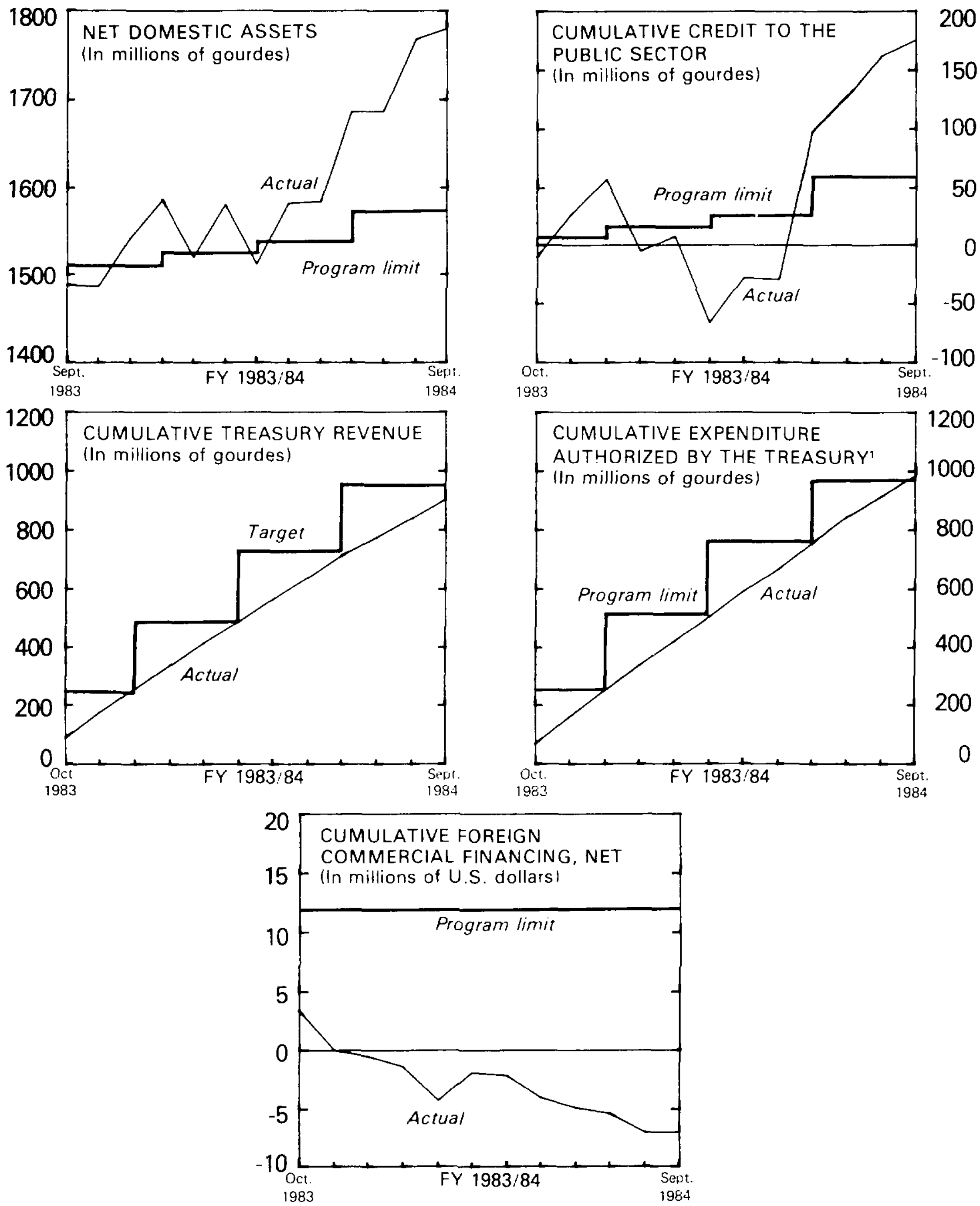
3/ As reported by the BRH. Does not include net repayment of commercial credits in the amount of G 24.1 million paid by the Ministry of Finance during the fiscal year which was not reflected in the BRH debt statistic.

4/ Level on September 30, 1983.

CHART 1

HAITI

PERFORMANCE UNDER CURRENT STAND-BY ARRANGEMENT FOR FY 1983/84



Sources: Bank of the Republic of Haiti, and Ministry of Finance.
[1] Expenditures as authorized by the Treasury; exclude extrabudgetary expenditures and interest payments to the central bank.

Table 5. Haiti: National Income Statistics

	Fiscal Year Ended September 30					
	1980	1981	1982	1983	Est. 1984	Proj. 1985
	(In millions of gourdes, except as indicated)					
GDP at current market prices	7,309	7,344	7,378	8,183	9,055	10,108
Rate of change in real GDP	7.2	-2.7	-3.9	0.9	1.8	3.0
Rate of change in GDP deflator	21.7	3.3	4.6	10.0	8.7	8.3
Rate of change in nominal GDP	30.5	0.5	0.5	10.9	10.7	11.6
Less: net factor payment abroad	-79	-74	-84	-123	-99	-120
GNP at market prices	7,230	7,270	7,294	8,060	8,956	9,988
Plus: net use of foreign savings						
(= current account deficit)	301	543	245	412	330	230
Of which: net official capital	(326)	(510)	(152)	(362)	(258)	(307)
Plus: net transfer receipts from abroad	427	655	594	559	616	666
Gross domestic expenditure	7,958	8,468	8,133	9,031	9,902	10,884
Consumption	6,720	7,066	6,903	7,700	8,453	9,206
General government	736	818	845	952	1,075	950
Private (residual)	5,984	6,248	6,058	6,748	7,378	8,256
Gross domestic investment	1,238	1,402	1,230	1,331	1,449	1,678
Public sector	598	891	732	834	845	1,043
Private sector and inventory changes	640	511	498	497	604	635
Gross national savings	510	204	391	360	503	782
Public sector	17	-61	50	83	104	430
Private sector	493	265	341	277	399	352
	(In percent of GDP)					
Consumption	91.9	96.2	93.6	94.1	93.4	91.1
General government	10.1	11.1	11.5	11.6	11.9	9.4
Private sector	81.8	85.1	82.1	84.5	81.5	81.7
Gross domestic investment	16.9	19.1	16.7	16.3	16.0	16.6
Public sector	8.2	12.1	9.9	10.2	9.3	10.3
Private sector and inventory changes	8.7	7.0	6.8	6.1	6.7	6.3
Net use of foreign savings	4.1	7.4	3.3	5.0	3.6	2.3
Of which: net official capital	4.5	6.9	2.1	4.4	2.9	3.0
Net transfer receipts from abroad	5.8	8.9	8.1	6.8	6.8	6.6
Gross national savings	7.0	2.8	5.3	4.4	5.6	7.7
Public sector	0.2	-0.8	0.7	1.0	1.1	4.2
Private sector	6.8	3.6	4.6	3.4	4.5	3.5

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

The impact of the above developments on net domestic bank credit was further heightened by the willingness of the authorities to finance an unusually large buildup of inventories of sugar and edible oil, and by an excessive credit expansion to the private sector by the BNC. As a consequence, net domestic assets of the monetary authorities (which encompass the consolidated operations of both the central bank and the BNC), grew by over G 300 million--about three times the amount envisaged in the program--and there was a net international reserve loss of some US$22 million, instead of the increase of US$8 million that had been targeted.

III. Summary of Policy Discussions

As indicated, the policy discussions described below were initiated in July 1984 and concluded in September. In the early stages of these discussions, the magnitude of the departure from the program that was being generated by the rise in public expenditures and the shortfall in government revenues was not fully apparent. However, upon reviewing the situation, the authorities increasingly recognized that strong measures were needed to bring the program back on track. They realized that any further deterioration of the financial performance would threaten the achievements of the two previous years in stabilizing the external position and restoring confidence.

The authorities had a strong preference for maintaining the existing two-year stand-by arrangement and expressed a willingness to implement the policy measures needed to bring the situation back on track. Accordingly, the staff assisted the authorities in the preparation of an interim program, which includes a set of performance guidelines.1/ It was understood that, given the size of such deviations and the uncertainties about the size and timing of the effects of the measures being adopted, it would take some time before the adequacy of those measures could be ascertained. Thus, it was agreed that a program for the remaining period of the arrangement would not be formally presented to the Fund's Executive Board until significant compliance with the interim program had been established and the staff could assess the extent to which the interim program reversed the deviations that had occurred. Meanwhile, no additional drawings would be made under the arrangement. At that time, the availability of Fund resources for the remainder of the program period would be decided, in light of the time remaining under the program and the strength of the adjustment effort being undertaken.

