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Haiti: Staff Report for the 1999 Article IV Consultation

This report was prepared by a staff team of the International Monetary Fund following discussions with the officials of Haiti on economic developments and policies. The report was then considered by the IMF's Executive Board in the context of the IMF's periodic consultation with Haiti, as required under Article IV of the IMF Articles of Agreement. The views expressed in the staff report itself are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF or of the authorities of Haiti; a supplementary statement by IMF staff may also be included. The views of the Executive Board as expressed in the discussion of the Article IV consultation report and as summarized in a Public Information Notice (PIN) are also included. In addition, a statement by the member country authorities may be appended. Further background documentation prepared by IMF staff for the consultation may be published separately at a later date. The policy of publication of Article IV staff reports allows for the deletion of market sensitive information.

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HAITI

Staff Report for the 1999 Article IV Consultation

Prepared by the Staff Representatives for the
1999 Consultation with Haiti

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July 28, 1999

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EXECUTIVE SUMMARY

Recent developments

Performance under the FY 1997/98 (year ending September 30) program that was monitored by Fund staff was satisfactory. Credit policy was tightened, the fiscal deficit was controlled and structural reforms covering the civil service and the financial system were undertaken. As a result of firm policy implementation, inflation was reduced, the external current account deficit narrowed, and official net international reserves rose. Output growth picked up moderately. The authorities have persevered with prudent monetary and fiscal policy under the staff-monitored program (SMP) for FY 1998/99, following major damage from Hurricane Georges, which struck Haiti in September 1998. However, economic activity has slowed from the effects of the hurricane on agricultural crops.

Moreover the political impasse that has prevailed for more than two years has led to the loss of external assistance, low investment, and postponement of important structural reforms, all of which have constrained growth and efforts to reduce poverty. A recent promising development was the issue of an electoral decree providing for the conduct of parliamentary elections toward the end of 1999. Ratification of the decree by the political parties is required for the process to go forward.

Policy discussions and staff appraisal

The staff supports the government's intention to carry out transparent and democratic parliamentary elections before the end of 1999 as a major policy priority. A functioning parliament is essential to approve the budget; many other basic laws including those applicable to the justice system, the financial sector, the tax system, education and health; and external loans. These in turn are needed to provide the basis for the implementation of a comprehensive program of structural reforms to raise productivity, investment and growth.

In the short term, a key issue is to maintain macroeconomic stability while seeking to finance the costs of elections in a noninflationary way. The government will need to resist pressures for unbudgeted wage increases and hiring in the run-up to elections and to continue with actions to improve tax and customs administration. In addition, efforts should be accelerated toward the restructuring/privatization of the port, airport, telephone and electricity companies, and the largest troubled state-owned bank.

The authorities have requested that discussions begin over the next few months for a follow-up staff-monitored program that would help them maintain monetary and fiscal discipline during the electoral period. This could lead to discussions on a program that could be supported by a new ESAF arrangement once parliamentary elections are completed.

I. Introduction

1. The 1999 Article IV consultation discussions with Haiti were held in Port-au-Prince during June 1–16, 1999.[1] The mission met with President Préval, Economy and Finance Minister Joseph, Central Bank Governor Jean, and other senior officials, as well as various political, religious, and private sector representatives.

2. At the conclusion of the 1998 Article IV consultation, Directors commended Haiti for the progress toward macroeconomic stability over the previous year under very difficult political and economic circumstances. At the same time they expressed concern over the adverse impact of the political crisis on the implementation of structural reforms, the disbursement of external assistance, and the recovery of output. Directors stressed that progress in the implementation of the structural reform agenda and improved governance were essential to promoting sustainable economic growth and improving living conditions. They urged the authorities to implement sectoral policies aimed at improving government efficiency in the delivery of essential services, such as security and justice, health and education, and infrastructure rehabilitation and maintenance.

3. Following the onset of a political crisis in the spring of 1997, which led to the resignation of the prime minister and the interruption of the implementation of a comprehensive, donor-backed effort to remove Haiti's serious structural impediments to sustained economic development and poverty alleviation, the first annual ESAF arrangement expired without completion of the midterm review. While attempts to reach a political settlement continued, a staff-monitored program (SMP) covering FY 1997/98 (year ending in September) was put in place in April 1998. The main purposes of the SMP were to assist in maintaining sound macroeconomic policies and advancing in the structural area, so as to facilitate the disbursement of some external budget support and establish a track record that could help restart Fund support through an ESAF arrangement after the resolution of the political crisis.

4. A follow-up SMP covering FY 1998/99 was put in place in November 1998. At the same time, the Executive Board approved the authorities' request for emergency assistance in an amount equivalent to SDR 15.2 million (25 percent of quota) after damage from Hurricane Georges, which struck Haiti in September 1998.

5. During the period June 1997–December 1998, the Haitian parliament rejected several candidates proposed by the president to head a new government, and in January 1999, the term of parliament expired. An agreement was reached in March 1999 between the president and some of the opposition parties that led to the nomination by decree of a cabinet and of a provisional electoral council to conduct parliamentary elections. In July 1999, an electoral

[1] The staff team comprised Ms. Brenner (Head), Messrs. Salehizadeh, Fritz-Krockow, and Loevinger (all WHD), and Auboin (PDR). Mr. Dhanpaul, Assistant to the Executive Director for Haiti, participated in the last round of discussions.

decree was published, which envisions elections in November–December 1999, with the new parliament to convene in January 2000. The decree is now being considered by the political parties whose ratification is required for the process to go forward.

6. The authorities have requested that discussions for a follow-up SMP take place in September–October to help them to continue to maintain financial discipline and structural reforms in those areas that do not require parliamentary approval. It is expected that this would help set the stage for a new ESAF, once parliamentary elections are completed.

7. Economic and financial statistics are made available to Fund staff as they become available in Haiti. Significant improvements have been made in recent years, especially in the monetary accounts and the accounts of the central government. However, critical data problems remain (especially in the areas of national accounts and the balance of payments) that could seriously affect policy analysis and program design and monitoring (see Appendix IV).

8. Haiti has accepted the obligations of Article VIII, Sections 2, 3, and 4. Relations with the Fund are described in Appendix I.

II. Background and Developments Under the FY 1998/99 Staff-Monitored Program (SMP)

9. **Performance under the FY 1997/98 SMP was satisfactory.**[2] Output growth was about 3 percent based mainly on strong export growth, while inflation declined substantially and net international reserves rose. The central government deficit was slightly higher than in the program while credit conditions were tighter than envisaged as interest rates on central bank instruments were increased substantially in February 1998 to reduce inflationary pressures. As a result of strong growth of exports and private remittances, the external current account deficit (excluding official grants) is estimated to have declined to about 6 percent of GDP in FY 1997/98, from 7 percent in FY 1996/97. External public debt service declined to 8.4 percent of exports of goods and nonfactor services (Table 1).

10. In the **structural area**, progress was made during 1997/98 in civil service downsizing, in advancing technical work toward the restructuring/privatization of public enterprises, installing a restructuring team at the large state-owned bank (BNC), and strengthening of the central bank's supervisory capacity and regulatory framework. However, the political crisis prevented the adoption of those structural reforms that required legislative approval.[3]

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[2] For details on performance under the FY 1997/98 program see EBS/98/197, 11/20/98.

[3] For example the import tariff system, direct taxes, tax exemptions, and infrastructure maintenance and rehabilitation.

11. **The FY 1998/99 SMP (which takes into account the negative economic effects of the hurricane) assumes output growth of about 2 percent and aims at containing inflation at 8 percent, while limiting the loss of official net international reserves to no more than US$10 million.** The program limits the central government budget deficit to 1.7 percent of GDP (1.3 percent in 1997/98) and incorporates public sector expenditure to repair the hurricane damage, as well as to cover the cost of downsizing of public employment. It also envisages additional steps to prepare the main public enterprises (airport, port, and telephone and electricity companies) and the large state-owned bank (BNC) for restructuring/privatization. It was expected that satisfactory performance under the program would facilitate the disbursement of external budget support sufficient to close an estimated financing gap of US$37 million.

12. Preliminary data for the first eight months of FY 1998/99 (October 1998–May 1999) indicate that **macroeconomic performance has been broadly in line with expectations.** The 12-month rate of inflation declined to 7.6 percent in May 1999. Economic activity has slowed as anticipated; agricultural output has suffered from the effects of the hurricane on rice and other crops and from "black straw" disease. The main source of growth continues to be the strong expansion of exports (mainly from the textile assembly sector). All quantitative benchmarks for March 1999 were met with ample margins (Table 2).

13. **The overall central government deficit was 0.3 percent of GDP in the first half of FY 1998/99, compared with 0.7 percent of GDP envisaged in the program as revenues were higher and capital and wage expenditures were lower than projected (Table 4).** Spending on structural reforms and hurricane relief was in line with programmed amounts. Selective wage increases provided for in the program did not materialize pending completion of a study on salary disparities in the civil service. Lower spending on wages and salaries was only partially offset by higher outlays on goods and services (which included new health insurance benefits).

14. **The growth of broad money was broadly in line with that of nominal GDP during FY 1997/98 and the first half of FY 1998/99 as inflation fell, real interest rates on time deposits became positive and private remittances from abroad continued to increase (Table 5).** However, private sector demand for credit slowed, particularly during the first half of FY 1998/99, in the face of political uncertainty, with credit to the private sector unchanged in real terms in the 12-months ending April 1999. Commercial banks also tightened lending standards as they adjusted to prudential regulations on concentrated lending, loan classification, and provisioning.

15. **Central bank bond placements resulted in a reduction in its net domestic assets by more than programmed in the first half of FY 1998/99.** Net international reserves rose by US$20 million, compared with a loss of US$5 million in the program.[4] With weak

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[4] Net official reserves rose to US$219 million at end-March 1999, equivalent to 2.4 months of imports of goods and services and 18 percent of broad money. Haiti has no official short-term external debt. Thus the ratio of short-term debt to reserves is nil.

demand for credit, banks bid up the price of central bank bonds. As a result, central bank intervention interest rates declined more than expected, from about 22 percent (on bonds of 91-day maturity) in September 1998 to about 10 percent in June. However, interest rates on loans declined very little, and the spread between interest rates on loans and time deposits remained large, partly reflecting the maintenance of substantial unremunerated reserve requirements.[5] The share of foreign currency deposits in total deposits increased by 2 percentage points to about 31 percent.

16. **Under the floating exchange rate regime, during the 12 months ending in April 1999, the gourde appreciated by about 3½ percent with respect to the U.S. dollar and by about 9½ percent in real effective terms** to a level 21 percent more appreciated than its average level in FY 1995/96–FY 1997/98 (Figure 1). The nominal effective exchange rate has remained broadly stable during the past three years while inflation has declined in Haiti but remains above that in trading partner countries. This appears to reflect the effect of increased demand for nontradeable goods financed by increased external aid flows and buoyant remittances from Haitians living abroad. **As of now there seems to be no major problem with external competitiveness** based on the strong growth of exports during the past three years (largely from the light assembly industry) and a level of wages that is the lowest in the region (Table 6).[6] Exports rose by 31 percent in the first seven months of FY 1998/99, compared with the same period a year earlier, while imports rose by 14 percent, partly reflecting higher imports of food and building supplies after the hurricane. Disbursements of official grants and loans, mainly channeled through nongovernmental organizations, amounted to about US$320 million in FY 1997/98, and appear to have remained at a comparable rate in FY 1998/99.[7]

17. **In the financial sector, the central bank's supervisory capacity and the regulatory framework continued to be strengthened.** New risk-based capital adequacy requirements (initially 8 percent and gradually increasing to 12 percent) were established in December 1998. Banking regulations are generally in compliance with the Basle Core Principles, with the exception that reporting is done on an unconsolidated basis.[8] Also a draft

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[5] Reserve requirements are 12½ percent on dollar deposits and 26½ percent on gourde deposits.

[6] The light assembly export sector—especially textiles, foodstuffs, and footwear—has been thriving since the lifting of the trade embargo in 1995, based on an ample supply of labor and close proximity to the United States, Haiti's major trading partner.

[7] Project-related grants, provided mostly by the United States and the EU amounted to about US$220 million in FY 1997/98 and are mainly channeled through nongovernmental organizations. Concessional lending by the World Bank and the Inter-American Development Bank was about US$100 million.

[8] The authorities are working toward establishing reporting and monitoring on a consolidated basis, with technical assistance from the Fund.

action plan for the restructuring of the large state-owned bank (BNC) was submitted to the government by the restructuring committee on May 31, 1999. However, work on a new banking law (which, inter alia, would extend the central bank's supervisory authority to nonbank financial institutions) progressed more slowly than expected.

18. **Indicators of banking system soundness,** including the ratio of nonperforming loans to total loans, provisioning, and profitability, **improved during the first half of FY 1998/99 (Table 7).** Nevertheless, at 8 percent, nonperforming loans are a relatively high proportion of total loans. As of March 1999, all private domestically-owned banks had met the minimum 8 percent capital requirements, and it is expected that these banks would have sufficient risk-based capital when higher standards for loan-loss provisioning go into effect at end-June 1999.[9] With the exception of the state-owned bank, all banks were in compliance with prudential limits on open foreign exchange positions and limits on cross shareholding. Also the banking system's exposure (as a percentage of its capital and reserves) to large individual borrowers declined.

