Report No. 5601-HA

Haiti: Policy Proposals for Growth

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Latin America and the Caribbean Regional Office

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CURRENCY EQUIVALENTS

Currency Unit = Gourde (G)
G 1 = US$0.20
US$1 = G 5

The Gourde has been pegged to the U.S. Dollar since 1919 at the rate of G 5 = US$1.

WEIGHTS AND MEASURES

Metric System

1 carreau = 1.29 hectares
1 hectare = 0.78 carreau

FISCAL YEAR

October 1 - September 30

This report uses FY for fiscal year. Thus FY84 refers to the period from October 1, 1983 to September 30, 1984.

ABBREVIATIONS

AAPN	Autorité Aéroportuaire Nationale (National Airport Authority)
ADIH	Association des Industries d'Haïti (Haitian industries association)
APN	Autorité Portuaire Nationale (National Port Authority)
BCA	Bureau de Crédit Agricole (Agricultural Credit Bank)
BCI	Banque de Crédit Immobilier (Mortgage Bank)
BNC	Banque Nationale de Crédit (National Credit Bank)
BNDAI	Banque Nationale de Développement Agricole et Industriel (National Agricultural and Industrial Development Bank)
BRH	Banque de la Republique d'Haïti (Bank of the Republic of Haiti - Central Bank)
CAMEP	Centrale Autonome Metropolitaine d'Eau Potable (Metropolitan Water Authority)
CBI	Caribbean Basin Initiative (U.S.A.)
CCCE	Caisse Centrale de Coopération Economique (French aid agency)
CIDA	Canadian International Development Agency
CONATRA	Compagnie Nationale de Transport (National bus company)
EdH	Electricité d'Haïti (Electricity company)
EEC	European Economic Community
ENAOL	Entreprise Nationale des Oleagineux (edible oil company)
FAC	Fonds d'Aide et de Coopération (French aid agency)
FDI	Fonds de Développement Industriel (Industrial Development Fund)
FY	Fiscal Year
GSP	Generalized System of Preferences (U.S.A.)
ha	hectare
HDF	Haitian Development Fund

IDB	Inter-American Development Bank
IHSI	Institut Haïtien de Statistique et d'Informatique (Haitian Institute of Statistics and Data Processing)
ILO	International Labor Organization
IMF	International Monetary Fund
MARNDR	Ministère de l'Agriculture, des Ressources Naturelles et du Développement Rural (Ministry of Agriculture, Natural Resources and Rural Development)
MEFI	Ministère de l'Economie, des Finances et de l'Industrie (Ministry of Economy, Finance and Industry)
Minoterie	(Flour mill)
OCEAH	Office de Commercialisation des Essences Aromatiques d'Haïti (Haitian Essential Oils Export Agency)
OECD	Organization for Economic Cooperation and Development
OFATMA	Office d'Assurance--Accidents du Travail, Maladie et Maternité (Workers' compensation, sickness and maternity insurance agency)
ONA	Office National d'Assurance (Social Security Agency)
ONTRP	Office National du Tourisme et des Relations Publiques (National Tourism and Public Relations Office)
OPRODEX	Office de Promotion des Denrées Exportables (Commodity Export Promotion Agency)
SDR	Special Drawing Right
SEN	Société d'Equipement National (construction)
SEPPRN	Service d'Entretien Permanent du Resseau Routier National (National Road Maintenance Organization)
SGS	Société Générale de Surveillance (Swiss company verifying trade)
SNEP	Service National d'Eau Potable (National Water Service)
SODEXOL	Société d'Exploitation d'Oleagineux S.A.M. (edible oil company)
SOFIHDES	Société Financière Haïtienne de Développement S. A. (Haitian Development Finance Company)
SONAPI	Société Nationale des Parcs Industriels (National Industrial Park Company)
TCA	Taxe sur le Chiffre d'Affaires (value added tax)
TELECO	Telecommunications d'Haïti S. A. (Haiti Telecommunications Company)
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USN	Usine Sucrière du Nord (National Sugar Refinery at Citadelle)
USND	Usine Sucrière Nationale de Darbonne (National Sugar Refinery at Darbonne)

TABLES

Totals in tables do not always equal the sum of their components due to rounding.

.. not available
- zero or insignificant

SYNOPSIS

Haiti's economy has suffered from stagnation and disequilibrium in recent years, despite considerable structural change. This report concentrates on the productive sectors. Economic growth has been well below its potential because of population pressure and inappropriate policy in agriculture; protection in industry; and insufficient tax revenues for expanding current public expenditures resulting in public savings inadequate to finance the development effort. The short term priority for public policy must be financial and economic stabilization. Illustrative macroeconomic projections show that thereafter sustained growth can only come from shifting resources toward production, especially that for export. Detailed macroeconomic, agricultural and industrial policy proposals are made for growth. At the macroeconomic level, the report proposes new tax objectives; tighter control of public expenditure; refocusing the public development program toward production; strengthening the exchange and trade systems; continued flexibility in labor markets; development of long-term financial institutions and instruments; and modernization of price regulations. In agriculture, it proposes a concentration on farm enterprises in irrigated and rainfed zones of high production potential, achieved through changes in price, trade and fiscal policy; the continued reform of the Ministry of Agriculture and its investment program; and the establishment of a strong credit institution. In industry, it proposes elimination of the anti-export bias, principally through the systematic reduction of protection and also through export promotion; restructuring public industrial enterprises; and the better provision of industry's infrastructure and training needs. Even with all these changes, Haiti will still have to rely on substantial external financial assistance for its economic recovery.

HAITI: POLICY PROPOSALS FOR GROWTH

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This report is based on the findings of an economic mission to Haiti in January 1985 led by Christian Mérat and consisting of Nicholas Burnett (country economist), Ralph Hanan (agricultural economist) and consultants Daniel Arbour (industry's urban infrastructure needs), Bernard Decaux (industry), Richard Lacroix (agro-industry and public enterprises), Martial Laurent (national accounts and projections) and Pablo Pinera (public finance). Margarita Ortiz was responsible for the report's production. A draft was discussed with the Haitian authorities in May-June 1985.

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HAITI - ECONOMIC DATA [a/]

GNP per capita: US$320 (1983) [b/]

GROSS DOMESTIC PRODUCT IN FY84

	US$ Millions	%
GDP at Market Prices	1,821.4	100.0
Gross Domestic Investment	288.0	15.8
Gross National Savings	193.1	10.6
Current Account Balance	-94.9	-5.2
Exports of Goods and NFS [c/]	433.4	23.8
Imports of Goods and NFS [c/]	644.8	35.4

ANNUAL RATE OF GROWTH (% in Constant Prices)

	FY76-80	FY80-84
GDP at Market Prices	5.0	-0.9
Gross Domestic Investment	8.3	0.9
Gross National Savings	-1.0	4.3
Current Account Balance	-	-
Exports of Goods and NFS [c/]	8.2	-1.6
Imports of Goods and NFS [c/]	11.1	-3.6

VALUE ADDED IN 1983
(Constant FY76 Prices)

	US$ Millions	%	FY76-80	FY80-84
Agriculture	327.6	33.3	0.7	-1.3
Industry [d/]	238.2	24.2	9.1	-2.2
Services	417.4	42.5	7.1	0.8
Total	983.2	100.0	5.0	-0.9

PUBLIC FINANCE

	Public Sector				Central Government			
	G Million	% of GDP			G Million	% of GDP		
	FY84	FY75	FY81	FY84	FY84	FY75	FY81	FY84
Current Receipts	1,760.2	13.1	15.9	19.3	914.8	9.3	9.0	10.0
Current Expenditures	1,655.8	11.7	16.7	18.2	1,075.1	8.2	11.1	11.8
Current Surplus(+) or Deficit(-)	104.4	1.4	-0.8	1.1	-160.3	1.1	-2.2	-1.8
Capital Expenditures	922.5	7.5	12.8	10.2	671.4	5.5	10.8	7.4
External Assistance (net) [e/]	605.1	5.2	10.1	6.6	517.4	4.5	9.1	5.7

MONEY, CREDIT AND PRICES

	FY79	FY80	FY81	FY82	FY83	FY84
	(Million G Outstanding at End of Period)					
Money and Quasi-Money	1,347.5	1,601.0	1,803.3	1,974.2	2,084.3	2,337.4
Net Bank Credit to Public Sector	538.4	592.0	838.2	1,079.1	1,535.1	1,741.0
Net Bank Credit to Private Sector	988.2	1,010.4	1,118.4	1,102.8	1,027.7	1,114.0
	(Percentages or Index Numbers)					
Money and Quasi-Money as % of GDP	24.0	21.9	24.6	26.8	25.6	25.7
Consumer Price Index (Base FY80=100)	..	100.0	111.3	119.0	131.2	137.4
Annual Percentage Changes in Consumer Price Index	..	..	11.3	6.9	10.3	4.7
Net Bank Credit to Public Sector	..	10.0	41.6	28.7	42.3	3.4
Net Bank Credit to Private Sector	..	2.2	10.7	-1.4	6.8	+8.4

WAGES

	FY79	FY80	FY81	FY82	FY83	FY84
Standard Minimum Wage Rate (Gourde per day)	8.0	11.0	13.2	13.2	13.2	13.2
Real Wage Index [f/]	77.6	90.4	100.4	92.4	85.2	79.1

Note: All conversions to dollars in this table are at the exchange rate of G 5 = US$1 that has prevailed since 1919.

a/ Data refer to FY ending September 30.
b/ World Bank Atlas methodology.
c/ Assembly industry treated on a gross basis.
d/ Mining, manufacturing, public utilities and construction.
e/ Net disbursements of loans and grants.
f/ Last quarter of FY71 = 100.

HAITI- TRADE, PAYMENTS AND CAPITAL FLOWS

BALANCE OF PAYMENTS
(US$ Millions)

	FY79	FY80	FY81	FY82	FY83	FY84
Exports of Goods and NFS	212.9	305.7	241.5	274.8	289.8	319.0
Imports of Goods and NFS	330.2	483.8	519.8	473.8	500.1	526.9
Resource Balance (deficit = -)	-117.2	-178.1	-278.3	-198.9	-210.3	-207.9
Net Factor Income	-13.4	-14.3	-13.0	-14.0	-14.2	-18.1
Net Current Transfers	75.9	94.1	131.5	128.7	124.1	131.0
Balance on Current Account	-54.7	-98.4	-159.8	-84.3	-100.4	-94.9
Net Direct Investment	12.0	13.0	8.3	7.1	15.3	4.5
Net M & LT Borrowing (DRS)	41.7	39.8	102.2	57.3	37.4	47.1
Disbursement	50.3	55.1	117.3	65.9	45.3	58.4
Amortization	8.6	15.3	15.1	8.5	7.9	11.4
Other M & LT Inflows (Net)	13.8	28.3	-2.3	6.0	21.2	26.7
Net Short-Term Capital	3.5	8.1	18.6	3.1	3.5	3.1
Change in Net Reserves a/	-16.8	9.2	33.0	10.7	22.9	13.7
Net Reserves	..	29.5	-3.8	-14.5	-37.3	-51.0

EXTERNAL TRADE
(US$ Millions)

	FY80	FY81	FY82	FY83	FY84
Merchandise Exports	225.7	155.1	181.3	188.7	219.4
Primary	129.6	61.9	75.8	103.6	112.9
Manufactures	96.1	93.2	105.5	85.1	106.8
Merchandise Imports	354.2	447.9	387.3	440.3	474.1
Food Products	61.9	81.9	72.8	82.2	88.7
Petroleum	48.5	53.9	45.6	56.4	60.8
Machinery and Equipment	64.0	105.4	89.1	85.5	92.2
Manufactures	162.5	186.9	161.9	192.1	207.2
Others	17.3	19.8	17.9	24.1	25.2

RATE OF EXCHANGE

Since 1919

US$1.00 = G 5.00
G 1.00 = US$0.20

MERCHANDISE EXPORTS (Average FY80-84)

	US$ Millions	%
Coffee	53.2	27.4
Cocoa	3.9	2.0
Essential Oils	5.9	3.0
Assembly Industry (Net)	53.9	27.8
Small Industry and Handicraft	31.6	16.3
All Other Commodities	45.4	23.5
Total	193.9	100.0

EXTERNAL DEBT, SEPTEMBER 30, 1984

	US$ Millions
Public Debt, Including Guaranteed	493.9
Non-Guaranteed Private Debt	..
Total Outstanding and Disbursed	..

DEBT SERVICE RATIO FOR FY84

Public Debt, Including Guaranteed	5.5
Non-Guaranteed Private Debt	..
Total Outstanding and Disbursed	..

IDA LENDING, MARCH 31, 1985

Outstanding and Disbursed	159.1
Undisbursed	72.9
Outstanding, Including Undisbursed	232.0

a/ Increase is minus

SUMMARY OF MAJOR CONCLUSIONS

i. Haiti is a very poor country. In the recent past, considerable attention has been devoted to the direct alleviation of poverty. These important initiatives have, however, led to a relative ignoring of economic growth. Disguised and open unemployment -- in both rural and urban areas -- has not been ameliorated. Recognizing this, the current development strategy of the Government of Haiti is to increase production and employment through short-term industrialization for export; the development of an integrated industrial base; the far-reaching reorganization of agriculture; the mobilization of domestic savings; and attracting foreign investment. In line with this Government emphasis on the productive sectors, the World Bank mission examined policies to stimulate sustained economic growth, in the context of long-term development trends and the current stagnation of the Haitian economy. Once sustained growth is achieved, it should again be possible for the Government to pay attention to the social sectors; at present, the productive base is too small to support fully the significant social investments made in the last decade.

Long-Term Development Trends

ii. Haiti's economy has changed significantly in recent decades. Output and employment have shifted toward urban, non-agricultural activity. Agriculture now accounts for only one third of GDP compared to one half in the early 1950s and its share in total exports has fallen from 90 to 43%. Employment in agriculture has declined. That in other sectors has grown rapidly, but not enough to absorb all those leaving rural Haiti. As a result, some 25,000 Haitians (0.5% of the population) leave their native country each year to seek work in North America and the Dominican Republic. The propensities to invest, export and import have all risen markedly in the last fifteen years. While consumption has not increased much in real terms, its composition is today very different, with greater reliance on imported goods, especially foodstuffs, and on public goods and services, like electricity, education and health.

iii. Structural change lifted Haiti's annual output and labor productivity growth rates to respectable international levels of 5 and 4.6% by the late 1970s. Both have since declined, however, reflecting two factors. First, agricultural output and productivity have fallen from their already stagnating levels of the late 1970s. Second, a new phenomenon has emerged with profound consequences for future growth and employment creation: labor productivity outside agriculture has declined since FY80. Though real GDP per capita did grow in FY84, for the first time in four years, it was still 9% below its FY80 level.

iv. Since about 1980, the growth of output and productivity has been too slow to create enough jobs or resources to meet minimum needs more adequately. Structural change has occurred but growth rates have declined, reflecting compound problems -- in agriculture, industry and the public sector.

v. Most peasants -- most Haitians -- live on steep hillsides. Their cash needs are high compared to their low incomes, which are declining as population pressure on the land increases. To counter their falling purchasing power, peasants plant and sell more crops at the expense of their own subsistence, overexploiting in the short-term the cultivated hillside areas. The result is worsening erosion and malnutrition. Incomes are so low and the cash crisis so severe that there is virtually no peasant savings or investment. As a result, the overall productivity of agriculture has not kept pace with population growth. Migration away from the countryside has become the only solution.

vi. Certain Government policies have worsened this situation. A million people on the hillsides depend for their cash needs and livelihood on coffee, the major cash crop. Yet coffee is subject to an export tax that represents half the producer price, reducing the incentive to grow coffee. The public agricultural investment and credit programs have been diffuse and unfocused, targetted more to social relief for the peasants than to stimulating growth in productivity, output and employment.

vii. Agriculture has slowly and inexorably deteriorated for thirty years and per capita agricultural production has declined regularly. The compound problem in industry, by contrast, is much more recent. Manufacturing output grew at a very rapid 10% per year in real terms throughout the 1970s. However, it has since declined sharply, in part because of the global recession of FY81-83 but more fundamentally because of the consequences of protection. While there was a modest improvement in FY84, Haitian industry is still characterised by stagnant protected import substitution industries and a growing export assembly subsector; only the latter was responsible for possible growth in FY84.

viii. Protection afforded by import quotas and tariffs enabled many new import substitution industries to start up and prosper in the early 1970s. The Haitian economy is very small, however, and production for the domestic market can never be low cost; expansion of employment and increases in productivity can only come from exporting. Since the turn of the decade the import substitution industries have exhausted the initial advantage that protection provided and now suffer from its negative consequences. High production costs make much of Haitian industry uncompetitive internationally, precluding expansion through exporting or selling to other exporting industries. These circumstances led the Government to attempt to stimulate industrial growth with tax and tariff exemptions for investors and exporters. These latter measures have been complemented by preferential United States trade regimes, including most recently the Caribbean Basin Initiative. The result has been the successful establishment of what is today the fastest growing offshore assembly industry in the Caribbean Basin. Dynamic as it is, this subsector is not well integrated into the Haitian economy. Aside from foreign exchange earnings, its main contribution is unskilled wages for the 40,000 workers it now employs. It buys few inputs on the local market, largely because protection has led to overpriced products of inferior quality. The fiscal exemptions it enjoys result in a considerable loss of revenue for the State. The incentive structure in industry therefore results in a domestic industry that cannot grow and in an offshore subsector that is expanding rapidly but is little integrated with the rest of the sector.

ix. As in agriculture, the situation in industry is compounded by other Government policies. The public sector has in recent years acquired five major industrial enterprises that would not be competitive were they in the private sector and exposed to prevailing world prices. It has only recently begun to pay attention to the provision of vocational and technical training to overcome the severe shortage of middle managers, supervisors and technicians that represents a major bottleneck to industrial expansion. Infrastructure and public services, while broadly satisfactory, have not always been provided as and when needed. Finally, the granting of incentives was until recently perceived as arbitrary and unpredictable. The new Investment Code of 1985 is intended to deal with this. It is a slight paradox that, while the general business climate in Haiti is liberal and very much pro-investment, there seems to be a perception that individual firms do not face a stable policy environment. This tends to drive potential entrepreneurs toward trade, rather than production.

x. The third impediment to economic growth is the public sector. This is also a relatively new phenomenon; it is only since FY80 that Haiti's tradition of fiscal discipline has broken down. Current revenues have remained around 10% of GDP, inadequate to meet growing current expenditures and the needs of the public development program. Public savings, which averaged over 2% of GDP in the late 1970s, have since averaged about 0.4% and indeed have only been positive because of the growth of the public enterprises' operating surplus. Public savings have been slowly growing as a percentage of GDP since FY81, however, to reach 1.1% in FY84. Public investment has suffered both from lower public savings, limiting its level, and from the inclusion of the five uneconomic public industrial enterprises that the State has set up or taken over, most notably the new sugar mill at Darbonne.

xi. Revenues stagnated through FY84. The tax base has grown slowly and unevenly, largely because of increasing exemptions. Excises, fees and charges at specific rates have remained important, though they depress buoyancy. Many tax rates are too high, encouraging evasion. Revenue collection is inefficient and evasion and fraud are widespread.

xii. Meanwhile, public expenditure on defense and security, economic infrastructure, the social sectors and public industrial enterprises has steadily expanded, including significant unchecked extrabudgetary spending. Not all of these are appropriate for development. Current expenditure growth has outstripped that of current revenue. Public savings have thus been squeezed between sluggish current revenues and accelerating current expenditures. This has made the financing of the public investment program more difficult, as evidenced by the Government's frequent inability to meet its counterpart funding obligations for projects financed by external aid agencies. The public investment program has also become too diffuse (some 300 projects in FY85), and too little information is available about the economic impact and physical and financial progress of its component projects. The individual projects do not, moreover, represent the detailed articulation of a clearly defined set of development priorities. Their composition has changed from an initial concentration on economic infrastructure to include social sectors and, more recently, several major public industrial enterprises.

The Current Financial Squeeze

xiii. These three compound problems — the pressure of population on the land, the effect of protection on domestic industry, and the inadequacy and poor allocation of public resources — are the root causes of Haiti's economic stagnation and of its current economic and financial disequilibrium. The latter also reflects, of course, the impact of the world economy on the small, open economy of Haiti and the repeated failure to adjust public expenditure to the reality of public receipts, first in FY81-82 and again in FY84.

xiv. A stabilization program adopted in FY82 with IMF support was relatively successful but too short to return the economy to full equilibrium. It led to a second program for FY84-85. The performance under this program has been disappointing largely because extrabudgetary expenditures (in part in reaction to sociopolitical difficulties in the north) have resulted in a public sector deficit larger than targeted by one percent of GDP. The Government has financed the deficit principally through monetary creation which has spilled over into the balance of payments and worsened Haiti's reserve position, despite the extensive use of IMF resources and an increased inflow of external aid grants and concessional loans. By the end of FY84, net international reserves were deeply negative at minus US$51 million. In FY85 the Government has decided to reverse this deteriorating trend. It has introduced new tax measures designed to reduce the public sector deficit.

Stabilization; the Short-Term Priority

xv. Stabilization is essential before any steps can be taken to achieve sustained economic growth. The Government's top priority must therefore be a renewed program to increase public savings and rebuild international reserves. This is essential also to permit the Government to run the risks that are necessarily attached to longer-term measures to promote growth. Both increased freedom to maneuver and short-term balance of payments assistance would return with a successful stabilization program.

xvi. Fundamental policy changes to set the Haitian economy onto a sustained growth path are proposed in three chapters, dealing with broad policy measures, agriculture and industry. Their implementation cannot proceed until the economy is stabilized. During this essential period of short-term stabilization, several complementary measures could be adopted to pave the way for longer-term change:

(a) every tax reduction, even those to promote exports like a proposed cut in the coffee export tax, should be fully offset with measures that permanently increase revenue or reduce expenditure. External aid is unsuitable for this because it is not permanent;

(b) tax collection should be improved and fraud and evasion reduced;

(c) the extension of the new value added tax (TCA) over its potential base (including all imports) should proceed as quickly as technically feasible and with no further rate increase;

(d) rents for the lease of public lands in both rural and urban areas should be raised to market levels;

(e) the rapid expansion of the civil service payroll and the wage bills of public enterprises should be arrested. Where possible, civil servants and other public employees should be redeployed towards services rendered to private productive enterprises and to run unused physical facilities that have recently been built in the education and health sectors;

(f) extrabudgetary expenditure should stop and that on defense and security should be reviewed;

(g) essential increases in current expenditure, such as for road maintenance and basic education, should be offset by cuts in that part of the budget not allocated to either supplying services to the productive sectors or by revenue measures. This could, for example, include reallocations within the overall education budget and the adoption of user fees for university education and for admission to cultural institutions. It could also include reallocations from other parts of the budget to education;

(h) capital expenditure not essential to increasing output — especially that on public industrial enterprises — should temporarily be reduced and should be stabilized in the case of health and the social components within rural development projects. Capital spending should also be made more efficient, especially in the social sectors;

(i) part of the resources earned or saved through the preceding measures could be allocated to complete the physical infrastructure which export-oriented businesses need to operate efficiently and competitively;

(j) further collaboration between private industry and the Government should be strongly promoted to accelerate the elimination of regulations and practices that impede output expansion and the preparation of longer-term changes;

(k) the consideration and preparation of long-term reforms could begin now in order to draw up an agenda of policy changes as soon as possible.

Potential for the Long-Term

xvii. Once public savings and reserves have increased and the Government has regained some freedom of maneuver, it can begin to implement the new policies needed if the economy is to achieve the sustained growth of output and employment of which it is potentially capable. Haiti's potential is much greater than is often thought. It could enjoy a better place in the world economy than its 1983 per capita GNP of US$320 would indicate.

xviii. Haiti is close to the North American market, especially attractive since the advent of the Caribbean Basin Initiative. It has large untapped agricultural possibilities that could result from concentrating on farm enterprises with high productive potential. Haiti has a comparative advantage in a number of crops like bananas, coffee, rice, maize and sugarcane if they are grown with modern techniques. Agro-industry presents sizeable opportunities that could be exploited by the emerging combination of traditional landowners and the new entrepreneurial class's managerial skills. Industry as a whole can take advantage of the factors that have so attracted the largely foreign assembly firms: productive low cost labor, proximity to the United States, functioning basic infrastructure, liberal economic outlook and political stability. Tourism could be more aggressively developed.

xix. The realization of Haiti's agricultural, agro-industrial, industrial and tourism potential -- the growth of the Haitian economy -- requires the adoption by the people and Government alike of a future-oriented approach based on more efficient private and public sectors. Broad consensus must be obtained on a dynamic development strategy, capable of accelerating output growth and employment rather than sheltering selected local markets from outside competition. If this strategy is not followed, the gloomy alternative is ever more sluggish production with increasing malnutrition, unemployment, and emigration. If it is followed, sustained growth can be achieved.

A Growth-Oriented Development Strategy

xx. In exploring feasible growth paths, the report finds that restrictive domestic demand management will be necessary. Because of the initial economic imbalance, the development strategy will have few degrees of freedom. It must be export-oriented. Investment must favor the productive sectors and yield high and quick returns. Consumption, especially of the public sector, will have to be markedly restrained in order to shift the required share of output increases into exports. This strategy is essential to achieving the export-led growth needed to rebalance the economy and thereby lay a solid foundation for future consumption gains.

xxi. The allocation of public development expenditures, which include some current expenditures and foreign-aided projects, will have to reflect revised investment priorities. More emphasis will have to be put on development projects that support the expansion of private enterprises in agriculture, industry and services. Private projects with high economic returns should be strongly supported with accordingly less relative emphasis on public expenditures in the social sectors. Within the social sectors, least cost solutions should be sought more systematically, together with private participation, to reduce their costs to the Government. Less emphasis should also be placed on public industrial enterprises. More specific comments on the implications of these priorities for the development programs in agriculture, industry and tourism are spelled out in the main report. The shift in emphasis will require substantial redeployment of expenditures and staff, which could be extremely difficult under the current distribution of administrative responsibilities. A more appropriate distribution is called for, together with improvements in public planning, budgeting and project evaluation.

xxii. Even with the most determined strategy, Haiti will have to rely on substantial inflows of external financial assistance, both grants and concessional loans. Haiti is a poor country. The scope for increasing savings, particularly in the public sector, is significant but nonetheless limited. Over the FY86-91 period, the report estimates average annual commitment requirements at US$111 million for grants and US$80 million for soft loans, with nonconcessional loans limited to US$40 million per year.

xxiii. External assistance should be directed in accordance with the new development priorities. It should favor infrastructure to support private production. It should support the export orientation. Technical assistance will be essential since the capacity to identify and prepare projects, as well as policy changes, is still weak in Haiti.

Fiscal Policies

xxiv. The national tax effort needs to be increased, to permit the Government to provide and run the economic and social infrastructure needed to support the expansion of private enterprise and employment. In addition, the tax system, including collection, has to be improved to overcome the so far largely successful resistance of taxpayers.

xxv. Tax policy should have clear and stable long-term objectives. Chapter III offers a series of considerations to help guide them. The most important is to continue the trend toward raising tax revenues from internal sources rather than through taxes on external trade, particularly exports, so that taxes on income and value added eventually become the main source of revenue.

xxvi. Inadequate control of public expenditures has been at the root of Haiti's current fiscal problems. The short- and medium-term prospects imply the need for their continued restraint. Aware of this, the Ministry of Finance has recently taken significant steps to subject the commitment and payment of Treasury funds to prior authorizations. But other important measures are needed. Paramount among them is the centralizing of annual budgeting and accounting of all development expenditures in the Ministry of Finance. The Government could also take steps to develop a better capacity to project the future implications for the current budget of its investment plans. Other steps for the longer term are the establishment of an appropriate mechanism to coordinate and control all public wages and salaries, and the clarification of relations between the public enterprises and the Government. Positive steps have been taken recently with the abolition of the Régie du Tabac et des Allumettes, management improvements in some public enterprises, and reforms in the Ministry of Finance's Direction du Trésor.

Other General Policies

xxvii. With fiscal and monetary restraint, the fixed parity and free exchange system could continue to provide a sound basis for the expansion of output and trade. Trade policies, however, distort both trade and development priorities. The most important anti-export policies -- import quotas, customs tariffs and export taxes -- are discussed elsewhere. Less important aspects also deserve attention. Excessive and lengthy formalities

at points of entry or exit constitute an inconvenience which may in certain cases cause serious business losses. They could be expedited more efficiently; the new customs house will help. Promotion of both merchandise exports and tourism must become more aggressive. The benefits of emigration might be increased through concerted action with host countries; a study of possible measures could be carried out based on experience in other countries.

xxviii. The 1961 Labor Code as updated in 1984 sets the rules governing wages and working conditions on the labor market. Wages are flexible and the cost of unskilled labor is comparatively low — the two main factors behind Haiti's competitiveness on world markets. Wages of technicians, supervisors and mid-level managers are, on the other hand, comparatively high, reflecting the very limited supply of these skills in Haiti. Yet modern economic development can only take off when there is an abundance of these skills. Importing them is but a temporary means of relieving the shortage. The Government must address this problem, assessing carefully the future roles of the public and private sectors in providing training.

xxix. The financial sector is fairly diversified and meets the economy's short-term financing needs fairly well. However, the free exchange system results in a comparatively high level of interest rates in Haiti in order to prevent capital flight; there are also some (mostly legal) difficulties in obtaining appropriate security. Institutions specializing in long-term financing are not yet self sustaining, despite considerable external financial and technical support. There is a surprisingly large number of development banks and some consolidation may be in order. Certainly, no new ones are necessary. There is a need for strong long-term financial institutions, especially in agriculture and also in industry. Finally, there is a need to develop long-term Haitian savings instruments; a study of the possibilities is desirable.

xxx. The Government regulates the prices of public monopolies, public industrial enterprises and a wide range of private sector products. The technical basis of Government price controls could be improved. Responsibility for them has been split among several ministries since the transfer of responsibility for industry from the Ministry of Commerce to the Ministry of Finance. It should be consolidated. Price controls on tradeables would probably be unnecessary were there no import quotas.

Realizing the Agricultural Potential

xxxi. Contrary to common belief outside the country, Haiti has considerable agricultural potential. It is critical that agriculture expand. It is the sector in which most employment must be created. However rapidly industry grows, it will take some time before it can supply enough jobs to absorb those now leaving the rural areas. Job creation in agriculture must come from output and export expansion as a result of a whole series of linked policy changes. Two are of paramount importance. First, incentives should be set correctly. Second, policy should focus in the short- to medium-term on developing those farm enterprises with the greatest potential for productivity and output gains.

xxxii. With regard to incentives, the Government has recently cut the coffee export tax by 15% for the 1985 crop on top of a 10% cut in 1984. The impact of these cuts on farmgate prices are to be closely monitored. If it is established that producer prices and incomes do indeed benefit, then further reductions in the coffee export tax are called for as offsetting revenues are raised or expenditures are cut. The Government has also eliminated the export tax on essential oils.

xxxiii. A second major policy change required in agriculture is to concentrate on those farm enterprises with the greatest potential for productivity, output and employment growth. They are more likely to be found on the 350,000 ha of cultivated land on the plains, where irrigation and modern farming techniques can be applied most effectively, than on the hillsides. There are also rainfed zones with high potential, though less is known about them. Some 180,000 ha of irrigable land have been identified on the plains. Only 45,000 are irrigated for single cropping. Another 40,000 require substantial rehabilitation of their irrigation infrastructure. The public agricultural investment program should concentrate on those projects which will yield the highest returns at the lowest cost: irrigation rehabilitation, the completion of current projects with major productive impact, and the provision of essential infrastructure,like rural roads, in high potential irrigated and rainfed areas. The excessively long list of current and planned projects should be pruned against these criteria. More farm enterprises with potential in the rainfed zones could be identified and strategies developed to increase their productivity.

xxxiv. The focus on productivity and increased output must not be interpreted as meaning a reduction of emphasis on measures to rehabilitate the hillsides. On the contrary, reforestation and erosion control measures must be intensified to arrest the ever more alarming loss of soils. This is a challenging and urgent task, but success in these activities is indispensable to the longer-term viability of the agricultural sector. In the short- to medium-term, rehabilitation of irrigation systems must include stabilization of the watersheds that feed such systems.

xxxv. The Ministry of Agriculture has begun to reorganize and streamline its operations. This must be continued forcefully to enable it to plan, execute and monitor projects more effectively, provide extension services in the high potential zones, and conduct applied research. The development of the high potential zones will also require more investment and working capital than has hitherto been available. The existing credit institutions are weak. Their operations should be strengthened considerably, and possibly consolidated.

xxxvi. Other measures that should be taken to promote growth in agriculture are: the elimination of all export taxes other than the tax on coffee discussed above (taxes on agricultural exports other than coffee account for only 0.6% of all Treasury revenues); a reduction in the sugar excise tax and the introduction of a system to pay farmers at the sugar mills according to the sucrose content of their cane; an increase to the equivalent of import parity in the producer price of seed cotton; a series of fiscal measures to improve land utilization; a study of the possibilities for

diversifying sugarcane land into the production of other crops; land tenure reforms where necessary; reforestation and soil conservation; marketing improvements; and the establishment of a better agricultural information base. These are discussed in Chapter IV of the report.

Increasing Industrial Competitiveness

xxxvii. The compound problem in industry can be resolved by adopting a strategy based on three key elements. First, the anti-export bias of the industrial incentive structure should be reduced, principally through lowering protection and also through the efficient implementation of all administrative procedures for investment, exports and export-related transactions. Second, the major public industrial enterprises should be restructured. Third, industry's needs should be met through the timely provision of infrastructure and an overhaul of the operation and financing of the vocational and technical education system.

xxxviii. The protection system is complex, and consists of both import quotas and a highly differential tariff system. The mission did not examine its detailed implementation, in either theory or practice. Its results are evident, however. Protection has distorted the structure of prices. Distortions have led to inefficient high cost production that cannot supply either the assembly industry or foreign export markets. In agro-based industries, such as cotton textiles, it also depresses farmgate prices and production of the raw materials. The new Investment Code of early 1985 promotes competition and puts all firms on an equal footing with regard to tax incentives. It is a step forward and marks the successful initiation of a constructive dialogue between Government and private industry. The code does not reduce protection but the Government is committed to this goal.

xxxix. The decision to follow through on this commitment rests with the entire Government but implementation could be the responsibility of the Minister of Finance. A small study unit would be useful to develop a necessary information base, recommend a new tariff structure, and advise the Minister. The first step could be the replacement of import quotas by customs tariffs. All tariffs could then be progressively lowered.

xl. The Government will have to assure exporters access to very low duty raw materials and intermediate goods imports throughout the process of adjustment to the world price structure. Medium-term credit may be necessary to support industrial restructuring. Finally the Government should take steps to implement incentives consistently and transparently while removing administrative obstacles to exports and export-oriented investment. First steps to improve the efficiency of the Customs have been taken, for example, but other improvements are needed. Over time, the reduction of protection should lead to an expansion of exports, increased backward linkages from the assembly industry to local industries and from industry to agriculture, and improved fiscal revenues as the long-term tax policy objectives discussed earlier are attained.

xli. The State has either purchased or established five major industrial enterprises in recent years: an edible oil refinery (SODEXOL), the flour mill

(Minoterie), two sugar mills and the cement plant (Ciment d'Haiti). Each currently enjoys a privileged position in the economy which permits it to maintain very high production costs. The mission's analysis indicates that SODEXOL 1/ and the two sugar mills are not economically viable and are unlikely to become so in the future. The Government agrees that they are not currently viable and plans to study all possible options to increase their productivity. If they cannot be shown to be viable, they should be closed. The Government should also reduce the production costs of the Minoterie and Ciment d'Haiti and should consider selling them to the private sector. If costs cannot be reduced sufficiently, their closure should also be considered.

xli. Industrial growth also depends on the timely provision of skilled manpower and infrastructure. The technical and vocational education system could be made much more responsive to industry's quantitative and qualitative needs. Skilled supervisory and technical manpower is, by many accounts, the principal supply bottleneck to industrial expansion and thereby to unskilled job creation. A study is urgently needed to propose a demand-driven system in which industry finances the specific training it needs and the private sector is responsible, as today, for providing the bulk of trained workers. Infrastructure does not seem a major short-term constraint to industrial growth in the Port-au-Prince area but some few and well identified local bottlenecks could be eliminated at an estimated total cost of US$3-5 million. Several others require study. Two important studies are necessary of industry's medium- to long-term requirements for power and industrial land.

1/ SODEXOL was dissolved in February 1985 and replaced by a new public enterprise.

CHAPTER I

THE POTENTIAL

1.01 Haiti can find a better place in the world economy. The potential is there, since its physical and human resources are not negligible, contrary to common belief outside the country. It is close to the vast North American market. It has built a basic physical infrastructure where fifteen years ago there was scarcely a paved road; relatively 50 percent more children are attending school as compared to 20 years ago. It has a hard-working population. Tradition in tropical crops goes back more than two centuries. Yet the pace of its economic growth and development is slow compared to its potential. Per capita income remains the lowest in the Western Hemisphere at US$320 in 1983 [1]. Neither the Government nor the people has seized the opportunity that Haiti offers.

1.02 This could change. Haiti's economic potential is today even greater as a result of the Caribbean Basin Initiative of the United States. Most important, a small but growing group of government leaders and business entrepreneurs has emerged who share a vision of a developing Haiti and its role in the international economy.

1.03 The alternative to economic development through securing Haiti's potential niche in the global division of labor is dismal: continued economic stagnation, possible social unrest and a rapidly growing need to go abroad for jobs. Such an alternative is very possible. But it is by no means inevitable. It can be averted.

1.04 New policies are called for. This report proposes some designed to stimulate economic growth and employment creation, the objective of the Government's development strategy. The current Plan emphasizes the productive sectors of agriculture and industry. Recent Government initiatives, such as those to reform the Ministry of Agriculture and to cooperate with private sector industry through the Permanent Joint Committee for the Promotion of Investment, are necessary steps on the road Haiti must follow if it is to raise output toward its potential.

1.05 That potential exists in agriculture, though the sector is frequently dismissed as relatively hopeless. True, there are severe problems which have led to declining production per capita. Yet there are untapped possibilities which could be realized through the adoption of modern techniques. Soil and weather conditions are suitable for food and export crops, for both irrigated agriculture on the plains and rainfed agriculture elsewhere. Areas that once were intensively cultivated need to be discovered again. Haiti is currently a relatively inefficient producer with the farming techniques in use today; the application of more modern techniques would give it a comparative advantage in the production of a wide range of crops, including maize, rice, coffee and bananas. Two and three crops of irrigated

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[1] World Bank Atlas methodology.

rice per year have already proved possible in the Artibonite Valley, for instance. Moreover, Haiti's irrigation systems, now in disrepair and disuse, can be rehabilitated at costs well below those of new investments.

1.06 Haiti's agro-industrial opportunities are also largely unexploited. There is a modern entrepreneurial class of successful businessmen, found predominantly in real estate and trading ventures, mostly in Port-au-Prince. It includes, however, a growing group of entrepreneurs who have developed recent agro-industrial ventures: dairy, tomato processing, mango and orange exports. Haiti has also a traditional, well established professional class who often own large tracts of land that have been in the family for generations. Many of the new agro-industries and modern agricultural ventures have come about through the combined efforts of these two classes. An urban entrepreneur, perceiving an opportunity in agricultural production, works with traditional landowners who can make available the land necessary for production. There is considerable scope for expanding employment in labor-intensive commercial agriculture supplying agro-industries.

1.07 The conclusion of the mission is that Haiti's agricultural potential is still untapped. If the right policies are followed, it can be achieved and Haiti can have agricultural and agro-industrial enterprises competing successfully on the world market.

1.08 The same is true for other industry. An export assembly industry has grown up since the early 1970s, attracted by Haiti's motivated, low cost and unskilled labor, basic infrastructural services, and proximity to the United States market. Its political stability, liberal economic outlook, and multilingual business elite were other factors that made it attractive. The highly competitive foreign firms which dominate the assembly industry have turned these Haitian assets to their advantage. It remains for the rest of Haitian industry, relatively inefficient and sheltered behind protective walls, to put them to use, become internationally competitive, and grow. There are other potential industrial assets which have yet to be harnessed, especially the pool of skilled Haitian emigrants in Canada and the United States. The European market remains to be penetrated. Indeed, Haiti's share of the nearby North American export market is so minuscule that it could expand several fold if the Haitian business elite were to abandon its current preoccupation with short term easy profits behind protection in favor of sustained long term growth on the competitive world market.

1.09 Haiti's natural, historical and cultural assets also give it some potential as a tourist destination. It has attractive beaches, clear coral waters and a pleasant, sunny climate during the harsh North American and European winter. The average temperature is 24°C. Its uneven topography presents a varied natural environment. Its civilization is a unique blend of African heritage, French colonial influence and present day Caribbean lifestyles with internationally renowned monuments (the Citadelle), religious and folklore traditions, and primitive art. Its people are naturally friendly and its elite multilingual. Tourism could be a major foreign exchange earner and source of growth. Yet Haiti's tourism development, like

that of its agriculture and industry, is well below its potential. In part, this stems from the country's relatively negative image in North America and Europe and, more recently, from adverse publicity about the AIDS disease. It also reflects, however, an unwillingness to compete for the Caribbean tourist trade. Again, were there a long run vision, Haiti might have a more successful and internationally competitive tourist trade.

1.10 The potential is there in each case: agriculture, agro-industry, industry, tourism. It has not been realized because society at all levels has ignored the long term; it has acquiesced in the present. The Government has had different priorities, which have swollen its employment rolls but not its revenue and, thus, caused a relative neglect of development. The business elite has concentrated on quick profits. The people at large have focused on their immediate situation and have not articulated a demand for development. Finally, the unrelenting pressure of population on the land and the public services, while itself a part of the problem, has inevitably diverted attention away from development.

1.11 There is little sense of a better tomorrow. Yet today some elements of change are apparent. People rush to educate their children as schools spread. A small group of business entrepreneurs see clearly that Haiti's future lies in competitive activity on the international market and are beginning to organize for it. There is a new awareness in some government circles that the country must develop on the basis of efficient private and public sectors.

1.12 Only a few share this vision, however, and they have limited experience on which to build. They seek to learn from abroad. The outside world can help. Yet it is for Haiti and the Haitians to adopt development as a serious goal and achieve the untapped national potential through global competition.

CHAPTER II

THE PAST: CHANGE WITH LESS AND LESS GROWTH

2.01 Haiti has not realized its potential; the economy has hardly grown since FY81. In part this is due to the small open economy's vulnerability to the state of the world economy. The mission finds, however, that it is more fundamentally a result of compound problems in agriculture, industry and the public sector that have progressively impeded economic growth. The overall productivity of agriculture has not kept pace with rural population growth and people have left the countryside. Protection encouraged industrial growth in the early 1970s but has now begun to stifle it. Public resources have been misallocated to industrial enterprises. In recent years, labor productivity outside agriculture has begun to fall also. Urban employment growth has thus been inadequate to absorb the cities' natural growth and the influx from the countryside. The demand for public services, both infrastructure for the productive sectors and consumption, has steadily expanded, increasing current public expenditure while Government revenues have remained insufficient. This in turn has reduced public savings, making ever more difficult the financing of the public investment program. This chapter examines these constraints to economic growth in Haiti, in the context of the significant structural changes that have occurred.

A. Structural and Social Change, 1950-84 [1/]

2.02 Haiti's economic and social structure has changed since the 1950s. Population pressure on the land has driven people from the countryside to the cities, especially the Port-au-Prince metropolis, and abroad. The sectoral origin of GDP and the sectoral distribution of employment has shifted toward urban, non-agricultural activity. Haiti still remains a rural economy, however, with four-fifths of its FY84 population of 5.2 million living in rural areas and one-third of its FY84 GDP of G 9.1 billion derived from agriculture.

2.03 Three population censuses in 1950, 1971 and 1982 provide reference points. Total population increased by 1.6% per year during 1950-71 and by 1.4% during 1971-82. The overall population growth rate is low for a country with 58% of its people under 25. The crude birth rate of 37 per 1,000 is only slightly below what would be expected from international comparisons. The crude death rate of 17 is high, however, reflecting an average life expectancy of only 53 years and a very high infant mortality rate, 124 per 1,000, largely caused by widespread malnutrition. The net emigration rate is also extremely high at 5 per 1,000.

2.04 Population expansion has thus been checked by high net emigration abroad and high mortality at home. The low rate of population growth has

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1/ This section draws on World Bank, Haiti: Situation Note on the Population, Health and Nutrition Sectors, 1985.

nonetheless increased pressure to create jobs, provide public services and meet basic needs. Every year 39,000 more people seek work in an economy that has expanded slowly. At the same time the potential school age population of 5-14 year olds is growing by almost 18,000 children per year. Average household size has increased from 3.6 persons in 1971 to about 4.4 today.

2.05 The population of the towns has grown at four times the rate of the rural and three times that of the overall population (Table II.1). Urban areas have absorbed their own natural growth and some of the rural emigration, especially Port-au-Prince and the small towns between 5,000 and 10,000 people. Today the urban population represents 21% of the total compared to 8% in 1950. Urban growth has slowed since 1971 in both absolute and relative terms. The rate of urban growth has declined by nearly 1.5 percentage points.

Table II.1: URBAN AND RURAL POPULATION, 1950-82

	Population (000)			Annual Growth Rates (%)	
	1950	1971	1982	1950-71	1971-82
Total	3,097	4,330	5,053	1.6	1.4
Urban [a/]	255	707	1,042	5.0	3.6
Port-au-Prince	152	507	720	5.9	3.2
10 towns over 10,000 in 1982 [b/]	98	180	235	2.9	2.5
Other towns over 5,000	5	26	97	8.2	12.7
Rural	2,831	3,623	4,011	1.2	0.9

[a/] Towns with a population over 5,000.

[b/] Two of the 10 were under 5,000 in 1950 and should technically be classified rural for that year (Limbé, Petite Rivière de l'Artibonite).

Source: Statistical Appendix Table 1.2

2.06 Haitian emigration has been an important safety valve throughout the twentieth century, especially since 1971. Data are now available for 1971-82 with which to compare natural and actual population growth rates, yielding emigration rates as the difference (Table II.2). [2/] Applying them

[2/] This indirect method of estimation may compound errors made in estimating the rates making the difference. There are also direct estimates available for comparison, though these are partial.

to the current estimated population of 5.3 million in 1985, there are 38,000 net emigrants from the countryside each year, of whom 14,000 go to Port-au-Prince and other towns while 24,000 others depart Haiti for other countries, principally the United States, Canada and the Dominican Republic. This is a large number.

Table II.2: URBAN AND RURAL POPULATION CHARACTERISTICS, 1971-82
(Annual rates per 1,000)

	Urban	Rural	Total
Crude birth rate	37.3	36.6	36.7
Crude death rate	13.4	18.1	17.2
Natural growth rate	23.9	18.5	19.5
Net migration rate	12.0	-9.2	-5.4
Actual growth rate	35.9	9.3	14.1

Source: Statistical Appendix Table 1.3

2.07 Table II.3 presents the best recent estimate available of the stock of Haitians living abroad in 1980 at 680,000. Recent emigration must put the figure at around 800,000 today.

Table II.3: HAITIANS ABROAD BY COUNTRY OF RESIDENCE, 1980

Region	Country	Number (000)
North America	United States	450
	Canada	40
Caribbean	Dominican Republic	120
	Bahamas	30
	Cuba	15
	Martinique and Guadeloupe	5
	Other	1
Latin America	Venezuela	1
	French Guiana	2
	Other	5
Europe	France	5
	Other	3
Africa		3
Other		1
Total		680

Source: J. Allman "Haitian Migration: 30 Years Assessed," Migration Today, Vol. X, No. 1, pp. 7-12, 1981.

2.08 Internal migration from the countryside to the towns has, accompanied the shift of the sectoral distribution of GDP away from agriculture as Table II.4 shows. Agriculture accounted for over half of output until 20 years ago but now represents one third. Mining disappeared with the 1982 closure of the only bauxite mine. While industry grew very rapidly in relative terms in the 1970s, its share of total production has remained constant for the last five years. Services, meanwhile, have steadily expanded their role in the economy. Both industry and services are essentially urban activities. Similarly industry's share in total merchandise exports has doubled in the last twenty years while agricultural exports declined in relative terms.

Table II.4: SECTORAL DISTRIBUTION OF GDP AND EXPORTS, FY52-84
(Percentage shares)

	FY52-54	FY62-64	FY72-74	FY77-79	FY82-84
Gross Domestic Product					
Agriculture	50	50	43	36	34
Mining	-	2	2	1	-
Industry	13	14	17	18	19
Services	37	34	38	45	48
Merchandise Exports					
Agriculture	90	68	39	37	43
Mining	-	10	8	8	-
Industry	10	22	53	55	57

Sources: World Bank Economic Reports
IHSI
Statistical Appendix Tables 2.1 and 3.4

2.09 The same trend toward increasing urban activity is apparent from employment data. These are not very reliable, but nonetheless indicate trends, if not precise levels. Table II.5 demonstrates that about 9% of those employed left agriculture between 1971-82, 2% going to industry and 7% to services. The total labor force expanded by 75,000 in the same period, representing an absolute decline of 96,000 in the rural areas and an increase of 171,000 in the towns (Statistical Appendix Table 1.4). Employment increased by 81,000, an expansion of 115,000 in urban employment being offset by a fall of 33,000 in the rural areas. Total unemployment remained roughly constant at 280,000, or over 10% of the labor force. (Rural employment, of course, contains considerable disguised unemployment and underemployment). The rural unemployed moved to the towns, however, where most remain unemployed: 62,000 unemployed left the countryside in 1971-82 and 57,000 new urban unemployed appeared.

Table II.5: EMPLOYMENT BY SECTOR, 1950-82

	Percentage Distribution		
	1950	1971	1982
Agriculture	74	73	64
Industry	5	7	9
Services	8	17	24
Unclassified	13	3	3
Total Employment (000)	2,208	2,275	2,353

Source: Statistical Appendix Table 1.5

2.10 The shift toward urban, non-agricultural activity occurred in parallel with, and to some extent as a result of, rising propensities to invest, import and export. Since external aid programs and the export assembly industry began in earnest in the early 1970s, the capacity to import rose well above that of exports; exports and imports as a percentage of GDP were identical in the mid-1950s but exports were only 70% of imports in recent years (Table II.6). The importance of trade to the economy has risen by over 50% in the same period. Investment more than doubled as a proportion of GDP and the public sector's share increased more rapidly than that of the private sector, again reflecting external assistance.

Table II.6: SELECTED ECONOMIC STRUCTURAL INDICATORS, FY56-84

	Percentage of GDP			
	FY56-58	FY66-68	FY75-78	FY82-84
Trade	42	33	61	66
Exports	21	14	26	27
Imports	21	19	35	39
Investment	7	7	16	16
Public	..	..	11	10
Private	..	..	5	6
Consumption	92	97	93	96
General Government	..	..	8	12
Private	..	..	85	85

Source: Statistical Appendix Tables 2.2 and 2.4

2.11 Consumption has remained constant as a percentage of GDP and indeed has increased only very slowly in real terms on a per capita basis. Detailed comparable data are not available for the period before 1976. Since FY76-78, however, real annual per capita consumption in FY76 Gourdes has stagnated, falling from G 910 to G 900 in FY82-84, although peaking at G 1,049 in FY80. While consumption has not increased greatly, its composition has changed steadily toward greater reliance on imported goods, especially foodstuffs including wheat, and on public goods and services such as electricity, health and education.

Table II.7: CHANGING CONSUMPTION PATTERNS, FY72-84

	Unit	Consumption per capita FY72-74	FY77-79	FY82-84
Food imports	FY76 G	30.0	36.7	48.4
Flour from wheat imports	lb	31.6	36.2	45.6
Residential electricity consumption	Wh	5.0	14.0	19.0
Public educational expenditure	FY76 G	7.1	6.8	10.6
Public health expenditure	FY76 G	7.5	9.1	10.5

Sources: World Bank, Haiti: Agricultural Sector Study, 1985; Haiti: Issues and Options in the Energy Sector, 1982; Economic Memorandum, 1978; Statistical Appendix Table 8.3

2.12 Both the Government and external aid donors have in recent years paid considerable attention to health and education. Despite this, as noted in paragraph 2.03, Haiti's social indicators remain poor by international standards. Birth and fertility rates are high compared to countries of similar income levels in Africa. Over one quarter of Haitian women do not breastfeed their infants and 90% of deaths among 1-4 year old children are caused by malnutrition and diarrheal diseases. While the death rate has fallen somewhat, it remains higher than that in the rest of Latin America. Life expectancy is ten or more years less than among Haiti's neighbors in the Caribbean. Between a quarter and a half of all Haitian children suffer from second or third degree malnutrition on the Gomez scale of weight for age. The adult literacy rate of 23% compares unfavorably with that in African countries at the same level of GNP per capita.

2.13 The share of public expenditure devoted to population, health and nutrition services is far higher than the average for either low- or middle-income countries. The most urgent problem in these sectors is thus the low level of efficiency in providing basic services. In population, cost per user is exorbitantly high, coverage is low, and the unmet need for family

planning is double or quadruple current use of modern methods. In health, curative care is costly and facilities are underutilized; nevertheless, most people who need services cannot get them. In nutrition, curative approaches have proven too costly, preventive programs have moved little beyond pilot efforts, and the Government has dispersed responsibility among too many agencies. Public spending on education, by contrast, is relatively low by international standards. Efficiency is also low, however, and the allocation of resources within the education sector could be improved.

2.14 Poverty is thus a serious and continuing problem in Haiti, yet the direct application of public resources has resulted in little significant improvement. Meanwhile, as shown in the next section, production and productivity are declining throughout the economy.

B. Production and Productivity, FY76-84

2.15 Structural change lifted Haiti's output and productivity growth rates to respectable international levels by the late 1970s. Both output and productivity declined from FY80 to FY83. Productivity trends can be deduced from combining annual output data with employment figures interpolated between the 1971 and 1982 censuses and projected forward to 1984 (Statistical Appendix Table 8.1). Sectoral analysis shows that agriculture has stagnated since FY75, continuing the trend of the last 30 years. From FY80-84 the decline in agricultural value added was even faster than that projected in employment, reducing apparent labor productivity in the sector. Output outside agriculture has declined since FY80 while employment has grown and so productivity has fallen. This is in contrast to the second half of the 1970s when value added and productivity outside agriculture both grew rapidly. The continued decline of productivity outside agriculture is a new and important phenomenon with adverse consequences for job creation and growth.

Table II.8: PRODUCTION AND PRODUCTIVITY TRENDS, FY76-84

	Annual Growth Rates (%)	
	FY76-80	FY80-84
Economy		
Real GDP	5.0	-0.9
Employment [a]/	0.3	0.3
Apparent Labor Productivity	4.6	-1.3
Agriculture		
Real Value Added	0.7	-1.3
Employment [a]/	-0.9	-0.9
Apparent Labor Productivity	1.6	-0.4
Rest of Economy		
Real Value Added	7.5	-0.8
Employment [a]/	3.0	3.0
Apparent Labor Productivity	4.4	-3.7

[a]/ Trend growth rates, estimated from 1971 and 1982 census data.

Source: Statistical Appendix Table 8.1

2.16 Since 1980, then, the growth of output and productivity has been too slow to create enough jobs for all newcomers on the labor market and to generate enough resources to meet minimum needs more adequately. Three principal factors are behind this: the growth of population in rural areas and resulting pressure on the land; protection and the resulting lack of international competitiveness in much of Haiti's industry; and the inadequate tax revenue performance of the public sector and resulting low public savings. Each factor tends to slow down economic growth, while the financial situation remains fragile.

C. Population Pressure in Agriculture [3/]

2.17 About 45% of the agricultural labor force are independent peasant farmers and their families; the remainder are landless wage laborers. Most independent peasants live on the hillsides and are caught in a particularly vicious circle. Their incomes are very low; per capita rural GDP in FY83 was around US$125 compared to a national average of US$318. Their cash needs are high in relation to their incomes. Yet their cash incomes are declining, owing to worsening terms of trade and progressive fragmentation of their land holdings, mainly due to subdivision on inheritance.

2.18 The proportion of all farms of 1.3 ha or less increased from 39% in 1950 to 71% in 1971, the year of the last agricultural census. Correspondingly, the proportion of farms with more than 4 ha fell from 16% to 5% over the period. Fifty-nine percent of all farms were no larger than one ha in 1971; 90% had no more than three ha and 95% no more than 4 ha. The average size of these 95% was 1.1 ha. They covered 73% of the cultivated area. They were also fragmented into an average of 1.7 parcels per farm, the parcels often being a considerable distance from each other. Although no data are available since 1971, past trends have continued. Many farms are now too small to support family subsistence requirements.