The main objective of the interim program adopted for FY 1984/85 is to achieve a reserve accumulation of at least US$14 million during the year. Ceilings have been established on the expansion of the net

1/ The guidelines adopted under this interim program are presented in Appendix II.

domestic assets of the monetary authorities consistent with the balance of payments target; accordingly, the growth of credit to the public sector from the monetary authorities is to be limited to no more than G 15 million in the fiscal year, and the growth of credit to the private sector by the National Credit Bank is not to exceed G 28 million. Monthly limits also have been placed on treasury outlays, which are not to exceed available tax revenues for the year as a whole, and a ceiling has been set on the contracting of new nonconcessional external debt.

1. Fiscal policy

The strengthening of the public finances, and particularly the reduction in the public sector deficit not financed by concessional external aid, has been a crucial element of the authorities' stabilization efforts. The authorities are convinced that the improvement in the public finances has contributed to the restoration of confidence and to the reduction of pressures on the value of the gourde. Steps were taken to increase government revenues through the introduction of a new sales tax and a tightening of the administration of various other taxes, including the tax on coffee exports. However, the weight of the adjustment initially fell on the expenditure side with all categories of spending (inclduing investment) being cutback.

Government revenues responded better than expected in FY 1981/82 and FY 1982/83, rising on average by some 13 percent a year. A similar performance was projected for FY 1983/84, but receipts from the new sales tax, which had contributed significantly to the good revenue performance in FY 1982/83, fell short of expectations in that year. This shortfall apparently was due largely to difficulties in the administration of the tax, which has characteristics of a value added tax and is more complex than the excise taxes it replaced, and also to an intensification of taxpayer resistance. A core of well-trained tax collectors is lacking and steps are being taken, with assistance from the Fund, to increase the availability of trained personnel. According to the Internal Revenue Administration, fewer than one half of the identified possible taxpayers are currently submitting declarations on the sales tax, and most taxpayers submitting declarations under-report their tax obligations.

The authorities indicated that there was still room for increases in tax revenue, both through improvements in tax administration and increases in tax rates (tax receipts are equivalent to about 10 percent of GDP). Accordingly, for FY 1984/85 they have introduced additional tax measures that would make it possible to balance the Treasury's budget (Table 6). These measures include increases in the taxes on gasoline, diesel, fuel, beer, alcoholic beverages, cigarettes, and travel insurance; a new tax on sales of lottery tickets; a doubling of the registration fees for private cars; a 40 percent increase in the permit fee for operating business establishments; a doubling of customs duties on the importation of television sets; an extension of the general sales tax to cement and telecommunication services; and an increase in the rate of the sales tax from 7 percent to 10 percent.

Table 6. Haiti: Treasury Operations 1/

(In millions of gourdes)

	Fiscal Year Ended September 30						
					1984		Budget
	1980	1981	1982	1983	Prog.	Est.	1985
Treasury revenue	691.1	659.8	749.3	846.5	950.0	914.8	1,080.0
Internal revenue office	330.5	374.1	481.2	551.2	650.0	618.8	765.0
Income taxes	(88.0)	(115.8)	(123.3)	(128.4)	(159.0)	(141.3)	(160.0)
Excise taxes	(69.6)	(115.0)	(151.1)	(167.6)	(178.0)	(184.9)	(255.0)
General sales tax	(—)	(—)	(—)	(87.2)	(150.0)	(108.0)	(130.0)
Other	(172.9)	(143.2)	(206.8)	(168.0)	(163.0)	(184.6)	(220.0)
Customs office	360.6	281.7	256.0	295.3	300.0	293.3	315.0
Import duties	(185.6)	(203.7)	(193.1)	(214.6)	(225.0)	(225.8)	(235.0)
Coffee export tax	(116.3)	(42.5)	(45.6)	(69.2)	(48.0)	(56.7)	(65.0)
Other taxes, duties, and fees	(58.7)	(35.5)	(17.3)	(11.5)	(27.0)	(10.8)	(15.0)
Other	--	3.8	12.1	--	—	2.7	—
Treasury outlays	894.8	1,182.5	943.4	993.1	1,010.0	1,145.2	1,080.0
Current expenditures	734.4	817.7	770.0	877.9	914.0	962.7	950.0
Of which: interest on government bonds and other obligations to the central bank	(...)	(8.5)	(1.6)	(3.1)	(...)	(49.0)	(...)
Capital expenditures	160.4	364.8	173.4	115.2	96.0	182.5 2/	130.0
Overall deficit of the Treasury	-205.7	-522.7	-194.1	-146.6	-60.0	-230.4	--
Concessional budgetary assistance (net)3/	--	27.5	14.0	2.0	--	1.1	--
Nonconcessional financing	205.7	495.2	180.1	144.6	60.0	229.3	--
Domestic financing (net)	210.2	274.2	187.6	147.8	60.0	210.9	--
Consolidated Central Bank and BNC	(210.1)	(289.4)	(187.5)	(143.3)	(60.0)	(212.2)	(—)
Total credit	/214.6/	/297.5/	/182.2/	/155.6/	/60.0/	/203.2/	/—/
Less float in PL-480 counterpart funds 4/	/-4.5/	/-8.1/	/5.3/	/-12.3/	/—/	/9.0/	/—/
Private banks	(0.1)	(-15.2)	(0.1)	(4.5)	(—)	(-1.3)	(—)
External commercial borrowing (net)	-4.5	221.0 5/	-7.5	-3.2	--	18.4	—
Memorandum item							
Treasury expenditures (program definition)6/	896.8	1,146.5	927.9	988.0	1,010.0	1,095.1	1,080.0
Treasury Revenue as percent of GDP	9.4	9.0	10.2	10.3	10.5	10.1	11.9

Sources: Ministry of Finance and Economic Affairs; central bank (Bank of the Republic of Haiti); and Fund staff estimates.

1/ The coverage of the Treasury's operations presented in this table excludes outlays financed with concessional assistance other than for budget support but includes extra-budgetary expenditures and interest payments to the central bank.

2/ Includes G 55 million for build up of inventories of sugar and edible oil and G 32 million for the purchase of stock of the cement company.

3/ For budget support only; excludes projects financing from international development agencies, as well as the outlays associated with these credits.

4/ Difference between the amount allocated for development expenditures out of the PL-480 account at the BRH and the amount deposited on that account.

5/ Includes loan of G 209 million to finance construction of the Darbonne sugar mill.

6/ Excludes treasury outlays financed with concessional budget support loans, and interest payments on bonds and other obligations debited by BRH.

The authorities said that they have been under pressure to reduce the export tax on coffee, on the grounds that this may serve to encourage exports. In fact, a 10 percent reduction in the coffee tax was accorded earlier this year, However, there were doubts as to whether a further reduction in the coffee tax would bring about any significant increase in exports. They noted that since the early 1960s the tax on coffee had dropped significantly (from over 40 percent of the value of exports to less than 25 percent) and export prices for coffee had risen fourfold; yet the volume of coffee exports had declined. The problems faced by the coffee sector were quite complex and their resolution might require a whole revamping of the organization of production and marketing that goes beyond a simple change in tax rates. Moreover, the coffee sector continued to be one of the important income-generating sources of the economy and, in view of the need for fiscal revenue, the authorities saw little merit in considering any further reductions of the tax on coffee at this time.

Control over expenditures continues to be a major problem facing the authorities. Although there was a sharp cut in public sector spending in FY 1981/82 and the central government budgets for FY 1982/83 and FY 1983/84 were quite tight, additional outlays had taken place outside the budget, in most cases financed by direct transfers from state enterprises. The authorities explained that some of these extraordinary outlays had involved the cost of distribution of free food and the payment for employment-intensive public works which had been undertaken in the aftermath of the May 1984 riots. In addition, the public sector had financed an unusually large build-up of inventories of sugar and edible oil during this period, which had contributed to an increase in the use of central bank credit by the public sector. The authorities believed that most of these extraordinary outlays were of a nonrecurring nature and noted that the credit granted to finance the inventory accumulation would be recovered once inventories returned to a more normal level.

The plan for FY 1984/85 is to raise budgetary outlays by G 70 million, or 7 percent, which would represent a decline in real terms. Of this amount, one half would go to increase investment expenditures, mostly in the form of counterpart funds for projects financed by international financial agencies. The authorities explained that these additional outlays would be more than covered by tax increases, so that the operations of the Treasury would be balanced for the year. For the public sector as a whole, however, there would be need for access to some domestic bank credit, but such access would be quite limited.