19. **Progress in other structural areas has been mixed.** Regarding **public expenditure management**, in March the central bank and the ministry of finance signed the annual agreement on cash management, which limits monthly government outlays to monthly revenue collections and the amount of financing included in the program (Table 8). Also, procedures to restrict the use of the ministerial discretionary accounts ("comptes courants") were applied to all ministries by May 1, with the exception of the presidency and the prime minister's office. These measures have been effective in reducing the proportion of expenditures that are made on a discretionary basis. In the area of **tax administration,** customs was authorized to collect the excise duties on imported tobacco and alcoholic beverages in November 1998 and the vehicle registration tax at the time of importation effective May 15, 1999. However, insufficient support has been given to bolstering the operations of the large taxpayer unit.[10] **Most importantly, little progress has been made in improving security and the judicial system.**

20. **A comprehensive civil service downsizing was completed in December 1998.** The downsizing affected some 6,360 employees (about 12 percent of government employment), and involved severance payments equivalent to about 0.4 percent of GDP. Also, in conjunction with the downsizing, physical verification procedures for wage payments were implemented, resulting in the elimination of fraudulent wage payments to an additional 3,000 employees from the government payroll. Regulations regarding the procedures for hiring

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[9] Haiti's two foreign-owned banks, accounting for about 12 percent of deposits, were given until December 1999 to meet the 8 percent capital requirement.

[10] The large taxpayer unit, with 4 percent of total employment of the internal revenue service, collects about 30 percent of domestic tax revenue. Recently the ministry of finance agreed to increase the resources to the large taxpayer unit by the equivalent of about US$900 a month. However, the staff considers this inadequate.

civil servants were tightened beginning in December 1998. In January a commission began to monitor hiring procedures and the control of personnel in the ministries of education and health. In the area of **restructuring/privatization of public enterprises**, in May the prime minister approved the sale of a 65 percent share and management control of the cement plant. The contract was negotiated in December 1997, but the transaction was not finalized in the absence of a prime minister. Under the operation (capitalization) the investor has committed to undertake US$16 million in new investment in return for the shares.

III. Policy Discussions

21. *The political impasse that has prevailed for more than two years has led to the loss of external assistance, low investment, postponement of important structural reforms, and insufficient growth to reduce the high rate of poverty. The staff agrees with the government that carrying out parliamentary elections in a transparent and democratic manner with strong voter turnout should be a major policy priority and is crucial for resumption of external aid flows and the implementation of structural reforms.*[11] *In the short term the key issue is to maintain macroeconomic stability while seeking to finance the costs of election in a noninflationary way.*

22. **Prospects for external financing to the budget played a prominent role in the discussions of the economic program for the remainder of FY 1998/99.** The SMP had foreseen the disbursement of about US$21 million (½ percent of GDP) in budget support from the European Union (EU), based on satisfactory macroeconomic policies and reforms in the ministries of education, finance and health.[12] However, the EU commission decided in July to postpone the decision on disbursement because some member governments wished to see official publication of the electoral decree and the setting of firm dates for parliamentary elections as prior actions.

A. Fiscal Policy

23. **Under the SMP, the benchmarks for domestic credit to the central government were to be adjusted upward by any shortfall in external budgetary financing. However,**

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[11] Parliament is required to approve important economic and structural legislation including the budget, tax and tariff reform, judicial reform, and external loan protocols. Some US$200 million in loans from the Inter-American Development Bank need to be approved.

[12] An EU mission in May 1999 found satisfactory implementation of reforms in the education and finance ministries; reforms in the health ministry were also being implemented, but with delays.

the authorities were concerned that a full offset could result in pressure on inflation. They agreed that in case of a shortfall in external budget support in the last quarter of the current fiscal year, (July–September 1999), as now seems likely, they will trim the deficit of the central government budget by about half of the shortfall and substitute central bank financing for the other half. Accordingly, fiscal policy in the remainder of FY 1998/99 will aim at containing the deficit to 1.4 percent of GDP for the year, compared with 1.7 percent envisaged in the SMP.

24. **The adjustment of the fiscal deficit is expected to result from saving the margin achieved in the first half of the year and from additional revenue that can be expected from collection by customs of the vehicle tax, while keeping expenditure close to the level envisaged in the SMP.**[13] This projection assumes the application of a new harmonized salary scale and the granting of selective salary increases in July retroactive to June 1. Accordingly, the wage bill would be in line with the projection. The staff emphasized the importance of full adherence to the cash management system, continued restraint in hiring, and avoiding across-the-board wage increases in order to achieve the fiscal target.

25. Customs receipts fell somewhat short (0.1 percent of GDP) of the programmed amount in the first half of FY 1998/99, despite efforts to reduce evasion, including by better surveillance of exemptions. The authorities indicated that the recently completed application of the computerized monitoring system at the airport and the port in Port-au-Prince has improved collections there, but led to the diversion of imports to other ports. They are working to extend the computerized monitoring system and control of exemptions to cover the other ports.

26. **The government estimates that some US$33 million (0.8 percent of GDP) will be required to finance the successful conduct of parliamentary elections.** (Such elections were not anticipated in the SMP.) This would cover direct costs, such as voter registration and identification cards; civic education to encourage voter participation; and security. About half this amount may need to be financed through the budget, while the balance would be financed directly by donors without going through the budget.[14] It was agreed that the government's contribution to financing the cost of elections in FY 1998/99 can be accommodated within the spending on structural reforms provided in the SMP.[15]

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[13] Although the vehicle tax is collected by customs, it is recorded in internal revenue.

[14] The budgetary cost in FY 1998/99 is estimated at about 0.2 percent of GDP.

[15] This would substitute for amounts provided for downsizing of employment in public enterprises that is not expected to take place by September.

B. Monetary Policy

27. Taking into account monetary developments through May 1998, the expected fiscal outcome, and the projected external budget support, the staff discussed with the authorities **revised monetary projections for FY 1998/99.** These projections assume that the central bank will increase its financing of the central government to offset half of the likely shortfall in external financing. The central bank will use open market operations to keep inflation in line with the program (raising interest rates if needed). However, there would still be room for a small increase in credit to the private sector should domestic demand recover. Net official reserves would decline moderately from the level reached in May but would increase by US$17 million in FY 1998/99 as a whole, compared with a decline of US$10 million envisaged in the program.

28. **In the discussions on monetary policy, the mission observed that high unremunerated reserve requirements had contributed to a high spread between lending and deposit rates and discouraged domestic savings and investment.** The staff also noted that lower reserve requirements on foreign-currency denominated deposits had led to a large spread between foreign currency-denominated and gourde-denominated lending rates.[16] This combined with increased nominal exchange rate stability has encouraged borrowing in dollars. In these circumstances, the staff reiterated its earlier recommendations to reduce the difference between reserve requirements on gourde and dollar deposits, and/or to offer remuneration on required reserves.

29. **The authorities indicated that the central bank will study further the links between reserve requirements, interest rates, and dollarization, but they were unwilling to commit to any steps toward harmonization of reserve requirements in the near future.** They noted that the lower reserve requirement on dollar deposits had fulfilled its aim of impeding dollar deposits from moving offshore. They were also reluctant to reduce the reserve requirement on gourde deposits because it would require the central bank to issue more bonds to offset the increase in liquidity, raising its interest costs.

30. **The staff discussed with the authorities the draft plan for restructuring the largest state-owned bank, BNC.** The plan foresees a downsizing of about half the personnel before September, which is an essential stage for the reduction of the high operating costs of the bank. However, the plan does not make it clear that the restructuring should lead to eventual privatization of the bank as was foreseen in the SMP. The staff reaffirmed its view that the restructuring plan should aim at an early transfer of the bank to the private sector through sale, capitalization, or merger. In the meantime, new lending and foreign exchange operations by the bank should continue to be prohibited. The authorities said that the government had not yet made a decision on the modalities for modernization or on privatization of BNC. They indicated that any plan must be acceptable to the social partners

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[16] Interest rates on loans denominated in gourdes are around 20 percent, while those on dollar loans are around 10 percent.

and that BNC branches had an important role to play in rural areas where private banks were not providing services.[17]

C. External Sector Policies

31. **The staff supports the authorities' intention to maintain the current floating exchange rate regime. Efforts to enhance external competitiveness and increase investment in the tradable sectors should continue through the implementation of structural reforms aimed at reducing domestic production costs and increasing productivity.** Particularly important in this regard would be efforts to reduce the costs of transport (e.g., through improved road rehabilitation and maintenance and the restructuring of the ports and airport); improve the delivery of public utility services (e.g., electricity, water, and telecommunication services); and enhance the quality and coverage of primary education and technical training.

32. While the balance of payments has strengthened in recent years, it remains highly dependent on official grants and loans. Private capital flows are weak, and foreign direct investment has amounted to less than US$20 million during the past three years. **The staff urged the authorities to step up efforts to attract foreign investment,** through the structural reforms indicated in the preceding paragraph as well as measures to improve the justice system and updating the commercial and investment codes.

33. The staff welcomed the authorities' **intention to maintain Haiti's relatively open trade regime.** Haiti operates a four-band tariff structure, with all but one (gasoline) tariff items subject to tariff rates of zero, 5, 10, or 15 percent.[18] In addition, a 4 percent verification fee is levied by customs on all imports. More than 50 percent of tariff lines carry a zero percent tariff rate and the unweighted average tariff rate stands at about 5 percent. However, the effective rate of duty collected at the border is likely to be much lower due to the large number of tariff exemptions. The main exemptions cover the import of material and equipment used in the light assembly industry and imports by nongovernmental organizations (NGOs) providing aid to Haiti.

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[17] While the authorities agreed that it was important to recapitalize BNC, they did not view the situation as posing a systemic risk. The total net cost of recapitalizing and restructuring the bank is tentatively estimated at about 0.5 to 0.7 percent of GDP; annual interest on bonds to cover this cost would be about 0.1 percent of GDP.

[18] A draft law on tariff reform, aimed at lowering the maximum tariff rate from 15 percent to 10 percent (thus reducing the number of tariff bands from four to three) was not approved by the previous parliament. The government plans to resubmit the bill to the new parliament.

34. Haiti joined the Caribbean Community in 1997 and became a member of CARICOM in July 1999.[19] The authorities have reiterated their intention to protect Haiti's liberal trade policy under the CARICOM and have therefore negotiated numerous exemptions and suspensions to avoid any tariff increases under the common external tariff (CET). These suspensions and exemptions are valid until 2005; in the meantime the authorities hope to convince their CARICOM partners to lower CET rates towards the lowest applied rates in the region.

D. Structural Reform, Poverty, and Other Issues

35. **Technical work has advanced for the restructuring of the four remaining large enterprises (airport, port, and the electricity and telephone companies).** The World Bank has been providing financial and technical assistance for restructuring of the port, airport, and telephone company, while the Inter-American Development Bank has been advising on restructuring the electricity company. It is expected that the airport and port will be put under private management contract; presentation of the bid documents is expected in November-December 1999. The modality for restructuring of the electricity company remains to be determined.

36. In the case of the telephone company, Teleco, the authorities are considering the sale of 60 percent to 70 percent of the shares of the company. Teleco is facing a decline in profitability as a result of competition from two private phone companies that have begun operations in the past year. In addition, Teleco has been adding to its labor force, contrary to the advice of the financial advisors who see downsizing of personnel as a necessary step to make the company attractive to private investors. **The staff recommended a freeze on hiring at Teleco and to proceed without further delay in the preparations for the sale of shares in the company.**

37. With a GDP per capita of about US$500, **Haiti is the poorest country in the Western Hemisphere.** More than 80 percent of the population falls below the poverty line in rural areas, where about two-thirds of Haitians live.[20] Malnutrition affects about half of children under age five, and less than half the population has access to safe water. Over half of adults are illiterate and only one of seven adolescents attend secondary school (Table 9). The **causes of poverty** are political instability, poor governance, and corruption; inadequate levels of investment; underinvestment in human capital and the poor quality of social spending; high fertility, and domestic insecurity. Social programs aimed at reducing poverty by improving basic education and health and infrastructure are largely funded by donors and

[19] The term CARICOM refers to both the Caribbean Community and the Caribbean Common Market.

[20] There are no recent estimates of overall poverty in Haiti or of the distribution of income (Gini coefficient).

implemented directly by nongovernmental organizations. The main programs are described in the box on the following page.

38. **Haiti suffers from severe environmental degradation, resulting from high population density and high incidence of extreme poverty.**[21] Paucity of arable land and widespread use of firewood for cooking and commercial purposes has led to almost complete deforestation. The low ratio of access to sanitation facilities contributes to widespread water pollution. Lack of attention to natural resource management and legislation has combined with these underlying factors to exacerbate the situation. In May 1999 the Inter-Ministerial Environment Commission presented an Environment Action Plan (EAP), that will be submitted to the government for approval. The EAP was prepared with technical and financial support from donors and provides a comprehensive framework of priority areas to be addressed during the next 15 years. The EAP addresses virtually every aspect of environmental protection, proposes numerous institutional and legal changes, and seeks donor support for a broad range of priorities and programs.