2.19 To counter the decline in their purchasing power, the peasants are planting more food crops and selling increasingly larger percentages of them at the expense of their own subsistence, overexploiting in the short term the cultivated areas. As a result, malnutrition is worsening. Recent estimates show a nationwide average caloric deficit of 14% and a protein deficit of 32%, compared to FAO/WHO recommended levels. These average deficits rose to 40% and 50%, respectively, in rural areas. Overexploitation of the hillsides also causes alarming erosion. Forty percent of the total land area has been denuded of soil, becoming essentially wilderness with little or no vegetation. It is estimated that 10-15,000 ha are being lost to soil erosion annually as a result of poorly placed food crop plantings and the felling of forests for fuel and construction on the 50% of the land area with a slope greater than 40% that is suitable ecologically for forest cover only. Total forest area fell by 59% during 1956-77 and is currently shrinking at 5% per year. Erosion is exacerbated by the irregular but heavy rainfall.

2.20 Income levels are so low and the cash crisis so severe that there is virtually no peasant saving or investment. Hence, technology levels and labor productivity remain strikingly low: farm implements and production

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3/ This section, like Chapter IV, draws on World Bank, Haiti: Agricultural Sector Study, Report No. 5375-HA, 1985.

techniques remain those of two centuries ago. Many farmers do not even possess a hoe. Productivity increases are therefore minimal and cannot keep pace with the growth of the population.

2.21 Even with improved techniques and technologies, the hill smallholders' potential output is relatively limited. Hill smallholders account for about 60% of Haiti's cultivated area, itself only one third of the total land area of 2.8 million ha. A further 500,000 ha are designated as pasture. The rugged terrain means that fully two-thirds of Haiti's land cannot be cultivated, itself a major factor behind the population pressure on the arable land. So severe is the pressure that the market value of even poor lands is reportedly increasing at about 15% annually and that of fertile land close to the towns much faster.

2.22 Land availability for production, however, is not as critical as is often portrayed. Land is available; it is not used. There are 350,000 ha of land on the plains, representing the other 40% of the cultivated area. This includes larger peasant smallholdings, large private lands and public lands. Some 11,000 of the 617,000 farms in Haiti -- less than 2% -- are larger than 8.5 ha. But these farms could lead the way in increasing production. There are about one thousand holdings between 100-300 ha, or perhaps 20% of the total cultivated area, mainly owned by the landed bourgeoisie. There are no recent data on public land holdings. The State was estimated to own 1.5 million ha in 1928 and remains a vast landholder, though much of the public land is not used.

2.23 Haiti's tragedy is that the fertile land on the plains has been relatively neglected. The total irrigable area is estimated at 180,000 ha, but only 45,000 ha are fully irrigated for single cropping. Of these, only 5-10,000 ha benefit from full water control, allowing double cropping. Another 40,000 ha have irrigation infrastructure but require substantial rehabilitation as a result of inadequate or non-existent operations and maintenance.

2.24 Plantations and other rainfed areas have often been ignored; there is not even an inventory of high potential rainfed land areas. The use of purchased inputs is minimal. Fertilizer use is almost insignificant at 4 kg/ha; Jamaica averages 90 kg and El Salvador 164. Pesticide use is negligible. Farm technologies are rudimentary. There are less than 250 motorized tractors in service, less than 1,000 animal-drawn plows, and fewer than 100 horse-drawn cultivators. The total area farmed by mechanical means is optimistically estimated at 7,500 ha, or less than 1% of the total cultivated area. Rural wages, around US$1.40 per eight-hour day, reflect the low complement of capital and the low productivity of labor.

2.25 Government policies have unfortunately compounded the situation in peasant agriculture while failing to develop the areas with production potential. They have resulted in inappropriate incentives to farm enterprises and provided them with too little financial and other support to raise

their output. The most striking example is coffee, the chief cash crop. At least a million people on the hillsides depend on it for their livelihood. Yet coffee is subject to an export tax that has represented around 50% of the producer price. High export taxes have also reduced producer prices for other cash crops including cocoa, sisal and essential oils; the tax on essential oils was eliminated in early 1985.

2.26 Trade and price controls also distort producer incentives. The Government sets the price of cane used in the centrifugal sugar industry and the ex-factory, wholesale and retail prices of sugar. This process has been highly counterproductive. The farmer receives approximately 30% of the value of the sugar in the cane and the sugar mill 70%, whereas in most countries there is a reverse ratio of about 65:35. It was 50:50 in Haiti as recently as 1970. Low cane prices cause a low supply of cane which means that the four Haitian factories have to receive a higher unit price for their output to break even at low levels of capacity utilization. The problem of sugar-cane is compounded by the fact that mills buy cane by weight irrespective of sucrose content. This practice works to the detriment of farmers and mills: the former are not encouraged to supply cane with the highest sucrose content and receive low prices; the low sucrose content, raises processing costs for the latter who therefore can only pay low prices.

2.27 The essential oils subsector provides another example of a Government policy acting to restrain unnecessarily adaptation to markets and, thus, export and output expansion. Haiti is the world's leading producer of vetiver oil, supplying about one third of the market, and is the sole producer of amyris. It also produces lime oil, where many other producers supply the world market. The different market positions for the different products implies a different marketing strategy for each. Unfortunately this is not the case in Haiti where the Government export office OCEAH has had a trading monopoly since 1975. OCEAH has accepted prices for lime oil below world prices and has not done enough to improve its technical quality. Similarly, it did not reduce the export price of vetiver oil in the face of stiff competition from Indonesia and China, so that Haiti's share of the U.S. market dropped from over 73% in 1978 to 40% in 1982.

2.28 In addition to harmful distortions created by state fiscal, pricing and marketing policies, the public agricultural investment and credit program has been diffuse and unfocused. Agriculture's share in the budgeted public investment programs rose from about 10% in FY72-76 to 17% in FY77-81 and to 18% in FY82-84. However the program consists of a very large and diffuse number of projects which do not correspond adequately to a set of clearly defined objectives and so are not ranked in order of priority. Output expansion was not a clear priority; less than 1% of the FY83 budgeted program was for irrigation rehabilitation. In fact the Ministry of Agriculture has not consolidated the list of projects. The mission estimates, however, that there were as many as 65 foreign-financed projects under implementation in FY84 plus another 30 under preparation, not to mention domestically-financed projects. This has been an unrealistic workload for the Ministry. Not surprising, actual disbursements have been limited; in FY83, for example, only 18% of domestic resources budgeted for agricultural investment were actually spent. Furthermore, recurrent expenditures were not adequately considered in advance nor were they disbursed when necessary.

2.29 Arrangements for agricultural credit have been designed less to strengthen the financial structure of farm enterprises than to meet credit needs indiscriminately. The two existing Government institutions, BCA and BNDAI, have responded to credit demand without clear production-oriented guidelines and staff. Because of this, several rural development schemes have had to provide credit directly to farmers. Credit has not been channelled toward the farm enterprises with the potential for major production and productivity gains. The capacity to supervise credit and provide technical services to farmers has not been developed sufficiently.

2.30 The Government is now fully aware that many agricultural policies need revision. It has recently taken steps to streamline the Ministry of Agriculture and regain control of public investment projects but, as is discussed in Chapter IV, much remains to be done in this and the other areas of government intervention in agriculture.

D. Protection in Industry

2.31 Haiti's manufacturing sector grew at a rapid 10% per year in real terms throughout the 1970s. According to official statistics, output declined sharply during FY80-82 recovered slightly in FY83 and fell again in FY84. These may well, however, underestimate the contribution of the export assembly industry to manufacturing growth. The overall poor performance of manufacturing output in part reflects the global recession but also reflects the cumulative impact of protection. The protected import substitution industries performance has been poor, particularly compared to the very successful growth of the competitive export assembly firms.

Table II.9: GROWTH OF MANUFACTURING, FY76-84

	Annual Growth Rates (%) of Value Added in Constant FY76 Gourdes					Percentage Shares
	FY76-80	FY81	FY82	FY83	FY84 [a]	FY84
Manufacturing	10.0	-11.8	-3.8	5.6	-1.7	100
Food products	7.2	2.1	-8.5	32.7	-18.8	33
Beverages	9.4	-6.1	1.0	-4.6	9.0	2
Tobacco industry	11.0	-5.0	-7.6	-3.3	-2.3	4
Textiles, leather, clothing	-5.1	-6.9	-4.1	3.3	2.0	15
Chemicals	16.9	-45.1	14.8	-11.2	-15.0	6
Mineral and nonmetallic products [b]	2.4	0.1	-14.4	6.9	-1.8	4
Metal products [c]	27.9	-14.2	5.5	-18.1	3.7	21
Miscellaneous [d]	5.8	-23.8	-13.8	1.8	57.7	16

Notes: [a] FY84 may have been a year of positive growth if full account is taken of the contribution of the export assembly industries.
[b] Includes plastics.
[c] Includes electrical and electronic equipment.
[d] Includes sporting goods.

Source: Statistical Appendix Table 2.1

2.32 A number of import substitution industries like steel products, paper and board, and metal and enamel household products were established under protection during the early 1970s and grew very rapidly until 1977, when the very small domestic market became saturated. Today, import substitution industries are agro-industries (food products, beverages and tobacco), textiles, leather, chemicals, plastics and rubber products. Agro-industries account for about 40% and other import substitution industries for about 30% of manufacturing value added. These categories roughly correspond to those presented in the national accounts data of Table II.9.

2.33 None has done well since FY80. Most of these industries have exhausted the advantage that protection initially provided. Its negative consequences are apparent: high production costs because of unutilized capacity, poor management and outdated equipment. They consequently lack global competitiveness, cannot export or sell to other export industries, and cause excessive dependence on imports of the intermediate products they need.

2.34 One example is tomato paste. It is protected by import quotas and a tariff, and so is the manufacturer of the cans in which the paste is packaged. One company produces tomato paste in Haiti; its capacity is more than sufficient to meet Haiti's entire annual market demand of about 250,000 cases of 24 pounds each. Yet it produced only 80,000 cases in FY84, because of insufficient supply of tomatoes. Its ex-factory price of about US$0.60-0.70 per 8 oz. can compares to less than US$0.20 in the Dominican Republic, since the recent peso devaluation, and about US$0.50 in Florida. The high price of canned paste in Haiti is due primarily to the high cost of Haitian cans manufactured under protection. The impact on the Haitian consumer is not too severe, as smuggling of around 100,000 cases a year from the Dominican Republic meets the demand. This illustrates how excessive protection will somehow become self-defeating, even for those benefiting from it. Potential industrial production, private profits and employment are all lost to Haiti as a result of inefficiency behind import quota protection.

2.35 Another example is cardboard boxes which are manufactured by three producers, all enjoying 35% nominal tariff protection granted to local manufacturers. All must buy cardboard from the one local producer who in 1980 obtained a monopoly, protected by a full import quota, to import paper from the U.S. to make cardboard. This producer's production is very small and its prices are 15% above those in Puerto Rico or the mainland United States. The high costs of cardboard plus the low capacity utilization of the cardboard box manufacturing plants raise the Haitian prices of cardboard boxes well above those of competitors in the Dominican Republic and the United States. High prices for cardboard boxes in turn raise the costs and lower the competitiveness of fruit exporters using the boxes.

2.36 The Government is committed to reduce protection but awaits the results of certain studies before proceeding further. The recently published Investment Code puts all firms in an industry on the same footing with respect to tax incentives for investment and exports and promotes competition, but does not start to reduce protection. The protection system is complex, but consists of both import quotas and a highly differential

tariff structure based on the principle of higher rates of duty on finished goods than on raw materials. This system of protection distorts the structure of domestic prices relative to that of the world market. It thus gives the wrong signals to entrepreneurs about profitable opportunities that reflect Haiti's comparative advantage. This results in an industry that is not competitive internationally and so cannot expand through exporting. Yet exporting is the only route to expansion of output and employment, given the very small Haitian domestic market. Protection also reduces the living standards of Haitian workers and consumers who must purchase products whose prices include substantial economic rents.

2.37 The negative consequences of protection increasingly led the Government to provide tax exemptions to investors and exporters in order to stimulate industrial growth. Before the new Investment Code, "new" enterprises and those locating in the industrial parks were exempted from corporate and personal income taxes, from licence taxes and from import duties. Industries exporting to the United States have also benefitted from three preferential provisions of U.S. trade. Sections 806.30 and 807.00 of the U.S. Customs Code provide that duty is only charged on the value added abroad when U.S. components are sent abroad for assembly and return to the U.S. market. The Generalized System of Preferences (GSP) allows 2,500 items to enter the U.S. duty free if at least 35% of their value was added in Haiti or other GSP-eligible developing countries. Most recently the Caribbean Basin Initiative (CBI) offers 12 years from January 1984 of duty-free access to the U.S. market to almost all imports provided that at least 35% of the products' value is added in Haiti. However there are exceptions including, among others, textiles and apparel, canned tuna, petroleum and petroleum products, footwear, and certain leather products, several of which are important to Haiti.

2.38 These Haitian and American incentives have successfully stimulated the export assembly industry which first set up in the early 1970s. The principal products are clothing, metal products (which include electrical and electronic equipment) and sporting goods. The export assembly industries account for about 30% of total manufacturing industry in Haiti. They grew very rapidly in the second half of the 1970s, just as growth of the import substitution industries was slowing, declined during FY80-83 with the U.S. recession and now show signs of recovery along with the U.S. economy. Overall Haiti has the fastest growing assembly industry in the Caribbean Basin.

Table II.10: ASSEMBLY INDUSTRY EXPORTS TO THE UNITED STATES, 1980-84
(Current prices)

	Annual Growth Rates (%)				
	1980	1981	1982	1983	1984
Clothing	10.6	15.6	2.3	15.2	16.6
Electrical and electronic equipment	27.9	7.6	20.0	14.9	23.1
Sporting goods	5.9	9.2	11.0	-10.0	8.0

Source: U.S. Department of Commerce

2.39 The export assembly industries are not yet integrated into the Haitian economy. Aside from foreign exchange, their major contribution is unskilled wages, low wage rates being the principal attraction of Haiti for these "footloose" industries. There is a minimum wage but its level is low (US$3 per day since October 1984). There are no unions in the export assembly industries. Labor productivity in unskilled jobs is very high as Haitians are extremely dexterous. In electronics, for example, many firms now assemble transformers, coils, simple and complex circuits and wiring harnesses. Quality control is excellent and output per manhour is approaching that of Singapore.

2.40 The export assembly industries can buy very little from local industries because the latter's prices are high and quality is low as a result of the lack of competitiveness resulting from protection. The export assembly industry has a considerable demand for cardboard boxes, for example. Yet Haitian boxes cost more than those in the United States, and their inferior quality led most exporters to import their boxes. Cotton and textiles provide another good example. The clothing assembly industries complain that the local textile industry cannot supply sufficiently high quality cloth at a competitive price to meet U.S. specifications. Denim, for example, is sold ex-factory at US$1.80 per meter in Haiti, compared to about US$1.10 in Hong Kong. The State's revenues from these assembly industries are practically nil because of the generous tax exemptions.

2.41 Despite the success of the assembly industries, which should continue, the combined protection and tax incentive system has thus reduced the possibility of major industrial expansion on the world market that would fully benefit Haiti's economy. It has a fundamental anti-export bias. Other Government policies have failed to facilitate or support growth. There is a severe shortage of middle-level managers, supervisors and skilled technical workers. Yet the Government has only recently started to focus on ensuring that appropriate professional and technical training is provided. A few private firms have limited contacts with personnel recruitment agencies in North America to attract home skilled Haitian emigrants. There is, however, no official incentive scheme.

2.42 Moreover, the granting of protection and tax exemptions to industry was until recently perceived as arbitrary and unpredictable. There was a severe problem in keeping the private sector well-informed of Government policies. It appeared to be impossible, even for a large entrepreneur, to make reliable long term predictions about taxes, foreign exchange availability, quota availability, applicable import duties, the actual application of franchises, the extent of tax holidays, etc. This in turn forced investors to concentrate on short-term returns to the detriment of longer-term industrial expansion. While the general climate in Haiti is very much pro-business, its ad-hoc implementation at the specific corporate level tended to drive potential entrepreneurs toward trade, rather than production. Massive short-term returns can be had from import franchises, for example. The new Investment Code is addressing several of these problems, providing for instance for review procedures when maladministration is alleged.

2.43 Haiti has further missed achieving its international comparative advantage through the consequences of the Government's establishment or takeover of five major public industrial enterprises in recent years. While these are discussed in detail later, it is clear that were these enterprises private ones without privileged status, none would be viable economically with their present structure of excessive production costs. All five represent a major economic loss and, with the exception of the Minoterie, a massive drain on public funds.

E. Inadequate Public Savings

2.44 The third compound problem which is progressively stifling economic growth in Haiti is that of the public sector itself. Fiscal discipline broke down in FY80 and the effects are still being felt today. The Treasury ran a current account surplus in the late 1970s which, combined with the net operating surplus of the principal public enterprises, led to public savings averaging 2.4% of GDP. External financing supplemented this to permit public investment of 10.7% of GDP. Since FY80, however, the Treasury has seen a current account deficit.

2.45 Current revenues have not increased in step with ambitious expenditure programs. They represented 10.1% of GDP in FY84, typical of the 10% average for FY76-84. Current expenditures, by contrast, have increased relentlessly from an average of 8.3% of GDP in FY76-79 to 11.9% in FY84. Only the growth of the public enterprises' operating surplus has permitted public savings to remain positive at a low average level of 0.4% of GDP. Formal transfers from the public enterprises to the Treasury began in FY82. Low public savings have, in turn, provoked a reduction in public investment to 10.2% of GDP. Since FY80, moreover, a significant share of public investment has been for uneconomic public enterprise projects, notably the Usine Sucrière Nationale de Darbonne (USND).

Table II.11: PUBLIC SECTOR OPERATIONS, FY76-84
(Percentage of GDP)

	Average FY76-79	FY80	FY81	FY82	FY83	FY84
Receipts	11.3	10.3	10.3	12.1	12.7	13.0
General Government current revenue	10.3	9.5	9.0	10.1	10.3	10.1
Public enterprises' current account surplus	0.9	0.8	1.3	2.0	2.2	2.9
of which: transfers to Government	(-)	(-)	(-)	(1.0)	(0.9)	(1.2)
Expenditure	19.0	18.8	23.8	22.1	22.6	22.0
General Government current expenditure	8.3	10.1	11.1	11.4	11.6	11.9
Consolidated public sector capital expenditure	10.7	8.2	12.5	10.5	10.4	9.8
Other capital expenditure	-	0.5	0.1	0.1	0.5	0.3
Public Sector Deficit	-7.5	-8.5	-13.5	-10.0	-9.9	-9.0
Memorandum Item						
Public sector savings	5.2	0.2	-0.8	0.7	1.0	1.1

Source: Statistical Appendix Tables 2.2 and 5.4

2.46 Important fiscal reforms have nonetheless been carried out since FY80, designed to modernize both the structure and the administration of public revenues and increase revenues. The reorganization of the fiscal system to centralize tax collection and eliminate earmarking, which began in the late 1970s, has continued. It culminated in the absorption of the Régie du Tabac and the Administration Générale des Contributions into a new Direction Générale des Impots in early 1985. A number of new taxes were introduced, the most important being a value added tax in late FY83 at an initial rate of 7%, increased to 10% in early FY85. A new income tax is in place. Specific import duties have been replaced by ad valorem ones.

2.47 These reforms were successful in changing markedly the composition of Treasury revenue over the past five years. The share of revenues from taxes on international trade diminished sharply, from about one half in FY80 to about one third in FY84, mainly because of the reduction in the relative importance of export taxes and of the increasing duty exemptions for industrial imports used in exports and investments. The share of internal revenue correspondingly increased. The main change concerned the value added tax (TCA) which was introduced in FY83 and yielded nearly 13% of total revenue in FY84; the TCA does however apply to about half of all imports and so is not strictly an internal tax. The relative share of personal income and business profits taxes also rose, but not markedly due to significant

evasion and fraud on the part of taxpayers. The Government still relies heavily on excises and various fees and charges for nearly 40% of total revenue, because these levies can be collected rather easily. Taxes on property remain small.

Table II.12: COMPOSITION OF TREASURY REVENUE, FY80-84
(Percentage)

	FY80	FY81	FY82	FY83	FY84
Taxes on international trade	58.4	43.2	38.7	34.9	32.1
Export taxes	23.8	7.3	11.1	8.7	6.8
(Tax on coffee)	(16.8)	(6.4)	(6.1)	(8.2)	(6.2)
Import duties	34.6	35.8	27.6	26.2	25.3
Internal revenue	41.6	56.2	59.7	65.1	67.6
Value added tax	-	-	-	10.3	11.8
Taxes on net income and profit	12.7	17.6	16.5	15.2	15.4
Taxes on property	1.5	1.8	1.7	1.5	1.5
Taxes on goods and services	13.8	21.8	24.5	23.1	23.6
Other internal revenues	13.5	15.0	14.4	15.1	15.3
Other income, n.i.a.	-	0.6	1.6	-	0.3
Total revenue	100.0	100.0	100.0	100.0	100.0
- in G million	691.1	659.8	749.3	846.5	914.8
- in percent of GDP	9.5	9.0	10.1	10.3	10.1

Source: Statistical Appendix Table 5.5

2.48 Tax revenues have, however, remained low as a proportion of GDP, an important goal of the reforms not being achieved. Five factors explain this. First, the potential tax base has grown only slowly as the economy has stagnated in recent years. Second, the actual tax base has grown even more slowly, and may even have declined, as a result of the granting of widespread exemptions from both taxes and tariffs without proper subsequent monitoring. On occasion, perception has been voiced that individual companies negotiate individual tax concessions with the Ministry of Finance, even after expiration of those granted by law. The Government is taking steps to improve the situation. Too many imports are exempt from the value added tax. The authorities have continued to grant "franchises", effectively monopoly duty free import rights, so that import duties have fallen while merchandise imports increased. Third, revenue collection has been inefficient. Some improvements have been made at the Administration Générale des Douanes; others have resulted from the import validation inspection provided since December 1983 by the Swiss Société Générale de Surveillance (SGS). Internal tax collection by the Administration Générale des Contributions however remains very poor, especially for personal and corporate income taxes and for the sales tax. For instance, the sales tax is applicable to an estimated 1,500 enterprises but, so far, it is collected from less than 500. Receipts from this tax fell to 1.2% of GDP in FY84

compared to 1.4% in FY83 on an annualized basis. Fourth, many taxes are poorly designed to raise revenue in a developing country like Haiti. There are too many taxes, charges and fees. The rates are often specific and, when ad valorem, they tend to be unrealistically high. The base of most taxes is far from being fully assessed for various reasons. Fifth, tax evasion and fraud are widespread, in part as a result of the above factors and — especially poor tax collection — including a failure to compile lists of tax payers. Only 70 companies declared a taxable corporate income over US$60,000 in FY84. Only 17 individuals declared personal income over US$40,000. Yet the World Bank estimated as long ago as 1978 that there were then 4,000 families in Haiti with an average annual income exceeding US$90,000.

2.49 These factors have led current revenues to plateau around one tenth of GDP. This compares very unfavorably to an average of 16.7% for countries with 1981 per capita incomes below US$400.

2.50 While the share of current revenue in GDP has stagnated, that of current expenditures has steadily expanded. This reflects four factors: increasing spending on defense and security; the maintenance requirements of Haiti's new economic infrastructure; the operating requirements of its new social infrastructure; and significant, unchecked extrabudgetary expenditure in the early 1980s and again in FY84. Not all of these are appropriate for development.

2.51 Expenditure on security and defense has maintained its high 20% share of total spending on ministries and offices (Statistical Appendix Table 5.4) while that total has itself increased faster than either national income or revenues. The combined current expenditure of the Ministry of Interior and Defense and the Armed Forces amounted to 1.5% of GDP in FY84, up from 1.4% since FY81 alone.

2.52 The maintenance requirements of Haiti's new economic infrastructure must be met if that infrastructure is to support economic growth. Actual expenditures of the road maintenance organization SEPPRN, for example, doubled from 0.2% of GDP (G 13.4 million) in FY79 to 0.4% (G 33 million) in FY83. In FY84 SEPPRN was transferred from the development to the current budget, properly reflecting its status as a maintenance rather than a construction agency.

2.53 The third factor behind expanding budgetary expenditures has been expanding, albeit still small, public social programs. Current spending on education rose from 0.6% of GDP (G 26.5 million) in FY76 to 1% in FY84. Similarly, current expenditure of the Ministry of Public Health increased from 0.7% of GDP (G 33.1 million) in FY76 to 1.0% (G 90.8 million) in FY84. These trends corresponded to significant increases in employment. Total Government employment expanded from 28,056 in FY81 to 32,385 in FY84, again in large part due to the inclusion of SEPPRN within the Ministry of Public Works since FY84. Health and education employment has risen at an annual rate of 4.5% whereas total government employment, excluding Public Works, has grown at only 2% (Table II.13). Public sector wages have also been increased. As a result of expanded employment and higher salaries, the wage bill of the central government rose from 4.5% of GDP (G 330 million) in FY80 to 5% (G 451 million) in FY84.

Table II.13: GOVERNMENT EMPLOYMENT, FY80-84
(Thousands)

Ministry	FY80	FY81	FY82	FY83	FY84
Education	10.6	11.3	11.8	11.8	12.3
Health	5.7	5.7	6.5	6.9	7.3
Sub-total	16.3	17.0	18.3	18.7	19.6
Public Works, Transport and Communications	1.5	1.6	1.4	1.4	3.6 a/
Other services	10.3	10.7	10.1	9.2	9.2
Total	28.1	29.3	29.8	29.3	32.4
Education and Health as % of Total, less Public Works, Transport and Communications	61	61	65	67	68

a/ Employees of SEPPRN transferred to Ministry in FY84.

Source: Statistical Appendix Table 5.9

2.54 Overall spending on public education is very low in Haiti compared to other countries and can be expected to continue to increase to meet minimum needs and to achieve longer term development. Teachers and those directly involved in schools are forecast to increase from 7,719 in FY85 to 8,435 in FY88, or 3% per year. Teachers' salaries are also to increase over the next few years as the Teacher Charter is introduced. By FY89, annual current spending on education would be 8% higher than in FY84 in real terms, if savings are not found elsewhere within the education budget. Similarly, current expenditures on health were projected in 1983 to increase by 59% in real terms from FY84 to FY86. Health spending is also very low but is expanding too rapidly to be managed efficiently.

2.55 The fourth factor behind expanding current expenditures is extra-budgetary spending. Overall control of public expenditure is inadequate in Haiti and has since FY81 led not only to inadequate public savings but also to unsustainable fiscal and balance of payments deficits, as is discussed in Section II.F below.

2.56 Public savings have thus been squeezed between sluggish current revenues and rapidly increasing current expenditures, making it even more difficult for the Government to contribute to the public investment program. The situation has been complicated by a massive increase in Treasury expenditure on capital projects outside the development budget, notably G 286 million for the USND sugar mill from FY80-83 and G 42 million to acquire Ciment d'Haiti in FY83-84 (Table II.14).

Table II.14: PUBLIC SECTOR CAPITAL EXPENDITURE, FY80-84
(G million)

	FY80	FY81	FY82	FY83	FY84
Total	637	929	785	892	923
Budgetary expenditures	111	135	144	95	96
External concessional aid	366	435	496	525	518
Public enterprises	101	144	103	225	225
Other	59	215	42	38	52
Of which: USND	(38)	(210)	(29)	(10)	(-)
Ciment d'Haiti	(-)	(-)	(-)	(10)	(32)

Sources: IMF and Statistical Appendix Table 5.4

2.57 The squeeze on public savings was so severe that the expenditure targets of the Five Year Development Plan for FY82-86 had to be lowered considerably. The Plan was abandoned after FY83, replaced by an annual development budget for FY84, and a new Two Year Plan for FY85-86. Even with respect to revised targets, inadequate counterpart funds have held up external donors' disbursements, reducing overall development spending to less than two-thirds that budgeted each year, itself well below that foreseen in the Plans. A new realism entered into the annual budgeting of the Treasury contribution for FY84 and the target was achieved. The Treasury's actual contribution to the Development Budget declined as a percentage of GDP during FY81-84. Its share in total development expenditures dropped from 19% in FY81 to a 15% by FY84, as a result of reduced public savings.

Table II.15: ANNUAL DEVELOPMENT BUDGET AND ACTUAL EXPENDITURES, FY81-85 [a]/
(G million)

	FY81	FY82	FY83	FY84	FY85
Total Development Budget					
Annual budget forecast	1,094	982	1,083	1,098	1,246
Actual expenditure	673	663	646	620	..
Actual as % of forecast	62	68	60	56	..
Actual as % of GDP	9.2	9.0	7.9	6.8	..
Treasury Contribution					
Annual budget forecast	185	158	122	96	130
Actual expenditure	125	107	97	96	..
Actual as % of forecast	67	68	79	100	..
Actual as % of GDP	1.7	1.4	1.2	1.1	..

[a]/ This does not take full account of all public enterprises.

Sources: MEFI
Ministère du Plan - Direction d'Evaluation et Controle

2.58 The method by which certain projects have been cut back and others allowed to continue in the face of budgetary stringency has been haphazard. The authorities could not be more systematic, because data recording systems in place for the public investment program cannot provide timely information on actual expenditures and physical progress. The mission in January 1985, i.e. after the end of the first quarter of FY85, was unable to obtain even preliminary data on actual project disbursements for FY84. Two directorates within the Ministry of Planning are responsible for these data, the Direction d'Evaluation et Controle (DEC) for Haitian-financed development expenditures and the Direction de Coopèration Externe (DCE) for those financed by external aid donors. Even though many projects have both local and foreign components, there is no coordination of information between the two directorates. DEC can provide disbursements of Treasury funds for FY84 on a project-by-project basis but it has no information on public enterprises' use of their own funds, even though forecasts are contained in the Annual Economic Budget. DCE has no information readily available on foreign donor disbursements.

2.59 DEC is also nominally responsible for monitoring the physical progress of projects but in practice has little information available. Information on projects is thus excessively decentralized within the Ministry of Planning. Similar problems exist at the level of sectoral ministries. The Ministry of Agriculture does not know how many projects it has currently under execution. Few data are available -- either at Planning or the line Ministries -- on the anticipated economic impact of projects: rates of return, employment, fiscal, balance of payments impacts, etc. Only the larger projects financed by certain external donors are appraised using cost-benefit techniques. No recurrent cost projections are conducted. Yet, the last World Bank economic report [4/] examined 41 major development projects that accounted for the bulk of the FY83 investment program and roughly estimated that they would entail incremental recurrent expenditures growing at 17.8% per year in real terms from FY84-86 alone. This failure to examine recurrent costs ahead of time also puts pressure on the current budget, since more projects tend to be undertaken than should be in view of available funds to cover their recurrent costs.

2.60 Government and donors alike are responsible for these problems. Donors' adherence to their own priorities and the Government's failure to establish its priorities at the project level have led to a public investment program that is unfocused and contains far too many projects. The FY85 Economic Budget lists 296 projects for a total development expenditure of only G 1,246 million.

F. Stagnation and External Disequilibrium, FY80-84

2.61 Haiti's economy is open; exports and imports of goods and non-factor services have represented over two-thirds of GDP since FY80. The small economy therefore depends critically on the state of the world economy, especially on the international price of coffee and the situation in the United States. Coffee is the principal commodity export, accounting for one quarter of all merchandise exports. It has recently been replaced as the principal source of foreign exchange by the assembly export industry which

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[4/] Economic Note for the Haitian Subgroup, November 23, 1983.

now represents about 30% of total merchandise exports. Fifty-four percent of Haiti's exports are to the United States and 95% to industrial countries.

2.62 These external factors have combined with the three compound internal problems in agriculture, industry and the public sector to produce almost no economic growth in Haiti since FY81. Despite modest growth in FY83 and FY84, real GDP at the end of FY84 was 4% below that in FY80. Real GDP per capita was 9% lower because of continued population growth.

Table II.16: CHANGES IN GROSS DOMESTIC PRODUCT, FY80-84
(Percentage changes in FY76 prices)

	FY80	FY81	FY82	FY83	FY84
	GDP by Sector				
GDP at Factor Prices	6.7	-2.9	-3.6	0.2	2.6
Agriculture	0.9	-1.5	-4.2	-2.2	2.9
Industry	10.3	-8.2	-3.6	-0.1	-1.0
Manufacturing	14.0	-11.8	-3.7	5.6	-1.6
Mining	-4.3	-14.9	22.8	-92.9	-
Other	3.2	-4.0	-8.0	5.8	0.6
Services	9.8	-0.5	-3.2	2.4	4.6
	GDP by Expenditure				
GDP at Market Prices	7.2	-2.7	-3.9	0.3	2.7
Resource Balance	-42.3	-15.4	51.7	-22.4	-3.5
Exports of Goods and NFS	22.0	-6.1	14.5	-0.9	-11.1
Imports of Goods and NFS	28.3	1.3	-11.3	4.0	-7.5
Consumption	12.4	-0.7	-11.5	1.4	2.4
Gross Domestic Investment [a/]	1.4	0.7	-6.8	5.4	4.8

[a/] Excludes inventory changes.

Source: Statistical Appendix Tables 2.1 and 2.3

2.63 Real agricultural value added fell 1.5% during FY81. A poor coffee crop and declining world prices reduced coffee exports from the exceptionally high level of US$91 million in FY80 to US$33 million by FY81. Treasury revenues from the coffee export tax fell from G 116 to G 43 million. Total exports of goods and non-factor services, which had grown by 41% in current

terms in FY80, fell by 10% in FY81. The Government's current revenue declined from G 691 million to G 660 million. Current and capital expenditure by the Treasury, however, expanded by 32% to G 1,183 million. Hence, the Treasury deficit rose to 7.1% of GDP and the overall public sector deficit, including the public enterprises, to 13% of GDP in FY81. Public spending at these high levels helped to maintain both domestic consumption and investment. Indeed, although real consumption fell, current consumption rose to 102% of GDP in FY81. The result was that imports, which had grown by 44% in FY80, continued to flow in, increasing by a further 10%. The resource gap rose to 18.9% of GDP.

2.64 These deficits were not sustainable. By the end of FY81, the financial disequilibrium provoked by the failure to adjust public expenditure to the nation's reduced resources led to a fall in foreign reserves, interruptions in the supply of essential imports, external payments arrears, capital flight and the emergence of an informal foreign exchange market in which the dollar was traded at a 10-15% premium. In response, the Government adopted in mid-FY82 a stabilization program that was supported by an IMF Standby Agreement of SDR 34.5 million. The program of expenditure cuts and revenue increases was followed successfully throughout its 15-month term but was too short to restore full equilibrium. Public sector savings turned positive in FY82; the public sector deficit fell to 9.9% of GDP and the resource gap to 12.9%, by FY83. A large part of the external payments arrears was paid off. GDP, which had declined in FY81-82, grew slightly in FY83. Sustained recovery appeared to be imminent by the end of FY83, the private sector having regained confidence, despite a reduction in the credit extended to it.

Table II.17: SUMMARY NATIONAL ACCOUNTS, FY79-84
(Percentage of GDP in current prices)

	FY79	FY80	FY81	FY82	FY83	FY84
Consumption	93.7	95.2	101.9	96.8	96.6	95.6
General government	7.3	10.1	11.1	11.4	11.6	11.8
Private	86.4	85.2	90.7	85.3	84.9	83.8
Gross Domestic Investment	16.8	16.9	17.0	16.7	16.3	15.8
Public sector	7.5	8.7	12.6	10.6	10.9	10.1
Private sector	9.3	8.2	4.4	6.0	5.4	5.7
Resource Balance	-10.4	-12.2	-18.9	-13.5	-12.9	-11.4
Exports of goods and NFS	27.2	29.4	26.5	29.0	27.0	23.9
Imports of goods and NFS	37.6	41.6	45.4	42.5	39.9	35.4
Memorandum Item						
Gross domestic product (G million)	5,600	7,309	7,344	7,378	8,151	9,107

Source: Statistical Appendix Tables 2.2 and 2.4

2.65 The only problem was the recurrence of financial difficulties at the very end of FY83, caused by extrabudgetary expenditures, in part in reaction to sociopolitical difficulties in the north and also to inventory accumulations by public sector enterprises. These continued during FY84, despite a new stabilization program supported by a second IMF Standby Agreement of SDR 60 million over two years. Not only did public sector expenditures grow more than anticipated, current revenue, which had grown to 10.3% of GDP by FY83 and was projected to continue to increase rapidly, fell back to 10.1%. This renewed financial deterioration developed in the face of a relative economic recovery, real GDP growing at 2.6% in FY84, led by a modest expansion in agriculture and a good performance by the export assembly industry. The overall public sector deficit for FY84 was still high at 9% of GDP. Continued public spending kept both consumption and, especially, investment at high levels, so that imports continued to flow in. As a result, the resource gap declined only slightly to 11.4% of GDP. The authorities were thus unable to meet the agreed IMF program targets.

2.66 These developments are reflected in the consolidated public sector accounts. Table II.11 presented these in terms of percentages of GDP. Table II.18 shows the overall public sector deficit and its financing in current terms. The growing public sector deficit has been financed by a slightly increased flow of grants from external donors and by increasing resort to both domestic and external borrowing.

Table II.18: FINANCING OF PUBLIC SECTOR DEFICIT, FY80-84
(G million)

	FY80	FY81	FY82	FY83	FY84
Public Sector Deficit	619.7	989.2	734.4	808.7	818.1
External Official Grants	231.0	274.0	337.5	329.0	356.0
Borrowing	388.7	715.2	396.9	479.7	462.1
External	175.5	469.0	156.0	382.9	249.1
Domestic	213.2	246.9	240.9	96.8	213.0

Source: Statistical Appendix Table 5.4

2.67 The expansion in domestic financing came from the Central Bank and was a direct cause of monetary expansion. Currency and demand deposits (M1) grew at 16% per year during FY80-82, fell to only 2% in FY83 with the stabilization program, but rose again by 19% in FY84. Credit data tell the same story. Domestic credit from the banking system increased by 67% between FY80-84, almost all from the Central Bank, to finance the public sector. Indeed, credit to the private sector was reduced slightly in FY82 and drastically in FY83, under the stabilization program. Only in FY84 did it expand slightly again. Total credit expansion over the period exceeded the resources the banking system has attracted from the private sector so that international reserves fell US$80 million over the period, reflecting a decline of US$103 million in the official reserves of the monetary authorities and an increase of US$23 million in those of the private banks.

Table II.19: SUMMARY MONETARY STATISTICS, FY80-84
(G million)

	FY80	FY81	FY82	FY83	FY84
Total Credit	1686	2063	2316	2521	2821
Origin					
Monetary Authorities	957	1255	1505	1625	1920
Private Banks	709	772	770	869	866
Interbank Float	21	35	41	26	36
Destination					
Public Sector	592	838	1079	1535	1747
Private Sector	1010	1118	1103	1028	1114
Other	84	106	134	-42	-40
Financing					
Liabilities to Private Sector	1640	1856	2062	2163	2410
Monetary Authorities	621	722	825	863	992
Private Banks	1018	1339	1237	1300	1418
Net International Reserves	-147	19	72	187	255
Monetary Authorities	-163	10	104	246	355
Private Banks	15	9	-32	-60	-100
Other	194	188	182	171	156
Memorandum Item					
Money Supply (M1)	675	818	910	924	1099

Source: Statistical Appendix Table 6.6

2.68 Monetary creation has had only a very limited impact on prices, which rose at an average annual rate of 8.3% in Port-au-Prince during FY80-84, peaking at 11.3% in FY81 and falling to 4.7% in FY84. The difference with U.S. consumer price increases was on average 2.3% over FY80-84 with a peak of 7% in FY83. It should be noted, however, that the price index in Port-au-Prince (the only one available in Haiti) largely reflects the cost of food, which represents about two-thirds of the weight of the index.

2.69 The impact of the public sector deficit and its financing, in effect, spilled over fully into the balance of payments. Domestic demand, the weather in Haiti, and the condition of the world economy are the major determinants of the balance of payments. All have had negative impacts since FY80, leading to a continued loss of international reserves, despite rising foreign grants and concessional loans.

2.70 Exports are dominated by coffee and light manufactures. Coffee export volume has varied with the coffee production cycle, the weather, and relative domestic and international prices, at between 13.6 and 25 million kgs during FY80-84. Receipts have fluctuated between US$33 and US$91 million. Coffee exports fell sharply in FY81 to one-third their level in

FY80. They have since recovered slightly, but coffee's share in total exports has never exceeded 28% since FY81, compared to 42% in FY80. Continued production declines as farmers substitute maize and other foodstuffs for coffee, and continued price declines on the international market, mean that coffee's share in total exports is unlikely again to reach the 35-40% level typical of the 1970s. Exports of light manufactures have doubled since FY80, growing even throughout the U.S. recession at an average rate of 20%, with very strong performances in FY80 and FY84, the latter in response to the U.S. recovery. There have been no mineral export earnings since the FY82 closure of the bauxite mine. Tourism earnings have also declined, initially because of the global recession, and more recently because of image problems associated with the AIDS disease. Imports rose enormously in FY80, following the pattern of exports and domestic expenditures, and partly due to a poor grain harvest. They continued to grow in FY81, due to a continued expansion of domestic demand. Restraints on domestic demand under the stabilization program led imports to fall in FY82; they have since expanded again at about 5% per year. These developments were in a minor way caused by a deterioration in Haiti's terms of trade. (Statistical Appendix ST-3).

Table II.20: SUMMARY BALANCE OF PAYMENTS, FY80-84
(US$ million at current prices)

	FY80	FY81	FY82	FY83	FY84
Resource Balance	-178	-278	-199	-210	-208
Exports of Goods and NFS	306	242	275	290	319
Imports of Goods and NFS	-484	-520	-474	-500	-527
Net Factor Income	-14	-13	-14	-14	-18
Net Current Transfers	94	131	129	124	131
Workers' Remittances (Gross)	106	127	97	90	90
External Official Grants	58	66	79	77	86
Transfer Payments	-70	-62	-47	-43	-45
Current Account Balance	-98	-160	-84	-100	-95
Net Direct Investment	13	8	7	15	4
Net M & LT Loans	68	100	63	59	74
Multilateral and Bilateral Aid	32	42	48	39	52
Commercial	36	58	15	20	22
Net Short-Term Capital	8	19	3	3	3
Decline in Net Reserves	9	33	11	23	14
Net Credit from the IMF	-3	14	29	26	17

Source: Statistical Appendix Tables ST-4 and 4.1

2.71 The net impact of these changes in exports and imports has been a resource gap which has remained approximately level around US$200 million since FY83, when it was reduced as a result of the initial stabilization program. The current account balance has followed the same pattern, reflecting the resource gap, a drop in workers' remittances from Canada and the United States since their FY81 peak, and a modest increase in official grants from external aid donors. It is not clear why remittances did not rise again in FY84 with the North American economic recovery.

2.72 External aid to Haiti has been mainly in the form of both grants and concessional loans. Table II.21 presents available grant and debt information. Total external aid commitments, including aid from private charities, doubled from FY80-83, and fell back by US$20 million in FY84, reflecting a sudden decline in multilateral aid commitments because the donors' project pipelines are not smooth. Over the four-year period, Haiti has borrowed US$87.4 million from commercial sources, due principally to loans to finance the USND sugar mill. These loans caused an increase in the public debt service ratio from 6.7% in FY80 to 8.7% in FY81. Since then, however, the public debt service ratio has declined to around 5% of exports of goods and non-factor services.

Table II.21: EXTERNAL GRANT AND LOAN COMMITMENTS, FY80-84
(US$ million)

	FY80	FY81	FY82	FY83	FY84
Grants	50.9	47.1	59.2	84.7	87.2
Bilateral	25.6	25.5	29.8	50.9	47.3
Multilateral	13.9	9.7	17.9	21.9	25.1
Through private organizations	11.4	11.9	11.5	11.9	14.8
Official M&LT Concessional Loans	36.5	51.0	57.6	95.1	67.9
Bilateral	20.9	18.7	13.8	15.1	47.6
Multilateral	15.6	32.3	43.8	80.0	20.4
Other Publicly Guaranteed M&LT Debt	22.9	58.0	6.5	-	-
Suppliers' credits	2.9	16.2	2.4	-	-
Financial institutions	20.0	41.8	4.1	-	-
Total	110.2	156.0	123.3	179.8	155.1
Of which:					
Publicly Guaranteed M&LT Debt	59.3	108.9	64.1	95.1	67.9
Grants and Concessional Loans	87.4	98.1	116.8	179.8	155.1

Source: Statistical Appendix Tables 4.1 and 4.4

Table II.22: EXTERNAL MEDIUM- AND LONG-TERM PUBLIC DEBT, FY80-84
(US$ million)

	FY80	FY81	FY82	FY83	FY84
Debt Outstanding at End of Year	411.2	497.4	546.9	630.2	676.6
Disbursed	266.5	363.0	417.3	449.9	493.9
Debt Service During Year	20.5	21.0	15.3	14.3	17.4
Principal	15.3	15.1	8.5	7.9	11.4
Interest	5.2	5.9	6.8	6.5	6.1
Debt Service Ratio	6.7	8.7	5.6	4.9	5.5

Source: Statistical Appendix Tables 3.1 and 4.1

2.73 The above medium and long-term debt data do not, however, include Haiti's use of short-term borrowing or of IMF resources, except for the IMF Trust Fund. Borrowing under the two consecutive Standby Agreements has kept Haiti afloat internationally. Interest on IMF borrowing has risen rapidly and is now greater than that on medium and long-term debt. Repurchase obligations begin again in 1985.

Table II.23: USE OF IMF RESOURCES, FY80-84
(US$ million)

	FY80	FY81	FY82	FY83	FY84
Net use of IMF resources	-3.0	13.9	28.9	25.8	17.4
Purchases	-	16.5	30.4	26.3	17.4
Repurchases	3.0	2.7	1.5	0.5	-
Interest payments to the IMF	2.1	2.7	4.6	5.9	7.2

Source: IMF

2.74 The spillover of the public sector deficit into the balance of payments thus led Haiti to borrow extensively from the IMF, even despite increased grant and concessional loan assistance. The country's performance under the recent stabilization program has been disappointing. Through FY84, net international reserves continued to fall rather than increase. About US$29 million at the end of FY80, resulting from an average annual increase

of US$16 million in FY76-79, net international reserves declined at an average annual rate of US$18 million since. By end-FY84, they were deeply negative at minus US$51 million.

Table II.24: NET INTERNATIONAL RESERVES, FY80-84
(US$ million at end of year)

	FY80	FY81	FY82	FY83	FY84
Net foreign assets	29.2	-3.6	-13.2	-37.3	-51.0
Official reserves, net [a/]	32.3	-1.8	-19.5	-49.3	-71.1
Assets	40.0	19.3	35.4	27.9	26.9
Liabilities	7.7	21.1	54.9	77.2	97.9
(of which, Use of IMF resources)	(5.3)	(17.7)	(44.2)	(68.9)	(86.1)
Private banks' net foreign assets	-3.1	-1.8	6.3	11.9	20.1

[a/] BRH and BNC

Sources: IMF and Statistical Appendix Table 6.3

CHAPTER III

THE WAY FORWARD: GENERAL POLICY PROPOSALS FOR GROWTH

3.01 Analysis of its past performance shows that the Haitian economy has grown well below its potential and so failed to create enough jobs for all those Haitians willing and able to work. A number of Government policies impeded growth, particularly by providing inappropriate incentives to private enterprises in agriculture and industry and by scattering scarce resources over too wide a range of development problems.

3.02 The trends of the past cannot be allowed to continue. Drastic policy changes are called for in order to direct the economy onto a growth path that will achieve the country's sizeable potential and meet the population's increasing employment and basic consumption needs. This chapter addresses general macroeconomic policies, cutting across sectors. Chapter IV discusses agricultural policies and Chapter V those for industry.

3.03 A clear distinction must be made between the short- and the longer-term. In the short-term, the Government can do little more than redress the fragile financial situation as its priority task, meanwhile implementing the priority measures indicated in section A below, including the consideration and preparation of proposed long-term reforms. In the longer-term, once it has regained adequate financial margins, the Government will be in a position to implement the fundamental policy changes necessary to achieve sustained growth.

3.04 Once that sustained growth is achieved, it should again be possible for the Government to pay attention to the social sectors; at present, the productive base is too small to support fully the significant social investments made in the last ten years.

A. The Short-Term: Increase Public Savings and International Reserves

3.05 The Government has taken courageous measures to increase its current receipts and to curb the growth of public expenditures. The international environment remained unfavorable, however, until about 18 months ago. Evidence in Chapter II shows that Haiti's financial situation is still precarious.

3.06 In FY84, the public sector recorded an overall deficit equal to 5.1% of GDP even after external grants-in-aid which amounted to 3.9% of GDP. This deficit was over one percent more than budgeted. Net domestic financing to cover it amounted to 2.3% of GDP. This came almost exclusively from the central bank, and so was the direct cause of excessive monetary creation and additional foreign exchange losses. The money supply (M1) rose by 19% over FY84 compared to a real GDP growth of 2.7%. Net international reserves became even more deeply negative, falling from minus US$37 million at the end of FY83 to minus US$51 million a year later.

3.07 In FY85, the Government has decided to reverse this deteriorating trend. It is seriously concerned with the level of reserves. It has introduced new tax measures designed to stabilize or reduce the overall public sector deficit. At mid-year, net credit extended to the public sector had been reduced by G 23 million and net international reserves had risen by US$1.4 million.

3.08 The Government must continue on this course if it is to prevent the recurrence of an acute financial crisis, which would necessarily provoke drastic restrictions of essential imports and consequent losses of output and incomes. The Government must also prepare to meet its repurchase obligations to the IMF for recent assistance; these repurchases began in mid-FY85 and will increase to more than 1% of GDP in both FY88 and FY89. Most important, public savings and foreign exchange reserves must be increased to levels sufficient to enable the Government to avoid running excessive risks when it implements the long-term reforms needed to assure sustained economic growth.

3.09 These tasks would be easier if the authorities could gain the support of the IMF for a new stabilization program. A renewed IMF Standby and the expected increase in external aid would enable Haiti to tackle its long-term growth problems much sooner than would otherwise be possible.

3.10 Assuming a new stabilization program is implemented, the mission recommends a number of parallel measures both to strengthen the stabilization and to prepare for longer-term growth-oriented policy changes. In general, these measures should not have a negative impact on public savings. Short-term priorities are the following:

(a) every tax reduction, even those to promote exports like the proposed cut in the coffee export tax, should be fully offset with measures that permanently increase revenue or reduce expenditure. External aid is unsuitable for this because it is not permanent;

(b) tax collection should be improved and evasion and fraud reduced;

(c) the extension of the new value added tax (TCA) over its potential base (including all imports) should proceed as quickly as technically possible and with no further rate increase;

(d) rents for the lease of public lands in both rural and urban areas should be raised to market levels;

(e) the rapid expansion of the civil service payroll and the wage bills of public enterprises should be arrested. Where possible, civil servants and other public employees should be redeployed towards services rendered to private productive enterprises and to run unused physical facilities that have recently been built in the education and health sectors;

(f) extrabudgetary expenditure should stop and that on defense and security should be reviewed;

(g) essential increases in current expenditure, such as for road maintenance and basic education, should be offset by cuts in that part of the budget not allocated to either supplying services to the productive sectors or by revenue measures. This could, for example, include reallocations within the overall education budget and the adoption of user fees for university education and for admission to cultural institutions. It could also include reallocations from other parts of the budget to education;

(h) capital expenditure not essential to increasing output — especially that on public industrial enterprises — should be reduced and should be stabilized in the case of health and the social components within rural development projects. Capital spending should also be made more efficient, especially in the social sectors;

(i) part of the resources earned or saved through the preceding measures could be allocated to complete the physical infrastructure which export-oriented businesses need to operate efficiently and competitively. Details are in Chapter V;

(j) further collaboration between private industry and the Government should be strongly promoted to accelerate both the elimination of regulations and practices that impede output expansion and the preparation of longer-term changes;

(k) the consideration and preparation of long-term reforms could begin now in order to draw up an agenda of policy changes as soon as possible.

3.11 Once stabilization is achieved, Haiti could implement the general policy changes discussed in this chapter in a phased and prudent manner. Before turning to these, however, illustrative long-term quantitative projections are presented to provide a consistent framework for policy discussions, to shed light on the direction of demand management needed in coming years, and to examine the need for further external assistance.

B. Long-Term Prospects: A Quantitative Exploration

3.12 The mission projected Haiti's economy through FY91, the period of Haiti's next development plan, with the help of a simple model. The results obtained are largely illustrative because of many shortcomings in the available data, the limitations of the model and uncertainty about the Government's view of the proposed policy changes that the projection assumes.

3.13 A detailed description of the projection is in the Annex. It was made iteratively. At each iteration, results in terms of the long-term viability of external payments were used to check the validity of macroeconomic assumptions and adjust them for the next round. This continued until assumptions and results converged into a consistent, plausible projection. The main assumptions and results of the projection are:

(a) the economic and financial situation in FY85, the base year, is estimated on the basis of trends since FY82 and current policy. International reserves are assumed not to change over FY85, since the improvement obtained in the first half of the year may be lost in the second because of the seasonality of export receipts;

(b) beyond FY85, real export growth is assumed to gather momentum because of policy changes. Exports were projected in terms of four categories: coffee, other agriculture, manufactures and services;

(c) imports are linked to GDP through elasticity coefficients derived in part from analysing past import demand. Here too, it is assumed that policy changes will be moderately successful in promoting greater efficiency in import substitution output;

(d) January 1985 World Bank commodity price projections are used to project import and export values. This procedure results in an improvement of two percent in Haiti's terms of trade between FY85 and FY91;

(e) investment and GDP growth are linked through past global relationships. Only ratios were used because no sectoral breakdown of investment is available. The incremental investment required for growth declines over time, reflecting policy changes to make investment both more efficient and concentrated in productive sectors to yield relatively quick returns;

(f) the growth of consumption is restrained to raise domestic savings;

(g) annual commitments of foreign capital inflows in current terms are assumed to average US$111 million for grants, US$80 million for official concessional loans and US$40 million for credits on commercial terms;

(h) net international reserves are projected to increase slowly each year, reaching a positive level of US$13 million by the end of FY91.

3.14 Summary results of the projection are compared to past trends in Table III.1. The comparison confirms that drastic policy changes will be needed in the years ahead. The marginal efficiency of investment would need to rise significantly. There will be a required increase in the export to

GDP ratio. The increase in exports over the period would represent more than half of the rise in GDP at FY85 prices. The growth of public consumption will have to be strongly restrained compared to the recent past. This will be the main factor behind the expected rapid increase in domestic savings. Even then, per capita gross domestic income would return to its exceptionally high FY80 level only in FY91.

Table III.1: SUMMARY MACROECONOMIC PROJECTIONS, FY86-91

	Actual FY80	Estimated FY85	Projected FY91	Actual FY80-85	Projected FY85-91
National Accounts	Annual Levels			Average Annual Growth Rate	
	(US$ million at FY85 prices)			%	
Gross Domestic Product	2036	2026	2437	-0.1	3.1
Gross Domestic Income [a/]	2086	2026	2450	-0.7	3.2
Gross Domestic Investment	298	320	360	1.4	2.0
Consumption	2025	1926	2243	-1.0	2.6
Public	217	239	288	1.9	3.1
Private	1808	1682	1955	-1.4	2.5
Gross Domestic Savings	68	100	207	8.0	12.9
Gross National Savings	166	222	296	5.9	4.9
Exports of Goods & NFS	484	473	682	0.1	6.3
(of which Assembly Industry)	(124)	(156)	(263)	(4.7)	(9.1)
Imports of Goods & NFS	763	694	880	-1.1	3.4
Balance of Payments	Annual Levels			Annual Averages	
	(US$ million at current prices)				
Resource Balance	-178	-221	-235	-215	-223
Interest Payments	5	12	36	7	23
Current Account Balance	-98	-99	-98	-106	-89
M&LT Loans (net)	40	47	73	55	57
Disbursements	55	60	87	67	70
Amortization	15	13	13	12	12
Other Capital (net)	28	-	-	16	-
Memo Items					
Population (million)	4.9	5.3	5.7		
Gross Domestic Income per Capita (US$ FY85)	428	382	430		
Terms of Trade (FY85=100)	106.5	100.0	102.3		
Debt Service Ratio	6.7	6.5	6.2		

a/ GDP adjusted for terms of trade gains and losses.

3.15 In exploring feasible growth paths, it became clear that demand management will have to be restrictive. In other words, Haiti's development strategy has very few degrees of freedom. It will have to be export-oriented. Consumption, especially that of the public sector, will have to be markedly restrained in order to limit the growth of consumer goods imports and to shift most of GDP growth into exports. This strategy is essential to achieving the export-led growth needed to rebalance the economy and thereby establish a solid foundation for future consumption gains.

3.16 Investment -- particularly public investment -- will also have to be carefully husbanded and highly selective. Projects contributing directly to output expansion, either for export or for efficient import substitution, will have to receive first priority. Detailed suggestions for agriculture and industry are made in Chapters IV and V. Projects with long gestation periods, unless absolutely crucial to output growth, as well as public industrial enterprises and projects in social sectors, will have to receive much less emphasis than in the recent past. This corresponds with current policy in basic education, for instance, where the current emphasis is on quality improvement rather than expanding the number of schools.