The mission stressed the need for better control over expenditures and for improving tax administration. The deviations from the adjustment program that had occurred during the past few months had resulted in a public sector deficit as large as that experienced in the previous year, and over two-and-a-half times what had been projected in the program. It was recalled that the thrust of the fiscal reform undertaken over the past few years was to improve control over revenues and expenditures, to permit an efficient budgeting of the available scarce financial resources. Although much progress had been made in raising fiscal revenue and in centralizing its administration, control over expenditures still was in need of improvement. The mission pointed out that the weakening of public finances that had taken place over the past few months was seriously jeopardizing the achievements of the two previous years, and the balance of payments situation was so fragile that, unless the fiscal situation was brought back under control very soon, the authorities might be faced with a new crisis of confidence.

The authorities indicated that several steps were being taken to strengthen the finances of the public enterprises. In FY 1984/85, for the first time, all public sector enterprises had been requested to submit their budgets for approval by the National Assembly in conjunction with the Central Government's budget. Also, accounting procedures were being established at the central bank to channel all transfers between enterprises and the rest of the public sector through a central account, with a view to exercising better control over expenditures outside the Central Government's budget.

2. Monetary and credit policy

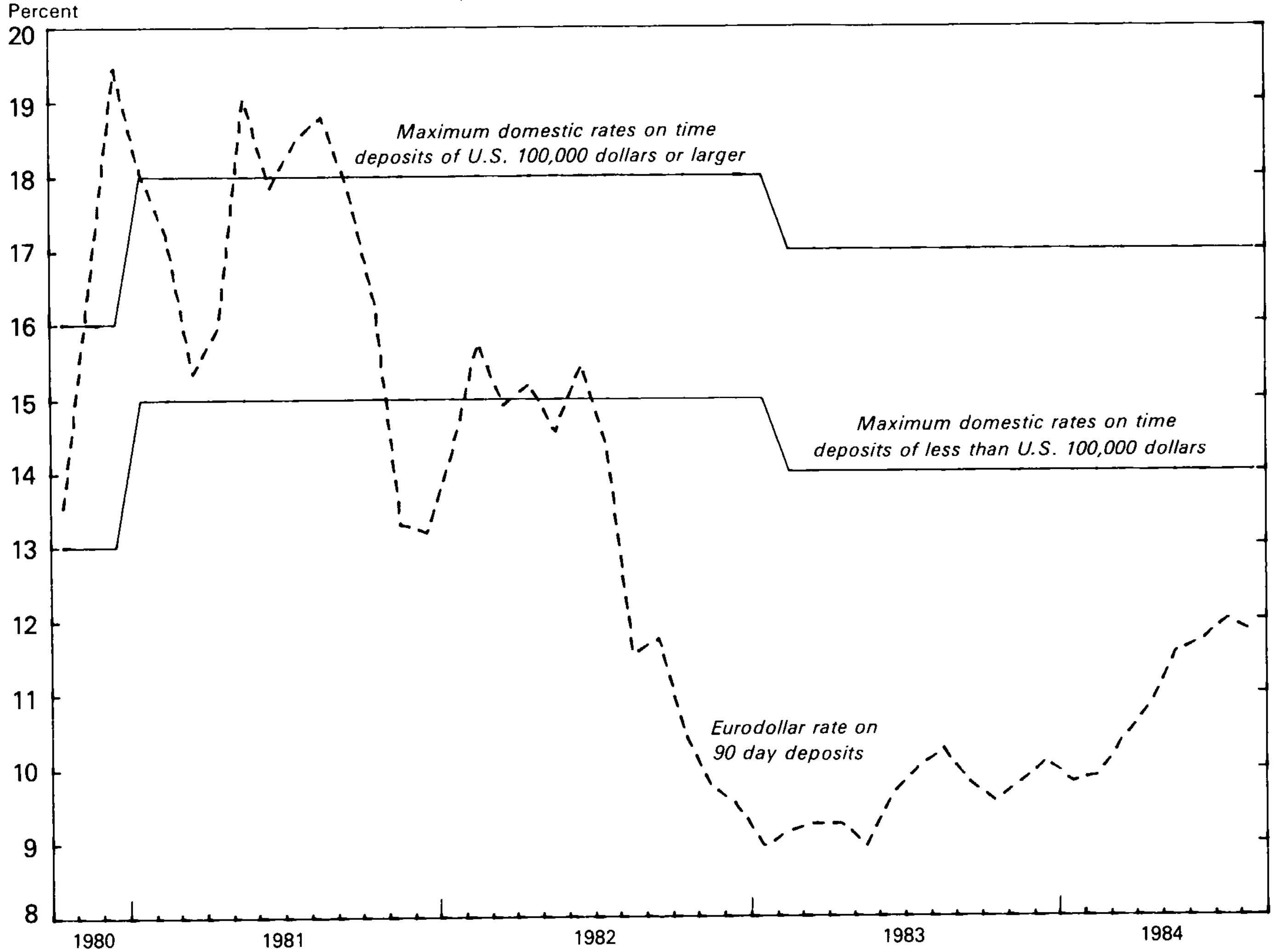
The growth of banking system liabilities to the private sector during the past year conformed fairly closely to the projections made when the program was drawn up (Table 7), and the authorities saw no need to make changes in either the interest rate or reserve requirements policies. Interest rates paid to large depositors in Haiti continued to receive a premium over the rates paid abroad and this had encouraged the growth of domestic deposits (Chart 2). There was little credit expansion by the private commercial banks, and most banks took advantage of the increase in their deposits to strengthen their foreign asset position. Credit granted by the monetary authorities, however, rose sharply in FY 1983/84, exceeding the ceilings established in the program. This deviation from the original plan was mostly the result of the stronger credit demand of the public sector, which received over two thirds of the total credit granted by the banking system. As a result, the central bank's international reserves declined once again.

In September 1983 the Government issued a special 20-year bond designed to regularize and consolidate various obligations it had acquired with the central bank and the BNC in recent years. This bond also served to regularize the operations which were still pending settlement in the "separation account" between the central bank and the BNC, and to capitalize the BNC by absorbing certain claims on the private sector which were considered uncollectible. The purpose of these measures was to allow the BNC to continue operating as a commercial bank, while concentrating all public sector operations at the central bank. The authorities were of the view that for a sound financial system to be preserved in Haiti, the state-owned BNC had to have a strong balance sheet and its operations had to be subject to the same rules and regulations applied to other commercial banks operating in the country.

CHART 2

HAITI

COMPARATIVE INTEREST RATES, OCT. 1980-AUG. 1984



Sources: Bank of the Republic of Haiti and Federal Reserve Bulletin.

Table 7. Haiti: Summary Accounts of the Banking System

(In millions of gourdes)