39. **The Fund has been providing large scale technical support to Haiti in recent years.** There are currently four long-term advisors in the areas of general fiscal policy, budgetary control, restructuring of BNC, and central bank information systems, as well as a long-term macroeconomic advisor to the president. The staff urged the authorities to implement the recommendations of Fund technical assistance, keeping in mind that the effectiveness of such assistance is likely to continue to be hampered by weaknesses in human resources and institutional areas. **The staff encouraged the authorities in their efforts to upgrade the quality and timeliness of economic statistics**, including by submitting to parliament as soon as it convenes, a draft statistical law that strengthens the role of the central bank and of the National Institute of Statistics in the compilation of economic and financial statistics.

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[21] Data are from the World Development Indicators 1999, World Bank. Haiti has a population density of 266 persons per square kilometer compared to an average of 86 for low income countries.

Box. Haiti: Social Sectors

Education

The main education indicators (illiteracy rate and school enrollment rates) in Haiti are weaker than the average of the Low Income Countries (see Table 9). Primary school enrollment dropped from 1975 to 1985 as the state curtailed education expenditure. Subsequently, the private sector stepped in to fill the void. As a result, the number of schools nearly doubled between 1988 and 1998 and primary school enrollment rose to 64 percent. The private sector now accounts for around 89 percent of schools and 76 percent of students. However, the quality of the education system is low; 17 percent of students in primary school and 10 percent in secondary school are repeaters. There are also indications that quality is lower, on average, in private schools; while 47 percent of teachers in public schools have full professional qualifications, only 8 percent of teachers in private schools do.

The government is now reevaluating its education strategy. In FY 1996/97, the ministry of education carried out the first annual census of private and public schools, which provides a database for defining sectoral policies. In December 1997, the government finalized a National Education Plan (NEP) for the next ten years. Among the main objectives of the plan are enhancing the quality of the education system while increasing the supply of educational services; establishing a system and standards of professional training; and strengthening the ministry of education and the NEP secretariat. The plan contains a list of projects for which the authorities are seeking technical and financial support. The ministry of education has prepared a draft implementing law; however, the law cannot be approved until a new parliament is in place. In the meantime, the government has prepared two projects. The Governance Support Program—amounting to around US$4.5 million to be financed by the European Union—aims at strengthening public institutions, facilitating decentralization, and regulating private sector providers. The Basic Education Program—amounting to around US$53 million to be supported by the World Bank and Inter-American Development Bank—aims at supporting primary education by financing school construction, teacher training, and the purchase of materials.

Health

Basic health indicators (life expectancy at birth and infant mortality rate) in Haiti are poor, although they have improved somewhat during the past 10 years. Rates of access to safe water and sanitation are extremely low and considerably below those of low income countries, and the number of physicians and hospital beds is also grossly inadequate. There is a clear need for improving service delivery. To this end, the ministry of health, working closely with the European Union, has prepared a medium-term reform project for public health care. The project envisions the establishment of new self-managed local health units (Unité Communale de Santé, UCSs) for delivering basic public health care services, including prevention and immunization. It is expected that around 65 UCSs will be established. The second level of care (specialized and hospital care) will be administered by ten departmental bureaus. The reform also envisions the establishment of a new uniform budget classification and regulations and the production of health accounts for the consolidated public sector.

A parallel strategic plan of the ministry of health, with support from USAID, envisions strengthening the government's ability to regularly produce indicators of the health status of the population and of service delivery, including through the regular funding of the Survey on Mortality, Morbidity, and Utilization of Services of a new Household Expenditure Survey. The first survey is being carried out now and its results are expected to be available by September 1999.

IV. Medium-Term Outlook

40. **The staff has developed two medium-term scenarios to underline the need for quick restoration of democratically elected institutions:** an illustrative low-growth scenario assumes a continuation of the political impasse and weak support for structural reforms. An alternative high-growth scenario assumes timely progress towards establishment of a parliament and government with clear mandates, and a strong political consensus for implementation of structural reforms.

41. **The low-growth scenario** sees no growth in public saving in the absence of tax measures (Table 10). Government spending on social programs and infrastructure would be constrained by limited external budget support due to the slow implementation of structural reforms. Fiscal deficits would be financed largely by central bank credit and business confidence would remain at low levels. As a result, output growth would remain at or below the rate of population growth (2 percent), implying no improvement in living standards, and inflation would remain at 8–10 percent. Gross domestic investment would stagnate at around 10½ percent of GDP, financed about equally between domestic and external saving. Export receipts would continue to provide the basis for slow growth, but would be constrained by infrastructure bottlenecks. Private transfers from Haitians living abroad are assumed to grow in line with projected inflation and output growth in North America. Import growth would slow, reflecting the limited opportunity for private investment and the sluggish implementation of externally financed projects. Official grants and loans would be flat in real terms and direct investment flows would remain subdued. The import cover of net international reserves would decline to less than two months of goods and services. The external debt/GDP ratio would decline somewhat while total public debt would remain at around 38 percent of GDP.

42. **The illustrative high-growth scenario** foresees that an accelerated implementation of structural reforms (particularly privatization, improvements in economic infrastructure, and tax and customs reform) with substantial external support would raise productivity, enhance external competitiveness, increase domestic investment and boost employment and output growth to around 5 percent a year (Table 11). A steady strengthening of public sector saving, combined with a prudent monetary policy, would allow the gradual reduction of inflation to industrial country levels.

43. Under the high-growth scenario, tax measures (widening the tax base, reducing exemptions, tightening tax administration) would be implemented to raise central government revenue by 2 percentage points of GDP by 2003. Domestic investment would rise strongly as private investment responds to privatization (new investment in telecommunications, electricity services, port and airport), and government investment in infrastructure (roads, schools, and public health facilities). A reduction in credit to the public sector would open up space for a faster expansion of credit to the private sector. The external current account deficit/GDP ratio would widen somewhat as import growth would pick up reflecting the expansion of investment and output, while exports would continue to expand rapidly in the outer years. Strong capital inflows, especially foreign direct investment, would more than cover the external current account deficits and a buildup in the import cover of net

international reserves. The external debt to GDP ratio would remain low at around 27 percent of GDP, while the ratio of external debt to exports would decline to 135 percent in FY 2002/03.

V. Staff Appraisal

44. **The authorities have continued to maintain macroeconomic stability during the past year despite the very difficult political and economic environment.** Inflation has declined, official reserves have risen, and the fiscal deficit has been kept under control. However, the political crisis has continued to delay structural reforms that are essential to support higher sustained economic growth. As a result, private confidence remains fragile, investment is weak, and growth is too low to reduce widespread poverty.

45. **The staff supports the government's intention to carry out transparent and democratic parliamentary elections before the end of 1999 as an urgent priority.** A functioning parliament is essential to approve the budget; many other basic laws including those applicable to the justice system, the financial sector, education, health and the environment; and external loans.

46. **In the short term, the key issue is to maintain macroeconomic stability while seeking to finance the costs of elections in a noninflationary way.** At the same time, greater efforts are needed on structural reforms that can be carried out without new legislation. This includes improving tax and customs administration and making greater efforts to accelerate the restructuring of the port, airport, and telephone and electricity companies.

47. **In the face of a shortfall in external financing to the central government budget in FY 1998/99, the staff supports the authorities' intention to trim the fiscal deficit relative to the programmed level.** This is essential to reduce crowding out of the private sector and pressure on inflation. To control the fiscal deficit, the authorities should continue to strictly implement procedures for limiting spending to revenue collection and programmed financing. Further actions to improve tax and customs administration, and tighten tax exemptions are needed, particularly granting additional resources and operating independence to the large taxpayer unit. The government will also need to continue to resist pressures for unbudgeted wage increases and hiring in the run-up to elections.

48. **Credit policy should continue to be restrained to keep inflation on a declining path.** At the same time, the staff encourages the authorities to take measures to reduce the disincentives to financial intermediation in domestic currency. This should include gradual harmonization of reserve requirements on domestic and foreign currency deposits. Open market operations should increasingly be used as the main instrument of monetary policy.

49. **Important measures have been taken during the past year to improve the supervision and health of the banking system.** The staff urges the authorities to continue phasing in financial sector regulations consistent with international standards and to continue

with comprehensive audits of individual banks. In addition, work in presenting a new banking law should be concluded promptly.

50. **The staff urges the authorities to accelerate the restructuring of the largest troubled state-owned bank, and to reaffirm their commitment to privatizing the institution.** In the short term, downsizing of excess personnel to reduce the high operating costs of the bank should be undertaken without further delay, and new lending and foreign exchange operations by the bank should continue to be prohibited.

51. In the context of a floating exchange rate regime, the real appreciation of the gourde that has taken place over the past few years mainly reflects the resumption of external aid flows and buoyant remittances from Haitians living abroad. Although the strong growth of exports in the past three years suggests that competitiveness may not be a problem (in part because of low labor costs), **structural reforms aimed at lowering domestic production costs and bolstering the productivity of the tradable sectors and attracting foreign investment should be implemented promptly.**

52. **The government has gone a long way toward preparing a comprehensive agenda for structural reforms that are essential to raising economic growth and improving living standards, especially for the poorest, and for improving governance. However, implementation of these reforms (beyond the stage of technical work and improving institutional linkages) has stalled in the face of the political impasse.** The staff urges the government and the political parties to make strenuous efforts toward a political settlement that would allow rapid progress in the restructuring and privatization of the main public enterprises, the approval of legislation for the restructuring of import tariffs and reforms at the ministries of justice, health, and education; and reforms of direct taxes, tax exemptions, and the investment and commercial codes. Institutional strengthening of the tax collection agencies and of the judicial system are also crucial for bolstering revenue collection and security. Efforts to upgrade the quality of real, fiscal, and external statistics should be accelerated with technical assistance from the Fund and other donors.

53. The authorities have requested discussions in September/October for a follow-up staff-monitored program that would help them maintain monetary and fiscal discipline during the electoral period. The staff supports this request. Adherence to the program is expected to facilitate an early start to discussions on a program that could be supported by a new ESAF arrangement once parliamentary elections are completed.

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

Table 1. Haiti: Selected Economic and Financial Indicators

	Fiscal Year Ending September 30					
			1998		1999	
	1996	1997	Prog. 1/	Prel.	Prog. 1/	Proj.
(Annual percentage change, unless otherwise indicated)						
National income and prices						
GDP at constant prices	2.7	1.4	2.0	3.1	2.2	2.2
GDP deflator	21.2	16.3	14.3	12.7	8.3	8.3
Consumer prices (period average)	21.9	16.2	14.0	12.7	8.5	8.5
Consumer prices (end-of-period)	20.1	17.0	12.0	8.3	8.0	8.0
External sector						
Exports (f.o.b.)	7.6	32.4	8.0	45.4	16.5	24.3
Imports (f.o.b.)	-0.9	4.4	5.0	12.1	15.6	17.1
Nominal effective exchange rate 2/	4.2	-3.0	...	5.9	...	3.5
Real effective exchange rate 2/	15.3	11.1	...	14.2	...	9.4
Central government						
Total revenue (excluding grants)	39.5	41.3	4.4	11.2	10.0	14.2
Total expenditure	12.8	11.6	12.4	18.7	15.3	14.8
Money and credit						
Net domestic assets 3/	13.7	10.6	12.1	11.4	10.2	11.1
Credit to public sector (net) 3/	11.2	-1.9	4.2	3.4	5.0	6.8
Credit to private sector 3/	8.3	17.5	9.8	7.6	7.4	2.7
Broad money	10.2	15.4	14.6	14.7	10.7	12.5
Velocity (GDP relative to broad money)	3.5	3.7	3.6	3.7	3.6	3.6
Average interest rate on time deposits (end-of-period, in percent) 4/	11.3	11.3	...	14.8	...	7.0
(In percent of GDP, unless otherwise indicated)						
Gross domestic investment	9.5	10.2	10.5	10.7	11.0	10.5
Gross national savings	-2.7	3.3	4.4	4.8	4.6	4.3
Of which						
Public sector savings	-2.1	1.9	1.3	2.0	0.9	1.8
Central government overall balance 5/	-2.5	-0.6	-1.1	-1.3	-1.7	-1.4
External current account balance 6/	-12.2	-6.9	-6.1	-5.9	-6.4	-6.2
External public debt (end-of-period)	30.6	30.0	31.5	28.7	29.3	27.3
External public debt service (in percent of exports of goods and nonfactor services) 7/	9.7	11.7	10.6	8.4	10.5	7.4
(In millions of U.S. dollars, unless otherwise indicated)						
Overall balance of payments	-60.0	27.5	0.0	32.3	-10.0	17.0
Gross international reserves (end-of-period)	215.6	265.7	270.0	292.7	292.0	330.5
Net international reserves (in months of imports of goods and services, end-of-period)	2.1	2.4	2.2	2.4	2.1	2.3

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

1/ Staff-monitored program. Data for 1998 and 1999 program were based on estimated outcomes for 1997 and 1998.
2/ Data for 1999 projections refer to 12-month period ending in April 1999.
3/ In relation to broad money at the beginning of the period.
4/ Data for 1999 projection refers to May 21, 1999.
5/ In 1997, 1998, and 1999, includes expenditures equivalent to 0.1, 0.3 and 0.5 percent of GDP respectively, associated with the implementation of certain structural reforms. In 1999, includes expenditures equivalent to 0.3 percent of GDP for hurricane relief.
6/ Excluding grants.
7/ Historical data and projections are based on revised export figures using U.S. government trade statistics.