3.17 To implement this strategy, the main policy tools at the Government's disposal will continue to be taxation, budget expenditures and the regulation of prices, imports and exports. There has not been and will likely not be any central planning of investments, prices and wages in Haiti. Public enterprises play a limited role which should decline in the future; past experience has not established the usefulness of all existing public enterprises.

3.18 The pronounced imbalance of the economy in FY85 means that even the most determined policy changes could not, on their own, achieve the projected results. Haiti is a poor country. The scope for increasing savings is significant but, nonetheless, limited. Haiti will therefore continue to need substantial inflows of external assistance on the best possible terms. The scope for commercial borrowing will remain severely limited by the country's low debt carrying capacity. The mission's estimates of external capital requirements are summarized in Table III.2.

Table III.2: PROJECTED EXTERNAL CAPITAL COMMITMENT REQUIREMENTS, FY86-91
(US$ million at FY85 prices[a/])

	Annual Averages	
	FY80-85	FY86-91
Grants	71.2	85.6
Official	57.1	76.3
Private	14.1	9.3
Official Loans	66.4	61.7
Bilateral	21.3	12.3
Multilateral	45.1	49.4
Commercial Loans	14.3	30.8
Total	151.9	178.1

a/ Current figures deflated by the World Bank's index of manufacturing unit value.

3.19 External assistance should be directed in accordance with the new development priorities. It should favor productive development projects with an export orientation. Technical assistance will be essential since the capacity to identify and prepare projects is still weak in Haiti. Aside from basic education, social sector projects, which require counterpart funds from and create recurrent spending obligations for the Government, should for a time receive much less emphasis than in recent years. Even within basic education, expansion cannot proceed faster than that of administrative capacity, as the current concentration on quality improvement rather than new buildings demonstrates. These new priorities should apply not just to new projects but also to ongoing ones which can still be redesigned in both scope and cost. [1/]

3.20 Under these broad conditions, the projection shows that Haiti's external debt position would remain sound. At the end of the period, external public and private debt service would amount to only 6.2% of projected exports of goods and non-factor services in FY91.

C. New Objectives for Tax Policy

3.21 It was seen in Chapter II that many tax changes were made during the past five years. A number of courageous measures were introduced in an effort to overcome the sluggishness of tax revenue in the face of the FY81-83 recession. These shifted the main burden of taxation from international trade to domestic activities, primarily through the introduction of a modern value added tax (TCA), but revenues remained low. Treasury revenue has plateaued around 10% of GDP through FY84 and the Government has supplemented taxes with transfers from public enterprises. A further effort is underway in FY85 with a series of new revenue measures intended to raise Treasury revenue to 12% of GDP.

3.22 It was also seen in Chapter II that several factors accounted for the relatively low revenues. Due to the recession in FY81-83, the growth of the tax base was uneven. There was an increase in revenues foregone through the exemptions from taxes and tariffs which make up part of the incentive policy to promote industrial investments and exports. Despite some improvements, revenue collection remained inefficient. Too much reliance continued to be placed on the vast array of excises, fees and charges which depress the buoyancy of the system. Tax evasion and fraud remained widespread.

3.23 These factors seem to be symptoms of a larger and deep rooted problem in Haiti. Haiti's history underlines the stubborn and pronounced resistance to taxation exhibited by Haitian businessmen and individuals, an attitude which impedes both the collection of existing taxes and the

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[1/] The Government held the first meeting on the FY86-91 Plan at the time of the mission's visit to Haiti. It had not yet established how much had been spent on development projects (except through global data) and for what purposes during the current plan. In these circumstances, the mission cannot be more specific here and in section III.E. Some sectoral details are in Chapters IV and V, however.

introduction of tax reforms. While some resistance is common in many countries, it reaches extraordinary levels in Haiti, reflecting to some extent a widespread perception that taxes are used to finance inappropriate public expenditures.

3.24 At its present share of GDP, Treasury revenue is inadequate today and will certainly not be adequate in the future, considering the public expenditure, both current and capital, necessary for development. If the Government is to support the expansion of private enterprise and employment, it must continue to improve essential public services; provide physical infrastructure such as power and roads; and improve basic education.

3.25 The case for a long-term tax reform therefore rests on the Government's unavoidable need for revenue to finance public services essential for development. It also follows from the need to make the tax system more acceptable to most Haitians and strengthen the consensus around the nation's development objectives. This second consideration, while largely subjective, is of considerable importance. Past difficulties may have stemmed from the introduction of new tax measures in rapid succession without sufficiently clear and stable long-term objectives.

3.26 The mission had neither the staff nor the time necessary to draw up a detailed agenda of tax reforms, complete with implementation details and estimates of the expected impact on revenue and economic activity. Rather, it offers a number of considerations which may help clarify the long-term objectives of tax policy in Haiti.

3.27 As in other countries with efficient tax systems, taxes on income and value added could, over time, become the main source of Treasury revenue in Haiti. Yet, the characteristics of these particular taxes in Haiti today invite taxpayer resistance. The base on which they are assessed is limited by a whole series of exemptions. They are complicated and difficult to administer. Assessment is negligent. To make up for the limited base, tax rates are unnecessarily high. Personal and corporate income taxes are progressive and rates reach maxima equal to or exceeding 50%. Similarly, the value added tax (TCA) is applied to only a fraction of its potential base and the rate has had to be raised from its initial 7% to the current 10%. There is still a proliferation of specific excise taxes, complicating the introduction of the TCA. Long-term objectives for these taxes should be to:

(a) extend assessments to the total potential base (including all imports) for the TCA; and, simultaneously,

(b) reduce rates to levels that taxpayers would accept more readily;

(c) simplify the TCA to permit its easier administration;

(d) eliminate excises as the TCA is extended.

3.28 Export taxes on coffee and several other agricultural products constitute an important source of revenue but reduce both producers' incentives to expand production for export and the incomes of most of the poorest farmers. The current tax on coffee exports represents about 2% of total farm income and, of course, a much greater percentage of farmers'

savings and investments. The long-term objective should be to eliminate export taxes. A start was made in early 1985 with the elimination of the tax on essential oils. They are an important enough source of revenue, however, that this should be phased gradually as other compensatory sources are developed. Complementary Government action will be required to ensure that most of the benefits (from increased quantities sold or prices obtained) accrue mostly to Haitian farmers and not to intermediaries.

3.29 Haitian production of an increasing number of processed foodstuffs and other industrial goods has been protected by import quotas and tariffs. Chapters IV and V call for the progressive reduction of such protection to encourage local production to become internationally competitive. Insofar as protection is justified, quotas are much less efficient than tariffs. Quotas make possible the private appropriation of the windfall profits generated by protection; and protected producers rarely miss the opportunity to do so, despite Government price controls designed to limit it. Customs tariffs, by contrast, enable the Government to capture this windfall for the benefit of the nation at large. A second advantage of tariffs over quotas is their greater flexibility. Thus an objective of tax policy should be to use tariffs and not quotas as soon as possible.

3.30 The Government has introduced extensive exemptions from income tax and customs tariffs to encourage industrial investment and exports. For various reasons, including loopholes in the law, these have tended to become permanent although they were intended to be temporary, extended for a fixed period. Thus, the more rapidly growing sector of the economy is outside the tax base and the buoyancy of the corporate income tax and customs tariffs is undermined. The Government ought to enforce more strictly the termination dates for the exemptions it extends to private industrialists under the investment and export incentive schemes. The mission suspects further that, given Haiti's comparatively low wages, lesser exemptions may be sufficient to stimulate investment and exports. A study is urgently needed to examine carefully the situation of various industries and determine the appropriate level of exemptions. The Government is aware of this.

3.31 There are numerous fees and charges on economic transactions, particularly on the sale of business assets and real estate. While the revenue generated is far from negligible, these fees and charges impede the conduct of business. As new sources of revenue are developed, their reduction to nominal levels (for statistical registration purposes) should be an important objective of tax policy.

3.32 Taxes on property, on the other hand, represent only about 1.5 percent of Treasury revenue. Correctly designed and applied, however, such taxes could induce asset holders to make the best use of their assets. Real estate taxes are particularly efficient for this. There may be a case for taxing industrial and commercial fixed assets in Haiti, where capital is so much scarcer than labor. A long-term objective of tax policy would therefore be the progressive introduction of moderate property taxation, with rates that would penalize the underutilization of land, especially in urban and, if possible, also in rural areas. This proposal would also require careful study prior to implementation.

3.33 Last but certainly not least, improvements in tax administration should be a major objective of tax policy in Haiti. Despite recent improvements, the Government has still only a weak capacity both to prepare

tax reforms and to collect established taxes. Evasion and fraud must be eliminated. External technical assistance is currently being provided to improve the collection of the value added tax and customs tariffs. More will be needed and has been asked for. This further assistance should focus on increasing the capacity to study and prepare tax reforms in the context of the long-term objectives listed above.

D. Tighten Control of Public Expenditure

3.34 Public expenditures as defined in this report relate to the operations of the general government and seven public enterprises. The general government includes the central government, as well as the municipal authorities and a number of semi-autonomous agencies, such as the social security agencies, which have very limited autonomy. Until FY81, the public enterprises consisted of major state-owned utility and industrial companies: the telecommunications company (TELECO); the Port-au-Prince water supply company (CAMEP); the airport (AAPN); the port administration (APN); the electricity company (EdH); and the flour mill (Minoterie). In addition, the Government built a sugar mill (USND) in FY83 and acquired a cement plant (Ciment d'Haiti) in FY84. A second sugar mill (USN) was acquired in 1982 through receivership by BNC, the state commercial bank. Both the BNC and the central bank (BRH) are also owned by the Government. A complete listing of public enterprises is found in Table V.3.

3.35 Inadequate control of overall public expenditures in relation to revenue was at the root of Haiti's recent financial difficulties. Current expenditure of the general government increased by 46% between FY80-84 and capital outlays of the public sector by 45 percent because of extrabudgetary spending. Yet Treasury revenue was increasing by only 32%. The difference between the two went unnoticed too long to avoid drastic reversals in expenditure policy. A tight control of public expenditure, both current and capital, is essential. [2/] Extrabudgetary spending must stop. Positive steps have been taken recently with the abolition of the Régie du Tabac et des Allumettes, management improvements in some public enterprises, and reforms in the Ministry of Finance's Direction du Tresor.

3.36 Tighter control could also permit a redeployment of expenditure — and corresponding human resources and external assistance — to support output expansion and employment creation in the most promising areas and sectors. Defense and security spending could be reviewed. Spending on social objectives could be made more efficient. That in education should concentrate on basic education. That in health could be shifted from curative to primary health care, probably leading to significant savings.

3.37 The Government has already taken significant steps toward following normal budgetary procedures. Disbursements of the central government have been gradually centralized. New budget legislation was introduced in 1980 and 1981 to set up specific authorization procedures and to permit intervention by the Budget Office and the Treasury not only at the payment stage but also at that of commitment. In 1981 and early 1982, ordinances were enacted by MEFI prohibiting government agencies from seeking overdraft financing and from authorizing expenditures outside those explicitly set

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2/ Expenditure control is also important at the municipal level, where there have been recent problems similar to those at the national level noted here.

forth in the annual budget law. External assistance was obtained in public accounting and budgeting. Finally, a directorate in charge of public and mixed enterprises has been established in MEFI to control their operations in accordance with stated government policies and to gather all relevant information on their plans and activities.

3.38 These recent measures are not yet fully effective, however. The new control mechanisms still experience teething problems and their procedures still need to be improved. There are several additional areas where responsibilities need to be clarified, where organization and staffing have to be strengthened, and where control mechanisms should either be established or improved. Paramount among these is the centralization of annual budgeting and accounting of all development expenditures. The mission did not possess sufficient expertise to make detailed suggestions but it can highlight important problem areas which deserve study.

3.39 Responsibility for the annual budgeting of public expenditure is split between the Ministry of Finance and the Ministry of Planning. MEFI prepares the central government budget, composed principally of current expenditures, public debt operations and some public sector capital expenditures. The Ministry of Planning prepares an annual plan of public development expenditures, this consisting basically of capital expenditures on development projects implemented over several years, often with external assistance. The public enterprises and some agencies are not integrated into the budget process.

3.40 This division of responsibility for annual budgeting exacerbates a number of problems. It makes it more difficult to take account of financial constraints at the budgeting stage, before rather than during the fiscal year. Experience in Haiti shows that the overall size of annual plans is usually excessive, that the recurrent obligations of public development projects are often underestimated and and sometimes not considered, and that the counterpart funding needs of foreign-aided projects cannot be fully accommodated. The division of responsibility also makes it more difficult to redeploy expenditures in line with new priorities, and to coordinate foreign and domestic financing of develoment projects. Finally, the following-up of commitments is made more difficult.

3.41 There is therefore a need to centralize annual budgeting. While a study is needed to define fully the steps to be taken, it seems that centralization should be in the hands of the Budget Office in MEFI. If this is confirmed by the study, then both the organization and the staffing of the Budget Office will need strengthening to meet its enlarged responsibilities. Technical assistance will likely be required. Streamlining the operations of the Cour Superieure des Comptes would also include more efficient disbursement of development project funds.

3.42 Accounting of public expenditures needs to be centralized correspondingly. The Treasury has recently made significant efforts but much remains to be done. Areas in need of improved centralization are public development expenditures, particularly those financed by external assistance, and the financial operations of public enterprises and semi-autonomous agencies. Delays in preparing accounts must be shortened. Uncertainty about actual expenditure must be eliminated. The provision of timely and exact

accounting of public expenditures is both an obligation of the Government to the nation and the essential basis of appropriate planning and budgeting.

3.43 Public wages and salaries represent a very high proportion of expenditures, and are particularly difficult to control. There are constant pressures in Haiti, as in other countries, to expand public employment beyond that necessary and to raise wages regardless of market rates for comparable functions. Current Government policy on public employment and wages is flexible: public workers have the same Labor Code protections that apply throughout Haiti and public wages are set more or less freely by the various public entities.

3.44 Flexibility can, however, lead to excesses and inequalities. The Government could in due course establish a special mechanism to coordinate and to establish guidelines for employment and wages throughout the public sector. The Budget Office should play an important role in this mechanism so that fiscal policy objectives are fully taken into account. It could build on the information on employment and wage practices throughout the public sector gathered by the Administrative Commission and then propose a set of formal guidelines for Government approval.

3.45 Public enterprises (and semi-autonomous agencies) pose a difficult problem of expenditure control because of their special place in the economy. When they are monopolies, as with the electricity, water and telephone companies, the national interest as determined by the Government is their guiding principle. When they compete with other private or public companies, as with the sugar mills, they are still privileged because the Government can give them priority access to both financial and human resources. Public enterprises are rarely left to go bankrupt. Because of their special position they tend to expand excessively their investments, wage bills and tariffs, to the detriment of the rest of the economy, including sometimes the Government itself. The investments, wage bills and tariffs of public enterprises must therefore be subject to Government control. Yet the control procedures must leave the managements of the enterprises sufficient autonomy to run their operations efficiently.

3.46 In Haiti, Government control of public enterprises is embryonic. The directorate of public enterprises is very new and has not established its operating procedures. The enterprises almost totally escape the budget process. This situation cannot be allowed to continue. While the public enterprises generate significant savings as a whole, several operate with deficits or excessive costs. After study, relations between the Government and public enterprises should be clarified. A formal mechanism of Government control of the enterprises could be established, perhaps with external technical assistance if needed.

3.47 The Government right also wish to consider an alternative course: turning over selected public enterprises with an industrial or commercial purpose to private owners. A number of economists have long argued that private ownership is preferable to public, even for monopolies such as electricity, water supply, and the postal service. They argue that, given adequate public control, private owners will be more likely than public ones to reduce investment and operating costs to the minimum desired level. The mission does not see a clear justification, on purely economic grounds,

for the private ownership option in the case of the monopolies which run public utilities in Haiti at present. The private sector would probably be too weak to take on such a responsibility. It only sees a case, as argued above, for tighter public control. Its assessment of public industrial enterprises may be found in chapters IV and V.

E. Refocus the Government's Development Effort

3.48 Haiti's development strategy should be to accelerate output growth and consequent employment creation through expanding exports and making import substitution efficient and internationally competitive. Implications for Government policies regarding taxation and the regulation of prices, imports and exports are examined in other sections. This section looks at the implications for the Government's own priorities. Public development expenditures should concentrate on supporting output expansion in the most promising areas and sectors. Temporarily, less emphasis should be placed on social objectives which increase consumption, since the urgent need is to free a major share of GDP growth for export. A review of the entire public investment program is called for.

3.49 Shifting the Government's development effort towards the support of output expansion is discussed in detail in the following chapters on agriculture and industry. The mission does not suggest direct Government involvement in production. Quite the opposite. The Government should continue its general policy of leaving productive investment to private investors, seeing to it that the incentive framework is correctly set. In addition, the Government should provide as a priority those capital expenditures and services like physical infrastructure which private investors cannot undertake directly since these would increase their costs and thereby compromise their competitiveness, but which they pay for indirectly through taxes and charges.

3.50 Temporarily putting less emphasis on social objectives than in recent years does not imply that these objectives should be revised downward. It has to be recognized, however, that the recent expansion of investment in the social sectors has not stimulated economic growth. Education is essential to long-term development. In the short-term, however, it represents a cost. This cost is necessary but should be minimized and used as effectively as possible. Thus, social objectives should be more strictly related to economic growth, least cost minimization should be strictly sought, and private sector participation in the achievement of social objectives should be pursued where possible.

3.51 Examples of misdirected social objectives may be cited. In the recent past, the Government has implemented a number of rural development projects for farm enterprises with an extremely low saving and investment capacity, including relatively costly social service components. These projects are socially desirable given Haiti's widespread rural poverty. It must be asked, however, whether Haiti has yet reached a stage of economic development at which the Government can afford to sustain a large number of barely viable farm enterprises and communities with public funds. The Government's inability to meet the requirements for counterpart funds and recurrent expenditures of all these projects shows that it is not. A more

appropriate objective would be to promote employment creation by support for farm enterprises with good growth potential because of their capacity to invest and improve land productivity. A more detailed discussion is in Chapter IV. Similar observations may be made on the recent acquisition by the Government of faltering industrial plants. The cost of maintaining employment in these plants puts an excessive burden on public finances (or on consumers if there is protection). Public funds would be better used to support industrial enterprises that are capable of competing internationally and, thus, of providing stable, useful jobs, while paying taxes.

3.52 There is scope also for reducing the future cost to the Government of social services such as education, training and health, without revising objectives. Least cost minimization is necessary; technical assistance may help. The private sector already makes a substantial contribution, as evidenced by the numerous schools and training institutions found in Port-au-Prince, and the provision of health services on a private basis, even in rural areas. Any review of the public investment program should take careful account of the potential role of the private sector in meeting social objectives, of the allocation of public investment within the social sectors, and of absorptive capacities in these sectors. Basic education should have priority within public education and primary health care within public health.

3.53 Refocusing the Government's development effort will require improvements in development administration. It was argued earlier that the annual budgeting of public expenditures, including the development budget, should be centralized in the Budget Office. Accounting should correspondingly be centralized in the Treasury Directorate. This centralization is essential if the Government is to make public expenditures more responsive to short-term financial constraints and, thus, improve the short-term management of domestic demand. It would facilitate the redeployment of expenditures. It would help to develop an adequate information base for policy decisions and make for clear accountability across the public sector.

3.54 Other improvements in development administration are both feasible and desirable. While the mission cannot spell these out in detail, it can point to areas for study:

(a) analysis of some of Haiti's long-term overall and sectoral policies has been inadequate. The basis for taking decisions and programming expenditures is weak, with the possible exceptions of the energy and transportation sectors;

(b) external financial and technical assistance does not match Government priorities because these are not clearly articulated. This results in some misallocation of external assistance as evidenced by problems with counterpart funding and recurrent expenditure requirements;

(c) project appraisal is almost nonexistent, except for some externally financed projects. In particular, recurrent costs are almost universally ignored during appraisal and least cost

minimization is not applied rigorously to social sector projects;

(d) there is a need for detailed monitoring of the physical and financial progress of development projects.

3.55 All ministries are weak in planning, programming and monitoring capacity. The distribution and coordination of development responsibilities among the Ministry of Planning, MEFI and the sectoral ministries seems, however, a critical problem. The Ministry of Planning is responsible for all development activities, though it is not in the most appropriate position in the Government machinery to monitor in detail the financial and physical progress of projects. Further, its internal organization along horizontal lines which cut across sectors is not conducive to the accumulation of sectoral experience and knowledge on which detailed planning and monitoring must of necessity be based. Serious consideration should be given to redistributing the functions of Government departments, leaving the detailed planning and day-to-day monitoring of the financial and physical implementation of projects to the MEFI (Budget and Treasury) and to the sectoral ministries.

3.56 While the careful analysis of long-term macroeconomic and sectoral development issues is imperative for the formulation of appropriate objectives and strategy, the long-term programming of development expenditures cannot be all-encompassing and exhaustive. Technological change and rapid fluctuations in the international environment call for flexibility and adaptability. Most countries with long-term development plans have therefore opted for increasingly flexible planning techniques, including rolling multi-year programs, multi-year spending authorizations in the annual budget process, and small, defined priority development programs, crucial to attaining selected national objectives. Such flexible techniques would better serve Haiti's small open economy.

3.57 Under a redistribution of responsibilities, the Ministry of Planning would need to strengthen its role in three major areas. First, the analysis of the economy's long-term prospects and development issues would have to be improved, so as to advise the Government with increasing precision on alternative objectives and strategies. This is a difficult task, for which a well trained, high caliber staff is required. Second, long-term sectoral development issues and programs would have to be reviewed. Such reviews are occasionally done by external agencies (e.g. in energy), but need to be undertaken more systematically by the Government. Line ministries tend to take a parochial view of long-term issues and programs. The Government would need the advice of the Ministry of Planning. Again, only high caliber staff can carry out this responsibility satisfactorily. Third, evaluation of achievements and failures, with respect to overall and sectoral objectives, strategies and programs, is sorely needed in Haiti. This would mean that the Ministry of Planning should follow the broad implementation of major projects but should avoid becoming enmeshed in details.

F. Strengthen the Exchange and Trade Systems

3.58 The Haitian economy is comparatively small and, by necessity, widely open. Exports and imports, including non-factor services such as tourism, represent large shares of GDP — 24 and 35% respectively in FY84. Remittances from Haitian nationals working abroad and of foreigners working in Haiti are also important, representing respectively 5 and 2.5% of GDP. The free movement of goods, services, people and capital between Haiti and the rest of the world is vital if the economy is to reap all the benefits of its comparative advantages. Aware of this, the Government has traditionally maintained a free exchange system but taxes and restrictions have been applied to trade, mainly to protect nascent industries and generate current revenue.

3.59 The parity of the Haitian Gourde has been defined since 1919 to preserve the relationship of G 5 = US$1. The US dollar is generally accepted in Haiti. Prices are commonly quoted in dollars and local banks and important businesses denominate their accounts in dollars though payments are usually in Gourdes. There are limited exchange controls, though the Government favors a free exchange system. There are no obligations prescribing the method or currency for payments to and from non-residents, except for a penalty of 20 percent on commercial foreign exchange transactions not conducted through a bank established in Haiti. The fixed parity and free exchange system are viewed by the Government and the business community as the most desirable basis on which to conduct external economic relations. They provide considerable convenience and stability for trade and investments. Fiscal and monetary discipline is a must under the system, since Government deficit financing quickly puts pressure on the parity and the country's international reserves.

3.60 The Gourde has been under pressure since FY80. Foreign exchange payments have tended to run ahead of receipts as excessive public expenditures fueled import demand and the export sector suffered from the world recession in FY81-83. Official reserves were depleted. Domestic prices tended to rise more rapidly than in the United States. Fears were expressed that Haitian exports were losing competitiveness as the Gourde followed the US dollar's appreciation against most major currencies. These fears, however, do not seem well founded. Careful examination of available data shows that real wages are very flexible (section III.G). Most export activities in agriculture, industry and services managed to maintain a cost advantage (mostly labor) relative to competitors abroad. The problem is to adjust public expenditures to public receipts and, more importantly, to redeploy them in favor of efficient, productive uses, as well as to reduce the anti-export bias created by protection and other policies.

3.61 While the exchange system provides a sound basis for the expansion of trade and output, trade policies often act as impediments. The major obstacles (import quotas, customs tariffs and export taxes) are discussed elsewhere in this report. This section is confined to observations on several less important aspects which, nonetheless, deserve attention.

3.62 Imports are subject to administrative surveillance under a 1982 order. Some 111 products are subject to licensing requirements which are administered flexibly. Some 25 of these (Appendix Table 3.14) are subject to

annual global quotas, administered jointly with importers. The Government has a monopoly over imports of wheat, rice, edible oil, cement and sugar, although the private sector may import some high quality rice and certain edible oil products. The import regime can change abruptly in response to private demands. Besides tariffs, imports pay an accumulation of fees and charges. Importing can be a cumbersome, lengthy and costly operation solely because of impediments not related to tariffs and quotas. The landed cost of goods can be increased unnecessarily, which penalizes exports by raising the cost of imported inputs. On the other hand, smuggling is poorly controlled and dumping can and does occur.

3.63 The Government, aware of these unsatisfactory aspects of import policy, has taken the first steps toward improvement. Export assembly industries under franchise largely escape import duties thanks to the regime specially established for them. More recently, a new customs house has been completed where formalities should be more expeditiously completed.

3.64 On the export side, permits or prior authorization are required from the Ministry of Commerce and from the Office de Promotion des Denrées Exportables (OPRODEX). Authorization is usually granted freely but may be withheld when domestic supplies are low or, as in the case of OPRODEX for coffee, when quality is not up to international trade standards. Essential oils are exported by a Government agency, Office de Commercialisation des Essences Aromatiques d'Haiti (OCEAH). Exporters are required to negotiate documentary drafts with local commercial banks to ensure the repatriation of proceeds. Under a law of June 4, 1984, the Customs administration will refuse export approval unless these drafts are cleared by the central bank.

3.65 While administrative arrangements regarding exports seem by and large to work satisfactorily, there is a need for positive action in favor of exports. Export orientation in the private sector dates back more than two hundred years in traditional tropical products such as coffee, but is only emerging for other products, largely fostered by foreign partners. Public export promotion efforts or organized private efforts are virtually nonexistent. Haiti relies passively on its low costs and consequent low prices to sell abroad. Yet, studies carried out in other countries have found that low prices constitute only one element of success on foreign markets. Other important elements include sustained quality, marketing in the broad sense, after-sales service, control of distribution and importing enterprises and special export financing schemes. Haiti cannot immediately develop all these. The Government should, however, study, in collaboration with the private sector and with competent external assistance, the steps it might take to develop a more aggressive export policy. This has begun within the framework of the Permanent Joint Committee for the Promotion of Investment which is studying the establishment of a public-private entity to promote exports and investment.

3.66 Port service and sea shipping to and from Haiti are reported to be particularly costly. There is probably some scope to reduce them to more reasonable levels. While a study is warranted (see Chapter V), the Investment Promotion Committee has decided to analyze tariff levels for international shipping and has begun to negotiate with shipping lines.

3.67 Haiti has some comparative advantage in tourism, as noted in Chapter I. Yet, there is no vigorous promotion of tourism by the Office

National du Tourisme et des Relations Publiques (ONTRP), the public agency, or by private operators in the trade, either for foreigners or for local vacationers and businessmen. The number of travellers arriving from abroad has declined since FY80 as have estimated travel receipts. Facilities are scarce outside Port-au-Prince. Clearly, there is a need to develop a more aggressive development policy with the private sector's collaboration.

3.68 Remittances through official banking channels from Haitian nationals established abroad rose to an estimated US$127 million in FY81 but have since remained significantly lower, probably reflecting the use of unofficial, nonbanking channels. Haiti's emigration policy appears particularly timid compared to those of other countries with large surpluses of unskilled labor. Obviously, an emigration policy can only be developed in collaboration with the receiving countries, principally the United States and Canada. But experience elsewhere shows that the countries of origin and destination may be able to reach agreement on a broad range of measures. These can help facilitate migratory movements, improve conditions for emigrant workers and increase benefits, including remittances, for the country of origin. The initiative rests with Haiti. A study of measures that could be proposed to the countries of destination should be carried out, based on experience elsewhere.

G. Maintain Flexible Labor Market Regulations

3.69 Provisions of the 1961 Labor Code were recently updated following the new international standards set by ILO conventions to which Haiti has subscribed. A revised code was published on March 5, 1984. Its rules govern individual employment contracts and protect apprentices and women. The code sets minimum health and safety standards, particularly for hazardous occupations. It authorizes expatriates to work in Haiti, provided they obtain a permit costing US$200. Other important provisions concern hours of work, annual and sick leave, the right to collective bargaining, minimum wages and severance pay.

3.70 The code sets the normal workday at 8 hours, finishing at 4 or 5 pm depending on the season. The workweek is 48 hours with 24 hours of rest on Sunday. Nighttime is between 6 pm and 6 am. Overtime is limited to 80 hours per quarter and to 320 hours per year. Nighttime and overtime wages are 50 percent above regular ones.

3.71 The code provides for paid annual leave of at least 15 consecutive days, including two Sundays. In addition, there are 19 legal holidays each year, of which 12 are paid and seven may be paid if so decided by special presidential decree. Finally, workers may take up to 15 days of paid annual sick leave.

3.72 These rules mean that there are between 265 and 286 working days per year, depending on whether all sick leave and unpaid legal holidays are taken and assuming that three legal holidays fall on Sundays. The maximum number of hours worked per year, excluding overtime, is therefore between 2,120 and 2,288. However, collective and individual contracts may provide for a shorter workweek and a workday of 9 hours. Most modern establishments in industry, trade and services operate 9 hours per day, five days per week and grant two weeks of annual leave which, in combination, results in

slightly less than 2,000 working hours per year. An example taken from an electronic assembly plant is given in Statistical Appendix Table 9.5. The Government's arbitrary granting of public holidays without warning is a serious and continuing problem for industry.

3.73 The code establishes the right to organize unions and to engage in collective bargaining. Union activities are protected, but closed shops are not permitted. Collective bargaining is always possible between employee unions and employers; when two thirds of the employees in an enterprise belong to a single union, bargaining becomes mandatory at the request of either employer or union. Strikes are legal if they are voted for by at least one third of the employees, if they are solely to improve wages and working conditions, and if they do not last more than 24 hours. The union movement is still underdeveloped in Haiti. It began in 1946. Today, a national federation (FTS) covers the nine existing unions in the Port-au-Prince area, whose members total about 2,500. There are smaller unions in provincial centers.

3.74 The code provides that workers are to be paid at least the minimum wage set by law or decree; apprentices must receive at least 40% of this minimum. Workers must be paid a thirteenth month bonus at year's end, equal to one twelfth their annual pay. The code also provides for cost of living adjustments to the legal minimum wage, at least when the official consumer price index rises by more than 10% in a fiscal year. This provision neither sets the dates of adjustments nor requires that they equal consumer price changes. There is a range of sectoral minimum wages set, through collective bargaining, at levels somewhat above the legal minimum wage.

3.75 Wages have proven flexible under these conditions. The legal minimum wage, which is earned by a considerable proportion of the labor force, has been changed only after long intervals. The real legal minimum wage declined regularly during FY72-77, rose again through FY81 and then declined once more to 79 in FY84. The most recent increase at the beginning of FY85 brings the index to about 83, or 17% below the level of FY81. While statistics on other wages are not available, there are indications that their general level follows that of the minimum.

Table III.3: REAL WAGE INDEX, [a]/ FY72-84

FY72	101
FY75	74
FY78	85
FY81	100
FY84	79

[a]/ Last quarter of FY71 = 100.

Source: Statistical Appendix Table 9.4

3.76 Wages in Haiti are therefore extremely flexible, responding quickly and fully to supply and demand on the labor market. Such flexibility enables

the Government to maintain the fixed parity between the Gourde and the US dollar without much risking international competitiveness.

3.77 Besides being flexible, wages are comparatively low, except for skills in short supply. The legal minimum wage, equal to US$3 per day since October 1, 1984, is one of the lowest in the world, reflecting the abundant supply of unskilled labor. Indeed, small and informal enterprises are reported more often than not to pay wages below the legal minimum, and unskilled agricultural labor often earns far less. Low wages for unskilled labor translate into extremely low labor costs since the levies for social protection and the taxes assessed on wage bills are both moderate. Social protection (old age insurance, workers' compensation, health card and provisions for termination pay, all legal requirements) cost employers 6% of base pay. Taxes (patente and apprenticeship tax) represent 1.8%. Statistical Appendix Table 9.5 shows that the hourly cost of unskilled labor in the assembly industry in January 1985 was 52 cents. Haiti has by far the lowest wage rate for unskilled labor in the Caribbean Basin at US$95 per month; the next lowest is US$150. Haitian wages are also low compared to those in East Asia (see Chapter V).

3.78 Flexibility also means that wages for skills in short supply can be high. This is the case in Haiti, where the labor market is short of technicians, supervisors and mid-level managers. Alternatively, if enterprises choose to promote workers from within, training costs will be heavy. And training is not always feasible in Haiti since the educational level of workers is low because of the limited capacity of the general education system. The repatriation of skilled Haitians working abroad would be a solution but there is no institutional mechanism to facilitate their return.

3.79 Wage flexibility and low unskilled labor costs are considerable strengths of the Haitian economy, especially when combined with the excellent motivation which Haitians are said to possess. Yet, shortages of skills and resulting costs can offset these advantages and act as bottlenecks to the expansion of unskilled employment. The Government must deal with these shortages more aggressively, and much more imaginatively, than in the past.

3.80 The public sector alone cannot meet all of Haiti's expanding training needs. The Government should assess carefully where the public sector should itself provide training and where its role could more appropriately be the supervision of private institutions. The Government clearly has an important role to play in the direct supply of agricultural training and of some technical education; technical and vocational education outside agriculture could, however, continue to be left largely to the private sector, as it is today, with more efficient Government supervision to ensure standards are met and within a revised financing framework which ensures that industry pays for and obtains the training it needs (see Chapter V). Within the public sector, there is scope for the more decentralized operation of vocational schools and training centers.

3.81 Revisions to the current strategy are thus necessary. A study is urgently called for. Private entities most interested in education and training should be invited to participate. External assistance, capable of unbiased advice, could be sought for various aspects of the revised strategy.

H. Develop Long-Term Financial Institutions and Instruments

3.82 Haiti's financial sector is fairly diversified. It consists of the central bank (BRH), the state-owned commercial bank (BNC), nine private commercial banks, several specialized credit institutions and an informal market about which little is known. There are few long-term instruments, however.

3.83 BRH and BNC issued from the 1980 division of the National Bank of the Republic of Haiti (BNRH) which had both central and commercial banking functions. The separation of these functions was completed in 1983. BRH now exercises central banking functions more strictly than in the past, important for a sound banking system and monetary policy. BRH also acts as the Government's exclusive banker, a role which implies close coordination with the Treasury Directorate. In this capacity, BRH contributes to solving difficulties in accounting for public expenditures.

3.84 Reserve requirements and controls on interest rates are BRH's monetary policy instruments. Refinancing at BRH is available to, but not used by, commercial banks. Reserve requirements currently average 32% of commercial banks' deposit liabilities, ranging from 40% on demand deposits to 8% on term deposits of more than one year. Deposit rates are set at high levels in an effort to prevent capital flight under Haiti's free exchange system. They range from 7-17%, with ranges for most categories. The maximum allowable rates are 14% on time deposits of less than one year below US$100,000, and 17% on deposits exceeding one year and US$100,000. Lending rates are in an appropriate relation to deposit rates. They may range between a minimum of 14.5% and a maximum of 19%. Statistical Appendix Table 6.7 presents the structure of interest rates since 1973.

3.85 Local and foreign commercial banks concentrate almost exclusively on business connected with international trade, especially on credit for exporters and importers. They are allowed a fee of 3% on foreign exchange transactions. Competition for this business is fierce, but local banks are at somewhat of a disadvantage because of their weaker organization and staffing. Cooperation among bankers is virtually nonexistent. High interest rates and difficulties in obtaining adequate security lead commercial banks to leave long-term financing to specialized institutions and the informal market. Other deposit and credit needs are handled by the informal market. It is reported, but on the basis of spotty observation, that interest rates can reach extremely high levels in this market, especially on quasi-consumption loans to poor farmers.

3.86 The Government and official external aid agencies have been concerned by the unfilled needs for long-term financing in agriculture, industry, housing and construction. In recent years, several specialized insitutions were created with external support to meet some of these needs:

(a) a private development finance corporation (SOFHIDES) was incorporated in 1982 with a broadly based equity structure and funding from USAID. SOFHIDES provides long-term credit to investors for individual projects, mostly in agro-industry and

assembly. Its loans are made at rates between 13.5 and 16%, which are somewhat lower than those charged by commercial banks (14.5 to 19%). The maximum amount of each loan is US$150,000 as SOFHIDES wishes to be a lender of last resort. It had committed US$1.5 million for 14 projects at the end of 1984. By mid-1986, it expects to have committed all of its available funds of US$6 million;

(b) the National Bank for Agricultural and Industrial Development (BNDAI) is a much larger institution, created in 1984 to take over the activity of a previous government lending agency. It is administratively inefficient and requires a direct subsidy from the Treasury of G 13-15 million each year. BNDAI has received a loan from the Inter-American Development Bank which it distributes at 14% to agriculture and industry. It also refinances loans extended to farmers by the Bureau de Credit Agricole (BCA), a semi-autonomous government agency. Most of its administrative costs are covered by government subsidies. The very poor repayment record on a large proportion of BNDAI loans is indicative of weak operating procedures;

(c) BCA received USAID support and specializes in crop lending to small farmers. As the supervision of borrowers is extremely difficult, the proceeds of many of these loans are likely diverted to consumption;

(d) a rediscount and credit guaranty fund (FDI) was established in 1981 with a line of credit from IDA. It operates through the commercial banks and also provides valuable technical assistance in project appraisal and supervision;

(e) a small scale industry development foundation (HDF) has been in operation since 1980 with grants from USAID. HDF finances small businesses in the Port-au-Prince area with loans averaging about US$3,000. About US$0.5 million of its past loans cannot be repaid;

(f) the Banque de Crédit Immobilier (BCI), a mortgage bank to meet long-term financing needs in housing and real estate has recently been established with USAID assistance.

3.87 While a broad range of specialized institutions are thus in operation and commercial banks are active, long-term financing needs are reportedly still not well met for several reasons. Chief among them is probably the fragmentation of the financial sector, the lack of appropriate security on the part of new entrepreneurs, the difficulty the banks face in enforcing collection of debts or seizing collateral, and the high level of interest rates which tends to make long-term financing difficult. Other factors are probably the weak operating procedures of some institutions, such as BNDAI, BCA and HDF, and the difficulties encountered in obtaining adequate security in an unstable business environment. Finally, there is a large number of development banks, reflecting different aid agencies' involvement; some consolidation may be in order. At a minimum, no new institutions should be created.

3.88 The most urgent need -- and this is the Government's priority -- is probably for a sound agricultural credit institution, capable of extending long-term investment and working capital loans to viable farm and agro-industrial enterprises and of providing the numerous technical services which its borrowers would require to become or stay internationally competitive. More details are in Chapter IV.

3.89 As for industry, there is a need to revamp institutional arrangements so that there is one strong institution capable of analyzing projects in depth from a technical, financial and economic viewpoint and able to take reasonable risks in sound projects when their promoters do not have enough collateral to offer. These needs exist both for exporting enterprises and for those oriented toward the domestic market. They may increase if, as recommended in Chapter V, protection is reduced.

3.90 The housing and construction sector requires considerable study since long-term financing is only one factor, and probably not the most important, among those required to promote its sound development.

3.91 It is striking that the Government and the financial system until recently offered no long-term financial instruments, beyond the range of deposits with commercial banks. The oversubscription of the recent issues of the new BCI shows that there is some demand. In general, however, the long-term financing institutions cannot count on astable flow of long-term domestic savings and must rely on external lines of credit from official aid agencies. This situation can be explained. Domestic savings move abroad easily under the free exchange system to seek out investment opportunities on the international money market. An unfortunate experience some years ago with Government bonds has led to a lack of confidence in public instruments. Specialized institutions are unable to offer attractive deposit rates because they lend at relatively low rates, take high risks and carry high administrative costs. Yet, the need for sources of stable long-term savings persists. Possibilities for developing them should be explored with the help of sound external expertise.

I. Modernize Price Regulations and Policies

3.92 The Government has extensive regulatory powers over prices in the markets for goods and services. Firstly, it sets the prices charged by public monopolies such as the electric company, the water supply company, the seaports, the airport, the postal service and the telecommunications company. Secondly, it sets the sale prices of the public industrial enterprises making cement, milling wheat and processing sugar. Thirdly, it fixes the prices of a list of consumer goods and products considered of strategic importance. (Statistical Appendix Table 9.3). These include evaporated milk, powdered milk, cooking oil, dried fish, yeast, sugar, construction materials, petroleum products and matches. Fourthly, the Government may fix temporarily the price of any good or service if price movements do not seem justified with reference to a broad concept of consumer or producer protection.

3.93 The prices charged by public utilities should be set mainly to ensure the long-term development of these sectors on a sound financial and technical basis. Most monopolies finance their investments with official

external loans, and prices are set according to relevant provisions of the loan agreements. External factors also bear on price setting at the airport and for international telecommunications.

3.94 Financial considerations dominate the determination of the sale prices of public industrial enterprises. Since their operations can either generate revenues when they make profits (wheat milling and cement making) or cause expenditures when they make losses (edible oil and sugar), the general principle of price determination is to maximize the benefits for the Government's budget. The problems posed by these enterprises, including prices, are discussed in Chapter V.

3.95 Other price controls arise from the need to respond to social pressures when prices rise too much and, more importantly, to deal with the behavior of private firms in monopolistic or dominant positions. In Haiti, the small markets for goods and services are often dominated by only a few suppliers who tend to limit competition in order to raise prices. This is exacerbated by protection afforded domestic producers and importers through import restrictions. International competition is severely limited. Under these conditions, the Government is drawn into extensive price control so as to reduce the private economic rents resulting from monopoly or limited competition. Indications obtained by the mission show that the Government is accommodating in the operation of price controls. The public interest would be better served by controls based on a more careful examination of costs. Price controls on tradeables could, however, be reduced as tariffs replace quotas. Improved tariff management would then act to control prices.

3.96 The regulatory technique used in Haiti is quite simple: the Government fixes prices and then adjusts them from time to time. The analysis carried out before setting and adjusting prices consists mostly of protracted discussions with the interested parties. Compromises reached through this process are based on uncertain data. The control of fixed prices is carried out by Government agents with varying efficiency. The Government should develop its own capacity to analyse price formation and should consider adopting regulatory techniques better suited to the diverse market place. It would probably be desirable, in particular, to envisage contractual arrangements with private parties spelling out the price and other objectives sought and agreed upon by the Government, as well as the method of achieving them, including control mechanisms. UNCTAD has offered assistance to help the Government modernize price regulations and techniques.

3.97 As a result of recent ministry changes, responsibility for the regulation of prices is currently scattered between the ministries of Commerce and Finance. The supervision of competitive conditions is not allocated. Yet price and competition policy issues can only be considered centrally because they are so closely interwoven and largely determine the direction and efficiency of economic activity. It should be consolidated.

CHAPTER IV

AN END TO RURAL STAGNATION: POLICY PROPOSALS FOR GROWTH IN AGRICULTURE [1]

A. The Potential

4.01 Haiti could have a thriving, expanding agriculture; instead it has a stagnant one. Growth could come from concentrating the bulk of public resources on supporting farms growing crops with comparative advantage in the zones with higher productive potential and from fostering linkages between these farms and agro-industries. Such growth could be stimulated by tax and price policies designed to encourage output, particularly for export.

4.02 Located between latitudes 18° and 21° N, and with temperature averaging 24° C, Haiti enjoys a climate favorable to most tropical crops. Rainfall is plentiful but irregular. There can be severe droughts and hurricanes. The soils on the plains and in certain other micro-climatic zones have reasonable potential; 19% of the total area is suitable for rainfed and irrigated crops, 8% having Class II soils and 11% Class III. Agro-climatically, there is no reason why Haiti should not expand its agriculture.

4.03 Comparative advantage indicators in Table IV.1 show which crops and with which technologies (e.g. traditional or improved methods, inter-cropping, crop rotation or monoculture), Haiti should produce. Based on international prices, the indicators were calculated for five key crops: maize, rice, bananas, coffee and sugarcane.

4.04 Each indicator deserves a word of explanation. The Nominal Protection Coefficient is simply the ratio of the domestic producer price to the border price of a good. The Economic Profit measure combines production cost data and border price estimates to yield the economic profit per man-day or, as here, per ha. The opportunity cost of land and family labor are included. The Domestic Resource Cost is that of earning or saving a unit of foreign exchange in exporting or import substituting. For all three measures, it was assumed that all inputs were imported and valued at world market prices, except for land, labor and seeds. While these calculations do not yield totally certain estimates, they provide sufficiently reliable indicators of comparative advantages.

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[1] This chapter draws heavily on World Bank, Haiti: Agricultural Sector Study, Report No. 5375-HA, 1985.

Table IV.1: COMPARATIVE ADVANTAGE INDICATORS IN AGRICULTURE

Crop	Technique/Region	Nominal Protection Coefficient	Economic Profit US$/ha	Domestic Resource Cost
Maize	- traditional	1.25	19	0.88
	- improved	1.25	300	0.57
Rice	- rainfed	1.20	-110	1.57
	- irrigated	1.20	702	0.47
Bananas	- traditional	..	384	0.51
	- improved	..	1,811	0.29
Coffee	- in association	0.50	46	0.56
	- monoculture	2.00	105	0.36
Sugarcane	- Quartier Morin	0.84	332	0.57
	- Les Cayes	0.84	374	0.64

Source: World Bank, Haiti: Agricultural Sector Study, 1985

4.05 Because accurate producer prices are difficult to obtain, the nominal protection coefficient is less satisfactory than the other two measures, which are based on costs of production data. The economic profit and domestic resource cost measures show that bananas under improved cultivation have the greatest comparative advantage. They are followed by monoculture coffee, irrigated rice, improved maize and sugarcane. These results also indicate that at world prices, Haitian farms tend to be uneconomic using traditional methods of cultivation. Economic viability improves markedly with modern techniques, however. Thus, Haiti has the potential to be internationally competitive for exports, or import substitution, for a number of crops. Policy should be designed to exploit this potential.

4.06 Not only does Haiti have a comparative advantage in a number of crops, it has a fairly well developed input supply network for agro-industry. This is understandable since Haiti's development began in the eighteenth century with the production of processed tropical products (sugar, coffee, cotton, etc.) for export to France. There is more contract farming and cooperation between farmers and traders than is normal in a country at Haiti's level of development. Several cash crops find secure outlets in agro-industries. These include sugarcane, monoculture tomatoes, maize when rotated with tomatoes, mangoes for export, lime when used to produce lime oil, and vetiver. A number of agro-industries like tomato paste and dairy products cannot expand on the basis of domestic inputs, however, because of supply shortages. Conversely, few of the agro-industrial plants have their own raw material supply. Even Haiti's sugar mills obtain the bulk of their cane from independent farmers. There is thus a tradition, albeit limited, of agricultural production, sometimes even under contract, for agro-industries. Production is under pre-arranged contract for tomatoes and for some of the sugarcane crop. For other products, there is an efficient organized network of collectors and intermediaries geared to supply not only the fresh produce market, as is normal in developing countries, but also agro-industries. This is the case for industrially grown maize, most sugarcane, mangoes, limes,

vetiver, cattle and goats. Moreover, the range of agro-industrial activities in Haiti is already unusually broad. Commercial agriculture to supply agro-industry represents a major potential source of growth of output, exports and employment, particularly in labor-intensive crops such as fruits and vegetables.

4.07 Pressure on the land is most severe in the hill areas occupied by smallholders. Other large areas of land exist, either privately held by the landed bourgeoisie or publicly owned by the State. Only very modest efforts have so far been made to develop them. (Much public land, in particular, is little used.) Good opportunities to intensify agricultural production therefore exist. The large size of holdings is not a serious problem as in some other countries. It is important to remember that both irrigated and good rainfed land can support a large number of people per hectare if theirproductivity is raised. An excellent example is the development of the Artibonite Valley, where two or three crops of irrigated rice are now harvested in some places.

B. The Current Reality

4.08 The increasingly compound problem of demographic pressure on the bulk of the smallholders' land was described in Chapter II. Population growth keeps rural incomes and, therefore, savings and investment low. This acts against the adoption of modern farming techniques to improve productivity, production and hence incomes. The result has been output stagnation, declining per capita production, severe malnutrition, severe erosion, and emigration to the towns and abroad. Further migration off the hillsides is essential if the other problems are to be ameliorated.

4.09 Traditionally, Haiti's principal crops have been maize, sorghum, coffee, beans, rice, bananas, mangoes, pigeon peas, cassava, sweet potatoes and sugarcane. Livestock, particularly goats and chickens raised by smallholder families, but also pigs [2/] and cattle, have also been important. Estimates of annual production of commodities are in Statistical Appendix Tables 7.1 and 7.2. Compared to the 1950s and 1960s, the production of maize and sorghum has declined. Rice production has more than doubled as a result of irrigation. Increasing quantities of wheat are being imported to satisfy the increasing demand for cereals, stimulated by the availability of concessional PL-480 aid. Storage of locally grown cereals is so poor that losses are equivalent to about 25% of total production, or about two-thirds of total annual wheat imports. Production of sweet potatoes, beans and bananas have also increased since the 1950s. Despite these few favorable long-term trends, production of almost all commodities has stagnated or declined since the end of the 1970s. Cereal yields declined steadily from 1.1 tons/ha in FY70 to 0.8 in FY80, as did absolute production. The only exceptions are vegetables and chickens, the latter due largely to the emergence of a dynamic entrepreneur with an innovative live poultry marketing mechanism in a country with relatively little refrigeration.

4.10 Historically, Haiti's main cash crop is coffee. For the most part it is a smallholder crop, providing cash income for over a million people.

2/ The pig population was eradicated in 1983 because of an outbreak of African swine fever. Externally financed programs are now assisting the Government to rebuild the herd with improved breeds.

Coffee is also an important contributor to export earnings. Between FY81-83, it contributed 52% of the value of agricultural exports, or 20% of all merchandise exports. These figures compare with 62% and 38%, respectively, for the three-year period FY75-77. Coffee production has not increased over the past 25 years. As domestic consumption has been increasing, the volume of exports as a proportion of total production fell from 70% between FY60-64 to 53% between FY80-84. Similarly, the export tax base has been declining; export taxes on coffee between FY81-83 were down to 7% of all Treasury revenues compared to 13% in FY76-79.

C. New Objectives and a New Strategy

4.11 Despite stagnation, agriculture remains Haiti's major productive sector, accounting for one third of GDP and almost two thirds of employment. If Haiti is to grow, agriculture must grow. Its potential cannot be neglected.

4.12 Five criteria should guide recommendations for accelerating agricultural growth. Measures should contribute to: (a) increasing productivity, production, employment and exports (or decreasing imports); (b) increasing the Government's fiscal revenues to help escape the vicious circle affecting the State; (c) improving nutrition; (d) preserving non-renewable resources, particularly inhibiting erosion and permanent destruction of forests; and (e) improving equity/welfare. The first criterion is the key one, in that its achievement makes possible the others.

4.13 The application of these criteria to Haiti's reality and potential implies concentrating on three areas: the irrigated plains, the rainfed areas of high potential, and restoration measures on the hillsides. Modern farming techniques should be adopted to raise output and employment as rapidly as possible on the plains. Rice grown with irrigated techniques in the Artibonite Valley is currently yielding 3.8 tons/ha compared to 0.6 by traditional methods. The broad application of new technologies, including the use of fertilizer, should be pursued. Similarly, maize yields and production, so far largely confined to unfertilized smallholdings, could be increased substantially with modern techniques.

4.14 Little work has been carried out to identify farm enterprises in the rainfed areas with high production potential. This is an urgent task. A study could draw on the experience of existing credit institutions. Appropriate policies to develop these zones can then be developed.

4.15 The potential for productivity and growth rests much more with the better rainfed and irrigated flat lands than with the mountainous areas. Notwithstanding their importance, the latter face enormous constraints, not least of which is their physical deterioration. Strategies for their rehabilitation and growth are necessarily long term. Ongoing activities to conserve the soils and plant large areas with trees should be intensified with continued external aid on very concessional terms. These measures are fundamental to the viability of investments in the flatter areas especially when they concern the protection of watersheds that feed the irrigation systems. A strategy of incentives towards planting improved varieties of coffee trees and rehabilitating existing ones should also be actively pursued. It is inescapable that, in the long term, the problems of deforestation and erosion must be addressed by measures to encourage migration from the mountains. This means expansion of agricultural

employment in the plains and industrial employment in the cities. Until now, most investment in support of smallholder agriculture has been through large rural development projects on the plains. These have done little to expand output and employment to attract people off the hills. They have included excessive social components and should not be expanded, except for those elements necessary to assure minimal social and welfare objectives. Rather, smallholder agriculture on both the hills and the plains should be encouraged through changes in price, trade and fiscal policies to raise rural people's incomes and savings capacity and through the provision of necessary production infrastructure like irrigation on the plains. Producer prices for cotton, for example, have been controlled below import parity, lessening incentives to produce cotton and transferring resources from low income small farmers to higher income consumers.

4.16 Short- to medium-term strategies should focus on pricing, technical support and credit policies aimed at increasing investment in productive infrastructure and improved technologies. Basic to these efforts would be rehabilitation and improved operation and maintenance of the existing irrigation systems. Particular emphasis should be given to expanding areas in rice and to developing labor-intensive industrial crops such as tomatoes and fresh and processed fruits for export. In addition to their potential for growth, these crops are labor intensive and would serve to relieve some of the pressure on land in the mountainous areas. Attention should be given also to developing improved farming systems, including the introduction of higher yielding varieties of maize and sorghum in crop rotations. Further increases in wheat imports should be discouraged.

4.17 Less clear is the approach to be taken with the centrifugal sugar industry. Although the comparative analysis shows that Haiti has an economic advantage in producing cane (but not in processing it), it is likely that the irrigated cane areas could be utilized more economically through diversification to alternative crops, or through utilization of cane for other purposes. Such changes are presaged by fundamental long-term shifts in the demand and supply internationally for sweeteners. These alternatives require a thorough study. More immediately, policy should be to redivert cane to the factories from the traditional guildives, small distilleries which produce a potable alcohol ("clairin") and are now the major users of cane, though they are barely touched by taxes. Also, the productivity of cane should be increased through dissemination of known, improved varieties and introduction of a system whereby farmers would be paid for their cane based on its sucrose content. These measures, however, are unlikely to increase the capacity utilization of the four sugar factories substantially, currently around 40%. This is particularly true of USN at La Citadelle, where the local climate is less conducive to the proper accumulation of sucrose in cane. The two publicly owned sugar mills, USN and USND at Leogane, should be reviewed. If these mills cannot be slown to be financially and economically viable, they should be closed (paras 5.54-5.63).

D. Reform Price, Trade, and Fiscal Policy

4.18 A comparison of real consumer prices for cereals and producer prices for export coffee reveals two important trends. First, coffee export

prices, though reflecting the volatility of international prices, have deteriorated relative to those of locally produced cereals. Second, retail prices for wheat flour, which have been controlled at levels increasingly below the consumer price index, have fallen considerably below those of rice and substantially below those of maize and sorghum. These discrepancies have increased since FY78.

Table IV.2: REAL RETAIL CEREAL AND EXPORT COFFEE PRICE INDICES, FY70-83 (FY70 = 100)

	Retail Prices				Producer Price
	Ground Maize	Sorghum	Rice	Wheat Flour [a/]	Export Coffee
FY70	100	100	100	100	100
FY72	112	98	105	88	74
FY74	144	117	109	81	92
FY76	122	107	111	75	116
FY78	136	115	104	72	163
FY80	176	152	114	54	144
FY81	185	169	135	64	80
FY82	147	155	101	59	85
FY83	147	144	97	54	77

[a/] Includes taxes.

Sources: S. Prior, USAID, from unpublished IHSI data
IMF
Statistical Appendix Table 9.1

4.19 Domestic prices and production of cereals and coffee are interrelated. Policies affecting prices and/or quantities available of one product affect the prices and farmers' supply response of others. In analyzing these effects, it should be noted that farmer coffee prices are largely exogenous; they are, essentially, a function of international prices. True, the Government has imposed an export tax on coffee, but this has remained a relatively constant proportion of FOB prices (28% from FY70-74 and 26% from FY80-84). The price of wheat, on the other hand, and the quantities imported of wheat and other cereals, e.g., of maize and rice, are officially controlled (maize and rice imports have been negligible). The prices of maize and rice are determined by supply and demand within the protected local market.