	September 30							
				1983				
				Before Bond Issue	After Bond Issue	1984		
	1980	1981	1982			Prog.	Prel.	Proj. 1985
I. Consolidated Accounts BRH-BNC								
Net international reserves	162.6	-9.9	-103.8	-246.6	-246.3	-204.0	-355.4	-288.0
Foreign assets	199.8	96.8	176.4	139.7	139.7	315.0	134.3	...
Foreign liabilities	-37.2	-106.7	-280.2	-386.3	-386.0	-519.0	-489.7	...
Net domestic assets	785.7	1,101.7	1,348.0	1,487.5	1,488.5	1,575.0	1,796.6	1,790.0
Net claim on public sector 1/	577.9	839.3	1,080.7	1,555.2	1,514.5	1,441.0	1,721.6	1,689.0
IMF Trust Fund	-120.3	-105.9	-104.3	-97.0	-97.0	-87.0	-84.4	-67.5
Credit to commercial banks	22.7	34.4	24.9	33.2	33.2	39.0	21.0	21.0
Credit to private sector	316.2	353.6	338.6	336.7	213.5	248.5	291.1	305.0
Other accounts (net)	-10.8	-19.7	8.2	59.4	-175.7	-60.5	-152.7	-157.5
Liabilities to private commercial banks	327.1	369.9	418.8	387.0	379.6	366.0	450.0	440.0
Cash in vaults	32.1	33.7	28.9	28.6	21.2	...	27.0	...
Reserve deposits	295.0	336.2	389.9	358.4	358.4	...	423.0	...
Of which: free reserves	(80.3)	(86.7)	(124.7)	(56.8)	(56.8)	(...)	(...)	(...)
Liabilities to private sector	621.2	721.9	825.4	853.9	862.6	1,005.0	991.2	1,062.0
Currency in circulation	341.2	399.6	486.3	519.9	527.3	605.0	610.4	637.0
Currency issue	(373.3)	(433.3)	(515.2)	(548.5)	(548.5)	(...)	(637.4)	(...)
Less: cash in vault	(-32.1)	(-33.7)	(-28.9)	(-28.6)	(-21.2)	(...)	(-27.0)	(...)
Total deposits	280.0	322.3	339.1	334.0	335.3	400.0	380.8	425.0
Demand deposits	(97.2)	(127.8)	(122.9)	(88.4)	(89.3)	(115.0)	(102.3)	(...)
Savings deposits	(116.9)	(118.5)	(125.3)	(138.3)	(137.2)	(...)	(158.5)	(...)
Time deposits and other	(65.9)	(76.0)	(90.9)	(107.3)	(108.8)	(...)	(120.0)	(...)
II. Banking System								
Net foreign assets	147.3	-18.3	-72.3	-187.0	-186.7	-180.0	-255.0	-188.0
Net domestic assets	1,492.2	1,874.5	2,134.1	2,341.1	2,349.5	2,575.0	2,664.6	2,798.0
Net claims on public sector (net)	592.0	838.2	1,079.1	1,175.8	1,535.1	1,452.0	1,748.1	1,715.0
Credit to private sector and other accounts (net)	900.2	1,036.3	1,055.0	1,165.3	814.4	1,123.0	916.5	1,083.0
Liabilities to private sector	1,639.5	1,855.7	2,061.9	2,154.1	2,162.8	2,395.0	2,409.6	2,610.0
Money and quasi-money (M2)	1,601.0	1,803.3	1,974.2	2,075.6	2,084.3	2,303.0	2,337.6	2,538.0
Money (M1)	(675.2)	(817.7)	(909.9)	(923.5)	(931.8)	(1,050.0)	(1,099.4)	(...)
Quasi-money	(925.8)	(985.6)	(1,064.3)	(1,152.1)	(1,152.5)	(1,253.0)	(1,238.2)	(...)
Private capital and surplus	38.5	52.4	87.7	78.5	78.5	92.0	72.0	72.0

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

1/ Net of public sector deposits and medium- and long-term liabilities of the public sector that have been channeled through the BNC.

The credit expansion of the BNC in FY 1983/84 was to be limited to the increase in its private sector deposits, but in fact it exceeded that amount by a wide margin. This was made possible by the BNC's access to certain public sector funds, namely, the float generated by tax collections in the provinces where the BNC acts as fiscal agent for the Government, the growth of deposits from official pension funds, and deposits by the Michelle Duvalier Foundation for the future construction of a hospital; these resources were not taken into account in calculating the BNC's reserve requirements. The rapid credit expansion by the BNC contributed to the deviation from the ceiling on net domestic assets of the monetary authorities, which include both the BNC and the central bank.

The mission stressed that the credit policy of the BNC could not be determined independently of the overall objectives of the monetary and credit program. Ownership by the Government made it even more important to keep it under tight surveillance and to make sure that its actions were not at odds with overall monetary and credit policy.

The authorities indicated that the laxity in the application of the reserve requirement rules to the BNC would be corrected. Moreover, if the reserve requirements proved to be an inadequate instrument to control the expansion of credit by the BNC, it would be possible to use a more direct control mechanism, such as the establishment of quantitative credit ceilings on the BNC's operations.

In any event, the mission stressed that the overall credit expansion continued to be dominated by the financing needs of the public sector and that until the public finances were brought under control it would be extremely difficult to achieve a strengthening of the international reserve position of the central bank while making room for a reasonable rate of growth of credit to the private sector.

3. External policies

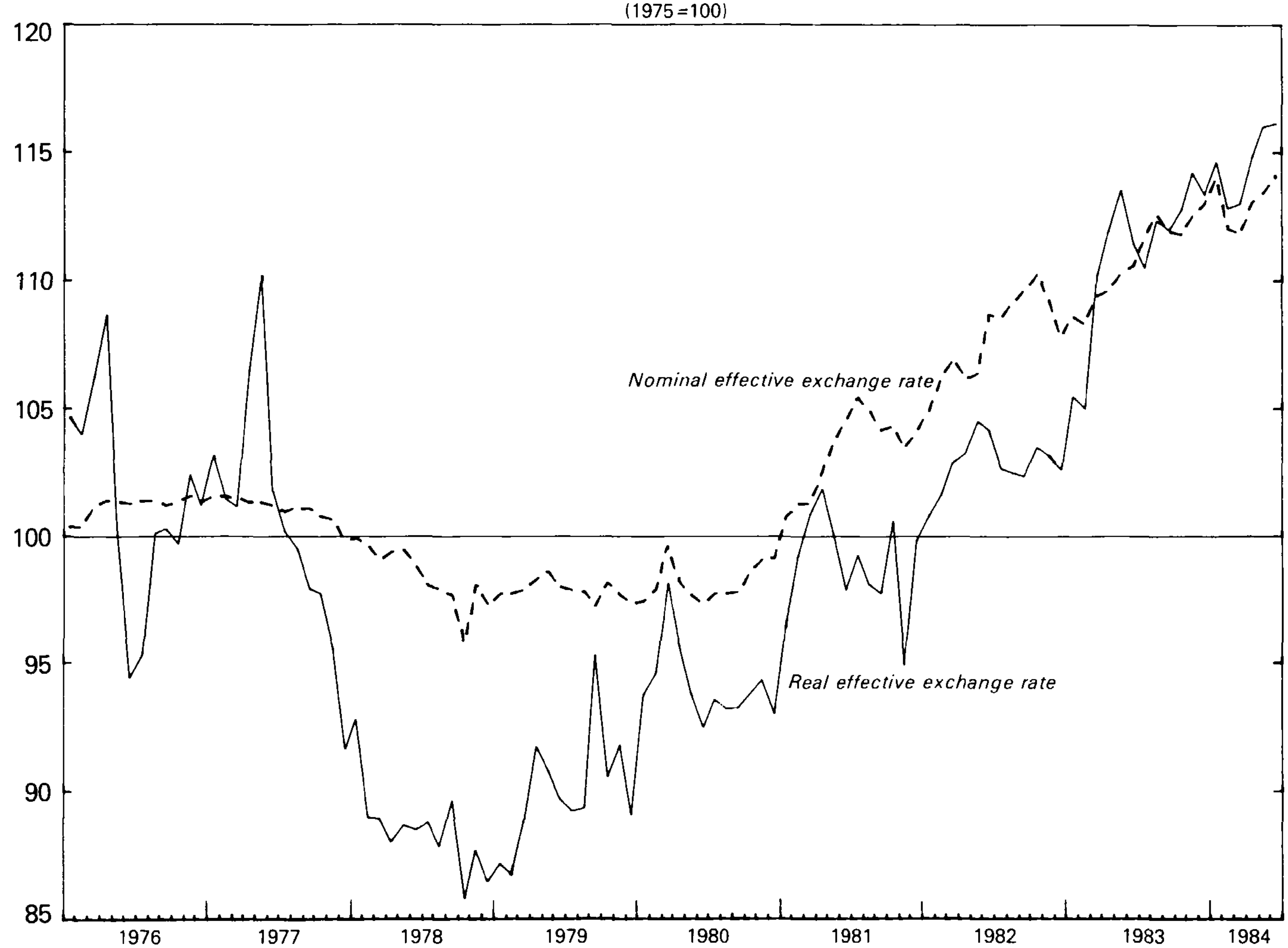
The Haitian gourde has appreciated steadily since early 1979 in real effective terms (Chart 3), while the official value of the gourde remained unchanged at G 5 per US$1, as the U.S. dollar strengthened in relation to other major currencies. The authorities noted, however, that estimates of real effective exchange rates based on relative consumer prices might overstate Haiti's loss of competitiveness in recent years. Although comprehensive figures were not available to allow the computation of a real effective exchange rate based on relative unit labor costs, Haiti's minimum wages had remained unchanged from 1981 through September 1984 (thus dropping by 20 percent in real terms during the period). It was generally recognized that the behavior of labor costs had played an important role in the rapid development of Haiti's light manufacturing assembly industry since 1978, even in the face of a world recession.