Table 2. Haiti: Quantitative Benchmarks, December 1998–September 1999

	Estimated Stock at End-Sep. 1998	December 1998		1999			
				March			
		Prog.	Act.	Prog.	Prel.	Jun.	Sep.
				(Maximum cumulative change from end-September 1998)			
Net domestic credit to the nonfinancial public sector 1/ (in millions of gourdes)	6,486	362	334	610	392	833	950
Net domestic credit to the central government (in millions of gourdes) 1/	6,634	342	277	600	322	833	950
Net domestic assets of the central bank (in millions of gourdes) 1/2/	327	180	277	269	-126	322	339
Arrears on external public debt 3/	0	0	0	0	0	0	0
Publicly contracted or guaranteed nonconcessional external loans (in millions of U.S. dollars)							
Up to one year 4/5/	...	0	0	0	0	0	0
Over one-year maturity 5/	...	0	0	0	0	0	0
				(Minimum cumulative change from end-September 1998)			
Net international reserves of central bank (in millions of U.S. dollars) 1/6/	189	5	7	-5	20	-10	-10
Memorandum item:							
Government current revenue (in millions of gourdes) 7/	...	1,607	1,509	3,084	3,130	4,535	5,791
				(Maximum cumulative level from end-September 1998)			
Government wage bill (in millions of gourdes) 7/	...	840	809	1,573	1,399	2,306	3,040

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

1/ Benchmarks on the net domestic assets of the BRH and net domestic credit to the central government and to the nonfinancial public sector will be adjusted upward by any quarterly shortfall in external budgetary financing set forth under the program baseline (at actual exchange rates) provided the programmed expenditures for hurricane relief and structural reforms are carried out; the benchmarks for the net international reserves of the BRH will be adjusted downward by the equivalent amounts in U.S. dollars. The program provides for G 348 million of expenditure on structural reforms (completion of civil service downsizing and separation payments for restructuring of public enterprises and the BNC); if the cost of these reforms is below the programmed level, the benchmarks will be adjusted accordingly. The benchmarks will be adjusted for any cumulative excess external budgetary financing above the baseline unless it is used to finance higher than programmed hurricane relief and reconstruction, separation payments under the civil service reform or public enterprise restructuring, higher than programmed capital spending, or payment of up to G 40 million of domestic arrears.

2/ Net domestic assets of the BRH is defined as the difference between the central bank's net international reserves and its currency in circulation. The benchmarks on net domestic assets are evaluated at the average exchange rate for the respective quarters.

3/ Continous basis.

4/ Excludes normal import-related credits.

5/ Concessional loans are defined as those that provide a grant element of at least 35 percent based on the appropriate OECD's commercial interest reference rates (CIRRs). The benchmarks exclude possible external borrowing up to US$20 million by TELECO to finance planned investments.

6/ Defined as the difference between the central bank's gross foreign assets (comprising gold, special drawing rights, all claims on nonresidents, and claims in foreign currency on domestic financial institutions) and reserve liabilities (including liabilities to nonresidents of one-year maturity or less, use of Fund credit, excluding Trust funds, and any revolving credit from external financial institutions). Swaps in foreign currency with domestic financial institutions will be excluded from the net international reserves. For purposes of the NIR target, the gross foreign assets of the BRH are adjusted to exclude foreign currency deposits of the domestic commercial banks.

7/ Not benchmarks.

Table 3. Haiti: Summary Operations of the Nonfinancial Public Sector

	Fiscal Year ending September 30				
			1998		1999
	1996	1997	Prog. 1/	Prel.	Proj.
	(In millions of gourdes)				
Central government current balance	**-1,281**	**553**	**413**	**423**	**696**
Current revenue	3,178	4,770	5,018	5,252	5,984
Current expenditure	4,459	4,217	4,605	4,828	5,288
Public enterprises current balance 2/	**274**	**488**	**512**	**858**	**609**
Current revenue	1,956	2,529	2,655	2,722	2,940
Current expenditure	1,681	2,041	2,143	1,864	2,330
Public sector savings	**-1,007**	**1,041**	**925**	**1,281**	**1,305**
Public sector investment	**2,610**	**3,172**	**3,273**	**3,888**	**4,351**
Central government 3/	1,892	2,745	2,803	3,050	3,471
Public enterprises	718	427	470	838	880
Overall balance	**-3,617**	**-2,131**	**-2,347**	**-2,607**	**-3,046**
Financing	**3,617**	**2,131**	**2,347**	**2,607**	**3,046**
External 4/	2,393	2,242	1,863	2,150	1,845
Central government	1,675	2,110	1,394	2,040	1,424
Public enterprises	718	132	470	110	421
Domestic 5/	1,224	-111	484	458	1,202
Central government	1,110	18	484	457	1,202
Of which					
Central bank	1,081	-38	634	687	1,052
Public enterprises	114	-129	0	1	0
Of which					
Central bank	125	-126	0	1	0
	(In percent of GDP)				
Central government current account	-2.7	1.0	0.6	0.7	1.0
Public enterprises current account	0.6	0.9	0.8	1.3	0.8
Public sector savings	-2.1	1.9	1.4	2.0	1.8
Public sector investment	5.5	5.7	5.0	6.0	6.0
Overall balance	-7.6	-3.8	-3.6	-4.0	-4.2
Financing	7.6	3.8	3.6	4.0	4.2
External	5.0	4.0	2.9	3.3	2.6
Domestic	2.6	-0.2	0.7	0.7	1.7
Memorandum item:					
Nominal GDP (millions of gourdes)	47,460	55,969	65,064	65,032	71,979

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

1/ Staff-monitored program.
2/ Refers to five major enterprises.
3/ Includes expenditure on projects and technical assistance financed with concessional loans and grants.
4/ Includes budgetary support, projects and technical assistance.
5/ Includes domestic arrears.

Table 4. Haiti: Central Government Operations 1/

	Fiscal Year Ending September 30							
					1999			
			1998		First Half			
	1996	1997	Prog. 2/	Prel.	Prog.2/	Prel.	Prog. 2/	Proj.
	(In percent of GDP)							
Total revenue	**7.2**	**8.6**	**7.7**	**8.3**	**4.4**	**4.5**	**8.2**	**8.5**
Current revenue	6.7	8.5	7.7	8.1	4.3	4.3	8.0	8.3
Internal	5.6	6.5	6.1	6.4	3.4	3.5	6.4	6.7
Customs	1.1	1.9	1.6	1.7	0.9	0.8	1.7	1.5
Transfers from public enterprises	0.5	0.1	0.0	0.2	0.1	0.2	0.2	0.2
Total expenditure	**9.7**	**9.1**	**8.6**	**9.3**	**4.6**	**4.6**	**9.1**	**9.1**
Current expenditure	9.4	7.5	7.1	7.4	3.7	3.6	7.3	7.3
Of which								
Wages and salaries	4.4	4.8	4.3	4.3	2.2	1.9	4.2	4.2
Operations	1.9	2.2	1.5	2.2	1.0	1.1	2.0	2.1
Capital expenditure 3/	0.3	1.6	1.5	1.9	0.9	0.9	1.9	1.8
Current account balance	**-2.7**	**1.0**	**0.6**	**0.7**	**0.6**	**0.7**	**0.8**	**1.0**
Overall balance, excluding cost of reforms and hurricane relief	**-2.5**	**-0.5**	**-0.8**	**-1.0**	**-0.3**	**0.0**	**-0.9**	**-0.6**
Cost of structural reforms	**0.0**	**0.1**	**0.3**	**0.3**	**0.2**	**0.2**	**0.5**	**0.3**
Cost of hurricane relief and reconstruction 4/	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**	**0.1**	**0.3**	**0.3**
Cost of elections	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**
Overall balance, including cost of reforms, hurricane relief, and elections	**-2.5**	**-0.6**	**-1.1**	**-1.3**	**-0.7**	**-0.3**	**-1.7**	**-1.4**
Financing	**2.5**	**0.6**	**1.1**	**1.3**	**0.6**	**0.3**	**0.9**	**1.4**
External (net)	0.2	0.5	0.4	0.6	-0.2	-0.2	-0.5	-0.3
Domestic 5/	2.3	0.0	0.7	0.7	0.8	0.5	1.3	1.7
Of which								
Central bank	2.3	-0.1	1.0	1.1	0.6	0.3	1.1	1.5
Gap 6/	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.0**	**0.9**	**0.0**
Memorandum items:								
Expenditures on education	...	2.0	...	2.3	...	...	...	...
Expenditures on health	...	0.7	...	0.6	...	...	...	...
Nominal GDP (millions of gourdes)	47,460	55,969	65,064	65,032	...	...	72,015	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/ Staff-monitored program.
3/ May include outlays on goods and services and other current outlays, particularly in FY 1996/97 when a reclassification of expenditure occurred. In the first half of FY 1999 may include outlays related to hurricane relief and reconstruction.
4/ In 1999, excludes about G 340 million (0.5 percent of GDP) of donor financed off-budget expenditures for hurricane relief.
5/ Includes domestic arrears.
6/ In 1999 (program), expected to be filled by external grants.

Table 5. Haiti: Summary Accounts of the Banking System

	Fiscal Year Ending September 30							
					1999			
			1998		March		September	
	1996	1997	Prog.	Act.	Prog.	Prel.	Prog.	Proj.
	(In millions of gourdes)							
	I. Central Bank							
Net foreign assets 1/	**2,032**	**2,754**	**3,004**	**3,281**	**3,286**	**3,645**	**3,284**	**3,634**
(In millions of US$)	135	162	162	195	190	219	185	218
Of which								
Commercial bank deposits	6	8	8	5	5	9	5	11
Net domestic assets	**1,039**	**600**	**733**	**235**	**513**	**84**	**579**	**148**
Credit to the non-financial public sector 2/	6,233	6,059	6,917	6,687	7,143	6,958	7,493	7,817
Liabilities to commercial banks	-4,063	-4,188	-4,758	-5,532	-5,522	-6,167	-5,819	-7,064
Of which								
Cash-in-vault and reserve deposits	-3,950	-3,105	-3,450	-3,811	-4,106	-4,006	-4,185	-4,206
BRH bonds	0	-954	-1,158	-1,629	-1,415	-1,978	-1,536	-2,669
Other	-1,131	-1,271	-1,426	-920	-1,109	-707	-1,096	-605
Currency in circulation	**3,070**	**3,355**	**3,737**	**3,516**	**3,799**	**3,729**	**3,863**	**3,782**
	II. Consolidated Banking System							
Net foreign assets	**3,883**	**4,570**	**4,988**	**5,115**	**5,242**	**5,549**	**5,216**	**5,388**
(In millions of US$)	258	270	269	304	303	333	294	323
Net domestic assets	**10,340**	**11,844**	**14,237**	**13,709**	**15,519**	**14,531**	**15,963**	**15,790**
Credit to the non-financial public sector 2/	6,193	5,928	6,856	6,485	6,573	6,877	6,913	7,764
Credit to the private sector	5,393	7,880	9,372	9,124	10,359	9,644	10,671	9,607
Other	-1,245	-1,964	-1,990	-1,900	-1,412	-1,990	-1,621	-1,581
Broad money	**14,223**	**16,413**	**19,225**	**18,825**	**20,761**	**20,080**	**21,179**	**21,178**
	(Percentage change relative to broad money a year earlier) 3/							
Net foreign assets	-3.5	4.8	2.5	3.3	2.4	4.2	0.5	1.4
Net domestic assets	13.7	10.6	12.1	11.4	13.7	8.1	10.2	11.1
Credit to the non-financial public sector 2/	11.2	-1.9	4.2	3.4	1.0	2.7	5.0	6.8
Credit to the private sector	8.3	17.5	9.8	7.6	7.4	3.4	7.4	2.7
Broad money	10.2	15.4	14.6	14.7	16.1	12.3	10.7	12.5
Memorandum items:								
Net international reserves in percent of broad money	14.3	16.8	15.6	17.4	15.8	18.2	15.5	17.2
Percent in foreign currency								
Bank deposits	23.8	27.1	30.2	29.3	28.3	31.3	28.5	30.8
Credit to the private sector	12.1	21.6	28.1	29.3	29.5	32.9	30.2	36.6

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

1/ Includes commercial banks' foreign currency deposits. For program monitoring, they are excluded from net international reserves.
2/ Excludes net use of foreign assistance deposits in special accounts (Stabex, PL-480).
3/ Program estimates (1998 and 1999) were based on preliminary data for previous years.