4.20 It follows that the Government's policy of restricting imports of maize and rice has forced up prices of locally produced staple crops. In effect, their farmgate prices are being "supported" well above world prices. The contrary applies to coffee and cocoa prices because of export taxes.

Table IV.3: DOMESTIC AND BORDER PARITY PRICES FOR SELECTED AGRICULTURAL PRODUCTS, FY82
(US$ per metric ton)

	Border Price	Domestic Price	Ratio Domestic/Import
Coffee	468	346	0.74
Cocoa	1,800	1,274	0.71
Cotton (lint)	1,515	990	0.65
Maize (in sacks)	220	276	1.25
Rice	420	505	1.20
Sorghum	231	312	1.35
Wheat flour	421	528	1.25
Sugar (raw)	330	792	2.40

Source: World Bank, Haiti: Agricultural Sector Study, 1985

4.21 The distortions have generated increasingly negative consequences in terms of production and growth, loss of non-renewable resources and distribution of welfare. Maize and sorghum compete with coffee for scarce land in many smallholder areas, and indications are that farmers have been replacing their coffee trees with maize and sorghum. Farmgate prices, therefore, have not reflected Haiti's comparative advantage in coffee relative to maize and sorghum. The economic and welfare costs in terms of foregone coffee exports and smallholder incomes have probably been considerable. Concomitantly, these pricing policies have probably contributed to the severe erosion problem, since coffee trees are suited to the previously forested mountainous slopes and help bind and retain the soil.

4.22 Coffee Export Tax. The merits of the tax on export coffee have been debated for many years. It represents a significant proportion of fiscal revenues. There can be no doubt that the tax has contributed substantially to the adverse coffee: maize price relationship. It is not certain, however, how the removal of the tax will affect farmers' prices. Some studies have shown that oligopoly is present among marketing intermediaries and/or exporters, which means that the bulk of a tax reduction would accrue as unearned rent to the oligopolists. Others have concluded that there is competition in marketing, and that therefore a tax reduction would be passed mainly to the producers. The Government has recently reduced the coffee tax by 15% for the 1985 crop; this follows a 10% reduction effected for the 1984 crop. This gradual reduction is consistent with fiscal needs, and the results, especially the effect of the measure on farmer prices and incomes in different locations, should be monitored closely. It is important also that farmers have good price information; the market should be made transparent through such means as broadcasting coffee and other crop prices over the radio. Further reductions may be in order as other sources of Government revenue are created and/or expenditures are cut. It is

unlikely that most smallholder coffee producers will increase their plantings of coffee trees in response to price increases in the short term, although some commercial operations may do so. Because of physical limitations and low levels of technology (traditional varieties, no purchased inputs and absence of extension advice), the best to expect in the next few years may be little more than arresting the declining production trend, and possibly improving quality through better maintenance of the existing plantations.

4.23 Other Export Taxes. Notwithstanding the cautious approach recommended for reducing coffee taxes, all export taxes on agricultural products should in principle be eliminated, again as the fiscal position permits. These include taxes on the export of cocoa and sisal. Those on essential oils were eliminated in early 1985. Total revenues from these export taxes are around G 2.5 million.

4.24 Cereal Prices and Imports. Tables IV.2 and IV.3 show that wheat flour prices have been controlled at levels well below those of domestically produced cereals but slightly higher than the import parity price. The issue of monopoly rights and the efficiency of the Government-owned Minoterie is discussed in Chapter V. The controlled prices of flour have served to lessen upward pressure on prices of maize, rice and sorghum. In this sense, pricing policy for flour has probably contributed to improving nutritional deficiencies. Yet Haiti, by virtue of its climate and terrain, cannot produce wheat. As the consumption of wheat increases, so does the expenditure of scarce foreign exchange for imports.[3/] The trend, moreover, is not easily reversible, because much of the population, especially in urban areas, is becoming accustomed to the taste of wheat products. In the face of declining production of maize and sorghum (and recently only small increases in rice), and considering nutritional requirements, the import of grains continues to be indispensable.

4.25 It would be premature, however, to conclude that Haiti cannot be self-sufficient in cereals over the long term. Strategies for future growth of the agricultural sector should focus on the better quality flat lands, supported by rehabilitated irrigation systems, protection of watersheds to prevent silting, and the introduction of improved varieties and technologies. Indications are that rice and maize under improved technologies have a clear comparative advantage on these lands, and quite possibly that maize has a greater comparative advantage than sugarcane.

4.26 Sugar Prices. Sugarcane producers are paid a fixed price of US$13 per metric ton. This price, which is net of minor taxes and is related to the low capacity utilization of the four factories (Section V.E), constitutes a clear disincentive to cane producers to sell to the factories. Rather, most producers choose to sell their cane to the traditional guildives. Pricing policy for the sugar industry, therefore, has been self defeating; inadequate cane prices have led to lower cane supplies, which have put further pressure on prices. As a result, Haiti has gone from a position of a net exporter to a net importer of sugar. Between FY71-74, production of sugar averaged 65,000 tons per year, of which 21,000 tons or 32% were exported, whereas from FY81-84, production had fallen to 46,000 tons per year and net imports averaged 23,000 tons.

3/ In FY83, wheat imports amounted to 154,000 metric tons, costing US$31 million, 74% of it commercial and 26% concessional PL-480 from the U.S.

4.27 In addition to concerns about production, the Government imposes a substantial excise tax of US$0.08 per lb. which, with a retail margin of US$0.02 per lb., provides a controlled retail price for raw sugar of US$0.34 per lb. (US$0.38 per lb. for refined sugar). These consumer prices are high in comparison with those in many other countries and reduce consumers' welfare. They are also stimulating an increasing flow of contraband sugar from the Dominican Republic.

4.28 The Government's policies for the sugar subsector are contradictory and appear to benefit no section of the community. The issue becomes even more complicated in light of the generally discouraging prospects for sugar producers everywhere, as worldwide supply and demand for sweeteners undergo fundamental changes. Moreover, there is no guarantee that Haiti or other exporters of sugar to the USA under the Caribbean Basin Initiative will continue to enjoy their present levels of quota access for the remainder of the 12-year CBI agreement. The special sugar rules of the CBI provide for adjustments to the duty-free import quotas to the United States to ensure that they do not interfere with the U.S. price support system. A thorough review of the status and prospects of Haiti's sugar subsector is called for. In the meantime, as an immediate measure, the Government should eliminate the excise tax, allocating the benefits to farmers in terms of increased prices for their cane, and to consumers in terms of reduced retail prices.

4.29 Cotton Prices. Data on the volume of cotton produced vary considerably, according to source. They indicate, however, that production has declined from around 5,000 mt of lint annually in FY72-74 to 2-4,000 mt in FY82-84. Prices for seed cotton are established by the National Agricultural and Industrial Development Bank (BNDAI) which also operates the ginnery and has a monopoly on the manufacture of lint to yarn. Producer cotton prices have generaly been maintained below import parity — Table IV.3 shows the ratio at 0.65 in 1982, a year of relatively low international prices. This pricing policy has not only lessened farmers' incentive to produce cotton. It has also had a negative welfare effect by transferring resources from low income smallholder producers to higher income consumers. For the future, the Government should arrange for a detailed review of the long-term viability of the cotton subsector, including associated manufacturing of textiles and trade policy. As an immediate measure, producer prices should be raised to levels approximating recent import parity.

4.30 Fiscal Policy to Encourage Land Utilization. Despite population pressures, large areas of public and private lands are not achieving their production potential. An incentive to utilize idle land more productively should be generated through fiscal pressure. The Government leases much of its land to individuals, charging them considerably less than market rates (G 15-55 per ha). The land is often then subleased to others at market rates, with the incremental windfall remaining with the original lessee. The Government should raise the rents it charges for leased public lands to market levels; implement the constitutional tax on large land holdings; reduce taxes on land transactions to a minor recording fee to help encourage the market in land; and gradually reduce export taxes as proposed above. Larger farmers should pay income tax. The Government should also move toward full user charges for operations and maintenance costs of irrigation

facilities. These steps would have a positive net impact on Government receipts, essential under present conditions of fiscal stringency. The proposed reduction in the coffee tax, the abolition of export taxes for other crops, and the elimination of the excise tax on sugar would reduce Government revenues by some G 45-50 million per year. This would be more than offset by increases in rents on public lands and operations and maintenance charges for irrigation facilities, which would together generate annual revenues of more than G 75 million.

4.31 Timing of Measures. Price, trade and fiscal policy proposals for the short term therefore include, in rough order of priority:

(a) the 1985 coffee export tax reduction and monitoring of its impact on producer prices;

(b) the increase of rents on public lands to market levels;

(c) the income taxation of larger farms;

(d) reduction in the sugar excise tax and the introduction of a system to pay farmers according to the sucrose content of their cane;

(e) an increase in producer prices of seed cotton to the equivalent of import parity;

(f) the elimination of all agricultural export taxes, except that on coffee.

Longer term measures include:

(a) further reductions in the coffee export tax if it is established that producers benefit;

(b) the other fiscal measures of paragraph 4.30; and

(c) either increasing yields of sugar cane and increasing the capacity utilization of the public sugar mills or closing them. The possibility of systematically diversifying the use of sugarcane land into the production of other export crops should be thoroughly studied.

E. Reform MARNDR

4.32 The tight present and future fiscal position means that in the medium term no major increases are possible in either the recurrent or the investment budget, including that for agriculture. Reallocations within each are therefore necessary in order to focus on those activities and investments that are essential to the rapid expansion of agricultural output.

4.33 The Ministry of Agriculture (MARNDR) has principal responsibility for support services to the sector. While significant improvements have been introduced recently, MARNDR remains inefficient and relatively ineffective in meeting this responsibility. Total staff of the Ministry in June 1984 was 2,050. More than 50% higher-level professionals are located in the

Port-au-Prince headquarters, many of them in administrative positions. Efforts are being made to have these staff spend more of their time in the field. MARNDR faces other constraints. There has been a shortage of operating resources for fuel and maintenance of vehicles, and even to pay staff salaries. Key staff change frequently; there have been eight Ministers in the last eight years and few staff have viewed employment with the Ministry as a permanent career path. MARNDR field offices have an impossibly heavy workload, with almost 100 foreign-financed projects, of which 65 are under implementation. The Government is now well aware of this situation. Strong new leadership has taken charge and important organizational and procedural reforms are being implemented.

4.34 Despite the recent changes, it is still impossible for the Ministry to plan and execute effectively public investment in agriculture. For example, in FY83, only 22% of the G 31.5 million budgeted for the Ministry was allocated by the Ministry of Finance and only 18% (82% of the allocation) was actually spent. Worse, only 43% of the latter funds were spent on actual investments, with the remainder redirected to buttress salaries (42%) and goods and services (15%). As a result, most external aid donors, including IDA, have sought to bypass MARNDR, establishing autonomous project implementing institutions, in turn creating coordination problems (e.g. control of expenditures and wages).

4.35 Reforming MARNDR is vital to developing Haiti's agriculture. A first step is to redress the bias in its operating budget (91% for salaries and 8% for expenses in FY83), by pruning excessive staff. MARNDR could then be made into a lean and efficient organization, with four principal functions:

(a) effective project planning, execution and monitoring, including coordination with the Ministry of Public Works and the public utilities;

(b) effective extension in the irrigated and rainfed areas of high potential where most of the directly productive agricultural efforts should be concentrated;

(c) increasing attention to reforestation and preventive soil erosion measures on the hills;

(d) effective applied research (e.g. into high lycene maize varieties and high yielding pigeon peas).

Other important MARNDR functions that should be strengthened include livestock development and the promotion of seed multiplication and distribution. These are of lower priority, however, and some, especially seed multiplication and distribution, may be better handled by the private sector.

4.36 Steps in the right direction have recently been taken; much — indeed, most — remains to be done. MARNDR should establish a planning and monitoring unit to plan for new and ongoing investments and establish priorities, consistent with available resources; monitor and evaluate

technical and financial progress of ongoing projects; and advise on policy options related to the Government's established priorities for the sector. The Ministry should accelerate present program of decentralization, including the assignment of a greater number of higher-level staff to field offices. There should be increased attention to training research and extension staff. The actual and potential role of the public training institutions should be reviewed. Implementation of most of these measures should start immediately.

F. Refocus the Public Investment Program

4.37 The current and planned investment program will need to be reduced in scope. The Government's current policy is "to concentrate investment on the most promising zones, which must be equipped with access roads and irrigation and drainage infrastructure if they are to attract private enterprise".[4/] Concentration should be on those projects where the highest returns can be achieved at the lowest cost. This means irrigation rehabilitation, the completion of current projects with major productive impact, and providing essential infrastructure e.g. rural roads, to high potential irrigated and rainfed areas. At the same time, programs focusing on restoration of resources on the hillsides should be strengthened.

4.38 Full rehabilitation of 71,000 ha served by the Artibonite and other medium-sized irrigation systems would cost US$2,000-3,000 per ha for a total of US$140 million. The Government should ensure that, with few exceptions, rehabilitation of existing irrigation facilities be given priority over new ones. Irrigation rehabilitation in the plains offers the only short- to medium-term possibility for a major expansion of agricultural production. Irrigation systems have deteriorated physically because of poor operation, neglect of maintenance and excessive silting, the latter linked directly to erosion. It follows that rehabilitation programs must include components that are designed to stabilize, and improve, the associated watersheds. Administration of the systems is highly centralized in MARNDR. The fundamental problem is one of limited knowledge on the part of both the users and the administrators of the systems. There is also a problem of finance. Operation and maintenance charges vary between G 10 and G 50 per ha per year, which is minuscule compared to actual operation and maintenance costs of G 500-2,500. Also, the funds are paid to a central MARNDR account, and farmers often receive no observable benefits for their payments. Accordingly, delinquency in payments is high. The Government should adopt a plan for assessing water charges that will cover full operation and maintenance costs, for assisting farmers to establish local, semi-autonomous water users' groups, and for training both farmers and system administrators. This is a high priority and will require technical assistance. MARNDR should also establish a unit responsible for the emergency removal of silt from the systems, following periods of heavy rain. The proper maintenance of irrigation systems is essential to preventing their further deterioration and to achieving results from rehabilitation.

4.39 The list of current investment projects should be pruned to limit it to those likely to result in major increases in output, either directly or through the provision of essential infrastructure. Foreign donors, who until recently were left to follow their own priorities in agriculture, should

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4/ Economic Policy Statement of H.E. Frantz Merceron, Minister of State for the Economy, Finance and Industry, CGCED, February 1984.

agree this new priority and change ongoing and future cooperation programs accordingly. Some projects without major productive impacts may be necessary to achieve social objectives; these should be limited to those considered absolutely indispensable.

4.40 Even within the list of priority projects, it is important that they be ranked in terms of those which are essential and those which, while contributing to output increases, could be postponed or even cancelled if future financial stringency so warrants. This should be an important element of the next Plan. These investment program measures require the establishment of a list of all current and planned projects, ranked by economic impact. This is an extremely urgent first task for the proposed new planning and monitoring unit.

G. Establish a Strong Credit Institution

4.41 The availability of much greater quantities of investment and working capital will be an essential ingredient of strategies designed to increase production of cereals, livestock and industrial crops on the better quality lands in the medium term. A strong credit institution is thus essential.

4.42 Today, the main sources of institutional credit are the Agricultural Credit Bureau (BCA) and the National Agricultural and Industrial Development Bank (BNDAI). BCA provides short term credit primarily to smallholders, for inputs or small tools. In 1983, BCA's loan portfolio was US$3.9 million, benefitting some 19,000 smallholders, or 2.5% of rural households. One quarter of its portfolio is in arrears. Because of the limited coverage and technical capability of BCA, rural credit is also extended to smallholders by several regional development organizations like ODN and ODVA. The BNDAI was created in 1984 to take over the activity of the Agricultural and Industrial Development Institute established in 1961. Besides its industrial credit operations, BNDAI is geared to medium- and larger-sized farms engaged in capital intensive production, especially of irrigated rice, and it rediscounts BCA loans. About 12,000 smallholders, including some 4,000 cotton producers, receive credit. Out of a portfolio of G 67.5 million in 1984, largely inherited from the previous institute, loans totalling G 53.9 million were experiencing recovery problems. Because of inadequate supervision and inadequate lending policies, a significant share of credit extended by BCA and BNDAI is diverted to meet the consumption or other needs of farmers. There is in addition an extensive system of informal short-term credit provided by marketing intermediaries reportedly at very high interest rates, although reliable information on the rates most commonly charged is not available.

4.43 What is needed are strong supervised credit institutions to provide not only funds but also a broad range of technical services to farmers and agro-industries and to foster linkages between the two. An immediate review of current and potential institutions is called for to decide whether this institution should be based on one, both or neither of the existing institutions. It is important to find out precisely why the existing credit system has been relatively unsuccessful. Merely establishing a new

institution may perpetuate agency mistakes and this institution too may fail. The review should examine constraints on the availability and terms of investment and production credit, especially for the farming enterprises with greater short- to medium-term potential. Credit policy should be consistent with the requirements for investments in new technologies. Credit, of course, cannot to be effective unless accompanied by pricing policy reforms to improve farmer investment and production incentives.

H. Supporting Measures

4.44 The measures proposed above are those most important to a renewal of agricultural growth. They should be complemented by the series of smaller, supporting measures suggested below and discussed in more detail in the World Bank Agricultural Sector Study.

4.45 Land Reform. It is not clear if insecure land tenure represents a problem in Haitian agriculture, although it is frequently alleged that the structure and insecurity of tenure tend to discourage capital investments, e.g. in improved varieties of coffee trees, maintenance of irrigation systems and good soil conservation practices. This problem must be investigated further. If tenure proves to be a problem, appropriate land reform should be implemented in the more productive areas, as necessary. For each selected area, the reform program could be preceded by a survey of current tenure and uses of both private and public land. To provide adequate incentives to farmers to cooperate, all land regularization procedures and documentation could be provided free of charge.

4.46 Reforestation. Reforestation could proceed on two fronts: as commercial "crops" on selected lands under good management to help satisfy the demand for fuel (charcoal) and construction timber; and on the hillsides to help conserve (rehabilitate) the soils. The Government should actively seek external financial and technical assistance.

4.47 Marketing. The Government should review constraints to expanding production of fruits, vegetables, livestock and cereals (including maize) for local consumption. There are reported to be problems with inadequate marketing infrastructure and dissemination of information (e.g., producer and wholesale prices). For export products, the Government should assist the private sector in the identification of markets and in ensuring access on favorable terms.

4.48 Soil Conservation. The Government should continue to seek external support for soil conservation programs. Pricing policies, particularly a change in the coffee/maize producer price relationship in favor of coffee, should be complementary to such programs.

4.49 Information Base. The Government should: (i) conduct a nationwide survey on consumption, nutrition and rural household expenditures; (ii) conduct as necessary a new aerial photographic survey of agricultural areas in support of the cadastre; and (iii) establish a system of regular collection of farmgate and rural market prices. External assistance, both financial and technical, is needed for these tasks.

CHAPTER V

FINDING HAITI'S PLACE IN THE WORLD: POLICY PROPOSALS FOR GROWTH IN INDUSTRY

5.01 Haiti's industry has two subsectors: import substitution and export assembly. The former includes several major public industrial enterprises. As discussed in Chapter II, it grew fairly rapidly in the early 1970s but has since expanded more slowly. The export assembly subsector, by contrast, weathered the storm of the global recession in FY81-83 and is now on a new expansion path. This chapter discusses the principal obstacles to a sustained expansion of the entire industrial sector in Haiti. The financial sector was treated in Chapter III.

A. The Potential

5.02 Paint provides an excellent example of Haiti's industrial potential. The local market is essentially saturated, supplied by three producers protected by both a quota and a 50% import tariff. Production behind this protection grew from 85,000 gallons in FY70 to 585,000 in FY80 and about 800,000 in FY84. Domestic competition holds prices around the level afforded by protection and related to those that prevail in the United States. Prices are high when it is considered that low cost labor represents 30% of production costs and that cheap, locally produced calcium carbonate accounts for 40%. The only source of new growth is exports, for which prices must be competitive. The industry has begun to sell successfully in Puerto Rico at prices 20% below those it charges in Haiti. One company expects to double sales by FY88 through these exports. The reduction of domestic protection would force Haitian paint prices lower, making the industry as competitive as it should be -- given the low costs of its Haitian inputs -- and improving export earnings, thereby expanding output and employment. It would also end the current reverse protection, the subsidization of foreign purchasers by Haitian consumers.

5.03 Haiti has many such industrial opportunities. The unusually broad range of existing agro-industries and the enormous potential that could be realized from increased cooperation between the small but growing modern entrepreneurial class and the established landed families has already been mentioned. There are some import substitution possibilities, e.g., dairy products, that have not been tapped. The assembly industry has grown very rapidly and faces new opportunities with the U.S. economic recovery and the adoption of the CBI. A few industries producing for the local market, like paint, rum and leather goods, have successfully expanded their market and output through exporting.

5.04 Indeed exporting is the key to achieving Haiti's industrial potential. The early benefits of import substitution have ben reaped and Haiti is now suffering, as have other countries following this strategy, as its exports grow more slowly than import demand, as the incremental capital output ratio in industry increases with the small size of the domestic market, and as opportunities for further import substitution

diminish. Haiti is too small a country with too narrow a resource base to manage without a wider participation in the international economy. The export assembly industry is a start. The rest of industry must now begin to export. This is the only route toward rapid industrial growth.

5.05 If Haiti does not export more, the economy will continue to stagnate and urban employment will not grow rapidly enough to absorb the influx from the countryside, with potentially serious social consequences. With it, Haiti could follow the example of those East Asian countries which have grown dramatically despite a similar lack of natural resources. This requires, however, a Government and a people determined, in the words of Singapore's Prime Minister Lee Kuan Yew, "to plug into the world grid".

5.06 For Haiti, this means initially taking advantage of the preferential access it enjoys in the U.S. market, and later attempting to break into other major markets, notably Europe and Latin America. Haiti's share in these markets is so minuscule that it could double or triple for all export products (except baseballs) without making a dent in the composition of industrial countries' imports. Imports from Haiti represent 0.1% of U.S. merchandise imports and only 0.01% of those of the European Community. Current prospects for the assembly industry are quite good. Garment assembly producers anticipate a 10% production growth in 1985 and 25% in 1986. Electrical and electronic goods assemblers predict doubled and tripled production in 1985 and 1986, and sustained growth at annual rates of 15% and above thereafter. Sporting goods assemblers estimate 10% annual sales growth through the 1980s. Potential prospects for industries producing for the local market which turn to exporting are equally encouraging. If the incentive structure were modified so that prices in Haiti reflected those on international markets, there are many products with which Haiti could compete successfully.

5.07 Local industry could turn to efficient exporting based on wage competitiveness, just as the assembly industry has done. Haiti's people -- at home and abroad -- represent its greatest asset for industrial development. There is a small but growing group of modern entrepreneurs and there are many engaged in trade who could turn their hand to manufacturing. There is a potential pool of skilled technical and professional workers, currently living in the United States and Canada. Most of all, unskilled labor is abundant, low cost and productive. Workers in the assembly industries, especially women, have proved themselves quick and agile. The labor market functions well (Section III.G). Labor costs of about US$95 per month are very competitive with other Caribbean Basin countries. The major CBI competitor countries are Honduras, Guatemala and Belize; outside the CBI, Mexico is the most important competitor in terms of wages. Labor costs in Haiti also compare favorably with those in the dynamic East Asian countries.

Table V.1: COMPARATIVE MONTHLY INDUSTRIAL WAGES, [a]/ 1984
(US$ per month)

Caribbean Islands		Central America		East Asia	
HAITI [b]/	95	Belize	100	Hong Kong	275
Bahamas	400	Costa Rica	150	Korea	200
Barbados	250	El Salvador	150	Singapore	275
Dominica	150	Guatemala	100	Taiwan Province	200
Dominican Republic	150	Honduras	100		
Grenada	150	Mexico	150		
Jamaica	150	Panama	200		
Puerto Rico	600				
Trinidad	300				
US Virgin Islands	600				

[a]/ Including fringe benefits (mostly taxes and social security dues assessed on wages and paid by employers).

[b]/ Mission estimates in January 1985 of the minimum industrial wage come to US$85 per month. Average wages are slightly higher (Statistical Appendix Tables 9.4 and 9.5).

Source: UNIDO

5.08 To these assets must be added the pro-business and pro-industry environment. The Government's general attitude is highly positive toward industry and has recently made great strides with the establishment of the already effective Permanent Joint Committee for the Promotion of Investment. There is, for the first time, on the horizon a potential era of private and public sector cooperation to develop Haiti's industry to better compete on world markets.

B. The Reality of the Current Incentive Structure

5.09 Discussion of Haiti's industry and of the impact of the incentive structure is hampered by the lack of reliable quantitative data. The absence of information on such basic things as industrial structure, plant numbers, employment, production and value added makes quantitative analysis difficult. This report's industrial analysis is thus based on the results of interviews with leaders of most sections of Haitian industry. Despite this limitation, it is believed to present a fair picture of the sector.

5.10 The pricipal problem restricting industrial expansion was described in Section II.D. Protection has clearly become excessive in Haiti and has

been maintained too long after being granted on the basis of the infant industry argument. The expansion opportunities offered by the small local market have been exhausted; as long ago as 1978 a World Bank report noted that "import substitution opportunities are becoming less obvious." Many of the industries visited by the mission which were producing for the local market cited "insufficient demand" as the reason for their low capacity utilization; none worked more than one shift (Statistical Appendix Tables 8.4 and 8.5). For some agro-industries, inadequate supply of raw materials is also a factor e.g. tomato paste and dairy products. Outside agro-industry, there are few, if any, new import substitution possibilities. Protection has thus led to inefficient production which has such high costs that it can rarely supply either the assembly industry or foreign export markets. The resulting stagnation has increasingly led the Government to attempt to stimulate industrial growth through tax exemptions for investors. Though these -- like protection -- have been awarded in a highly arbitrary way, they have been successful in developing the export assembly industry, which has taken advantage of preferential aspects of the United States import regime. The assembly industry, however, is largely outside the Haitian economy: it provides employment but purchases few Haitian inputs and makes almost no fiscal contribution. The combined system of protection and tax incentives has thus severely limited the prospects of industrial expansion through exporting.

5.11 The system in effect until recently had the following principal characteristics:

a) a highly differential tariff structure based upon the principle of higher duty rates on finished goods than on raw materials, together with a ten-year reduction on duties on the latter;

b) a guarantee of protection via tariffs and quantitative restrictions for local industries which could satisfy 75% of the local market;

c) discrimination against existing enterprises, which had to invest at least 50% of their existing fixed assets to become eligible for incentives;

d) a system of complicated tax holidays that in fact became permanent. They included five years of total exemption from corporate income taxes to "new" firms. Thereafter, the percentage of income subject to tax rose from 15% in the sixth to 100% in the eleventh year. Firms in the public industrial park were, however, fully exempt for eight years; 15% of their income became taxable in the ninth year and 100% by the fourteenth. Firms outside Port-au-Prince were exempt for fifteen years, so that they did not pay tax on their full income until their twenty-first year.

5.12 The new Investment Code, promulgated in early 1985, makes some very useful changes. It eliminates the requirement that a firm must meet 75% of the market and makes all firms eligible for incentives; newcomers cannot,

however, benefit from greater incentives than those received by existing firms. "Traditional", as well as "new", industries can now benefit from incentives. Finally, income from export sales is now exempted from tax. The net effect of these changes is to place all firms, old and new, on the same basis. The new Code does not, however, move to reduce protection, except through encouraging with tax incentives producers for the domestic market to diversify into exports.

5.13 The effect of excessive protection can be seen in the garment industry. The mission visited four companies, three export assemblers and one producing for the local market. Local garment producers enjoy nominal tariff protection of 200 to 300%. The local producer utilizes only about 20% of its capacity while the exporters' average is 83%, ranging from 60 to 100%. Asked why capacity utilization was so low, the local producer blamed products smuggled across the border from the Dominican Republic which undercut his selling price. These smuggled garments are, however, selling at approximately the world market price and Haitian consumers are quite reasonably buying the more competitive product. Local production, which grew up behind tariff barriers, cannot compete on the world marketplace with its present structure of costs.

5.14 This can be seen at the level of industry as a whole. Few industrial exports come from the protected sectors. The best indicator of the value added by the export assembly plants is that included in exports to the United States. At constant 1981 prices, these grew from US$36.6 million in 1976 to US$54.2 million in 1981 to an estimated US$62 million in 1984. Precise and reliable data on total industrial output are not available. It is clear, however, that export assembly industries have developed much faster than industry as a whole. Outside the export assembly industry, other agro-industrial and industrial exports include sisal twine, essential oils, leather goods, sugar, rum, molasses, wood products, paint, brooms and brushes, textiles and straw items. Together these exports account for only about 11% of industrial value added outside the export assembly sector.

5.15 Protection as practised in Haiti has resulted in permanent and large distortions in the structure of domestic prices, compared to those on the world market. This has made local production uncompetitive and led to low rates of capacity utilization because of the inability to export. The development of the public productive enterprises in sugar, flour, edible oils and cement has had similar results, as discussed below in Section E.

5.16 The absence of growth means that there is little scope for expanding employment and absorbing the migrants from the countryside. The only exception is the assembly industry. Even here, however, total employment created since the industry's establishment in the early 1970s does not exceed 41,000 by the most optimistic assessment. Several employment estimates are presented in Table V.2. Two conclusions are clear. First, total industrial employment is very low: 80,000 at an absolute maximum and probably less. Second, the assembly industry accounts for half or more of industrial employment. Agro-industry accounts for the bulk of other employment; its expansion could create considerable employment in commercial agriculture.

Table V.2: INDUSTRIAL ESTABLISHMENTS AND EMPLOYMENT, EARLY 1980s

Source	Year	Subsector	Establishments		Employment (000)	
			Total	Port-au-Prince	Total	Port-au-Prince
IHSI	1981	Assembly	128	127	27.8	27.7
		Local	441	330	25.7	20.6
		Total	564	457	53.4	48.3
UNDP/ILO	1981	Assembly	..	139	..	35.7
		Agro-industry [a]	..	98	..	6.0
		Other Local	..	189	..	0.8
		Total	..	426	..	42.5
OFATMA [b]	FY84	Total	908	506	27.6	25.6
MEFI [b]	1983	Total	643	..	..	..
MEFI	1984	Assembly	173	..	40.8	..
ADIH	1984	Assembly	188	..	..	..

[a] Mission estimate for agro-industry.
[b] These include a large member of single worker units with little significant employment.

Sources: As noted.

C. A New Strategy

5.17 The present incentive system has thus resulted in a much less than optimal position for Haiti in the international division of labor. The result has been slow growth, inadequate employment expansion and potentially serious social consequences if the urban population continues to swell and jobs are not created to absorb it. Further, industry does not pay its fair share of taxes because of exemptions, excessive extension of exemptions, other evasion techniques and outright fraud. It is far from being well integrated into the national economy or contributing its share to the development effort.

5.18 The Government's objective for industry is excellent: to develop an integrated industrial sector, based initially on the growth of manufactured exports and later on backward linkages to industries producing inputs from both domestic and imported raw materials. What is needed, however, is a new strategy to achieve these objectives, based on three key elements:

(a) the progressive elimination of the anti-export bias of the incentive system, principally through the reduction of protection and also through the efficient and fair implementation of all administrative procedures for investment, exports and export-related transactions;

(b) the restructuring of the major public sector industrial enterprises;

(c) better meeting the needs of industry, through the timely provision of infrastructure and an overhaul of the operation and financing of the vocational and technical education system.

5.19 This chapter sets out the steps necessary to implement the new strategy and make Haitian industry competitive. Once competitive, Haiti will begin to realize its industrial potential.

D. Reduce The Anti-Export Bias

5.20 The key recommendation for the industrial sector is to change the incentive system to remove the anti-export bias and create a stable policy environment in which there is a demonstrated Government commitment to expand exports and keep export activities profitable. This is the policy that the dynamic East Asian countries have followed with outstanding success. Its essence is the use of market mechanisms to signal profitable opportunities to industries and allow the industrial structure to evolve consistent with international comparative advantage.

5.21 Crucial to this is the elimination of excessive protection through the replacement of quotas with tariffs and the dismantling of the existing tariff structure, the introduction of a new structure and the assured access of exporters to very low duty imports used as inputs. The Government is committed to the goal of reducing protection and encouraging competition.

5.22 Conceptually, the elimination of excessive protection is simple. The first step would be to replace all import quotas by tariffs; the second to determine the desirable tariff level or levels on grounds of economic efficiency and Government revenue; and the third to bring tariffs to these levels. This straightforward conceptual approach is not enough, however.

5.23 In practice, social considerations will force their way into the process because the reduction of protection will inevitably threaten the very existence of the industrialists concerned, their workers and other suppliers. There is no doubt that a number of firms will not continue to be viable. A phased reduction over time, possibly with varying schedules, would give these industries time to redeploy their assets and workforce to the new structure of incentives. Medium and long-term credit may be necessary to help finance both new and reorganizing enterprises.

5.24 The mission's stay in Haiti was much too short to develop the extensive information base which would be needed to offer reasonable advice on the appropriate strategy to eliminate excessive protection. For instance, basic data were not available, such as which products pay duty and at what rates (both legal and actual after accommodations with Customs); weeks, if not months, would be needed to extract these data from the material at Customs. Similarly, while some protected industries are known, there is no complete list. No reliable information is available on the accounts of those

industries known to be protected.

5.25 Under these circumstances, the mission can only emphasize five points:

(a) the decision to follow through on the commitment to reduce protection rests with the entire Government, but implementation must be the responsibility of the Minister of Finance to avoid stalling the process, subject, of course, to his regular reports to the Government on progress and problems;

(b) a study unit is essential to develop the necessary information base, recommend a new tariff structure, prepare decisions and advise the Minister on strategy throughout the process. This study unit should be very small since the number of protected industries is probably not large but should contain experienced staff, including foreign technical experts as required for specific questions;

(c) prior to establishing this unit, or just after its establishment, import quotas may be replaced by customs tariffs. This operation is relatively simple;

(d) price controls on tradeable goods could probably be progressively removed as quotas are replaced by tariffs;

(e) the Haitian market is reportedly the frequent target of international dumping. The necessary authority should be retained to set countervailing tariffs as required. The study unit, or any more appropriate Government body, could develop an observation capacity to advise the Minister on dumping as and when it occurs;

5.26 The revised incentive structure will take time to implement. It is important immediately, however, that all incentives, whatever they may be, are implemented in a consistent and open manner so that industry can operate in a predictable policy environment. The new code calls for this and must be effectively implemented. In addition, the Government should at once take steps to eliminate administrative obstacles to exports and to export-oriented investment. A useful step would be the establishment of a one-stop office where foreign and domestic investors alike could obtain all necessary permits, sign up for incentives, etc. More important, the public service and the public utilities should serve exporters, and be seen to do so. This applies to many areas of the public administration, and especially to Customs.

5.27 Assembly industries frequently complain about the lack of efficiency and cooperation of Customs. Since these industries depend on a fast turn-over time, any delay in importing raw materials and intermediate goods is costly. For example, a garment producer has 15 working days (21 calendar days) between the arrival of a raw material container at the port of Port-au-Prince and its dispatch full of assembled articles from his factory. A four-day delay of the container at Customs leaves only eleven working days

for processing in the factory. While assembly industries operate under a renewable annual franchise that allows the duty-free import of inputs, they face substantial red tape and constant delays during the inspection of containers. The public industrial park administration is considering locating all customs procedures, including inspection of the containers, on site in the park, converting it into an export processing zone. This positive step would require no legal change as the Industrial Park Law of September 1974 already provides for fencing of the park (Article 1) and for on-site customs services (Article 27). Outside the public park, the Government should consider allowing customs officials to operate on private premises, including private industrial parks and established factory buildings.

5.28 Another important area that the public sector neglects is the regulation and control of food producing agro-industries. There is no government agency charged with ensuring the quality of manufactured products or adherence to minimum content and sanitation standards. For instance, meat processors would probably have to condemn for sanitary reasons as much as one half of the livers of cattle slaughtered. At present, they do not usually do so.

5.29 The Permanent Joint Committee to Promote Investment has already proved to be a most useful vehicle for dialogue between the Government and private industry. It has resulted in the new Investment Code, in cooperation to study both a joint export and investment promotion agency and international shipping costs to Haiti, and in various other measures. It, together with recent reductions in the export taxes on coffee and essential oils, confirms the Government's commitment to reduce the anti-export bias. The key policy change remains, however, the reduction of protection.

5.30 The policy measures called for above should result in an increase in manufactured exports, the initial stage in the achievement of the Government's objective of an integrated industrial sector. The subsequent phase will consist of extending backward linkages to industries producing inputs for the exporters. This will take more time and be largely spontaneous if incentives are right. There are, however, some immediate opportunities for such linkages, and for those between agriculture and agro-industry, that should be grasped. Most require concerted cooperation between Government and industry if results are to be achieved. A few examples will illustrate this point. Among assembly industries, the garment factories could use local textiles, the sporting goods firms could use cotton yarn for baseballs, and the sporting goods and footwear industries could use local leather. The local tomato paste industry could use more tomatoes. Both export assembly and local industries could use more locally made packaging materials, especially cardboard boxes and tin cans if they could be produced more competitively. Statistical Appendix Table 8.6 lists some local raw materials that are currently used by a few industries.

5.31 The cotton textile industry consists of one cotton yarn mill. The mill benefits from being able to purchase good quality domestic cotton at a price of US$0.68-0.70 per pound compared to US$0.75-0.80 for imported cotton. Unfortunately, part of the price advantage is lost because cotton is frequently harvested before full maturity with resulting weakening of the

fiber during finishing and dyeing. Nevertheless, the quality of the cotton is too good for the coarse yarn produced in Haiti. Cotton spinning is also below standard because of the high fiber breakage rate. The yarn mill operates well below its capacity of two to three million meters of yarn on a two-shift basis. Actual production is less than one million meters. Capacity utilization could be raised by selling locally produced textiles to garment factories, mostly exporting to the United States, and to baseball assemblers. The garment industry, however, criticize the low quality, high prices and limited variety of local products. Prices are 60 to 70% higher than in Hong Kong. More promising may be the production of yarn for baseballs. Cotton yarn was some years ago supplied by a local manufacturer for this purpose. Two assembly industrialists indicated a willingness to purchase local cotton yarn blended with synthetics. This would increase the value added in Haiti of sporting goods assemblies, enabling exports to enter the U.S. duty free under the CBI rather than at low rates of duty as at present under 806.30 and 807.00.

5.32 There are good possibilities to supply leather to export assembly industries. A footwear company is interested in goatskins for boot linings for export. A sporting goods company is interested in low cost local leather skins for baseballs to replace those it now imports from the U.S.

5.33 The local furniture industry suffers from a lack of local wood of sufficient quality, in part because it is often poorly dried in inappropriate kilns, and must increasingly import wood. At the same time Haiti exports wood for furniture manufacture abroad. It is recommended that a study be made of means by which the wooden furniture industry could be further developed in view of its natural geographic protection and suitability for Haiti's stage of industrialisation.

5.34 The one producer of tomato paste in Haiti still imports tomato concentrate as a raw material because of insufficient local production of tomatoes, despite the establishment of six new commercial tomato growing operations in recent years. Cardboard boxes were discussed in Section II.D; protection results in low capacity utilization and high priced local products of dubious quality. Unlike most developing coutries, Haiti also has a sophisticated can industry, producing high quality products. Capacity utilization is only 28%, however, and prices are approximately 30% above those in the neighboring Dominican Republic, itself a high cost producer.

5.35 Many more examples could be quoted of potential linkages between industries, especially local and assembly ones. The principal impediment to greater linkages from the assembly industries is the high prices and questionable quality of many Haitian products as a result of uncompetitive production behind protection. The reduction of protection, as proposed above, is the single most important measure that can be taken to promote these linkages. Certain specific steps may also be called for in certain industries, as suggested here for textiles and wood. There is also an inherent conservatism among many foreign (mainly American) assembly firms and customers which prevents their managers in Haiti from looking into opportunities for integration. The Government and the industrialists' associations like ADIH should make an effort to overcome this attitude.

E. Restructure the Public Industrial Enterprises

5.36 Public and mixed enterprises in Haiti fall into three categories: public utilities and services like electricity and the port authority; relatively minor enterprises like a marble export company; and major manufacturing enterprises like Ciment d'Haiti and USND (Table V.3). General proposals to tighten control of all the enterprises are made in Section III. F. This section is, rather, concerned with the economic impact of five major industrial enterprises that the State either purchased or established in recent years: an edible oil refinery (SODEXOL), the flour mill (Minoterie), two of the country's four sugar mills (USN and USND) and the cement plant (Ciment d'Haiti).

Table V.3: PUBLIC AND MIXED ENTERPRISES, JANUARY 1985 [a]/

Public utilities and services	Major manufacturing enterprises	Other minor enterprises
AAPN (airport)	Ciment d'Haiti (cement)	Air Haiti
APN (port)	Minoterie (flour)	Compagnie Nationale Haïtienne de Navigation
CAMEP (Port-au-Prince water)	SODEXOL (edible oil)	Flore d'Haïti (herbal tea)
CONATRA (Port-au-Prince buses)	USN (sugar)	Industrie Marbrière Haïtienne (marble exports)
EdH (electricity)	USND (sugar)	Port Dauphin (sisal and livestock exports)
SEN (construction)		Produits Metalliques (mufflers)
SNEP (provincial water)		Société de Nutrition Animale (animal feed blending)
SONAPI (public industrial park)		
TELECO (telecommunications)		

[a]/ There are in addition several entities whose status is unclear: Conseil National de l'Environnement, Office National des Assurances, the post office and the radio/TV organization.

Source: MEFI - Direction des Entreprises Mixtes et de l'Etat.

5.37 Each of these public enterprises enjoys a special position in the economy. The Minoterie, for example, has a monopoly in wheat and flour imports and in the production of wheat flour. Ciment d'Haïti has a de facto monopoly in cement production and trade. SODEXOL had a trading monopoly in both semi-refined oil and the export of the meal byproduct. The prices of all the enterprises' products are controlled by the Government (Statistical Appendix table 9.3). Until March 1985, they were exempt from taxes.

5.38 The mission examined the economic viability of these enterprises. It found that SODEXOL and the two sugar mills are not now viable and are

unlikely to become so in the future. The Government agrees that they are not currently viable and plans to study all possible options to increase their productivity. These entities have been studied before. If they cannot soon be shown to be viable, they should be closed. The Government should also reduce the production costs of the Minoterie and Ciment d'Haïti and should consider selling them to the private sector. If costs cannot be reduced sufficiently, the Government should consider their closure as well.

SODEXOL

5.39 SODEXOL, a soybean crushing plant, started operations in September 1981. It imported soybeans, crushed them into oil for sale on the domestic market, and exported 95% of the meal byproduct of crushing. It had 34% Government ownership, a public guarantee of its long-term external debt, and trading monopolies in both semi-refined oil and the export of meal.

5.40 Before SODEXOL's establishment, the Haitian edible oils market was free, served by four refiners of imported semi-refined oil. Retail margins were not excessive at 25-30% and prices to the consumer had remained constant in terms of real purchasing power since 1976. Refiners' margins were equally those to be expected of a competitive market. The competitiveness of the domestic market prior to 1982 is confirmed by the strong correlation between price changes in the Port-au-Prince retail market and changes in the U.S. market for crude oil (Figure V.1). All refiners must now buy their semi-refined oil from SODEXOL.

5.41 There was and is no indigenous production of oilseeds for crushing, except for a little cottonseed, although growing conditions are good for sunflower, safflower, rapeseed and African oil palm. Production was not thought feasible, however, because of the impossibility of finding a market for the oilseed meal byproduct. Domestic demand for this product is very low and exporting was not thought practicable, given Haiti's proximity to the United States and its highly competitive soymeal exports.

5.42 On the face of it, there was then no justification for establishing SODEXOL. Events have more than borne this out. The major consequences of its advent have been a transfer of a large part of the refiners' margins to SODEXOL from the few existing refiners; a distortion of prices in the edible oil market, resulting in market prices losing their correlation with international soybean crude oil prices; a probable increase in consumers' prices above those that would have otherwise obtained; and a loss-making and foreign exchange-losing mixed enterprise for the Government.

5.43 Refiners' net margins, which cover sales expenses, depreciation, administrative costs, financial costs and profit, typically are three times the level of direct costs (including refining losses). This was still the case in 1981 before SODEXOL started up; it has not been so since.

Table V.4: EDIBLE OIL REFINERS' PROCESSING MARGINS, 1981-84
(US$ per metric ton)

Year	Refined Oil Price	Cost of Semi-Refined [a/]	Gross Margin	Direct Costs [b/]	Net Margin
1981	1,228	671	557	139	418
1982	1,224	950	274	159	115
1983	1,300	950	350	159	191
1984	1,602	1,295	307	211	96

[a/] Direct imports in 1981; SODEXOL price thereafter.
[b/] Includes refining losses.

Sources: Adapted from R. Borsdorf and K. Foster, The Edible Oils and Fats Sector in Haiti, Kansas State University, 1983; Mission estimates.

5.44 Figure V.1 demonstrates that the correlation between domestic retail market prices and international crude oil market prices broke down with the advent of SODEXOL. This has continued since. Retail prices of common household oil went from G 21.80 per gallon in April 1983 to G 28.25 in September 1983, and to G 29.70 in December 1984. A rough estimate can be made of the likely level of current retail prices in the absence of SODEXOL. The average difference between retail prices in Port-au-Prince and U.S. crude oil prices was G 4.58/kg between 1977-81 and has been G 7.05 since. Assuming this difference to be due in large part to SODEXOL, then the 30,000 tons of edible oil sold each year in Haiti cost the consumer US$14.8 million more than had the former market structure continued.

5.45 SODEXOL has been consistently unprofitable as Table V.5 shows. The plant has operated on average at only 63% of its nominal capacity of 120,000 tons of soybeans per year, equivalent to 21,600 tons of edible oil output. This has resulted from three factors: approximately 4,000 tons of edible oil imports per year under U.S. PL-480 aid; occasional Government-permitted imports of edible oil by other refiners e.g. in March-April 1984; and SODEXOL's own commercial imports of crude oil. Production costs are high because of high fixed costs, especially interest on suppliers' credits, and because of the high cost of imported inputs, fuel, caustic soda and solvent. Sales prices for oil are high but those for meal are low. The average revenue split for the U.S. soybean crushing industry between 1972-82 was 37% from oil: 63% from meal. SODEXOL's was 57:43. This is not surprising in the absence of a local market for meal. The company further appeared to be attempting to force other refiners out of business by selling fully refined oil at only US$70 per ton above the Government-controlled price of semi-refined oil. This US$70 is less than one half other refiners' reported processing costs.

Figure V.1 : Edible Oil Prices.

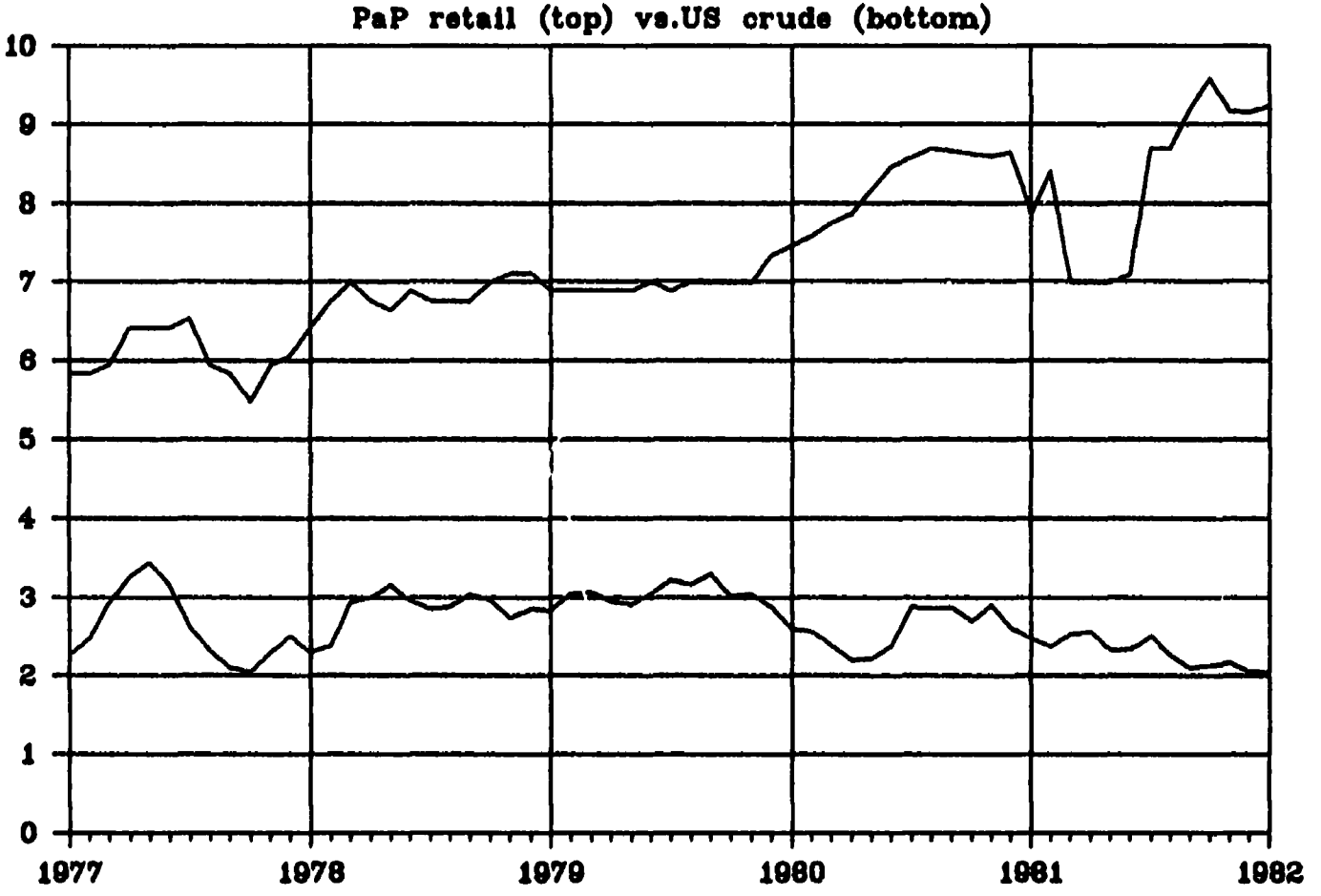


Table V.5: SODEXOL: OPERATING LOSSES, FY82-84

(US$ thousands)

FY	Operating Loss	Cumulative Deficit	Working Capital
82	2,102	982	-8,124
83	42	1,023	-9,014
84 a/	500	1,500	-10,500

a/ Estimated.

Source: SODEXOL

5.46 SODEXOL also represented an uneconomic proposition from the national economic viewpoint, as an approximate calculation using border prices demonstrates. From October 1983 to July 1984, the company imported 53,448 tons of soybeans for US$16.8 million. It generated 41,155 tons of meal which could have been sold on world markets for about US$9.6 million. It produced 9,621 tons of crude oil at a foreign exchange production cost of about US$1.8 million. The net foreign exchange cost of producing each ton of crude oil was thus about US$935. During this period the average US crude oil price was US$680 per ton FOB Decatur which with transportation is equivalent to about US$780 CIF Port-au-Prince. The net foreign exchange loss was therefore about US$155 per ton, a total of about US$1.5 million in nine months.

5.47 SODEXOL's problems stemmed essentially from its being positioned out of market. It had to import all raw materials and export a major part of its products and therefore had to rely more on revenue from oil as opposed to that from meal as is standard for the industry. Its excessive prices hurt the consumer and its net impact on the economy was negative. On economic grounds alone, its continued operation was not justified. Further, its operations resulted in mounting losses for the public sector. The mission's recommendation would have been that the Government treat SODEXOL as if it were a private company, cancelling its de facto monopoly of the edible oil trade and freeing the price of oil. This would have made oilseed crushing unviable and the company would have had to restructure itself to continue operating as a refiner of imported crude oil, in competition with others. The debt would have had to have been treated separately from the future of the company.

5.48 In early February 1985, however, the Government acquired all the shares in SODEXOL, wound the company up, and replaced it with a new public enterprise, Entreprise Nationale des Oleagineux (ENAOL). It accepts the principle of ultimate divestiture once the company has paid off its publicly guaranteed debt. The Government believes it necessary to continue to restrict the market for edible oil in order to assure ENAOL's revenues so that its debt may be retired. It also believes that further studies are

needed of ways to increase its productivity, given that an investment has been made in a crushing plant, before it should be restructured. The goals of improving efficiency, Haitian incomes, and divesting the plant could perhaps be reached quicker if the debt on this loan could be cancelled.

Minoterie

5.49 The Minoterie was created in 1969 to operate a flour mill acquired by the Government from private industry. Through 1982 the mill was managed by a Canadian firm whose contract included the responsibility for wheat and, when required, flour purchases. Since October 1982, the Government has taken full control. The mill used to be exempt from corporate taxes; it employs 400 permanent and about 200 temporary workers. Current milling capacity is equivalent to a production of about 135,000 to 150,000 tons of flour per year. The mill operates at close to that level. The Minoterie has a monopoly on wheat and flour imports and on the production of wheat flour. About 25% of the wheat milled is obtained under US PL-480 aid. The price of flour is controlled by the Government.

5.50 The domestic sales price for bulk flour averaged 208% of the border price between 1975-82. Table V.6 compares the Minoterie's production costs per bag of flour with border prices for imported flour. The production costs were on average 34% higher than the price of imported flour. The mill was therefore uneconomic with its present structure of costs. The net economic loss to Haiti from operation of the Minoterie in FY83 was US$11.8 million (2.5 million bags of flour sold with an economic loss per bag of US$4.62). This represented an annual subsidy of about US$20,000 to maintain each of the 600 jobs the Minoterie provides.

Table V.6: FLOUR PRODUCTION COSTS AND IMPORT PRICES, FY80-83
(US$ per 100 lb. bag)

	FY80	FY81	FY82	FY83
Minoterie production cost	16.67	19.23	17.00	17.14
Landed cost of imported U.S. flour	12.77	13.92	13.00	12.52
Ratio (%)	131%	138%	131%	137%

Source: Mission estimates.

5.51 The Minoterie's high production costs resulted from a low extraction rate and high costs of energy, credit for imported wheat, bags, additives, and spare parts. There was also substantial overstaffing, high salaries and high directors' fees. Total wages rose 55% from 1980-83.

5.52 One function the Minoterie has fulfilled is that of a source of funds for the Treasury. Transfers of operating surpluses from TELECO and the Minoterie reached 3% of GDP in FY84. The Minoterie's profits have replaced direct taxation, as the tax component of the sales price of flour has declined (Table V.7); both represent transfers to the Treasury, however. A

more appropriate scheme, for transparency purposes, would be to put the Minoterie in the same position as any other industrial enterprise in the country. In fact, higher revenues could be obtained from taxing flour so that retail prices remain at their current level, but ex-factory prices are such as to force the Minoterie to reduce costs if it wishes to avoid after tax losses.

Table V.7: FLOUR PRICE STRUCTURE, 1969-84

	1969-72	1973	1974	1975-79	1980	1981	1982	1983	1984
Sales price (US$/100 lbs):	13.26	13.26	16.75	19.90	20.48	24.00	24.64	24.64	25.90
% to Minoterie:	56	65	80	77	81	86	87	87	88
% to Taxes:	42	34	20	22	19	14	13	13	12
Minoterie Profit on Sales (%) a/	..	..	..	6	-3	0	17	17	..

a/ Fiscal year.

Source: World Bank, Haiti: Agricultural Sector Study, 1985

5.53 The Minoterie's production costs must be reduced. As noted, this could be effected by removing its privileged status and treating it as if it were a private sector enterprise i.e. by ending its import monopolies and freeing the price of flour. Once the Minoterie becomes efficient, it could be offered for sale to the private sector. If it cannot reduce its costs to internationally competitive levels, the Government will have to consider closing it. During the period of cost reduction, the Minoterie should not be expanded. The Government intends to study how the Minoterie's costs could be reduced but does not propose to end fully its privileged status, though the Minoterie has since March 1985 become subject to tax on its corporate earnings.

USN and USND

5.54 Haiti has four sugar mills, two private and two public. The oldest is HASCO, a private mill built in the 1920s on the outskirts of Port-au-Prince, with a nominal capacity of 3,700 tons of cane per day. The second private mill is Dessalines, located in Les Cayes since the early 1950s, with an 1,800 ton capacity. The two public mills are the newest. USN, formerly known as La Citadelle, was built as a private mill near Cap Haitien in 1970, using second-hand United States equipment; following financial problems in the late 1970s, it is now owned by the state commercial bank, BNC. Its daily capacity is 2,250 tons. The fourth mill is USND at Leogane, a new public sector plant which came on stream in 1984 with a capacity of 3,000 tons.