CHART 3

HAITI

REAL AND NOMINAL EFFECTIVE EXCHANGE RATES[1]

(1975=100)



[1] Trade weighted indices; increases reflect appreciation of Haitian gourde.

In recent years, with the deterioration of the public finances and the weakening of the foreign reserve position of the central bank, a parallel market has developed where the gourde is being traded at a discount. At one point the discount was up to 15 percent, but over the past two years it has come down to a range of 5-8 percent, as the balance of payments situation improved. External payments, which at one point had experienced arrears of the order of US$20 million, now appear to be current, although occasionally there may be some delays in the remittances for oil import payments.

The authorities recognized that the loss of international reserves experienced in the more recent months entailed a serious setback to their efforts to restore confidence in the gourde. Instead of strengthening as had been envisaged in the program, the position of the central bank had weakened, and this development threatened to undo the progress achieved in regularizing external payments. However, the foreign asset position of the commercial banks had improved and this had served to reduce delays in external payments.

In 1981, Haiti introduced surrender requirements of foreign exchange proceeds from exports of certain major traditional products (coffee, sugar, cacao, aromatic oil extracts, meat, and other agricultural goods) and private remittances. These requirements were modified in July 1984 to provide that the central bank could request up to 50 percent of foreign exchange proceeds received by commercial banks from all exports, including manufacturing exports, to meet obligations arising from the importation of certain essential commodities, particularly oil. The authorities felt that this new procedure would facilitate the prompt payment of oil imports and alleviate some problems that had arisen because of the segmentation of the foreign exchange market between banks which concentrated their business with traditional exporters and those which did most of their operations with the assembly industry. They believed that the new procedures might contribute to reducing the discount on the gourde, although they realized that the pressures on the gourde would not disappear unless aggregate demand, and in particular the size of the public sector deficit, were brought to a level consistent with the maintenance of the existing exchange rate. More generally, the authorities confirmed their intention to maintain an exchange and trade system free of restrictions, as had been traditionally the case in Haiti.

Concerning use of external resources, the authorities restated their intention to continue to rely on the availability of grants and long-term concessionary loans from international and bilateral development agencies and to minimize the use of commercial-type borrowing abroad, with a view to curbing the growth of debt service payments and avoiding undue pressures on the balance of payments in the future. In FY 1983/84 there was a net repayment of the public sector's commercial obligations abroad. For FY 1984/85, the authorities expressed the intention to limit contraction of nonconcessional external debt in the maturity range of one to 12 years to no more than US$8 million.

IV. Medium-Term Outlook

The interim adjustment program, if implemented successfully, should contribute to an improvement in Haiti's external position. However, further adjustment efforts will be required beyond FY 1984/85 if Haiti is to achieve a viable economic and financial situation over the medium term. To this end, the authorities must continue to provide an environment conducive to the promotion of exports, pursue prudent fiscal and monetary policies, and ensure continued financial assistance from the international community. On the assumptions that these conditions are met, a medium-term scenario has been prepared for Haiti's balance of payments and external public debt service for the period through 1989/90.1/ Under the base scenario (summarized in Tables 8 and 9), the surplus on the overall balance of payments would increase from US$16 million in FY 1984/85 to a range of US$25 to US$31 million in the period 1988-90.

For the period FY 1984/85 to FY 1989/90, the value of exports have been projected conservatively to grow at an average annual rate of 8 percent while imports have been projected to increase by 6 1/2 percent annually.2/ It is assumed that inflows of foreign capital will grow moderately, with net official capital growing by somewhat more than 5 percent a year. The combination of this net capital inflow and the expected evolution of the current account would permit a steady rebuilding of the country's international reserves and the fulfillment of scheduled repurchases to the Fund.

Haiti's medium-term scenario described above is, of course, quite sensitive to changes in the underlying assumptions, in particular with regard to coffee prices, the growth of imports and the demand for exports of light manufactures. Thus, should coffee prices fail to rise over the projection period, export receipts would grow by an average annual rate of about 7 1/2 percent, compared to the base figure of 8 percent. The ratio of the current account deficit to GDP would rise to 2 percent in FY 1989/90, compared with 1.7 percent in the base scenario, and the overall balance of payments position would deteriorate by US$10 million relative to the base scenario. Conversely, if coffee prices were to increase at an average annual rate of 8 percent, exports would grow by 8.8 percent, the ratio of the current account deficit of the balance of payments to GDP would improve to 1.3 percent by FY 1989/90 and the overall balance of payments surplus would be stronger in FY 1989/90 than in the base scenario.

In the base scenario it is assumed that the pursuit of prudent monetary and fiscal policies will help contain import growth to within 6 1/2 percent annually, in line with the forecasted real GDP evolution and partner country export unit value developments. More rapid import

1/ This scenario incorporates WEO projections for the world economy.
2/ Export growth is expected to be more pronounced every second year, in line with Haiti's normal coffee production cycle. Coffee prices have been assumed to grow by 4 percent a year in the base scenario.

Table 8. Haiti: Balance of Payments Medium-Term Scenario, FY 1983/84-FY 1989/90

(In millions of U.S. dollars)

	Fiscal Year Ended September 30						
	Est.	Projected					
	1984	1985	1986	1987	1988	1989	1990
Goods and services	-189.31	-179.27	-191.14	-186.46	-201.68	-200.99	-217.26
Trade balance	-127.85	-120.94	-127.00	-119.96	-130.35	-124.87	-135.50
Exports, f.o.b.	(249.22)	(278.75)	(298.65)	(333.34)	(352.40)	(389.24)	(412.01)
Imports, c.i.f.	(377.07)	(399.69)	(425.65)	(453.30)	(482.75)	(514.11)	(547.51)
Investment income	-19.80	-23.95	-28.29	-29.14	-29.49	-29.43	-29.82
Interest on public debt	(-18.30)	(-21.95)	(-26.19)	(-26.93)	(-27.17)	(-27.00)	(-27.27)
Other	(-1.50)	(-2.00)	(-2.10)	(-2.21)	(-2.32)	(-2.43)	(-2.55)
Travel (net)	28.04	32.53	35.41	38.53	38.98	39.39	39.73
Other services (net)	-69.70	-66.91	-71.26	-75.89	-80.82	-86.08	-91.67
Transfers	123.20	133.23	138.56	144.10	149.87	155.86	162.09
Private transfers	45.00	48.15	50.08	52.08	54.17	56.33	58.58
Public transfers	78.20	85.08	88.48	92.02	95.70	99.53	103.51
Current account balance	-66.11	-46.04	-52.58	-42.36	-51.81	-45.13	-55.17
Capital movements (net)	58.76	62.48	64.80	68.95	70.90	75.69	79.84
Official capital	51.61	61.57	64.80	68.95	70.90	75.69	79.84
Multilateral and bilateral drawings	(67.01)	(84.01)	(87.36)	(90.85)	(94.49)	(98.27)	(102.20)
Commercial medium- and long-term drawings	(16.76)	(5.00)	(--)	(--)	(--)	(--)	(--)
Amortizations	(-21.86)	(-21.60)	(-18.86)	(-18.30)	(-20.42)	(-20.70)	(-21.42)
Changes in short-term commercial debt	(-8.40)	(-3.08)	(--)	(--)	(--)	(--)	(--)
IMF Trust Fund	(-1.90)	(-2.76)	(-3.70)	(-3.60)	(-3.17)	(-1.88)	(-0.94)
Private capital and errors and omissions	7.15	0.91	--	--	--	--	--
Overall balance (deficit -)	-7.35	16.44	12.22	26.59	19.09	30.56	24.67
Financing	7.35	-16.44	-12.22	-26.59	-19.09	-30.56	-24.67
Monetary capital (increase -)	-8.16	--	--	--	--	--	--
External payments arrears (decrease -)	-6.31	-2.44	--	--	--	--	--
Changes in net international reserves (increase -)	21.82	-14.00	-12.22	-26.59	-19.09	-30.56	-24.67
Net use of Fund resources (decrease -)	(21.83)	(22.57)	(-16.80)	(-19.31)	(-21.36)	(-21.24)	(-14.86)
Other (net) (increase -)	(-0.01)	(-36.57)	(4.58)	(-7.28)	(2.27)	(-9.32)	(-9.81)
Memorandum item							
Current account balance as percent of GDP	-3.65	-2.28	-2.36	-1.73	-1.91	-1.51	-1.68