Table 6. Haiti: Balance of Payments

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

	Fiscal Year Ending September 30					
			1998		1999	1999
	1996	1997	Prog.	Prel.	Prog.	Proj.
Current account deficit (-)						
(excluding grants)	**-358.7**	**-240.9**	**-230.8**	**-225.9**	**-269.0**	**-266.7**
Trade balance (deficit -)	-416.1	-393.3	-388.6	-375.5	-419.2	-419.5
Exports, f.o.b.	147.7	195.5	261.6	284.3	329.6	353.4
Imports, f.o.b.	-563.9	-588.8	-650.2	-659.8	-748.8	-772.9
Services (net)	-109.0	-116.6	-133.0	-146.6	-162.3	-186.0
Income (net)	14.4	13.0	9.2	10.1	7.9	14.6
Of which						
Interest payments	-8.1	-11.9	-13.2	-11.7	-15.5	-14.8
Private transfers (net) 1/	152.0	256.0	281.6	286.1	304.6	324.2
External grants	**293.1**	**221.9**	**225.0**	**222.6**	**204.0**	**248.4**
Current account deficit (-)						
(including grants)	**-65.6**	**-19.0**	**-5.8**	**-3.3**	**-65.0**	**-18.3**
Capital account balance (deficit -)	**14.3**	**46.5**	**5.8**	**35.6**	**17.6**	**41.5**
Public sector capital flows (net)	109.0	84.4	56.0	72.2	52.9	73.4
Loan disbursements	121.5	112.3	75.0	97.4	71.7	97.1
Amortization	-16.9	-18.8	-19.0	-25.2	-18.8	-23.7
Short-term credit	4.4	-9.1	0.0	0.0	0.0	0.0
Banks (net)	-28.8	15.9	0.0	-1.7	0.0	6.2
Direct investments	4.1	5.0	6.3	10.8	7.5	13.0
Others 2/	-70.0	-58.8	-56.5	-45.7	-42.8	-51.1
Overall balance (deficit -)	**-51.3**	**27.5**	**0.0**	**32.3**	**-47.4**	**23.2**
Financing	**51.3**	**-27.5**	**0.0**	**-32.3**	**10.0**	**-23.2**
Change in net international reserves						
(increase -) 3/	51.3	-27.5	0.0	-32.3	10.0	-23.2
Change in arrears (reduction -)	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	**0.0**	**0.0**	**0.0**	**0.0**	**37.4**	**0.0**
Memorandum items:						
Current account balance, excluding						
grants (in percent of GDP)	-12.1	-6.9	-6.0	-5.9	-6.4	-6.2
External debt (face value) as percent of exports 4/	353.5	352.9	...	250.2	...	229.1
Debt service as percent of exports 4/	9.8	11.0	...	8.4	...	7.5
Net international reserves (US$ million)	135.0	162.5	162.5	194.8	185.0	218.0
Net international reserves (in months						
of imports of goods and services) 5/	2.1	2.4	2.2	2.4	2.1	2.3

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

1/ Based on remittances transferred through the five authorized "transfer houses" and BRH estimates of such transfers channeled through the 17 other houses.

2/ Includes errors and omissions.

3/ In FY 1998/99, includes the equivalent of SDR 15.2 million in Fund purchases.

4/ Exports refer to exports of goods and non-factor services.

5/ Haiti has no official short-term debt. Thus the ratio of short-term debt to reserves is nil.

Table 7. Haiti: Summary Indicators of Commercial Banking Sector

	Fiscal Year Ending September 30				December	March
	1995	1996	1997	1998 1/	1998	1999
Capital						
Capital, reserves, undistributed profits/total assets	4.4	4.6	5.4	5.7	6.1	5.9
Nonperforming Loans						
Nonperforming loans/total loans	5.1	4.7	4.9	8.6	8.1	7.9
excluding BNC	...	...	3.2	6.7	6.5	6.1
Provisions/nonperforming loans	93.3	95.8	79.5	56.2	57.0	58.6
Nonperforming loans/capital, reserves, undistributed profits	2.8	1.7	8.5	30.3	26.5	24.9
excluding BNC	...	...	1.8	27.5	25.3	21.9
Profitability						
Return on assets (in percent)	1.5	1.2	1.4	0.6	0.3	0.8
excluding BNC	...	...	1.4	1.1	0.7	1.0
Return on equity (in percent)	31.5	25.9	28.1	10.1	5.7	13.5
Operating costs/net interest and noninterest income	66.0	75.0	75.5	81.9	87.1	80.2
excluding BNC	...	...	74.9	75.9	82.4	77.6
Number of branches	54	58	68	82	86	90
Number of employees	1,663	2,032	2,234	2,591	2,591	2,670
Liquidity						
Total Loans/Total Deposits	...	47.0	58.6	57.3	58.2	56.9
Foreign Currency Loans/Foreign Currency Deposits	...	24.5	48.0	59.4	58.8	62.1
Intermediation						
Private Sector Bank Deposits/Broad Money	76.7	78.4	79.6	81.3	81.4	81.4
Private Sector Credit/GDP	10.0	10.8	11.9	13.1	...	...

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

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

Table 8. Haiti: Structural Benchmarks, October 1998–September 1999

	Timetable	Status 1/
Public expenditures management		
1. Signing and implementation of a cash management protocol.	Early December 1998	Implemented. (Protocol was signed in March 1999; a de facto cash management system has been in place since November 1998.)
2. Agreement with the CSCCA for the extension of the procedures for the request for the replenishment of the "comptes courants."	Mid-December 1998	Implemented in December 1998.
3. Publication of a circular by the ministry of finance authorizing the above-mentioned extension.	December 1998	Circular not yet issued but procedures are being applied, de facto, as noted below.
4. Extension of the procedures for the request for the replenishment of the "comptes courants" to the economic sector.	January 1999	Implemented. The procedures were applied to the ministry of finance as of March 1, 1999 and to the ministries of agriculture, commerce, environment, planning, and public works as of May 1, 1999.
5. Extension of the procedures for the request for the replenishment of the "comptes courants" to the socio-cultural sector.	February 1999	Implemented. The procedures were applied to the ministries of education and health as of March 1, 1999 and to smaller socio-cultural ministries as of May 1, 1999.
6. Extension of the procedures for the replenishment of the "comptes courants" to the political sector and "other expenditures" of the central government.	March 1999	Pending.
7. Elaboration of a procedure for improving the monitoring of capital expenditure.	September 1999	
Strengthening of tax revenue		
1. Collection of the vehicle registration tax at customs at the time of importation.	December 1998	Implemented. A circular was issued and took effect on May 15, 1999.
2. Collection of excise duties on imported tobacco and alcoholic beverages at customs.	December 1998	Implemented in November 1998.
3. Draft a circular granting a delegation of daily operational powers of the director general of taxes (DGI) to the head of the large taxpayer unit (UGCF).	December 1998	Partially implemented (power of signature in some cases granted).
4. Increase the financial resources allocated to the UGCF.	December 1998	A small amount of additional resources has been granted.

Table 8. Haiti: Structural Benchmarks, October 1998–September 1999

	Timetable	Status 1/
Financial sector reform		
1. Issuing of a circular on banks' capital adequacy requirement.	December 1998	Implemented on December 10, 1998.
2. Design a plan for the restructuring of the BNC.	February 1999	A draft restructuring plan was submitted to government on May 31, 1999.
3. Agreement with the BRH on the modality and level of recapitalization of the BNC and the BPH	April 1999	Pending.
Civil service reform and sectoral policies		
1. Completion of the civil service downsizing.	Mid-December 1998	Implemented. An audit report has been prepared by an independent consultant.
2. Start the updating of the existing regulations regarding the procedures for hiring civil servants.	December 1998	Implemented on time.
3. Agreement with the European Union on the specific measures for the reform of the ministries of education and health.	December 1998	Implemented. Aide memoire was agreed in December 1998.
4. Agreement with Canada on the specific measures for the reform of the ministry of justice.	January 1999	Pending.
5. Implementation of a procedure for control of hiring and defining the institution in charge of this control as well as penalties in case of violation.	January 1999	A joint commission between the ministries of education and finance has been formed to elaborate hiring procedures and controls in the education sector. These procedures will then be applied to other sectors.
6. Implementation of specific measures (to be determined) in the ministries of justice, education, and health	April–September 1999	Implemented for education and partially implemented for health. Not implemented for justice.
Public enterprise reform		
1. Elaboration of plans for reducing the number of employees of the port authority and the electircity company.	June 1999	Pending.
2. Start implementation of the plans for reducing the number of employees of the port authority and the electricity company.	September 1999	

Sources: Ministry of Economy and Finance (MEF) and Bank of the Republic of Haiti (BRH).

1/ As of June 30, 1999.

Table 9. Haiti: Social Indicators

(In percent)

	1975		1985		1990		1995		1997	
	Haiti	Low-Income Countries	Haiti	Low-Income Countries	Haiti	Low-Income Countries	Haiti	Low-Income Countries	Haiti	Low-Income Countries
Illiteracy rate 1/	73.3	64.4	64.9	55.8	60.7	51.3	56.1	46.7	54.2	44.8
Primary school enrollment 2/ 3/	60.0	60.4	52.9	77.1	47.8	78.3	51.4	80.2	64.0	...
Secondary school enrollment 3/	8.0	13.5	28.1	26.7	20.9	28.6	12.8	32.2	15.0	...
Life expectancy at birth (years) 2/	50.7	48.8	52.6	53.2	53.1	53.4	...	...	53.7	54.2
Infant mortality rate					85.4	93.3	...	...	71.1	82.3
Percent of population with access to:										
Safe water 4/	12.0	28.0	38.0	38.4	42.0	45.1	39.0	52.6	46.0	...
Sanitation 4/	...	...	19.0	24.3	22.0	39.6	26.0	36.5	26.4	...
Immunization rates 5/										
BCG	...	...	66.8	...	...	...	73.0	...	...	...
DPT3	...	...	21.7	...	...	...	41.0	...	...	...
Polio	...	...	22.7	...	...	...	41.0	...	...	...
Measles	...	...	25.8	...	...	...	48.0	...	...	...

Source: World Development Indicators, 1999, World Bank, unless otherwise indicated.

1/ Percentage of population age 15 and above.

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

3/ Data for 1997 (Haiti) refers to the number of children in official school age groups who are enrolled in school to the population of the corresponding official age group. The source for the data is Annuaire Statistique des Ecoles Fondamentales et Secondaires d' Haiti.

4/ The source for 1997 Haiti data: Actualisation des Taux de Couverture des Besoin en AEPA au 31 Decembre 1997, World Health Organization-Unicef, December 18.

5/ Children age 12-23 months. Source: Survey on Mortality, Morbidity and Utilization of Services, 1994/95, Institut Haitien de l' Enfance, 1987 and 1995.

Table 10. Haiti: Low Growth Medium-Term Scenario

	1997	1998	Projections 1999	2000	2001	2002	2003
Real sector							
(Annual percentage rate)							
Real GDP growth	1.4	3.1	2.2	2.0	2.0	2.0	2.0
Inflation (CPI end-of-period)	17.0	8.3	8.0	7.5	8.5	9.5	10.0
Savings and investment							
(In percent of GDP)							
Gross investment	10.2	10.7	10.5	10.5	10.5	10.4	10.4
Public	5.7	6.0	6.0	6.0	5.9	5.8	5.8
Private	4.5	4.7	4.5	4.6	4.6	4.6	4.6
Domestic saving	3.3	4.8	4.3	4.2	4.4	4.8	5.0
Public	1.9	2.0	1.8	1.7	1.6	1.7	1.7
Private	1.4	2.8	2.5	2.6	2.9	3.1	3.3
External savings	6.9	5.9	6.2	6.3	6.0	5.6	5.4
Fiscal sector							
Overall public sector balance 1/	-3.7	-3.8	-3.6	-3.2	-3.1	-2.9	-3.0
Of which							
Central government revenue	8.6	8.3	8.5	8.4	8.3	8.4	8.4
Central government expenditure 2/	9.2	9.6	9.9	9.4	9.2	9.0	9.0
Total public sector debt	42.3	39.9	38.1	38.4	38.4	38.1	38.0
Monetary sector							
(Growth in percent of broad money at the beginning of the period)							
Credit to the nonfinancial public sector	-1.9	3.4	1.5	5.5	5.1	5.1	5.7
Credit to the private sector	17.5	7.6	3.7	2.7	5.2	6.0	5.8
External sector							
(in percent of GDP)							
Exports	5.6	7.4	8.2	9.3	10.3	11.4	12.2
Imports	-17.0	-17.2	-17.9	-18.6	-19.1	-19.4	-19.8
Private transfers	7.4	7.5	7.5	7.4	7.2	7.0	6.9
Current account balance excluding grants	-6.9	-5.9	-6.2	-6.3	-6.0	-5.6	-5.4
External grants	6.4	5.8	5.9	5.3	5.0	4.6	4.2
Foreign direct investment	0.1	0.3	0.3	0.4	0.5	0.5	0.5
Official capital flows	2.4	1.9	1.7	1.6	1.5	1.4	1.4
Overall balance of payments	0.8	0.8	0.5	-0.0	-0.2	-0.2	-0.2
External public sector debt	30.0	28.9	27.4	27.1	26.7	26.1	25.7
(in percent of exports of goods and services)	356.5	251.5	230.3	208.3	189.3	172.3	160.0
Net international reserves							
(in millions of U.S. dollars)	162.5	194.8	218.0	217.9	207.8	197.6	187.6
(in months of imports of goods and services)	2.4	2.4	2.3	2.1	1.8	1.6	1.4

Sources: Haitian authorities; and Fund staff estimates.