5.55 Total installed milling capacity in Haiti is thus approximately 1.4 million tons of cane per year, equivalent to about 115,000 tons of sugar, of which the public sector now owns almost half. The capacity is severely underutilized: total annual sugar production in Haiti between 1981-84 averaged 43,800 tons, or under 40% capacity utilization. By contrast, HASCO's production in 1950, when it was the only mill in Haiti, was 56,000 tons.

5.56 Steps can be taken to improve the productivity of sugarcane (Chapter IV). They are most unlikely, however, to be sufficient to increase capacity utilization significantly so that the four sugar mills could survive in a competitive market environment. It is only the privileged position of the two public mills which enables them to keep operating.

5.57 At USN, both production and the conversion rate from cane to sugar declined steadily from 1977 to 1983. The mill produced only 3,262 tons of sugar in 1983 compared to 10,854 in 1977 and the conversion rate fell from 19 to 26 tons of cane per ton of sugar produced (Statistical Appendix Table 8.7). Conversion rates at HASCO and Dessalines, by contrast, were 10 and 15 respectively. The new USN management installed by the Government is making a major improvement effort and both production (5,999 tons) and the conversion rate (18) improved in 1984. Considerable capital improvements have been made. Still, performance remains far from satisfactory and cannot but have a serious impact on the factory's financial position. Figure V.2 presents the results of a breakeven analysis for USN. The underlying production cost analysis includes an assumed return to equity of 15% and interest payments on both long- and short-term debt. At the 1984 yield of 110 pounds of sugar per ton of cane, the total cost curve intersects with the revenue curve at 347,500 bags of sugar per crop, assuming the guaranteed price of US$0.24 per lb. At the present conversion rate, this would require 317,000 tons of cane, i.e. 2.6 times the volume of cane processed in 1984. The mill is unlikely to obtain this amount of cane in the foreseeable future, if ever. Its maximum throughput ever was 205,000 tons of cane in 1977, or below 2/3 that required to break even today.

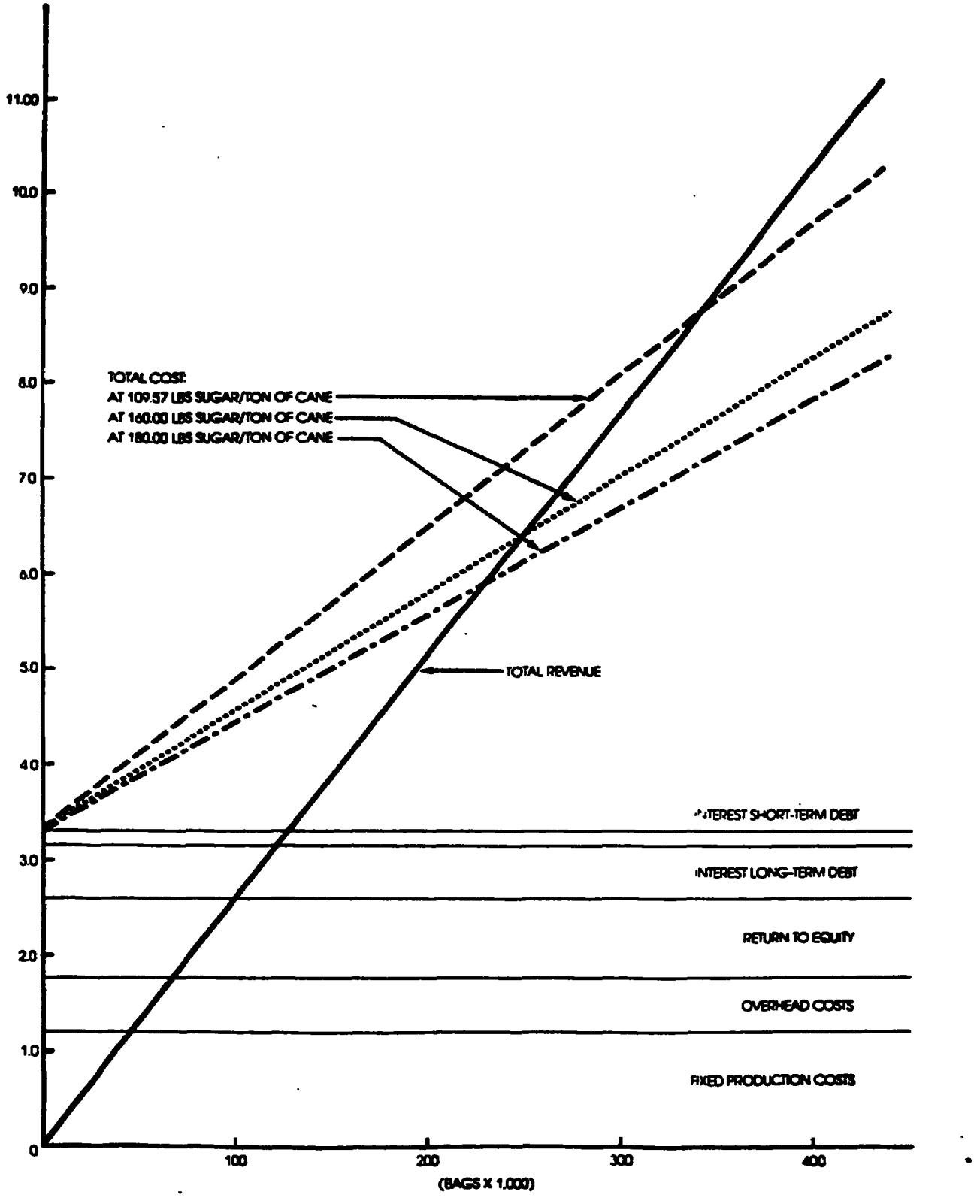
5.58 Further, USN is located in an inappropriate region for cane cultivation. The very low level of sucrose in the cane it processes, demonstrated by the extremely high ratio of cane to sugar produced, results in part from climatic conditions. In addition, the area has severe infrastructural problems and shortages of cane transport.

5.59 In conclusion, USN has operating results so far off the norm that reaching average Haitian standards, let alone international ones, is probably impossible. It is inappropriately located. USN could probably never become economically viable. Were it a private company, it would almost certainly be forced to close. The Government is currently considering divestiture to the private sector. If this is not successful, it should be closed. Prior to closing it, however, a study should be carried out to determine the alternative uses of cane by guildives and the new crops which farmers could grow to replace the cane supplied to the mill. A program to convert farmers to these new crops should result from this study.

Figure V.2

USN

Costs and Revenue of Differing Sugar Content in Cane



Source: World Bank, Agricultural Sector Study, 1985

5.60 USND processed 75,000 tons of cane (20% of capacity) in 1984, its first year of operation. Although some improvements in cane yields have recently been made, it is unlikely that the plant will be able to acquire sufficient cane to become viable in the foreseeable future. The Léogane plain, where its cane will have to come from, provided an historic maximum of 122,000 tons of cane in 1970 to the HASCO plant. In recent years prior to the operation of USND, the plain did not supply more than about 80,000 tons of cane to HASCO. It is highly unlikely that it can supply both HASCO and USND so that both can operate at or near full capacity. Even if the mill could purchase all the cane currently produced in the Léogane plain, it would still operate at less than 50% of its nominal capacity. Best estimates put the area under cane in the plain at almost 4,500 ha. Optimistically estimating cane yields at 40 tons per ha, the high end of national average yields, total production of cane in the Léogane plain would be about 178,000 tons per year, or only 47% of the mill's nominal throughput capacity.

5.61 It is unlikely, though, that USND will ever be able to capture the total cane produced in the Léogane plain, because of the many small growers. According to a 1983 survey carried out by USND, smallholdings are more predominant in the Léogane plain than they are in other cane growing areas. Ninety one percent of farmers surveyed had holdings of less than 1 ha, covering almost 39% of the total area under cane. Only 40 farmers had holdings above 10 ha, covering 37% of the total area. The remaining 24% was in holdings between 1 and 10 ha. Most smallholders intercrop cane with food crops, regarding the cane as a savings mechanism. For them, liquidity is more important than the amount of money received. Hence, a substantial proportion of cane farmers in the Léogane plain has an interest in maintaining the traditional outlet for cane, the guildives producing syrup and clairin, who will buy cane all year round while USND has only a 3-4 month milling season. Intercropping further reduces yields of sugar cane.

5.62 The capacity problem is not just one of capturing all current cane production. It applies even at the level of the Léogane plain's maximum potential production. If all 8,200 ha of the plain were devoted to sugarcane production, current yields of 35-40 tons/ha would not yield sufficient cane to meet USND's nominal capacity. The Government believes yields can be increased significantly, possibly doubled or more. In the long-term, however, the plain may more appropriately be devoted to the cultivation of other crops such as rice, fruits and vegetables.

5.63 Thus, even under the most optimistic assumptions, the total potential cane supply to USND is unlikely to be adequate to permit operation at or near full capacity. In consequence, its capital costs will probably make sugar production uneconomic, now and in the future. 1/ It is known that the mill was acquired at a total cost of around US$60 million, US$42 million of which is financed through suppliers' credits at 8% over 10 years; the remainder was financed as equity by the Government. Production costs in 1984, which excluded both depreciation and interest, came to US$25.87 per 100-lb bag of sugar compared to a sales price of US$24. Losses must be enormous when interest on the suppliers' credits is included. USND is not at present economically viable and it is unlikely to become so. The Government agrees that it is not viable at present but plans to study how cane yields could be increased and cane might be diverted from the guildives to USND. If USND cannot be shown to be viable soon, it should be closed. The large debt

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1/ Little financial information is available on USND. Even MEFI, in spite of being listed as the nominal owner, was unable to provide an opening balance sheet to the mission.

presents a major problem that should be treated separately from the sugar mills continued operation.

Ciment d'Haiti

5.64 Ciment d'Haïti, the largest manufacturing enterprise in Haiti, was incorporated in 1951 with substantial Government ownership. Major financial difficulties led the Government to purchase all the outstanding shares for US$8.4 million in October 1984. The Government controls the price of cement and Ciment d'Haïti has a de facto monopoly in its production and trade. It has its own limestone and marl quarries but must import gypsum and all its energy in the form of coal. Its current clinker production capacity is about 240,000 tons per year but it has handling equipment for 430,000 tons. It has a technical assistance contract with the Holderbank group, a substantial combine with worldwide operations.

5.65 As currently undertaken, cement production in Haiti is uneconomic. Actual production costs in 1984 were US$88 per ton; budgeted costs for 1985 are US$83 (comparable selling prices are US$94 per ton in both years so it has more than met its costs). By contrast, clinker could be imported under long-term contract for US$20-35 per ton, bulk cement for US$25-45, and bagged cement for US$50-60. Unless production costs can be cut, therefore, cement production is not economic. The Haitian consumer subsidizes Ciment d'Haïti by about US$6.5 million per year, the estimated difference between the value of cement consumption at prices set by Ciment d'Haiti and at imported prices.

5.66 A technical audit in late 1982, suggested by IFC, found cost elements other than depreciation and finance to be US$68 per ton compared to international industry standards of US$35-50 (Statistical Appendix Table 8.8). Wages and salaries were at least 50% above standards. Technical recommendations were made for minor investments to streamline operations with new quarry equipment, a power unit and training and, later on, new roads, spare parts and dust control equipment. Production cost reductions were also recommended through tightened cost control, renegotiation of purchase prices for coal, diesel and other inputs, and process improvements. Neither the necessary investments nor the cost reductions have been carried out. Actual annual investments in 1983 and 1984 were about US$0.8 million compared to required ones of about US$2.0 million. All cost elements have continued to rise, with the exception of energy. Wages and salaries, in particular, increased from US$12 per ton of cement produced in 1981 to US$19 in 1984.

5.67 Ciment d'Haiti, like other public industrial enterprises, should lose its privileged position. The price of cement should be deregulated and imports allowed with a modest ad valorem tariff, which could decline over time. If production costs are successfully forced down as a result, the company could be offered for sale to the private sector. If they do not fall, the Government should consider ending domestic production, totally or in part since clinker could be imported and perhaps provide a basis for profitable operation.

5.68 The current market for cement in Haiti is stagnating around 225,000 tons per year, but current expansion plans include a new US$70 million plant

to start up in 1990. In view of the very high production costs of existing operations, excess capacity in processing and handling facilities for imported clinker, and the stagnating market for cement, the Government and the mission believe there is little or no economic justification for this proposed investment.

F. Overhaul Technical and Vocational Education

5.69 After protection, the most serious obstacle to industrial growth is a shortage of appropriately skilled technicians, supervisors and middle managers. This emerged from extensive mission interviews at both local and export assembly industries. Haiti has both entrepreneurs and unskilled workers as capable as those in other countries, but it suffers from a severe shortage of technicians, with resulting high costs and high turnover rates, from technicians who are unaware of the importance of product quality, and from technicians and mechanics who do not carry out preventive maintenance. Industries frequently complain about skilled manpower problems; Statistical Appendix Table 8.9 records the results of mission interviews at various industrial plants. In part the problems result because too few technicians are produced by vocational schools; in part, because many emigrate to the United States and Canada; and, in part, because entrepreneurs do not try -- and have no official mechanism -- to attract qualified emigrants back to Haiti.

5.70 There is no relationship, in terms of either quantity or quality, between the output of the current vocational training system and the needs of the labor market. Table V.8 shows that total supply is estimated to be only about half of demand throughout the 1980s. The quality of the limited numbers supplied is, moreover, poor because of inadequate and obsolete equipment, overcrowding (especially in workshops), irrelevant curricula, unqualified instructors and, most important, little or no contact with industry.

Table V.8: DEMAND AND SUPPLY ESTIMATES FOR QUALIFIED MANPOWER, FY81-91

Occupational Level	Educational Level	Annual Estimates FY81-86 Demand	FY81-86 Supply	FY87-91 Demand	FY87-91 Supply
Higher and middle level technical and administrative workers	Post-secondary and upper secondary technical schools	1,700	450	2,400	830
Skilled and semi-skilled workers	Lower secondary technical schools and other training	5,700	3,000	8,500	5,500
Total		7,400	3,450	10,900	6,330

Source: World Bank estimates, 1982.

5.71 The Government has started to restructure the existing public institutions to make them more responsive to labor market needs. These efforts focus on improving the quality of training at four public technical schools through curriculum development, staff training, and facilities development. Public institutions alone cannot, however, sufficiently increase the number of technicians supplied to the labor market with training related to industry's needs. This would require a demand-driven system in which industry might finance the training of those workers it needs and in which technical schools, probably private sector, would respond to the demand with the appropriate supply.

5.72 The bases for such a system already exist in Haiti. First, industries pay an apprentice tax of 1% of their payroll; it is not, however, used directly to finance vocational education but rather enters into general Treasury revenues, from which funds are provided to finance public training institutions. As a compulsory tax, it provides no incentive to employers to see that it is used to provide the training their workers need. Ways to overcome this should be studied. The new Investment Code makes a beginning by permitting tax deductions for some training expenses. Second, the bulk of vocational and technical students currently attend private sector institutions, 19,385 out of a total of 22,159 in FY84. Many of these institutions are simply secretarial colleges; others provide technical training. A more clearly articulated demand for technical training now needs to be manifested by industry. An urgent review of the vocational education system is thus called for, to include an examination of the relative roles of the private and public sectors, and of an appropriate financing mechanism. The reform of existing public institutions should continue to make them more responsive to industrial needs, perhaps even through their eventual transfer to the private sector. In addition, the Government is participating with the private sector in the establishment of a Management Productivity Center.

5.73 Increased emphasis on the private educational sector calls for an expansion in Government oversight. It is up to the Government to license vocational training establishments and to assure quality control through oversight of curricula and graduation requirements. It is up to the Government to provide the incentives to enable industry to demand the trained technicians it needs. The Government could also establish a scheme to help attract back to Haiti skilled technicians who have emigrated.

G. Meet Infrastructure Needs on Time

5.74 The principal infrastructure needs of industry are industrial land, power and transportation. Other needs are for water, drainage and telecommunications. The vast majority of Haiti's industries (some 85%) are located in the Port-au-Prince Urban Community. Over the past ten years, almost all new industries have located in the north of Port-au-Prince on vacant sites between the old and new airports. This zone consists of approximately 700-800 ha of relatively well drained land of low gradient with good bearing capacity.

5.75 Its central importance to industry made this zone the focus of the mission's preliminary assessment of industry's needs. Lack of infrastructure in the zone is not a major short-term constraint to industrial growth. However, improvements could be made to solve localized bottlenecks. The

mission identified a series of small projects which would appear to yield a very high return. Their feasibility has not, of course, been examined in detail; that is outside the scope of this report. The Ministry of Finance, with UNIDO assistance, currently is studying industry's medium-term infrastructure needs.

5.76 In the medium- to long-term, however, infrastructure, especially power, could be a serious obstacle to industrial development in the zone. To avert this, two studies may be required. First, the optimal development of the power sector, including the sequencing of new projects, will be determined by a study now underway. This would ensure that adequate supplies of electricity are available to industry in the future. Second, a study may be necessary to define a policy to design, develop and equip industrial zones and parks within the Port-au-Prince Urban Community, which would determine location priorities and define an infrastructure investment program for the next decade. Such a study could cost about US$300,000.

5.77 Guidelines for this industrial location policy should be based on achieving a certain saturation — say 85% -- in an industrial zone before a new one is developed. In the short term, this means promoting industries and channeling investment in infrastructure toward the current industrial zone adjacent to the airport. Preliminary recommendations for this form the bulk of this section. More detailed analysis is necessary to determine future priorities but they will probably include, first, some decentralization toward new industrial parks to be created at Mariani (about 100 ha) and Delmas 105, and, second, another park near the airport along the future route of the proposed Delmas III road.

5.78 Outside Port-au-Prince, by contrast, lack of infrastructure and business services poses an enormous obstacle to agro-industrial and industrial development. The mission could not assess those needs, however. In view of the need in the medium-term to avoid dispersing public capital expenditure on projects yielding low economic returns, it believes that a concentration is desirable on Port-au-Prince with its port, airport and other services, and perhaps in a few other locations such as Cap Haitien, Les Cayes and Gonaives. A particular concern of many agro-industrialists was, however, the poor quality of many rural roads, which raises enormously the prices of agricultural inputs delivered to the factory. Access roads to productive agricultural zones would qualify as projects with high priority, although the mission did not review specific needs.

5.79 Industrial Land. There is both private and public industrial land in Port-au-Prince. There are three types of private factory space: (a) buildings constructed and owned by the user; (b) buildings constructed by industrial real estate developers, rarely more than one per lot; and (c) private industrial parks constructed, run, and owned by industrialists. The first two dominated during the establishment of the assembly industry in the early 1970s. Private industrial parks range in size from a handful of buildings to relatively large complexes with 30 buidings. Services vary greatly, from the provision of nothing but a shell to so-called "shelter-plant" facilities which offer a company name, labor management, inventory management, secretarial assistance, relations with customers and the Government, and so on.

5.80 There is one public industrial park, SONAPI. An IDB-financed project to double its capacity began in 1984. The Government has three

motives for expansion: (a) to complete the 48 buildings originally planned; (b) to earn the additional rental income necessary for the park to become profitable (the park administration has not allowed industrialists to build their own facilities on leased land in the park); and (c) to demonstrate the commitment of the Government to the growth of the assembly industry though providing essential factory space. Competition was intense between the major private industrial park at Shodecosa and the public park until the latter became fully occupied in early 1983.

5.81 Current legislation and the administration of public utilities gives the public park a competitive edge over the private ones. A 1974 law gives a monopoly to the Societé d'Equipement National (SEN) to develop industrial parks. While this does not prevent the private sector from developing industrial space, it restricts certain industrial incentives to firms in the public park. The major direct incentive is the tax holiday: assembly firms in the public park enjoy an eight year holiday compared to five for those outside. Private industrial parks can in theory benefit from this incentive also; in practice they do not.

5.82 These actions and incentives seem unnecessary; the Government does not need to participate directly in the construction of additional factory space. The private sector is dynamic and has successfully developed the bulk of the existing space. There are enough projects under implementation and in the pipeline to meet demand for at least four to six years. Indeed, the Government should encourage the private sector by permitting entrepreneurs to construct their own buildings in the public park by putting the public park and equivalent private facilities on an equal footing (e.g. tax incentives, utilities service, customs services) and by allowing domestic and foreign entrepreneurs free access to construction in order to control speculation in the market for factory space.

5.83 There is a role for the Government in the development of industrial land outside the public park. Several sectors of the industrial zone, i.e. rear lot sites and those located on secondary roads, are poorly served with basic urban infrastructure. To correct this and to increase the availability of sites that can be used in the short term, about 3,000 meters of secondary roads could be built to develop new sites and/or improve service to existing industries. The construction of these roads would include roadside urban drainage, local aqueducts and electrical and telephone services at a total estimated cost of US$900,000.

5.84 Power. Electricité d'Haiti (EdH) had 147 MW of installed capacity as of October 1983, of which 120 MW serves the Port-au-Prince area, where maximum demand reached 61 MW in 1983. Despite this apparent large reserve margin, EdH could not meet its demand in April and May 1983 because the 47 MW Peligre hydroplant was shut down following a drought and because of initial difficulties with newly installed diesel electric groups at Varreux. This situation improved in 1984. Net available total capacity rose 17 MW and the surplus capacity balance was 5.6 MW compared to a deficit of 8.4 MW in 1983. A small deficit of 0.8 MW is again projected for 1985. In the future, however, there should be a surplus every year in Port-au-Prince, eliminating the need for power cuts which have inconvenienced industry in the past. Renovation of the distribution network in Port-au-Prince is scheduled for 1986-88. This will renew about 75% of the network and reduce losses from their present high 32% of total production to less than 17%. EdH could also

introduce an energy conservation program to reduce losses and spread the peak-hour demand.

5.85 Most industries reported limited power cuts, usually in April and May when hydro power from Peligre is scarce. Severe power cuts in the past have led many industries to purchase their own standby electric generators. Despite the improving power situation, however, some industries are still planning to buy their own generators. EdH's policy has been to supply power on a priority basis to the Port-au-Prince industrial zone. The Urban Community of Port-au-Prince consumes 88% of national electrial generation; the industrial sector accounts for some 45% of this. EdH should be in a position to meet the projected demands of 20 new industries per year until 1989 with the existing network. Outside the industrial zone, there is little excess power available for new industries. In the short to medium term, therefore, new industries should be encouraged to locate within the industrial zone.

5.86 Despite the priority given to the industrial zone, new industries have experienced delays of several months between requests for power and actual hook-up. In large part this has resulted from an insufficient stock of equipment, especially distribution transformers and cables, because EdH has had difficulty obtaining necessary foreign exchange. In addition, a US$1 million Equipment Fund could be established within EdH to enable it to build up a stock of basic equipment needed for industrial hookups.

5.87 Many industrialists complain about the high cost of electricity in Haiti. At US$0.14 per kWh, tariffs in Haiti are high compared to other countries in the region, because there are no low cost power generation possibilities. Industrial power tariffs are, however, some 30-50% below those for domestic and commercial users. The price of power is not a major determinant of the labor-intensive assembly industries' location decisions. Energy represents less than 3% of their value added. Far more important is the reliability of supply, and measures have been taken to assure this in recent years.

5.88 Transportation. There are three aspects of industry's transportation needs. First, workers need public transit to travel to and from work. Second, the industrial zone needs an adequate road network. Third, exporters and the assembly industry need good transportation links to the United States and the rest of the world.

5.89 A large proportion of workers in the industrial zone near the airport live in the south of the urban community in the areas of Carrefour, Fontamara and Mariani. During the day, workers travel by private tap-tap (Haitian jitney) and some use the ever declining services of the inefficient bus company, CONATRA, created in 1980 with 80 vehicles and now operating only 15. Industries utilizing night workers provide transportation for their employees. The tap-taps have created a severe traffic congestion problem. Round-trip travel to the industrial zone now takes 2-2½ hours and costs G 5-6 per day, or about 27% of wages. The shortage of jobs means that this has not yet posed an obstacle to industrial growth. Medium-to long-term solutions could include either or both of a new public transit system and road system flow improvements. A feasibility study should be made of a tramway or bus transit system operating on its own right-of-way in the southwest-northeast corridor.

5.90 The industrial zone is contained within four major urban highways: Route Nationale 1, Delmas, Boulevard Haile Selassie and Boulevard des Industries. All have significant excess capacity except for a section of the Route Nationale where the development of a new bus terminal may well conflict with through traffic. Immediate solutions are necessary for this (estimated cost US$350,000) and to improve the following intersections: Boulevard de la Saline/Route Nationale 1 (US$100,000) and Delmas/Route Nationale 1 (US$100,000). Future road projects are required not only for industrial development but for the entire urban system's functioning and should, of course, be reviewed within that context.

5.91 Air freight between Haiti and the outside world is little used. Its relatively high cost (15% above that from the Dominican Republic) deterssome export assembly industries. Existing airport facilities, including the current widening and repairing of the runway, could easily absorb a substantial increase in cargo volume. The only possible bottleneck could be the customs warehouse which could not handle volumes double those of today. If necessary, the area of covered space used to protect bonded merchandise could be extended for about US$100,000.

5.92 Transportation problems between Haiti and the rest of the world are mainly those of the seaport and ocean freight. The seaport, currently operating at about 30% of capacity, is large enough to meet the needs of the assembly industry for the next ten years. Tariffs at Port-au-Prince are within the normal range for the Caribbean but are widely perceived as too high. Several cost-saving measures in port operation could, however, be introduced to make port dues and tariffs more competitive. Ocean freight rates to the United States are 20% higher than those from the Dominican Republic, the most frequent complaint of exporters, and shipping schedules are becoming more irregular. The Government should cooperate with the industrialists' organizations in a study of the rates of different shipping companies to different countries in order to determine why their freight rates are so high and what can be done to obtain a reduction. Such a study has been agreed to within the framework of the Permanent Joint Committee to Promote Investment.

5.93 Water Supply and Drainage. Although assembly and other export industries are not major consumers of water, the necessary infrastructure is currently not available in a significant proportion of the industrial zone. Two alternative solutions are possible. A new main could be built to supply the Shodecosa private industral park and adjacent industries at an estimated cost of US$250,000. Alternatively, system improvements for the network serving the industrial zone, currently included in the post-1989 Phase II of the CAMEP master plan, could be brought forward to the beginning of Phase I. The estimated cost is US$700,000. Considerable drainage system improvements are currently planned in the industrial zone. They are not essential to industry, however, and no major constraints to industrial development would result if they were not implemented.

5.94 Telecommunications. TELECO is currently modernizing the Port-au-Prince telex and telephone systems and will offer enough lines and satisfactory quality by 1986. Industrialists are satisfied with the quality and reliability of the existing system. Telecommunications do not represent a constraint to further industrial development.

ANNEX

MACROECONOMIC PROJECTION, FY86-91

1. The mission explored quantitative prospects with the help of a simple standard World Bank accounting framework for the national accounts and the balance of payments which emphasizes external grant and capital requirements. The projection process was iterative. At each iteration, results in terms of the long-term viability of external payments served to check the validity of the macroeconomic assumptions and to adjust them for the next round. This process continued until assumptions and results had converged into a consistent, plausible projection.

The model consists of:

(a) a base year characterised by a consistent set of national accounts, balance of payments and debt commitments;

(b) a series of economic variables, parameters and coefficients for which exogenous values are entered for each projected year;

(c) a series of equations which describe the relations among the economic variables;

(d) the computation, on the basis of (a), (b) and (c), of relevant endogenous economic variables to build a set of projected national accounts and a balance of payments.

2. The projection indicates the economic growth Haiti might achieve were the major policy proposals of this report adopted. The policy proposals guide the choice of assumptions for the model's exogenous variables and parameters. The projection is thus largely illustrative, principally because of uncertainty about the Government's view of the policy changes assumed, and also because of data shortcomings and the limitations of the simple model.

A. Principal Assumptions

3. Following the model's structure and the report's recommendations, the projection starts with a base year (FY85); assumes an essential period of renewed stabilization during which a start is made toward longer-term policy changes (FY86-87); and finishes with a period of sustained and rising growth achieved on the basis of successful stabilization and continued policy changes to favor export-oriented production (FY88-91). Each is now described in turn. (The model's detailed methodology and assumptions are described in Section C.)

4. The base year (FY85) is forecast on the basis of trends since FY82 and current policy. International reserves are assumed not to change over the year, since the improvement obtained in the first half of the year may be lost in the second because of the seasonality of export receipts.

5. The period of renewed stabilization (FY86-87) would be characterised by restrained growth around two per cent per year in real terms and the achievement of equilibrium through:

(a) improved fiscal performance, including higher tax and other public revenues, a stabilization and restructuring of current public expenditure, improved public savings, and a reallocation of capital expenditure toward meeting the needs of export-oriented businesses;

(b) limited monetary creation to avoid inflation and pressure on the exchange rate;

(c) the achievement of systematic targets for rebuilding international reserves;

(d) a strengthened collaboration between Government and the private sector to encourage investment and output expansion;

(e) as freedom of maneuver is slowly regained, the implementation of measures to progressively liberalize trade policy; improve the efficiency of import substitution industries, including those in the public sector; stimulate exports from both agriculture and industry; and increase productivity through the more rational allocation of both national and public sector resources.

6. The period of sustained growth (FY88-91) in which the economy would once again be in equilibrium and the need for stabilization would no longer restrain growth. The Government would have regained complete freedom of maneuver and could concentrate fully on achieving long-term growth, reinforcing the initial steps taken toward the end of the stabilization period to orient production toward exports, seek new markets, increase the efficiency of investment and establish the policy conditions for and meet the infrastructure and other needs of a growing agriculture and industry. The detailed policy proposals are spelled out in Chapters III, IV and V of the report. Reserves would continue to be rebuilt and would become positive again by the end of the period. Growth would accelerate to reach over four per cent per year, and perhaps more, in real terms by FY91.

B. Overall Results

7. The projection shows that Haiti could move onto a sustained growth path by the late 1980s and beyond. Tables A.3 - A.6 present the principal past trends for FY80-84, the assumed base year of FY85, and projections for FY87 and FY91, including relevant period growth rates and shares of GDP.

8. The principal characteristics of the improved economy would be:

(a) real GDP growth, reaching 4.1% per year by FY91, compared to a decline over FY80-85;

(b) real GDP per capita growth of 2.2% per year, again compared to a decrease during FY80-85;

(c) tax revenues reaching 11% of GDP in current terms and a central government deficit around one percent of GDP;

(d) consumption growth below that of GDP to shift GDP into exports and raise domestic savings. Consumption would fall from 95% of GDP in FY85 to 92% in FY91 and government consumption would increase at only 3.1% per year in real terms during the period;

(e) improved efficiency of investment, the incremental capital output ratio (ICOR) dropping from 7.0 in FY85 to 3.6 in FY91, permitting growth with a 2% per year real increase in investment and a declining share of investment in GDP;

(f) Gross Domestic Savings would increase from 4.9% of GDP in FY85 to 8.5% in FY91 and Gross National Savings from 10.9 to 12.2%. Despite this improvement, large amounts of external finance would be necessary;

(g) exports would grow at 6.3% per year in real terms and rise from 23% of GDP in FY85 to 28% in FY91. Imports would remain around 35% of GDP. There would also be a gain from a two percent improvement in Haiti's terms of trade;

(h) the balance of payments would improve, the resource gap falling from 11% of GDP in FY85 to 6% in FY91 and the current account deficit falling from 5 to 3% of GDP;

(i) net international reserves would continue to improve, assuming external financing, to reach a positive level of US$13 million by FY 91;

(j) domestic inflation would be stable around 8% per year.

9. It is important to note, therefore, that neither improved fiscal performance nor export expansion will be sufficient to sustain Haiti's economic growth. Substantial inflows of external finance - grants and loans - will continue to be necessary, and on the best possible terms. The scope for commercial borrowing would improve slightly but would remain severely limited. This is discussed in more detail in the next section.

C. Detailed Description of Methodology and Quantitative Assumptions

10. This section lists the detailed assumptions and relationships used in making the projection. It describes in turn overall GDP; import duties; consumption; investment; savings; current Government revenue and expenditure; external trade; the balance of payments; and external financing.

11. GDP is not disaggregated and is forecast using an exogenous growth rate. Assuming a renewed stabilization program with IMF support during FY86-87,

the growth of GDP would be constrained to 2.2%. The period FY88-91 would benefit from the initial long-term growth-oriented policy changes which would permit a sustained 3.6% real average annual increase in GDP, with real growth exceeding 4% by FY91.

12. Import duties are exogenously assumed as a percentage of GDP at factor cost to determine GDP at market prices. The stable historic proportion of 4.5% is applied.

13. Consumption is a residual determined from gross domestic income minus investment plus the resource gap, adjusting exports for the terms of trade effect. Any increase in imports directly increases consumption; part should be linked to investment but the unavailability of disaggregated import data for capital goods precludes this. Total consumption consists of private and public components. Government consumption is determined by applying an exogenous growth rate and private consumption is the residual of total less government consumption. The growth rate of the GDP price deflator is applied to the growth of government consumption to determine the growth of current government expenditure.

14. The economic structure and income level of Haiti are such that consumption will have to stay high as a proportion of gross domestic income. Pressure on government consumption together with incentives to increase private saving will reduce the share of consumption in gross domestic income by 3% during FY86-91. Public consumption will grow at a rate slightly below that of GDP as a result of the stabilization program assumed for FY86-87 and attention devoted to reducing the public sector deficit.

15. Gross Domestic Investment. Fixed investment is related to changes in GDP by a single gross incremental capital output ratio (ICOR). Stock changes are estimated separately as a function of changes in output.

16. Domestic investment will decline by 1.2% per year on average during the FY86-87 stabilization. Thereafter, an improved environment for investment will lead domestic investment to increase at the same 3.6% real growth rate as GDP. Investment's share in GDP will decrease slightly from 15.8% in FY85 to 14.7% in FY91; the ICOR will fall from 7% in FY86 to 3.6% in FY91 because of a more efficient composition of investment, including more private projects with high rates of return, and the transfer of technology with foreign aid.

17. Investment is constrained by imports related to exports, foreign capital inflows, the marginal savings rate and the country's absorptive capacity. For the time being, the inflow of foreign capital will be the buffer variable to match savings to investment.

18. Changes in stocks are exogenously determined at around 1.5% of GDP, a feasible level given the economy's characteristics.

19. Gross Domestic Savings in constant terms is gross domestic investment minus the resource gap. Public savings should increase as the Government controls and restructures expenditure and improves fiscal receipts. It is nonetheless limited by the marginal savings rate.

20. In real terms, gross domestic savings represented 31% of gross domestic investment in FY85 and should reach 58% in FY91, mostly due to increased public savings. The share of gross domestic savings in gross national savings will increase in real terms from 45% in FY85 to 70% in FY91, as private consumption is shifted toward savings and public savings is increased. An important part of savings will still result from external financing of a part of the resource gap; the mobilization of domestic savings will still pose a binding constraint.

21. Government Revenue and Expenditure in current terms. As noted, the growth rate of the GDP price deflator is applied to the growth of government consumption to determine that of current government expenditure. Current Treasury revenues are projected using an elasticity with respect to GDP at current prices.

22. Government revenues and expenditures reflect the economic structure and policy choices about priorities. The low level of per capita income will remain a constraint to changing massively the composition of public expenditure. Nevertheless, its composition is assumed to shift toward supporting the productive sectors in order to stimulate productivity and investment. The stabilization goal of FY86-87 will require a reduction in current consumption and a quick improvement in current receipts. Fiscal policy will aim to increase public saving to finance development expenditure. The elasticity of government consumption with respect to GDP is thus projected to be about unity, compared to 1.7 in FY80-84. This should reduce the government deficit to around 1% of GDP. This does not include the public enterprises.

23. External Trade in constant terms. Exports of goods and non-factor services are projected using exogenous growth rates for four categories: coffee, other agriculture, manufacturing and services. As detailed import figures have not been available since 1979, disaggregation is impossible and so imports and non-factor services are projected as a whole, using an exogenous growth rate related to the economy's structure. Projections of exports and imports in constant terms are converted to current values by applying the World Bank's price forecasts of January 8, 1985. This results in a modest terms of trade gain of 2 percent.

24. Coffee exports are projected to grow at an average of 1.5% per year in real terms reflecting a slight improvement in productivity, in part derived from reductions in the coffee export tax. Other agriculture exports will accelerate from a real growth rate of 2% in FY86 to 4% in FY91, reflecting the adoption of modern techniques (irrigation, fertilizers, etc.), a concentration on zones of high production potential, less anti-export bias in fiscal and trade policy, and a more rational use of land. Structural change will take time and so there will only be a slow increase in the growth rate of exports in the short-term.

25. Manufacturing exports will benefit from improved infrastructure, Government policy favoring export-oriented industrial investment, the economic recovery in the United States, the opening of new markets beside the United States, and, most important, trade liberalization. Improvements in domestic industrial production and the maintenance of the current positive trend in the export assembly industry could keep gross manufacturing exports growing around 9% per year in real terms. Services will increase with GDP.

26. The real growth of total exports will average 6.3% a year during FY85-91. Even higher growth rates would be possible in the near future, if an all out effort were made to promote exports.

27. The growth of imports will reflect efficiency improvements in the import substitution industries and the dependence of investment on imported capital goods. An average elasticity of imports to GDP of around 1.1-1.2 is assumed. Some imports of capital goods could be financed with external capital inflows.

28. The share of exports in GDP will increase from 24% in FY86 to 28% in FY91; that of imports will be unchanged around 34%. The resource gap will remain constant around US$220 million, decreasing in real terms from 10% of GDP in FY85 to 6.3% in FY91.

29. Balance of Payments. The main balance of payments target is to rebuild the level of international reserves. This will be achieved mainly by improving the current account balance through increased exports and by continued recourse to external grants and borrowing on the best terms available.

30. Exports and imports were discussed above. Factor service payments and receipts together with current transfers are added to compute the current account balance. Each component is exogenously projected. Workers' remittances are the main component in factor services payments and receipts. Remittance receipts are assumed to increase slightly in nominal terms with continued emigration. Remittance payments will decrease slightly during the stabilization period and then stay roughly constant. Interest payments are related to assumptions about external debt commitments, discussed below. Current transfers consist principally of grants from external official donors and private organizations. They are also discussed below.

31. The structural characteristics of the economy will not in the short- and medium-term permit a major improvement in the current account balance. It will remain roughly constant in nominal terms, an improvement in real terms.

32. The capital account includes:

(a) net direct foreign investment, projected exogenously to increase slightly;

(b) net disbursements of medium- and long-term loans. On the basis of past and projected commitments, the model generates disbursements amortization and interest and interest payments. Multilateral aid commitments are assumed to have interest rates averaging 1.7%, bilateral ones 2.6%, and commercial loans, including suppliers' credits, 10.5%;

(c) net use of IMF resources is projected using IMF data; and

(d) changes in reserves are exogenously determined by the reserve rebuilding target; cumulatively, they give the level of international reserves.

33. External financing consists of both loans and grants. Loan commitments are projected on the basis of donor estimates and past trends (Table A.1). Commitments of multilateral and bilateral agencies are estimated to rise from US$72 million in FY86 to US$89 million in FY91, an annual average nominal increase of 4.6%, or real decrease of 2.6%. Commercial loan commitments would rise from US$30 million in FY86 to US$50 million in FY91, an average annual increase of 10.7% in nominal terms and 3.1% in real terms.

Table A.1: PROJECTED LOAN COMMITMENTS, FY85-91
(US$ million in current terms)

	FY85	FY86	FY87	FY88	FY89	FY90	FY91
Multilateral aid	50	56	61	68	72	72	72
Bilateral aid	15	15	17	17	17	17	17
Commercial loans	-	30	35	40	40	45	50
Total	65	101	113	125	129	134	139

Sources: Agencies, embassies, mission estimates

34. As noted, transfers include the flow of external grants; commitments are considered disbursed in the same year. Projected transfers in Table A.2 would grow in nominal terms at 2.6% per annum, a real decrease of 3% per annum.

Table A.2: PROJECTED GRANT COMMITMENTS, FY85-91
(US$ million in current terms)

	FY85	FY86	FY87	FY88	FY89	FY90	FY91
Bilateral aid	68.5	68.0	73.0	76.4	80.0	84.1	88.5
Multilateral aid	23.2	19.4	20.2	20.5	20.6	21.0	21.1
Private grants	12.6	12.0	12.0	12.0	12.0	12.0	12.0
Total	104.1	99.4	105.2	108.9	112.6	117.1	121.6

Sources: Agencies, embassies, mission estimates

35. These figures for loans and grants show that future official external finance in Haiti will not be adequate and commercial lending will be necessary to meet the external financing gap. The authorities will thus have to take appropriate measures to increase domestic savings to substitute for external savings which has apparently reached an upper limit. The projection assumes this, the share of Gross Domestic Savings in Gross National Savings rising from 45% in FY85 to 70% in FY91.

Table A.3: NATIONAL ACCOUNTS, FY85 PRICES, FY80-91

	Level (US$ Million at FY85 Prices)						Average Annual Growth Rate (%)			Share of GDP (%)		
	FY80	FY82	FY84	FY85	FY87	FY91	FY80-85	FY85-87	FY85-91	FY80	FY85	FY91
Gross Domestic Product	2,036	1,907	1,965	2,026	2,113	2,437	-0.1	2.1	3.1	100	100	100
Gains from Terms of Trade (TT)	50	-37	-36	0	2	13	-	-	-	-	-	-
Gross Domestic Income	2,086	1,870	1,929	2,026	2,115	2,450	-0.7	0.8	3.2			
Imports a/	763	695	643	694	724	848	-1.9	2.2	3.4	37.5	34.2	34.8
Exports a/	484	513	454	473	536	682	0.1	6.5	6.3	23.7	23.2	28.0
Exports Adjusted for TT	534	476	418	473	538	695	-2.4	6.6	6.6	26.2	23.3	28.5
Resource Gap Adjusted for TT	230	219	225	221	186	153	-0.8	-8.3	-5.9	11.3	10.9	6.3
Total Consumption	2,025	1,803	1,877	1,926	1,988	2,243	-1.0	1.6	2.6	99.4	95.0	92.0
(Public)	(217)	(214)	(232)	(239)	(250)	(288)	(1.9)	(2.0)	(3.1)	(10.7)	(11.8)	(11.8)
(Private)	(1,808)	(1,589)	(1,645)	(1,687)	(1,738)	(1,955)	(-1.4)	(1.5)	(2.5)	(89.3)	(83.2)	(80.2)
Gross Domestic Investment	298	281	310	321	313	360	1.4	-1.2	2.0	14.6	15.8	14.8
Gross Domestic Savings	68	62	85	100	128	207	8.0	12.9	12.9	3.4	4.9	8.5
Gross National Savings	166	174	207	222	247	297	5.9	5.4	4.9	8.1	10.9	12.2
Gross Domestic Investment/GDP (%)	14.6	14.7	15.7	15.8	14.8	14.7	-	-	-			
GDP Per Capita	414	377	378	382	391	435	-1.6	1.1	2.2			
GDP (at Current Prices)	1,462	1,476	1,821	2,026	2,465	3,868	6.7	10.3	11.4			

a/ Gross.

Table A.4: BALANCE OF PAYMENTS, FY80-91
(US$ million at current prices)

	FY80	FY82	FY84	FY85	FY87	FY91
Exports of Goods and NFS a/	305.7	274.9	319.0	384.4	460.2	786.0
Imports of Goods and NFS a/	483.8	473.8	526.9	569.0	675.6	1,020.9
Resource Balance	-178.1	-198.9	-207.9	-220.6	-215.4	-234.9
Net Factor Income	22.5	35.7	27.0	17.7	33.1	15.4
Interest Payments	-5.0	-6.7	-6.1	-12.7	-16.0	-35.6
Direct Investment Income	-8.4	-8.1	-1.5	-6.5	-6.2	-15.0
Workers' Remittances	52.0	49.7	45.0	37.8	62.0	73.0
Other Factor Services (Net)	-16.1	0.8	-10.4	-0.9	-6.7	-7.1
Current Transfers (Net Official Grants)	57.6	79.0	86.0	104.1	105.2	121.6
Balance on Current Account	-98.0	-84.2	-94.9	-98.8	-77.1	-97.9
Private Direct Investment	13.0	7.1	4.5	10.0	11.0	13.4
Public M&LT Loans (Net)	39.8	57.4	47.1	47.0	44.3	73.2
Disbursements	55.1	65.9	58.4	60.0	54.1	86.7
Amortization	15.3	8.5	11.3	13.0	9.8	13.5
Short-Term Capital	8.0	3.1	3.1	10.0	25.0	15.0
Capital Transaction n.e.i.	28.0	6.0	26.7	31.8	6.8	11.3
Changes in Reserves (-=increase)	9.2	10.7	13.6	-	-10.0	-15.0
Net International Reserves	29.5	-14.5	-51.0	-51.0	-40.0	13.0

a/ Net.

Table A.5: PRICE INDICES AND SELECTED INDICATORS, FY80-91

Price Indices (FY85=100 in US$)	FY80	FY82	FY84	FY85	FY87	FY91
Exports	89.6	83.3	96.8	100	116.5	157.1
Imports	77.5	89.0	95.2	100	116.1	153.6
Terms of Trade	115.6	93.6	101.6	100	100.4	102.3
GDP Deflator	70.6	77.3	92.6	100	116.6	158.7

Selected Indicators	FY80-84	FY85-91
ICOR	16.50	4.72
Total Import Elasticity	4.50	1.15
Average National Saving Rate/GDY	0.10	0.12
Marginal National Saving Rate/GDY	0.28	0.17
Imports/GDY	37.20	34.40
Exports/GDY	24.30	26.20
Resource Gap/GDP	12.30	8.20

Table A.6: MEDIUM AND LONG TERM DEBT, FY80-91

	FY80	FY82	FY84	FY85	FY87	FY91
Level [a/] (US$ million at Current Prices)						
Total Debt Outstanding (DOD)	227	362	450	519	637	1,041
Including Undisbursed	367	497	630	647	814	1,252
Debt Burden (%)						
Debt Service Ratio	6.7	5.6	5.4	6.5	5.8	6.2
Debt Service/GDP	1.4	1.0	1.0	1.3	1.5	1.7
Total DOD/GDP	18.9	17.8	24.7	25.6	25.8	26.9
Gross Disbursements/Imports	9.7	10.2	10.5	12.3	8.0	8.5
Interest on Total DOD/Total DOD	1.9	2.5	1.3	2.4	2.5	3.4
Total Debt Service/Total DOD	7.4	5.8	3.9	4.9	5.6	6.3

[a/] At beginning of period.

STATISTICAL APPENDIX

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In Haiti's national accounts, the difference between Gross Domestic Product at Market Prices and at Factor Prices is net import duties, rather than net indirect taxes, as would be technically correct. GDP at factor prices in these tables is therefore more strictly "GDP at Producers' Values."

NOTE ON MERCHANDISE EXPORTS AND IMPORTS

The export assembly industry imports raw materials and intermediate goods, transforms them with Haitian labor, and re-exports the products. This leads to some differences in the treatment of merchandise exports and imports in the Statistical Appendix Tables.

The National Accounts tables (ST-1, ST-2, ST-3, 2.1, 2.2 and 2.3) treat these traded goods on a gross basis i.e. all assembly industrial imports and exports are included. The Balance of Payments tables (ST-4, 3.1 and 3.2) treat them on a net basis i.e. the export data include only the value added in Haiti.

The trade tables treat them differently. Table 3.9 is on a gross basis and Tables 3.5, 3.7 and 3.11 are on a net basis.

Table ST-1: NATIONAL ACCOUNTS SUMMARY, FY76-84
(Millions of Gourdes at current prices)

	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84(P)
A.1. GDP at Market Prices	4395	4897	5060	5600	7309	7344	7378	8151	9107
B.1. Resource Balance	-391	-445	-489	-586	-891	-1391	-995	-1051	-1040
2. Exports of Goods & NFS	1039	1247	1493	1519	2147	1943	2137	2203	2184
3. Imports of Goods & NFS	1430	1692	1982	2105	3038	3334	3132	3254	3224
C.1. Domestic Absorption	4786	5342	5549	6186	8200	8735	8373	9202	10147
D.1. Total Consumption	4108	4594	4692	5248	6962	7483	7143	7871	8707
2. Private	3736	4198	4314	4841	6226	6665	6298	6919	7632
3. General Government	372	396	378	407	736	818	845	952	1075
E.1. Gross Domestic Investment	678	748	857	938	1238	1252	1230	1331	1440
2. Fixed Investment	678	748	857	938	1238	1252 a/	1230	1331	1440
3. Changes in Stocks	..	..	..	..	..	..	..	..	..
F.1. Statistical Discrepancy	..	..	..	..	..	..	..	..	..
Memorandum Items:									
G.1. Net factor income from abroad	-36	-60	-73	-67	-72	-65	-70	-71	-90
2. Net current transfers from abroad	325	318	340	379	470	657	643	620	655
3. GNP at Market Prices	4359	4837	4987	5533	7237	7279	7308	8080	9017
H.1. Gross Domestic Savings	287	303	368	352	347	-139	235	280	400
2. Gross National Savings	576	561	635	664	745	453	808	829	965
I.1.Exports of goods & NFS as per BoP	703	870	1056	1065	1528	1208	1374	1449	1595
a. Difference with NA (%) b/	-32.3	-30.2	-29.3	-29.9	-28.8	-37.8	-35.7	-34.2	-27.0
2.Imports of goods and NFS as per BoP	1094	1315	1545	1651	2419	2599	2369	2500	2635
a. Difference with NA (%) b/	-23.5	-22.3	-22.0	-21.6	-20.4	-22.0	-24.4	-23.2	-18.3
3. Net factor income as per BoP	-36	-60	-73	-67	-72	-65	-70	-71	-90
a. Difference with NA (%)	--	--	--	--	--	--	--	--	--
4. Net current tranfers as per BoP	326	318	340	379	470	657	643	620	655
a. Difference with NA (%)	--	--	--	--	--	--	--	--	--
Exchange Rates:									
J.1. National units/US$	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000
2. National units/SDR	5.7995	5.8000	6.1208	6.4561	6.5272	6.0551	5.6263	5.3771	..
3. Conversion rate	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000

/a Investment in FY81 was higher than recorded here because of G210 million public sector investment in USND
/b Difference due to use of net figures in the BoP and gross in the NA
/P Provisional.

Source: IHSI

Table ST-2: NATIONAL ACCOUNTS SUMMARY, FY76 PRICES, FY76-84
(Millions of Gourdes)

	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84(P)
Origin and Use of Resources:									
A.1. GDP at Market Prices	4395	4416	4631	4983	5342	5196	4991	5008	5143
2. Net Import Duties	185	181	184	197	234	235	210	218	227
3. GDP at Factor Cost	4210	4235	4447	4786	5108	4961	4781	4790	4916
4. Agriculture	1675	1575	1604	1708	1723	1698	1627	1592	1638
5. Industry	996	1061	1129	1234	1361	1249	1204	1203	1191
a. manufacturing	664	721	772	851	970	856	824	870	856
b. mining	83	81	72	70	67	57	70	5	5
c. other industry	249	259	284	314	324	337	310	328	330
6. Services	1539	1599	1713	1843	2024	2014	1949	1995	2087
B.1. Resource Balance	-391	-598	-633	-525	-747	-862	-416	-509	-527
2. Exports of Goods & NFS	1039	1002	1169	1176	1435	1348	1544	1539	1360
3. Imports of Goods & NFS	1430	1600	1802	1701	2182	2210	1960	2039	1887
C.1. Domestic Absorption	4786	5014	5264	5508	6089	6058	5407	5517	5670
D.1. Total Consumption	4108	4278	4493	4587	5155	5117	4530	4593	4702
2. Private	3736	3909	4131	4231	4610	4558	3994	4038	4121
3. General Government [a]	372	369	362	356	545	559	536	555	581
E.1. Gross Domestic Investment	678	736	771	921	934	941	877	924	968
2. Fixed Investment	678	736	771	921	934	941 [b]	877	924	968
3. Changes in Stocks	..	..	..	..	..	..	..	..	..
F.1. Statistical Discrepancy	—	—	—	—	—	—	—	—	—
Memorandum Items:									
G.1. Net factor income from abroad	-36	-56	-66	-54	-52	-43	-44	-42	-52
2. Net current transfers from abroad	325	300	309	307	338	435	401	389	383
3. GNP at Market Prices	4359	4360	4565	4929	5290	5153	4947	4966	5091
H.1. Gross Domestic Savings	287	138	138	396	187	79	461	415	441
2. Gross National Savings	576	382	381	649	473	471	818	762	772
I.1. Capacity to Import	1039	948	1063	950	1031	894	966	959	796
2. Terms of trade adjustment	0	-54	-106	-226	-404	-454	-578	-571	-564
3. Gross domestic income	4395	4362	4525	4757	4938	4742	4413	4437	4579
4. Gross national income	4359	4306	4459	4703	4886	4699	4369	4395	4527
Alternative Exports and Imports Deflators									
J.1. National Accounts									
a. Exports	100.0	124.5	127.7	129.2	149.6	144.1	138.4	144.0	160.6
b. Imports	100.0	105.8	110.0	123.8	139.2	150.9	159.8	159.6	170.9
c. Terms of Trade	100.0	117.8	116.1	104.4	107.4	95.5	86.6	90.2	94.0

(a) Government expenditure deflated by total consumption deflator
(b) Investment in FY81 was higher than recorded here because of G 210 million public sector investment in USND.
(P) Provisional

Source: IHSI.

Table ST-3: NATIONAL ACCOUNTS DEFLATORS, FY76-84
(National Currency FY76=100)

Origin and Use of Resources	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84(P)
A.1. GDP at Market Prices	100.0	110.9	109.3	112.4	136.8	141.3	147.8	162.8	177.1
B.1. Terms of Trade (PX/PM)	100.0	117.8	116.1	104.4	107.4	95.5	86.6	90.2	94.0
2. Exports of goods & NFS	100.0	124.5	127.7	129.2	149.6	144.1	138.4	144.0	160.6
3. Imports of goods & NFS	100.0	105.8	110.0	123.8	139.2	150.9	159.8	159.6	170.9
C.1. Domestic Absorption	100.0	116.6	114.3	112.5	139.7	137.3	139.5	157.8	174.8
D.1. Total Consumption	100.0	107.4	104.4	114.4	135.1	146.2	157.7	171.4	185.1
E.1. Gross Domestic Investment	100.0	101.6	111.2	101.8	132.6	133.1	140.3	144.1	148.8
2. Fixed Investment	100.0	101.6	111.2	101.8	132.6	133.1	140.3	144.1	148.8
Memorandum Items									
F.1. Net factor income from abroad	100.0	106.8	110.1	125.0	138.5	150.0	160.0	169.8	172.7
2. Net current transfers from abroad	100.0	106.0	110.0	123.5	139.2	150.9	160.2	159.5	170.8
3. GNP at Market Prices	100.0	110.9	109.3	112.2	136.8	141.3	147.7	162.7	177.1

(P) Provisional

Source: IHSI

Table ST-4: BALANCE OF PAYMENTS SUMMARY, FY76-84
(US$ million)

		FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84 (P)
A.1.	Exports of goods & NFS a/	140.64	174.08	211.22	212.94	305.68	241.52	274.86	289.84	319.04
2.	Merchandise	111.88	137.64	149.92	137.98	215.80	151.12	177.14	186.56	214.58
3.	Non-factor services	28.76	36.44	61.30	74.96	89.88	90.40	97.72	103.28	104.46
B.1	Imports of goods & NFS b/	218.82	263.04	309.08	330.16	483.80	519.78	473.82	500.10	526.96
2.	Merchandise	164.20	199.92	207.46	220.06	319.00	360.14	301.92	325.90	337.86
3.	Non-factor services	54.62	63.12	101.62	110.10	164.80	159.64	171.90	174.20	189.10
C.1.	Resource Balance	-78.18	-88.96	-97.86	-117.22	-178.12	-278.26	-198.96	-210.26	-207.92
D.1.	Net factor income	-7.18	-12.04	-14.68	-13.40	-14.30	-13.06	-14.02	-14.20	-18.06
2.	Factor receipts	1.00	1.32	2.04	2.62	3.10	4.14	3.62	4.70	4.50
	a. of which labor income	..	..	..	..	..	..	..	..	..
3.	Factor payments	8.18	13.36	16.72	16.02	17.40	17.20	17.64	18.90	22.56
	a. of which interest on M&LT loans	1.52	3.78	4.49	3.54	5.17	5.87	6.75	6.49	6.08
E.1.	Net current transfers	65.08	63.50	67.90	75.86	94.06	131.48	128.70	124.10	131.00
2.	Transfer receipts	111.94	107.60	115.18	126.54	164.04	193.32	176.04	167.58	176.00
	a. worker's remittances	78.00	75.02	76.00	84.78	106.44	126.62	97.04	89.88	90.00
3.	Transfer payments	46.86	44.10	47.28	50.68	69.98	61.84	47.34	43.48	45.00
F.1.	Current Account Balance	-20.28	-37.50	-44.64	-54.76	-98.36	-159.84	-84.28	-100.36	-94.98
G.1.	Net direct investment	7.78	8.00	10.00	12.00	13.00	8.34	7.08	15.34	4.46
2.	Official capital grants c/	33.94	32.58	39.18	41.76	57.60	66.70	79.00	77.70	86.00
3.	Net M&LT loans (DRS)	35.45	50.47	45.65	41.70	39.80	102.15	57.38	37.40	47.10
	a. disbursements	44.12	65.43	59.72	50.26	55.12	117.30	65.87	45.27	58.41
	b. repayments	8.68	14.96	14.07	8.55	15.29	15.14	8.50	7.86	11.35
4.	Other M&LT inflows (net)	-9.30	11.89	-5.63	13.76	28.34	-2.30	6.00	21.24	26.68
H.1.	Net short-term capital	5.06	-19.26	8.84	3.48	8.02	18.64	3.12	3.46	3.08
2.	Capital flows	..	..	..	..	..	..	..	..	..
3.	Errors and omissions	..	..	..	..	..	..	..	..	..
I.1.	Change in net reserves	-18.70	-13.60	-14.22	-16.18	9.20	33.00	10.70	22.90	13.66
2.	Net credit from the IMF	1.50	-4.64	-0.62	-2.18	-3.00	13.92	28.92	25.80	17.40
3.	Other reserve changes	-20.20	-8.96	-13.60	-14.00	12.20	26.95	-22.62	-16.60	-5.58

a/ Net exports
b/ Net imports
c/ Official capital grants are already included in the current transfers so they must not be counted in the capital account to compute change in reserves.
P/ Provisional

Source: BRH - Direction des Etudes Economiques

Table 1.1: POPULATION BY SEX AND AGE: 1950, 1971, AND 1982 CENSUSES

(Thousands)

CATEGORY	1950	1971	1982
Total Population	3,097	4,330	5,052
By Sex			
Male	1,505	2,090	2,450
Female	1,592	2,240	2,604
By Age			
0-04	375	603	730
05-14	798	1,180	1,251
15-24	575	821	969
25-64	1,214	1,531	1,805
65	134	195	298

Sources: IHSI, Recensement general de la population et du logement, 1971 (1979).
Resultats anticipes du recensement general, 1982 (1984).