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

Table 9. Haiti: External Public Debt Operations, FY 1979/80-FY 1989/90

	Fiscal Year Ended September 30										
					Est.	Projected					
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
	(In millions of U.S. dollars)										
Total external debt flows	62.79	116.81	66.56	99.28	76.92	84.14	48.00	49.64	49.54	54.45	64.98
Public, medium- and											
long-term 1/	54.40	100.20	34.80	60.90	61.91	67.41	68.50	72.55	74.07	77.57	80.78
Disbursments	(65.90)	(110.90)	(46.40)	(73.98)	(83.77)	(89.01)	(87.36)	(90.85)	(94.49)	(98.27)	(102.20)
Amortizations	(11.50)	(10.70)	(11.60)	(13.08)	(21.86)	(21.60)	(18.86)	(18.30)	(20.42)	(20.70)	(21.42)
IMF											
Trust Fund (net)	8.00	0.08	-0.10	-0.54	-1.90	-2.76	-3.70	-3.60	-3.17	-1.88	-0.94
Disbursements	(8.00)	(0.08)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Amortizations	(--)	(--)	(0.10)	(0.54)	(1.90)	(2.76)	(3.70)	(3.60)	(3.17)	(1.88)	(0.94)
Use of Fund resources (net)	-2.91	13.83	28.96	25.77	21.83	22.57	-16.80	-19.31	-21.36	-21.24	-14.86
Purchases	(--)	(16.53)	(30.45)	(26.28)	(21.83)	(32.00)	(--)	(--)	(--)	(--)	(--)
Repurchases	(2.91)	(2.70)	(1.49)	(0.51)	(--)	(9.43)	(16.80)	(19.31)	(21.36)	(21.24)	(14.86)
Bank of the Republic:											
other liabilities (net)	0.50	1.00	7.30	-2.35	3.48	--	--	--	--	--	--
Short-term (net)	2.80	1.70	-4.40	15.50	-8.40	-3.08	--	--	--	--	--
Total interest payments	7.17	9.41	13.38	16.42	18.30	21.95	26.19	26.93	27.17	27.00	27.27
On medium- and long-term 1/	5.10	6.40	8.30	10.49	9.70	11.41	14.40	16.42	18.37	20.27	22.48
IMF 2/	2.07	2.71	4.58	5.93	7.15	9.71	11.15	9.87	8.16	6.09	4.15
Other	--	0.30	0.50	--	1.45	0.83	0.64	0.64	0.64	0.64	0.64
Debt service payments 3/	21.58	22.81	26.57	30.55	42.06	55.74	65.55	68.14	72.12	70.82	64.49
Amortization	14.41	13.40	13.19	14.13	23.76	33.79	39.36	41.21	44.95	43.82	37.22
Interest	7.17	9.41	13.38	16.42	18.30	21.95	26.19	26.93	27.17	27.00	27.27
Total external debt stock											
(end of period)4/	318.48	427.28	483.88	585.27	659.31	743.45	791.45	841.09	890.63	945.08	1,010.06
Medium- and long-term 1/4/	283.70	380.40	409.10	473.51	538.06	605.47	673.97	746.52	820.59	898.16	978.94
IMF											
Use of Fund resources 4/	5.30	17.72	44.17	68.85	86.11	108.68	91.88	72.57	51.21	29.97	15.11
Trust Fund 4/	24.28	21.26	19.81	18.96	16.11	13.35	9.65	6.05	2.88	1.00	0.06
Bank of the Republic:											
other liabilities 4/	2.40	3.40	10.70	8.35	11.83	11.83	11.83	11.83	11.83	11.83	11.83
Short-term 4/	2.80	4.50	0.10	15.60	7.20	4.12	4.12	4.12	4.12	4.12	4.12
Memorandum item											
Gross foreign official											
reserves (end of period)	40.00	19.30	35.41	27.94	26.86	63.43	58.85	66.13	63.86	73.18	82.99
	(In percent)										
Selected indicators											
Effective interest rate	2.01	2.52	2.94	3.07	2.94	3.13	3.41	3.30	3.14	2.94	2.79
Debt service payments to:											
GDP	1.48	1.55	1.80	1.87	2.32	2.76	2.94	2.78	2.67	2.37	1.96
Exports of goods and											
services	6.76	8.73	8.70	9.92	12.32	15.21	16.59	15.73	15.69	14.06	12.06
Exports of goods, services,											
and private transfers	5.07	5.88	6.61	7.68	9.75	13.45	14.73	14.04	14.04	12.65	10.87

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

1/ External public and publicly guaranteed debt with an original maturity of at least one year.
2/ Charges on use of Fund resources and on SDR allocation. Interest payments on Trust Fund are included in medium- and long-term debt.
3/ Amortization of medium- and long-term (including repurchases from the IMF and repayment of Trust Fund) and interest payments on total debt outstanding.
4/ Includes valuation and other stock adjustments.

growth would impose a heavier burden on Haiti's external position. In particular, continuation of the import growth rates experienced in the period FY 1981/82 to FY 1983/84 (8.3 percent per annum) would bring about a deterioration of Haiti's current account position, resulting in a deficit equivalent to 2.9 percent of GDP in FY 1988/89 to FY 1989/90, as compared to the base case figure of 1.6 percent. Correspondingly, the overall balance would turn negative starting in FY 1987/88.

Haiti's exports of light manufacturing products are sensitive to demand developments in its major trading partner, the United States, as well as domestic export promotion policies. In the base scenario, it is assumed that internal and external conditions will permit a rapid, though decelerating, growth rate in these exports averaging some 10 percent annually for the period as a whole. Should the growth be limited to 5 percent, Haiti's current account deficit would be equivalent to 1.9 percent of GDP in FY 1989/90, as compared with 1.7 percent in the base scenario. The projected surplus on the overall balance would be US$11 million lower in FY 1989/90 than in the base scenario. Alternatively, a faster rate of growth in exports of manufacturing products would enhance Haiti's external prospects.

The broad conclusions that can be drawn from the medium-term scenario exercise are that with sustained adjustment efforts and in the absence of major exogenous shocks, Haiti could achieve a viable external position in the medium term and its international reserves could gradually be built up again. However, if implementation of the adjustment policies were delayed, the external position would remain delicate.

V. Staff Appraisal

The economic situation of Haiti deteriorated in the 1979-81 period as a surge in public sector spending gave rise to a large public sector deficit. Increased reliance on central bank credit to finance this deficit, together with a weakening of export earnings resulting from a deterioration of the terms of trade and the impact of the world recession, led to the depletion of the international reserves of the central bank and an accumulation of external payments arrears. As the payments situation grew progressively more difficult, the viability of the official exchange rate came into question and capital flows were affected adversely.

The Haitian authorities adopted a stabilization program in early 1982 which was supported by the Fund with a stand-by arrangement extending through September 1983. The implementation of that program resulted in a substantial reduction in the public sector deficit and a significant strengthening of the balance of payments. The attendant improvement in the timeliness of external payments brought about an easing of the pressures on the gourde.

In late 1983 the authorities formulated a new program designed to consolidate the gains made in strengthening the public finances and to rebuild the country's international reserve position. The program called for a further reduction in the public sector deficit financed with credit from the domestic banking system and nonconcessional external loans. Restoration of confidence in the gourde through an improved international reserve position was expected to enhance Haiti's ability to attract and retain private investment and to provide a solid base for the resumption of sustained economic growth. This new program was supported by the Fund with a two-year stand-by arrangement covering the period through September 30, 1985.

Performance during the first year of this arrangement has fallen short of expectations. There was an overrun in public sector outlays and a shortfall in tax revenues. As a consequence, recourse to central bank credit by the public sector was more than three times the amount foreseen in the program. Credit expansion by the government-owned National Credit Bank also exceeded the program guidelines and added to the deviations from the net domestic credit ceiling of the program. Such a large credit expansion gave rise to pressures on the country's official international reserves, which fell by some US$22 million.

The authorities recognize that, should recent trends continue, Haiti would be headed for a serious balance of payments crisis, and they have indicated their willingness to undertake the necessary changes in their policies to reverse the recent financial deterioration. The authorities have pointed out that, given the size of the deviations from the original program, it will take some time before such deviations can be corrected. In these circumstances, the staff has assisted the authorities in preparing an interim program that provides appropriate benchmarks by which to judge whether the measures being undertaken are sufficient to bring the performance back on track. It was agreed that the presentation of a formal program to the Fund's Executive Board would be delayed until such time as significant compliance with the interim program had been established.