1/ Includes public enterprises and foreign-financed projects and technical assistance.
2/ Includes expenditure for structural measures, hurricane relief, and elections.

Table 11. Haiti: High Growth Medium-Term Scenario

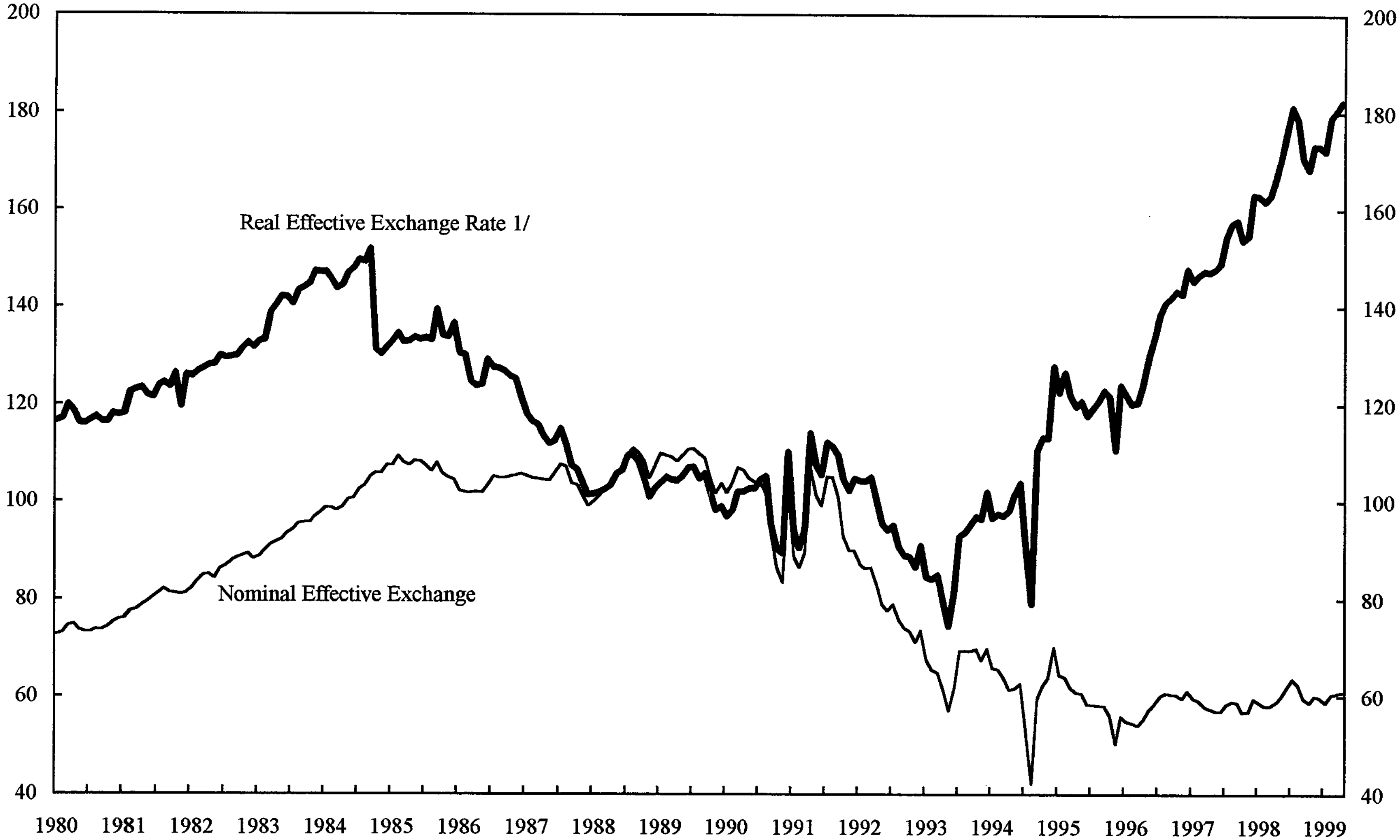
	1997	1998	1999	2000	2001	2002	2003
			Projections				
Real sector							
(Annual percentage rate)							
Real GDP growth	1.4	3.1	2.2	3.0	5.0	5.0	5.0
Inflation (CPI end-of-period)	17.0	8.3	8.0	7.0	5.5	4.0	3.0
Savings and investment							
(In percent of GDP)							
Gross investment	10.2	10.7	10.5	11.2	13.5	14.8	15.7
Public	5.7	6.0	6.0	6.1	6.2	6.4	6.4
Private	4.5	4.7	4.5	5.1	7.3	8.4	9.3
Domestic saving	3.3	4.8	4.3	5.0	7.1	8.1	9.0
Public	1.9	2.0	1.8	2.0	2.3	3.1	3.7
Private	1.4	2.8	2.5	3.0	4.8	5.0	5.3
External savings	6.9	5.9	6.2	6.2	6.4	6.7	6.7
Fiscal sector							
Overall public sector balance 1/	-3.7	-3.8	-3.6	-3.2	-3.0	-2.1	-1.7
Of which							
Central government revenue	8.6	8.3	8.5	9.0	9.5	10.0	10.3
Central government expenditure 2/	9.2	9.6	9.9	9.9	9.8	9.5	9.4
Total public sector debt	42.3	39.9	38.1	37.3	35.7	33.9	32.2
Monetary sector							
(Growth in percent of broad money at the beginning of the period)							
Credit to the nonfinancial public sector	-1.9	3.4	1.5	2.4	-0.8	-3.5	-4.6
Credit to the private sector	17.5	7.6	3.7	3.5	5.6	7.8	8.3
External sector							
(in percent of GDP)							
Exports	5.6	7.4	8.2	9.9	12.0	14.3	16.9
Imports	-17.0	-17.2	-17.9	-18.8	-20.1	-21.5	-23.2
Private transfers	7.4	7.5	7.5	7.3	7.0	6.7	6.5
Current account balance	-6.9	-5.9	-6.2	-6.2	-6.4	-6.7	-6.7
External grants	6.4	5.8	5.9	5.3	5.1	4.7	4.5
Foreign direct investment	0.1	0.3	0.3	0.4	0.9	0.9	1.0
Official capital flows	2.4	1.9	1.7	1.8	2.2	2.1	2.1
Overall balance of payments	0.8	0.8	0.5	0.8	1.4	1.2	1.1
External public sector debt	30.0	28.9	27.4	27.1	26.8	26.7	26.8
(in percent of exports of goods and services)	356.5	251.5	230.2	201.8	174.6	152.8	134.7
Net international reserves							
(in millions of U.S. dollars)	162.5	194.8	218.0	253.7	327.8	395.3	461.4
(in months of imports of goods and services)	2.4	2.4	2.3	2.4	2.6	2.7	2.7

Sources: Haitian authorities; and Fund staff estimates.

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

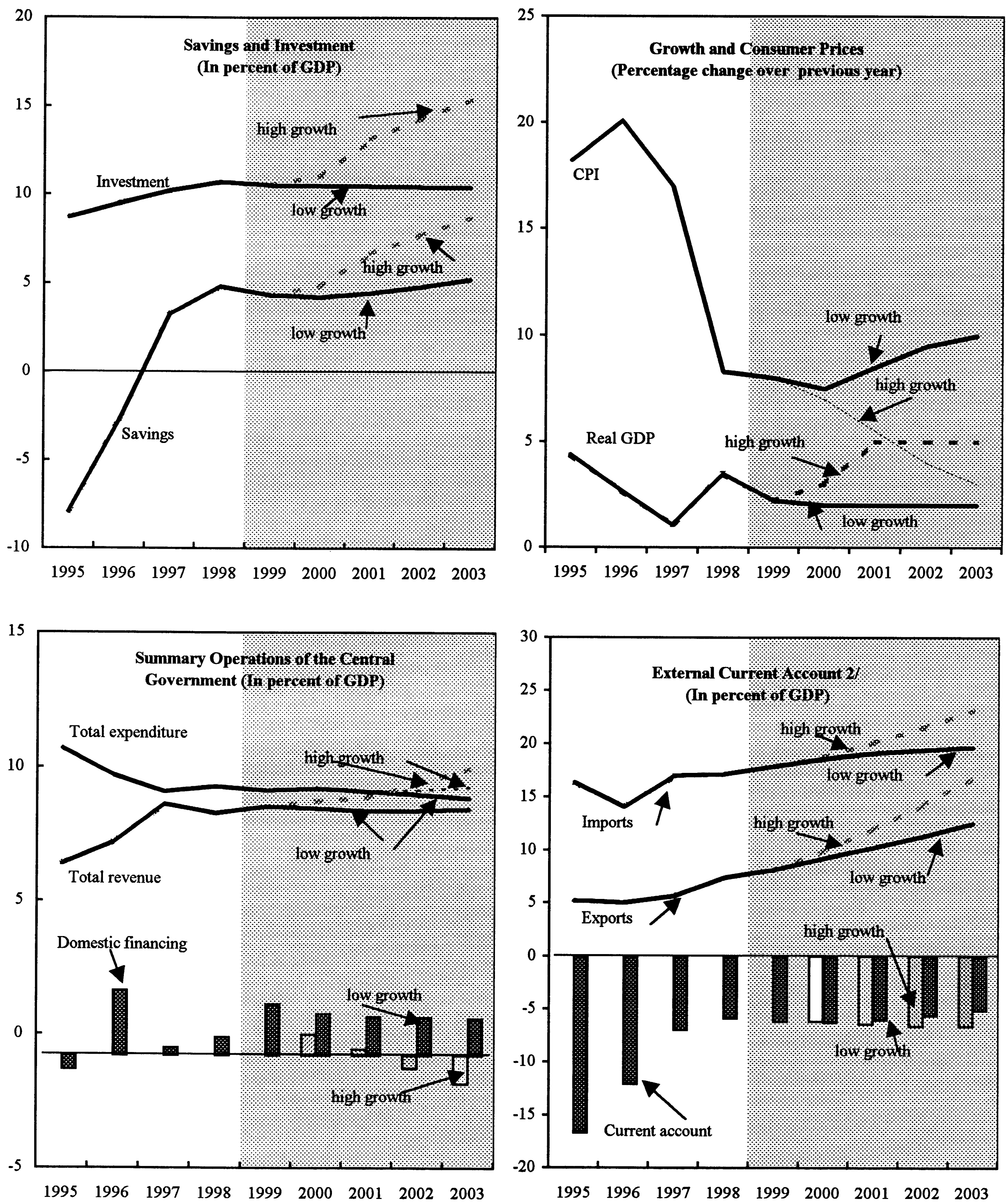
2/ Includes expenditure for structural measures, hurricane relief, and elections.

Figure 1. Haiti: Exchange Rate Developments
(Index 1990=100)



Source: IMF Information Notice System.
1/ The real effective exchange rate estimated as a trade-weighted index of nominal exchange rates deflated by seasonally adjusted relative consumer prices. An increase means an appreciation.

Figure 2. Haiti: Selected Macroeconomic Indicators: 1995-2003 1/



Sources: Ministry of Finance; Central Bank of Haiti; and Fund staff estimates and projections.
1/ Fiscal years ending September 30. Shaded areas represent illustrative medium-term scenarios.
2/ Excluding grants.

Haiti: Fund Relations
(As of June 30, 1999)

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

II. **General resources account**	**SDR Million**	**Percent of Quota**
Quota	60.70	100.0
Fund holdings of currency	82.13	135.3
Reserve position in Fund	0.05	0.1

III. **SDR department:**	**SDR Million**	**Percent of Allocation**
Net cumulative allocation	13.70	100.0
Holdings	0.42	3.1

IV. **Outstanding purchases and loans:**	**SDR Million**	**Percent of Quota**
Stand-by arrangements	6.30	10.4
ESAF arrangements	15.18	25.0
First Credit Tranche	15.18	25.0

V. **Financial arrangements**:

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

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

	Overdue	**Forthcoming**				
	06/30/99	**1999**	**2000**	**2001**	**2002**	**2003**
Principal	0.0	4.1	2.2	0.0	10.6	10.6
Charges/interest	0.0	0.7	1.2	1.1	1.0	0.7
Total	**0.0**	**4.8**	**3.4**	**1.1**	**11.6**	**11.3**

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

VIII. **Consultation with the Executive Board**: The last Article IV consultation was concluded by the Executive Board on July 20, 1998. Haiti is on the standard 12-month cycle.