Table 1.2: URBAN AND RURAL POPULATION: 1950, 1971 AND 1982 CENSUSES

	POPULATION (000)			ANNUAL GROWTH RATES (%)		
	1950	1971	1982	1950-71	1971-82	1950-82
TOTAL	3,097	4,330	5,053	1.61	1.41	1.54
Urban a/	255	707	1,042	4.98	3.59	4.50
Port-au Prince	152	507	720	5.90	3.24	4.98
Towns over 10,000 in 1982	98	180	235	2.94	2.45	2.77
Cap Haitien	24	46	64			
Gonaives	14	29	34			
Cayes	12	22	34			
St. Marc	9	17	24			
Jeremie	11	17	19			
Port-de-Paix	6	14	16			
Jacmel	9	11	14			
Limbe b/	4	7	10			
Petite Riviere de l'Artibonite b/	4	9	10			
Hinche	5	9	10			
Other Towns of 5-10,000	5	26	97	8.17	12.71	9.71
Rural	2,831	3,623	4,011	1.18	0.93	1.09

a/ Towns with a population over 5,000.

b/ 1950 population under 5,000 and so should technically be classified "rural" for that year.

Sources: IHSI, Recensement general de la population et du logement, 1971 (1979).
Resultats preliminaires du Recensement General, 1982 (1984).
Resultats anticipes du recensement general, 1982 (1984).

Table 1.3: CRUDE POPULATION BIRTH, DEATH, MIGRATION AND NET GROWTH RATES, 1971-82

(Annual Rate per 1000)

	URBAN				RURAL	TOTAL
	PORT-AU-PRINCE	OTHER TOWNS OVER 10,000	TOWNS 5-10,000	TOTAL		
Crude birth rate	38.9	32.4	36.6	37.3	36.6	36.7
Crude death rate	13.2	12.7	18.1	13.4	18.1	17.2
Natural growth rate	25.7	19.7	18.5	23.9	18.5	19.5
Net migration rate	6.7	4.8	108.6	12.0	-9.2	-5.4
Actual growth rate	32.4	24.5	127.1	35.9	9.3	14.1

Sources: IHSI, Note sur les parametres demographiques pour la periode intercensitaire, 1971-82 (June 1983).
Resultats anticipes du recensement general, 1982 (1984).
Mission estimates.

Table 1.4: LABOR FORCE AND INACTIVE POPULATION [a], 1950, 1971, 1982

(Thousands)

	1950 [b]	1971	1982
	Total Country		
Total Employed	2,208	2,272	2,353
Male	1,073 [c]	1,196	1,257
Female	1,135 [c]	1,075	1,096
Unemployed	110	282	276
Unemployed (%)	(4.7)	(11.0)	(10.5)
	Urban		
Total employed	268	336	450
Male	109	147	218
Female	160	188	232
Unemployed	n.a.	84	132
Unemployed (%)		(20.0)	(22.7)
	Metropolitan Area		
Total employed	268 [d]	228	315
Male	109 [e]	98	151
Female	160 [e]	130	164
Unemployed	n.a.	58	111
Unemployed (%)		(20.3)	(26.0)
	Towns - 5000 unhabitants		
Total employed	n.a.	108	135
Male	n.a.	49	67
Female	n.a.	58	68
Unemployed	n.a.	26	29
Unemployed (%)		(19.4)	(17.7)
	Rural and Small Towns		
Total employed	1,938	1,936	1,902
Male	964 [f]	1,048	1,039
Female	975 [f]	886	864 [g]
Unemployed	n.a.	198	135 [h]
Unemployed (%)		(9.3)	(6.6)
Inactive Population	114	850	1,297

a/ Active and inactive population aged 10 and above.

b/ The 1950 census defined the active population as those aged 15 and above, compared to those aged 10 and above in the 1971 and 1982 censuses. The 1950 active population has been adjusted to the 1971 and 1982 definition by adding an estimate of the 10-14 year old active population derived as follows:

$$\text{Active population (10-14)} = \frac{\text{Active population (15-19)}}{\text{Total population (15-19)}} \times \text{Total population (10-14)}$$

c/ Disaggregation by sex calculated on basis of shares in total population.

d/ Total urban population.

e/ Disaggregation by sex calculated on basis of shares in urban population.

f/ Disaggregation by sex calculated on basis of shares in rural population.

g/ The definition of the rural female active population differs in 1982 from 1971. The growth rate of the total rural female population between 1971 and 1982 was therefore applied to estimate the female active population in 1982.

h/ The unemployed rural female population was adjusted in line with the reestimated female active population in g/ above.

Sources: IHSI, Recensement général de la population et du logement, 1971 (1979). Resultats anticipes du recensement général, 1982 (1984).

Table 1.5: EMPLOYMENT [a]/ BY SECTOR, POPULATION 10 YEARS AND OLDER, 1950, 1971, 1982
(Thousands)

	1950	1971	1982
Agriculture	1,649	1,658	1,500
Industry	109	162	209
Services	179	388	578
Unclassified	278	67	66
TOTAL	2,213	2,275	2,353

a/ Employed active population aged 10 and above.

Sources: IHSI, Recensement général de la population, 1950
La population active en 1982 (July 1984), Table 7.
Statistical Appendix Table 1.4

Table 1.6: NUMBER OF PUPILS IN PRIMARY AND SECONDARY EDUCATION, FY80-83

A) PRIMARY EDUCATION

	TOTAL			URBAN			RURAL		
	Total	Public	Private	Total	Public	Private	Total	Public	Private
FY80	580,127	277,458	302,669	275,684	131,098	144,586	304,443	146,360	158,083
FY81	642,391	277,268	365,123	294,023	131,457	162,866	348,368	146,111	202,257
FY82	658,102	282,366	375,736	305,630	134,909	170,721	352,472	147,457	205,015
FY83	723,041	293,328	429,713	389,699	163,816	225,883	333,342	129,512	203,830

B) SECONDARY EDUCATION

	Total	Public	Private
FY80	87,680	18,341	69,339
FY81	96,596	17,293	79,303
FY82	98,570	15,868	82,702
FY83	117,081	19,253	97,828

Source: Ministere de l'Education Nationale - Direction de la Planification.

Table 1.7: NUMBER OF TEACHERS IN PRIMARY AND SECONDARY SCHOOLS, FY80-83

A) PRIMARY SCHOOLS

	TOTAL			URBAN			RURAL		
	Total	Public	Private	Total	Public	Private	Total	Public	Private
FY80	13,401	5,101	8,300	7,487	3,106	4,381	5,914	1,995	3,919
FY81	14,581	5,359	9,222	7,647	3,191	4,456	6,934	2,168	4,766
FY82	14,927	5,487	9,440	7,691	3,272	4,419	7,236	2,215	5,021
FY83	16,986	5,643	11,343	9,956	3,448	6,508	7,030	2,195	4,835

B) SECONDARY SCHOOLS

	Total	Public	Private
FY80	3,637	679	2,958
FY81	4,034	730	3,304
FY82	4,239	807	3,432
FY83	5,367	803	4,564

Source: Ministere de l'Education Nationale - Direction de la Planification.

Table 1.8: NUMBER OF PRIMARY AND SECONDARY SCHOOLS, FY80-83

A) PRIMARY SCHOOLS

	TOTAL			URBAN			RURAL		
	Total	Public	Private	Total	Public	Private	Total	Public	Private
FY80	2,996	958	2,038	1,197	335	862	1,799	623	1,176
FY81	3,271	994	2,277	1,283	344	939	1,988	650	1,338
FY82	3,221	1,000	2,221	1,245	348	897	1,976	652	1,324
FY83	3,241	1,000	2,241	1,348	381	967	1,893	619	1,274

B) SECONDARY SCHOOLS

	Total [a]/	Public	Private [a]/
FY80	205	24	181
FY81	228	24	204
FY82	244	25	219
FY83	290	26	264

Source: Ministere de l'Education Nationale - Direction de la Planification.

Table 2.1: GROSS DOMESTIC PRODUCT BY SECTOR, FY76 PRICES, FY76-84
(Millions of Gourdes)

	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84 (P)
Agriculture	1413	1309	1334	1433	1444	1415	1396	1356	1398
Livestock	262	266	270	275	279	284	231	235	240
Mining	83	81	72	70	67	57	70	5	5
Manufacturing Industries	664	721	772	851	970	856	824	870	856
Food Products	212	224	203	171	281	287	262	348	282
Beverages	15	16	19	23	22	20	21	20	21
Tobacco Industry	26	28	33	35	39	37	34	33	32
Textiles, leather, cloth	136	130	134	124	134	125	120	124	126
Chemicals	53	48	58	65	98	54	62	55	47
Mineral and Nonmetallic Products	33	36	36	35	36	36	31	33	32
Metals	86	122	193	276	230	198	209	171	177
Misc. Industrial Products	103	117	97	121	130	99	85	87	137
Water and Electricity	23	25	30	33	36	38	41	42	44
Buildings and Public Works	226	234	254	280	288	298	269	286	286
Commerce	763	770	803	869	963	904	854	878	885
Restaurants and Hotels	15	17	32	35	35	32	32	31	30
Transportation & Communication	88	110	104	122	99	103	97	106	110
Financial Institutions	9	10	14	14	13	14	15	16	16
Real Estate	233	237	241	245	250	254	259	264	269
Social Services	103	110	130	144	149	167	143	161	180
Nontradable Services	327	345	390	414	515	539	549	540	597
GDP at Factor Cost	4210	4235	4447	4786	5108	4961	4781	4790	4916
Net Import Duties	185	181	184	197	234	235	210	218	227
GDP at Market Prices	4395	4416	4631	4983	5342	5196	4991	5008	5143

(P) Provisional

Source: IHSI

Table 2.2: GROSS DOMESTIC PRODUCT BY EXPENDITURE, FY55-84
(Millions of Gourdes at current prices)

	FY55	FY56	FY57	FY58	FY59	FY60	FY61	FY62	FY63	FY64
Origin and Use of Resources:										
A.1. GDP at Market Prices	1114	1207	1198	1276	1137	1146	1036	1179	1216	1331
B.1. Resource Balance	-77	2	-12	22	17	29	-106	11	-14	-40
2. Exports of Goods & NFS	228	300	219	265	198	270	225	268	261	224
3. Imports of Goods & NFS	305	298	231	243	181	241	331	257	275	264
C.1. Domestic Absorption	1191	1205	1210	1254	1120	1117	1142	1168	1230	1371
D.1. Total Consumption	1111	1097	1135	1166	1037	1014	1041	1059	1118	1260
2. Private	..	..	..	..	..	..	..	..	..	..
3. General Government	..	..	..	..	..	..	..	..	..	..
E.1. Gross Domestic Investment	80	108	75	88	83	103	101	109	112	111
2. Fixed Investment	80	108	75	88	83	103	101	109	112	111
3. Changes in Stocks	..	..	..	..	..	..	..	..	..	..
F.1. Statistical Discrepancy	..	..	..	..	..	..	..	..	..	..
Memorandum Items:										
G.1. Net factor income from abroad	-9	-13	-4	-9	-16	-19	-17	-29	-22	-30
2. Net current transfers from abroad	5	19	19	15	64	36	71	14	19	33
3. GNP at Market Prices	1105	1194	1194	1267	1121	1127	1019	1150	1194	1301
H.1. Gross Domestic Savings	3	110	63	110	100	132	-5	120	98	71
2. Gross National Savings	-1	116	78	116	148	149	49	105	95	74
I.1. Exports of goods & NSF as per BoP	..	..	..	..	..	..	..	..	..	..
a. Difference with NA ($) a/	..	..	..	..	..	..	..	..	..	..
2. Imports of goods and NFS as per BoP	..	..	..	..	..	..	..	..	..	..
a. Difference with NA ($) a/	..	..	..	..	..	..	..	..	..	..
3. Net factor income as per BoP	..	..	..	..	..	..	..	..	..	..
a. Difference with NA ($)	..	..	..	..	..	..	..	..	..	..
4. Net current transfers as per BoP	..	..	..	..	..	..	..	..	..	..
a. Difference with NA ($)	..	..	..	..	..	..	..	..	..	..
Exchange Rates										
J.1. National units/US$	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000
2. National units/SDR	..	..	..	..	..	..	..	..	5.0000	5.0000
3. Conversion rate	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000

a/ Difference due to use of net figures in the BoP and gross in the NA

Source: IHSI

Table 2.2: GROSS DOMESTIC PRODUCT BY EXPENDITURE, FY65-84
(Millions of Gourdes at current prices)

	FY65	FY66	FY67	FY68	FY69	FY70	FY71	FY72	FY73	FY74
Origin and Use of Resources:										
A.1. GDP at Market Prices	1427	1487	1498	1497	1596	1696	1814	1899	2335	2828
B.1. Resource Balance	-87	-90	-63	-37	-56	-82	-55	-89	-105	-206
2. Exports of Goods & NFS	223	207	201	231	242	261	371	401	516	662
3. Imports of Goods & NFS	310	297	264	268	298	343	426	490	621	868
C.1. Domestic Absorption	1514	1577	1561	1534	1652	1778	1869	1988	2440	3034
D.1. Total Consumption	1397	1476	1458	1434	1522	1611	1677	1774	2134	2616
2. Private	..	..	..	..	..	..	..	..	..	..
3. General Government	..	..	..	..	..	..	..	..	..	..
E.1. Gross Domestic Investment	117	101	103	100	130	167	192	214	306	418
2. Fixed Investment	117	101	103	100	130	167	192	214	306	418
3. Changes in Stocks	..	..	..	..	..	..	..	..	..	..
F.1. Statistical Discrepancy	..	..	..	..	..	..	..	..	..	..
Memorandum Items:										
G.1. Net factor income from abroad	-25	-18	-14	-15	-13	-14	-19	-22	-22	-29
2. Net current transfers from abroad	43	84	85	63	78	109	94	142	120	124
3. GNP at Market Prices	1402	1469	1484	1482	1583	1682	1795	1877	2313	2799
H.1. Gross Domestic Savings	30	11	40	63	74	85	137	125	201	212
2. Gross National Savings	48	77	111	111	139	180	212	245	299	307
I.1. Exports of goods & NFS as per BoP	..	..	..	..	..	..	320	320	380	459
a. Difference with NA ($) (a)	..	..	..	..	..	..	-13.6	-20.2	-26.3	-30.6
2. Imports of goods and NFS as per BoP	..	..	..	..	..	..	376	408	485	663
a. Difference with NA ($)	..	..	..	..	..	..	-11.2	-16.7	-21.9	-23.6
3. Net factor income as per BoP	..	..	..	..	..	..	-19	-22	-22	-29
a. Difference with NA ($)	..	..	..	..	..	..	—	—	—	—
4. Net current transfers as per BoP	..	..	..	..	..	..	94	142	120	124
a. Difference with NA ($)	..	..	..	..	..	..	—	—	—	—
Exchange Rates:										
J.1. National units/US$	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000
2. National units/SDR	..	..	..	..	5.0000	5.0000	5.0000	5.4286	5.8112	6.0173
3. Conversion rate	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000

a) Difference due to use of net figures in the BoP and gross in the NA

Table 2.2: GROSS DOMESTIC PRODUCT BY EXPENDITURE, FY75-84
(Millions of Gourdes at current prices)

	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84(P)
A.1. GDP at Market Prices	3408	4395	4897	5060	5600	7309	7344	7378	8151	9107
B.1. Resource Balance	-276	-391	-445	-489	-586	-891	-1391	-995	-1051	-1040
2. Exports of Goods & NFS	806	1039	1247	1493	1519	2147	1943	2137	2203	2184
3. Imports of Goods & NFS	1082	1430	1692	1982	2105	3038	3334	3132	3254	3224
C.1. Domestic Absorption	3684	4786	5342	5549	6186	8200	8735	8373	9202	10147
D.1. Total Consumption	3144	4108	4594	4692	5248	6962	7483	7143	7871	8707
2. Private	..	3736	4198	4314	4841	6226	6665	6298	6919	7632
3. General Government	..	372	396	378	407	736	818	845	952	1075
E.1. Gross Domestic Investment	540	678	748	857	938	1238	1252	1230	1331	1440
2. Fixed Investment	540	678	748	857	938	1238	1252 b/	1230	1331	1440
3. Changes in Stocks	..	..	..	..	..	..	..	..	..	..
F.1. Statistical Discrepancy	..	..	..	..	..	..	..	..	..	..
Memorandum Items:										
G.1. Net factor income from abroad	-36	-36	-60	-73	-67	-72	-65	-70	-71	-90
2. Net current transfers from abroad	178	325	318	340	379	470	657	643	620	655
3. GNP at Market Prices	3572	4359	4837	4987	5533	7237	7279	7308	8080	9017
H.1. Gross Domestic Savings	264	287	303	368	352	347	-139	235	280	400
2. Gross National Savings	406	576	561	635	664	745	453	808	829	965
I.1.Exports of goods & NFS as per BoP	530	703	870	1056	1065	1528	1208	1374	1449	1595
a. Difference with NA (%) a/	-34.2	-32.3	-30.2	-29.3	-29.9	-28.8	-37.8	-35.7	-34.2	-27.0
2.Imports of goods and NFS as per BoP	806	1094	1315	1545	1651	2419	2599	2369	2500	2635
a. Difference with NA (%) a/	-25.5	-23.5	-22.3	-22.0	-21.6	-20.4	-22.0	-24.4	-23.2	-18.3
3. Net factor income as per BoP	-36	-36	-60	-73	-67	-72	-65	-70	-71	-90
a. Difference with NA (%)	--	--	--	--	--	--	--	--	--	--
4. Net current tranfers as per BoP	178	326	318	340	379	470	657	643	620	655
a. Difference with NA (%)	--	--	--	--	--	--	--	--	--	--
Exchange Rates:										
J.1. National units/US$	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000
2. National units/SDR	6.1052	5.7995	5.8000	6.1208	6.4561	6.5272	6.0551	5.6263	5.3771	..
3. Conversion rate	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000	5.0000

a/ Difference due to use of net figures in the BoP and gross in the NA
b/ Investment in FY81 was higher than recorded here because of G210 million public sector investment in USND
P/ Provisional.

Source: IHSI

Table 2.3: GROSS DOMESTIC PRODUCT BY EXPENDITURE, FY76 PRICES, FY55-84
(Millions of Gourdes)

	FY55	FY56	FY57	FY58	FY59	FY60	FY61	FY62	FY63	FY64
Origin and Use of Resources:										
A.1. GDP at Market Prices	2827	3075	2853	3125	3099	3106	3015	3253	3192	3139
2. Net Import Duties	..	..	..	..	..	..	..	..	..	..
3. GDP at Factor Cost	2827	3075	2853	3125	3099	3106	3015	3253	3192	3139
4. Agriculture	..	..	..	..	..	..	..	..	..	..
5. Industry	..	..	..	..	..	..	..	..	..	..
a. manufacturing	..	..	..	..	..	..	..	..	..	..
b. mining	..	..	..	..	..	..	..	..	..	..
c. other industry	..	..	..	..	..	..	..	..	..	..
6. Services	..	..	..	..	..	..	..	..	..	..
B.1. Resource Balance	-12	166	99	260	209	311	92	369	247	98
2. Exports of Goods & NFS	416	590	407	596	486	667	579	755	687	524
3. Imports of Goods & NFS	428	424	308	336	277	356	487	386	440	426
C.1. Domestic Absorption	2839	2909	2754	2865	2890	2795	2923	2884	2945	3041
D.1. Total Consumption	2693	2710	2615	2705	2735	2598	2743	2690	2751	2865
2. Private	..	..	..	..	..	..	..	..	..	..
3. General Government a/	..	..	..	..	..	..	..	..	..	..
E.1. Gross Domestic Investment	146	199	139	160	155	197	180	194	194	176
2. Fixed Investment	146	199	139	160	155	197	180	194	194	176
3. Changes in Stocks	..	..	..	..	..	..	..	..	..	..
F.1. Statistical Discrepancy	--	--	--	--	--	--	--	--	--	--
Memorandum Items:										
G.1. Net factor income from abroad	-12	-19	-5	-12	-25	-29	-25	-44	-36	-49
2. Net current transfers from abroad	7	28	26	21	98	53	105	21	30	53
3. GNP at Market Prices	2815	3056	2848	3113	3074	3077	2990	3209	3156	3090
H.1. Gross Domestic Savings	134	365	238	420	364	508	272	563	441	274
2. Gross National Savings	129	374	259	429	437	532	352	540	435	278
I.1. Capacity to Import	584	839	543	824	744	985	852	1134	1099	846
2. Terms of trade adjustment	168	249	136	228	258	318	273	379	412	322
3. Gross domestic income	2995	3324	2989	3353	3357	3424	3288	3632	3604	3461
4. Gross national income	2983	3305	2984	3341	3332	3395	3263	3588	3568	3412
Alternative Exports and Imports Deflators										
J.1. National Accounts										
a. Exports	54.8	50.8	53.8	44.5	40.7	40.5	38.9	35.5	38.0	42.7
b. Imports	71.3	70.3	75.0	72.3	65.3	67.7	68.0	66.6	62.5	62.0
c. Terms of Trade	76.9	72.3	71.7	61.5	62.3	59.8	57.2	53.3	60.8	69.0

a/ Government expenditure deflated by total consumption deflator.

Table 2.3: GROSS DOMESTIC PRODUCT BY EXPENDITURE, FY76 PRICES, FY55-84
(Millions of Gourdes)

	FY65	FY66	FY67	FY68	FY69	FY70	FY71	FY72	FY73	FY74
Origin and Use of Resources:										
A.1. GDP at Market Prices	3166	3188	3119	3220	3343	3365	3583	3616	3739	4009
2. Net Import Duties	..	..	..	..	..	..	..	..	..	..
3. GDP at Factor Cost	3166	3188	3119	3220	3343	3365	3583	3616	3739	4009
4. Agriculture	..	..	..	..	..	..	..	..	..	..
5. Industry	..	..	..	..	..	..	..	..	..	..
a. manufacturing	..	..	..	..	..	..	..	..	..	..
b. mining	..	..	..	..	..	..	..	..	..	..
c. other industry	..	..	..	..	..	..	..	..	..	..
6. Services	..	..	..	..	..	..	..	..	..	..
B.1. Resource Balance	40	28	44	116	109	-51	153	160	169	72
2. Exports of Goods & NFS	517	495	477	577	597	548	835	899	1022	976
3. Imports of Goods & NFS	477	467	433	461	488	599	682	739	853	904
C.1. Domestic Absorption	3126	3160	3075	3104	3234	3416	3430	3456	3570	3937
D.1. Total Consumption	2950	3003	2917	2931	3030	3109	3116	3086	3113	3373
2. Private	..	..	..	..	..	..	..	..	..	..
3. General Government a/	..	..	..	..	..	..	..	..	..	..
E.1. Gross Domestic Investment	176	157	158	173	204	307	314	370	457	564
2. Fixed Investment	176	157	158	173	204	307	314	370	457	564
3. Changes in Stocks	..	..	..	..	..	..	..	..	..	..
F.1. Statistical Discrepancy	--	--	--	--	--	--	--	--	--	--
Memorandum Items:										
G.1. Net factor income from abroad	-39	-29	-23	-26	-22	-25	-28	-30	-29	-29
2. Net current transfers from abroad	67	133	140	109	129	190	151	214	165	129
3. GNP at Market Prices	3127	3159	3096	3194	3321	3340	3555	3586	3710	3980
H.1. Gross Domestic Savings	216	185	202	289	313	256	467	530	252	636
2. Gross National Savings	244	289	319	372	420	421	590	714	762	736
I.1. Capacity to Import	796	778	782	993	978	957	1337	1356	1404	1016
2. Terms of trade adjustment	279	283	305	416	381	409	502	457	382	40
3. Gross domestic income	3445	3471	3424	3636	3724	3774	4085	4073	4121	4049
4. Gross national income	3406	3442	3401	3610	3702	3749	4057	4043	4092	4020
Alternative Exports and Imports Deflators										
J.1. National Accounts										
a. Exports	43.1	41.8	42.1	40.0	40.5	47.6	44.2	44.6	50.5	67.8
b. Imports	65.0	63.6	61.0	58.1	61.1	57.3	62.5	66.3	72.8	96.0
c. Terms of Trade	66.4	65.8	69.1	68.9	66.4	83.2	70.7	67.3	69.4	70.6

a/ Government expenditure deflated by total consumption deflator.

Table 2.3: GROSS DOMESTIC PRODUCT BY EXPENDITURE, FY76 PRICES, FY55-84
(Millions of Gourdes)

	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84(P)
Origin and Use of Resources:										
A.1. GDP at Market Prices	4053	4395	4416	4631	4983	5342	5196	4991	5008	5143
2. Net Import Duties	..	185	181	184	197	234	235	210	218	227
3. GDP at Factor Cost	4053	4210	4235	4447	4786	5108	4961	4781	4790	4916
4. Agriculture	..	1675	1575	1604	1708	1723	1698	1627	1592	1638
5. Industry	..	996	1061	1129	1234	1361	1249	1204	1203	1191
a. manufacturing	..	664	721	772	851	970	856	824	870	856
b. mining	..	83	81	72	70	67	57	70	5	5
c. other industry	..	249	259	284	314	324	337	310	328	330
6. Services	..	1539	1599	1713	1843	2024	2014	1949	1995	2087
B.1. Resource Balance	-2	-391	-598	-633	-525	-747	-862	-416	-509	-527
2. Exports of Goods & NFS	961	1039	1002	1169	1176	1435	1348	1544	1530	1360
3. Imports of Goods & NFS	963	1430	1600	1802	1701	2182	2210	1960	2039	1887
C.1. Domestic Absorption	4055	4786	5014	5264	5508	6089	6058	5407	5517	5670
D.1. Total Consumption	3460	4108	4278	4493	4587	5155	5117	4530	4593	4702
2. Private	..	3736	3909	4131	4231	4610	4558	3994	4038	4121
3. General Government a/	..	372	369	362	356	545	559	536	555	581
E.1. Gross Domestic Investment	595	678	736	771	921	934	941	877	924	968
2. Fixed Investment	595	678	736	771	921	934	941 b/	877	924	968
3. Changes in Stocks	..	..	..	..	..	..	..	..	..	..
F.1. Statistical Discrepancy	--	--	--	--	--	--	--	--	--	--
Memorandum Items:										
G.1. Net factor income from abroad	-30	-36	-56	-66	-54	-52	-43	-44	-42	-52
2. Net current transfers from abroad	175	325	300	309	307	338	435	401	389	383
3. GNP at Market Prices	4023	4359	4360	4565	4929	5290	5153	4947	4966	5091
H.1. Gross Domestic Savings	593	287	138	138	396	187	79	461	415	441
2. Gross National Savings	738	576	382	381	649	473	471	818	762	772
I.1. Capacity to Import	855	1039	948	1063	950	1031	894	966	959	796
2. Terms of trade adjustment	-106	0	-54	-106	-226	-404	-454	-578	-571	-564
3. Gross domestic income	3947	4395	4362	4525	4757	4938	4742	4413	4437	4579
4. Gross national income	3917	4359	4306	4459	4703	4886	4699	4369	4395	4527
Alternative Exports and Imports Deflators										
J.1. National Accounts										
a. Exports	81.6	100.0	124.5	127.7	129.2	149.6	144.1	138.4	144.0	160.6
b. Imports	112.4	100.0	105.8	110.0	123.8	139.2	150.9	159.8	159.6	170.9
c. Terms of Trade	72.6	100.0	117.8	116.1	104.4	107.4	95.5	86.6	90.2	94.0

a/ Government expenditure deflated by total consumption deflator
b/ Investment in FY81 was higher than recorded here because of G 210 million public sector investment in USND.
P/ Provisional

Source: IHSI.

Table 2.4: SAVINGS AND INVESTMENT, FY76-84
(Millions of Gourdes at Current Prices)

	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84
Gross Domestic Investment	678	748	857	938	1,238	1,252	1,230	1,331	1,440
Public Sector	439	527	528	480	636	928	785	892	923
Private Sector	239	221	329	458	602	324	445	439	517
Gross Domestic Saving	287	303	368	352	347	-139	235	280	400
Public Sector Saving	83	145	147	100	17	-61	50	83	104
General Government	63	105	80	39	-46	-158	-21	-31	-48
Rest of the Public Sector	20	40	67	61	63	97	71	114	152
Private Sector Saving	204	158	221	252	330	-78	185	197	296

Sources: Statistical Appendix Tables ST-1 and 5.1
IMF

Table 3.1: BALANCE OF PAYMENTS SUMMARY, FY71-84
(US$ million)

		FY71	FY72	FY73	FY74	FY75	FY76	FY77
A.1.	Exports of goods & NFS a/	64.10	63.92	76.02	91.82	105.90	140.64	174.08
2.	Merchandise	45.30	42.90	54.40	70.04	80.28	111.88	137.64
3.	Non-factor services	18.80	21.02	21.62	21.78	25.62	28.76	36.44
B.1	Imports of goods & NFS b/	75.10	81.54	96.96	132.76	161.16	218.82	263.04
2.	Merchandise	53.20	58.28	66.50	96.52	122.14	164.20	199.92
3.	Non-factor services	21.90	23.26	30.46	36.24	39.02	54.62	63.12
C.1.	Resource Balance	-11.00	-17.62	-20.94	-40.94	-55.26	-78.18	-88.96
D.1.	Net factor income	-3.90	-4.48	-4.42	-5.90	-7.14	-7.18	-12.04
2.	Factor receipts	0.00	0.00	0.24	0.24	0.30	1.00	1.32
	a. of which labor income	..	..	..	..	..	..	..
3.	Factor payments	3.90	4.48	4.66	6.14	7.44	8.18	13.36
	a. of which interest on M&LT loans	0.28	0.28	0.55	0.51	1.24	1.52	3.78
E.1.	Net current transfers	18.90	28.44	24.12	24.72	35.54	65.08	63.50
2.	Transfer receipts	25.00	32.58	33.08	36.52	76.62	111.94	107.60
	a. worker's remittances	19.10	24.98	24.06	23.82	61.48	78.00	75.02
3.	Transfer payments	6.10	4.14	8.96	11.80	41.08	46.86	44.10
F.1.	Current Account Balance	4.00	6.34	-1.24	-22.12	-26.86	-20.28	-37.50
G.1.	Net direct investment	3.40	4.06	6.98	7.94	2.64	7.78	8.00
2.	Official capital grants c/	5.90	7.60	9.02	12.70	15.14	33.94	32.58
3.	Net M&LT loans (DRS)	-1.56	1.00	-2.23	4.79	10.74	35.45	50.47
	a. disbursements	2.96	4.60	3.01	10.41	17.08	44.12	65.43
	b. repayments	4.50	3.60	5.24	5.62	6.34	8.68	14.96
4.	Other M&LT inflows (net)	0.86	6.36	-0.55	-0.45	8.94	-9.30	11.89
H.1.	Net short-term capital	2.44	-8.06	-6.08	-10.04	-19.50	5.06	-19.26
2.	Capital flows	..	..	..	..	..	..	..
3.	Errors and omissions	..	..	..	..	..	..	..
I.1.	Change in net reserves	-9.12	-9.70	3.12	19.86	24.16	-18.70	-13.60
2.	Net credit from the IMF	-1.60	-1.30	0.00	3.72	9.76	1.50	-4.64
3.	Other reserve changes	-7.52	-8.40	3.12	16.14	14.40	-20.20	-8.96

a/ Net exports
b/ Net imports
c/ Official capital grants are already included in the current transfers so they must not be used in the capital account to compute change in reserves.

Table 3.1: BALANCE OF PAYMENTS SUMMARY, FY71-84
(US$ million)

		FY78	FY79	FY80	FY81	FY82	FY83	FY84 (P)
A.1.	Exports of goods & NFS a/	211.22	212.94	305.68	241.52	274.86	289.84	319.04
2.	Merchandise	149.92	137.98	215.80	151.12	177.14	186.56	214.58
3.	Non-factor services	61.30	74.96	89.88	90.40	97.72	103.28	104.46
B.1	Imports of goods & NFS b/	309.08	330.16	483.80	519.78	473.82	500.10	526.96
2.	Merchandise	207.46	220.06	319.00	360.14	301.92	325.90	337.86
3.	Non-factor services	101.62	110.10	164.80	159.64	171.90	174.20	189.10
C.1.	Resource Balance	-97.86	-117.22	-178.12	-278.26	-198.96	-210.26	-207.92
D.1.	Net factor income	-14.68	-13.40	-14.30	-13.06	-14.02	-14.20	-18.06
2.	Factor receipts	2.04	2.62	3.10	4.14	3.62	4.70	4.50
	a. of which labor income	..	..	..	..	..	..	..
3.	Factor payments	16.72	16.02	17.40	17.20	17.64	18.90	22.56
	a. of which interest on M&LT loans	4.49	3.54	5.17	5.87	6.75	6.49	6.08
E.1.	Net current transfers	67.90	75.86	94.06	131.48	128.70	124.10	131.00
2.	Transfer receipts	115.18	126.54	164.04	193.32	176.04	167.58	176.00
	a. worker's remittances	76.00	84.78	106.44	126.62	97.04	89.88	90.00
3.	Transfer payments	47.28	50.68	69.98	61.84	47.34	43.48	45.00
F.1.	Current Account Balance	-44.64	-54.76	-98.36	-159.84	-84.28	-100.36	-94.98
G.1.	Net direct investment	10.00	12.00	13.00	8.34	7.08	15.34	4.46
2.	Official capital grants c/	39.18	41.76	57.60	66.70	79.00	77.70	86.00
3.	Net M&LT loans (DRS)	45.65	41.70	39.80	102.15	57.38	37.40	47.10
	a. disbursements	59.72	50.26	55.12	117.30	65.87	45.27	58.41
	b. repayments	14.07	8.55	15.29	15.14	8.50	7.86	11.35
4.	Other M&LT inflows (net)	-5.63	13.76	28.34	-2.30	6.00	21.24	26.68
H.1.	Net short-term capital	8.84	3.48	8.02	18.64	3.12	3.46	3.08
2.	Capital flows	..	..	..	..	..	..	..
3.	Errors and omissions	..	..	..	..	..	..	..
I.1.	Change in net reserves	-14.22	-16.18	9.20	33.00	10.70	22.90	13.66
2.	Net credit from the IMF	-0.62	-2.18	-3.00	13.92	28.92	25.80	17.40
3.	Other reserve changes	-13.60	-14.00	12.20	26.95	-22.62	-16.60	-5.58

a/ Net exports
b/ Net imports
c/ Official capital grants are already included in the current transfers so they must not be used in the capital account to compute change in reserves.
P/ Provisional

Source: BRH - Direction des Etudes Economiques

Table 3.2: DETAILED BALANCE OF PAYMENTS, FY76-84
(US$ million)

	FY76			FY77			FY78		
	CREDIT	DEBIT	BALANCE	CREDIT	DEBIT	BALANCE	CREDIT	DEBIT	BALANCE
A) Merchandise and Services	141.6	227.0	-85.4	175.4	276.4	-101.0	213.3	325.8	-112.5
1. Merchandise (FOB)	111.9	164.2	-52.3	137.6	199.9	-62.3	149.9	207.5	-57.5
2. Services	29.8	62.8	-33.0	37.8	76.5	-38.7	63.3	118.3	-55.0
Freight, Transport, Insurance	—	31.6	-31.6	0.2	32.4	-32.2	0.4	34.3	-33.9
Other Transport	0.6	6.0	-5.4	1.3	7.6	-6.3	1.8	14.8	-13.0
Travel	24.7	4.8	19.9	29.8	6.0	23.8	53.0	28.1	24.9
Investment Revenue	1.0	8.2	-7.2	1.3	13.4	-12.0	2.0	16.7	-14.7
a) Direct Investment	1.0	6.2	-5.2	1.3	9.0	-7.7	1.7	10.8	-9.1
b) Other	—	2.0	-2.0	—	4.4	-4.3	0.3	5.9	-5.6
Government Transactions	2.7	8.8	-6.1	4.0	12.3	-8.3	4.5	17.3	-12.9
Other Services	0.7	3.4	-2.7	1.2	4.9	-3.6	1.6	7.0	-5.4
a) Other Insurance	0.2	0.2	.0	0.4	0.6	-0.2	0.6	1.0	-0.4
b) Other	0.5	3.2	-2.7	0.8	4.2	-3.4	1.0	6.0	-5.0
B) Unrequited Transfers	111.9	46.9	65.1	107.6	44.1	63.5	115.2	47.3	67.9
Private	78.0	46.9	31.1	75.0	44.1	30.9	76.0	47.3	28.7
Public	33.9	—	33.9	32.6	—	32.6	39.2	—	39.2
C) Goods, Services and Transfers	253.6	273.9	-20.3	283.0	320.5	-37.5	328.4	373.1	-44.6
D) Capital Movements	47.5	8.5	39.0	78.8	27.7	51.1	58.9	—	58.9
1. Private Capital Movements	12.8	—	12.8	8.0	19.3	-11.3	18.8	—	18.8
a) Long Term	7.8	—	7.8	8.0	—	8.0	10.0	—	10.0
Direct Investment	7.8	—	7.8	8.0	—	8.0	10.0	—	10.0
Other Private Capital	—	—	—	—	—	—	—	—	—
b) Short Term Capital and Errors and Omissions	5.1	—	5.1	—	19.3	-19.3	8.8	—	8.8
2. Public Capital Movements	34.7	8.5	26.1	70.8	8.4	62.4	40.0	—	40.0
a) Public Sector Capital	34.7	8.5	26.1	68.4	8.4	60.0	32.3	—	32.3
Central Government	22.4	3.1	19.3	42.5	2.3	40.2	26.4	—	26.4
Public Enterprises	12.2	5.4	6.8	25.9	6.1	19.8	5.9	—	5.9
b) Other Public Capital	—	—	—	2.4	—	2.4	7.7	—	7.7
E) Change in Reserves	..	..	-18.7	..	..	-13.6	..	..	-14.2
1. Central Bank	..	..	-11.5	..	..	-12.8	..	..	-10.3
2. Private Banks	..	..	-7.2	..	..	-0.8	..	..	-4.0

Table 3.2: DETAILED BALANCE OF PAYMENTS, FY76-8
(US$ million)

	FY79			FY80			FY81		
	CREDIT	DEBIT	BALANCE	CREDIT	DEBIT	BALANCE	CREDIT	DEBIT	BALANCE
A) Merchandise and Services	215.5	346.2	-130.6	308.3	501.2	-192.4	245.7	537.0	-291.3
1. Merchandise (FOB)	138.0	220.1	-82.1	215.8	319.0	-103.2	151.1	360.1	-209.0
2. Services	77.6	126.1	-48.5	93.0	182.2	-89.2	94.5	176.8	-82.3
Freight, Transport, Insurance	1.5	33.0	-31.5	3.0	53.3	-50.2	4.0	59.4	-55.4
Other Transport	1.8	15.1	-13.3	2.6	29.4	-26.8	2.8	29.8	-27.0
Travel	64.6	32.5	32.1	76.4	40.6	35.9	74.9	31.1	43.8
Investment Revenue	2.6	16.0	-13.4	3.1	17.4	-14.3	4.1	17.2	-13.1
a) Direct Investment	2.2	9.2	-7.0	2.6	11.0	-8.4	3.5	10.8	-7.3
b) Other	0.4	6.8	-6.4	0.5	6.4	-5.9	0.7	6.4	-5.7
Government Transactions	5.0	22.7	-17.7	5.5	32.8	-27.3	6.0	29.6	-23.6
Other Services	2.0	6.8	-4.8	2.3	8.7	-6.4	2.7	9.7	-7.0
a) Other Insurance	0.7	1.2	-0.5	0.8	1.5	-0.7	0.9	1.7	-0.8
b) Other	1.3	5.6	-4.3	1.5	7.2	-5.7	1.8	8.0	-6.2
B) Unrequited Transfers	126.5	50.7	75.9	158.7	70.0	88.7	201.2	61.8	139.3
Private	84.8	50.7	34.1	106.4	54.3	52.1	126.6	61.8	64.8
Public	41.8	—	41.8	52.3	15.6	36.6	74.6	—	74.6
C) Goods, Services and Transfers	342.1	396.9	-54.8	467.5	571.2	-103.7	466.8	598.8	-132.0
D) Capital Movements	78.0	7.0	71.0	104.4	9.9	94.5	130.3	11.3	119.0
1. Private Capital Movements	25.0	—	25.0	45.8	—	45.8	37.0	—	37.0
a) Long Term	21.5	—	21.5	32.5	—	32.5	26.2	—	26.2
Direct Investment	12.0	—	12.0	13.0	—	13.0	8.3	—	8.3
Other Private Capital	9.5	—	9.5	19.5	—	19.5	17.9	—	17.9
b) Short Term Capital and Errors and Omissions	3.5	—	3.5	13.3	—	13.3	10.8	—	10.8
2. Public Capital Movements	53.0	7.0	46.0	58.6	9.9	48.7	93.3	11.3	82.0
a) Public Sector Capital	39.5	7.0	32.5	51.6	9.9	41.7	93.3	11.3	82.0
Central Government	28.1	3.2	24.9	41.6	2.5	39.1	32.4	7.4	25.0
Public Enterprises	11.5	3.9	7.6	10.0	7.4	2.6	60.9	3.8	57.0
b) Other Public Capital	13.5	—	13.5	7.0	—	7.0	—	—	—
E) Change in Reserves	..	..	-16.2	..	..	9.2	..	..	33.0
1. Central Bank	..	..	-14.0	..	..	11.8	..	..	34.3
2. Private Banks	..	..	-2.2	..	..	-2.6	..	..	-1.3

Table 3.2: DETAILED BALANCE OF PAYMENTS, FY76-84
(US$ millions)

	FY82			FY83			FY84 (P)		
	CREDIT	DEBIT	BALANCE	CREDIT	DEBIT	BALANCE	CREDIT	DEBIT	BALANCE
A) Merchandise and Services	278.5	491.5	-213.0	294.5	519.0	-224.5	323.5	549.5	-226.0
1. Merchandise (FOB)	177.1	301.9	-124.8	186.6	325.9	-139.3	214.6	337.9	-123.3
2. Services	101.3	189.5	-88.2	108.0	193.1	-85.1	109.0	211.7	-102.7
Freight, Transport, Insurance	3.1	46.8	-43.7	3.4	53.7	-50.3	3.7	59.6	-55.9
Other Transport	3.7	32.0	-28.3	3.8	35.0	-31.2	4.0	38.2	-34.2
Travel	81.2	41.7	39.4	85.5	39.4	46.1	84.7	40.0	44.7
Investment Revenue	3.6	17.6	-14.0	4.7	18.9	-14.2	4.5	22.6	-18.1
a) Direct Investment	3.0	11.1	-8.1	3.9	11.9	-8.0	4.5	6.0	-1.5
b) Other	0.6	6.5	-6.0	0.8	7.0	-6.2	—	16.6	-16.6
Government Transactions	6.5	40.4	-33.9	7.2	34.3	-27.1	7.9	34.7	-26.8
Other Services	3.2	10.9	-7.7	3.4	11.8	-8.5	4.2	16.6	-12.4
a) Other Insurance	1.1	1.9	-0.8	1.1	2.0	-0.9	1.4	2.3	-0.9
b) Other	2.1	9.0	-6.9	2.2	9.8	-7.6	2.8	14.3	-11.5
B) Unrequited Transfers	159.0	47.3	111.7	153.9	43.5	110.4	168.0	45.0	123.0
Private	97.0	47.3	49.7	89.9	43.5	46.4	90.0	45.0	45.0
Public	62.0	—	62.0	64.0	—	64.0	78.0	—	78.0
C) Goods, Services and Transfers	437.5	538.8	-101.3	448.4	562.5	-114.1	491.5	594.5	-103.0
D) Capital Movements	100.2	9.6	90.6	102.9	11.7	91.2	108.7	25.6	83.2
1. Private Capital Movements	52.4	—	52.4	55.5	—	55.5	25.4	—	25.4
a) Long Term	32.3	—	32.3	38.3	—	38.3	20.5	—	20.5
Direct Investment	7.1	—	7.1	15.3	—	15.3	4.5	—	4.5
Other Private Capital	25.2	—	25.2	23.0	—	23.0	16.0	—	16.0
b) Short Term Capital and Errors and Omissions	20.1	—	20.1	17.2	—	17.2	4.9	—	4.9
2. Public Capital Movements	47.8	9.6	38.2	47.3	11.7	35.6	83.3	25.6	57.8
a) Public Sector Capital	47.8	9.6	38.2	47.3	11.7	35.6	83.3	25.6	57.8
Central Government	39.3	4.9	34.4	34.9	5.1	29.8	63.0	8.0	54.9
Public Enterprises	8.5	4.7	3.8	12.4	6.5	6.0	20.4	16.5	3.8
b) Other Public Capital	—	—	—	—	—	—	—	—	—
E) Change in Reserves	..	..	10.7	..	..	22.9	..	..	19.8
1. Central Bank	..	..	16.6	..	..	28.4	..	..	26.5
2. Private Banks	..	..	-5.9	..	..	-5.5	..	..	-6.7

Source: BRH - Direction des Etudes Economiques

Table 3.3: DIRECTION OF TRADE, EXPORTS, FY80-84

(Percent)

	FY80	FY81	FY82	FY83	FY84 (P)
Industrialized Countries	95.3	94.5	94.3	95.0	94.7
United States	54.5	51.3	55.1	51.9	55.0
Canada	1.5	1.6	1.8	1.4	1.5
Japan	0.2	0.4	0.4	0.3	0.3
France	13.2	12.3	9.9	11.8	11.1
Germany	3.0	3.4	3.4	3.2	3.5
Netherlands	1.8	1.4	1.8	1.2	1.7
United Kingdom	0.5	1.0	0.8	0.7	0.9
Belgium	6.6	8.8	7.7	8.2	7.9
Italy	12.7	13.2	12.2	12.8	11.4
Other	1.3	1.2	1.4	3.5	1.3
Developing Countries	4.7	5.4	5.6	5.0	5.3
Caribbean	4.1	4.9	5.0	4.5	4.6
Latin America	0.4	0.4	0.5	0.3	0.4
Africa	0.1	.0	0.1	0.1	0.1
Asia and Middle East	0.1	0.1	0.1	0.1	0.1
Other	-	0.1	0.1	0.1	0.1
Total	100.0	100.0	100.0	100.0	100.0

(P) Provisional.

Sources: Administration Générale des Douanes
BRH - Direction des Etudes Economiques.

Table 3.4: DIRECTION OF TRADE, IMPORTS, FY80-84

(Percent)

	FY80	FY81	FY82	FY83	FY84 (P)
Industrialized Countries	75.5	79.1	76.5	76.9	78.2
United States	51.9	50.3	47.9	50.4	50.4
Canada	5.0	6.2	5.3	5.2	6.1
Japan	5.5	6.1	7.3	5.9	6.5
France	3.5	3.9	3.5	3.5	3.5
Germany	2.3	2.5	2.7	2.5	2.4
Netherlands	1.7	3.4	2.3	2.2	2.9
United Kingdom	1.6	1.1	1.6	1.3	1.3
Belgium	0.7	0.6	0.8	0.8	0.7
Italy	0.7	0.7	0.7	0.9	0.7
Other	2.7	4.3	4.5	4.2	3.7
Developing Countries	24.4	20.7	23.3	23.0	21.5
Caribbean	16.3	14.8	16.3	16.3	15.2
Latin America	3.2	2.7	3.0	2.9	2.7
Africa	0.5	0.2	0.3	0.3	0.3
Asia and Middle East	4.5	3.0	3.6	3.4	3.4
Other	0.1	0.2	0.2	0.1	0.2
Total	100.0	100.0	100.0	100.0	100.0

(P) Provisional.

Sources: Administration Générale des Douanes
BRH - Direction des Etudes Economiques.

Table 3.5: MERCHANDISE EXPORTS BY MAJOR CATEGORIES, FY80-84

(US$ Millions)

ITEMS	FY80	FY81	FY82	FY83	FY84 (P)
Agriculture products	129.6	62.0	75.8	103.6	112.9
Coffee	90.9	33.1	35.9	52.5	53.8
Essential Oil	5.4	4.9	5.7	7.7	5.6
Sisal	1.4	0.5	1.7	0.2	0.2
Sugar	6.4	-	-	1.7	0.5
Meat	1.8	4.2	1.7	0.6	0.4
Cocoa	4.5	3.4	2.2	4.7	4.6
Other Agriculture	19.2	15.9	28.5	36.3	47.9
Other Exports	96.1	93.1	105.5	85.1	104.4
Manufacturing a/	54.7	54.8	48.3	47.8	64.2
Small Industry b/	21.1	21.7	35.7	37.2	42.3
Bauxite	19.6	16.6	21.4	-	-
Cement	0.7	-	-	-	-
Total (Customs)	225.7	155.1	181.3	188.7	219.4
Adjustment c/	-9.9	-4.0	-4.2	-2.1	-4.8
Total Net Exports (F.O.B.)	215.8	151.1	177.1	186.6	214.6

a/ Net exports
b/ Figures adjusted. This item includes mostly artisanal products.
c/ Adjustment for merchandise returned.

(P) Provisional

Sources: Administration Générale des Douanes
BRH - Direction des Etudes Economiques

Table 3.6: EXPORTS OF MANUFACTURES PRODUCED FROM LOCAL RAW MATERIALS, FY80-84

(US$ Millions)

ITEMS	FY80	FY81	FY82	FY83	FY84 (P)
Manufactured Leather Products	6.8	7.4	15.7	17.3	22.1
Manufactured Wooden Products	0.8	0.8	4.6	4.7	5.3
Items for Clothes, Etc.	6.6	6.5	6.3	6.0	5.9
Textile Products	6.1	7.2	5.4	4.8	4.0
Rugs, Items for Rugs, Blankets	0.6	0.5	0.5	0.4	0.3
Wood for Furniture	1.9	2.3	2.1	1.9	1.8
Art Work	0.3	0.3	0.4	0.5	0.6
Brooms and Brushes	6.0	5.8	5.6	5.2	4.3
Other	0.6	0.6	0.7	0.8	1.1
Subtotal	29.7	31.4	41.3	41.6	45.5
Merchandise Returned	-2.1	-4.7	-4.3	-3.7	-4.6
Total Net	27.6	26.7	36.9	37.9	40.9

(P) = Provisional

Sources: U.S. Department of Commerce
BRH - Direction des Etudes Economiques

Table 3.7: EXPORTS OF MANUFACTURES PRODUCED FROM IMPORTED RAW MATERIALS, FY80-84 a/

(US$ Millions)

ITEMS	FY80	FY81	FY82	FY83 (P)	FY84 (P)
Tulles, Lace, Ribbons	0.2	0.4	0.5	0.4	0.6
Distribution Equipment	2.8	4.7	4.3	4.0	4.0
Radios and Accessories	9.0	5.2	4.1	3.4	2.7
Machinery and Accessories	4.7	7.0	6.1	5.3	5.1
Electric Appliances and Accessories	24.3	13.9	10.3	9.1	6.2
Transformers and Switches	6.1	21.9	23.2	24.9	43.0
Travel Articles and Handbags	5.1	8.6	7.0	6.2	5.4
Articles for Clothing	41.9	59.0	41.0	43.6	44.9
Footwear	2.1	5.6	4.8	4.3	2.8
Toys and Sporting Articles	42.0	44.1	36.5	35.1	33.5
Manufactured Articles Made of Rubber and Plastic	6.8	6.1	5.3	5.1	4.4
Other	0.2	0.3	0.2	0.3	0.3
TOTAL	145.2	176.8	143.4	141.8	153.0

a/ Net

(P) Provisional

Sources: U.S. Department of Commerce
BRH - Direction des Etudes Economiques

Table 3.8: MERCHANDISE EXPORTS IN VOLUME TERMS BY MAJOR CATEGORIES, FY80-84

(Thousands of metric tons)

PRODUCTS	FY80	FY81	FY82	FY83	FY84 (P)
Coffee	25.0	13.6	14.7	23.7	18.7
Essential Oils	0.2	0.2	0.2	0.4	0.2
Cocoa	2.3	2.6	1.5	3.7	2.4
Sugar	19.2	—	—	7.1	5.0
Molasses	39.8	10.4	20.5	15.3	4.0
Meat	0.8	1.5	0.7	0.2	0.2
Small Industry	9.4	7.0	5.2	5.2	6.0
Manufacturing	15.4	13.6	14.0	13.6	16.8
Bauxite	579.4	480.4	622.4	—	—
Coils	3.3	0.9	2.5	0.3	0.3
Strings	10.6	8.8	10.1	7.8	8.5
Castor Oil	0.1	—	—	—	—

(P) Provisional

Source: Administration Générale des Douanes

Table 3.9: U.S. IMPORTS FROM HAITI BY TRADE PROVISION, FY79-84 [a]/

(Millions of U.S. Dollars)

Provision	FY79	FY80	FY81	FY82	FY83	FY84
806.30 & 807.00	124.3	149.3	170.7	179.5	188.1	210.1
GSP	27.3	33.1	37.0	37.8	54.9	85.1
CBI	-	-	-	-	-	12.7
FTZ [b]/	-	-	0.2 [c]/	0.3	-	-
Other [d]/	54.3	66.8	68.7	83.3	78.9	74.9
TOTAL	205.9	249.2	276.6	300.9	321.9	382.8

[a]/ Gross imports.
[b]/ Free tariff zone without privileged status.
[c]/ Includes US$0.05 million of FTZ with privileged status.
[d]/ Imports not under preferential schemes.

Source: U.S. Department of Commerce.

Table 3.10: NET TRAVEL RECEIPTS, FY80-84

	FY80	FY81	FY82	FY83	FY84 (E)
	(Millions of U.S.$)				
Net foreign exchange receipts	35.90	43.80	39.50	33.30	28.04
Credit	76.50	74.90	81.20	72.70	68.04
Expenditures by travelers arriving by plane	68.50	66.40	74.20	67.77	63.25
Expenditures by cruise passengers	6.50	6.50	5.00	3.67	3.53
Expenditures by travelers arriving by car	1.50	2.00	2.00	1.26	1.26
Debit	40.60	31.10	41.70	39.40	40.00
	(In thousands of persons)				
Travelers arriving by plane	138.90	134.10	120.20	125.80	117.40
Cruise passengers	162.60	142.00	94.70	96.70	93.00
Travelers arriving by car	5.00	5.00	5.00	5.00	4.20

(E) Estimated.

Source: IMF.

Table 3.11: IMPORTS BY MAJOR GROUPS OF PRODUCTS, FY80-84 a/

(US$ Millions)

PRODUCT	FY80	FY81	FY82	FY83	FY84 (P)
Food Products (Incl. Beverages, Tobacco)	61.9	81.9	72.8	82.2	88.7
Fuels and Lubricants	48.5	53.9	45.6	56.4	60.8
Manufactured Products	76.1	83.4	71.9	86.0	92.7
Machinery and Transport Equipment	64.0	105.4	89.0	85.5	92.2
Fats and Oils	25.7	27.5	16.5	31.4	33.7
Chemical Products	30.7	35.1	35.9	39.8	43.1
Other Manufactures	29.9	40.9	37.7	34.9	37.7
Other	17.3	19.7	17.9	24.1	25.2
Total Imports Customs	354.2	448.0	387.3	440.3	474.1
Adjustment b/	12.8	14.3	12.0	14.9	16.1
Other adjustments c/	-48.0	-102.1	-97.4	-129.3	-152.3
Net Imports (F.O.B.)	319.0	360.1	301.9	325.9	337.9

a/ Assembly industry raw material and intermediate goods excluded.
b/ Under-evaluation of fuels and lubricants.
c/ Includes smuggling adjustment by 5% before FY82; 12% in FY82 and FY83; and 10% in FY84.