The interim program incorporate a policy package consistent with an increase in official net international reserves of at least US$14 million during FY 1984/85. Such a result would permit a much needed buildup of gross foreign reserves, assure currentness in external payments, and serve to restore confidence. The appreciation of the gourde in real effective terms has led to a loss of competitiveness of Haitian exports in external markets other than the United States, but there is evidence that low labor costs continue to give Haiti a cost advantage over its major competitors. The staff would stress that maintenance of the parity of the gourde will require pursuit of restrained monetary and fiscal policies.

The staff believes that achievement of the international reserve target specified above will require a credit policy that leaves little room for utilization by the public sector of central bank credit and close coordination of the credit policy of the central bank and the BNC. The BNC credit expansion to the private sector should not exceed the resources it captures through the growth of private sector deposits.

Achievement of the fiscal objectives of the interim program will require a sizable increase in government revenue and tight control over public sector expenditures. The authorities have introduced certain tax measures that should make it possible to reach the level of government revenue that has been programmed, and have indicated their willingness to tighten control over public sector outlays with a view to preventing the recurrence of expenditures outside the budget. The staff welcomes the steps being taken to strengthen the financial position of the Central Administration, but it would stress the importance of closely monitoring the finances of the entire public sector with a view to facilitating an early return to a formal program.

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

Haiti: Selected Economic and Financial Indicators

	Fiscal Year Ended September 30						
					1984		Proj.
	1980	1981	1982	1983	Prog.	Est.	1985
	(Annual percentage changes, unless otherwise specified)						
National income and prices							
GDP at constant prices	7.2	-2.7	-3.9	0.9	3.0	1.8	3.0
GDP deflator	21.7	3.3	4.6	10.0	4.6	8.7	8.3
Consumer prices (average)	18.1	8.2	8.2	8.4	4.5	8.0	8.0
External sector (on the basis of U.S. dollars)							
Exports, f.o.b.	51.8	-26.3	22.3	4.4	5.2	17.1	11.8
Imports, c.i.f.	32.2	14.3	-14.2	7.6	4.5	7.0	6.0
Non-oil imports, c.i.f.	25.4	15.0	-13.2	7.6	5.7	...	...
Export volume	49.9	-17.8	27.0	0.5	1.5	10.6	9.4
Import volume	32.3	5.4	-17.3	7.7	2.6	4.7	-1.8
Terms of trade (deterioration -)	3.0	-11.2	-9.3	4.2	—	1.9	—
Nominal effective exchange rate (depreciation -)	-0.7	4.4	-3.3	4.3	...	6.8 6/	...
Real effective exchange rate (depreciation -)	2.6	5.2	10.3	4.5	...	2.7 6/	...
Treasury							
Revenues	21.2	-4.5	13.6	13.0	14.4	8.1	18.1
Expenditures	52.6	32.1	-20.2	5.3	12.2	15.3	-5.7
Money and credit (banking system)							
Net domestic assets 1/	22.4	23.3	14.0	10.0	8.3	14.6	5.7
Public sector 1/	(15.5)	(15.0)	(13.0)	(4.7)	(2.6)	(9.8)	(-1.4)
Private sector 1/	(7.0)	(8.3)	(1.0)	(5.0)	(5.5)	(4.7)	(7.1)
Money and quasi-money (M2)	18.8	12.6	9.5	5.1	10.0	12.2	8.6
Velocity (GDP relative to M2)	4.6	4.1	3.7	3.9	4.0	3.8	3.9
Interest rates (minimum annual yield on large denomination one-year certificates of deposit)	12.0	11.0	13.0	12.0	12.0	12.0	12.0
	(In percent of GDP)						
Public sector savings	0.2	-0.8	0.7	1.0	2.1	1.1	4.2
Overall public sector deficit (-)	-5.3	-9.7	-5.4	-5.9	-3.9	-5.1	-2.7
Foreign financing	(2.4)	(6.4)	(2.1)	(4.7)	(3.2)	(2.8)	(2.5)
Concessional	/2.2/	/3.0/	/2.6/	/4.0/	/3.2/	/3.3/	/2.7/
Commercial	/0.2/	/3.4/	/-0.5/	/0.7/	/—/	/-0.5/	/-0.2/
Domestic financing	(2.9)	(3.3)	(3.3)	(1.2)	(0.7)	(2.3)	(0.2)
Domestic and nonconcessional external financing 2/	-3.1	-6.8	-2.7	-1.9	-0.7	-1.8	—
Gross domestic investment	16.9	19.1	16.7	16.3	16.4	16.0	16.6
Gross national savings	7.0	2.8	5.3	4.4	5.0	5.6	7.7
Transfers from abroad	5.8	8.9	8.1	6.8	6.9	6.8	6.6
Current account deficit (-)	-4.1	-7.4	-3.3	-5.0	-4.5	-3.6	-2.3
External debt inclusive of use of Fund purchases (end of year)	21.8	29.1	32.8	35.8	32.8	36.4	36.8
	(In percent of exports of goods and services)						
Debt service payments 3/	6.8	8.7	8.7	9.9	11.4	12.3	15.2
Interest payments 4/	2.3	3.6	4.4	5.3	5.4	5.4	6.0
	(In millions of U.S. dollars)						
Overall balance of payments	-9.6	-53.3	-9.9	-12.0	8.0	-7.4	16.4
Gross official reserves (weeks of imports)5/	6.2	2.6	5.6	4.1	8.2	3.7	8.3
External payments arrears	—	20.5	20.9	8.8	—	2.4	—

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

1/ Changes in relation to liabilities to the private sector at the beginning of the period.
2/ Referred to as public sector deficit in the Letter of Intent.
3/ Debt service on medium- and long-term external debt, includes use of Fund resources.
4/ Includes payments of charges to the Fund and interest to the Trust Fund.
5/ Includes gross foreign reserves of both the Bank of the Republic of Haiti and the National Credit Bank.
6/ October 1983-June 1984.

Fund Relations with Haiti
(As of November 30, 1984)

I. Membership Status

(a) Member since September 8, 1953
(b) Status - Article VIII

A. Financial Relations

II. General Department (General Resources Account)

(a) Quota: SDR 44.1 million

(b) Total Fund holdings of Haitian gourdes: SDR 130.2 million or 295.2 percent of quota

(c) Fund credit: SDR 86.2 million or 195.4 percent of quota
Of which: SDR 29.9 million or 67.8 percent of quota under credit tranche
SDR 10.8 million or 24.4 percent of quota under EFF
SDR 28.5 million or 64.5 percent of quota under EAR
SDR 17 million or 38.5 percent of quota under CFF

(d) Reserve tranche position: SDR 69,779

(e) Current Operational Budget: Not applicable

(f) Lending to the Fund: Not applicable

III. Current Stand-By or Extended Arrangement and Special Facilities

(a) Current stand-by arrangement
(i) Duration: November 7, 1983 to September 30, 1985
(ii) Amount: SDR 60.0 million
(iii) Utilization: SDR 21.0 million
(iv) Undrawn balance: SDR 39.0 million.

(b) Previous stand-by arrangement
(i) Duration: August 1982 to September 1983
(ii) Amount: SDR 34.5 million
(iii) Utilization: SDR 34.5 million

(c) In addition, from August 1974 to July 1982, four stand-by arrangements and one extended arrangement were approved, for a total amount of SDR 54.7 million, of which SDR 21 million was utilized.

(d) Special facilities: CFF
(i) Year approved: 1981
(ii) Amount: SDR 17.0 million

IV. SDR Department

(a) Net cumulative allocation: SDR 13.7 million
(b) Holdings: SDR 13 thousand, or the equivalent of 0.1 percent of net cumulative allocations
(c) Current Designation Plan: not applicable

V. Administered Accounts (amounts)

(a) Trust Fund Loans: Disbursed SDR 18.6 million
Outstanding SDR 16.1 million

(b) SFF Subsidy Account Payment: SDR 0.98 million

B. Nonfinancial Relations

VI. Exchange rate: The Haitian gourde remains pegged to the U.S. dollar at its historical rate of G 5 per U.S. dollar. The Fund's holdings of gourdes are valued on the basis of a representative exchange rate under Rule O-2, paragraph (b)(i). (Since 1981 an informal parallel market developed with the gourde trading at a small discount. During FY 1984 the discount has been in the range of 5 to 8 percent.)

VII. Last Article IV consultation: The last Article IV consultation discussions and the negotiations of the current stand-by arrangement were held from July 17 to August 4, 1983 and were approved by the Executive Board at EBM/83/153 (11/7/83). The relevant staff reports were SM/83/209 and EBS/83/222. For consultation purposes, Haiti is on a 12-month cycle.