IX. **Resident representative**: The resident representative office was closed in November 1991; it was re-opened on April 28, 1995. The post has been vacant since Mr. Ibrahim's assignment ended in February 1999. The vacancy is currently being advertised.

X. **Technical assistance**: The Fund is implementing a large technical assistance program with financial support from the UNDP and Japan. A long-term macroeconomic advisor to the president was installed recently and four other long-term experts are currently in the field: (i) a general fiscal advisor; (ii) a public expenditure management advisor; (iii) an advisor on central bank accounting and information systems; and (iv) an advisor on bank restructuring. Other technical assistance missions since 1996:

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

Haiti: World Bank Operations

(As of July 7, 1999; in millions of U.S. dollars)

	Commitments (Net of Cancellations)	Disbursements	Undisbursed Amount
	A. IBRD and IDA Operations		
Total	**247.35**	**208.19**	**38.93**
Industrial restructuring	11.40	9.03	3.48
First health project	28.20	23.55	6.95
Road maintenance and rehabilitation 1/	41.84	24.28	15.29
Forest and parks TA	21.50	8.95	11.23
Port-au-Prince water	20.00	19.71	1.27
Power V	24.00	25.62	0.71
Economic and Social Fund	11.30	11.01	0.00
Employment generation	49.11	45.71	0.00
Emergency Economic Recovery I	40.00	40.34	0.00
Tap II 2/	0.00	0.00	0.00

B. IFC Operations

Year of Approval	Project (Sector)	IFC Held Loan	IFC Held Equity	IFC Held Quasi-Loan	IFC Held Partic.	IFC Disbursed Loan	IFC Disbursed Equity	IFC Disbursed Quasi-Loan	IFC Disbursed Partic.
1998 3/ 4/	Microcredit (financial services)	0.00	0.50	0.00	0.00	0.00	0.00	0.00	0.00

C. IBRD and IDA Loan Transactions 3/

	1991	1992	1993	1995	1996	1997	1998	1999
Gross disbursements (a)	13.30	3.30	-0.20	42.60	47.90	56.10	42.00	17.50
Repayments (b)	1.00	0.70	0.00	8.90	3.70	4.30	4.70	5.20
Net lending (a-b)=c	12.30	2.60	-0.20	33.70	44.20	51.80	37.30	12.30
Interest (d)	2.20	1.10	0.00	9.70	2.90	3.20	3.40	3.60
Net transfer (c-d)	10.10	1.50	-0.20	24.00	41.30	48.60	33.90	8.70
Debt outstanding	319.05	339.50	334.60	397.42	416.79	457.00	477.38	491.29

Source: IBRD.

1/ Original credit principal was US$50 million, but US$8.16 million was canceled on January 28, 1999.

2/ TAP II was approved by the Board on September 17, 1996, but was terminated on June 30, 1998 due to lack of approval by the Haitian parliament.

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

4/ Pending commitment.

Haiti: IDB Loan Commitments and Disbursements

(As of July 12, 1999 in millions of U.S. dollars)

	Commit-	Disbursements				
	ment	1995-96	1997	1998	1999	Total
Reformulated projects						
Economic and Social Assistance Fund	12.40	10.53	1.63	0.03	0.21	12.40
Primary education	3.60	3.59	0.02	0.00	0.00	3.61
Irrigation (four projects)	18.60	4.14	4.90	2.86	1.48	13.38
PAP Drainage Project	37.80	16.39	8.64	5.25	1.43	31.71
Rural potable water	4.40	3.29	0.70	0.20	0.00	4.19
Other (two projects)	55.40	10.33	6.17	14.46	6.07	37.03
Subtotal	**132.20**	**48.27**	**22.06**	**22.80**	**9.19**	**102.32**
New Projects						
1995						
Emergency Economic Recovery Program (PURE I)-Sector Loan	40.00	40.00	0.00	0.00	0.00	40.00
PURE I-Investment-Emergency Works	28.50	23.52	4.47	0.01	0.00	28.00
National Road Rehabilitation Program	45.00	3.35	9.54	12.19	7.91	32.99
Primary education	17.60	1.80	4.78	7.32	1.65	15.55
PURE II	50.00	0.00	5.25	9.19	5.59	20.03
Subtotal	**181.10**	**68.67**	**24.04**	**28.71**	**15.15**	**136.57**
1996						
Decentralization Technical Cooperation Loan 1/	3.00	0.00	0.00	0.00	0.00	0.00
Social Investment Help Fund	27.00	0.00	3.58	11.07	4.53	19.18
Investment Sector Loan (ISL) 1/	50.00	0.00	0.00	0.00	0.00	0.00
Investment Sector Loan (ISL)	2.50	0.00	0.00	0.21	0.15	0.36
Subtotal	**82.50**	**0.00**	**3.58**	**11.28**	**4.68**	**19.54**
1997						
Rural and secondary roads 1/	50.00	0.00	0.00	0.00	0.00	0.00
Subtotal	**50.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
1998 2/						
Health sector reorganization	22.50	0.00	0.00	0.00	0.00	0.00
Reform of the potable water sector	54.00	0.00	0.00	0.00	0.00	0.00
Primary education program	19.40	0.00	0.00	0.00	0.00	0.00
Subtotal	**95.90**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total	**541.70**	**116.94**	**49.68**	**62.79**	**29.02**	**258.43**

Source: Inter-American Development Bank.

1/ Presented to, but not approved by, the Haitian Parliament.
2/ The 1998 loan projects have not been presented to the Haitian Parliament.

Haiti—Statistical Issues

Real sector

A recent mission (February 1999) found that although several recommendations of the Fund's advisor in real sector statistics (residing in Haiti in 1996/97) and previous missions have been implemented (e.g., an increase in resources available to the Haitian Institute of Statistics, publication of GDP data for the benchmark year 1986/87, monthly publication of a harmonized CPI), serious problems need to be resolved before the estimates can be considered as satisfactory by international standards. Thus, the mission has made certain recommendations in the areas of national accounts and the CPI which, if followed, would improve the quality and timeliness of data.

Government finance

Haiti reports monthly and annual GFS data on a regular basis for publication in the *IFS*. However, GFS data for publication in the *GFS Yearbook* has not been reported since 1987. The multisector mission made recommendations for the establishment of a system of compilation and reporting of GFS data to the Fund; however, little progress has been made in this area due, in particular, to the lack of human and financial resources.

Monetary accounts

Recent money and banking statistics missions have advanced the work on monetary statistics, as recommended by the multisector statistics mission, and have made recommendations for improving the sectorization and classification of accounts in the analytical balance sheets of the Bank of the Republic of Haiti (BRH) and commercial banks. Outstanding statistical issues relate to the implementation of the newly designed report forms for the commercial banks that apply the balance of payments residency criteria, and a proper sectorization and classification of accounts, including financial instruments. Procedures for the regular reconciliation of interbank accounts, as suggested by the money and banking statistics missions, remain to be introduced. Furthermore, definitional differences between the BRH and the ministry of economy and finance (MEF) regarding the coverage of the public sector needs to be resolved to ascertain consistency of the reporting of net credit to the government by the two institutions.

Balance of payments

There has been little progress in implementing the recommendations of the long-term balance of payments statistics mission (September 1995–March 1996) and the follow-up balance of payments statistics mission of November 1996. The recommendations covered the implementation of balance of payments questionnaires, collecting information on a regular basis from the relevant government agencies and public enterprises, provision of residency breakdown in the commercial banks' report forms, and the strengthening of the International Economic Service in the BRH.

Haiti: Core Statistical Indicators

(As of June 30, 1999)

	Exchange Rates	International Reserves	Central Bank Balance Sheet	Reserve/ Base Money	Broad Money	Interest Rates	Consumer Price Index	Exports/ Imports	Current Account Balance	Overall Government Balance	GDP/ GNP	External Debt/ Debt Service
Date of Latest Observation	6/30/99	5/31/99	5/31/99	5/31/99	4/30/99	5/31/99	5/99	1997/98 (Oct.-Sep.)	1997/98 (Oct.-Sep.)	5/99	1997/98 (Oct.-Sep.)	5/99
Date Received	7/7/99	6/25/99	6/25/99	6/25/99	6/3/99	6/25/99	6/25/99	11/5/98	11/5/98	6/25/99	11/5/98	6/25/99
Frequency of Data 1/	D	W	M	M	M	W	M	A	A	M	A	M
Frequency of Reporting 2/	W	W	M	M	M	W	M	V	V	V	V	M
Source of Data 3/	A	A	A	A	A	A	A	A	A	A	A	A
Mode of Reporting 4/	O (Res.Rep.)	O (Res.Rep.)	O (Res.Rep.)	O (Res.Rep.)	O (Res.Rep.)	O (Res.Rep.)	O (Res.Rep.)	O (Res.Rep.)	O (Res.Rep.)	O (Res.Rep.)	O (Res.Rep.)	O (Res.Rep.)
Confidentiality 5/	C	C	C	C	C	C	C	C	C	C	C	C
Frequency of Publication 2/	M	M	M	M	M	M	M	A	A	Q	A	M

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

Statement by the IMF Staff Representative
September 3, 1999

1. The following information has been received by the staff since the staff report for the 1999 Article IV consultation with Haiti was issued. It does not change the thrust of the staff appraisal.

2. Macroeconomic performance under the staff-monitored program (SMP) for FY 1998/99 has continued to be satisfactory. All quantitative benchmarks for end-June were observed with comfortable margins. The central government deficit in the first three quarters of FY 1998/99 (through June) was 0.4 percent of GDP compared with 1.2 percent of GDP in the program, thus extending the margin reported in the staff report for the first half of FY 1998/99. Net international reserves rose by US$32 million in the first three quarters of FY 1998/99 compared with a loss of US$10 million envisaged in the program. Net international reserves have declined moderately, as was expected, since end-June, and stood at US$214 million in mid-August, compared with US$185 million programmed for September 1999.

3. Public sector wage increases were granted in July, based on the application of a new salary scale and selective salary increases. The average wage increase (about 19 percent) was in line with the program, but the wage bill for the year is now expected to be about 0.3 percent of GDP less than envisaged because the increases were not retroactive and the wage base after the civil service downsizing was lower than expected.

4. The 12-month growth of broad money at end-June 1999 was about 20 percent, compared with 18 percent in the SMP, while currency grew by 14 percent, in line with the program. Private sector demand for credit has remained weak, with credit to the private sector unchanged in real terms in the year ending June 1999.

5. Monthly inflation picked up somewhat to 1 percent in June and 0.8 percent in July, bringing 12-month inflation to 8.7 percent, compared with 8 percent targeted for September 1999. This underscores the need to maintain prudent monetary and fiscal policy in the period preceding parliamentary elections toward the end of the year.

6. The voluntary separation and early retirement plan for downsizing personnel at the state-owned bank, BNC, was initiated in August as anticipated. About half of the bank's personnel are expected to be separated under this plan during the next two to three months. This will result in separation payments equivalent to about 0.1 percent of GDP (provided for in the fiscal program for FY 1998/99).

INTERNATIONAL MONETARY FUND
Public Information Notice
EXTERNAL RELATIONS DEPARTMENT

Public Information Notice (PIN) No. 99/92
FOR IMMEDIATE RELEASE
September 24, 1999

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

IMF Concludes Article IV Consultation with Haiti

On September 3, 1999, the Executive Board concluded the Article IV consultation with Haiti.[1]

Background

The administration that took office in March 1996 began implementing a three-year economic program in October 1996, with substantial international financial and technical support, including an ESAF arrangement from the IMF. The program went off course following the onset of a political crisis in the spring of 1997, which led to the resignation of the prime minister and adversely affected the implementation of structural reforms and the disbursement of external aid flows, all of which have constrained growth and efforts to reduce poverty. While attempts to reach a political settlement continued, the Fund has been monitoring Haiti's economic policies through staff-monitored programs (SMPs). The main purposes of the SMPs are to assist in maintaining sound macroeconomic policies and advancing in the structural area, so as to facilitate the disbursement of some external budget support and establish a track record that could help restart Fund support through an ESAF arrangement once parliamentary elections (planned for late 1999) are completed.

Performance under the FY 1997/98 SMP (year ending in September) was satisfactory. As a result of firm policy implementation, inflation was reduced, the external current account deficit narrowed, and official net international reserves rose. Output growth picked up to about 3 percent. Credit policy was tighter than programmed, while the fiscal deficit was slightly higher than in the program. Although structural reforms covering the civil service and the financial system were undertaken, the political crisis prevented the adoption of reforms in the areas of taxation and infrastructure improvement.

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

The FY 1998/99 SMP takes into account the negative economic effects of Hurricane Georges, which struck Haiti in September 1998. It assumes output growth of about 2 percent and aims at containing inflation at 8 percent. The program limits the central government budget deficit to 1.7 percent of GDP (1.3 percent in 1997/98) and incorporates public sector expenditure to repair the hurricane damage, as well as to cover the cost of downsizing public employment.