(P) Provisional

Sources: Administration Générale des Douanes
BRH - Direction des Etudes Economiques

Table 3.12: SHARE OF IMPORTS BY MAJOR CATEGORIES, FY80-84

(Percent) a/

PRODUCT	FY80	FY81	FY82 (P)	FY83 (P)	FY84(P)
Food Products (incl. beverages, tobacco)	17.5	18.3	18.8	18.7	18.7
Fuels and Lubricants	13.7	12.0	11.8	12.8	12.8
Manufactured Goods	21.5	18.6	18.6	19.5	19.6
Machinery and Transport Equipment	18.1	23.5	23.0	19.4	19.4
Fats and Oils	7.3	6.1	4.3	7.1	7.1
Chemical Products	8.7	7.8	9.3	9.0	9.1
Other Manufacturs	8.4	9.1	9.7	7.9	7.9
Other	4.9	4.4	4.6	5.5	5.3
Total	100.0	100.0	100.0	100.0	100.0

a/ Percent computed from total before adjustment in Table 3.11.

(P) Provisional.

Source: Table 3.11.

Table 3.13: IMPORTS OF PETROLEUM DERIVATIVES, FY80-83

	FY80		FY81		FY82		FY83	
	Quantity [a]/	Value [b]/	Quantity [a]/	Value[b]/	Quantity [a]/	Value [b]/	Quantity [a]/	Value[b]/
Gasoline	16.7	15.4	16.8	17.0	19.0	12.7	15.5	16.0
Kerosene	1.5	1.4	1.9	2.0	5.2	5.5	7.8	7.0
Diesel Oil	16.1	4.4	12.7	4.5	..	..	1.1	0.3
Gas-Oil	68.0	18.4	66.7	20.0	62.1	19.7	102.0	32.4
Fuel Oil	23.9	3.7	35.7	6.1	20.7	3.8	36.0	6.4
Bitumen	—	—	0.4	0.1	0.7	0.1	1.1	0.2
TOTAL		43.4		49.7		41.9		62.4

a/ Gasoline and Kerosene in U.S. Gallons, others in Kilograms.
b/ US$ Millions.

Source: Administration Générale des Douanes.

Table 3.14: LIST OF IMPORTS SUBJECT TO QUOTA, JANUARY 1985 [a]

1. Household articles made of cast iron, iron, steel; enamel ware; bowls.
2. Household articles made of plastic.
3. Batteries for cars and trucks.
4. Shoes with canvas, cotton, plastic or rubber tops.
5. Plastic and rubber shoes.
6. Leather shoes.
7. Galvanised nails.
8. V-8 Cocktail.
9. Toothpaste.
10. Liquid disinfectants.
11. Paper, plastic or cardboard packaging material.
12. Charcoal irons.
13. Vegetable and fruit juices.
14. Lard.
15. Slippers.
16. Paint.
17. Paper and synthetic bags.
18. Toilet soap.
19. Candy without cocoa.
20. Fabrics made from natural fibres.
21. Fabric made from synthetic, and artificial fibres.
22. Mosquito coils.
23. Evaporated milk.
24. Pastas.
25. Household articles made of aluminum.

[a] The law allows for quotas on 111 products but in practice it is applied only to these 25.

Source: Ministere du Commerce.

Table 4.1: MEDIUM AND LONG-TERM EXTERNAL PUBLIC DEBT BY TYPE OF CREDITOR, FY70-84

PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF SEP. 30, 1984
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

TYPE OF CREDITOR: SUPPLIERS CREDITS
TOTAL

FISCAL YEAR	DEBT OUTSTANDING AT BEGINNING OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT-MENTS	DISBURSE-MENTS	SERVICE PAYMENTS: PRINCIPAL	INTEREST	TOTAL	CANCEL-LATIONS	ADJUST-MENT *
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1969/70	5,025	8,858	5,291	4,208	2,531	230	2,761	-	-
1970/71	6,702	11,618	4,484	2,965	3,412	180	3,592	2,260	-
1971/72	6,255	10,430	-	1,751	2,788	188	2,976	-	1,390
1972/73	8,703	9,032	1,625	324	2,206	267	2,473	267	-
1973/74	6,559	8,184	1,266	2,322	2,577	144	2,721	-	-
1974/75	6,304	6,873	-	569	2,170	162	2,332	-	154
1975/76	4,857	4,857	9,430	9,430	2,185	152	2,337	-	-
1976/77	12,102	12,102	4,900	4,900	6,413	1,134	7,547	-	-
1977/78	10,589	10,589	5,160	5,160	6,597	1,140	7,737	-	-
1978/79	9,152	9,152	6,380	6,380	3,400	672	4,072	-	-
1979/80	12,132	12,132	2,903	2,903	6,565	810	7,375	-	-
1980/81	8,470	8,470	16,199	14,601	3,415	575	3,990	-	-
1981/82	19,656	21,254	2,442	4,040	4,165	695	4,860	-	-
1982/83	19,531	19,531	-	-	2,583	1,307	3,890	-	-
1983/84	16,948	16,948	-	-	1,728	472	2,200	-	-9,305
1984/85	5,915	5,915							
	• • • • • • THE FOLLOWING FIGURES ARE PROJECTED • • • • • •								
1984/85	5,915	5,915	-	-	1,644	473	2,117	-	-
1985/86	4,271	4,271	-	-	1,560	470	2,030	-	-
1986/87	2,711	2,711	-	-	1,560	470	2,030	-	-
1987/88	1,151	1,151	-	-	1,151	397	1,548	-	-

* THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE YEAR TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFER OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Table 4.1: MEDIUM AND LONG-TERM EXTERNAL PUBLIC DEBT BY TYPE OF CREDITOR, FY70-84

PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF SEP. 30, 1984
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

TYPE OF CREDITOR: FINANCIAL INSTITUTIONS
TOTAL

FISCAL YEAR	DEBT OUTSTANDING AT BEGINNING OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMITMENTS	DISBURSEMENTS	SERVICE PAYMENTS: PRINCIPAL	SERVICE PAYMENTS: INTEREST	SERVICE PAYMENTS: TOTAL	CANCELLATIONS	ADJUSTMENT *
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1969/70	-	-	-	-	-	-	-	-	-
1970/71	-	-	-	-	-	-	-	-	-
1971/72	-	-	-	-	-	-	-	-	-
1972/73	-	-	-	-	-	-	-	-	-
1973/74	-	-	-	-	-	-	-	-	-
1974/75	-	-	-	-	-	-	-	-	-
1975/76	-	-	-	-	-	-	-	-	-
1976/77	-	-	3,900	3,900	79	113	192	-	-
1977/78	3,821	3,821	-	-	717	339	1,056	-	-
1978/79	3,104	3,104	10,760	1,800	871	488	1,359	-	-
1979/80	4,033	12,993	19,956	11,812	772	1,152	1,924	-	-51
1980/81	15,022	32,126	41,772	51,236	2,290	1,690	3,980	-	-1,118
1981/82	62,850	70,490	4,070	11,140	1,555	1,570	3,125	-	-755
1982/83	71,680	72,250	-	4,071	2,949	1,151	4,100	-	-290
1983/84	69,011	69,011	-	-	3,644	579	4,223	-	-328
1984/85	65,039	65,039							
	• • • • • • THE FOLLOWING FIGURES ARE PROJECTED • • • • • •								
1984/85	65,039	65,039	-	-	16,723	4,971	21,694	-	-
1985/86	48,316	48,316	-	-	13,443	3,623	17,066	-	-1
1986/87	34,872	34,872	-	-	8,770	2,498	11,268	-	-
1987/88	26,102	26,102	-	-	5,012	1,881	6,893	-	-
1988/89	21,090	21,090	-	-	4,212	1,509	5,721	-	-
1989/90	16,878	16,878	-	-	4,212	1,192	5,404	-	-
1990/91	12,666	12,666	-	-	4,212	875	5,087	-	-
1991/92	8,454	8,454	-	-	4,212	558	4,770	-	-
1992/93	4,242	4,242	-	-	4,212	241	4,453	-	-
1993/94	30	30	-	-	30	2	32	-	-

* THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE YEAR TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFER OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Table 4.1: MEDIUM AND LONG-TERM EXTERNAL PUBLIC DEBT BY TYPE OF CREDITOR, FY70-84

PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF SEP. 30, 1984
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

TYPE OF CREDITOR: MULTILATERAL LOANS
TOTAL

FISCAL YEAR	DEBT OUTSTANDING AT BEGINNING OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMITMENTS	DISBURSEMENTS	SERVICE PAYMENTS: PRINCIPAL	SERVICE PAYMENTS: INTEREST	SERVICE PAYMENTS: TOTAL	CANCELLATIONS	ADJUSTMENT *
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1969/70	974	974	-	-	235	33	268	-	-
1970/71	739	739	-	-	317	14	331	-	-
1971/72	422	422	-	-	74	7	81	-	30
1972/73	378	378	-	-	4	5	9	-	42
1973/74	416	416	29,900	230	4	4	8	-	-
1974/75	642	30,312	22,000	10,151	4	159	163	-	-
1975/76	10,789	52,308	54,500	20,665	4	251	255	-	-1
1976/77	31,449	106,803	27,308	38,685	4	578	582	-	8
1977/78	70,138	134,115	49,611	33,065	4	777	781	-	571
1978/79	103,770	184,293	65,694	23,365	4	1,020	1,024	30	409
1979/80	127,540	250,362	15,587	29,194	4	1,289	1,293	13	-24
1980/81	156,683	265,908	32,275	31,698	4	1,471	1,475	-	-4,243
1981/82	184,608	293,936	43,772	26,008	279	1,874	2,153	-	-4,619
1982/83	208,855	332,810	80,032	39,057	744	1,889	2,633	-	-1,988
1983/84	246,567	410,110	20,360	44,842	2,131	2,611	4,742	-	-6,840
1984/85	286,492	421,499							
	• • • • • • THE FOLLOWING FIGURES ARE PROJECTED • • • • • •								
1984/85	286,492	421,499	-	33,938	4,079	2,862	6,941	-	4
1985/86	316,352	417,424	-	27,869	5,394	3,261	8,655	-	1
1986/87	338,826	412,031	-	22,257	6,781	3,623	10,404	-	5
1987/88	354,310	405,255	-	18,354	7,461	3,775	11,236	-	2
1988/89	365,205	397,796	-	14,130	7,700	4,017	11,717	-	1
1989/90	371,634	390,097	-	9,316	7,174	4,182	11,356	-	1
1990/91	373,777	382,924	-	5,339	7,038	4,209	11,247	-	2
1991/92	372,080	375,888	-	3,432	7,537	4,206	11,743	-	1
1992/93	367,976	368,352	-	376	8,311	4,191	12,502	-	3
1993/94	360,044	360,044	-	-	9,775	4,310	14,085	-	-3
1994/95	350,266	350,266	-	-	10,748	4,352	15,100	-	1
1995/96	339,519	339,519	-	-	11,015	4,201	15,216	-	-
1996/97	328,504	328,504	-	-	11,603	4,051	15,654	-	1
1997/98	316,902	316,902	-	-	11,947	3,895	15,842	-	-1
1998/99	304,954	304,954	-	-	11,960	3,741	15,701	-	3
1999/00	292,997	292,997	-	-	11,898	3,581	15,479	-	-1

* THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE YEAR TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFER OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Table 4.1: MEDIUM AND LONG-TERM EXTERNAL PUBLIC DEBT BY TYPE OF CREDITOR, FY70-84

PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF SEP. 30, 1984
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

TYPE OF CREDITOR BILATERAL LOANS
TOTAL

FISCAL YEAR	DEBT OUTSTANDING AT BEGINNING OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMITMENTS	DISBURSEMENTS	SERVICE PAYMENTS: PRINCIPAL	SERVICE PAYMENTS: INTEREST	SERVICE PAYMENTS: TOTAL	CANCELLATIONS	ADJUSTMENT *
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1969/70	29,593	29,593	141	141	863	170	1,033	-	-
1970/71	28,871	28,871	-	-	794	84	878	-	-
1971/72	28,077	28,077	10,000	2,856	745	88	833	-	168
1972/73	30,356	37,500	5,650	2,686	3,032	278	3,310	-	-
1973/74	30,010	40,118	6,878	7,856	3,040	358	3,398	-	-
1974/75	34,826	43,956	5,374	6,357	4,166	924	5,090	-	-
1975/76	37,017	45,164	25,060	14,027	6,486	1,121	7,607	26	-60
1976/77	44,498	63,652	18,504	17,949	8,466	1,960	10,426	279	61
1977/78	53,929	73,472	14,640	21,500	6,751	2,230	8,981	-	-
1978/79	68,678	81,361	14,781	18,715	4,276	1,358	5,634	-	-
1979/80	83,117	91,866	20,889	11,211	7,944	1,923	9,867	-	-52
1980/81	86,353	104,759	18,700	19,761	9,434	2,132	11,566	1,109	-1,167
1981/82	95,841	111,749	13,833	24,686	2,499	2,615	5,114	-	-793
1982/83	117,235	122,290	15,098	2,140	1,579	2,147	3,726	1,002	-656
1983/84	117,404	134,151	47,580	13,564	3,851	2,419	6,270	7	6,300
1984/85	136,485	184,173							
	* * * * * * THE FOLLOWING FIGURES ARE PROJECTED * * * * * *								
1984/85	136,485	184,173	-	20,636	6,832	4,435	11,267	-	-1
1985/86	150,289	177,340	-	12,372	7,088	4,336	11,424	-	3
1986/87	155,575	170,255	-	8,952	3,060	4,322	7,382	-	-
1987/88	161,467	167,195	-	3,708	3,925	4,541	8,466	-	2
1988/89	161,252	163,272	-	1,024	4,929	4,534	9,463	-	-1
1989/90	157,346	158,342	-	498	6,348	4,421	10,769	-	1
1990/91	151,497	151,995	-	332	6,461	4,257	10,718	-	2
1991/92	145,370	145,536	-	166	7,028	4,124	11,152	-	-5
1992/93	138,503	138,503	-	-	5,599	3,912	9,511	-	1
1993/94	132,905	132,905	-	-	6,394	3,820	10,214	-	-1
1994/95	126,510	126,510	-	-	7,013	3,801	10,814	-	-
1995/96	119,497	119,497	-	-	6,798	3,538	10,336	-	-2
1996/97	112,697	112,697	-	-	6,798	3,285	10,083	-	1
1997/98	105,900	105,900	-	-	6,583	3,039	9,622	-	-1
1998/99	99,316	99,316	-	-	6,583	2,801	9,384	-	-
1999/00	92,733	92,733	-	-	5,580	2,571	8,151	-	-

* THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE YEAR TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFER OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Table 4.1: MEDIUM AND LONG-TERM EXTERNAL PUBLIC DEBT BY TYPE OF CREDITOR, FY70-84

PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF SEP. 30, 1984
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

FISCAL YEAR	DEBT OUTSTANDING AT BEGINNING OF PERIOD		TOTAL TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMITMENTS	DISBURSEMENTS	SERVICE PAYMENTS PRINCIPAL	SERVICE PAYMENTS INTEREST	SERVICE PAYMENTS TOTAL	CANCELLATIONS	ADJUSTMENT *
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1969/70	39,592	43,425	5,432	4,349	3,629	433	4,062	-	-
1970/71	40,312	45,226	4,484	2,965	4,523	278	4,801	2,260	-
1971/72	38,754	42,929	10,000	4,607	3,607	283	3,890	-	1,588
1972/73	43,442	50,910	7,275	3,010	5,242	550	5,792	267	42
1973/74	40,985	52,718	38,044	10,408	5,621	506	6,127	-	-
1974/75	45,772	85,141	27,374	17,077	6,340	1,245	7,585	-	154
1975/76	56,663	106,329	88,990	44,122	8,675	1,524	10,199	4,026	-61
1976/77	88,049	182,557	54,612	65,434	14,962	3,785	18,747	279	69
1977/78	138,477	221,997	69,411	59,725	14,069	4,486	18,555	-	571
1978/79	184,704	277,910	97,615	50,260	8,551	3,538	12,089	30	409
1979/80	226,822	367,353	59,335	55,120	15,285	5,174	20,459	13	-127
1980/81	266,528	411,263	108,946	117,296	15,143	5,868	21,011	1,109	-6,528
1981/82	362,955	497,429	64,117	65,874	8,498	6,754	15,252	-	-6,167
1982/83	417,301	546,881	95,130	45,268	7,855	6,494	14,349	1,002	-2,934
1983/84	449,930	630,220	67,940	58,406	11,354	6,081	17,435	7	-10,173
1984/85	493,931	676,626							
	• • • • • • THE FOLLOWING FIGURES ARE PROJECTED • • • • • •								
1984/85	493,931	676,626	-	54,574	29,278	12,741	42,019	-	3
1985/86	519,228	647,351	-	40,241	27,485	11,690	39,175	-	3
1986/87	531,984	619,869	-	31,209	20,171	10,913	31,084	-	5
1987/88	543,030	599,703	-	22,062	17,549	10,594	28,143	-	4
1988/89	547,547	582,158	-	15,154	16,841	10,060	26,901	-	-
1989/90	545,858	565,317	-	9,814	17,734	9,795	27,529	-	2
1990/91	537,940	547,585	-	5,671	17,711	9,341	27,052	-	4
1991/92	525,904	529,878	-	3,598	18,777	8,888	27,665	-	-4
1992/93	510,721	511,097	-	376	18,122	8,344	26,466	-	4
1993/94	492,979	492,979	-	-	16,199	8,132	24,331	-	-4
1994/95	476,776	476,776	-	-	17,761	8,153	25,914	-	1
1995/96	459,016	459,016	-	-	17,813	7,739	25,552	-	-2
1996/97	441,201	441,201	-	-	18,401	7,336	25,737	-	2
1997/98	422,802	422,802	-	-	18,530	6,934	25,464	-	-2
1998/99	404,270	404,270	-	-	18,543	6,542	25,085	-	3
1999/00	385,730	385,730	-	-	17,478	6,152	23,630	-	-1
2000/01	368,251	368,251	-	-	16,903	5,822	22,725	-	-

* THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE YEAR TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFER OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Source: World Bank, Debt Reporting System

Table 4.2: TERM AND STRUCTURE OF EXTERNAL DEBT, FY70-84

(Thousands of US$)

End of FY	Amount a/	Average Terms: Interest (%)	Maturity (Yrs.)	Grace (Yrs.)	Grant Element (%)	Grant Equivalent	Total Amount
70	5,432	6.732	9.5	1.0	11.6	628	5,432
71	4,484	6.721	7.0	1.5	10.2	456	4,484
72	10,000	9.000	9.5	0.5	2.8	280	10,000
73	7,275	5.929	21.3	5.4	30.1	2,189	7,275
74	38,044	1.867	40.8	9.9	70.8	26,951	38,044
75	27,374	1.897	43.5	9.0	71.7	19,630	27,374
76	88,990	2.567	38.2	8.8	64.3	57,178	88,990
77	54,612	3.294	32.2	7.6	54.6	29,819	54,612
78	69,411	2.327	36.3	7.8	63.0	43,758	69,411
79	97,615	2.993	32.8	7.4	57.3	55,932	97,615
80	59,335	5.210	18.4	6.2	33.2	19,712	59,335
81	108,946	5.331	25.8	4.8	34.7	37,814	108,946
82	64,117	2.455	42.7	9.1	69.2	44,370	64,117
83	95,130	1.373	44.8	10.1	76.1	72,359	95,130
84	59,394	3.105	29.7	8.0	53.1	31,553	67,940
Total External Public Debt	790,159	3.224	33.7	7.7	56.0	442,627	798,705

a/ Total loans having interest, grace period and maturity information available. Used to compute average terms.

Source: World Bank, Debt Reporting System

Table 4.3: DEBT COMMITMENTS BY CREDITOR, FY80-84
(Millions of US$)

	FY80	FY81	FY82	FY83	FY84
Total Bilateral and Multilateral Loans	36.4	51.0	62.1	101.1	55.9
Bilateral Loans	20.8	18.7	18.3	21.0	35.6
Canada	2.9	-	-	-	-
CCCE (France)	4.8	-	4.5	10.0	19.0
Germany	2.8	-	-	-	-
PL-480 [a/]	9.0	9.0	13.0	11.0	13.8
USAID					
Other	-	-	-	-	2.8
Other	1.3	9.7	0.8	-	-
Multilateral Loans	15.6	32.3	43.8	80.1	20.3
IDA	-	20.6	43.9	49.0	-
IDB	4.1	8.1	-	31.1	17.4
IFAD	-	3.5	-	-	2.9
IMF Trust Fund	8.0	0.1	-	-	-
OPEC	3.5	-	-	-	-

[a/] PL-480 Title I.

Source: Agencies, embassies, mission estimates.

Table 4.4: GRANT COMMITMENTS BY DONOR, FY80-84
(Millions of US$)

	FY80	FY81	FY82	FY83	FY84
OFFICIAL GRANTS	50.9	47.1	59.2	84.7	87.2
BILATERAL AID	25.6	25.5	29.8	50.9	47.3
Canada	8.2	8.3	8.0	7.9	6.1
Germany	n.a.	n.a.	n.a.	8.1	7.6
FAC	4.6	4.1	4.3	3.7	4.5
Japan	5.6	5.2	4.7	4.5	3.4
Switzerland	..	..	..	..	..
USAID: Title III	-	-	-	-	-
Other	7.2	7.3	11.2	26.6	25.6
MULTILATERAL AID	13.9	9.7	17.9	21.9	25.1
EEC	0.2	0.2	0.2	6.1	5.8
FAO	..	..	0.5	1.1	1.4
ICA	0.8	0.2	-	-	-
IDB	1.6	0.6	-	1.5	1.0
IFAD	-	-	0.9	-	4.2
OAS	0.9	0.8	0.8	1.0	0.8
PAHO/WHO	2.1	0.9	1.1	2.2	1.4
UNCDF	1.2	1.3	2.5	0.7	0.7
UNDP	3.7	3.8	4.7	3.7	3.5
UNFPA	1.0	1.0	1.0	1.0	1.0
UNICEF	1.0	0.5	1.1	1.7	2.3
WFP		0.2	2.7	3.0	3.0
Other	1.3	0.2	2.4	-	-
TOTAL BILATERAL AND MULTILATERAL	39.5	35.2	47.7	72.8	72.4
GRANTS FROM PRIVATE ORGANIZATIONS	11.4	11.9	11.5	11.9	14.8
CARE	0.8	0.8	1.0	0.8	2.0
CRS	1.5	1.5	1.5	1.3	2.0
Christ.Charities	0.6	0.6	0.5	-	-
US PL-480 Title II	8.5	9.0	8.5	7.6	8.3
Canada a/	-	-	-	2.2	2.5

a/ Grants through NGOs beginning 1983.

Sources: Agencies, embassies, mission estimates.

Table 4.5: GRANT DISBURSEMENTS BY DONOR , FY80-84

(US$ Millions)

TYPE OF AID	FY80	FY81	FY82	FY83	FY84
OFFICIAL GRANTS	57.6	66.7	79.0	77.7	86.0
BILATERAL AID	29.5	35.6	48.5	45.8	46.7
Canada	5.8	9.4	9.3	6.8	4.7
Germany	4.1	2.5	11.6	8.1	7.6
FAC	4.6	4.9	4.3	3.7	4.5
Japan	5.6	5.2	4.7	4.5	3.4
USAID	9.4	13.0	17.0	22.6	26.4
Other	—	0.6	1.6	0.1	0.1
MULTILATERAL AID	16.7	19.2	19.0	20.0	24.5
EEC	0.2	0.2	0.2	3.8	3.0
FAO	..	..	0.5	1.1	1.4
ICA	0.8	0.2	-	-	-
IDB	1.6	2.7	2.7	1.2	1.2
IFAD	..	..	0.9	..	4.2
OAS	0.5	0.7	1.0	1.1	2.0
PAHO/WHO	2.1	0.9	1.1	2.2	1.4
UNCDF	1.2	1.3	2.5	0.7	0.7
UNDP/UNFPA	8.6	9.0	6.6	8.3	8.3
UNICEF	0.4	0.5	1.1	1.6	2.3
WFP	-	3.5	-	-	-
Other	1.3	0.2	2.4	-	-
TOTAL BILATERAL AND MULTILATERAL	46.2	54.8	67.5	65.8	71.2
GRANTS FROM PRIVATE ORGANIZATIONS:	11.4	11.9	11.5	11.9	14.8
CARE	0.8	0.8	1.0	0.8	2.0
CRS	1.5	1.5	1.5	1.3	2.0
Christ.Charities	0.6	0.6	0.5	..	..
PL-480 Title II	8.5	9.0	8.5	7.6	8.3
Canada a/	-	-	-	2.2	2.5

a/ Grants through NGOs beginning 1983.

Sources: Agencies, embassies, mission estimates.

Table 5.1: OVERALL PUBLIC SECTOR ACCOUNTS, FY80-84

(Millions of Gourdes)

	FY80	FY81	FY82	FY83	FY84 (P)
General government overall surplus or deficit (-)	-330.7	-675.3	-345.3	-328.0	-363.3
Current revenue	691.1	659.8	749.3	846.5	914.8
Current expenditure	-736.4	-817.7	-845.2	-952.3	-1,075.1
Current account surplus or deficit (-)	-45.3	-157.9	-95.9	-105.8	-160.3
Net transfers from major public enterprises	—	—	75.1	74.4	112.4
Surplus or deficit after transfers	-45.3	-157.9	-20.8	-31.4	-47.9
Capital expenditure	-516.4	-791.4	-662.0	-625.6	-671.4
Total surplus or deficit	-561.7	-949.3	-682.8	-657.0	-719.3
Grants-in-aid	231.0	274.0	337.5	329.0	356.0
Major public enterprises overall surplus or deficit (-)	-39.0	-47.3	-31.6	-110.1	-73.1
Current revenue	398.3	505.2	528.0	658.9	845.4
Current expenditure	-336.2	-408.0	-381.9	-469.8	-580.7
Current account surplus or deficit (-)	62.1	97.2	146.1	189.1	264.7
Net transfers to general government	—	—	-75.1	-74.7	-112.4
Surplus or deficit after transfers	62.1	97.2	71.0	114.7	152.3
Capital expenditure	-101.1	-144.4	-102.6	-224.8	-225.4
Nonconsolidated public sector surplus or deficit (-) a/	-19.0	7.3	-20.0	-41.6	-25.7
Capital expenditure	-19.0	7.3	-20.0	-41.6	-25.7
Overall public sector surplus or deficit (-)	-388.7	-715.2	-396.9	-479.7	-462.1
Total savings (current account surplus or deficit (-))	16.8	-60.7	50.2	83.3	104.4
Capital expenditure	-636.5	-928.5	-784.6	-892.0	-922.5
Grants-in-aid	231.0	274.0	337.5	329.0	356.0

a/ Calculated as a residual.
(P) Provisional

Sources: IMF
Mission estimates.

Table 5.2: PUBLIC SECTOR DEFICIT AND FINANCING, FY80-84

(Millions of Gourdes)

	FY80	FY81	FY82	FY83	FY84 (P)
Total public sector deficit	-388.7	-715.2	-396.9	-479.7	-462.1
External financing (net)	175.5	469.0	156.0	382.9	249.1
Concessionary loans	(158.5)	(217.0)	(195.5)	(326.1)	(300.3)
Commercial loans	(17.0)	(252.0)	(-39.5)	(56.8)	(-51.2)
Domestic financing (net)	213.2	246.2	240.9	96.8	213.0
Monetary authorities	(213.2)	(261.4)	(241.3)	(74.6)	(207.1)
Private banks	(—)	(-15.2)	(-0.4)	(22.2)	(5.9)
General Government	-330.7	-675.3	-345.3	-328.0	-363.3
External financing (net)	116.0	393.0	163.0	167.9	161.4
Concessionary loans	(120.5)	(172.0)	(170.5)	(171.1)	(145.0)
Commercial loans	(-4.5)	(221.0)	(-7.5)	(-3.2)	(48.4)
Domestic financing (net)	214.7	282.3	182.3	160.1	201.9
Monetary authorities	(214.6)	(297.5)	(182.2)	(155.6)	(203.2)
Private banks	(0.1)	(-15.2)	(0.1)	(4.5)	(-1.3)
Rest of the public sector	-58.0	-39.9	-51.6	-151.7	-106.5
External financing (net)	59.5	76.0	-7.0	215.0	87.7
Concessionary loans	(38.0)	(44.5)	(25.0)	(155.0)	(157.3)
Commercial loans	(21.5)	(31.0)	(-32.0)	(60.0)	(-69.6)
Domestic financing (net)	-1.5	-36.1	58.6	-63.3	18.8
Monetary authorities	(-1.4)	(-36.1)	(59.1)	(-81.0)	(7.5)
Private banks	(-0.1)	(—)	(-0.5)	(17.7)	(11.3)
Major public enterprises	-39.0	-47.2	-31.6	-110.1	-73.1
External financing (net)	21.5	83.3	-14.9	200.7	59.3
Concessional loans	(-6.3)	(46.2)	(-32.5)	(140.9)	(128.1)
Commercial loans	(27.8)	(37.1)	(17.6)	(59.8)	(-68.8)
Domestic financing (net)	17.5	-36.1	46.5	-90.6	13.8
Nonconsolidated public sector	-19.0	7.3	-20.0	-41.6	-25.7
External financing (net)	38.0	-7.3	7.9	14.3	28.4
Concessional loans	(44.3)	(-1.2)	(57.5)	(14.1)	(29.2)
Commercial loans	(-6.3)	(-6.1)	(-49.6)	(0.2)	(-0.8)
Domestic financing (net)	-19.9	—	12.1	27.3	-2.7

(P) Provisional

Sources: IMF
Mission estimates

Table 5.3: TREASURY OPERATIONS,[a]/ FY80-84

(Millions of Gourdes)

	FY80	FY81	FY82	FY83	FY84 (E)
Current Revenue of the Treasury	691.1	659.8	749.3	846.5	914.8
Internal revenue	330.5	374.1	481.2	551.2	618.8
Income taxes	(88.0)	(115.8)	(123.3)	(128.4)	(141.3)
Excise taxes	(69.6)	(115.0)	(151.1)	(167.6)	(184.9)
Value added tax	(—)	(—)	(—)	(87.2)	(108.8)
Other	(172.9)	(143.2)	(206.8)	(168.0)	(184.6)
Customs	360.6	281.7	256.0	295.3	293.3
Import duties	(185.6)	(203.7)	(193.1)	(214.6)	(225.8)
Coffee export tax	(116.3)	(42.5)	(45.6)	(69.2)	(56.7)
Other taxes, duties and fees	(58.7)	(35.5)	(17.3)	(—)	(10.8)
Other	—	3.8	12.1	—	2.7
Current Outlays of the Treasury	736.4	817.7	770.1	952.3	962.7
Budgetary expenditures	683.2	741.9	817.1	806.8	903.0
Wages and salaries	(330.1)	(351.7)	(400.0)	(407.1)	(451.0)
Transfers and subsidies	(64.1)	(66.2)	(51.7)	(36.3)	(48.0)
Interest payments abroad	(27.3)	(36.0)	(38.5)	(36.0)	(36.0)
Other	(261.7)	(288.0)	(326.9)	(327.4)	(368.0)
Interest on government bonds and other obligations to the central bank	...	8.5	1.6	3.1	49.0
Other extrabudgetary expenditures b/	53.2	67.3	-48.6	142.4	10.7
Current Surplus or Deficit (-)	-45.3	-157.9	-20.8	-31.4	-47.9
Capital Outlays of the Treasury	160.4	364.8	173.3	115.2	182.5
Investment outlays	160.4	364.8	173.3	105.2	150.5
Budgetary expenditures	(110.7)	(135.0)	(144.3)	(95.2)	(95.5)
Other capital expenditures	(49.7)	(229.8)	(29.0)	(10.0)	(55.0)c/
Of which: Darbonne Sugar Mill	/37.5/	/209.8/	/29.0/	/10.0/	/.../
Financial capital d/	—	—	—	10.0	32.0
Overall Deficit of the Treasury	-205.7	-522.7	-194.1	-146.6	-230.4

Table 5.3: TREASURY OPERATIONS a/ (Concluded)

(Millions of Gourdes)

	FY80	FY81	FY82	FY83	FY84 (E)
Concessional Budgetary Assistance (Net) e/	--	27.5	14.0	2.0	1.1
Nonconcessional Financing f/	205.7	495.2	180.1	144.6	229.3
Domestic financing (net)	210.2	274.2	187.6	147.8	210.9
Consolidated central bank and BNC	(210.1)	(289.4)	(187.5)	(143.3)	(212.2)
Total credit	/214.6/	/297.5/	/182.2/	/155.6/	/203.2/
Less float in PL-480 counterpart funds g/	/-4.5/	/-8.1/	/5.3/	/-12.3/	/9.0/
Private banks	(0.1)	(-15.2)	(0.1)	(4.5)	(-1.3)
External commercial borrowing (net)	-4.5	221.0 h/	-7.5	-3.2	18.4
Memorandum Item					
Treasury expenditures (program definition) i/	896.8	1,146.5	927.9	988.0	1,095.1

a/ The coverage of the Treasury's operations presented in this table excludes outlays financed with concessional assistance other than for budget support.

b/ A residual indicating a difference between the total of current budgetary revenue, budgetary assistance and financing from nonconcessional sources, on the one hand, and the total of budgetary current outlays and capital outlays of the Treasury, on the other hand.

c/ Credit granted by the Government for financing inventory accumulation by the Regie du Tabac and SODEXOL.

d/ For acquisition of Ciment d'Haiti by the Government.

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

f/ Program definition of central government deficit.

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

h/ Includes loan of G209 million to finance construction of the Darbonne sugar mill.

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

(E) Estimated.

Sources: IMF
Mission estimates.

Table 5.4: PUBLIC SECTOR OPERATIONS, FY80-84

(Millions of Gourdes)

	FY80	FY81	FY82	FY83	FY84 (P)
Current surplus or deficit (-) of general government	-45.3	-157.9	-95.9	-105.8	-160.3
Current revenue	691.1	659.8	749.3	846.5	914.8
Current expenditure	-736.4	-817.7	-845.2	-952.3	1,075.0
Current surplus or deficit (-) of public enterprises	62.1	97.2	146.1	189.1	264.7
Of which: transfers to Government	—	—	75.1	74.4	112.4
Total savings of the public sector	16.8	-60.7	50.2	83.3	104.4
Capital outlays	636.5	928.5	784.6	892.0	922.5
Investment	636.5	928.5	784.6	882.0	890.5
Budgetary expenditures	(110.7)	(135.0)	(144.3)	(95.2)	(95.5)
Expenditures financed from concessional resources a/	(366.2)	(434.5)	(496.1)	(524.5)	(518.1)
Investment by major public enterprises b/	(101.1)	(144.4)	(102.6)	(224.8)	(225.4)
Other	(58.9)	(214.6)	(41.6)	(37.5)	(51.5)
Of which: Darbonne Sugar Mill c/	/37.5/	/209.8/	/29.0/	/10.0/	/—/
Financial capital d/	—	—	—	10.0	32.0
Public sector deficit	-619.7	-989.2	-734.4	-808.7	-818.1
Grants-in-aid	231.0	274.0	337.5	329.0	356.0
Overall deficit of the public sector (including grants-in-aid)	-388.7	-715.2	-396.9	-479.7	-462.1
Financing	388.7	715.2	396.9	479.7	462.1
External financing	175.5	469.0	156.0	382.9	249.1
Concessional loans	(158.5)	(217.0)	(195.5)	(326.1)	(300.3)
Drawing	/170.0/	/229.5/	/212/0/	/351.2/	/335.0/
Amortization	/11.5/	/12.5/	/16.5/	/25.1/	/34.7/
Commercial borrowing	(17.0)	(252.)	(-39.5)	(56.8)	(-51.3)
Medium-term	/3.0/	/243.5/	/-17.5	/-21.2/	/15.0/
Drawing	[40.5]	[273.0]	[12.0]	[18.2]	[83.8]
Amortization	[37.5]	[29.0]	[29.5]	[40.0]	[68.7]
Short term (net)	/14.0/	/8.5/	/-22.0/	/78.8/	/-66.2/
Domestic financing	213.2	246.9	240.9	96.8	213.0
Consolidated central bank and BNC	(213.2)	(261.4)	(241.3)	(74.6)	(207.1)
Private banks	(—)	(-15.2)	(-0.4)	(22.2)	(5.9)

a/ Excluding concessional loans provided for the budget support and concessional financing of the public enterprises.

b/ Partly estimated, financed by both concessional and commercial loans.

c/ Expenditures related to the building and putting into operation of the plant.

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

P) Provisional.

Sources: IMF
Mission estimates.

Table 5.5: TREASURY REVENUE, FY80-84

(Millions of Gourdes)

	FY80	FY81	FY82	FY83	FY84 (E)
Current revenue a/	691.1	659.8	749.3	846.5	914.8
Taxes on international trade	403.7	285.0	289.8	295.3	293.3
Export taxes	164.3	48.3	83.3	73.4	62.0
Coffee	(116.3)	(42.5)	(45.6)	(69.2)	(56.7)
Bauxite b/	(43.1)	(3.2)	(33.8)	(—)	(—)
Other exports	(4.9)	(2.6)	(3.9)	(4.2)	(5.3)
Import duties	239.4	236.7	206.5	221.9	231.3
Regular duties	(185.6)	(204.4)	(193.1)	(214.6)	(225.0)
Petroleum derivatives	/24.1/	/35.4/	/42.1/	/39.6/	/37.6/
Other	/161.5	/169.0/	/151.0/	/175.0/	/187.4/
Fiscalized charges and fees	(53.8)	(32.3)	(13.4)	(7.3)	(6.3)
Internal revenue	287.4	371.0	447.4	551.2	618.8
Value added tax	—	—	—	87.2	108.0
Taxes on net income and profits	88.0	115.8	123.3	128.4	141.3
Corporate	(71.7)	(91.1)	(94.2)	(98.3)	(101.8)
Individual	(16.3)	(24.7)	(29.1)	(30.1)	(39.5)
Taxes on property	10.4	12.2	12.5	12.4	13.8
Real estate	(2.9)	(3.0)	(3.2)	(3.3)	(3.5)
Mortgage registration	(7.5)	(9.2)	(9.2)	(9.1)	(10.3)
Taxes on goods and services	95.7	143.6	183.8	195.8	215.5
Excises	(69.6)	(115.0)	(151.1)	(167.6)	(184.9)
Flour	/11.5/	/22.1/	/24.5/	/—/	/—/
Sugar	/9.3/	/23.4/	/26.5/	/30.1/	/24.1/
Cooking oil	/2.7/	/2.8/	/4.3/	/0.7/	/—/
Petroleum products	/15.7/	/16.4/	/34.3/	/69.2/	/87.6/
Cigarettes	/16.6/	/31.7/	/42.0	/53.8/	/59.3/
Other excises	/13.8/	/18.7/	/19.5/	/13.8/	/13.9/
Motor vehicles c/	(7.1)	(8.9)	(10.1)	(12.1)	(13.0)
Consular services d/	(19.0)	(19.7)	(22.5)	(16.1)	(17.6)
Other taxes	32.4	33.1	35.4	36.4	37.0
Identity card tax	(6.7)	(6.9)	(7.4)	(7.3)	(8.5)
Stamp duties	(20.0)	(20.0)	(21.3)	(22.2)	(23.0)
Solidarity tax	(5.7)	(6.2)	(6.7)	(6.9)	(5.5)
Other revenue	60.9	66.3	92.4	91.0	103.2
Of which: municipal taxes	(11.3)	(14.0)	(19.3)	(24.3)	(29.5)
Other income	—	3.8	12.1	—	2.7

a/ Excludes pension fund revenues and interaccount transfers between Internal Revenue Service and treasury accounts.
b/ Includes several taxes on bauxite extraction and exports, all of which are assessed and collected by the Internal Revenue Service.
c/ Includes motor vehicle inspection and registration taxes.
d/ Includes consular and passport fees.

(E) Estimated.

Source: IMF

Table 5.6: TREASURY CURRENT EXPENDITURE, FY80-84, AND BUDGET, FY85

(Millions of Gourdes)

	FY81	FY82	FY83	FY84 Actual[a]/	FY85 Budget
Total	741.89	817.14	806.83	903.00	950.00
Ministries and offices	537.70	566.51	540.44	646.65	691.10
Presidency of the Republic	9.26	9.53	9.82	17.80	16.69
Legislative Chamber	4.76	4.73	4.72	5.10	5.66
Economy and Finance	92.45	83.31	85.05	89.00	83.20
Agriculture & Road Development	31.53	28.99	27.81	31.50	32.48
Public Works	34.41	36.35	31.70	63.40	70.08
Foreign Affairs	17.44	17.38	16.18	18.90	38.48
Religion (Cults)	3.17	3.31	3.17	3.35	3.95
National Education	77.45	85.86	87.32	95.00	96.30
Social Affairs	16.56	15.30	13.32	16.00	16.85
Commerce and Industry	8.50	13.19	12.78	14.25	13.90
Justice	10.29	10.24	10.07	12.20	18.55
Information and Public Relations	40.26	37.40	30.06	31.95	32.78
Interior and Defense	27.68	26.02	24.19	40.70	40.67
Public Health	61.04	93.23	81.51	90.75	89.50
Armed Forces	76.67	75.61	78.93	83.50	96.18
Mines and Natural Resources	7.47	7.16	6.52	6.70	6.91
Planning	11.61	12.68	11.46	20.35	22.74
Youth and Sports	7.12	6.18	5.82	6.20	6.18
Amortization fund	204.19	250.63	266.39	256.35	258.90

a/ September estimated.

Sources: IMF
MEFI

Table 5.7: SECTORAL ALLOCATION OF PUBLIC INVESTMENT, FY72-85

(Percent)

	Plan I	Plan II	Plan III			
	Actual FY72-76	Actual FY77-81	Actual FY82	Actual FY83	Budget FY84	Budget FY85
Directly Productive Sectors	**13.6**	**23.7**	**27.0**	**20.0**	**20.3**	**22.1**
Agriculture	9.7	17.3	13.0	16.4	17.5	18.0
Mining	0.5	1.1	0.7	0.8	1.2	0.8
Industry and Crafts	2.9	5.0	13.0	2.6	1.4	2.9
Tourism	0.5	0.3	0.2	0.2	0.2	0.3
Economic Infrastructure	**56.4**	**48.3**	**40.6**	**37.9**	**34.3**	**37.5**
Energy	8.6	15.3	16.6	18.4	15.7	11.3
Transportation	37.4	29.2	20.6	16.4	14.8	13.1
Communications	10.4	3.8	3.4	3.1	3.8	13.1
Social Infrastructure	**24.9**	**25.1**	**27.3**	**38.3**	**40.2**	**33.2**
Urban Development	0.3	0.9	6.6	14.5	14.1	11.6
Community Development	8.7	8.0	10.6	7.0	8.8	3.3
Health	6.7	7.5	4.1	8.0	8.8	10.0
Education	5.2	7.6	3.4	4.9	4.6	4.6
Water Supply	4.0	1.2	2.5	3.9	3.9	3.8
Other	**5.1**	**2.9**	**5.1**	**3.8**	**5.2**	**7.2**
Total (percent)	100.0	100.0	100.0	100.0	100.0	100.0
Total (G million)	1,082.0	3,093.3	663.0	646.0	1,097.5	1,245.6

Sources: World Bank, Economic Memorandum on Haiti (1982)
Ministère du Plan
MEFI

Table 5.8: SUMMARY ACCOUNTS OF THE PRINCIPAL PUBLIC ENTERPRISES, FY80-84 a/

(Millions of Gourdes)

	Telecom-munications Company	Water Supply Company	Port Adminis-tration	Electricity Company	Flour Mill	Total Public Enterprises
FY80						
Revenue	64.6	7.1	30.9	98.1	197.6	398.3
Current expenditure	34.9	7.9	23.1	65.7	204.6	336.2
Operating surplus of deficit (-)	29.7	-0.8	7.8	32.4	-7.0	62.1
Net transfers to general government	—	—	—	—	—	—
Current account surplus of deficit (-)	29.7	-0.8	7.8	32.4	-7.0	62.1
Capital expenditure	20.0	2.1	9.7	63.7	5.6	101.1
Gross fixed capital formation	(19.6)	(1.8)	(9.7)	(61.2)	(5.6)	(97.9)
Inventory changes	(0.4)	(0.3)	(—)	(2.5)	(—)	(3.2)
Overall surplus or deficit (-)	9.7	-2.9	-1.9	-31.3	-12.6	-39.0
External financing (net)	1.7	-1.0	1.7	27.1	-8.0	21.5
Concessionary loans	(—)	(-1.0)	(1.7)	(27.1)	(—)	(27.8)
Commercial loans	(1.7)	(—)	(—)	(—)	(-8.0)	(-6.3)
Domestic financing (net)	-11.4	3.9	0.2	4.2	20.6	17.5
FY81						
Revenue	82.0	8.0	35.1	125.6	254.5	505.2
Current expenditure	39.8	8.8	23.4	81.0	255.0	408.0
Operating surplus or deficit (-)	42.2	-0.8	11.7	44.6	-0.5	97.3
Net transfers to general government	—	—	—	—	—	—
Current account surplus or deficit (-)	42.2	-0.8	11.7	44.6	-0.5	97.2
Capital expenditure	60.0	14.7	26.8	48.6	-5.7	144.4
Gross fixed capital formation	58.5	14.7	26.8	45.6	—	145.6
Inventory changes	1.5	—	—	3.0	-5.7	-1.2
Overall surplus or deficit (-)	-17.8	-15.7	-15.1	-4.0	5.2	-47.2
External financing (net)	-0.8	13.8	1.3	22.0	47.0	83.3
Concessionary loans	(—)	(13.8)	(1.3)	(22.0)	(—)	(37.1)
Commercial loans	(-0.8)	(—)	(—)	(—)	(47.0)	(46.2)
Domestic financing (net)	18.6	1.7	13.8	-18.0	-52.2	-36.1
FY82						
Revenue	122.2	11.0	43.0	123.8 2/	228.0	528.0
Current expenditure	63.2	9.7	28.0	95.5	185.5	381.9
Operating surplus or deficit (-)	59.0	1.3	15.0	28.3	42.5	146.1
Net transfers to general government	-35.8	2.7	—	—	-42.0 c/	-75.1
Current account surplus or deficit (-)	23.2	4.0	15.0	28.3	0.5	71.0
Capital expenditure	28.2	1.5	1.2	47.1	24.6	102.6
Gross fixed capital formation	(28.2)	(1.5)	(1.2)	(47.1)	(—)	(78.0)
Inventory changes	(—)	(—)	(—)	(—)	(24.6)	(24.6) d/
Overall surplus or deficit (-)	-5.0	2.5	13.8	-18.8	-24.1	-31.6
External financing (net)	-1.0	-2.0	—	19.6	-31.5	-14.9
Concessionary loans	(—)	(-2.0)	(—)	(19.6)	(—)	(17.6)
Commercial loans	(-1.0)	(—)	(—)	(—)	(-31.5)	(-32.5)
Domestic financing (net)	6.0	-0.5	-13.8	-0.8	55.6	46.5

Table 5.8: SUMMARY ACCOUNTS OF THE PRINCIPAL PUBLIC ENTERPRISES a/ (Concluded)

(Millions of Gourdes)

	Telecom-munications Company	Water Supply Company	Port Adminis-tration	Elec-tricity Company	Flour Mill	Sugar Mill e/	Cement Company f/	Total Public Enterprises
FY83								
Revenue	150.0	12.2	51.2	150.5 2/	294.2			658.9
Current expenditure	62.8	11.6	31.1	149.6	214.7			469.8
Operating surplus or deficit (-)	88.0	0.6	20.1	0.9	79.5			189.1
Net transfers to general government	-27.3	3.4	--	--	-50.5			-74.4
Current account surplus of deficit (-)	60.7	4.0	20.1	0.9	29.0			114.7
Capital expenditure	17.3	1.3	55.8	129.7	20.8			224.8
Overall surplus or deficit (-)	43.4	2.7	-35.7	-128.8	8.2			-110.1
External financing (net)	-0.4	-1.3	35.5	106.7	60.3			200.7
Concessionary loans	(--)	(-1.3)	(35.5)	(106.7)	(--)			(140.9)
Commercial loans	(-0.4)	(--)	(--)	(--)	60.3			(59.8)
Domestic financing (net)	-43.0	-1.4	0.2	22.1	-68.5			-90.6
Monetary authority	(-43.0)	(-1.4)	(0.2)	(22.1)	(-89.1)			(-111.2)
Banks	(--)	(--)	(--)	(--)	(20.6)			(20.6)
FY84 (estimate)								
Revenue	175.0	13.7	55.0	187.9 2/	291.7	12.1	110.0	845.4
Current expenditure	63.2	12.3	36.5	143.0	218.8	14.2	92.7	580.7
Operating surplus or deficit (-)	111.8	1.4	18.5	44.9	72.9	-2.1	17.3	264.7
Net transfers to general government	-69.0	2.7	--	--	-46.1	--	--	-112.4
Current account surplus or deficit (-)	42.8	4.1	18.5	44.9	26.8	-2.1	17.3	152.3
Capital expenditure	13.5	2.1	44.6	128.4	21.7	3.6	11.5	225.4
Overall surplus or deficit (-)	29.3	2.0	-26.1	-83.5	5.1	-5.7	5.8	-73.1
External financing (net)	--	-1.0	31.1	98.0	-68.8	--	--	59.3
Concessionary loans	(--)	(-1.0)	(31.1)	(98.0)	(--)	(--)	(--)	(129.1)
Commercial loans	(--)	(--)	(--)	(--)	(-68.8)	(--)	(--)	(-68.8)
Domestic financing (net)	-29.3	-1.0	-5.0	-14.5	63.7	5.7	-5.8	13.8
Monetary authority	(-29.3)	(-1.0)	(-5.0)	(-14.5)	(33.7)	(5.7)	(12.6)	(2.2)
Banks	(--)	(--)	(--)	(--)	(30.0)	(--)	(-18.4)	(11.6)

a/ Fiscal year ending on September 30.
b/ Takes into account changes in accounts receivable.
c/ Includes a G 29 million loan extended to the Government and distribution of profits in the amount of G 12.,5 million.
d/ Includes an unidentified residual item of G 6 million.
e/ The sugar mill began operations in FY 1983/84.
f/ The cement company was acquired by the Government on October 1, 1984.

Source: IMF

Table 5.9: GOVERNMENT EMPLOYEES BY MINISTRY, FY80-84

MINISTRY	FY80	FY81	FY82	FY83	FY84
Total	28,056	29,318	29,764	29,318	32,385
Presidency	—	190	191	110	341
Economy and Finance	559	615	602	658	667
Agriculture and Rural Development	3,157	3,104	2,259	2,255	2,222
Public Works, Transportation, & Communication	1,493	1,599	1,398	1,401	3,594
Foreign Affairs	300	327	328	332	340
Education	10,672	11,259	11,835	11,841	12,292
Social Affairs	1,781	1,786	1,624	951	903
Commerce and Industry	579	587	834	811	954
Religion (Cults)	67	69	64	55	56
Justice	1,303	1,308	1,306	1,284	1,247
Information and Public Relations	780	986	923	844	743
Defense and Interior	521	546	563	561	565
Public Health	5,725	5,737	6,521	6,941	7,274
Mines and Natural Resources	207	227	233	214	221
Planning	389	403	471	460	570
Youth and Sports	320	373	409	396	396
Legislative Chamber	203	202	203	204	—

Sources: BRH-Direction des Etudes Economiques
IHSI.

Table 5.10: DISTRIBUTION OF ESTABLISHMENTS COVERED BY OFATMA BY ECONOMIC ACTIVITY AND LOCATION, FY80-84

Economic Activity	PORT-AU-PRINCE					OTHER					TOTAL COUNTRY				
	FY80	FY81	FY82	FY83	FY84	FY80	FY81	FY82	FY83	FY84	FY80	FY81	FY82	FY83	FY84
1. Agriculture	23	23	24	29	30	13	16	11	16	16	36	39	35	45	46
2. Mining	3	2	2	3	3	--	--	1	--	--	3	2	3	3	3
3. Manufacturing	470	519	489	518	506	360	382	312	440	402	830	901	801	958	908
4. Electricity, Gas, Water	5	7	7	7	6	3	--	4	3	4	8	7	11	10	10
5. Construction and Public Works	738	659	440	506	495	23	24	21	14	42	761	683	461	520	537
6. Commerce, Restaurants, Hotels	777	765	801	751	758	284	284	298	280	258	1,061	1,049	1,099	1,031	1,016
7. Transport, Warehouse and Communication	49	58	56	49	54	14	11	8	11	11	63	69	64	60	65
8. Banking, Insurance, Real Estate	16	15	12	17	15	1	1	--	1	2	17	16	12	18	17
9. Services	267	252	264	276	270	73	107	136	152	154	340	359	400	428	424
10. Unclassified Activities	22	10	15	21	17	--	--	--	--	--	22	10	15	21	17
TOTAL	2,370	2,310	2,110	2,177	2,154	771	825	791	917	889	3,141	3,135	2,901	3,094	3,043

Sources: OFATMA
BRH-Direction des Etudes Economiques.

Table 5.11: DISTRIBUTION OF SALARIES EMPLOYEES COVERED BY OFATMA BY ECONOMIC ACTIVITY AND LOCATION, FY80-84

Economic Activities	PORT-AU-PRINCE					OTHER					TOTAL COUNTRY				
	FY80	FY81	FY82	FY83	FY84	FY80	FY81	FY82	FY83	FY84	FY80	FY81	FY82	FY83	FY84
1. Agriculture	744	908	800	855	932	348	736	466	775	522	1,092	1,644	1,266	1,630	1,454
2. Mining	239	213	20	219	39	--	--	201	--	--	239	213	221	219	39
3. Manufacturing	22,642	23,994	24,703	27,721	25,593	1,959	1,703	1,888	2,366	2,102	24,601	25,697	26,591	30,087	27,695
4. Electricity, Gas, Water	878	858	855	858	867	30	--	39	36	39	908	858	894	894	906
5. Construction and Public Works	3,743	3,169	2,506	2,443	2,760	795	212	109	87	146	4,543	3,381	2,615	2,530	2,906
6. Commerce, Restaurants, Hotels	5,922	6,186	6,474	6,028	6,284	1,768	1,740	1,908	1,604	1,425	7,690	7,926	8,382	7,632	7,709
7. Transport, Warehouse and Communication	2,807	3,053	2,737	2,538	2,625	61	53	44	48	45	2,868	3,106	2,781	2,586	2,670
8. Banking, Insurance, Real Estate	949	968	844	1,787	1,434	11	11	--	14	32	960	979	844	1,801	1,466
9. Services	3,810	3,900	4,284	4,135	3,631	596	1,120	1,533	1,720	1,652	4,406	5,020	5,817	5,855	5,283
10. Unclassified Activities	469	102	544	407	463	--	--	--	--	--	469	102	544	407	463
TOTAL	42,208	43,351	43,767	46,991	44,628	5,568	5,575	6,188	6,650	5,963	47,776	48,926	49,955	53,641	50,591

Sources: OFATMA
BRH-Direction des Etudes Economiques.