VIII. Technical assistance: Long-term technical assistance is being provided by two fiscal experts in the fields of government revenue, including the implementation of a general sales tax, and of budgeting, accounting and expenditure control.

IX. Resident representative: A Fund resident representative is stationed in Port-au-Prince.

Financial Guidelines for the Period October 1, 1984 to September 30, 1985

A financial program for the period October 1, 1984 to September 30, 1985 should have as a key objective the re-establishment of an adequate level of international reserves for the central bank. To this end, a balance of payments surplus of not less than US$14-15 million should be sought. To help achieve this target, the authorities must pursue prudent monetary and fiscal policies. In line with this objective, limits should be placed on the expansion of the net domestic assets of the monetary authorities (Table 11), and on the net financing received by the public sector from domestic and nonconcessional external sources (Table 12). Limits also should be established on the credit expansion of the National Credit Bank (Table 13). Steps also need to be taken to ensure that the central bank covers only those government expenditures authorized by the budget. To make certain that budgetary expenditures remain within the availability of the Treasury's resources, limits should be placed on the treasury outlays (Table 14); these limits could be adjusted in light of the revenue performance. Finally, to avoid undue pressure on the balance of payments in the medium term, the authorities should pursue a cautious external debt policy. In line with this objective, the contraction or guaranteeing of nonconcessional external debt by the public sector in the maturity range of one to 12 years should not exceed the equivalent of US$8 million, net of any use of domestic bank financing. The contraction of short-term external debt should be limited to self-liquidating trade credits.

Table 11. Haiti: Net Domestic Assets of the Consolidated Balance Sheets of the Central Bank (BRH) and the National Credit Bank (BNC)1/

	(In millions of gourdes)
Position as of:	
December 31, 1983 (actual)	1,587
March 31, 1984 (actual)	1,512
June 30, 1984 (actual)	1,687
Limits to position as of:	
September 30, 1984	1,730
October 31, 1984	1,732
November 30, 1984	1,737
December 31, 1984	1,745
January 31, 1985	1,736
February 28, 1985	1,734
March 31, 1985	1,729
April 30, 1985	1,746
May 31, 1985	1,749
June 30, 1985	1,761
July 30, 1985	1,759
August 31, 1985	1,757
September 30, 1985	1,790

1/ Defined as the difference between (a) the sum of their liabilities to the private sector and the reserve liabilities to private commercial banks; and (b) their net international reserves.

Table 12. Haiti: Net Financing of the Public Sector from Domestic and Nonconcessional External Sources 1/

	Ceiling on Cumulative Net Financing 2/ (in millions of gourdes)
October 1 to 31, 1984	-10
October 1 to November 30, 1984	-16
October 1 to December 31, 1984	-20
October 1, 1984 to January 31, 1985	-22
October 1, 1984 to February 28, 1985	-24
October 1, 1984 to March 31, 1985	-24
October 1, 1984 to April 30, 1985	-22
October 1, 1984 to May 31, 1985	-20
October 1, 1984 to June 30, 1985	-19
October 1, 1984 to July 31, 1985	-14
October 1, 1984 to August 31, 1985	5
October 1, 1984 to September 30, 1985	15

1/ Defined as the sum of: (a) net credit from the domestic banking system to the public sector; (b) net foreign financing of the public sector other than that covered by multilateral and bilateral development agencies; and (c) domestic borrowing by the public sector outside the banking system.

2/ A negative sign implies a net repayment of outstanding credits or an accumulation of deposits.

Table 13. Haiti: Credit to the Private Sector by the National Credit Bank

	(In millions of gourdes)
Position as of:	
December 31, 1983 (actual)	237
March 31, 1984 (actual)	249
June 30, 1984 (actual)	277
Limits to position as of:	
September 30, 1984	270
October 31, 1984	273
November 30, 1984	276
December 31, 1984	278
January 31, 1985	281
February 28, 1985	286
March 31, 1985	289
April 30, 1985	291
May 31, 1985	293
June 30, 1985	296
July 31, 1985	299
August 31, 1985	302
September 30, 1985	305

Table 14. Haiti: Summary Operations of the Treasury

(In millions of gourdes)

	Targets for Cumulative Treasury Revenues	Ceilings on Cumulative Treasury Outlays 1/
October 1 to 31, 1984	100	85
October 1 to November 31, 1984	200	170
October 1 to December 31, 1984	300	260
October 1, 1984 to January 31, 1985	390	347
October 1, 1984 to February 28, 1985	478	434
October 1, 1984 to March 31, 1985	573	526
October 1, 1984 to April 30, 1985	665	616
October 1, 1984 to May 31, 1985	757	706
October 1, 1984 to June 30, 1985	849	801
October 1, 1984 to July 31, 1985	925	893
October 1, 1984 to August 31, 1985	1,005	985
October 1, 1984 to September 30, 1985	1,080 2/	1,080

1/ The expenditure ceilings for subsequent months may be increased on a pro rata basis by the equivalent of two thirds of the cumulative excess in collections from those targeted in the previous months or, conversely, must be reduced pro rata by an amount equivalent to the total cumulative shortfall in revenue in the preceding months.

2/ These revenue targets already assume the implementation of the new taxes on lottery tickets, travel insurance, auto insurance, and commercial licenses.

Haiti - Statistical Issues

1. Coverage, Currentness, and Reporting of Data in IFS

		Latest Data in November 1984 IFS
Real Sector	- National Accounts	1983
	- Prices	June 1984
	- Production	n.a.
	- Employment	n.a.
	- Earnings	n.a.
Government Finance	- Deficit/Surplus	March 1984
	- Financing	March 1984
	- Debt	n.a.
Monetary Accounts	- Monetary Authorities	June 1984
	- Deposit Money Banks	March 1984
	- Other Financial Institutions	Q1 1983
External Sector	- Merchandise Trade: Value - exports	June 1984
	- imports	Q4 1981
	- Merchandise Trade: Prices	n.a.
	- Balance of Payments	1983
	- International Reserves	August 1984
	- Exchange Rates	September 1984

During the past year, the reporting of data for inclusion in IFS has not been satisfactory and the currentness and coverage of the data need to be improved.

2. Outstanding Statistical Issues

Real Sector--Prices

Haiti recently published a new price index with base 1980=100, beginning with monthly data for January 1981. The new price index has been published in IFS and was used in the preparation of the present Staff Report and the paper on Recent Economic Developments (SM/84/275).

Government Finance

GFS data for Haiti are only partial, but interest has been expressed by national officials in improving their presentation. The data in the 1983 GFS Yearbook are available through 1982, although no data for finance and debt have been reported.

Monetary Accounts

Data for the central bank and for the commercial banks in IFS differ from those published in the Recent Economic Developments and in the Bank of Haiti's Quarterly Bulletin of Statistics. The sources of information (Report Form 10R and 60R from the central bank) are being revised in order to reconcile those differences. Reporting problems include currentness and incomplete reporting of data, which impede balancing of accounts.

Merchandise Trade

Direction of Trade Statistics (DOTS) data have been reported only through 1979/80, although current data on direction of exports are reportedly available on a monthly basis in the Statistical Section of the Customs Department in the Ministry of Finance.

While total export trade data are current, import data lag behind and the latest data available are for 1981. This delay seems to be caused by the slow operation of the manual data compilation procedures and problems encountered in the computerization of this system. There are also shortcomings in the quality of external trade data. Longer-term technical assistance may well be needed to address these issues.

Balance of Payments

The official balance of payments statistics suffer from conceptual shortcomings as well as from deficiencies in the basic sources of information that are utilized in the compilation data. In June 1984, a technical assistance mission visited Haiti and reviewed the sources and methods used in the compilation of balance of payments statistics. The mission report, transmitted to the authorities in October 1984, stressed the need for remedial action in several areas including the need for: (a) an improvement in the quality of external trade statistics; (b) implementation of new benchmark surveys; and (c) the use of financial statements, submitted to the tax administration, in estimating the data on the transactions of the private sector (including direct investment enterprises).

In preparing the present Staff Report and the Recent Economic Developments paper (SM/84/275), substantial methodological revisions have been made to the official data. These revisions refer primarily to the merchandise component of the balance of payments and account for the differences between the data that appear in the present consultation reports and those contained in the 1983 consultation reports and published in IFS. The adjustment made to the official data is documented in Appendix II to the Recent Economic Developments paper (SM/84/275).