Macroeconomic performance during the first three quarters of FY 1998/99 has been broadly in line with expectations. The 12-month rate of inflation was 8.1 percent in June 1999, while economic activity has slowed as anticipated as a result of the effects of the hurricane on agricultural output. The main source of growth continues to be the strong expansion of exports (mainly from the textile assembly sector). The central government deficit was 0.4 percent of GDP in the first three quarters of FY 1998/99, compared with 1.2 percent of GDP envisaged in the program as revenues were higher and capital and wage expenditures were lower than projected. Monetary policy was also tighter than programmed, and net official reserves rose by US$32 million, compared with the loss that was envisaged. All quantitative benchmarks of the SMP for June 1999 were met with ample margins.

Progress on structural reforms in FY 1998/99 has been mixed. In the financial sector, the central bank's supervisory capacity and the regulatory framework continued to be strengthened. Also a plan for restructuring an insolvent state-owned bank (BNC) was submitted to the government by the restructuring committee in May, and began to be implemented in August. In public expenditure management, procedures to restrict the use of the ministerial discretionary accounts were applied in nearly all ministries by May 1; these procedures have been effective in reducing discretionary spending. On strengthening tax administration, customs was authorized to collect the vehicle registration tax at the time of importation (rather than at the time of sale). Also in May the prime minister approved the sale of a 65 percent share in the Haitian Cement Plant, which had been awaiting signature since December 1997. However, progress in restructuring and privatizing other public enterprises has been slow and insufficient support has been given to bolstering operations of the large taxpayer unit. Most importantly, little progress has been made in strengthening the judiciary, which is critical to improving security.

Executive Board Assessment

Executive Directors commended the authorities for maintaining macroeconomic stability during the past year, notwithstanding the very difficult political environment, and the economic impact of the damage inflicted by Hurricane Georges. Inflation and the fiscal deficit had been kept under control, while official reserves had risen.

However, Directors continued to voice their concern about the effects of the political impasse on external assistance, investment, and the implementation of structural reforms. This had constrained growth and stood in the way of efforts to reduce poverty. In these circumstances, Directors strongly supported the government's intention to carry out transparent and democratic parliamentary elections before the end of 1999 as an urgent priority. They noted that a functioning parliament was essential to approve the budget and external loans that had already been negotiated, and to enact important pieces of legislation, including on the justice system and the financial sector.

Directors emphasized that the key issue in the short term is to maintain macroeconomic stability, while seeking to finance the cost of the elections in a noninflationary way. They stressed that the government will need to continue to resist pressures for wage increases and hiring in the run-up to elections and to adhere strictly to the cash management system in order to achieve the fiscal target. In this regard, they encouraged the authorities to continue to implement procedures for limiting spending to revenue collection and programmed financing, and to step up actions to improve tax and customs administration and tighten control of exemptions.

On monetary policy, Directors welcomed the authorities' intention to focus on controlling inflation mainly through open market operations. Directors welcomed the important measures taken in the past year to improve the supervision of the banking system and encouraged the authorities to extend supervisory power to nonbank financial institutions. They urged the authorities to accelerate the restructuring of the troubled state-owned bank, and to reaffirm their commitment to privatizing the institution.

Haiti's balance of payments position will remain highly dependent on official grants and loans, and Directors emphasized the importance of maintaining a floating exchange rate and of implementing key structural reform measures aimed at reducing domestic production costs and enhancing the economy's competitiveness. Directors welcomed the authorities' intention to maintain a relatively open trade regime and their efforts toward promoting cooperation with their CARICOM partners.

Directors urged the authorities and the political parties to make strenuous efforts toward a political settlement that would allow rapid progress in restructuring and privatization of the port, airport, and telephone and electricity companies; the approval of legislation for reforms at the ministries of justice, health and education; and reforms of direct taxes, tax exemptions, and the investment and commercial codes. They noted that all of these measures were important for raising investment, especially in the priority social sectors. In view of Haiti's resource constraints, Directors emphasized the need to mobilize technical assistance, from the Fund and other sources, to help in the implementation of structural reforms.

Directors welcomed the authorities' request for a follow-up staff-monitored program (SMP) that would help them maintain monetary and fiscal discipline during the electoral period. They stressed that continued implementation of the SMP would be expected to help mobilize donor support and facilitate an early start to discussions on a program that could be supported by a new ESAF arrangement.

Directors welcomed the authorities' intention to participate in the pilot project for the publication of Article IV consultation reports.

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

Haiti: Selected Economic Indicators

	Fiscal Year Ending September 30				
	1994	1995	1996	1997	1998
Domestic economy					
Real GDP (annual percentage change)	-8.3	4.4	2.7	1.4	3.1
Consumer prices (annual percentage change, end of period)	50.5	18.2	20.1	17.0	8.3
Gross domestic investment (percent of GDP)	3.4	8.7	9.5	10.2	10.7
Gross national savings (percent of GDP)	-1.6	-7.9	-2.7	3.3	4.8
	(In percent of GDP)				
Public finances					
Central government balance	-3.7	-4.3	-2.5	-0.6	-1.3
Overall public sector balance	-1.8	-8.3	-7.6	-3.8	-4.0
Public sector savings	-1.4	-2.3	-2.1	1.9	2.0
	(Change in percent of beginning period broad money)				
Money and credit					
Net domestic assets	17.0	-12.5	13.7	10.6	11.4
Credit to the nonfinancial public sector (net)	9.6	-4.6	9.5	-4.9	3.2
Credit to the private sector	2.3	16.6	8.3	17.5	7.6
Broad money	21.2	29.2	10.2	15.4	14.7
	(Annual percentage change unless otherwise indicated)				
External sector					
Exports (f.o.b. in U.S. dollars)	-17.5	27.3	7.6	32.4	45.4
Imports (f.o.b. in U.S. dollars)	-31.7	152.2	-0.9	4.4	12.1
External current account balance (percent of GDP)	-5.1	-16.7	-12.1	-6.9	-5.9
External public debt (end period—percent of GDP)	49.7	29.7	30.6	30.0	28.7
External public debt service (percent of exports of goods and services)	27.6	12.3	9.7	11.7	8.4
Net official reserves (end period–months of imports of goods and services)	1.7	2.8	2.1	2.4	2.4
Real effective exchange rate (appreciation +)	11.5	17.8	15.3	11.1	14.2

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

Statement by Murilo Portugal, Executive Director
and Vishnu Dhanpaul, Assistant,
for Haiti
September 3, 1999

1. My Haitian authorities are in broad agreement with the comments and analysis contained in the staff report. They would like to express their appreciation to staff for providing such a comprehensive and well written report. They would also like to thank the staff and management of the Fund for their usual helpful advice emanating from the recent policy discussions and for the technical assistance and continued support given to Haiti.

2. My authorities are firmly committed to further strengthening the implementation of policies and reforms to maintain the growth momentum and to make a sustainable impact on the level of poverty. The staff report on Haiti's performance clearly indicates that the economy continues to perform well despite the unforeseen domestic and external setbacks. Haiti has made significant progress towards achieving sustainable growth and reducing domestic and external imbalances in the face of a deteriorating economic and social infrastructure; unacceptable unemployment and underemployment levels; economic dislocation among the most vulnerable in the society; declining disbursements from international donors; the impact of Hurricane Georges in September 1998; political instability; and social unrest. Haiti remains the poorest country in the Western Hemisphere, and continued support from the international community is essential to ensure its economic stability.

3. My authorities would like to assure the Board that strengthening the democratic process in Haiti is a main priority. In this regard, they have recently published a decree which envisions elections by the end of this year. With this timetable, the new parliament will be convened in January 1999.

Recent Economic Developments

4. Despite severe political and economic difficulties, my Haitian authorities have managed to maintain macroeconomic stability. In fiscal year (FY) 1997/98 real output grew by 3.1 percent fueled by strong export growth especially from the assembly sector. Inflation declined from 17 percent in FY 1996/97 to 8.3 percent in FY 1997/98 and further to 7.6 percent in the 12 months ending last May. The central government's fiscal deficit stood at 1.3 percent of GDP at the end of FY 1997/98, slightly higher than programmed. Credit conditions were tightened substantially when the authorities raised the interest rate on central bank bills from 18 percent to 24 percent in 1998. The external current account deficit, which narrowed to 5.9 percent of GDP largely as a result of the surge in exports and private remittances, was offset somewhat by significant levels of external grants and official capital flows. As a result, the overall balance of payments recorded a surplus of a little less than 1 percent of GDP.

5. Significant progress was made in the downsizing of the civil service and the implementation of administrative reforms and institutional strengthening of the public sector; acceleration of the logistics of the privatization program; and the introduction of technical support for the restructuring of the state-owned Banque Nationale de Crédit (BNC). The downsizing affected 6,360 employees or approximately 12 percent of government employment. However, further structural reforms were hampered by the political situation, specifically, the inability to obtain parliamentary approval of critical legislation.

6. In FY 1998/99, real GDP is expected to grow by 2.2 percent based mainly on continued export growth. Inflation is targeted to reach 8 percent by the end of the year. All quantitative benchmarks for March 1999 were met with significant margins. At the end of the first half of FY 1998/99, the central government deficit stood at 0.3 percent of GDP, or 0.4 percentage point less than programmed and is targeted to amount to 1.7 percent of GDP by the end of the year. Over the same period, net international reserves reached US$209 million or approximately US$20 million more than programmed and are targeted at US$218 million or 2.3 months of imports by the end of the year. The Haitian gourde is expected to remain stable.

7. For the remainder of FY 1998/99 and the medium term, my authorities will respond to the need to increase the revenue to GDP ratio by implementing measures aimed at maximizing tax collections and enhancing the administrative capacity of the revenue collecting agencies. Additionally, efforts will be made to control budgetary expenditure, to better target capital expenditure, and to avoid unbudgeted wage increases and hirings. External budget support and project assistance are expected to fall short of the programmed level in FY 1998/99 due to the existing political scenario, but are projected to increase substantially over the medium term as parliamentary ratification is obtained prior to the disbursement of loans from the World Bank and the Inter-American Development Bank.

8. My authorities have stressed the importance of spending an estimated US$33 million to finance the preparation of the electoral process. They view successful parliamentary elections as a critical step in regaining the confidence of the international financial community and crucial for the resumption of external aid and the implementation of structural reforms. My authorities would like to assure the Board that election spending would be carefully controlled and monitored to avoid derailing the economic program. It should be noted that the government has allocated G150 million (approximately US$9 million) for election financing in this year's budget. The total cost of the elections is disaggregated as follows: US$17 million for voter registration, US$6 million for publicity and communication, and US$10 million for security. A significant proportion of the additional US$24 million is expected to be funded by the international donors.

9. Monetary policy will continue to focus on controlling inflation and strengthening the balance of payments. The authorities will use open market operations if necessary to control the money supply. However, for the reasons indicated in the staff report, they consider difficult at this time to harmonize the reserve requirement on foreign-currency denominated

deposits and gourde-denominated deposits. Credit to the private sector will continue to be restrained and liquidity will be controlled mainly through the placement of central bank bonds with interest rates that would remain positive in real terms.

10. Haiti's banking system has remained strong, and the authorities are committed to further strengthening bank supervision and prudential regulations that are consistent with international standards. The authorities will also undertake a comprehensive audit of individual banks and are scheduled to complete a new banking law early in the new fiscal year.

11. On structural reform issues in FY 1998/99, some progress was made on the measures to increase tax revenues, including the strengthening of the large taxpayer unit. The implementation of prudential norms for the banking system was also completed. However, my authorities acknowledge that progress in the restructuring of the BNC has been slower than envisaged. They agree with staff that the problems of the BNC are linked to the inappropriate and multiple functions which it is expected to fulfill. Plans are well underway to complete the downsizing of the bank, including the number of branches, and to strengthen its managerial and operational capability in preparation for its eventual privatization. A Fund-sponsored expert is currently giving support for designing the restructuring plan, assisting in the preparation of options for downsizing, and for maximizing the nonfinancial assets of the bank.

12. Structural reforms have been progressing in the education sector but have been slower than expected in the health and justice sectors owing to the need for parliamentary approval of the relevant legislation. However, the authorities intend to continue making progress in all structural areas, including trade reform, taxation policy, restructuring and privatization of public enterprises, and the investment and commercial codes. Additionally, my authorities are currently reviewing the Environmental Action Plan presented by the Inter-Ministerial Environment Commission with a view to implementing measures, where financially feasible, to appropriately manage the natural resources of Haiti and to prevent further environmental degradation.

13. My Haitian authorities are fully aware that macroeconomic stability and the implementation of the reform agenda are critical for promoting sustainable growth and reducing the high level of poverty that stifles progress in the country. In this regard, they have requested that the Fund hold follow-up discussions in October 1999 on the staff monitored program with a view to assisting them in maintaining fiscal and monetary discipline during the period of the election campaign. My authorities view the successful implementation of the current program as a critical step towards initiating discussions on a new ESAF immediately following parliamentary elections. My authorities have also agreed that the staff report for the Article IV Consultation be published as part of the pilot project.