Table 6.1: MONEY AND QUASI-MONEY, FY79-84

(Millions of Gourdes)

	FY79	FY80	FY81	FY82	FY83 Before Bond Issue	FY83 After Bond Issue	FY84 (P)
Total	1,347.5	1,601.0	1,803.3	1,974.2	2,075.6	2,084.3	2,337.6
Currency held by the public	342.4	341.2	399.6	486.3	519.9	527.3	610.4
Sight deposits	264.5	334.0	418.1	423.6	403.6	404.5	489.0
with BNC	(82.3)	(97.2)	(127.8)	(122.9)	(88.4)	(89.3)	(102.3)
with other banks	(182.2)	(236.8)	(290.3)	(300.7)	(315.2)	(315.2)	(386.7)
Savings deposits	450.1	529.1	546.7	599.0	672.6	671.5	795.5
with BNC	(99.5)	(116.9)	(118.5)	(125.3)	(138.3)	(137.2)	(158.5)
with other banks	(350.6)	(412.2)	(428.2)	(473.7)	(534.3)	(534.3)	(637.0)
Time deposits and other	290.5	396.7	438.9	465.3	479.5	481.0	442.7
with BNC	(61.8)	(65.9)	(76.0)	(90.9)	(107.3)	(108.8)	(120.0)
with other banks	(228.7)	(330.8)	(362.9)	(374.4)	(372.2)	(372.2)	(322.7)
			(As percent of total)				
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Currency	25.4	21.3	22.2	24.6	25.0	25.3	26.1
Sight deposits	19.6	20.9	23.2	21.5	19.4	19.4	20.9
with BNC	(6.1)	(6.1)	(7.1)	(6.2)	(4.3)	(4.3)	(4.4)
with other banks	(13.5)	(14.8)	(16.1)	(15.2)	(15.2)	(15.1)	(16.5)
Savings deposits	33.4	33.0	30.3	30.3	32.4	32.2	34.1
with BNC	(7.4)	(7.3)	(6.6)	(6.3)	(6.7)	(6.6)	(6.8)
with other banks	(26.0)	(25.7)	(23.7)	(24.0)	(25.7)	(25.6)	(27.3)
Time deposits and other	21.6	24.8	24.3	23.6	23.1	23.1	18.9
with BNC	(4.6)	(4.1)	(4.2)	(4.6)	(5.2)	(5.2)	(5.1)
with other banks	(17.0)	(20.7)	(20.1)	(19.0)	(17.9)	(17.9)	(13.8)
			(As percent of GDP)				
Total	24.1	21.9	24.6	26.8	25.4	25.5	25.8
Currency	6.1	4.7	5.4	6.6	6.4	6.4	6.7
Sight deposits	4.7	4.6	5.7	5.7	4.9	4.9	5.4
Savings deposits	8.1	7.2	7.4	8.1	8.2	8.2	8.8
Time deposits and other	5.2	5.4	6.0	6.3	5.9	5.9	4.9
			(Percentage change over previous year's outstanding balance)				
Total	16.2	18.8	12.6	9.5	5.1	...	12.2
Currency	25.5	-0.4	17.1	21.7	6.9	...	15.8
Sight deposits	15.2	26.3	25.2	1.3	-4.7	...	20.9
Savings deposits	16.5	17.6	3.3	- 9.6	12.3	...	18.5
Time deposits and other	7.2	36.6	10.6	6.0	3.1	...	-8.0

(P) Provisional

Source: IMF

Table 6.2: ACCOUNTS OF THE BANKING SYSTEM, FY80-84

(Millions of Gourdes)

	FY80	FY81	FY82	Before Bond Issue FY83 a/	After Bond Issue FY83 a/	FY84 (P)
		I. Monetary Authorities' Accounts b/				
Net international reserves	162.6	-9.9	-103.8	-246.6	-246.3	-355.4
Assets	199.8	96.8	176.4	139.7	139.7	134.3
Liabilities	-37.2	-106.7	-280.2	-386.3	-386.0	-489.7
Use of Fund credit	(-26.9)	(-88.7)	(-220.9)	(-343.0)	(-343.0)	(-430.1)
Unremitted collections	(-8.7)	(-39.4)	(-17.6)	(-17.6)	(—)	(—)
Other	(-10.3)	(-9.3)	(-19.9)	(-25.7)	(-25.4)	(59.6)
Net domestic assets	785.7	1,101.7	1,348.0	1,487.5	1,488.5	1,797.0
Net claims on public sector	577.9	839.3	1,080.6	1,155.2	1,514.5	1,721.0
General government (net)	(740.0)	(1,086.5)	(1,300.7)	(1,512.2)	(1,907.7)	(2,155.5)
Overdraft and loans	/984.9/	/1,365.8/	/1,528.8/	/1,742.4/	/2,188.7/	/2,455.1/
Deposits	/-244.9/	/-279.3/	/-288.1/	/-230.2/	/-281.0/	/-299.6/
Rest of the public sector (net)	(278.0)	(243.3)	(311.7)	(225.9)	(189.7)	(195.2)
IDAI	(13.4)	(14.8)	(25.1)	(25.1)	(25.1)	(35.1)
Loans	/14.2/	/29.5/	/36.5/	/36.0/	/36.0/	/43.2/
Deposits and cash	/-0.8/	/-14.7/	/-11.4/	/-10.9/	/-10.9/	/-8.1/
Other official entities (net)	(264.6)	(228.5)	(286.6)	(200.8)	(164.6)	(160.0)
Loans	/417.7/	/441.9/	/408.1/	/376.6/	/341.5/	/351.4/
Deposits and cash	/-153.1/	/-213.4/	/-121.5/	/-175.8/	/-176.9/	/191.4/
Medium- and long-term foreign liabilities	(-440.1)	(-490.5)	(-531.8)	(-582.9)	(-582.9)	(-629.7)
General government	/-283.8/	/-332.5/	/-364.5/	/-420.4/	/-420.4/	/466.4/
Rest of public sector	/-156.3/	/-158.0/	/-167.3/	/-162.3/	/-162.5/	/163.4/
Official capital and surplus	-155.3	-193.4	-174.5	-185.5	-125.6	-165.0
Credit to commercial banks	22.7	34.4	24.9	33.2	33.2	21.0
Credit to private sector	316.2	353.6	338.6	336.7	213.5	291.1
Counterpart unrequited foreign exchange c/	-73.5	-82.1	-77.4	-74.1	-74.1	-71.7
IMF Trust Fund	-120.3	-105.9	-104.3	-97.0	-97.0	-84.4
Net unclassified assets	218.0	255.8	260.1	319.0	24.0	85.0
Liabilities to commercial banks	327.1	369.9	418.8	387.0	379.6	450.0
Currency holding	32.1	33.7	28.9	28.6	21.2	27.0
Deposits	295.0	336.2	389.9	358.4	358.4	423.0
Liabilities to private sector	621.2	721.9	825.4	853.9	862.6	991.6
Monetary liabilities	438.4	527.4	609.2	608.3	616.6	712.5
Currency in circulation	(341.2)	(399.6)	(486.3)	(519.9)	(527.3)	(610.4)
Demand deposits	(97.2)	(127.8)	(122.9)	(88.4)	(89.3)	(102.1)
Quasi-money	182.8	194.5	216.2	245.6	246.0	279.1
Savings deposits	(116.9)	(118.5)	(125.3)	(138.3)	(137.2)	(158.1)

Table 6.2: ACCOUNTS OF THE BANKING SYSTEM (Continued)

(Millions of Gourdes)

	FY80	FY81	FY82	FY83	FY84 (P)
II. Private Banks [d]					
Net foreign assets	-15.3	-8.9	31.5	59.6	100.4
Assets	59.4	76.5	77.3	96.5	137.0
Liabilities	-74.7	-85.4	-45.8	-36.9	36.6
Monetary reserves and currency holdings	335.2	383.3	443.1	387.4	469.5
Currency holdings	32.1	33.7	28.9	21.0	27.0
Deposits with monetary authorities	303.1	349.6	414.2	366.4	442.6
Net domestic credit	708.6	772.2	770.0	868.7	865.7
Net claims on public sector	14.1	-1.1	-1.5	20.6	26.4
General government (net)	(13.6)	(-1.6)	(-1.5)	(3.1)	(1.8)
Other official entities (net)	(0.5)	(0.5)	(—)	(17.5)	(24.6)
Credit to private sector	694.2	764.8	764.2	814.2	822.5
Net unclassified assets	0.3	8.5	7.3	33.9	16.7
Medium- and long-term foreign liabilities	—	—	—	—	—
Liabilities to Monetary authorities	10.2	12.8	8.1	15.5	17.2
Liabilities to private sector	1,018.3	1,133.8	1,236.5	1,300.2	1,418.4
Monetary liabilities	236.8	290.3	300.7	315.2	386.7
Demand deposits	(236.8)	(290.3)	(300.7)	(315.2)	(386.7)
Quasi-money	743.0	791.1	848.1	906.5	595.7
Saving deposits	(412.2)	(428.2)	(473.7)	(534.3)	(637.0)
Other	(330.8)	(362.9)	(374.4)	(372.2)	(322.7)
Private capital and surplus [e]	38.5	52.4	87.7	78.5	72.0

Table 6.2: ACCOUNTS OF THE BANKING SYSTEM (Concluded)

(Millions of Gourdes)

	FY80	FY81	FY82	Before Bond Issue FY83 a/	After Bond Issue FY83 a/	FY84 (P)
III. Consolidated Banking System						
Net international reserves	147.3	-18.8	-72.3	-187.0	-186.7	-255.0
Assets	259.2	173.3	253.7	236.2	236.2	271.3
Liabilities	-111.9	-192.1	-326.0	-423.2	-422.9	526.3
Use of Fund credit	(-26.9)	(-88.7)	(-220.9)	(-343.0)	(-343.0)	(-430.1)
Unremitted collections	(—)	(-8.7)	(-39.4)	(-17.6)	(17.6)	(—)
Other	(-85.0)	(-94.7)	(-65.7)	(-62.6)	(-62.3)	(96.2)
Net domestic assets	1,492.2	1,874.5	2,134.2	2,341.1	2,349.5	2,665.0
Net claims on public sector	592.0	838.2	1,079.1	1,175.8	1,535.1	1,747.4
General government (net)	(753.6)	(1,084.9)	(1,299.2)	(1,515.3)	(1,910.8)	(2,157.3)
IDAI	(13.4)	(14.8)	(25.1)	(25.1)	(25.1)	(35.1)
Other official entities (net)	(265.1)	(229.0)	(286.6)	(218.3)	(182.1)	(184.6)
Medium- and long-term foreign liabilities	(-440.1)	(-490.5)	(-531.8)	(-582.9)	(-582.9)	(-629.7)
Official capital and surplus	-155.3	-193.4	-174.5	-185.5	-125.6	-177.4
Credit to private sector	1,010.4	1,118.4	1,102.8	1,150.9	1,027.7	1,113.6
Counterpart unrequited foreign exchange	-73.5	-82.1	-77.4	-74.1	-74.1	-71.7
IMF Trust Fund	-120.3	-105.9	-104.3	-97.0	-97.0	-84.4
Net unclassified assets	218.3	264.3	267.4	352.9	57.9	101.7
Interbank float	20.6	35.0	41.1	18.1	25.5	35.7
Liabilities to private sector	1,639.5	1,855.7	2,061.9	2,154.1	2,162.8	2,410.0
Monetary liabilities	675.2	817.7	909.9	923.5	931.8	1,099.2
Currency in circulation	(341.2)	(399.6)	(486.3)	(519.9)	(527.3)	(610.4)
Demand deposits	(334.0)	(418.1)	(423.6)	(403.6)	(404.5)	(488.8)
Quasi-money	925.8	985.6	1,064.3	1,152.1	1,152.5	1,238.8
Savings deposits	(529.1)	(546.7)	(599.0)	(672.6)	(671.5)	(795.1)
Other	(396.7)	(438.9)	(465.3)	(479.5)	(481.0)	(443.7)
Private capital and surplus	38.5	52.4	87.7	78.5	78.5	72.0

(P) Provisional.

a/ Central bank operations are affected by the bond issue of October 1, 1983.
b/ Includes all operations of the Bank of the Republic and the National Credit Bank, and coin issue of the Treasury Department of the Ministry of Finance.
c/ Cumulative allocation of SDRs and exchange profits or losses.
d/ Includes the local branches of the Royal Bank of Canada, the First National City Bank of New York, the Bank of Nova Scotia, the Bank of Boston, and the Banque Nationale de Paris; and the following domestic banks: Banque de l'Union Haitienne, Banque Populaire Haitienne, Banque Commerciale d'Haiti, and Banque Industrielle et Commercialle.
e/ Includes capital and surplus of the Banque Populaire Haitienne, which was taken over by the Government in 1973.

Source: IMF

Table 6.3: NET INTERNATIONAL RESERVES OF THE BANKING SYSTEM, FY80-84

(Millions of U.S.$ at End of Year)

	FY80	FY81	FY82	FY83	FY84
Net foreign assets	29.2	-3.6	-13.2	-37.3	-51.0
Official reserves, net a/	32.3	-1.8	-19.5	-49.3	-71.1
Assets	40.0	19.3	35.4	27.9	26.9
Gold	(9.3)	(7.1)	(6.2)	(6.2)	(6.2)
IMF reserve position	(—)	(—)	(0.1)	(0.1)	(0.1)
SDRs	(3.1)	(—)	(0.2)	(3.3)	(0.1)
Other foreign assets	(27.6)	(12.2)	(28.9)	(18.3)	(20.4)
Liabilities	7.7	21.1	54.9	77.2	97.9
Use of Fund resources	(5.3)	(17.7)	(44.2)	(68.9)	(86.1)
Other	(2.4)	(3.4)	(10.7)	(8.3)	(11.8)
Private banks' net foreign assets	-3.1	-1.8	6.3	11.9	20.1
Memorandum item					
Gross official reserves in weeks of imports b/	3.5	0.2	2.1	5.1	7.0

a/ BRH and BNC.
b/ F.O.B.

Source: IMF

Table 6.4: SUMMARY ACCOUNTS OF THE BRH, FY83-84

(Millions of Gourdes)

	1983		1984		
	Sept.	Dec.	Mar.	June	Sept.(P)
Net international reserves	-247.0	-304.1	-268.0	-365.6	-379.6
Assets	98.6	85.2	154.2	117.1	103.0
Liabilities	-345.7	-389.3	-422.2	-482.7	-482.6
Of which: use of Fund credit	(-343.1)	(-376.8)	(-382.2)	(-444.0)	(-430.1)
Net domestic assets	1,153.8	1,263.3	1,183.0	1,366.2	1,439.9
Net claims on public sector	1,612.4	1,672.8	1,584.5	1,783.1	1,886.2
General government (net)	(1,986.0)	(2,026.7)	(2,012.2)	(2,167.2)	(2,294.1)
Rest of the public sector (net)	(209.3)	(253.9)	(195.8)	(241.0)	(221.9)
Medium- and long-term foreign liabilities	(-582.9)	(-607.8)	(-623.5)	(-625.1)	(-629.8)
General government	/-420.4/	/-441.3/	/-458.2/	/-459.6/	/-466.3/
Rest of public sector	/-162.5/	/-166.5/	/-165.3/	/-165.5/	/-163.4/
Official capital and surplus	-65.6	-74.5	-78.3	-92.7	-102.5
Credit to commercial banks	31.5	40.5	18.2	1.1	18.3
Credit to private sector	0.6	0.6	0.6	0.6	0.6
Counterpart unrequired foreign exchange	-74.1	-74.1	-74.1	-71.7	-71.7
IMF Trust Fund	-97.1	-97.1	-92.7	-89.8	-84.4
Net unclassified assets	-253.9	-240.9	-175.2	-164.4	-206.5
Deposits of petroleum companies	(-43.8)	(-5.8)	(-9.6)	(-2.5)	(-20.7)
BRH/BNC account	(-155.8)	(-161.5)	(-171.2)	(-163.8)	(-122.0)
Other creditors	(-36.0)	(-29.1)	(-6.3)	(—)	(—)
Reserves for interest payments	(-22.6)	(-19.4)	(-3.2)	(—)	(—)
Provision for losses	(99.4)	(99.3)	(111.2)	(109.3)	(...)
Other (net)	(-95.1)	(-88.4)	(-96.1)	(-107.4)	(...)
Liabilities to commercial banks	379.6	359.7	362.6	426.3	449.9
Liabilities to private sector	527.3	599.5	552.3	574.3	610.4
Currency in circulation	527.3	599.5	552.3	574.3	610.4

(P) Provisional.

Source: IMF

Table 6.5: SUMMARY ACCOUNTS OF THE BNC, FY83-84

(Millions of Gourdes)

	1983		1984		
	Sept.	Dec.	Mar.	June	Sept.(P)
Net international reserves	0.6	18.5	30.1	37.6	24.2
Assets	41.1	47.7	36.7	40.2	31.3
Liabilities	-40.5	-29.2	-6.6	-2.6	-7.1
Net domestic assets	334.7	323.5	329.5	334.3	356.6
Net claims on public sector	-97.8	-107.2	-135.0	-158.9	-164.7
General government (net)	(-78.3)	(-86.1)	(-114.4)	(-132.6)	(-137.3)
Credit	/—/	/1.3/	/2.7/	/2.5/	/2.9/
Deposits	/-78.3/	/-87.4/	/-117.1/	/-135.1/	/-140.1/
Marginal account	[-33.1]	[-39.4]	[-35.7]	[-37.4[	[-42.1]
Saving and time deposits	[-28.7]	[-35.7]	[-53.1]	[-61.2]	[-62.8]
Current account	[-16.5]	[-12.3]	[-28.3]	[-36.5]	[-35.2]
Rest of the public sector (net)	(-19.5)	(-21.1)	(-20.6)	(-26.3)	(-27.4)
Public enterprises (net)	/-17.1/	/-18.8/	/-18.3/	/-20.6/	/-22.1/
BNDAI (net)	/-2.4/	/-2.3/	/-2.3/	/-5.7/	/-5.3/
Official capital and surplus	-60.0	-65.4	-66.8	-70.4	-74.9
Credit to commercial banks	1.7	2.8	10.8	4.4	2.7
Credit to private sector	212.9	236.9	248.5	274.2	290.6
Net unclassified assets	277.9	256.4	272.0	285.0	302.9
Claims on Central Bank	(189.3)	(165.6)	(172.9)	(172.2)	(200.1)
Reserve	/15.8/	/3.7/	/—/	/—/	/—/
Special account	/126.0/	/126.0/	/126.0/	/126.0/	/126.0/
Transit account	/3.5/	/1.5/	/3.2/	/2.5/	/2.8/
Current account	/50.3/	/24.8/	/17.4/	/26.2/	/35.4/
Clearing account	/-6.3/	/9.6/	/19.0/	/17.5/	/35.9/
Special account B	/—/	/—/	/7.3/	/—/	/—/
Cash	(78.7)	(79.0)	(102.7)	(94.3)	(88.0)
Other	(9.9)	(11.8)	(-3.6)	(18.5)	(14.8)
Liabilities to private sector	335.3	342.0	359.6	371.9	380.8
Demand deposits	89.3	81.1	100.3	97.5	102.4
Savings deposits	137.2	136.6	148.0	152.4	158.5
Time deposits and other	108.8	124.3	111.3	122.0	120.0
Memorandum items					
Reserve requirement	88.4	86.9	97.4	95.8	...
Net claims on central bank	101.8	70.1	106.5	94.9	112.4
Claims on central bank	(189.3)	(165.6)	(172.9)	(172.2)	(200.1)
Plus: cash	(78.7)	(79.0)	(102.7)	(94.3)	(88.0)
Less: special account	(126.0)	(126.0)	(126.0)	(126.0)	(126.0)
Less: marginal account (Government)	(33.1)	(39.4)	(35.7)	(37.4)	(42.1)
Less: marginal account (public enterprises)	(7.1)	(9.1)	(7.4)	(8.2)	(7.6)
Excess reserves	13.4	-16.8	9.1	-0.9	...

(P) Provisional

Source: IMF

Table 6.6: ORIGIN, DESTINATION, AND FINANCING OF BANK CREDIT, FY80-84

(Millions of Gourdes)

	FY80	FY81	FY82	Before Bond Issue FY83	After Bond Issue FY83	FY84 (E)
Total credit	1,686.0	2,062.5	2,315.9	2,512.2	2,520.6	2,821.1
Origin						
Monetary authorities	956.8	1,255.3	1,504.8	1,625.4	1,626.4	1,919.7
Private banks	708.6	772.2	770.0	868.7	868.7	865.7
Interbank float	20.6	35.0	41.1	18.1	25.5	23.3
Destination						
Public sector [a]	592.0	838.2	1,079.1	1,175.8	1,535.1	1,747.4
General government	(469.8)	(752.4)	(934.7)	(1,094.9)	(1,490.4)	(1,692.3)
Other	(122.2)	(85.8)	(144.4)	(80.9)	(44.7)	(55.8)
Private sector	1,010.4	1,118.4	1,102.8	1,150.9	1,027.7	1,113.6
Other [b]	83.6	105.9	134.0	185.5	-42.2	-40.0
Financing						
Liabilities to private sector	1,639.5	1,855.7	2,061.9	2,154.1	2,162.8	2,410.0
Monetary authorities	(621.2)	(721.9)	(825.4)	(853.9)	(862.6)	(991.6)
Private banks	(1,018.3)	(1,133.8)	(1,236.5)	(1,300.2)	(1,300.2)	(1,418.4)
Net international reserves (positive asset -)	-147.3	18.8	72.3	187.0	186.7	255.0
Monetary authorities	(-162.6)	(9.9)	(103.8)	(246.6)	(246.3)	(355.4)
Private banks	(15.3)	(8.9)	(-31.5)	(-59.6)	(-59.6)	(-100.4)
Unrequited foreign exchange	73.5	82.1	77.4	74.1	74.1	71.7
IMF Trust Fund	120.3	105.9	104.3	97.0	97.0	84.4
Medium- and long-term foreign liabilities of private banks	-	-	-	-	-	-
Memorandum items						
Medium- and long-term foreign liabilities	440.1	490.5	531.8	582.9	582.9	629.7
General government	283.8	332.5	364.5	420.4	420.4	466.4
Rest of public sector	156.3	158.0	167.3	162.5	162.5	163.4
Private sector	-	-	-	-	-	-

(E) Estimated.

a/ Net of medium- and long-term foreign liabilities of the Bank of the Republic of Haiti.

b/ Comprises official capital and surplus of the Bank of the Republic of Haiti, interbank float, and net unclassified assets.

Source: IMF, Table 6.2

Table 6.7: INTEREST RATE STRUCTURE SINCE 1973

	Saving Deposit		Time Deposits						Loans	
			Less than 1 year		1 year and more		Time Deposits 1 year and more Less than US$100,000		and more	
	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Until October 1973	4%	4%	3%	3%	3%	3%			11%	15%
October 1973 - May 1974	4%	4%	5%	5.5%	5%	5.5%			11%	15%
May 1974 - October 1975	4%	4%	5%	6%	5%	6%			11%	15%
October 1975 - July 1979	6%	6%	6.5%	8%	6.5%	8%			11%	15%
July 1979 - 14 Nov. 1979	6%	6%	7%	8.75%	7%	8.75%			11%	15%
15 Nov. 1979 - 14 Apr. 1980	6%	6%	10%	12%	12%	14%			12%	17%
15 Apr. 1980 - 14 May 1980	6%	6%	10%	12%	12%	14%			14%	18%
15 May 1980 - 25 Aug. 1980	6%	6%	10%	12%			11%	14%	14%	18%
25 Aug. 1980 - 12 Dec. 1980	6%	6%	9%	12%			10%	13%	13%	18%
12 Dec. 1980 - 17 Jan. 1983	6%	6%	11%	14%			12%	15%	14.5%	19%
17 Jan. 1983 - Present	7%	7%	10%	13%			11%	14%	14.5%	19%

Source: BRH

Table 6.8: RESERVE POSITION OF THE PRIVATE BANKS, FY80-84

	FY80				FY81			
	March	June	Sept.	Dec.	March	June	Sept.	Dec.
				(In millions of gourdes)				
Deposit liabilities 1/	849.6	927.2	979.8	1,041.6	1,082.2	1,121.5	1,081.4	1,109.7
Required reserves	241.8	243.5	254.8	275.4	290.9	307.1	296.6	305.3
Actual reserves	258.5	255.8	335.2	325.8	336.9	346.7	383.3	344.9
Excess/deficiency (-)	16.7	12.3	80.4	50.3	46.0	39.6	86.7	39.6
				(In percent of deposit liabilities)				
Required reserves	28.5	26.3	26.0	26.4	26.9	27.4	35.4	31.1
Actual reserves	30.5	27.6	34.2	31.2	31.1	30.9	27.4	27.5
Excess/deficiency (-)	2.0	1.3	8.2	4.8	4.2	3.5	8.0	3.6

Table 6.8: RESERVE POSITION OF THE PRIVATE BANKS (Concluded)

	FY82				FY83				FY84	
	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June
				(In millions of gourdes)						
Deposit liabilities 1/	1,124.8	1,177.2	1,148.7	1,188.3	1,209.0	1,246.6	1,221.7	1,269.2	1,285.6	1,383.6
Required reserves	312.4	324.7	318.4	334.6	311.4	341.4	330.6	350.6	367.6	402.4
Actual reserves	364.1	427.0	443.1	359.5	343.4	352.3	387.4	363.9	400.3	443.6
Excess/deficiency (-)	51.7	102.3	124.7	24.9	32.0	10.9	56.8	13.3	32.7	41.2
				(In percent of deposit liabilities)						
Required reserves	27.8	27.6	27.7	28.2	25.8	27.4	27.1	27.6	28.6	29.1
Actual reserves	32.4	36.3	38.6	30.3	28.4	28.3	31.7	28.7	31.1	32.1
Excess/deficiency (-)	4.6	8.7	10.9	2.1	2.6	0.9	4.6	1.0	2.5	3.0

1/ Includes commercial bank liabilities to the private sector less private capital and surplus.

Source: IMF

Table 6.9: RESERVE REQUIREMENTS BY CATEGORY OF DEPOSITS, FY79-84

(In percent)

	Until Nov. 15, 1979	Nov. 15, 1979- April 15, 1980	April 15- Nov. 10, 1980	Nov. 10, 1980 Jan. 17, 1983	Jan. 17- March 10, 1983	After March 10, 1983
Demand	30	32	34	36	36	40
Savings	30	32	34	36	32	32
Term						
Less than one year	30	30	20	20	20	20
One year and over	30	20	10	10	8	8

Source: IMF

Table 7.1: AGRICULTURAL PRODUCTION IN VOLUME TERMS, FY50-83

(Thousands of metric tons)

Products	Sources	FY50	FY60	FY70	FY71	FY72	FY73	FY74	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83
Cereals																	
Paddy rice	CEPAL/DARNIR/FAO/USDA	42	50	83	80	81	95	119	108	-	90	105	122	91	90	105	95
Rice (husked)	IBRD	-	57	74	73	73	85	119	108	-	91	114	122	124	120	116	113
Maize	CEPAL/AID	206	227	240	252	265	257	204	201	180	246	266	288	-	-	-	-
Maize	IBRD/KITE	-	227	235	240	252	257	204	204	251	168	161	183	186	179	176	171
Sourghum	CEPAL/AID/DARNIR	174	183	209	211	217	215	135	135	-	162	176	189	-	-	-	-
Sorghum	IBRD	-	183	195	210	211	215	134	134	-	111	100	123	125	121	118	107
Sorghum	KITE	-	-	-	-	-	-	219	220	225	111	100	124	110	110	118	106
Roots and Tubers																	
Potatoes	CEPAL/IBRD/FAO	0.34	1	6.6	7	7.2	-	-	-	-	8	9	10	-	-	-	-
Sweet potatoes	CEPAL/AID/FAO	79	83	74	70	72	70	68	73	-	-	-	97	-	-	-	-
Sweet potatoes	IBRD	-	83	85	74	66	70	106	106	-	-	306	247	282	282	313	346
Yam	CEPAL/AID	19	20	20	17	16	16	25	25	22	22	23	23	-	-	-	-
Cassava	CEPAL/AID/BANK SIMILAR	104	110	130	134	141	137	135	140	148	145	146	146	-	-	-	-
Sugar cane	CEPAL/FAO	4,185	4,952	3,244	3,354	3,500	3,550	3,580	2,802	2,779	2,735	2,808	2,900	-	-	-	-
Sugar cane	IBRD	-	4,950	4,230	4,350	4,440	4,443	4,380	4,300	-	4,536	4,240	5,552	5,141	5,443	5,440	5,674
Sugar cane	L. Dalatour/Suvokas	-	-	4,600	4,900	5,047	4,000	5,241	6,159	-	-	1,800	-	-	-	-	-
Beans	CEPAL/AID/CARNDR/IBRD	34	37	40	42	43	44	41	44	46	47	46	52	53	51	50	47
Groundnut	CEPAL/AID	2.2	2.3	-	-	-	-	-	-	-	-	17	7	-	-	-	-
Groundnut	DARNDR/Kansas	-	-	-	-	-	-	-	3.9	2.2	2	2	2	2	2	-	-
Cotton seed	CEPAL/IDAI	5.7	3.5	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-
Cotton seed	FAO/Kansas	-	-	-	-	-	-	-	3	3	3	-	3	3	4	-	-
Plaintain/Bananas	CEPAL/DARNIR	379	488	585	-	-	-	-	-	-	-	-	512	-	-	-	-
Plaintain/Bananas	IBRD	-	155	156	188	190	191	191	191	-	474	474	555	520	502	504	510
Coffee	CEPAL/AID/USDA	35	39	33	30	32	33	33	36	26	35	25	40	-	-	-	-
Coffee	OCSA	35	39	27	34	36	32	35	35	35	26	27	28	39	35	-	-
Coffee	IBRD	-	42	24	32	33	33	35	35	-	32	28	36	43	33	32	40
Cocoa	CEPAL/AID/FAO	2.4	2.3	3.1	3.3	3.1	3.5	3.5	3.4	-	-	-	3.0	-	-	-	-
Cocoa	Cook	-	-	-	3.7	3.0	3.5	3.5	3.5	3.0	2.5	2 5	3.0	-	-	-	-
Cocoa	IBRD	-	3.9	3.7	3.1	3.1	3.1	3.5	3.5	-	1.6	3.5	11.4	3.4	2.2	4.5	4.6
Cotton fiber	CEPAL/IDAI/USDA	2.3	1.4	0.7	-	-	-	-	-	-	-	-	1.0	-	-	-	-
Cotton fiber ($1bx10^3$)	IBRD	-	3.5	4.0	4.0	4.0	4.0	3.2	3.2	-	3.7	5.0	5.6	5.9	5.7	5.4	4.3
Cotton fiber	Dalatour	-	-	1,700	2,750	4,240	6,410	5,600	3,560	3,895	2,074	3,250	3,620	4,630	6,090	2,695	3,800
Tobacco	CEPLA/AID/USAID/Zuvokas	1.0	2.0	2.2	2.2	2.3	2.0	1.8	2.4	-	-	-	4.0	-	-	-	-
Sisal	CEPAL/USDA	34	27	18	-	-	-	-	-	-	-	-	8	-	-	-	-
	Zuvokas/DARNIR	-	-	15	15	16	19	27	22	-	-	-	-	-	-	-	-

Source: World Bank, Agricultural Sector Study, 1985.

Table 7.2: PRODUCTION OF MAJOR AGRICULTURAL COMMODITIES IN VOLUME TERMS, FY80-84

(Metric tons)

Commodities	FY80	FY81	FY82	FY83	FY84
Food commodities:					
Rice	124,050	119,710	115,800	113,400	121,900
Corn	186,230	179,170	175,700	170,900	186,000
Millet	125,170	120,790	117,750	106,600	118,240
Beans	52,630	50,790	50,300	46,700	47,200
Bananas	519,690	501,500	504,140	509,600	500,400
Meat	69,410	61,130	70,880	92,300	41,000
Eggs	17,550	17,830	17,690	18,570	18,920
Export Commodities					
Coffee	42,900	33,250	32,250	36,000	36,600
Sugar cane	5,640,830	5,443,400	5,440,000	5,674,360	5,700,000
Cotton	5,900	5,690	5,400	6,000	6,049
Cocoa	3,420	2,220	4,490	4,600	4,710

Source: Service des Statistiques - Unite de programmation, MARNDR

Table 8.1: PRODUCTION a/ AND PRODUCTIVITY, FY76 Prices, FY76-84

	Agriculture			Rest of the Economy			Whole Economy		
	Value Added (G Million)	Employed Labor Force (000)	Apparent Productivity (G)	Value Added (G Million)	Employed Labor Force (000)	Apparent Productivity (G)	Value Added (G Million)	Employed Labor Force (000)	Apparent Productivity (G)
FY76	1,675	1,584	1,057	2,535	714	3,550	4,210	2,308	1,824
FY77	1,575	1,570	1,003	2,660	736	3,614	4,235	2,316	1,829
FY78	1,605	1,556	1,031	2,842	758	3,749	4,447	2,323	1,914
FY79	1,708	1,542	1,108	3,077	781	3,940	4,785	2,331	2,053
FY80	1,723	1,528	1,128	3,385	804	4,210	5,108	2,338	2,185
FY81	1,698	1,514	1,122	3,263	828	3,941	4,961	2,346	2,115
FY82	1,627	1,500	1,085	3,153	853	3,696	4,780	2,353	2,031
FY83	1,592	1,486	1,071	3,198	879	3,638	4,790	2,361	2,029
FY84	1,638	1,473	1,112	3,279	905	3,623	4,917	2,368	2,076
Annual Growth Rates (%)									
FY76-80	0.7	-0.9	1.6	7.5	3.0	4.4	5.0	0.3	4.6
FY80-84	-1.3	-0.9	-0.4	-0.8	3.0	-3.7	-0.9	0.3	-1.3
FY76-84	-0.3	-0.9	0.6	3.3	3.0	0.3	2.0	0.3	1.6

a/ GDP at producers values.

Source: IHSI, La population Active en 1982, (July 1984); Table 1.5

Table 8.2: INDUSTRIAL PRODUCTION IN VOLUME TERMS, FY80-84

Product	Unit	FY80	FY81	FY82	FY83	FY84
Matches	Container	38,807.0	37,056.0	39,442.0	37,533.0	43,599.0
Beer	Thousands of bottles	5,308.0	5,629.2	5,605.6	6,066.1	4,354.2
Soft drinks	Million of bottles	73.8	63.8	62.4	72.9	72.4
Sugar	Thousands of MT	53.9	51.6	50.4	49.0	43.0
Molasses	Millions of gallons	6.7	3.5	2.7	1.9	1.9
Bauxite	Thousands of MT	414.4	480.4	622.4	-	-
Cement	Thousands of MT	243.2	240.7	206.0	224.5	230.2
Clinker	Thousands of MT	-	147.3	177.3	200.8	186.0
Shoes	Thousands of pairs	795.3	528.4	588.3	519.2*	528.2*
Cigarettes	Thousands of cigarettes	1,063.8	852.2	964.6	932.2	938.0
Detergents	Thousands of kilos	578.6	513.3	586.4	692.4	935.5*
Flour	Thousands of tons	84.8	120.8	88.4	118.4	113.8
Soap	Thousands of tons	0.2	0.3	0.4	0.5	0.5*
Washing powder	Thousands of tons	13.1	11.7	12.7	12.8*	14.0*
Edible oil	Thousands of tons	18.9	24.5	17.1	12.7	8.4
Lard	Thousands of tons	3.3	3.1	2.8	3.0	3.2
Essential oils	Thousands of kilos	241.5	208.4	233.5	286.0	206.2
Electricity	Millions of KWH	355.7	354.7	377.8	393.1*	408.3
Fiber material	Millions of yards	-	-	1.1	1.0	1.1

* BRH Estimates.

Source: BRH - Direction des Etudes Economiques

Table 8.3: ELECTRICITY CONSUMPTION, FY80-84

A) CONSUMPTION IN MWH

Items	FY80	FY81	FY82	FY83	FY84
Residential	80,701	89,930	99,189	110,025	109,429
Commercial & Industrial	116,860	122,379	126,675	118,642	130,562
Street Lighting	8,649	8,165	8,987	10,169	8,439
Public Service & Community	10,430	11,759	13,073	16,399	25,236
Sub-Total	216,640	232,234	247,924	255,235	273,667
Private Generation					
Hasco	17,820	7,346	6,367	8,632	9,169
Ciment D'Haiti	21,484	22,433	19,579	22,115	22,156
TOTAL	255,944	262,013	273,871	285,982	304,993

B) ANNUAL PERCENTAGE CHANGE IN CONSUMPTION

Consumption Category	FY81	FY82	FY83	FY84
Residential	11.4	10.3	11.9	-0.5
Commerce & Industry	4.7	3.5	-6.3	10.0
Street Lighting	-5.6	10.0	13.1	-17.0
Public Service & Community	12.7	11.2	25.4	53.9
Sub-Total	7.2	6.7	2.9	7.2
Hasco	-58.8	-13.3	35.6	6.2
Ciment D'Haiti	4.4	-12.7	12.9	0.2
TOTAL	2.4	4.5	4.4	6.6

Sources: Electricite d'Haiti
BRH - Direction des Etudes Economiques.

Table 8.4: CAPACITY UTILIZATION IN SELECTED INDUSTRIES, January 1985

Name of Company	Product	Capacity	% Capacity Utilized	No. of Shifts
Manufacture, SA	Garments	450,000 dz/yr	90	1
Textile ACRA	Garments	30,000 dz/month	20	1
P.E.C.	Garments	na	100	1
Picvert	Garments	5,000 dz/month	60	1
Sirius	Plastic sprayers	18 million/yr	100	1
Store Tropical	Stores	na	30	1
Rawlings	Baseballs	330,000 dz/yr	100	1
Mac Gregor	Sport goods	1,000 dz/day	70	1
Haiti Metal	Enamelware	70 tons steel/month	72	1
Acieries D'Haiti	Round bars	30,000 tons/yr	60	1
Picvert	Wooden furniture	na	60	1
ETI	Toys	24,000 dz/month	66	1
G. M. Products	Toys	4,000 units/day	50	1
Consolidated Industries	Toys	500 dz/day	60	1
Consolidated Industries	Softballs	200 dz/day	100	1
Napex	Furniture	10 containers/month	10	1

Source: Mission visits to plants.

Table 8.5: INDUSTRIAL CAPACITY UTILIZATION: REASONS FOR OPERATING ONLY ONE SHIFT

Name of Firm - Product	1	2	3
I. Export Assembly Plants			
Industrial Garments	lack of municipal transport for afternoon/night work	workers who have already worked one shift elsewhere would come to work here; already underfed.	lack of supervision
PEC - Garments	cheaper to increase production through increasing building size than to hire night shift paid 50% more.[a/]		
PICVERT - Garments	insufficient demand to work more than one shift		
Performance Footwear	workers not used to work two shifts.	need for stricter discipline	more economic to expand building[b/]
Le Sac - vinyl bags	insufficient demand	workers used to work during day time only	lack of supervisors
G.M. Products - toys	insufficient export demand		
ETI Haiti - toys	workers not trained	workers opposed to working at night.	lack of skilled manpower
Consolidated Indus. - toys	lack of transport	food problem	social customs opposed to night work
Mac Gregor - baseballs	insufficient demand		
Worth Haiti - baseballs	insufficient demand		
Rawlings - baseballs	insufficient demand		
GTE - electronics	insufficient demand[c/]		

a/ For instance 130 additional workers would be paid an extra $1.50 per day i.e. $4.50 instead of day light $3.000/day minimum wage for 200 days. Total cost would then be $39,000/yr. while extending the present building--machinery is supplied by U.S. firms free of charge would only cost $30,000.

b/ Machinery is obtained from U.S. parent company, free.

c/ Could find enough workers to work at night should there be enough demand.

Table 8.5: INDUSTRIAL CAPACITY UTILIZATION: REASONS FOR OPERATING ONLY ONE SHIFT

Name of Firm - Product	1	2	3
I. Export Assembly Plants			
Multi Technics - electronics	lack of transport	Light, low cost machinery does not need to be utilized two or three shifts.	Parts of the mill work two shifts.
La Barge - electronics	lack of supervisors	lack of transport	
Casetco - tapes	insufficient demand	lack of supervisors	
Napax - shades	insufficient demand		
Store Tropical - shades	insufficient demand		
Sirius - sprayers	preference to increasing installed machinery	relatively high cost of evening labor cost— +50% or night labor cost— + 100%	manpower hostile to second shift
J.L. Diamond - wigs	lack of supervisors	Second shift is considered unusual.	
II. Industries Selling in the Local Market			
Textile Acra - Garments	competition from second hand and new clothes smuggling		
Peintures Ideales - paints	strong competition on local market		
Rosebag - paper and board	insufficient demand	too small orders to fully utilize capacity	
R. Manos - metal and wooden furniture	insufficient demand		
ERF - concrete blocks, nails	insufficient demand		
Haïri Metal - enamelware	insufficient demand		Part of the mill works 3 shifts.
Acierie d'Haiti - rounds, wire rods	insufficient demand		

Table 8.6: USE OF LOCAL RAW MATERIALS BY EXISTING INDUSTRIES

	Present Use	Potential Use
Int. Garments	-	500,000 yards (value $1 million) from local cotton spinning mill if good quality a/
Manufacture S.A. (garments)	board boxes, plastic	-
Picvert (basketware, furniture)	local wood, straw	more local wood (long term)
Performance Footwear	-	goat skins for boot linings b/(10 to 15,000 ft/month)
GM Products (toys)	board boxes	increase board boxes purchases
ETI (toys)	-	plush materials could be produced by attracting US industry ($3 million project) c/
Consolidated Industries (toys)	-	a) as ETI b) sewing thread could be made in Haiti
MacGregor (sporting goods)	packing materials	a) leather skins (now imported at $1 per dz.) could be made in a local factory (for base-balls) d/ b) wool/synthetic yarn as well as cotton yarn could be made here for use in baseballs e/ c) vinyl locally produced could be used in basket balls (football) f/ d) glue
Rawlings (sport goods)	packing materials	local wool/synthetic yarn for baseballs (30 to 35% of raw materials use)
Peintures Ideales (paints)	packing materials	-

Table 8.6: USE OF LOCAL RAW MATERIALS BY EXISTING INDUSTRIES

	Present Use	Potential Use
R. Menos (furniture)	steel bars, squares, cloth, foam, glue	-
Haiti Metal (enamelware)	cardboard boxes	-
Le Store Tropical	packaging materials	plastic components, small metal chains
Sirius (sprayers)	-	cardboard boxes, resin, plastic components g/
T.L. Diamond (wigs)	-	-
Rosebag	cardboard	-
ERF (nails, concrete blocks)	steel plates, wire, bars, concrete, gravel	-

a/ One problem is also that FITICOSA prices are 60 to 70% more expensive than Hong Kong prices.
b/ Price per square foot is 0.50 to 0.80 in Haiti against 0.95 to 1.30 in the US. However, purchasing leather in Haiti may result in paying 3 to 6% when entering the US.
c/ And thus serve all toy factories in Haiti using plush materials ($20 million of such materials are imported from Taiwan, US, etc.).
d/ Project under study by Hawtan Tanneries (US/German); part of leather may have to be imported.
e/ MESA project, affiliated to FITICOSA (spinning mill). Use of local yarn could enable baseballs to be exported under CBI scheme.
f/ Project under study by the FABNAC company.
g/ Through purchase by company of an extrusion moulding machine.

Source: Mission estimates based on plant visits.

Table 8.7: USN: PRODUCTION DATA, 1970-84

year	cane ground: amount (m.tons)	cane ground: % of total country	sugar produced: amount (m.tons)	sugar produced: % of total country	conversion rate (TC/TS)	capacity utilization (%)
1970	25,808	3%	1,488	2%	17.34	..
1971	63,506	8%	3,698	6%	17.17	20
1972	83,468	10%	6,153	9%	13.57	24
1973	139,504	17%	8,454	13%	16.50	32
1974	175,932	21%	10,002	15%	17.59	37
1975	132,667	18%	5,417	9%	24.49	40
1976	115,833	17%	8,906	15%	13.01	50
1977	204,723	28%	10,854	20%	18.86	45
1978	174,523	21%	6,690	13%	26.09	36
1979	145,080	17%	6,566	11%	22.10	34
1980	124,351	14%	4,198	8%	29.62	31
1981	89,440	13%	2,014	5%	44.41	27
1982	76,805	10%	2,572	5%	29.86	29
1983	84,930	14%	3,262	8%	26.04	39
1984	109,508	19%	5,999	15%	18.25	37

a/ Tons of Cane to produce one Ton of Sugar.

Source: World Bank, Haiti: Agricultural Sector Study, 1985

Table 8.8: CIMENT D' HAITI: TOTAL SALES AND PRODUCTION COSTS, 1979-85

(current dollars per ton, except when otherwise indicated)

	1979	1980	1981	1981	1982	1983	1984	1985	average yearly growthrate 1) 1979-1984 (in %)
				industry standards	Oct.1-'83 / budgeted Sept.30-'84				
TOTAL SALES:									
amounts in m.tons:	234,154	246,477	234,452		213,150	225,369	232,203	239,000	-1
values in US dollars:	12,258,277	17,615,993	21,073,744		20,435,399	21,198,316	21,492,745	22,484,000	10
values in dollars/ton: 2)	52.35	71.47	89.89		95.87	94.06	92.56	94.08	11
(weighted average of fixed prices:	52.34	72.62	90.53		96.26	94.12	94.12	94.12)	
COST CATEGORIES:									
payroll:	7.65	9.35	11.66	5.00- 8.00	15.53	16.24	19.29	19.29	21
fuel for kilns:									
bunker C (through Febr. 1982):	17.50	23.92	28.60	18.00 3)				>	
coal (as of March 1982):				5.00-10.00	12.24	11.76	7.53	9.65 >	4)
diesel fuel for power generation:	9.24	11.08	11.61	2.00- 5.00	11.53	6.82	10.59	6.35 >	-5
other fuels and lubricants:					3.53	7.06	6.82	7.06 >	
supplies:	1.96	4.38	6.02	5.00- 8.00	5.65	9.18	11.06	9.18	36
bags:	3.71	4.72	5.65	4.00- 6.00	6.35	7.06	7.06	7.53	14
additives:	2.36	1.16	1.49	1.00- 2.50	>				
third party services:	2.55	2.66	2.85	1.00- 4.00	> 10.59	9.41	6.59	5.65	10
other costs:	1.28	0.68	0.23	.10- 1.00	>				
sub-totals:	46.25	57.95	68.11	35.00-50.00	65.41	67.53	68.94	64.71	7
depreciation:	5.86	7.84	9.05	varying	13.41	12.00	12.71	12.71	17
finance charges:	8.09	9.24	9.72	varying	9.41	6.82	6.59	5.41	-5
total costs per ton:	60.20	75.03	86.88	< 70.00	88.24	86.35	88.24	82.82	7
INDICES (1979 = 100):									
total amount of sales:	100	105	100		91	96	99	102	
total sales value:	100	144	172		167	173	175	183	
sales value per ton:	100	137	172		183	180	177	180	
total costs per ton:	100	125	144		147	143	147	138	
inflation 5):	100	118	124		136	148	157		9

1) rounded to nearest whole %.
2) calculated as (the sum of (price x # of days in effect), for prices 1...n) : 365.
3) coal costs listed for comparison only (coal firing started in March of 1982)
4) for total energy and lubrication use, i.e. for kilns, power generation and transportation. Average $33.98/ton from 1979 through 1981; average $25.96/ton from 1982 through 1984.
5) general cost of living index for Port au Prince according to the I.H.S.I.

Sources: Company Records
Holderbank Consulting Ltd. - technical audit - report no. 3050-R1 REV.1 - Oct. 1982
I.H.S.I.

Table 8.9: TRAINING PROBLEMS IN INDUSTRY

Name of Firm - Product	1	2	3
International Garments	lack of supervisors	lack of cost and quality consciousness due to insufficient education	lack of good working methods
Picvert - garments, furniture	too much supervision req. due to low education level	poor qualifications of maintenance technicians	lack of technicians, now overpaid
Manufacture, SA - garments	urgent need for experienced plant managers	lack of well organized high level seminars for managers	
Performance Footwear	need for permanent supervision	Training takes longer than in the U.S.	lack of mechanics for repair jobs
G.M. Products - toys	lack of supervisors[a/]		
ETI - toys	lack of trained workers[b/]	lack of middle managers, technicians who can train supervisors	
Mac Gregor - sport goods	lack of trained mechanics, high turnover[c/]	need to train workers for preventive maintenance programs	U.S. workers productivity is 25% higher; need to train workers in U.S. and organize video films here for local workers.
North Haiti - sport goods	Labor turnover for technicians is relatively high.		
Multi Technics - electronic	lack of middle and high level technicians[d/]		

a/ Paid an average of $575/month. Higher technicians are easier to find among Haitians who studied in the U.S. and have come back. They are paid $1,500/month against $2,400 in the U.S.

b/ On the job training takes two to three months for unskilled workers.

c/ Paid $200 to 250 after technical school but leave after one or two years for higher pay

d/ Paid $2,000/month - low turnover because of informal agreement between firms.

Table 8.9: TRAINING PROBLEMS IN INDUSTRY

Name of Firm - Product	1	2	3
Alpha Electronics	"Brain Drain" of technicians		
Labarge, SA - electronics	lack of engineers	lack of middle managers	
Casetco - tapes	high turnover rate for supervisors	lack of technicians	
Napex - shades	lack of trained supervisors		
J.L. Diamond - wigs	Haitian workers produce 1 wig/week/employee while Korean workers produce 1.2 wig/day/employee, need to train Haitian workers.	lack of strict quality control by supervisors	Haitian workers not educated and slow.
Rosebag - paper and board	Constant supervision needed of workers and technicians, little awareness of productivity and high quality needs		
R. Manos	need to supervise supervisors	lack of mechanics and technicians in repairing machinery	
Haiti Metal	high turnover of technicians		
Acieries d' Haiti	lack of production and maintenance technicians, 4 foreigners in plant are likely to stay indefinitely	high cost of technicians, scarce, leave to USA	Professional schools do not produce enough technicians.

Source: Mission visits to plants.

Table 9.1: CONSUMER PRICE INDEX IN PORT AU PRINCE, FY55-83
(FY48 = 100)

	General Index	Food	Clothing	Housing
FY55	107.4	104.9	90.2	153.6
FY56	111.3	104.2	89.4	187.7
FY57	113.8	126.2	85.6	203.6
FY58	113.6	103.8	80.2	224.1
FY59	108.2	96.6	83.2	215.5
FY60	102.8	91.6	76.8	209.8
FY61	106.6	94.8	83.0	215.2
FY62	106.0	95.6	83.1	203.5
FY63	110.5	101.3	83.6	207.0
FY64	120.8	114.2	88.6	211.9
FY65	123.5	111.8	85.2	252.9
FY66	133.6	121.2	83.1	288.2
FY67	129.8	116.4	88.8	274.0
FY68	131.5	119.5	103.2	247.0
FY69	133.3	122.8	112.0	231.7
FY70	134.4	124.5	112.0	236.7
FY71	147.9	131.4	115.1	293.1
FY72	152.8	144.8	114.3	262.5
FY73	187.6	184.5	116.9	301.3
FY74	216.5	207.6	162.0	353.0
FY75	252.8	246.3	202.2	373.0
FY76	268.4	261.8	205.1	401.6
FY77	287.0	282.1	201.8	454.1
FY78	279.5	262.5	206.0	497.5
FY79	315.9	303.4	210.0	561.4
FY80	372.2	384.1	211.1	567.3
FY81	392.7	414.1	211.1	567.3
FY82	429.4	435.7	289.7	621.3
FY83	466.2	490.0	288.1	621.5

Source: IHSI

Table 9.2: QUARTERLY AND ANNUAL CONSUMER PRICE INDEX IN PORT-AU-PRINCE, FY80-84

(Basket FY76 Base, Prices FY80 Base)

	General Index	Food	Clothing & Shoes	Furniture Decoration	Housing	Services a/
FY80	100	100	100	100	100	100
FY81	111.3	113.2	118.6	109.8	110.5	102.5
I	109.0	112.4	107.0	107.3	100.7	102.2
II	110.2	112.1	113.5	104.2	113.7	101.0
III	111.2	112.9	127.4	108.2	112.7	100.9
IV	114.6	115.5	126.3	119.5	115.0	106.2
FY82	119.0	114.2	129.9	125.5	146.4	113.8
I	116.6	113.3	128.5	124.3	135.7	111.1
II	120.1	115.6	126.0	123.6	151.4	113.3
III	118.7	113.7	130.9	125.1	144.1	115.7
IV	120.4	114.1	134.4	129.1	154.4	115.3
FY83	131.2	126.8	145.6	131.1	167.6	119.7
I	125.7	120.1	142.4	129.7	163.0	116.7
II	132.6	129.6	144.5	131.9	165.3	118.5
III	131.6	127.1	146.8	132.7	169.2	118.7
IV	134.9	130.3	148.9	130.1	172.8	124.7
FY84	137.4	134.5	157.5	171.4	143.3	128.0
I	136.5	132.0	151.4	130.8	175.8	125.2
II	137.0	135.2	161.8	179.7	131.1	128.0
III	137.3	135.0	156.9	183.3	132.9	129.2
IV	138.5	135.7	159.9	191.8	133.5	129.7

a/ Housing excluded

Source: IHSI

Table 9.3: LIST OF PRODUCTS SUBJECT TO PRICE CONTROL, January 1985

Food Products	
Evaporated Milk	- France Lait - Laina
	- B. B Hollandais
	- Alaska
	- B & B
	- Carnation
Powdered Milk	- Carnation
	- Alaska
	- Green Land
	- White Lily
Cereal	- Superior Flour
	- Flour Semolina
	- Flour for any use
	- Flour "Whole Wheat"
Cooking Oil	- Regular refined oil
	- Superior refined oil
Dried Fish	- Red Herring
	- Cod (hake choice)
	- Cod (standard choice)
	- Salt Herring
Yeast	
Sugar Products	- Unrefined sugar
	- Refined sugar
Material for Construction	
	- Cement
	- Regular Steel
	- Tubes and Pipes
Petroleum Products	
	- Gasoline
	- Diesel
	- Kerosene
	- Propane Gas
	- Butane Gas
Matches	

Source: Ministere du Commerce

Table 9.4: MINIMUM WAGE RATE AND REAL WAGE INDEX, FY72-85

	Standard Minimum Wage Rate (Gourdes per day)	Real Wage Index a/
FY72	5.00	101.0
FY73	5.00	82.5
FY74	5.00	71.6
FY75	6.13	74.4
FY76	6.50	71.7
FY77	6.50	67.1
FY78	8.00	85.0
FY79	8.00	77.6
FY80	11.00	90.4
FY81	13.20	100.4
FY82	13.20	92.4
FY83	13.20	85.2
FY84	13.20	79.1
FY85	15.00	..

a/ Last quarter of FY71 = 100.

Source: IMF

Table 9.5: MINIMUM WAGE BILL IN INDUSTRY, JANUARY 1985
(US dollars)

I. **Minimum Wage:** $3.00/day = $0.375/hr [a]
$0.375 x 9 hr/day x 223 days/yr. = $752.63.

Days paid but not worked: Holidays 12
Vacation 15
Illness 15
42 days x 8 hrs. x $0.375/hr. = $126.00

Subtotal base: $752.63
126.00
$878.63

II. **Fringe Benefits:**

13th Month $878.63/12 =	73.22
Old age insurance - 2% base [b]	17.57
Work Accident insurance - 3% base [c]	26.36
Apprenticeship Tax - 1% base + 13th month	9.92
Patente - 6% monthly pay	6.25
Health Card	5.00
Subtotal fringe benefits	$137.92

III. **Total annual cost (I+II)** 1,016.55

Days worked:
365 days/yr less Sat./Sun - 104, Holidays, vacation, illness - 42, Net days worked = 219; net hours worked = 219x9 = 1,971/yr.

cost per hour = 1,016.55/1971 hrs. = $0.516/hr

Composition of cost per hour: minimum wage $0.375
fringes $0.141
$0.516

Therefore, fringe benefits add 38% to the minimum wage.

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a/ Minimum wage was increased from $2.64/day to $3.00/day in October 1984.
b/ Payment to ONA range from 2 to 6% of yearly wages (including days not worked) to which are added 2 to 6% payment by employers.
c/ Payment to OFATMA of 3% by employer only.

Sources: UNIDO and mission estimates.

Table 9.6: WAGES AND SALARIES IN SELECTED INDUSTRIAL FIRMS, January 1985

Firm's Name		
G.M. Products (toys)	Workers -	minimum wage - $3/day (during two-week probation period) minimum wage - $4/day (after probation period) average wage - $5/day
Le Store (shades)	Workers -	$4.8/day average wage[a/]
International Garments	Workers -	minimum wage = $3/day average wage - $3.50 to $4/day
PEC (garments)	Workers -	minimum wage - $3.40/day
LE SAC (vinyl bags)	Workers -	minimum wage - $3.00/day (one-week probation) average wage - $4.00/day
	Supervisors	$240 to $320/month
MacGregor (sports goods)	Workers -	minimum wage - $3/day average wage - $3.50 to $4/day (using piece rate system)
Worth Haiti (sports goods)	Workers -	minimum wage - $3/day average wage - $3.60/day[b/]
	Supervisors -	$100 to $110/month
	Technicians -	$250 to $350/month[c/]
Peintures Ideales (paints)	Workers -	minimum wage - $3/day higher wage - $6/day for unskilled, 10-15 years seniority
Raymond Menos (metal and wood furniture)	Workers -	minimum wage - $3/day (three-year period)
	Skilled Workers -	$100 to $150/month
	Supervisors -	$500/month
J.L. Diamond (wigs)	Workers -	minimum wage - $3/day (three-month probation period)

a/ $3,000 labor cost per month for 21 workers and two technicians i.e, $150 per day (20 days/month) of which 27% fringe benefits and 73% wage i.e. 150 x 73%/23 = $4.76/day per worker.

b/ Piece wage system = US$ 0.20/baseball and minimum of 36 balls/day.

c/ maintenance, mechanic

Source: Mission visits to plants.

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